International Platform on Sustainable Finance

Annual Report 2026



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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 2026.

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 seventh year of operation, the International Platform on Sustainable Finance (IPSF) presents its 2026 Annual Report, providing an overview of the Platform's activities and key sustainable finance developments across its members and observers over the past year.

In 2026, the IPSF continued to support international cooperation, technical exchange and mutual learning on sustainable finance. Bringing together jurisdictions at different stages of framework and market development, the Platform provided a forum for sharing practical experience, examining implementation challenges and supporting greater transparency, coherence and interoperability across sustainable finance approaches.

A major area of work concerned sustainable finance taxonomies. The IPSF Taxonomies Working Group launched a broad stock-taking exercise to examine how taxonomy frameworks are evolving across jurisdictions, including their design, implementation, market uptake and emerging use cases. The exercise aims to strengthen understanding of different approaches and provide an evidence base for future work by the Platform.

The IPSF also deepened its work on transition finance for strategic sectors and critical raw materials. Building on the initial work undertaken in 2025, the Platform organised a technical workshop on the sustainable financing of upstream mining and extraction activities. Discussions focused on practical questions including activity boundaries, data and verification requirements, and the use of forward-looking criteria in sustainable finance frameworks. Further work will examine other parts of critical raw material value chains.

In parallel, the IPSF expanded its practical exchanges on green bonds. Workshops and discussions involving members, observers and partner institutions addressed green bond frameworks, taxonomy-related approaches, reporting and external review, as well as initiatives supporting green bond market development internationally.

The 2026 Annual Report also includes a special focus chapter on how sustainable finance frameworks can credibly support climate resilience financing. Drawing on experiences from across the IPSF community, the chapter examines approaches to sharing climate-related risks between public and private actors, addressing insurance protection gaps, mobilising finance for resilience, assessing the impact of resilience investments and overcoming barriers to scaling climate resilience finance.

As in previous years, the Report presents an overview of sustainable finance policy developments across IPSF jurisdictions, illustrating the continued evolution of frameworks and initiatives in areas including taxonomies, transition finance, disclosure and sustainable investment.

The IPSF also continued to engage with international partners and jurisdictions beyond its current membership. The Platform continued to contribute to the broader international sustainable finance dialogue through its technical work and exchanges with relevant international actors.

Looking ahead, the IPSF will continue to provide a collaborative platform for practical cooperation, peer learning and the exchange of experience, supporting credible and effective sustainable finance approaches across different jurisdictions and market contexts.

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

The events of 2026 have once again reminded us that climate change is not a distant risk. Across Europe, record temperatures, prolonged periods of extreme heat and dry conditions, and severe wildfires have affected communities, ecosystems and economic activity. Around the world, the physical impacts of a changing climate are increasingly difficult to ignore.

These events have human and environmental consequences, but they also have profound economic and financial implications. They damage assets and infrastructure, disrupt businesses and supply chains, place pressure on public finances and expose households and companies to losses that are not always adequately insured. Mitigating climate change and building climate resilience are not only environmental imperatives. They are also essential to our economic security, competitiveness and prosperity.

This makes the task before us increasingly clear. We must continue to mobilise finance for the transition to a sustainable and climate-neutral economy, while at the same time ensuring that our economies and financial systems are better prepared for the climate impacts that are already occurring. Mitigation and adaptation must go hand in hand. Sustainable finance has an important role to play in both.

This challenge is at the heart of the 2026 IPSF Annual Report. Its special focus on climate resilience financing examines how sustainable finance frameworks can help mobilise investment in resilience, how climate-related risks can be better shared between public and private actors, how insurance protection gaps can be addressed, and how we can assess whether resilience investments are delivering meaningful results. President von der Leyen's announcement in her 2026 State of the Union Address of a new framework for climate resilience, including a Climate Insurance Alliance to tackle protection gaps, further underlines the importance of this work. These are complex questions, and there is no single approach that will work in every jurisdiction. Sharing practical experience is therefore particularly valuable.

The IPSF's wider work in 2026 reflects the same emphasis on implementation and real-economy impact. The Platform has examined how sustainable finance taxonomies are evolving and being used across jurisdictions, deepened its work on transition finance for strategic sectors and critical raw materials, and expanded practical exchanges on green bond markets. Across these areas, our objective is not to pursue convergence for its own sake, but to improve understanding, comparability and usability. Simpler and more usable frameworks can support wider uptake and help sustainable finance deliver investment in practice. In the EU, reported Taxonomy-aligned capital expenditure has now exceeded EUR 1 trillion, illustrating the scale at which sustainable finance tools are already being used to support investment in the transition.

At a time when international cooperation cannot be taken for granted, the IPSF's role as a forum for open and technically grounded dialogue remains important. By bringing together developed and emerging economies, and by engaging with partners and jurisdictions beyond its current membership, the Platform allows us to learn from different approaches and circumstances while identifying areas where greater coherence can bring benefits to investors, companies and policymakers alike.

Ultimately, sustainable finance must be judged by its contribution to the real economy: whether it helps mobilise the investment needed for the transition, strengthens our resilience

to growing climate risks and supports sustainable prosperity. The work presented in this Report is a contribution to that objective.

I would like to thank all IPSF members, observers and contributors for their continued engagement, expertise and commitment. I look forward to continuing this work together.

Maria Luís Albuquerque

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 2026

In its seventh year, the IPSF continued to serve as a multilateral forum for technical cooperation and peer exchange on sustainable finance. In 2026, the Platform placed particular emphasis on translating cross-jurisdictional dialogue into practical insights, through comparative work, targeted technical workshops and exchanges of implementation experience. Its activities focused in particular on sustainable finance taxonomies, transition finance and strategic sectors, and green bond market development, while continuing to engage with international partners and initiatives to support greater coherence, interoperability and effective implementation of sustainable finance frameworks globally.

Taxonomies

In 2026, the IPSF Taxonomies Working Group, co-chaired by the European Union and China, continued to provide a forum for technical exchange and mutual learning on the development and implementation of sustainable finance taxonomies. Building on the IPSF's previous comparative work, the Working Group launched a stock-taking exercise on sustainable finance taxonomies, with the objective of developing a factual overview of how taxonomy frameworks are evolving across jurisdictions.

The exercise examines key aspects of taxonomy design and implementation, including institutional and regulatory arrangements, environmental objectives and sectors covered, technical criteria and safeguards, approaches to transition activities, review, simplification, and update mechanisms, and the ways in which taxonomies are being used by financial institutions and market participants. Particular attention is also being given to observed market uptake, implementation challenges and emerging use cases. The exercise includes jurisdictions at different stages of taxonomy development, allowing the Working Group to capture a broad range of experiences and approaches.

A questionnaire was circulated to IPSF members and observers, alongside targeted outreach to selected non-member jurisdictions, during the first half of 2026. The responses were consolidated into a comparative stock-taking report. The work aims to strengthen transparency and understanding of different taxonomy approaches, facilitate the exchange of practical experiences, and provide an evidence base for determining future priorities of the IPSF Taxonomies Working Group.

Transition finance

In 2026, the IPSF continued its work on strategic sectors and critical raw materials (CRMs) under the Transition Finance Working Group, moving from the initial scoping undertaken in 2025 towards a more practical examination of how sustainable finance frameworks can support investment in activities that are strategically important for the green transition.

As part of this work, the IPSF organised its first technical workshop on the sustainable financing of critical raw materials, focusing on the upstream part of the value chain and, in particular, the mining and extraction of nickel, lithium and copper. The workshop brought together perspectives from sustainable finance framework developers, investors and lenders, the mining industry and responsible-mining initiatives. Discussions focused on three practical

issues: how to define the boundaries of upstream CRM activities for sustainable-finance assessment, including the treatment of exploration, on-site processing and enabling infrastructure; what data, assurance and verification are needed to support credible investment assessment; and how forward-looking criteria, including transition plans and pathways, can be incorporated into sustainable-finance frameworks.

The workshop provided an opportunity to examine how these questions are addressed in practice across different jurisdictions and by different market participants, and to identify areas of convergence as well as issues requiring further consideration. Building on these discussions, the IPSF intends to continue examining the CRM value chain, including through follow-up work addressing the midstream and downstream stages, with a view to drawing practical lessons for the treatment of strategic sectors within transition finance frameworks.

Green bonds

In 2026, the IPSF strengthened its role as a platform for practical, experience-based exchange by launching a series of discussions on green bonds. Building on the growing importance of green bonds as a key instrument for mobilising capital towards climate and environmental objectives, the IPSF sought to provide a space for members, observers and invited public institutions to exchange concrete implementation experience and lessons learnt.

A first online workshop on green bonds was organised by the IPSF Secretariat in cooperation with the European Investment Bank (EIB), with a contribution from the Development Bank of Latin America and the Caribbean (CAF). The workshop focused on practical aspects of green bond issuance and market development, including the evolution of green bond frameworks, the European Green Bond Standard, EU Taxonomy-related requirements, Do No Significant Harm criteria, and minimum safeguards. The discussion also included a case study from CAF, highlighting experience with taxonomy-related approaches in a non-EU context. The workshop provided valuable insights into the steps and challenges involved in designing green bond frameworks, selecting eligible projects, organising external review and reporting, and communicating effectively with investors.

As a follow-up, the IPSF also organised an exchange on the Global Green Bond Initiative (GGBI), a flagship Team Europe initiative under the Global Gateway strategy aimed at supporting the development of green bond markets and mobilising sustainable investment in partner countries. The session allowed IPSF members and observers to learn more about the objectives, structure and implementation of the GGBI, as well as its relevance for broader green bond market development and international sustainable finance cooperation.

These exchanges confirmed the value of using the IPSF not only for analytical work and framework comparison, but also as a forum for practical peer learning. They supported dialogue on how credible green bond frameworks, transparency, reporting, external review and taxonomy-related approaches can help strengthen investor confidence, improve comparability and support cross-border sustainable finance flows. The IPSF Secretariat will continue to encourage members and observers to come forward with further ideas for experience-based exchanges, including on specific initiatives, frameworks or market developments being advanced in their jurisdictions.

IPSF on the international stage

Throughout 2026, the IPSF continued to engage with international partners and relevant multilateral initiatives on sustainable finance, sharing experience from its technical work and contributing to broader efforts to promote greater coherence and interoperability across sustainable finance frameworks.

This engagement took place against an evolving international landscape. The Platform nevertheless continued to maintain dialogue with relevant international organisations, initiatives and fora working on sustainable finance, while also engaging with jurisdictions that are not currently members of the IPSF, including through targeted exchanges and participation in selected IPSF activities.

Building on its previous contributions to international efforts to improve the comparability and interoperability of sustainable finance taxonomies, the IPSF continued to bring together experience from a diverse range of jurisdictions. Its work in 2026 – including on taxonomy design and implementation, transition finance and critical raw materials, and green bond markets – sought to generate practical insights that can inform the wider international sustainable finance community and support exchanges between jurisdictions at different stages of framework development.

More broadly, the IPSF continues to provide a dedicated multilateral platform for technical cooperation and mutual learning between developed and emerging markets. Through its membership, technical work and engagement with international partners, the Platform seeks to support more coherent, credible and effective approaches to sustainable finance while recognising the different circumstances, policy frameworks and market conditions across jurisdictions.

1.2. Policy trends in IPSF member jurisdictions

Argentina

Argentina continued to operate its sustainable-finance framework during the reporting period, including the National Sustainable Finance Strategy, which provides a framework for addressing climate-related risks and opportunities across the financial system, and the capital-market regime for social, green, sustainable and other thematic securities (SVS+). The latter covers, among others, green, social, sustainability-linked, transition and other thematic instruments and is aligned with internationally recognised market principles.

In 2026, the National Securities Commission (Comisión Nacional de Valores – CNV) continued a broader simplification of capital-market issuance procedures. In June, General Resolution No. 1149/2026 streamlined and introduced automatic authorisation procedures for certain global programmes, frequent issuers and SME issuances. For SVS+ securities, the revised rules retain the requirement that information on the use of proceeds in the prospectus be consistent with Argentina's Guidelines for the Issuance of Thematic Securities.

In August 2026, General Resolution No. 1159/2026 further updated the automatic public-offering regimes applicable to financial trusts. The framework preserves specific provisions for thematic financial trusts: authorised markets may establish additional requirements to ensure transparency, alignment with International Capital Market Association (ICMA) principles and verification of the SVS+ character of an issuance, provided these do not impose excessive

burdens. The current CNV framework also requires sustainable closed-end investment funds and financial trusts to be listed on dedicated green, social and sustainable market segments and to obtain an independent external review.

Argentina's broader sustainable-finance architecture also continues to include the Sovereign Sustainable Financing Framework, which provides the basis for sovereign green, social and sustainable bonds and loans, and the CNV's dedicated regime for ESG investment funds and thematic securities.

Australia

In 2026, Australia continued to implement its sustainable finance agenda to support climate action and the net zero transformation. This included reforms under the Sustainable Finance Roadmap, the government's strategy to help mobilise the private capital needed to finance Australia's net zero transition.

Australia's mandatory climate-related financial disclosure regime, which commenced on 1 January 2025, continued to be implemented in phases. The first group of reporters, comprising some of Australia's largest companies and financial institutions, have now published their first sustainability reports under the regime, with other large companies being phased in over time. The Australian Securities and Investments Commission (ASIC), the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) have released guidance to support compliance. In August 2026, Treasury commenced a consultation on improving the efficiency of the regime while maintaining its core sustainability reporting requirements.

In August 2026, the government released voluntary climate-related transition planning guidance to help organisations navigate the impacts of both the net zero transition and a changing climate on their operations. The guidance aligns with and builds on the Transition Plan Taskforce Transition Planning Cycle and provides practical advice and illustrative examples. It also reflects the Australian context, including relevant policies and reports such as the Net Zero Plan and sector emissions plans, the National Adaptation Plan and the National Climate Risk Assessment released in September 2025.

Following publication of the Australian Sustainable Finance Taxonomy in June 2025, the Australian Sustainable Finance Institute (ASFI), as custodian of the taxonomy, continued to support implementation pilots aimed at driving market uptake. In June 2026, ongoing governance arrangements were established through the Australian Taxonomy Steering Committee, comprising ASFI and government officials.

The Australian Office of Financial Management (AOFM) continued to issue Green Treasury Bonds, with a second bond line issued in May 2026 raising AUD 7.5 billion. This brought the total volume of Green Treasury Bonds on issue to AUD 18.3 billion as of 9 September 2026. In March 2026, AOFM and Treasury published the second annual Green Treasury Bond Allocation and Impact Report, detailing the allocation of proceeds to eligible green expenditures incurred in 2024–25 and their associated climate and environmental impacts. The programme is also considering opportunities to demonstrate alignment of financed projects with relevant technical screening criteria of the Australian Sustainable Finance Taxonomy.

In March 2026, the Australian Prudential Regulation Authority (APRA) released its Mind the Gap report, an Insurance Climate Vulnerability Assessment stress test examining how home

insurance affordability and the insurance protection gap could evolve over the coming decades. The assessment found that the home insurance protection gap could widen significantly to 2050 under both global climate scenarios considered, potentially increasing risks to the broader financial system.

Treasury also consulted on central design elements for a sustainable investment product labelling framework. The most recent consultation closed on 13 March 2026, and stakeholder submissions and potential next steps remain under consideration.

Benin

In 2026, Benin continued to strengthen its sustainable and climate-finance framework, including through work on a climate-transition taxonomy. On 29 January 2026, the authorities adopted two ministerial orders formalising the taxonomy's structure, methodology and governance, as well as criteria for the priority sectors of energy, agriculture, waste management and forestry. A roadmap provides for its gradual extension to other sectors and incorporates an adaptation component based on sectors' exposure to physical climate risks. The framework also includes a mechanism for collecting and disseminating climate-related data.

These measures formed part of the climate-reform programme supported by the IMF's Resilience and Sustainability Facility (RSF). In February 2026, the IMF completed the fourth and final review under the arrangement. Reforms implemented under the programme included integrating climate considerations into public financial and investment management, strengthening the climate-financial-information architecture and advancing measures intended to catalyse private climate finance. Total disbursements under the RSF reached approximately USD 204 million.

Benin also continued to develop agricultural insurance as a tool for managing climate-related risks. During the 2025-2026 agricultural season, 94,905 rice and cotton producers were covered under the pilot multi-risk index-based agricultural insurance programme, with 80% of insurance premiums subsidised. In August 2026, 561.8 million West African CFA francs (XOF) in compensation was allocated to producers affected by yield losses. The Government announced plans to expand the programme to reach 122,000 producers during the 2026–2027 agricultural season.

Brazil

Brazil's sustainable finance agenda is embedded in the broader Ecological Transformation Plan (*Plano de Transformação Ecológica* – PTE), the country's overarching strategy for promoting a greener, more resilient and inclusive development model. Sustainable finance constitutes one of the PTE's main pillars, aimed at mobilising and directing public and private, domestic and international resources towards Brazil's ecological transformation. Over the past year, Brazil continued to strengthen this architecture by advancing frameworks that guide sustainable investment, while expanding public financing and instruments to mobilise private capital.

At the core of this architecture, the Brazilian Sustainable Taxonomy (*Taxonomia Sustentável Brasileira* – TSB) advanced both in its development and implementation. In 2026, Brazil progressed with the second edition of the TSB, which expands its scope to four additional objectives: protection and restoration of biodiversity and ecosystems; sustainable use of land

and conservation, management and sustainable use of forests; transition to a circular economy; and reduction of regional and territorial inequalities. These complement the three objectives developed in the first edition: climate-change mitigation; climate-change adaptation; and reduction of socioeconomic inequalities, taking into account racial and gender aspects. Technical working groups developed criteria for the new objectives, with the resulting proposals expected to be submitted for public consultation in October 2026.

In parallel, implementation of the first edition progressed through a testing process involving financial institutions, asset managers and non-financial companies, alongside development of the TSB Monitoring, Reporting and Verification (MRV) framework. The implementation process is also beginning to connect the taxonomy with other instruments under the PTE: TSB criteria have started to inform sustainable-finance policies such as Eco Invest Brazil, illustrating the transition from taxonomy development towards practical policy use. At international level, Brazil has complemented these domestic efforts through its engagement in the Taxonomy Roadmap Initiative (TRI), working with international partners to advance interoperability and comparability of sustainable-finance taxonomies and strengthen their practical use across jurisdictions.

This connection forms part of a broader effort to expand Brazil's financing instruments for the ecological transition. Public financing has increased, including through sovereign sustainable bond issuances and the expansion of resources available through the Climate Fund, while Eco Invest Brazil seeks to mobilise private and foreign capital for investments aligned with Brazil's ecological-transformation agenda.

Brazil has also continued to advance implementation of the Brazilian Emissions Trading System (*Sistema Brasileiro de Comércio de Emissões* – SBCE), established as the country's regulated carbon market, with ongoing work to develop the institutional and regulatory arrangements required for its operation. This domestic agenda has been complemented by Brazil's engagement in international cooperation on carbon markets, including through the Open Coalition on Compliance Carbon Markets, which seeks to promote greater convergence and interoperability among carbon-pricing systems.

