FC4S
FINANCIAL CENTRES FOR SUSTAINABILITY

Hosted by UNDP

ASSESSMENT PROGRAMME

Personalised Report 2022-2023

Grupo de Reflexão para o Financiamento Sustentável

UN Disclaimer

The views expressed in this publication are those of the authors and do not necessarily represent those of the United Nations, including the UN Development Programme, UN Women, or UN Member States.

About UNDP

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FC4S Disclaimer

All information used to compute the graphics and draw analyses was collected through the FC4S Assessment Programme survey between April and July 2023.

The answers provided by the 26 responding centres were corrected only when questions were misunderstood, and answers were not consistent with other parts of the survey. As such, this report is solely based on the information disclosed by FC4S members.

The evaluation proposed depends on the overall framework of the FC4S Assessment Programme survey. This survey aims at evaluating whether a financial centre's entire eco-system is aligned with the objectives of a sustainable financial system – in short, delivering capital to support the low-carbon transition and achievement of the SDGs. As such, the various analyses and conclusions developed in this report are limited by the scope of the Assessment Programme that itself needed to be applicable to all FC4S members.

About FC4S

The United Nations Development Programme (UNDP) Financial Centres for Sustainability Network (FC4S) is a global network of 42 financial centres working together to achieve the objectives set by the 2030 Agenda and the Paris Agreement. Established in mid-2018, the UNDP FC4S is an initiative of the UNDP Sustainable Finance Hub, born out of Italy's G7 Presidency in 2017.

FC4S's core mission is to enable financial centres to exchange experiences, drive convergence and act on shared priorities to accelerate the expansion of sustainable finance.

Table of Content

Introduction

The Assessment Programme was established in 2018 by the Financial Centres for Sustainability Network (FC4S), as the first initiative of its kind to evaluate the state of sustainable finance in key international financial centres. It delves into three pillars:

Institutional Foundations	It explores the key institutions and objectives that drive the growth of sustainable finance in financial centres.
Enabling Environment	It maps the structures that support the scale-up of sustainable finance by providing rules and incentives and building capabilities.
Market Infrastructure	It examines how Commitments, strategies. and incentives stimulate the capital mobilization of market participants.

The Assessment Programme Personalized Reports allow financial centres to:

- Track their progress in supporting the sustainable finance agenda
- Benchmark their relative position against best-in-class practices
- Identify potential actions pathways and visualize goals
- Set priorities when developing a sustainable finance strategy

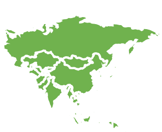
In 2023, 26 members completed the survey, out of 42 members

Comparative Analysis

To enhance comparability across financial centres, regional and economic groupings were identified. These clusters serve only to refine the analysis and provide additional information by assessment the performance of the members within of each group. This evaluation covers both aggregate pillars and individual categories, with a focus on ranking and positioning.

4 Regional Clusters






REGIONAL CLUSTER	FINANCIAL CENTRE	FC4S MEMBER
Africa 3 centres	**Casablanca**	Casablanca Finance City (CFC)
	Lagos	The Financial Centre for Sustainability Lagos (FC4S Lagos)
	Rwanda	Kigali International Financial Centre (KIFC)
Americas 3 centres	**Mexico City**	Mexican Council of Sustainable Finance (CMFS)
	Montreal	Finance Montreal
	Rio de Janeiro	Financial Innovation Laboratory
Asia 8 centres	**Astana**	Astana International Financial Centre (AIFC)
	Beijing	Institute of Finance and Sustainability (IFS)
	Gujarat	International Financial Services Centres Authority (IFSCA)
	Hong Kong	Hong Kong Green Finance Association (HKGFA)
	Kuala Lumpur	Capital Markets Malaysia (CMM)
	Mongolia	Mongolian Sustainable Finance Association (MSFA)
	Shenzhen	Shenzhen Green Finance Committee (SZGFC)
	Tokyo	FinCity.Tokyo
Europe 12 centres	**Barcelona**	Barcelona Centre Financer Europeu for Sustainability (BCFE 4S)
	Frankfurt	Green and Sustainable Finance Cluster Germany (GSFC-Germany)
	Geneva	Sustainable Finance Geneva (SFG)
	Guernsey	Guernsey Finance
	Jersey	Jersey Finance
	Liechtenstein	Liechtenstein Bankers Association (LBA)
	Lisbon	Grupo de Reflexão para o Financiamento Sustentável (GRFS)
	Luxembourg	Luxembourg Sustainable Finance Initiative (LSFI)
	Madrid	The Center for Responsible and Sustainable Finance (Finresp) in Spain
	Milan	ESGeneration Italy
	Paris	Institut de la Finance Durable
	Zurich	Swiss Sustainable Finance (SSF)

2 Economic Clusters*

ECONOMIC CLUSTER	FINANCIAL CENTRE	FC4S MEMBER
Low & Middle Income 11 centres	**Astana**	Astana International Financial Centre (AIFC)
	Casablanca	Casablanca Finance City (CFC)
	Gujarat	International Financial Services Centres Authority (IFSCA)
	Rio de Janeiro	Financial Innovation Laboratory
	Lagos	The Financial Centre for Sustainability Lagos (FC4S Lagos)
	Mexico City	Mexican Council of Sustainable Finance (CMFS)
	Mongolia	Mongolian Sustainable Finance Association (MSFA)
	Rwanda	Kigali International Financial Centre (KIFC)
	Beijing	Institute of Finance and Sustainability (IFS)
	Shenzhen	Shenzhen Green Finance Committee (SZGFC)
	Kuala Lumpur	Capital Markets Malaysia (CMM)
High Income 15 centres	**Barcelona**	Barcelona Centre Financer Europeu for Sustainability (BCFE 4S)
	Madrid	The Center for Responsible and Sustainable Finance (Finresp) in Spain
	Guernsey	Guernsey Finance
	Tokyo	FinCity.Tokyo
	Milan	ESGeneration Italy
	Luxembourg	Luxembourg Sustainable Finance Initiative (LSFI)
	Montreal	Finance Montreal
	Paris	Institut de la Finance Durable
	Hong Kong	Hong Kong Green Finance Association (HKGFA)
	Lisbon	Grupo de Reflexão para o Financiamento Sustentável (GRFS)
	Jersey	Jersey Finance
	Zurich	Swiss Sustainable Finance (SSF)
	Geneva	Sustainable Finance Geneva (SFG)
	Frankfurt	Green and Sustainable Finance Cluster Germany (GSFC-Germany)
	Liechtenstein	Liechtenstein Bankers Association (LBA)

**The classification between high-, middle- and low-income economies is determined by the World Bank classification. For more details, see [World Bank Country and Lending Groups](#).*

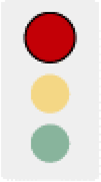
How to read and Methodology

01

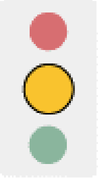
How to read

The financial centre's performance on each question is benchmarked to the median of the FC4S Network within the corresponding categories. The median is defined as the value that separates the top half from the bottom half of a data sample.

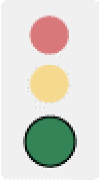
The following signs are defined to illustrate the position with respect to the median of each sub-pillar:



Red light, below the median and capacity for improvement.



Yellow light, at the median and capacity for improvement.



Green light, above the median.

In Pillar 3, Table 3.1 provides a detailed analysis of the financial center's performance across the various categories within the three financial industries (Banks, Asset Management, and Insurance). The color-coded system adheres to the previously mentioned criteria: Green signifies a performance above the FC4S Network median, Yellow indicates performance equal to the median, and Red denotes performance below the median. The table also contains proposed recommendations for the finance centre to facilitate action and drive progress. These recommendations are applicable when the financial center's score is at or below the FC4S Network median.

Sustainable Financial System Alignment Framework

LEVEL	TITLE	DEFINITION – INSTITUTIONAL FOUNDATIONS AND ENABLING ENVIRONMENT ALIGNMENT	DEFINITION – MARKET INFRASTRUCTURE ALIGNMENT
Level 0	**Misalignment** Sustainable investment is inexistent	• **No strategy** has been defined • **No actions** are taken to develop sustainable finance • **No policy or regulatory frameworks** are available to support sustainable finance	• The financial system is **unable to deliver capital** to support low-carbon transition or the achievement of the SDGs • There is **no evidence available** suggesting that the FC has begun a transition toward a sustainable financial system
Level 1	**Weak signals** Isolated sustainable investment options are emerging and nurtured by an initiative	• No strategy yet in place, but an **initiative exists at FC level** • **Uncoordinated actions** emerge from local institutions • Several players and early adopters are **advocating for increased policy or regulatory frameworks** on sustainable finance	• **Capital is not oriented toward low-carbon transition** and the achievement of the SDGs • The financial system provides only **scarce/limited sustainable investment options**; sustainable finance development remains slow
Level 2	**Awareness** A leading asset class, cooperation, and policy efforts are all driving growth	• A **strategy** has been defined **at initiative level** • **Cooperation** between **public and private institutions** is getting organised • **Policy and regulatory frameworks** are being actively developed **on specific areas**	• A **limited amount** of capital is oriented toward low-carbon transition and the achievement of the SDGs • **Options** for sustainable investment available to professional investors **are expanding but remain limited in total volume** • Sustainable products in at least **one asset class** are **scaling up**
Level 3	**Expansion** Extended regulatory frameworks and scaled-up products are structuring a favourable ecosystem	• A **strategy** has been defined **at FC and/or country level** • **International level cooperation** is getting organised • **System-level policies** and regulatory frameworks are being implemented **on key asset classes**	• The amount of **capital oriented** toward low-carbon transition and the achievement of the SDGs **is growing fast** (at least **2 digits year on year growth rate** for primary & secondary markets combined) • Options for **sustainable investment** are available **for professional and retail investors** on an increasing variety of asset classes • Sustainable **products are scaling up** in several asset classes
Level 4	**Maturity** The ecosystem is ready to sustain high growth in the sustainable segments	• **Dedicated strategies** are defined to overcome identified barriers and/or constraints • **Public and private cooperation** allows to **measure and monitor the development** of sustainable finance • Policy and regulatory frameworks are promoting **demanding standards and incentivising innovation** in sustainable finance	• **Capital allocation** toward low-carbon transition and the achievement of the SDGs is already **significant and still growing** strong • **Options** for sustainable investment **increasingly follow demanding standards** and are available for professional and retail investors on all asset classes • Sustainable **products are scaled up** and **growing on all asset classes**
Level 5	**Alignment** The FC is aligned with the requirements of a sustainable financial system	• An **impact measurement and sustainable finance monitoring infrastructure is operational** at FC and/or country level • Strategy, cooperation, policy and regulatory frameworks are periodically revised and updated using this infrastructure	• The FC and/or country **channels more than 2 of its** geographical footprint **GDP** towards low-carbon transition and the achievement of the SDGs • **ESG** assessment **and impact** measurement **methodologies are converging** for mature products; **transparency is a key aspect** of available products

Scoring Methodology

The alignment levels for each pillar are determined from the alignment levels for each eligible question.

