

International Platform on Sustainable Finance



Annual Report

November 2021

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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 2021. Chapter 4 is based on input by the Climate Bonds Initiative and contribution from observers.

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



Executive Summary

This 2021 Annual Report of the International Platform on Sustainable Finance (IPSF) gives an overview of the work of the platform during the year, chief among that being the work on taxonomies and disclosures. The outcome of the dedicated work-streams is published together with this report to coincide with the COP26 Summit in Glasgow. IPSF members at its annual meeting organised at the occasion of COP 26 issued a statement expressing commitment to continuous 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 considerations¹.

Since its launch, the IPSF has grown significantly, its membership reaching now 18 jurisdictions, representing over 55% of global greenhouse gas emissions and 55% of global GDP, covering 50% of the world population. Interest in the work of the platform expanded also to other institutional organisations and standards setters, increasing the number of observers to the IPSF. The IPSF's received further recognition for its outstanding work by being named a knowledge partner to the G20 Sustainable Finance Working Group.

First, this annual report gives an overview of the work on taxonomies and disclosures. The report on Common Ground Taxonomy provides an in-depth comparison and puts forward areas of commonality between the EU and China's green taxonomies. This work will be expanded over time. The report on disclosures looks at the state of environmental, social and governance (ESG) disclosure related policy measures, across IPSF jurisdictions and beyond to Brazil and the US. ESG disclosure is an evolving field and the report gives a radiography of the large range of existing and emerging approaches to implementing ESG disclosure frameworks.

This annual report also looks at the progress that member jurisdictions have done on sustainable finance and it clearly shows the continued commitment of members to steer financial flows towards sustainability. Most member jurisdictions have established taskforces dedicated to sustainable finance, which are formed as a public-private platform to discuss approaches to sustainable finance. In some jurisdictions, dedicated taskforces have been established to develop taxonomies. Equally, progress has been made on disclosures, with some member jurisdictions adopting or planning to adopt mandatory climate-related disclosures based on the recommendations by the Taskforce for Climate-related Financial Disclosures (TCFD) and some going even beyond and having disclosures across the full ESG range of issues. Work on developing frameworks for green bonds has also progressed with some of the member jurisdictions issuing their first green bonds.

The report includes a section dedicated to the recent developments on sustainable finance at international level, mostly the uptake in the work at G20 level and the acknowledgement of IPSF as an important contributor. During 2021, social and sustainability themes bonds continued to grow in the market and represented a flexible source of financing during the pandemic.

¹ The Joint Statement can be read in full [here](#).

1. Introductory message by Commissioner Mairead McGuinness

In 2015, the world took a momentous step by signing up to the Paris Agreement, with the aim to limit global warming to well below 2°C and to make efforts to limit it to 1.5°C.

Since then, the EU has taken a leading role in implementing the Agreement and tackling climate change. The European Green Deal set out the EU's ambition on climate policies. The European Climate Law means that the EU is legally bound to achieve a 55 percent cut in emissions by 2030 and to be carbon neutral by 2050. In June this year, the European Commission adopted a package of proposals in climate, energy, land use, transport and taxation policies to reach the 55 percent cut in emissions by 2030.

On sustainable finance, the EU's Strategy for financing the transition to a sustainable economy is the latest step in an area the EU has worked in for many years.

Meeting the Paris Agreement – along with the UN's 2030 Sustainable Development Goals – will require huge investment to transform our economies and societies. Public, private, domestic and international efforts will be needed to direct capital to where it is needed most, to support the transition and to leave nobody behind.

Of course these challenges need international ambition and coordination. The International Platform on Sustainable Finance (IPSF) was set up to enable joint action. It brings together policy-makers from across the globe to discuss best practices, compare different approaches, and identify where alignment is possible.

This year the IPSF has reached a number of achievements, notably:

- *the IPSF-UNDESA input paper to the G20 on “Improving compatibility of approaches to identify, verify and align investments to sustainability goals”*
- *three IPSF reports on ESG disclosures, Common Ground Taxonomy and Annual report*

These demonstrate the important work the IPSF is doing on approaches to align investments and finance with sustainability goals, including taxonomies, and disclosures. These topics were also central to recent G20 sustainable finance discussions and we should be proud that the role of the IPSF is acknowledged in the G20 Roadmap and that it has influenced the G20 Synthesis Report.

We cannot afford inaction. By enhancing IPSF coordination efforts, we will contribute to make our economies, financial markets, and societies better prepared to face sustainability risks, better informed about impacts and better equipped to profit from new opportunities. The IPSF is mobilising greater capital flows in response to the defining challenges of climate change and the transition to a more sustainable and resilient economy.

This year's United Nations Climate Change Conference, COP26, gives us a unique opportunity to reaffirm our commitment towards globally comparable and compatible sustainable finance policies to address climate change.

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

2.1. IPSF activity in 2021

During 2021, the membership of the IPSF kept growing. Hong Kong Special Administrative Region of China, Japan and United Kingdom joined last year, with the latest addition being Malaysia². The IPSF includes now 18 member jurisdictions.



Figure 1 IPSF Member Jurisdictions

Likewise, the number of observers increased with European Development Finance Institutions (EDFI), United Nations Development Programme (UNDP), the International Financial Reporting Standards Foundation (IFRSF), and the World Bank Group having joined. In total, the IPSF has 12 observers.



Figure 2 IPSF Observers

The IPSF continues to remain a unique multilateral forum of dialogue between like-minded policy makers in charge of developing sustainable finance policy approaches. IPSF members have shown a great commitment to exchanging and disseminating information to promote best practices, comparing different initiatives and identifying barriers and opportunities to enhance environmentally sustainable finance globally while all along respecting their respective national and regional contexts.

As a result, the IPSF has been recognised as a knowledge partner to the recently re-established G20 Sustainable Finance Working Group and was a key contributor to the work on the alignment of investments with sustainability goals (see chapter 3 of this report).

² As announced on 3 November, details [here](#).

In 2021, the IPSF’s work focused on two important policy areas (i) comparison of taxonomies and (ii) sustainability-related disclosure. For this work two dedicated technical working groups have been created.

a) Work on the comparison of taxonomies

Systems that classify sustainable economic activities, or “taxonomies”, help investors and issuers to carry out their transition strategies. They provide investors with a transparent and credible list of prospective green investments. By improving market clarity and confidence, taxonomies facilitate green investments. For issuers, taxonomies provide a clear set of principles or requirements to fulfil in order for their activities to be considered as making a substantial contribution to environmental objectives. They provide the basis for further policy action in the area of environmentally sustainable finance, including standards and labels, or potential changes to prudential rules.

In July 2020, the EU and China have initiated a Working Group on taxonomies co-chaired by both jurisdictions and open to all IPSF members and observers. The objectives of this working group are to comprehensively compare existing taxonomies for green, sustainable investments developed by public authorities of member jurisdictions, identify commonalities and differences in their respective approaches, criteria and outcomes. This work has become known as the IPSF “Common Ground Taxonomy” (hereinafter referred to as CGT).

The CGT can be used to improve the comparability and interoperability of taxonomies around the world. Hence, it intends to provide more clarity and transparency about the commonalities and differences between approaches and eventually lower the trans-boundary cost of green investments and scale up the mobilization of green capital internationally. It also provides a solid methodology on the basis of which other taxonomies can be compared in the future.

The CGT analysed 80 activities across six sectors. The current scope of analysis covers activities making substantial contribution to climate change mitigation. Other environmental objectives are not covered at this stage and other requirements such as Do No Significant Harm and Minimum Safeguards are also not within the current scope of the CGT work.

The Common Ground Taxonomy is...	The Common Ground Taxonomy is not...
<ul style="list-style-type: none"> ✓ An analysis on approaches of the EU taxonomy and China taxonomy, and the methodology for comparing and identifying commonalities and differences between some features of the two taxonomies. 	<ul style="list-style-type: none"> ✓ A legal documentation by the EU and China which entails requirement/obligation for either jurisdiction to change their taxonomy.
<ul style="list-style-type: none"> ✓ An evolving tool that may help different actors to understand the types of activities that could be covered under the respective taxonomies within the scope of the comparison exercise. 	<ul style="list-style-type: none"> ✓ A single taxonomy or exclusive definition of environmentally sustainable economic activities covering all environmental objectives, such as biodiversity, pollution prevention, etc.
<ul style="list-style-type: none"> ✓ A technical document for voluntary reference by interested parties within the limits of the scope of the comparison exercise. 	<ul style="list-style-type: none"> ✓ Covering all eligibility features or all activities in the EU and China taxonomies as explained in the instruction report.
<ul style="list-style-type: none"> ✓ An analytical tool or reference for other jurisdictions to consider when developing their own taxonomies. 	<ul style="list-style-type: none"> ✓ A proposal for international standards or legal document that imposes any global standard on other jurisdictions.

The methodology underpinning the CGT is a key part of the value of this work which will be further developed in the year to come, to integrate new sectors and activities, additional environmental objectives, other requirements (i.e. DNSH and Minimum Safeguards), transition considerations, and new jurisdictions' taxonomies. An important part of future work is that it dovetails with the work of the G20 Sustainable Finance Working Group (SFWG).

For more details, please see the Common Ground Taxonomy Report, available [here](#).

b) Work on sustainability-related disclosures

A dedicated working group on sustainability-related disclosures has been set up to compare disclosure requirements in IPSF member jurisdictions for companies (including banks, asset managers and institutional investors), and identify commonalities and differences in their respective approaches. This working group is co-chaired by the EU (European Commission), Japan (Financial Services Agency) and Switzerland (Federal Department of Finance).

This report aims at supporting global efforts to improve sustainability disclosures as a key cornerstone of sustainable finance, and at facilitating corresponding policy cooperation amongst members of the IPSF – and beyond.

