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ASSESSMENT PROGRAMME 2021

PERSONALISED REPORT – RIO DE JANEIRO

THE LABORATORY OF FINANCIAL INNOVATION

JUNE 2022

IN PARTNERHIP WITH

Table of Content

2021 Assessment Programme Coverage

Since 2018, FC4S surveyed its members to assess the development of sustainable finance

In 2021, 29 members completed the survey, out of 39 members as of January 2022
(Vs. 24 respondents in 2020, 20 in 2019 and 12 in 2018)

2021 detailed coverage

This report focuses on information contained in the questionnaires collected from the 29 respondents that we thank for the time spent in filling the questionnaire.

The 29 FC4S members who participated in 2021 data collection and provided a questionnaire are the following:

Financial Centre	FC4S member
Abu Dhabi	Abu Dhabi Global Market
Astana	Astana International Financial Centre
Barcelona	Barcelona Centre Financer Europeu
Beijing	Institute of Finance and Sustainability
Busan	Busan Finance centre
Cairo	Financial Regulatory Authority
Casablanca	Casablanca Finance City Authority
Dublin	Sustainable Finance Ireland
Frankfurt	Green and Sustainable Finance Cluster Germany
Guernsey	Guernsey Finance
Hong Kong	The Hong Kong Green Finance Association
Jersey	Jersey for Good - A Sustainable Future
Kigali	Kigali International Finance Centre KIFC
Kuala Lumpur	Capital Markets Malaysia
Lagos	FC4S Lagos

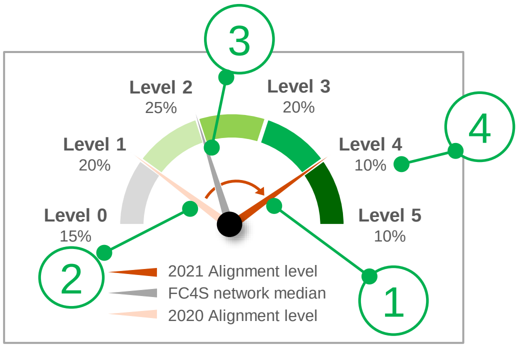
Financial Centre	FC4S member
Liechtenstein	Liechtenstein Banker's Association
Lisbon	Ministry for Environment and Climate Action
Luxembourg	Luxembourg Sustainable Finance Initiative (LSFI)
Madrid	Sustainable and Responsible Financial centre in Spain - FINRESP
Mexico City	Green Finance Advisory Board (CCFV)
Mongolia	Mongolian Sustainable Finance Association (MSFA)
Montreal	Finance Montreal
Nairobi	Nairobi International Financial Centre Authority
Paris	Finance for Tomorrow
Rio de Janeiro	The Laboratory of Financial Innovation
Shenzhen	Shenzhen Green Finance Committee
Tokyo	Tokyo Metropolitan Government
Toronto	Toronto Finance International
Zurich	Swiss Sustainable Finance

1 How to read & Methodology

FC4S

How to read (1/2)

Alignment level graphs



There are alignment levels graphs throughout the report. A level provides 4 types of information:

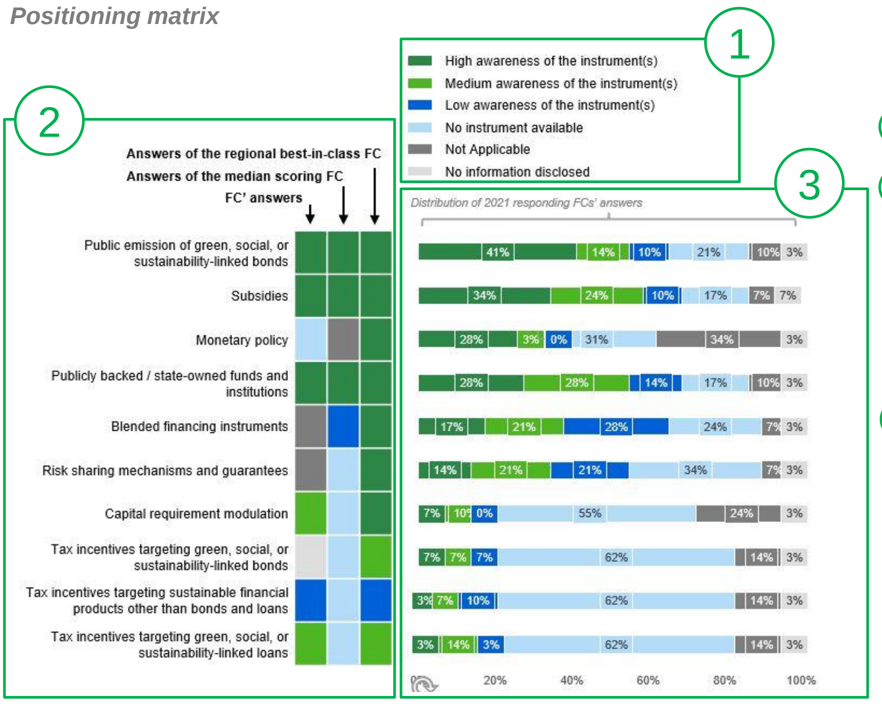
1. The **2021 alignment level** of your financial centre for the related section or question (the orange needle)
2. The **2020 alignment level** of your financial centre for the related section or question (the light orange needle) if your centre participated
3. The **median alignment level** for the related section or question (grey needle), based on the 29 responding financial centres
4. The share describes the **distribution of financial centres** per alignment level for the related section or question

Example

For instance, if the level above was for the question 2.1.2 about the impact of the policies and regulations in place, it would read as follows:

- In 2021, the financial centre is at level 4 on this question, 2 levels above the median score among the 29 responding financial centres on this question.
- The financial centre improved compared to its 2020 level, from an alignment level of 1 to an alignment level of 4 on this question, as is showcased by the orange arrow.
- In 2021, the financial centre is among the top 20% of the 29 responding financial centres since 10% of financial centres are at level 5 and 10% more are at level 4, including the financial centre reviewed here

Positioning matrix



Positioning matrix are concentrated in the first 2 pillars. A positioning matrix provides 3 types of information:

1. A **colour code** that details the types of answers of the related question
2. The **detailed answers of your financial centre** (left column), the detailed **answers of** the financial centre which received **the median score** (out of the 29 respondents) on the related question (middle column) and finally the detailed **answers of the** financial centre of the **regional cluster** which received the **best score** on the related question (right column).
3. A **distribution of the answers** of all responding financial centres thanks to a bar chart.

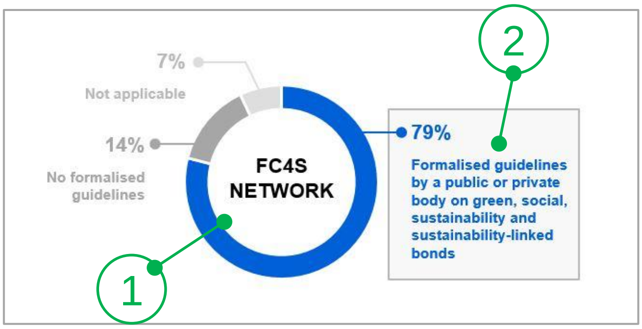
Example

For instance, the matrix above represents question 2.2.1 about the public instruments or incentives; it would read as follows:

- In 2021, the financial centre answered (left-most column) that 6 public instruments or incentives are available, 3 of which with a high awareness (dark green), 2 with a medium awareness (green), and 1 with a low awareness (dark blue). There was no instrument or incentive available on the category "Monetary Policy" (light blue), no information on the category "Tax incentives targeting green, social, or sustainability-linked bonds" (hatched grey), and 2 categories of instruments were identified as "Not applicable" (dark grey).
- The reading is the same for the answers of the median and best scoring regional FC on this question (respectively middle and right column)
- If we focus on the category "Subsidies" (second line), we can see that the financial centre indicated that the available instruments or incentives in that category benefit from a "high awareness", and the distribution graph on the right shows that the financial centre is among the top tier respondents on this category, since only 34% of responding financial centres identified an instrument or incentive available with a "high awareness" on this category.

How to read (2/2)

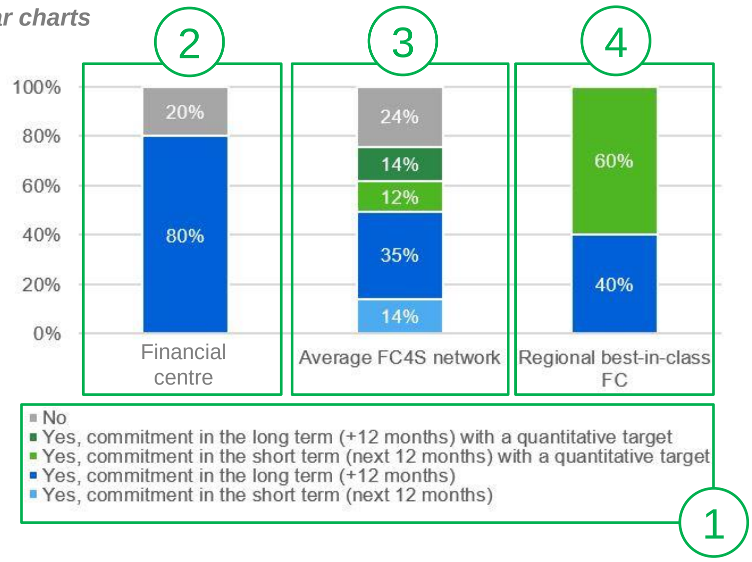
Pie charts



There are pie charts throughout the report. A pie chart provides 2 types of information:

1. The **distribution of the answers** of the 29 responding financial centres in percentage
2. The **2021 answer of your financial centre** for the related section or question (grey square)

Bar charts



Bar charts are concentrated in the 3rd pillar. It provides 4 types of information:

1. A **colour code** that details the types of answers of the related question
2. The **detailed answers of your financial centre** (left bar)
3. A **distribution of the answers** of all responding financial centres (middle bar)
4. The detailed **answers of the** financial centre of the **regional cluster** which received the **best score** on the related question (right bar).

Example

For instance, the bar chart above represents question 3.3.1 about the commitments from banks to increase the volume of sustainable credits and loans; it would read as follows:

- In 2021, the financial centre answered that 80% of its top ten banks took commitments in the long term to increase the volume of sustainable credits and loans.
- The average FCS network represents the full distribution of answers from all 29 responding centres. Here it means that out of the entire sample of top ten banks from the 29 responding centres (180 banks), 24% took no commitment, 14% took commitments in the long term with a quantitative target, 12% took commitments in the short term with a quantitative target, 35% took commitments in the long term, and 14% took commitments in the short term.
- The reading is the same for the answers of the best scoring regional FC on this question.

3rd pillar detailed samples

3.3 Banking	**180 Banks**	Representing 52.000 billion USD in aggregated total assets*
3.4 Asset Management	**163 Asset Managers**	Representing 17.500 billion USD in aggregated assets under management*
3.5 Insurance	**132 Insurance Companies**	Representing 930 billion USD in aggregated net premiums written*

** The aggregated data presented in the table above, both regarding the number of financial institutions and the assets they represent, is based on FC4S members' inputs and the figures presented are basic sums of these inputs. This infers that several institutions and their assets can be counted several times, though this remains a marginal phenomenon.*

4 Regional Clusters

To improve comparability between centres, regional clusters were identified. These clusters are solely used to improve analysis and provide the answers of the best scoring FC within the regional cluster for several questions (see the How to read section, on page 9).

Regional cluster	Financial Centre	FC4S member
Africa *5 centres*	**Cairo**	Financial Regulatory Authority
	Casablanca	Casablanca Finance City Authority
	Lagos	FC4S Lagos
	Nairobi	Nairobi International Financial Centre Authority
	Kigali	Kigali International Finance Centre KIFC
Americas *4 centres*	**Mexico City**	Green Finance Advisory Board (CCFV)
	Montreal	Finance Montreal
	Rio de Janeiro	The Laboratory of Financial Innovation
	Toronto	Toronto Finance International
Asia *9 centres*	**Abu Dhabi**	Abu Dhabi Global Market
	Astana	Astana International Financial Centre
	Beijing	Institute of Finance and Sustainability
	Busan	Busan Finance centre
	Hong Kong	The Hong Kong Green Finance Association
	Kuala Lumpur	Capital Markets Malaysia
	Mongolia	Mongolian Sustainable Finance Association (MSFA)
	Shenzhen	Shenzhen Green Finance Committee
	Tokyo	Tokyo Metropolitan Government
Europe *11 centres*	**Barcelona**	Barcelona Centre Financer Europeu
	Dublin	Sustainable Finance Ireland
	Frankfurt	Green and Sustainable Finance Cluster Germany
	Guernsey	Guernsey Finance
	Jersey	Jersey for Good - A Sustainable Future
	Liechtenstein	Liechtenstein Banker's Association
	Lisbon	Ministry for Environment and Climate Action
	Luxembourg	Luxembourg Sustainable Finance Initiative (LSFI)
	Madrid	Sustainable and Responsible Financial centre in Spain - FINRESP
	Paris	Finance for Tomorrow
	Zurich	Swiss Sustainable Finance

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 is determined by the minimum score obtained to each question, which are cumulative and some of which are blocking to move to a higher level (meaning each level requires beforehand to fulfil the prerequisites of the previous levels to keep moving forward).

Institutional Foundations

8 questions eligible to alignment

alignment level = **average level**

1.2.1	Supporting Activities	Level 0 … 5
1.3.3	Members & Observers	Level 0 … 5
1.3.5	Dedicated Initiative	Level 0 … 5
1.5.1	Commitments on SDGs – Country level	Level 0 … 5
1.5.2	Commitments on SDGs – Financial Centre level	Level 0 … 5
1.5.3	Commitments on Climate – Country level	Level 0 … 5
1.5.4	Commitments on Climate – Country level	Level 0 … 5
1.6.1	International Connectivity	Level 0 … 5

Enabling Environment

5 questions eligible to alignment

alignment level = **average level**

2.1.1	Policy & Regulation	Level 0 … 5
2.1.2	Policy & Regulation Impact	Level 0 … 5
2.2.1	Instruments or Incentives	Level 0 … 5
2.3	Carbon pricing	Level 0 … 5
2.4.1	Professional Development & Education	Level 0 … 5

Market Infrastructure

5 Sections eligible to alignment

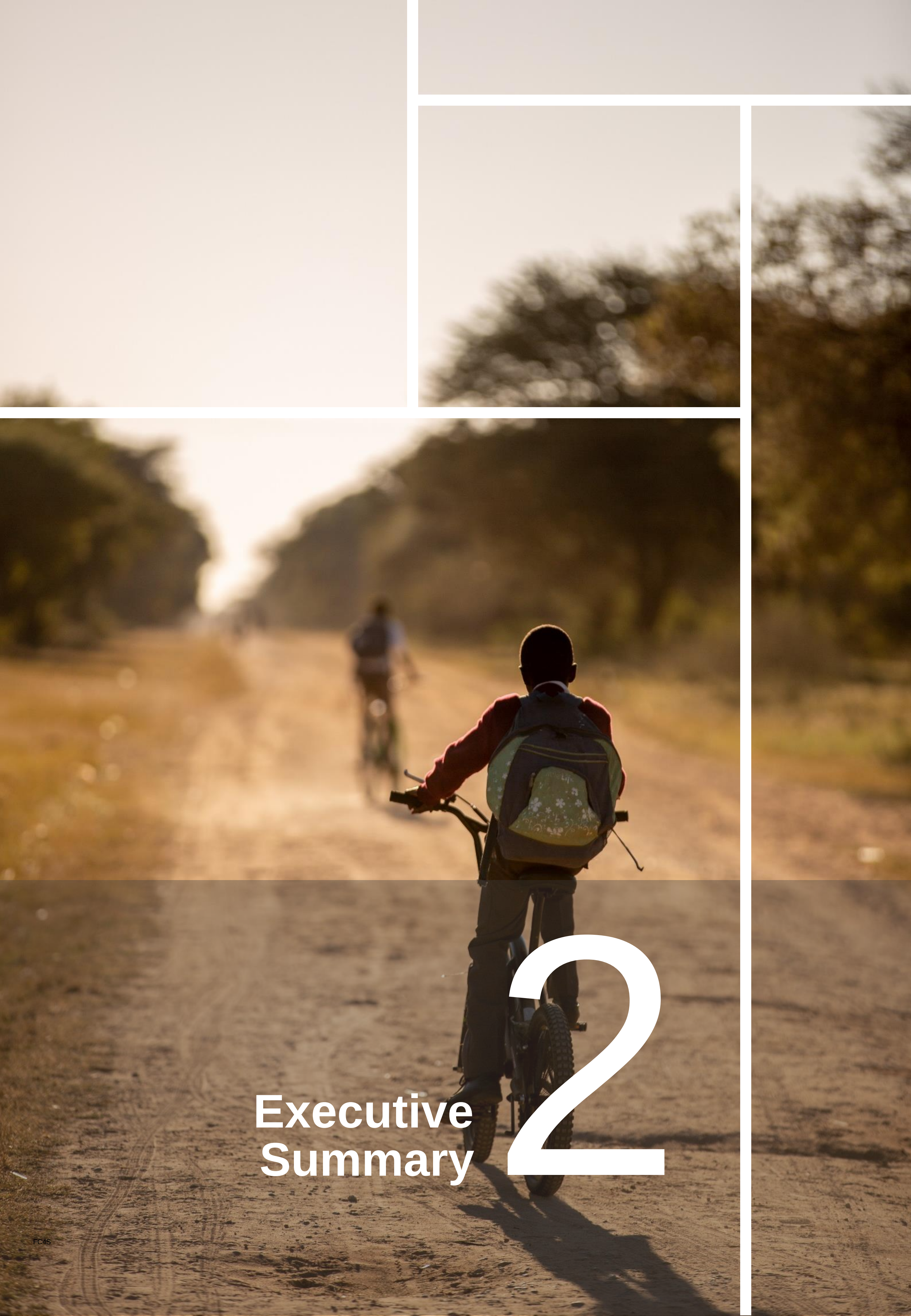
alignment level = **average level**

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

3.1. Debt Markets

section alignment level = **min. level**

		Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	
3.1.1	Bonds guidelines		Level 1	Level 2	Level 3	Level 4	Level 5	Contribute to level 0 … 5
3.1.2	International bon standards		Level 2 and above					Contribute to level 0 … 5
3.1.3	Listed debt instruments			Level 3 and above				Contribute to level 0 … 5
3.1.4	Dedicated exchange segment				Level 3 and above			Contribute to level 0 … 5
3.1.5	Debt market size					Level 4 and above		Contribute to level 0 … 5
3.1.6	Debt market dynamism					Level 4 and above		Contribute to level 0 … 5

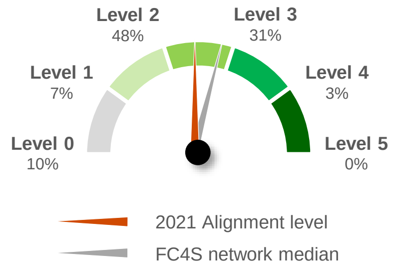


2 Executive Summary

Pillar I – Institutional Foundations

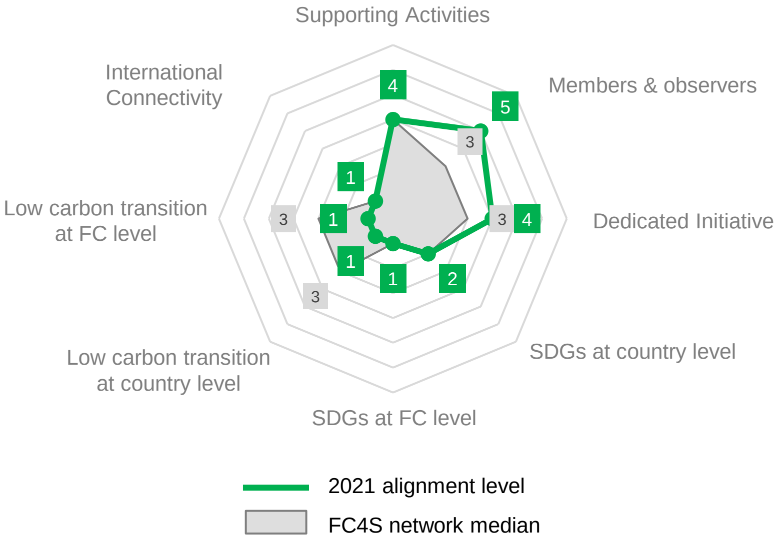
*The **Institutional Foundations pillar** explores the key institutions and ambitions that drive the development of sustainable finance within the financial centre. It examines in detail the **actions and activities undertaken** to promote sustainable finance, the reach of a **dedicated initiative** should one be in place, and the **objectives and strategies** in place at the FC or country level.*

On **Institutional Foundations**, Rio scores bellow the FC4S median, with a score of **2.38 out of 5**, whereas the median is of 2.88 out of 5.



- The 2021 Assessment Programme results place **Rio de Janeiro in the middle-tier of financial centres** on the **Institutional Foundations** pillar, with an alignment level of 2.38 and a FC4S network median on 2.88. This result demonstrates the active contribution of the structure of Rio de Janeiro institutions to the mainstreaming of sustainable finance.
- Most **activities relating to Sustainable Finance have been implemented** by the financial centre. This is supported by the **well-established dedicated initiative** that applies an extensive action plan for the development of Sustainable Finance, and positions Rio de Janeiro in the top 40% of FCs in this aspect.
- Rio de Janeiro also stands out amongst its peers by the **representation of a diversity of stakeholders**, a critical element to enhance collaboration and secure a multistakeholder approach to efficiently develop Sustainable Finance.

Detailed overview



Areas for improvement

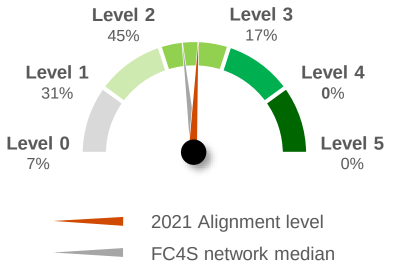
- The formalisation of commitments towards the **low-carbon transition** could be bolstered both at the country and FC level since it only relies on vision and goals setting. Developing a clear and comprehensive strategy, both at country and FC level could be a top priority for Rio since it provides strong signals to investors to allocate capital towards these businesses. Moreover, this would help Rio de Janeiro in dealing with top challenges such as the lack of supply of green and sustainable financial products and inadequate investment project pipelines.
- Overall, those FC which have implemented an action plan on the low-carbon transition at country or FC level (detailed blueprint including timeline and required resources) enable the measurement and disclosing of KPIs on its achievement, facilitating tracking of progress.
- Though there is no established causality, there is a correlation in our sample of FCs between the low-carbon transition plans and the number of climate-related policies in place in the FC.

- On average, FCs with an action plan on the low-carbon transition at country level have put in place 2 more climate-related policies or regulations (5 against 3, on a total of 7), and those are twice as much likely to have an extended scope. Similarly, FCs with an action plan on the low-carbon transition at least at country level have on average 3 times more banks and 7 times more asset managers that apply the TCFD recommendations than other FCs. This is also the case for climate scenario analysis, with 4 times more banks and 12 times more asset managers. Though there is no established causality, the implementation of an action plan on the low-carbon transition at country and/or FC level is significantly correlated with advanced practices in other pillars.
- Increasing the strategic integration of the SDGs at financial centre level is another area with possible quick wins. Formalising specific strategies at sectoral level, including providing practical guidelines or references to financial institutions on how to use the SDGs framework, could ramp-up the structuration of impact-driven funds, specially if linked with the existing public instruments and incentives. This could improve the capital offer towards SDG aligned businesses and solutions, thus creating strong incentives for business owners and managers to develop such models.
- Rio de Janeiro could leverage its well-established dedicated initiative and a good representation of stakeholder **to increase its international connectivity, through the development of formal cooperation and engagement with non-financial networks.** This would support Rio de Janeiro in addressing the key challenge of strengthening the ecosystem and building connectivity.

Pillar II – Enabling Environment

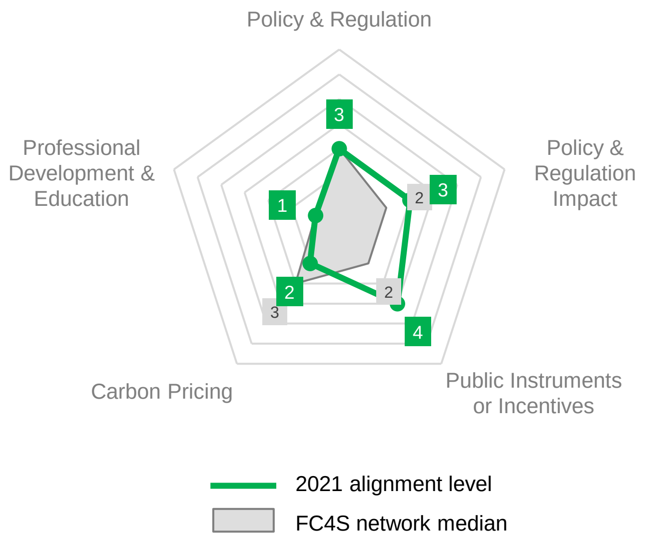
*The **Enabling Environment pillar** maps the structures that support the scale-up of sustainable finance by providing rules & incentives and building capabilities. It scrutinizes the depth of the **regulatory environment**, the advancement of the **public financing instruments**, and the ability of the **professional development and education eco-system** to provide institutions with a trained and qualified workforce.*

On **Enabling Environment**, Rio de Janeiro scores above the FC4S median, with a score of **2.6 out of 5** whereas the median is of 2.2 out of 5.



- On the Enabling Environment pillar, **Rio de Janeiro positions in the top 35% of the financial centres, with a level of 2.6**, outperforming the FC4S network median score or 2.2.
- Rio de Janeiro **stands out for the availability and awareness of public instruments and incentives in its financial centre.** Such awareness is lower in comparable financial centres.
- When it comes to the financial policy and regulatory environment of Rio de Janeiro, **opportunities arise to promote the carbon pricing mechanisms**, including forestry compensation and other nature-based solutions. For instance, emission rights from forestry management and land use projects, or from carbon capture and storage profitable projects could be traded within voluntary carbon markets –which will keep growing in the coming years.
- This score is however to keep in perspective, as addressing the **inconsistencies identified between the answers** of the sections “Policy & Regulation” and “Policy & Regulations Impacts” - where only 2 were selected as non-applicable, compared to 7 in the former- would potentially increase the final score.

Detailed overview



Areas for improvement

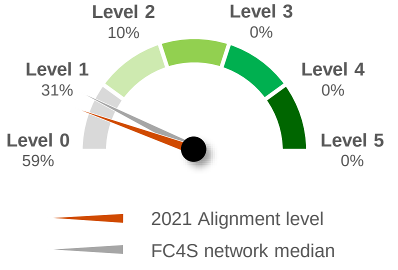
- With regards to the **impact of policies and regulations**, the financial centre could focus in **enlarging the scope, targeting more asset classes and financial services.** For example, an extended scope in rule-based regulation on disclosure and fiduciary duty, and use of bond standards could support the financial centre in **improving its overall policy and regulatory engagement** identified as a top challenge in the first pillar. Also, setting supervisory expectations regarding sustainable finance, and developing climate stress testing methodologies could be considered.
- As identified in the first pillar the low-carbon transition remains a challenge which likely impacts the regulatory environment on climate where the FC positions in the bottom tier. The main areas of improvement on the carbon pricing dimension are the **implementation an Exchange Trading System and Carbon Crediting Mechanisms,** which are already in place in other financial centres of the same regional cluster.

- The large number of skills and knowledge required to continuing to develop sustainable finance could be further covered in **dedicated professional certifications and by relevant educational institutions**. This could support the financial centre in overcoming the lack of capacity and/or qualified workforce on sustainable finance topics - identified as a key challenge - while enhance awareness on public instruments and incentives available to market participants.

Pillar III – Market Infrastructure

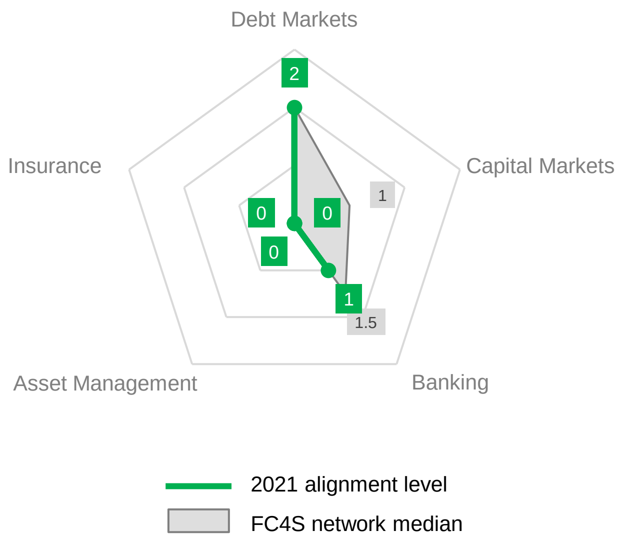
*The **Market Infrastructure pillar** analyses how the commitments, strategies, policies, regulations and incentives are stimulating private market participants to actually mobilise capital. It inspects the dynamism of **debt and equity markets** regarding sustainable finance solutions and reviews the **commitments taken** and the **sustainable products offered** by the main financial industries such as **banking, investment and insurance**.*

On **Market Infrastructure**, Rio de Janeiro scores below the FC4S median, with a score of **0.69 out of 5**, whereas the median is of 0.71 out of 5.