For the pillar "Institutional foundations" and "Enabling environment", the pillar levels are determined by the average level of each eligible question.

For the pillar "Market infrastructure", the pillar level is determined by the average level of the 5 sections composing it. The level of each section (except for debt markets) is determined by the minimum score obtained for each question, which are cumulative and some of which are blocking to move to a higher level (i.e., each level requires fulfilment of the prerequisites of the previous levels to continue advancing). On the other hand, the debt market category applies the average of the scores for each question.

Institutional Foundations

5 questions eligible to alignment

Pillar level = **average level**

1.2.1	Supporting Activities	**Level 0 ... 5**
1.2.2	Action Plan or Strategy	**Level 0 ... 5**
1.3.4	Stakeholders	**Level 0 ... 5**
1.5.1	Low-Carbon Transition (FC Level)	**Level 0 ... 5**
1.6.1	International Connectivity	**Level 0 ... 5**

Enabling Environment

5 questions eligible to alignment

Pillar level = **average level**

2.1	Financial Policy & Regulatory Environment	**Level 0 ... 5**
2.2	Public Institutional Environment	**Level 0 ... 5**
2.3	Professional Development & Education	**Level 0 ... 5**
2.4.1	Carbon Pricing	**Level 0 ... 5**
2.4.2	Low-Carbon Transition (Country Level)	**Level 0 ... 5**

Market Infrastructure

5 Sections eligible to alignment

Pillar level = **average level**

3.1	Debt Markets	**Level 0 ... 5**
3.2	Capital Markets	**Level 0 ... 5**
3.3	Banking	**Level 0 ... 5**
3.4	Asset Management	**Level 0 ... 5**
3.5	Insurance	**Level 0 ... 5**

Institutional Foundations

02

Pillar 1 – Institutional Foundations

FC4S Network	Regional Cluster	Economic Cluster	2021 results
4.0 out of 4.1	4.0 out of 4.3	4.0 out of 4.0	4.0 (2023) 1.4 (2021)
6th position	5nd position	5th position	Enhanced Performance*

General Overview

- In the Institutional Foundations Pillar, Grupo de Reflexão para o Financiamento Sustentável (GRFS) achieved a score of 4 placing the Financial Centre (FC) below the network median (4.1). This result situates the FC sharing the 6th position within the FC4S Network. Notably, GRFS equals the median in *Activities*, *Action Plan*, *Stakeholders* and *International Connectivity*. Nevertheless, with a score below the median, GRFS demonstrates potential for enhancement in *Low-Carbon Transition (Financial Centre Level).*

- A comparative analysis between the current edition of the AP and the previous one reveals that GRFS has strengthened its institutional foundations, as its score in 2021 was 1.4. The improvement in its score is mostly attributed to *Activities*, *Action Plan*, *Stakeholders*, *Low-Carbon Transition (Financial Centre Level)* and *International Connectivity*, areas in which GRFS remarkably achieved a higher performance. It is important to acknowledge that methodological changes have been implemented between editions. Consequently, any comparisons should be approached with careful consideration to account for these methodological variations.*

- GRFS performs below the median of its regional cluster, achieving a score of 4 and securing the 5th position. A comparative analysis with regional peers underscores areas of potential improvement for FC, particularly in *Low-Carbon Transition (Financial Centre Level)*, where it falls below the median.

- Positioned at the median of its economic cluster (4), GRFS shares the 5th position. The FC outperforms the cluster's median in *Activities*, while equals it in *Action Plan*, *Stakeholders*, *Low-Carbon Transition (Financial Centre Level)* and *International Connectivity*.

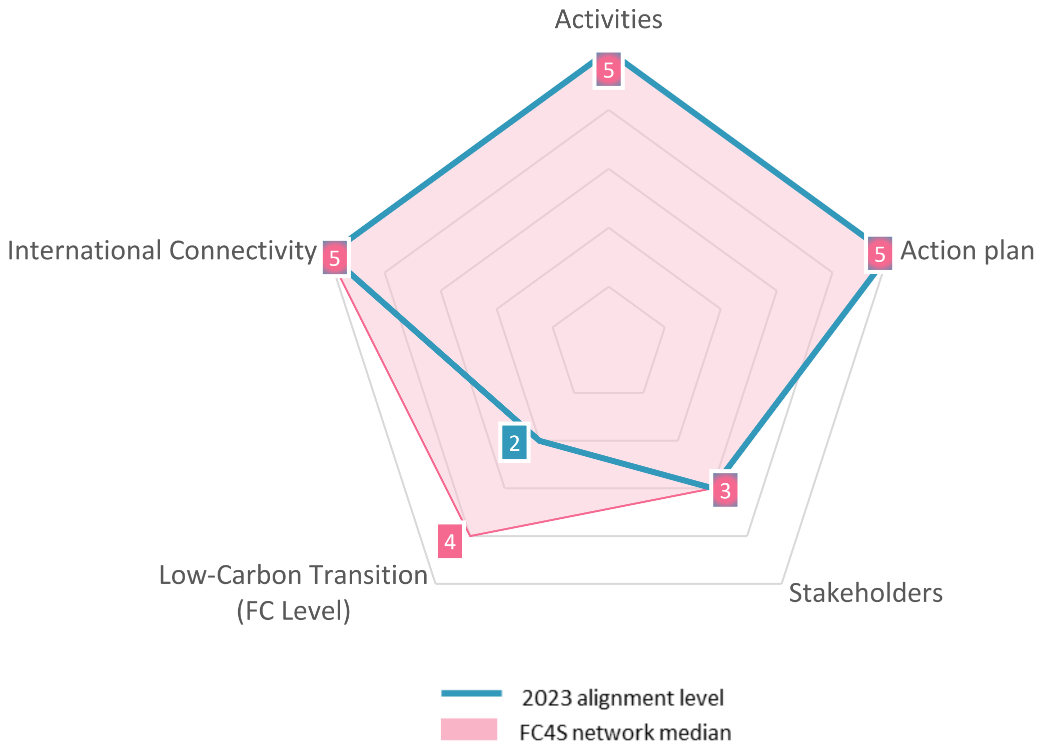
**The calculation for the 2021 score was redefined by considering only the common variables present in both AP editions. This adjustment was made to align with the changes introduced in the current edition (2023), with the aim of enhancing comparability.*

Pillar 1 – Institutional Foundations

Table 1: Pillar 1 Summary.

	Lisbon	Score 2023	Score 2021	Median FC4S	European Median	High income Median
Pillar 1 Score: 4	Activities	5	2	5	5	4
	Action Plan	5	0	5	5	5
	Stakeholders	3	2	3	3	3
	Low-Carbon Transition (Financial Centre Level)	2	0	4	4	2
	International Connectivity	5	3	5	5	5

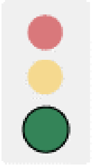
Figure 1: FC's score in each assessed category of Pillar 1 compared to the median score of the FC4S Network.



Pillar 1 – Institutional Foundations

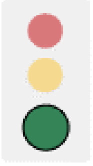
Areas of Strength

Activities



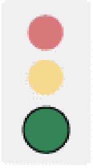
- GRFS has effectively implemented all the range of activities related to sustainable finance surveyed. This substantial portfolio of sustainable finance activities undertaken by the financial center reinforces its pivotal role as a catalyst for addressing the SDGs within the financial sector.

Action Plan



- GRFS 's robust strategy encompass a multifaceted approach, including reinforcing regulatory framework, industry guidelines and policies on sustainable financial instruments, increasing cooperation at financial centre level (between local market players, public authorities, civil society bodies, etc.), increasing cooperation at international level (with other financial centres, countries, global financial institutions, etc.), fostering the development of SDG-related financial products and fostering the development of sustainable financial products.

International Connectivity

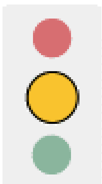


- GRFS demonstrates a thorough commitment to bolstering international connectivity on sustainable finance topics, encompassing Informal practices and bilateral dialogues with other FCs, formal cooperation with a specific deliverable with other FC , participation in international bodies' consultations or other formal engagement with international organizations and other (non-financial centre) level engagement with international networks. Despite achieving the top score, a comparative analysis with other peers that also scored five in this category reveals the potential for FC to enhance its cooperative interactions.