It provides an overview of the state of environmental, social and governance (ESG) disclosure related policy measures, including laws, regulations, but also recommendations and guidelines, across IPSF jurisdictions, Brazil and the US. It describes the key characteristics of the different approaches and thereby identifies emerging global trends and key gaps that need to be addressed to effectively and substantially enhance transparency around sustainability impacts and risks. The analysis shows that ESG disclosure is a dynamically evolving field and provides interesting insights from the large range of existing and emerging approaches to implementing ESG disclosure frameworks:

- While the landscape of ESG disclosure policy measures is diverse, there is a global trend towards mandatory disclosure.
- There are major gaps that need to be addressed to enable the pricing-in of sustainability impacts and risks in investment decisions and to enable investment decisions to take account of company's impacts on the society and the environment: the comparability, accessibility, and assurance of the disclosed information.
- Entity-level ESG disclosure policy measures (e.g. regulations for companies or banks) are very widely implemented, whilst regulations targeting financial products and financial services are still in their infancy in most jurisdictions.
- Small- and medium-sized enterprises (SMEs) are mostly exempted from mandatory ESG disclosures, despite the fact that in a range of sectors SMEs represent the bulk of economic activity and the corresponding sustainability risks and impacts; most regulations still focus on listed companies.
- The materiality definition, mandatory reporting requirements, scope and content of most disclosure policies are not yet commensurate with the global sustainability challenges. Most notably, specific climate-related disclosures are still voluntary in most jurisdictions, and other key objectives, such as biodiversity risks are largely missing from disclosure frameworks or in some cases not explicitly addressed.

For more details, please see the ESG Disclosure Report, available [here](#).

2.2. Policy trends in IPSF member jurisdictions

In the past year, further progress on the sustainable finance agenda has been made by the IPSF's members jurisdictions, be it on the regulatory front or on the issuance of green bonds and/or other types of sustainability linked financial products.

Argentina

In 2020, the Ministry of Economy, created the Technical Roundtable on Sustainable Finance (MTFS) as a permanent forum for the design, discussion, evaluation and coordination of public policies, with the aim of developing and strengthening sustainable finance in the country³. The main objective is to develop sustainable finance in Argentina through the formulation of a National Strategy for Sustainable Finance allowing to identify alternatives to mobilize in a scalable way the necessary resources to catalyze public and private investments to achieve economic and social objectives within the framework of the Agenda 2030 and its SDGs, including the goals of mitigation and adaptation to climate change.

As part of the work to advance on the long-term Strategy, MTFS members agreed on (1) a Roadmap detailing the actions and activities that make up the critical path to promote sustainable finance in the short, medium and long term and (2) a Joint Statement by banking, insurance and capital market regulators to promote the development of sustainable finance in Argentina.

As part of the implementation of the Roadmap, the MTFS is working with IADB, UNDP, UK Pact – Skills Share and other regional partners on analyzing green/sustainable finance taxonomies, promotion of the local green, social and sustainability (GSS) bond market, analysis on the implementation of green/sustainable budgets, analysis of carbon pricing instruments and regional and international experiences in the field and design of the National Strategy for Sustainable Finance.

Argentina's Secretary of Finance is working to promote the design of incentives, guidelines and appropriate signals to foster a sustainable financial market, leveraging public and private financing. Currently, a Sustainable Bond Framework is being developed, establishing standards to promote the financing of projects which achieve development goals while allowing diversification of Argentina's investor base, reducing financing costs and continuing with a healthy debt management.

The Central Bank of the Argentine Republic (BCRA) is working on developing an internal roadmap on sustainable finance for the coming years. Among other dimensions, this roadmap will address how to identify and assess the potential effects of environmental, social and climate financial risk on local financial institutions, both from a micro-prudential and macro-prudential point of view, and will gradually promote the incorporation of these risks on banks risk management policies. In 2020, the National Securities Commission (CNV) created the Sustainable Finance Program, and within its framework, three awareness guidelines were launched in 2021: (i) Guideline for socially responsible investment in the Argentine capital market, (ii) Guideline for issuance of GSS bonds and (iii) Guideline for external reviewers of GSS bonds.

The Investment and Foreign Trade Bank (BICE) is committed to encouraging responsible investments and acknowledging the need to balance economic, social and environmental sustainability through an inclusive and federal perspective within productive sectors. This commitment was recently strengthened in the first Global Summit of Public Developments banks where President Alberto Fernández emphasized BICE's catalytic role as a leading player in the government's public policy on the 2030 Agenda and committed resources of at least USD500 million to achieve this agenda in the coming years. Banco de la Nación

³ This roundtable brings together the main public stakeholders: International Affairs Unit – Ministry of Economy; Finance secretariat - Ministry of Economy; Ministry of Environment and Sustainable Development; Ministry of Productive Development; Strategic Affairs Secretariat – Presidency of the Nation; National Securities Commission (CNV); Central Bank of the Argentine Republic (BCRA); National Insurance Superintendence (SSN), Banco de la Nación Argentina (BNA); Investment and Foreign Trade Bank (BICE); Sustainability Guarantee Fund (FGS).

Argentina (BNA), the main national public financial institution, advanced its sustainability strategy, recently creating the Framework for the Development of Financial Instruments Aligned with the SDGs. The Framework stipulates the guidelines and principles for the institution to develop, issue and manage debt and credit instruments, listed as sustainable and aligned with the SDGs. The Framework is the first of its kind at the local level for a financial institution and aligns with the Principles of Green Bonds and Social Bonds of the International Capital Markets Association (ICMA) and the Taxonomy of the Climate Bonds Initiative.

Canada

Progress has been made on climate related-financial disclosures, with the 2021 Federal Budget announcing that Canada's Crown corporations will demonstrate climate leadership by adopting TCFD standards, as an element of their corporate reporting; and the federal government will engage with provinces and territories with the objective of making climate disclosures consistent with TCFD standards, part of regular disclosure practices for a broad spectrum of the Canadian economy.

In October 2021, Canada's securities regulators published for comment proposed climate-related disclosure requirements for public companies. The requirements contemplate disclosure largely consistent with the TCFD recommendations⁴.

In addition, in May 2021, the Government established a public-private Sustainable Finance Action Council⁵. The Action Council comprises 25 organizations from Canada's deposit taking institutions, insurance companies, and pension funds, which combined hold more than CAD10 trillion in assets. It will make recommendations on the critical market infrastructure needed to attract and scale sustainable finance in Canada, with climate-related financial disclosures as its first priority.

To ensure climate considerations are taken into financial decision-making, the Sustainable Finance Action Council will work with Canada's new Net-Zero Advisory Body⁶. Established in February 2021, the Net-Zero Advisory Body is comprised of independent experts who will provide advice to the government on pathways to achieve net-zero emissions by 2050.

In addition, Canada's 2021 Federal Budget announced that the government will publish a green bond framework in advance of issuing Canada's inaugural federal green bond targeting 2021-22. Subsequently, in June 2021, the Government of Canada announced that HSBC Canada and TD Securities have been named as structuring advisors to support the development of Canada's green bond framework. This will provide details on how, through green bonds, investors will have opportunities to support Canada's work to fight climate change and protect the environment.

The Bank of Canada and the Office of the Superintendent of Financial Institutions are engaged in a pilot project⁷ to use climate-change scenarios to better understand the risks to the financial system related to a transition to a low-carbon economy. A small group of institutions from the banking and insurance sectors are participating in the project. The project aims to build the climate scenario analysis capability of authorities and financial institutions, and support the Canadian financial sector in enhancing the disclosure of climate-related risks; increase authorities' and financial institutions' understanding of the financial sector's potential exposure to risks associated with a transition to a low-carbon economy; and, improve authorities' understanding of financial institutions' governance and risk-management practices around climate-related risks and opportunities. The Bank and OSFI will publish a report, planned for the end of 2021, sharing details on the specific scenarios, methodology, assumptions and key sensitivities.

⁴ [51-107 - Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters | OSC](#)

⁵ More on the Sustainable Finance Action Council can be found [here](#).

⁶ [Net-Zero Advisory Body](#)

⁷ <https://www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/20201116-nr.aspx>

In January 2021, the Office of the Superintendent of Financial Institutions (OSFI), Canada's federal regulator of financial institutions and pension plans, released a discussion paper entitled '*Navigating Uncertainty in Climate Change*'. In this Discussion Paper, OSFI sought feedback on risks arising from climate change that can affect the safety and soundness of federally regulated financial institutions and federally regulated pension plans. OSFI received feedback on its Discussion Paper from over 70 respondents. In October 2021, OSFI published an industry letter summarizing responses to its Discussion Paper, and indicated that it expects to communicate next steps on its climate-related policy work early next year.

Chile

In June 2019, Chile issued the first sovereign green bond in Latin America. On the same year, Chile released its Green Bond Framework⁸.

Currently, the main body that coordinates efforts to develop green/climate finance at the domestic level is the Public-Private Round Table on Green Finance⁹. This round table has received the support of UNEP FI, the Inter-American Development Bank (IDB), the British Embassy and the World Bank. On the other hand, internationally Chile has received the support from IDB to develop studies on green finance, including a study in coordination with the Climate Bonds Initiative that establishes a roadmap to develop a national taxonomy and the development of the framework of green and sustainable bonds.

The Chilean Financial Market Commission is working on a regulatory proposal to strengthen and improve the disclosure of ESG information. The regulatory proposal put forward a restructuring of the Annual Report that issuers of publicly offered securities registered in the Register kept by the Financial Market Commission must disclose, in order to incorporate ESG issues in an integrated manner throughout that report. The Annual Report will be structured based on an integrated reporting approach including disclosure requirements regarding corporate governance, strategy and risk management, among others. Also, it will require indicators of financial sustainability and others related to climate change that are material to these entities according to their industry sector. After two public consultation processes carried out in December 2019 and March-May 2021, the regulation is planned to be issued during the last quarter of 2021.

China

2021 saw continued improvement of green finance policy framework and rapid development of green finance market in China, which allowed the financial sector to play its role in supporting green and low-carbon development in terms of resource allocation, risk management and market pricing.

