

International Platform on Sustainable Finance

Annual Report 2022



IPSF ANNUAL REPORT 2022

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Disclaimer on input for and status of the report

This report is coordinated by the IPSF Secretariat (European Commission), with substantial contributions received from IPSF members and observers. The report reflects the collective work of the IPSF members and observers over the year 2022.

The status of implementation of sustainable finance measures is recorded without prejudice to further steps being taken in a given policy area.

Executive summary

In its third year, the International Platform on Sustainable Finance (IPSF) Annual Report serves to showcase the activity of the IPSF, its members, observers, and the global community and progress recorded in developing a sustainable finance framework in 2022.

This year, the IPSF has worked on two parallel, but linked, streams. First, the IPSF continued its work on the Common Ground Taxonomy Instruction Report and activities' table. Following the publication of the first Common Ground Taxonomy Instruction Report in November 2021 and the public consultation which followed, the IPSF updated the activities' table with additional economic activities contributing to climate change mitigation. Based on this work, the IPSF plans to broaden this exercise and consolidate the comparison methodology. In parallel, in 2022 a Working Group on Transition Finance was established with the aim of examining how sustainable finance frameworks can take into account transition considerations. Building on various existing initiatives, a set of voluntary Transition Finance Principles have been presented in the IPSF Transition Finance Report published simultaneously with this Annual Report.

The Report also takes stock of policy and regulatory developments in the IPSF's 18 member jurisdictions. The Report demonstrates the variety of tools employed by members to strengthen the contribution of the financial sector to delivering sustainable development goals and the transition to a low-carbon economy. In 2022, IPSF members announced or introduced measures and strengthened their sustainable finance frameworks by working on, among others, corporate disclosures, frameworks for sustainability-linked bonds and loans, taxonomies, the assessment and management of climate risks. They continued partnering up with the private sector and implementing roadmaps towards achieving their Nationally Determined Contribution for the Paris Agreement.

The Annual Report also looks at some key international developments in sustainable finance and the role of the IPSF in this context. As knowledge partner to the G20 Sustainable Finance Working Group, the IPSF presented its work on transition finance principles to inform the G20 discussions on a Transition Finance Framework. The IPSF also reported on its efforts to contribute to the implementation of some actions in the G20 Sustainable Finance Roadmap. IPSF observers have also been active. For instance, the OECD prepared guidance on credible corporate transition finance plans, while a collaboration between the IMF, OECD, World Bank Group, and BIS resulted in guidance on operationalising the high-level principles included in Action 1 of the G20 Sustainable Finance Roadmap. Several initiatives and partnerships led by UNEP FI provided further guidance and continued engagement on various sustainable finance topics. Finally, the IPSF has been present at COP 26 where members reaffirmed their commitment to international cooperation in the development of globally comparable and interoperable sustainability approaches and tools to identify, verify and align investments with sustainability goals, including definitions and taxonomies, taking due account of local specificities and transition considerations. On the occasion of COP 27, the IPSF is organising its Annual Event as a side event to the Conference of Parties for the second consecutive year.

Moving forward, and with full awareness of the need for uninterrupted commitment and stronger ambition, the IPSF will in 2023 continue developing its work on transition finance, promoting cooperation among members and observers, and exploring new areas of relevance for the consolidation of a robust sustainable finance framework at all levels.

Introductory message by Commissioner Mairead McGuinness, Chair of the International Platform on Sustainable Finance

Since the 2030 Agenda for Sustainable Development and the historic signature of the Paris Agreement, we have made important progress in the battle against climate change and our path towards a greener, more resilient, more inclusive global economy. The establishment of the IPSF in 2019 and its many achievements since show that international cooperation will bring us further than we can each go on our own and demonstrate that we are taking resolute action.

Climate change is a global crisis and it requires an ambitious global response. We need to set the course for faster progress in the months and years to come. Coordination and collaboration are crucial. In response, the IPSF remains a forum connecting members and observers in their efforts towards securing sustainable global growth and prosperity.

The transition to net-zero needs all countries and sectors on board and it involves unprecedented changes to the global economy. Transition and net-zero initiatives are multiplying. Yet, coordination to implement them, track progress and effectively address climate change remains inadequate. To achieve sustainability goals and avert a climate catastrophe, we need ambitious and credible transition plans matched by concrete action. How transition occurs can vary across regions and sectors, but it is clear that the costs for the financial sector, and the economy more broadly, will be much lower if firms take prompt, orderly action. Against this backdrop, the IPSF Report on Transition Finance aims to support policymakers' efforts to create enabling regulatory environments to accelerate the transformation to a net-zero economy. It also aims to guide firms through mainstreaming transition considerations in their operations and the reduction of emissions across all scopes, in line with science-based, transparent and credible targets.

By supporting interoperability and comparability between taxonomies, through continuing (and soon expanded) work on the so-called Common Ground Taxonomy, the IPSF contributes to these objectives of mobilising greater capital flows in response to the defining challenges of climate change and the transition to a more sustainable and resilient economy.

In the EU, the place I know best, we have continued our efforts to become climate neutral by 2050; our emissions targets are fixed in law and, by 2030, we will have cut at least 55% of greenhouse gas emissions. Targets are meaningless without change on the ground, without investment and buy-in of all relevant actors. There should no longer be doubt about the role of sustainable finance in supporting ESG goals, in maximising environmental investment while creating value. This is why we are pushing to finalise our sustainable finance framework, improve its usability and better guide market participants. In response to multiple crises, to Russia's invasion of Ukraine, to high fossil fuel prices, we are also speeding up our energy transition, at a much faster pace than originally expected.

Despite the threat of climate change, the current global economic and geopolitical crises, we can be more optimistic when we see IPSF members and observers' progress in the area of sustainable finance and the IPSF's unceasing efforts to facilitate the sharing of knowledge and best practices among them, as described in this IPSF Annual Report. In years to come, the IPSF will continue empowering them to do more, to collaborate with other governments and international organisations while acknowledging different country needs and capacities, to provide the confidence that sustainable standards and policies are tools effectively enabling private sector investments aligned with climate and sustainability goals.

1. The International Platform on Sustainable Finance: scaling up international and domestic efforts on sustainable finance

1.1. IPSF activity in 2022

The IPSF continues to remain a unique multilateral forum of dialogue between like-minded policy makers in charge of developing sustainable finance policy approaches. The IPSF work on taxonomies and on transition finance has illustrated the continued commitment to exchanging information, to promoting best approaches, comparing different initiatives and identifying barriers and opportunities to enhance environmentally sustainable finance globally while respecting respective national and regional contexts. As knowledge partner to the G20 Sustainable Finance Working Group (SFWG), the IPSF contributed to the discussions that led to the establishment of a Transition Finance Framework.

Comparison of taxonomies

On 4 November 2021, on the occasion of COP26, the IPSF published the first Common Ground Taxonomy (CGT) Instruction Report, a milestone resulting from an in-depth comparison exercise that puts forward areas of commonality between certain features of the EU and Chinese taxonomies. The methodology underpinning the CGT is a key part of the value of this piece of work. This first exercise established a solid methodology, based on which other taxonomies can be compared in the future, therefore contributing to the ultimate objective of making taxonomies more comparable and interoperable internationally.

The first CGT Instruction Report was open to public consultation, with trade associations, business and NGOs providing insightful feedback. The CGT was viewed across the board as a valuable tool, which should remain dynamic, to mitigate the fragmentation of taxonomies. Respondents also saw merit in extending the scope of the CGT to other types of activities or to other environmental objectives.

Considering the feedback received in the public consultation and further assessments, an updated version of the CGT Instruction Report and the activities' table was published in June 2022.¹ The CGT activities' table has been updated with additional activities (e.g. manufacturing and building activities) contributing to climate change mitigation. The current version of the CGT covers 72 climate change mitigation activities that share common ground for both the EU and China taxonomies regarding the 'substantial contribution' criteria. The IPSF also published an FAQ document providing answers to the most common questions received from stakeholders (e.g. methodology, scope, future of CGT).²

The IPSF intends to continue its work on the CGT to incorporate new economic sectors, economic activities and environmental objectives, as well as to incorporate other jurisdictions' taxonomies into the comparison exercise as and when the respective taxonomy elements are available. This extension will test the current CGT methodology when it comes to the comparability and interoperability of taxonomies. The IPSF will therefore continue reinforcing the initial methodological approach to ensure it is adequate to capture this extended comparison exercise.

¹ For more information, visit the [IPSF's website](#).

² The FAQ document can be consulted [here](#).

Transition finance

With the objective of supporting and accelerating the global transition to a climate neutral and sustainable economy, the IPSF established a working group (co-chaired by Japan, Switzerland and the EU and involving several IPSF members and observers) to explore how sustainable finance alignment approaches such as taxonomies, labels and portfolio alignment metrics, as well as corporate strategies and disclosures may integrate transition considerations, taking into account the G20's high-level principles for alignment approaches.

There is significant interest from many stakeholders to understand how to set robust transition targets and strategies for themselves, but also how to evaluate those set by others. Transition-related disclosure is increasing in markets. Transition-related products and opportunities are multiplying in financial markets. As a result, there is a growing array of transition-related guidance and protocols aiming to define and direct this space.

Based on a landscape analysis of how existing frameworks and tools have incorporated transition perspectives, the IPSF has developed a set of voluntary 'Transition Finance Principles', with more tangible sub-principles underpinning them. The IPSF Transition Finance Report focuses on the transition from today's high GHG emissions to levels commensurate with meeting the temperature goals of the Paris Agreement – i.e. a 'climate mitigation transition'.³

Transition finance can be encouraged at different levels of the economy: i) at the economic activity level (including capital and other investment in individual measures that will drive the decarbonisation of the activity, as well as investment in the activity as a whole), ii) at the entity (company) level, and iii) at the financial portfolio level.

For the transition to be effective and finance to be appropriately directed, any transition framework or tool needs to ensure that:

1. The transition is ROBUST i.e.

- the targets are **science-based** and sufficiently **ambitious** and **all-encompassing** to ensure that the temperature goal of the Paris Agreement will be met if those targets are reached.
- the targets are **compatible** and do not conflict with other objectives related to the just and sustainable transition.

2. The transition is CREDIBLE i.e. the commitments are supported by evidence of the willingness and ability to deliver.

One of the biggest challenges for the transition is that it relies on future change. Net zero emissions are not expected overnight. For most, it will be an extended process of change, requiring action and investment on their own part and from a variety of external stakeholders. **Good planning, governance, policy, engagement and monitoring** will be key here. Furthermore, **transparency and comparability** on all these aspects is necessary to facilitate allocation decisions by financial market participants.

