

International Platform on Sustainable Finance

Annual Report 2024



IPSF ANNUAL REPORT 2024

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Disclaimer on input for and status of the report

This report is coordinated by the IPSF Secretariat (European Commission), with substantial contributions received from IPSF members and observers. The report reflects the collective work of the IPSF members and observers over the year 2024.

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 fifth year of operation, the International Platform on Sustainable Finance (IPSF) presents its Annual Report, offering insights into the accomplishments and advancements of the IPSF and its members in 2024.

In 2024, 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 IPSF has worked on extending the scope and coverage of the so-called “Common Ground Taxonomy” work, expanding to new sectors, activities, and environmental objectives, as well as to new jurisdictions, starting with Singapore. The comparison exercise fosters interoperability and comparability between jurisdictional taxonomies and can contribute to facilitating sustainable investments cross-border and enabling investors in their decisions and assessments. The outcome of these efforts has been published on IPSF page.

Building on the work of past years, the IPSF has continued advancing transition finance discussions across several fronts. IPSF has explored the challenges and opportunities for transition finance in emerging markets and developing economies, and for small and medium-sized enterprises (see Chapter 2 of this report). Additionally, the IPSF publishes a note with common elements and best practices in stewardship and engagement on transition finance.

Having identified biodiversity and nature as a key priority, and following up on last year’s Annual Report Spotlight, discussions have started on how to integrate biodiversity and nature considerations into the IPSF’s Transition Finance principles. The work will continue in 2025 with a view to developing “Transition Finance Plus” Principles, integrating both climate and nature considerations.

This Report also presents an overview of policy and regulatory developments within the IPSF member jurisdictions, highlighting their 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 specific financial instruments, taxonomies, climate risk assessment and management.

The IPSF has also further consolidated its position on the international arena. The IPSF remains a key knowledge partner to the G20 Sustainable Finance Working Group (SFWG). It also became a partner to the COP29 Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies.

Looking ahead to 2025, the IPSF remains committed to advancing the sustainability agenda in financial regulation, fostering international cooperation, and enhancing comparability and interoperability of sustainable finance frameworks. The IPSF will continue working on globally prevalent themes where its perspective can bring distinct added value and reflect its key role in global sustainable finance discussions.

Introductory message by the Chair of the International Platform on Sustainable Finance

Every day is a stark reminder that climate change and environmental degradation are affecting communities and economies worldwide. Whether it is droughts, tornados, or floods, we are witnessing devastating impacts on local communities and companies. These global issues demand a global response. This is why the IPSF's work is so important.

This year, the IPSF deepened its engagement on the comparison of taxonomies. The 'Common Ground Taxonomy', a cornerstone of the IPSF's work since its early days, has expanded to new sectors, activities, and environmental objectives. It also expanded to a new jurisdiction, Singapore. We have taken stock of taxonomies across the IPSF, where members have chosen to develop one. This work demonstrates our collective commitment to foster comparability and interoperability between taxonomies.

Transition finance has also remained an important topic for the IPSF. The IPSF has identified core elements and best practices regarding stewardship and engagement and explored the challenges and opportunities for transition finance in emerging markets and developing economies, and for small and medium-sized enterprises. Our work on transition finance highlights the importance of understandable and effective rules for the private sector, especially for smaller companies, in facilitating a sustainable transformation.

Alongside the threats posed by climate change, and linked to it, is the alarming decline of nature and biodiversity. There is growing emphasis on addressing nature and biodiversity loss, degradation, and restoration. We have started discussing how to integrate biodiversity and nature considerations into the IPSF's Transition Finance Principles.

The IPSF remains committed to supporting the implementation of the G20 Sustainable Finance Roadmap in line with its knowledge partner role to the G20 Sustainable Finance Working Group. Also, the IPSF's role as a partner to the COP29 Roadmap on the Interoperability of Taxonomies confirms the international standing we have earned in just five years.

Much more work lies ahead. Climate change, biodiversity loss and environmental degradation persist globally. The IPSF's work in advancing sustainable finance shows that remarkable progress can be achieved when jurisdictions come together, learn from each other, and share a common vision. The IPSF will continue to advance the sustainability agenda and foster international cooperation.

As we celebrate the achievements of this year and look to the future, continued collaboration will be needed in this critical decade.

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 2024

In its fifth year, the IPSF continued playing an active role in the international discussions around sustainable finance. The IPSF offers members and observers an opportunity to exchange on challenges and opportunities, to share best practices and to work towards comparability and interoperability of sustainable finance frameworks.

Comparison of taxonomies

The Taxonomies Working Group continued contributing to the efforts of strengthening international comparability and interoperability of taxonomies. The Common Ground Taxonomy, a comparison exercise of the EU and China taxonomies highlighting their commonalities and differences focusing on criteria for economic activities contributing to climate change mitigation objective and developing a sound methodology, has become a flagship workstream of the IPSF.

In 2024, the IPSF continued its work to expand the comparison of taxonomies and enable the implementation of transition finance principles. In particular, the extension of the Common Ground Taxonomy (CGT) exercise to encompass more economic activities between the European Union (EU) and China and to the Singaporean taxonomy, consolidate the IPSF's positioning in the discussion surrounding interoperability of taxonomies. The importance of this work is also acknowledged by the COP29 initiative on a Roadmap on enhancing the interoperability of taxonomies, to which the IPSF is a partner.

The outcome of this work is reflected in the following taxonomy-related documents:

- A high-level overview of taxonomies in different IPSF jurisdictions to understand the context and approach followed by each jurisdiction that intends to develop a sustainable taxonomy. The results of this exercise show that IPSF jurisdictions are increasingly embracing taxonomies with 6 jurisdictions that already have a taxonomy framework in place and 9 jurisdictions that are developing or considering developing a taxonomy framework.¹
- The extension of the EU-China comparison exercise to now cover 76 climate change mitigation activities and 20 activities contributing to the other environmental objectives (3 for pollution prevention and control, 6 for sustainable use and protection of water and marine resources, 2 for biodiversity and ecosystem protection and 9 for circular economy).²

¹ [CGT High-level overview of taxonomies.](#)

² [CGT Bilateral Activity Tables 2024.](#)

- The multi-jurisdiction CGT extending the exercise to additional jurisdictions. The multilateral CGT provides a comprehensive comparison of the Singapore-Asia taxonomy, the China taxonomy, and the EU Taxonomy. It highlights commonalities and differences across the three taxonomies focusing on activities contributing to climate change mitigation. The multi-jurisdiction CGT is based on an updated methodology allowing for multilateral comparison.³

Finally, the IPSF Taxonomies Working Group ran knowledge-sharing projects supporting the dissemination of the CGT and related technical knowledge to jurisdictions that are interested in developing or improving their own taxonomies. In this context, the IPSF organised a dedicated webinar aimed at explaining the IPSF work and the role of the CGT and its methodology in enabling global interoperability and comparability between taxonomies, fully in line with the principles outlined in the G20 Sustainable Finance Roadmap.

Transition finance

Over the past year, the IPSF Transition Working Group has looked into stewardship and engagement practices, and explored challenges, opportunities and modalities to empower emerging markets and developing economies (EMDEs) and SMEs.

Stewardship and engagement are key elements of transition finance. The IPSF publishes a note that provides a stocktake of key initiatives related to stewardship and outlines key common elements for best practices: 1) policy definition, 2) identification of risks and opportunities, 3) governance and processes, 4) voting, 5) engagement strategies and processes, 6) escalation procedures, 7) monitoring, 8) delegation to service providers, 9) conflicts of interest, 10) transparency and reporting, and 11) public policy advocacy.

Additionally, the IPSF conducted a survey among members and observers to explore the challenges and opportunities faced by EMDEs and SMEs in transition finance. Section 2 summarises the key findings and presents 10 recommendations to address the identified challenges and opportunities.

Biodiversity

Alongside the threat posed by climate change - and intricately linked to it, the alarming degradation and loss of biodiversity presents another existential threat. The Kunming-Montreal Global Biodiversity Framework (GBF) calls for the alignment of all financial flows with its four goals and 23 targets by 2030, as well as an increase in financial resources from all sources.

It is in this context that the IPSF designated biodiversity and nature as one of its main priorities for 2024. The 2023 Annual Report already included a dedicated chapter on biodiversity-related initiatives in member jurisdictions and observers. Building on this foundation, the IPSF Biodiversity Working Group commenced its work on integrating biodiversity and nature in transition finance. Taking the 2022 Transition Finance principles as a starting point, the IPSF

³ [CGT Instruction Report 2024](#); [CGT Multi-jurisdiction Activity Tables](#).

has started discussing adjustments necessary to support an integrated climate and nature positive transition. The work will continue in 2025 with a view to developing “Transition Finance Plus” Principles, integrating climate and nature considerations.

IPSF on the international stage

The IPSF held its 2023 Annual Event on 4 December 2023, on Finance Day at COP28 in Dubai. The Annual Event brought members and observers together to showcase IPSF work in the areas of transition finance and social bonds.

The IPSF aims to continue contributing to international discussions, such as the ones taking place at the G20, offering distinct added value on key topics of global interest. The IPSF’s own reflections are also guided by the G20 Sustainable Finance Roadmap.

Additionally, the IPSF is partnering up with the COP29 Presidency for a Roadmap aiming to advance interoperability and comparability of sustainable finance taxonomies. The initiative points to the need for interoperable frameworks to facilitate the cross-border flow of capital and builds on the IPSF’s extensive work on the comparison of taxonomies.

1.2. Policy trends in IPSF member jurisdictions

Argentina

No developments reported by the jurisdiction for this IPSF Annual Report.

Australia

In 2024, Australia made significant strides in sustainable finance reforms, supporting climate action and advancing its transition to a net-zero economy. The Australian Government published a comprehensive Sustainable Finance Roadmap, informed by consultations on a draft Sustainable Finance Strategy.

Supported by AUD 17.3 million in the 2024-25 Budget, the Roadmap aims to enhance transparency, deepen green finance markets, and capitalise on global sustainable finance momentum. Reducing barriers to investment into sustainable finance activities, key initiatives are elaborated below.

In September 2024, the Australian Parliament passed legislation to implement climate-related financial disclosure requirements, improving transparency on material climate risks and opportunities, faced by large businesses and financial institutions, for investors and regulators. These requirements, closely aligned with the International Sustainability Standards Board (ISSB), will take effect from 1 January 2025.

Additionally, the Government is partnering with the Australian Sustainable Finance Institute (ASFI) to develop an Australian Sustainable Finance Taxonomy. ASFI will finalise the initial

Taxonomy for six sectors⁴ by the end of 2024. It will be available for use on a voluntary basis by both the private and public sector.