In particular, on green taxonomy, the People's Bank of China (PBoC) updated the *Green Bond Endorsed Project Catalogue* in April, specifying the projects that are eligible and removing fossil fuel projects. In terms of disclosure, the PBoC issued a guidance in July for financial institutions to disclose carbon emissions and other environment information, consistent with TCFD recommendations.

In order to further mobilize funds to support green development, the PBoC issued the *Green Finance Evaluation Program for Banking Institutions* to conduct comprehensive evaluation of financial institutions' green loans and green bonds. The evaluation result will be incorporated into the central bank's macro-prudential tools, such as financial institution ratings.

On market development, the outstanding green loans in China topped RMB14 trillion at end-June. Green bond issuance exceeded RMB350 billion in the first eight months of this year, up 152% year on year, and the issuance of carbon neutrality bonds totalled RMB167.1 billion. Besides, enterprises from steel, power and other carbon-intensive industries were among the first to issue sustainability-linked bonds in the inter-bank market in May with an issuance of RMB29.8 billion at end-September.

⁸ More on Chile's Green Bond Framework see [here](#)

⁹ <https://mfv.hacienda.cl/>

European Union

For the last year, the European Commission pushed forward its own ambitions on the sustainable finance agenda, both finalising the implementation of its 2018 Action Plan on Financing Sustainable Growth and laying down the foundations for the future with its new Strategy for Financing the Transition to a Sustainable Economy¹⁰ published in July.

Work on completing the EU Taxonomy has continued at pace. The first delegated act listing technical screening criteria for economic activities contributing to climate change adaptation and climate change mitigation was adopted by the Commission in April. Work on the remaining four other environmental objectives¹¹ is being undertaken at expert level through the recently established EU's Platform on Sustainable Finance¹². The delegated act on these objectives will be adopted in 2022. In addition to this, the Platform will soon publish its final reports on a proposed social taxonomy and on an extended taxonomy to support economic transition, which were published in draft for public consultation in July 2021¹³, including draft recommendations on a system of "Traffic Lights for Sustainable Finance".

Important advancements were made on ESG disclosures and reporting. Financial market participants are required to disclose to their end investors the sustainability impact of their investment products, activities and processes. This obligation is enshrined in the Sustainable Finance Disclosure Regulation (SFDR), which applies from 10 March 2021. Additionally, changes were also made to fiduciary duties, investment and insurance advice with financial firms, e.g. advisers, asset managers or insurers, now having to include sustainability in their procedures and their investment advice to clients.

Another important part of these measures published in April is the legislative proposal on Corporate Sustainability Reporting Directive¹⁴ which reviews and strengthens the existing rules on non-financial reporting in order to improve the flow of sustainability information in the corporate world. The proposal will create mandatory EU sustainability reporting standards, providing a rational and cost-effective solution for reporting companies. In July, the European Commission published detailed rules on taxonomy-related disclosures for financial and non-financial companies to communicate the degree of environmental performance aligned with the EU Taxonomy.

In July, the EU adopted a legislative proposal for European green bonds¹⁵ based on existing market best practice but going one step further and requiring full alignment of funded projects with the EU Taxonomy, and the establishment of a regime for the registration and supervision of external reviewers. The proposal will create a voluntary gold standard open to any bond issuer – sovereigns and corporates, including those located outside of the EU.

The July Strategy identifies four policy areas which focus on facilitating transition finance, supporting a more inclusive sustainable finance, strengthening work on resilience and impact and adapting to a renewed global ambition. It is important to develop a more supportive framework for recognising transition efforts and support more sectors in their sustainability path, through for example looking at ways to extending the EU Taxonomy framework to recognize transition efforts. The European Commission wants to support SMEs,

¹⁰ For more details see: [Strategy for Financing the Transition to a Sustainable Economy](#)

¹¹ sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems

¹² Launched on 1 October 2020, the Platform on Sustainable Finance, a permanent expert group, is assisting the European Commission in developing its sustainable finance policies, notably the further development of the EU taxonomy. It brings together the best expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society and the financial industry.

¹³ [Call for feedback on the draft reports by the Platform on Sustainable Finance on a social taxonomy and on an extended taxonomy to support economic transition | European Commission \(europa.eu\)](#)

¹⁴ For more details see: [Corporate Sustainability Reporting Directive](#)

¹⁵ For more details see: [European Green Bond Standard](#)

citizens and the real economy in their path to sustainability by setting out measures to define and promote the uptake of green loans and green mortgages by SMEs and households.

The strategy is looking at improving the financial sector's resilience to the risks posed by climate change and environmental degradation and also improve its own contribution to sustainability. Mainstreaming the double materiality perspective across the financial market and measuring the progress made by the financial sector as a whole to achieve our climate and environmental goals are also part of the strategy, together with actions to protect investors and consumers against greenwashing.

Finally, the strategy aims at fostering global ambition, by ensuring further global convergence and scaling up sustainable finance in our partner countries. To this end, the Commission will in particular increase its support to the work of the IPSF to explore new areas (such as transition finance or biodiversity) and strengthened governance structure. Going forward, given the challenges that low- and middle-income countries face in mobilising private finance towards sustainable investments, the Commission will promote sustainability-related financial instruments and develop a comprehensive strategy with transformative actions to help scale up sustainable finance in low and middle income countries¹⁶.

Hong Kong SAR, China

Authorities and financial agencies in Hong Kong SAR have been working closely to advance the green agenda. The Green and Sustainable Finance Cross-Agency Steering Group (CASG) co-chaired by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) with members comprising the Environment Bureau, the Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited (HKEx), the Insurance Authority and the Mandatory Provident Fund Schemes Authority (MPFA) has been established in 2020.

The CASG has taken a number of steps to advance Hong Kong SAR green and sustainable finance strategy. Among others, the CASG has developed a strategic plan to strengthen Hong Kong SAR's financial ecosystem with a number of action points such as to mandate climate-related disclosures aligned with TCFD recommendations across relevant sectors no later than 2025, support the IFRS Foundation's proposal to establish the International Sustainability Standards Board (ISSB), explore carbon market development, as well as to make use of the Common Ground Taxonomy being developed by the IPSF. The CASG also launched the Centre for Green and Sustainable Finance to coordinate efforts of stakeholders in capacity building, thought leadership and policy development, and to serve as a repository for resources, data and analytics.

On regulatory policy, guidelines on sustainable finance are being rolled out for the respective financial sector. For instance, the HKMA is working on its supervisory guidance on climate-related risk management for banks, the 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. And the MPFA is working on some high-level principles to assist trustees of mandatory provident fund schemes to adopt sustainable investing.

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 HKEx launched the Sustainable and Green Exchange (STAGE), the Asia's first multi-asset sustainable investment product platform, in December 2020. The HKMA supported government measures to encourage green finance uptake, including the issuance of Government Green Bonds and a Green and Sustainable Finance Grant Scheme.

¹⁶ To this end, the strategy will be informed by a dedicated high-level expert group (HLEG) that will be set up soon. A call for expression of interest should be published shortly to identify high-level experts.

India

With an objective of bringing in greater transparency in disclosure of material ESG-related information and in order to enable market participants to identify and assess sustainability-related risks and opportunities, the Securities and Exchange Board of India (SEBI) reviewed the existing sustainability reporting requirements for listed companies and introduced a new report in May 2021, called the Business Responsibility and Sustainability Report (BRSR). The BRSR lays considerable emphasis on quantifiable metrics not only on climate related aspects but on social factors too, which allow for easy measurement and comparability.

A few of the key disclosures highlighted in the BRSR are: (i) an overview of the entity's material ESG risks and opportunities, approach to mitigate or adapt to the risks along with their financial implications; (ii) sustainability related goals and targets and performance against the goals (any forward looking financial impact shall be made in qualitative terms); (iii) environment related disclosures covering aspects such as resource use (energy and water), air pollutant emissions, greenhouse gas (GHG) emissions, transitioning to circular economy, waste generated and waste management practices, bio-diversity, etc.; (iv) social related disclosures covering the workforce, value chain, communities and consumers.

The social related disclosures are organized around three themes: (1) *employees/workers*: gender and social diversity including measures for differently abled employees and workers, turnover rates, median wages, welfare benefits to permanent and contractual employees/workers, occupational health and safety, trainings etc.; (2) *communities*: disclosures on Social Impact Assessments (SIA), Rehabilitation and Resettlement, Corporate Social Responsibility etc. and (3) *consumers*: disclosures on product labelling, product recall, consumer complaints in respect of data privacy, cyber security etc.

The BRSR is aimed at increasing transparency and ensuring that investors have access to standardized disclosures on ESG parameters. Such higher standards of ESG disclosures and transparency will help in attracting more capital and investment-

The BRSR shall be applicable to the top 1000 listed entities (by market capitalisation) on a mandatory basis from the financial year 2022 –23. However, entities can choose to adopt it on a voluntary basis from the financial year 2021 –22.

In order to learn from and contribute to the global efforts towards green finance, the Reserve Bank of India (RBI) has joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS) as a member in April 2021. The RBI intends to learn from and actively contribute to the work streams of the NGFS. A new unit named Sustainable Finance Group has been set up in May 2021 within the Department of Regulation in the RBI to spearhead its efforts and regulatory initiatives in the areas of sustainable finance and climate risk.

Indonesia¹⁷

The Financial Services Authority (OJK)'s *Sustainable Finance Roadmap Phase II (2021-2025)* commits to developing a sustainable finance ecosystem with incentives, investment/financing products, capacity building, industry incentives and regulation, green certification, data provision and green taxonomy.¹⁸

OJK also established a National Taskforce for Sustainable Finance, including banks, pension funds, insurers and Indonesia Stock Exchange. The Taskforce will develop the green taxonomy – the main priority of the Roadmap.

In December 2020, OJK introduced the *Indonesian Financial Services Sector Master Plan 2021-2025*¹⁹ to recover the national economy and enhance the financial service sector resiliency and competitiveness. The

¹⁷ Input prepared by the Climate Bonds Initiative.