- Rio de Janeiro positions in the **middle-tier on the Market Infrastructure pillar, with a score of 0.69**, slightly bellow the FC4S network's median of 0.71.
- While the financial centre has **implemented most of the suggested actions to promote the development of sustainable debt markets**, it could benefit from a dedicated exchange segment for its sustainable debt-instruments.
- As for **capital markets**, Rio de Janeiro has yet to implement specific indices targeting sustainable equity, as well as to promote green equity through ESG and/or sustainability labels. To improve its scoring on this segment, Rio de Janeiro could **identify the type of label (public, private or third-party-verified) of the reported 3 ESG or sustainability-labeled funds** registered in the centre.
- **The sampled top banks stand out for their commitment** to increase the volume of sustainable debt and the adoption of the Principle for Responsible Banking (PRB).

Detailed overview



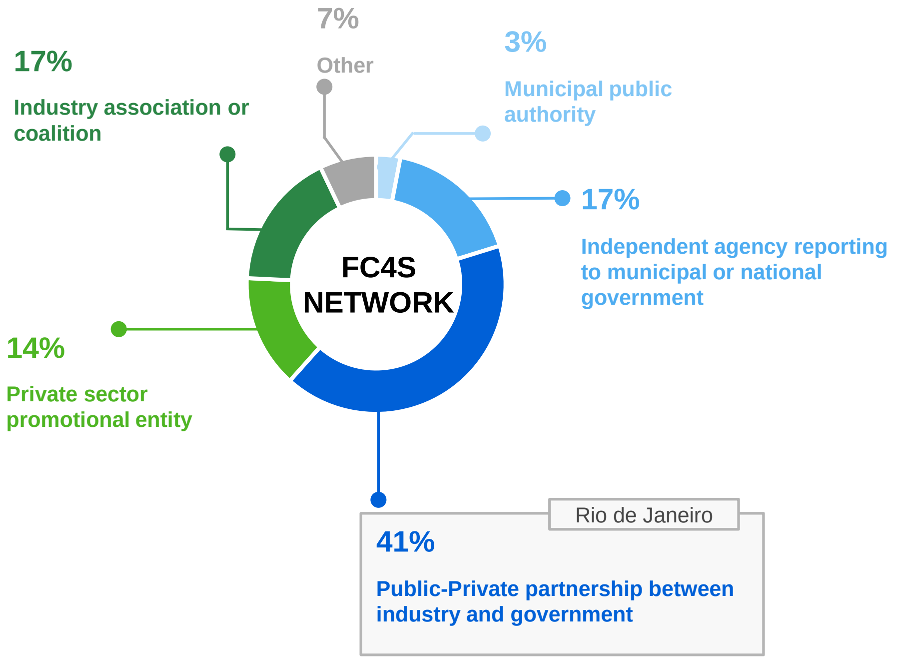
Areas for improvement

- Rio de Janeiro's performance on the market infrastructure pillar **equals or is below the FC4S network median** on all dimensions.
- Although the financial centre demonstrates strong institutional foundations, as well as a high awareness of most public instruments and extended scope of policies and regulations, the **market infrastructure pillar ultimately reveals the initial stage of actions on sustainable finance from local financial institutions outside banks.**
- Indeed, **little to no information has been shared on the Asset Management and Insurance** segments, which strongly impacts the overall performance on this pillar.
- Another key focus for Rio de Janeiro and for the Lab could be the **building of the financial centre's capacity to better track major types of sustainable capital and funds circulating on all markets** in order to provide accurate ratios and track the effectiveness of policies and regulations as well as potential improvements.

- Banks, asset managers and insurance companies **could be encouraged to make more strong and robust public commitments on capital allocation for sustainable finance**, **develop and implement exclusion policies for** firms engaging in coal and/or fossil fuels activities, and **quickly adopt international standards** such as the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI). A detailed analysis of the Banking, Asset Management and Insurance sections can be found on page 38 of this report.

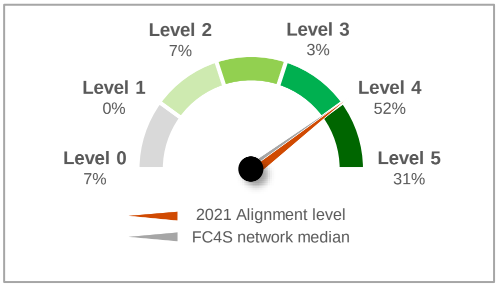
3 Institutional Foundations

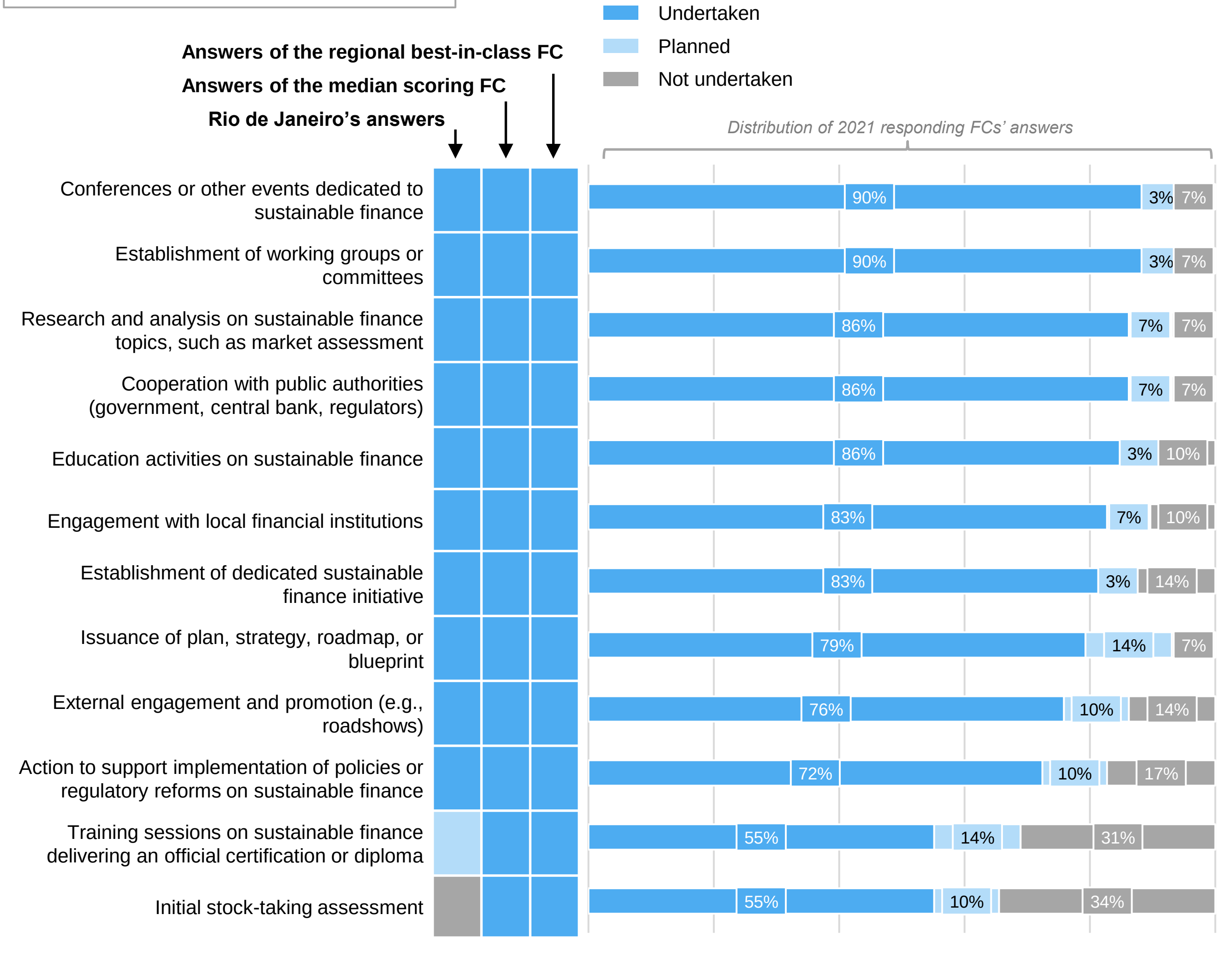
Pillar I – 1.1.1 Institutional model that best characterises members



Pillar I – 1.2.1 – Supporting activities on sustainable finance

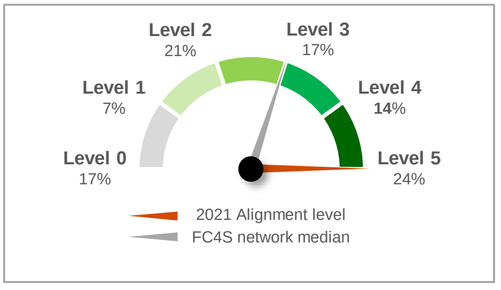
Most supporting activities considered in the Assessment Programme have been undertaken by the financial centre, leading to a strong alignment with the FC4S network 2021 results. Developing activities related to the training on sustainable finance topics and the delivery of official certification or diploma would support the financial centre in reaching the highest score on this dimension.

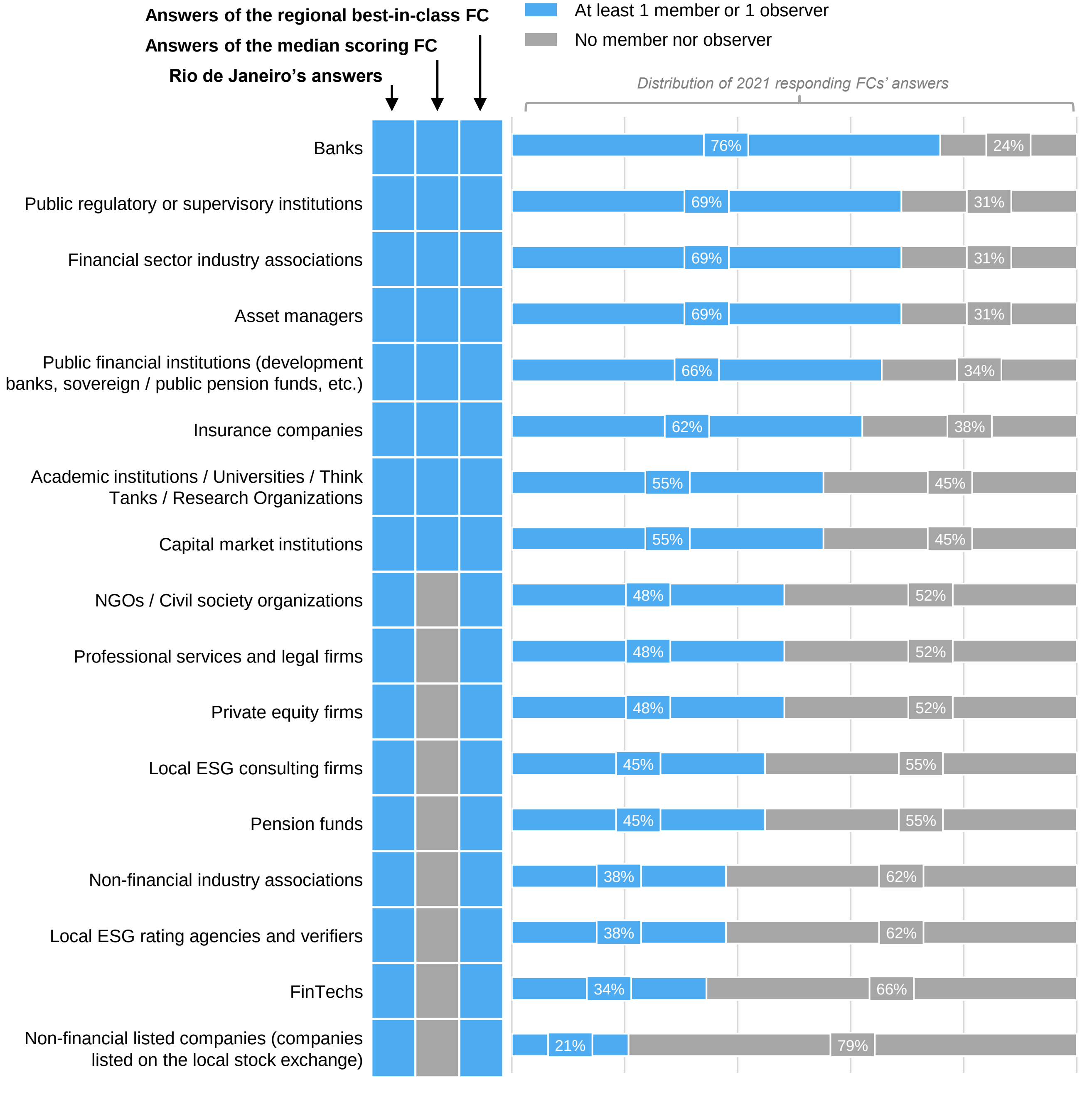




Pillar I – 1.3.3 – Member and observers

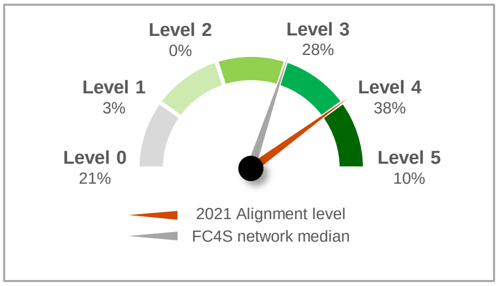
The financial centre's institutional model allows for a good stakeholder representation as all stakeholder have at least a member or an observer. This positions Rio de Janeiro as a leading financial centres as only 24% of FC4S network demonstrate this level of stakeholder representation.

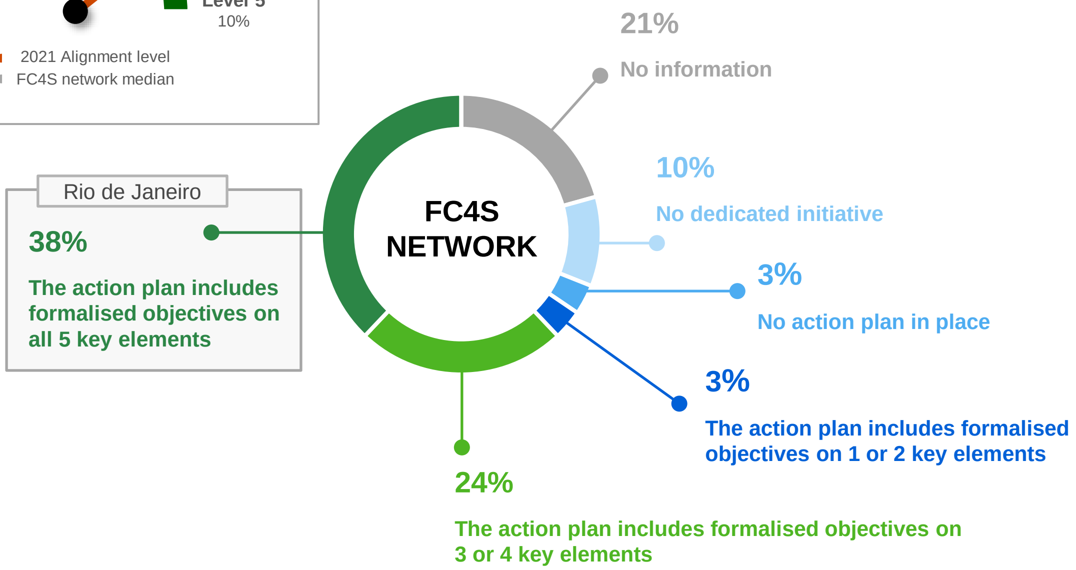


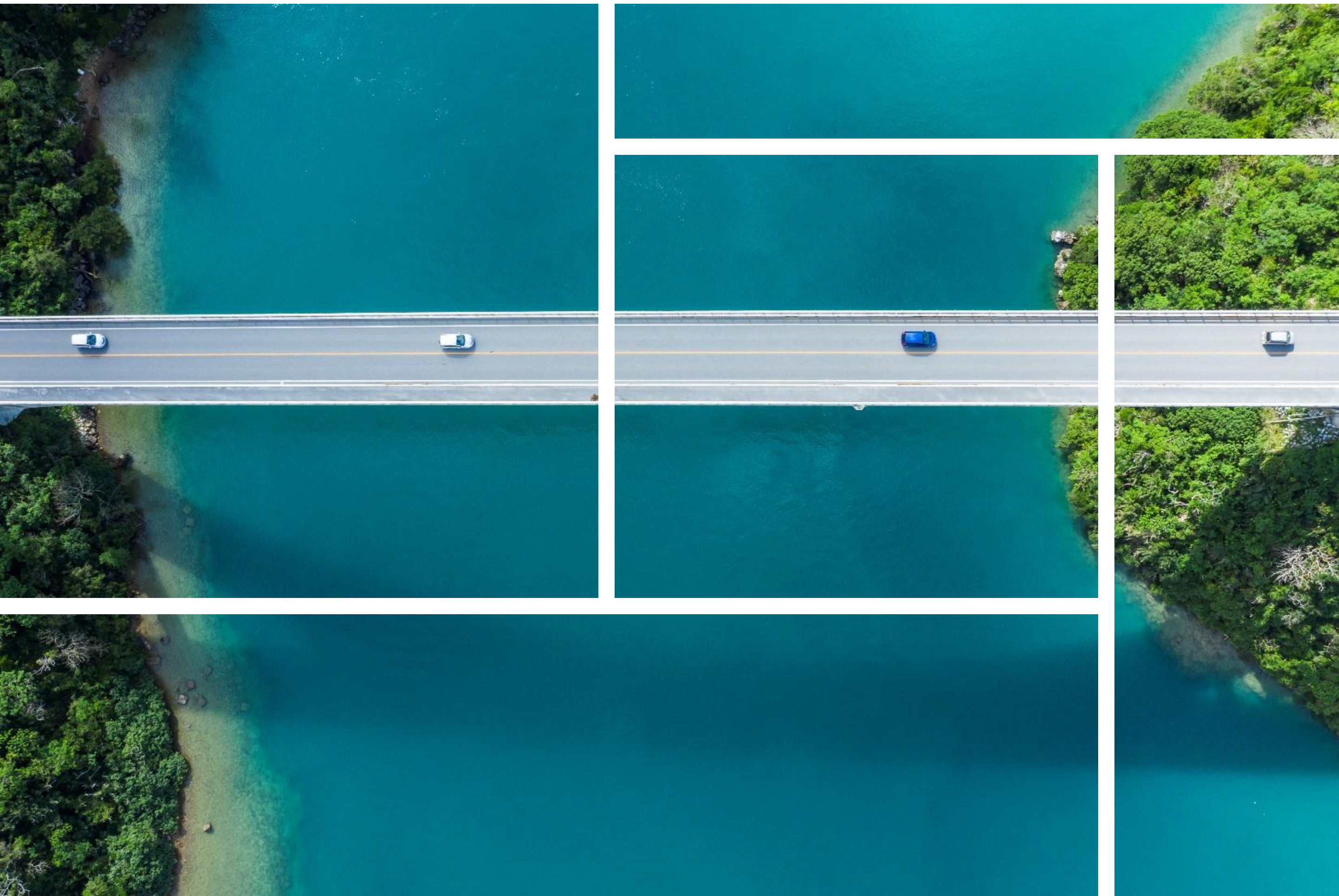


Pillar I – 1.3.5 – Action plan set at the initiative level

The financial centre presents a well-developed dedicated initiative that includes in its action plan objectives on reinforcing the regulatory framework, industry guidelines and policies on green and sustainable financial instruments; increasing cooperation at financial centre level and at international level; and foster the development of SDG related financial products and sustainable financial products.

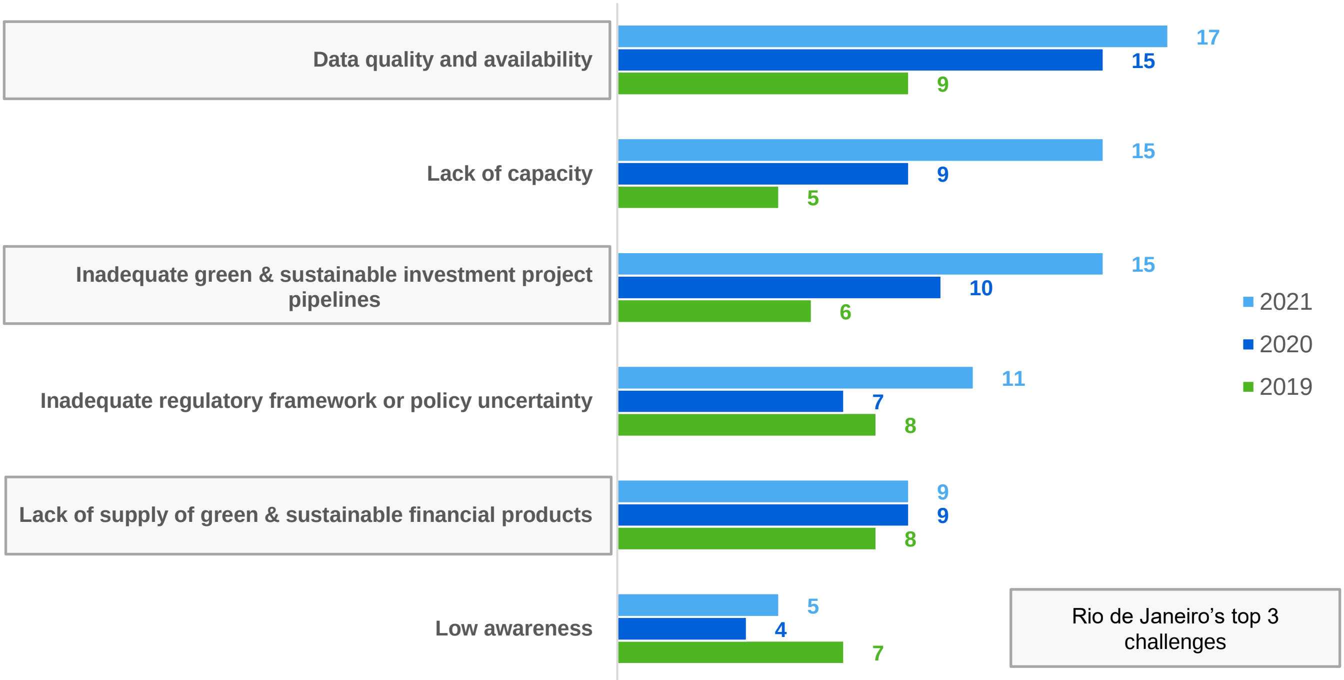




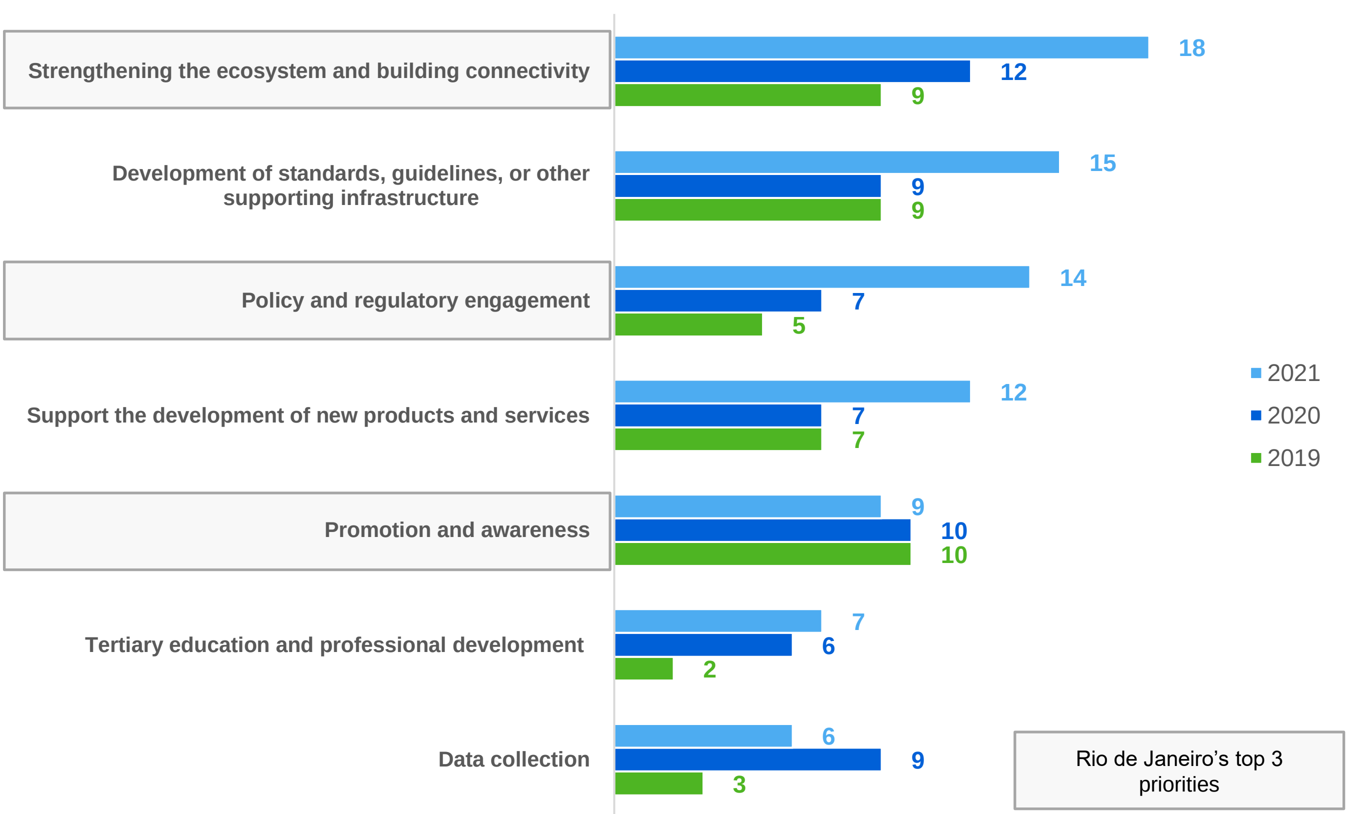


Pillar I – 1.4.1 & 1.4.2 – Challenges and priorities

1.4.1 Top key challenges to scaling up sustainable finance in financial centres

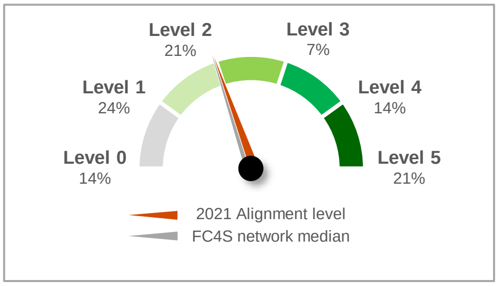


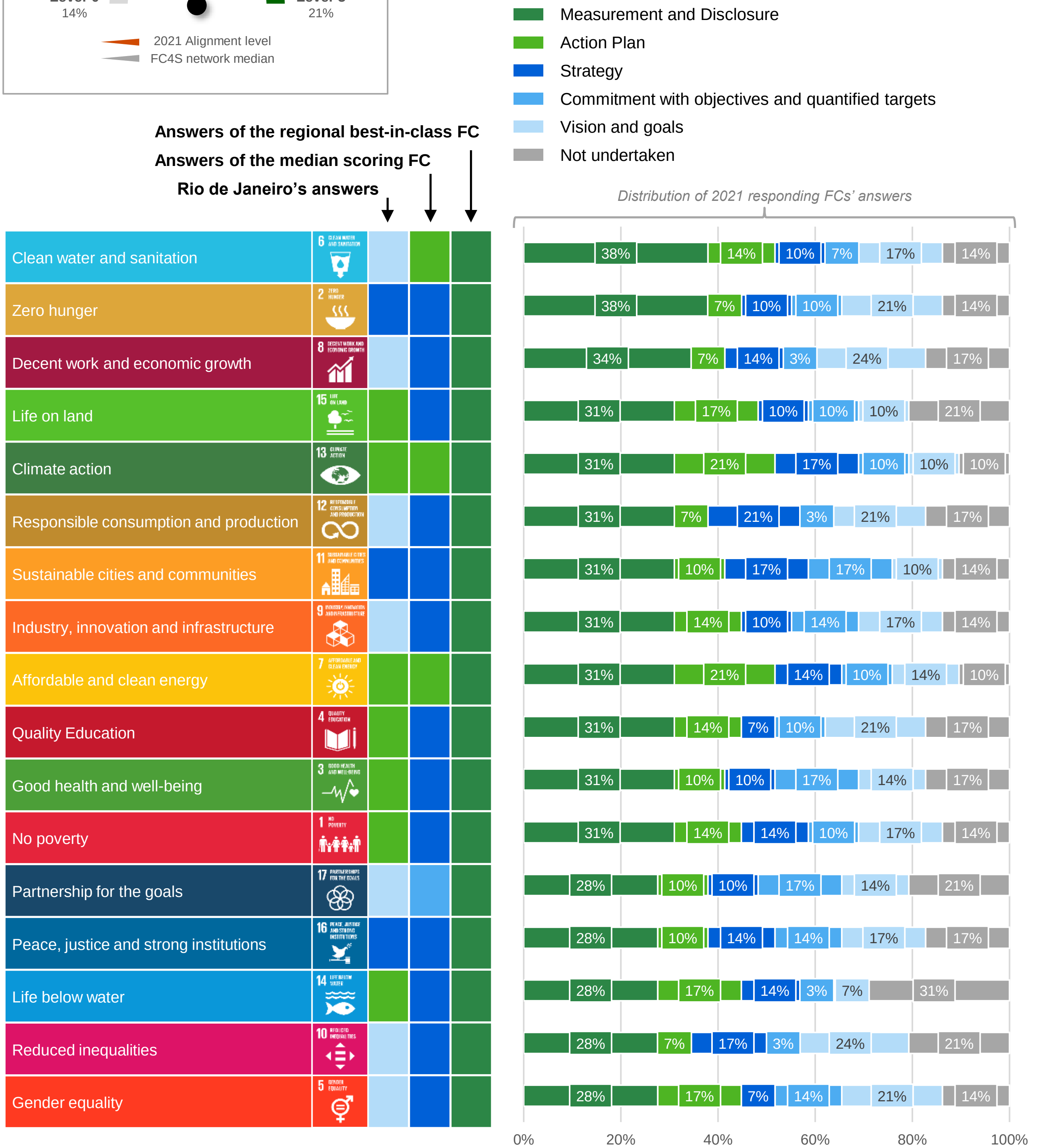
1.4.2 Top priorities for future action on sustainable finance



Pillar I – 1.5.1 – SDGs at country level

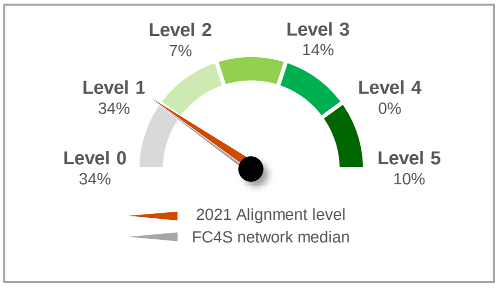
Although the country has formalised at least a vision and goals for all SDGs, it is still lacking clear strategies, and action plans, as well as measurements and disclosures of its market participants' contribution to the SDGs compared to the leading regional financial centre.