³ https://finance.ec.europa.eu/document/download/80a3510e-2ac1-4229-9583-98e95d76f718_en?filename=221109-international-platform-sustainable-report-transition-finance_en.pdf

The Principles are therefore presented in two corresponding categories:

1. Principles for robust transition TARGETS.

Fit-for-purpose targets form the backbone of current and future credible and comparable performance Key Performance Indicators (KPIs) for transitioning companies (including the activities they practice) and investment portfolios (financing those activities and/or companies).

2. Principles to demonstrate the ability to DELIVER against those targets.

These would form the basis on which the credibility of the transition of activities, real-economy companies and financial market participants can be assessed.

The IPSF Transition Finance Principles are voluntary and are intended to stimulate thinking on common approaches within transition finance frameworks and tools to help markets plan and communicate the transition, seek and provide appropriate financing for it, and eventually encourage a robust and credible transition. The primary audience is policy makers looking to support and incentivise the transition. By focusing on the granular level at which the transition needs to happen – in economic activities, in companies and in investment portfolios – the report can also contribute to building and spreading awareness on transition finance among corporate entities and financial market participants. The report can also be of interest for real-economy companies and financial institutions setting transition strategies and raising finance for the transition, their investors, and any public or commercial stakeholder facilitating or being part of that transition.

The IPSF Transition Finance principles were also presented to the G20 SFWG as input for the development of the G20 SFWG Transition Finance Framework.

Looking forward, the IPSF might also consider developing use cases for implementation of its transition finance principles across different sectors and regions.

2. Policy trends in IPSF member jurisdictions

Despite an increasingly adverse international context, characterised by the recovery from the Covid-19 pandemic, Russia's war against Ukraine, the food and energy crisis, IPSF members remained committed to fostering sustainable finance markets and to addressing the climate emergency.

Over the course of 2022, the IPSF members worked towards strengthening policies on a variety of aspects, corresponding to the individual context of each jurisdiction, building on existing policy trends and taking into account international discussions and coordination efforts. The (further) development of taxonomies, the issuance of and guidance on sustainability-linked bonds and loans and the assessment and management of climate-related risks was the focus of several IPSF members. Many IPSF members also continued to develop their corporate disclosure frameworks and pursue partnerships between the public and private sector.

Argentina

In 2021, the Ministry of Economy, through its Technical Roundtable on Sustainable Finance (MTFS), further worked to advance the implementation of its multiyear Roadmap on promoting sustainable finance, adopted in 2020. Together with regional and international partners, in 2022, the MTFS launched a National Survey on Sustainable Finance and Climate Change to understand the level of

knowledge, relevance and approach that the entities of the Argentinean financial system have to sustainability issues, including financial risks associated with climate change. MFTS has also worked on the design of guidelines for a sustainable sovereign bond framework.

The MFTS is continuing its work on the National Strategy on Sustainable Finance, which started in 2020. Furthermore, guidelines for a local taxonomy are currently being designed. In parallel, MFTS is looking at other parts of the sustainable finance agenda: green/sustainable budgets, innovative sustainable financial instruments and market-based environmental policies (including carbon pricing and ETS).

The Ministry of Economy further advanced a USD 1.2 million (EUR 1.1 million) fund with the support of the Inter-American Development Bank (IADB) and the government of Germany to strengthen green fiscal policies through country-specific technical assistance projects and a regional knowledge-sharing platform. The Ministry of Economy also contributed to the development of the National Climate Change Adaptation and Mitigation Plan and, internationally, was active in various fora, including the recently created Regional Climate Change Platform of the Ministries of Economy and Finance of Latin America and the Caribbean.

Another strand of the Ministry's work, through the Secretariat of Industry and Productive Development, focused on the incorporation of environmental and social perspectives in productive policies. It boosted the visibility of existing productive developments with an environmental perspective and launched 'green' financing lines, addressing the specific financing for environmental sustainability projects and the inclusion of environmental criteria in the financing lines in general. Significant work was also done on gender issues in 2022. The Ministry developed lines of financing with a gender perspective based on three tools: gender quotas, additional rate bonuses for SMEs led by women, and including a gender perspective when judging the eligibility of projects. Measures to strengthen egalitarian work environments and to produce information with a gender perspective were also adopted.

The Central Bank of Argentina (BCRA) joined the Network for Greening the Financial System (NGFS) in December 2021 and the Net Zero and Monetary Policies Working Group in 2022. Throughout 2022, the BCRA advanced work on its internal roadmap on sustainable finance – addressing the different dimensions of environment, social and climate risks and their effects on the local financial system. Benefitting from technical support from the IADB, an internal programme is being carried out to strengthen the BCRA's capacities in various areas of sustainable finance. Voluntary staff training on environmental and sustainable development oriented towards public policy is already underway.

In 2022, the National Securities Commission (CNV) launched a consultation on the 'Guideline for voluntary reporting and disclosure of environmental, social and governance (ESG) information'. On 14 September, the CNV approved its 'Sustainability Strategy and Roadmap' laying down CNV's objective to continue strengthening and developing Sustainable Finance in the Argentine Capital Market. In addition, the agency is updating the 'Guidelines for the Issuance of Social, Green and Sustainable Negotiable Securities in Argentina', with the aim of incorporating new trends in thematic bonds to provide the market and issuers with new sustainable financing alternatives.

The Investment and Foreign Trade Bank (BICE) – Argentina's development bank – has its own award-winning Environmental and Social Safeguards Policy and a Social Risk Analysis System (SARAS) as a risk analysis tool, which are aligned with IADB and World Bank risk policies. In 2022, a Sustainable Finance Protocol was signed amongst the Argentine Banking Industry - a group of banks recognising that sustainable finance has become an increasingly important factor for the financial sector and identifies the need to incorporate policies, processes, practices, and sustainability standards, both in

the financing of activities and in investments, as well as in the banks themselves. BICE leads the preparation of a Guideline for the implementation of SARAS in banks, which is currently under internal review. The work is expected to be presented by the end of November 2022.

Banco de la Nación Argentina (BNA) – the largest bank in Argentina, has approved its first Sustainability Strategy and continues to work on implementing the Principles of Responsible Banking. The BNA continued participating and working actively in the Sustainable Finance Protocol of the Argentine Banking Industry, within the framework of which the ‘Guideline on Gender Diversity in the Financial Industry’ (approved) and the ‘Guideline for the Implementation of SARAS’ (in the process of approval) were developed.

Canada

The Government of Canada announced in Budget 2022 that it is committed to moving toward mandatory reporting of climate-related financial risks across a broad spectrum of the Canadian economy, based on the international Task Force on Climate-related Financial Disclosures (TCFD) framework. The Government of Canada, along with a coalition of Canadian public and private sector partners, is also providing funding to support the International Sustainability Standards Board’s (ISSB) Montreal office for a period of three years. In addition, in May 2021, the Government of Canada launched the Sustainable Finance Action Council (SFAC) to help lead the Canadian financial sector towards integrating sustainable finance into standard industry practice. The SFAC consists of 25 of Canada’s largest financial institutions and pension funds, which together represent more than CAD 10 trillion of assets. The SFAC is providing financial sector input on the development of foundational market infrastructure including enhanced climate disclosure, defining green and transition investment, and climate data and analytics. The SFAC will also develop and report on strategies for aligning private sector capital with the transition to net-zero. In December 2021, the Government of Canada committed to developing a Climate Data Strategy to ensure that the private sector and communities have access to data to inform planning and infrastructure investments.

The Canadian Securities Administrators (CSA) published Proposed National Instrument 51-107 *Disclosure of Climate-related matters*, which would introduce disclosure requirements for public companies largely consistent with the TCFD recommendations, for public comment until February 2022. In October 2022, the CSA stated that it is actively considering international developments and how they may impact or further inform their proposed national instrument on disclosure related matters, including the ISSB proposals. In January 2022, the CSA published guidance for investment funds on their disclosure practices that relate to environmental, social and governance (ESG) considerations, particularly funds whose investment objectives reference ESG factors and other funds that use ESG strategies.

In June 2022, the Canadian Association of Pension Supervisory Authorities (CAPSA) released a new draft Guideline: *Environmental, Social and Governance (ESG) Considerations in Pension Plan Management* for public consultation. This Guideline aims to support plan administrators in fulfilling their fiduciary obligations and giving appropriate consideration to ESG factors that may have financial relevance to their plan’s investments and risk management frameworks. CAPSA’s consultation closed on 14 October 2022.

In May 2022, the Office of the Superintendent of Financial Institutions (OSFI) published draft Guideline B-15: *Climate Risk Management* for public consultation. This Guideline sets out expectations related to federally regulated financial institutions’ management of climate-related risks, including expectations for climate-related financial disclosures. OSFI’s consultation closed on September 30, 2022 and the office is currently reviewing the feedback that it received.

In late 2020, the Bank of Canada and OSFI announced plans for an innovative pilot project with some of Canada's key financial institutions. Its main goals were to: (i) build the capability of authorities and financial institutions to conduct climate transition scenario analysis; (ii) support the Canadian financial sector in improving its assessment and disclosure of climate-related risks; and, (iii) help the financial sector to better understand its potential exposure to climate transition risks. The final report for this pilot project was released on 14 January 2022. The Bank of Canada and OSFI will continue collaborative exercises to assess the financial impacts of climate related risks in 2022-2023 relating to: (i) flood risk and Canadian residential mortgage exposures; and, (ii) transition risk associated with a broader set of financial market participants.

In June 2022, the Accounting Standards Oversight Council and Auditing and Assurance Standards Oversight Council mutually approved the formation of the Canadian Sustainability Standards Board (CSSB). The CSSB will be established in 2023 with a focus on contributing to the work of the ISSB and ensuring that the final sustainability disclosure standards issued by the ISSB are fit-for-purpose in the Canadian context.

Chile

The Ministry of Finance's sustainability strategy is built upon, on the one side, international commitments and, on the other side, domestic policies. On the international front, Chile's main guidelines are set in the Nationally Determined Contribution (NDC). On the national front, after a broad discussion that involved both civil society and the public and private sectors, the Framework Law on Climate Change (LMCC) was published in June 2022. The LMCC establishes by law the institutional framework for the development of climate policies in Chile. It aims at the development of a Financial Strategy for Climate Change to provide a strategic vision for the financing of the necessary initiatives towards attainment of NDC-established goals. The Financial Strategy for Climate Change should be elaborated every five years, along with the revision of the NDC.