¹⁸ [Roadmap Keuangan Berkelanjutan Tahap II \(2021 – 2025\)](#)

¹⁹ [Indonesian Financial Services Sector Master Plan 2021-2025](#)

plan includes increasing the role of financial services in sustainable finance and integrating ESG aspects into all activity of the financial services industry.

Indonesia issued South-East Asia's first sovereign SDG bond in September 2021²⁰. The bond raised EUR500 million. Green projects were selected according to the Green Bond and Green Sukuk Framework²¹.

Indonesia is also preparing a carbon pricing instrument, designed to mobilise domestic and international climate finance and incentivise stakeholders' contribution to achieving its national determined contribution.²²

Japan

The Japanese government aims to achieve carbon neutral for a decarbonized society by 2050, as announced by the Prime Minister in October 2020. Economic transition is therefore recognized as vital in order to achieve carbon neutrality.

To this end, in December 2020, the Japanese Ministry of Economy Trade and Industry (METI), the Ministry of the Environment (MOE) and Japan's Financial Services Agency (JFSA) created a new study group to develop basic principles for financing transition bonds and loans. The principles, written in the Basic Guidelines on Climate Transition Finance, were finalised in May 2021²³, building on the ICMA's Climate Transition Finance Handbook²⁴. The METI set out a taskforce of industry, finance and environmental experts and develops the targets and pathways by sectors (referred to as the industry's roadmap), encouraging the efforts of industries for transition in line with the Paris Agreement goals.

Also, in December 2020, the JFSA established the Expert Panel on Sustainable Finance to discuss sustainable finance issues and policy approaches for financial institutions as well as financial and capital markets functions. Building on the report²⁵ which the Panel published in June 2021, the FSA published its annual strategy²⁶ in August 2021. In this strategy, the JFSA announced that it will focus mainly on the following areas of sustainable finance: (1) enhancement of corporate disclosure; (2) demonstration of capital market function, (3) financial institutions' support for borrowers and investees, and (4) risk management.

In terms of corporate disclosure enhancement, the Tokyo Stock Exchange revised its Corporate Governance Code²⁷ in June 2021. Based on the Code, future Primary Market listed companies will be required to enhance the quality and quantity of climate-related disclosure based on TCFD recommendations or equivalent international frameworks. In addition, the JFSA established a working group under the Financial System Council to further discuss disclosure, including sustainability, with a broad range of stakeholders. This contributes to a constructive dialogue between listed companies and investors.

To demonstrate capital market function, it is essential to create an environment in which various domestic and foreign investors can easily and appropriately make investment decisions contributing to decarbonization. To this end, the JFSA, in coordination with issuers and other wide ranges of stakeholders, aims to establish a framework for objectively confirming the eligibility of green bonds. Furthermore, in cooperation with the Japan Exchange Group (JPX), the JFSA will establish an information platform, which would broadly consolidate information on the confirmed green bonds, as well as the issuers' management and policies regarding ESG. In order to build an ecosystem where evaluations and data are used in a

²⁰ More information on the first South-East Asia Sovereign Bond can be found [here](#).

²¹ [The Republic of Indonesia Green Bond and Green Sukuk Framework](#)

²² <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Indonesia%20First/Updated%20NDC%20Indonesia%202021%20-%20corrected%20version.pdf>

²³ See FSA (2020) [Basic Guidelines on Climate Transition Finance](#), compiled by FSA, METI, and BoE

²⁴ See ICMA (2020) [Climate Transition Finance Handbook](#).

²⁵ See FSA (2021) [Report by the Expert Panel on Sustainable Finance](#), published by Expert Panel on Sustainable Finance

²⁶ See FSA (2021) [FSA's Annual Strategy \(2021 July to 2022 June\)](#)

²⁷ See Tokyo Stock Exchange (2021) [Revised Japan's Corporate Governance Code](#)

trustworthy manner, the JFSA plans to develop a code of conduct for ESG rating organizations and data providers, regarding issues such as the transparency and comparability of evaluation methodologies as well as governance, with the aim of ensuring the independence and objectivity of evaluations.

Finally, with regard to financial Institutions' support for the borrowers and investees, and climate change risk management, the JFSA will clarify monitoring viewpoints on the internal systems necessary in the financial institutions by around March 2022, to ensure appropriate climate-related risk management and to support investment and loan recipients to respond to climate change through active engagement. The JFSA will formulate those viewpoints on deposit-taking financial institutions and insurance companies as a first step.

Kenya²⁸

Kenya's updated nationally determined contribution (NDC), submitted December 2020, estimates the cost of its mitigation and adaptation actions to be USD62 billion, 87% of which will require international support.²⁹

The National Treasury has released a sovereign green bond framework³⁰. Sovereign green bond issuance will form part of the government's resource mobilisation plan to secure alternative financing of the revised NDC 2021-2026 and to fund the budget deficit as part of the Post Covid-19- Green Recovery Strategy.

Morocco³¹

In March 2021, Bank Al Maghrib published the Directive on the management of financial risks linked to climate change and the environment³². This directive sets out the principles to be implemented by financial institutions in understanding and managing environmental and climate financial risks in their activities. From this date, institutions are expected to gradually implement and improve their systems for managing climate-related financial risks. It follows the recommendations of the Network for Greening the Financial System (NGFS) and TCFD.

Morocco also has two green investment programmes to support a green COVID recovery. The EUR90 million Green Value Chain Programme supports SME investments in energy and resource efficiency. The Green Economy Financing Facility provides up to EUR163 million to hundreds of private companies through subsidised credit lines via local financial institutions³³. Both programmes are financed by European Bank for Reconstruction and Development, EU, South Korea and the Green Climate Fund.

The updated nationally determined contribution for Morocco estimates the cost of meeting its adaptation and mitigation commitments to be USD38.8 billion, of which USD21.5 billion is conditional on international support³⁴.

New Zealand

The Centre for Sustainable Finance³⁵ was launched in July 2021. Also known by its Māori name, Toitū Tahua, the Centre aims to implement the Sustainable Finance Forum's 2030 Roadmap. The Forum comprises representatives from banks, insurance companies, industry, indigenous Māori businesses, professional services, civil society, academia, and Government. It is an initiative of The Aotearoa Circle, a partnership of public and private sector leaders committed to restoring New Zealand's natural capital. The Centre's vision is

²⁸ Input prepared by the Climate Bonds Initiative.

²⁹[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Kenya%20First/Kenya%27s%20First%20%20NDC%20\(updated%20version\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Kenya%20First/Kenya%27s%20First%20%20NDC%20(updated%20version).pdf)

³⁰ <https://www.fsdafrica.org/wp-content/uploads/2021/06/Kenya-Sovereign-Green-Bond-Framework.pdf>

³¹ Input prepared by the Climate Bonds Initiative.

³² [Directive relative au dispositif de gestion des risques financiers liés au changement climatique et à l'environnement](#)

³³ For more information read [here](#) on the EBRD webpage.

³⁴https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Morocco%20First/Moroccan%20updated%20NDC%202021%20_Fr.pdf

³⁵ [Centre for Sustainable Finance](#)

to transform the current financial system into one that enables an inclusive, fair society that operates within the planetary boundaries.

To progress on the recommendations of the 2030 Roadmap the Centre established six implementation working groups covering banking, investment and capital markets, data and taxonomies, education and capability building, public and private sector governance, and equity and inclusion.

Key banks in New Zealand - ASB, ANZ, BNZ, Rabobank, and Westpac - and the Ministry for Primary Industries (MPI) joined forces in early 2020 to improve the flow of sustainable finance to New Zealand's agricultural sector and develop the Sustainable Agriculture Finance Initiative (SAFI) Guidance³⁶. Working together under the umbrella of the Aotearoa Circle, the banks, MPI, and secretariat Ernst & Young have drawn on domestic and international frameworks, alongside local good farming practice, to develop the SAFI guidance. This guidance is a living document that is open-source and voluntary; it will be reviewed at the end of 2021. Bank finance for the rural sector is increasingly guided by sustainability considerations, and the SAFI guidance is intended to support a consistent framework for banks to integrate these considerations into their rural lending processes.

Legislation to introduce mandatory climate-related disclosures is currently progressing through New Zealand's Parliament. Subject to New Zealand's independent accounting standard setter, the External Reporting Board, issuing its first climate standard by December 2022, reporting entities will be required to disclose according to the standard for accounting periods that start on or after 1 January 2023. The first climate statements are expected to be lodged by April 2024.

The New Zealand Treasury and Ministry for the Environment are considering approaches to identify and align public investments with climate policy outcomes, drawing on the work of the IPSF.

The Reserve Bank of New Zealand is progressing work to investigate whether it should use the Network for Greening the Financial System scenarios as part of its climate stress testing and is increasing its supervision of climate-related risks.

Norway

Issuance of green bonds has increased considerably in Norway in recent years, and accounts for a substantial share of total bonds issued. In 2020, non-financial firms' issuance of green bonds amounted to close to NOK30 billion, almost three times the amount registered in 2019. The growth in issuance has increased further in 2021, with non-financial firms issuing green bonds for around NOK20 billions between January and April. In 2020, companies from the property (31 per cent) and utilities sectors (35 per cent) accounted for a significant share of the total amount issued. The seafood and transport sectors accounted for 12 and 11 per cent respectively.

Green bonds, as a share of total bonds issued by non-financial firms, increased from 2 per cent in 2016 to 21 per cent in 2020, and further to more than 30 per cent in the first four months of 2021. 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 the issuers are obliged to make their ongoing disclosures through stock exchange statements.

In June 2021, a legislative proposal for a new sustainable finance act was submitted to Parliament. The proposal incorporates the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation in Norwegian law. The act is expected to enter into force in 2022. Once adopted by the EU, the EU Corporate Sustainable Reporting Directive and the Regulation on European Green Bonds are expected to be incorporated into the EEA Agreement, and would then have to be implemented in Norway.