The Government has also launched a Sovereign Green Bond Program, issuing AUD 7 billion in green bonds on 4 June 2024. These bonds will (re)finance government-supported projects that are crucial to climate change mitigation and adaptation, and improved environmental outcomes. The first allocation and impact reporting will be published in 2025.

These reforms align with Australia's ambitious approach to climate action and complement the Government's announcement in the 2024-25 Budget to invest AUD 22.7 billion over the next decade in an agenda aimed at maximising the economic and industrial benefits of the net-zero transition. Australia is also developing a Net Zero 2050 plan, supported by six sectoral emissions reduction plans.

In addition, Australia is progressing nature-related sustainable finance initiatives, aimed at enhancing transparency on nature-related risks and opportunities, and aligning financial flows with nature-positive investments, activities and outcomes. Engagement with the Taskforce on Nature-related Financial Disclosures (TNFD) included commissioning pilots of the draft TNFD framework in 2023 and publishing several reports on nature-related risk assessment and disclosure.

The Government is committed to encouraging the voluntary adoption of the TNFD framework and will host the Global Nature Positive Summit in 2024 to foster consensus on principles and policies for nature investment, in Australia and globally. Additionally, the Government established the Nature Finance Council in December 2023, advising on mobilising capital for a nature positive economy and increasing private sector financial flows to benefit nature.

Australia is committed to meaningful international engagement on sustainable finance, increasing its active participation in bilateral, multilateral, and regional settings, and promoting the development of consistent global standards and high-quality interoperable frameworks. The second Australia-New Zealand 2+2 Climate and Finance Dialogue, held in July 2024, resulted in the establishment of a Sustainable Finance Working Group to facilitate alignment of sustainable finance taxonomy policies and address emerging priorities, such as transition planning and investment product labelling.

Canada

The Government of Canada is committed to fostering the development of a sustainable finance market that will boost investor confidence, drive economic growth, and help fight climate change. In October 2024, the federal government announced a plan to deliver

⁴ Electricity generation and supply; Minerals, mining and metals; Construction and the built environment; Manufacturing/ industry; Transport; and Agriculture.

sustainable investment guidelines (taxonomy) and to mandate climate-related financial disclosures for large, federally incorporated private companies.

The Canadian taxonomy will become an important, voluntary tool for investors, lenders, and others navigating the global race to net-zero by credibly identifying “green” and “transition” economic activities. Developed and governed by an external, third-party organisation(s), it would categorise investments based on scientifically determined eligibility criteria that are consistent with the goal of reaching net-zero emissions by 2050 and limiting global temperature rise to 1.5°C above pre-industrial levels.

This is a high standard that will be important for building and maintaining the credibility of a Canadian taxonomy, which will mobilise private capital for low- or non-emitting activities with a “green” category. Importantly, the taxonomy would also establish a “transition” category to identify, and boost funding for, scientifically credible pathways to rapidly decarbonise Canada's emissions-intensive sectors. The development of the metrics-based Canadian taxonomy would first focus on the following sectors: electricity, transportation, buildings, agriculture and forestry, manufacturing, and extractives, including mineral extraction and processing, and natural gas. A taxonomy for two to three priority sectors will be released within 12 months of the arm's-length, third-party organisation(s) beginning its work.

Building on its leadership in mandating climate-related disclosures for crown corporations and federally regulated financial institutions, the government is now also moving forward with mandating climate-related financial disclosures for large, federally incorporated private companies. These disclosures will help investors better understand how large businesses are thinking about and managing risks related to climate change, ensuring that capital allocation aligns with the realities of a net-zero economy.

Specifically, the government intends to bring forward amendments to the *Canada Business Corporations Act* that will require these disclosures. The government will launch a regulatory process to determine the substance of these disclosure requirements and the size of private federal corporations that would be subject to them. SMEs will not be subject to the requirements. The federal government will also work with provincial and territorial partners and seek to harmonise its regulations with those that will be required from public companies by securities regulators.

The development of a sustainable finance taxonomy and regulations to require climate disclosures from large companies builds on the important work done by the Sustainable Finance Action Council (SFAC), which concluded its mandate on March 31, 2024. During its three-year tenure, the SFAC provided guidance on climate disclosures, taxonomy, climate data, and strategies to align private capital with net-zero.

Lastly, in November 2023, the Government of Canada released an updated Green Bond Framework that includes nuclear energy expenditures. An independent second party opinion concluded that the framework is credible, impactful and aligns with the core components of the 2021 International Capital Market Association's Green Bond Principles. The release of this new framework was quickly followed by the Government of Canada issuing a second green bond in March 2024, worth CAD 4 billion, and re-opened in October 2024 to raise an additional CAD 2 billion.

Chile

According to the Framework Law on Climate Change, published in June 2022, the Ministry of Finance is required to develop a Climate Change Financial Strategy to provide a strategic vision for the financing of the necessary initiatives towards attainment of NDC-established goals. This strategy should be elaborated every five years, along with the revision of the NDC. During 2024, the Ministry of Finance conducted a public consultation on the draft update of the 2024 Climate Change Financial Strategy. The updated strategy aims to promote tools and align policies that address climate change management instruments in terms of financing, to incentivise and align the financial efforts of both the public and private sectors towards climate change mitigation and adaptation to its effects, promoting development that is greenhouse gas emissions-neutral and resilient to climate impacts. Moreover, efforts are being made to broaden the scope of the strategy by encompassing interconnected challenges beyond climate-related commitments, incorporating obligations related to biodiversity, the circular economy, a just socio-ecological transition, among others, with the aim of developing a Financial Strategy for Environmentally Sustainable Development.

During 2024, the Ministry of Finance has been actively advancing the development of a taxonomy of environmentally sustainable activities. This taxonomy will provide a clear and standardised framework for identifying economic activities that contribute to environmental objectives such as climate change mitigation, biodiversity preservation, and the transition to a circular economy. Building on the structure outlined in the document published in August 2023, the Ministry has been working to refine and finalise this taxonomy, ensuring it aligns with international best practices while addressing the specific needs and priorities of Chile. This effort underscores the Ministry's commitment to fostering a more sustainable and resilient economy. The final document is expected to be finalised by the end of 2024.

Since January 2023, Chile has a Natural Capital Committee that advises the President of the Republic on the incorporation of nature and biodiversity into the country's sustainable development process. 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. During 2024, the Committee has been involved in the implementation of a pilot project in collaboration with Stanford University and the Inter-American Development Bank. 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, among other ecosystem services.

China

In 2024, the People's Bank of China (PBoC) has remained committed to scaling up green and sustainable finance and has made remarkable progress in aligning with global standards, enhancing disclosure, advancing transition finance and mobilising sustainable finance.

On sustainable finance taxonomy, on February 29, 2024, China's National Development and Reform Commission (NDRC), in collaboration with PBOC and eight other major ministerial

agencies, released the 2024 Edition of the Catalogue of Industries for Green and Low-carbon Transition. Compared to its previous edition, which was published in 2019, one notable change is renaming the “Catalogue for Green Industries” to the “Catalogue of Industries for Green and Low Carbon Transition”, indicating a broader focus on achieving decarbonisation objectives through existing industries. As such, the 2024 Green Industry Catalogue introduces several new industries, including logistics, information technology infrastructure and hydrogen energy.

On sustainable disclosure, at the national level, China's Ministry of Finance issued a draft sustainability reporting standard on May 27, 2024, with the aim of establishing an ISSB-aligned disclosure regime for Chinese companies. The draft standard sets out the general provisions, disclosure objectives, and information quality requirements. The draft standard mirrors the structure of the ISSB's International Financial Reporting Standards Foundation (IFRS) S1 requirements, the global baseline for basic environmental disclosures, by outlining how companies should disclose sustainability-related information in four key areas: governance, strategy, risk management, and metrics. However, the Chinese framework goes beyond S1 by incorporating the principle of dual materiality – requiring companies to disclose both the impact of their activities on the environment and the impact of environmental risks on the business.

On transition finance, at the national level, the PBoC is currently leading the development of transition finance guidelines for four sectors: coal power, iron and steel, construction and building materials, and agriculture. More carbon-intensive sectors might be included in the future. At the sub-national level, there are more than a dozen of transition finance taxonomies in place. For example, the Shanghai taxonomy, published on 01 January 2024, covers six sectors, namely shipping, ferrous metal smelting and rolling, petroleum processing, chemical raw materials and chemical products manufacturing, automobile production, and aviation. These taxonomies usually cover the traditional eight carbon-intensive sectors, which are petrochemicals, chemicals, building materials (including cement), steel, non-ferrous metals, pulp and paper, power generation, and aviation, but may also include other carbon-intensive sectors that are typical for the locality.

China's green finance market continued its rapid growth. By the end of the first quarter of 2024, the outstanding balance of green loans in China reached CNY 33.77 trillion (approximately USD 4.67 trillion), marking a year-on-year growth of over 35.1%. The total volume of outstanding green bonds reached CNY 2 trillion (approximately USD 0.28 trillion).

European Union

Over the past year, the EU made progress by finalising climate and environmental regulations and directives, providing guidance to stakeholders on corporate sustainability rules and the interoperability of reporting standards, and making progress in ensuring that financial market

participants adequately incorporate climate-related and environmental risks and opportunities in their activities.

A provisional agreement was reached on a regulation on environmental, social, and governance (ESG) rating activities. These new rules aim to boost investor confidence in sustainable products, strengthen the reliability and comparability of ESG ratings by improving the transparency and integrity of the operations of ESG ratings providers and preventing potential conflicts of interest. Under the new rules, ESG rating providers will be authorised and supervised and comply with transparency requirements, regarding their methodology and sources of information.

The corporate sustainability due diligence directive (CSDDD) entered into force in July 2024. The aim of this Directive is to foster sustainable and responsible corporate behaviour in companies' operations and across their global value chains. The new rules will ensure that companies in scope identify and address adverse human rights and environmental impacts of their actions

Under the newly revised EU banking rules (CRR III/CRD VI) published in June 2024, bank supervisors will oversee how banks handle ESG risks and include ESG considerations in the context of the supervisory review and evaluation process. ESG reporting and stress testing, and disclosure requirements will apply to EU banks. Similarly, under the amended insurance framework, ESG and climate change will be covered under Pillar 2 requirements. Undertakings will need to assess whether they have any material exposure to climate change risks and develop and monitor the implementation of specific plans, quantifiable targets, and processes to monitor and address financial risks arising from sustainability factors.

The European Commission published FAQs on the implementation of the EU corporate sustainability reporting rules, aiming at making the EU sustainable financing framework more usable for companies and reduce the administrative burden on them. Relatedly, the ongoing assessment of the Sustainable Finance Disclosure Regulation (SFDR) aims to bring the SFDR closer to its objective: strengthening investor protection and making it easier for investors to compare financial products and services on their sustainability claims, with a view to guiding their investment decisions.

