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Task Force on Greening Public Credit Guarantee Schemes for SMEs

Guidelines for Integrating Climate Change Mitigation and Adaptation in Public Credit Guarantee Schemes for Small and Medium Enterprises

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Strengthening Financial Sectors

I. INTRODUCTION

Small and medium enterprises (SMEs) represent the majority of firms in most countries and they are fundamental to more inclusive and equitable development. SMEs are, therefore, central to efforts aimed at tackling climate change in line with the Paris Agreement[1] and the Sustainable Development Goals (SDGs). Although the individual environmental footprint of an SME may be low, SMEs' aggregate impact is considerable and can, in some respects, exceed that of large businesses. However, rising temperatures and extreme natural events are bound to undermine SMEs' productivity and the value of their assets, affecting their business and financial performance. This implies that SMEs can play a crucial role in climate change mitigation and adaptation as key drivers of eco-innovation while building resilience.

The capacity of SMEs to adopt sustainable practices and seize "green" business opportunities while adapting to climate change generally faces size-related constraints, including obstacles to accessing finance. SMEs need access to mitigation finance to transition to low-carbon business models, and they need access to adaptation finance to weather natural disasters and slower-moving climate-driven phenomena (for example, rising sea levels or droughts).[2] Yet the traditional market failures that hinder their access to finance—typically driven by asymmetric or imperfect information—are compounded for SMEs looking to invest in climate change mitigation and adaptation due to the presence of negative externalities.

As the quantity and quality of green finance available to SMEs remains suboptimal, governments can play an important role in providing the right incentives for private capital providers to scale up SME green financing while helping SMEs cope with climate-related natural disasters. In that regard, risk mitigation instruments such as public credit guarantee schemes (PCGSs), among others, can be mobilized at scale to reduce the net losses that lending financial institutions may incur in case of default of SME borrowers investing in climate change mitigation and adaptation. PCGSs also can be leveraged to provide emergency finance to viable SMEs affected by a climate-related natural disaster.

PCGSs can play several roles to support SME access to green finance. PCGSs can act as enablers—de-risking private green finance for SMEs—and as shock absorbers—facilitating the provision of emergency finance to viable SMEs hit by a climate-related natural disaster. PCGSs

1 The Paris Agreement is a legally binding international treaty on climate change. For more information, visit the United Nations Framework Convention on Climate Change website.

2 Both mitigation finance and adaptation finance are referred to as green finance or green financing in the rest of the document.

can also play an equally important role in reducing information asymmetries and building capacity through technical assistance to both SMEs and partner financial institutions. SMEs may struggle to present a bankable green investment proposition to financiers, and financial institutions may lack the ability to assess the risks and rewards of green investments and reflect their assessment in affordable terms and conditions of the financing to SMEs.

PCGSs are a widely used policy tool to ease access to finance by SMEs and a common feature of financial systems across the world. Their growing relevance has come with scrutiny and demand for good practices and evidence of their additionality. To that end, in 2015, the World Bank–led Task Force for the Design, Implementation and Evaluation of Public Credit Guarantee Schemes for Small and Medium Enterprises developed *Principles for Public Credit Guarantee Schemes for SMEs* (the Principles) (World Bank 2015), which was complemented by the 2018 *Toolkit for Impact Evaluation of PCGSs for SMEs* (World Bank 2018), to provide a generally accepted set of good practices for the design, execution, and impact assessment of PCGSs. Although the Principles remain sufficiently broad and flexible to accommodate the incorporation of climate change mitigation and adaptation in their legal and operational framework, PCGSs could benefit from further guidance from the task force to foster good practices in mainstreaming climate action across their strategy and operations.

Through the publication of the *Guidelines for Integrating Climate Change Mitigation and Adaptation in Public Credit Guarantee Schemes for SMEs* (the Guidelines), which should be read jointly with the *Principles for Public Credit Guarantee Schemes for SMEs*, the task force seeks to promote a principles-based approach on integrating climate change mitigation and adaptation in PCGSs. The approach builds on a review of the Principles and draws from current market practices for greening PCGSs and development finance institutions more generally, as well as from emerging regulatory and supervisory practices around the world.