³⁶ <https://www.sustainablefinance.nz/updates/phase-one-safi-guidance-launched-kP8zW>

In order to facilitate closer dialogue between policymakers and stakeholders, the Ministry of Finance has established a sustainable finance policy forum. It has members from public authorities, businesses, academia, and other stakeholders and meets frequently to discuss relevant regulatory processes.

Senegal

The State of Senegal has set up a Technical Committee on Sustainable Finance whose secretariat is provided by a team from the General Directorate of the Financial Sector and Competitiveness, in a holistic, inclusive and integrated approach. This committee comprises representatives from different ministries, the private sector, regulatory authorities and international organizations. The Committee's work is guided by the nation-wide "Plan Senegal Emergent" and is in line with the nationally determined contribution. The Committee's orientations and objectives could be further specified, for example, through a roadmap.

At its first meeting in August 2021, an agreement was reached for the Committee to support the public and the private sector in mobilising resources, in particular by the issuance of green, social and sustainable bonds or by the establishment of financing schemes for sustainable development programs. This committee would also contribute to the work on public issuance of green bonds in 2022 and to strengthening the capacity of its members.

For their part, the community-based institutions were invited to support the aforementioned green bond issuance and to increase collaboration in order to further the promotion of sustainable finance in the West African Economic and Monetary Union.

Singapore

Singapore is firmly committed to supporting global efforts to reduce greenhouse gas emissions. The *Singapore Green Plan 2030*³⁷ was launched earlier this year, a nation-wide movement to advance Singapore's national agenda on sustainable development, which charts ambitious and concrete targets over the next 10 years.

In June 2021, Monetary Authority of Singapore (MAS) launched its inaugural *Sustainability Report*³⁸, which outlines how MAS incorporates climate change and environmental sustainability across its regulatory, development, investments and corporate development functions. Singapore is firmly committed to supporting the ambitions of the IPSF and G20 Sustainable Finance Working Group to align financing flows with the Paris Agreement, through improvements in sustainability reporting, the mobilisation of private capital towards environmentally sustainable investments, and by putting in place a number of enablers.

On taxonomy, the MAS convened a Green Finance Industry Taskforce (GFIT)³⁹ which concluded a public consultation in March 2021, on a proposed taxonomy to guide Singapore-based financial institutions in their financing activities. Referencing key international taxonomies and taking into consideration the context of regional economies, the proposed taxonomy sets out a "traffic light" system to classify green, yellow (transition) and red activities according to their level of alignment with environmental objectives. GFIT is now developing a combination of principle-based criteria and quantifiable thresholds to support the classification framework. MAS is also working with fellow ASEAN counterparts to develop an ASEAN taxonomy to cater to the different contexts of economies in the region.

On disclosures, the MAS and the Singapore Exchange (SGX) will set out roadmaps for mandatory climate-related financial disclosures by financial institutions and listed entities respectively. MAS is also supporting

³⁷ [Singapore Green Plan 2030](#)

³⁸ [Sustainability Report](#)

³⁹ GFIT comprises representatives from financial institutions, corporates, non-governmental organisations and financial industry associations. More information can be found [here](#).

efforts by the International Organisation of Securities Commissions (IOSCO) and International Financial Reporting Standards (IFRS) Foundation to develop a baseline global sustainability reporting standard⁴⁰.

To promote green solutions, MAS launched a grant scheme⁴¹ in January 2021 to support corporates to obtain green and sustainability-linked loans. MAS is also supporting industry efforts to build the infrastructure for a liquid and transparent voluntary carbon credit market in Asia. In May 2021, DBS Bank, SGX, Temasek, and Standard Chartered announced plans to launch Climate Impact X (CIX) by end-2021. CIX will be an international marketplace for high-quality carbon offsets generated from nature-based solutions in Southeast Asia, and will leverage satellite monitoring, machine learning and blockchain technology to enhance the transparency, integrity and quality of carbon credits. CIX will be guided by an International Advisory Council and will work with international working groups including the Taskforce for Scaling Voluntary Carbon Markets to align on leading standards for quality and integrity.

Switzerland

This summer, Switzerland announced the drafting of legislation to make climate-related financial disclosures based on the TCFD recommendations mandatory for larger companies across all sectors of the economy. Public companies, banks and insurance companies with 500 or more employees, more than CHF20 million in total assets or more than CHF40 million in turnover will be obliged to report publicly on climate issues. This does not only include the financial risk that a company incurs as a result of climate-related activities, but also discloses the impact of the company's business activities on the climate and the environment (double materiality). Minimum requirements should ensure that disclosures are meaningful, comparable and, where possible, forward-looking and scenario-based. In addition, the Swiss Financial Market Supervisory Authority mandated the largest banks and insurers to disclose climate risks based on the TCFD recommendations as of 2021.

Swiss authorities are currently assessing the need to increase transparency on a financial product and portfolio level to address so-called greenwashing, which occurs when customers of financial institutions are deceived or misled with regard to the sustainability properties of financial products, advisory processes, or the entire financial institution.

Switzerland considers forward-looking portfolio alignment tools a key instrument to analyse the financial market's progress in aligning with the Paris goals, as they adequately take into account the transition of companies. To that extent, all Swiss banks, asset managers, pension funds and insurance companies can test their portfolios anonymously on a voluntary basis. In 2020, 179 financial institutions participated, resulting in a representative picture of the entire Swiss financial market with around 80 per cent of investments in global equity and corporate bonds, half of all properties held by institutional investors and three-quarters of Swiss residential buildings with mortgages being covered. The results of these tests create transparency while supporting the efforts of the financial institutions involved guiding their investments onto a Paris goal compatible pathway. The 2020 test results show that the previous test in 2017 has demonstrably led to greater transparency for financial institutions regarding climate damaging and - friendly investments and has triggered tangible action⁴².

⁴⁰ MAS and the US Securities and Exchange Commission co-chair a technical expert group under IOSCO's Sustainable Finance Taskforce, which will review an IFRS work group's recommendations on a prototype climate reporting standard developed. This expert group will assess if the prototype could be a basis for developing the International Sustainability Standards Board (ISSB)'s standards.

⁴¹ MAS's Green & Sustainability-Linked Loan Grant Scheme encourages corporates of all sizes to obtain green and sustainable financing by defraying the expenses of engaging independent service providers to validate the green and sustainability credentials of the loan.

⁴² For more information, see <https://www.bafu.admin.ch/bafu/en/home/documentation/news-releases/anzeige-nsb-unter-medienmitteilungen.msg-id-81034.html>

United Kingdom

Green Finance is a key pillar of the Prime Minister's 10 Point Plan for a Green Industrial Revolution. The UK work in this area is underpinned by the ground-breaking Green Finance Strategy, published in 2019, which sets out a comprehensive approach to greening financial systems, and mobilising finance for clean and resilient growth. These initiatives aim to support delivery of the UK's greenhouse gas emissions targets, including a 78% reduction by 2035 and net zero by 2050.

In July 2021, the Chancellor announced⁴³ plans to introduce economy-wide Sustainability Disclosure Requirements for businesses and investment products to report on their impact on climate and the environment alongside the risks/opportunities these pose to their business. This builds on and streamlines existing sustainability disclosure requirements such as our commitment to economy-wide TCFD disclosure requirements, disclosures against the UK Green Taxonomy and the development of global baseline standards through the IFRS. HM Treasury has launched a Green Technical Advisory Group⁴⁴ (GTAG), co-chaired by the UK government and the Green Finance Institute. The GTAG provides independent advice on UK Green Taxonomy implementation

In July 2021 the Chancellor announced that the UK will publish a Roadmap setting out its approach to green finance regulation ahead of COP26. On 18 October 2021, the UK government published '*Greening Finance: A Roadmap to Sustainable Investing*'⁴⁵. This sets out the next steps of Chancellor's vision to green the financial system, including further detail on the new Sustainability Disclosure Requirements.

Domestically, in the early 2021 HM Treasury updated the Government's economic policy objectives to emphasise the importance of the transition to an environmentally sustainable and resilient net zero economy and required⁴⁶ the UK's principal financial regulators to consider climate change in the fulfilment of their objectives. The Bank of England is using its 2021 biennial exploratory scenario (BES)⁴⁷ to explore the financial risks posed by climate change. The exercise will test the resilience of the current business models of the largest banks, insurers and the financial system to climate related risks and therefore the scale of adjustment that will need to be undertaken in coming decades for the system to remain resilient.

In September 2021 the Debt Management Office (DMO) issued the UK's inaugural green gilt (sovereign green bond). This marks the start of the UK's green financing programme⁴⁸. The transaction set several records for inaugural sovereign green bond issuances and was the DMO's largest ever gilt syndication order book.

In June 2021, the UK Infrastructure Bank (UKIB) was set up as a government-owned policy bank⁴⁹ having as a strategic objective helping tackling climate change, particularly meeting the government's net zero emissions target by 2050.

Internationally, one of the UK's key priorities for the COP26 co-presidency is to ensure that all financial decisions take climate change into account. Mark Carney's team is working to mobilise industry along four key lines: reporting, risk management, returns and mobilisation. Supporting this, the Glasgow Financial Alliance for Net Zero⁵⁰ was launched, bringing together the biggest firms in the global financial system to accelerate the transition to net zero emissions by 2050. The UK has made climate action a top priority of its 2021 G7 presidency and secured ambitious commitments on sustainability reporting. Finance ministers

⁴³ [A new chapter for financial services - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/a-new-chapter-for-financial-services)

⁴⁴ [Green Technical Advisory Group](https://www.gov.uk/government/organisations/gtag)

⁴⁵ [Greening Finance: A Roadmap to Sustainable Investing](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/100000/greening-finance-a-roadmap-to-sustainable-investing)

⁴⁶ [Climate considerations now fully embedded across UK principal financial regulators - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/climate-considerations-now-fully-embedded-across-uk-principal-financial-regulators)

⁴⁷ [Bank of England publishes the key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change | Bank of England](https://www.bankofengland.co.uk/biennial-exploratory-scenarios/2021-bes)

⁴⁸ [UK Government Green Financing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/uk-government-green-financing)

⁴⁹ [UK Infrastructure Bank](https://www.gov.uk/government/organisations/uk-infrastructure-bank)

⁵⁰ [New Financial Alliance for Net Zero Emissions Launches | UNFCCC](https://www.unfccc.int/news/new-financial-alliance-for-net-zero-emissions-launches)

agreed⁵¹ to move towards mandatory disclosures of climate risks for firms, and acknowledged the importance of an internationally consistent approach to measuring environmental impact. They also welcomed the IFRS's work to develop a baseline global standard for sustainability reporting.