Work is being finalised by the European Financial Reporting Advisory Group (EFRAG) on two SME reporting standards: one for listed SMEs with phased-in, proportionate disclosure requirements and a voluntary standard for non-listed SMEs. These standards help SMEs respond to sustainability data requests from stakeholders efficiently. Additionally, the listed SME standard caps the information larger companies can demand from SMEs in their value chains. Following consultations with SMEs and experts, EFRAG held also public consultations on both standards, aiming to ensure their relevance and usability.

The European Commission is committed to support stakeholders in the implementation of the EU Taxonomy by further increasing its usability and in turn helping companies on their

transition journey. The Commission published guidance on the interpretation and implementation of the EU Taxonomy, provided clarifications on the minimum safeguards provision, which aims to ensure that companies engaging in sustainable activities meet certain minimum social and governance standards, and explained the application of certain generic ‘do no significant harm’ criteria as well as disclosure requirements.

The Platform on Sustainable Finance, an advisory body that brings together the best expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society, and financial industry, undertook several initiatives in 2024. Notably, it published an interim report on monitoring capital flows to sustainable investments. This is an important step to assess the overall progress in mobilising finance towards funding the objectives of the European Green Deal. Additionally, it published a compendium of market practices showing how the EU taxonomy and other sustainable finance tools (e.g. European Green Bond Standard) are being used for setting transition strategies, structuring financial transactions, and reporting on sustainability efforts.

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

Hong Kong is committed to transitioning to a net-zero future. The Green and Sustainable Finance Cross-Agency Steering Group (CASG) aims to foster a thriving green and sustainable finance ecosystem and enhance Hong Kong’s position as a leading green finance hub by developing taxonomy, disclosures, transition finance, data and technology, green fintech, and capacity building.

In May 2024, the Hong Kong Monetary Authority (HKMA) launched the Hong Kong Taxonomy for Sustainable Finance to promote transparency and clarity among market participants. Covering 12 economic activities across four sectors, this taxonomy takes inspiration from the Common Ground Taxonomy, with plans for a next phase that will include transition activities.

To foster a local sustainability reporting ecosystem, Hong Kong’s approach is underpinned by international sustainability reporting standards, sustainability assurance, data and technology, and capacity building. The CASG is developing a comprehensive roadmap for adopting the IFRS Sustainability Disclosure Standards (ISSB Standards), as outlined in the Vision Statement issued by the Hong Kong SAR Government in March 2024. As a first step, Hong Kong Exchanges and Clearing Limited published its consultation conclusions on enhancing climate-related disclosures in April 2024, with new requirements referencing ISSB Standards set to take effect on 1 January 2025 under a phased approach.

Hong Kong endeavours to harness the powers of technology to bolster progress in green and sustainable finance. In May 2024, the HKMA introduced a beta version of a cloud-based platform for banks to assess the potential impact of physical risks on residential and commercial buildings in Hong Kong under various climate scenarios. Additionally, the CASG launched two greenhouse gas emissions calculation tools in February 2024, providing clear methodologies and local data, available as public goods. The Prototype Hong Kong Green

Fintech Map was also launched in March 2024 to help businesses identify local green and sustainable fintech solutions.

Hong Kong's green and sustainable debt market is showing substantial growth. As of August 2024, approximately USD 28 billion in green bonds have been issued across various formats, with plans to expand the bond programme to include sustainable projects. The Green and Sustainable Finance Grant Scheme, initially launched in May 2021, has been extended in May 2024 by three years, with an expanded scope of subsidies to cover transition bonds and loans.

As of 30 June 2024, there are 233 ESG funds authorised by the Securities and Futures Commission, with total assets under management exceeding USD 169 billion. The Insurance Authority continues to position Hong Kong as a hub for insurance-linked securities (ILS), with five ILS issuances – in the form of catastrophe bonds issuances – totalling USD 713 million recorded as of May 2024.

India

India is committed to achieving the 2030 Agenda and the goals of the Paris Agreement. During its G20 Presidency in 2023, the G20 Sustainable Finance Working Group (SFWG) developed recommendations focused on (1) mobilising timely and adequate resources for climate finance; (2) enabling finance for the Sustainable Development Goals (SDGs); and (3) capacity building for financing sustainable development.

For the first time, the G20 SFWG expanded its focus beyond climate to include financing for SDGs, developing an analytical framework for SDG-aligned finance and compiling case studies to promote social impact investment and enhance nature-related data and reporting. The G20 leaders endorsed the Sustainable Finance Technical Assistance Action Plan (TAAP) to strengthen capacity building for EMDEs and SMEs.

The Reserve Bank of India (RBI) rolled out initiatives to foster a robust sustainable finance ecosystem. In February 2024, the RBI released a draft disclosure framework on climate-related financial risks for stakeholder feedback, requiring reporting entities to disclose climate-related risks and opportunities across four pillars: governance, strategy, risk management, and metrics and targets.

The Securities and Exchange Board of India (SEBI) has implemented regulations to promote ESG practices and ensure transparency in ESG-related disclosures. Key developments in 2024 include:

- A consultation paper from SEBI published on 22 May 2024, proposing changes to ease business operations while addressing greenwashing risks. This includes broader coverage of key value chain partners for ESG disclosures by listed entities, the introduction of voluntary disclosure of green credits generated by listed entities or their value chain partners and facilitating ease of undertaking third-party assurance or assessment of sustainability disclosures. Additionally, industry associations and stock exchanges, in consultation with SEBI, are developing Industry Standards on Business

Responsibility and Sustainability Report (BRSR) Core disclosures and assurance for the value chain.

- Registration of eight ESG Rating Providers (ERPs) as of 31 July 2024, following the introduction of a regulatory framework for ERPs in July 2023.

In December 2023, the International Financial Services Centres Authority (IFSCA) held its second Infinity Forum, inaugurated by India's Prime Minister Shri Narendra Modi, with the goal of making the GIFT International Finance Services Centre (GIFT-IFSC) a global hub for sustainable finance. Over the past three years, IFSCA has focused on enhancing funding through debt securities, loans, and funds.

To support the growth of green bonds, social bonds, sustainability bonds, and sustainability-linked bonds and other labelled bonds, IFSCA established a regulatory framework under the IFSCA Issuance and Listing of Securities Regulations 2021. Approximately USD 12.6 billion of ESG-labelled debt securities are currently listed on IFSC exchanges, highlighting GIFT-IFSC as a key platform for raising sustainable capital. IFSCA's "Guidance Framework on Sustainable and Sustainability-linked Lending by Financial Institutions," requires that banking units at GIFT-IFSC develop Board-approved policies aligned with international frameworks for green, social, sustainable, or sustainability-linked lending. Starting 1 April 2023, this unit mandated to allocate at least 5% of their loans to green or sustainable sectors, resulting in over USD 1.5 billion in green/sustainable loans disbursed from GIFT-IFSC in the financial year 2023-24, including approximately USD 577 million for social lending and USD 280 million for sustainability-linked lending.

IFSCA has issued a regulatory framework for ESG-labelled funds, covering initial and periodic disclosures, ongoing monitoring, and performance evaluation. Currently, IFSCA is also working on three new initiatives.

1. **Regulatory framework for Voluntary Carbon Market (VCM):** An Expert Committee has been set up to enable a credible carbon market at IFSC to address challenges in the international trade of carbon credits.
2. **Climate Finance:** An Expert Committee on Climate Finance is focusing on blended finance to position GIFT-IFSC as a climate finance hub, with an emphasis on transition finance for investments in hard-to-abate sectors.
3. **Sovereign Green Bonds (SGRBs):** IFSCA is collaborating with RBI to facilitate trading and settlement of SGRBs for non-resident foreign investors, enhancing international participation in India's green initiatives.

Indonesia

No developments reported by the jurisdiction for this IPSF Annual Report.

Japan

As part of the GX (Green Transformation) policy package, the Government of Japan has conducted the following with regards to promoting transition finance.

The Government of Japan has started to issue the Japan Climate Transition Bonds since February 2024. The Japan Climate Transition Bonds issued in February were certified under the Climate Bonds Standard by Climate Bonds Initiative (CBI), offering investors assurance on the environmental objectives of the use of proceeds, and signifying alignment with the best practice global standards, in addition to the two SPOs provided to the framework.

The Government of Japan established the GX Acceleration Agency, as part of the Japanese Government's GX policy initiative to realise GX investment of over JPY 150 trillion in the next 10 years. The GX Acceleration Agency has started operations in July 2024 and will first begin with financial support operations such as debt guarantees and equity investments, and then also undertake administration of the carbon pricing mechanism.

The TCFD Consortium has been discussing the "Transition Plan" as one of the main issues to be considered. The Consortium has positioned the Transition Plan as "Decision-useful information that provides the clearest possible picture of how a company can balance value creation with the transition to a low-carbon, decarbonised society" and formulated the "Transition Plan Guidebook." This guidebook summarises the outcome of the discussion and aims to contribute to the consideration of the transition plan by companies and investors, including case studies.

The FSA has established the Working Group on Disclosure and Assurance of Sustainability-related Financial Information (of the Financial System Council). The Working Group has started to consider how the sustainability-related information required for investors to assess medium- and long-term corporate value and engage in constructive dialogue with companies should be provided in a reliable manner, and how it should be assured.

The FSA has established the Working Group on Financial Infrastructure for Carbon Credit Transactions. The Working Group has started to discuss from the perspective of enhancing the transparency and soundness of carbon credit transactions and promoting investor protection. The Working Group intends to work on the optimal trading infrastructure and market practices regarding carbon credits from a practical and professional perspective, thereby discussing initial issues.

On October 2, 2024, the Asia GX Consortium announced its official launch at the high-level meeting held in Tokyo. The consortium is composed of the FSA, the ASEAN Financial Authorities, the Asian Development Bank (ADB), Glasgow Financial Alliance for Net Zero (GFANZ), financial institutions active in Asia and observers. The consortium engages in practical discussions through case studies in Asia and other methods, with the aim to form specific methodologies and real cases of transition finance.

The Government of Japan will further promote transition finance in the Asia region through the AZEC (Asia Zero Emissions Community) initiative, with discussions to proceed under the Asia GX Consortium and private-led Asia Transition Finance Study Group.

Kenya

No developments reported by the jurisdiction for this IPSF Annual Report.

Malaysia

Malaysia was among the first countries to ratify the 2030 SDGs in September 2015, demonstrating its commitment to sustainable, resilient, and inclusive development. In Southeast Asia, Malaysia has set an ambitious carbon pledge, aiming for a 45% reduction in economy-wide carbon intensity of GDP by 2030, relative to 2005 levels.

