International Platform on Sustainable Finance

Annual Report 2023

IPSF ANNUAL REPORT 2023

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 2023.

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

Executive summary

In its fourth year of operation, the International Platform on Sustainable Finance (IPSF) presents its Annual Report, offering insights into the accomplishments and advancements of the IPSF, its members and observers in 2023.

In 2023, the IPSF has continued to play a key role in scaling up international and domestic endeavours on sustainable finance by fostering exchange of knowledge, best practices, while respecting the diverse contexts of its member jurisdictions. The work on the Common Ground Taxonomy has been pursued to extend its scope and coverage, in view of enhancing cross-border interoperability. Building on last year's report, the Transition Finance Working Group, has aimed at providing further guidance, by elaborating on key dimensions for climate transition: credibility, disclosure, financing, and assessment. Recognising the importance of social considerations in sustainable finance, the IPSF has set up a new working group, which looked in particular into social bond frameworks in IPSF jurisdictions and beyond, with the aim of identifying trends, challenges and opportunities.

In line with the decision to extend discussions to biodiversity, this Annual Report also features a dedicated section on biodiversity conservation and sustainable finance. This section delves into the importance of integrating biodiversity considerations into sustainable finance frameworks, providing insights into the initiatives adopted by various jurisdictions and organisations to align financial activities with biodiversity goals. It notes the synergies between biodiversity conservation and climate mitigation and adaptation. It highlights the need for a holistic approach, encompassing not only climate change but also the broader spectrum of sustainability, contributing to a more resilient and environmentally conscious future.

This Report also presents an overview of policy and regulatory developments within the 20 member jurisdictions of the IPSF, highlighting their diverse approaches to strengthen the financial sector's role in advancing sustainable development goals and transitioning to a net-zero economy. These developments encompass various measures and initiatives, including corporate disclosures, issuance of financial instruments, taxonomies, and climate risk assessment and management.

Looking ahead to 2024, the IPSF remains committed to advancing the sustainability agenda, fostering international cooperation, and maintaining its key role in global sustainability efforts. The emphasis on enhancing cross-jurisdictional interoperability and comparability of taxonomies will remain central, in tandem with the activities of the transition finance working group, aligned with its latest interim report, and the latest focus on biodiversity. Ongoing initiatives to promote cooperation among members and observers will persist, along with continued ambition to contribute to the implementation of the G20 Sustainable Finance Roadmap.

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

It seems like almost every week – if not more often – that we see renewed evidence of the impact of climate change and environmental degradation. The effect is not evenly distributed, something impacted by social inequities. These issues are not confined to one country or one region. They are global – so they need a global response. This is why we have the International Platform on Sustainable Finance (IPSF).

In 2023, the IPSF made significant progress and grew once again, welcoming its 20th member, Sri Lanka. There was not only a geographical expansion, but also a thematic expansion to biodiversity and social issues. This reflects the adaptability and commitment to inclusivity of the IPSF.

The transition to net-zero can only be successful if it is inclusive and just. Social finance has also become more relevant due to the socio-economic impacts of the COVID-19 pandemic. As a response, the IPSF started working on social issues, establishing a Working Group dedicated to social bonds.

The IPSF work on the Common Ground Taxonomy, which aims to improve the interoperability and comparability of different taxonomies, continued to be a focal point in 2023. We worked on expanding our comparison methodology to more jurisdictions and for additional environmental objectives.

We are building on the Principles of the 2022 IPSF Transition Finance Report, explaining the key elements of transition finance. This work emphasises the need for credibility, disclosure, financing, and assessment as part of transition finance.

The role of the IPSF as a knowledge partner for the G20 Sustainable Finance Working Group has remained central. IPSF contributions continued to inform G20 discussions, and the IPSF remains committed to supporting the implementation of the G20 Sustainable Finance Roadmap.

While we can celebrate the progress made in 2023, our journey – part of the wider journey towards net-zero – is far from over. We need to be more ambitious and work faster. There is growing emphasis on addressing biodiversity loss, which will be a key focus for the work of the IPSF next year. This Report already includes a dedicated section on biodiversity, providing an overview of some relevant initiatives.

Looking ahead to 2024, the IPSF will continue to advance the sustainability agenda and foster international cooperation.

The IPSF's work in advancing sustainable finance shows the remarkable progress that can be achieved when jurisdictions come together, learn from each other, and share a common vision.

As we celebrate the achievements of this year and look ahead to next year, I look forward to continued collaboration and innovation as we work to create a more sustainable and equitable future for all.

Mairead McGuinness

Chair of the International Platform on Sustainable Finance

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

1.1. IPSF activity in 2023

In 2023, the IPSF remained at the forefront of international discussions on sustainable finance. It continued to provide a unique platform for exchanges between like-minded policy makers, on best practices, emerging challenges and opportunities, and the pursuit of comparability and interoperability of sustainable finance frameworks globally, whilst respecting the particular national and regional contexts. Amid this dynamic landscape, IPSF members and observers actively contributed to the global dialogue. The IPSF follows closely such relevant initiatives.[1]

In the past year, the IPSF continued to grow both in terms of thematic and geographic coverage: a new Working Group on social bonds worked intensively on a report published today, while in July, the IPSF welcomed its 20th member jurisdiction, Sri Lanka. At 20 members, representing 51% of the planet's population, 54% of global gross domestic product (GDP) and 58% of greenhouse gas emissions, the IPSF has naturally also started reflections on its functioning and working methods to ensure that it remains fit for the future.

The IPSF work on taxonomies, transition finance and social bonds has illustrated the continued commitment to promoting best approaches, comparing different initiatives and identifying barriers and opportunities to enhance environmental and social finance globally while respecting respective national and regional contexts.

Comparison of taxonomies

The IPSF Taxonomies Working Group (TWG), established in July 2020 by the European Union (EU) and China, aims to identify commonalities among existing sustainable investment taxonomies. The work focuses on the expansion of the so-called Common Ground Taxonomy (CGT), initially centred on climate mitigation activities and released in November 2021, which was later revised in June 2022 to include 72 shared activities.

The next phase of the CGT project, includes a series of deliverables. Firstly, the scope of the comparison exercise is being expanded to other IPSF jurisdictions that have taxonomies in place, starting with the Singapore-Asia Taxonomy. Secondly, the EU-China comparison exercise continues with the inclusion of new sectors and activities for the climate change mitigation objective and the extension to those sectors and activities contributing to climate change adaptation and the other environmental objectives. The Working Group is also working on the mapping of Do No Significant Harm (DNSH) provisions in targeted IPSF jurisdictions and on implementing knowledge sharing projects, in collaboration with multilateral development banks (MDBs) and other relevant stakeholders. The latter objective involves the dissemination of CGT and related technical knowledge to jurisdictions that are interested in developing or improving their own taxonomies. The IPSF is therefore continuously reinforcing the contribution of the CGT to interoperability efforts by extending its overall coverage, adapting its methodology where necessary, and proactively sharing its technical knowledge to other interested jurisdictions and market actors.

[1] One example includes the joint IMF – World Bank Group – OECD staff-level report on "Activating Alignment – Emerging lessons and considerations for applying the G20 Principles on Alignment Approaches". The report focuses on addressing the climate information gap by providing a global framework and technical solutions for ensuring greater credibility, comparability, and interoperability of climate data and alignment approaches.

Transition finance

The global urgency to combat climate change and shift towards a sustainable, net-zero future in line with the Paris Agreement and Sustainable Development Goals requires significant capital from public and private sectors. Transition finance plays a pivotal role in facilitating this transformation by providing essential resources for transitioning carbon-intensive industries.

Within the IPSF, a dedicated working group has been actively engaged in advancing efforts related to transition finance. This year's work builds on the IPSF Transition Finance Principles released in 2022 and focuses on providing more practical guidance.

This interim report provides an overview of the ongoing IPSF work on transition finance, building upon the foundational Principles outlined in the 2022 IPSF Transition Finance report for robust transition targets and for demonstrating the capacity to deliver those targets. The report identifies four dimensions of transition finance: credibility, disclosure, financing, and assessment, which encompass various principles, strategies, and considerations for effectively transitioning to a sustainable and climate-resilient economy. These dimensions represent the practical stages that institutions must navigate to achieve meaningful transition outcomes, implementing the IPSF 2022 transition finance Principles on target-setting and delivery. This holistic approach enhances the credibility and effectiveness of climate transition initiatives, bridging the gap between ambition and action.

1. **Credibility** focuses on identifying credible transition pathways toward a low-carbon economy. Setting ambitious targets aligned with international climate commitments and market expectations is essential. By assessing transition opportunities and establishing science-based climate ambitions, stakeholders build a strong foundation for their transition finance strategies.
2. The **disclosing** dimension underscores the significance of developing and disclosing a robust transition plan and reporting on performance. Stakeholders need to create transparent roadmaps outlining steps, strategies, and milestones for achieving desired transition outcomes. Regular disclosures enhance accountability, foster trust in transition finance practices, and guide decision-makers.
3. The **financing** dimension is closely connected to assessment. Here, stakeholders focus on issuing credible transition finance instruments, underpinned by a robust transition plan. These instruments attract investments and direct capital towards projects and initiatives driving the transition. The design of these instruments is influenced by investor preferences and requirements.
4. The **assessing** dimension focuses on tools that benchmark performance and assess the effectiveness of transition finance efforts. These tools ensure alignment with sectoral pathways and other metrics.

By integrating these dimensions into the climate transition finance ecosystem, stakeholders can establish a comprehensive framework for sustainable change towards a lower-carbon economy. This framework provides a roadmap for organisations, policymakers, and financial institutions, guiding them through the complexities of transition finance and contributing effectively to the global effort to mitigate climate change.

It is important to note that this report represents an interim milestone in our ongoing commitment to advancing transition finance. Our work will continue into the next year, building upon the interim report and further refining it, as well as on IPSF members' work in this area.

Social bonds

While the just transition featured as a key consideration in the IPSF's earlier work on transition finance, in 2023, the IPSF for the first time established a Working Group dedicated to social aspects of sustainable finance.

The relevance and prevalence of social finance on the global sustainable finance agenda has risen rapidly, in no small part due to the socioeconomic effects of the COVID-19 pandemic. Even though Covid-19-related impacts have diminished, inequalities persist and have sometimes been exacerbated by climate change. International discussions on social finance are likely to intensify in years to come. Under India's 2023 G20 Presidency, the Sustainable Finance Working Group (SFWG) focused on social impact investment, and Brazil is likely to continue looking at just and social aspects of the transition and sustainable finance during its G20 Presidency in 2024.

Over the past years, social bonds have emerged as an instrument of choice for financing projects with a social objective across the world. The IPSF Social Bonds Report published today makes a contribution to the growing international discussion on thematic debt instruments pursuing social objectives. It places social bonds in the broader body of social finance and pays particular attention to frameworks and guidelines issued by international bodies, not least the International Capital Market Association and its Social Bonds Principles, which have informed the vast majority of jurisdictional sovereign and corporate frameworks for social bonds.

The report examines social bond frameworks in IPSF jurisdictions and beyond with the aim of identifying trends, challenges and opportunities in the setting up of comparable and interoperable frameworks that facilitate the scaling of social bond issuances. This work points to the challenge of measuring and reporting social risk and social impact; challenges linked to the specificity of social policies, their scalability and sustainability of their impact; as well as a market tendency towards larger bonds with a more diverse pipeline and projects with higher chances of success.

The report finds that demand for private investment into social projects exists while it is too early to assess fluctuations in the size of the social bond market. It investigates the profiles of issuers and investors, as well as other actors playing an important role in the market. Importantly, it notes that certain Sustainable Development Goals (SDGs) seem to be more heavily financed than others. Finally, it examines the relationship between social and environmental or climate objectives.

On the basis of this analysis, the IPSF puts forward recommendations that would enhance the market environment for social bonds and increase the scalability of social bonds and the interoperability of jurisdictional frameworks.

1.2. Policy trends in IPSF member jurisdictions

Throughout 2023, IPSF member jurisdictions have continued their steady commitment to advancing sustainable finance in the face of complex global challenges. Despite macro-economic headwinds, geopolitical tensions, and mounting environmental crises, members have persistently strived to fortify their sustainable finance policies. Their efforts reflect the unique characteristics of each jurisdiction while aligning with international discussions and collaborative initiatives. The year witnessed notable progress in areas such as taxonomy refinement, the issuance of sustainability-linked financial instruments, and the proactive management of climate-related risks. Furthermore, the development of sustainability disclosure frameworks and strengthened public-private partnerships remained top priorities for many IPSF members. This commitment underscores their dedication to creating resilient and sustainable financial markets amid a dynamic and challenging landscape.

Argentina

During 2023, Argentina has made further progress towards developing sustainable finance in the country and meeting the goal of achieving the necessary transition finance to pave the way towards a low-carbon economy.

Within the framework of the Technical Roundtable on Sustainable Finance (MTFS) and based on the findings of the National Survey on Sustainable Finance and Climate Change - a detailed diagnosis on the level of knowledge, relevance and approach that entities of the Argentine banking, insurance and capital market sector have regarding sustainability and, in particular, regarding the financial effects linked to climate change in terms of risks and opportunities - the National Sustainable Finance Strategy (ENFS) was designed and agreed through the Resolution of the Minister of Economy No. 696/2023.