3. Global cooperation on sustainable finance: an evolving landscape in which the IPSF plays a key role

The vulnerabilities of our societies have been exposed to a greater extent by the ongoing COVID-19 crisis and the recent devastating weather events in Europe and across the world. Sustainable finance can be part of the solution to make our societies more resilient. Such a global challenge requires enhanced international cooperation on sustainable finance approaches which in turn can support the scaling up of sustainable investments.

The Italian G20 Presidency re-instated the work on sustainable finance and created a dedicated G20 Working Group on Sustainable Finance (G20 SFWG), co-chaired by China and the United States, with Secretariat support provided by the United Nations Development Programme (UNDP). During 2021, the working group took stock of existing international work on sustainable finance and drafted a roadmap for a collective way forward.

The IPSF has been recognised as a knowledge partner to the G20 SFWG and was a key contributor to the work on the alignment of investments with sustainability goals. In this capacity, the IPSF, together with UN Department of Economic and Social Affairs (UN DESA), submitted to the G20 SFWG an input paper on "Improving compatibility of approaches to identify, verify and align investments to sustainability goals"⁵².

This input paper provided:

- a comprehensive mapping and analysis (including interoperability considerations) of different approaches/tools for identifying and aligning investments with sustainability goals such as taxonomies, forward-looking portfolio alignment tools, as well as of different mechanisms for certifying green eligibility of financial instruments and products (e.g. labels, external reviews);
- a description of the potential and existing challenges arising from market fragmentation, lack of data availability, as well as those specific to developing countries;
- 7 principles for countries/jurisdictions and markets for the development of alignment tools;
- 10 recommendations to enhance interoperability across the different approaches and tools for identifying, verifying, and aligning investments with sustainability goals.

The principles and recommendations put forward in the input paper are largely consistent with the ones included in the G20 SFWG Synthesis Report⁵³.

In October 2021, the G20 Finance Ministers and Central Bank Governors endorsed the Sustainable Finance Roadmap⁵⁴, prepared by the G20 SFWG. This Roadmap sets the key priorities of the sustainable finance agenda and actions for the G20 to take to promote the achievement of those priorities over the coming years. The Roadmap articulates key priorities that G20 members can act upon through the G20 or as members of other international organizations, networks, and initiatives, to help scale up sustainable finance to support the objectives of the 2030 Agenda and the goals of the Paris Agreement.

The Roadmap recognises the role of the IPSF and its work on sustainable finance, listing it as one of the international initiative performing relevant work under a high number of actions as listed below:

⁵¹ [G7 Finance Ministers and Central Bank Governors Communiqué - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/g7-finance-ministers-and-central-bank-governors-communique)

⁵² This input paper has been published by the G20 and can be found [here](#)

⁵³ The G20 SFWG Synthesis Report can be found [here](#).

⁵⁴ The G20 Sustainable Finance Roadmap can be found [here](#).

Focus Area 1: Market development and approaches to align investments to sustainability goals (action 1, 2, 3, 4 and 5)

Action 1: The G20 encourages jurisdictions that intend to develop their own alignment approaches to refer to a set of voluntary principles:

Principle 1: Ensure material positive contributions to sustainability goals and focus on outcomes;

Principle 2: Avoid negative contribution to other sustainability goals (e.g. through do no significant harm to any sustainability goal requirements);

Principle 3: Be dynamic in adjustments reflecting changes in policies, technologies, and state of the transition;

Principle 4: Reflect good governance and transparency;

Principle 5: Be science-based for environmental goals and science- or evidence based for other sustainability issues; and

Principle 6: Address transition considerations.

Action 2: Improve coordination at the regional and international level to facilitate the comparability, interoperability, and as appropriate the consistency of different alignment approaches, including via work of relevant IOs, and by encouraging:

- Jurisdictions which intend to pursue a taxonomy-based approach to consider developing sustainable finance taxonomies using the same language (e.g., international standard industry classification and other internationally recognized classification systems), voluntary use of reference or common taxonomies, and regional collaboration on taxonomies.

- Collaboration and active engagement of service providers, where consistent with applicable laws, with appropriate IOs and financial authorities to enhance comparability, interoperability, and transparency of approaches, including forward-looking portfolio alignment tools, ESG rating methodologies, verification and labelling approaches.

Action 3: Relevant international organizations, networks or initiatives to further advance work towards better understanding the technical aspects and interlinkages of existing actions and emerging alignment approaches, as well as good practices, and develop specific recommendations for enhanced comparability and interoperability.

Action 4: Better integrate transition finance considerations into sustainable finance alignment approaches, with a focus on interoperability with existing and emerging approaches for sustainable finance, based on the mapping and review of existing and emerging approaches by the SFWG and appropriate IOs.

Action 5: G20 and relevant IOs to identify opportunities to promote scaling up of climate and sustainable-aligned financial instruments, products and markets, including sustainable capital market instruments.

Focus Area 2: Consistent, comparable, and decision-useful information on sustainability risks, opportunities and impacts (action 6, 9 and 10)

Action 6: G20 to welcome the work program of the IFRS Foundation to develop a set of internationally consistent, comparable, and reliable baseline standards for disclosure of sustainability-related information on enterprise value creation. These standards should build on the TCFD framework and take into account the work of other sustainability reporting organizations, involving them and consulting with a wide range of stakeholders.

- The IFRS Foundation work program, including its proposed International Sustainability Standards Board (ISSB), should be governed by a transparent and inclusive governance structure with public oversight provided by the Monitoring Board and a process of consulting a wide range of stakeholders.

- The ISSB should develop a baseline global sustainability reporting standard while allowing flexibility for interoperability with national and regional requirements, and taking into account the need to avoid disproportionate

burdens on small and medium-sized enterprises (SMEs).

- The ISSB should over time extend coverage from its initial focus on climate related information to include other sustainability-related topics such as nature, biodiversity and social issues.

- The reporting standard that the ISSB develops would be subject to review for endorsement by IOSCO. If endorsed, the standard could then be considered by individual jurisdictions, on a voluntary basis, via national or regional standard setting processes or in establishing domestic reporting requirements. Jurisdictions will have their own legal frameworks for adopting, applying, or otherwise making use of international standards.

Action 9: Encourage ongoing work by relevant IOs to better understand the challenges and benefits to sustainability reporting for SMEs and emerging market economies, and consider ways to address them, including via more efficient use of available information, leveraging on digital technologies, and enhanced capacity building efforts.

Action 10: Encourage relevant international organizations, networks, and initiatives to further advance the understanding of nature- and biodiversity related metrics and indicators used in disclosures by corporates and financial institutions.

Focus Area 5: Cross-cutting issues (action 18)

Action 18: SFWG to work with appropriate IOs to develop high-level principles for a credible and consistent framework for financing a just climate transition. This work could map and review existing and emerging approaches, as appropriate, to: (i) enable transitions towards a low greenhouse gas emission economy; (ii) explore options to incorporate transition considerations in sustainable finance alignment approaches (e.g., taxonomies, labels, portfolio alignment tools such as forward looking metrics); (iii) identify and develop credible transition metrics, pathways, targets, and low greenhouse gas emission development strategies; (iv) improve disclosure requirements; (v) develop and expand tools to finance climate transition; and (vi) explore best practices for mitigating negative economic and social impact of climate transition on local communities and SMEs.

Several IPSF observers are also listed in the G20 Roadmap as contributors to various work streams. IPSF members and observers may thus consider possible synergies and cooperation.

Outside the G20 work, the IPSF's observers have continued their work on sustainable finance developing tools and frameworks for both public authorities and financial institutions to support the transition to a low-carbon economy.

Network of Central Banks and Supervisors for Greening the Financial System

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS), launched at the Paris One Planet Summit on December 2017, is a group of central banks and supervisors who, on a voluntary basis, are willing to share best practices, contribute to the development of climate-related and environmental risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 100 central banks and supervisors and 16 observers. Together, they represent five continents and around 85% of global greenhouse gas emissions, and are responsible for the supervision of all of the global systemically important banks and of two thirds of global systemically important insurers.

In the 3 years since its inception, and with a view to turn into practice the 6 recommendations it had issued in its [First comprehensive report](#) (April 2019), the NGFS has developed and shared practical tools and knowledge within its membership and beyond, and has worked towards filling the gaps that impede the management of climate-related risks. To better equip its community, the NGFS has published several practical guides on: [responsible investment](#) (2019), [supervision](#) (2020) and [scenario analysis](#) (2020). All of these guides have been enriched with a progress report. Covering the central banks' core mission of

monetary policy, the NGFS has also published a [report](#) providing concrete proposals on how central banks can address climate-related risks in the design of their frameworks for monetary policy implementation. As importantly, the NGFS has already published two vintages of its so-called “[NGFS climate scenarios](#)”, set up a stream of work focused on bridging the data gaps, whose [progress report](#) was published in 2021, and launched – as part of the COP26 agenda – a [Climate Training Alliance](#) (CTA) that will be, in the years to come, a decisive enabling force.