To achieve these goals, sustainability is embedded in national strategies and policies, including Sustainable and Responsible Investment (SRI), which is a key priority for the Malaysian capital market. This aligns with the Securities Commission (SC) Malaysia's Capital Market Masterplan 3 (2021-2025) and the SRI Roadmap for the Malaysian Capital Market. In December 2022, the SC issued the Principles-Based SRI Taxonomy, enabling capital market participants to identify economic activities aligned with ESG objectives. The SC is working on refinements to the SRI Taxonomy to provide greater guidance to the industry.

In December 2023, the SC introduced the SRI Guide for Private Markets, which aims to offer voluntary guidance to Venture Capital Management Corporations (VCMCs), Private Equity Management Corporations (PEMCs), Equity Crowdfunding (ECF), and peer-to-peer (P2P) financing platform operators on incorporating sustainability considerations into their investment and due diligence processes.

In July 2024, Bursa Carbon Exchange (BCX), a subsidiary of Bursa Malaysia Berhad, conducted its first Malaysian Carbon Credit auction. This auction featured credits from the Kuamut Rainforest Conservation Project in Sabah, marking a significant milestone by introducing Malaysia's first nature-based carbon project on the BCX. The auction established a benchmark price for voluntary carbon credits specific to Malaysian nature-based projects and showcased Malaysia's capability to develop its own carbon projects that meet international standards.

The SC is also set to launch the Social Exchange, with registration scheduled for the first quarter of 2025. This exchange will serve as a dedicated fundraising platform for projects with positive social outcomes, mobilising private and philanthropic capital to meet the needs of the underprivileged. Key focus areas for eligible projects will include social welfare, quality education, capacity building, good health, and well-being, as well as Waqf-related⁵ projects and environmental sustainability.

⁵ Waqf is a charitable endowment under Islamic law.

Sustainability disclosure standards are another important pillar for Malaysia. With endorsement from the Ministry of Finance, the SC established a national-level Advisory Committee on Sustainability Reporting (ACSR) to facilitate the implementation of the the IFRS Sustainability Disclosure Standards (ISSB Standards) in Malaysia. The ACSR launched the National Sustainability Reporting Framework (NSRF) on 24 September 2024. The NSRF addresses the use of the ISSB Standards as the baseline standard for companies, which aims to enhance the availability of reliable, comparable, and decision-useful information regarding companies' material sustainability risks and opportunities. Compliance with the new reporting requirements will be phased from annual reporting period beginning on or after 1 January 2025 starting with the large listed issuers on Bursa Malaysia's Main Market.⁶

To support SMEs in their sustainability journey, Capital Markets Malaysia (CMM), an affiliate of the SC, introduced the Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chain in October 2023. This guide provides a simple and standard set of disclosures for SMEs to track and report on ESG metrics. In May 2024, CMM launched the SEDG Sector Guides, featuring enhanced ESG disclosure guidelines for SMEs in five significant sectors of Malaysia's economy: Energy, Transport and Logistics, Construction and Real Estate, Agriculture, and Manufacturing.

The Joint Committee on Climate Change (JC3), co-chaired by Bank Negara Malaysia (BNM) and the SC, serves as a key point in accelerating financial sector responses to climate change. Its priorities include risk management, governance and disclosures, product and solution development, capacity building, and bridging data gaps for SME transitions. The ESG Jumpstart portal, launched in October 2023, serves as a one-stop centre for SMEs to access foundational information to begin their sustainability journey. The JC3 continues to pilot projects aimed at scaling up climate finance.

Regionally, through membership in the ASEAN Taxonomy Board (ATB), BNM and SC are actively involved in developing the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy). In February 2024, the ATB published Version 2 of the ASEAN Taxonomy, which included stakeholder feedback. This version introduced grandfathering rules for bonds and green financial instruments, finalised criteria for coal phase-out, and a red list of activities. BNM and SC also contributed to Version 3, released for consultation in March 2024, focusing on the construction and real estate, and transportation and storage sectors, showcasing ASEAN's commitment to advancing sustainable finance practices across the region.

Morocco

The Kingdom of Morocco is committed to sustainable development and continues to demonstrate its effort at both national and international level. This commitment is reflected

⁶ Large listed issuers on Bursa Malaysia's Main Market refers to Main Market listed issuers with market capitalisation of MYR2 billion and above (Group 1). Main Market listed issuers, other than listed issuers in Group 1, will begin adoption of the ISSB Standards in annual reporting periods beginning on or after 1 January 2026 (Group 2). Listed issuers on Bursa Malaysia's ACE Market and non-listed companies with annual revenue of MYR2 billion and above will begin adoption of the ISSB Standards in annual reporting periods beginning on or after 1 January 2027 (Group 3).

in different strategies and policies, like the National Sustainable Development Strategy 2035, the National Determined Contribution which are currently being updated, and the Low Carbon Strategy 2050, and in efforts made at international level (Paris Agreement, etc.). Achieving these objectives is closely tied to the mobilisation of funding on one hand and the development of an ecosystem that encourages stakeholders to contribute to the scaling up of climate and transition finance, on the other.

In this case, in September 2024, the Ministry of Economy and Finance, along with the Central Bank, the Moroccan Capital Market Authority and the Supervisory Authority of Insurance and Social Welfare have adopted the strategy for climate finance for 2030. This strategy aims to unlock private climate financing and reach a share of 50% of private capital in climate financing while reinforcing financial sector resilience to climate risks, which would accelerate the green transition of the Moroccan financial sector.

In addition to the adoption of the climate finance strategy, the Ministry of economy and finance and the National development bank “Tamwilcom” have adopted in September 2024, a new initiative for the greening of the national credit guarantee system to promote a green and resilient economy and to encourage the integration of green/climate considerations by financial sector actors. More specifically, this new system aims at implementing requirements (mainly through questionnaires and risk analysis) for assessing the environmental impacts of potential guaranteed projects exceeding a certain threshold.

The Moroccan Authorities are continuing their efforts to scale up green and sustainable finance. These efforts are reflected in the ongoing development of the green finance taxonomy. A working group has been established (including the MoF, financial regulators and the Ministry of energy transition and sustainable development) in order to follow up the taxonomy preparation process and a preliminary draft of the taxonomy roadmap has been developed. A final version of the green finance taxonomy will be adopted by the end of 2025/early 2026.

Further steps have been taken to enrich the sustainable finance landscape by initiating the development of a Sovereign green bonds’ framework. This framework will help mobilise financing, particularly private finance towards sustainable development and NDC goals, in line with international standards and the Green bonds principles formulated by the International Capital Market Association (ICMA).

New Zealand

New Zealand’s Climate Strategy was released this year and is organised around five pillars:

1. Infrastructure is resilient and communities are well prepared,
2. Credible markets support the climate transition,
3. Clean energy is abundant and affordable,
4. World-leading climate innovation boosts the economy, and
5. Nature-based solutions address climate change.

Private investment, international engagement and knowledge sharing are key enablers to delivering this Strategy.

Guided by the Climate Strategy, New Zealand is developing its second Emissions Reduction Plan (to be released by the end of 2024), detailing how New Zealand will meet its second emissions budget. New Zealand is also developing an enduring and fair adaptation framework to help prepare for the impacts of climate change. The adaptation framework will set out the Government's approach to sharing the costs of adapting to climate change and help communities and businesses know what investment will happen in their area.

In July 2024, the New Zealand and Australian Ministers of Finance and Climate Change met for the second annual 2+2 Climate and Finance Dialogue. They agreed to facilitate alignment on sustainable finance where appropriate through a trans-Tasman Sustainable Finance Working Group. New Zealand also used this forum to announce the development of a Sustainable Finance Strategy, committing to publishing this Strategy in 2026 to support greater alignment on sustainable finance and to position the region as a robust green finance market.

On a sustainable finance taxonomy – New Zealand is now developing definitions for two priority sectors: agriculture and forestry.

On climate related disclosures – Climate reporting entities were required to publish disclosures from financial years commencing on or after 1 January 2023, in accordance with climate standards published by the External Reporting Board. To date, reporting entities have conveyed that the regime has generated high value insights for internal strategy and risk management practices. Investors have also highlighted that the regime is generating valuable data and information.

The first impact report of the New Zealand Sovereign Green Bond Programme is due to be published before the end of 2024. As of 17 October 2024, there are NZD 8.4 billion New Zealand sovereign green bonds on issue.

Norway

In June 2024, the Norwegian Parliament adopted amendments to implement the EU Corporate Sustainability Reporting Directive (CSRD) into Norwegian law. The new sustainability reporting requirements will not only apply to undertakings under the EU Accounting Directive and CSRD but also to large Norwegian state enterprises ("Statsforetak"). These requirements will align with the transitional provisions of the CSRD, mandating that large public-interest companies with over 500 employees prepare sustainability reports in 2025 for the fiscal year 2024. Approximately 1200 Norwegian undertakings will be required to comply when fully implemented.

A new sustainable finance act, which incorporates the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation, came into force in 2023. Norwegian undertakings

in scope of the regulations were required to report in accordance with them for the first time in 2024, covering the fiscal year 2023.

The Norwegian green bond market has experienced significant growth, with green bonds making up a substantial portion of total bond issuance. The total outstanding volume of green corporate bonds reached EUR 11.5 billion at the end of 2023, up from EUR 10.4 billion in 2022. New issuances increased from EUR 2.1 billion to EUR 2.3 billion during the same period. The Norwegian Financial Supervisory Authority has proposed a framework for implementing the EU Green Bond Regulation in Norway, which has been subject to public consultation. The Ministry of Finance aims to present a legislative proposal to Parliament for this regulation in Q1 2025.

In February 2024, a government-appointed expert commission on nature-related risks submitted its findings to the Ministry of Climate and Environment. The commission found that about one-third of the Norwegian financial sector's exposures (banking, insurance, and pension funds) are in sectors vulnerable to natural risks due to their dependence on nature. It recommended that, after a few years of new sustainability reporting, public authorities evaluate whether companies are disclosing material nature-related information. Furthermore, the commission recommended the financial sector to incentivise nature-related disclosures from SMEs not formally required to report on sustainability. The commission's report has also been subject to public consultation.

Senegal

During the year 2024, Senegal experienced a major political evolution with presidential elections that resulted in a transition of power. The economic, social, and environmental policy frameworks are currently being revised. However, some priorities remain unchanged for Senegal.

In terms of sustainable finance, the State is continuing to establish an organisational framework conducive to the development of green finance.

After the adoption of a framework document for sustainable financing in Senegal, the State began, with the support of German cooperation (GIZ), the development of a green taxonomy. The first phase of this work was completed in May 2024 and the second phase should result in a first version of the taxonomy by the end of 2025.

As part of the Just Energy Transition Partnership (JETP), Senegal and the GPI aim to mobilize at least EUR 2.5 billion euros, or more than XOF 1600 billion francs over a period of 3 to 5 years.