Thematic bonds have become fundamental on Chile's financing strategy, currently amounting to 30% of total public debt. Since 2018, the Public Debt Management Office set the goal of promoting the development of thematic (ESG) bonds to support the need for sustainable infrastructure, while diversifying the investor base. Chile has taken important steps since then, and has become a leader in regional, and even world, markets. In 2019, Chile became the first country on the continent issuing a green bond, linked to 'green' projects certified by an external entity. In 2020, Chile issued social and sustainable bonds, combining green and social bonds to the benefit of education, health, housing, and other social initiatives, as well as Covid-related relief actions. Moreover, in 2022, a sovereign Sustainability-Linked Bond was issued, first of its kind in the world. This format increased investor interest. Most interestingly, the bond is not linked to a project but rather to the NDC goals themselves. It is financially structured in a way that the issuer accepts a step-up in the coupon rate if, by a pre-agreed date, it does not comply with the pre-defined goals for that date. This is a very innovative way of aligning environmental and financial incentives.

The Public-Private Green Finance Roundtable, launched in 2019, continues its work and seeks to define an agenda for dialogue and cooperation between the government, regulators, and financial market institutions. It seeks to mainstream climate change considerations in decision-making processes through constant dialogue, updating and disclosure of relevant information for its members. In this context, participants of the 'Green Agreement' must report progress on their commitments.

The Public-Private Green Finance Roundtable published a taxonomy roadmap with the assistance of the IADB and Climate Bonds Initiative (CBI) in 2021. Following the suggestions in the roadmap, at the beginning of the new administration in 2022, the Ministry of Finance established a Preparatory Committee to delineate the structural elements for a Chilean green taxonomy. The outcome of this work will be a proposal to the Minister of Finance. The structural elements of the taxonomy under study are: (i) the environmental objectives; (ii) the classification system on which it will be built, as well as a methodology for prioritising economic sectors; (iii) the guiding principles that the economic activities should follow to be considered environmentally sustainable; (iv) the governance for the future development of the taxonomy; and (v) its legal structure. The Committee is composed of experts from the Ministry of Environment, the financial regulator CMF, the Pension Funds Administrator Regulator, the Central Bank of Chile, and the Ministry of Finance; and is supported by the IADB with CBI.⁴ All members are technical advisors, and their opinions are non-binding, nor represent an indication of public policy.

The Ministry of Finance, the Ministry of Economy, Development and Tourism and the Ministry of Environment are working on putting together a Natural Capital Committee. Natural capital can be defined as the world's stock of natural assets including geology, soil, air, water, and all living beings that influence our productive systems. The Committee's objective will be, firstly, to build a methodology and measure biodiversity to be able to integrate these values into national accounting and public policies. Biodiversity sustains and produces a wide variety of ecosystem services that nature provides to humans. In addition to continuously updating the measurement and valuation, the Committee is also foreseen to advise the President of the Republic on natural capital matters.

China

In 2022, the People's Bank of China (PBoC) continued its efforts to improve the green finance policy system and support the development of the green finance market in China.

On green finance standards, the Chinese Green Bond Principles (CGBP) were issued in July 2022 by the National Association of Financial Market Institutional Investors (NAFMII). The CGBP elaborated the four core components of green bonds and required that use of proceeds must be 100% limited to green activities. It also introduced the IPSF Common Ground Taxonomy as another identifier for green bonds, which represents a new step towards improving the comparability and interoperability of taxonomies.

On climate related risk management, the PBoC conducted the first climate risk stress test in 2021, focusing on thermal power, steel and cement industry. Efforts were made to look into the stress test experience and challenges, including in information disclosure, as part of the plan to improve the methodology, develop macroeconomic scenarios, and expand the coverage of industries for future stress tests.

On policy incentives, the PBoC launched two monetary policy instruments, the carbon emission reduction facility and the special central bank lending facility for green and efficient use of coal. At end-June, over CNY 210 billion was provided through the two facilities, which supported eligible lending from financial institutions of nearly CNY 350 billion, representing an emission reduction by over 60 million metric tonnes of carbon dioxide equivalents.

⁴ All members are technical advisors, and their opinions are non-binding, nor represent an indication of public policy.

On products, China's debt markets benefited from further innovation, including new products such as transition bonds, to support green and sustainable activities. Enterprises from steel, power and other carbon-intensive industries were among the first to issue transition bonds in the inter-bank market in June 2022.

China's green finance market continued its rapid growth. At the end of June 2022, outstanding green loans and bonds had reached a value of CNY 19 trillion and CNY 1.2 trillion respectively. In particular, carbon neutrality bond issuance exceeded CNY 150 billion in the first three quarters of 2022, accounting for over 25% of the total labelled green bonds issued in China.

European Union

Within the framework of the European Green Deal and the European Commission's 2021 Strategy for Financing the Transition, the EU redoubled efforts to complete and consolidate the sustainable finance framework and make it work on the ground.

The EU has progressed in the development and implementation of the EU Taxonomy. In January 2022 the Climate Delegated Act on technical screening criteria for economic activities related to climate change mitigation and adaptation entered into force. Since January 2022, large companies have started to report the proportion of their activities (or the proportion of their exposure to activities) that are considered as eligible in the EU Taxonomy for climate change mitigation and adaptation. On 9 March 2022, the Commission adopted a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy. The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerate the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future. A second delegated act for the remaining environmental objectives is under preparation.

Over the course of four years, the EU has created the most advanced transparency and data framework throughout the financial value chain, from companies to investors and retail investors. While the Sustainable Finance Disclosure Regulation (SFDR) applies since 2021 to financial market participants, the European Commission adopted additional detailed standards on sustainability-related information in April 2022. The standards, which will apply as of January 2023, aim to improve the quality and comparability of such disclosures. Financial market participants will report in detail on how they tackle and reduce any possible negative impacts of their investments on the environment and society in general.

In 2022, the European Parliament and the Council also reached an agreement on the Corporate Sustainability Reporting Directive (CSRD). The CSRD extends the scope of reporting companies, requires the audit (assurance) of reported information and introduces mandatory EU sustainability reporting standards, currently under finalisation by the European Financial Reporting Advisory Group (EFRAG). The standards will be tailored to EU policies, while building on and contributing to international standardisation initiatives. The CSRD mandate is for standards that cover double materiality (risks to companies and the impact of companies) and the full range of environmental, social and governance issues.

In 2022, EU negotiators also made progress on a deal for the creation of a European green bond standard, based on a July 2021 proposal by the European Commission. The proposed voluntary standard for green bonds would imply 100% alignment with the EU Taxonomy and would include a regime for registration and supervision of companies acting as external reviewers for such bonds.

While major progress has been made in laying the foundations for the EU sustainable finance framework, the EU continues its efforts to ensure that the financial system fully supports the transition of the economy towards sustainability through an efficient and usable framework.

Hong Kong Special Administrative Region of the People's Republic of China

The Green and Sustainable Finance Cross-Agency Steering Group (CASG)⁵ is taking forward its work to strengthen the local financial ecosystem. Following the publication of the updated CGT Instruction Report by the IPSF and in order to align with it, the CASG is working to develop a green classification framework for adoption in the local market. Furthermore, its Centre for Green and Sustainable Finance launched a series of repositories to support the industry and interested parties in locating data sources, as well as useful learning resources and opportunities. It is also planning to create a free and publicly accessible greenhouse gas emissions estimation tool, with clearly disclosed methodologies, that companies can use as an alternative source of information.

On regulatory policy, guidelines are being rolled out for the respective financial sectors. The Hong Kong Monetary Authority (HKMA) issued its supervisory guidance on climate-related risk management for banks. The Securities and Futures Commission (SFC) updated disclosure guidance for ESG funds and the Fund Manager Code of Conduct to require fund managers to take into account climate-related risks in investment and risk management. The SFC is also considering providing guidance to fund managers on the engagement of ESG ratings and data products providers. The Hong Kong Exchanges and Clearing Limited (HKEX) published corporate governance and ESG (climate disclosures) guidance. The Insurance Authority (IA) is planning to issue more guidance to insurance companies on integrating climate-related risks into their enterprise risk management framework in 2022. The Mandatory Provident Fund Schemes Authority issued guiding principles on sustainable investing and disclosure for trustees of mandatory provident fund schemes.

Apart from efforts in mandating climate-related disclosures based on the recommendations of the TCFD by 2025 across relevant sectors, the CASG is evaluating a climate-first approach to implement the ISSB standards for Hong Kong listed companies and currently looking into the readiness of listed companies and the challenges they face.

On market development, the agencies have been putting in place infrastructure and catalysts to enhance the sustainable finance ecosystem, as well as promoting awareness and market participation. For instance, the CASG published its preliminary feasibility assessment of carbon market opportunities for Hong Kong. The HKEX has also launched the Hong Kong International Carbon Market Council gathering insights from members on market needs and building momentum in the development of an efficient and effective Hong Kong-based international carbon market. The HKMA supported government measures to encourage green finance uptake, including the issuance of inaugural retail green bond totalling HKD 20 billion in May 2022, which to date is the largest retail green bond issuance globally. The IA is supporting the insurance industry in developing a model to collect, consolidate and analyse industry data with a view to facilitating green insurance product development and innovation for SMEs.

⁵ The CASG is formed by relevant government bureaux and financial regulators in Hong Kong.

India

Climate-related financial risks pose both micro and macro prudential concerns. In view of this, globally, focus on sustainable forms of finance and climate risks has been at the forefront of the attention of regulators, national authorities and supra-national authorities. The Reserve Bank of India (RBI), accordingly, set up a Sustainable Finance Group (SFG) in May 2021 to lead its regulatory initiatives on climate risk and sustainable finance. The group is suggesting strategies and an evolving regulatory framework, including appropriate climate-related disclosures, which could be prescribed for banks and other regulated entities to propagate sustainable practices and mitigate climate-related risks in the Indian context.

As a central bank, the RBI is committed within its mandate to contribute to greening the financial system. In this regard, on 3 November 2021 on the occasion of the COP26 Summit, the RBI published its 'Statement of Commitment to Support Greening India's Financial System - NGFS'. The RBI, keeping in view national commitments, priorities and the complexity of the financial system, has committed to: (i) exploring how climate scenario exercises can be used to identify vulnerabilities in RBI supervised entities' balance sheets, business models and gaps in their capabilities for measuring and managing climate-related financial risks; (ii) integrating climate-related risks into financial stability monitoring; and (iii) raising awareness about climate-related risks among regulated financial institutions and about issues relating to climate change and methods to deal with them accordingly.

In July 2022, the RBI released for public consultation a Discussion Paper on Climate Risk and Sustainable Finance which addressed climate-related physical and transition risks and their implications for the safety and soundness of regulated entities, as well as financial stability.⁶ The RBI will carefully evaluate the comments on the Discussion Paper to issue appropriate guidelines or instructions on processes that regulated entities should develop and implement to understand and assess the potential impact of climate-related financial risks in their business strategy and operations. This would require, among other things, an appropriate governance structure and a strategic framework to effectively manage and address these risks.