Pillar 1 – Institutional Foundations

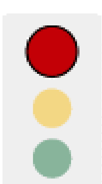
Areas of Improvement

Stakeholders



- While GRFS 's dedicated initiative encompasses a wide range of stakeholders, such as banks, asset managers, insurance companies, pension funds, capital market institutions, financial sector industry associations, public regulatory or supervisory institutions, public financial institutions such as development banks, sovereign funds, public pension funds and non-financial industry associations, there remains an opportunity to broaden its representation. Dedicated initiatives serve as a signal of collective dedication in advancing sustainable finance practices by convening diverse types of stakeholders and addressing the challenges they face. Embracing a more comprehensive multi-stakeholder approach has the potential to foster and enrich collaborative efforts, facilitate the design of holistic solutions and serve as a basis for implementing comprehensive, multi-sectoral strategies crucial for the effective development of sustainable finance. Furthermore, by reuniting and considering the diverse perspectives, experiences, and challenges of all involved parties, this approach can greatly enrich the FC's work on sustainable finance, further strengthening the quality of its activities (e.g. guidelines, frameworks, capacity-building initiatives). Hence, acknowledging the benefits of enhancing the representation, GRFS could consider including additional stakeholders within its dedicated initiative, such as Private equity firms, FinTech, Professional services and legal firms, Local ESG consulting firms, Local ESG rating agencies and verifiers.

Low-Carbon Transition – FC Level



- GRFS reported considering the Low-Carbon Transition at the level Commitment with objectives and quantified targets, therefore falling below the FC4S network median (4). To further strengthen its institutional foundations, the FC is encouraged to improve its performance in this dimension. In a context of urgent need for deep, rapid and sustained measures to limit GHG emissions, the financial sector plays a vital role in scaling the investments and bridging the finance gap that challenges the achievement of common climate goals and the whole-of-economy transition. In this line, by leveraging Portugal's NDC and/or Long-term Climate Strategy, GRFS has the opportunity to formalize its low-carbon transition goal into an action plan, aligning with the current median standard, as a baseline to play a more active role in empowering the local ecosystem to bolster action and increase the funding needed to facilitate the economy's transition.

Enabling Environment

03

Pillar 2 – Enabling Environment

FC4S Network	Regional Cluster	Economic Cluster	2021 results
3.6 out of 2.8	3.6 out of 3.2	3.6 out of 3.2	3.6 (2023) 1.8 (2021)
2th position	2st position	2th position	Enhanced Performance*

General Overview

- In the Enabling Environment Pillar, GRFS excels with a score of 3.6 surpassing the FC4S Network median of 2.8 and securing the 2nd position within the Network. This result is attributed to its notable performance in *Financial Policy & Regulatory Environment*, *Professional Development & Education* and *Low Carbon Transition (Country Level),* where the financial centre outcompetes the Network's median. Furthermore, in *Public Institutional Environment*, GRFS aligns with the network median. For its part, there is room for improvement in *Carbon Pricing*, as the FC's score falls below the median.
- Compared to 2021, GRFS improved its performance in enabling environment, as its score in the previous edition was 1.8. This is partially attributed to enhancements in *Financial Policy & Regulatory Environment*, *Public Institutional Environment*, *Professional Development & Education* and *Low Carbon Transition (Country Level).* However, it is important to acknowledge that methodological changes have been implemented between editions. Therefore, any comparative analysis should be approached with meticulous consideration to account for these methodological variations.*
- Compared with its regional cluster, GRFS exceeded the cluster's median (3.2), holding the 2nd position. *Financial Policy & Regulatory Environment* and *Professional Development & Education*, represent distinguishing areas that set GRFS apart from its regional counterparts.
- GRFS outperforms the median of its economic cluster (3.2), ranking in the 2nd position. This positioning is also explained by *Financial Policy & Regulatory Environment* and *Professional Development & Education*, where FC exceeds the cluster's median.

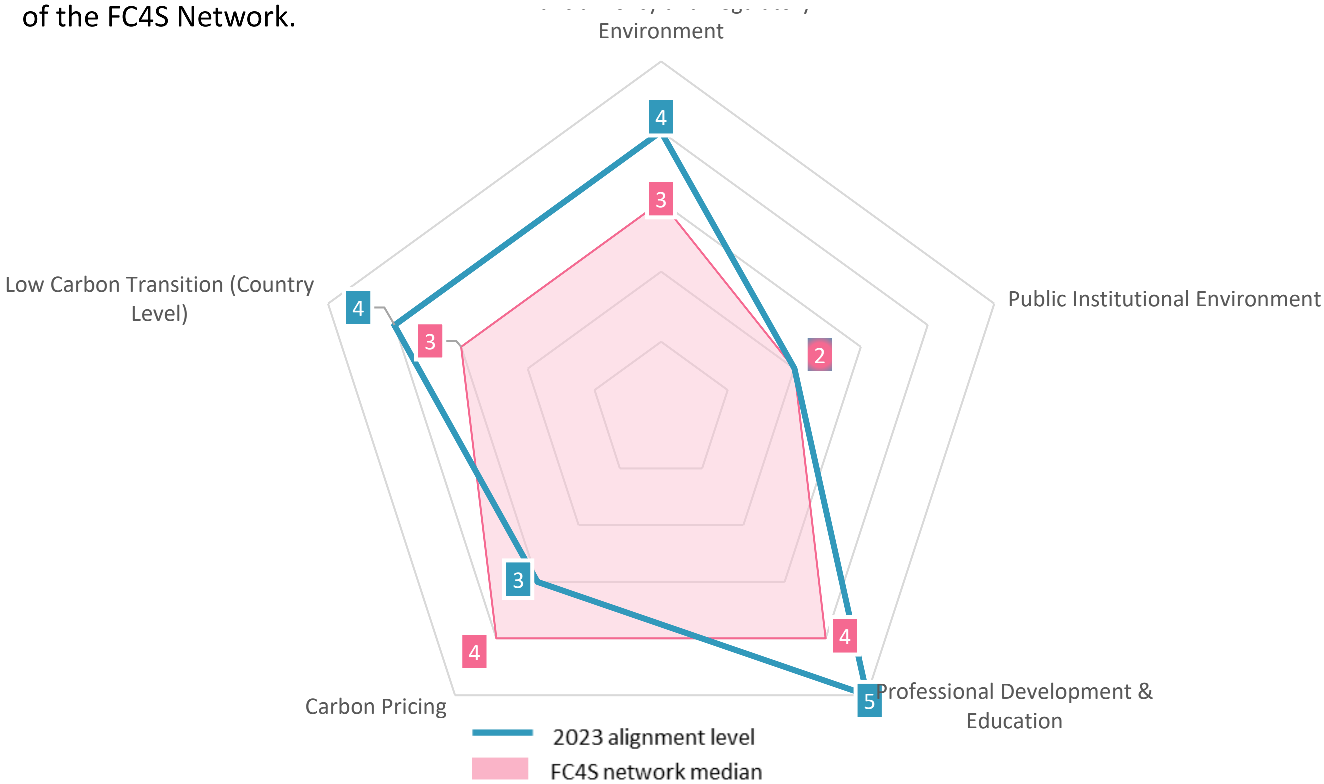
**The calculation for the 2021 score was redefined by considering only the common variables present in both AP editions. This adjustment was made to align with the changes introduced in the current edition (2023), with the aim of enhancing comparability.*

Pillar 2 – Enabling Environment

Table 2: Pillar 2 Summary.

	Lisbon	Score 2023	Score 2021	Median FC4S	European Median	High income median
Pillar 2 Score: 3.6	Financial Policy and Regulatory Environment	4	3	3	3	3
	Public Institutional Environment	2	0	2	2	2
	Professional Development and Education	5	0	4	4	4
	Carbon Pricing	3	4	4	4	4
	Low Carbon Transition (Country Level)	4	2	3	4	4

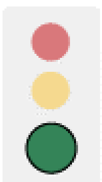
Figure 2: FC's score in each assessed category of Pillar 2 compared to the median score of the FC4S Network.



Pillar 2 – Enabling Environment

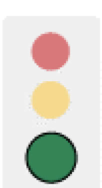
Areas of Strength

Financial Policy & Regulatory Environment



- GRFS's financial policy and regulatory environment encompass all proposed measures. The jurisdiction demonstrates a notable performance in Measures to increase financial actors' awareness on ESG issues/challenges and opportunities (e.g. engaging with financial actors, considering aligning to international regulations, carrying research on climate related risks, etc.), Regulation on climate fiduciary duty, Regulation on environmental fiduciary duty other than climate (e.g biodiversity, oceans, land preservation, etc.), Regulation on shareholders' engagement and stewardship and protection of minority interests, Regulation on disclosure on climate and/or other environmental topics (e.g. carbon footprint disclosure requirements, etc.), Use of green, social, sustainable, transition bond standards (e.g., Green Bond Principles, Social Bond Principles, SDG Bond Standard, etc.), Development and/or adoption of a taxonomy related to sustainable investments (including green and social investments), Framework and governance on fund labels, Regulation on ESG data providers and rating agencies, Requirements to integrate climate-related risks into supervisory frameworks, Convergence and/or recommendation of methodologies to assess climate risks and to measure alignment with the Paris Agreement Goals, Development and/or adoption of climate stress testing methodologies and/or scenario-based analysis and Differentiating liquidity and/or capital requirements for green finance projects / instruments. 100% of existing regulations entail specific requirements and 92% an extended scope, positioning the FC jurisdiction in a remarkable position above the median.

Professional Development & Education

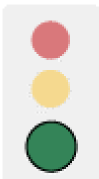


- The educational offer on sustainable finance available at Lisbon is extensive, covering the entire spectrum of topics surveyed with either introductory (MOOCs, Workshops, conferences, or any other extracurricular activity), intermediate (undergraduate or executive courses) and advanced (post-graduate courses) offerings.

Pillar 2 – Enabling Environment

Areas of Strength

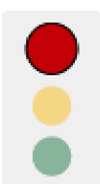
Low Carbon Transition – Country Level



- GRFS has robust medium- and long-term climate commitments dedicated to realizing the goals outlined in the Paris Agreement. The commitments cover the submission of a first and a strengthened second Nationally Determined Contributions (NDC) across 4 of the 6 dimensions evaluated. These dimensions encompass reinforced mitigation goals, intensified targets for reducing GHG emissions, strengthened policies and actions, and the provision of supplementary information to ensure clarity, transparency, and a comprehensive understanding of their climate initiatives. Additionally, Portugal's climate commitments extend to the formalization of its net zero target in a national law and the submission of a Long-Term Climate Strategy.