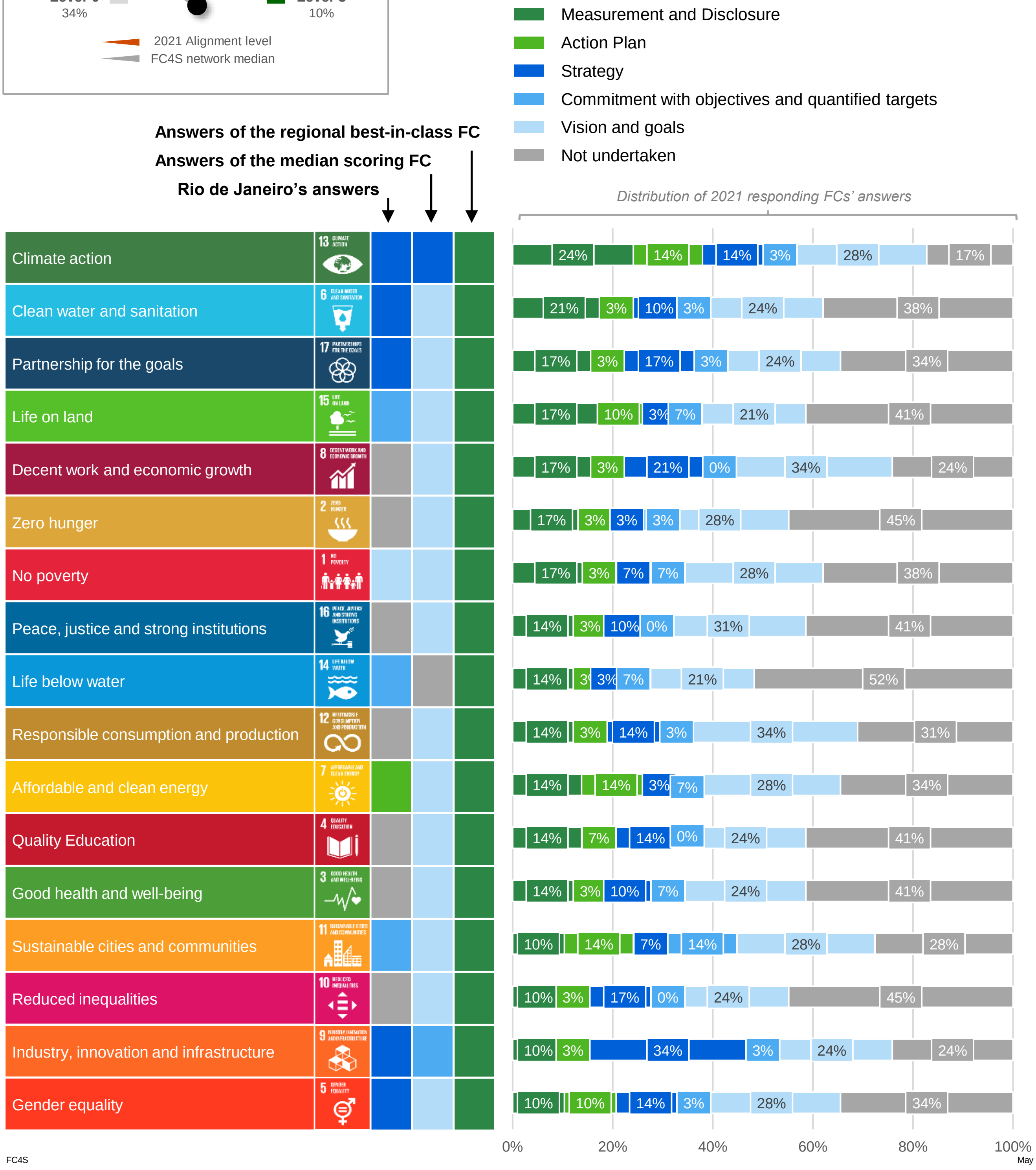




Pillar I – 1.5.2 – SDGs at financial centre level

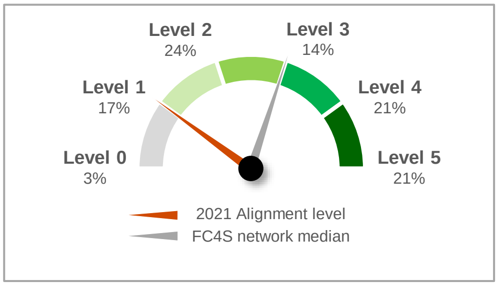
Rio de Janeiro's financial center still lacks a vision and goals for 7 of the SDGs, which would make the financial center comparable to the FC4s median. The results indeed highlight that there is room to develop strategies and action plan for most of the SDGs, which could be leveraged on commitments already made at the country-level.

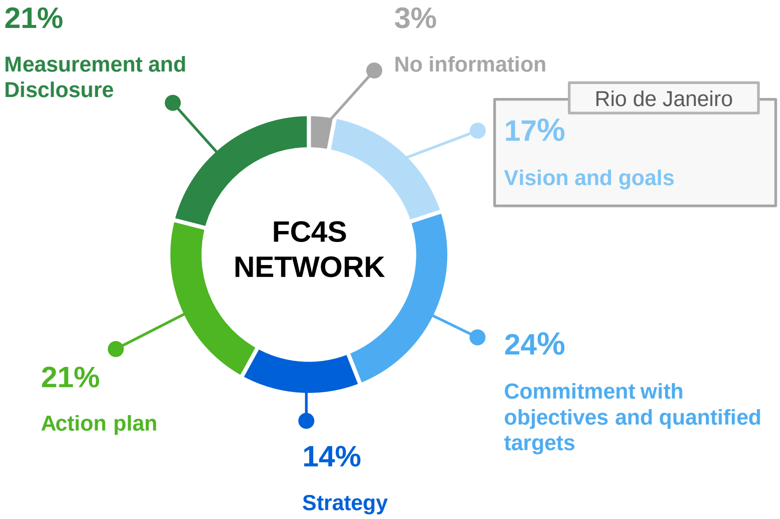




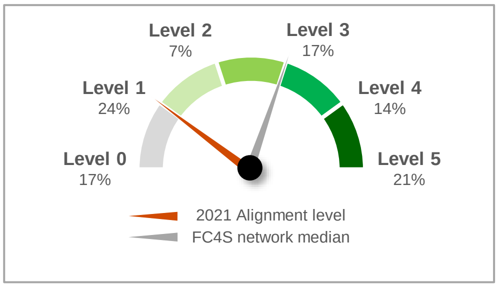
Pillar I – 1.5.3 & 1.5.4 – Low carbon transition

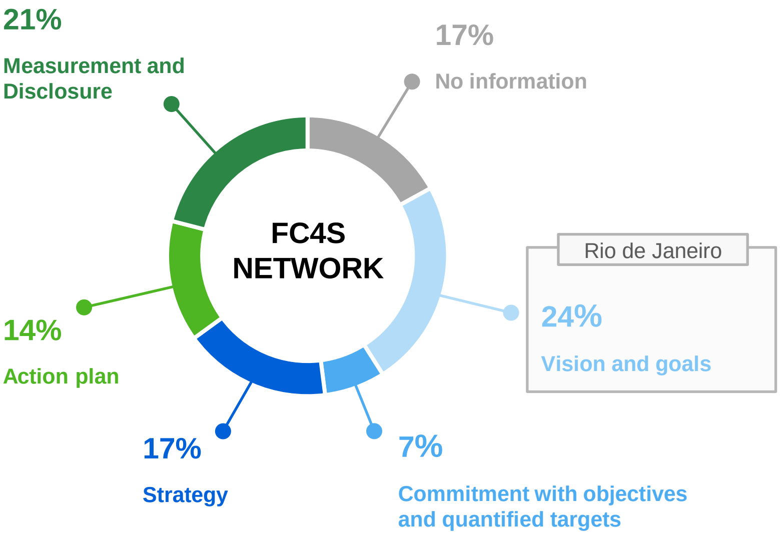
1.5.3 Low carbon transition at country level





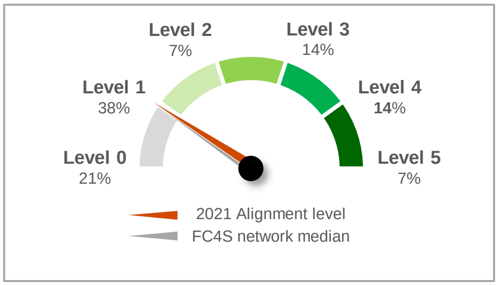
1.5.4 Low carbon transition at financial centre level

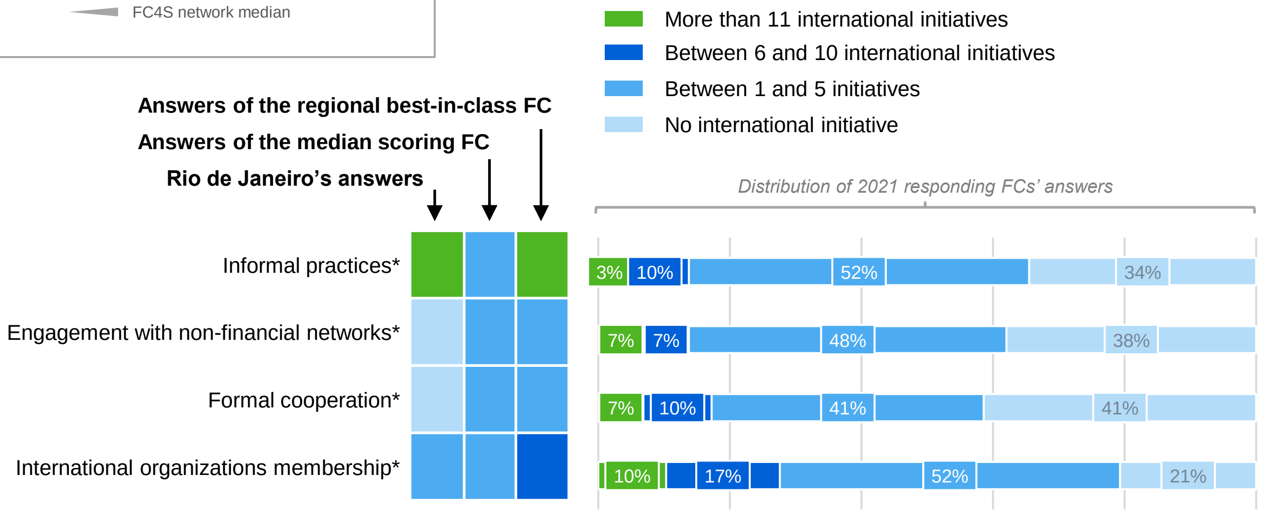




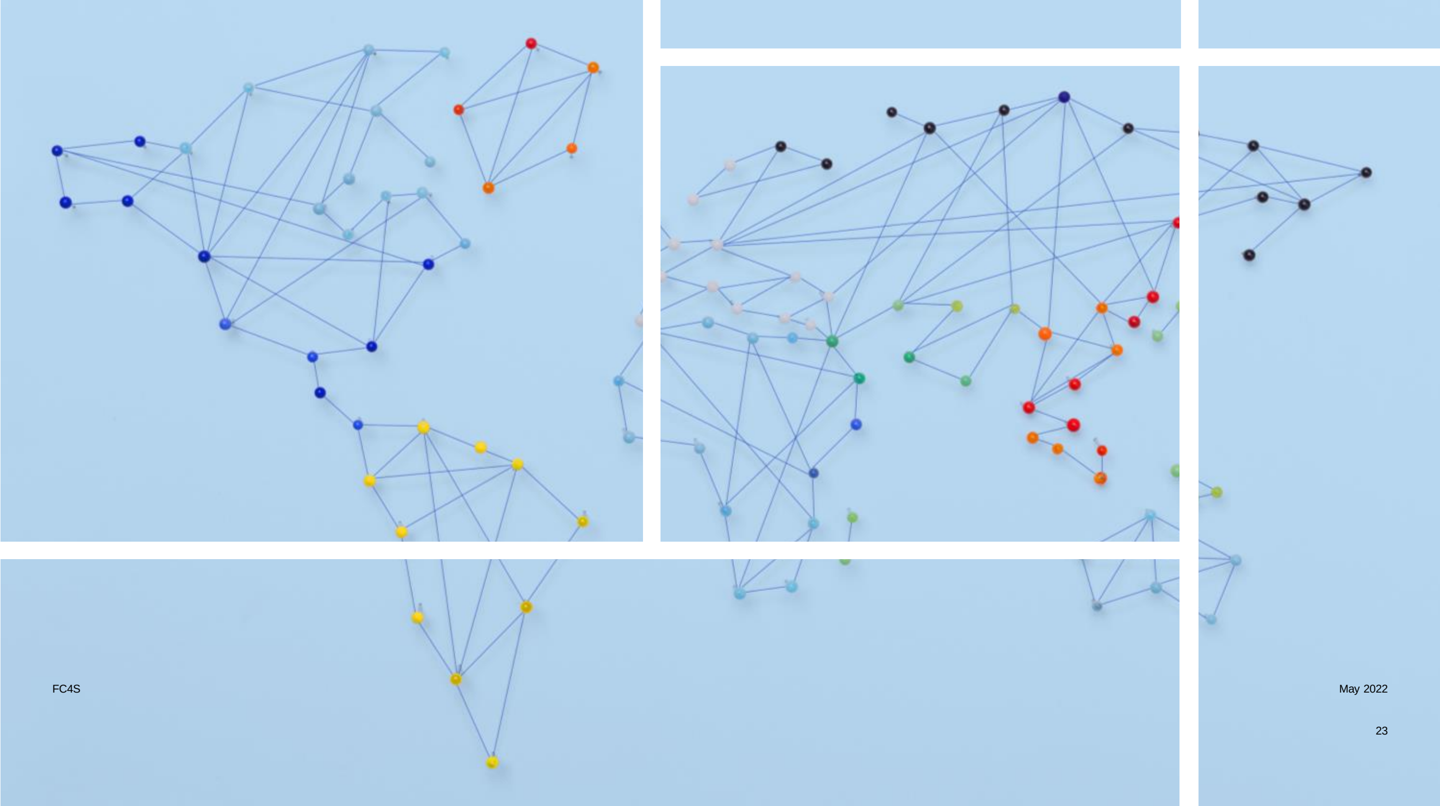
Pillar I – 1.6.1 – International connectivity

Rio de Janeiro has declared having initiated more that 11 informal international practices, placing the centre as one of the leading financial centres on this specific type of initiative. However, there are no initiatives to engage with non-financial networks and no formal cooperation registered at the financial center level, which are considered to be significantly more impactful by the Assessment Programme, therefore bringing Rio de Janeiro's score to this question down.





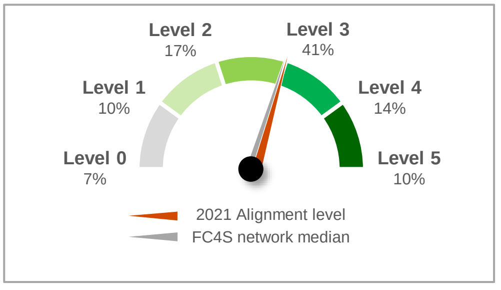
** In this question, the types of international initiatives are hierarchized, formal cooperation scores higher than engagement with non financial networks that score higher than international organisation membership that score higher than informal practices.*

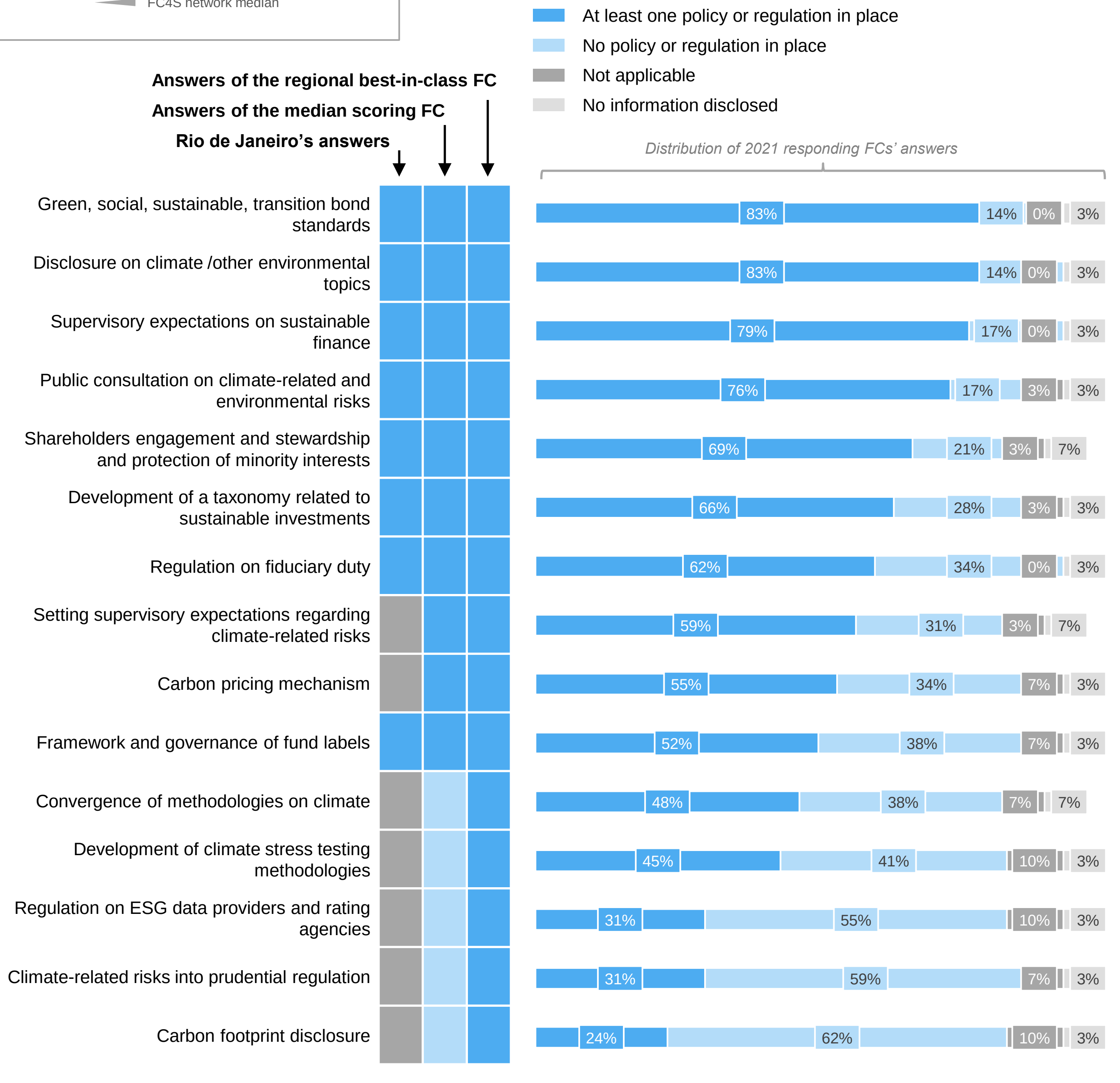


4 Enabling Environment

FC4S

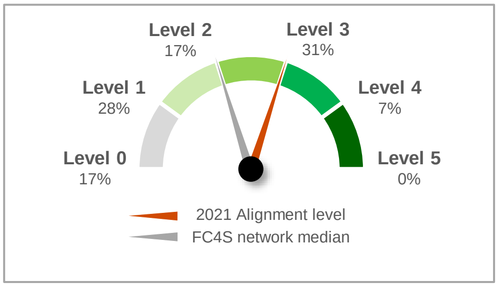
Pillar II – 2.1.1 – Policies & regulations in place

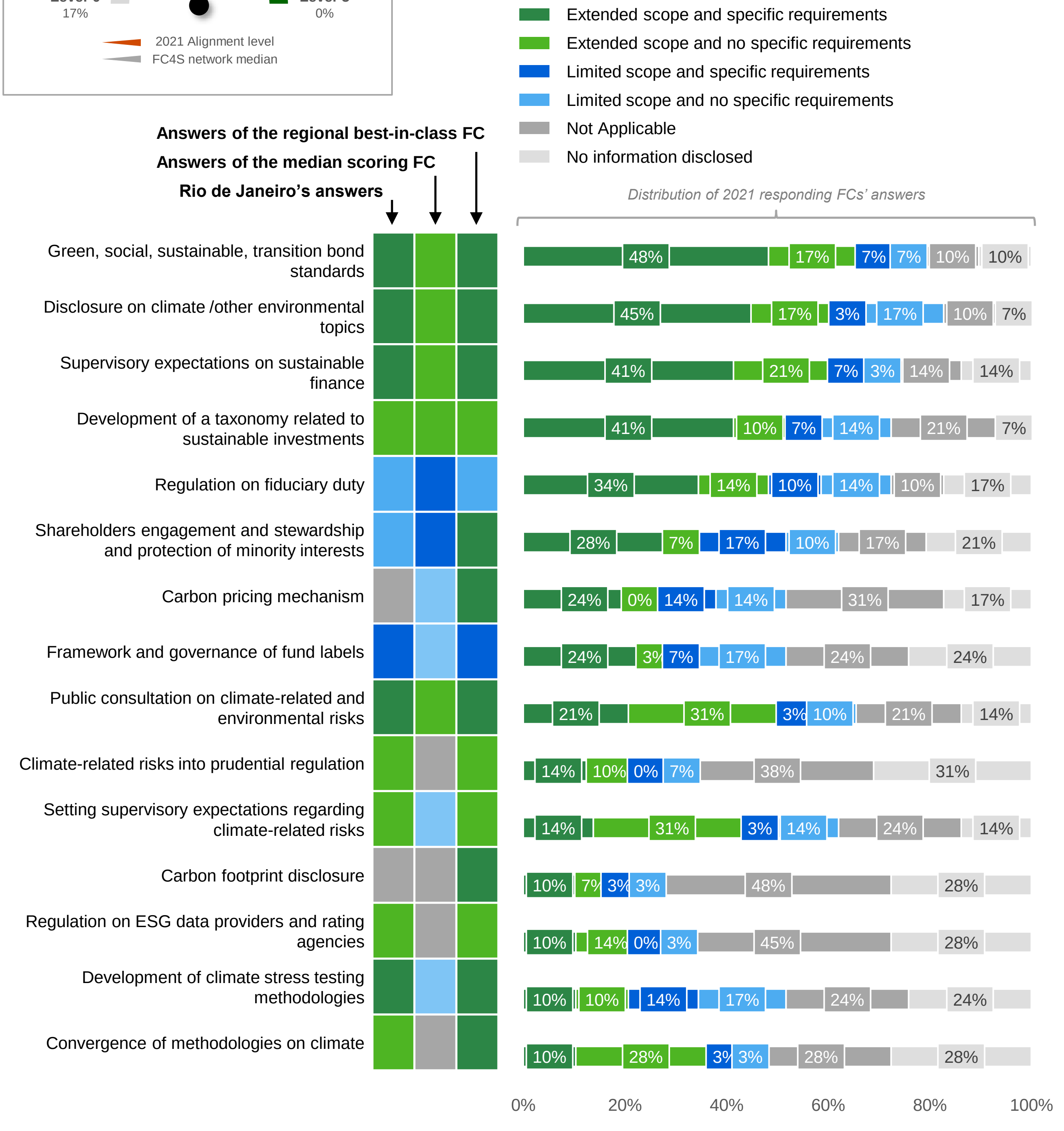




Pillar II – 2.1.2 – Impact of policies & regulations in place

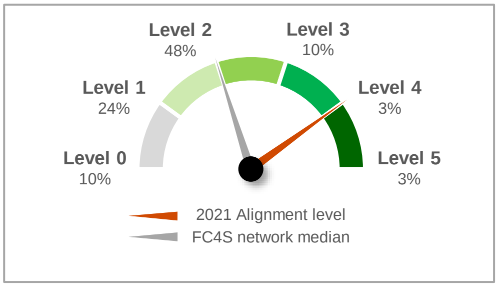
Several inconsistencies were identified between the answers to question 2.1.1 and 2.1.2. Five categories of policies and regulation (i.e., setting supervisory expectation on climate-related risks, convergence of methodologies on climate, climate stress testing methodologies, climate-related risks into prudential regulation, and carbon pricing mechanisms), were declared as “not applicable” by Rio de Janeiro in 2.1.1, whereas they have been attributed a scope and a requirement assessment on question 2.1.2

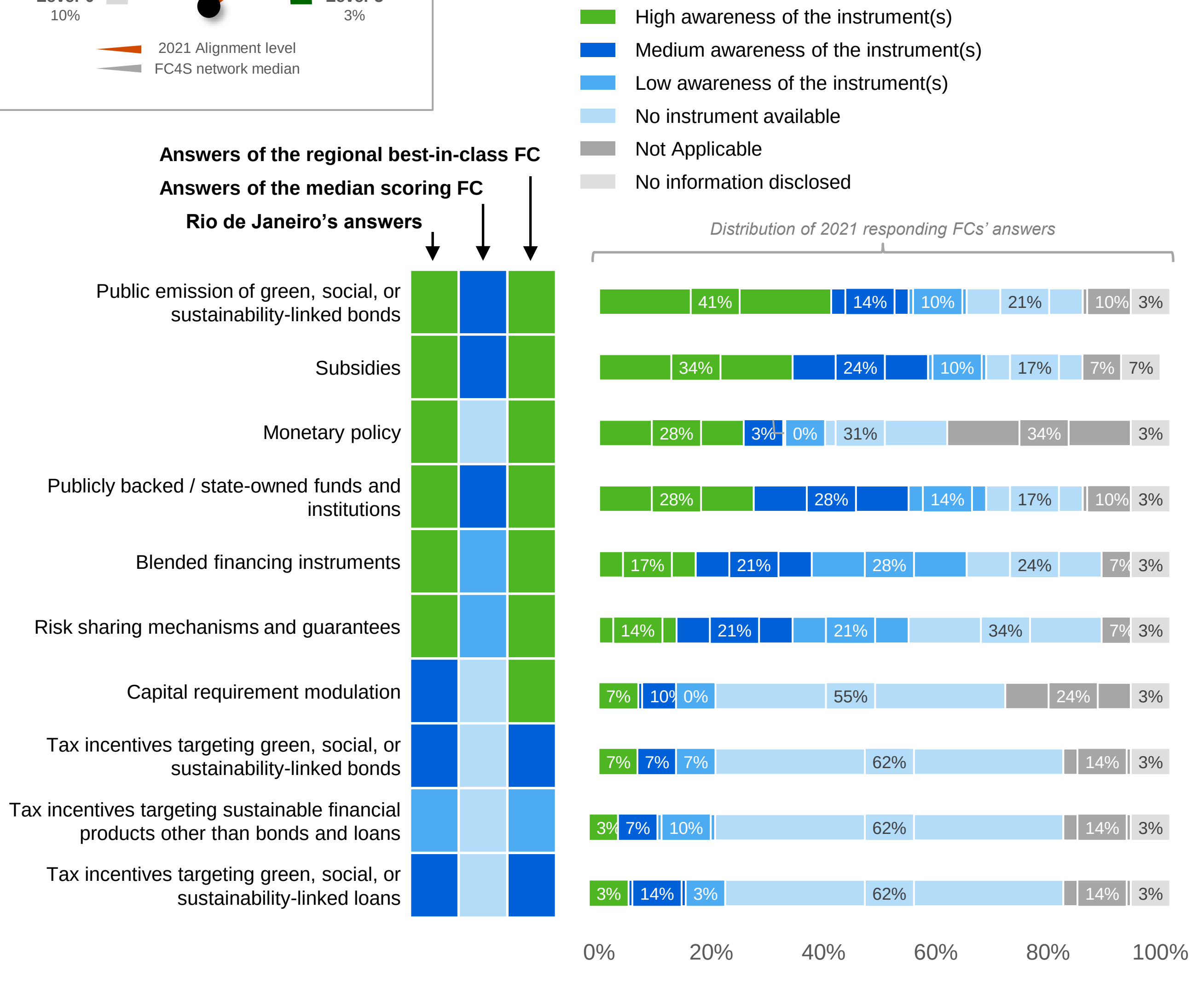




Pillar II – 2.2.1 – Public instruments or incentives

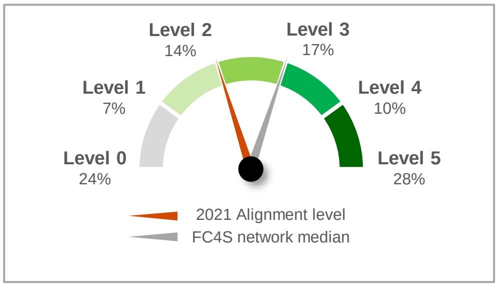
Rio de Janeiro is one of the leading financial centres with regards to the awareness of public instrument and incentives, by showing a high awareness on more than half of the public instruments and incentives listed by the Assessment Programme.