Simultaneously, the RBI also released the results of a Survey on Climate Risk and Sustainable Finance undertaken in January 2022.⁷ The Survey involved 34 leading banks in India and was carried out to assess the approach, level of preparedness and progress made by leading commercial banks in managing climate risk. It provided useful insights and the feedback from this exercise will help in shaping the regulatory and supervisory approach of the RBI to climate risk and sustainable finance.

The Securities and Exchange Board of India (SEBI) issued a Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance on 4 August 2022 seeking public comments on a proposed regulatory framework intended a) to amplify the definition of green debt securities, b) to introduce the concept of blue bonds, and c) to reduce the compliance cost for issuers of green debt securities with while not creating any perverse incentives that may lead to 'greenwashing'. SEBI is in the process of analysing the comments and finalising further proposals in consultation with stakeholders and advisory committee.

⁶ The Discussion Paper on Climate Risk and Sustainable Finance can be accessed at the following link on the RBI website <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=21071>

⁷ The results of the Survey on Climate Risk and Sustainable Finance can be accessed at the following link on the RBI website <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1215>

Indonesia⁸

In January 2022, as part of its Sustainable Finance Roadmap, the Financial Services Authority launched the first edition of Indonesia's Green Taxonomy⁹, which serves as a guideline for policy development in government agencies as well as a reference point for the industry.

In October 2021, Indonesia issued Presidential Regulation No. 98, which sets the legal framework for domestic carbon pricing instruments, including an emission trading system, and prescribes mitigation and adaptation measures to tackle climate change.

The development of carbon market is set in conjunction with the carbon tax that was included for the first time in the updated Tax Law, approved by the parliament in October 2021. The carbon tax will first be imposed on coal-fired power plants with gradual expansion to other sectors. Indonesia is currently preparing the implementing regulations.

Indonesia issued Presidential Regulation No 112 of 2022 on 13 September 2022 stipulating early retirement of coal-fired power plants, setting a relatively more viable ceiling pricing regime for renewable energy projects and laying down broad incentives for renewables.

In June 2022, the state-owned Bank Rakyat Indonesia (BRI), the largest Indonesian bank by assets, successfully placed its first USD 500 million sustainability bonds in the market to finance green and social projects in Indonesia. Other two major SOEs Pertamina (oil and gas) and PLN (electricity) companies have announced that they seek green financing for green infrastructure projects and renewable energy development.

Japan

The Japanese government aims to achieve carbon neutrality for a decarbonised society by 2050, as announced by the Prime Minister in October 2020. Economic transition is therefore recognised as a vital step towards this objective.

To this end, the Japanese government has promoted various initiatives, including the Basic Guidelines on Climate Transition Finance¹⁰ and sector-specific decarbonisation roadmaps.¹¹ To date, roadmaps for iron and steel, chemistry, electricity, oil, gas, paper and pulp, cement, shipping and aviation have been formulated. A roadmap for the automobile sector is planned to be formulated by March 2023. In addition, in July 2022, the Ministry of the Environment (MOE) announced guidelines on Green and Sustainability-Linked Bonds and Loans based on the revision of previous guidelines with extended scope to include the Sustainability-Linked Bond.

Also, the Expert Panel on Sustainable Finance, established by the Financial Services Agency (FSA) in December 2020 to promote sustainable finance, published its Second Report 'Financial systems that open up a new sustainable society' in July 2022¹² which shows the progress after the first report¹³

⁸ Contribution prepared by the IPSF Secretariat based on publicly available sources.

⁹ <https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Taksonomi-Hijau-Indonesia-Edisi-1---2022/Taksonomi%20Hijau%20Edisi%201.0%20-%202022.pdf>

¹⁰ See FSA (2021) [Basic Guidelines on Climate Transition Finance](#), compiled by the Financial Services Agency (FSA), Ministry of Economy, Trade and Industry (METI), and Ministry of the Environment (MOE).

¹¹ Further details on the roadmaps can be found [here](#).

¹² See FSA (2022) [The Second Report by the Expert Panel on Sustainable Finance](#)

and further issues. Based on the report, the FSA published its strategic priorities for the period July 2022 to June 2023.¹⁴ In the strategic priorities, the FSA announced that it will focus mainly on the following areas of sustainable finance: (1) enhancing corporate disclosure of sustainability information, (2) demonstration of various market functions related to sustainable finance and (3) promoting the role of financial institutions.

In terms of corporate disclosure enhancement, Japan's Corporate Governance Code¹⁵ was revised in June 2021 to now require major large-sized listed companies to disclose climate-related information based on TCFD recommendations or equivalent international frameworks on a comply-or-explain basis starting from April 2022. In addition, based on the recommendations issued by the 'Working Group on Corporate Disclosure' of the Financial System Council in June 2022¹⁶, the FSA is planning to revise regulations to create a new section for disclosure of sustainability information in the Annual Securities Reports to be effective for the fiscal year ending March 2023 and thereafter.

To demonstrate capital market function, it is essential that each participant (such as investors, asset management firms, and ESG evaluation and data providers) fully plays its expected role. With this respect, the FSA plans to draft guidance for asset managers providing retail ESG funds to seek public comments in response to greenwashing concerns. The FSA aims to finalise it by the end of this fiscal year. The FSA also developed a draft code of conduct on matters including transparency, objectivity, governance for ESG evaluation and data providers in July 2022.¹⁷ The FSA will finalise the code of conduct in light of the result of the public consultations and call for its endorsement by domestic and foreign evaluation providers that provide services in Japan, while publishing the status of support and endorsement in Fiscal Year 2022.

Finally, with regard to the role of financial institutions, the FSA published the 'Supervisory Guidance on Climate-related Risk Management and Client Engagement' in July 2022.¹⁸ This guidance presents viewpoints of supervisory dialogues on financial institutions' climate-related risk management and engagement with clients to support clients' responses to climate-related opportunities and risks, including possible approaches and case examples of client engagement.

Kenya¹⁹

In October 2021, the Central Bank of Kenya (CBK) issued Guidance on Climate-related Risk Management²⁰ to all commercial banks and mortgage finance companies, which will need to account for climate-related risks in their comprehensive risk management frameworks. The Guidance is structured around four main areas: governance, strategy, risk management and disclosures. The Guidance is based on the work of TCFD, Basel Committee and the NGFS as well as guidance and guidelines on climate-related risk management by other authorities. Banks have to develop and submit to CBK a time bound plan on the implementation of the Guidance. The plan must be

¹³ See FSA (2021) [Report by the Expert Panel on Sustainable Finance](#)

¹⁴ See FSA (2022) [The JFSA Strategic Priorities July 2022-June 2023](#)

¹⁵ See Tokyo Stock Exchange (2021) [Revised Japan's Corporate Governance Code](#)

¹⁶ See FSA (2022) [Summary of Report by the Working Group on Corporate Disclosure of the Financial System Council](#)

¹⁷ See FSA (2022) [The Code of Conduct for ESG Evaluation and Data Providers \(Draft\)](#)

¹⁸ See FSA (2022) [Supervisory Guidance on Climate-related Risk Management and Client Engagement](#)

¹⁹ Contribution prepared by the IPSF Secretariat based on publicly available information.

²⁰ <https://www.centralbank.go.ke/wp-content/uploads/2021/10/Guidance-on-Climate-Related-Risk-Management.pdf>

approved by banks by end June 2022. Financial institutions supervised by the CBK must also submit a quarterly progress report to CBK starting from the quarter ending on 30 September 2022.

In December 2021, the Capital Markets Authority revised its Capital Market Master Plan (2014-2023) in the wake of COVID-19. One of the areas of focus will be leveraging ESG principles to attract green capital, with emphasis on the development of a green taxonomy for Kenya beyond climate finance to natural capital and conservation²¹.

In November 2021, the Nairobi Securities Exchange (NSE) adopted its ESG Disclosure Guidance Manual²², giving guidance to listed companies (but also other interested companies) on how to collect, analyse, and publicly disclose important ESG information. This Manual adopts the GRI Standards as the common framework for ESG reporting by listed companies in Kenya. Listed companies on the NSE are to report publicly on their ESG performance at least annually, and will be given a grace period of one year from the issuance of the Manual to interact and familiarise themselves with the ESG reporting steps. The Manual proposes a common set of ESG metrics for reporting by all listed companies, together with sectoral specific metrics. Listed companies are encouraged to assess impact of ESG issues to their organisations (such as climate change and human rights) in addition to their organisations own ESG impacts to society (such as material resource use and emissions) when determining material ESG impacts for disclosure. A responsible investment index is planned by the NSE in the future.

Malaysia

Malaysia aspires to be a net-zero nation by 2050 at the earliest²³. In 2021, Malaysia revised its NDC targets to reduce economy-wide emissions intensity of GDP by 45% in 2030 on an unconditional basis. In addition to these commitments, various policies and strategic blueprints are being implemented to accelerate the country's transition towards a low-carbon economy, including the alignment of the Malaysian national budget to the SDGs.

The Sustainable and Responsible Investment (SRI) Sukuk Framework, introduced by the Securities Commission Malaysia (SC) in 2014, continues to play an important role in financing Malaysia's sustainability needs by mobilising financing for eligible green, social and sustainable projects. A total of USD 1.7 billion sukuk has been cumulatively issued under it as of December 2021.²⁴ Issuances from Malaysia make up 18% of issuances under the ASEAN Green, Social and Sustainability Standards in the region as of December 2021.²⁵

In line with Malaysia's transition to a low-carbon economy, the SC released the SRI-linked Sukuk Framework in June 2022. The SRI-linked Sukuk is a new innovative product which allows companies, including those in hard-to-abate sectors, to tap into the capital market to meet their transition finance needs. The SC also expanded its SRI Sukuk and Bond Grant Scheme, which assists issuers in defraying up to 90% of external review costs, to include issuances under the SRI-linked Sukuk Framework. In the 2021 Budget, MYR 2 billion was allocated for the issuance of SRI Sukuk and green bonds (until 31 December 2021) under the Green Technology Financing Scheme 3.0. To further

²¹ <https://www.cma.or.ke/index.php/news-highlights/446-press-release-launch-of-revised-capital-market-master-plan-15-12-2021>

²² <https://www.nse.co.ke/wp-content/uploads/NSE-ESG-Disclosures-Guidance-Manual.pdf>

²³ Malaysia High-level Segment Statement at COP26

²⁴ Cumulative issuances since the issuance of the SRI Sukuk Framework

²⁵ These standards were issued by the ASEAN Capital Markets Forum

accelerate the development of SRI, the SC is developing the Principles-based SRI Taxonomy following a public consultation. It enables capital market participants to identify economic activities that are aligned with environment, social and sustainability objectives.