Areas of Improvement

Carbon Pricing



- Carbon pricing plays a crucial role in mitigating carbon emissions by translating GHG emissions into a tangible financial cost, therefore creating financial incentives for aligning with climate goals. Beyond reducing emissions, it fosters innovation and investments in low-carbon technologies. Moreover, it generates revenue for governments, contributing to climate action or social initiatives. While significant strides have been made with EU ETS in place, complemented by an MRV system and a Carbon tax, recognizing the pivotal role of Carbon Pricing, Portugal has the opportunity to enhance and broaden its carbon pricing framework. This can be achieved through active participation in Carbon Crediting Mechanisms, encompassing both international and voluntary carbon markets. Although the scope of assessment is up to date July 2023, it should be noted that significant advancements have been made in this regard in early 2024. Please refer to Box 1 for details. Furthermore, the establishment of a local carbon market could further reinforce Portugal's commitment to effective carbon pricing.

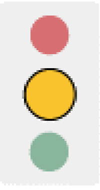
Box 1 - Portuguese Decree-Law no. 4/2024 Voluntary Carbon Market

It is worth noting that the latest advances in Portugal's efforts to mitigate GHG emissions include the creation of a regulated market at the national level. Portuguese Decree-Law no. 4/2024, published on 5 January, sets the rules for the operation of a Voluntary Carbon Market (VCM) in Portugal. The purpose of this decree-law is to establish a framework for the VCM and recognize its potential in supporting GHG emissions mitigation efforts. To ensure the robustness and quality of the VCM in Portugal, Decree-Law 4/2024 introduces transparency requirements. These requirements include the implementation of a MRV system for the accounting of GHG reductions or carbon sequestration. Furthermore, Decree-Law 4/2024 emphasizes the importance of public access to information related to the VCM. This access ensures transparency and helps prevent double counting of carbon credits.

Pillar 2 – Enabling Environment

Areas of Improvement

Public Institutional Environment



- Within Portugal's public institutional environment, 4 out of the 9 fiscal and monetary policy measures surveyed have been implemented, including Tax incentives and/or subsidies targeting green, social, or sustainability-linked loans, Tax incentives and/or subsidies targeting green project development, Publicly backed/ state-owned sustainable funds and institutions and a Green asset purchase programme. This leaves space for an evaluation of the costs and benefits linked to the potential adoption of alternative instruments, such as Tax incentives and/or subsidies targeting green, social, or sustainability-linked bonds, Public issuance of green, social, sustainability or sustainability-linked bonds, Blended financing instruments, Green collateral frameworks and Green credit allocation policies. Acknowledging that the strategic implementation of public financing instruments could play a crucial role in mitigating sustainability-related risks and in incentivizing capital mobilization towards the transition to a low-carbon economy and the achievement of the SDGs, GRFS could contribute to the discussion of the expansion of the policy framework by sharing analysis of the costs and benefits of these policies pertinent to the local context and identified best practices. In addition, it can facilitate policy dialogues, acting as platforms for constructive conversations between policymakers, financial institutions, and relevant stakeholders. Furthermore, given the importance of raising awareness about available instruments to incentivize their use by financial institutions, thereby facilitating the mobilization of private capital for sustainable initiatives, GRFS can assume a pivotal role in this realm. This could be accomplished through initiatives aimed at disseminating information and raising awareness regarding existing sustainable finance policies.

Market Infrastructure

04

Pillar 3 – Market Infrastructure

FC4S Network	Regional Cluster	Economic Cluster	2021 results
1.6 out of 1.8	1.6 out of 2	1.6 out of 2.2	1.6 (2023) 0.0 (2021)
8th position	6st position	8th position	Enhanced Performance*

General Overview

- In the Market Infrastructure Pillar, GRFS 's overall performance (1.6) places it below the FC4S Network median (1.8) and sharing the 8th position within the Network. This highlights areas for improvement, especially *Capital Markets* and *Banks*. Notably, GRFS surpasses the FC4S Network median in *Asset Management* and Insurance, while in *Debt Market* sit aligns with the Network median.
- Compared to the last edition of the AP, GRFS has notably enhanced its performance in this Pillar, progressing from 0 to the current score of 1.6. However, it is important to acknowledge that this enhancement is attributed to the fact that in 2021 Lisbon had not completed information for pillar 3, resulting in a score of 0. Consequently, a direct comparison of the categories within this pillar between the two editions is not feasible.*
- When benchmarked against regional peers, GRFS shares the 6th position in this ranking, lagging behind the cluster's median (2). This is due to its performance in *Capital Markets*, and *Debt Markets*, scoring below the regional median. Moreover, improving the data collection in *Banks*, would result in an improvement of its economic standing.
- For its part, in the comparison with its economic peers, GRFS shares the 8th position, locating beneath the cluster's median (2.2). Bolstering *Capital Markets* would result in an improvement of its economic standing. Moreover, improving the data collection in *Banks*, would result in an improvement of its economic standing.
- An analysis of the three financial industries indicates that efforts could be strengthened across the evaluated dimensions. Please refer to *Table 3.1* for proposed recommendations for GRFS to facilitate action and drive progress.

**The calculation for the 2021 score was redefined by considering only the common variables present in both AP editions. This adjustment was made to align with the changes introduced in the current edition (2023), with the aim of enhancing comparability.*

Pillar 3 – Market Infrastructure

Table 3: Pillar 3 Summary.

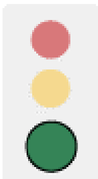
	Lisbon	Score 2023	Score 2021	Median FC4S	Europe Median	High income median
Pillar 3 Score: 1.6	Capital Markets	0	0	1	1	1
	Banks	0	0	2	2	2
	Asset Management	3	0	2	3	3
	Insurance	2	0	1	1	1
	Debt Markets	3	0	3	3,5	3

Figure 3: FC's score in each assessed category of Pillar 3 compared to the median score of the FC4S Network.

Pillar 3 – Market Infrastructure

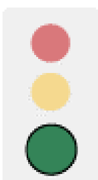
Areas of Strength

Asset Management



- GRFS is positioned above FC4S Network's median in AUM. The Financial Centre outperformed on two of the four dimensions considered under Asset Management: Sectorial Exclusion and Climate Alignment. Furthermore, it stands at the median in Capital Allocation, and falls below in Best Practices.

Insurance

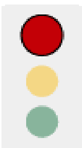


- GRFS is positioned above FC4S Network's median in Insurance. The Financial Centre outperformed on two of the four dimensions considered under Asset Management: Capital Allocation and Best Practices. Furthermore, it stands at the median in Sectorial Exclusion and Climate Alignment.

Pillar 3 – Market Infrastructure

Areas of Improvement

Capital Market

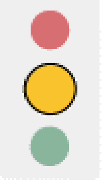


- In Capital Markets, GRFS falls below the network's median (1), with a score of 0, indicating there are possible areas for improvement.
- Passage to level 1 is impeded by Indices to target Sustainable equity. Furthermore, the Financial Centre lacks of Public/private/third-party sustainability-related labels and AUM funds labeled as green/ESG and/or sustainability constitute only 1% of the total assets under management registered in the financial center.
- The lack of specific indices targeting sustainable equity could be addressed shortly as a quick win, by developing at least one specific index. GRFS could encourage the relevant stock exchange (where applicable) to have the market covered by a sustainability-related index or it could also consider the creation of an independent sustainability-related index in specific/relevant markets for the FC. This will help investors identify companies that are committed to sustainable practices, incentivize sustainable investments, and promote transparency and accountability in the financial sector.
- Furthermore, to demonstrate their commitment to sustainability and attract investors who are interested in sustainable investments, the GRFS could encourage financial institutions to develop or promote private and/or public labels related to sustainability. Such labels can help investors identify and invest in sustainable financial products that meet certain ESG criteria, while allowing a better accounting of flows. However, is important to note that, to ensure the proper application of these labels and uphold transparency and credibility of the sustainable finance market, a robust regulatory framework and governance of fund labels is vital.
- The Financial Centre could promote the development of sustainable AUM funds, first, by building trust among investors. GRFS could collaborate with stakeholders, including asset managers, investors and regulators, to establish common labels and standards, ensuring credibility and transparency. The FC also has the potential to raise awareness among investors about the benefits of sustainable funds, emphasizing their capacity to deliver competitive returns while contributing to a sustainable future. Finally, GRFS could monitor the performance of sustainable AUM funds, helping ensure they are meeting their dual objective, and trigger discussions with stakeholder on how to improve their performance.

Pillar 3 – Market Infrastructure

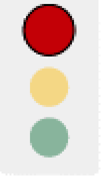
Areas of Improvement

Debt Market



- While in Debt Market FC aligns with the Network's median (3). GRFS has a good performance in its Stock Exchange profile, by having 7 out of the 9 surveyed dimensions covered, this includes being a SSE Partner Exchange, having annual sustainability report and written guidance on ESG reporting, offering ESG related training, featuring the market with a sustainability-related index, providing a sustainability bond listing segment and a SME listing platform. Nevertheless, still has room for improvement in the percentage of sustainable debt outstanding, which currently has a negative impact on the average score. Specifically, the percentage of sustainable debt outstanding, represents 4.45% of the total outstanding debt. GRFS could advance the growth of the sustainable debt market through the advocacy for supportive regulatory frameworks that promote transparency and standardization, , as well as for policy measures that incentivise private capital mobilization including risk mitigation instruments. Additionally, they can help address supply constraints by collaborating with partners to develop a pipeline of projects, providing technical guidance for issuers, and facilitating investors gatherings.

Banks



- The financial centre did not provide market participants for this category. Quick improvement in the scoring of this pillar can be ensured through the sampling of market participants for this section.