This document includes eight Guidelines organized around four key areas: (a) committing to green strategies, (b) managing climate-related and environmental risks, (c) promoting climate-smart objectives, and (d) accounting for climate performance. The Guidelines attempt to achieve a balance between improving PCGSs' practices in relation to climate change–related challenges and opportunities and providing a common framework for PCGSs across jurisdictions, while maintaining sufficient flexibility given the degree of heterogeneity and evolving practices in this area.

In implementing the Guidelines, PCGSs must carefully weigh the potential pitfalls, especially the unintended consequences that their green strategy and operations may have on access to finance by SMEs. Favoring green SMEs or penalizing "brown" SMEs may exacerbate financial access obstacles for small businesses, which represents the key rationale for governments to intervene in credit markets through PCGSs. Therefore, in the process, PCGSs should tread a fine line, ensuring their continuous support to activities that do no harm, that address exposure to

climate-related and environmental risks, and that are not inconsistent with country policies on low-carbon, resilient development.

The Guidelines were drafted in a way to accommodate different legal, regulatory, and institutional settings across jurisdictions. However, the task force acknowledges that implementation of the Guidelines may be challenging for PCGSs operating in jurisdictions with less-developed financial sectors and limited institutional capacity. Those PCGSs may require an appropriate transitional period and they are advised to improve capacity before implementing the Guidelines.

The Guidelines are meant to be applied, in conjunction with the Principles, both to existing PCGSs—general and sector-specific—that wish to gradually shift to a green business model and to newly established green PCGSs. The Guidelines were developed for implementation by PCGSs; however, they are also intended to apply—to the extent possible and where relevant—to other types of credit guarantee schemes (CGSs), including international CGSs, donor-funded CGSs, public-private jointly owned CGSs, privately owned CGSs, and counter-CGSs. Akin to the Principles, the Guidelines are intended to be a set of good practices that PCGSs have either implemented or intend to implement voluntarily, subject to home-country laws, regulations, requirements, and obligations, and in a manner that is proportionate to their nature, scale, and complexity.

II. APPROACH TO GREENING PCGSs

Mainstreaming climate action in PCGSs—whether newly established or existing and well-functioning—requires a guiding framework based on the following building blocks: (a) committing to green strategies, (b) managing climate-related and environmental risks, (c) promoting climate-smart objectives, and (d) accounting for climate performance.

Integrating climate change mitigation and adaptation in PCGSs requires a clear strategy that is supported by a committed governance and management structure. It also requires an upgraded risk management framework able to identify, assess, and manage climate-related and environmental risks. PCGSs also need to align eligibility and qualification criteria for both SMEs and partner financial institutions, while refining their product mix to help mobilize green finance. In addition, an appropriate framework for measuring and reporting on climate performance must be established.

Effectively greening PCGSs requires two important enablers:

- Clear taxonomies around environmentally sustainable activities. Taxonomies based on clearly defined criteria enhance the transparency around which economic activities contribute to the transition to a green and low-carbon economy and are more exposed to climate-related and environmental risks. Therefore, taxonomies facilitate climate-related risk management while helping mobilize capital for green and low-carbon investments consistent with the Paris Agreement. In the absence of global standards, regulatory or nonbinding, market-driven taxonomies are being developed in many jurisdictions, reflecting the diversity of jurisdictions' collective preference and differing stages of development. Yet many jurisdictions are still far from adopting clear taxonomies.

- A robust and proportionate climate disclosure framework applicable to both partner financial institutions and SMEs. Robust disclosure of climate-related information by partner financial institutions and SMEs is also essential if PCGSs are to manage climate-related and environmental risks while facilitating the provision of green finance to small businesses. Both partner financial institutions and SMEs need to ultimately reduce their net emissions and report on their progress. Climate-related disclosure practices—either nonmandatory, "comply or explain," or mandatory—differ across jurisdictions, both in terms of what and how to disclose. Although disclosure frameworks are more advanced for financial institutions and large corporates, they remain largely underdeveloped for SMEs.