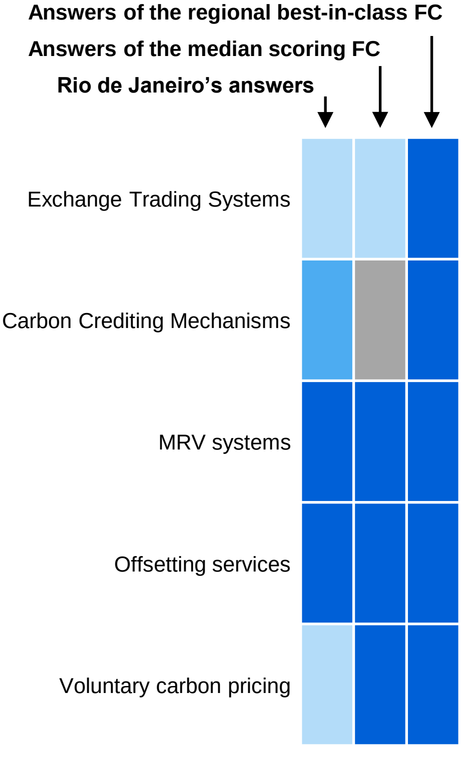


Pillar II – 2.3 – Carbon Pricing

Rio de Janeiro performed bellow the FC4S network median on the carbon pricing topic, which could be overcome by the implementation of an Exchange Trading System and Carbon Crediting Mechanisms.



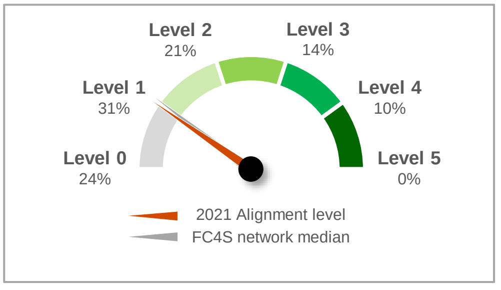
- Implemented
- Under development
- Not implemented nor under development
- Not applicable
- No information disclosed



	Implemented	Under development	Not implemented nor under development	Not applicable	No information disclosed
Exchange Trading Systems	21%	5%	31%	26%	17%
Carbon Crediting Mechanisms	14%	10%	24%	25%	26%
MRV systems	69%	-	21%	0%	10%
Offsetting services	66%	3%	21%	3%	7%
Voluntary carbon pricing	45%	-	38%	17%	0%

Pillar II – 2.4.1 – Professional Development & Education

With regards to professional development and education, Rio de Janeiro declared having at least one workshop, conference or other activity on all topics listed by the Assessment Programme. Although the financial centre performance on this question is aligned with the FC4S network median, it could improve its score by integrating all sustainable finance topics into formal education programs such as executive, under-graduate, or post-graduate courses. This could also support the financial centre in overcoming the lack of capacity capacity and/or qualified workforce on sustainable finance topics, which was identified as a key challenge for Rio de Janeiro.

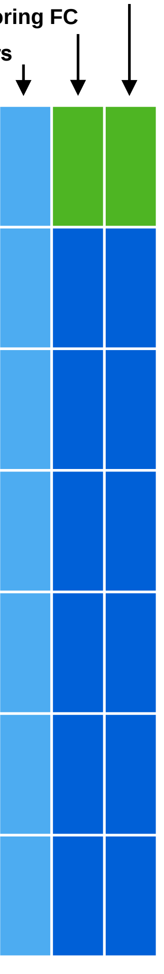


- At least 1 post-graduate course on the topic*
- At least 1 under-graduate course on the topic*
- At least 1 executive course on the topic*
- At least 1 workshop, conference or other activity on the topic*
- At least 1 MOOC on the topic*
- No activity or programme available on the topic*

Answers of the regional best-in-class FC

Answers of the median scoring FC

Rio de Janeiro's answers



	Post-graduate courses (MSc, PHD)	Under-graduate courses	Executive courses	Workshops, conferences, or other activity	MOOCs
Basic knowledge of sustainability, sustainable development, and sustainable finance	29%	36%	64%	71%	46%
Knowledge of sustainability-related tools, standards, frameworks, commitments, initiatives and international networks	18%	18%	43%	68%	39%
Knowledge of sustainable investment	21%	14%	46%	64%	25%
Knowledge of sustainable financial products	21%	11%	43%	64%	29%
Knowledge regarding sustainable local and/or international regulations	21%	11%	46%	64%	29%
ESG skill levels within core business functions and integration of SDGs into business strategy, in addition to Compliance and CSR functions	14%	14%	43%	54%	36%
Identification and management of climate-related and ESG risks	7%	14%	39%	61%	29%

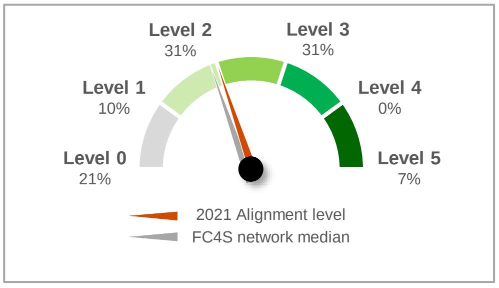
** In this question, the types of activities or programmes are hierarchized, post-graduate courses score higher than under-graduate courses that score higher than executive courses that score higher than workshops or conferences that score higher than MOOCs. The colours in the matrix on the left show for each topic the highest scoring type of activity or programme that was reported by the Financial centres. For instance, the dark green on the Best-in-class column for the topic "Knowledge of sustainable investment" means that the Financial centre which had the best answer to this question identified at least 1 post-graduate course on this topic, but not exclusively, meaning other types of activities or programmes can also have been identified.*

5 Market Infrastructure

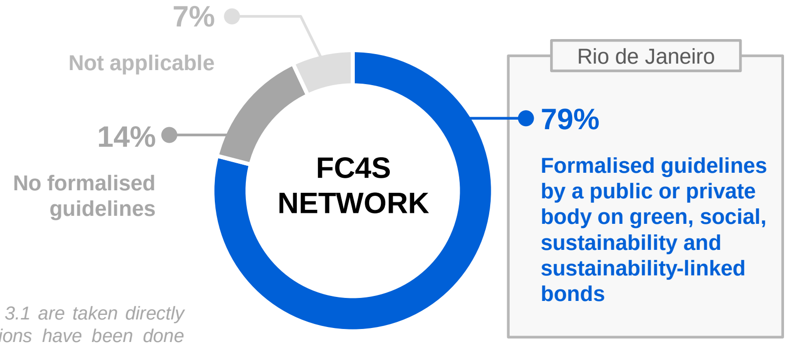
FC4S

Pillar III – 3.1 – Debt Markets

Debt Markets Alignment level

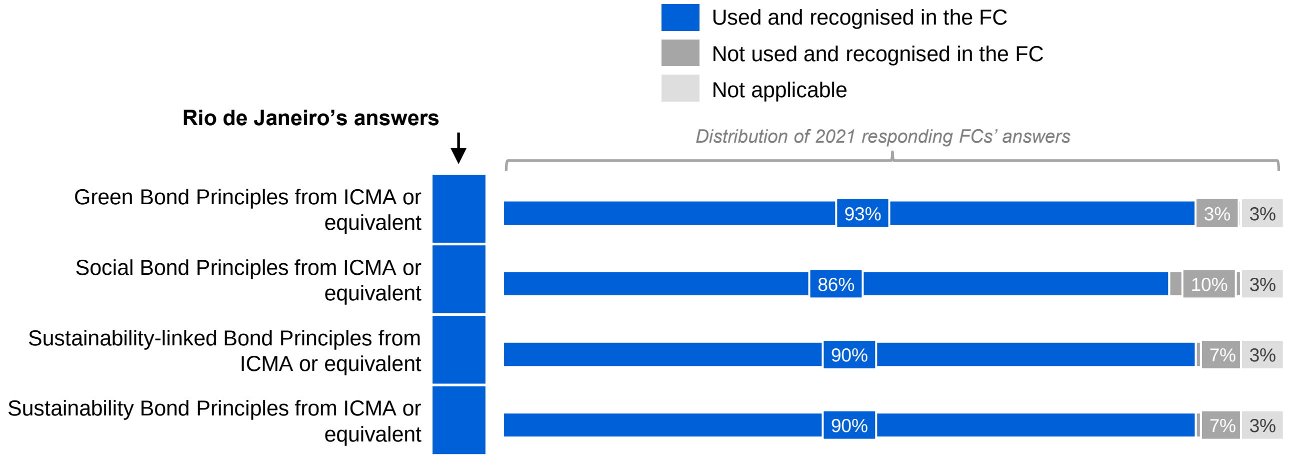


3.1.1 Formalised guidelines by a public or private body on green, social, sustainability and sustainability-linked bonds

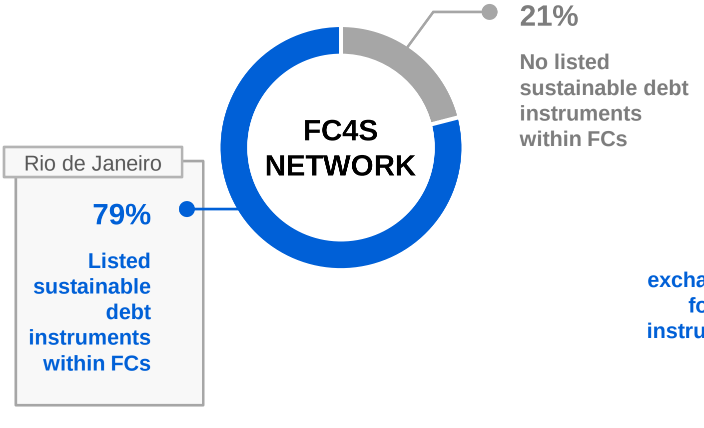


Disclaimer: Quantitative data presented in the graphs in section 3.1 are taken directly from the inputs of the responding FCs. Some marginal corrections have been done where necessary and a number of inputs have been completed where public data were available. However, this does not prevent the presence of marginally incorrect or inaccurate data in graphs and tables.

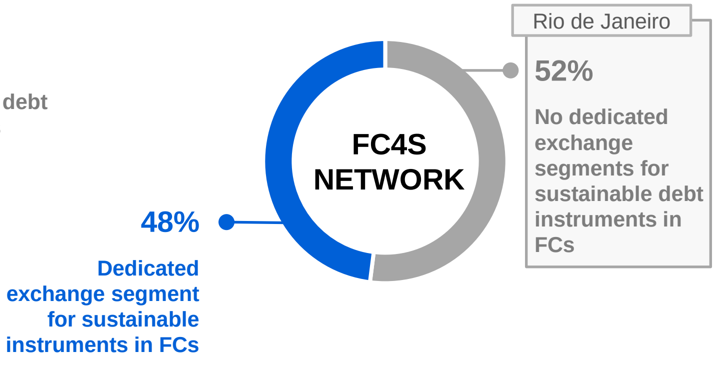
3.1.2 International standards on green, social, sustainability and sustainability-linked bonds used and recognised in Financial Centres



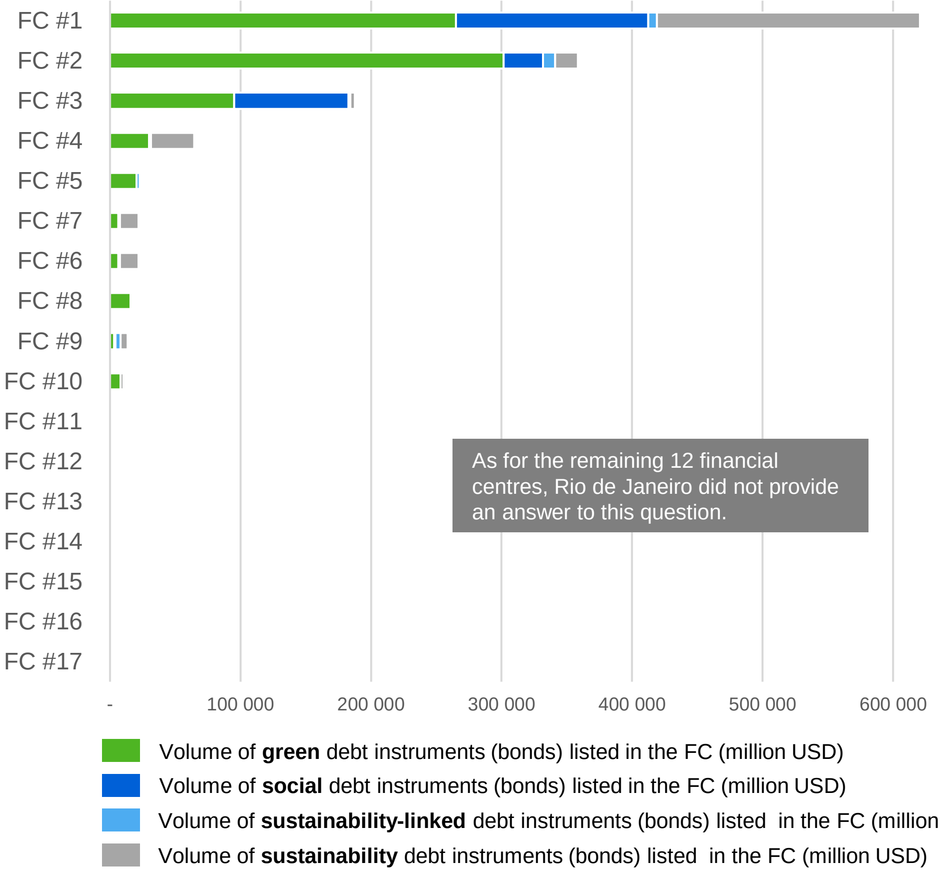
3.1.3 Sustainable debt instruments listed within Financial Centres



3.1.4 Dedicated exchange segment for sustainable debt instruments in Financial Centres



3.1.5 Volume of green, social, sustainability-linked, and sustainability bonds listed in the FC (in million USD)

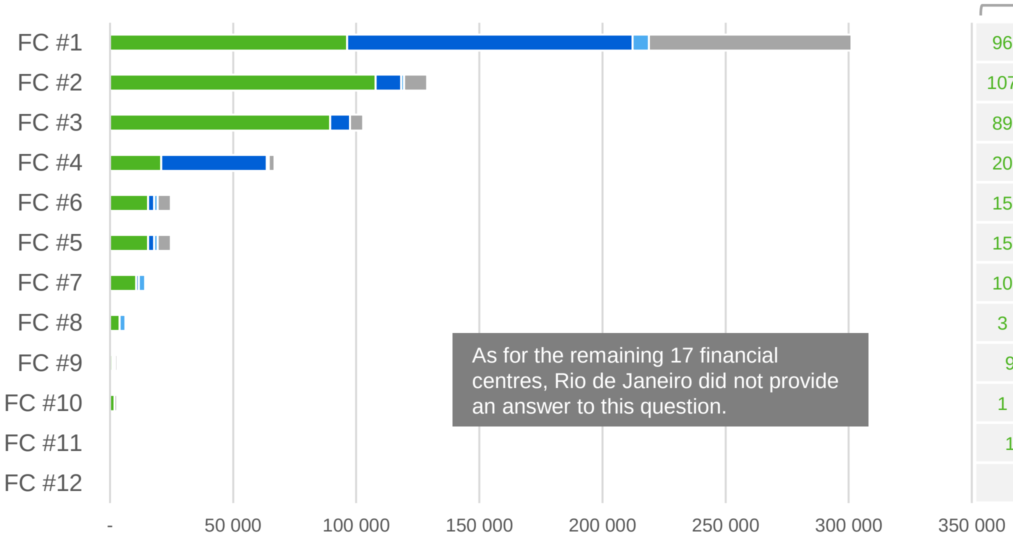


Data table (in million USD)

	Green	Social	Sustainability-linked	Sustainability
FC #1	265 060	147 436	6 612	201 376
FC #2	301 600	30 160	9 280	17 400
FC #3	95 182	87 580	1 334	3 596
FC #4	30 000	1 500	-	33 000
FC #5	20 396	-	2 330	117
FC #7	6 035	1 276	-	14 362
FC #6	6 035	1 276	-	14 362
FC #8	15 810	1 070	1 350	-
FC #9	3 236	864	3 948	5 492
FC #10	8 028	-	-	2 356
FC #11	580	1 390	-	-
FC #12	580	-	-	-
FC #13	-	168	-	-
FC #14	133	-	-	-
FC #15	128	-	-	-
FC #16	67	-	-	-
FC #17	1	-	-	-

Pillar III – 3.1 – Debt Markets

3.1.6 Volume of green, social, sustainability-linked, and sustainability bonds Issued in the last 12 months in the FC (in million USD)



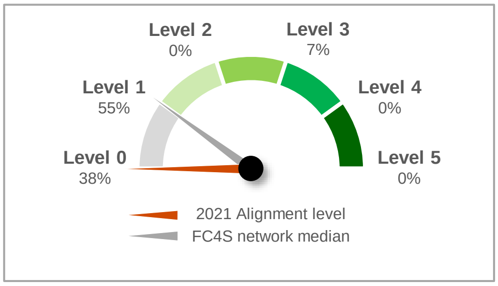
Data table (in million USD)

96 280	116 000	6 612	82 221
107 880	10 440	1 160	9 280
89 485	8 052	-	5 285
20 765	42 920	754	2 320
15 509	2 464	1 450	5 336
15 509	2 464	1 450	5 336
10 700	1 070	2 512	60
3 958	-	2 331	-
983	672	484	931
1 840	-	-	1 040
127	-	-	-
1	-	-	-

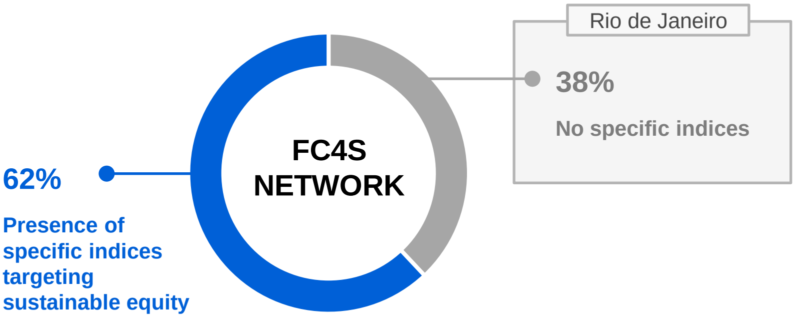
- Volume of **green** debt instruments (bonds) issued in the last 12 months in the FC (million USD)
- Volume of **social** debt instruments (bonds) issued in the last 12 months in the FC (million USD)
- Volume of **sustainability-linked** debt instruments (bonds) issued in the last 12 months in the FC (million USD)
- Volume of **sustainability** debt instruments (bonds) issued in the last 12 months in the FC (million USD)

Pillar III – 3.2 – Capital Markets

Capital Markets Alignment level

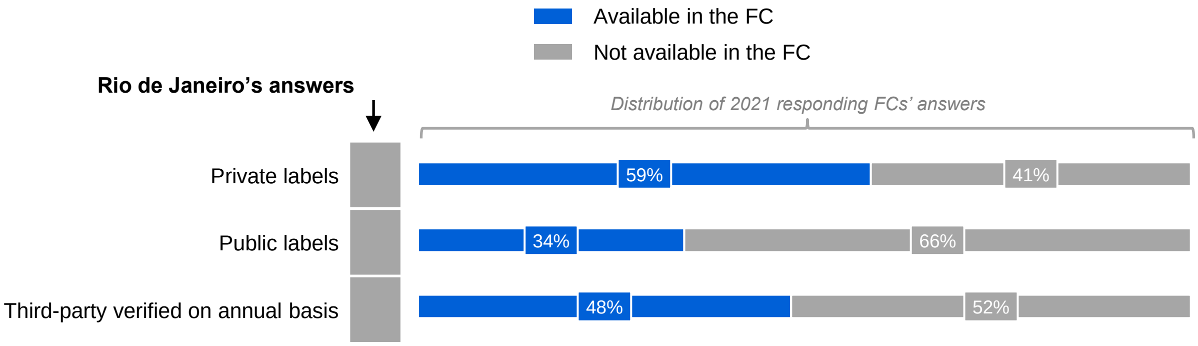


3.2.1 Specific indices targeting sustainable equity



Disclaimer: Quantitative data presented in the graphs in section 3.2 are taken directly from the inputs of the responding FCs. Some marginal corrections have been done where necessary and a number of inputs have been completed where public data were available. However, this does not prevent the presence of marginally incorrect or inaccurate data in graphs and tables.

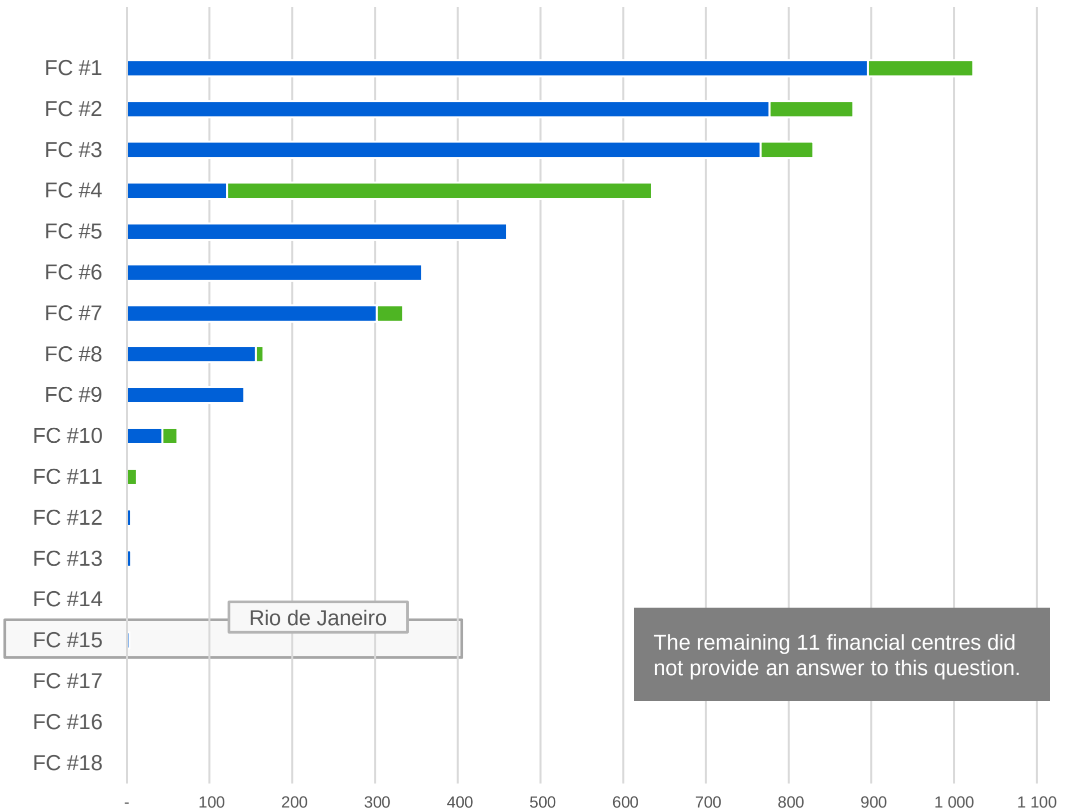
3.2.2 Sustainability-related labels available for investment funds registered and/or commercialized in the FC



Pillar III – 3.2 – Capital Markets

3.2.3 Number of labelled funds

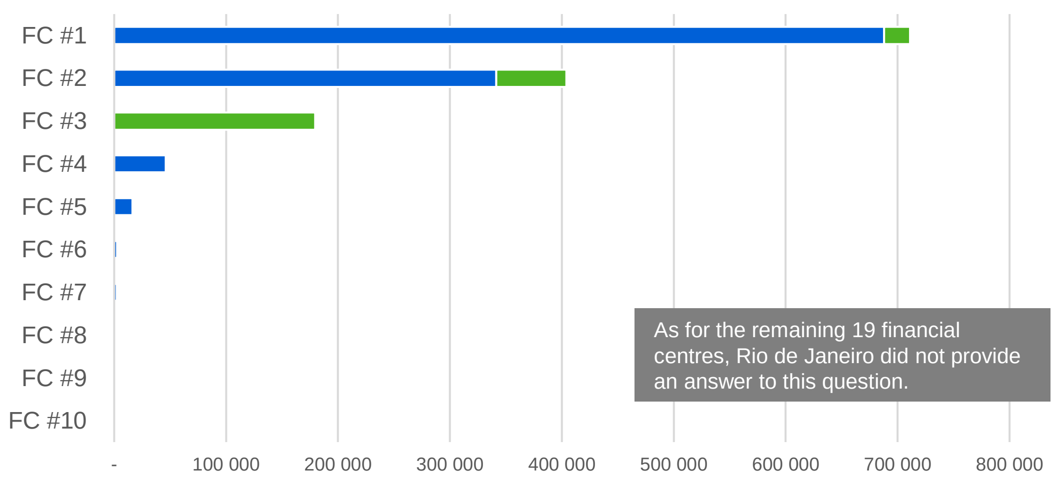
Total number of ESG or sustainability-labeled funds registered
Total number of green-labeled funds registered



Data table (in number)

896	127
777	101
766	64
121	514
460	-
357	-
302	32
156	9
142	-
43	18
-	12
5	1
5	-
2	2
3	-
-	2
1	1
1	-

3.2.4 Assets under management of green and ESG-labelled funds registered in financial centres



Data table (in million USD)

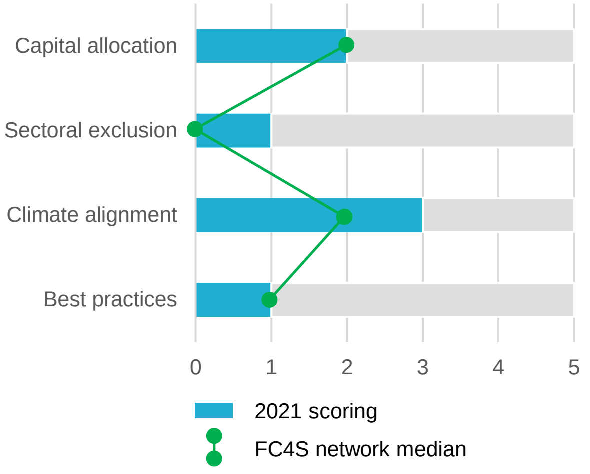
687 880	23 200
341 280	62 640
-	179 533
45 912	-
16 200	-
2 560	-
2 317	-
240	240
-	296
-	128

Total assets under management of ESG or sustainability-labeled funds registered (in million USD)
Total assets under management of green-labeled funds registered (in million USD)

Pillar III – Detailed analysis

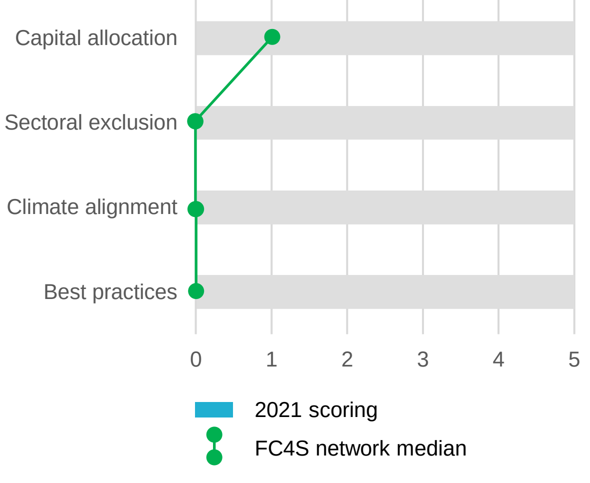
__Disclaimer:__ Quantitative data presented in the graphs of sections 3.3, 3.4 and 3.5 all directly come from the inputs of responding FCs. Some marginal corrections have been done when deemed necessary and several data were completed when public data was available. However, this does not prevent incorrect or inaccurate data to be presented in the following graphs and tables, though inaccuracies should be marginal.