Pillar 3 – Market Infrastructure

Figure 3.1: Banks

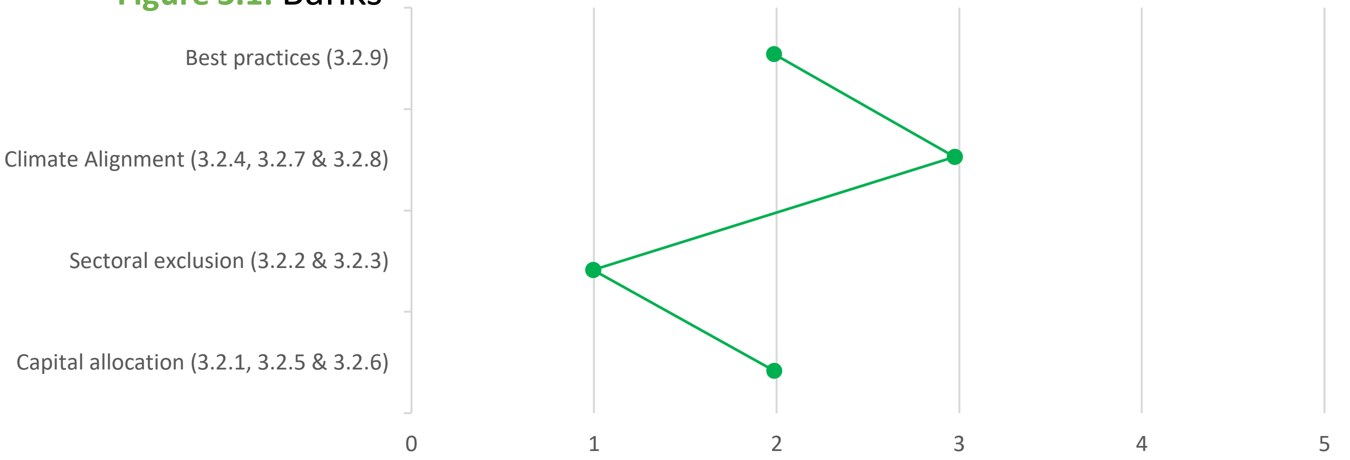


Figure 3.2: Asset Management

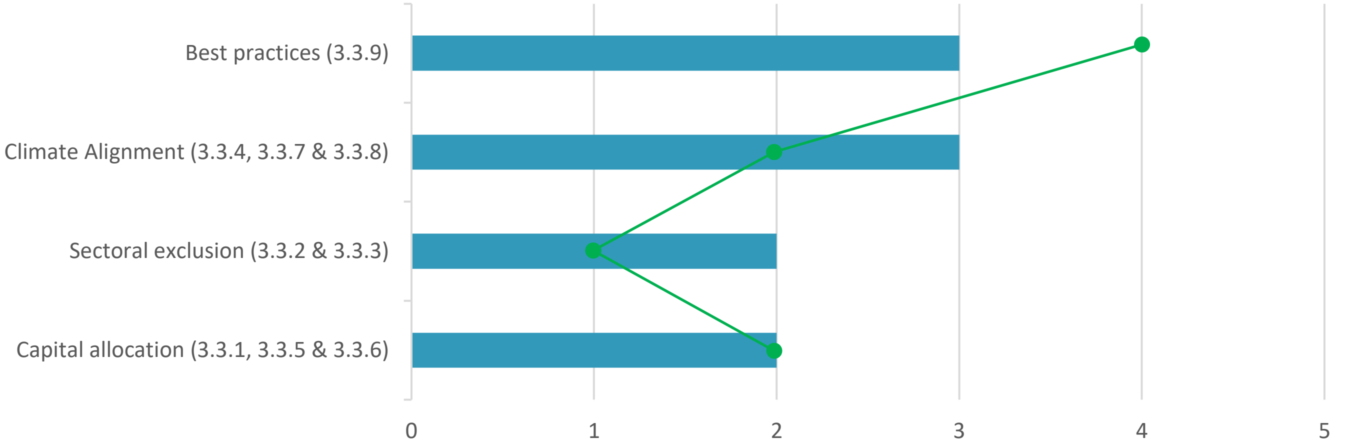
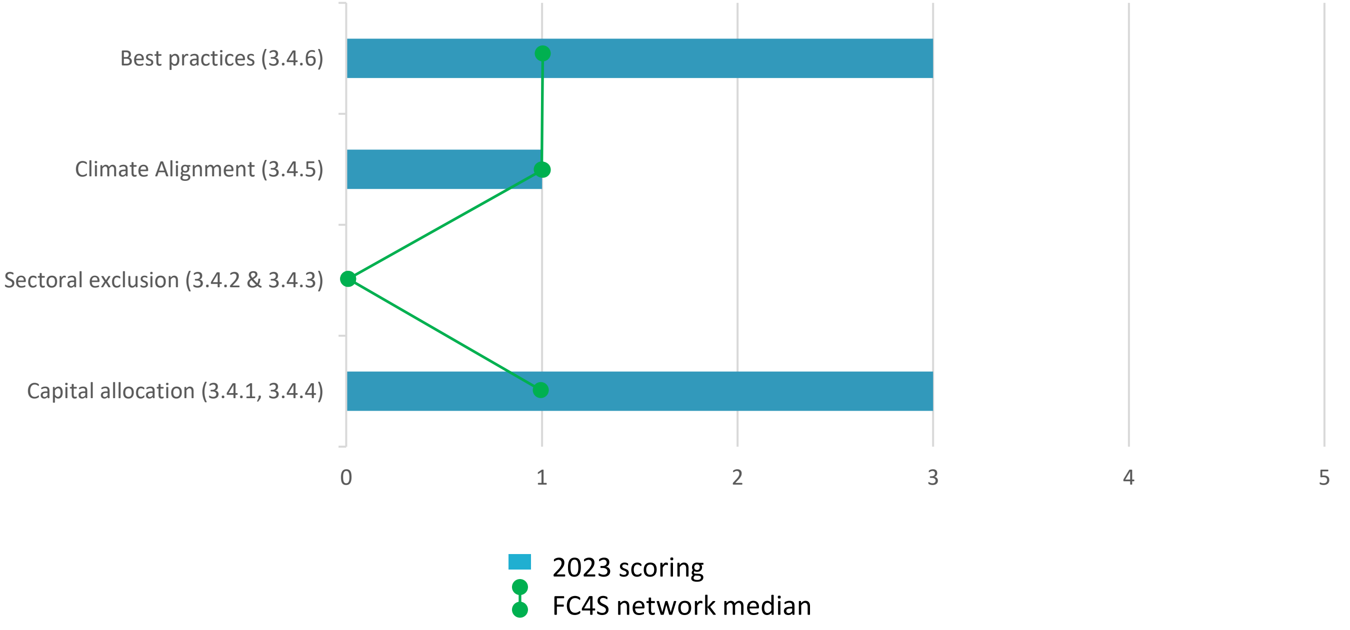


Figure 3.3: Insurance



Pillar 3 – Market Infrastructure

Table 3.1: Analysis of the three financial industries and proposed recommendations to facilitate action and drive progress.

<table>
<tr><th>Dimensions</th><th>Sub-dimensions</th><th>Banks</th><th>AM</th><th>Insurance</th><th>Recommendation</th></tr>
<tr><td>Best Practices</td><td>Principles</td><td rowspan="3">The financial centre did not provide market participants for this category.</td><td>60% of top 5 AM signed the Principles for Responsible Investment</td><td>60% of the top 5 insurance companies signed the Principles for Sustainable Insurance</td><td>Grupo de Reflexão para o Financiamento Sustentável (GRFS) can encourage banks, asset managers and insurance companies to sign the Principles for Responsible Banking (PRB), Principles for Responsible Investing (PRI), and Principles for Responsible Insurance (PSI), respectively, by providing guidance, resources and facilitating collaborative engagements with current signatories. These frameworks, created by the United Nations in partnership with founding institutions, are designed to embed ESG issues into financial institutions' decision-making, strategies, risk management and across their portfolio of financial activities, bringing purpose, vision, and ambition on the SDGs, the Paris Agreement and sustainable finance to the core of the organization.</td></tr>
<tr><td rowspan="2">Sectoral Exclusion</td><td>Firms</td><td>80% of the top 5 AM exclude investment in firms engaging in coal extraction/ coal-fired electricity generation and/or other fossil fuel extraction/ development (oil, natural gas)</td><td>60% of the top 5 insurance companies ceased underwriting insurance policies to firms engaging in coal extraction/ coal-fired electricity generation and/or other fossil fuel extraction/ development (oil, natural gas)</td><td rowspan="2">In the pursuit of aligning financial practices with global climate goals and shaping a resilient and sustainable economic future, it is recommended that Grupo de Reflexão para o Financiamento Sustentável (GRFS) proactively encourages its financial institutions to adopt exclusionary policies. By assuming a leadership role in promoting environmentally responsible banking, investing, and insurance practices, Grupo de Reflexão para o Financiamento Sustentável (GRFS) can instigate transformative changes in industry norms, catalyzing a collective effort toward sustainable financial practices. This strategic initiative not only underscores a commitment to mitigating climate change risks but also positions the financial centre as a leader in responsible finance, attracting investors and fortifying its global standing as a sustainability-conscious financial hub. This agenda should seamlessly integrate withGrupo de Reflexão para o Financiamento Sustentável (GRFS) 's assistance to financial institutions in addressing the challenges of transition finance and supporting high-emitting firms in their journey toward lower GHG emissions. The financial centre may consider facilitating collaborative platforms among financial institutions, industry leaders, and environmental experts, with the aim to foster engagement, facilitate knowledge-sharing, and stimulate the development of innovative solutions that actively contribute to sustainable finance during the transition, ultimately promoting a shift away from reliance on fossil fuels.</td></tr>
<tr><td>Financial institutions backing firms</td><td>40% of the top 5 AM exclude investment of financial institutions backing firms engaging in coal extraction/ coal-fired electricity generation and/or other fossil fuel extraction/ development (oil, natural gas)</td><td>None of the top 5 insurance companies ceased underwrting insurance policies to financial institutions backing firms engaging in coal extraction/ coal-fired electricity generation and/or other fossil fuel extraction/ development (oil, natural gas)</td></tr>
</table>

Pillar 3 – Market Infrastructure

Table 3.1 (continuation): Analysis of the three financial industries and proposed recommendations to facilitate action and drive progress.