To support Senegalese efforts, a high-level forum on financing climate action was organised in November 2023 in Dakar, under the co-chairmanship of the Minister of Finance and Budget of Senegal and the Deputy Managing Director of the International Monetary Fund (IMF).

With regard to financing climate risks, Senegal has the dual advantage of being a beneficiary of both the "Risk Insurance and Financing Facilities" (RIFF) and the "Global Shield". The first Global Shield workshop in Senegal was held on July 23-24, 2024. It constitutes the official launch of the collaboration between Senegal, Global Shield and the World Bank.

It made possible to:

- present the conclusions of the diagnosis of disaster risk financing (DRF) in Senegal and the strategic options to improve the country's financial resilience;
- launch discussions on the National DRF Strategy;
- initiate the National Process for joining the GS, by presenting the GS to the main stakeholders in Senegal, and by identifying relevant projects and activities and key participants missing from the National Process.

In terms of resources mobilised, it should be noted that, for the first time in Senegal, a microfinance institution raised the sum of 20 billion CFA francs (XOF), or 30.5 million euros, on the regional financial market by issuing green, social, and sustainable bonds. This fund should be used to finance 5,000 small and medium-sized enterprises, the majority of which are run by young people and women.

Singapore

Singapore has focused its efforts on implementing and advancing the global net-zero transition. In October 2022, Singapore announced its enhanced Long-term Low Emissions Development Strategy to achieve net-zero emissions by 2050, along with an updated 2030 Nationally Determined Contribution to reduce emissions to 60 million tonnes of carbon dioxide equivalent by 2030, after peaking emissions earlier.

Singapore is well-positioned to support a sustainable economy and catalyse Asia's net-zero transition. The Monetary Authority of Singapore (MAS) has intensified its efforts to facilitate an orderly transition to net-zero for Singapore and the region. This includes the launch of the Finance for Net Zero Action Plan (FINZ) in April 2023, along with several key initiatives. In January 2024, MAS supported the establishment of the Singapore Sustainable Finance Association (SSFA), which comprises members from banks, asset managers, insurers, and the real economy to develop markets and solutions aimed at closing the climate and transition financing gap.

In the area of data, definitions, and disclosures, the Singapore-Asia Taxonomy for Sustainable Finance was launched in December 2023, marking the world's first comprehensive set of criteria and thresholds for transition activities across eight focus sectors. This taxonomy is particularly relevant for sectors facing challenges in reducing emissions and meeting a 1.5-degree aligned outcome due to technological constraints. MAS also published the Singapore Code of Conduct for ESG Rating and Data Product Providers in December 2023, accompanied by a checklist for providers to self-attest compliance. This Code is based on the International

Organisation of Securities Commissions' (IOSCO) recommendations and aims to establish baseline industry standards for transparency in methodologies and data sources, governance, and management of conflicts of interest. It also encourages disclosures regarding how forward-looking elements are considered in these products, improving investors' assessments of how investee entities respond to transition risks and opportunities. Furthermore, in February 2024, the Singapore Exchange Regulation (SGX) and the Accounting and Corporate Regulatory Authority (ACRA) announced details of mandatory climate-related disclosures aligned with the IFRS Sustainability Disclosure Standards (ISSB Standards). These requirements will apply to listed issuers starting in fiscal year 2025 and to large non-listed companies from fiscal year 2027. Following broad support from a public consultation in March-April 2024, SGX RegCo has begun incorporating ISSB Standards into its climate reporting requirements.

Concerning credible transition plans, MAS has consulted on Guidelines on Transition Planning for banks, insurers, and asset managers. These proposed guidelines build on MAS's existing supervisory guidance on environmental risk management, focusing on internal strategic planning and risk management processes to prepare for climate-related risks and potential changes in business models. Financial institutions are expected to take a multi-year view when assessing climate-related financial risks, and to engage with customers rather than indiscriminately withdrawing credit or investments.

Regarding green & transition solutions and markets, at COP28, MAS announced Financing Asia's Transition Partnership (FAST-P), a blended finance initiative in collaboration with key public, private, and philanthropic sector partners aimed at mobilising up to USD 5 billion to de-risk and finance transition and marginally bankable green projects in Asia. FAST-P currently includes two funds: the Energy Transition Acceleration Finance (ETAF) and Green Investments Partnership (GIP). MAS signed an ETAF MOU with the ADB and the Global Energy Alliance for People and Planet, focusing on phasing out coal assets and replacing them with renewable energy, alongside grid modernisation projects. The GIP MOU involves Allied Climate Partners, the International Finance Corporation, and Temasek to deploy blended finance for marginally bankable green projects. Additionally, MAS launched a transition credits coalition (TRACTION) at COP28, which brings together approximately 30 financial institutions, NGOs, and energy sector experts. This coalition will explore carbon credits derived from emissions reductions through the early retirement of coal-fired power plants (CFPPs) and their replacement with cleaner energy sources. The initiative aims to identify barriers and develop solutions to enable the use of transition credits as a credible financing instrument.

In terms of enablers, in the area of green FinTech and skills and capabilities, in April 2024, MAS and the Institute of Banking and Finance, supported by Workforce Singapore, launched the Sustainable Finance Jobs Transformation Map. This initiative outlines the impact of sustainability trends on jobs in Singapore's financial services sector and identifies emerging skills needed to meet the demand for sustainable financing in the region. MAS has allocated SGD 35 million from the Financial Sector Development Fund to support upskilling and reskilling

efforts, developing specialists in sustainable finance over the next three years. In addition, Gprnt (pronounced Greenprint) was launched by MAS and private sector partners as an open and interoperable data platform designed to interlink the financial sector with the real economy. This platform facilitates efficiencies in collecting, accessing, and harnessing high-quality ESG data to support green and transition efforts. Gprnt automates reporting for businesses, large and small, integrates various public and private data sources, provides access to aggregated data, benchmarks, and insights, and connects ESG market solutions to investors and corporates. It has begun automating and simplifying sustainability reporting for SMEs in larger corporates' value chains, with plans to scale its capabilities for larger multinational corporations.

Sri Lanka

As Sri Lanka gradually recovers from the deepest economic crisis in its post-independence history, there is an increasing focus on sustainable investment at both the national level and through private sector engagement. Recognising sustainable finance as a pathway to restabilise the economy and attract foreign investments has become crucial for restoring the foreign exchange position.

Since the initiation of its first Roadmap in 2019, Sri Lanka has faced significant challenges, including the COVID-19 pandemic and ongoing economic difficulties, which have hindered efforts and resource allocation towards sustainable initiatives. Given the global evolution of sustainable financing over the past five years, the Central Bank of Sri Lanka (CBSL) identified the need to revisit the Roadmap. In May 2024, a Corporation Agreement was signed between the International Finance Corporation (IFC) and CBSL as part of IFC's Sri Lanka SME Sector and Climate program. This agreement aims to provide technical assistance for updating the Roadmap and the Taxonomy, while also expanding the Micro, Small, and Medium Sized Enterprises (MSME) finance pillar of the National Finance Inclusion Strategy (NFIS) into the Inclusive Green Finance pillar for Phase II.

As a preliminary step in the Roadmap review process, a Scoping Mission was conducted in June 2024 to collect stakeholder insights and initiate technical consultations for developing version 2.0 of the Roadmap. This updated version is expected to be unveiled in early 2025 and will extend its scope to include social sustainability aspects, incorporating more stringent and time-bound actions for the next five years.

In addition to CBSL's initiatives, the Securities and Exchange Commission (SEC), the Ministry of Finance, and the Ministry of Environment, in collaboration with various international agencies, are working on developing policy frameworks and projects in areas such as the blue economy, renewable energy, and sustainability reporting.

Capacity building remains a crucial element of sustainable finance. Significant efforts have been made to build capacity in this area during 2024. Throughout 2024, CBSL implemented a series of training programmes to enhance the capabilities of both regulatory bodies and

financial sector professionals. Supported by international entities such as the IFC and UNDP, these training programmes focused on topics including sustainable finance introduction, green, social, and sustainability bond issuance, Green Finance Taxonomy, disclosure requirements, and ESG risk management. Additionally, recognising the challenges in operationalising the Green Finance Taxonomy, the EU Green Recovery Facility is providing technical assistance to CBSL by developing capacity and awareness-building programs with the help of international experts.

On the financial inclusion front, CBSL launched the Financial Literacy Roadmap of Sri Lanka, which provides evidence-based guidance to stakeholders engaged in financial literacy initiatives. This roadmap aims to align efforts towards improving the financial behaviour of Sri Lankans, fostering financial inclusion, enhancing consumer protection, and fortifying financial stability.

Switzerland

Switzerland's sustainable finance efforts continue to focus on fostering the transparency and comparability of disclosures, as well as ensuring alignment with globally recognised standards and best practices. The country's commitment to this transition is underpinned by a range of regulatory frameworks and initiatives.

With respect to disclosures, the ordinance on mandatory disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) came into force on January 1, 2024 for larger companies, marking a significant milestone in enhancing climate-related transparency. The ordinance mandates yearly reports covering emissions of all scopes (including Scope 3) based on the double materiality approach, and also requires the publication of transition plans based on the TCFD guidance on metrics, targets, and transition plans. The first reports for FY2024 will become available in 2025.

The ordinance itself is also undergoing a review. The review plans to reference the latest ESRS and ISSB standards, to introduce financial institution-specific minimum requirements for transition plans and to promote better connectivity with open data platforms that ensure greater data comparability such as the Net Zero Data Public Utility, by requiring electronic and machine-readable disclosure formats. The launch of a public consultation on these changes is planned for end-2024.

Additionally, Switzerland is in the process of expanding its non-financial reporting requirements to a greater set of firms. The threshold for firms required to report is expected to be lowered from 500 FTEs to 250 FTEs, and new assurance requirements are expected to be introduced, which will bring the Swiss reporting requirements closer in line with the EU CSRD.

With respect to transparency at the financial product level, the Swiss Climate Scores, a voluntary set of current state and forward-looking climate-related indicators launched in June 2022, were updated in December 2023. The update introduced a new indicator focused on

renewables exposure, clarified the scope of assets, and proposed optional questions concerning overall portfolio goals. These changes will take effect in January 2025, supporting investors in incorporating climate considerations into their financial decision-making.

Lastly, Switzerland conducted its latest round of PACTA (Paris Agreement Capital Transition Assessment) tests in 2024, evaluating the alignment of financial portfolios with climate goals. These voluntary tests provide financial institutions with critical insights into their actual climate progress and key areas for improvement. The aggregate results of the 2024 PACTA tests will be published by the end of the year, offering an overview of the Swiss financial sector's alignment with the Paris Agreement's objectives.