The main objective of the ENFS is to identify alternatives to mobilise in a scalable way the resources needed to catalyse public and private investments that contribute to achieving economic and social goals within the framework of the SDGs, including the country's climate change mitigation and adaptation targets. The strategy will also begin the process of identifying the climate change-related risks to which the various financial sector actors are exposed and strengthen the capacity of both the public and private sectors to manage them in a cross-cutting manner. Through its 5 lines of action: regulatory framework; common language and taxonomy; information generation, transparency, reporting, indicators and data analysis; incentives; sustainable financial instruments, the aim is to promote sustainable finance in the country in order to achieve sustainable economic development (in economic as well as social and environmental terms) and in the long term to tackle economic and social inequality and climate change.

Moving forward in the ENFS implementation framework, a Sustainable Sovereign Finance Framework was also designed, which establishes the criteria to be met for the issuance of thematic financial instruments in the country. The objective of having this framework is to broaden the sources of financing (local and international) to carry out programmes that are considered sustainable, because of their social or environmental impact or both. It also raises not only the possibility of issuing social and/or environmental bonds, but also establishes criteria for other types of financial flows. The framework was rated by Sustainable Fitch during its second-party opinion with its highest rating, "Excellent", as it is fully aligned with all major international principles and guidelines. In addition, the practices inherent in the framework meet excellent levels of rigour and transparency in all aspects and are well above market standards.

In this regard, progress was made in relation to the sustainable labelling of the national public budget. The first quarterly report on sustainable environment and climate change has just been published and Argentina is working on the methodology to be able to publish it by the end of the year.

Finally, the initiation of discussions among MTFS members to shape recommendations for structuring future work for the Development of a Sustainable Taxonomy in Argentina, including a Roadmap, is highlighted. Although the work is incipient, the beginning of discussions is considered an important milestone for the future.

Australia

Since joining the IPSF in December 2022, Australia has continued to take practical climate action and support its transition to a net zero economy.

Australia is developing a Net Zero 2050 plan, as outlined in its 2022 Annual Climate Statement to Parliament and consistent with the recommendations of Australia's Climate Change Authority (CCA).

In 2022, we legislated Australia's greenhouse gas emission targets to reach Net Zero by 2050, and 43% below 2005 levels by 2030.

Australia has advanced the Government’s coordinated and ambitious sustainable finance agenda. In the 2023-24 Australian Budget, the Government laid the foundations for the Sustainable Finance Strategy by:

a) Committing to a [sovereign green bonds program](), with first issuance expected in mid-2024;

b) Enhancing Australia’s national corporate regulator, the Australian Securities and Investments Commission’s (ASIC) enforcement action on greenwashing; and

c) Co-funding with the private sector the initial phase of development for an Australian sustainable finance taxonomy.

In 2023, the Australian Treasury released a draft Sustainable Finance Strategy for public consultation. The Strategy is consistent with the ongoing focus on climate risk and sustainable finance by Australia’s Council of Financial Regulators. In November 2022, the Australian Prudential Regulation Authority (APRA) published the outcomes of its first [Climate Vulnerability Assessment]() (CVA), which focused on Australia’s major banks. The CVA provides insights into how climate change may test the resilience of the banking system, and how banks may manage risks.

The Strategy will also build on the Australian Government’s commitment to introducing standardised, internationally aligned climate disclosure requirements for large, listed companies and financial institutions. The proposed disclosure regime will initially cover large companies and financial institutions and expand over time. It is proposed that first disclosures will commence as part of the 2024-25 financial reporting period. The Government is working closely with industry and the financial regulators to develop a framework which is aligned with the new global standards recently released by the International Sustainability Standards Board (ISSB).

The Australian Government is co-funding the initial development of an Australian Sustainable Finance Taxonomy, in partnership with industry through the Australian Sustainable Finance Institute. The taxonomy aims to provide credible and consistent definitions for green and transition finance and help accelerate the allocation of capital towards sustainable activities to support Australia’s net-zero ambitions. The work commenced in July 2023 and is expected to run for the next 12-18 months.

On greenwashing, the Australian Government is providing AUD 4.3 million to ASIC in 2023-24 to target misleading conduct in relation to sustainable finance. This involved enforcement of the existing law and does not impose new obligations. Costs will be recovered from industry under the ASIC Industry Funding Model.

Australia’s commitment to introducing a [Green Bond program]() will enable investors to back public projects driving Australia’s net zero transformation and boosting the scale and credibility of Australia’s green finance market. The first issuance of Sovereign Green Bonds will occur in mid-2024.

The Australia-New Zealand 2+2 Climate and Finance Dialogue was first held in June 2023, and seeks to align sustainable finance frameworks and tools across the Tasman to enhance interoperability and support businesses operating across the economic region.

The Australian Government is also exploring the role of social impact investing to support the delivery of community outcomes with a focus on addressing entrenched disadvantage. A co-design is underway to inform the establishment of a Commonwealth Outcomes Fund that will look to make payments to state and territory governments and service providers based on their delivery of agreed outcomes. Capability building initiatives have also been supported. This includes the Social Enterprise Development Initiative, which will provide grants and online education and mentoring to eligible organisations like social enterprises and charities to help them build their capability to access private capital and increase their ability to deliver improved social outcomes.

Recognising the importance of frameworks that promote consistent global approaches, Australia has significantly elevated its international engagement on sustainable finance. This has included:

- Strongly supporting international processes, including the G20 Sustainable Finance Roadmap, that promote alignment and interoperability on sustainable finance principles and priorities.
- Strongly supporting the development of new global standards for climate and sustainability reporting through the ISSB, and the accelerated development of reporting frameworks and guidance for nature-related risks, impacts and dependencies, including the Task Force on Nature-related Financial Disclosures (TNFD).
- Scaled-up global engagement by Australia's financial regulators to support consistent global approaches to address greenwashing, promote transparency, and assess systematic financial risks.

Canada

The Government of Canada is committed to fostering the development of a sustainable finance market in Canada that will boost investor confidence, drive economic growth, and help fight climate change.

The Government of Canada is presently studying advice provided by the Sustainable Finance Action Council (SFAC), comprising 25 Canadian financial institutions and pension funds, on climate disclosure and taxonomy. The SFAC will also develop and report on strategies for aligning private sector capital with the transition to net zero.

Canada is making progress towards mandatory reporting of climate-related financial risks across a broad spectrum of the Canadian economy. The Office of the Superintendent of Financial Institutions (OSFI) finalised Guideline B-15: Climate Risk Management in March 2023, which sets out OSFI's expectations related to the risk management and disclosure of climate-related risks by federally regulated financial institutions. The risk management expectations align with those of the Basel Committee on Banking Supervision (BCBS) Principles for the effective management and supervision of climate-related financial risks, as well as the International Association of Insurance Supervisors (IAIS) Application Paper on the Supervision of Climate-related Risks. The disclosure expectations align with those of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.

In March 2023, the Government of Canada released its inaugural Green Bond Allocation report, documenting the use of proceeds from the inaugural CAD 5 billion green bond issuance in March 2022. The Government of Canada has announced its intention to explore the development of a sustainable bond framework, which would allow the government to issue, for example, social or transition bonds, in addition to green bonds.

The Government of Canada announced in 2022 that the Canada Growth Fund will use concessional finance to attract significant private capital for investment in low-carbon projects, technologies, businesses, and supply chains. The Canada Growth Fund will be capitalised with CAD 15 billion. The Canada Growth Fund was incorporated in December 2022 as a subsidiary of the Canada Development Investment Corporation. Budget 2023 further announced that the Public Sector Pension Investment Board (PSP Investments) would manage the assets of the Canada Growth Fund. This will permit the Canada Growth Fund to move quickly and benefit from the existing professional resources of one of Canada's largest pension investment managers with over CAD 225 billion in assets under management.

The Government of Canada hosted the 15th Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity, which took place in Montreal, Canada in December 2022. Negotiated at COP15, the Government of Canada is a signatory to the Kunming-Montreal Global Biodiversity Framework, which includes a target (15), "…to take legal, administrative or policy measures to encourage and enable business and in particular to regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains and portfolios." The Government of Canada is a member of the Consultative Forum of the TNFD.

Chile

In Chile, exposure to natural disasters is significant. The forest fires and floods that affected the country at the beginning of 2023 demonstrated in a shocking way the level of losses that these events generate for the country. These losses not only translate into economic damage, but also in the deterioration of ecosystems, biodiversity and, therefore, in the reduction of ecosystem services derived from natural capital. In order to project a calculation of this damage, it is essential to have a methodology that allows us to evaluate these services and thus guide public policy towards sustainable economic growth.

Since January 2023, Chile has had a Natural Capital Committee that advises the President of the Republic. After preparatory sessions and a technical consultation with the Inter-American Development Bank (IADB), the Committee officially began its work on 20 July 2023. As a first agreement, in addition to establishing its internal functioning, it was decided to implement a pilot project in collaboration with Stanford University and the IADB. This project focuses on the Natural Capital Assessment and Accounting approach, specifically aimed at measuring the services provided by watersheds and forests in a delimited area.

The Committee is formed by the Ministry of Environment, which presides it, the Ministry of Finance, which is in charge of the Technical Secretariat, and the Ministry of Economy, Development and Tourism. In addition, representatives of the Central Bank of Chile and the National Council for Science, Technology, Knowledge and Innovation participate and advise on an ongoing basis, providing technical perspectives in accordance with their respective mandates.

Additionally, recognising that the climate and biodiversity crises are intertwined, the Ministry of Finance is transitioning to a Financial Strategy for Climate Change and Biodiversity. The Ministry of Finance aims to have a unified direction to address both challenges, mobilising the public, private, and financial sectors from there. Among the first initiatives spearheaded is the SLB Sovereign Bonds, where the Ministry of Finance hopes to soon identify biodiversity KPIs.

China

In 2023, the People's Bank of China (PBoC) continued its efforts to improve the green finance policy system and support the development of green finance market in China.

On adoption and application of green finance standards, following the introduction of the IPSF CGT as an identifier for green bonds under the Chinese Green Bond Principles (CGBP) last July, the Green Finance Committee of China Society for Finance and Banking has coordinated the relabelling of select outstanding green bonds traded on the China interbank market against the CGT. On July 14 2023, a list of 193 Chinese outstanding green bonds deemed aligned with the CGT was released. Since then, a renewed list of CGT-labelled green bonds is published on monthly basis. Based on the relabelled bonds, green bond funds were launched, and a green bond index was created to help investors track the market developments. In addition, Chinese issuers also used the CGT to label green bonds issued on international market. The relabelling work will remain a dynamic endeavour, and the list may expand as methodologies are refined and coverage widened according to the updated version of the IPSF Common Ground Taxonomy.

On financial product innovation, the PBoC launched in 2021 two monetary policy instruments, the carbon emission reduction facility (CERF) and special central bank lending facility for green and efficient use of coal. Based on careful assessment at the end of 2022, the PBOC has extended the CERF for another two years to the end of 2024, and extended the special central bank lending to the end of 2023. More foreign banks and local incorporated banks have been added to the list of eligible banks to expand the coverage since the beginning of 2023. At end-June 2023, over 700 billion yuan was provided through the two facilities, which supported eligible lending from financial institutions of nearly 1 trillion yuan, representing an emission reduction by over 150 million metric tonnes of carbon dioxide equivalents.

On products, China's debt markets benefited from further innovation, including new products such as transition bond, to support green and sustainable activities. Enterprises from steel, power and other carbon-intensive industries were among the first to issue transition bonds in the inter-bank market in June 2022. By the end of August this year, Chinese issuers raised a total of 73.4 billion yuan through Sustainability-Linked Bonds (SLBs) and transition bonds in both domestic and foreign markets, 93% of which were SLBs and the rest were transition bonds.

China's green finance market continued its rapid growth. At end-June 2023, outstanding green loans reached 27 trillion yuan, and outstanding green bonds reached about 1.8 trillion yuan. In particular, the accumulated carbon neutrality bond issuance exceeded 370 billion yuan by the end of August of this year, accounted for over 33% of the total green bonds issued in China.

European Union

The European Union (EU) has made further progress in implementing environmental regulations to align with the European Green Deal's real economy objectives. These regulations serve to drive environmental sustainability and empower the financial sector for a greener, more sustainable future. The EU's primary focus is on refining and completing its sustainability framework, emphasising practicality and effectiveness while sustaining ambitious sustainability goals. As new rules are introduced, the core objective remains to maintain high environmental aspirations while minimising associated industry burdens, ensuring long-term competitiveness.

At the heart of the EU's sustainable finance framework is the EU Taxonomy, a key tool directing investments toward green transition activities. In June 2023, the European Commission adopted a large package of measures that expanded the EU Taxonomy criteria to include substantial contributions to non-climate environmental objectives. This expansion encompasses activities related to water and marine resources, transitioning to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. The EU Taxonomy Climate Delegated Act has also been amended to include more economic activities contributing to climate change mitigation and adaptation. These expansions make the EU Taxonomy versatile, covering all six environmental objectives, various economic sectors, and a multitude of companies, enhancing its usability and promoting sustainable investments across the EU. These criteria draw substantial influence from recommendations made by the Platform on Sustainable Finance.

Environmental, social, and governance (ESG) ratings are integral to the EU's sustainable finance market, providing crucial information for investment strategies and risk management. To enhance the transparency, reliability, and integrity of ESG ratings, the European Commission has proposed new regulations aimed at improving the quality of information and preventing conflicts of interest among ESG rating providers.

Additionally, the EU is actively addressing issues related to usability and consistency across different sustainable finance regulatory measures. To support companies and the financial sector in implementing the EU Taxonomy and sustainable finance framework, the European Commission has introduced various tools, including guidance documents, FAQs, and online resources.