Beyond its domestic architecture, Brazil has also supported the development of innovative international financing mechanisms. Following its launch in Belém in 2025, Brazil continued to support the Tropical Forests Forever Facility (TFFF), designed to provide performance-based payments to countries that conserve tropical and subtropical forests.

Canada

The Canadian government remains committed to mobilising public and private capital to support sustainable investment as part of the transition to net zero.

To help credibly identify green and transition activities in priority economic sectors, the government is supporting the arm's-length development of voluntary Made-in-Canada Sustainable Investment Guidelines, also known as a taxonomy. The Canadian Climate Institute, working with Business Future Pathways, an investor-led initiative, has established an independent Taxonomy and Transition Planning Council. Following consultation on its Methodology Report, the Council is expected to release draft criteria for its first three sectors – electricity, transportation and buildings – by the end of 2026, with criteria for manufacturing, agriculture and mining expected in 2027. The government will also support

the Canadian Climate Institute in hosting a Sustainable Finance Conference in February 2027 to advance discussion on the taxonomy and other sustainable investment opportunities.

Since the launch of the Green Bond Program in 2022, Canada has issued six green bonds totalling CAD 17.5 billion. In April 2026, the government published its 2024–25 Green Bond Allocation and Impact Report, detailing the allocation of approximately CAD 4 billion in proceeds from the October 2024 and February 2025 issuances. Looking ahead, Budget 2025 announced the government's intention to explore the development of a Sustainable Bond Framework that could support the issuance of both green and transition bonds and seek alignment with the forthcoming Made-in-Canada Sustainable Investment Guidelines.

The Canadian government is also working with provinces and territories to improve climate disclosure across the economy, seeking alignment with international standards and harmonised rules across federal, provincial and territorial jurisdictions. The government also renewed its support for the International Sustainability Standards Board (ISSB) office in Montreal, announcing CAD 10 million over five years, supplemented by contributions from a coalition of Canadian public and private institutions.

Canada continued to improve access to federal data relevant to the assessment of climate-change risks, supporting more robust risk assessments and strategic decision-making. In 2025–26, more than 3,500 datasets were updated on GEO.ca, Canada's primary geospatial discovery portal, which includes climate and environmental information.

In 2026, the Office of the Superintendent of Financial Institutions (OSFI) continued to advance the regulation and supervision of climate-related financial risks. OSFI assessed climate-risk management practices and implementation of Guideline B-15 expectations across federally regulated financial institutions. It also expanded Climate Risk Return reporting requirements from 10 large institutions to more than 250 federally regulated banks and insurers, significantly broadening climate-related data coverage and strengthening OSFI's ability to assess, measure and respond to emerging physical and transition risks across the financial sector.

Chile

During 2026, Chile continued the implementation of its Taxonomy of Environmentally Sustainable Economic Activities (T-MAS), officially published in May 2025. The Ministry of Finance advanced practical implementation through engagement with the private and financial sectors, including a pilot with banks, a self-assessment tool and work on interoperability with the EU Taxonomy. In January 2026, the Ministry also indicated that it was working with the Financial Market Commission (CMF) and the Ministry of Economy on incorporating the T-MAS into financial regulation and the prioritisation of sustainable investments. Additional user guidance was published in March 2026.

Chile also continued to develop its sovereign sustainable-finance instruments. In January 2026, it issued EUR 1.5 billion of sustainability-linked sovereign bonds linked to biodiversity targets, incorporating a potential reduction in the interest rate if the specified targets are achieved. Following the transaction, debt issued under environmental, social or governance-related formats represented around 38% of Chile's sovereign debt stock. The Government's 2026 financing strategy envisaged maintaining the share of ESG-labelled debt at approximately 40–50% of the total stock.

In March 2026, the Ministry of Finance also updated Chile's Sustainable Bond Framework, which governs sovereign green, social and sustainable bond issuance. The revised framework added sustainable timber construction for housing and public infrastructure as a new eligible green category. The updated framework was externally reviewed and assessed as aligned with the relevant ICMA Green and Social Bond Principles and Sustainability Bond Guidelines.

On sustainability reporting, the Financial Market Commission (CMF) continued implementation work related to the adoption of the ISSB's IFRS S1 and IFRS S2 standards under General Rule No. 519, including workshops with supervised entities during 2026. In July, the CMF granted an additional year before mandatory reporting under the standards, citing the implementation challenges faced by a broad range of supervised entities, while indicating that it would continue supporting implementation and voluntary early reporting during the extended preparation period.

China

Over the past year, through the concerted efforts of all stakeholders, China's sustainable finance system has entered a new stage of high-quality development.

The management of the Carbon Emission Reduction Support Tool was further optimised. In January 2026, the People's Bank of China (PBOC) issued the Notice on Optimizing the Administration of Carbon Emission Reduction Support Tools, expanding the tool's coverage to 40 sectors with notable carbon-reduction benefits. The management framework was further refined to encourage financial institutions to improve their internal systems and enhance the effectiveness of policy incentives.

Carbon accounting for investment and financing activities of banking institutions was also advanced. In March 2026, the General Office of the PBOC issued the Notice on Properly Conducting Carbon Accounting for Investment and Financing Activities of Banking Financial Institutions. The Notice aims to establish and improve the institutional framework for carbon accounting, formulate operational guidance for high-carbon sectors, provide carbon-accounting methodologies, emission factors and illustrative cases, and organise financial institutions to conduct high-quality carbon accounting. This is intended to strengthen the data foundation for climate-risk management, product innovation and asset-structure transformation.

European Union

Over the past year, the European Union (EU) has continued to develop its sustainable finance framework with a strong focus on simplification, implementation and usability, while preserving the framework's role in supporting the transition and scaling up sustainable finance, thereby contributing to the EU's competitiveness and resilience.

Simplifying and improving the usability of the sustainable finance framework

A major development was the completion of the legislative negotiations on the sustainability Omnibus (i.e. Omnibus I) package. Directive (EU) 2026/470 amended the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), reducing the number of companies in scope of the CSRD by around 85%,

to an estimated 6,753 companies, and simplifying reporting and due diligence requirements.[1] In July 2026, the Commission adopted revised European Sustainability Reporting Standards (ESRS) and a voluntary sustainability reporting standard for smaller companies, reducing mandatory datapoints and supporting the application of the value-chain cap. Following scrutiny by the European Parliament and the Council, both delegated acts were published in the Official Journal in September 2026.

The EU Taxonomy has remained a central part of the EU sustainable finance framework. It provides a common classification system to help mobilise capital towards environmentally sustainable activities, while remaining voluntary for companies and investors. The Taxonomy simplification Delegated Act, published in January 2026, introduced a materiality threshold, reduced reporting templates and simplified certain KPIs (e.g. the Green Asset Ratio (GAR)) and certain 'do no significant harm' (DNSH) requirements. In April 2026, the Commission also published further interpretative guidance on the amended disclosure rules.[2]

In parallel, the Commission launched a broader review of the technical screening criteria in the Climate and Environmental Delegated Acts. Draft amendments published for consultation in March 2026 aim to simplify and clarify the criteria, align them with updated EU legislation and technological developments, and improve their usability. The Commission plans to finalise the review in Q4 2026.

The Commission also launched a review of the Taxonomy Disclosure Delegated Act and, in March 2026, requested technical advice from the European Supervisory Authorities (ESAs). The review aims to further simplify and improve Taxonomy reporting. A first draft of the revised Delegated Act is expected to be presented in Q1 2027.

On sustainability disclosures for financial products, the Commission proposed a targeted revision of the Sustainable Finance Disclosure Regulation (SFDR) in November 2025. The proposal aims to make the framework simpler and more useful for investors and financial market participants, and introduces three voluntary product categories (i.e. sustainable, transition, and ESG basics), alongside simplifying entity- and product-level disclosures. The Council and European Parliament agreed their positions in June and October 2026, respectively, with final negotiations between the institutions ongoing.

The third mandate of the Platform on Sustainable Finance (PSF) started in February 2026. In 2026, the Platform advised the Commission on the EU Taxonomy and the wider sustainable finance framework, including through input on the revision of the ESRS and the Taxonomy Climate and Environmental Delegated Acts.

Ensuring coherence and integration of sustainable finance across financial regulation

The Regulation on the transparency and integrity of ESG rating activities entered into application in July 2026, introducing authorisation and supervision of ESG rating providers by the European Securities and Markets Authority (ESMA), strengthened governance and conflict-of-interest requirements, and greater transparency. Further Delegated Acts and technical

[1] European Commission Staff Working Document accompanying the revised ESRS and voluntary sustainability reporting standards, SWD(2026), July 2026.

[2] Commission notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation, as amended by the Omnibus Delegated Act, on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets, available at EUR-Lex - 52026XC02558 - EN - EUR-Lex.

standards adopted in 2026 completed the framework, including standards on applications for authorisation and recognition.

Implementation of sustainability risk-related requirements in the prudential framework has also continued. The European Banking Authority's Guidelines on the management of ESG risks became applicable in January 2026, with later application for small and non-complex institutions, setting requirements for ESG risk management and transition planning under the revised Capital Requirements Directive. Guidelines on Environmental Scenario Analysis were also finalised and will apply from January 2027, establishing specific criteria for forward-looking vulnerability assessments.

On insurance, the amended Solvency II Delegated Regulation, which entered into force in March 2026, updated natural catastrophe parameters for different regions and hazards, strengthened the forward-looking consideration of climate-related risks, and enhanced sustainability-related disclosure. EIOPA is also developing reporting templates to support consistent implementation.

On supplementary pensions, the Commission adopted in November 2025 a proposal to amend the IORP II Directive, which requires institutions for occupational retirement provision (IORPs) to integrate sustainability factors in their investment decisions and Member States to ensure that these decisions reflect members' and beneficiaries' sustainability preferences.

The European Central Bank (ECB) also continued to integrate climate-related financial risks into the Eurosystem's risk management framework. In June 2026, it introduced climate factors for corporate bonds used as collateral and, in July 2026, announced its intention to extend their use to certain eligible corporate credit claims, with implementation expected at the earliest by the end of 2027.

Enhancing the mobilisation of sustainable finance and strengthening climate resilience

Market uptake of the EU Taxonomy continues to demonstrate its use in allocating sustainable investment. In 2025, companies reported approximately EUR 323.8 billion in Taxonomy-aligned capital investments (CapEx), bringing cumulative reported Taxonomy-aligned investments since 2021 to EUR 1.2 trillion. On average, Taxonomy-aligned activities accounted for 28.58% of reporting companies' total CapEx that year.[3]

Since the European Green Bond (EuGB) standard became available to issuers in December 2024, market uptake has accelerated significantly. According to figures published in October 2026, EuGB issuance reached approximately EUR 60.3 billion equivalent (EUR 21 billion in 2025 and EUR 39 billion year-to-date in 2026). EuGBs accounted for 15% of the European green bond market in 2026. Issuers span 16 countries, with issuance factsheets covering 73 EU Taxonomy economic activities across all six environmental objectives.[4] Implementation work also continued in 2026, with the Commission adopting further delegated measures on the organisation, systems, methodologies and recognition requirements applicable to external reviewers, supporting consistent supervision and the functioning of the European Green Bond market. ESMA also assumed its supervisory role in June 2026.

[3] The EU Taxonomy's uptake on the ground - Finance - European Commission, October 2026.

[4] The EU Taxonomy's uptake on the ground - Finance - European Commission, October 2026.

Efforts to mobilise capital have also focused on strengthening climate resilience. In this regard, the Commission's temporary Reflection Group on Mobilising Climate Resilience Financing presented its final report in December 2025, highlighting the importance of reliable climate-risk information, insurance coverage for residual risks and better access to finance.

In parallel, in her State of the Union address, the President of the Commission announced the launch of a Climate Insurance Alliance, bringing together stakeholders from across the insurance ecosystem to expand adequate and affordable insurance coverage, support adaptation and risk prevention, and strengthen insurance capacity.

International cooperation on sustainable finance

At the international level, the EU continues to engage with partner jurisdictions on sustainable finance, including through the International Platform on Sustainable Finance (IPSF), the Climate Risk Steering Group of the International Association of Insurance Supervisors (IAIS), the OECD Working Group on Sustainable Finance, and bilateral and multilateral dialogues. These exchanges support mutual understanding of different sustainable finance approaches and broader international cooperation.

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

Hong Kong continued to advance a coordinated sustainable finance agenda. In January 2026, the Green and Sustainable Finance Cross-Agency Steering Group (CASG) announced its Strategic Priorities for 2026 to 2028, centred on strengthening Hong Kong's sustainable finance and disclosure ecosystem and further developing its strengths in transition and adaptation finance.

To scale up sustainable and transition capital flows, Hong Kong continued to enhance its market-enabling tools. The Hong Kong Monetary Authority (HKMA) further expanded the Hong Kong Taxonomy for Sustainable Finance in 2026. Following the publication of Phase 2A in January 2026, the HKMA launched the prototype of Phase 2B for public consultation in September 2026. Phase 2B further develops the Taxonomy by adding economic activities that are critical to the region's low-carbon transition. It also strengthens the assessment of climate adaptation by introducing a process-based approach and expanding adaptation-related measures. To support transition efforts, the HKMA also published guidance for banks on transition planning and the management of risks associated with the economy's net-zero transition. In addition, the Transition Finance Operational Reference Guide – Phase 1 Report: Mobilising Finance for the Transition of the Technology Sector, developed by an industry working group under the CASG, was released in May 2026. Subsequent phases will cover activity-level financing and investment, as well as stewardship and engagement.

In December 2024, the HKSAR Government launched the Roadmap on Sustainability Disclosure in Hong Kong, setting out a pathway for large publicly accountable entities to adopt the International Financial Reporting Standards – Sustainability Disclosure Standards (ISSB Standards) no later than 2028. To support implementation, relevant authorities and agencies under the CASG, including the HKMA and the Securities and Futures Commission (SFC), continued industry engagement and advanced work on the regulatory approach. For listed companies, implementation entered a new phase in 2026, as Hang Seng Composite LargeCap Index constituents became subject to mandatory climate-related disclosure requirements under the Listing Rules for financial years commencing on or after 1 January 2026. These

requirements are based on the ISSB Standards and are intended to prepare listed issuers for ISSB-aligned reporting.

Hong Kong also continued to advance the use of green fintech in support of its sustainable finance agenda. The cloud-based physical risk assessment platform, formally launched in 2025, has seen steady usage by banks, with more than 1.9 million assets analysed to date. To meet banks' needs for data on assets outside Hong Kong, the geographic coverage of the platform was expanded in April 2026 from Hong Kong to a global scope, alongside an increase in the types of buildings and infrastructure available for assessment.

On the market front, Hong Kong's green and sustainable debt market continued to record steady growth in 2026, with estimated Asian international bond issuances in the first half of the year reaching US$20.2 billion, a year-on-year increase of 3%. As of August 2026, around US$33 billion of green bonds in institutional, retail and tokenised formats had been issued by the HKSAR Government. ESG funds also remained strong, with 179 ESG funds authorised by the SFC and total assets under management of over US$153.7 billion as of 30 June 2026. The Insurance Authority also continued its work to position Hong Kong as an insurance-linked securities (ILS) hub, with seven ILS issuances in the form of catastrophe bonds, totalling approximately US$800 million, recorded as of May 2026.

India

India continued to strengthen its sustainable finance ecosystem through regulatory and institutional measures aimed at facilitating the mobilisation of capital towards sustainable and climate-related activities, while supporting the development of credible and transparent financial markets.

Sustainable finance at GIFT International Financial Services Centre (GIFT IFSC)

The International Financial Services Centres Authority (IFSCA) has undertaken several measures to promote sustainable finance products and facilitate sustainable global capital flows, drawing on international best practices while remaining responsive to the requirements and circumstances of developing economies.

ESG-labelled debt market. The framework under the IFSCA (Listing) Regulations, 2024 enables the issuance and listing of green, social, sustainability and sustainability-linked bonds on IFSC exchanges. The cumulative listing of ESG-labelled debt securities reached USD 17.3 billion as at end-August 2026. In addition, the Framework for Transition Bonds, issued in July 2025, provides a framework for issuers, including those from hard-to-abate sectors, to raise capital in support of their transition pathways.

Sustainable and sustainability-linked lending. Under the Guidance Framework on Sustainable and Sustainability-linked Lending, banking units and finance companies operating in the IFSC are required to adopt a Board-approved policy and direct 5% of incremental lending towards sustainable projects. GSS+ lending by IFSC banking units increased to USD 6.28 billion in FY2025-26, compared with USD 3.39 billion in the preceding year.

Framework for blended finance. On 25 September 2026, IFSCA introduced a framework enabling Venture Capital Schemes and Restricted Schemes, which constitute Alternative Investment Funds in the IFSC, to issue multiple classes of units with differentiated distribution rights, including senior and junior/subordinated units. The framework is intended to facilitate

blended-finance structures in which concessional, philanthropic and development capital can absorb first losses or accept lower or nil returns, thereby helping crowd in commercial capital for projects that are developmentally desirable but may face difficulties attracting finance on conventional terms. It also provides that ESG Schemes may accept grants of up to 49% of the corpus, either against a separate class of "Social Units" or without issuance of units.

Initiatives by the Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) continued to strengthen the regulatory framework and market safeguards for ESG-related financial products and services.

In February 2026, SEBI extended certain requirements relating to the third-party review of green bonds, including requirements addressing conflicts of interest between third-party reviewers and issuers. Such reviews may take the form of a second-party opinion, certification, verification, scoring or rating.

SEBI also continued work on the framework for ESG Rating Providers. In April 2025, it issued clarificatory and procedural changes, including provisions enabling ratings of products or issuers under guidelines issued by other financial regulators, subject to appropriate disclosures. SEBI has subsequently constituted a Working Group to review the framework governing ESG Rating Providers.

Initiatives by the Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) continued its capacity-building efforts for regulated entities on climate and sustainable finance.

In January 2026, RBI organised a two-day workshop for officials from regulated entities working on climate finance, sustainable finance, ESG and corporate lending. The workshop covered the evolving landscape of adaptation and adaptation finance in India, with particular emphasis on the ecosystem enablers and institutional capabilities needed to facilitate and optimise the flow of credit towards adaptation-related activities.

International and BRICS cooperation

Sustainable finance cooperation under India's BRICS Presidency. Under India's 2026 BRICS Presidency, RBI organised an in-person seminar in April on "Building Climate Finance and Institutional Capacity: From Policy Frameworks to Implementation", with participation from delegates of BRICS member countries.

A Capacity Building Programme on Sustainable Finance followed in July 2026, with participation from officials of BRICS central banks and central banks of partner countries. The programme covered assessment and modelling of climate-related financial risks, mobilisation and facilitation of sustainable finance, climate-scenario modelling and transition-risk assessment. India's Presidency also supported continued exchange of experiences on nationally determined approaches and policies for mobilising finance in support of sustainable-development priorities.