On the banking front, Bank Negara Malaysia (BNM)'s Financial Sector Blueprint 2022-2026 sets out the following strategies to support an orderly and just transition of the economy: integrating climate and environmental-related risks in the regulation and supervision of financial institutions; developing an enabling ecosystem and scaling up green finance solutions for financial institutions to support their clients; embedding climate and environmental-related risks across all functions within BNM, including operations and investments.

Following issuance of the Climate Change and Principle-based Taxonomy (CCPT) by BNM in April 2021, the year 2022 focused on its effective implementation, particularly integration into existing business strategies, risk management frameworks and practices. Financial institutions began reporting their exposures in July 2022, in this way preparing for mandatory climate-related financial risk disclosures that align with TCFD recommendations as of 2024. BNM is also finalising a guidance document for Climate Risk Stress Testing, following the issuance of its discussion paper in June 2022. BNM and SC formed the Joint Committee on Climate Change (JC3) in 2019 to pursue collaborative actions towards climate resilience within Malaysia's financial sector. Key deliverables in 2022 include a FAQ and due-diligence questionnaire on CCPT implementation; an upcoming policy document on Climate Risk Management and Scenario Analysis, which sets out regulatory expectations on the management of climate-related risks; the JC3 Report on the Sustainable Finance Landscape in Malaysia; and the TCFD Application Guide for Malaysian Financial Institutions. JC3 is also leading a series of engagements with government ministries and agencies to bring greater clarity on national plans and initiatives and identify avenues for collaboration. On the regional front, BNM and SC are members of the ASEAN Taxonomy Board, which issued Version 1 of the ASEAN Taxonomy on Sustainable Finance in November 2021.

In relation to the equity market, Bursa Malaysia released enhanced sustainability reporting requirements for Public Listed Companies to elevate sustainability practices and disclosures. In addition to FTSE4Good Bursa Malaysia ESG Index and FTSE4Good Bursa Malaysia Shariah Index, launched in 2014 and 2021 respectively, Bursa Malaysia launched two new ESG themed indices under the FTSE Bursa Malaysia Index Series in 2022 - the FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index and the FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index. In late 2021, the Government of Malaysia announced the development of a Voluntary Carbon Market (VCM) as a key initiative to address the climate change agenda. Its launch is expected by the end of 2022, enabling companies to purchase voluntary carbon credits from climate-friendly projects and solutions.

In order to coordinate all available resources nationwide, the Government is assessing the economics of climate change in Malaysia and will look into establishing a more comprehensive and unified framework for sustainable finance (Integrated National Financing Framework).

Morocco

Morocco continues to promote a low carbon economy and to improve financial solutions dedicated to green investments and climate change issues by helping channel financing towards climate-friendly activities. At the end of 2021, the Government of Morocco submitted the Low Carbon Strategy 2050. It establishes the main orientations of the Moroccan economy and society between 2020 and 2050 and envisages deep economic and social transformations in a carbon neutral world.

This strategy will be broken down into sectoral decarbonisation action plans based on modelling work for key sectors such as energy, industry, construction and transport.

In June 2021, Morocco increased its decarbonisation ambition by updating its NDC. The mitigation component covers seven sectors (energy production, waste, industry, forestry and land use, agriculture, transportation, residential) and is adding new industrial sectors. The NDC target heavily relies on emission reduction in the energy sector which would reduce Morocco's dependence on exported energy sources and significantly increasing renewable energy generation reaching 52% by 2030. Energy efficiency across sectors is also seen as a key goal. Measures in the industrial sector are expected to result in the second largest emission reductions, followed by those in agriculture. The NDC's adaptation section builds on Morocco's National Adaptation Plan, referencing new sectors, including agriculture, water, fisheries, forestry, and health, and more comprehensive targets.

The government has put in place a catastrophic event coverage scheme which provides for a dual compensation system: one is insurance-based through the requirement of a mandatory guarantee in certain insurance contracts and the other is solidarity-based through the solidarity fund against catastrophic events, such as earthquakes and floods. Also, as part of the implementation of the actions included in the roadmap of the National Strategy for Financial Inclusion, the government is actively working with the various stakeholders to promote inclusive insurance through the adoption of micro-insurance. A draft amendment to the insurance code is being prepared to establish a specific legal framework governing micro-insurance contracts.

Regulatory Directive No. 5/W/2021 on the management of financial risks related to climate change and the environment was signed in March 2021 by Morocco's central bank, the Bank Al-Maghrib (BAM). It constitutes a benchmark of good practice for credit institutions and similar bodies with a view to establish a management system for environment-related financial risks, including climate change, and to ensure their measurement, management, monitoring and control. Under a tripartite Memorandum of Understanding signed with EBRD and a Moroccan banking association in June 2022, BAM assists banks in the implementation of the Directive with a capacity-building goal.

BAM is a member of the NGFS steering committee and contributes to workstreams on environmental risk management and supervision, micro-modelling of climate physical risks, and biodiversity loss-related financial risks. It also chairs the Alliance of Financial Inclusion's working group on inclusive green finance and contributes, alongside the Moroccan Capital Market Authority (AMMC), to SBFN reports on sustainable finance in emerging markets.

BAM is working on a climate-related risk supervision and control programme with the support of the World Bank. It aims to perform the first climate risk assessment and stress testing exercise at banking sector level, build capacities on climate-related risk management practices, and integrate these risks in the supervisory framework and tools.

Regarding financial green instruments, the Ministry of Economy and Finance has launched a study in cooperation with international partners to identify the gaps in terms of supply and demand of green financial instruments with a focus on SMEs and to design, consequently, new instruments that can meet, even partially, the needs of such companies. Tatwir Green Growth, a programme deployed by the National Agency for SMEs and the Moroccan Agency for Energy Efficiency, supports Very Small, Small and Medium Industrial Enterprises in their efforts to develop decarbonised processes and products. It also aims to support the emergence of new competitive green industrial sectors and the reduction of industrial pollution. Funding is provided by grants under the Industrial Recovery Plan 2021-2023.

Building on the previously published guidelines for green, social and sustainability bonds, the gender bonds guidelines were also developed by the AMMC with the support of FSD Africa. Green, social, and gender bonds have already been issued in Morocco. Total issuance of green bonds was over MAD 4 billion including 1.5 billion denominated in Euro. In July 2022, the National Office of Railways of Morocco issued a 1 billion MAD (EUR 95 million) green bond to refinance debt used to build an electrified high-speed rail line in the country. This green bond was aligned with the low carbon land transport criteria of the Climate Bonds Standard, as verified by an independent party, and certified by the Climate Bonds Standard Board.

The General Tax Code for 2022 included a number of new measures focused on supporting the sustainable and low carbon development of Moroccan SMEs. The main ‘greening’ and innovation-focused tax measures are, for example: i) exemption from VAT without the right to deduct for recovery materials and water pumps that run on renewable energy used in the agricultural sector, ii) reduced VAT rate with right of deduction on sales of electrical energy, iii) tax exemption for vehicles with electric and hybrid engines, iv) tax liability for certain electrical goods and equipment and vehicle batteries. Also, the framework law n° 69-19 of 2021 outlined the provisions of the tax reform, which is a structuring lever for the financing of the national economy and which will be implemented gradually over five years in accordance with national priorities. Some of the tax measures would help accelerate sustainable development in Morocco.

Some regulators have made commitments to improve the management of climate risks in the financial sector and green finance, notably in the margins of the COP26. In this regard, BAM intends, in the coming years, to implement a new roadmap for the financial system, which will be adopted in partnership with relevant stakeholders, in line with the global work undertaken by the NGFS.

New Zealand

In the past year, Aotearoa New Zealand has strengthened its policy framework for emissions reductions and adaptation, through setting the first three emissions budgets (charting the course for the total amount of emissions New Zealand must cut until 2035) as stepping stones to meet its 2050 net-zero target. The country’s first emissions reduction plan²⁶ to meet the first emissions budget was also published alongside the country’s first national adaptation plan²⁷, to build resilience to the worst impacts of climate change. The launching of a sovereign green bond programme, with initial issuance intended in late 2022 is also part of actions for reaching net-zero.²⁸ A USD 2.9bn public funding from the newly-established Climate Emergency Response Fund was allocated for climate-related initiatives.

In its first national adaptation plan, published in August 2022, the New Zealand government committed to support the development of definitional tools to encourage greater investment in ‘green’ projects. It is expected that by 2024, definitional tools for Aotearoa New Zealand will have been determined and applied through a collaborative approach with industry, academia, iwi/Māori and the scientific community.

The launch of Sustainable Agriculture Finance Initiative (SAFI) Guidance as a definition of sustainable investment in the agriculture sector has resulted in the growth of a new market for agricultural

²⁶ You can read more [here](#).

²⁷ You can read more [here](#).

²⁸ You can read more [here](#).

sustainability-linked loans in the New Zealand banking sector, such as BNZ Agribusiness Sustainability-linked Loan and Westpac NZ Agribusiness Sustainable Loan pilot.²⁹

Following legislation of mandatory climate-related disclosures for large financial market participants in 2021, the Government will shortly be consulting on developing an assurance regime and expanding assurance requirements. The Government is considering extending disclosure requirements to non-listed companies, and to the public sector.

In parallel to the development of the Aotearoa New Zealand Climate Standards, the External Reporting Board (XRB), New Zealand's accounting and assurance standard setter, has also been encouraging sector-level collaboration on scenario analysis. This is intended to help ensure that entities are in a position to make scenario analysis disclosures at the entity level that are as consistent and comparable as possible, and to reduce costs and resourcing pressures. Many sectors in New Zealand are actively working to create scenarios at sector level at present, including various corporate sectors, banking, insurance and funds management.

Broader developments in the New Zealand market: Regulatory developments in Aotearoa New Zealand and around the world are also resulting in strong industry appetite for sustainable finance innovations. Toitū Tahua - the Centre for Sustainable Finance - has been established and has launched a new voluntary, industry-led Stewardship Code.³⁰

In November 2021 the Aotearoa New Zealand Investor Coalition for Net Zero was established as an informal coalition to accelerate the adoption of credible pledges amongst New Zealand asset owners and fund managers.

In addition, five of New Zealand's largest banks have signed up to the Net-Zero Banking Alliance. One New Zealand insurer is signed up to the Net-Zero Insurance Alliance. One insurer and other New Zealand Investment organisations, collectively with funds under management around NZD 40 billion, are signed up to the Net Zero Asset Owners Alliance. Several Crown Financial Institutions, which collectively administer around NZD 100 billion, have signed up to the Net-Zero Asset Owners commitment.