Banking



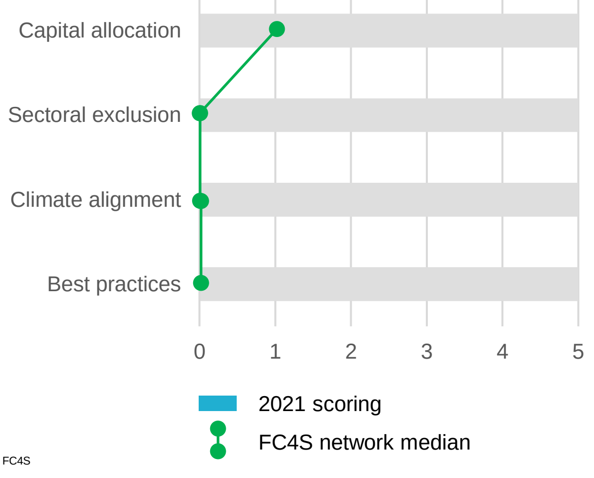
- Rio de Janeiro scoring for **sectoral exclusion** and **climate alignment** **outperform the FC4S network's median.** Additionally, its scores for **capital allocation** and **best practices** **equal the FC4S network's median**.
- The financial centre's top banks **stand out amongst peers** for their commitments to **increasing the volume of sustainable credit and loans**, and the adoption of the **Principle for Responsible Banking**.
- While banks have started implementing the SDGs' framework to identify and disclose their impact, there is still a **lack of strategies and action plans** to link their lending activities to the SDGs.
- Assisting local top banks in **measuring the volume of instruments** underwritten in the last 12 months, and the volume of the **corporate lending portfolio aligned with a 2-degree scenario**, could propel Rio de Janeiro as one of the leading financial centre on the banking segment. Also, reinforcing their commitments to **ban financing for firms engaging in coal or fossil fuel activities** could contribute to better Rio's performance.

Asset Management



- The financial centres has disclosed information concerning a single asset manager**.**
- The asset management segment **result is at the lowest on all dimensions of the market infrastructure pillar**, but within it, **the financial centre is aligned with the FC4S network median** on the sectoral exclusion, climate alignment and best practices dimensions.
- Areas of improvement on this segment include **commitments to increase the volume of sustainable and SDG-aligned financial products**, the **banning of financing for firms engaging in fossil fuel and coal related activities**, and the **signing of the Principle for Responsible Investment (PRI)**.

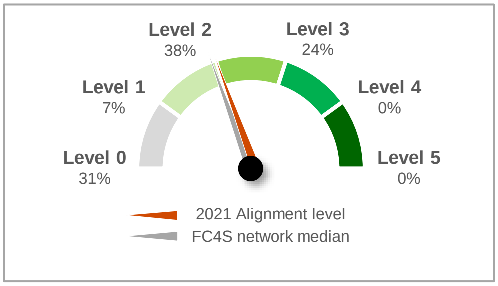
Insurance



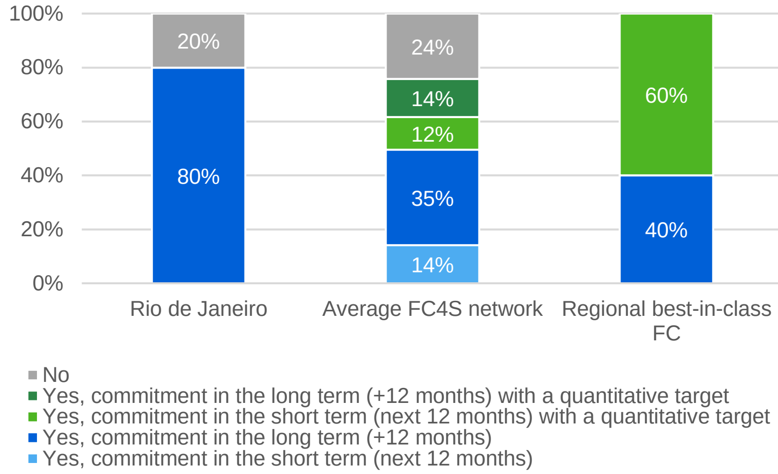
- **No information has been disclosed by Rio de Janeiro on the insurance segment,** which prevents the analysis of the maturity on sustainable finance topics.
- On the insurance segment, Rio de Janeiro's **result is at the lowest on all dimensions of the market infrastructure pillar**, but **the financial centre is aligned with the FC4S network median** on the sectoral exclusion, climate alignment and best practices dimensions.
- Reaching out to insurance companies or to the insurance industry association/federation that are members of the initiative, would allow the financial centre to **raise awareness on sustainable instruments available** to insurers, as well as **assist them in reporting their commitments** and **tracking the quantitative data such as the number of sustainable and impact-driven** insurance policies marketed.

Pillar III – 3.3 – Banking – Capital Allocation (1/2)

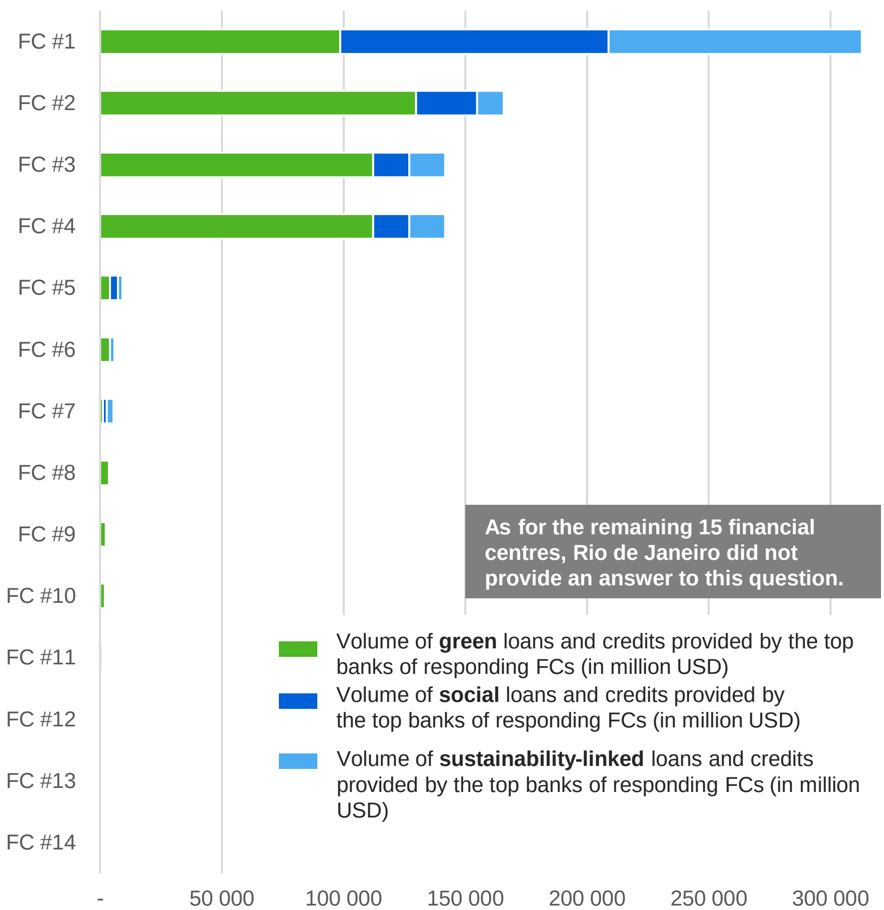
Capital Allocation Alignment level



3.3.1 Commitment to increase the volume of sustainable credits and loans



3.3.9 Volume of green, social and sustainability-linked loans and credits provided by the top banks as of end-June 2021

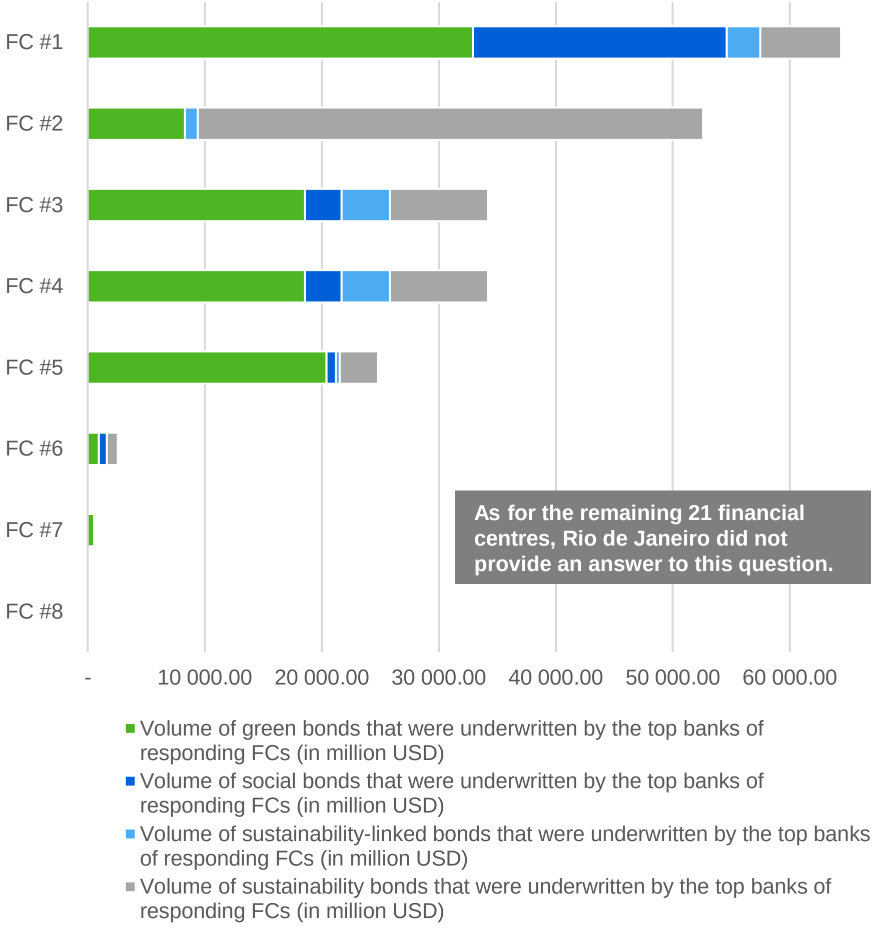


Data table, in million USD

98 670	110 200	104 052
129 806	25 083	10 904
112 104	14 922	14 671
112 104	14 922	14 671
4 050	3 217	1 890
3 961	-	1 845
1 080	1 620	2 700
3 581	224	-
2 310	-	219
1 920	-	-
-	-	840
130	349	-
-	-	478
240	-	135

Pillar III – 3.3 – Banking – Capital Allocation (2/2)

3.3.10 Volume of green, social, sustainability and sustainability-linked bonds that were underwritten by the top banks in the last 12 months

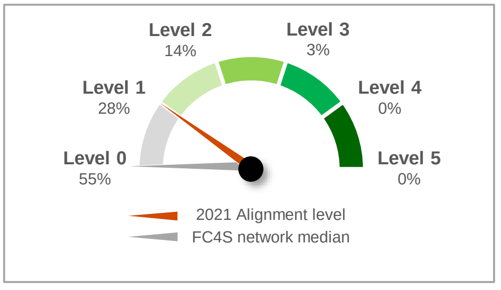


Data table, in million USD

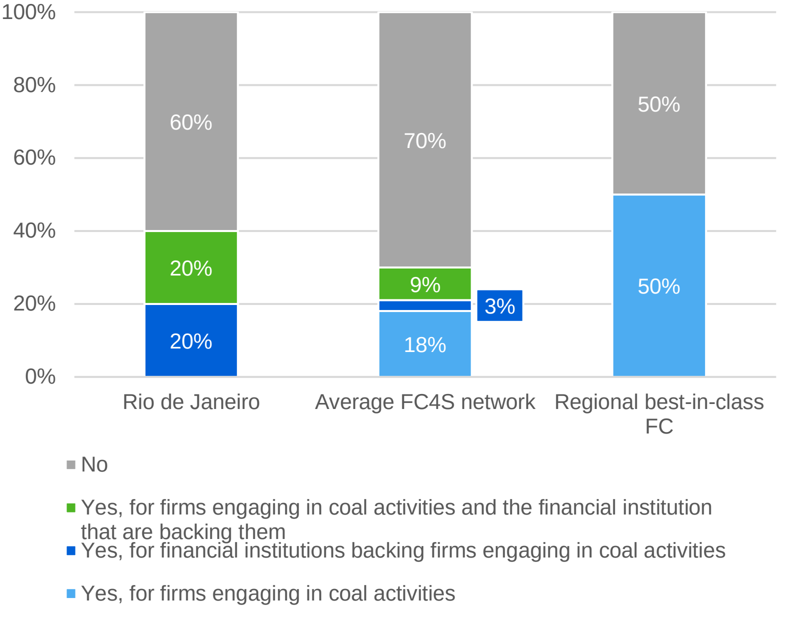
32 921	21 706	2 862	6 908
8 320	-	1 073	43 200
18 569	3 129	4 128	8 401
18 569	3 129	4 128	8 401
20 411	784	325	3 283
959	672	-	931
539	-	-	-
0,04	-	0,36	-

Pillar III – 3.3 – Banking – Sectoral Exclusion

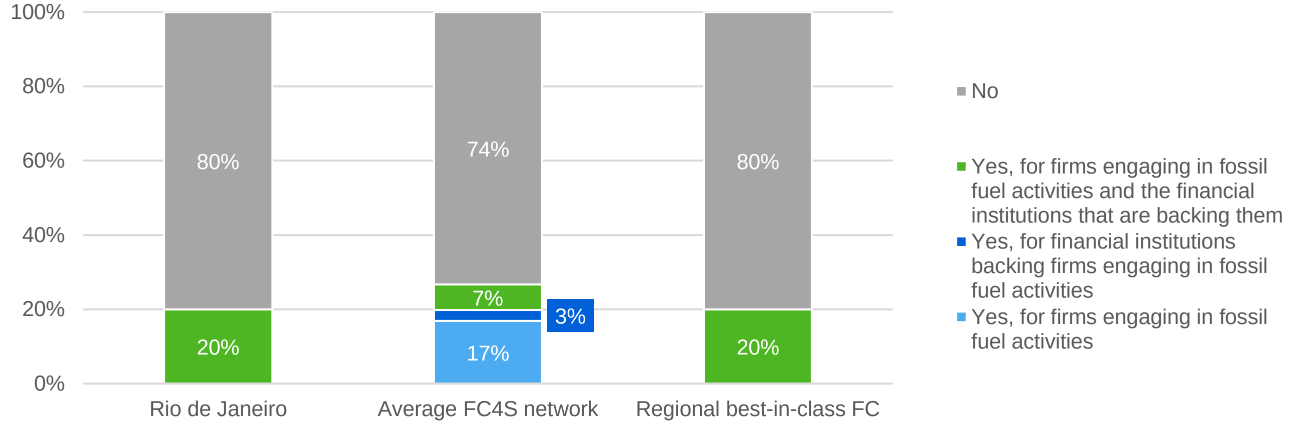
Sectoral Exclusion Alignment level



3.3.2 Ban financing for firms and financial institutions engaging in coal extraction or coal-fired electricity generation

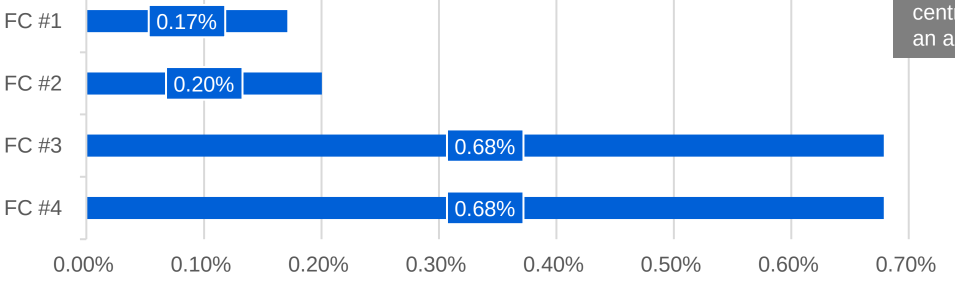


3.3.3 Ban financing for firms and financial institutions engaging in fossil fuel extraction or development



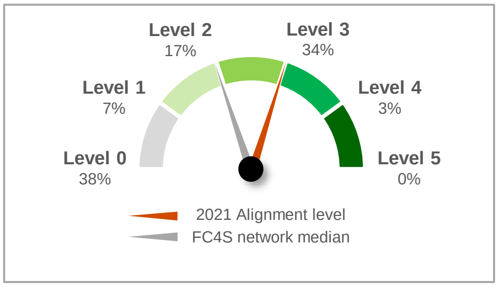
3.3.11 Exposure to the Global Coal Exit List (GCEL)

As for the remaining 25 financial centres, Rio de Janeiro did not provide an answer to this question.

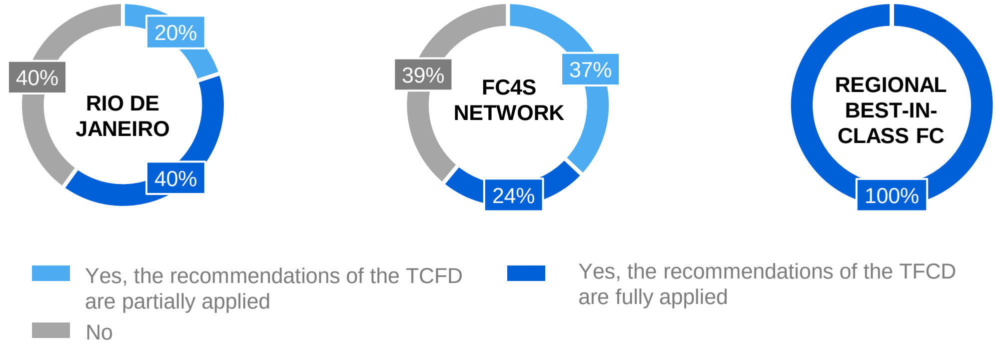


Pillar III – 3.3 – Banking – Climate Alignment

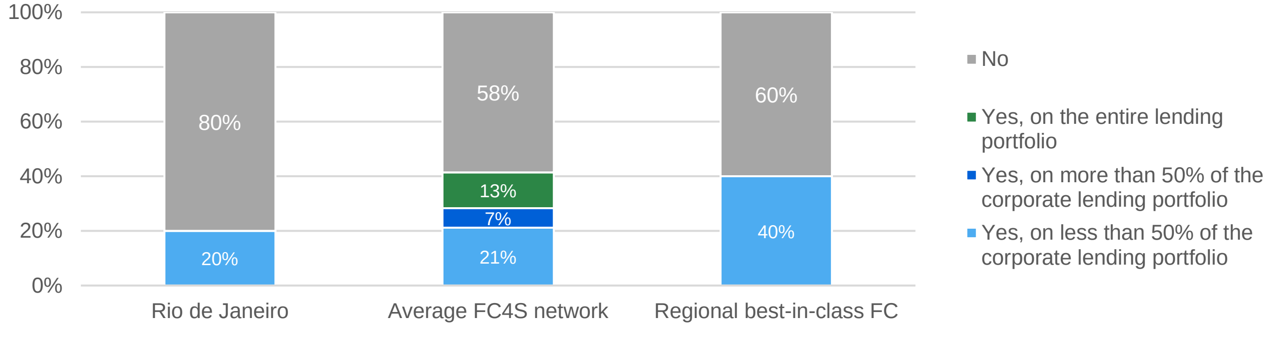
Climate Alignment level



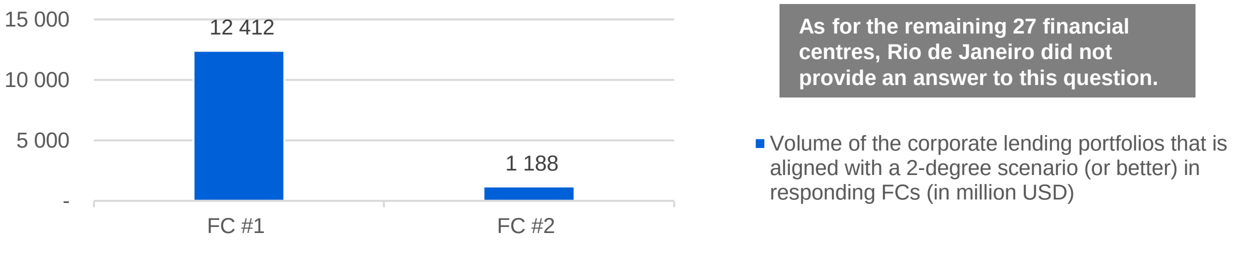
3.3.4 Application of the TCFD recommendations



3.3.8 Application of a climate scenario analysis methodology on the corporate lending portfolio



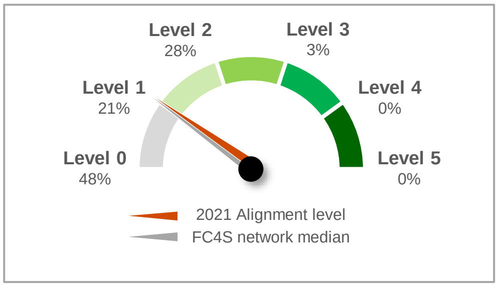
3.3.12 Volume of the corporate lending portfolio of the top banks aligned with a 2-degree scenario



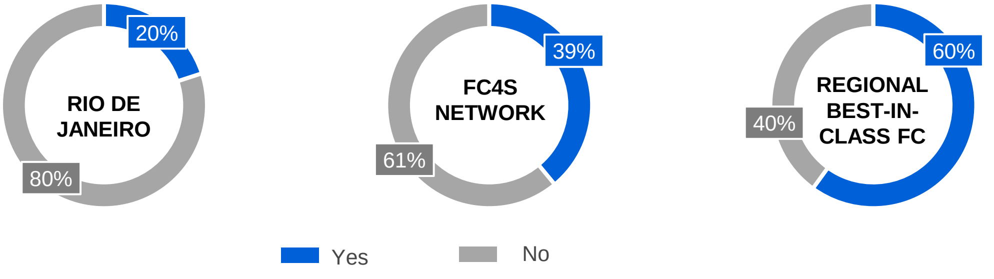
As for the remaining 27 financial centres, Rio de Janeiro did not provide an answer to this question.

Pillar III – 3.3 – Banking – Best Practices

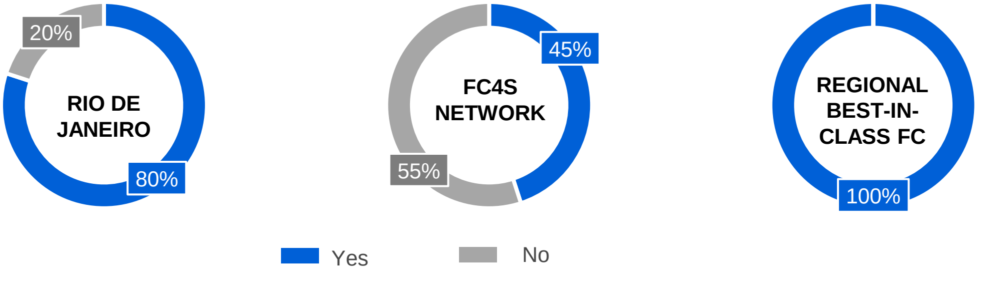
Best Practices Alignment level



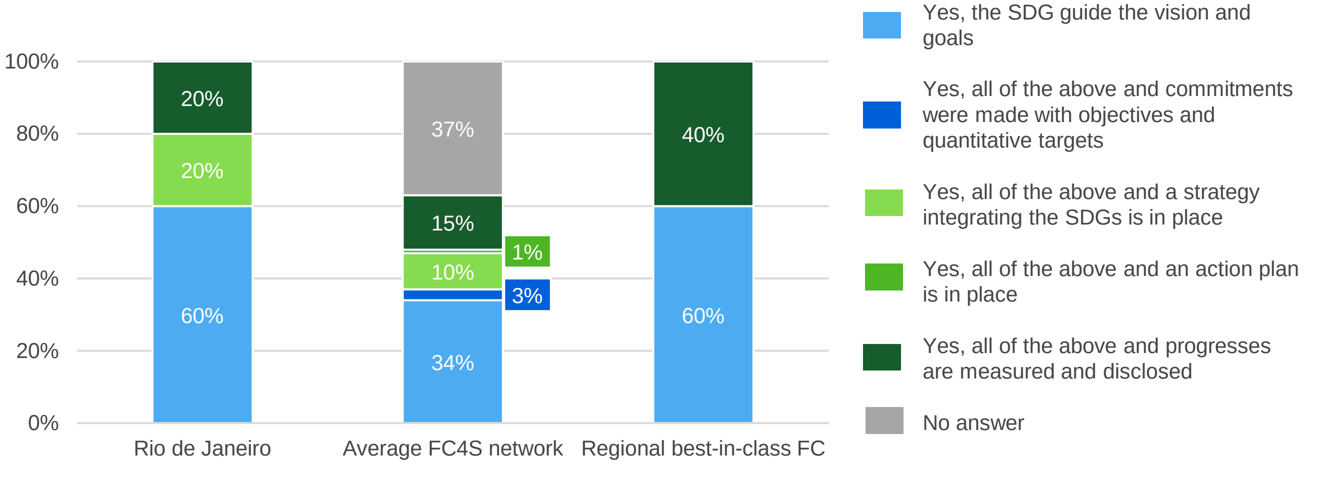
3.3.5 Signature of the Equator Principles



3.3.6 Signature of the Principles for Responsible Banking

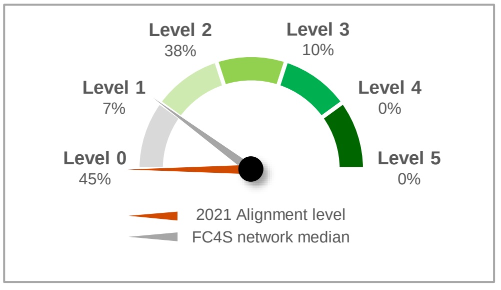


3.3.7 Application of the SDG framework

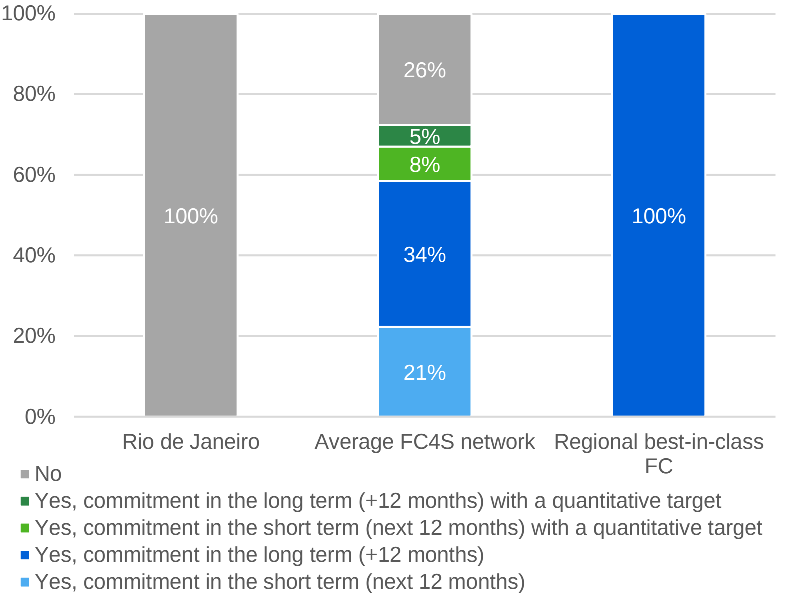


Pillar III – 3.4 – Asset Management – Capital Allocation (1/2)

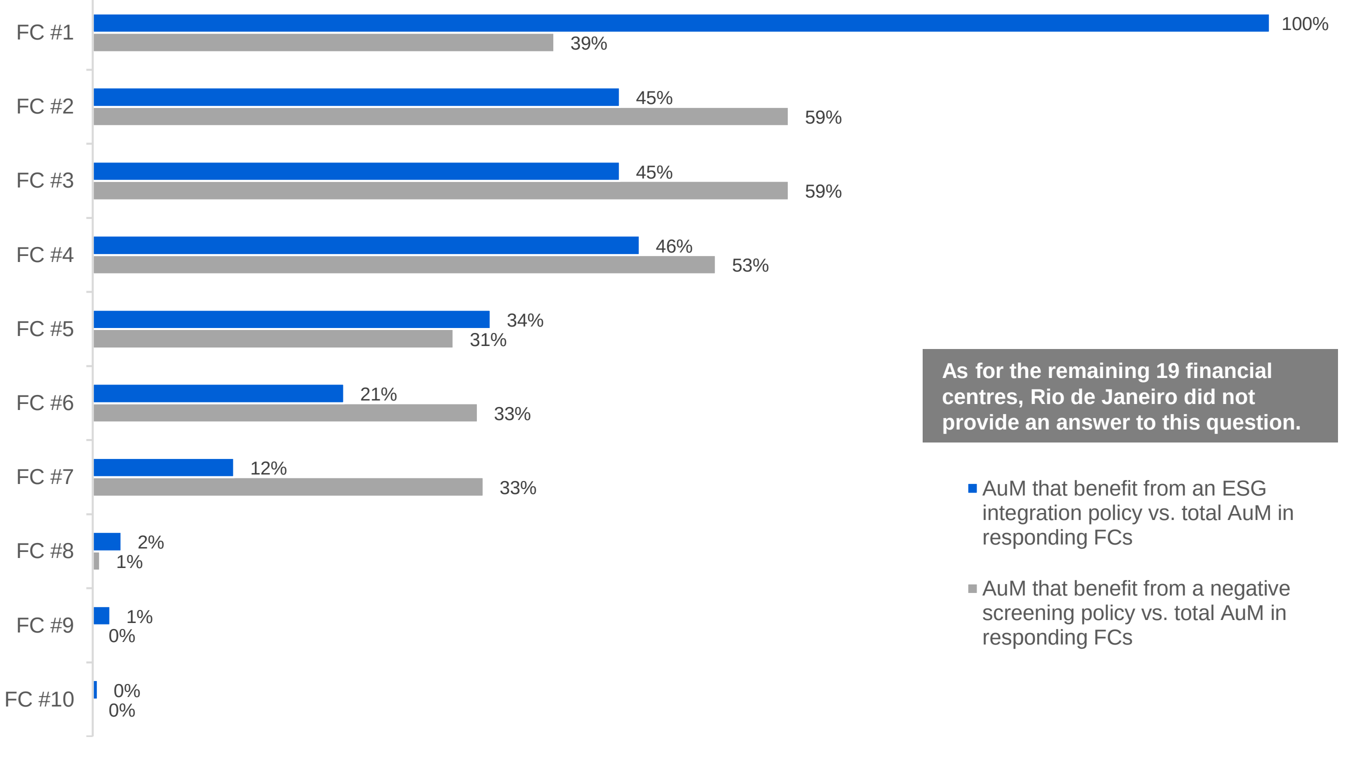
Capital Allocation Alignment level



3.4.1 Commitment to increase the volume of capital directed towards sustainable and SDG aligned financial products (including bonds, shares, investment funds, etc.)