Climate finance and sustainable development under BRICS. Under the BRICS Finance Track, the Sustainability pillar of the BRICS Task Force on Growth and Development reaffirmed participating countries' commitment to the full and effective implementation of the UNFCCC and the Paris Agreement, guided by the principles of equity and Common but Differentiated

Responsibilities and Respective Capabilities (CBDR-RC), in light of different national circumstances.

Among the deliverables, the Discussion Note on climate finance provides a basis for continued dialogue and exchange of perspectives and may serve as a non-binding reference to improve transparency regarding climate-finance flows and facilitate the sharing of experiences and good practices.

BRICS work also included the Compendium on Financing Mechanisms for Lifestyle for Sustainable Development and the Review of Climate-Related Vulnerabilities, providing insights into measures being undertaken by BRICS countries to mobilise finance through nationally determined approaches in support of sustainable-development priorities.

The Presidency further highlighted opportunities and challenges associated with the responsible use of Artificial Intelligence for sustainable growth through the Discussion Paper on Artificial Intelligence and the Green Economy. It also facilitated discussions on resilient growth, AI and the green economy, financing sustainable lifestyles, and regulatory and market approaches to addressing greenwashing.

Overall direction

India's sustainable finance efforts during the reporting period focused on strengthening the enabling ecosystem for sustainable capital mobilisation through the development of ESG-labelled debt markets, sustainable and sustainability-linked lending, transition finance, blended-finance structures, ESG-related market safeguards and capacity-building.

At the international level, India continued to support the exchange of experiences and approaches on climate and sustainable finance, including through BRICS cooperation, while recognising the importance of national circumstances and nationally determined approaches in advancing sustainable-development priorities.

Indonesia

Building on the progress highlighted in the 2025 IPSF Annual Report, Indonesia continued to strengthen its sustainable finance ecosystem in 2026, shifting from foundational framework development towards deeper implementation, integration and sectoral application.

The Financial Services Authority (OJK), in coordination with the Ministry of Finance and Bank Indonesia, continued to advance the national sustainable finance agenda under Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector, as amended by Law Number 4 of 2026 (FSOL). The law mandates the establishment of a Sustainable Finance Committee comprising the Ministry of Finance, OJK and Bank Indonesia. The Committee is currently being established through a government regulation. Pending its formal establishment, coordination and communication on sustainable finance initiatives continue within each institution according to their respective mandates and programmes.

A range of sustainable finance policies and initiatives are currently being advanced by OJK, including the Indonesia Taxonomy for Sustainable Finance (TKBI) Version 3, Climate Risk Management and Scenario Analysis (CRMS), sustainable bond and sukuk issuance, sustainability disclosure and carbon exchange regulation, as well as sector-specific sustainable finance roadmaps reflecting the readiness, characteristics and implementation capacity of each financial sector.

OJK, in collaboration with relevant ministries, institutions and stakeholders, has developed and issued the TKBI in stages. TKBI Version 3, launched in February 2026, now covers all sectors related to Indonesia's Nationally Determined Contribution (NDC). The TKBI provides a common language and standard for classifying sustainable economic activities and is built around three principles: scientific and credible; interoperable while supporting national interests; and inclusive. It uses the ASEAN Taxonomy for Sustainable Finance as its main reference while taking account of national policies and circumstances.

In parallel, since 2024 OJK has conducted a pilot project involving all commercial banks to support implementation of the TKBI and build financial institutions' capacity to classify their portfolios. The pilot is expected to be expanded to non-bank financial institutions, particularly credit-taking institutions, with the longer-term objective of integrating taxonomy implementation into sustainability reporting and Indonesia's credit reporting system.

OJK also operates the Sustainable Finance Information Hub (SFIH), a public repository for policy information, data and sustainable finance developments, as well as the Taxonomy Navigator, which provides an activity and TKBI-criteria search function and a step-by-step assessment simulator.

A key priority in 2026 is the update of OJK Regulation No. 51/2017 on the Implementation of Sustainable Finance for financial-services institutions, issuers and public companies. The revision responds to evolving national and international sustainable finance developments and to the adoption of Indonesia Sustainability Disclosure Standards PSPK 1 and PSPK 2, aligned with IFRS S1 and IFRS S2 and effective from 1 January 2027. The updated regulation aims to further strengthen sustainable finance implementation, including Sustainable Finance Action Plans (RAKB) and sustainability reporting requirements across the financial-services sector.

Looking ahead, OJK is developing guidance to support credible and orderly transition planning, alongside supervisory guidelines for RAKB and Sustainability Reports. OJK is also advancing CRMS Version 2 and its pilot implementation, as well as further work on the Climate Risk and Banking Resilience Assessment (CBRA).

Japan

As part of Japan's broader Green Transformation (GX) policy package, a series of initiatives have been implemented to promote transition finance and climate-related action.

Following the revision of Japan's Basic Guidelines on Climate Transition Finance in March 2025, the government is undertaking a further review to take account of subsequent international developments, including the Transition Loan Principles (Exposure Draft) published by the LMA, APLMA and LSTA in October 2025 and the Climate Transition Bond Guidelines published by ICMA in November 2025.

The government has continued issuing Japan Climate Transition Bonds, with cumulative issuance reaching approximately ¥4.2 trillion by March 2026. Japan has also developed sectoral technology roadmaps covering 10 sectors, providing a reference for companies developing transition strategies and for financial institutions assessing eligibility for transition finance. The roadmaps were revised between October 2025 and February 2026 to reflect the latest GX policies and other developments.

In April 2026, the amended GX Promotion Act entered into force, requiring large emitters to participate in the national emissions trading scheme from FY2026 and to formulate and submit transition plans in consideration of Japan's 2050 carbon neutrality target. To support implementation of the GX agenda and the government's goal of mobilising more than ¥150 trillion in public and private GX investment over 10 years from FY2023, the GX Acceleration Agency was reorganised in July 2026. A new Carbon Pricing Department was established to manage the emissions trading system and broader carbon pricing operations, alongside a Deep Tech Startup Office supporting technology-based start-ups in key GX fields.

In April 2026, the GX Future Consortium was established, with the GX Acceleration Agency serving as its secretariat. Building on the former TCFD Consortium and integrating certain functions of the GX League, the Consortium aims to promote GX implementation across society and support a virtuous cycle of decarbonisation and economic growth. Its activities include providing GX-related information and seminars and facilitating public-private rulemaking related to GX demand creation and finance.

Japan also advanced its sustainability disclosure and assurance framework. In January 2026, the Financial Services Agency (FSA) published a report and roadmap setting out the timeline for mandatory sustainability-related disclosure and assurance. Following amendments to the Financial Instruments and Exchange Act in July 2026, large companies listed on the Prime Market of the Tokyo Stock Exchange will be required to prepare Annual Securities Reports in accordance with the Sustainability Standards Board of Japan (SSBJ) Standards, which are designed to deliver outcomes functionally aligned with the ISSB Standards. The requirements will be introduced progressively, beginning with companies with a market capitalisation of ¥3 trillion or more for annual reporting periods ending in March 2027, followed by companies with a market capitalisation of ¥1 trillion or more in March 2028 and ¥500 billion or more in March 2029.

Sustainability assurance will become mandatory from the fiscal year following the initial application of the disclosure requirements. During the first two years, assurance will cover Scope 1 and Scope 2 greenhouse gas emissions, governance and risk management. A registration mechanism for assurance providers will also be introduced, allowing both audit firms and non-audit firms to register, provided that they meet the prescribed requirements. Domestic assurance standards aligned with international standards are also under consideration.

In July 2026, the FSA published a report on recent practices in the management of storm and flood risks and support for clients in the financial sector, based on a survey of 17 major banks, regional banks and insurers. The report highlights the use of more granular data and sophisticated analytical methods in risk assessment and investment and lending decisions. It also provides examples of support offered to clients, including products for disaster-related repayment relief and adaptation investments, as well as storm and flood risk assessment and other risk-management services. Financial institutions have also strengthened their own business continuity plans and adaptation measures in light of lessons from past disasters.

At the regional level, the Asia GX Consortium (AGXC), jointly led by the FSA and ASEAN financial policymakers and regulators, in collaboration with the Asian Development Bank (ADB) and market participants, including financial institutions operating in Asia, continues to support dialogue on scaling transition finance in ASEAN. Its third High-Level Meeting took place in Manila in October 2026 and marked the launch of the AGXC Annual Report 2026 and

the ASEAN Transition Plan Handbook, both key deliverables under the 2026 AGXC Work Plan. The Annual Report summarizes the implications of Japanese practical experience for ASEAN policy frameworks. Developed by the ADB in partnership with the AGXC, the Handbook provides practical guidance to support enterprises in developing credible transition plans and financial institutions in assessing them.

Kenya

In 2026, Kenya continued to develop its sustainable-finance architecture, including new sovereign financing and disaster-risk financing frameworks.

In June 2026, the Government published its inaugural Sovereign Sustainability-Linked Financing Framework. The framework is intended to provide the basis for future sustainability-linked bonds and loans and links financing terms to measurable sustainability performance. Its initial key performance indicators focus on limiting natural-forest loss and increasing rural access to electricity, with monitoring, reporting and external verification requirements.

Also in June 2026, the National Treasury launched the Disaster Risk Financing Strategy 2026-2030. The Strategy aims to strengthen the financial capacity of national and county governments to manage disaster risks across preparedness, mitigation, response and recovery, while protecting vulnerable groups, safeguarding development gains and maintaining fiscal stability. It uses a risk-layering approach and seeks to strengthen both risk-retention and risk-transfer instruments, as well as financing for disaster-risk prevention and preparedness.

In the capital markets, the Capital Markets Authority (CMA) approved the registration of the Green Investment Fund LLP as an Alternative Investment Fund in August 2026. The Fund is intended to invest in growth-stage green and greening micro, small and medium-sized enterprises, primarily in Kenya and the East African Community, including businesses contributing to climate-change mitigation, adaptation and resilience. The Fund may use instruments including equity, mezzanine finance and quasi-equity.

As indicated in Kenya's 2026 Budget Policy Statement, the Government intends to continue broadening its investor base and exploring alternative financing instruments, including sustainability-linked bonds, as part of its wider debt-management strategy.

Malaysia

Malaysia is increasingly prioritising climate adaptation alongside mitigation, recognising the country's heightened vulnerability to climate-related risks. The Securities Commission Malaysia (SC) launched its Capital Market Masterplan 2026-2030 (CMP) in March 2026, establishing a clear direction for the growth of the Malaysian capital market. The CMP embeds sustainability as a key thrust and positions the Malaysian capital market as a core enabler for achieving national sustainability goals and addressing long-term sustainability needs. By 2030, the CMP aims to mobilise RM90 billion to RM100 billion (approximately USD22 billion to USD25 billion) in cumulative sustainable financing, with a focus on financing opportunities for climate adaptation and resilience projects.

Key developments include the launch of Malaysia's first regulated Social Exchange, aimed at broadening access to and participation in social-impact financing through Malaysia's capital

market. The initiative seeks to strengthen the ecosystem for Malaysia's third sector by providing a structured and transparent avenue to support meaningful social-impact projects.

Sustainability disclosures remain a priority following the implementation of the National Sustainability Reporting Framework (NSRF), with Malaysia recognised as the only ASEAN jurisdiction adopting ISSB Standards with limited transition reliefs. To date, the first cohort of Group 1 companies with a 31 December 2025 financial year-end has completed submissions, with 91 public listed companies having reported. The Advisory Committee on Sustainability Reporting (ACSR), chaired by the SC, continues to support implementation of the NSRF through PACE (Policy, Assumptions, Calculators, Education). In addition to the Illustrative Sustainability Reports (ISR) issued for the Construction and Plantation sectors in 2025, the ACSR plans to issue an ISR for the Manufacturing sector, together with guidance materials to assist sustainability assurance providers, by year-end 2026. To ensure the credibility of disclosures, the ACSR has announced the timeline for mandatory sustainability assurance beginning in financial year 2028 for Group 1 listed issuers.

Recognising the growing role of sustainability professionals in achieving sustainability commitments and targets, the SC is also supporting industry efforts to establish a dedicated association for the development and institutionalisation of the sustainability profession. Once established, the association aims to support the development and competency needs of sustainability professionals and serve as a collective voice and sounding board for policy dialogue with regulators and authorities on sustainability matters.

As Co-Chairs of the Joint Committee on Climate Change (JC3), a regulator-industry platform, the SC and Bank Negara Malaysia (BNM) continue to pursue collaborative action to enhance the financial sector's response to climate resilience. Priorities include the development of practical tools to support industry participants across risk management, governance and disclosure, product and innovation, capacity-building, data challenges and SME transition support. In 2025, the JC3 issued the Sustainable and Transition Finance Guidance for Financial Institutions, which provides practical recommendations for banks to align financing activities with established sustainable and transition-finance principles at both asset and entity levels.

To further support NSRF implementation by financial institutions, the JC3 also published NSRF Guidance Documents for the banking sector and the insurance and takaful industry. The Guidance Documents are intended to help the financial sector navigate reporting challenges and transition towards high-quality, decision-useful sustainability disclosures, complementing the ACSR's broader implementation and capacity-building support for entities in scope.

The BNM's and SC's efforts to develop the Malaysian Taxonomy on Sustainable Finance also continue to progress. As a unified national taxonomy, it will fully adopt the ASEAN Taxonomy, representing a significant milestone towards greater regional interoperability, consistency and comparability in sustainable finance. To support practical implementation, the JC3 is developing supplementary guidance and tools tailored to the domestic context, followed by a pilot exercise involving selected industry participants to assess implementation readiness and identify operational challenges.

At the regional level, the SC and BNM continue to contribute to the work of the ASEAN Taxonomy Board (ATB), particularly the socialisation of ASEAN Taxonomy Version 4, which includes Technical Screening Criteria (TSC) for agriculture, forestry and fishing; manufacturing; water supply, sewerage, waste management and remediation; and two enabling sectors. In

parallel, the SC is supporting efforts to drive adoption of the ASEAN Taxonomy by Malaysian companies through targeted engagement, capacity-building and the development of supporting toolkits.

Building on the momentum generated through the SC's leadership as Chair of the ASEAN Capital Markets Forum (ACMF) in 2025 and Co-Chair of the ACMF Sustainable Finance Working Group (SFWG), the SC continues to drive key regional sustainability initiatives. In particular, Phase Two of the ASEAN Voluntary Carbon Markets (VCM) initiative focuses on identifying priority areas for implementation and practical strategies for capital-market regulators to strengthen market readiness and support the development of credible and high-integrity voluntary carbon markets across the ASEAN region.

The continuing development of the ACMF mARs (Mitigation Co-benefit and Adaptation for Resilience) Guide aims to provide supplementary guidance to improve the usability of the ASEAN Taxonomy for Environmental Objective 2 on Climate Change Adaptation. The Guide supports users in identifying climate hazards, resilience themes and relevant adaptation solutions, while providing practical criteria and reference materials to facilitate the assessment of climate adaptation-related activities under the ASEAN Taxonomy. Developed through extensive stakeholder consultations across the region, the mARs Guide also aims to support the mobilisation of public and private capital towards climate-adaptation projects and activities.

Morocco

The Kingdom of Morocco remains strongly committed to sustainable development and continues to demonstrate this commitment at both national and international levels. This ambition is reflected in a range of strategies and policy frameworks, including the National Sustainable Development Strategy 2035, the Nationally Determined Contribution (NDC), the Low Carbon Strategy 2050 and the Climate Finance Development Strategy to 2030. Supporting these ambitions requires an enabling policy, regulatory and financial environment capable of mobilising additional financing, particularly from the private sector.

In this context, the Ministry of Economy and Finance, together with the financial-sector regulators, is pursuing implementation of the Climate Finance Development Strategy to 2030 (SDFC 2030), adopted in September 2024. The Strategy aims, in particular, to unlock private climate finance and increase the contribution of private capital to climate financing, while strengthening the resilience of the financial sector to climate-related risks and accelerating its green transition. An implementation roadmap has been prepared, setting out a broad range of measures aimed at scaling up private climate finance and strengthening the sustainable-finance ecosystem.

In parallel, the Moroccan authorities are continuing their efforts to scale up green and sustainable finance, notably through the development of the Moroccan Green Financial Taxonomy.

The taxonomy development process is led by a dedicated Taxonomy Working Group, bringing together the Ministry of Economy and Finance and the relevant financial-sector regulators, with the support of specialised technical expertise. Following the establishment of the governance framework and mobilisation of technical assistance, technical work was officially launched in July 2025.

The preparation of the Taxonomy has followed a structured and consultative approach. A methodological framework was first developed to define its objectives, scope, guiding principles, environmental objectives, priority sectors, technical-screening approach and overall architecture. Dedicated Technical Expert Groups (TEGs) were subsequently established for the climate-change mitigation and climate-change adaptation objectives, bringing together technical experts and relevant public and sectoral stakeholders to review sector-specific activities, define eligibility conditions and develop corresponding technical screening criteria.

Following completion of the technical work on the mitigation and adaptation objectives, a public consultation was conducted in July 2026 to collect feedback from public institutions, financial-sector actors, private-sector representatives and other relevant stakeholders. The comments received are currently being reviewed and incorporated with a view to finalising a technically robust, operationally relevant framework adapted to the Moroccan economic and financial context.

The next phase is expected to focus on extending the Taxonomy to additional sectors and taking the first steps towards operationalisation. This will include further development of the implementation roadmap, clarification of the modalities for use of the Taxonomy by financial-sector stakeholders, and development of supporting tools and mechanisms to facilitate its effective application.

In addition, the Ministry of Economy and Finance and the National Guarantee and Financing Company, TAMWILCOM, are pursuing efforts to green the national financing and guarantee framework. This initiative aims to support a greener and more resilient economy and further integrate environmental, social and governance considerations into financing and guarantee mechanisms.

TAMWILCOM has already initiated several measures, including the establishment of an Impact, Sustainability and Quality Department and development of an Environmental and Social Management System (ESMS). Additional technical assistance is planned to support the standardisation of environmental and social assessment processes for financed and guaranteed projects, operationalisation of the ESMS, development of an ESG strategy incorporating a double-materiality approach, and preparation of a carbon-footprint assessment.

New Zealand

In 2026, New Zealand continued to advance the five pillars of its Climate Strategy: (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. Removing barriers to private investment and unlocking green finance flows into and within New Zealand remain key levers for delivering the climate opportunities identified in the Strategy, while supporting economic growth.

To support this, development of New Zealand's sustainable finance taxonomy remained a priority over the past 12 months. Developed in partnership with Toitū Tahua – the Centre for Sustainable Finance, the taxonomy's Agriculture and Forestry criteria were finalised. The Centre remains on track to deliver additional sector criteria by the end of 2026, following

public consultation on Energy criteria from 8 June to 10 July 2026 and Building and Construction criteria from 5 October to 30 October 2026. New Zealand also continues to collaborate closely with Australia to support interoperability between taxonomy frameworks in the trans-Tasman region.