A Recommendation on transition finance has been introduced by the Commission, guiding non-financial and financial companies in utilising the EU's sustainable finance framework, including the EU taxonomy and Climate Benchmarks, to facilitate urgently needed investments for transitioning to sustainability. This effort seeks to assist companies at different sustainability starting points in managing their transition finance needs while addressing climate change and environmental risks.

Furthermore, the Commission is concentrating on enhancing sustainability reporting standards. On July 31, 2023, the Commission adopted the first set of European Sustainability Reporting Standards (ESRS). These reporting standards will be used by companies subject to the Corporate Sustainability Reporting Directive (CSRD), forming the foundation of the EU's sustainable finance agenda. These mandatory standards mandate transparent communication of companies' impacts on people, the environment, and climate change-related risks. The reporting requirements will be phased in for different categories of companies, with the first set of companies implementing them for the financial year 2024. These standards, taking into account international initiatives such as ISSB or the Global Reporting Initiative (GRI), aim to prevent unnecessary double reporting and combat greenwashing.

The EU is also establishing the European Green Bond Standard (EU GBS) to provide clear guidelines in the green bonds market. This voluntary standard simplifies capital-raising for sustainable projects, empowering investors to identify green opportunities while reducing the risk of greenwashing. Issues, including international issuers, may use this voluntary standard by the end of 2024.

At the international level, the EU recognises the importance of global cooperation to promote sustainability. While the EU's sustainability framework aligns with global standards and aims for interoperability among different frameworks, a priority remains cooperation with other jurisdictions and ensuring consistent sustainability disclosures.

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

The Green and Sustainable Finance Cross-Agency Steering Group (CASG) in Hong Kong continues to support the development of green and sustainable finance, focusing on regulatory policies, data and technology infrastructure, capacity building, as well as market development and product innovation.

On regulatory policy, the CASG aims at developing a comprehensive Hong Kong roadmap on adopting the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards as appropriate, taking into account Hong Kong's position on the global green finance map, local regulatory expectations and circumstances. As an initial move in this direction, the Stock Exchange of Hong Kong Limited consulted on enhanced climate-related reporting requirements for Hong Kong listed companies between April and July 2023. Mandatory Provident Fund Schemes Authority (MPFA) requires all mandatory provident fund schemes to disclose their sustainable investing strategy and implementation progress in the schemes' annual governance report for financial years ending on or after 30 November 2022. In May 2023, the Hong Kong Monetary Authority (HKMA) released a discussion paper on "Prototype of a Green Classification Framework for Hong Kong" to outline the structure and core elements of a prototype framework of taxonomy and gathers feedback from stakeholders on its development and application.

Since 2022, the Centre for Green and Sustainable Finance (GSF Centre) under the CASG has launched repositories to enhance talent and data resources for the financial industry. On capacity building, the GSF Centre has been assisting the Government's Capacity Building Support Scheme to provide subsidies for sustainable finance training, while CASG launched the Sustainable Finance Internship

Initiative to create more internship opportunities. On data, the CASG launched, in December 2022 in collaboration with CDP, the Climate and Environmental Risk Questionnaire for Non-listed companies/small and medium-sized enterprises (SME) to assist SME with their sustainability reporting processes, and also to facilitate financial institutions' collection and assessment of company-level data for risk assessment.

Members of the CASG also continue to support Hong Kong's position as a green and sustainable finance hub. For instance, the HKMA has supported the Government to issue close to USD 22 billion worth of green bonds, including the world's first tokenised government green bond in February 2023; the Insurance Authority (IA) has been promoting Hong Kong as an insurance-linked securities (ILS) hub, with four ILS issuances in the form of catastrophe bonds totalling USD 562.5 million recorded as of March 2023; the Securities and Futures Commission (SFC) has authorised over 190 ESG funds with assets under management totalling USD 156 billion as of June 2023. On carbon market opportunities, the Hong Kong Exchanges and Clearing Limited (HKEX) launched Core Climate to provide effective and transparent trading of voluntary carbon credits and instruments across Asia and beyond.

India

In recent years, India has further promoted sustainable finance and ESG practices through various regulatory initiatives led by the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).

In January 2022, RBI conducted a survey to assess climate risk management by scheduled commercial banks. The results, released in July 2022, highlighted the need for more coordinated efforts in managing climate risk. In July 2022, RBI issued a Discussion Paper on Climate Risk and Sustainable Finance, seeking inputs from stakeholders.

In February 2023, RBI announced its intention to issue guidelines covering a broad framework for accepting Green Deposits, a disclosure framework for climate-related financial risks, and guidance on climate scenario analysis and stress testing. In April 2023, RBI introduced a Framework for acceptance of Green Deposits to encourage regulated entities to offer green deposit products. Proceeds from these deposits must be allocated to green activities that promote energy efficiency, carbon emissions reduction, climate resilience, and biodiversity conservation.

RBI created a dedicated page on its website to consolidate information, instructions, and publications related to climate risk and sustainable finance.

In consultation with the Government of India, RBI issued Sovereign Green Bonds worth INR 160 billion. The proceeds will fund public projects aimed at reducing the economy's emission intensity. Non-residents were permitted to invest in these bonds without restrictions.

RBI has been actively involved in capacity development through workshops, conferences, seminars, and panel discussions, contributing to G20 Sustainable Finance Working Group Meetings and collaborating with domestic academic institutions.

RBI is actively working on additional regulatory measures to enhance sustainability and climate risk management. A disclosure framework on climate-related financial risks is in progress. It will guide regulated entities in disclosing information under four key pillars: Governance, Strategy, Risk Management, and Metrics and Targets. In addition, RBI is developing guidance for regulated entities willing to conduct climate scenario analysis and stress testing to evaluate the impact of climate-related financial risks on their balance sheets.

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive regulatory framework to promote ESG practices, transparency, and reliability. SEBI mandated the top 1000 listed companies to make ESG disclosures as per the Business Responsibility and Sustainability

Reporting (BRSR) starting from FY 2022-23. To enhance transparency and mitigate greenwashing, SEBI introduced the 'BRSR Core' in July 2023. This subset of the BRSR focuses on core Key Performance Indicators (KPIs) and requires reasonable assurance for listed entities.

Furthermore, SEBI introduced a regulatory framework for ESG mutual funds in July 2023, ensuring transparency and integrity in ESG investing. These funds must invest in companies with comprehensive BRSR and disclose ESG scores and rating provider information.

SEBI also introduced regulations for ESG rating providers, emphasising transparency, conflict of interest management, and the rationale behind assigned ESG ratings. Lastly, SEBI expanded the regulatory framework for green debt securities, including pollution prevention, eco-efficient products, blue bonds (water management and marine sector), yellow bonds (solar energy), and transition bonds.

Indonesia[2]

In 2023, Indonesia made further progress in its commitment to sustainable finance and environmental preservation. In late 2022, Presidential Regulation No. 112 outlined the gradual phase-out of coal-fired power plants, emphasising a shift towards renewable energy sources. Supporting this transition, the Minister of Finance (MOF) issued MOF Regulation No. 103 of 2023, establishing a framework to implement the Just Energy Transition Partnership (JETP). JETP aims to secure funding, including grants, loans, sovereign guarantees, and private investments, to decarbonise Indonesia's energy sector transparently and effectively.

Furthermore, over the past years, Indonesia has strived to advance the establishment of a regulatory framework for carbon pricing and trading with Presidential Regulation No. 98 of 2021, and Ministry of Environment and Forestry (MOEF) Regulation No. 21 of 2022. This year, Law No. 4 of 2023 was issued, governing, among other issues, the implementation of Indonesia’s domestic carbon market. Law 4/2023 provides that carbon trading through a ‘carbon exchange’ is considered a financial transaction in the capital market sector, supervised by the Indonesian Financial Services Authority (OJK). In line with this mandate, OJK issued in August 2023 Regulation No. 14 of 2023 on Carbon Trading through Carbon Exchange (OJK 14/2023), further regulating the implementation of Indonesia's carbon market.

In May 2023, Indonesia issued the first publicly offered sovereign Blue Bond, raising ca. USD 150 million in the Japanese debt capital market. This issuance adheres to International Capital Market Association (ICMA) principles and aligns with the blue economy’s sustainable goals. The proceeds from this bond issuance support Indonesia’s blue economy, contributing to coastal protection, sustainable fisheries management, marine biodiversity conservation, and mangrove rehabilitation. In parallel, Indonesia’s Government has been developing a blue economy strategy aimed at improving the management of its marine and coastal ecosystems, creating equal economic opportunities and promoting sustainable livelihoods.

Japan

The Japanese Government published ‘The Basic Policy for the Realisation of GX (Green Transformation) – A roadmap for the next 20 years’[3] in February 2023. It outlines key initiatives being discussed by the government to achieve JPY 150 trillion (approx. USD 1 trillion) of private-public investment to bring about Japan’s green transformation. It includes the government’s plan of

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

3 See METI (2023) The Basic Policy for the Realization of GX (Green Transformation) -A roadmap for the next 20 years.

JPY 20 trillion (approx. USD 144 billion) through issuing sovereign bonds as pump-priming to spur private investments.

Sustainable finance is expected to contribute to the overall benefits of the economy and society by providing investments and loans that take various social and environmental issues into account, thereby having the effect of improving these issues. Regarding impact investment intended to create such environmental and social effects, the Financial Services Agency (FSA) established the 'Working Group on Impact Investment' to discuss measures to expand impact investment. Based on these discussions, the 'Report by the Working Group on Impact Investment' was compiled and announced in July 2023.[4] The report summarised the basic significance and concept of impact investment and the direction of measures to promote impact investment from the perspective of promoting support for such companies and businesses and enhancing economic growth and sustainability through the resolution of social and environmental issues. Based on this report, a Consortium will be established by year-end of 2023, with public and private stakeholders in cooperation.

In terms of the corporate disclosure enhancement, the FSA amended the regulations to introduce a new section for disclosure of sustainability information in the annual securities reports. The new section has been providing information related to sustainability issues, such as climate change and human capital in an integrated manner. The Amendment has been applied to annual securities reports for the fiscal year ending 31 March 2023 and thereafter.

As sustainable finance is expanding around the world, the role of ESG evaluation and data providers is increasing. To enhance transparency and fairness of ESG evaluations and data providers, the FSA published 'The Code of Conduct for ESG Evaluation and Data Providers' (Code of Conduct) on 15 December 2022. The Code of Conduct is not laws or regulations that uniformly require actions of parties concerned but is designed to be a voluntary code on a 'comply or explain' basis. Based on the Code of Conduct, the FSA published the list of ESG Evaluation and Data Providers who have notified the FSA of their intention to endorse the Code of Conduct.[5]

In order to achieve 2050 carbon neutrality, it is essential to provide finance for the transition of hard-to-abate sectors which face technological or economic difficulties in decarbonising in one step. Some financial institutions may refrain from financing hard-to-abate sectors based on their concern of a temporary increase in financed emissions, which could result in hindering the transition of such sectors. With this problem awareness, FSA, METI, and MOE, in February 2023, jointly established the 'Japan Public and Private Working Group on Financed Emissions to Promote Transition Finance' (working group). The working group examined and discussed possible solutions to the challenges above and compiled discussion results into a paper titled 'Addressing the Challenges of Financed Emissions.'[6]

Kenya[7]

Kenya has advanced its climate change legislation with the enactment of the Climate Change (Amendment) Act, 2023. Effective from 15 September 2023, this new legislation introduces provisions for both existing and prospective carbon credit projects and carbon trading activities. Key aspects include the mandatory requirement for environmental impact assessments on all carbon credit projects, the establishment of community development agreements for land-based projects, and the obligation for registration with the National Carbon Registry.

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[4] See FSA (2023) Report by the Working Group on Impact Investment.

[5] See FSA (2023) Seven ESG Evaluation and Data Providers have endorsed the "Code of Conduct".

[6] See FSA (2023) Addressing the Challenges of Financed Emissions.

[7] Contribution prepared by the IPSF Secretariat based on publicly available sources.

Linked to the Climate Change (Amendment) Bill, the National Assembly Budget and Appropriations Committee approved the draft Carbon Credit Trading and Benefit Sharing Bill, 2023, paving the way for its formal introduction to parliament. The bill aims to establish a regulatory framework for carbon credit trading and benefit sharing, create a Carbon Trading and Benefit Sharing Authority, regulate carbon trading businesses, and set up a Carbon Credit Trading Tribunal.

In line with its commitment to climate action and environmental sustainability, Kenya is developing the National Green Fiscal Incentives Policy Framework. Released in December 2022 by the National Treasury and Economic Planning Ministry, this framework focuses on the implementation of various green fiscal actions to expedite Kenya's transition to a low-carbon economy while ensuring essential revenue generation for government initiatives. Set to be adopted by the end of 2023, the framework outlines multiple fiscal instruments, including carbon pricing, tax incentives, subsidies, and grants, designed to incentivise and support investments in climate-friendly activities.

Building on its 2021 Climate-Related Risk Management guidance, the Central Bank of Kenya (CBK) is working on the second phase of reforms. The CBK is developing a green finance taxonomy and disclosure framework for banks, in alignment with international standards (including ISSB standards).