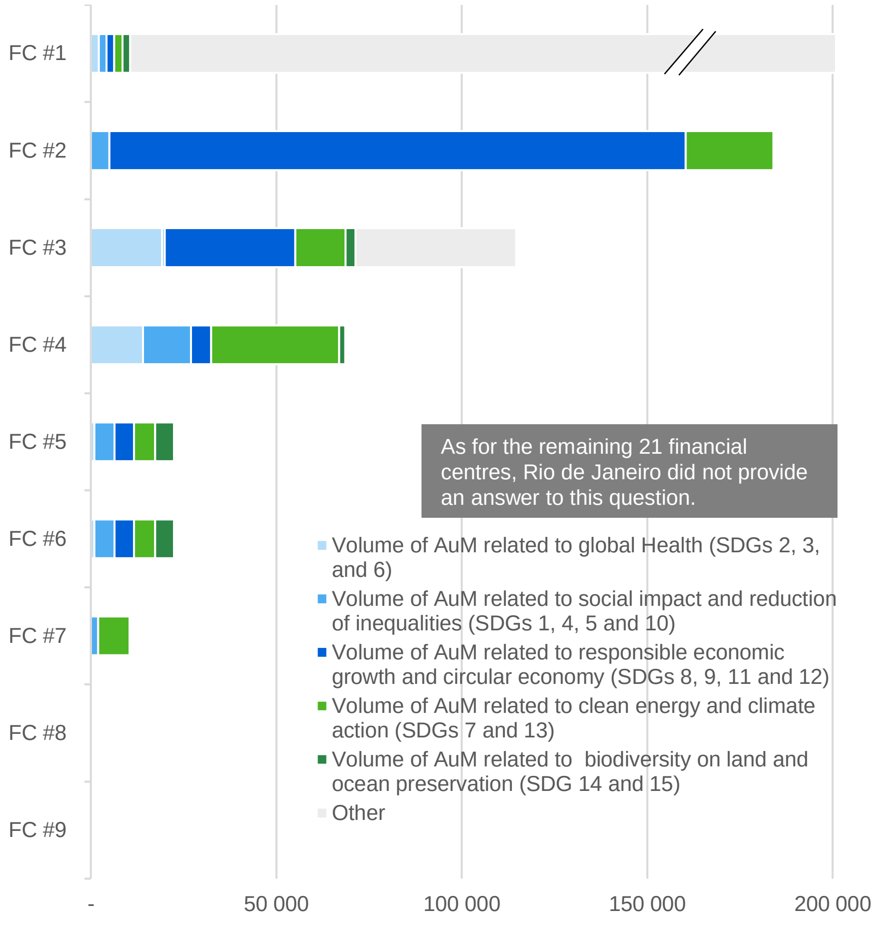


3.4.9 Assets under management of the top asset managers that benefit from a negative screening policy and/or an ESG integration policy



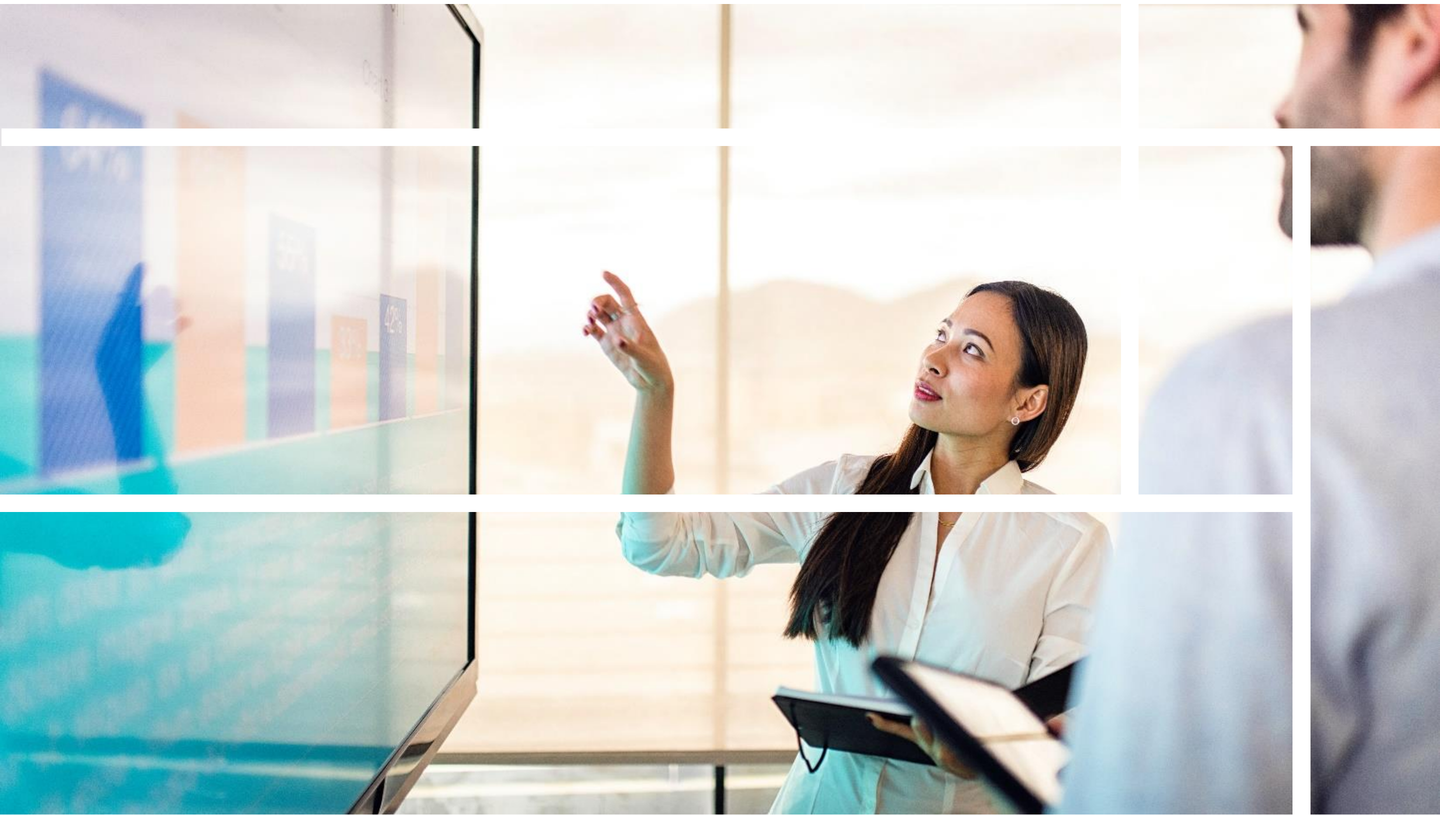
Pillar III – 3.4 – Asset Management – Capital Allocation (2/2)

3.4.10 Assets under management of the top asset managers in thematic funds



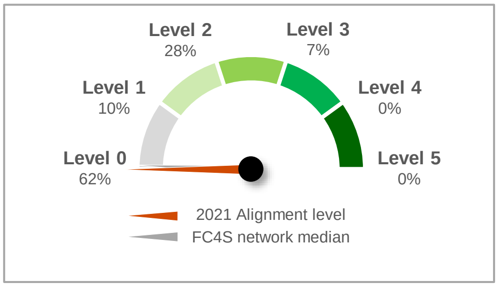
Data table, in million USD

2 088	2 088	2 088	20 204	2 088	660 040
-	4 952	155 450	23 638	-	-
19 198	698	35 220	13 504	2 696	43 324
14 040	12 960	5 400	34 560	1 620	-
914	5 417	5 250	5 710	5 098	354
914	5 417	5 250	5 710	5 098	354
-	1 919	-	8 519	-	-
180	180	180	180	180	-
71	49	28	75	2	-

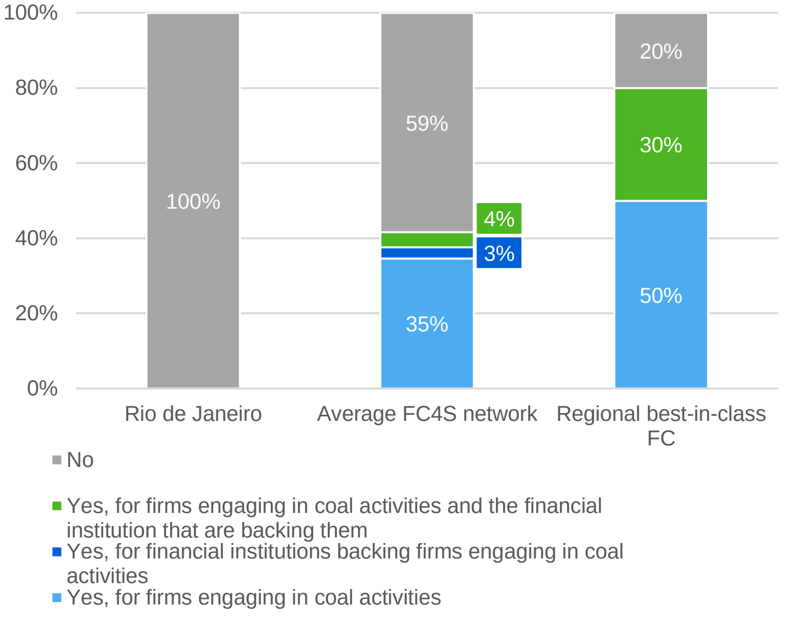


Pillar III – 3.4 – Asset Management – Sectoral Exclusion

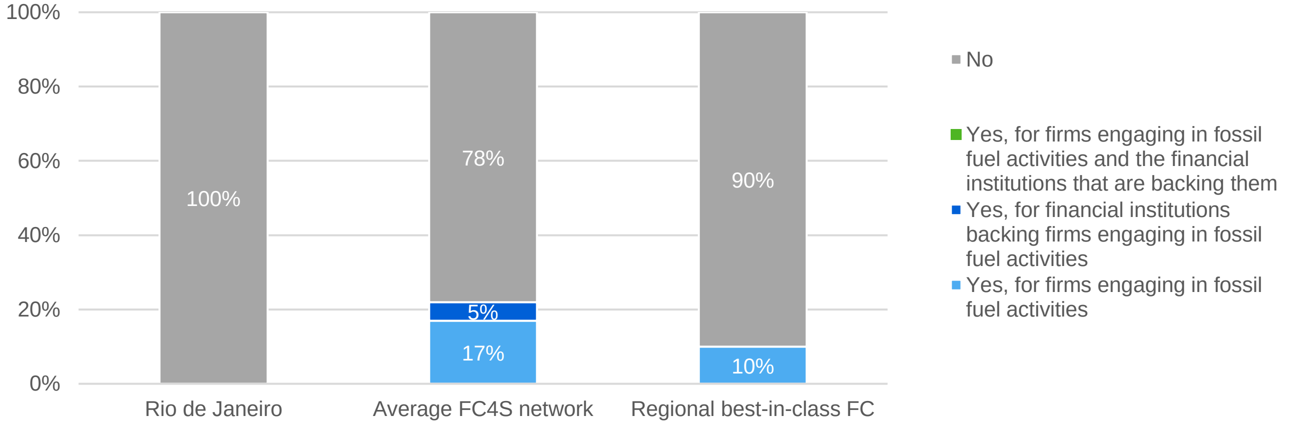
Sectoral Exclusion Alignment level



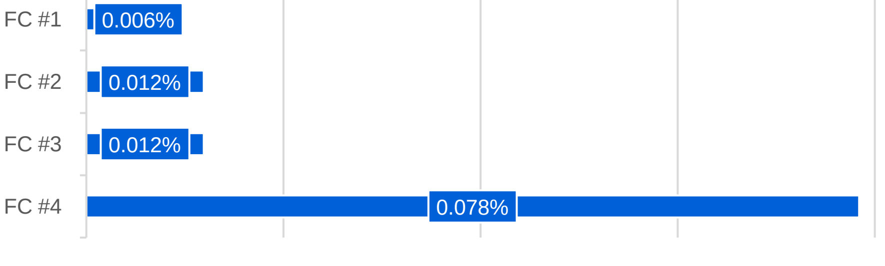
3.4.2 Exclude investment in firms engaging in coal extraction or coal-fired electricity generation and/or for financial institutions backing those firms



3.4.3 Exclude investment in firms engaging in fossil fuel extraction or development and/or financial institutions backing those firms



3.4.11 Assets under management related to the companies of the Global Coal Exit List of the top asset managers

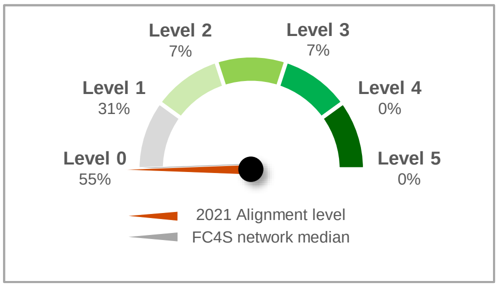


As for the remaining 25 financial centres, Rio de Janeiro did not provide an answer to this question.

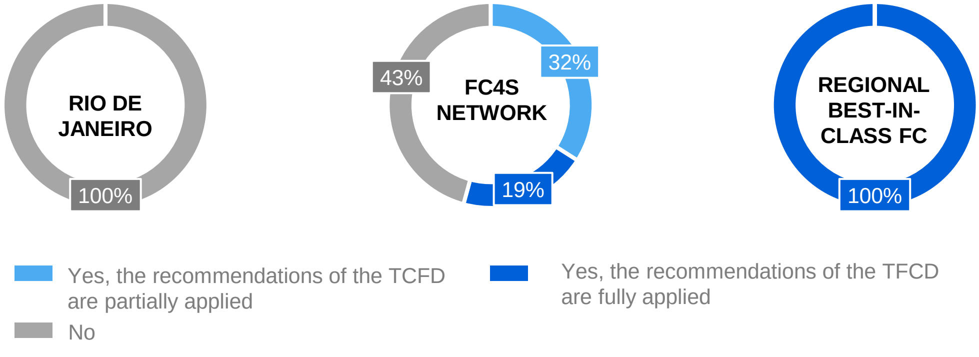
Assets under management related to the companies of the Global Coal Exit List of the top-10 asset managers (in million…

Pillar III – 3.4 – Asset Management – Climate Alignment

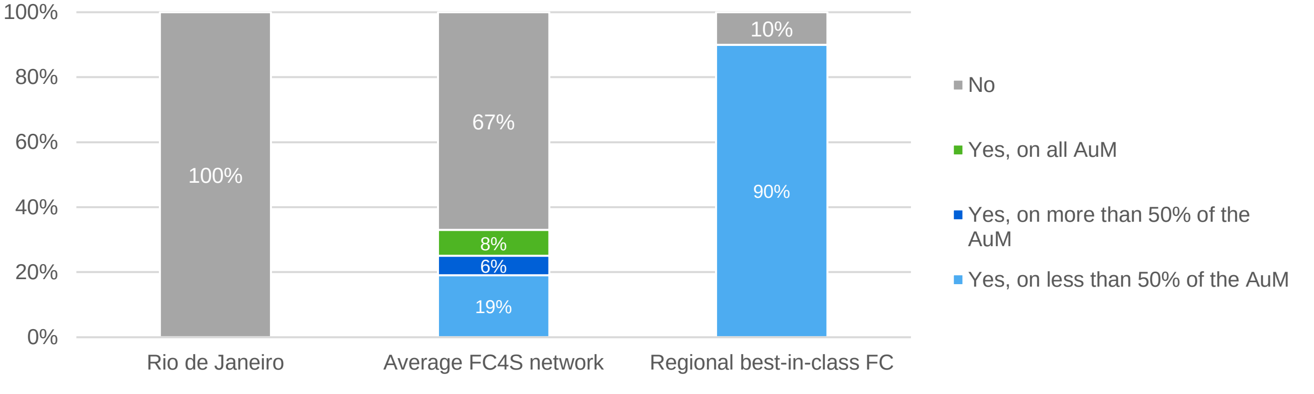
Climate Alignment level



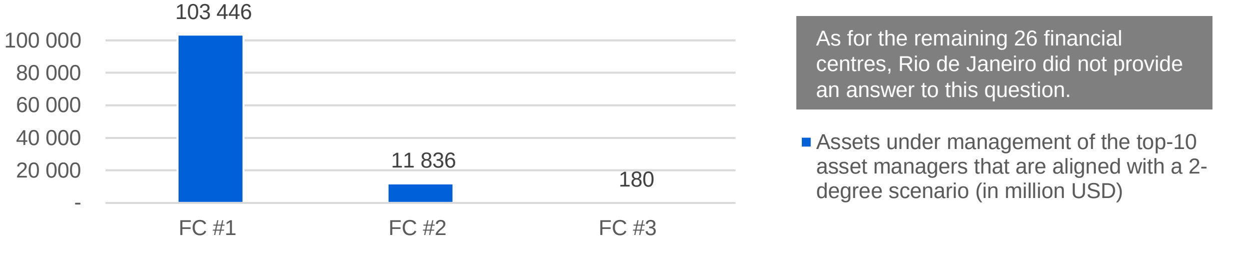
3.4.4 Application of the TCFD recommendations



3.4.8 Application of a climate scenario analysis methodology on the corporate lending portfolio



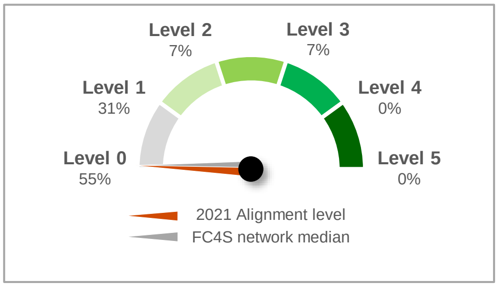
3.4.12 Assets under management of the top asset managers that are aligned with a 2-degree scenario



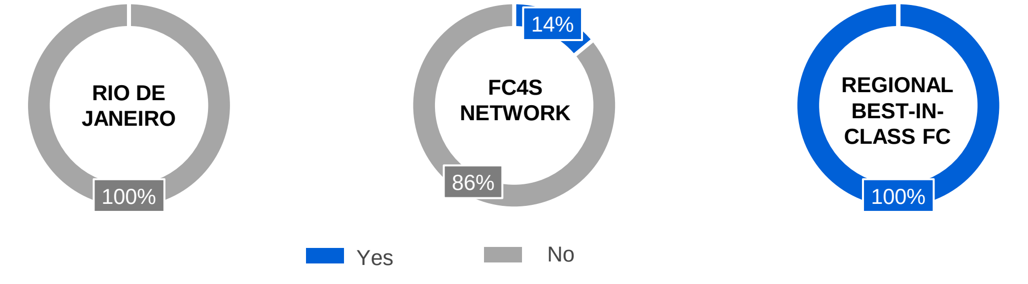
As for the remaining 26 financial centres, Rio de Janeiro did not provide an answer to this question.

Pillar III – 3.4 – Asset Management – Best Practices

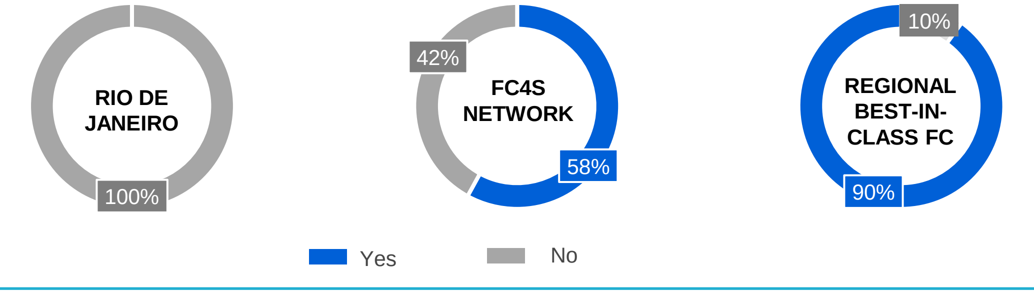
Best Practices Alignment level



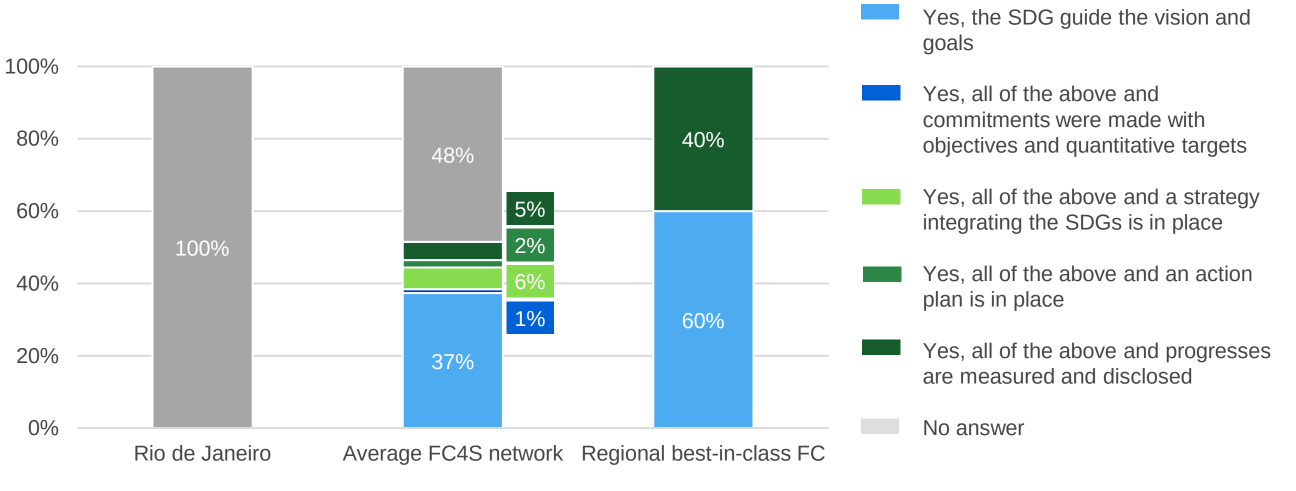
3.4.5 Signature of the Equator Principles



3.4.6 Signature of the Principles for Responsible Investment

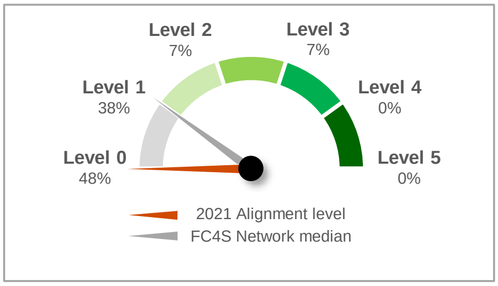


3.4.7 Application of the SDG framework

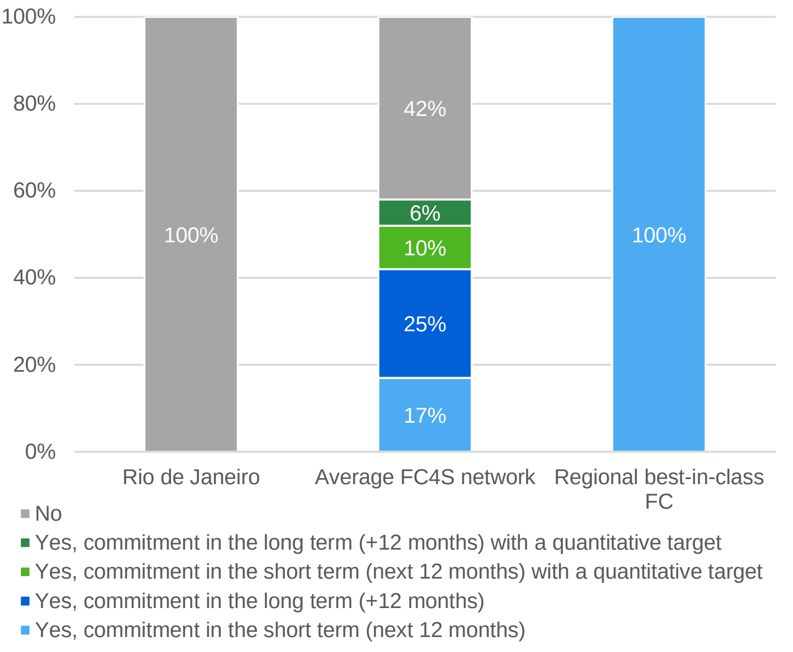


Pillar III – 3.5 – Insurance – Capital Allocation

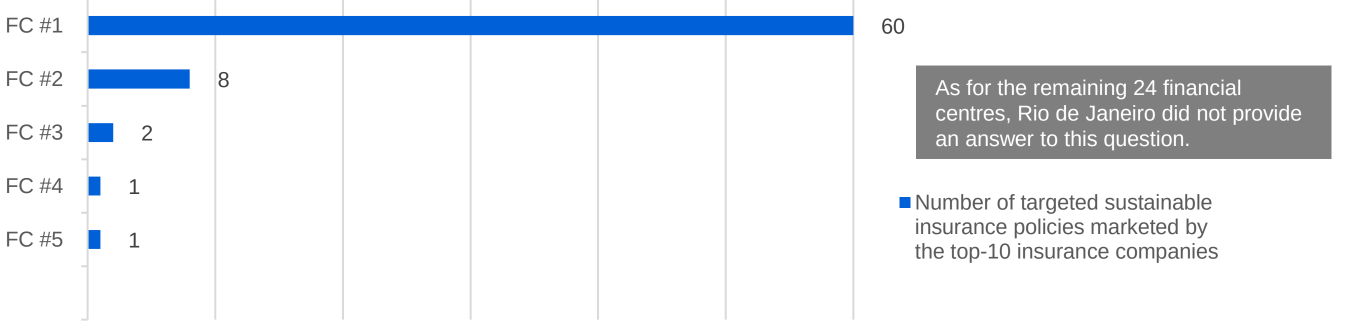
Capital Allocation Alignment level



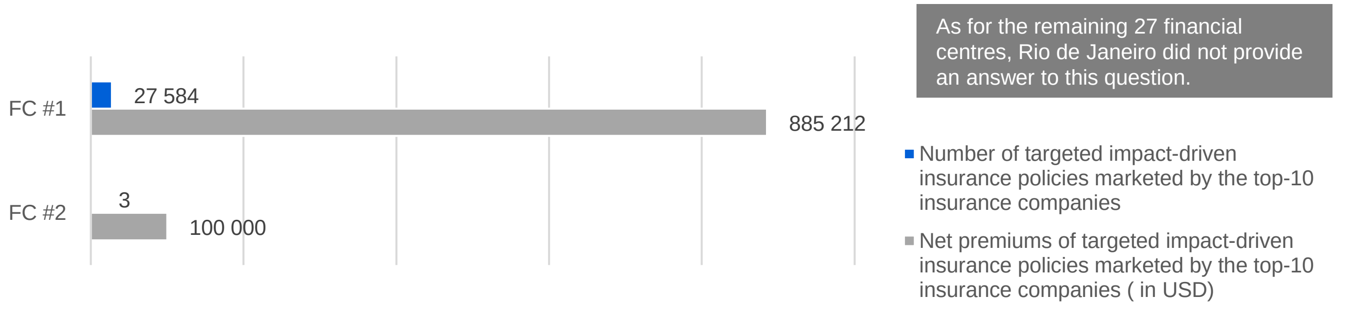
3.5.1 Commitment to increase the availability of impact insurance policies and targeted green, social and sustainability-linked insurance solutions