United Kingdom

The UK Government is committed to making the UK a global hub for green and transition finance activity and delivering a world-leading sustainable finance regulatory framework. The Government is creating a National Wealth Fund (NWF) to mobilise billions more in private investment and generate a return for taxpayers. GBP 7.3 billion of additional funding will be allocated through the UK Infrastructure Bank so investments can start being made immediately, focusing on further priority sectors and catalysing private investment at an even greater scale. Great British Energy (GBE) will also play a key role driving the private investment needed to deliver the Government's Clean Power Mission, acting as a partner to industry by co-investing in leading technologies.

The Government continues to support broad adoption of the standards developed by the International Sustainability Standards Board (ISSB) as a route to minimise the costs to firms operating across multiple jurisdictions and maximise the consistency and comparability of information for investors. The Government is currently conducting a detailed assessment of the ISSB standards with the help of a technical advisory committee of external experts. The UK Government aims to make UK-endorsed standards available for use in early 2025. The Financial Conduct Authority (FCA) is expected to mandate standards for listed companies from January 2026, and the Government will consider its approach at a later stage.

IFRS S1 requires companies to disclose information on any material nature risks, through an investor materiality lens. The UK Government supports the voluntary use of the Taskforce for Nature-related Financial Disclosure (TNFD) recommendations where appropriate as part of firms' considerations ahead of implementing S1. The UK supports the ISSB's biodiversity, ecosystem and ecosystem services (BEES) research, and its consideration of the TNFD's work when preparing any future standard.

The Transition Plan Taskforce (TPT), co-chaired by HM Treasury, has continued to develop best practice around transition plan disclosures, launching its Disclosure Framework and associated guidance in October 2023 and sectoral guidance in April 2024. The Disclosure Framework complements, and builds on, ISSB and is also aligned with the transition plan guidance developed by the Glasgow Financial Alliance for Net Zero (GFANZ). In June of this

year, the ISSB announced that it was taking on responsibility for the TPT's Disclosure Framework. The Government's Manifesto committed to introducing new requirements in relation to transition plans for listed companies, financial institutions and private companies. Further information about the Government's plans will be published in due course.

The FCA has introduced its Sustainability Disclosure and Investment Labels Regime and an Anti-Greenwashing Rule raising the bar for industry and helping consumers to navigate the market for sustainable investment products. Firms are now implementing the new rules.

The Transition Finance Market Review was published in October this year focusing on the conditions for raising transition capital in the UK. The Review's earlier Call for Evidence (May 2024) received strong engagement across a broad range of stakeholders. The Government wants transition finance to support higher emitters to finance genuine transitions towards net zero. As part of this work, the FCA hosted a roundtable that brought over 20 regulators from around the global to discuss regulatory approaches to enable high-integrity transition finance.

Developing a usable and useful Taxonomy is a complex and technical exercise, involving multiple departments. The UK Government will provide further information about its plans in due course.

The UK Government intends to respond to last year's industry consultation on the regulation of ESG ratings providers, via the publication of a Government consultation response by the end of the year (2024). This is ahead of presenting secondary legislation next year to introduce a regulatory regime for ESG ratings provision. Ahead of regulation, the FCA appointed the International Capital Market Association (ICMA) and the International Regulatory Strategy Group (IRSG) to convene an industry group to develop a globally consistent voluntary Code of Conduct for ESG ratings and data products providers. The Code was published in December 2023 and is owned by the ICMA.

The FCA convened, industry led Vote Reporting Group is developing a vote reporting template to enhance shareholder vote reporting by asset managers operating in the UK.

FCA, the Department of Environment, Food and Rural Affairs, HM Treasury and TNFD provided high-level input into the Green Finance Institute led research project on "Assessing the Materiality of Nature-Related Financial Risks for the UK" as members of the projects Analysis Advisory Committee. The report was published in April 2024, and it analyses the impact of the degradation of natural ecosystems, both domestically and internationally, to the economy and financial sector in the UK.

2. Transition Finance Spotlight: stewardship and EMDE/SME considerations in transition finance

2.1. Stewardship and engagement to support transition finance

Stewardship and engagement, defined as the proactive ownership practices employed by financial institutions to influence the behaviour of investee companies towards achieving long-term environmental and social sustainability, is due to become a central element of many transition plan frameworks. Stewardship is also seen as a tool that can help investors generate impact and foster longer-term value creation. The IPSF workstream on stewardship and engagement has therefore reviewed the existing landscape of key existing stewardship and engagement frameworks and initiatives to distil best practices for financial institutions, policymakers, and other key actors in the stewardship ecosystem.

The resulting paper⁷ identifies the core components that these frameworks have in common, including policy definition, risk and opportunity identification, governance, voting, engagement strategies, escalation procedures, monitoring, delegation, transparency, and public policy advocacy. In a second step, the paper highlights several best practice elements that could strengthen the effectiveness of stewardship strategies and have yet to be mainstreamed across frameworks.

2.2. EMDE/SME considerations in transition finance

Gearing financial flows towards the reduction of GHG emissions is a necessary condition to the achievement of climate policy goal. The IPCC estimates that a three to six-fold increase in transition finance, financial support to whole-of-economy transitions towards net-zero, is needed by 2030 to achieve the 1.5 degrees Celsius target.⁸ As such, there is growing consensus that concerted and scaled up efforts by all economic stakeholders are needed to tackle the climate emergency and ensure a net-zero future in line with the Paris Agreement and Sustainable Development Goals.

Each jurisdiction's GHG emission levels, mitigation and adaptation needs and resources, socio-economic circumstances, regulatory context and net-zero policies will inevitably shape that jurisdiction's transition.⁹ Consequently, a net-zero transition will also be a function of each jurisdiction's specific domestic context.¹⁰ Existing net-zero targets vary along several key dimensions, such as, inter alia: timeframe, sectoral scope, coverage, and legal status.¹¹

⁷ [Stewardship and engagement in transition finance](#).

⁸ [Implementing transition finance principles – interim report December 2023 \(IPSF\)](#); [Emerging Economies Need Much More Private Financing for Climate Transition \(imf.org\)](#); [Scaling Transition Finance and Real economy Decarbonisation \(GZANZ\)](#).

⁹ [Transition Finance and its Relationship to Green Finance \(cesifo.org\)](#); [Understanding countries' net-zero emissions targets \(OECD\)](#).

¹⁰ [Transition Finance Report 2021 \(EU Platform on Sustainable Finance\)](#).

¹¹ [Understanding countries' net-zero emissions targets \(OECD\)](#).

EMDEs and SMEs have a key role to play in the global transition to net-zero. For instance, SMEs make a significant proportion of businesses worldwide, and contribute to larger companies' scope 3 emissions, contributing significantly to total GHG emissions emitted.¹² Furthermore, SMEs are particularly key to supply chains in EMDEs.¹³ And EMDE-based entities are part of global supply chains.¹⁴

Several studies have pointed out that transition approaches can vary between AEs and EMDEs.¹⁵ Notably, the greater vulnerability to physical and nature risks, especially in low and lower middle-income countries, translates into a stronger focus on climate adaptation. Transition plans elaborated by EMDE entities oftentimes include, beyond climate mitigation, climate adaptation and broader sustainable development dimensions.¹⁶

In AEs transition plans are often supported by, and integrated into, a broader national climate framework, which is frequently absent in EMDEs. For instance, the NGFS found that net zero targets are adopted in a policy document or in law in 68% of AEs, but only in 43% of upper middle-income countries and 28% of lower middle-income countries. In turn, this impacts the ability of entities in EMDEs, whose actions rely on broader national climate policy commitments and directions, to set climate targets and act on any decarbonisation levers that are available to them.¹⁷ Relatedly, the literature identifies that EMDEs often lack climate policy frameworks, net zero regional, national, and sectoral transition pathways, and long-term adaptation strategies.¹⁸

Structural issues in EMDEs' financial architecture can also undermine the mobilisation of transition finance. For instance, the literature notes the lack of predictable and viable climate projects in EMDEs. Furthermore, project implementation in EMDEs often faces slow disbursements, regulatory uncertainties, and usually long timelines, that may also influence private investors' analysis.¹⁹

The literature on transition finance and wider sustainable finance highlights that high quality, reliable, and comparable data is crucial for efficient analysis and pricing of transition risks and opportunities.²⁰ However, the current climate information architecture is patchy and incomplete. Notably, the literature identifies limits to information and data quality, consistency, and comparability within jurisdictions alongside a lack of capacity and skills by stakeholders to use that information, especially in EMDEs.²¹ These challenges are amplified by a lack of robust transition finance frameworks and approaches and interoperable reporting

¹² [Activating Alignment 2023 \(World Bank Group\)](#).

¹³ [Activating Alignment 2023 \(World Bank Group\)](#).

¹⁴ [Activating Alignment 2023 \(World Bank Group\)](#).

¹⁵ [Roadmap for Inclusive Green Finance Implementation 2022 \(Inclusive Green Finance \(IGF\) Working Group\)](#).

¹⁶ [Credible Transition Plans: The micro-prudential perspective April 2024 \(NGFS\)](#); [Tailoring Transition Plans: Considerations for EMDEs April 2024 \(NGFS\)](#).

¹⁷ [Tailoring Transition Plans: Considerations for EMDEs April 2024 \(NGFS\)](#).

¹⁸ [Tailoring Transition Plans: Considerations for EMDEs April 2024 \(NGFS\)](#).

¹⁹ [Scaling Up Blended Finance for Climate Mitigation and Adaptation in EMDEs December 2023 \(NGFS\)](#).

²⁰ [Tailoring Transition Plans: Considerations for EMDEs April 2024 \(NGFS\)](#).

²¹ [Sustainable Investing with ESG rating uncertainty](#).

and disclosure standards in EMDEs. Concomitantly, these factors are echoed by SMEs as their main barriers to access transition finance, alongside high up-front decarbonisation costs.²²

I. Key survey findings

The IPSF conducted a survey to explore the challenges and opportunities related to accessing private finance for entities in EMDEs, experiences, and best practices relevant for supporting SMEs' transitions, including those in AEs. The survey covered five key dimensions: consideration of EMDE specificities, specific SME concerns, existing initiatives and best practices, guidance on key/core elements of transition plans, and credibility assessments for transition plans. Responses were collected from IPSF member jurisdictions and observer organisations, providing a diverse array of perspectives and experiences.

i. Institutional setup and developmental stages

The institutional setup across jurisdictions varies significantly, with either/or finance ministries, central banks, and regulatory authorities taking the lead on transition finance policy formulation and environmental risk management. These institutions often have dedicated divisions for sustainable finance, working collaboratively with multiple national agencies. Such collaboration spans various stakeholders, including treasury, environmental bodies, financial exchanges, insurance, pension authorities, and accounting councils. Several respondents exemplify this multi-agency approach, underscoring the complexity and interconnectivity required to manage transition finance effectively.