In May 2026, the Financial Markets Authority (FMA) finalised its Sustainability-related Disclosure Guidance, providing greater clarity on good disclosure practice for financial products with sustainability-related characteristics. The guidance explains how the fair dealing and disclosure provisions of the Financial Markets Conduct Act 2013 apply to sustainability-related claims, helping issuers understand their obligations when describing sustainability-related features of financial products and supporting informed participation in sustainable financial markets.

In parallel, the FMA finalised a 2026 class exemption for green, social, sustainability and sustainability-linked (GSSS) bonds. The exemption allows certain offers of GSSS bonds to access disclosure relief equivalent to that available under the statutory same-class exclusion for quoted bonds, even where the bonds would not otherwise qualify as being in the same class because of their GSSS status. It is intended to reduce unnecessary barriers to issuing GSSS bonds while maintaining the existing disclosure framework under the Financial Markets Conduct Act 2013.

Building on private-sector-led pilots conducted in 2025, the Government also announced next steps in its approach to growing New Zealand's voluntary nature and carbon markets. This included issuing guidance for voluntary climate-change mitigation, setting out expectations and best practice for participants in New Zealand's voluntary carbon markets. The Government has also supported the development of voluntary nature and carbon markets by recognising qualifying international accreditation bodies and developing a domestic endorsement pathway for domestic schemes.

Norway

Issuance of corporate green bonds by Norwegian companies has increased in recent years. The total outstanding volume of green corporate bonds reached EUR 18 billion at year-end 2025, up from EUR 14.3 billion at the end of 2023. Over the same period, new issuance of green bonds increased from EUR 4.2 billion to EUR 5.8 billion. In June 2026, the Ministry of Finance presented Parliament with a proposal to implement the EU Green Bond Regulation in Norway.

The EU Corporate Sustainability Reporting Directive (CSRD) was implemented in the Norwegian Accounting Act in November 2024. In June 2026, the Ministry of Finance presented a proposal to amend the Accounting Act to implement the EU Omnibus I Directive. Under the proposal, from financial year 2027, the requirement to include sustainability reporting in the management report would apply only to undertakings with net turnover exceeding NOK 5 billion (approximately EUR 450 million) and an average of more than 1,000 employees during the financial year. The Ministry of Finance has also proposed exempting undertakings falling outside the scope from financial year 2027 from sustainability reporting requirements for financial year 2026. If the proposed amendments are adopted by Parliament, approximately 120–160 Norwegian undertakings would be required to prepare sustainability reporting from financial year 2027.

Many Norwegian undertakings falling outside the scope of statutory sustainability reporting requirements are nevertheless expected to continue providing sustainability information to stakeholders on a voluntary basis. The Ministry of Finance has recommended that Norwegian undertakings follow either the voluntary reporting standard adopted by the European Commission in July 2026 or the European Sustainability Reporting Standards (ESRS) when preparing sustainability reporting on a voluntary basis.

Senegal

In 2026, Senegal continued the implementation of its sustainable-finance framework, building on the Sustainable Financing Framework Document adopted in 2023 and the establishment of the Sustainable Finance Steering Committee (CoPil-FD). Key developments included validation of the national green taxonomy, capacity-building for financial-sector actors, development of an SDG-oriented investment map, implementation of the Climate and Disaster Risk Financing Strategy, and mobilisation of sustainable finance through regional and international markets.

Green taxonomy

On 12 May 2026, the national pre-establishment committee for the green taxonomy, convened by the Ministries responsible for Finance and the Environment, formally validated Senegal's first green taxonomy, following a development process of almost three years with technical support from GIZ. The taxonomy covers more than 300 economic activities, practices and measures contributing to climate-change mitigation and adaptation across six priority sectors: energy; agriculture; water, sanitation and waste; construction; transport; and industry. It also incorporates minimum social and environmental safeguards.

The taxonomy was developed through a multi-stakeholder process involving public institutions, the private sector, technical and financial partners, civil society, academia and regulators. Its criteria draw on international standards while being adapted to the national context. The taxonomy is intended to provide a common language for investors, financiers and project developers, facilitate the mobilisation of concessional and private capital, improve transparency and reduce greenwashing risks.

Capacity-building and investment mobilisation

To support operational implementation of the new sustainable-finance tools, Senegal carried out capacity-building activities in 2026 for banks, other financial institutions, insurers, companies and members of the CoPil-FD. These activities covered sustainable-finance instruments, the green taxonomy and climate and disaster-risk financing mechanisms.

Senegal also advanced work on an SDG Investor Map, developed by the Directorate-General for Planning and Economic Policies (DGPPE) with support from UNDP under the Integrated National Financing Framework. The initiative aims to identify high-impact investment opportunities aligned with the Sustainable Development Goals and to help channel private capital towards them. The draft map draws on regional consultations and identifies investment opportunity areas and related business models across sectors including agri-food, fisheries, livestock, tourism, renewable energy, digital services and education.

Senegal also continued implementation of its Climate and Disaster Risk Financing Strategy 2025–2030 (SNFRC). An implementation plan developed in 2026 sets out priority actions,

responsible entities, time horizons and financing needs, including work on disaster-risk data, flood-risk financing, rapid-disbursement mechanisms and insurance solutions. These measures are discussed in more detail in the special-focus chapter on climate-resilience financing.

Sustainable financing

Several financing initiatives also advanced in 2026. La Banque Agricole received its first disbursement from the Green Climate Fund under the FP262 Green Climate Finance Facility, which supports climate-smart agriculture in Senegal. The project, approved in 2025, has a total financing volume of EUR 48.425 million, combining loans, grants and co-financing.

In August 2026, Swami Agri launched a XOF 30 billion (approximately EUR 45.7 million) green bond to finance solar-powered cold-storage facilities and a photovoltaic plant. According to Senegal's contribution, this was the first agri-green bond issued on the WAEMU regional financial market. Earlier sustainable-finance transactions included financing raised by SENELEC through instruments carrying green-bond and sustainability-linked-bond labels, which have been listed on both the WAEMU's stock exchange market (BRVM) and the Luxembourg Stock Exchange (LuxSE)/Luxembourg Green Exchange (LGX) since July 2026.

Looking ahead, Senegal intends to focus on raising awareness and use of the green taxonomy, promoting the SDG Investor Map among investors, finalising revisions to its Sustainable Financing Framework Document and mobilising financing for outstanding actions under the Climate and Disaster Risk Financing Strategy.

Singapore

Singapore continued to take a long-term and pragmatic approach to climate action. Recognising the growing physical impacts of climate change, the Government designated 2026 as Singapore's Year of Climate Adaptation and is developing Singapore's first National Adaptation Plan, targeted for publication in 2027. In parallel, the Monetary Authority of Singapore (MAS) remained focused on strengthening the financial system's resilience to climate-related risks and mobilising capital flows to support Asia's transition to a low-carbon and climate-resilient future.

The Financing Asia's Transition Partnership (FAST-P) continued to advance blended finance for sustainable and transition infrastructure in Asia. In May 2026, the Green Investments Partnership (GIP) achieved its second close, bringing total participation to US$800 million, up from US$510 million at its first close. In June 2026, the Energy Transition Acceleration Finance (ETAF) partnership achieved its first close, securing US$250 million in committed capital for its displacement strategy. FAST-P also expanded partner participation across all three of its programmes, including the Industrial Transformation Program (ITP).

MAS also continued to advance high-integrity energy transition credits as an innovative financing mechanism to support the early retirement of coal-fired power plants in Asia and their replacement with clean energy sources. At COP30, the MAS-convened Transition Credits Coalition (TRACTION) published its Final Report, setting out practical approaches to developing, structuring, financing and investing in high-integrity energy transition credit projects, while incorporating Just Transition considerations. The report highlighted the importance of addressing region-specific needs, providing financial confidence through credible long-term demand and robust risk-mitigation solutions, integrating Just Transition

considerations, and developing pathways for credit offtake. MAS also launched a Statement of Support at COP30, backed by over 20 public and private entities expressing interest in supporting energy transition credit projects through offtake, financing and underwriting arrangements.

With TRACTION's two-year mandate concluding at COP30, the next phase will focus on translating its work into concrete projects and transactions through industry-led efforts, with continued emphasis on integrity, transaction scalability and demand-building.

Singapore continued to strengthen the infrastructure supporting carbon markets. In October 2025, MAS launched the Financial Sector Carbon Market Development Grant to help alleviate near-term cost barriers faced by financial institutions and build the foundation for sustained participation in carbon markets. The grant has since attracted interest from financial institutions seeking to deepen their carbon-market capabilities in Singapore.

MAS also continued to advance the Singapore-Asia Taxonomy for Sustainable Finance (SAT) as a common, voluntary framework for identifying green and transition activities across eight focus sectors in Asia. In 2026, MAS and the Singapore Sustainable Finance Association (SSFA) completed a review of the SAT to reflect technological and scientific developments and practical implementation considerations. The review updated technical screening criteria and thresholds for selected sectors, including energy, maritime and data centres, and expanded the SAT to cover additional transition and enabling activities. SAT V2 provides financiers with greater clarity and confidence in allocating capital as Asia's transition pathways evolve.

On sustainability disclosures, MAS worked with the Singapore Exchange (SGX) to implement climate-related provisions of the IFRS Sustainability Disclosure Standards through SGX Listing Rules, alongside continued efforts to support listed issuers in building climate-related reporting capabilities. MAS also updated its Information Paper on Good Disclosure Practices for Retail ESG Funds in 2026 to reflect supervisory observations and international developments, with the aim of mitigating greenwashing risks and promoting clear and substantiated sustainability disclosures.

To strengthen financial-sector resilience to climate-related risks, MAS issued three Guidelines on Environmental Risk Management – Transition Planning in March 2026 for banks, insurers and asset managers respectively. The Guidelines set out supervisory expectations for financial institutions to proactively manage both transition and physical climate risks, including through structured engagement with customers and investee companies on a risk-proportionate basis. They will take effect from September 2027.

Singapore is also supporting the development of Asia's insurance-linked securities (ILS) market, which can broaden risk-sharing for climate-related disasters. Through the MAS Insurance-Linked Securities Grant Scheme, which defrays costs associated with ILS issuance and renewal, Singapore has facilitated more than 30 catastrophe bond issuances and renewals covering hazards including storms, earthquakes and floods.

Sri Lanka

Sri Lanka's sustainable finance agenda continued to advance in 2026, building on the launch of the Sustainable Finance Roadmap 2.0 (2025-2029) in May 2025. During the country's economic recovery, sustainable finance remained important for mobilising private capital and supporting inclusive and environmentally sustainable growth. Developments in climate-

related financial risks, sustainability disclosures, transition finance and nature-related risks also reinforced the importance of aligning Sri Lanka's financial system with emerging international practices.

A key focus during 2026 was the implementation of Sustainable Finance Roadmap 2.0, which provides an enhanced framework covering environmental and social sustainability, financial inclusion and climate resilience. A dedicated governance structure was established, including a Stakeholder Committee comprising key financial-sector stakeholders to facilitate consultation and coordination. Three thematic Working Groups were also initiated, covering sustainable finance products; ESG and climate risks; and reporting and disclosure. Financial inclusion was incorporated into the Roadmap 2.0 implementation plan, alongside the continued implementation of the National Financial Inclusion Strategy by the Central Bank of Sri Lanka (CBSL).

Building on the Sri Lanka Green Finance Taxonomy, launched in 2022, CBSL initiated the development of a Sustainable Finance Taxonomy incorporating the social dimension alongside environmental sustainability, with technical and financial assistance from the International Finance Corporation (IFC). The expanded framework is expected to provide greater clarity in identifying sustainable economic activities, support sustainable finance products and facilitate private capital mobilisation towards Sri Lanka's environmental and social priorities. CBSL expects to issue regulatory guidance to banks and finance companies following the launch of the Sustainable Finance Taxonomy.

To address operational challenges related to the application of the Green Finance Taxonomy, CBSL received targeted technical assistance through the EU Green Recovery Facility, including capacity-building and awareness-raising programmes delivered by international experts. CBSL also participated in and facilitated programmes covering sustainable finance, taxonomy application, climate-related financial risks, ESG, sustainable finance products, and reporting and disclosure, strengthening the technical capabilities of regulators and financial-sector participants.

Other institutions continued to strengthen Sri Lanka's broader sustainable and climate finance ecosystem. The Ministry of Finance, Planning and Economic Development launched the National Climate Finance Strategy of Sri Lanka (2025-2030) in October 2025. In September 2025, the Ministry of Environment submitted Sri Lanka's Third Nationally Determined Contribution (NDC 3.0) to the UNFCCC, setting out enhanced mitigation and adaptation actions for 2026-2035 towards the ambition of carbon neutrality by 2050.

The Colombo Stock Exchange (CSE) also saw multiple listings of green, sustainability and other thematic bonds during the year, the majority of which were issued by financial institutions. Adoption of localised versions of IFRS S1 and IFRS S2 by companies listed on the CSE is ongoing under a phased approach established by the Institute of Chartered Accountants of Sri Lanka.

Overall, 2026 marked a continued shift towards implementation, institutionalisation and market development. Through Roadmap 2.0, the development of the Sustainable Finance Taxonomy, the integration of financial inclusion, strengthened climate-risk management and disclosure practices, and expanded capacity-building, Sri Lanka continued to work towards an inclusive, resilient and sustainable economic transition.

Switzerland

In March 2026, the State Secretariat for International Finance (SIF) published its Sustainable Finance Engagement 2026+ policy paper, reaffirming sustainable finance as an important quality and competitiveness factor for the Swiss financial centre. Building on the Federal Council's 2022-2025 sustainable finance report, the new policy orientation focuses in particular on strengthening the resilience of the financial system to climate- and biodiversity-related risks and on creating appropriate framework conditions for capital to support the transformation of emissions- and resource-intensive sectors by ensuring transparency for investors. Switzerland continues to favour internationally interoperable, principle-based and proportionate approaches.

Sustainability and climate-related reporting remain an important element of Switzerland's sustainable finance framework. In 2026, the Federal Council conducted a public consultation on a new Federal Act on Sustainable Corporate Governance, including revised requirements for sustainability reporting and due diligence. The proposal takes account of recent changes to the EU sustainability framework, with the objective of ensuring internationally compatible requirements while limiting unnecessary regulatory burdens.

In parallel, the Ordinance on Climate Disclosures, which has applied to large Swiss companies since 2024, is currently on hold pending greater clarity on the overarching sustainability reporting framework. The revision aims, among other things, to strengthen alignment with internationally recognised reporting standards and address requirements relating to transition plans. The existing version of the Ordinance already requires large companies, including financial institutions, to report on climate-related matters and publish transition plans, and remains in force. In April 2026, the federal popular initiative "For a sustainable and future-oriented Swiss financial centre" (Financial Centre Initiative) was submitted. The initiative seeks to require Swiss financial market participants to align environmentally relevant business activities abroad with international climate and biodiversity objectives and proposes restrictions on financing and insurance services related to the development and expansion of fossil fuel resources. In August 2026, the Federal Council decided to recommend rejecting the initiative without proposing a direct counterproposal. Parliamentary consideration, followed by a popular vote, is expected to begin from mid-2027.

Switzerland also continued its work on measuring the climate alignment of financial flows. In 2026, the Federal Office for the Environment (FOEN) and SIF launched the fifth PACTA Climate Test of the Swiss financial market. Conducted every two years, the voluntary test assesses the climate compatibility of financial portfolios and provides participating institutions with individual results, while anonymised aggregate findings support the monitoring of progress towards Switzerland's net-zero objective.

United Kingdom

The UK government remains committed to achieving net zero by 2050 and has continued to implement measures announced under the Financial Services Growth and Competitiveness Strategy, published in July 2025, which set out how the UK will continue to advance sustainable finance.

Delivering a streamlined regulatory framework

The government has set the objective of ensuring that the UK has a sensible and well-calibrated regulatory framework for sustainable finance. This means putting in place a system that provides investors with decision-useful and credible sustainability information, enabling well-informed investment decisions.

In February 2026, the UK published the UK Sustainability Reporting Standards (UK SRS) for voluntary use. The UK SRS are based on the sustainability standards developed by the International Sustainability Standards Board (ISSB). On 30 September, the Financial Conduct Authority (FCA) announced final rules that will require listed issuers to make sustainability and climate disclosures in line with UK SRS on a 'comply or explain' basis from 1 January 2027. These rules also include a requirement for issuers to disclose in their annual report whether they have a climate related transition plan, and if so, where it can be found. If an issuer does not have a climate-related transition plan, they will have to explain why not.

The government continues to support voluntary adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, including through the TNFD UK Consultation Group. It is also following the ISSB's work on nature, in particular its planned practice statement on nature disclosures.

The government is continuing to develop its position on mandating credible transition plans for UK-regulated financial institutions and listed companies, aligned with the Paris Agreement, following a consultation that closed in September 2025.

Following consultation, the government announced that it will introduce a voluntary sustainability assurance register and oversight regime, with the Financial Reporting Council (FRC) responsible for implementation. The FRC has been tasked with establishing an interim register as the first phase of implementation, with the aim of launching it ahead of the 1 January 2027 reporting year. The government also intends to legislate to establish the sustainability assurance oversight regime as one of the FRC's statutory functions when Parliamentary time allows.

To improve transparency and trust in the market, the government passed legislation in December 2025 bringing ESG ratings providers within the FCA's regulatory perimeter. The FCA consulted in early 2026 on the rules that would apply to providers in scope, ahead of the regime coming into force in June 2028.

Asset managers are implementing the FCA's Sustainability Disclosure Requirements (SDR) and investment labels regime, which aims to improve trust and transparency in sustainable investment products and reduce greenwashing. As of August 2026, nearly 160 funds were using or intending to use UK SDR labels. All FCA-authorised firms are also subject to the Anti-Greenwashing Rule, which has applied since May 2024.

In December 2025, the Prudential Regulation Authority (PRA) introduced updated supervisory expectations strengthening how banks and insurers manage climate-related risks. These build on previous supervisory expectations and aim to provide greater clarity and strengthen implementation rather than introduce new regulatory rules.

Supporting the growth and integrity of the transition finance market

The UK has also continued to focus on transition finance. In February 2025, the Chancellor and the City of London Corporation co-launched the Transition Finance Council (TFC) to support the development of a robust, investable and internationally aligned UK transition finance market. During its first year, the TFC developed practical foundations for this work, including the Transition Finance Guidelines and Implementation Handbook, designed to support investors in identifying credible transitioning companies and applying the Guidelines in different contexts, as well as the Finance Playbook, aimed at helping companies develop transition plans that are clear, ambitious and investable.

Now in its second year, the TFC is focused on finalising the Guidelines for use in real-world financing decisions, promoting international alignment around them, and catalysing transition investment.

The FCA, in partnership with the PRA and the Green Finance Institute (GFI), also published findings from a Transition Finance Pilot, which explored barriers to scaling finance for climate solutions. The findings informed the design of the recently launched Transition Finance Lab, a GFI partnership with the Department for Energy Security and Net Zero (DESNZ). The Lab aims to help unlock investment into clean-energy projects facing persistent barriers through advisory support and the testing of innovative financing models, involving collaboration between government, public finance institutions and the private sector.