The lack of taxonomies and/or disclosure frameworks should not preclude PCGSs from acting and starting implementation of the Guidelines. PCGSs should leverage existing taxonomies available in other jurisdictions or in the market to ensure the taxonomies are robust and detailed enough to prevent "green washing," to allow for the certification of green assets and investment projects, and to facilitate risk analysis. Similarly, PCGSs should encourage partner financial institutions and SMEs to disclose climate-related information in line with frameworks in use in other jurisdictions or in the market. At the same time, PCGSs should encourage policy makers to develop taxonomies and disclosure frameworks that can enhance the transparency needed to mobilize private green finance for SMEs while properly managing climate-related and environmental risks.

III. GUIDELINES FOR GREENING PCGSs

A. Committing to Green Strategies

Guideline 1: PCGSs should integrate climate change–related challenges and opportunities in their strategy (reference Principles 1 and 5).

Addressing climate change requires that PCGSs acknowledge the relevance of climate-related risks and opportunities for their mandate. Climate-related and environmental risks are expected to affect the resilience of PCGSs' business model over time and climate change mitigation and adaptation will remain a core dimension of financial flows in the coming years and decades. Therefore, PCGSs should be prepared to systematically integrate climate change–related challenges and opportunities in the development and implementation of their strategy.

PCGSs should understand what climate change entails for their business to be able to make informed strategic and operational decisions. They should explicitly consider how climate change affects their macroeconomic, regulatory, and competitive landscape. When examining their business environment, PCGSs should be able to identify the risks and opportunities arising from climate change at the level of key sectors and geographic locations, and in relation to credit guarantees and other products they offer or are considering offering. This is expected to be reflected in PCGSs' business strategy processes.

PCGSs' green strategy should explicitly consider the response of PCGSs to the objectives set out under international agreements, such as the Paris Agreement and the SDGs, as well as national climate policies. Ideally, their green strategy should be aligned with the green strategies of the financial sector and of the SME segment, if any. Relevant stakeholders include, among others, the Ministry of Finance and/or other ministries, the central bank and/or other national regulators and supervisors, chambers of commerce, and industry associations. Aligning green strategies across stakeholders would ensure the transition toward a resilient low-carbon economic model is supported by the whole SME finance infrastructure in a shared and coordinated way.

To facilitate the determination and execution of their green strategy, PCGSs are encouraged to develop an internal roadmap that is supported and endorsed by the board of directors and executive management to help organize the work and clarify roles and responsibilities. An internal roadmap might include the rationale for integrating climate change considerations in PCGSs' strategy and operations, explaining the link with the mandate; the creation of dedicated organizational structures; the development of relevant policies; awareness building and dialogue with partner financial institutions, SMEs, and stakeholders; and the training of staff.

Guideline 2: The governance and management structure should be conducive to effectively integrate climate change considerations in PCGSs' strategy and operations (reference Principle 6).

Sound governance arrangements and effective executive management are fundamental to the functioning of PCGSs and instrumental to their additionality. To successfully integrate climate change mitigation and adaptation in PCGSs and generate support for action, it is essential that the board of directors and executive management are fully on board and provide clear steering and direction while overseeing and implementing the strategy. Given the widespread impacts of climate change on PCGSs' business model and risk profile, the board of directors and executive management play a key role in ensuring that mainstreaming climate action has sufficient standing in the organization and that PCGSs have the flexibility to respond to evolving risks and opportunities.

Roles and responsibilities related to climate change mitigation and adaptation should be clearly assigned, as appropriate—within existing governance arrangements and commensurate to PCGSs' nature, scale, and complexity—to ensure climate change–related challenges and opportunities are properly embedded in PCGSs' strategy and operations. Responsibility for managing climate-related and environmental risks and opportunities should be explicitly assigned to a senior executive, board member, or board committee. Relevant functional and business units should have adequate resources and skills to fulfill their climate-related responsibilities.

The board of directors and executive management should have adequate collective knowledge, skills, experience, and an understanding of how climate change poses risks and generates business opportunities for PCGSs. If necessary, to help board members and executive management acquire, maintain, and enhance their knowledge and skills and fulfil their responsibilities, PCGSs should promote access to relevant training, either internally or externally, for example leveraging industry associations.