Malaysia

Malaysia is one of the world's 17 megadiverse countries because of the high biodiversity within its borders. To date, Malaysia's forest cover stands at 54.6%, or 18.04 million hectares, of its total land area. In preserving nature's biodiversity and forest management, the Malaysian Government has increased the Ecological Fiscal Transfer for Biodiversity Conservation (EFT) allocation to State Governments to USD 31.99 million per year compared to USD 14.93 million in 2022. The Malaysian Government has also allocated USD 8.11 million[8] to protect wildlife along with their forest habitats.

In addition, Malaysia is currently working towards fulfilling its shared global responsibilities for biodiversity conservation with the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF). This includes translating Kunming-Montreal GBF into the national plans and policies. Efforts are currently taking place to revise Malaysia's National Biodiversity Strategies and Action Plans to be consistent with Kunming-Montreal GBF. The recent Federal Budget 2024 announced that the Malaysian government will pioneer the issuance of a biodiversity sukuk of up to USD 214.11 million to fund, among others, replantation efforts of degraded forests that will in turn generate carbon credits.

The Securities Commission (SC) Malaysia continues to develop a robust SRI ecosystem as guided by the respective roadmap and masterplans for the Malaysian capital market. As sustainable investments continue to grow, a more systematic classification system is also needed to facilitate comparability of economic activities and alignment with environmental, social and sustainability goals. The SC issued the Principles-based SRI Taxonomy (SRI Taxonomy) in December 2022 to achieve this. The SRI Taxonomy is principles-based and aims to enable capital market participants to identify economic activities that are aligned with environment, social and sustainability objectives, thus facilitating a more informed and efficient decision-making for fundraising and investment for sustainability.

The SRI Taxonomy outlines four environmental objectives, namely climate change mitigation, climate change adaptation, protection of healthy ecosystem and biodiversity, and the promotion of resource resilience and transition to circular economy. As the SRI Taxonomy is principles-based, it may be applied at the project, asset, entity or portfolio level and it can also be applied alongside the various SRI product frameworks issued by the SC. In 2023, the SRI Taxonomy has been applied for the

[8] Malaysia Federal Budget 2023.

issuance of an SRI Sukuk in Malaysia, of which the proceed was used to finance renewable energy projects. Other eligible green SRI projects under the SRI Sukuk Framework include energy efficiency, climate change adaptation, biodiversity conservation and clean transportation.

In response to the development of a Voluntary Carbon Market (VCM), Bursa Malaysia launched Bursa Carbon Exchange (BCX), in December 2022, as part of the nation's commitment towards achieving net zero greenhouse gas emissions. The VCM can assist nature-based projects that can enhance the natural ecosystems and improve biodiversity to be carried out. BCX has successfully carried out Malaysia's inaugural carbon credit auction in March 2023, that saw encouraging participation with 15 buyers from various industries purchasing a total of 150,000 Verra-registered carbon credits.

The SC, as co-chair of the Joint Committee on Climate Change (JC3), is also continuing its role in pursuing collaborative actions for building climate resilience within the Malaysian financial sector. JC3, formed in 2019 by the SC and Bank Negara Malaysia, is also leading a series of engagements between climate experts, advocates, innovators, practitioners, policymakers, and regulators to discuss on the opportunities and challenges for the practical application of sustainable finance. In addition, a dedicated SME Focus Group has recently been established under the umbrella of JC3 with the immediate target to raise awareness among small and medium-sized enterprises (SMEs), assisting on the relevant certifications and facilitating disclosures.

Morocco

Building on the recent achievements and series of reforms and initiatives, Morocco has launched many ambitious actions in 2023 to enhance the sustainable finance landscape and support the mobilisation of financial resources for sustainable development.

The Government of the Kingdom of Morocco is currently performing a **review of the national sustainable development strategy** (NSDS) to align it with the New national development model published in 2021 and Morocco's international commitments, such as the 2030 Agenda. The NSDS, adopted in 2017, aims to accelerate Morocco's transition to a green and inclusive economy by 2030 and provide a concrete response to Morocco's international commitments. It revolves around pillars such as green transition, sustainable development governance, natural resource management, and biodiversity protection.

The development of a green taxonomy is a key step towards aligning the financial sector with sustainable development requirements. The Ministry of economy and finance has **launched the taxonomy preparation process** in partnership with the financial sector supervisors including, the Central bank, the Capital Market Authority and the Insurance Authority, as well as the World Bank and the French development agency. The Ministry has set up a working group to identify stakeholders that will be in charge of the preparation of the taxonomy and its roadmap. A green taxonomy workshop was held in September 2023 to officially launch this process, bringing together all potential stakeholders. The workshop enabled a further discussion of the objectives of the financial green taxonomy, its preparation process, the stakeholders that should be involved, its governance, etc. Initially, the taxonomy would be primarily focused on the private financial sector, including banks, capital market actors and insurance companies. In addition, it would be used by financial sector supervisors, as well as government departments, such as the ministry of finance, energy transition and sustainable development department, agriculture department, and water department. It will provide investors and financial institutions with guidelines to help identify environmentally friendly activities.

The Ministry has also initiated the development of a **Sovereign green bonds framework**, aiming to mobilise (particularly private) finance towards sustainable development and NDC goals, in line with international standards and the Green bonds principles formulated by ICMA.

Regarding reporting requirements, the capital Market Authority AMMC issued Circular 03/19, which requires issuers to disclose information on ESG and climate risks. The disclosure guidelines require issuers to disclose basic information on climate risks, in line with international guidance, such as the Carbon Disclosure Standards. As announced in 2021, AMMC is partnering with the IFC to update the Circular 03/19 to include more comprehensive ESG reporting by issuers, including in the context of climate risks of investments in line with the TCFD.

On another note and in order to contribute to the **economic empowerment of Moroccan women**, a partnership agreement titled "**Gender Lens**" was signed between the Ministry of Economy and Finance, the National guarantee and enterprises funding company "Tamwilcom", the Federation of Moroccan banks and the Ministry of Social Integration, Solidarity and Family, with the participation of UN Women. This agreement features:

- Gender lens credit lines offered by banks with advantageous interest rates;
- A guarantee mechanism for these gender credits lines; and
- A technical support program for women entrepreneurs, which includes capacity building and mentorship actions provided by high quality experts.

As part of this initiative, the Ministry of finance along with Tamwilcom have improved financial products provided by the latter, mainly through implementing a new co-funding mechanism and enhancing guarantee conditions aimed at women entrepreneurs.

To further build on this momentum, the Ministry of finance recently initiated the **Sustainable Finance Strategy preparation process**, in partnership with the Central bank, the Capital Market Authority and the Insurance Authority. This strategy will capitalise on the achievements and levers of the "roadmap for aligning the financial sector with sustainable development", prepared during the COP22 in Marrakech. It would encompass areas such as green/sustainable taxonomy, the development of green financial instruments, the mobilisation of finance, particularly from the private sector, and the scope and governance of the strategy.

New Zealand

New Zealand is progressing implementation of its first emissions reduction plan and its first national adaptation plan. These plans will enable the country to meet its first emissions budget and to build resilience to the worst impacts of climate change, respectively. The government is also developing its second emissions reduction plan, to be published in 2024 which will set out policies and strategies to achieve the country's second emissions budget.

In June 2023, the New Zealand and Australian Ministers of Finance and Climate Change committed to providing cohesion and clarity for businesses and investors operating across the Tasman and to position the region as a robust green finance market. This included agreement to align approaches to sustainable finance frameworks, such as taxonomies, to enhance interoperability and support businesses operating across the trans-Tasman region.

On a green taxonomy - New Zealand has committed to develop a taxonomy to encourage greater investment in 'green' projects and to help guide businesses investing in both adaptation and mitigation to protect against greenwashing. The taxonomy will provide a framework defining climate and nature-positive activities to support investment. Taxonomy development is via a government-industry project, working in partnership with Toitū Tahua the Centre for Sustainable Finance. The focus for 2023 has been on setting up the project and approach for design of the taxonomy rulebook suitable for the New Zealand context.

On climate-related disclosures - from financial years beginning 1 January 2023, around 200 of New Zealand's largest financial institutions are required to report on their climate-related risks and opportunities. Reporting is required in line with climate standards published by the External Reporting Board, developed based on the Task Force on Climate-related Financial Disclosures recommendations.

On New Zealand's Sovereign Green Bond Programme - published in late 2022, the Sovereign Green Bond Framework sets out eight green expenditure categories (aligned to the UN Sustainable Development Goals and International Capital Market Association Green Bond Principles). In November 2022, the inaugural New Zealand Sovereign Green Bond was issued via a successful syndication of NZD3 billion, with total book size exceeding NZD7.5 billion. The Green Bond will mature in 2034. Total issuance increased to NZD4.2 billion as of 30 June 2023. The Bond Programme won the 2022 KangaNews NZD Rates Bond Deal of the Year, 2023 Climate Bonds Initiative Sovereign Green Market Pioneer Award, and 2023 Institute of Finance Professionals NZ Debt Market Issue Award.

Norway

A new sustainable finance act, which incorporates the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation in Norwegian law, entered into force on 1 January 2023. The reporting requirements of the regulations will apply from the financial year 2023. The Government has encouraged Norwegian undertakings that fall within scope of the regulations to provide sustainability-related information in their periodic reporting for the financial year 2022 on a voluntary basis.

The Norwegian government expects large undertakings to provide sustainability information in its management reports, in line with the requirements of the Norwegian accounting act. The Government has encouraged SMEs to provide such information on a voluntary basis. The Government has voiced support for the development of new sustainability reporting standards in Europe and internationally, including the development of separate, proportional standards for SMEs. In May 2023, the Norwegian Securities Law Commission published a report with a proposal on how the EU Corporate Sustainability Reporting Directive (CSRD) should be implemented in Norwegian law. The report was subsequently subject to a three-month public consultation. The Government aims to submit a legislative proposal on the implementation of the new sustainability reporting requirements by Q1 2024.

The Norwegian market for green bonds has grown considerably in recent years, and green bonds account for a substantial share of total bonds issued. Total outstanding volume of green corporate bonds was EUR 10.9 billion at year-end 2022, compared to EUR 9.3 billion at the end of 2021. However, new issuance of green bonds decreased from EUR 4.7 billion to EUR 2.2 billion in the same period. The decline coincided with a significant reduction in the issuance of bonds in general. In the Nordic market, nearly all issues are subject to independent third-party reviews. The reviews are made public, and issuers are obliged to make their ongoing disclosures through stock exchange statements. In October 2023, the Ministry of Finance published a proposal by the Financial Supervisory Authority on how the EU Green Bond Regulation should be implemented in Norwegian law, for public consultation.

In June 2023, the Norwegian Government submitted a report on climate adaptation to Parliament. The report highlighted the financial sector's role in financing climate adaptation measures, and how sustainable finance tools such as the EU Taxonomy can enable investments in such measures. In October 2023, the Government published an energy efficiency strategy. The strategy highlighted how the EU Taxonomy can be a tool for financing energy efficiency measures in buildings and across sectors.

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

Senegal

During the year 2023, the State of Senegal continued to put in place an organisational framework and carried out several actions conducive to the development of green finance.

First, the State adopted a framework document for sustainable financing in Senegal. This document will first serve as a benchmark for Senegal's sustainable sovereign bond issuances on international capital markets to private investors. In this regard, the external review carried out by the Moody's agency concludes that it is perfectly aligned with ICMA standards but also with best market practices. The use cases of this document nevertheless go beyond that, the Republic intends to refer to it for its financing on domestic, regional and international markets on the one hand, but also concessional and mixed on the other hand.

On the occasion of the Summit for a new global financing pact held in Paris, under the leadership of President Macky Sall, Senegal and the International Partners Group (IPG) composed of the EU, France, Germany, the United Kingdom and Canada launched a Just Energy Transition Partnership (JETP), to support Senegalese efforts to achieve universal access to energy and consolidate a low carbon energy system, resilient and sustainable. Senegal and the IPG aim to mobilize at least 2.5 billion euros, or more than 1,600 billion CFA francs (XOF) over a period of 3 to 5 years.

In terms of climate risks financing, Senegal has the double advantage of being a beneficiary of both the "Insurance and Risk Finance Facilities" (IRFF) and the "Global Shield". The "global shield against climate risks" aims to compensate for the "weaknesses of financial protection structures" in vulnerable countries through "pre-organised financing" which can be disbursed via flexible mechanisms. This makes it a challenge to take up, but also opportunity to seize and to which stakeholders must contribute. The IRFF aims to increase the resilience of vulnerable people and SMEs in countries in the South to climate risks and, consequently, to help prevent, minimise and treat loss and damage linked to climate change. Senegal is the only country in French-speaking sub-Saharan Africa to be part of this initiative supported by the German Government, in partnership with the UNDP and the Insurance Development Forum.

Relating to the taxonomy, the Ministries in charge of Finance and the Environment launched in July 2023, with the support of the GIZ, work to develop a taxonomy of green economic activities. Senegal would like to be a pioneer in ECOWAS. This framework will help clarify the activities to be classified as "green" which align with the country's environmental objectives, including the preservation of biodiversity.

Singapore

Singapore is firmly committed to global efforts on the transition to a net zero economy. In October 2022, Singapore announced it would raise its climate target to achieve net zero emissions by 2050. Singapore would also reduce emissions to around 60 million tonnes of carbon dioxide equivalent in 2030 after peaking emissions earlier.

Singapore is well-placed to be a leading centre for green and sustainable finance to support Asia's net zero transition. In April 2023, the Monetary Authority of Singapore (MAS) launched its Finance for Net Zero (FiNZ) Action Plan which expands its focus to include transition finance. This builds on the Green Finance Action Plan introduced in 2019 to mobilise financing to catalyse Asia's net zero transition and decarbonise the entire economy, including hard-to-abate sectors.