To support sectoral decarbonisation and private investment, the UK's public finance institutions are also working together through the Public Investment Roundtable (PIR) to strengthen coordination, close support gaps and improve referral processes so that businesses and projects can access the most appropriate public-finance support.

The UK's National Wealth Fund (NWF) has £27.8 billion available to mobilise private capital for growth and clean energy and is also exploring blended-finance solutions with government departments such as DESNZ. Great British Energy (GBE) will invest in local clean-energy projects in support of the UK's clean-power goals for 2030. Together with the British Business Bank, these public finance institutions are aligned under the UK's Industrial Strategy.

The UK Government Investments' Financial Instruments and Transactions Advisory Group (FInTAG) is also strengthening coordination and expertise in designing catalytic financial interventions. These measures are intended to strengthen the ability of the UK's public and private sectors to mobilise investment, support decarbonisation and reinforce the UK's position as a leading global financial centre.

Engaging globally

Many of the challenges to scaling sustainable finance are shared globally. The UK government continues to use bilateral and multilateral engagement to support the growth of sustainable finance and remains committed to international standards that provide useful and comparable information on risks and opportunities, support decision-making and reduce unnecessary burdens on businesses.

The UK also works to unlock long-term investment in emerging markets and developing economies (EMDEs), supported by the EMDE Investor Taskforce, a platform for high-level public-private engagement. Much of the Taskforce's work focuses on industry-led action to

address barriers to investment, including through innovative products, data, credit ratings and the mobilisation of asset owners.

2. Climate resilience spotlight: Mobilising sustainable finance for climate resilience

2.1. Framing the climate resilience financing challenge

The growing physical impacts of climate change are making the need to invest in resilience increasingly urgent. Across regions and continents, communities and economies are facing more frequent and severe heatwaves, floods, droughts, storms and wildfires, with significant consequences for lives, livelihoods, ecosystems and economic activity. In 2026, these risks have again been visible across the world, including through severe heat and wildfire conditions in parts of Europe. Beyond their immediate human and environmental impacts, such events can damage infrastructure and productive assets, disrupt businesses and supply chains, and create growing financial pressures for households, companies and public authorities.

Climate mitigation therefore needs to be accompanied by greater investment in adaptation and resilience. Yet financing remains far below estimated needs. UNEP estimates that adaptation finance needs in developing countries could reach USD 310-365 billion annually by 2035, compared with USD 26 billion in international public adaptation finance flows in 2023. Mobilising finance at the necessary scale will require not only additional public resources, but also stronger mobilisation of private capital and, more broadly, the alignment of investment decisions with climate-resilient development.

Financing climate resilience nevertheless presents particular challenges. The benefits of resilience investments often take the form of losses avoided in the future rather than readily identifiable revenue streams, while many investments generate wider economic and societal benefits that cannot easily be captured by an individual investor. Uncertainty around the timing, location and severity of climate impacts can further complicate investment decisions. Limited data, difficulties in assessing resilience outcomes, capacity constraints and insufficient pipelines of investable projects can also impede investment. Together, these factors can make it difficult to translate the strong economic and societal case for resilience into projects with risk-return profiles capable of attracting private finance at scale.

The way climate-related risks are shared between the public and private sectors is therefore central to the financing challenge. Insurance can play an important role in transferring and managing physical climate risks, while also supporting incentives for risk prevention and reduction. Significant protection gaps nevertheless remain. In the EU, for example, only around one quarter of losses from climate-related catastrophes are currently insured, with considerably lower coverage in some countries. As physical risks increase, governments may also face growing contingent liabilities where uninsured losses ultimately require public support. A combination of prevention, insurance, private risk-bearing and appropriately designed public mechanisms can therefore be important both for strengthening resilience and for maintaining the insurability of risks over time.

Sustainable finance frameworks can help address these challenges through a range of complementary approaches. Taxonomies and other classification tools can provide greater clarity on activities and investments that contribute to climate adaptation and resilience. Corporate and sectoral planning can help identify material physical climate risks and integrate resilience needs into forward-looking investment strategies. Disclosure frameworks and metrics can improve information on exposures, planned measures and outcomes. Public and blended finance can be used strategically to improve risk-return profiles and mobilise private capital, while instruments such as resilience and catastrophe bonds, guarantees and other

risk-sharing mechanisms can broaden the sources of financing available. In countries particularly exposed to climate shocks and fiscal pressures, instruments such as debt-for-climate swaps and climate-resilient debt clauses may also form part of the financing toolkit.

Credibility is important across all of these approaches. Increasing the volume of finance labelled as supporting adaptation or resilience is not sufficient in itself. Sustainable finance frameworks also need to provide confidence that financed investments address material climate risks and generate meaningful resilience benefits, while avoiding maladaptation or the transfer of risks to other sectors, communities or future periods. Measuring such outcomes remains challenging. Developing more robust and decision-useful metrics and indicators can help demonstrate the effectiveness of resilience investments, strengthen the investment case and improve the credibility and comparability of resilience-related finance.

Contributions to this chapter

Against this background, the contributions in this chapter bring together perspectives from IPSF members and observers on how sustainable finance frameworks can credibly support climate resilience financing. Reflecting different climate exposures, economic circumstances, financial systems and stages of sustainable finance framework development, they provide practical examples and emerging approaches to mobilising investment for resilience and managing the financial consequences of physical climate risks.

Collectively, these contributions provide a basis for deeper international exchange on:

- How climate-related risks can be shared and allocated between public and private actors in financing climate resilience, and the role that sustainable finance frameworks can play in supporting an effective allocation of those risks;
- How climate resilience can be strengthened and climate-related insurance protection gaps addressed, including through corporate or sectoral transition planning, blended finance mechanisms, resilience or catastrophe bonds, debt-for-climate swaps, climate-resilient debt clauses and other financing or risk-sharing mechanisms;
- How the effectiveness and impact of climate resilience investments can be assessed, including through appropriate metrics, indicators and disclosure requirements; and
- What barriers constrain the scaling-up of climate resilience financing, and how policy, regulatory, financial or market-based approaches can help overcome them.

The objective is not to prescribe uniform approaches. Climate risks, financing needs and institutional settings vary significantly across jurisdictions. Rather, by bringing together practical experiences, emerging approaches and lessons learnt, the IPSF aims to support mutual learning, identify areas where further technical work and cooperation could add value, and contribute to more credible and effective approaches to financing climate resilience.

2.2. Developments and practices across jurisdictions

2.2.1. Australia

Australia has progressively developed a range of policy, supervisory and market-based initiatives to strengthen the financial sector's understanding and management of physical climate risks and support investment in climate resilience.

Since 2021, the Australian Prudential Regulation Authority (APRA) has maintained prudential guidance on climate change financial risks for regulated financial institutions. The guidance covers physical, transition and liability risks and sets out practices relating to governance, risk management, scenario analysis and disclosure. It recognises that physical climate risks can affect asset values, borrower creditworthiness, insurance claims and the cost and availability of insurance, and encourages institutions to integrate these risks into their broader risk-management frameworks. APRA subsequently undertook a Climate Vulnerability Assessment of Australia's five largest banks, published in 2022, to assess potential financial exposures to physical and transition climate risks.

At the economy-wide level, Australia published its National Climate Risk Assessment and National Adaptation Plan in 2025. The National Adaptation Plan provides a framework for responding to nationally significant physical climate risks and for coordinating adaptation action across government, while also supporting businesses and other organisations in planning for and adapting to those risks. These initiatives provide important context for Australia's sustainable finance reforms.

Australia's Sustainable Finance Roadmap, published in 2024, includes identifying and responding to systemic financial risks among its core priorities. In August 2026, the government also published voluntary climate-related transition planning guidance. The guidance explicitly covers both the net zero transition and the increasing physical impacts of climate change, helping organisations identify and respond to climate-related risks and opportunities in their strategic planning.

A particular focus has been the insurance protection gap. In March 2026, APRA published *Mind the Gap*, an Insurance Climate Vulnerability Assessment examining how climate change could affect home insurance affordability and financial-system resilience. Based on stress testing with Australia's five largest general insurers, the assessment found that the proportion of households without affordable home insurance could increase from around one in seven today to around one in four by 2050 under the scenarios considered. APRA highlighted that a widening protection gap could leave households more exposed to financial losses and create broader vulnerabilities for the financial system.

Work is also underway to strengthen the sustainable finance infrastructure for adaptation and resilience. The Australian Sustainable Finance Taxonomy, launched in 2025, currently supports the identification of green and transition activities and is being tested in practice by financial institutions. Experience from its implementation has highlighted demand to extend the framework to climate adaptation and resilience, and ASFI has commenced work to scope such an expansion, including identifying priority sectors and activities and developing recommendations for future technical work.

Taken together, these initiatives illustrate an approach combining financial-sector supervision and scenario analysis, economy-wide climate-risk and adaptation planning, corporate transition planning, examination of insurance protection gaps, and the continued development of sustainable finance tools capable of directing capital towards resilience.

2.2.2. Brazil

Brazil has developed a range of instruments relevant to the financing and management of climate resilience. The *Plano Clima 2024-2035*, launched in 2026, includes a National Adaptation Strategy and 16 sectoral and thematic adaptation plans covering areas including

agriculture, cities, infrastructure, water resources and disaster-risk management. The plans establish sector-specific objectives, targets, actions, indicators and means of implementation through 2035.

An important source of public climate finance is the National Climate Change Fund (*Fundo Clima*), established in 2009 and currently the principal financial instrument of Brazil's National Policy on Climate Change for supporting mitigation and adaptation projects. It operates through reimbursable financing managed by the Brazilian Development Bank (BNDES) and non-reimbursable resources managed by the Ministry of the Environment and Climate Change. Eco Invest Brazil complements this public-finance architecture by using public resources and financial mechanisms, including measures addressing foreign-exchange risk, to mobilise domestic and international private capital for long-term sustainable investment. Its scope explicitly includes green infrastructure and adaptation to the effects of climate change. In the programme's third auction, concluded in January 2026, green infrastructure for adaptation represented 10.4% of the homologated investment portfolio.

Brazil has also been developing mechanisms to strengthen the pipeline and preparation of resilience investments. The Brazil Climate and Ecological Transformation Investment Platform (BIP) supports the Ecological Transformation Plan and government climate adaptation plans and provides channels for the identification and qualification of projects, investment funds and concessional-finance mechanisms. At the municipal level, the *BNDES Cidades Resilientes* programme combines project structuring with financing for climate-resilience investments. In September 2026, its first financing operation was approved for Manaus: BRL 200 million through the *Fundo Clima* for the preparation and implementation of adaptation and resilience investments, including integrated assessments of climate risks and urban, environmental and socioeconomic conditions.

Risk sharing is also well established in the agricultural sector. The federal Rural Insurance Premium Subsidy Programme (PSR), created under legislation adopted in 2003 and implemented from 2005, subsidises part of the premium paid by agricultural producers for insurance provided by private insurers against risks including adverse climatic events. Alongside it, *Proagro* protects eligible agricultural producers against certain financial losses arising from natural climatic events, pests and diseases. Together, these instruments provide established mechanisms through which climate-related agricultural risks are shared between producers, financial institutions, insurers and the public sector.

Climate-related risks are also incorporated into financial-sector risk management and disclosure. Since 2021, *Banco Central do Brasil* has required covered financial institutions to disclose information through the Report on Social, Environmental and Climate-related Risks and Opportunities (GRSAC), including information on processes for identifying, measuring, assessing, monitoring, reporting, controlling and mitigating climate-related risks. Revised disclosure requirements adopted in September 2026 will apply from January 2027. Analytical work has increasingly addressed physical risks directly: in April 2026, the Central Bank published an assessment combining geocoded credit exposures for more than six million companies with flood-risk maps, providing both supervisory indicators and a methodology that can support climate-risk monitoring and stress testing.

A significant insurance protection gap nevertheless remains. In September 2026, Brazil's insurance supervisor, Susep, published the final report of its Catastrophe Insurance Working Group. The report estimated that around 9% of economic losses from climate-related

disasters in Brazil are covered by insurance, compared with a global average of approximately 45%. The Working Group examined insurance and reinsurance, capital-market instruments, disaster-response financing, prevention, data and modelling, institutional coordination and the capacities of different levels of government, and set out proposals for further consideration by the competent authorities.

Taken together, these elements illustrate an increasingly broad resilience-finance architecture, spanning adaptation planning, public and catalytic finance, project preparation, agricultural risk sharing, financial-sector climate-risk management and insurance, while the remaining insurance protection gap and continued work on project pipelines and physical-risk information point to areas where further development is underway.

2.2.3. Canada

Canada has developed a combination of economy-wide adaptation policy, financial-sector supervision, climate-risk data and public investment measures to strengthen resilience to the physical impacts of climate change.

Canada's National Adaptation Strategy, launched in 2023, provides an overarching framework for building climate resilience across five interconnected systems, including disaster resilience, infrastructure, and the economy and workers. The Strategy recognises the need to scale investment in climate-resilient infrastructure and establishes the objective that public and private infrastructure decisions should be informed by current and emerging climate risks. From 2024, resilience to climate impacts is to be factored into all new federal infrastructure funding programmes.

Within the financial sector, the Office of the Superintendent of Financial Institutions (OSFI) issued Guideline B-15 on Climate Risk Management in 2023. The Guideline establishes supervisory expectations for federally regulated financial institutions regarding both physical and transition climate risks and covers governance, risk management and climate-related financial disclosures. It recognises that physical risks can translate into credit, market, insurance, liquidity and operational risks and expects institutions to adopt forward-looking approaches supported by reliable data and analysis.

Implementation continued in 2026, with OSFI assessing climate-risk management practices and institutions' implementation of Guideline B-15. OSFI also expanded Climate Risk Return reporting requirements from 10 large institutions to more than 250 federally regulated banks and insurers. This significantly broadens the information available to supervisors on physical and transition risks and strengthens the basis for assessing vulnerabilities across the financial system.

Improving climate-risk information is also an important part of Canada's approach. The federal government continues to expand public access to data relevant to climate-risk assessment and strategic decision-making. In 2025-26, more than 3,500 datasets were updated on GEO.ca, including climate and environmental information. The National Adaptation Strategy similarly emphasises better climate information, standards and guidance as foundations for resilient investment and decision-making.

Canada has also sought to strengthen public financing for resilience. Its adaptation framework includes programmes supporting climate-resilient infrastructure and community-level adaptation, while the modernised Disaster Financial Assistance Arrangements introduced

from April 2025 were designed to improve disaster recovery while providing stronger incentives for risk reduction and rebuilding with greater resilience.

Taken together, these initiatives illustrate an approach combining national adaptation planning, supervisory expectations for financial institutions, improved climate-risk information and public financing mechanisms to better identify, manage and reduce physical climate risks.

2.2.4. China

In 2026, under the guidance of the People's Bank of China (PBOC), relevant authorities in Guangdong Province established an innovative mechanism linking meteorological data with credit assessment and launched a portfolio of "Guangdong Climate Loan" products. By incorporating ecological endowments, climate resilience and related environmental attributes into credit assessment, the initiative seeks to convert environmental and climate advantages into creditworthy assets. It has been applied across a range of sectors, including specialty agriculture and aquaculture, the marine economy, green manufacturing and the low-altitude economy. By reducing reliance on immovable-asset collateral, the Guangdong Climate Loan shifts credit away from a conventional asset-based approach toward a model that gives greater weight to climate resilience, ecological benefits and tangible green performance. It provides a replicable model of financial innovation for fostering new forms of green and quality productive forces.

The Guangdong Climate Loan breaks away from the conventional credit model that relies heavily on immovable asset collateral, establishing a full business closed loop of "meteorological assessment — credit enhancement and approval — differentiated pricing — post-lending meteorological alerts — risk mitigation." Meteorological authorities issue standardised climate-resilience assessment reports that take into account enterprises' disaster-prevention and mitigation capacity, use of climate resources and climate-risk insurance. Financial institutions then determine credit limits and pricing based on a comprehensive climate rating: the stronger an enterprise's climate resilience and the greater its ecological benefits, the larger the credit line it may obtain and the lower its financing cost.

These arrangements can be combined with additional credit-enhancement instruments, including intellectual-property rights, forest rights, water-use rights and the value of ecological products (VEPC). After loans are disbursed, meteorological disaster warnings are provided to borrowers to help them take precautionary measures in advance. Supporting instruments are also used to address financial institutions' reluctance or hesitation to lend.

Together, these arrangements seek to create a virtuous cycle in which strong climate performance translates into stronger creditworthiness and, in turn, improved access to finance. Tailored Climate Loan products have now been rolled out across all 20 prefecture-level cities in Guangdong, with cumulative credit granted exceeding RMB 1.38 billion.

2.2.5. European Union

The summer of 2026 again saw Europe affected by extreme heat, drought and wildfires, underscoring the need to better protect people, businesses and public finances from growing climate impacts. Rising physical risks are placing growing pressure on infrastructure, economic activity and public budgets, and reinforce the case for stronger, more coordinated investment in resilience alongside continued climate mitigation efforts.

Against this background, the European Union has combined a number of steps and initiatives to increase awareness, direct more private financing towards climate resilience and address the growing insurance protection gap.

Climate risk and resilience framework

The EU has developed a new integrated framework for European climate risk and resilience[5], intended to help the EU and its Member States to better prevent and prepare for growing climate impacts, and to establish a more ambitious and coherent approach to resilience and preparedness. Key elements of the framework include a common reference trajectory for global warming, clearly identify policy risk owners across sectors and levels of governance, and simplify national planning through a single national strategic plan on climate resilience. The proposed legislation also provides for improved and more regular climate risk assessments to strengthen consistency, synchronisation and comparability between EU and national assessments. Alongside the legislation, the EU will introduce practical tools to support public authorities, businesses and communities in addressing climate risks.

The framework also builds on the work of the Climate Resilience Dialogue[6] and the Reflection Group on Mobilising Climate Resilience Financing[7], which highlighted the growing economic impact of climate events, examined the drivers of the climate protection gap, and called for collective action across all sectors of economy.

Directing private financing through the EU Taxonomy

The EU's sustainable finance framework is one of the channels for directing more private finance towards climate resilience. Climate change adaptation is one of six environmental objectives for substantial contribution under the EU Taxonomy, enabling financial and non-financial undertakings to report turnover and capital and operating expenditure directed towards qualifying activities. As part of the review of the Taxonomy Climate and Environmental Delegated Act, the Commission has worked to clarify the adaptation-related technical criteria, drawing on the Platform on Sustainable Finance's Technical Working Group report on criteria development. In its new mandate, the Platform on Sustainable Finance works on additional adaptation activities as well as guidance for climate risk assessments.