Guideline 3: PCGSs should have adequate funding to support their green strategy and operations, which may involve tapping new sources of funding (reference Principle 2).

Achieving climate goals requires the mobilization of significant financial flows to support the scale of investment needed to reduce greenhouse gas (GHG) emissions while building adaptation and resilience. Public and blended finance have a crucial role to play in the shift to a greener and more resilient economy, especially in leveraging private capital to help all firms realign their business models. For SMEs, in particular, PCGSs are uniquely placed to de-risk green projects and mobilize private capital. However, sufficient funding capacity (and expertise) should be in place.

The government, together with relevant stakeholders, should ensure that PCGSs have the necessary funding and financial support to help SMEs with the green transition while achieving meaningful outreach and additionality with financial sustainability and compliance with minimum prudential capital requirements (or maximum leverage). Any additional government funding support, which, for example, may include a share of CO_2 taxes, should take place within legal frameworks that promote transparency and accountability while mitigating fiscal risks.

New sources of international public funding are increasingly available from donors, development finance institutions, and climate funds to support action for climate change mitigation and adaptation as well as policy development and capacity building. This funding generally includes grants, concessional loans, equity, and guarantees and offers an attractive source of additional funding for PCGSs, especially in countries with limited fiscal resources. However, access and use of international climate change funding often require accreditation and demanding requirements for data monitoring, reporting, and verification. PCGSs should proactively work with the government and stakeholders to identify sources of international climate change funding to support their green strategy and operations while building the necessary capacity to tap and manage them.

B. Managing Climate-Related and Environmental Risks

Guideline 4: PCGSs should incorporate climate-related and environmental financial risks in their risk management and internal control framework (reference Principles 7 and 8).

The physical effects of climate change and environmental degradation, as well as the transition to a low-carbon economy, are a source of financial risks (credit risk, liquidity and market risk, and operational risk) for PCGSs. Physical risks stem from both the gradual and the abrupt impacts of climate change and natural disasters—such as droughts, floods, and hurricanes—on the value of assets and property owned by SMEs. Transition risks originate from efforts to mitigate climate change and improve local environmental conditions by decarbonizing the economy, which may create economic adjustment costs in a broad range of sectors, ultimately resulting in stranded assets.

PCGSs should integrate climate-related and environmental risks in the existing enterprise risk management framework. This integration requires an understanding of how climate change affects the sectors and markets in which they operate and the capability to measure their exposure to climate change. PCGSs are encouraged to leverage industry associations and engage in constructive dialogue with partner financial institutions and SME borrowers with

a view to develop the methodologies and the data infrastructure that are needed to properly identify and measure climate-related and environmental financial risks, gauging information on vulnerability to climate change, emission intensity, carbon footprint, and sensitivity to climate policies of their counterparties.

PCGSs should adopt a strategic approach to managing and/or mitigating climate-related and environmental risks in line with their business strategy, and they should adapt policies, procedures, risk limits, and risk controls as appropriate. For example, PCGSs could develop criteria to identify firms and sectors that can be supported to accelerate their green transition and foster their adaptation and resilience to climate change. Similarly, PCGSs could consider setting exposure limits on certain climate-sensitive sectors and/or geographic locations.

In their credit risk management, PCGSs should consider climate-related and environmental risks at all relevant stages of the screening and monitoring process. Specifically, PCGSs should conduct a proper climate-related and environmental due diligence according to their delivery method. Such a due diligence should encompass the collection of the minimum information and data that are required to assess the vulnerabilities of SMEs (in the individual approach) and of partner financial institutions' SME credit portfolio (in the portfolio approach) to climate-related and environmental risks. If necessary, PCGSs could consider leveraging external expertise.

PCGSs should adjust credit risk classification methods to identify and evaluate, quantitatively or qualitatively, climate-related and environmental risks in their portfolio, and reflect that assessment in relevant risk indicators or ratings that take into account climate-related and environmental risks. PCGSs should monitor how geographic and sectoral exposures are susceptible to climate-related and environmental risks. For example, they should manage climate-related and environmental risk exposures through sectoral, geographic, and single-name concentration limits. If available, PCGSs also could use counter-guarantees and other reinsurance mechanisms to mitigate their climate-related and environmental risks.

