SUSTAINABLE TRADE AND THE REGULATORY PARADOX

Written by Rebecca Harding, Author of the report and independent trade and sustainability expert, September 2023

Trade and supply chain finance has a unique position in the process of moving towards more sustainable business models. Trade finance and insurance constitutes around 80% of the value of world trade and banks finance around 40% of global trade according to McKinsey. In 2022 World Trade was estimated to be some US $32 trillion. This is some $25.6 trillion in total finance, and $12.8 trillion of Bank Intermediate Trade finance that could help move the world’s supply chains to more sustainable business models over time. At present it is estimated that just $1 in every $5 of trade finance contributes positively to sustainable development goals - this is an opportunity for trade finance to make a real difference to the sustainability agenda.

However, using trade finance as a means to shift the sustainability dial will not happen unless what the ITFA’s ground-breaking report on sustainability reporting called, “The Regulatory Paradox” is addressed urgently. This paradox is a situation where the increase in focus on sustainability reporting is actually militating against longer terms transition to more sustainable business models.

Against this backdrop, ITFA has made a decisive move to put it and its members at the centre of driving change by setting up the Sustainable Transition Foundation (STF). The focus on this organisation will be to:

- Provide a cross-industry consensus around sustainability audit standards such that they are consistent, comparable, and common across the industry in the same way that audit standards are in finance and credit.
- Curate a pre-competitive database that allows sustainability related financial risk scenarios to be developed and best-practice in reporting standards to be agreed.

The unique combination of standards and data make this initiative impactful and enduring.

Please click here for the Executive Summary of the original report.
Please click here for the Business Case and proposed action plan put forward by the ITFA in response to the original report.
Please click here to read the brochure on the Sustainable Transition Foundation.
Please click here to view the ITFA ESG webinar: join the discussion to explore the findings, implications and future steps held on 12th September 2023.

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