Dimensions	Sub-dimensions	Banks	AM	Insurance	Recommendation
Capital Allocation	Formal Commitments	The financial centre did not provide market participants for this category.	80% of the top 5 AM have formal commitments to increase the volume of capital directed towards sustainable and SDG aligned financial products. In addition, 20% have set quantitative targets for those commitments	80% of top 5 insurance companies have formal commitment to increase the availability of impact insurance policies and targeted green, social and sustainability-linked insurance solutions. In addition, 80% have set quantitative targets for those commitments	Specific efforts could focus on capacity-building activities aimed at equipping financial actors with knowledge of existing international standards, guidance and recommendations on the formulation of credible and robust commitments, quantitative targets and transition plans. A strategic approach can be adopted, focusing on one financial industry at a time, building on the existing policy and regulatory framework.
	Capital Mobilization		25.14% of the AuM of the top 5 AM benefit from a negative screening policy	None of the top 5 insurance companies have marketed targeted sustainable insurance policies	To bolster both its local and global standing, financial centers possess the capacity to proactively encourage banks, asset managers, and insurance companies to elevate their action to sustainable finance. This can be accomplished through targeted outreach to these entities or pertinent industry associations, cultivating an awareness of their pivotal role in addressing the funding gap for the Paris Agreement and 2030 Agenda goals. Moreover, Grupo de Reflexão para o Financiamento Sustentável (GRFS) can play a pivotal role in advocating for regulatory and policy changes that market participants deem beneficial for strengthening their financial activities in alignment with shared objectives.

Pillar 3 – Market Infrastructure

Table 3.1 (continuation): Analysis of the three financial industries and proposed recommendations to facilitate action and drive progress.

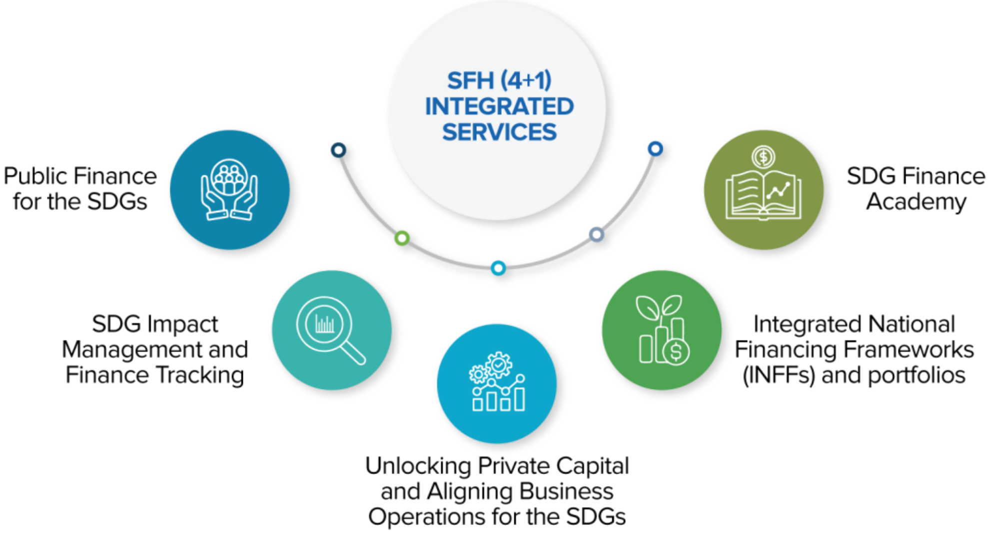
Dimensions	Sub-dimensions	Banks	AM	Insurance	Recommendation
Climate Alignment	Climate Scenario Analysis	The financial centre did not provide market participants for this category.	20% of the top 5 AM apply climate scenario analysis methodology on the AuMIn addition, 20% apply the methodology on more than 50% of their AuM		Climate scenario analysis serves as a valuable tool for banks and asset managers, aiding in the identification and assessment of potential climate-related risks within their portfolios. Through the application of this analysis, financial institutions can effectively mitigate climate-related risks and align their lending and investment activities with the objectives outlined in the Paris Agreement, actively contributing to the transition toward a low-carbon economy. In this regard, Grupo de Reflexão para o Financiamento Sustentável (GRFS) can support banks and asset managers in developing and implementing climate scenario analysis methodologies by providing guidance, sharing best practices, and facilitating knowledge exchange. This collaborative approach not only benefits the involved institutions but also contributes to the broader goal of creating a financial system that positively impacts society as a whole.
	Carbon Neutrality Targets for 2050		40% of the top 5 institutional investors are aligned with carbon neutrality targets for 2050		Grupo de Reflexão para o Financiamento Sustentável (GRFS) could encourage the voluntary adoption of climate alignment methodologies by organizing workshops or webinars. These sessions would serve to raise awareness of the whole array of available tools designed to assess the climate alignment of financial portfolios, emphasizing the advantages of employing these methodologies, including improved risk management, regulatory compliance, alignment with stakeholder expectations, enhanced competitiveness, long-term value creation, and contributing to the creation of a more sustainable and resilient financial system. Additionally, Grupo de Reflexão para o Financiamento Sustentável (GRFS) could offer technical support and resources to assist financial institutions in building capacity for the effective implementation of these methodologies. Collaboration with financial entities for the initiation of pilot projects is another avenue, allowing for the demonstration of successful cases and the provision of tangible examples.
	Task Force on Climate-related Financial Disclosures (TCFD)		60% of the top 5 AM apply TCFD recommendations	20% of the top 5 insurance companies apply TCFD recommendations	As key players in the global financial ecosystem, the alignment of financial institutions with reporting standards is crucial to strengthen the stability of the financial system. The IFRS ISSB, drawing on TCFD, has introduced global sustainability reporting standards with the aim of universal adoption, crucial to enhance consistency and comparability of information, support investor decision-making and therefore facilitate the global mobilization of capital towards common sustainable goals. Entities implementing TCFD recommendations are better positioned for ISSB compliance. However, joint efforts will be crucial for global adoption. Grupo de Reflexão para o Financiamento Sustentável (GRFS) could play a key role in this endeavor, through capacity building initiatives, convening stakeholders and supporting relevant stakeholders. Consortiums, led by financial centers, could be considered as an approach instrumental for scaling sustainability reporting as they facilitate industry-policymaker collaboration, fostering an enabling environment for the adoption of IFRS sustainability disclosures standards.

Stepping Up Further Action

05

2024: The Year of Implementation

The Assessment Programme offers FC4S members a baseline of where they stand in terms of sustainability, enabling strategic priority setting. In 2024, the delivery of the Global and Personalised Reports will be complemented with a strong local support to members, aiding their progress in sustainable finance. This will include the implementation of FC4S and wider UNDP Sustainable Finance Hub (SFH) tools and services from a team of sustainable finance experts.



For more information, please visit FC4S and SFH web pages.

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Annex

06

Pillar 1 – Institutional Foundations

Table 4.1: FC4S overall ranking.

General Ranking	Rank	Score	1.2.1 Activities	1.2.2 Action Plan	1.3.4 Stakeholders	1.5.1 Low-Carbon Transition (Financial Centre Level)	1.6.1 International Connectivity
xxx	1	5	5	5	5	5	5
xxx	2	4.8	5	5	4	5	5
xxx	2	4.8	5	5	4	5	5
xxx	3	4.6	5	5	4	4	5
xxx	3	4.6	5	5	4	4	5
xxx	3	4.6	5	5	4	4	5
xxx	4	4.4	5	5	3	4	5
xxx	4	4.4	5	5	3	4	5
xxx	4	4.4	5	5	3	5	4
xxx	4	4.4	4	5	5	3	5
xxx	4	4.4	5	5	2	5	5
xxx	5	4.2	5	5	3	3	5
xxx	5	4.2	5	5	3	3	5
xxx	6	4.0	4	4	5	2	5
Lisbon	6	4.0	5	5	3	2	5
xxx	6	4.0	5	4	4	2	5
xxx	7	3.8	5	1	4	5	4
xxx	7	3.8	5	5	4	4	1
xxx	8	3.6	3	4	3	4	4
xxx	8	3.6	4	5	3	1	5
xxx	8	3.6	4	5	1	4	4
xxx	9	3.4	4	5	0	3	5
xxx	9	3.4	5	5	1	2	4
xxx	10	3.2	4	5	0	3	4
xxx	11	3.0	4	3	4	0	4
xxx	12	2.4	4	3	3	1	1

Pillar 1 – Institutional Foundations

Table 4.2: Classification by economic group and income level..