With regard to liquidity and market risk, PCGSs should assess whether and to what extent climate-related and environmental risks could affect their liquidity buffers and, if so, incorporate those factors in their liquidity risk management framework. Similarly, PCGSs should monitor the effects, if any, of climate-related and environmental risks on their market risk positions. In line with their business strategy and mindful of the importance of minimizing risks, PCGSs could consider including climate change considerations into their liquidity management policies and investment framework. Accordingly, PCGSs could purchase assets and select issuers that meet climate-related criteria and exclude assets and issuers that fail to meet those criteria. In addition, with regard to operational risk, PCGSs should assess the extent to which their activities may result in future reputational damage, liability, and/or litigation.

The internal control framework should clearly define the tasks and responsibilities of the audit and compliance function by ensuring that climate-related and environmental risks are duly considered and effectively integrated in all relevant processes. The audit and compliance function should advise the board of directors on strategies and measures to be taken to ensure compliance with applicable climate-related laws, rules, regulations, and standards. It should assess the possible impacts of any changes in the climate-related legal or regulatory environment on PCGSs' activities and compliance framework. And the audit and compliance function should ensure that climate-related and environmental risks are integrated in the processes that fall within its responsibility.

C. Promoting Climate-Smart Objectives

Guideline 5: PCGSs should align eligibility and qualification criteria for SMEs, partner financial institutions, and credit instruments with their green strategy (reference Principle 9).

Climate change and environmental impacts represent an opportunity for PCGSs to improve their business model and practices. Efforts under the Paris Agreement and the SDGs require aligning public and private financial flows consistent with a pathway toward low GHG emissions and climate-resilient development. In that context, PCGSs can play an important role in shifting private capital toward environmentally friendly activities and technologies, yet they need a conducive operational framework.

Integrating climate change mitigation and adaptation in PCGSs' operational framework involves adjusting eligibility criteria. To facilitate a smooth transition to a new business model, this process should be gradual for existing PCGSs. Eligibility criteria for SME borrowers should be aligned with the taxonomies available in the jurisdiction or the ones voluntarily adopted by PCGSs. Such eligibility criteria should clearly define sectors, geographic locations, activities, and investment by SMEs that PCGSs can support with green guarantees. If PCGSs offer disaster-triggered guarantees—which are activated when a certain geographic location is hit by a climate-related natural disaster to enable the provision of emergency finance to viable SMEs—eligibility criteria should require that SMEs have adopted business continuity plans.

Similarly, qualification criteria should, where relevant, incorporate clear parameters on how to select partner financial institutions that can be leveraged to provide green finance to SMEs. Many financial institutions have started complying with climate-related regulatory and supervisory requirements while adapting their business model and product offering. PCGSs should work with partner financial institutions that are aligned with relevant climate-related and environmental

regulations and can demonstrate compliance with environmental laws, climate clearance certificates, and adequate preparedness to climate change, corroborated by organizational and risk management structures, and financial supervisory clearance where applicable.

Qualification criteria should also specify the types of green credit instruments targeted. An increasing number of financial institutions have started directing their resources and lending power to climate-related activities and sectors, developing new products such as green loans (where the loan proceeds are allocated and tracked for usage in green projects) and sustainability-linked loans (general-purpose loans whose pricing is linked to sustainability performance targets related to factors such as carbon footprint and GHG emissions). Other green lending products may be developed over time. PCGSs should align their green product offering with the green products and services offered by partner financial institutions to SMEs. When appropriate, PCGSs also should develop new products such as equity and quasi-equity guarantees to attract longer-term financing in risky green projects, or disaster-triggered guarantees to facilitate the prompt deployment of emergency finance to viable SMEs located in geographic locations hit by a climate-related natural disaster.