Norway

In April 2022, the Norwegian government voiced support for the overarching objectives of the European Commission's strategy for financing the transition to a sustainable economy. In order to facilitate closer dialogue between policymakers and stakeholders, the Ministry of Finance has established a sustainable finance policy forum. The policy forum has members from public authorities, businesses, academia, and other stakeholders and meets regularly to discuss relevant regulatory processes.

In December 2021, the Parliament adopted a new sustainable finance act, which incorporates the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation in Norwegian law. The act is expected to enter into force and apply from early 2023. The Ministry of Finance encouraged Norwegian undertakings that fall within the scope of the Taxonomy regulation to provide taxonomy-related information in their annual reporting for the 2021 financial year on a voluntary basis.

²⁹ You can read more [here](#).

³⁰ You can read more [here](#).

The Norwegian government expects large undertakings to provide sustainability information in their annual reporting, in line with the requirements of the Norwegian accounting act. In April 2022 the government encouraged SMEs to provide such information on a voluntary basis. The government has voiced support for the development of new sustainability reporting standards in Europe and internationally, including the development of separate, proportional standards for SMEs. In October 2020, the Ministry of Finance tasked the Norwegian Securities Law Commission with preparing a report on how the proposed EU Corporate Sustainability Reporting Directive can be implemented in Norwegian law. This report is expected to be published in December 2022.

The market for green bonds has grown considerably in Norway in recent years, and green bonds account for a substantial share of total bonds issued. Total outstanding volume of green corporate bonds was EUR 8.7 billion at year-end 2021, compared to EUR 4.8 billion at the end of 2020. New issuance increased from EUR 2.9 billion to EUR 4.4 billion in the same period. In the Nordic market, nearly all issuers of green bonds use independent third-party reviews to verify their bonds. The reviews are made public, and issuers are obliged to make their ongoing disclosures through stock exchange statements. The Financial Supervisory Authority of Norway is currently considering how expected new EU rules on green bonds should be implemented in Norwegian law.

Senegal

In 2022, the State of Senegal carried out several actions towards the development of sustainable finance.

First, a national climate resource mobilisation strategy was developed. The strategy targeted various financial tools, as well as mechanisms for accessing and mobilising resources from bilateral and multilateral cooperation, multilateral development banks, the private sector, the public sector and local communities. In addition, it involves organisational, institutional, economic, and other mechanisms for the strategy's implementation and achievement of results. These mechanisms engage different international and national organisations in the framework of partnerships.

Secondly, the 'PSE vert' programme was designed and validated. In a first phase, the 'PSE vert' will cover the following six priority sectors: energy, forestry, agriculture, water and sanitation, industry, urban planning and construction. 29 projects, including 16 private, 9 public and 4 Public-Private Partnerships, were selected for the programme. They require investments of nearly FCFA 340 billion, or more than EUR 500 million.

To this end, a dozen priority reforms in the aforementioned priority sectors will create an ecosystem allowing the increase of green investments in the Senegalese economy. In addition, the need to establish a taxonomy was highlighted, even if the measure was not retained in the 'PSE vert' programme. However, discussions are underway between departments of the Ministries in charge of Finance and the Environment regarding the development of a taxonomy.

In addition, the Ministry of Finance and Budget has undertaken the establishment of a framework for issuing green, social or sustainable bonds aligned with the principles of the International Capital Markets Association (ICMA) applicable to sustainable bonds and bonds linked to sustainable development. This framework will be configured in such a way to allow bond issuing, and more broadly financing, according to the two main formats established by ICMA, namely: 'Use-of-Proceeds Bonds' and 'Sustainability-linked Bonds'.

Singapore

Singapore is firmly committed to contributing to global efforts on the transition to a net-zero economy. In February 2022, Singapore announced that it will raise its climate ambitions to achieve net-zero by or around mid-century, building on the Singapore Green Plan 2030.

The Monetary Authority of Singapore (MAS) is integrating environmental considerations across its central banking, regulatory, development, investments, and corporate functions, complementing Singapore's efforts. MAS has been taking progressive steps to implement its Green Finance Action Plan (GFAP), a sustainable finance strategy introduced in 2019. The GFAP has expanded to include transition finance, in recognition of the global need for financing to enable companies across all sectors of the economy, including hard-to-abate ones, to decarbonise. Green and transition finance is a critical enabler for an orderly, effective, and inclusive transition in Asia, to decarbonise the entire economy without compromising social and economic development.

To develop a sustainable finance ecosystem that supports the transition, MAS is working with industry to develop a taxonomy to provide greater clarity on transition activities and promote innovative solutions, such as blended finance. MAS has also stepped up efforts on sustainability disclosures and Green Fintech as comparable and reliable sustainability data are critical to develop and track the progress of transition plans.

On taxonomy, Singapore's Green Finance Industry Taskforce launched a second public consultation in May 2022, which laid out a guiding framework to define green and transition activities and the technical screening criteria in three core sectors – energy, buildings and construction, and transportation and fuels. The consultation also included a user guide for financial institutions and companies to apply the taxonomy. Thresholds for the remaining five sectors³¹ will be detailed in a subsequent public consultation.

To accelerate financing to green and transition activities, MAS is injecting seed capital into a SGD 5 million Asia Climate Solutions Design Grant hosted by Convergence Blended Finance. It will (i) provide early-stage funding for proof of concept and feasibility studies on innovative and scalable blended finance solutions to fund sustainability projects and (ii) mobilise capital into high impact target sectors that are significantly under-capitalised in Asia³². Together with the Asian Development Bank (ADB), MAS will also participate in an initiative by the Glasgow Financial Alliance for Net-Zero (GFANZ) Asia Pacific Network to develop guidance for financial institutions on how they can facilitate the managed phase-out of coal power generation in the Asia Pacific. The guidance aims to provide the necessary clarity to help drive capital into such projects. MAS continues to provide grants to defray the costs of issuing green and sustainability-linked loans and bonds. MAS also promotes responsible and credible transition financing by banks in Singapore. MAS has begun engaging banks on their own transition plans, while banks guide and support their clients' credible transition plans with appropriate financing.

On disclosures, the Singapore Exchange (SGX) Listing Rules, revised in December 2021, require all SGX-listed entities to provide climate reporting on a 'comply-or-explain' basis from 2022. Climate reporting will progressively become mandatory from 2023 for those operating in industries identified

³¹ Agriculture and Forestry/Land Use, Industrial, Information and Communications Technology, Waste/Circular Economy, Carbon Capture and Sequestration.

³² Such as early-stage climate adaptation and mitigation technology, clean energy access, sustainable transport, sustainable cities and infrastructure, sustainable agriculture, and nature-based solutions.

by TCFD as most affected by climate change.³³ Mandatory climate-related disclosures which reference ISSB standards will be applied to major financial institutions after 2023. This builds on MAS' existing supervisory expectations for all banks, insurers, and asset managers to make climate-related disclosures from June 2022, in accordance with well-regarded international reporting frameworks, such as the TCFD recommendations. In July 2022, MAS issued guidelines for retail ESG funds requiring disclosures to better substantiate the ESG label from January 2023.

On Green Fintech, MAS has been working with industry partners on Project Greenprint to develop digital utilities that facilitate the efficient flow of trusted ESG data. This includes (i) ESGpedia, a registry launched in May 2022 recording the provenance of green certifications, allowing financial institutions' access to green and sustainable financing decisions; and (ii) ESGenome, a disclosure platform launched in September 2022 allowing SGX-listed companies to upload corporate sustainability data in a structured and efficient manner, and grant consent for access by external users such as financial institutions and service providers seeking comparable data.

Switzerland

The Swiss climate scores were launched in June 2022 and seek to establish best-practice transparency on the Paris Agreement alignment of financial investments to foster investment decisions that contribute to reaching those climate goals. These voluntary climate scores include indicators that not only reflect the current situation (e.g. in terms of emissions or exposures to high-emitting sectors), but that are also forward-looking (e.g. share of portfolio subject to a net-zero target, engagement strategy, level of global warming that would occur if the global economy would act with the same level of ambition). The Scores will be reviewed regularly to better reflect emerging practice. A first review, including of voluntary uptake, is planned by the end 2023.³⁴

A framework for the issuance of Green Confederation Bonds was adopted in August 2022 and a first issuance is planned in autumn 2022. The issuance of such bonds aims to foster the application of international green bond standards in Switzerland, both in the public and the private sector, and thus could help accelerate the issuance of green bonds that follow high environmental standards.³⁵

Switzerland is finalising a draft ordinance that will make TCFD climate-related financial disclosures mandatory for larger companies across all sectors of the economy. The ordinance plans to cover all listed companies and financial institutions with more than 500 employees. Further criteria include a balance sheet exceeding CHF 20 million and revenues exceeding CHF 40 million in the last two years. The legislation will not only cover the climate-related risks faced by these companies, but will also ask the firms to disclose the climate impact of their activities, as embodied in the concept of double materiality. The disclosure requirements include transition plans and will focus on meaningful, comparable, and –where possible—forward-looking and scenario-based disclosures. The legislation relies on a 'comply or explain' approach that asks companies to justify why some requirements might not be relevant to them. Planned entry into force is on 1 January 2024, subject to domestic procedures. Companies will be expected to implement the legislation starting in 2025 for FY 2024.³⁶

³³ The financial services, energy, and agriculture, food and forest products industries first, followed by the materials and buildings, and transportation industries.

³⁴ For more information, please consult [this link](#).

³⁵ For more information, please consult [this link](#).

³⁶ For more information, please consult [this link](#).

The Swiss Federal Council is encouraging the financial sector to join net-zero international alliances and is working towards industry agreements in this regard. Switzerland is also a founding member of the Climate Data Steering Committee (CDSC) that aims to establish a Net Zero Data Public Utility (NZDPU) that will enhance the global comparability, consistency and accessibility of company-level climate and emissions data. The NZDPU will make climate data available for free and will help assess the ambition and credibility of company and financial institution commitments, as well as track progress over time.³⁷

Switzerland is carrying out a third round of voluntary and anonymous testing of the climate alignment of financial institution (banks, asset managers, insurers and pension funds) portfolios' (listed equities, corporate bonds and real estate) in 2022. The second round of the (2020) exercise covered around 80 per cent of Swiss investments in global equity and corporate bonds, half of all properties held by institutional investors and three-quarters of Swiss residential buildings covered by mortgages. Aggregate results across all financial institutions will become available in autumn for the 2022 exercise.³⁸ The Swiss National Bank (SNB), in cooperation with the Swiss supervisor (FINMA) and the University of Zurich, conducted a pilot project to measure climate-related transition risks at two Swiss globally active banks. After evaluating a range of methodologies, FINMA and the SNB opted for a scenario analysis approach developed at the University of Zurich. The different scenarios deployed in the analysis were developed by the NGFS.³⁹

The Green Digital Finance Alliance and Swiss Green Fintech Network launched the world's first green fintech classification that maps the various solutions offered by green fintechs in seven categories. The classification helps enhance the understanding of green fintech markets and thus stimulate more innovation and adoption. The classification also includes an overview of the main databases (e.g. earth observation, sensor or IoT data) that can be leveraged by green fintechs and highlights the importance of open data to allow green fintech and SME innovation.⁴⁰

A Swiss National Consultation Group was set up to build a national network of learning, best practice and awareness-raising, encourage feedback from a wider number of companies on Taskforce on Nature-related Financial Disclosures (TNFD) pilots, as well as to encourage a wider adoption of the TNFD recommendations by the private sector.⁴¹

United Kingdom

The UK has made strong progress on sustainable finance over the last year and remains the leading global financial centre for green finance according to the Global Green Finance Index.