On data, definitions, and disclosures, MAS has launched the Singapore-Asia taxonomy for climate change mitigation, following four rounds of public consultation, to align definitions of green and transition activities, including criteria for credibly financing early phase-out of coal-fired power plants. MAS has also proposed a code of conduct for ESG ratings and data product providers. The Singapore Exchange (SGX) and the Accounting and Corporate Regulatory Authority (ACRA) have consulted on a roadmap for mandatory climate-related disclosures referencing the ISSB standards for all Singapore-listed issuers and large non-listed companies.

To accelerate transition financing activities, MAS expanded the Sustainable Bond and Loan Grant Schemes to include transition bonds and loans, beyond green, social, sustainable, and sustainability-linked ones. The schemes defray external review and reporting costs for issuers and borrowers. To promote greater transparency in the sustainable debt market, MAS enhanced the schemes by providing a higher grant cap to incentivise issuers' and borrowers' early adoption of entity-level sustainability disclosures that are aligned with international disclosure frameworks and standards.

To spur adoption of ESG technology solutions, MAS launched an ESG FinTech grant for Singapore-based financial institutions. MAS, SGX, ACRA and partners will support disclosures by SMEs in the years ahead. This involves scaling Project Greenprint's disclosure portal ESGenome into a disclosure utility capable of meeting national-level reporting needs (including SME sustainability reporting), defining baseline metrics to streamline SME reporting, and coordinating SME training initiatives to encourage adoption. In June 2023, MAS, SGX, and the Climate Data Steering Committee signed a Memorandum of Understanding to establish interoperability between Greenprint and the Net Zero Data Public Utility (NZDPU). This will support the consent-based flow of reporting entities' greenhouse gas emissions data, net zero targets, and carbon offsets usage, towards a joint vision of transparent and comparable net zero data.

To forge a climate resilient financial sector, MAS has made progress in integrating environmental risk into its supervisory framework and processes at both the individual firm and system-wide levels. MAS will continue its efforts to (i) uplift environmental risk management practices of financial institutions through ongoing supervision and industry engagement, (ii) deepen climate risk assessment capabilities through climate scenario analysis, and (iii) enhance climate-related disclosure standards to promote market transparency. MAS has published a consultation paper on supervisory guidance to financial institutions about having a sound transition planning process that supports credible decarbonisation efforts of their clients. The guidance on transition planning covers financial institutions' governance frameworks and client engagement processes to manage climate-related financial risks and support transition in the real economy.

Sri Lanka

Sri Lanka pledged commitment to the Paris Agreement from its updated Nationally Determined Contributions (NDC) issued in 2021 which focused on building the resilience of agriculture, fisheries, livestock, health, water, biodiversity, coastal and marine, tourism, urban planning, and human settlement sectors. In the updated NDC, Sri Lanka commits to increase its forest coverage to 32% by 2030 and reduce greenhouse gas emissions by 14.5% for the period of 2021 to 2030 from power, transport, industry, waste, forestry, and agriculture. Sri Lanka has advanced its objective of achieving Carbon Neutrality from 2060 to 2050, with no capacity addition of coal power and 70% renewable energy by 2030 in electricity generation. Based on the Sustainable Finance Roadmap, which was launched in 2019 with the engagement of financial sector stakeholders, the Central Bank of Sri Lanka (CBSL) released the Sri Lanka Green Finance Taxonomy in May 2022 which is used for defining and categorising economic activities that can be considered environmentally sustainable. The taxonomy was supported by the International Finance Co-operation (IFC) both technically and financially through the Sustainable Banking and Finance Network (SBFN) and is based on the IPSF's Common Ground Taxonomy exercise between the EU and Chinese taxonomies.

Subsequent to releasing the taxonomy, CBSL issued a Direction for the licensed banks in respect of sustainable finance activities they carry out and a similar guideline was issued for the Licensed Finance Companies to categorise green loans as specified in the taxonomy.

As identified in the Roadmap, capacity building for the stakeholders is a key priority for the development of sustainable finance in the country. CBSL organised multiple programmes on climate change and sustainable finance with the co-operation of international agencies during the year, especially for the participants from the financial institutions and financial sector regulators. The training programmes were well utilised by the financial sector and provided an indication of the level of enthusiasm for greening the economy.

In July this year, Sri Lanka, represented by CBSL, joined the IPSF as the twentieth member of the platform and expects to use this opportunity for developing capacity in the area and to learn from the knowledge shared by the member jurisdictions in multiple discussion forums. CBSL in August 2023 appointed a five-member panel of experts who have hands-on experience in relevant industrial sectors and have been instrumental in the development of the taxonomy to assist the financial sector participants in understanding the technicalities in the taxonomy. Further, the National Financial Inclusion Strategy was unveiled in 2022 which has a dedicated pillar to assist the formal financial sector to scale up MSME lending and expand the range of high-quality products, with a specific focus on green and sustainable finance, complementing the Sustainable Finance Roadmap.

Switzerland

In December 2022, the Swiss Federal Council has endorsed a report on sustainable finance that outlines key strategic considerations and action areas for the coming years to consolidate Switzerland's position as a leading location for sustainable finance.[9] In addition, the Swiss population has voted with almost 60% in favour of the new Climate and Innovation Law that anchors the 2050 net zero target into law. In particular, large and small companies headquartered in Switzerland will have to align with the 2050 target as well as sectoral medium-term targets. The law also mandates the Swiss government to ensure that the Swiss financial centre makes an effective contribution to low-emission development and climate change resilience. In particular, measures are to be taken to reduce the climate impact of financial flows.

The Swiss Federal Council endorsed an ordinance that will make TCFD climate-related financial disclosures mandatory for larger companies across all sectors of the economy in November 2022. The ordinance covers all listed companies and financial institutions with more than 500 employees. Further criteria include a balance sheet exceeding CHF 20 million and revenues exceeding CHF 40 million in the last two years. The legislation will not only cover the climate-related risks faced by these companies but will also ask the firms to disclose the climate impact of their activities, as embodied in the concept of double materiality. The disclosure requirements include transition plans and will focus on meaningful, comparable, and –where possible—forward-looking and scenario-based disclosures. The legislation relies on a 'comply or explain' approach that asks companies to justify why some requirements might not be relevant to them and is sufficiently flexible to allow for companies to report based on the new ISSB standards if they adhere to the concept of double materiality. Planned entry into force is on 1 January 2024. Companies will be expected to implement the legislation starting in 2025 for FY 2024.[10]

Switzerland is also a founding member of the Climate Data Steering Committee (CDSC) that aims to establish the NZDPU that will enhance the global comparability, consistency and accessibility of

[9] You can read more here.

[10] You can read more here.

company-level climate and emissions data. The NZDPU will make climate data available for free and will help assess the ambition and credibility of company and financial institution commitments, as well as track progress over time. Switzerland has launched a NZDPU beta testing initiative in June 2023 with several financial institutions and the financial sector associations to promote early use and help provide feedback on the design and usability of the platform[11]. Furthermore, the Swiss Federal Council continues to encourage the financial sector to join net-zero international alliances under the umbrella of the Glasgow Financial Alliance for Net Zero (GFANZ).

The Swiss Climate Scores were launched in June 2022 and seek to establish best-practice transparency on the Paris Agreement alignment of financial investments to foster investment decisions that contribute to reaching those climate goals. These voluntary scores include indicators that not only reflect the current situation (e.g. in terms of emissions or exposures to high-emitting sectors), but that are also forward-looking (e.g. share of portfolio subject to a net-zero target, engagement strategy, level of global warming that would occur if the global economy would act with the same level of ambition). The scores will be reviewed and refined to better reflect emerging practice by the end of 2023[12].

Switzerland has carried out a third round of voluntary and anonymous Paris Agreement Capital Transition Assessment (PACTA) Climate Tests of the climate alignment of financial institution (banks, asset managers, insurers and pension funds) portfolios (listed equities, corporate bonds and real estate) in 2022. 133 financial institutions of various sizes participated voluntarily. The aggregate results published in autumn 20222 show that while institutions have made some progress, more efforts are needed on setting concrete climate strategies and near-term targets and on formulating engagement strategies especially with respect to high-emitting sectors. The next Swiss PACTA tests are scheduled for 2024[13].

A framework for the issuance of Green Confederation Bonds was adopted in August 2022 and first green bonds were issued in autumn 2022. The issuance of such bonds aims to foster the application of international green bond standards in Switzerland, both in the public and the private sector, and thus could help accelerate the issuance of green bonds that follow high environmental standards[14].

The Swiss Federal Council has specified its broad position on greenwashing in December 2022 by highlighting that financial products or services should only be advertised as being sustainable if they are compatible with at least one specific sustainability goal or contribute to achieving a sustainability goal. Financial products with a purely financial perspective to reducing ESG risks will not be able to label themselves as sustainable. Providers of sustainable products or services should be able to disclose how they intend to achieve the sustainable investment goal they pursue. Moreover, providers should report regularly on the selected sustainable investment goals, and compliance with the transparency requirements should be verifiable by an independent third party. Finally, clients should have recourse to legal remedies. A working group has been tasked to examine the best way to implement the Federal Council's position[15].

United Kingdom

The UK Government published an updated Green Finance Strategy on 30 March, Mobilising Green Investment: 2023 Green Finance Strategy. This sets out two pillars of strategic action where we will act to unlock green finance. First, ALIGN: Setting out the regulatory framework, tools and channels to

[11] You can read more here.

[12] You can read more here.

[13] You can read more here.

[14] You can read more here.

[15] You can read more here.

enable the financial services sector to align activity with a pathway to a net zero, resilient and nature positive global economy – greening the financial system. Second, INVEST: Outlining how government and public finance institutions are mobilising private capital into the sectors and technologies needed to deliver our targets - financing our green objectives.

Published alongside the Strategy were the UK Government's Powering Up Britain strategy, Nature Markets Framework, International Climate Finance Strategy and the UK 2030 Strategic Framework for Climate and Nature. Collectively these publications confirm the UK's ambition to address climate and environmental challenges, and the practical steps the UK is taking to drive progress.

Since the UK Government's previous Green Finance Strategy in 2019, there has been progress on nature finance both domestically and internationally. The updated Strategy explicitly incorporates both nature and climate adaptation into the government's green finance policy framework.

The Transition Plan Taskforce (TPT), co-chaired by HM Treasury and first announced at COP26, has continued to develop best practice around transition plan disclosures, launching its Disclosure Framework and associated guidance on 9 October. The Disclosure Framework complements, and builds on, ISSB and is also aligned with the transition plan guidance developed by GFANZ. This alignment supports international convergence on what makes a transition plan robust and credible. The TPT has Working Groups on nature and adaptation.

The Financial Services and Markets Act 2023 introduced two new regulatory principles for the UK's financial regulators to consider in their work. These principles require the regulators to have regard to the need to contribute to achieving the Government's 1) net zero target, and 2) environmental targets as set out in the Environment Act 2021.

The UK government has been a consistent and early supporter of TNFD, through funding, diplomatic support, capacity building and catalytic stakeholder engagement. The UK Environment Minister welcomed the launch of the TNFD framework on 19 October and encouraged all UK businesses and financial institutions across sectors to engage with the framework and consider getting involved in the work of the UK's TNFD National Consultation Group. We look forward to the TNFD informing a global baseline on nature and broader sustainability standards and reporting so that global capital allocations can be aligned with environmental goals at an international and domestic level.

The Financial Conduct Authority's (FCA) ongoing work on nature focuses on improving the provision of material information to financial markets participants through better disclosure and strategic engagement with key stakeholders across the investment ecosystem. Three areas of activity from the FCA are highlighted:

- In their response to the ISSB Consultation on Agenda Priorities, they encouraged the ISSB to begin work towards a thematic standard on nature, leveraging the final recommendations and framework of the TNFD. This consultation sought feedback on the priorities of the ISSB for its next two-year work plan following the publication of the first two standards (IFRS S1 and IFRS S2).
- As members of the Nature Working Group of the Transition Plan Taskforce (TPT), the FCA are contributing to the introduction of nature considerations into climate transition plans that will be produced following the TPT Framework, Implementation Guidance, and accompanying Sector Guidance materials.
- The FCA are members of the Analysis Advisory Committee for a research report aimed at quantifying the potential nature-related financial risks and dependencies faced by UK firms. This research report led by the Green Finance Institute and supported by the Bank of England.

2. Biodiversity conservation and sustainable finance

Biodiversity, as defined by the Convention on Biological Diversity in 1993[16], encompasses the rich tapestry of life on Earth, comprising a wide array of species, ecosystems, and genetic diversity. Its significance is paramount for sustainable development, resonating throughout the United Nations SDGs and their associated targets[17]. Biodiversity is the bedrock of essential ecosystem services, including the provision of clean air, water, food, and climate regulation, which are integral to the survival of all life on our planet. Moreover, biodiversity is not solely an environmental concern; it is woven intricately into the fabric of human well-being, influencing economic, cultural, and social aspects of our societies.