3.5.8 Number of targeted sustainable insurance policies marketed by the top insurance companies

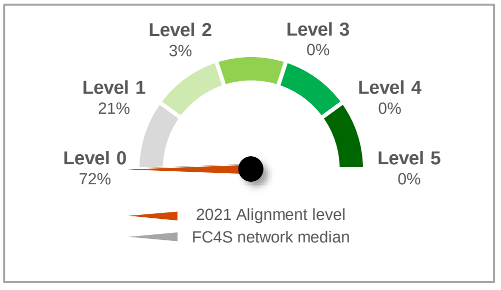


3.5.9 Number of impact-driven insurance policies marketed by the top insurance companies

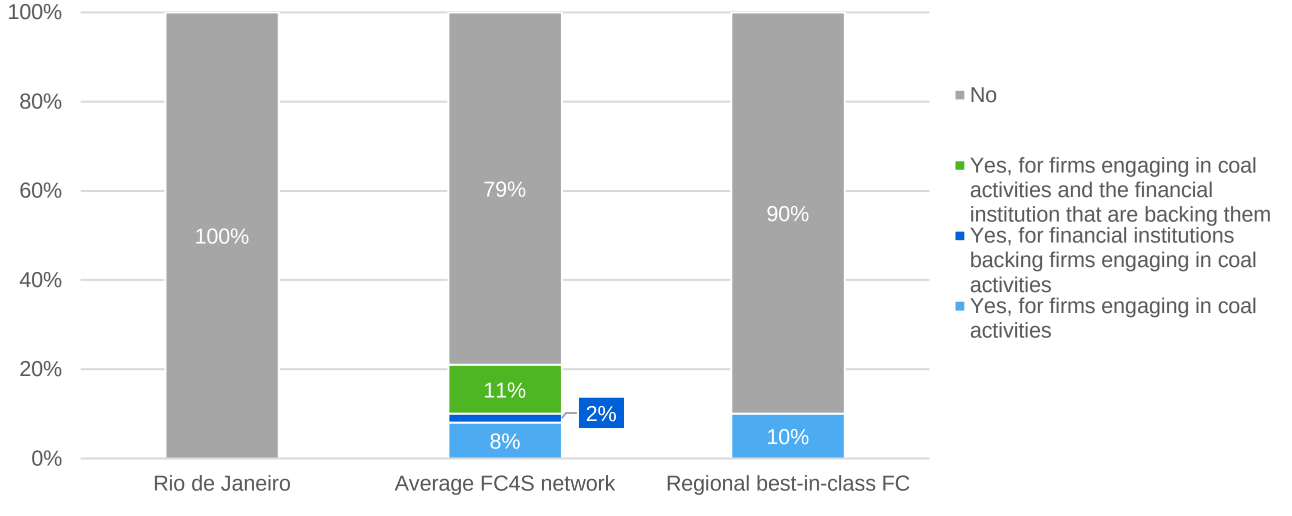


Pillar III – 3.5 – Insurance – Sectoral Exclusion

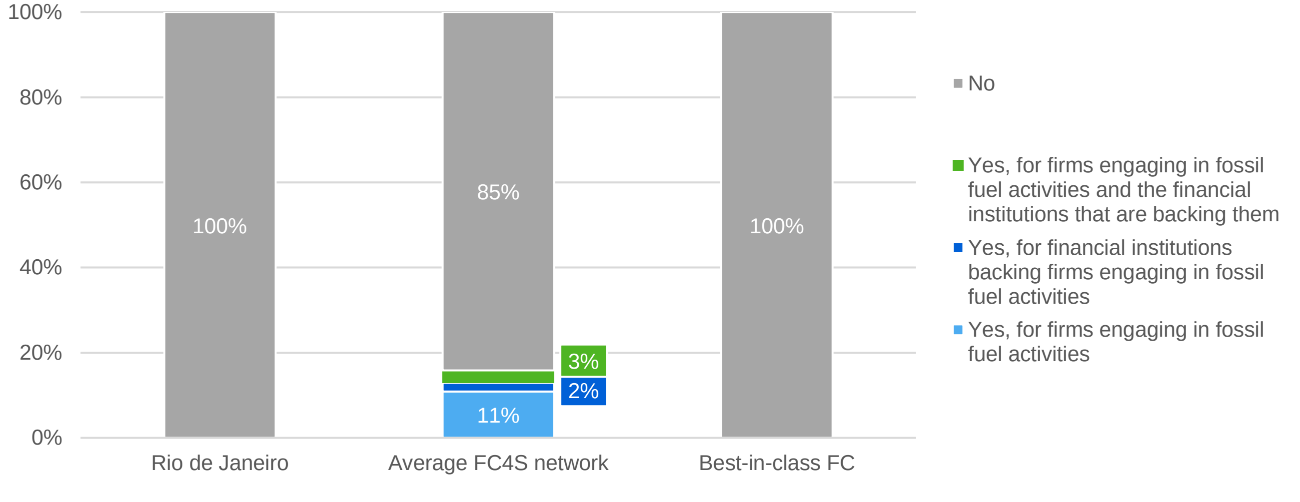
Sectoral Exclusion Alignment level



3.5.2 Cease underwriting insurance in firms engaging in coal extraction or coal-fired electricity generation

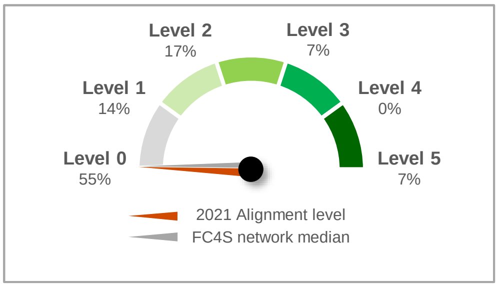


3.5.3 Cease underwriting insurance in firms engaging in fossil fuel extraction or development

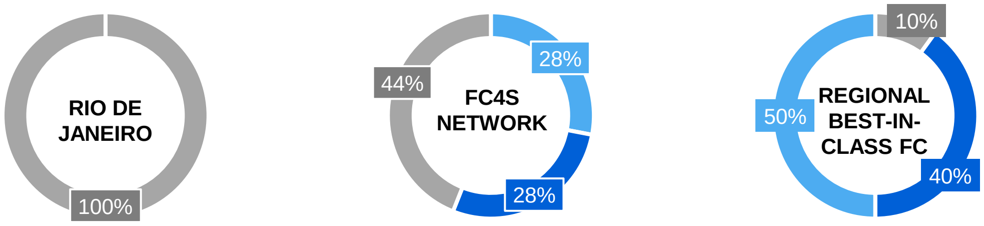


Pillar III – 3.5 – Insurance – Climate Alignment

Climate Alignment level



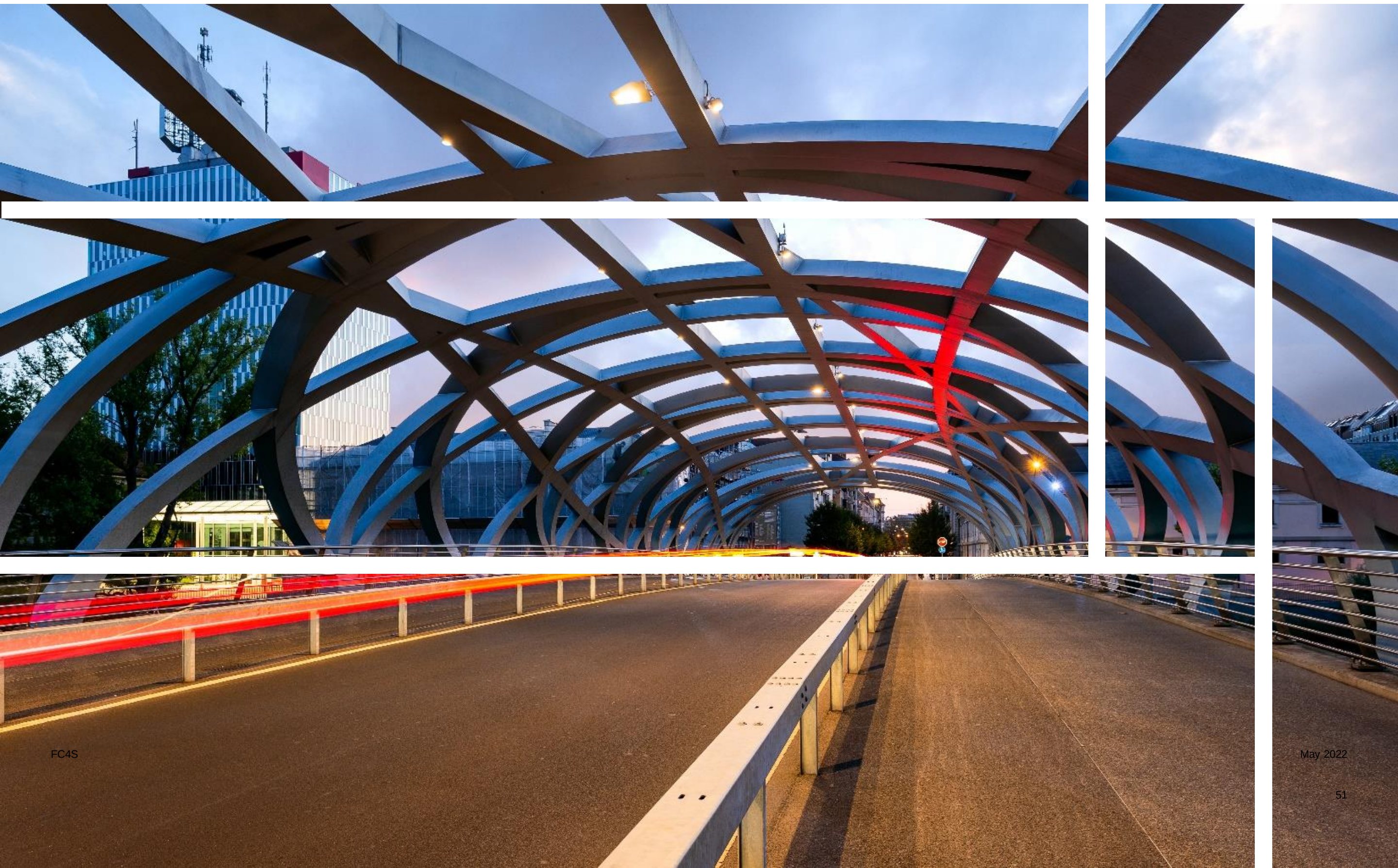
3.5.4 Application of the TCFD recommendations



Yes, the recommendations of the TCFD are partially applied

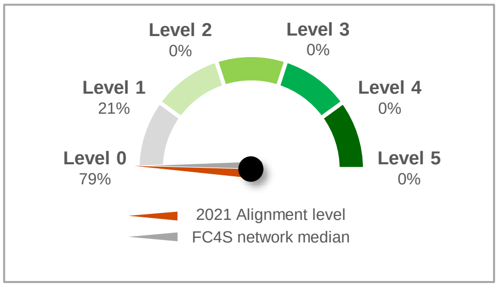
Yes, the recommendations of the TFCD are fully applied

No

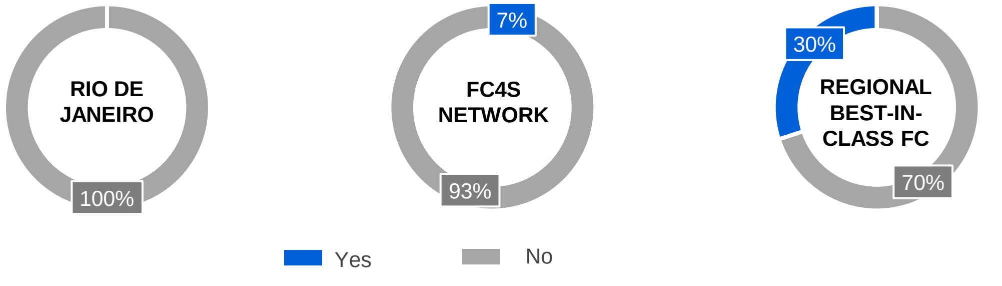


Pillar III – 3.5 – Insurance – Best Practices

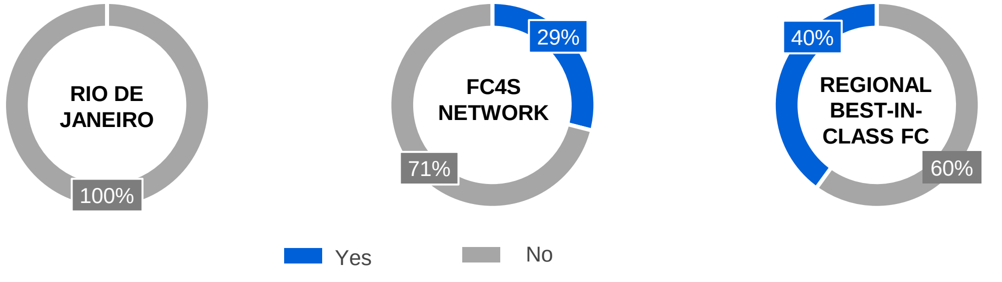
Best Practices Alignment level



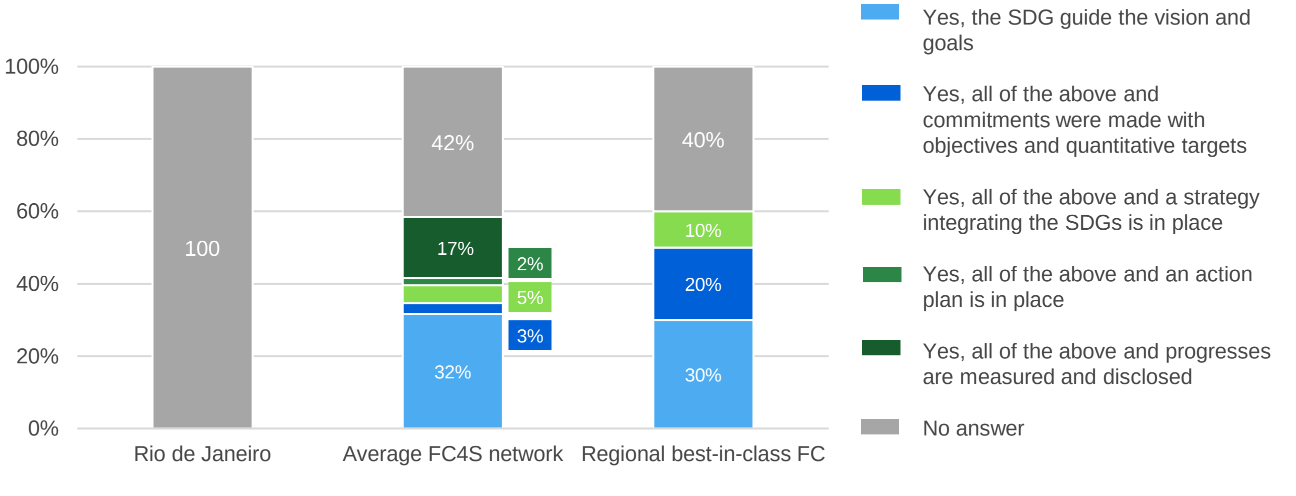
3.5.5 Signature of the Equator Principles



3.5.6 Signature of the Principles for Sustainable Insurance



3.5.7 Application of the SDG framework



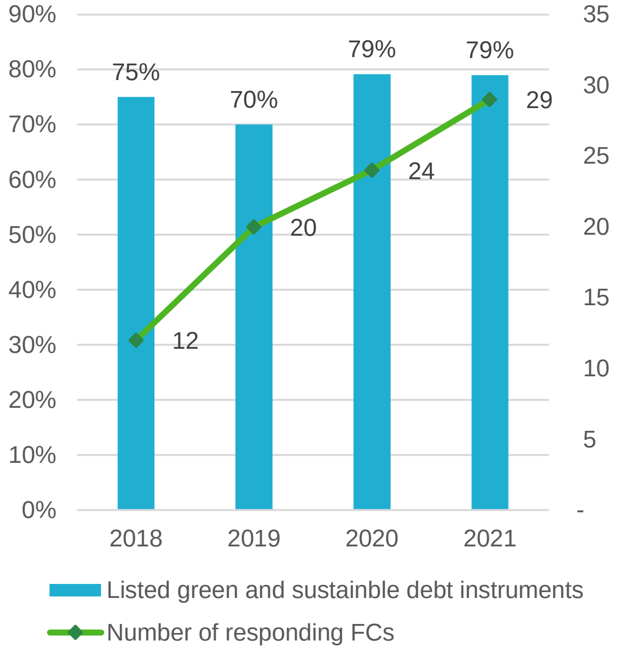
6 Appendices

FC4S

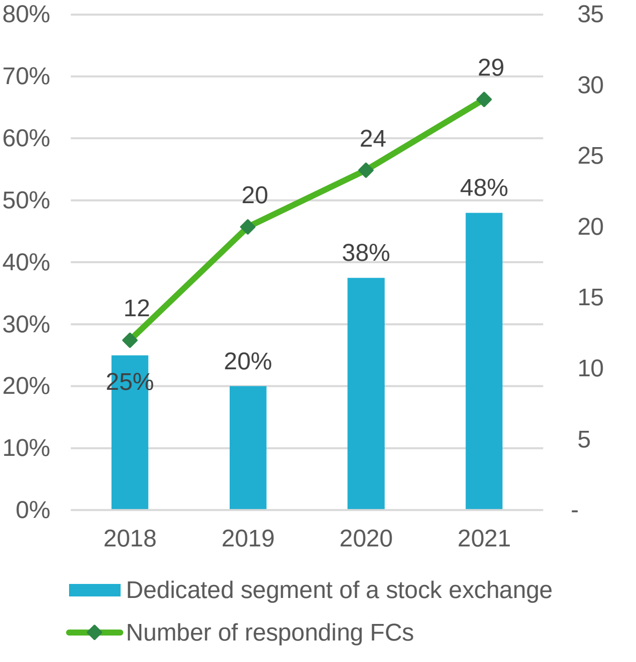
Pillar III – 3.1 – Debt Markets (1/3)

Disclaimer: *Quantitative data presented in the following graphs of pillar 3 all directly come from the inputs of responding FCs. Some marginal corrections have been done when deemed necessary and several data were completed when public data was available. However, this does not prevent incorrect or inaccurate data to be presented in the following graphs and tables, though inaccuracies should be marginal.*

3.1.3 Specific indices targeting sustainable equity



3.1.4 Dedicated exchange segment



Pillar III – 3.1 – Debt Markets (2/3)

3.1.5 Volume of green, social, sustainability-linked, and sustainability bonds listed in the FC (in % of all listed bonds)

Disclaimer: *Expressing the market share of sustainable financial instruments provides substantial insights about the dynamism of the transition towards a sustainability-aligned financial system. However, grasping the depth of certain financial market can prove challenging and may require hypothesis and calls on the perimeter. As such, figures below were self reported and collected differently, hence they may present some inaccuracies.*

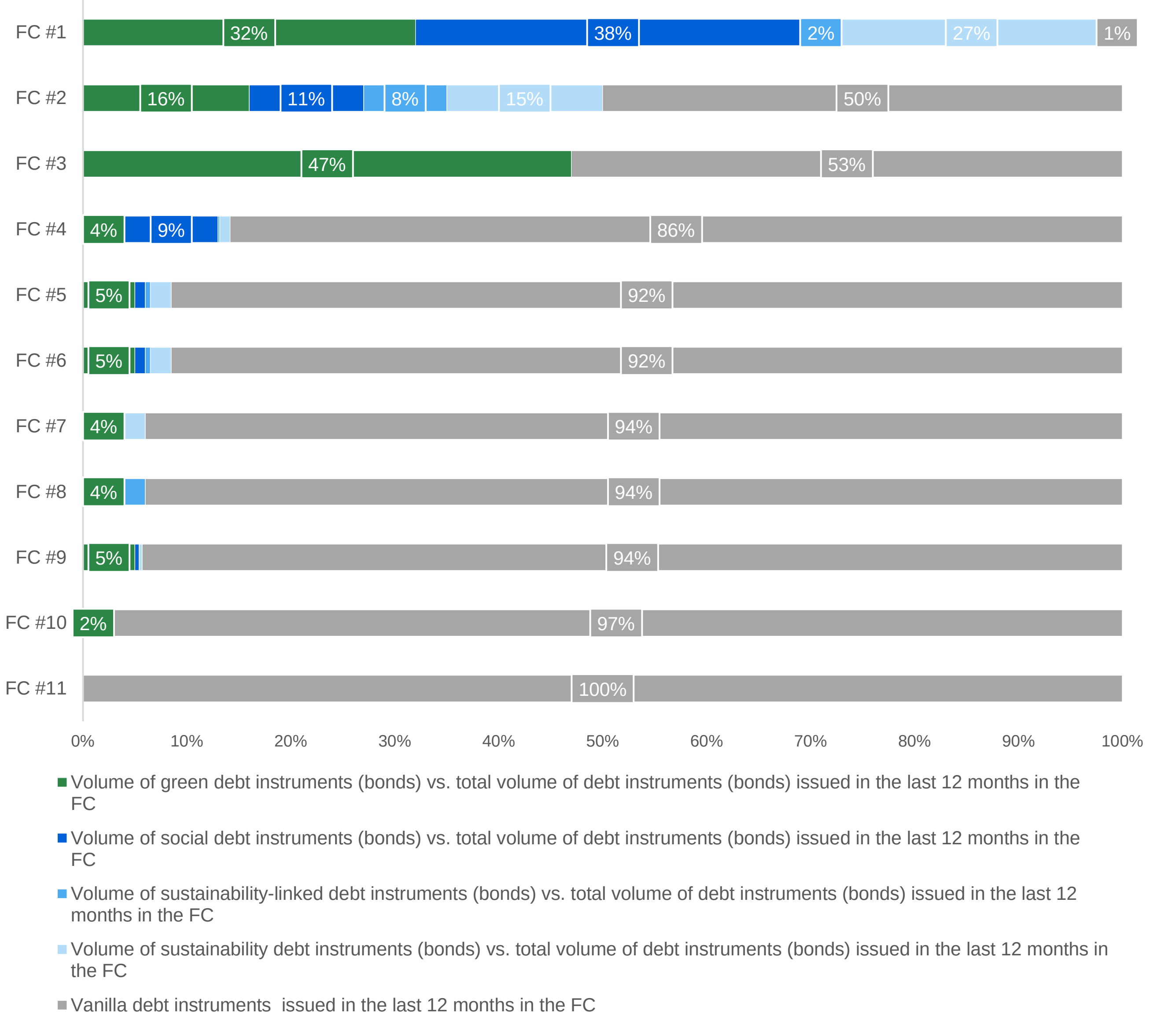
As 12 other responding financial centres, Rio did not provide an answer to this question

Pillar III – 3.1 – Debt Markets (3/3)

3.1.6 Volume of green, social, sustainability-linked, and sustainability bonds Issued in the last 12 months in the FC (in % of all issued bonds in the last 12 months)

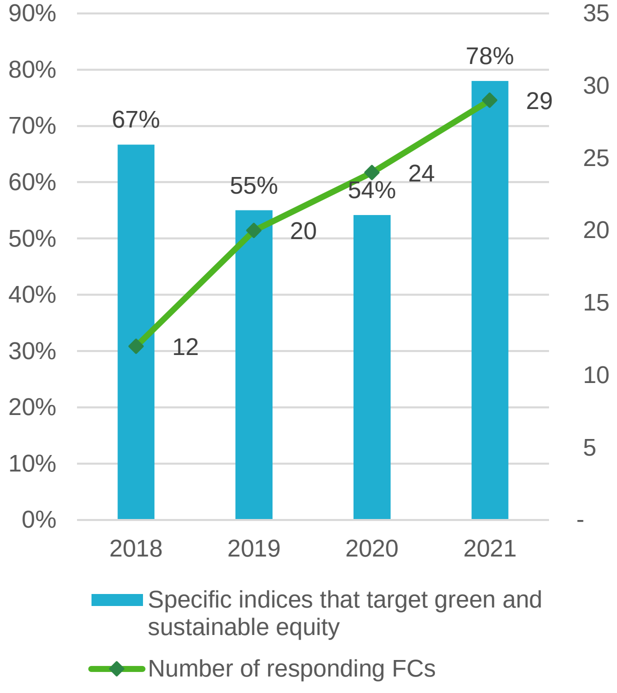
Disclaimer: *Expressing the market share of sustainable financial instruments provides substantial insights about the dynamism of the transition towards a sustainability-aligned financial system. However, grasping the depth of certain financial market can prove challenging and may require hypothesis and calls on the perimeter. As such, figures below were self reported and collected differently, hence they may present some inaccuracies.*

As 18 other responding financial centres, Rio did not provide an answer to this question