Strengthening the prudential framework

The European Central Bank has also used economy-wide climate risk stress testing, designed as a learning exercise, to assess banks' exposure to physical and transition risks and the extent to which climate risks are incorporated into their risk-management frameworks, covering both physical risks such as heatwaves, droughts and floods, and short- and long-term risks associated with the transition to a greener economy. The exercise found that, despite some progress, banks still fall short of adequately incorporating climate-related risks into their stress-testing frameworks and credit risk models. In 2026, the European Central Bank also introduced an additional risk control measure for corporate bonds used by banks as collateral. The 'climate factors' can reduce the value assigned to bonds depending on the exposure to climate risks.

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5 EU Framework for Climate Resilience - Climate Action - European Commission.

6 For more information, see: How to build climate resilience and narrow the climate protection gap: conclusions from the Climate Resilience Dialogue - Climate Action.

7 For more information, see: Financing resilience: Reflection group presents final report on mobilising financing to help EU prepare for climate risks - Climate Action.

The EU has also revised its prudential rules to better reflect climate-related risks. The adoption of the reviewed banking package (CRR3 and CRD VI) and the review of the Solvency II Directive represent key milestones in the regulatory treatment of climate-related risks, including physical and transition risks. The banking package strengthens requirements on environmental, social and governance risk management for credit institutions and the corresponding mandate for competent authorities. For insurers and reinsurers, the revised Solvency II framework introduces new requirements on climate risk materiality assessments and long-term climate scenario analysis in prudential planning, helping ensure that sustainability risks, including physical and transition risks arising over the short, medium and long term, are properly identified, managed and supervised. In 2026, the natural-catastrophe parameters in the Solvency II Delegated Regulation were also updated on the basis of more recent scientific evidence and climate trends, helping ensure that insurers' capital requirements better reflect evolving physical risks.

Addressing the climate insurance protection gap

Only around 25% of economic losses from natural catastrophes in Europe have historically been covered by private insurance, often leaving national public budgets to frequently act as an insurer of last resort, absorbing a significant share of residual losses. Despite increasing heatwaves, droughts and wildfires, the take-up of climate-related insurance remains relatively low across the EU. This reflects a combination of limited awareness, mistrust and behavioural biases, the complexity of insurance contract design, moral hazard, and the limits of what insurers can cover on their own. The drivers differ by peril (floods, heatwaves, storms), by the type of asset or activity exposed (households, public assets, agriculture), by country or region, and by the type of policyholder (large corporates, SMEs, consumers). The continued availability of insurance is expected to depend increasingly on the implementation of effective adaptation and risk-reduction measures that safeguard insurability, underscoring the case for greater investment in adaptation alongside insurance.

To help reduce the climate insurance gap, the EU will establish a Climate Insurance Alliance, bringing together insurers, reinsurers, insurance intermediaries, risk-modelling experts, investors, EIOPA and public authorities. The Alliance will focus on three areas. First, increasing insurance uptake, by supporting demand through greater risk awareness, transparency, faster payouts, and improved availability, affordability and adequacy of insurance products. Second, incentivising risk prevention, by identifying and promoting instruments such as group insurance, "build-back-better" policies, parametric insurance and impact underwriting, and assessing data availability and sharing to support better risk modelling. Third, assuring adequate insurance capacity, by evaluating the adequacy of capacity for natural catastrophe risks, including reinsurance and catastrophe bonds, and identifying best practice from national natural catastrophe schemes.

Taken together, these initiatives combine a more coherent EU framework for resilience and preparedness in the EU and its Member States, increasing awareness and mobilizing greater investment in resilience, including through taxonomy-based classification of adaptation activities, financial-sector risk assessment and strengthened prudential requirements for banks and insurers, and a new alliance aimed at narrowing the climate insurance protection gap.

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

Hong Kong's financial system has an important role to play in addressing the growing impacts of climate change. One important element is safeguarding financial stability by strengthening the resilience of banks and other financial institutions to evolving physical climate risks, while also fostering a robust and well-functioning green and sustainable finance market that can effectively channel capital towards climate-adaptation activities and investments.

The Hong Kong Monetary Authority's (HKMA) approach to climate adaptation and resilience combines market-enabling tools with guidance to strengthen the financial sector's capacity to manage physical climate risks and channel capital towards adaptation activities. As a regulator and market enabler, the HKMA equips banks and the broader financial sector with the tools, know-how and guidance needed to navigate this fast-evolving and complex landscape. Supporting adaptation finance is also one of the strategic priorities of the Green and Sustainable Finance Cross-Agency Steering Group, which is co-chaired by the HKMA.

The following sections highlight some of the HKMA's efforts in relation to climate adaptation and resilience.

(a) Hong Kong Taxonomy for Sustainable Finance

The Hong Kong Taxonomy for Sustainable Finance is an important market-enabling tool for scaling up green and sustainable finance, including adaptation finance. By providing clear and robust definitions and guidance, the Taxonomy enables market participants to make informed decisions and catalyse targeted capital flows. Following a phased approach, climate adaptation was first introduced as an environmental objective in the Phase 2A Taxonomy, published in January 2026. Phase 2B, released for consultation in September 2026, puts forward an enhanced climate-adaptation assessment framework and expands on adaptation measures addressing climate risks particularly relevant to Hong Kong.

Introducing a five-step assessment for adaptation projects

To address the location-specific nature of adaptation and the need to manage maladaptation risks appropriately, the Phase 2B Taxonomy introduces a process-based approach (PBA). This systematic five-step assessment provides guidance on: (1) defining the project scope; (2) identifying climate risks; (3) designing and implementing adaptation measures; (4) ongoing monitoring; and (5) enhancing the measures.

The PBA provides flexibility to accommodate different circumstances while maintaining rigorous and consistent assessment principles. It also supports practical market application. Where project proponents have already updated design standards or undertaken other relevant work in response to climate change, certain assessment steps may, depending on the circumstances, be streamlined or omitted to avoid duplication.

Two categories of adaptation measures

Adaptation measures under the Phase 2B Taxonomy fall into two broad categories: "whitelist" and "non-whitelist" measures.

Whitelist measures have been rigorously assessed and confirmed to make a substantial contribution to climate adaptation with low maladaptation risk. Backed by an established evidence base, these measures may be adopted directly by market participants and are deemed to meet Taxonomy requirements without further assessment.

The Phase 2B Taxonomy provides 15 whitelist measures spanning the energy, transportation, buildings, information and communications technology, water, and risk-management and response sectors. Drawing on the HKSAR Government's research on coastal and flood management, the Taxonomy includes measures such as flood-monitoring devices and early-warning systems that address Hong Kong's key climate risks and respond to local needs.

Not all adaptation measures can be evaluated against a single set of criteria. For some, effectiveness can only be determined through case-specific assessment and careful management of maladaptation risks. These are categorised as non-whitelist measures. Project proponents must follow the PBA and apply appropriate technical metrics in their assessments. For example, for drainage-improvement projects, proponents should specify quantifiable parameters, such as design flow and drainage capacity, to demonstrate that the measures can effectively address relevant climate risks without transferring those risks elsewhere.

The Phase 2B Taxonomy focuses on two areas closely related to Hong Kong's major climate risks: shoreline protection and flood management. With reference to HKSAR Government guidelines, the Taxonomy provides a reference list of 13 non-whitelist measures, together with examples of technical metrics for assessment. These include measures such as wave walls and flood barriers and the enhancement of drainage systems.

(b) Physical Risk Assessment Platform

Alongside the Taxonomy, the HKMA has developed a cloud-based Physical Risk Assessment Platform to strengthen banks' risk-management capabilities. Launched in 2024, the platform enables banks in Hong Kong to assess physical risks to different building types, including residential and commercial properties and infrastructure, under different climate scenarios.

It incorporates 11 hazard models covering physical hazards commonly experienced in Hong Kong, including tropical cyclones, storm surges, floods and landslides. As of September 2026, more than 100 banks had registered for the platform and more than two million assets had been analysed. Earlier in 2026, the platform's data coverage was expanded from Hong Kong to a global scope, allowing banks to access physical-risk information for assets in the Greater Bay Area, across Asia and beyond.

(c) Supervisory guidance

Market tools are complemented by supervisory guidance. In 2021, the HKMA issued high-level guidelines for the banking sector aimed at building climate resilience by incorporating climate considerations relating to physical and transition risks into governance, strategy, risk management and disclosure.

Since then, climate-risk management has continued to develop and evolve, particularly in relation to transition planning. Building on its commitment to provide further guidance, the HKMA issued transition-planning guidelines for the banking sector in September 2026 following two rounds of industry consultation. Consistent with the high-level guidelines issued in 2021, the transition-planning guidelines cover both physical and transition risks and place client engagement at their core.

Banks are expected to understand the extent to which their clients are exposed to material climate risks. This can in turn raise clients' awareness of physical risks and support more informed resilience planning and investment.

2.2.7. India

India's approach to climate-resilience financing combines public funding for adaptation and disaster-risk reduction, insurance-based risk sharing, sustainable-finance classification and financial-sector climate-risk management, alongside efforts to mobilise greater private capital. This reflects both the scale and diversity of India's exposure to physical climate risks and the need for financing approaches adapted to different sectors and regions.

Public financing has long played an important role. The National Adaptation Fund for Climate Change (NAFCC), established in 2015-16, supports concrete adaptation activities in vulnerable sectors such as agriculture, water and forestry. More recently, dedicated National and State Disaster Mitigation Funds have strengthened financing for risk reduction before disasters occur. For 2026-2031, INR 408.8 billion has been allocated to State Disaster Mitigation Funds, while up to 25% of the national disaster fund is earmarked for the National Disaster Mitigation Fund. These resources cover disaster risks more broadly than climate-related hazards alone, but support measures including flood- and drought-risk mitigation.

Risk transfer is particularly important in agriculture. The Pradhan Mantri Fasal Bima Yojana (PMFBY), introduced in 2016, provides crop-insurance protection against risks including drought, floods, cyclones, inundation and unseasonal rainfall. The scheme combines farmer premiums with public support and insurance capacity, while increasingly using technology and weather information to improve loss assessment and claims processes. It therefore provides an established mechanism for sharing the financial consequences of climate-sensitive agricultural risks.

India is also developing frameworks intended to improve the identification of climate-related activities and mobilise private capital. The Draft Framework of India's Climate Finance Taxonomy, published in 2025, explicitly aims to enhance the availability of capital for both climate mitigation and adaptation and to provide a common basis for identifying climate-supportive activities consistent with India's development priorities and transition pathway. Sector-specific annexes are intended to translate the framework into more detailed classifications.

Existing sustainable-finance tools complement this work. The RBI's Framework for Green Deposits, introduced in 2023, includes climate-change adaptation among eligible categories for the use of proceeds. Together with the emerging taxonomy, such frameworks can help financial institutions and investors identify activities and projects that contribute to resilience and direct capital towards them.

The Reserve Bank of India (RBI) has also progressively strengthened work on climate-related financial risks, including scenario analysis, stress testing and improved climate-risk information. This work has highlighted persistent constraints including granular data availability, modelling capacity and information on borrowers' exposure to physical risks. Capacity-building is therefore an important component: in January 2026, RBI organised a dedicated workshop for regulated entities covering the evolving landscape of adaptation finance and the institutional and ecosystem conditions needed to facilitate greater credit flows towards adaptation-related activities.

A central challenge is the bankability of adaptation investments. Benefits frequently arise through future losses avoided rather than readily identifiable revenue streams, while projects may face data, capacity and risk-return constraints. This increases the potential role of

guarantees, concessional capital and blended-finance structures in mobilising commercial investment. In September 2026, the International Financial Services Centres Authority (IFSCA) introduced a framework at GIFT IFSC enabling concessional, philanthropic and development capital to take differentiated or subordinated positions, including first-loss or lower-return positions, to help crowd in commercial financing for projects that may struggle to attract capital on conventional terms.

Taken together, India's resilience-finance architecture combines public adaptation and disaster-mitigation funding, insurance-based protection, frameworks for identifying adaptation activities, financial-sector climate-risk assessment, and emerging blended-finance mechanisms. The continuing challenge is to translate large and diverse adaptation needs into investable project pipelines while improving climate-risk information and mobilising private capital alongside public resources.

2.2.8. Indonesia

Indonesia has progressively developed the Indonesia Taxonomy for Sustainable Finance (*Taksonomi untuk Keuangan Berkelanjutan Indonesia* – TKBI) as a common classification framework to support the allocation of capital towards sustainable economic activities, including those contributing to climate-change adaptation and resilience. Developed by the Financial Services Authority (OJK) in collaboration with relevant ministries, government agencies and stakeholders, the TKBI is designed to be science-based, interoperable and inclusive, while reflecting Indonesia's national interests.

TKBI Version 3, published in February 2026, provides a comprehensive overview of the taxonomy's development and covers all Nationally Determined Contribution (NDC)-related and enabling sectors. It also introduces the concepts of "sunsetting" for Technical Screening Criteria (TSCs) and "grandfathering" for financial instruments, alongside TKBI assessment methodologies at both entity and portfolio level.

By establishing common definitions and technical criteria for sustainable and resilience-related activities, the TKBI can help reduce information asymmetries, improve consistency in sustainability assessments and provide a credible basis for developing sustainable-finance products and mobilising private capital. The framework can therefore complement broader public-sector policies, financial instruments and risk-sharing mechanisms for climate resilience.

A key focus for Indonesia has been translating the TKBI from a policy framework into practical implementation. Since 2024, OJK has conducted a TKBI implementation pilot involving all commercial banks in Indonesia. The pilot aims to strengthen financial institutions' capacity to assess economic activities and classify their financing portfolios in accordance with the TKBI. OJK plans to progressively expand the pilot to non-bank financial institutions, particularly credit-taking institutions. Over the longer term, OJK aims to integrate relevant TKBI information into sustainability reporting and Indonesia's credit reporting system (SLIK).

To further support implementation, OJK has developed the Taxonomy Navigator, a digital tool designed to facilitate users' understanding and application of the TKBI. It consists of the TKBI Explorer, which enables users to identify relevant economic activities and assessment criteria, and the TKBI Simulator, which provides step-by-step guidance for conducting a simulated TKBI assessment. The Navigator helps reduce technical complexity and supports more consistent

application by financial institutions, companies and other market participants. The Taxonomy Navigator can be accessed through https://gapura.ojk.go.id/taxon.

Overall, Indonesia's experience demonstrates how the TKBI can support climate-resilience financing not only by defining eligible adaptation activities, but also by linking classification with implementation capacity, digital tools, portfolio assessment, disclosure and financial-sector data infrastructure. The TKBI therefore provides an important foundation for scaling credible climate-resilience financing within Indonesia's sustainable-finance ecosystem.

2.2.9. Japan

Frameworks addressing the sharing and allocation of climate-related risks between public and private actors in financing climate resilience

The Ministry of the Environment of Japan has implemented several initiatives to mobilise finance for climate adaptation. In March 2021, it published the Guide for Adaptation Finance for Financial Institutions, which sets out the basic concepts of adaptation finance, outlines implementation approaches and the roles of financial institutions, and presents specific case studies.[8]

In addition, subsidy support is provided for the issuance of green bonds addressing various environmental objectives, including climate adaptation.[9]

Assessment of climate resilience investments

To support the structuring of green bonds and green loans whose proceeds are allocated to green projects, the Ministry of the Environment has developed a Green List providing examples of activities that may qualify as green projects. In addition to project examples, the Green List includes examples of specific indicators that can be used to measure environmental benefits, as well as potential negative environmental impacts that may arise from project implementation.

The Green List also covers examples of projects, indicators and potential negative environmental impacts in the climate-adaptation sector.[10]

Barriers to scaling climate resilience finance

At present, local governments account for the vast majority of issuers of green bonds whose proceeds are allocated to adaptation projects, and broadening the issuer base remains a challenge. For green bonds issued by local governments, the Local Finance Act limits the expenditures that may be financed through local-government bonds. As a result, not all adaptation-related projects undertaken by local governments are eligible for financing through green bonds.

In the private sector, awareness and understanding of adaptation also remain limited. In many cases, businesses undertake projects or capital investments that contribute in practice to strengthening climate resilience without explicitly recognising them as adaptation measures.

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[8] Ministry of the Environment of Japan, *Guide for Adaptation Finance for Financial Institutions*: https://www.env.go.jp/policy/For_Financial_Institutions_Guide_for_Adaptation_Finance.pdf.

[9] Ministry of the Environment of Japan, support for green-finance issuance: https://greenfinanceportal.env.go.jp/en/greenfinance/promotion_support/issuance_list.html.

[10] Ministry of the Environment of Japan, Green List *(available in Japanese only)*: https://www.env.go.jp/press/press_04072.html.

In light of these challenges, the subsidy support of the Ministry of the Environment also help reduce the burden on local-government issuers of green bonds. In addition, to promote greater understanding of adaptation, it has undertaken initiatives such as developing an adaptation information platform.[11]

2.2.10. Malaysia

Malaysia has progressively developed a sustainable-finance architecture that combines financial-sector climate-risk management, sustainable-finance classification and capital-market instruments with an increasing focus on mobilising investment for climate adaptation and resilience. In 2026, this agenda moved further towards implementation, with climate resilience – particularly resilience to flooding – identified as a priority for cooperation between financial regulators and industry. Malaysia's Capital Market Masterplan 2026–2030 also explicitly seeks to mobilise finance for climate mitigation, transition, adaptation and resilience.

An important institutional foundation is the Joint Committee on Climate Change (JC3), established in 2019 and co-chaired by Bank Negara Malaysia (BNM) and the Securities Commission Malaysia (SC). The JC3 brings together regulators and financial-sector participants to build climate resilience across the financial system, with work covering risk management, governance and disclosure, financial products and innovation, capacity-building and climate-data gaps. In 2026, the JC3 highlighted strengthening climate resilience, particularly against floods, alongside improved measurement and reporting of outcomes as priorities.

Malaysia has progressively strengthened the tools available to financial institutions to identify and manage physical climate risks. BNM's Climate Change and Principle-based Taxonomy (CCPT), issued in 2021, provides a framework for assessing and classifying economic activities according to their contribution to climate-change mitigation and adaptation. This was complemented by BNM's Climate Risk Management and Scenario Analysis requirements, issued in 2022 and subsequently revised, which require financial institutions to embed climate-related risks in governance, strategy and risk management and to use scenario analysis to assess their exposures. BNM also developed an industry-wide Climate Risk Stress Testing exercise, with methodology issued in 2024, to strengthen institutions' capacity to quantify climate-related risks, identify data and methodological gaps and refine risk-management strategies.

Data and disclosure initiatives complement these prudential tools. The JC3 has developed a Climate Data Catalogue covering, among other areas, exposure to physical risks, green and sustainable financing and insurers' exposure to climate risk. In 2026, it also issued National Sustainability Reporting Framework guidance for banks and insurance and takaful operators, addressing risk and opportunity assessment, strategy disclosures and the use of metrics and targets. These measures are intended to improve the information available to financial institutions and investors for assessing climate-related risks, financing needs and outcomes.