Yet, despite biodiversity's critical role in sustaining life and benefiting our societies and economies, human activities are causing alarming loss of living diversity. Over the last four decades, species populations have declined by an average of 69%[18], with approximately 1 million species on the brink of extinction, many within decades. Currently, 75% of the Earth's land surface has been significantly altered, 66% of the oceans face increasing cumulative impacts, and 85% of wetlands have vanished.[19]. The WWF identifies five primary drivers of biodiversity loss: changes in land and sea use, overexploitation, climate change, pollution, and invasive alien species. These drivers primarily result from the rising demand for energy, food, and resources due to rapid economic and population growth, particularly in the last half-century.[20]

Recognising the urgency of the situation, it is important not only to halt biodiversity loss but also to actively restore nature, shifting from a net-zero loss paradigm to a nature- or net-positive one. Economic incentives like taxes, fees, and environmentally motivated subsidies can guide producers and consumers toward more environmentally sustainable behaviour. The Organisation for Economic Co-operation and Development's (OECD) Policy Instruments for the Environment (PINE) database offers insights into countries' positive incentives for conservation and sustainable resource use. Alongside economic tools, the OECD framework includes regulatory measures (restrictions, controls, standards, permits, and quotas), as well as informational and voluntary instruments (ecolabeling, certification, and voluntary biodiversity offset programs).[21]

Nonetheless, these efforts alone are insufficient. The United Nations Environment Programme estimates an annual biodiversity funding gap of USD 700 billion by 2030. Currently, the public sector bears the majority of the financial burden, with 86% of investments in nature-based solutions coming from public sources.[22] Incorporating biodiversity into sustainable finance frameworks can help bridge

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16 Convention on Biological Diversity. Full text available at: https://www.cbd.int/doc/legal/cbd-en.pdf.

17 UNEP. Biodiversity and the 2030 Agenda for Sustainable Development. Full text available at: biodiversity-2030-agenda-technical-note-en.pdf (cbd.int).

18 WWF. 2022. Living Planet Report 2022. Building a nature-positive society. Full text available at: https://wwflpr.awsassets.panda.org/downloads/lpr_2022_full_report.pdf.

19 IPBES. 2019. Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. Full text available at: Global Assessment Report on Biodiversity and Ecosystem Services | IPBES secretariat.

20 WWF. 2022. Living Planet Report 2022. Building a nature-positive society. Full text available at: https://wwflpr.awsassets.panda.org/downloads/lpr_2022_full_report.pdf.
See also EU Biodiversity Strategy for 2030, available at:
https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en#:~:text=The%20EU%27s%20biodiversity%20strategy%20for,contains%20specific%20actions%20and%20commitments.

21 OECD. 2022. Submission from the OECD Secretariat on Target 18 on Incentives of the post-2020 Global Biodiversity Framework. Full text available at: OECD-submission-target-18-post-2020-global-biodiversity-framework.pdf.

22 The time to unlock financing for biodiversity protection is now (unep.org).

this gap and mobilise private sector resources while increasing awareness of the importance of nature restoration.

A significant step forward was taken with the adoption of the Kunming-Montreal GBF[23] in December 2022 during the 15th Conference of the Parties to the United Nations (UN) Convention on Biological Diversity. This framework charts an ambitious path to urgently address and reverse nature loss, encompassing four overarching goals aimed at achieving the 2050 vision of a world where "biodiversity is valued, conserved, restored, and wisely used, maintaining ecosystem services, sustaining a healthy planet, and delivering benefits essential for all people." To reach these 2050 outcome-oriented objectives, the GBF introduces 23 action-oriented global targets to be completed by 2030.

The financial sector, as an enabler of economic activity, plays a pivotal role in combating biodiversity loss. Specifically, the financial sector is crucial for achieving Goal D of the Kunming-Montreal Protocol, which aims to close the biodiversity finance gap of USD 700 billion per year and align public and private financial flows with the GBF and the 2050 vision. In the short term, the financial sector is tasked with contributing to four of the 23 Global Targets. These four targets encompass mainstreaming biodiversity in relevant public and private activities, aligning fiscal and financial flows with the goals and targets of the GBF (Target 14), appropriately disclosing risks, dependencies, and impacts on biodiversity, especially for large and transnational companies and financial institutions (Target 15), identifying harmful incentives to biodiversity by 2025 and progressively reducing them by at least USD 500 billion annually by 2030 (Target 18), and increasing financial resources to implement national biodiversity strategies and action plans, mobilising at least USD 200 billion annually by 2030 (Target 19).[24]

To support the fight against biodiversity loss, the G20 SFWG looked at key challenges in nature-related data and reporting. One primary challenge is the multi-dimensional and location-specific nature of data, hindering the development of unified and universally applicable metrics. Furthermore, investors often lack easy access to decision-useful data regarding the environmental impact of their investments and business operations. From a broader perspective, the financial sector still grapples with understanding the interconnections between nature degradation, biodiversity loss, and climate change, which hinder a comprehensive grasp of nature-related risks and opportunities. Lastly, the incorporation of nature-related reporting across various sustainability initiatives often lacks interoperability and comparability, posing challenges for businesses, investors, and policymakers. Recognising these limitations, the G20 SFWG called on country authorities, international organisations, initiatives, and stakeholders to develop and strengthen nature-related data collection frameworks and reporting standards while enhancing the availability and decision-usefulness of the data and improving its interoperability and comparability.[25]

In September 2023, the TNFD released its initial set of disclosure recommendations[26] and guidance[27] to assist organisations in identifying, assessing, managing, and disclosing material nature-related issues. The TNFD framework comprises 11 recommended disclosures structured around four main

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23 Kunming-Montreal Global Biodiversity Framework (GBF). Full text available at: https://www.cbd.int/gbf/.

24 UNEP-FI, July 2023, High-level roadmap: Aligning financial flows with the Kunming-Montreal Global Biodiversity Framework. Full text available at: https://www.unepfi.org/publications/high-level-roadmap-aligning-financial-flows-with-the-kunming-montreal-global-biodiversity-framework/.

25 G20 Sustainable Finance Working Group Deliverables, 2023. Full text available here: https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_SFWG_Deliverables_2023.pdf.

26 TNFD. September 2023. Recommendations of the Taskforce on Nature-related Financial Disclosures. Full text available at: https://tnfd.global/wp-content/uploads/2023/08/Recommendations_of_the_Taskforce_on_Nature-related_Financial_Disclosures_September_2023.pdf?v=1695118661.

27 TNFD. September 2023. Additional guidance for financial institutions. Full text available at: https://tnfd.global/publication/additional-disclosure-guidance-for-financial-institutions/.

pillars: governance (the organisation's governance of nature-related dependencies, impacts, risks, and opportunities), strategy (the effects of nature-related dependencies, impacts, risks, and opportunities on the organisation's business model, strategy, and financial planning when material), risk and impact management (the processes for identifying, assessing, prioritising, and monitoring nature-related dependencies, impacts, risks, and opportunities), and metrics and targets (used to assess and manage material nature-related dependencies, impacts, risks, and opportunities).[28] The TNFD framework aligns with the recommendations of the Task Force on Climate-Related Financial Disclosures[29], the EU ESRS, the ISSB's IFRS Sustainability Disclosure Standards, the Global Reporting Initiative Standards, and the global policy goals and targets in the GBF.

In addressing the crucial issue of biodiversity conservation, the IPSF has made a commitment to tackle biodiversity challenges in its multi-year work plan. To advance this commitment, a dedicated working group has been established within the IPSF, poised to commence its work in the near future.

Taskforce on Nature-related Financial Disclosures (TNFD)

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global, market-led, science-based and government-supported initiative to help companies and financial institutions factor nature into decisions.[30] In September 2023, the TNFD published a set of disclosure recommendations and additional guidance. These recommendations provide companies and financial institutions of all sizes with a risk management and disclosure framework to identify, assess, manage and, where appropriate, disclose evolving nature-related issues. They include 14 recommended disclosures covering nature-related dependencies, impacts, risks and opportunities (Figure 1).

The TNFD recommendations have been designed to:

- Be consistent with the language, structure and approach of both the TCFD and the ISSB. This alignment enables integrated climate- and nature-related reporting by replicating the four disclosure pillars and all 11 TCFD recommended disclosures, which have now been incorporated into the ISSB IFRS Sustainability Standards and thus its global sustainability reporting baseline;
- Accommodate the different approaches to materiality now being applied in jurisdictions around the world, through two materiality lenses – meeting the material information needs of capital providers, consistent with the ISSB's IFRS Sustainability Standards and TCFD recommendations, and meeting the material information needs of stakeholders focused on impacts, aligned with a broader materiality approach consistent with the GRI Standards;
- Be aligned with the global policy goals and targets in the Kunming-Montreal GBF, including Target 15 on corporate reporting of nature-related risks, dependencies and impacts; and
- Leverage the best available science, including assessments of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the climate science from the Intergovernmental Panel on Climate Change (IPCC).

The TNFD proposes a leading indicators approach to measurement, leveraging the best available science and cross-referencing metrics employed by market participants through organisations such as Sustainability Accounting Standards Board (SASB – now part of ISSB), GRI, CDP and the European

[28] TNFD. September 2023. Getting started with adoption of the TNFD recommendations. Full text available at: https://tnfd.global/wp-content/uploads/2023/09/Getting_started_TNFD_v1.pdf?v=1695138203.

[29] TCFD. June 2017. Recommendations of the Task Force on Climate-related Financial Disclosures. Full text available at: https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf.

[30] The Taskforce consists of 40 senior executives from companies and financial institutions globally representing over USD 20 trillion in assets under management with operations and value chains in over 180 countries.

Financial Reporting Advisory Group (EFRAG). They incorporate both cross-sector and sector-specific metrics to provide a flexible approach for report preparers and a basis for comparative analysis by report users.

From the outset, the Taskforce sought to develop the framework with maximum transparency and participation from scientific, standards and corporate reporting organisations, market participants, NGOs and civil society organisations, and representatives of Indigenous Peoples. Throughout the two year design and development phase, the TNFD followed an open innovation approach. This approach included releasing four 'beta' versions of a prototype framework for feedback and pilot testing by over 200 institutions.[31]

The TNFD recommendations have been structured to allow companies and financial institutions to get started, building on their climate reporting capabilities over the past decade, and to provide a path to increase their disclosure ambition over time. To support adoption and the provision of consistent, comparable and decision-useful information for report users, the Taskforce has developed a suite of additional guidance covering:

- How to get started with TNFD Recommendations, with practical steps, considerations and insights from pilot testing;
- The identification and assessment of nature-related issues (the LEAP approach), building on, and integrating the use of, existing market-leading frameworks, tools and datasets;
- Specific sectors and types of ecosystem (biomes);
- Scenario analysis to support organisations in conducting a qualitative scenario workshop, focusing the exercise on testing, refining and stretching their thinking, planning and decision-making; and
- Engagement of Indigenous Peoples, Local Communities and affected stakeholders.

The TNFD's additional guidance can also help organisations operating in jurisdictions where standards and regulation on nature are emerging, as is the case in the EU, with the introduction of the CSRD. Following the publication of its recommendations, the TNFD will move to the next phase of its work to encourage and scale voluntary market adoption of the Taskforce's recommendations by expanding market awareness, market engagement and supporting market capacity building efforts.

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31 As part of its design process, the Taskforce also worked closely with a network of 19 knowledge partners, including leading global scientific and conservation organisations and standards development bodies to ensure the TNFD's recommendations draw on authoritative and consensus-based definitions as the foundation of a market-accessible language system for understanding nature and managing nature-related issues.

Figure 1: The TNFD's recommended disclosures

Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	**Recommended disclosures**	**Recommended disclosures**	**Recommended disclosures**
A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	**A.** Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	**A**(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	**A.** Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	**B.** Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	**A**(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	**B.** Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.
C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	**C.** Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	**B.** Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	**C.** Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.
	D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	**C.** Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	

In response to the issue of global biodiversity loss, efforts have progressed at both the jurisdictional and organisational levels of members and observers of the IPSF, to incorporate biodiversity considerations in their approaches and frameworks. Together, these combined efforts highlight the increasing commitment of IPSF members and observers to combat biodiversity loss through sustainable finance. The following sections will delve into a number of specific actions and initiatives.

2.1. Case studies

The China Shengmu Organic Milk Limited

This case study presents the sustainable practices of China Shengmu Organic Milk Limited (Shengmu), the largest organic dairy company in the country, which produces desert organic raw milk in a circular way integrating planting and raising. The business covers the entire value chain of the dairy industry, including pasture growing, dairy farming, and raw milk processing. The case study delves into Shengmu's connection with nature and its efforts in **natural capital assessment**, highlighting the steps taken to manage their relationship with the environment and foster sustainable operations.

With a cumulative investment surpassing 7.5 billion RMB (USD 1 billion), Shengmu has undertaken extensive ecological governance of the Ulan Buh desert over more than a decade. Their efforts have aimed at contributing to several sustainable development goals by focusing on biodiversity conservation and management.

Relationship Between Business and Nature

Shengmu maintains a profound connection with nature, with their operations significantly influenced by and dependent on nature capital. Their business spans the primary sector (agriculture and animal husbandry), secondary sector (food processing), and tertiary sector (distribution, logistics, etc.).

To enhance their understanding of their relationship with nature, Shengmu has integrated nature capital assessment into their enterprise management. This assessment provides essential information for shaping corporate strategy, management, and operational decisions.

The baseline for their nature capital status is 31 December 2019, with temporal boundaries extending from 1 January 2020 to 31 December 2022. Spatial boundaries encompass not only Shengmu's headquarters, all branch offices and subsidiaries but also extend to pastures and green zones within the Ulan Buh desert ecosystem, the location of the Shengmu Organic Industrial Park.