The UK has taken forward its commitment to introduce fully mandatory disclosures aligned with the recommendations of the TCFD. These rules have now been introduced by the Financial Conduct Authority (FCA), the Department for Business, Environment and Industrial Strategy and the Department for Work and Pensions, with the rules for publicly quoted companies and large private companies introduced in February 2022.

At COP26, the Government committed to moving towards mandatory transition plan disclosures. FCA rules for asset managers/owners and listed companies have been updated to include comply or

³⁷ You can read more [here](#).

³⁸ You can read more [here](#).

³⁹ You can read more [here](#).

⁴⁰ You can read more [here](#).

⁴¹ You can read more [here](#).

explain requirements to publish transition plans that are now in force (from 1 January 2022). The Transition Plan Taskforce (TPT) was launched in May. This will create best practice for firm-level transition plans. The TPT published a call for evidence on 11 May and is publishing its framework for consultation at COP27.

Since September 2021, the government's Green Financing Programme has raised more than GBP 18 billion from the sale of green gilts and NS&I's Green Savings Bonds. These funds support projects with clearly defined environmental benefits. The UK will raise another GBP 10 billion in green gilts in the financial year 2022/2023 to continue financing projects to tackle climate change and other environmental challenges. Two completed green gilt transactions this financial year (May and September) have so far raised GBP 4.4 billion.

The financial regulators are also continuing to progress their work on sustainable finance. The Financial Conduct Authority published a consultation paper (CP22/20) on Sustainability Disclosure Requirements and Investment Labels, which seeks views on new disclosure requirements for asset managers and FCA-regulated asset owners, as well as a sustainable investment labelling regime. The Disclosures and Labels Advisory Group (DLAG) was established. This is an expert advisory group which will provide independent advice to the FCA on the development and implementation of Sustainability Disclosure Requirements and the sustainable investment labelling regime. The Bank of England published the results of its Biennial Exploratory Scenario (BES) on financial risks from climate change on 24 May 2022. This explores the financial risks posed by climate change for the largest UK banks and insurers.

Looking forward, the Government intends to publish an updated Green Finance Strategy setting out how the UK will go further on green finance. HM Treasury is analysing the returns from the call for evidence which closed on 22 June 2022 and will continue work to integrate climate change in financial regulation. The Government also continues to consider the best approach to implementing a Green Taxonomy, guided by the 'Green Technical Advisory Group', set up to provide independent expert advice on taxonomy development and implementation. The Government will continue to strongly support the work of the ISSB. This was launched at COP26 in Glasgow to take forward important work to develop a global standard for sustainability reporting. The ISSB has now published its first exposure draft standard in March 2022.

3. Global cooperation on sustainable finance and the role of the IPSF

The G20 Sustainable Finance Working Group is among the leading international fora on sustainable finance. SFWG work in 2022 has been anchored in the G20 Sustainable Finance Roadmap actions, endorsed as voluntary by G20 Leaders at the 2021 Rome Summit, and recognised again as critical to the achievement of the 2030 Agenda for Sustainable Development in line with the UNFCCC and the Paris Agreement by the G20 Finance Ministers and Central Bank Governors in 2022. Specifically, in 2022, the SFWG started tracking progress on the recommended actions in the Roadmap, developed a Framework for Transition Finance, recommendations to improve the credibility of private-sector financial institutions' commitments, as well as for scaling up sustainable finance instruments.

In line with its focus on transition finance and as SFWG knowledge partner, the IPSF has presented its proposed **transition finance** principles to the SFWG with a view to informing discussions around the G20 Transition Finance Framework. Aspects linked to the identification of transition activities, to disclosures and to the identification and mitigation of social and economic impacts are also central to the IPSF report and covered by various IPSF principles. For instance, corporate- and project-level reporting has been embedded as an inherent part of the credible implementation and accountability of the transition process (see principles 8 and 5.1). Project-level reporting has been incorporated into

the requirements for transition plans to provide information both on transition targets and the implementation strategy. Principles focused on corporate reporting not only aim at ensuring transparency, but also credibility through verification and enhanced sharing of best practices. Then, with respect to the identification and mitigation of social and economic impacts, the IPSF report acknowledges that the transition process is likely to have a broader impact than just its direct effect on assets and entities and thus aims to highlight elements that would help to avoid any negative implications. Principle 4 in particular focuses on positioning transition plans as a part of a broader strategy to achieve the Sustainable Development Goals, highlighting that the transition must be compatible with other environmental and social goals and that it must be just.

While elements linked to transition-relevant financial instruments and potential policy incentives are not directly covered by the IPSF principles, as they are more focused on the operationalisation of transition plans from a financial and policy perspective, the IPSF report can serve as a starting point to inform the decision-making process when designing transition-relevant financial instruments or potential policy incentives.

By proposing principles covering target setting and ensuring credible delivery of transition targets and implementation of transition activities, the IPSF Transition Finance Report also contributes to G20 SFWG recommendations to improve the credibility of private-sector financial institutions' commitments.

In 2022, the IPSF has also **reported on its efforts to contribute to the implementation of some of actions in the G20 Sustainable Finance Roadmap**, and in particular actions 1-6, 9 and 18 aimed at providing more clarity and transparency about commonalities and differences between taxonomies, supporting transition efforts and the integration of transition considerations in sustainable finance frameworks and overall enabling interoperability between sustainable finance frameworks.

Other international fora have also made significant contributions to global action on sustainable finance. In light of the increased focus on transition finance, the OECD has also developed Guidance on Transition Finance.

OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans

Since existing sustainable finance approaches do not always include all relevant sectors and may not be suitable for all regions, the emerging concept of transition finance aims to propose a whole-of-economy approach that is inclusive of both regions and sectors. However, there is a risk that inclusiveness comes at the cost of environmental integrity, increases greenwashing, and leads to carbon-intensive lock-in. The OECD Guidance on Transition Finance stipulates that transition finance transactions should be anchored in the real economy and be based on credible corporate climate transition plans, in line with the temperature goal of the Paris Agreement, to ensure environmental integrity. The Guidance presents ten key elements of credible corporate transition plans, which have strong links to elements elaborated as part of the activity-, entity-, and portfolio-level elaborated in the IPSF Transition Finance report.

The OECD Guidance considers transition finance as intended for the dynamic process of becoming sustainable or reaching net zero. The aim is to mobilise financing and provide forward-looking solutions for a whole-of-economy decarbonisation, while avoiding static views limited to what is already sustainable today. To facilitate the GHG emission reductions necessary to achieve the temperature goal of the Paris Agreement would require a mainstreaming of transition considerations in the planning and decision-making of corporates across all sectors of the economy.

Informed by an OECD Industry Survey on Transition Finance, and extensive bilateral consultations

with jurisdictions and market actors active in the space, the Guidance makes the following key contributions: i) a comprehensive mapping and comparison of the main existing approaches in transition finance, including an overview of the relevant financial instruments to date, ii) an analysis of the key challenges and barriers to mainstreaming transition considerations in financial markets and the real economy, especially in EMDEs; iii) an overview of ten key elements of credible corporate transition plans, building on and complementing existing approaches.

Like the IPSF Transition Finance report, the Guidance recognises the role and importance of existing tools and frameworks, both in transition and sustainable finance. Tools like taxonomies, sectoral pathways, technology roadmaps, and sustainability reporting standards are all relevant to and can increase the credibility and comparability of corporate transition plans. In a complementary manner, by building on and making use of existing sustainable finance tools, transition plans can help to promote the credibility of whole-of-entity transition strategies and minimise the risk of greenwashing in transition finance, ultimately encouraging the sustainable finance market to grow with integrity.

Transition plans allow corporates to explain their goals, commitments, actions and progress towards climate action and sustainability, as well as how they maintain financial performance and competitiveness during their transition. Credible corporate transition plans also provide financial market participants with a sufficiently robust basis to make informed investment decisions, thereby reducing the risk of greenwashing, and to better manage their own transition risks while harnessing transition opportunities. The Guidance identifies ten key elements of credible corporate transition plans, building on emerging practices and approaches for transition finance and transition plans. It also includes areas that are currently underdeveloped by existing approaches.

Element 1: Setting temperature goals, net-zero, and interim targets. Net-zero and interim targets are science-based, consistent with an IPCC 1.5°C reference scenario, and cover all relevant GHG emissions. Interim targets reflect the need for global GHG emissions to peak by 2025. In limited and well-justified circumstances, companies may choose reference scenarios consistent with limiting warming to above 1.5°C but below 2°C.

Element 2: Using sectoral pathways, technology roadmaps, and taxonomies. Net-zero and interim targets as based on available sectoral pathways, technology roadmaps, and, where possible, taxonomies. The plan clarifies how and for which technologies future operating and capital expenditures will be used to achieve targets.

Element 3: Measuring performance and progress through metrics and KPIs. Climate change mitigation-related metrics and KPIs cover lifecycle GHG emissions, are measurable and externally verifiable. Targets and reporting include scope 3 emissions as a rule, and omissions are limited and clearly justified and explained.

Element 4: Providing clarity on use of carbon credits and offsets. Given the risk that carbon credits and offsets can pose to the credibility of transition plans, their use is limited and carefully explained.

Element 5: Setting out a strategy, actions, and implementation, including on preventing carbon-intensive lock-in. There is a clear strategy and concrete actions to achieve the company's targets, including transition risks and opportunities over time, and an assessment of the likelihood that targets will be achieved. The risk of carbon-intensive lock-in is assessed, a plan for responsible retirement of high-emitting assets provided where relevant, and mechanisms put in place to prevent lock-in for any existing or future assets and infrastructures at risk.

Element 6: Addressing adverse impacts through the Do-No-Significant-Harm (DNSH) Principle and

due diligence for Responsible Business Conduct (RBC). Credibility can be increased by also considering not only mitigation goals but also other environmental and social objectives, including by ensuring no harm is done to them. A useful way to operationalise the DNSH Principle as part of transition plans, is to conduct risk-based due diligence based on OECD Due Diligence Guidance for Responsible Business Conduct (RBC), which helps companies identify, prevent, mitigate, and account for actual and potential adverse impacts associated with their operations, supply chain and other business relationships.