Alongside risk management, Malaysia has progressively developed instruments and mechanisms for mobilising capital. The Sustainable and Responsible Investment (SRI) Sukuk Framework, introduced in 2014, explicitly recognises climate-change adaptation among eligible green projects, alongside areas such as sustainable water management and

[11] Climate Change Adaptation Information Platform: https://ap-plat.nies.go.jp/.

biodiversity conservation. The SRI Sukuk and Bond Grant Scheme, first established in 2018 and subsequently broadened, helps issuers meet external-review costs and supports the development of Malaysia's sustainable debt market. These instruments provide an established capital-market channel through which adaptation and resilience projects can potentially raise finance.

More recently, the Climate Finance Innovation Lab (CFIL) has sought to address one of the principal barriers to scaling climate finance: the shortage of sufficiently developed and investable projects. The initiative connects climate- and nature-related projects with potential private, public and philanthropic funders and provides support on business-model development, impact assessment and funding facilitation through an accelerator programme. Furthermore, CFIL adopts a lab-based approach to capital solutioning, where various stakeholders convene to co-develop innovative funding structures to support these projects. Since its inception in June 2025, CFIL has onboarded 45 projects with funding needs exceeding RM5 billion. Eligible activities explicitly include climate-adaptation infrastructure such as flood-mitigation, drainage and stormwater systems. In 2026, its second cohort comprised 22 projects seeking approximately RM1.73 billion in financing. The initiative builds on earlier JC3 work exploring innovative and blended-finance structures involving public and private capital.

The Capital Market Masterplan 2026–2030 further strengthens this focus. The Masterplan positions the capital market as an enabler of Malaysia's sustainability and resilience objectives and aims to mobilise RM90 billion to RM100 billion in cumulative sustainable financing by 2030, including financing opportunities for climate adaptation and resilience. The SC is also advancing work under its Transition, Resilience & Adaptation Capital Markets (TRAC) initiative to strengthen the role of capital markets in financing transition, adaptation and resilience. Malaysia is concurrently developing its National Adaptation Plan, for which mobilisation of private and concessional capital is expected to be important alongside public resources.

Classification frameworks are also being developed to make adaptation activities easier for financial institutions and investors to identify. Malaysia is moving towards full adoption of the ASEAN Taxonomy for Sustainable Finance as the basis for its national taxonomy, complemented by domestic implementation guidance and pilot testing. At regional level, the SC is contributing to the ACMF mARs (Mitigation Co-benefit and Adaptation for Resilience) Guide, which aims to improve the usability of the ASEAN Taxonomy's Climate Change Adaptation objective by providing practical information on adaptation technologies and solutions, including their maturity, scalability, beneficiaries and environmental, social and economic benefits. The Guide is explicitly intended to help mobilise public and private capital towards adaptation activities.

Taken together, Malaysia's approach increasingly links the management of physical climate risks with the mobilisation of finance for resilience. Prudential requirements, stress testing and improved climate data seek to strengthen the capacity of financial institutions to identify and price risks, while taxonomies, sustainable sukuk and bonds, project-development support and blended-finance approaches seek to turn identified adaptation needs into investable activities. Current work increasingly focuses on the remaining implementation challenge: building credible project pipelines, improving information on risks and outcomes, and mobilising public, private and concessional capital at sufficient scale.

2.2.11. Morocco

Morocco has progressively developed a climate-finance framework that combines strategic mobilisation of private capital, financial-sector climate-risk management, sustainable-finance classification and a public-private system for sharing the financial consequences of catastrophic events. This reflects both the country's significant exposure to physical climate risks and the need to complement public resources with greater private-sector financing for adaptation and resilience.

A central element is the Climate Finance Development Strategy to 2030, adopted in 2024 by the Ministry of Economy and Finance together with Bank Al-Maghrib, the Moroccan Capital Market Authority and the Insurance and Social Welfare Supervisory Authority. The Strategy was based on a diagnosis showing that climate finance in Morocco remains predominantly public and that adaptation, in particular, attracts relatively little private financing. It therefore seeks both to accelerate mobilisation of private climate finance and to strengthen climate-risk management across the financial sector. Morocco aims to increase the private-sector contribution to climate financing, which has been estimated at around 25–30%, towards approximately 50% of financing needs.

The Strategy is organised around three pillars and nine strategic axes and is intended to address several constraints to scaling climate finance, including the limited identification of investable green projects, insufficient high-quality data for investors, and mismatches between the supply of and demand for green financial products. Its implementation framework brings together public authorities and financial-sector stakeholders, reflecting the need for coordinated action to mobilise capital and manage climate-related financial risks.

The emerging Moroccan Green Financial Taxonomy is one of the main tools being developed to address these information and classification gaps. Its first phase covers both climate-change mitigation and adaptation, with a dedicated adaptation chapter identifying activities that strengthen resilience to climate risks. The Taxonomy is intended to provide public authorities, financial institutions, investors and companies with a common framework for identifying climate-related investment opportunities and improving risk management. Following technical work by dedicated expert groups, the draft framework was submitted to public consultation in July 2026 and is now being finalised.

Morocco also has an established mechanism for sharing and financing catastrophic risks. Under Law No. 110-14, the regime for covering the consequences of catastrophic events combines two complementary systems. Persons and businesses holding specified insurance contracts benefit from an insurance-based mechanism under which catastrophe coverage is incorporated into relevant policies, while uninsured individuals can receive compensation through the Solidarity Fund against Catastrophic Events (FSEC). The system therefore combines private insurance with a public solidarity mechanism designed to ensure a minimum level of financial protection for those without insurance.

The catastrophe regime covers risks including floods and other specified natural hazards, alongside non-climate-related catastrophic events. It is therefore broader than climate resilience alone, but it provides an important example of how Morocco allocates financial risks between insurers, insured households and businesses, and public solidarity mechanisms. The framework was designed specifically to replace reliance on purely ad hoc post-disaster assistance with more predictable and pre-arranged compensation mechanisms.

Public financing and guarantee institutions also form part of the broader resilience-finance architecture. The Ministry of Economy and Finance and TAMWILCOM are working to green national financing and guarantee mechanisms and integrate environmental, social and governance considerations more systematically into financed and guaranteed projects. This includes development of an Environmental and Social Management System and standardised assessment processes, providing a basis for public guarantees and financing instruments to increasingly take sustainability and resilience considerations into account.

Taken together, Morocco's approach seeks to move from predominantly public climate financing towards a more diversified system in which private financial institutions and investors play a greater role. The Climate Finance Development Strategy establishes the mobilisation objective and strengthens financial-sector risk management; the Green Financial Taxonomy aims to improve identification of adaptation and resilience investments; public financing and guarantee mechanisms can help address investment barriers; and the catastrophe-risk regime combines insurance and solidarity mechanisms to distribute residual risks. Key implementation challenges remain the development of investable project pipelines, improved climate-related data and the mobilisation of private capital at sufficient scale, particularly for adaptation.

2.2.12. New Zealand

New Zealand is developing an increasingly explicit framework for allocating and financing climate-related physical risks. Its approach combines national adaptation policy, clearer rules on who bears risks and costs, public-private natural-hazard insurance, reinsurance and capital-market risk transfer, improved physical-risk information and financial-sector stress testing. The Government's Climate Strategy identifies resilient infrastructure and well-prepared communities as one of its five pillars, alongside the objective of removing barriers to private investment and unlocking green-finance flows.

The central policy framework is the National Adaptation Framework, which builds on New Zealand's first National Adaptation Plan and is organised around four pillars: risk and response information-sharing; roles and responsibilities; investment in risk reduction; and cost-sharing before and after events. This is particularly relevant to the financing of resilience because New Zealand has explicitly recognised that central government cannot bear all adaptation costs and that risks and costs will need to be shared among property and asset owners, insurers, banks, local government and central government.

Improved physical-risk information is intended to support these decisions. The Government is developing the first New Zealand Flood Map, combining existing local information with national modelling to provide a more consistent picture of flood hazards across the country. Better information is expected to support planning and preparedness and enable households, businesses, financial institutions and insurers to make more informed decisions about where risks lie and how they should be managed.

New Zealand also has a well-developed system for sharing and transferring natural-hazard risks. Under the Natural Hazards Insurance Scheme, homeowners with qualifying private home insurance receive a statutory first layer of natural-hazard cover financed through a levy collected alongside private insurance premiums. The levy finances the Natural Hazard Fund, which accumulates and invests resources to meet future claims. The Government's Funding

and Risk Management Statement explicitly sets out how costs and risks under the scheme are shared between levy payers and the Crown.

The system also transfers catastrophic risk to international markets. The Natural Hazards Commission purchases substantial reinsurance using levy income: from June 2025, its reinsurance protection amounted to NZD 10.3 billion, including a NZD 225 million multi-year catastrophe bond placed in 2023. These arrangements provide an example of combining domestic risk pooling with reinsurance and capital-market risk transfer to maintain financial capacity following severe natural-hazard events. As the scheme covers hazards beyond those related to climate change, it should not be viewed as a dedicated climate-finance mechanism, but its coverage of storm and flood risks makes it directly relevant to increasing physical climate risks.

The sustainability of insurance protection is itself becoming an important resilience issue. The Reserve Bank of New Zealand has noted emerging pressures from insurance affordability, underinsurance and potential insurance retreat from locations with elevated flood risk. Residential insurance penetration remains high, but increasing physical risk, rebuilding costs and more granular risk-based pricing could affect households, property values and the quality of mortgage collateral. The Government has consequently initiated further work on household insurance affordability.

Financial-sector analysis increasingly incorporates these physical risks. The Reserve Bank's 2026 stress-testing programme includes a climate-risk sensitivity examining the impact of higher insurance premiums on properties with greater flood exposure. This helps connect physical climate risk, insurance availability and affordability, bank collateral and financial-system resilience.

Taken together, New Zealand provides a particularly clear example of a risk-allocation approach to climate resilience: policy seeks to establish who should manage and pay for risks; public and private insurance mechanisms pool losses; reinsurance and catastrophe bonds transfer extreme risks to global markets; improved hazard information supports risk-based decisions; and financial supervisors assess the consequences of changing insurance and physical-risk conditions for the wider financial system.

2.2.13. Senegal

Senegal has progressively developed a layered approach to climate and disaster risk financing, combining fiscal risk-management tools, sovereign risk transfer, agricultural insurance and social-protection mechanisms. The current National Climate and Disaster Risk Financing Strategy 2025–2030 (SNFRC) brings these instruments into a more systematic framework, with the objective of strengthening financial preparedness for climate- and disaster-related shocks and improving protection for households, local authorities and productive sectors.

At the sovereign level, Senegal has longstanding experience with regional risk pooling through the African Risk Capacity (ARC). It participated in ARC's inaugural sovereign drought-risk pool for the 2014–2015 agricultural season, with USD 30 million of coverage, and received a payout of approximately USD 16.5 million following drought conditions. This provides an established example of transferring part of the fiscal cost of severe climate shocks away from the public budget through pre-arranged insurance.

At the agricultural and household level, the *Compagnie Nationale d'Assurance Agricole du Sénégal* (CNAAS), created in 2008 as a public-private partnership between the State, insurers, farmers' organisations and private investors, provides insurance against agricultural risks, including index-based crop insurance. The Government has supported agricultural-insurance uptake through premium subsidies, including a 50% subsidy for eligible products. The use of index-based insurance has expanded significantly: World Bank-supported programmes reported that more than 835,000 farmers and livestock keepers were covered against drought and rainfall shocks in 2025.

Senegal has also progressively incorporated climate and disaster risks into public financial management. A ministerial methodology adopted in 2023 provides for the provisioning of identified fiscal risks through general and specific reserves. The Government subsequently introduced a green budget, first annexed to the 2024 Finance Law, to identify public expenditure according to its environmental impact and contribution to climate resilience. The Sustainable Finance Steering Committee (CoPil-FD), also established in 2023, provides an institutional mechanism for coordinating sustainable-finance policy.

This architecture was further developed through the Climate and Disaster Risk Financing diagnostic undertaken with the World Bank and the launch of Senegal's Global Shield In-Country Process in July 2024. The process assessed existing financial-protection mechanisms and remaining gaps and supported the development of a national risk-financing strategy. The subsequent Global Shield process identified four priority areas: strengthening sovereign financial protection; developing sub-sovereign mechanisms; improving protection for households, MSMEs and financial-sector actors; and strengthening climate-risk governance and data systems.

The SNFRC 2025-2030 now provides the overarching framework for this work. It is structured around five pillars and 17 priority actions. Its 2026–2030 implementation plan identifies responsible entities, implementation timelines, funding status and monitoring indicators, and envisages contributions from the State, technical and financial partners, local authorities and the private sector.

A central element is the further development of a risk-layered financing approach. Priority workstreams for 2026 include establishing a national entity to coordinate disaster-risk data, developing dynamic risk mapping, designing a layered financing strategy for flood risks, consolidating information on response funds and establishing a legal framework for pre-arranged rapid-disbursement mechanisms. Senegal is also assessing options for sovereign flood insurance and insurance of public assets.

At household level, the implementation plan envisages a fast-track disbursement mechanism through the National Solidarity Fund using mobile-money payments, with the objective of delivering support within 72 hours. A pilot covering 5,000 beneficiaries was planned for September 2026. The Strategy also foresees support for parametric-insurance premiums under the Global Shield initiative. At sovereign level, Senegal is studying a dedicated shock-response fund and additional pre-arranged financing instruments, including contingent financing and natural-disaster-adapted lending.

Implementation challenges remain. The Global Shield stocktake identified gaps in financial protection, particularly at the meso level for MSMEs, while more recent consultations highlighted affordability, insurance literacy, institutional capacity, data availability and the

need for sustainable risk-sharing arrangements as constraints to further scaling climate-risk insurance and finance.

2.2.14. Singapore

Singapore has progressively developed a combination of public financing, sustainable finance tools, financial-sector supervision and market-based risk-transfer mechanisms to strengthen climate resilience. As a low-lying island state exposed to sea-level rise, heavier rainfall, heat and other physical climate risks, Singapore has treated adaptation as a long-term national priority. In 2026, the Government designated the year as Singapore's Year of Climate Adaptation and is developing its first National Adaptation Plan, targeted for publication in 2027.

Public financing forms an important part of this approach. The Coastal and Flood Protection Fund, established in 2020 with an initial SGD 5 billion allocation and subsequent injection of a further SGD 5 billion in 2025, provides a mechanism for setting aside resources for long-term coastal and flood protection expenditure. Given the scale and intergenerational nature of such investments, Singapore has also considered a combination of budgetary resources and borrowing to finance adaptation measures.

Climate resilience is also reflected in Singapore's sustainable finance framework. Under the Singapore Green Bond Framework, climate change adaptation is an eligible expenditure category. Eligible investments include, among others, site-specific studies and implementation of coastal adaptation measures, digital tools for assessing coastal and inland flood risks, and the construction, operation and maintenance of coastal protection infrastructure. This enables sovereign green financing to support long-term coastal adaptation and resilience investments.

The Monetary Authority of Singapore (MAS) is also strengthening the financial sector's management of physical climate risks. In March 2026, MAS issued three Guidelines on Environmental Risk Management – Transition Planning, covering banks, insurers and asset managers respectively. The Guidelines set supervisory expectations for financial institutions to proactively manage both transition and physical climate risks. The Guidelines support FIs in building effective climate-related risk assessment and management capabilities and eventually, greater climate resilience. Expectations include having financial institutions adopt a structured process to engage customers and investee companies, on a risk-proportionate basis, to understand the climate-related risks they face and how those risks are being managed. The Guidelines will take effect from September 2027.

Singapore has also developed market-based mechanisms for catastrophe risk transfer. MAS supports the growth of the insurance-linked securities (ILS) market through its Insurance-Linked Securities Grant Scheme, which helps defray costs associated with ILS issuances and renewals. Singapore has facilitated more than 30 catastrophe bond issuances and renewals covering hazards including storms, earthquakes and floods. These instruments expand the risk-bearing capacity for catastrophe risks by bringing in capital markets to complement traditional insurance.

Taken together, these initiatives illustrate a multi-layered approach to financing resilience, combining dedicated public funding, the use of sustainable finance instruments to support adaptation investments, supervisory expectations for physical climate-risk management and capital-market mechanisms for transferring catastrophe risks.

2.2.15. Sri Lanka

Sri Lanka has progressively developed a sustainable and climate finance framework that combines sustainable finance classification, financial-sector policy and a national climate finance strategy to support adaptation and climate resilience.

The Sri Lanka Green Finance Taxonomy, launched by the Central Bank of Sri Lanka (CBSL) in 2022, provides a classification framework for environmentally sustainable activities and includes explicit criteria relating to climate adaptation and resilience. Eligible activities include, among others, climate-resilient water management and agricultural systems, early-warning and climate-information infrastructure, climate-resilient storage and infrastructure, and financial services supporting resilience. In particular, the Taxonomy recognises affordable insurance products designed to increase the climate resilience of agricultural and tourism activities, including weather, crop, asset, livestock and aquaculture insurance covering risks such as flooding, drought and extreme weather.

Sri Lanka further strengthened its overarching sustainable finance architecture through the Sustainable Finance Roadmap 2.0 (2025-2029), launched in May 2025. Climate resilience is one of the areas covered by the Roadmap, alongside environmental and social sustainability and financial inclusion. Its implementation includes dedicated technical work on ESG and climate risks and sustainable finance products, as well as strengthened governance and coordination across financial-sector stakeholders.

At the national level, the National Climate Finance Strategy of Sri Lanka (2025-2030), launched in October 2025, provides a coordinated framework for mobilising and managing financial resources for climate action. The Strategy covers mitigation, adaptation and loss and damage and examines a range of financing solutions suited to Sri Lanka's circumstances. It seeks to broaden climate financing beyond traditional public-budget resources and mobilise additional private, international and alternative sources of finance.

This is particularly important given Sri Lanka's exposure to climate-related physical risks and the scale of its adaptation investment needs. Government estimates indicate that approximately USD 500 million annually would be required to build climate-resilient infrastructure, highlighting the need to complement public resources with private capital and other financing mechanisms.[12]

Taken together, these initiatives illustrate an approach in which sustainable finance classification, financial-sector implementation and national climate-finance planning are used to identify resilience-related activities, develop appropriate financial products and broaden the sources of capital available for adaptation and climate-resilient investment.

2.2.16. Switzerland

Switzerland's approach to climate resilience builds on the integration of physical climate risks into financial-sector supervision and disclosure, alongside a longstanding public-private system for managing and insuring natural-hazard risks. In March 2026, the State Secretariat for International Finance reaffirmed sustainable finance as a quality and competitiveness factor for the Swiss financial centre, while Switzerland's Sustainable Finance Engagement

[12] Office of the Cabinet of Ministers of Sri Lanka, *National Climate Finance Strategy of Sri Lanka (2025-2030)*, Cabinet decision of 8 September 2025. See link.

2026+ places increasing emphasis on the resilience of the financial system to climate- and biodiversity-related risks.