Following the methodology outlined by the Nature Capital Protocol, Shengmu has mapped its business operations, identifying corresponding impacts and dependencies on nature. This process helps identify specific impact drivers and dependencies that require measurement. To assess changes in nature capital, they have selected representative indicators for quantitative analysis to forecast potential future alterations. During the assessment, they acknowledged that some indicators lacked the necessary quantitative data (indicated with *), and therefore, only a portion of these indicators could be quantitatively measured or monetised.

By utilising nature capital assessment to manage biodiversity, Shengmu strikes a balance between social and economic costs and benefits. This approach provides valuable insights for informed business decisions, reducing operational risks, enhancing business value, and promoting sustainable development.

Components	**Impacts/dependencies**	**Impact drivers/dependencies**	**Changes in nature capital/impact of changes in nature capital on the Company's dependencies**	**Indicator**	**Quantity**	**Costs/benefits[32] (unit: 10,000 RMB)**
Impacts on Shengmu	Environmental compliance operation	Environmental policies and tax regulations	Changes in the concentration of pollutants in the atmosphere, water and soil	Environmental taxes, fines or compensation (unit: 10,000 RMB)	216.59	-216.59
	Prevention and control of natural disasters (sandstorms, etc.)	Cost of natural disaster prevention and control	Natural disaster risks and losses	Insurance investment (unit: 10,000 RMB)	*1	*
	Green operation	Technical transformation	Climate change	Cost of energy-saving	*2	*

32 Positive values indicate the benefits created by corporate actions, and negative values indicate corporate investments or social costs caused by corporate impacts.

			Changes in water reserves	transformation (unit: 10,000 RMB)		
Impacts on society	Waste discharge	Fecal discharge	Changes in pollutant concentration in water bodies and soil	Livestock manure (unit: ton)	3452	+69.04[33]
		Production waste		Production waste (unit: ton)	7921.86	-683.66[34]
	Greenhouse gas emissions	Scope 1	Climate change Diminished species diversity Habitat change	Carbon dioxide equivalent (unit: ton)	43553.89	-326.65[35]
		Scope 2			256731.08	-1925.48[36]
		Scope 3			*3	*
	Climate regulation	Water conservation	Changes in water reserves	Annual rainfall increment (unit: mm)	22.2	+453.24[37]
		Forests construction	Climate change Improved desert ecosystems	Afforested area (unit: 10,000 mu)	30	+123,075[38]
				Average wind scale drop (force level)	*4	*
		Grassland construction		Grassland area (unit: 10,000 mu)	22	+92.4[39]
Dependencies	Freshwater resource	Utility water	Reduction in	Fresh water	91350000	-447.61[40]

33 Estimated using the reference market price of 200 RMB/m^3.

34 Estimated at 863 RMB/ton according to the emission factor calculated by Trucost in the "Analysis of Nature capital Costs of Chinese Financial and Investment Institutions".

35 Estimated at 75 RMB/ton in line with the average price of carbon quota specified by the Beijing Environment Exchange (http://www.cbeex.com.cn).

36 Estimated at 75 RMB/ton in line with the average price of carbon quota specified by the Beijing Environment Exchange (http://www.cbeex.com.cn).

37 Estimated at 0.049 RMB/m^3 for introducing water from the Yellow River to Inner Mongolia for agricultural irrigation, based on the academic paper titled "Research on the Development of Farmers' Water Use Cooperation Organization Based on the Price of Agricultural Irrigation Water and Traded Water Right."

38 Estimated at 54.7 tons of carbon sequestration amount per mu of forest per year according to the academic paper titled "The Status Quo of Carbon Sequestration and Estimation of Carbon Sequestration Potential of China's Efforts to Return Farmlands to Forests", as well as an average carbon quota price of 75 RMB/ton, as sourced from the Beijing Environment Exchange (http://www.cbeex.com.cn).

39 Estimated at the carbon sequestration amount of 0.056 ton per mu of grassland per year based on the academic paper, "Carbon and Nitrogen Sequestration Rate in Long-term Fenced Grasslands in Inner Mongolia, China"; estimated at 75 RMB/ton in line with the average price of carbon quota specified by the Beijing Environment Exchange (http://www.cbeex.com.cn).

	availability	Natural water resources	available surface water or groundwater	consumption (unit: m3)		
	Raw materials	Good forage species Dairy cattle	Changes in vegetation coverage	Procurement cost (unit: 10,000 RMB)	*5	*
	Land resource	Cost of building land Cost of pasture land	Land resource reserves	Land area (km^2)	150	-1267.6

Notes:

*1: Not yet available.

*2: As there is no dedicated account for "technical environmental transformation," it is difficult to separate the costs related to this account from the overall equipment procurement expenses.

*3: The changed data has not been measured or calculated.

*4: Not yet to be counted or collected

*5: Not yet available

The Dutch Fund for Climate and Development

Addressing climate change is one of the world's foremost priorities, with its effects impacting people and ecosystems worldwide, particularly in developing countries. The solutions to this crisis revolve around sustainable impact, scalability, and local ownership. The Dutch Fund for Climate and Development (DFCD) empowers the private sector to invest in viable climate adaptation and/or mitigation projects in developing countries. Founded in 2019 by the Dutch Ministry of Foreign Affairs, this fund, initially amounting to EUR 160 million, aims to enhance the resilience of communities and ecosystems most vulnerable to climate change. The DFCD is managed by a pioneering consortium of Climate Fund Managers, the Worldwide Fund for Nature Netherlands, and SNV, led by the Dutch development bank FMO.

The DFCD consists of three separate yet operationally interconnected facilities, each with a specific sub-sector focus and role across the project lifecycle. Managed by WWF-NL and SNV, the Origination Facility is responsible for identifying projects and conducting (pre-)feasibility development activities for initiatives that will subsequently become eligible for funding from the DFCD investment facilities (Water and Land Use Facilities) or other third-party investors. The Water Facility, managed by CFM, targets equity-related investments in water, sanitation and ocean projects. The Land Use Facility, managed by FMO, targets investments in sectors related to agroforestry, climate-resilient food production, and sustainable land use.

DFCD in phase 2: A deepening focus on biodiversity

Recognition of biodiversity loss as a parallel crisis to climate change is rapidly gaining ground. Consequently, the push for climate solutions that are rooted in nature is also growing as a key effort

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40 Estimated at 0.049 RMB/m^3 for introducing water from the Yellow River to Inner Mongolia for agricultural irrigation, based on the academic paper titled "Research on the Development of Farmers' Water Use Cooperation Organization Based on the Price of Agricultural Irrigation Water and Traded Water Right."

to address these twin, reinforcing crises. In response to this, the DFCD has expanded its impact goals to include an enhanced focus on biodiversity, alongside its existing focus on climate adaptation. The DFCD can contribute to reducing biodiversity loss by originating, developing, and de-risking projects that either target the drivers of biodiversity loss, or actively aim to protect or restore natural ecosystems. Furthermore, the DFCD also acknowledges the additional social benefit to be gained by supporting ecosystem services on which people's livelihoods and well-being depend.

Effectively achieving biodiversity impact hinges on adopting a landscape approach and ensuring that interventions target relevant contextual issues. For example, while invasive species represent a major global driver of biodiversity loss, this issue may not be prevalent in every context and landscape. Therefore, a deep understanding of the local context and pressures on biodiversity is key.

The fund's ambition for the second phase (2024-2027) is to have at least 25% (and ideally 50%) of DFCD Origination Facility projects supporting and strengthening biodiversity, including agro-biodiversity, species diversity, ecosystem diversity, and the sustainable use of ecosystems. Given the Origination Facility's role within the DFCD, proxies for biodiversity impact will be utilised instead of directly measuring biodiversity changes (e.g. through mean species abundance). To assess the significance of an intervention's impact on biodiversity, the Origination Facility has adopted five main criteria, namely:

1. The intervention targets the **drivers of biodiversity loss**[41] in a specific landscape.
2. The intervention targets the **restoration or protection of natural ecosystems** within the landscape.
3. The intervention aims to mobilise key actors in the local landscape for **biodiversity-stewardship** (must be combined with criteria 1 or 2).
4. If the physical scope of the project's intervention is limited, **scaling potential** may be used as a measure of significance (must be combined with criteria 1 or 2).
5. The intervention is aligned with or meets regional, national or local biodiversity targets or ambitions (**alignment with biodiversity targets or national planning**).

Each criterion is supported by sub-impact indicators and guidance and must be assessed for relevance within the local context. These criteria are aligned with the post-2020 GBF objectives.

2.2. Initiatives

Australia

Australia strongly supports the TNFD and its work to develop a global nature-related risk management and disclosure framework. Australia has been actively engaged with the TNFD, serving as a strategic funding partner and participating in the TNFD stewardship council alongside international partners.

Australia commissioned a series of TNFD pilots with over twenty Australian organisations, to build readiness for nature-related disclosures. A case study report of these pilots and accompanying value-chain deep-dive guidance documents, was published this year. These documents outline the lessons

[41] The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) identifies 5 main direct drivers of biodiversity loss, namely: Land-use change, climate change, pollution, natural resource use and exploitation (sometimes referred to as overexploitation), and invasive species. Source: https://www.ipbes.net/models-drivers-biodiversity-ecosystem-change.

learned from the pilots and aim to facilitate voluntary assessments of nature-related risks and opportunities, in line with the TNFD framework.

Further, Australia has committed to the ambitious goals and targets within the Kunming-Montreal Global Biodiversity Framework, including redirecting private sector financial investments toward nature-friendly initiatives.

The Australian Government will continue to engage with the private sector, focusing on capacity building and encouraging market uptake of nature-related financial disclosures.

European Union

The EU has taken further steps to address the dual challenges of climate and biodiversity crises. The EU employs a two-pronged approach that combines investment in nature and essential reforms to create the right social and economic context. A cornerstone of this commitment is the EU's long-term strategy, which strives to restore biodiversity by 2030 and includes the proposal of the EU's Nature Restoration Law, establishing binding restoration targets for specific habitats and species.

Key to advancing these objectives is the EU's robust framework for sustainable finance, built around the EU Taxonomy, which is gaining increasing importance in the context of biodiversity preservation. In June 2023, the European Commission extended the EU Taxonomy with the Environmental Delegated Act, showcasing the EU's dedication to embedding biodiversity conservation and restoration criteria into the financial sector. This expansion has led to the introduction of a new set of criteria within the EU Taxonomy, targeting economic activities that make substantial contributions to non-climate environmental objectives. These criteria include provisions for the protection and restoration of biodiversity and ecosystems. Technical screening criteria have been developed to define activities, such as habitat, ecosystem, and species conservation and restoration, as well as those related to accommodations like hotels, holiday resorts, camping grounds, and similar facilities. Expected to come into force as of January 2024, the Delegated Acts reflect the EU's commitment to addressing the urgent issue of biodiversity preservation.

To reinforce sustainability reporting, the EU has introduced the ESRS, with a significant emphasis on biodiversity within these standards. Biodiversity considerations are integrated into general disclosure standards and a dedicated standard, ESRS 4, entirely focused on biodiversity and ecosystems. ESRS 4 necessitates that companies transparently disclose material impacts, risks, and opportunities tied to biodiversity, clarifying their relevance to strategy and business models. Moreover, companies are required to report the processes employed for identifying and assessing material biodiversity and ecosystem-related aspects, along with details of targets, impact metrics, and potential financial implications.

Complementing these initiatives, the European Commission has embarked on a proactive approach to address financial risks associated with biodiversity loss. A methodological framework and assessment of potential financial risks linked to biodiversity and ecosystem degradation are currently under development. This endeavour aims to guide financial market participants in assessing the financial risks of biodiversity loss and is set to be published in the first quarter of 2024.

Malaysia

With regard to biodiversity-related initiatives, on the banking front, BNM, together with the World Bank issued the report titled "An exploration of nature-related financial risks in Malaysia" in March 2022. The report found that 54% of the commercial lending portfolio is highly or very highly dependent on one or several ecosystem services, while 87% is channelled towards sectors that significantly or very significantly impact various ecosystem services. Acknowledging the potential of these risks to pose a significant threat to the economy, society and the financial sector, BNM intends to enhance its capacity-building efforts within the banking and financial sector. This expansion will encompass the consideration of nature-related risks, deepen the understanding of nature-related risks specific to the local context, and explore potential strategies for managing or mitigating these risks, in collaboration with relevant stakeholders.

BNM is a member of the Network for Greening the Financial System (NGFS) Taskforce on Nature-related Risks and Biodiversity Loss. This taskforce acts as an incubator for exploring, developing, and harmonising relevant nature-related considerations and efforts in collaboration with the NGFS workstreams, expert networks, and members. BNM continues to provide an important perspective to the taskforce on nature-related risks experienced by smaller and developing countries, as well as megadiverse countries that are highly dependent on nature and its associated ecosystem services.

On the regional front, BNM as part of the ASEAN Taxonomy Board, is involved in developing, maintaining and promoting the ASEAN Taxonomy for Sustainable Finance. This taxonomy aims to guide businesses and investors in pursuing green and transition activities, including nature-positive activities. One of the Environmental Objectives underpinning the ASEAN Taxonomy is the Protection of Healthy Ecosystems and Biodiversity, with the hope of fostering positive effects and minimising or eliminating negative impacts on the natural ecosystem and biodiversity.

The Climate Change and Principles-based Taxonomy (CCPT) adopted by the financial sector in Malaysia incorporates the principle of "do no significant harm to the environment," which requires economic activities to protect healthy ecosystems and biodiversity.