Europe Ranking	Rank	Score	1.2.1 Activities	1.2.2 Action Plan	1.3.4 Stakeholders	1.5.1 Low-Carbon Transition (FC Level)	1.6.1 International Connectivity
xxx	1	5	5	5	5	5	5
xxx	2	4.6	5	5	4	4	5
xxx	2	4.6	5	5	4	4	5
xxx	3	4.4	5	5	3	4	5
xxx	3	4.4	5	5	3	5	4
xxx	3	4.4	5	5	2	5	5
xxx	4	4.2	5	5	3	3	5
Lisbon	5	4	5	5	3	2	5
xxx	6	3.6	3	4	3	4	4
xxx	6	3.6	4	5	3	1	5
xxx	7	3	4	3	4	0	4
xxx	8	2.4	4	3	3	1	1
High-Income Ranking	**Rank**	**Score**	**1.2.1 Activities**	**1.2.2 Action Plan**	**1.3.4 Stakeholders**	**1.5.1 Low-Carbon Transition (FC Level)**	**1.6.1 International Connectivity**
xxx	1	5	5	5	5	5	5
xxx	2	4.6	5	5	4	4	5
xxx	2	4.6	5	5	4	4	5
xxx	3	4.4	5	5	3	5	4
xxx	3	4.4	5	5	2	5	5
xxx	3	4.4	5	5	3	4	5
xxx	4	4.2	5	5	3	3	5
Lisbon	5	4	5	5	3	2	5
xxx	5	4	4	4	5	2	5
xxx	5	4	5	4	4	2	5
xxx	6	3.6	4	5	3	1	5
xxx	6	3.6	3	4	3	4	4
xxx	7	3.4	5	5	1	2	4
xxx	8	3	4	3	4	0	4
xxx	9	2.4	4	3	3	1	1

Pillar 2 – Enabling Environment

Table 5.1: FC4S overall ranking.

General Ranking	Rank	Score	2.1 Financial Policy and Regulatory Environment	2.2 Public Institutional Environment	2.3 Professional Development and Education	2.4 Carbon Pricing	2.5 Low Carbon Transition (Country Level)
xxx	1	4.0	4	3	5	4	4
Lisbon	2	3.6	4	2	5	3	4
xxx	3	3.4	3	2	4	4	4
xxx	3	3.4	3	2	4	4	4
xxx	3	3.4	4	4	2	4	3
xxx	4	3.2	2	3	4	4	3
xxx	4	3.2	3	3	4	3	3
xxx	4	3.2	3	2	3	4	4
xxx	4	3.2	1	2	3	5	5
xxx	4	3.2	5	0	4	4	3
xxx	5	3.0	1	2	5	4	3
xxx	5	3.0	1	2	5	4	3
xxx	6	2.8	2	2	2	4	4
xxx	6	2.8	3	2	4	1	4
xxx	6	2.8	3	2	2	4	3
xxx	7	2.6	2	2	5	1	3
xxx	7	2.6	0	2	4	5	2
xxx	8	2.4	2	2	2	1	5
xxx	9	2.2	1	3	1	4	2
xxx	9	2.2	1	2	3	2	3
xxx	9	2.2	2	3	2	2	2
xxx	9	2.2	3	2	2	1	3
xxx	9	2.2	3	3	2	1	2
xxx	9	2.2	3	2	2	1	3
xxx	10	1.6	1	0	4	1	2
xxx	11	1.0	0	1	0	1	3

Pillar 2 – Enabling Environment

Table 5.2: Classification by economic group and income level.

Europe Ranking	Rank	Score	2.1 Financial Policy and Regulatory Environment	2.2 Public Institutional Environment	2.3 Professional Development and Education	2.4.2 Carbon Pricing	2.4.3 Low Carbon Transition (Country Level)
xxx	1	4	4	3	5	4	4
Lisbon	2	3.6	4	2	5	3	4
xxx	3	3.4	3	2	4	4	4
xxx	3	3.4	3	2	4	4	4
xxx	4	3.2	3	3	4	3	3
xxx	4	3.2	3	2	3	4	4
xxx	4	3.2	5	0	4	4	3
xxx	5	3	1	2	5	4	3
xxx	5	3	1	2	5	4	3
xxx	6	2.8	2	2	2	4	4
xxx	6	2.8	3	2	4	1	4
xxx	7	1.6	1	0	4	1	2
High-Income Ranking	**Rank**	**Score**	**2.1 Financial Policy and Regulatory Environment**	**2.2 Public Institutional Environment**	**2.3 Professional Development and Education**	**2.4.2 Carbon Pricing**	**2.4.3 Low Carbon Transition (Country Level)**
xxx	1	4	4	3	5	4	4
Lisbon	2	3.6	4	2	5	3	4
xxx	3	3.4	3	2	4	4	4
xxx	3	3.4	3	2	4	4	4
xxx	4	3.2	3	2	3	4	4
xxx	4	3.2	5	0	4	4	3
xxx	4	3.2	1	2	3	5	5
xxx	4	3.2	2	3	4	4	3
xxx	4	3.2	3	3	4	3	3
xxx	5	3	1	2	5	4	3
xxx	5	3	1	2	5	4	3
xxx	6	2.8	3	2	4	1	4
xxx	6	2.8	2	2	2	4	4
xxx	7	2.6	2	2	5	1	3
xxx	8	1.6	1	0	4	1	2

Pillar 3 – Market Infrastructure

Table 6.1: FC4S overall ranking.

General Ranking	Rank	Score	3.1 Capital Markets	3.2 Banks	3.3 Asset Management	3.4 Insurance	3.5 Debt Markets
xxx	1	3.4	4	2	3	4	4
xxx	2	3.2	4	2	3	3	4
xxx	2	3.2	4	2	3	3	4
xxx	3	3	1	3	4	4	3
xxx	4	2.6	1	3	3	3	3
xxx	5	2.2	0	2	3	3	3
xxx	5	2.2	1	2	3	1	4
xxx	5	2.2	1	2	3	1	4
xxx	6	2	1	2	2	1	4
xxx	6	2	1	2	1	3	3
xxx	7	1.8	1	2	2	1	3
xxx	7	1.8	1	2	2	2	2
xxx	7	1.8	3	1	2	0	3
xxx	7	1.8	1	3	2	0	3
Lisbon	8	1.6	0	0	3	2	3
xxx	8	1.6	0	2	2	1	3
xxx	8	1.6	1	3	0	0	4
xxx	9	1.2	1	1	1	1	2
xxx	9	1.2	0	2	1	0	3
xxx	9	1.2	1	1	1	1	2
xxx	9	1.2	0	2	2	0	2
xxx	9	1.2	0	2	3	1	0
xxx	10	1	0	1	2	1	1
xxx	11	0.8	0	1	1	0	2
xxx	12	0.6	0	1	0	1	1
xxx	12	0.6	1	0	0	0	2

Pillar 3 – Market Infrastructure

Table 6.2: Classification by economic group and income level.

Europe Ranking	Rank	Score	3.1 Capital Markets	3.2 Banks	3.3 Asset Management	3.4 Insurance	3.5 Debt Markets
xxx	1	3.4	4	2	3	4	4
xxx	2	3.2	4	2	3	3	4
xxx	2	3.2	4	2	3	3	4
xxx	3	3	1	3	4	4	3
xxx	4	2.2	1	2	3	1	4
xxx	4	2.2	1	2	3	1	4
xxx	5	1.8	3	1	2	0	3
xxx	5	1.8	1	3	2	0	3
Lisbon	6	1.6	0	0	3	2	3
xxx	6	1.6	1	3	0	0	4
xxx	7	1.2	0	2	3	1	0
xxx	7	1.2	0	2	2	0	2
High-Income Ranking	**Rank**	**Score**	**3.1 Capital Markets**	**3.2 Banks**	**3.3 Asset Management**	**3.4 Insurance**	**3.5 Debt Markets**
xxx	1	3.4	4	2	3	4	4
xxx	2	3.2	4	2	3	3	4
xxx	2	3.2	4	2	3	3	4
xxx	3	3	1	3	4	4	3
xxx	4	2.6	1	3	3	3	3
xxx	5	2.2	0	2	3	3	3
xxx	5	2.2	1	2	3	1	4
xxx	5	2.2	1	2	3	1	4
xxx	6	2	1	2	2	1	4
xxx	7	1.8	3	1	2	0	3
xxx	7	1.8	1	3	2	0	3
Lisbon	8	1.6	0	0	3	2	3
xxx	8	1.6	1	3	0	0	4
xxx	9	1.2	0	2	3	1	0
xxx	9	1.2	0	2	2	0	2

FC4S Internal Data Collection

In an ongoing commitment to refine the survey methodology, certain modifications have been introduced to the questionnaire to bolster the overall robustness of the data collected. By enhancing the precision and reliability of responses, these adaptations contribute to the overall validity and effectiveness of the survey instrument, laying the groundwork for a more insightful analysis of the collected data. This section provides a clear overview of the specific changes made and the reasons behind them, setting the stage for a more insightful analysis of the gathered data.

Pillar 2

Low-carbon Transition Country Level

The Low-Carbon Transition at Country Level question has undergone a significant revision from the previous edition due to disparities revealed in the 2021 data. This prompted the need for a more refined inquiry, focusing on specific and quantifiable dimensions to reduce arbitrariness in responses. To achieve this, we utilized reputable public databases.

The AP 2023 question now functions as a metric for evaluating each country's commitments over the medium and long term toward achieving the goals of the Paris Agreement. Unlike measuring progress, this question assesses the robustness of targets, providing a baseline for initiatives and actions promoting sustainable finance at both national and financial levels. While crucial, it's important to note that this question does not evaluate performance in terms of proximity to the 1.5-degree alignment.

The question is framed around two timelines: medium-term commitments (by 2030) and long-term commitments (by mid-century).

- **Medium-term commitments**: Two sub-dimensions are measured from the NDCs: the target ambition and the identification of a climate finance requirements within NDC. On the one hand, the target ambition covers whether the country has updated or submitted a second NDC. The Paris Agreement requires that countries update their NDCs every five years and develop more ambitious objectives through steeper emissions cuts and more expansive adaptation measures. If the country has updated its NDC, in the second place six further questions are covered: if the country has, first, strengthened mitigation (reduced total GHG emissions in 2030); second, strengthened or added GHG target; third, strengthened or added sectoral target; fourth, strengthened or added policies and actions; fifth, strengthened adaptation; lastly, provided additional information for clarity, transparency and understanding. On the other hand, the dimension measures whether the country has identified, within any of the documents related to the Paris Agreement/NDC, financial needs for mitigation and/or adaptation. The second dimension of this AP question, the long-term commitments, assesses whether the country has submitted a Long-Term Climate Strategy to the UNFCCC and the characteristics of the net-zero target, should one be in place. (continue on the next page)

FC4S Internal Data Collection

- **Long-term commitments:** Regarding the net-zero targets, four dimensions are covered: target ambition, legislative framework and accountability, sectoral and GHG coverage and governance mechanisms. The target ambition only considers if the country has set a net-zero target. The second-dimension captures, in order of institutional robustness and therefore score, whether the net zero target is enshrined in a law, stated in a document or announced in a political pledge. The third dimension assesses both coverage of the domestic sectors and of GHG emissions. Lastly, the fourth dimension measures the existence of governance mechanisms, more in particular, the translation of the net-zero targets in a detailed plan, with formal accountability and annual reporting mechanisms.