In line with their promotional role, PCGSs should also integrate climate change considerations in business development efforts to seek out and help create new investment opportunities. Proactively promoting climate-smart objectives provides an opportunity to increase demand for financing. In that regard, PCGSs should work closely with partner financial institutions, SME borrowers, and stakeholders to leverage industry associations where appropriate. Business development efforts could be supported by the provision of technical assistance to SMEs and/or partner financial institutions.

Guideline 6: PCGSs should incorporate climate change considerations in their operational tool kit (reference Principles 11 and 12).

PCGSs have several operational tools available to guide and incentivize SME investment toward climate-smart objectives. Guarantee coverage ratios, the pricing of guarantees, credit guarantee tenors, grace periods, and technical assistance are important steering mechanisms for PCGSs to determine the usage of their funding and contribute to the level of their income. Similarly, PCGSs could decide to reduce or limit exposures to sectors harmful for the climate or the environment or to projects collateralized by energy-inefficient real estate.

PCGSs should gradually augment their operational tool kit to incorporate climate change considerations to inform the definition of the contractual parameters of the guarantees. PCGSs' operational tool kit is expected to support the selected business strategy. Operational parameters could be used, for example, for differentiating exposures according to their energy efficiency/

GHG emission intensity or for penalizing certain sectors or clients. For example, guarantee coverage ratios could be lower and tenors shorter for partner financial institutions and/or SMEs that are highly exposed to climate-related and environmental risks and are not demonstrating enough on the climate front. Operational parameters could also be used for incentivizing clients to mitigate climate-related and environmental risks and to invest in climate-smart technologies. For example, following a risk-based approach, the pricing of a green guarantee could be set at a level that is consistent with a higher resilience toward climate-related and environmental risks and associated with improved creditworthiness, while technical assistance could be offered to complement the guarantee.

Although risk sharing and risk-based pricing are expected to remain relevant principles for green guarantees, under exceptional, crisis-related circumstances PCGSs could deviate from them. This may be the case, for example, for disaster-triggered guarantee programs, which can be activated to support SMEs in determined geographic locations stricken by a climate-related natural disaster. The smooth provision of emergency finance to viable SMEs for rehabilitation and reconstruction may justify a higher guarantee coverage ratio, the waiver of fees, and/or longer tenors and grace periods. To ensure the long-term financial sustainability of PCGSs and limit fiscal risk, these guarantee programs should have their own earmarked funding and their operational framework should be properly documented in PCGSs' relevant policy framework.

D. Accounting for Climate Performance

Guideline 7: PCGSs should adopt a robust monitoring and evaluation system to measure their climate performance (reference Principle 16).

PCGSs contribute to climate change mitigation and adaptation through both their operations (for example, the building they operate out of, energy consumption, suppliers, etc.) and the SME-related economic activities they facilitate through the mobilization of private finance. Although it is important that PCGSs understand and measure the impacts associated with their operations and respond to them, the most significant impacts are those related to the provision of credit guarantees to partner financial institutions (that is, Scope 3 emissions).

PCGSs should be able to measure and report on their climate performance, that is, their contribution to GHG emission reduction and the transition to a low-carbon and resilience economic model in line with domestic climate policies. Therefore, as part of their internal control environment, PCGSs should establish a sound framework for systematically assessing their climate performance. This should be in addition and as a complement to their measurement and reporting of climate-related and environmental financial risks. Given the variety of PCGSs and

their limited resources, measurement and reporting of climate performance should be focused and based on practicality (that is, easy to track with available data) and meaningfulness for their mandate (that is, broad societal goals in addition to financial sustainability).

There are three broad types of metrics used for tracking climate performance of financial institutions: (a) GHG accounting, including financed emissions; (b) sector-specific energy and GHG-related metrics; and (c) green metrics that track exposure to climate-related activities. Due to data limitations on SME-related emissions, it is often not practical to estimate GHG-financed emissions for PCGSs' guarantee portfolios and the meaningfulness of such an approach is hampered by the inability to directly track green activities. Sector specific energy/carbon metrics (for example, kilowatt-hour [kWh] generated or kWh/ft^2) also suffer from limited practicality—there are no accurate ways to aggregate and compare data across sectors or assets and/or transactions at the national level—and meaningfulness—they are only applicable for a number of key sectors.

