

15 October 2024

## WORKING GROUP ON SECURITIES DATABASES

### RECOMMENDATION 4 ON CLIMATE FINANCE OF THE G20 DATA GAPS INITIATIVE 3 (DGI-3)

#### GUIDANCE NOTE ON GREEN LISTED SHARES

According to the [workplan of the G20 Data Gaps Initiative 3 \(DGI-3\)](#) as agreed by the G20 economies, DGI-3 Recommendation 4 on Climate Finance envisages G20 economies to “*provide (preferably on a quarterly frequency) experimental data on issuances and holdings of green debt securities and listed shares securities to the BIS, based on self-commitments and consistent as much as possible with the Handbook on Securities Statistics (HSS), and any other specific guidance developed in the context of the recommendation, and provide documentation on the compilation methodology.*” This note provides such guidance on the definitions and compilation methodology for green listed shares.

#### PREVIOUS WORK ON THE DEFINITIONS OF GREEN LISTED SHARES

As part of the workplan on DGI-3 Recommendation 4, the Climate Finance Task Team developed a set of [reporting templates](#) for the implementation of Recommendation 4, which cover aggregates on climate finance debt securities and green listed shares. While the reporting templates provided working definitions for climate finance debt securities, they left open the definition of green listed shares for future work by the Climate Finance Task Team.<sup>1</sup>

In parallel to the Climate Finance Task Team’s work on Recommendation 4, the Intersecretariat Working Group on National Accounts (ISWGNA) has been working on updating the System of National Accounts (SNA) manual and the IMF has been working on updating the Balance of Payments and International Investment Position Manual (BPM). To ensure alignment between the definitions developed in the Recommendation 4 context and those developed for the 2025 SNA and the BPM7, there has been close coordination between the Climate Finance Task Team and the ISWGNA. In particular, the Task Team provided concrete comments on the draft 2025 SNA definitions for green financial instruments in the context of the Workshop on Securities Statistics and Recommendation 4 in October 2023, and agreed that once the proposed SNA definition for green equity has been confirmed, the Climate Finance Task Team should build on the methodology developed in the context of the SNA manual update.

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<sup>1</sup> See p.4 of the [Explanatory Note on the Recommendation 4 Reporting Templates](#).

The [ISWGNA agreed to define green equity in the 2025 SNA](#) as “equity investments by investors to institutional units in which 50% or more of the institutional unit’s revenue comes from activities that improve the condition of the environment”. The ISWGNA concluded that compared to debt securities “[f]or ordinary equity, both listed and unlisted, the revenue approach seems more adequate given the fungible nature of equity liabilities”.

The definition adopted for the SNA 2025 is aligned with recent international financial market initiatives, as it is the main criterion of the [Green Equity Principles](#) of the World Federation of Exchanges (WFE). In line with this, it has also been adopted already by selected major stock exchanges (e.g., London Stock Exchange and NASDAQ OMX).

In May-June 2024, the Climate Finance Task Team conducted a survey on compilation practices for climate finance debt securities and the methodology for green listed shares. In the survey, most of the responding G20/FSB member economies replied that market segments or definitions for green shares currently do not exist in the securities markets of their jurisdictions and that they are not yet compiling statistics on green listed shares. Two economies replied that the SNA definition was broadly aligned with the definition used in their securities markets and one additional economy commented that guidelines aligned with the SNA definition were applying to a subset of listed shares in its market. Moreover, one economy commented that it is already collecting data on green listed shares in line with the SNA definition. In contrast, two other economies indicated that the SNA definition is not broadly aligned with the definition used in their markets. One of these economies commented that the SNA definition may allow for greenwashing and should be supplemented with a “do not harm” criterion in form of an additional maximum threshold for the issuing institutional unit’s revenue coming from fossil fuel activities, while the other economy commented that the definition should be based on an institutional unit’s transition plan. Moreover, one economy commented that the SNA definition may in practice be difficult to apply.

#### DEFINITIONS OF GREEN LISTED SHARES FOR RECOMMENDATION 4

As there is no widely used definition for green shares in the securities markets of the G20/FSB member economies, it is thus proposed to rely on the SNA definition for green equity for the compilation of statistics on green listed shares in the context of Recommendation 4. This definition is also aligned with the main criterion of the WEF Green Equity Principles, which has started to be applied on major international stock exchanges. To address concerns that this definition may allow for possible greenwashing, it is proposed to follow a two-tier approach, and hence allow complementing this definition with an additional more stringent economy-specific definition. This would for example allow economies to use an economy-specific definition that complements the threshold of the SNA definition with the requirement for the existence of a Paris-aligned plan or with an additional maximum threshold for the issuing institutional unit’s revenue coming from carbon related activities as a “do not harm” criterion. This two-tier definition is summarised in Box 1.

##### Box 1: Proposed definitions for green listed shares.

- **Tier 1 definition (SNA 2025 definition):** Green listed shares are equity investments in listed institutional units which have 50% or more of their revenue coming from activities that improve the condition of the environment.
- **Tier 2 definition (more stringent economy-specific definition):** Green listed shares are equity investments in listed institutional units which meet the SNA 2025 definition and additional more stringent economy-specific criteria for being considered as green.

Recommendation 4 hence follows a flexible approach, which allows compiling statistics for green listed shares using the SNA definition (Tier 1 definition) and using a more stringent

**economy-specific definition (Tier 2 definition).**<sup>2</sup> Economies that provide self-commitments for the reporting of aggregates on green listed shares are strongly encouraged to report as a minimum the SNA definition (Tier 1).<sup>3</sup> Economies that also report aggregates based on the economy-specific definition (Tier 2) should clearly describe the criteria of their definition in the meta data. Based on future developments in international financial market standards and the experiences gained with the compilation of aggregates on green listed shares in the context of Recommendation 4, the Climate Finance Task Team could regularly review the need to update or complement the above definitions with improved measurement approaches and/or thresholds in the future.

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<sup>2</sup> DSD code tables will be provided for the Recommendation 4 Reporting Templates to specify the DSD keys under which the aggregates for both definitions should be reported.

<sup>3</sup> When providing their self-commitments for the aggregates on green listed shares of the Recommendation 4 Reporting Templates, Task Team members will be able to specify whether they plan to report according to an economy-specific definition (Tier 2), preferably in addition to the SNA definition (Tier 1).