Low-carbon Transition Country Level - 2023 Question details

2021 Question and Sources	2023 Question and Sources

At which level is the financial centre currently considering the low carbon transition?
a) Vision and Goals
b) Commitments with objectives and targets
c) Strategy
d) Action Plan
e) Measurement and Disclosure
	Medium term commitments:
	1. Has the country submitted a second NDC / updated NDC? Yes/No. If yes,
	    1. Strengthened mitigation (reduced total GHG emissions in 2030)? Yes/No
	    2. Strengthened or added GHG target? Yes/No
	    3. Strengthened or added sectoral target? Yes/No
	    4. Strengthened or added policies and actions? Yes/No
	    5. Strengthened adaptation? Yes/No
	    6. Provided additional information for clarity, transparency and understanding? Yes/No
	2. Financial Requirements Identified:
	    1. Mitigation: Yes/No
	    2. Adaptation: Yes/No
	
	Long-term commitments:
	
	1. Has the country set a net zero target? Yes/No. If yes:
	    1. Is the net zero target enshrined in a national framework climate law? Law / Policy Document / Political Pledge.
	    2. Coverage of all domestic sectors: Yes/No
	    3. Coverage of all GHG: Yes/No
	    4. Detailed Plan: Yes/No
	    5. Formal accountability: Yes/No
	    6. Reporting mechanism: Yes/No
	2. Has the country submitted a Long-Term Climate Strategy to the UNFCCC? Yes/No

Self-reported data	NET ZERO TRACKER CLIMATEWATCH

FC4S Internal Data Collection

Pillar 2

Carbon Pricing

To ensure a more comprehensive and robust view of carbon markets and carbon pricing instruments, two changes have been modified from the previous edition:

- Carbon crediting mechanisms: two dimensions have changed between editions. Firstly, the question "Is there a carbon crediting mechanism in the jurisdiction of your financial centre?” has been broken down into the three crediting sections: compliance market - international and national/subnational markets- and voluntary market. Secondly, the question "Are there voluntary offsetting service providers based in your financial centre?" has been removed. These changes ensure a holistic view of carbon markets as the question not only encompasses national or sub-national compliance markets but also considers all types of available credits, including credits issued within the Paris Agreement framework as well as those issued in voluntary markets. The latter, which has emerged as one of the most mature and rapidly expanding markets in recent years, enables a more comprehensive evaluation as it assesses private sector engagement, extending beyond government actions and decisions. Furthermore, focusing on the existence and financing of projects, rather than on service providers, offers a significantly more nuanced and insightful perspective of voluntary markets, including the insights into credit growth within the real economy.

- The type of instrument that discourages low-carbon investments, from shadow price to carbon taxes. One of the most effective mechanisms to guarantee a price that integrates the costs of greenhouse gas (GHG) emissions, particularly carbon dioxide (CO2), is the implementation of carbon taxes. This instrument ensures a generalised and mandatory price, thereby serving as a disincentive for emission-intensive industries. Furthermore, it facilitates enhanced comparability across financial centres in terms of coverage and the sectors subject to regulation.

FC4S Internal Data Collection

Carbon Pricing - 2023 Question details

2021 Question and Sources	2023 Question and Sources
1. Is there an Emissions Trading System (ETS) in place in the jurisdiction of your financial centre? 2. Is there a carbon crediting mechanism in the jurisdiction of your financial centre? 3. Is there a Measurement, Reporting, and Verification (MRV) system in place to assess carbon emission reductions? 4. Are there voluntary offsetting service providers based in your financial centre? 5. Is carbon pricing voluntarily reflected within financial practice (e.g. application of 'shadow' carbon price) by financial institutions?	1. Is there an Emissions Trading System (ETS) in place in the jurisdiction of your financial centre? Yes/No. 2. If there is an ETS in place, what is its coverage percentage? 3. Carbon Crediting Mechanisms o International Market: Has the financial centre's national jurisdiction been host party or developer of CERs' issuances (based on CDM)? Yes/No o Voluntary Market : Are there carbon offset projects from the financial centre's national jurisdiction listed globally by four major voluntary offset project registries: Carbon Registry (ACR), Climate Action Reserve (CAR), Gold Standard, and Verra (VCS)? Yes/Under Validation/No o National & Subnational Market: Are there national and/or subnational mechanisms that have issued carbon credits that can be used under mandatory carbon pricing initiatives? Yes (Crediting mechanisms have issued credits -or have frameworks in place to allow credits to be used domestically-) / Under Development (Crediting mechanisms' framework is in place but the carbon credit system is not yet operational) / No. 4. Is there a Measurement, Reporting, and Verification (MRV) system in place to assess carbon emission reductions? Yes/No 5. Is there a Carbon Tax in place in the jurisdiction of your financial centre? Yes/No
Self-reported data	UNFCCC Gold Standard American Carbon Registry CLIMATE ACTION RESERVE

FC4S Internal Data Collection

Pillar 3

Debt Market - Sustainable Debt Instruments

This edition distinguishes itself from its predecessor in a singular aspect: the data collection process was collaboratively conducted by FC4S and the Climate Bonds Initiative (CBI). This collaborative effort to acquire information pertaining to sustainable bonds serves to standardize the database, thereby facilitating more robust analysis and comparisons across various dimensions and financial centres.

Sustainable Debt Instruments- 2023 Question details

2021 Question and Source	2023 Question and Source
Sustainable listed debt instruments market size: total volume of green, social, sustainability-linked and sustainability debt instruments listed in the FC – market size (USD). Sustainable debt issuance market dynamism: total volume of green, social, sustainability-linked and sustainability debt instruments (bonds) issued in the last 12 months in the FC – market size (USD).	Sustainable listed debt instruments market size: total volume of green, social, sustainability-linked, sustainability and transition debt instruments listed in the FC – market size (USD) as of June 2023. Sustainable debt issuance market dynamism: total volume of green, social, sustainability-linked, sustainability and transition debt instruments (bonds) issued in the last 12 months in the FC – market size (USD). (June 2022-June 2023)
Self-reported data	Climate Bonds INITIATIVE

FC4S Internal Data Collection

Pillar 3

Debt Market - Sustainable Stock Exchanges

The Sustainable Stock Exchanges (SSE) initiative provides a global platform for exploring how exchanges, in collaboration with investors, companies, regulators, policymakers and relevant international organizations, can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals. The utilization of their database was instrumental in acquiring a comprehensive and accurate comprehension of the contributions made by stock exchanges to sustainable development. This extends beyond the scope of the 2021 edition's evaluation, which concentrated solely on the existence of a dedicated exchange segment for sustainable debt instruments. The more extensive assessment of how stock exchanges are performing in evaluated areas facilitates the identification of specific dimensions necessitating improvement, serving as a valuable resource for stakeholders in the formulation of informed decisions to promote sustainable development

Sustainable Stock Exchanges - 2023 Question details

2021 Question and Source	2023 Question and Source
Is there a dedicated exchange segment for sustainable debt instruments? Yes/No	1. Signature of SSE Commitment Letter to be considered an SSE Partner Exchange *(Yes/No)* 2. Annual sustainability report *(Yes/No)* 3. ESG reporting required as a listing rule for some or all listed companies *(Yes/No)* 4. Offers written guidance on ESG reporting *(Yes/No)* 5. Offers ESG related training *(Yes/No)* 6. Exchange's specific market covered by sustainability-related index *(Yes/No)* 7. Has an SME listing platform *(Yes/No)* 8. Women on boards mandatory minimum rule *(Yes/No)*
Self-reported data	Sustainable Stock Exchanges Initiative

FC4S Internal Data Collection

Sustainable Stock Exchanges - 2023 Question details (continuation)

Details of the indicator

- **SSE Commitment Letter:** To be considered an SSE Partner Exchange, the CEO or Chairperson of the exchange must sign an SSE commitment letter. Contact the SSE for more information if your exchange would like to join.
- **Annual sustainability report:** For a yes, stock exchanges must report, either in a standalone report or integrated into their financial report, on their environmental and social impact and corporate governance.
- **ESG reporting required as a listing rule:** For a yes, all three factors have been considered (environmental, social and governance) within the listing rules for some or all listed companies. This requirement may come from the regulatory authority or the exchange, depending on the market.
- **Offers written guidance on ESG reporting:** For a yes, all three factors have been considered (environmental, social and governance) and offered.
- **Offers ESG related training:** For a yes, training must have taken place in the previous 12 months, and must be interactive. The topic of the training must be on some area of sustainability.
- **Market covered by sustainability-related index:** Sustainability-related indices may include environmental or social indices, or ESG indices. This could include specific themes, such as low carbon indices, or general sustainability indices. The index must be specific to the market the exchange operates in (a region or world index is not included).
- **Has sustainability bond listing segment:** For a yes, the exchange has developed the rules and regulations allowing for sustainability bonds to be listed, and provides a separate segment for listing making the bonds easy to find and identify.
- **Has an SME listing platform:** For yes, the exchange offers a listing platform specifically for Small-and-Medium sized enterprises.
- **Women on boards mandatory minimum rule:** From yes, the exchange has a mandatory minimum rule for the percentage of women on their boards.