Element 7: Supporting a just transition. Measures are taken to mitigate negative impacts on workers, suppliers, local communities, and consumers, considering relevant ILO and OECD principles and guidelines. Credible transition plans are developed through a process that ensures regular, continuous, and inclusive stakeholder engagement and social dialogue.

Element 8: Integrating with financial plans and internal coherence. The transition plan is integrated into the corporate business plan, makes direct reference to the company's financial plan and is done concurrently with financial reporting.

Element 9: Ensuring sound governance and accountability. A whole-of-entity approach ensures that the design and implementation of the transition plan is subject to regular monitoring and reporting, subject to senior management approval and oversight, and involves all relevant stakeholders.

Element 10: Transparency and verification, labelling and certification. Progress on targets is regularly disclosed and third-party verification of the plan and its targets ensured.

The work of international organisations has also progressed on guiding governments through their alignment efforts. Recognising the risk of market fragmentation if different alignment tools and methodologies are developed in silos, the IMF, the World Bank Group, the OECD, and the BIS are collaborating on drafting an implementation guidance for sustainable finance alignment approaches, focusing on asset-level approaches (primarily taxonomies).

IMF/OECD/World Bank Group/OECD/BIS Guidance

This forthcoming guidance aims at operationalising the high-level principles for future development of alignment approaches published as part of Action 1 of the G20 SFWG roadmap in October 2021.⁴² It reflects the priority for these organisations to strengthen the climate information architecture, in order to support the transition to a low-carbon economy and to address the need for information on climate-related risks. It also contributes to the development of a transition finance framework, a priority set out by the G20 Indonesian Presidency for 2022.

Alignment approaches and methodologies - especially taxonomies and other asset-level alignment approaches - have indeed proliferated in various forms in an increasing number of jurisdictions across the world, all the more so in the past couple of years. There is a diversity of bottom-up and top-down approaches, use cases, and levels of granularity and application. The focus on taxonomies, which are complementary to other types of alignment approaches, stems from the

⁴² These principles are: 1. Ensure material positive contributions to sustainability goals and focus on outcomes; 2. Avoid negative contribution to other sustainability goals (e.g., through do no significant harm to any sustainability goal requirements); 3. Be dynamic in adjustments reflecting changes in policies, technologies, and state of the transition; 4. Reflect good governance and transparency; 5. Be science-based for environmental goals and science- or evidence-based for other sustainability issues; and 6. Address transition considerations.

observation that real-world decarbonisation ultimately happens at the asset level. Financial market participants should be given the methodology and data to differentiate between high and low-carbon assets in order to assess the impact of low-carbon investment strategies in terms of the composition of the real economy, and ultimately work towards mitigation outcomes. The literature also shows it may contribute to compare portfolio exposures according to the nature (low-carbon, or not) of their investment strategy, providing a relevant starting point for other types of approaches (e.g., standardized taxonomies of carbon stranded assets).

Operationalising these high-level principles lies on a fourfold foundation : (i) ensuring that alignment approaches develop on robust, credible, and science-based grounds to mitigate greenwashing risks and accelerate the funding of decarbonising carbon-intensive sectors, industries, and assets; (ii) improving comparability and interoperability across diverse approaches; (iii) providing solutions to effectively incorporate specificities related to supply chains and to emerging markets and developing economies into these approaches; and (iv) effectively connecting such approaches with disclosures and data, as they provide science-based benchmarks for metrics and data points.

The guidance concretely identifies existing technical and operational issues in applying each high-level principle and builds on the takeaways from a comparative analysis led across alignment approaches, a literature review, and technical analysis performed by participating organisations. This is followed by a series of guidance and recommendations aimed at laying out options for comparability and convergence across alignment approaches. In order to offer inclusivity and flexibility for financial market participants, particularly in emerging markets and developing economies, the guidance sets targets and adopts a minimum ground approach, while allowing for different pathways and providing tiered options.

In addition to supporting public authorities and the private sector in developing alignment approaches, it ultimately aims at facilitating a higher degree of interoperability and a minimum degree of comparability across approaches around the globe. The IMF, the World Bank Group, the OECD and the BIS also intend to leverage on this guidance for policy advice, technical assistance, and capacity building purposes.

Partnerships and initiatives established over the past years have continued to support efforts to catalyse finance towards sustainability goals.

Examples of Initiatives and partnerships led by UNEP FI (2022)

Helping financial institutions deliver net-zero economies with three alliances, part of GFANZ:

- **Net-Zero Asset Owner Alliance (NZAOA)**, convened in 2019 by UNEP FI and the Principles for Responsible Investment. The members have committed to transition their portfolios, to net-zero greenhouse gas emissions by 2050. In 2022, the Alliance published the [Target Setting Protocol Second Edition](#), looking how members will implement their reduction targets (targets for 2025 have already been [issued](#)). Progress report available [here](#).
- **Net-Zero Banking Alliance (NZBA)**, launched in April 2021 by UNEP FI. Members have [committed to](#) transition their portfolios to net-zero emissions by 2050, using decarbonization scenarios and prioritizing their efforts in areas where they can have the most impact. Members must follow UNEP FI 's [Guidelines for climate target-setting](#) to set intermediate targets for 2030 or sooner. Further guidance has been published on [climate mitigation target-setting](#), and quite critically the [NZBA Transition Finance Guide](#), outlining key steps for Banks to take across different frameworks.

- **Net-Zero Insurance Alliance (NZIA)**, launched in July 2021 by UNEP FI. Members are committing to individually transition their underwriting portfolios to net-zero emissions by 2050. NZIA members will individually set science-based intermediate targets every five years and independently report on their progress publicly on an annual basis. The first elements of the initiative have been outlined in the paper on [evolving thinking and practices](#), and further insights from work with PCAF will be released soon.

The **Principles for Responsible Banking** are a framework that enables banks to align their different lines of business with the UN's Sustainable Development Goals and the objectives of the Paris Climate Agreement (see [Three Key Steps to PRB Implementation](#)). In 2022, UNEP FI has provided signatory banks with key tools to deliver on both their overall commitments as well as continued work on issuing target-setting guidance addressing different impact areas:

- [Principles for Responsible Banking Guidance](#)
- [The Portfolio Impact Analysis Tools for Banks \(Version 3\)](#)
- [Guidance on Financial Health & Inclusion Target Setting 2.0](#)
- [Impact Protocol](#)
- [Case studies on impact analysis and target setting](#)

Nature: Tackling the triple planetary crisis is a key objective for UNEP FI. The challenge that biodiversity loss poses to nature and the planet is critical. UNEP FI has been engaging on critical issues related to this topic, including active participation and steering of the TNFD and work on identifying risks & opportunities, including on blue economy finance issues.

- [Diving Deep: Finance, Ocean Pollution and Coastal Resilience](#)
- [Our work on Harmful Marine Extractives](#)
- [Are you ready for nature-related disclosures?](#)
- [Prioritising nature-related disclosures: considerations for high-risk sectors](#)
- [Nature in a haystack: Leveraging public nature-related data in disclosure frameworks](#)
- [TNFD Financial Market Readiness Assessment](#)

Applying the EU Taxonomy to banking products: In February 2022, as the latest iteration of the work on the EU Taxonomy with the European Banking Federation (EBF), UNEP FI published a report on [Practical approaches to applying the EU Taxonomy to bank lending](#) for banks who wish to use the EU Taxonomy for mandatory and further applications.

The report explores several aspects of EU Taxonomy application to banking:

- Disclosure requirements under the EU Taxonomy Article 8 Disclosures Delegated Act
- How the EU Taxonomy could be further used to gather EU Taxonomy compatible information for banks clients who do not yet have an obligation to disclose, such as SMEs and non-EU companies
- How the Taxonomy could be used by banks that wish to engage with clients who perform economic activities that are taxonomy-eligible but are not yet taxonomy-aligned

The Working Group on Sustainable Finance Taxonomy in Latin America and the Caribbean (the LAC Taxonomy Working Group), constituted by the UNEP and its Finance Initiative (UNEP FI), World Bank Group, IMF, ECLAC, UNDP, IADB, CAF, FAO, and the European Commission, as an external technical advisor. The LAC Taxonomy Working Group is developing a Common Framework of Sustainable Finance Taxonomies for LAC, which establishes a set of guiding principles for taxonomies in the LAC region to ensure harmonisation and interoperability with taxonomies globally. The LAC Common Framework focusses on climate change objectives, as a first phase, and prioritises sectors that have an importance for these objectives. It additionally provides guidance for activity inclusion based on substantial contribution, transition, enabling and those with low performance. Finally, the LAC Common Framework provides options and pathways for selection of

metrics for key priority sectors for the climate objectives. You can see the launch event [here](#).

Sustainable finance has also become an important topic in the UNFCCC negotiations and at COP26 with the acknowledgment that private financing is essential to meeting Paris Agreement goals and Agenda 2030. Following last year's experience, the IPSF is organising again its 2022 Annual Event as a side-event in the context of COP27, on Finance Day, to showcase the IPSF's role and work on transition finance. Another COP27 side-event will also discuss recent taxonomy developments and the role of the IPSF in promoting interoperability and comparability.

4. Conclusions

This Annual Report showcases the multifaceted progress marked by the IPSF, its members and observers on strengthening domestic and global frameworks of sustainable finance in areas such as, but in no way limited to, disclosures, taxonomies, and transition finance. In 2022, the IPSF continued to contribute to international coordination and the exchange of good practices to advance sustainable finance markets towards the fulfilment of climate-related goals and commitments.

It is undeniable that there is a pressing need to further increase engagement to address gaps that remain at domestic, regional or international level. IPSF members have considerable scope to step up and speed up policies to enable and enhance credible sustainable financing. For this, IPSF members and observers' steadfast commitment will be a sine qua non in the months and years to come. At the international level, the IPSF will continue to provide a platform for its member jurisdictions to openly discuss, support and encourage one another to ramp up ambition and push forward with the design and implementation of robust sustainable finance actions.

Moving forward, in 2023, the IPSF will build on its work so far and explore how to best promote cooperation among members and observers, continue efforts linked to the implementation of the G20 Sustainable Finance Roadmap or, in its capacity as knowledge partner, provide input to the G20 SFWG. In particular, the IPSF will keep working on taxonomies with the aim of enhancing their cross-jurisdictional interoperability and comparability. With the work of the transition finance working group and the IPSF Transition Finance Report as a solid foundation, the IPSF will also consider the possible development of use cases for transition finance.