While the primary focus of the financial sector is to identify opportunities for advancing current initiatives aimed at strengthening climate resilience, the Bank is leveraging climate initiatives to respond to nature-related risks. For example, the JC3 sub-committee on Bridging Data Gaps (BDG) is actively exploring ways to enhance data collection relevant to nature-related risks in Malaysia. The objective is to facilitate more granular analysis of how the financial sector impacts nature and biodiversity, and conversely, the repercussions of biodiversity and nature loss on the financial system. This initiative aims to establish a foundation for prioritising the industry's response to nature-related risks.

NGFS

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) has been studying the impact of nature degradation on the financial system for several years. Notably, it first launched a joint study group on 'Biodiversity and Financial Stability' in partnership with the research network LSE-INSPIRE, releasing three NGFS Occasional Papers in 2021 and 2022, which set out clear links between biodiversity loss and the economic and financial system.[42]

In light of the findings of these reports, the NGFS issued a Statement acknowledging that "nature-related risks […] could have significant macroeconomic implications, and […] that failure to account for, mitigate, and adapt to these implications is a source of risks for individual financial institutions as well as for financial stability" (NGFS, 2022). As a result, the NGFS decided to set up a *Task force on biodiversity loss and nature-related risks* with the aim to help mainstream nature-related consideration across all its activities[43].

[42] NGFS – INSPIRE (2021). *Biodiversity and financial stability: exploring the case for action* (link); NGFS – INSPIRE (2021). *Biodiversity and financial stability: building the case for action* (link); NGFS – INSPIRE. (2022). *Central banking and supervision in the biosphere: An agenda for action on biodiversity loss, financial risk and system stability* (link).

[43] See https://www.ngfs.net/sites/default/files/task_force_nature_related_risks_mandate.pdf.

In September 2023, the Task force published the *NGFS Conceptual Framework for nature-related financial risks*, setting out the NGFS approach to nature-related risks. This framework provides a common science-based understanding of, and language for, nature-related financial risks. It defines the major nature-related concerns as well as nature-related risks and their transmission channels. To operationalise the understanding of nature-related financial risks, the framework also incorporates a principles-based assessment structure to guide central banks and supervisors' actions, with a focus on material considerations from a microprudential, macroprudential or macroeconomic perspective. It consists of 3 phases of work:

- Phase 1: identifying sources of physical and transition risks;
- Phase 2: assessing economic risks; and
- Phase 3: assessing risks to, from and within the financial system.

Each phase includes guiding questions to ensure that central banks and supervisors address the critical components adequately.

The framework will be updated in 2024 to include illustrative cases that will show how it can be applied in a concise and practical way.

The Task force will publish in December 2023 a new report providing recommendations for the development of scenarios aimed at assessing nature-related economic and financial risks, with a forward-looking and dynamic perspective. The recommendations will hinge on the key challenges associated with nature-related risks:

- The need to develop narratives that identify the hazards exposing financial actors to the highest risk level, concerning both physical and transition risks.
- The need to overcome the fact that the current economic models used for scenarios might be unable to assess the economic impacts of many of these potential hazards.
- The need to feature the potential indirect (or cascading) impacts of nature-related risks throughout value chains.

In addressing these challenges, the NGFS will ensure that its work remains compatible with ongoing efforts on climate scenarios while acknowledging the specificities of nature-related risks. In addition to these publications, the Task force will continue to play a leading role in advancing the NGFS's work concerning nature.

Norway

In June 2022, the Norwegian Government appointed an expert commission on nature-related risks. This commission is tasked with delivering a report to the Ministry of Climate and Environment by 31 December 2023. The expert commission will:

- Consider how Norwegian industries and sectors are affected by national and global loss of nature and biodiversity, with a specific focus on physical changes that may constitute the most important risk factors.
- Consider how Norwegian industries and sectors will be affected by expected and potential changes in global, European, and national policies for biodiversity, emphasising on changes that may constitute the greatest risk factors.
- Consider how nature risk should be analysed and presented at the national level and whether – and, if so, how – nature risk is relevant at the national level and for financial stability.

- Review how private and public sector enterprises and organisations, including financial institutions, analyse and manage nature-related risks, identify possible areas for improvement and recommend methodologies that enable these parties to best analyse and manage nature risk.

New Zealand

Within New Zealand's Sovereign Green Bond Programme, the Biodiversity category is relatively large compared with other sovereigns, reflecting determined efforts to protect the country's unique flora, fauna and ecosystems. The inclusion of this category has been well received by investors, given the growing international interest in financing initiatives aimed at enhancing biodiversity.

The New Zealand Government consulted on the potential establishment of a biodiversity credit system, alongside the announcement of a new National Policy Statement for Indigenous Biodiversity in July 2023. The consultation sought feedback on the necessity and design of a biodiversity credit system, as well as the different roles of government and Māori in its implementation. The aim is to build understanding of how to create a system that has impact and integrity, tailored to Aotearoa New Zealand's unique context and challenges. The outcome of the consultation, combined with additional policy work, will help determine the suitability of further developments in this area.

Senegal

In terms of biodiversity, the Ecosystem-Based Adaptation (EbA) project, led by the Senegalese Agency for Reforestation and the Great Green Wall (ASERGMV), was set up with the support of the Global Environment Facility, UNDP and the International Union for Conservation of Nature. This new approach (EbA) intentionally utilises "green infrastructure" and ecosystem services to strengthen the resilience of human communities to climate change. It is based on the observation that ecosystems tend to generate valuable ancillary benefits, such as carbon sequestration, biodiversity conservation or food production, and are often more efficient. Furthermore, Senegal has reserved over 10% of its national territory as protected areas. To further expand this proportion, the preferred approach involves the creation of community nature reserves, which perfectly match the State's commitment to decentralisation and sustainable management of natural resources.

EIB

The European Investment Bank (EIB) is fully committed to support the implementation of the commitments under the EU Biodiversity Strategy, both inside and outside of the EU**:**

- In the new EIB Group Environmental and Social (E&S) Policy, **biodiversity is placed on equal footing with climate issues**. The commitment to promote and implement the objectives under the Convention on Biological Diversity and the post-2020 Global Biodiversity Framework is strengthened. Through its **E&S Standards**, the EIB ensures that projects do not significantly impact biodiversity and ecosystems. Notably, the EIB Standard on Biodiversity and Ecosystems shifts from aiming for "no net loss" to **"no loss" of biodiversity**, in line with EU policies.
- Recognising the importance natural capital and ecosystems services in projects, the EIB is defining an approach to **integrate the socio-economic value of biodiversity and ecosystems into its economic analysis**.

- **Mainstreaming biodiversity and ecosystems into all EIB activities** through the enhancement of its **risk management framework**, by assessing biodiversity-related risks to projects and **counterparties**, taking "double materiality" into account.[44]

Financing Natural Capital

The EIB invests in nature in several ways, through loans directly to projects and support for the emergence of new financial players in the field of climate and nature. **The Natural Capital Financing Facility** (a shared EC-EIB instrument) was one of the first innovative financial instruments for biodiversity and climate adaptation in the EU. **One important example of investments in natural capital is forestry**, to combat land degradation, biodiversity loss, and climate impacts.

In December 2022, the EIB released:

1. A Sector Paper "Forests at the heart of sustainable development: Investing in forests to meet biodiversity and climate goals", which provides an overview of how the sector contributes to sustainable development and of **the role Multilateral Development Banks and other International Finance Institutions** may have in helping to develop the sector. The focus is on **delivering benefits for nature restoration and biodiversity conservation**, **environmental sustainability** and circular economy, and not letting anybody behind.
2. A Brochure "Forests at the heart of sustainable development: An overview of a public bank's impact", which illustrates how the EIB Group has built extensive **institutional expertise in financing sustainable forestry operations.** It offers insights into the EIB's additionality and impact, and its contribution to financing sustainable forest-based bioeconomy operations.

Partnerships

At COP26, the EIB signed the **joint MDB Statement on Nature**, committing to (i) leadership and supporting clients in implementing COP 15 and 26 outcomes; (ii) tackling the drivers of nature loss; (iii) making nature-positive investments; (iv) valuing nature to guide decision making; (iv) reporting, monitoring and evaluation. This Statement **complements the Leader's Pledge for Nature** and the **Finance for Biodiversity Pledge**.

The EIB is a key player in financing biodiversity conservation, climate adaptation, and resilience. It has expanded its partnerships[45] and increased its investments to improve landscapes, seascapes, livelihoods, and creating space for ecosystems to recover.

Policy Dialogue

Simplifying the ecosystem of financing nature and biodiversity is crucial, especially as investors and companies look for clear and simple definitions of biodiversity value and how to invest in it. In this context, on the initiative of Building a Biodiversity Credit Market(s), the EIB is co-chairing the workstream on supply and demand with HSBC.[46]

UNEP FI

Globally, nature is declining at unprecedented rates, with an estimated 1 million species facing the threat of extinction, and many more in the near future. Urgent action is imperative to address the

[44] The double materiality means that it is not only biodiversity-related impacts that are material to companies and financial institutions, but also financial institutions and companies that are material to biodiversity.

[45] EU Business and Biodiversity Platform, World Economic Forum, UN Decade for Ecosystem Restoration, Coalition for Private Investment in Conservation.

[46] There are three working groups: supply and demand, integrity and governance, and pilot testing. They build on existing efforts and connect with key players that are already involved in the space (including from the carbon market).

loss of global nature and biodiversity. Our entire economic system and lives are intricately intertwined with nature, with approximately half of the world's GDP (equivalent to roughly USD 44 trillion of economic value generation) being moderately or highly dependent on nature[47].

The businesses that the United Nations Environment Programme Finance Initiative (UNEP FI) finances, invests in and insures, depend on nature and biodiversity. The world's ocean, forests and lands provide much of the raw materials, goods and services that underpin the global economy. UNEP FI is bridging science and markets, acting as a gateway for financial institutions, policymakers and leading researchers to take practical, science-based action on global environment frameworks using the convening power of the United Nations. UNEP FI's Nature Thematic team (nature team), works to advance the integration of nature into financial decision-making. In this way, the thematic team supports the financial sector's actions toward financing the transition to a nature-positive economy. This means an economy that works with nature, leveraging the apex target from the Kunming-Montreal GBF to 'halt and reverse nature loss'. Over the course of 2023, UNEP FI has made progress in working with members and partners to provide technical research and guidance, working with the financial community on cutting-edge innovations and frameworks, and developing industry-wide tools that link science, policy, economics and finance. Notable highlights include:

GBF Roadmap and sectoral publications

UNEP FI has outlined a high-level roadmap that proposes recommendations for all actors within the financial landscape – financial ministries, financial supervisory entities, public development banks, private financial institutions, investors – on integrating the GBF within their policies and decision-making processes. UNEP FI also developed three sectoral (insurance, investors, banks) publications to help financial institutions understand the relevance and implications of the GBF.

TNFD

UNEP FI is a founding partner of the TNFD, which in September 2023 released a first set of disclosure recommendations and guidance for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities. UNEP FI has been conducting a series of pilot tests with 50 financial institutions from 25 countries on the beta version of the TNFD framework since 2022.

Biodiversity Credit Alliance

In 2023, UNEP FI took on the role of facilitator for the Biodiversity Credit Alliance (BCA), with the aim of providing guidance and a strong foundation for the establishment of a credible and scalable market for biodiversity credits.

Food systems

UNEP FI has been advancing work on global food systems as contributors to global nature loss and the climate crisis. In April 2023, the report "Driving Finance for Sustainable Food Systems: A Roadmap to Implementation for Financial Institutions and Policy Makers" was published to guide financial institutions through opportunities to enhance financial flows to sustainable food systems.

Oceans

As part of the sustainable blue economy work, UNEP FI and the International Finance Corporation (IFC), a member of the World Bank Group, together with ICMA, United Nations Global Compact (UN Global Compact), and the Asian Development Bank (ADB) have developed a global practitioner's guide for bonds to finance the sustainable blue economy.

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47 World Economic Forum, 2020: https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/.

3. Conclusions

This Annual Report reflects the collective efforts of the IPSF, its members, and partners in advancing the global agenda for sustainable finance. The year 2023 has witnessed further progress and marked (sometimes interim) achievements in the sustainable finance landscape, demonstrating a shared commitment to addressing critical sustainable challenges.

In 2023, the IPSF has continued to play a role in scaling up international and domestic endeavours focused on sustainable finance. By fostering collaboration and knowledge-sharing among its member jurisdictions, the IPSF has contributed to the development of robust frameworks and policies that underpin sustainable finance practices across the globe. With the addition of its 20th member jurisdiction, Sri Lanka, and thematic expansion, the IPSF demonstrated its dynamic growth and adaptability.

There remains however a pressing need to further increase engagement and address the gaps that persist at domestic, regional, and international levels. Looking ahead to 2024, the IPSF will build upon the progress made thus far. The emphasis on enhancing cross-jurisdictional interoperability and comparability of taxonomies will be maintained. The work of the transition finance working group, on the basis of its 2023 interim report, will also continue. Additionally, the IPSF will aim to promote the development of sustainable finance policies/actions that support biodiversity goals. The IPSF will discuss whether, leveraging insights from the recently published report on social bonds, more can be done to advance social finance. In general, efforts to promote cooperation among members and observers will continue, as will IPSF commitment to contribute to the implementation of the G20 Sustainable Finance Roadmap.

The IPSF will continue to provide a platform for member jurisdictions to discuss, support, and encourage one another in the pursuit of ambitious and robust sustainable finance actions.