Looking ahead, the NGFS will:

- further enhance and enrich its climate scenarios;
- keep on conducting analytical work on how climate change might be taken into account in the conduct of monetary policy;
- intensify its work to bridge the climate-related data gaps, thanks to the finalization of its repository;
- supplement the set of NGFS practical guides with guidelines on TCFD-aligned reporting for central banks; and
- facilitate uplift in supervisory capabilities and the global consistency of supervisory practices, and step up its efforts on capacity building with a particular focus on members from emerging and developing economies, through the CTA.

In its First comprehensive report, the NGFS had called on policy makers to achieve robust and internationally consistent climate and environment-related disclosures and to support the development of a taxonomy of economic activities. Therefore, the work of the International Platform on Sustainable Finance (IPSF) is of great interest to the NGFS, which participates as an observer, through its Secretariat. This allows for close coordination between their respective ongoing initiatives on issues of common interest.

Several partnerships and initiatives have also been established over the past year to help catalyse finance towards sustainability goals.

Example of initiatives and partnerships lead by UNEP FI

Helping financial institutions deliver net-zero economies with three alliances, part of the Glasgow Financial Alliance for Net-Zero (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, with over \$7 trillion assets under management in total, to net-zero greenhouse gas emissions by 2050. The Alliance’s [Target Setting Protocol](#), lays out how members will implement GHG emissions reductions for the period 2020-2025 (targets have already been [issued](#)).
- **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.
- **Net-Zero Insurance Alliance (NZIA)**, launched in June 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.

Principles for Responsible Banking – target setting guidance

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](#)).

Working groups of signatories are issuing target-setting guidance addressing different impact areas,

including:

- [Impact Analysis guidance](#) – Unique methodology developed by UNEP FI for the management of sustainability risks and opportunities. It is complemented by the key UNEP FI publication of [holistic impact analysis tools](#).
- [Gender equality targeting-setting guidance](#)
- [Climate target setting guidance](#) – used by both NZBA signatories and also PRB CCCA signatories
- [Financial inclusion and financial health target setting guidance](#)
- [Biodiversity target setting guidance](#)
- Resource efficiency target setting guidance (forthcoming Dec. '21)

Principles for Sustainable Insurance – Insurance Sustainable Development Goals (iSDGs)

A global initiative convened by UNEP FI and the signatories to the Principles for Sustainable Insurance of leading insurers committed to supporting the achievement of the SDGs by 2030 via their insurance portfolios through a set of Insurance Sustainable Development Goals (iSDGs).

Applying the EU Taxonomy to banking products

As part of the upcoming work on the [EU Taxonomy on core banking products with the European Banking Federation \(EBF\)](#), both mandatory and voluntary uses of the EU Taxonomy are being considered, including the possibility of using the EU Taxonomy as a tool to better engage with customers' transition alignment.

4. Sustainable finance markets: trends and challenges

4.1. The state of play of sustainable finance markets⁵⁵

Total volumes for the **whole sustainable debt market** – including labelled Green, Social and Sustainability (GSS) bonds, Sustainability-linked bonds (SLB) and Transition bonds – are well on their way to an annual trillion. By the end of Q3, 2021 had already eclipsed all years prior with USD767bn issuance in GSS bonds already recorded. This compares to USD734bn across the entirety of GSS instruments in 2020 and brings the cumulative total of GSS bond issuances to USD2.5tn. Globally, the number of issuances has decreased in the last few years (1869 issuances in 2019 compared to 1748 in 2020 and 1455 up to H3 2021) indicating the market has capacity to absorb larger volumes from the significant market players.

The Climate Bonds GSS Bond Database reveals this strong growth is driven by large, developed countries. The United States (USD336.4bn) continue to be the largest issuer by volume. Regionally, Europe grew from a USD656.1bn market in 2020 (year-end) to USD954.7bn in cumulative size by Q3 2021 led by large volumes in the commercial banking and transportation sectors as well as a growing sovereign bond market. While developed market countries are the predominant driver of GSS bond growth, emerging markets contribute between 15-20% of the overall quarterly issuances.

Within the IPSF, France (USD274.4bn) and China (USD243.8bn) are accompanied by Japan (USD67.2bn) and Canada (USD42.8bn) as leading issuing countries.

⁵⁵ This section has been prepared with the analytical support of Climate Bonds Initiative (CBI). The figures reflect CBI's methodology to assess the alignment of green bonds.



Figure 3 Cumulative GSS bond issuance (USD bn). Period: 2007 – Q3 2021 by region

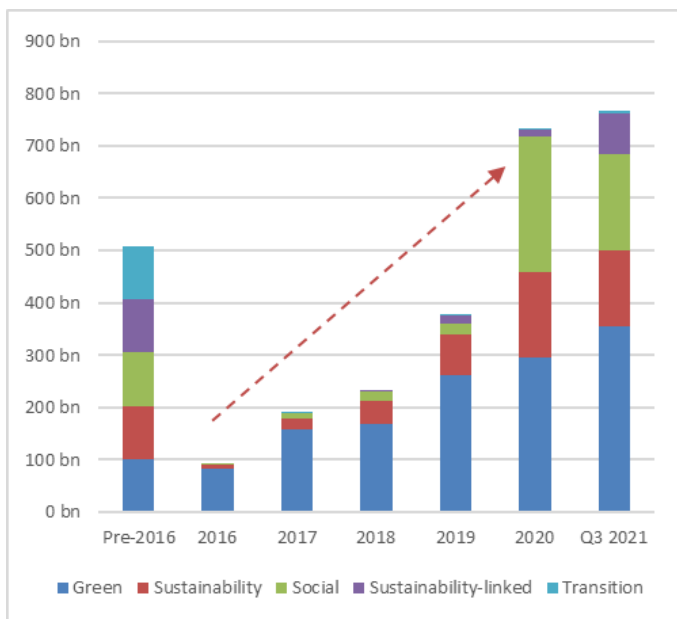


Figure 4 Total GSS bond issuances value (USD bn) by issuing market type

Green bond issuances continue to be the largest market by total issuance value

From their modest beginnings over a decade ago, green bonds continued their year-on-year growth trajectory in 2020 and by the end of Q3 2021, issuance had already surpassed the 2020 figure by USD54bn. Q1-Q3 2020 were subdued market indicating issuers were affected by inertia in light of the pandemic. However, the market played catch-up in Q4 2020 and issuance skyrocketed. As a result, 2020 was in a record-breaking USD298.8bn of issuances – a 34% increase on H2 2019.

In terms of green bonds, the energy, buildings and transport sectors continue to dominate the use of proceeds categories but their dominance is declining as new areas are being pioneered⁵⁶. The main growing sector is water which went from around 9% of proceeds in 2019 to 14% in 2021. There is also continuing evidence to support a greenium (where a green bond prices inside the yield curve). In H1 2021, 79% of green bonds priced on or inside their yield curve⁵⁷. This is a continuation of the strong investor and growing demand in this space.

Sukuk have also made a meaningful contribution to overall GSS growth since 2017; cumulatively green and sustainable sukuk now represent USD9.71bn of overall issuances.

Social and Sustainability (S&S) themes continue to grow while social bonds boom

Throughout the pandemic, sustainability bonds with major social features have proven to be a flexible source of finance to help with both the immediate impacts as well as longer-term recovery plans. While green remains the dominant theme, and was the largest source of outright capital, the social and sustainability themes grew dramatically and achieved higher volumes than all previous years combined⁵⁸. The majority of pure social bonds⁵⁹ continue to be issued by multilateral or government entities, given the challenge of identifying social projects with cash flows that can be financed in a bond.

Sustainability bonds with major social features surged between 2020 and the end of Q3 2021. This was particularly pronounced with a twelve-fold increase in the social volumes compared to 2019, the sharpest annual growth in any theme since the inception of the GSS debt market. The introduction of social bonds related to the pandemic partly explains this growth. Collectively these bonds represented 21.5% of sustainability related issuances and a total value of USD89.8bn.⁶⁰

Beyond the bond market

Outside the bond sphere, other financial instruments have great potential to play a central role in the transition to a sustainable economy. Evolutions in the global labelled loan market have spurred two trend-setting products: **green loans** and **sustainability-linked loans** (and to a lesser extent sustainability-linked bonds). Both of these innovations have made inroads in global financial markets.

Green loans are much like green bonds in that they apply 'use of proceeds' structures, where the finance is earmarked to fund only eligible green assets or projects. The continued development of a labelled green loan market will enable more sectors and entities to have access to sustainable finance markets. In particular, SMEs may regularly borrow through the loan markets but can rarely achieve the scale needed to issue green bonds. The green loan market remains steady but small. USD23bn of labelled green loans were issued in between 2019 and 2020 bringing the cumulative issuance total to USD43.39bn.

Sustainability-linked loans (SLLs) and sustainability-linked bonds (SLBs) are a departure from the 'use of proceeds' structure pioneered by the green bond market. Here, the borrower does not earmark the finance for green projects and the loan is used for general corporate purposes but the cost of finance moves up or down depending on the achievement of key performance indicators (KPIs) of the issuing entity. They are seen by the market as a type of transition instrument as they support an entity's overall goals/strategy rather than financing specific assets. SLLs are useful for certain borrowers and work well in the bank lending markets. The format of SLLs and SLBs has raised several questions, for example as to how investors can ensure and evaluate impact. In particular, the main concern is that targets tend to be entity-specific,

⁵⁶ These three sectors accounted for 80% of proceeds in 2020 which is down slightly in 2021 to 78%.

⁵⁷ CBI, [Green Bond Pricing in the primary market: January-June 2021](#), 2021.

⁵⁸ Many bonds with a 'sustainable' label are classified as 'green' in the Climate Bonds Green Bonds Database, because more than 95% of the use of proceeds are stated as green. This includes some areas where there is overlap between green and social spending, such as affordable housing which meet ambitious energy efficiency standards.

⁵⁹ Social Bonds are bonds for which the use of proceeds are related to social outcomes (e.g., pandemic, housing, gender, women, health, education, etc.)