At the supervisory level, the Swiss Financial Market Supervisory Authority (FINMA) has progressively incorporated climate-related financial risks into its prudential framework. Its Circular 2026/1 on Nature-related Financial Risks, which entered into force in stages from 1 January 2026, sets expectations for banks and insurers regarding the management of climate- and other nature-related financial risks. For its initial implementation, the Circular focuses on climate-related risks and aims explicitly to strengthen the resilience of supervised institutions. It applies a proportionate approach and covers the identification, assessment and management of material risks, including through governance and scenario-based analysis.

This financial-sector framework sits alongside Switzerland's broader climate-adaptation architecture. The Federal Council adopted its climate-adaptation strategy in 2012 and subsequently developed action plans across sectors including natural hazards, water, agriculture, infrastructure and spatial planning. The 2020–2025 action plan contained 75 federal measures and focused particularly on strengthening knowledge, integrating adaptation into existing decision-making processes and improving the framework for managing growing physical climate risks.

Risk sharing for natural hazards is based on a distributed system of responsibilities. Federal and cantonal authorities provide hazard information, undertake and support larger protective measures and manage emergency preparedness; property and infrastructure owners are responsible for appropriate construction and asset-level protection; and insurers provide financial protection while also contributing to prevention through advice and incentives for protective measures. The Federal Office for the Environment explicitly characterises natural-hazard protection as a collective responsibility involving authorities, insurers, asset owners and other actors.

Insurance therefore plays both a risk-transfer and risk-reduction role. In much of Switzerland, cantonal building-insurance institutions provide coverage against fire and natural hazards, while private insurers provide coverage in the remaining cantons and for other insured assets. Insurance arrangements cover hazards including floods, storms, hail, avalanches and landslides. The system is not limited to climate-related hazards, but many of the physical risks it addresses are sensitive to climate change. Insurers also contribute to prevention by advising policyholders and promoting property-level protection, thereby linking financial protection with measures intended to reduce future losses.

Disclosure and transparency provide an additional link to financial decision-making. Switzerland's Ordinance on Climate Disclosures, in force for large companies since 2024, requires covered companies, including large banks and insurers, to report publicly on climate-related matters. The framework is intended to improve information on climate risks and impacts and their management. A revision of the Ordinance is currently on hold pending greater clarity on the overarching sustainability reporting framework, while the existing requirements remain in force.

Taken together, Switzerland's approach illustrates how climate resilience can be supported without a single dedicated adaptation-finance framework: financial institutions are expected to identify and manage physical climate risks; disclosure improves information available to markets; public authorities, owners and insurers share responsibilities for managing natural

hazards; and insurance combines compensation for losses with incentives and advice aimed at prevention.

2.2.17. United Kingdom

The UK's approach to climate-resilience finance is embedded within its broader architecture for supporting adaptation and resilience and protecting our communities and our natural environment. Under the Climate Change Act 2008, the government produces a Climate Change Risk Assessment (CCRA) every five years, followed by a National Adaptation Programme (NAP) setting out how identified CCRA risks will be addressed by the government. Three National Adaptation Programmes have been published to date (NAP1 in 2013, NAP2 in 2018 and NAP3 in 2023). NAP3 responded to the 61 climate risks and opportunities to the UK named in CCRA3 and covers government action between 2023 and 2028 The government is setting stronger adaptation objectives to improve preparedness for climate impacts, supporting an ambitious fourth National Adaptation Programme in 2028 (NAP4).

Within the Bank of England, the Financial Policy Committee also have a primary objective to monitor and respond to risks to UK financial stability, and the Committee's latest remit notes that it should continue to regard the risks posed by climate change, including physical and transition risks, as relevant to its primary objective.

Within this wider national adaptation architecture, the UK Government and financial regulators have taken a series of complementary steps to strengthen the financial system's resilience to physical climate risks and support the mobilisation of finance for adaptation.

Firstly, the UK has progressively strengthened its climate-disclosure framework to improve the information available to companies, financial institutions and investors. Since 2022, TCFD-aligned requirements have applied across large companies and parts of the financial sector. Building on this framework, the government published the UK Sustainability Reporting Standards for voluntary use in February 2026. The standards are based on the ISSB's international baseline and provide more specific and internationally comparable information, including on material physical climate risks and organisations' resilience under different climate scenarios. The FCA has subsequently introduced rules requiring listed issuers to report against the climate-related UK SRS requirements on a "comply or explain" basis from January 2027. Greater transparency from companies can, in turn, help lenders, insurers and investors assess, price and manage physical climate risks across their portfolios and financing activities.

Disclosure is complemented by both strengthened supervisory expectations and market capacity building to help financial institutions and businesses identify and manage climate-related risks. The Prudential Regulation Authority (PRA) first set expectations in 2019 for banks and insurers to embed these risks within governance, risk management and scenario analysis, and updated these in December 2025 to enhance clarity, strengthen management practices and ensure proportionate application. In August 2026, the FCA published its climate adaptation and resilience webpage, explaining how firms' and markets' approaches to adapting to risk relate to the FCA' statutory objectives, and providing information on how climate physical risks may impact the property insurance and mortgage markets.

The Bank of England and FCA also jointly convene the Climate Financial Risk Forum (CFRF), which develops practical guidance and supports capacity-building across the financial sector, including on physical risk, adaptation and scenario analysis. In October 2025, the CFRF Adaptation Working Group published 'From Risk to Resilience: Integrating adaptation into

finance' a toolkit to help financial institutions integrate resilience into decision-making across asset classes, sectors, and geographies. Internationally, the Bank of England contributes to the development of the Network for Greening the Financial System's climate scenarios, while the UK's Transition Plan Taskforce produced guidance to help companies incorporate adaptation and resilience into "climate-ready" transition plans. Together, these resources seek to support firms in moving from identifying physical climate risks towards integrating them into forward-looking strategy and risk management.

Public investment and risk-sharing mechanisms complement these measures. In England, the government has committed £4.2 billion between April 2026 and March 2029 to reduce risk from, and increase resilience to, flooding and coastal erosion. In 2016, the UK also set up Flood Re, a joint initiative between UK government and the insurance industry, to improve the availability and affordability of home insurance for those living in high flood risk areas. As part of its wider efforts to support flood resilience, Flood Re is developing proposals for Flood Performance Certificates (FPCs), which could help homeowners, insurers and lenders better understand flood risk and resilience measures at a property level.

2.3. Developments and practices across international organisations

2.3.1. European Investment Bank (EIB)

Climate resilience is essential to economic security, competitiveness and sustainable prosperity. Yet investment remains constrained by market failures, limited project pipelines, capacity gaps, uncertainty over future impacts and difficulties in monetising resilience benefits. Between 2020 and 2025, the EIB provided approximately EUR 15 billion in adaptation finance. In 2025 alone, financing reached EUR 5 billion. Under the EIB Group Climate Bank Roadmap Phase 2, the Group has committed at least EUR 30 billion for adaptation during 2026–2030, prioritising agriculture, water, cities, infrastructure systems and vulnerable regions and communities. This ambition reflects a broader shift from raising awareness of climate risks towards scaling investment in climate resilience and developing robust pipelines of adaptation projects.

Sharing and allocating climate-related risks

Responsibility for climate-related risks is shared among public authorities, promoters, companies, financiers, insurers and other actors. Private actors are generally best placed to manage risks affecting their assets, operations and supply chains. However, many adaptation investments – such as flood protection, early-warning systems, ecosystem restoration and resilient public infrastructure – generate broad adaptation, mitigation, social and environmental co-benefits without direct or predictable revenues.

Public authorities therefore have an important role in setting policy and regulatory frameworks, financing public goods and addressing market failures. Public financial institutions can complement these efforts through long-term finance, advisory support, guarantees, blended finance and risk-sharing instruments. The EIB Group seeks to allocate financial risks to those best able to manage them, while using public resources selectively where risks would otherwise prevent economically and socially valuable investments from proceeding.

EIB Advisory, including the ADAPT platform, helps promoters assess physical risks, identify adaptation solutions, build capacity and translate climate resilience priorities into investable

projects. Since its launch in 2022, ADAPT has supported cities, regions and public authorities in identifying, preparing and implementing climate adaptation investments across the European Union. The platform has helped clients assess physical climate risks, prioritise adaptation measures, strengthen project preparation and improve access to finance, while building local capacity and supporting alignment with EU adaptation policies. ADAPT has also demonstrated its potential to translate adaptation planning into concrete investments, including through support for post-disaster reconstruction efforts on the Italian island of Ischia, where advisory recommendations subsequently informed an EIB-financed operation. Building on these results, ADAPT will continue to play a central role in scaling up adaptation investment and developing a stronger pipeline of bankable resilience projects.

In collaboration with the Copernicus Climate Change Service, the EIB is also developing ClimateSET, a new open-access climate-hazard screening tool designed to simplify access to location-specific climate information and support the identification of climate vulnerabilities and adaptation options. The tool provides maps to screen assets for hazards such as wildfires, heatwaves and drought. It will support EIB staff and will also be made publicly available to clients. It was recently endorsed by the European Commission because it increases the usability of ESG regulation, including the EU Taxonomy and the forthcoming EU Climate Resilience Framework. Furthermore, the EIB established a partnership with the ECB, EBA and EIOPA to develop and promote the tool, with the shared objective of establishing a common reference for physical climate-risk information in the European financial system.

Effectiveness and impact

Effectiveness cannot be assessed through financing volumes alone. Assessment should distinguish between finance associated with eligible activities, expected outputs and outcomes, and longer-term contributions to reducing vulnerability, avoiding losses and strengthening adaptive capacity. The EIB's approach to reporting adaptation finance is based on the EU Taxonomy for Sustainable Activities, including its technical criteria for substantial contributions to adaptation. It is consistent with the Joint MDB Methodology for Tracking Adaptation Finance, which provides the basis for joint MDB climate-finance reporting. The EU Taxonomy constitutes the primary reference framework for identifying and assessing adaptation solutions and requires an assessment of physical climate risks, with adaptation solutions included to address all material risks.

Project indicators complement finance reporting. EIB-financed projects in 2025 were estimated to reduce flood risks for approximately 6.9 million people and drought risks for approximately 18.5 million people. Longer-term impacts remain difficult to attribute because benefits often take the form of future losses avoided and depend on maintenance, land-use decisions, emergency planning and institutional capacity.

Barriers to scaling finance

A central barrier is the shortage of mature, bankable projects. Other constraints include uncertain revenues, late integration of climate risk into planning, limited technical capacity and local data, fragmented or small investment needs, unfamiliar technologies and business models, fiscal constraints, limited affordable long-term finance, evolving resilience metrics and fragmented institutional responsibilities. There is also a lack of public incentive models that combine debt financing with concessional public funding to promote and support adaptation action.

Addressing these barriers requires finance to be combined with upstream project development, technical assistance, capacity-building, climate-risk information and appropriate risk-sharing. Smaller investments may need to be aggregated, while cooperation among governments, multilateral development banks, national promotional institutions, commercial financiers, insurers and investors can reduce transaction costs and support replication. The EIB Group's objective is not only to improve understanding of climate risks and adaptation needs, but also to help clients translate this understanding into investable projects and scalable resilience programmes.

Project examples

In Poland, the EIB signed a EUR 200 million structural programme loan to support national investments in flood-risk management and sustainable water infrastructure, helping protect communities and economic assets while strengthening climate adaptation and disaster resilience. The EIB loan enables the Polish state to increase its financial flexibility and capacity to support flood-protection investments.

In France and several other EU countries, the EIB is supporting a EUR 658 million research and innovation programme to develop crop varieties that are more resilient to drought, heat, pests and water scarcity. By providing farmers with biological tools better suited to future climate conditions, the project helps maintain agricultural productivity, strengthen food security and increase the resilience of European farming systems to climate change.

Conclusion

Scaling climate resilience finance requires stronger project pipelines, appropriate risk allocation, strategic use of public resources and improved evidence on outcomes. By combining long-term finance, advisory support and partnerships, the EIB Group aims to mobilise public and private investment that protects people, infrastructure, economic activity and ecosystems in the European Union and globally.

2.3.2. UNDP

UNDP's country-level experience shows that sustainable finance frameworks can support climate resilience most effectively when they move beyond framework development and connect to implementation, investment pipelines and financing solutions. Through its work with governments, regulators and financial institutions, UNDP supports sustainable finance taxonomies, disclosure frameworks, financing strategies and instruments, as well as downstream transaction advisory. Together, these tools can help identify credible resilience investments, improve climate-risk information, allocate risks between public and private actors and mobilise capital.

A key element is establishing a common technical basis for identifying what constitutes a credible resilience investment. The Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean (LAC), developed in 2023 with UNDP participation, treats climate adaptation transversally across sectors, reflecting the location- and context-specific nature of physical climate risks. It distinguishes between activities that strengthen their own resilience and activities or services that enable others to adapt. Eligibility can be demonstrated through climate-risk and vulnerability assessment or, where sufficiently detailed, national or regional adaptation plans. This provides governments, development finance institutions, banks and investors with common definitions while helping distinguish investments that may

be commercially financeable from those requiring public or concessional support. UNDP is applying similar principles in the development of the SADC Common Framework for Sustainable Finance Taxonomies.

Classification needs to be complemented by financing and risk-transfer mechanisms. In Albania, UNDP and the Green Climate Fund supported a financing strategy covering 66 National Adaptation Plan measures. The strategy quantified financing needs, identified a financing gap of around 93%, and developed a funding approach combining phased public-budget allocations, concessional and international finance and increased private-sector participation. In Lagos State, UNDP's Insurance and Risk Finance Facility has supported a parametric flood-insurance solution under which part of the risk is retained by the domestic insurance market, further exposure is transferred to international reinsurers and the State provides a dedicated budget line for its premium contribution. These examples illustrate how different instruments can help determine which costs and risks remain public, which can be financed or insured privately and where international or concessional risk-sharing may be needed.

UNDP also supports jurisdictions in making climate adaptation operational within sustainable finance taxonomies. In Nigeria, the Sustainable Finance Taxonomy uses a cross-sectoral process-based approach under which an investment must identify a material physical climate risk, select an appropriate adaptation response and demonstrate that the measure substantially reduces vulnerability or strengthens resilience while avoiding maladaptation. Where an existing activity is being adapted, only the expenditure associated with the adapting measure is treated as adaptation and resilience finance. A limited whitelist is used for measures with relatively clear resilience benefits and low maladaptation risk, such as early-warning systems and precision irrigation. In Mongolia, the revised SDG Finance Taxonomy includes climate adaptation and resilience as an explicit environmental objective and is being linked to financial-product design, including sustainable livestock lending supporting more resilient rural livelihoods. Other UNDP-supported work, including in Cabo Verde and Zambia, similarly seeks to link adaptation eligibility to actual physical climate risks and evidence of risk reduction.

Sustainability disclosure provides a complementary foundation for resilience financing by improving the availability and comparability of information on climate-related risks and opportunities. UNDP supports jurisdictions including Mongolia, Kazakhstan, Peru and Egypt in developing phased and proportionate approaches to sustainability disclosure, largely building on IFRS S1 and IFRS S2 while considering interoperability with other relevant standards. Better information on physical climate risks can help financial institutions and investors assess exposures, price risk and identify where risk reduction, adaptation investment or additional risk-sharing may be required.

Assessing the effectiveness of resilience finance requires several complementary approaches. Taxonomies can provide an ex-ante assessment of whether an activity or expenditure credibly contributes to adaptation; tagging and allocation reporting can indicate how much finance is directed towards eligible activities; and project-level indicators can assess whether vulnerability, expected losses or disruption have actually been reduced. UNDP-supported approaches increasingly seek to move beyond identifying broad "adaptation sectors" towards demonstrating that a financed measure addresses a defined climate risk and can be monitored over time. Examples include indicators relating to reductions in quantified climate-risk exposure, expected service disruption or asset vulnerability, and the protection of critical

services. Sustainability disclosure can provide an additional entity-level perspective through information on physical risks, responses, capital deployment, targets and the resilience of business models.

UNDP's experience also points to persistent barriers to scaling climate resilience finance. These include insufficiently localised physical climate-risk data, the cost and technical complexity of vulnerability assessments, limited capacity among regulators, financial institutions and project developers, fragmented definitions of resilience investment, and difficulties in converting technically eligible activities into bankable projects. Adaptation presents particular challenges because physical risks are location-specific and cannot always be assessed against universal performance thresholds. UNDP therefore uses phased and proportionate approaches that seek to balance technical credibility with domestic data availability, institutional capacity and implementation costs.

Even where an enabling sustainable finance framework is in place, investment readiness remains a separate challenge. Resilience investments may fall outside investor mandates because of currency or tenor mismatches, insufficient credit enhancement, transaction size or inappropriate risk allocation. Addressing these constraints requires financing structures to be developed against actual investor parameters and, where necessary, the targeted use of guarantees, concessional capital or other risk-sharing mechanisms. More broadly, UNDP's experience highlights that regulatory adoption is only one step: effective implementation requires sustained capacity-building, institutional coordination, market guidance and continued engagement with financial institutions and project developers.

3. Conclusions

This Annual Report reflects the continued efforts of the IPSF, its members and observers to advance international cooperation on sustainable finance. The activities carried out in 2026 underline the Platform's role as a forum for technical cooperation, peer learning and the exchange of practical experience on the design and implementation of sustainable finance frameworks and tools.

As sustainable finance frameworks continue to evolve across jurisdictions, important challenges remain in translating policy objectives into effective implementation, mobilising finance at scale and facilitating greater coherence and comparability across different approaches. Against this background, the IPSF has continued to provide a space for jurisdictions to learn from one another, examine emerging implementation challenges and identify areas where greater transparency, interoperability and practical cooperation can add value.

In 2026, the Platform advanced work across several areas. The Taxonomies Working Group undertook a broad stock-taking exercise to better understand how sustainable finance taxonomies are evolving and being implemented across jurisdictions. Under the Transition Finance Working Group, the IPSF deepened its examination of strategic sectors and critical raw materials, including through a first technical workshop focused on the sustainable financing of upstream mining and extraction activities. The Platform also launched practical exchanges on green bonds, providing members and observers with opportunities to share experience on market development, framework design and implementation.

The 2026 Annual Report also places particular emphasis on the role of sustainable finance in supporting climate resilience. Its special focus chapter brings together experiences and approaches from across the IPSF community on issues including the allocation of climate-related risks, insurance protection gaps, financing instruments and mechanisms, the assessment of resilience investments, and barriers to scaling climate resilience finance. This work reflects the growing importance of ensuring that sustainable finance frameworks support not only emissions reduction and the transition to a low-carbon economy, but also greater resilience to the physical impacts of climate change.

The IPSF has also continued to engage with international partners, relevant initiatives and jurisdictions beyond its current membership. The Platform continued to contribute to the wider international sustainable finance dialogue through its technical work, exchanges with other jurisdictions and cooperation with relevant international actors.

Looking ahead, the IPSF will continue to provide a collaborative and flexible platform for policymakers to exchange experiences, identify common challenges and develop practical insights that can support the effective implementation of sustainable finance frameworks. Continued engagement by members and observers, together with dialogue with the wider international sustainable finance community, will remain essential to strengthening credible and effective approaches to sustainable finance while taking account of different national circumstances, policy frameworks and stages of market development.