The stages of transition finance frameworks and tools across jurisdictions show significant variance, with some having already established transition frameworks to align with Paris Agreement targets while others are still in the process of developing their green finance strategies. Most respondents have either established or are in the process of developing taxonomies that include specific transition activities.

ii. Consideration of EMDE specificities

The survey responses indicate that most jurisdictions focus on climate change mitigation as a primary goal within their transition finance frameworks. However, there is a growing trend among respondents (including AEs) to consider wider environmental elements beyond climate change. These elements include ecological conservation, resource efficiency, pollution control activities, circular economy, biodiversity, and social inclusiveness. The integration of these broader environmental objectives is seen across various frameworks and tools, such as taxonomies, strategic planning, financial risk management, or public-private funding instruments.

²² [Climate Transition Finance \(WWF\)](#); [Activating Alignment 2023 \(World Bank Group\)](#).

Scope and approaches to transition finance

The scope of transition finance varies considerably across jurisdictions, reflecting differing national priorities, economic structures, and stages of development. Some jurisdictions have developed comprehensive frameworks aiming to facilitate an economy-wide transition, addressing multiple sectors and incorporating various environmental objectives.

In the EU, transition finance covers investments in portfolios tracking EU climate transition benchmarks and EU Paris-aligned benchmarks, investments in taxonomy-aligned economic activities or those becoming taxonomy-aligned over a specified period, or investments in undertakings or activities with credible transition plans and science-based targets. Another jurisdiction emphasises for instance energy efficiency, the adoption of renewable energy, and the shift to low-carbon transportation options, reflecting its strategic priorities in addressing its unique energy challenges while contributing to global climate goals. Another jurisdiction is still in the early stages of developing its transition finance policies, with individual initiatives that incorporate elements of transition finance but without a formal, overarching policy framework.

Challenges to transition finance in EMDEs

Entities in EMDEs face a range of challenges in accessing and implementing transition finance, which can be broadly categorised into external factors and internal capabilities.

- *External factors:* Access to finance remains a significant barrier for most EMDE entities, and particularly for SMEs. The survey responses indicate that international investors often prefer non-EMDE projects that are subject to more stringent transition requirements. Moreover, capital markets in many EMDEs lack the liquidity and depth necessary to support large-scale transition activities. A couple of responses also noted that the high cost of capital and limited access to local currency financing are additional challenges that further inhibit the ability of EMDE entities to engage in transition finance. These financial barriers are seen as particularly pronounced in sectors with high greening potential, such as transport, water, and electricity production, or in structurally important sectors like construction, or health.
- *Internal capabilities:* Several respondents highlighted a lack of awareness and interest in transition opportunities among entities in EMDEs. Two EMDEs reported that many companies are not fully aware of the benefits of green projects or the availability of green finance solutions. This lack of awareness often leads to a reluctance to engage in sustainable practices, as companies do not perceive clear benefits or lack the necessary guidance from policymakers. Additionally, respondents pointed to limited in-house expertise within EMDE entities, which hinders their ability to develop and assess eligible and attractive transition projects. When asked to rank the elements that should be prioritised to enhance transition finance in EMDEs, AEs respondents emphasised the importance of developing clear, interoperable, and stable policy frameworks. These frameworks are seen as essential for establishing the regulatory

and institutional groundwork necessary for subsequent initiatives, ensuring integrity and transparency in transition finance activities. EMDE respondents prioritised capacity building and technical assistance. These respondents highlighted the need for tailored support to enhance the capabilities of local financial institutions and businesses, enabling them to develop viable transition projects and access the necessary funding.

Initiatives to address transition finance challenges in EMDEs

In response to the challenges identified, several jurisdictions have implemented or are developing initiatives aimed at improving access to transition finance in EMDEs.

- *Development of transition finance frameworks:* Some respondents, including EMDEs, highlighted the need to develop or refine their transition finance frameworks. These efforts include preparing taxonomies, finalising green finance strategies, and conducting gap analyses to identify and address current shortcomings in the supply and demand for transition finance. The development of clear definitions aligned with Paris Agreement targets and consideration of the maturity of local financial markets are seen as critical components in the development of frameworks.
- *Mechanisms to attract private investments:* Respondents emphasised the role of mechanisms that de-risk and co-fund investments tailored to local conditions. An EMDE respondent, for example, has implemented green credit lines and investment facilities in collaboration with financial institutions and public bodies.
- *Capacity building and technical assistance:* Capacity building remains a key focus for many respondents. Collaborative research and training programmes have been initiated to share best practices and lessons learned between AEs and EMDEs. An AE has welcomed policymakers from EMDEs for research and training programmes aimed at supporting the development of financial infrastructure and strengthening relationships with EMDEs. These initiatives are designed to enhance the technical expertise of local financial institutions and businesses, enabling them to better manage the complexities of transition finance.

iii. Credibility assessments for transition plans

When asked to rank which elements are critical for ensuring the credibility of transition plans submitted by entities in EMDEs, most respondents emphasised the importance of transition plans to be aligned with internationally recognised frameworks and science-based methodologies. Respondents also highlighted that the transparency and comprehensiveness of the plans, particularly their compatibility with the Paris Agreement targets, should cover all relevant steps, decisions, and projected outcomes related to the transition process. This level of detail is considered important for fostering credibility.

Respondents also highlighted the need for the data used in the elaboration of transition plans to be accurate and reliable and that robust verification mechanisms must be in place to ensure that the decisions and strategies outlined in the transition plans are credible. Here, one

respondent recommended to improve the availability and comparability of data via capacity-building initiatives and collaborative guidance.

Effective internal governance processes, with regular stakeholder engagement and the integration of transition risks and opportunities in corporate governance structures, were also identified as vital to foster broader acceptance of the transition plans and ensure that these benefit from collaborative insights. Finally, the respondents also noted that integrating environmental (beyond climate mitigation) and social safeguards are critical to ensure no significant harm to other objectives and a comprehensive approach.

iv. Specific SME concerns

Specific challenges faced by SMEs

Similarly to findings in the previous section, respondents (from AEs and EMDEs) highlight lack of awareness and expertise by SMEs to identify transition risks and opportunities and develop sound transition projects. Current little identified viability of transition projects was also raised as a problem. Some respondents point to insufficient institutional clarity regarding transition finance and SMEs' role, which notably entails uncertainty regarding future transition policies and regulations and lessens incentives to invest in transition finance by and for SMEs. Also, a lack of standardised data reporting entails high and disproportionate compliance costs to SMEs, which often have uncoordinated transition finance data request from different stakeholders. Additionally, two respondents point a lack of tailored financial transition finance instruments that cater SMEs specific needs. Relatedly, several respondents point to a lack of/insufficient collaboration between SMEs and local financial institutions and, consequently, inhibited access to capital.

Initiatives taken to address transition finance challenges in SMEs

Several initiatives have been implemented to address the challenges faced by SMEs in accessing transition finance.

- *Simplification and standardisation of reporting tools*: some respondents have undertaken efforts to simplify and standardise reporting tools and streamline sustainability-related processes. These initiatives aim to reduce compliance costs and enhance access to capital for SMEs. Central contact points with information on funding opportunities and regulatory guidance and simplified reporting standards/templates tailored to SMEs have been, or are being, developed in several jurisdictions by public, private, and academic institutions. For instance, the EIB introduced simplified green windows in SME credit lines as well as e-tools for easier reporting, such as the green tracker to support local banks. Canada developed a Clean Growth Hub as a central point for SMEs with information on funding opportunities but also regulatory guidance. Hong Kong developed a sustainability disclosure template for non-listed companies and is refining it to reflect SME feedback on complexity and resource implication. The EU is developing simplified sustainability reporting standards,

specifically tailored to the capacities and characteristics of listed SMEs and a voluntary standard for non-listed SMEs.

- *Technical assistance and capacity building*: Technical assistance and capacity-building programmes have been developed to enhance the expertise of SMEs in identifying and managing transition risks and opportunities. These programmes often involve collaboration between regional financial institutions, microfinance organisations, local chambers of commerce, and public authorities. For example, in Japan, regional financial institutions provide briefings on national decarbonisation measures and support SMEs in setting CO2 emission reduction targets and measures. In Canada, the Net-Zero Challenge encourages businesses to develop and implement plans to transition their facilities to net-zero emissions by 2050, focusing on heavy industries and clean technology development. Morocco is exploring the combination of technical assistance for the development of bankable projects by SMEs with an existing de-risking mechanism. Additionally, it has established a dedicated public organism (MSME Observatory) to provide transition data, statistics, and thematic studies on SMEs for the public and private sector.
- *Co-funding and risk-sharing mechanisms*: Public authorities in certain jurisdictions have introduced co-funding and risk-sharing mechanisms. These mechanisms include rebates and blended finance options that aim to attract private investment and support the transition efforts of SMEs. For instance, Morocco's Ministry of Finance has implemented a co-funding mechanism to encourage commercial banks to finance green and transition projects. In Canada, the Canada Growth Fund and the Canada Carbon Rebate for Small Businesses provide financial incentives to SMEs to engage in sustainable practices.

Respondents identified various measures necessary for SMEs to effectively integrate transition considerations into their activities. These general strategies reflect respondents' perspectives on the best ways to overcome the existing hurdles:

- *Increasing awareness*: Two respondents highlighted the importance of increasing awareness among SMEs about the risks and opportunities associated with transition finance. Enhanced awareness can encourage SMEs to actively seek out and engage in transition projects by illustrating the potential benefits and long-term gains of such investments.
- *Capacity building and reporting guidance*: Most respondents, AEs and EMDEs alike, emphasised the crucial role that public sector initiatives, alongside industry experts and financial institutions, play in enhancing SMEs' capacity for and understanding of transition finance. This involves comprehensive programmes on sustainability reporting, ESG data collection, the identification of transition risks and opportunities, and providing SMEs with access to expertise and advisory services in transition finance. For instance, the EU has been actively involved in guiding enterprises on data collection and reporting through targeted actions, and is preparing simplified, user-friendly

reporting tools tailored to SME needs. Moreover, the EIB suggests a focus on capacity building for climate resilience, leveraging networks such as local chambers of commerce and microfinance organisations to deliver tailored support programmes that enhance SME capabilities in sustainable practices.