⁶⁰ Other social bonds may have utilized to help cushion the broader effects of the pandemic

meaning they are hard to compare against peers on global goals such as the Paris Agreement. Despite these challenges, the sustainability-linked market is a valuable tool, particularly in helping companies to fund their transition strategies as articulated by appropriate targets.

Spotlight on Chile's experience on climate finance

As part of its national policy goals on climate change and the environment, the Government of Chile took a leading role in climate finance by being the first country in South America to issue a sovereign green bond. The Government prepared its Green Bond Framework in conjunction with the Inter-American Development Bank (IADB). The first green bond was issued in June 2019 and was priced at 95bp over US Treasuries, which is the lowest yield ever achieved for Chile 30-year debt. The issuance attracted interest from a large number of European based investors as well as 40 ESG specialist investors.

The Republic achieved several milestones by issuing green bonds including the lowest yields ever in both currencies (3.53% for the dollar-denominated and 0.58% for the euro-denominated bonds), low spreads (95 basis points over the US Treasury rate for the dollar-denominated and record-low 50 basis points over the benchmark interbank rate for the Euro-denominated bonds), record demand from global markets (12.8 times oversubscribed for the dollar-denominated bonds, and 4.7 times for the euro-denominated bonds), and an important broadening of Chile's investor base towards institutional investors with green mandates (totaled more than 460 accounts for both transactions).

Since 2017, the local green bond market has grown to become a USD9.3bn market – USD7.4bn of which is sovereign issued. The significant green bond issuances paved the way for the introduction of social and sustainability bonds in recent times. Between 2016 and November 2020, only a handful of smaller scale S&S issuances totaling USD1.3bn were observed from financial and non-financial corporates together with a government-backed entity (Chile Government International Bond). Since this time, three sizable sovereign S&S issuances totaling USD4.3bn have contributed to create an overall USD8.7bn market. In 2021, the first local sustainability-linked bond with a notional of USD500m was issued by Inversiones CMPC SA.

4.2. IPSF's observers' experiences from emerging markets

The establishment of multi-stakeholders platforms in emerging markets economies can help advance the work on all dimensions of sustainable finance by sharing best practise and create synergies across sectors and regions.

Emerging markets are accelerating sustainable finance together - highlights from the forthcoming 2021 SBFN Global Progress Report and 39 Country Reports

Established in 2021, and facilitated by International Finance Corporation, part of the World Bank Group, the Sustainable Banking and Finance Network (SBFN)⁶¹ is a voluntary knowledge platform for financial sector regulators, banking associations, ministries of finance, and ministries of environment, capital market authorities, and multi-stakeholder platforms from emerging markets committed to advancing sustainable finance.

SBFN now represents 63 institutions from 43 countries, covering more than USD43tn (86 percent) of the total banking assets in emerging markets. SBFN's 2021 Global Progress Report, published in October 2021,

⁶¹ Formerly known as the Sustainable Banking Network (SBN), www.sbfnetwork.org

finds that **member countries are accelerating progress across all dimensions of sustainable finance**. Thirty-three SBFN countries have issued a total of **97 framework documents** to promote sustainable finance across the three SBFN pillars: i) integration of ESG risk management in the practices of financial institutions, ii) managing climate risk, and iii) financing sustainability-focused opportunities. Key trends identified in the report:

- Many countries are harnessing sustainable finance for economic recovery in **response to COVID-19**.
- Sustainable finance has moved **beyond banking** to include capital markets, pensions, insurance, and asset management. All parts of the financial sector are showing leadership.
- There is a **pressing need for credible data to understand ESG risk and opportunity** and tackle greenwashing. This is driving demand for improved disclosure standards and taxonomies.
- **Taxonomies are demonstrating cross-cutting benefits** for ESG risk management, disclosure, and allocation of capital by clearly defining eligible sectors and activities for sustainable finance. Six SBFN countries have comprehensive taxonomies in place, and seven countries are developing them⁶². Principles proposed by the EU, such as “Do No Significant Harm”, and protection of social safeguards, are influencing emerging markets.
- Countries are moving rapidly to respond to **climate change** by building the capacity of the financial sector to assess and manage climate risks and unlock capital for climate finance.
- The popularity of **green and climate bonds** has led to strong interest in **social and sustainability bonds**, sustainability linked-loans, and other financial instruments to mobilize capital for sustainable development objectives.

The **SBFN Secretariat** will support these trends in the next two years by:

- Convening a **Sustainable Finance Instruments Working Group** to map the landscape of sustainability-focused financial instruments and support the development of common approaches to national taxonomies.
- Convene a **Data and Disclosure Working Group** to map the work being done across the network on reporting frameworks, disclosure requirements, monitoring, and data sharing.
- Support ongoing work by the **SBFN IDA⁷ Task Force** to develop tools and resources to help build capacity and streamline adoption of sustainable finance in low-income countries.
- Continue to facilitate **knowledge exchange** between members to accelerate progress.
- **Contribute member insights to global dialogue on sustainable finance**, such as the G20 Sustainable Finance Working Group, Network for Greening the Financial Sector (NGFS), and the International Platform on Sustainable Finance (IPSF).⁶³

Achieving the Paris Agreement climate goals will require substantial mobilisation of private capital towards sustainable investments in emerging and developing economies, this can be done by scaling up the green bonds market and by developing innovative investment instruments.

Lessons learned from European development finance actors in supporting green investments in emerging and developing economies⁶⁴

As countries around the world strive to achieve a sustainable recovery from the pandemic, it is more

⁶² Bangladesh, Brazil, China, Indonesia, Mongolia, and Vietnam have published comprehensive taxonomies for green and/or sustainable finance. Colombia, Dominican Republic, Georgia, India, Mexico, South Africa, and Sri Lanka are in the process of doing so.

⁶³ For more information, visit www.sbfnetwork.org

⁶⁴ Joint contribution from EIB/EBRD/EDFI

important than ever that European DFIs and IFIs continue to set a collective example for investors in developing markets. In line with their respective commitments⁶⁵ to Paris alignment, and the related Sustainable Development Goals, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and European Development Finance Institutions (EDFI) are channelling more capital toward climate action and other green investments, particularly to vulnerable regions⁶⁶.

Achieving the climate objectives will require substantial of private capital, especially in emerging markets and developing countries. The EBRD, the EIB, and EDFI are developing innovative instruments, and deepening their cooperation to mobilise private investment. For example, the EBRD, the EIB, and EDFI members committed altogether more than USD340 million to the Amundi EGO fund, the world's largest green bond fund, and the first exclusively dedicated to financial institutions in emerging markets. The fund's structure allowed it to be resilient during the pandemic and even exceeded its green bond investment target, helping demonstrate a viable tool to enable private finance at the centre of global climate change initiatives. Developing such pioneering activities, allowed the EBRD, the EIB and EDFI to learn valuable lessons for scaling up climate financing beyond their own balance sheets:

- The green bond market needs further support for expansion. The experience with green bonds has shown that these are excellent tools for scaling up volumes of green finance. However, they remain too scarce in the poorer regions of the world. European development finance actors therefore stand ready to support the growth of green bonds in emerging and developing regions, such as in sub-Saharan Africa, Asia and Latin America. European financial institutions can extend financing as well as technical assistance, which is a crucial element to help set up robust green bond frameworks and to generate strong pipeline of projects.
- Common standards are urgently needed. To make green finance tools such as green bonds work at scale, we cannot highlight enough the importance of having a common language of what we understand by "green". This will be the only way to avoid greenwashing and to ensure climate impact. In this respect, building on the EU Taxonomy, the work carried out by the IPSF on a Common Ground Taxonomy, to which the EBRD, the EIB and EDFI are contributing as observers, is crucial. Acknowledging the differences among countries and regions in their climate change mitigation and adaptation capacities, green finance standards must be robust and yet applicable in all countries, so that we can mobilise green finance around the world to accelerate the transition and leave no one behind.

5. Conclusions

The second annual report of the IPSF shows that member jurisdictions have continued progress on sustainable finance throughout the last year. All members have set up multi-stakeholders forums to inform the process of creating sustainable finance action plans and roadmaps to mobilise and catalyse resources in sustainable activities. Markets for green bonds and sustainability bonds have seen an important increase in volume and have shown to be a resilient source of financing. Work needs to continue on developing standards and disclosures to increase the transparency on the market.

The first CGT report presents a detailed comparison of the EU and China taxonomies singling out their commonalities and differences. It puts forward a comprehensive methodology, including scenario analysis, to assess the common grounds of taxonomies under scope. This exercise paves the way for future work to increase global comparability and interoperability across taxonomies. Going forward, additional sectors

⁶⁵ For further details on the institutions' commitments to Paris alignment, to be achieved between 2020 and 2022, please refer to: EBRD's Paris-alignment announcement, EIB's announcement on its climate strategy, EDFI Statement on Climate and Energy Finance

⁶⁶ As also noted in the ECOFIN Council conclusions on climate finance - Consilium (europa.eu)

could be inserted, such as services and ICT or additional environmental objectives. In future, transition considerations will need to be part of the reflection and IPSF work. This is to respond to the likely evolution of taxonomies and expectation from many jurisdictions and various international organizations to develop high-level principles for financing a just climate transition⁶⁷.

The ESG disclosures report provides an overview of the current state of ESG disclosure measures, summarizes emerging global trends and identifies key gaps that need to be addressed. It shows that ESG disclosure measures are a dynamically evolving field with a diverse landscape of ESG disclosure policy measures. Several opportunities and possible ways forward may be envisaged, from improved accessibility of data to further sharing of best practices with a view to enabling internationally comparable and interoperable ESG disclosure measures (especially regarding disclosure content and materiality definition). Any future IPSF work in this area would also need to take into account the various G20 Roadmap actions: enhancing data quality and accessibility, better understanding of the benefits and challenges related to sustainability reporting for SMEs and emerging market economies, and consider ways to address them.

⁶⁷ As mentioned in the [G20 Sustainable Finance Roadmap](#).