The task force recommends that as an initial step, PCGSs adopt green metrics to measure and report on their climate performance. Green metrics are relatively easy to quantify as they rely on—and are as good as—the taxonomies adopted by PCGSs (practicality), and they allow the tracking of green activities (meaningfulness). Green metrics can be measured and reported in counts (number of guaranteed green projects), currency value (absolute value of guaranteed green projects), and/or percentage (guaranteed green projects as a share of the total credit guarantee portfolio). PCGSs should select the types of green metrics that are more consistent with their mandate and delivery method. Industry associations could be leveraged to develop common methodologies. As data availability and climate accounting and reporting practices improve, PCGSs could over time track other relevant climate performance metrics.

Guideline 8: PCGSs should periodically disclose climate-related information and metrics related to their activities (reference Principle 15).

Public disclosure by PCGSs contributes to market efficiency while generating confidence and trust in their activities. Relevant disclosure of climate-related information can have important benefits for PCGSs. It can lead to increased awareness and understanding of climate-related and environmental risks and opportunities, better risk management, and more informed decision-making and strategic planning. It can also lead to a more constructive dialogue with the government and stakeholders, including partner financial institutions and SMEs, which contributes to better corporate reputation and higher visibility as a policy instrument for greening the economy.

Unless (or until) disclosure requirements are codified in relevant regulation, PCGSs should aim to disclose climate-related information and metrics in line with existing global or regional initiatives. These initiatives include, for example, the recommendations of the Task Force on Climate-Related Financial Disclosures and those developed by the International Sustainability Standards Board. To the extent possible and where appropriate, PCGSs' disclosure of climate-related information and metrics should be aligned with that of partner financial institutions to ensure consistency and facilitate comparison. Climate-related information and metrics should be included in PCGSs' annual reports.

At a minimum, PCGSs should disclose (a) the organization's policies and practices in relation to climate change matters, (b) climate performance metrics, and (c) material climate-related and environmental risk exposures as well as measures taken to mitigate such risks. To the extent possible and where relevant, climate performance metrics should be compared with values outside PCGSs' portfolio such as ratios in the relevant economy and/or required financing to meet domestic climate policy goals. Similarly, climate performance metrics and material climate-related and environmental risk exposures should be disclosed together with the key assumptions and methodologies used for the assessment.

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ACRONYMS

CGS	credit guarantee scheme
GHG	greenhouse gas
PCGS	public credit guarantee scheme
SDG	Sustainable Development Goal
SME	small and medium enterprise

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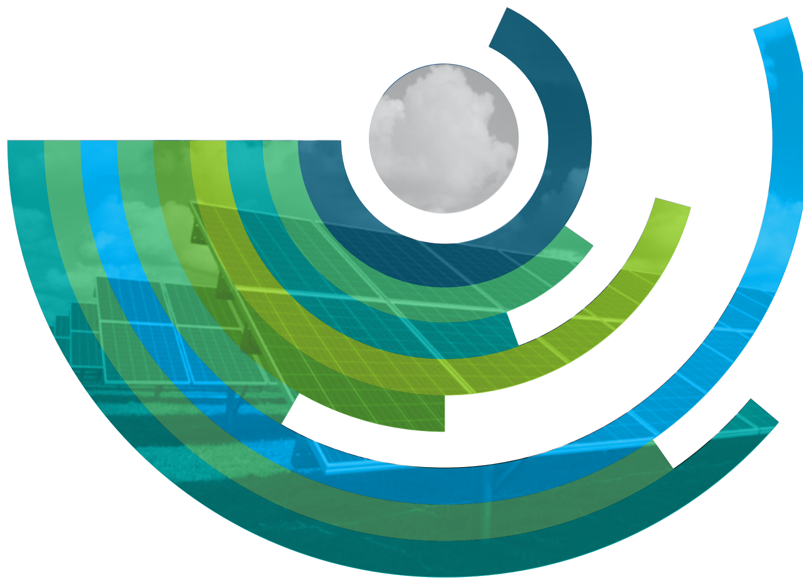

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