- *Strategic collaboration and technical assistance*: The need for stronger collaborations between SMEs and relevant stakeholders, such as financial institutions and regulatory bodies, was a recurring theme. These partnerships are vital for providing the targeted technical assistance necessary to equip SMEs with the skills and knowledge required to navigate the transition finance landscape effectively. Such collaborative efforts can also help in developing a robust pipeline of bankable transition projects, thereby facilitating SME access to necessary financial resources.
- *Enhancing market access*: Several respondents, particularly from EMDEs, noted the importance of facilitating SMEs' access to market opportunities. This involves creating platforms and mechanisms that link SMEs with larger corporates and financial institutions, thus integrating them into broader supply chains and transition initiatives. Enhancing market access can help SMEs leverage external expertise and financial resources, which are crucial for implementing successful transition projects.
- *Implementing emission reduction strategies*: Japan's approach includes encouraging large corporates and financial intermediaries to implement strategies for Scope 3 emission reductions, which can indirectly benefit SMEs within the supply chain. By aligning larger companies' sustainability practices with those of SMEs, there is potential for enhanced sector-wide compliance and efficiency in meeting transition goals.

v. Existing initiatives and best practices

Two respondents highlighted initiatives and projects that effectively address EMDE and SME specificities in transition finance. One AE respondent has highlighted that private entities, local finance bureaus, and regional financial institutions undertake briefing and information-sharing sessions with SMEs to foster awareness of transition risks and opportunities. Additionally, its government has supported region-specific decarbonisation initiatives, in collaboration with regional financial institutions and SMEs in selected regions and has made available subsidies for green transformation. Another AE highlighted its work on the development of legally binding standards tailored to listed SMEs and voluntary standards for non-listed SMEs, to increase the availability and comparability of sustainability information, facilitating SME participation in the transition, and responding to sustainability data requests efficiently and proportionately.

Respondents highlighted that these initiatives and projects have the potential for scalability while allowing for the consideration of local economic, environmental, and social specificities. For instance, the EIB highlighted its Green Gateway scheme, which has demonstrated success within the EU and could be used on a wider scale. Japan mentioned the Asia GX Consortium, as an initiative with potential for scalability. Launched to develop a practical and common

approach to promoting transition finance specifically within Asia. Finally, the EU sees its approach to SME reporting as replicable in EMDE context. The focus on simplifying the reporting process, reducing the administrative burden, and aligning with the capacities and characteristics of SMEs is a key aspect that could be replicated in EMDE contexts, coupled with user-friendly guidance and tools and technical assistance.

vi. Guidance on key/core elements of transition plans for EMDEs

Transition plans play a critical role in aligning entities' business models with sustainability targets. When asked to evaluate the adequacy of existing transition plan frameworks in addressing the specific needs and challenges of EMDEs within their jurisdictions, respondents were asked to score these frameworks on a scale from 1 (highly inadequate) to 5 (highly adequate). Several respondents gave an average score of 3, indicating that while the frameworks are somewhat effective in considering the unique challenges and contexts of EMDEs and SMEs, there is still room for significant improvement and refinement.

When asked to rank which elements transition plans for entities operating in EMDEs should prioritise, certain commonalities between respondents' answers transpired. Notably, respondents highlighted that transition plans should consider entity-specific science-based transition strategies and governance, environmental materiality in business models, and transparency of implementation. Moreover, respondents also noted that the principle of proportionality should be applied via tailoring transition plans to the needs and challenges of each EMDE.

Additionally, some respondents noted that EMDEs entities can also use guidance issued by international organisations and draw on already operational transition finance frameworks from other jurisdictions or organisations to not only elaborate their transition plans but also increase their interoperability. Also, respondents see merits in AEs and EMDEs deepening dialogue on good practices and develop training and technical support.

II. Key takeaways and recommendations

One of the primary takeaways is the distinct challenges faced by entities in EMDEs when integrating transition finance into their operations. These challenges can be broadly categorised into internal capabilities, such as a lack of awareness, guidance, and expertise, and external factors like restricted access to finance, high capital costs, and underdeveloped local capital markets. SMEs, in particular, face considerable hurdles due to their limited resources and expertise, which hampers their ability to navigate the complex transition finance landscape.

Moreover, the survey identifies several initiatives that have been implemented to address the challenges of accessing transition finance in EMDEs and SMEs. These include developing green taxonomies, guidelines for transition financial instruments, and strategies to align the financial sector with sustainable development goals. Additionally, the introduction of de-risking

mechanisms and co-funding initiatives has been highlighted to attract private capital to transition projects in EMDEs.

The survey also underscores the importance of robust frameworks for transition plans in EMDEs. Respondents highlight the need for transition plans to be aligned with internationally recognised frameworks, be transparent and comprehensive, and be underpinned by accurate data and effective internal governance processes. There is also a consensus on the importance of integrating broader environmental and social safeguards to ensure that transition plans contribute to overall sustainability goals without causing harm to other objectives.

For SMEs, the survey identifies significant challenges related to a lack of awareness, expertise, and institutional clarity, compounded by high compliance costs and inadequate financial products tailored to their needs. In response, various jurisdictions have implemented initiatives such as simplified reporting tools, technical assistance programmes, and co-funding mechanisms to support SMEs in their transition efforts.

Recommendations

Based on the survey and literature review, several recommendations emerge for enhancing the effectiveness and accessibility of transition finance for SMEs and EMDEs and foster a more inclusive and sustainable global financial system.

1. Tailored capacity building and technical assistance

Tailored capacity building and technical assistance should focus on enhancing the institutional and technical capacities required to develop and implement robust transition finance strategies. Training programmes, knowledge-sharing initiatives, and collaboration with international organisations and local networks can play a crucial role in building the necessary expertise within EMDEs. The creation of dedicated support structures, such as advisory hubs, could also provide ongoing assistance to these regions as they develop and refine their transition finance frameworks.

2. Development of clear and interoperable policy frameworks

For transition finance to be effective and scalable, it is essential to develop clear, interoperable, and stable policy frameworks that align with international standards. These frameworks should provide clear guidance for sustainable practices, ensure adaptability to local contexts, and facilitate cooperation across jurisdictions.

To achieve the scale of global capital flows required for financing climate transition and adaptation, clear and more interoperable climate and regulatory frameworks are needed. These could, inter alia, include: adoption or use of global baseline disclosure standards and labels (albeit cognisant of the EMDE-specific challenges and development of domestic capital markets), the development of taxonomies in EMDEs, including exploring the integration of transition considerations in taxonomies, and the establishment of standards for climate-related financial instruments as necessary to foster cross-border investment into EMDEs.^[24]

In this spirit, comparable, transparent, and interoperable transition finance approaches can enhance credibility in transition finance approaches, allow appropriate pricing of transition finance activities and externalities, and catalyse private investment.^[25] As such, identifying core elements that could provide a minimum baseline of comparability across transition finance approaches can help identify best practices.^[26]

3. Focus on science-based targets and transparent reporting

Ensuring the credibility of transition plans requires a strong focus on setting science-based and credible targets, a sound implementation and monitoring strategy, proper governance and risk management and transparency in reporting. Targets should be aligned with the Paris Agreement and ambitious, economywide, nationally determined contributions delivering to Paris Agreement goals. In line with the IPSF transition finance principles and the high-level principles for transition plans outlined in 2024 by the G20 Sustainable Finance Working Group, plans should provide detailed information on the methodologies and data used and transparent reporting is crucial for building trust with stakeholders and ensuring that transition finance activities are subject to rigorous scrutiny and accountability.

4. Encouragement of market development in EMDEs

To enhance the effectiveness of transition finance in EMDEs, it is important to support the development of local capital markets and financial institutions. Strengthening these markets can provide the necessary infrastructure for sustainable investments. Encouraging the establishment of local green bond markets, supporting the development of sustainable investment funds, enhancing financial literacy, and hedging opportunities are all important steps towards building resilient and vibrant financial markets in EMDEs. These prerequisites are crucial to lower the cost of capital, mobilise domestic capital markets, and improve the credit ratings of EMDEs.

5. Digitalisation, simplification and standardisation of reporting tools for SMEs

Simplifying and standardising reporting can reduce compliance costs and make it easier for SMEs to access the capital they need to invest in sustainable projects. The development of user-friendly, digital, reporting standards, tailored to the capacities of SMEs, is essential. Furthermore, establishing central contact points that provide regulatory and technical guidance and information on funding opportunities can help SMEs navigate the transition finance landscape more effectively.

6. Introduction of de-risking mechanisms and co-funding initiatives

To attract private investment to transition finance projects in EMDEs, the introduction of de-risking mechanisms and co-funding initiatives can contribute to attracting private investments to transition finance projects in EMDEs. Examples include blended finance mechanisms, credit guarantees, and other forms of risk-sharing.

7. *Enhanced collaboration between AEs and EMDEs*

Stronger collaboration between AEs and EMDEs policymakers can support the implementation of transition finance and the establishment of comparable and consistent rules across jurisdictions. This collaboration can include knowledge sharing, best practice exchanges, and joint initiatives that address the specific challenges faced by EMDEs. Inclusive policy-making processes that involve EMDE representatives in international forums can ensure that their perspectives and needs are adequately represented and addressed in global financial policies.

8. *Integration of broader environmental and social safeguards*

In EMDEs, climate action is intricately linked with other dimensions of sustainable development, such as social equity, biodiversity conservation, and environmental preservation. To ensure that transition plans are effective but also contribute to a more holistic approach to sustainability that aligns with global environmental and social objectives, it is important to integrate broader environmental and social safeguards. This includes considering the impacts of climate change actions on biodiversity, ecosystems, and local communities.

9. *Monitoring and adjustment of frameworks where necessary*

Monitoring and adaptation of transition finance frameworks is necessary to capture changing expectations, as countries and industries move forward in decarbonisation over time. Updates to these frameworks, where justified and informed by the latest scientific findings and evolving international standards, ensure their continued relevance and effectiveness.

10. *Scalability and replication of successful initiatives*

Identifying successful transition finance initiatives for enhancing transition finance for SMEs and in EMDEs can inspire other jurisdictions and support them in considering/exploring whether they could be replicated in different contexts. Best practices identified through the survey provide valuable models that can be considered in other jurisdictions. By focusing on scalability and replication, these successful initiatives can have a broader impact, contributing to global efforts to promote sustainable development.

3. Conclusions

This Annual Report reflects the collective efforts of the IPSF, its members, and partners in advancing the global agenda for sustainable finance. Activity and progress demonstrated in the year 2024 illustrate the shared commitment of IPSF members and observers to continue multilateral work and address critical shared challenges. The IPSF has remained a vehicle for discussion on sustainable finance frameworks and the global dimension of sustainable finance more broadly.

There remains however a pressing need to further increase engagement and address the gaps that persist at domestic, regional, and international levels. Looking to 2025, the IPSF will continue offering a space for policy makers to exchange on key questions in sustainable finance. The potential of transition finance, as well as the perspective of broader environmental objectives are among the key topics in the international arena. The IPSF will maintain its emphasis on an integrated, holistic view of sustainable finance, for example by continuing the work on integrating biodiversity and nature considerations into the – originally climate change mitigation-focused – Transition Finance Principles. The role of taxonomies also remains at the forefront of international reflections, and the IPSF will remain actively seized, also in light of the COP29 initiative on the Roadmap aiming at increased interoperability of taxonomies.

In general, efforts to promote cooperation among members and observers will continue, as will the 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.