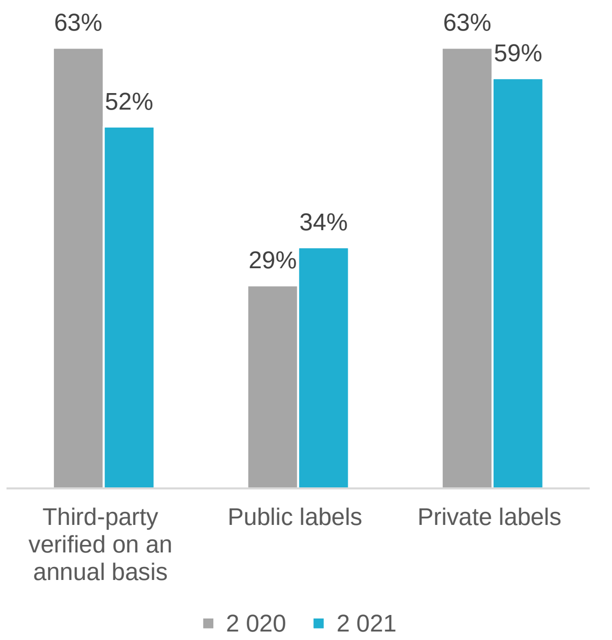


Pillar III – 3.2 – Capital Markets

3.2.1 Specific indices targeting sustainable equity



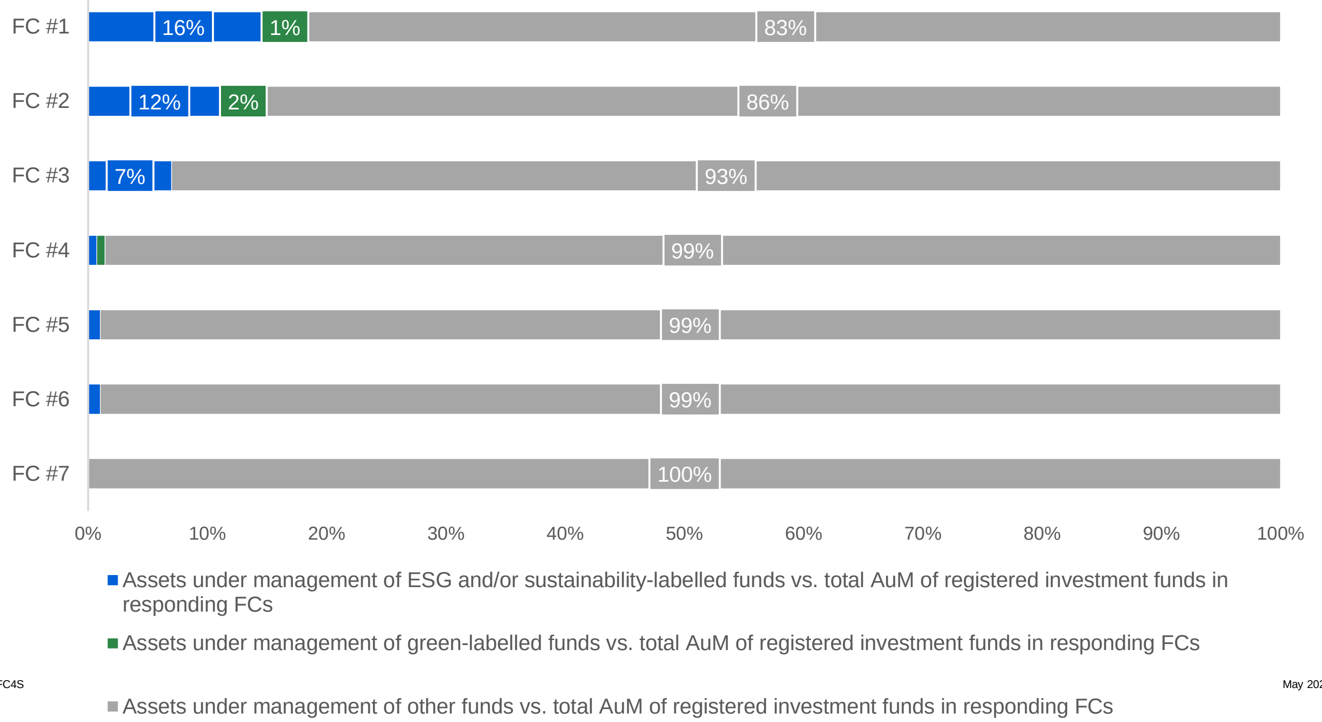
3.2.2 Sustainability-related labels available for investment funds registered and/or commercialized in the FC



3.2.4 Assets under management of green and ESG-labelled funds registered in financial centres vs. total AuM of registered investment funds (in %)

Disclaimer: *Expressing the market share of sustainable financial instruments provides substantial insights about the dynamism of the transition towards a sustainability-aligned financial system. However, grasping the depth of certain financial market can prove challenging and may require hypothesis and calls on the perimeter. As such, figures below were self reported and collected differently, hence they may present some inaccuracies.*

As 22 other responding financial centres, Rio did not provide an answer to this question

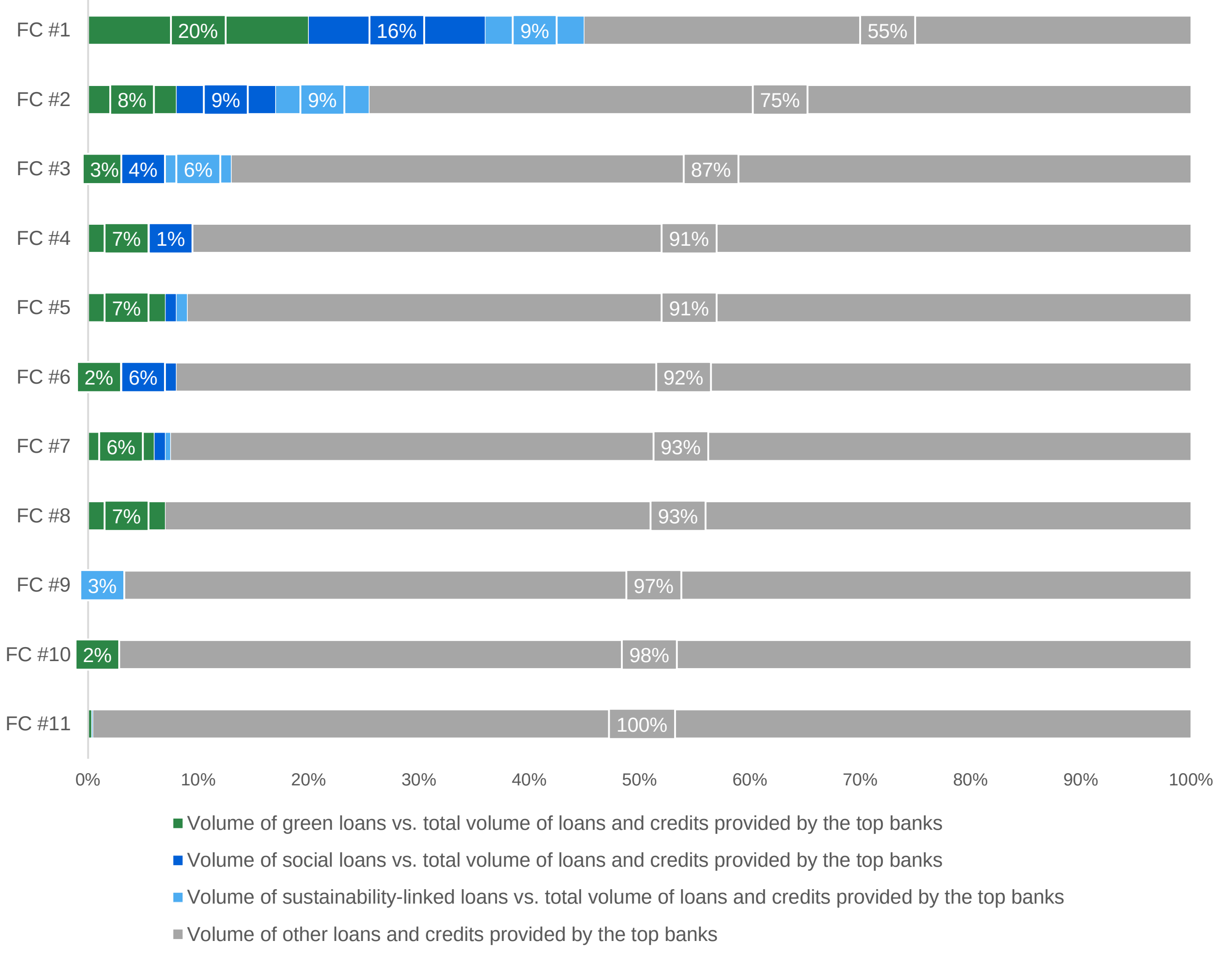


Pillar III – 3.3 – Banking (1/2)

3.3.9 Volume of green, social and sustainability-linked loans and credits provided by the top banks as of end-June 2021 vs. total volume of loans and credits provided by the same banks (in %)

Disclaimer: *Expressing the market share of sustainable financial instruments provides substantial insights about the dynamism of the transition towards a sustainability-aligned financial system. However, grasping the depth of certain financial market can prove challenging and may require hypothesis and calls on the perimeter. As such, figures below were self reported and collected differently, hence they may present some inaccuracies.*

As 18 other responding financial centres, Rio did not provide an answer to this question

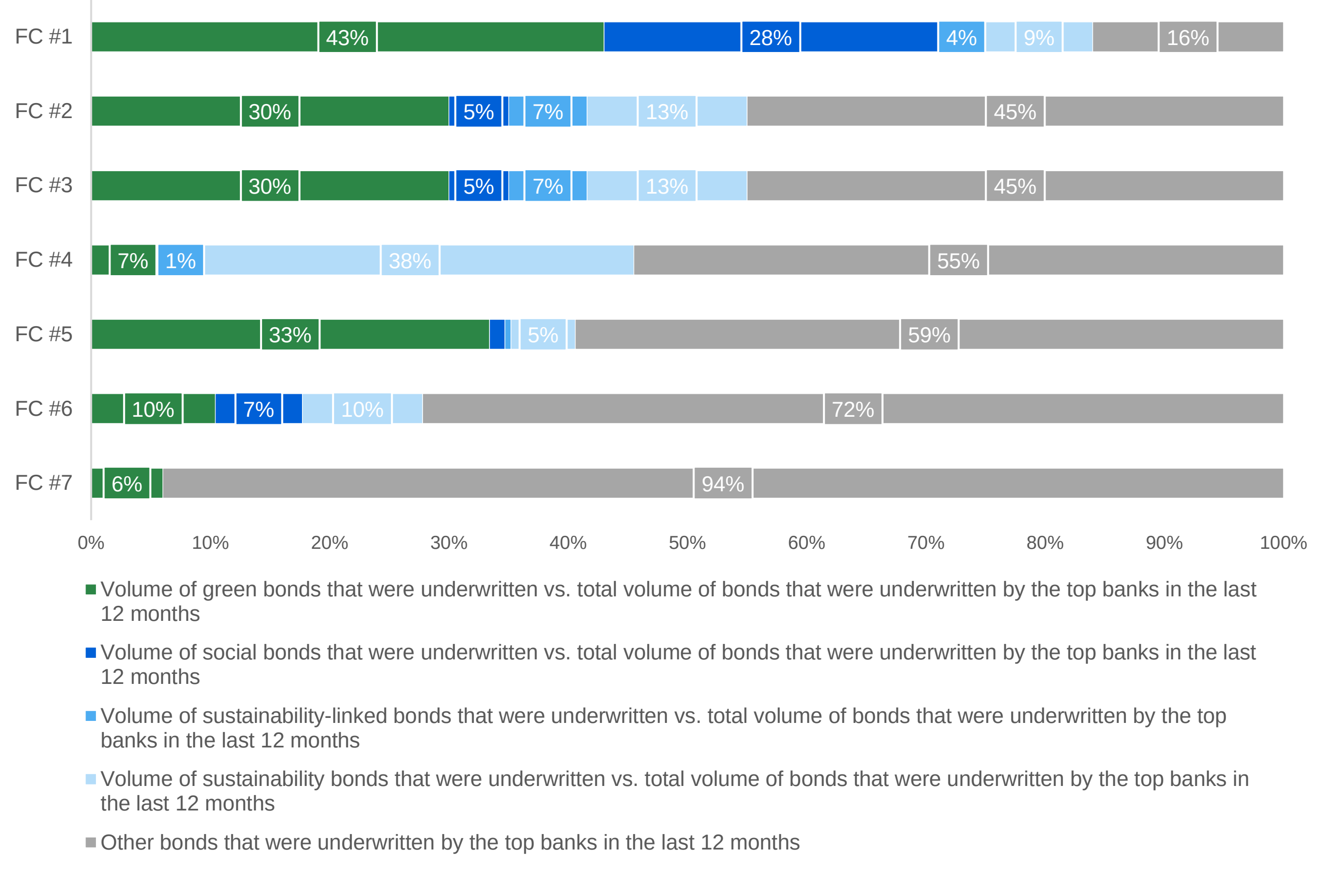


Pillar III – 3.3 – Banking (2/2)

3.3.10 Volume of green, social, sustainability and sustainability-linked bonds that were underwritten by the top banks in the last 12 months vs. total volume of bonds that were underwritten by the same banks (in %)

Disclaimer: *Expressing the market share of sustainable financial instruments provides substantial insights about the dynamism of the transition towards a sustainability-aligned financial system. However, grasping the depth of certain financial market can prove challenging and may require hypothesis and calls on the perimeter. As such, figures below were self reported and collected differently, hence they may present some inaccuracies.*

As 22 other responding financial centres, Rio did not provide an answer to this question



Glossary – Questions 1.5.1, 1.5.2, 1.5.3 & 1.5.4

Q°	Item	Definition
1.5	Vision & Goals	Describes the overall ambition that an organisation would want to achieve ("what") ▪ Can be short term or long term ▪ Must be tangible (e.g., policy document) but not necessarily specific
1.5	Commitment with objectives and quantified targets	Guarantee to carry out a specific vision or action ▪ Can be binding or non-binding ▪ Includes results an organisation hopes to achieve or maintain ▪ Must be specific, measurable, attainable, relevant, and time-bound
1.5	Strategy	Defines the scope or spheres of influence within which decisions can be taken according to a set of objectives, and related guidelines Includes methodology or the direction, the global plan used to achieve a set of objectives as prescribed by a policy
1.5	Action Plan	Detailed blueprint listing the steps that should be taken to follow a strategy, clarifying the timeline and the required resources
1.5	Measurement and Disclosure	Achievement of the objectives set in the Action Plan measured through KPIs/indicators and disclosed
1.5	SDGs	The Sustainable Development Goals (SDGs) or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.
1.5	Low-carbon transition	The low-carbon transition refers to an economy based on low-carbon power sources that therefore has a minimal output of greenhouse gas (GHG) emissions into the atmosphere, specifically carbon dioxide.

Glossary – Questions 2.1.1 & 2.1.2 – (1/3)

Qu.	Item	Definition
2.1.1 2.1.2	Hard law	Hard law refers to actual binding legal instruments and laws. In contrast with soft law, hard law gives States and international actors actual binding responsibilities as well as rights.
2.1.1 2.1.2	Soft law	Soft law refers to quasi-legal instruments which do not have any legally binding force, or whose binding force is somewhat weaker than the binding force of traditional law, often contrasted with soft law by being referred to as "hard law".
2.1.1 2.1.2	Taxonomy	a) Development and/or adoption of a taxonomy related to sustainable investments (including green and social investments) ▪ An economic taxonomy is a system of classification of economic activities, including products, companies, and industries. In this case, a taxonomy includes definitions of sustainable finance and a comprehensive classification system of sustainable activities.
2.1.1 2.1.2	Transparency	b) Regulation on disclosure on climate and/or other environmental topics ▪ Non-financial disclosure is a process of gathering and disclosing data on non-financial aspects of a company's performance, including environmental, social, employee and ethical matters, etc. Regulations on disclosure thus intend to provide harmonised disclosure requirements for companies or investment institutions and products non-financial performance.
2.1.1 2.1.2	Frameworks, products & instruments	c) Regulation on fiduciary duty ▪ In the context of sustainable finance, fiduciary duty requires investors to incorporate all value drivers, including environmental, social, and governance (ESG) factors, in investment decision making. Regulation on fiduciary duties thus refers to existing fiduciary duty laws, and to the evolution of such laws with the integration of ESG considerations into fiduciary duties.
2.1.1 2.1.2	Frameworks, products & instruments	d) Setting supervisory expectations regarding sustainable finance (e.g., use of ESG in commercial documents) ▪ In the context of sustainable finance, supervisory expectations may relate to the regulation of practices or the issuing of rules or recommendations on various ESG or sustainable finance issues, by supervisory bodies.
2.1.1 2.1.2	Frameworks, products & instruments	e) Framework and governance on fund labels ▪ Framework and governance on fund labels refer to all regulations or rules supervising the use of sustainable finance labels, as stated by the law, market authorities or supervisory bodies.
2.1.1 2.1.2	Frameworks, products & instruments	f) Regulation on shareholders engagement and stewardship and protection of minority interests ▪ Shareholder engagement refers to the process by which investors in public companies leverage their position as shareholders to influence corporate decision-making, while investment stewardship refers to shareholders engagement with public companies to promote corporate governance practices that are consistent with long-term value creation for shareholders in the company. ▪ Minority interest refers to having an ownership stake in a company that is less than 50% of the total shares in terms of voting rights. Essentially, minority investors don't exercise control over a company by way of votes, leaving them with little influence in the overall decision-making process.
2.1.1 2.1.2	Frameworks, products & instruments	g) Use of green, sustainable and/or transition bond standards ▪ As regards transition bonds, international and national bodies have developed guidelines to provide clear guidance and common expectations to capital markets participants on the practices, actions and disclosures to be made available when raising funds in debt markets for climate transition-related purposes. E.g., Climate Transition Finance Handbook of ICMA and the Basic Guidelines on Climate Transition Finance of Japan.

Glossary – Questions 2.1.1 & 2.1.2 – (2/3)

Qu.	Item	Definition
2.1.1 2.1.2	Prudential framework, methodologies, and climate risks	h) Public consultation on climate related and environmental risks ▪ Public consultation on climate-related and environmental risks refers to the process which involves an invitation to individuals, groups, or organisations to comment on an issue, proposed action or proposed policy or regulation on climate-related and environmental risks.
2.1.1 2.1.2	Prudential framework, methodologies, and climate risks	i) Setting supervisory expectations regarding climate related risks ▪ For a definition of supervisory expectations, see d)
2.1.1 2.1.2	Prudential framework, methodologies, and climate risks	j) Convergence of methodologies to assess climate risks and to measure alignment with the Paris agreement ▪ For a definition of climate risks, see h).
2.1.1 2.1.2	Prudential framework, methodologies, and climate risks	k) Development of climate stress testing methodologies ▪ Climate stress testing refers to the assessment of how climate-related risks can impact a financial institution business across all sectors and geographical locations under stress scenarios, in this case under different climate warming scenarios. Based on the results, financial institutions can estimate the potential financial losses, and the financial resources, including both capital and liquidity, that need to be retained to absorb losses under stress scenarios.
2.1.1 2.1.2	Prudential framework, methodologies, and climate risks	l) Integration of climate-related risks into prudential regulation (including macroprudential stability tools) ▪ Prudential regulation is a type of financial regulation that requires financial institutions to control risks and hold adequate capital as defined by capital requirements, liquidity requirements, by the imposition of concentration risk (or large exposures) limits, and by related reporting and public disclosure requirements and supervisory controls and processes. ▪ Prudential regulation can be split into micro prudential regulation that focuses on individual firms and making sure that they can withstand shocks and macroprudential regulation that looks at the whole financial system and systemic risk.
2.1.1 2.1.2	Prudential framework, methodologies, and climate risks	m) Regulation on ESG data providers and rating agencies ▪ Refers to the regulations supervising the practices of such players (quality of information, availability, harmonisation, etc.).
2.1.1 2.1.2	Carbon	n) Carbon pricing mechanism (carbon tax, Emission Trading System, etc.) ▪ Carbon pricing mechanisms are instruments that capture the external costs of greenhouse gas (GHG) emissions and tie them to their sources through a price, usually in the form of a price on the carbon dioxide (CO2) emitted. ▪ Carbon pricing can take different forms and shapes, such as Emissions Trading System (ETS), carbon taxes, offset mechanisms, results-based climate finance (RBCF), internal carbon pricing, etc, as defined by the World Bank.
2.1.1 2.1.2	Carbon	o) Carbon footprint disclosure including scope 3 (covering at least 80% of scope 3 emissions) ▪ Carbon footprint disclosure refers to the mandatory disclosure of greenhouse gas (GHG) emissions data by corporate companies and financial institutions, as defined by the GHG protocol for scopes 1, 2 and 3.

Glossary – Questions 2.1.1 & 2.1.2 – (3/3)

Qu.	Item	Definition
2.1.2	Impact level	▪ **Limited scope:** the policy or regulation targets one to a few of the asset classes/ financial services available in the FC. ▪ **Extended scope:** the policy or regulation targets most if not all the asset classes/ financial services available in the FC (at least 80% of asset classes and financial services available). ▪ **No specific requirements:** the policy or regulation does not include any requirements but mostly issues guidelines/best practices that financial actors are free to follow or ignore; there is no coercive measure included for non-complying actors. ▪ **Specific requirements:** the policy or regulation includes detailed requirements that financial actors need to apply with (may depend on various thresholds - e.g. funds that manage more than 500 million must disclose information etc.); coercive measures are included against non-complying actors.

Glossary – Questions 2.2.1

Item	Definition
a) Subsidies (e.g., guaranteed price for electricity from renewable sources)	▪ A subsidy is a benefit given to an individual, business, or institution, usually by the government. In this case, subsidies can be targeted specifically to support sustainable activities (low-carbon transition, SDGs, etc.).
b) Public emission of green, social, or sustainability-linked bonds	▪ As issuers of bonds, Governments and Public bodies can also issue Sovereign Green, Social, and Sustainability-Linked bonds to support public spending in contributing to strategic initiatives surrounding climate, the low-carbon transition or the achievement of the SDGs and catalysing local green finance markets and attracting new investors.
c) Tax incentives targeting green, social, or sustainability-linked bonds d) Tax incentives targeting green, social, or sustainability-linked loans e) Tax incentives targeting sustainable financial products other than bonds and loans	▪ Tax incentives are public policy tools focused on improving the risk-return profile of sustainable investments by improving real returns to investors, or by making it cheaper for issuers to issue sustainable financial products (bonds, loans, etc.). ▪ There are different types of tax incentives policy makers can put in place to support sustainable investments. The incentives can be provided either to the investor or to the issuer, for example (non-exhaustive list): Tax credit, Direct subsidies, Tax-exempt products, Reduced income tax rates, Tax holidays, Investment allowances, Accelerated or free depreciation.
f) Blended financing instruments	▪ The OECD defines blended finance as "the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries." The term blended finance thus implies the mixing of both public and private funds through a common investment scheme or deal, with each party using their expertise in a complementary way.
g) Risk sharing mechanisms and guarantees	▪ The risk-return ratio for investors can be improved in two main ways: increase returns, or share/decrease risks. To share or reduce risks, a wide range of policy tools is available (non-exhaustive list): public guarantees or publicly backed insurance among others.
h) Publicly backed / state-owned funds and institutions	▪ Publicly backed / state-owned funds and institutions refers to any investment fund or financial institution owned or backed by a public institution, whose objectives usually meet the public interest such as economic development, low-carbon transition, achieving the SDGs, etc.
i) Capital requirement modulation	▪ Capital requirements (also known as regulatory capital) are standardised regulations in place for banks and other depository institutions that determine how much liquid capital (that is, easily sold securities) must be held vis-a-vis a certain level of their assets. Capital requirement modulation thus works on these regulatory capital and equity requirements and to adjust the ability to grant loans in order to either, boost investments for transition, or sanction brown financing. It could imply a bonus/penalty system.
j) Monetary policy (Central Bank open market policy operations)	▪ Monetary policy is an open market policy, in which the Central Bank receives securities and provides in return refinancing to banks. Central Banks can adjust its open market policy by applying haircuts (lower-than-market value placed on an asset being used as collateral for a loan) and high quality liquid assets (HQLA) for which the Central Bank could accept for example only green bonds or green securities depending on an ESG score.
Awareness levels within private sector institutions	▪ **Low awareness:** the instrument or incentive is underused and remains somewhat confidential, there is limited communication and only a few financial institutions are implementing it or communicating about the instrument and incentive. ▪ **Medium awareness:** at least 50% of the 10 biggest financial institutions present in your FC have implemented the instrument or incentive, public bodies are communicating about the instrument and incentive. ▪ **High awareness:** at least 80% of the 10 biggest financial institutions present in your FC have implemented the instrument or incentive, public bodies are extensively communicating about the instrument and incentive.

Glossary – Questions 2.3.1, 2.3.2, 2.3.3, 2.3.4 & 2.3.5

Q°	Item	Definition
2.3.1	Emissions Trading System (ETS)	▪ An Emission Trading System (ETS), also known as a cap-and-trade system, sets a mandatory limit or cap on GHG emissions on a predefined set of emission sources. ▪ Tradable allowances (tradable emissions permits issued, representing the right to generate a metric ton of carbon dioxide equivalent (CO2e)), are allocated to the emitters covered under the cap.
2.3.2	Carbon crediting mechanism	▪ Climate crediting mechanisms (also called Carbon crediting mechanism) enable entities, for which the cost of reducing emissions is high, to pay low cost emitters for carbon credits that they can use towards meeting their emission reduction obligations, or for voluntary or trading purposes. ▪ Such mechanisms are also known as a baseline-and-credit system, where baseline emissions levels are defined for individual regulated entities and credits are issued to entities that have reduced their emissions below this level. These credits can be sold to other entities exceeding their baseline emission levels.
2.3.3	Measurement, Reporting, and Verification (MRV) system	▪ A Monitoring, Reporting and Verification (MRV) system refers to all measures which countries take to collect data on GHG emissions, mitigation actions and support.
2.3.4	Voluntary offsetting service	▪ Voluntary carbon offsetting mechanisms are generated by individuals, companies, organisations, etc. who purchase carbon offsets to mitigate their GHG emissions to meet voluntary GHG reduction targets (e.g. carbon neutral, net-zero or other established emission reduction goals). ▪ The voluntary carbon market is facilitated by certification programs that generate carbon offset credits. These programs generate carbon offset credits provided that an emission reduction activity meets all program requirements, applies an approved project protocol (also called a methodology), and successfully passes third party review (also called verification).
2.3.5	'Shadow' carbon price	▪ An internal or shadow price on carbon is a tool an organisation uses internally to guide its decision-making process in relation to climate change impacts, risks and opportunities. ▪ A shadow price on carbon creates a theoretical or assumed cost per ton of carbon emissions. It is used to better understand the potential impact of external carbon pricing on the profitability of a project, a new business model, or an investment.

Glossary – Question 2.4.1

Item	Definition
a) Basic knowledge on sustainability and sustainable development	▪ What is sustainable finance? What are the Environmental, Social & Governance (ESG) factors of investment? How sustainability impacts businesses? Why does sustainability matter for Financial Services' companies? What are the Sustainable Development Goals (SDGs)?
b) Knowledge on sustainability-related tools, standards, frameworks, commitments, initiatives, and international networks	▪ E.g., Sustainable Development Goals (SDGs), UN Principles for Responsible Investing (UN PRI), Task Force on Climate-related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP), Sustainability Accounting Standards Board (SASB), Partnership Carbon Accounting Financials (PCAF), Science-Based Target for Financial Institutions (SBTi), Network for Greening the Financial System (NGFS), etc.
c) Knowledge on sustainable investment	▪ Assessing sustainability projects in terms of risk and return, cash flow analysis from sustainable investments, green financial instruments analysis, integration of ESG factors in fundamental investment analysis and performance measurement based on ESG criteria, etc. Knowledge on guidelines and standards such as CBI's Green bonds framework, proposed EU Green Bond standard, etc.
d) Knowledge on sustainable financial products	▪ Knowledge on sustainable finance offerings designed by financial institutions; including sustainable product design; integrating sustainable finance attributes into the processes which deliver the product; selling and informing investors/users – reporting, etc.
e) Knowledge regarding sustainable and green local and/or international regulations	▪ Local and international regulations (e.g., European Commission's Action Plan for Financing Sustainable Growth and it's aims, including the proposed Taxonomy). Application and implementation of sustainable finance regulations and recommendations on disclosures, facilitating sustainable investment and benchmarks.
f) ESG skill levels within core business functions and integration of SDGs into business strategy/	▪ Including Investment / Analytical Skills as relates to Investment Analysis (public and private equity); Credit Analysis (public and private debt); and Project Analysis (hard assets); valuation of SDGs-related business actions (e.g., delivering standards of living and social benefits to employees that go beyond local regulation; introducing circular economy innovations into production capacity investments, etc.).
g) Identification and management of climate related and ESG risks	▪ Including Environmental and Social Risk Analysis (ESRA) in lending, assessing the credit risks and opportunities from physical climate change and the low-carbon economic transition, etc. Scenario-based analysis, integration of climate-related risks and impacts in equities, integration of climate-related risks and impacts in insurance, etc.

Glossary – Section 3.1 – Debt Markets

Q°	Item	Definition
3.1.1 3.1.2	Green, Social and Sustainability-linked bonds	▪ Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance eligible Green Projects (i.e. with environmental or climate benefits), in accordance with the Green Bond Principles (GBP) as defined by the ICMA. ▪ Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance eligible Social Projects (i.e. mitigating social issues or achieves positive social outcomes), in accordance with the Social Bond Principles (SBP) as defined by the ICMA. ▪ Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance a combination of both Green and Social Projects, in accordance with the Sustainability Bond Guidelines (SBG) . Sustainability Bonds are thus aligned with the components of both the GBP and SBP. ▪ Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability or ESG objectives, in accordance with the Sustainability-Linked Bond Principles (SLBP) as defined by the ICMA.
3.1.1	Formalised guidelines	▪ By formalised guidelines, we mean any type of documentation, specific to the financial centre, facilitating the issuance and listing of green, social or sustainability-linked bonds, published by a local public or private body.
3.1.1	Public or private body	▪ A public or private body refers to a supervisory body, an industry association, a university, a think tank, etc.
3.1.2	Other bond standards	▪ The Green, Social and Sustainability Bond market, as it is structured today, is supported by several internationally recognised standards, which can be used by entities wishing to issue such bonds and to fill the AP. ▪ The main bond standards are (non-exhaustive list): ICMA's Green Bond Principles (GBP), ICMA's Social Bond Principles (SBP), ICMA's Sustainability-Linked Bond Principles (SLBP), ICMA's Sustainability Bond Guidelines (SBG), the Climate Bonds Initiative (CBI) Climate Bonds Standard, the People's Bank of China (PBoC) Green Bond Catalogue, among others.
3.1.3	Debt instruments listed	▪ In corporate finance, a listing refers to a company's shares or any type of financial instrument being on the list (or board) of stock that are officially traded on a stock exchange. As other financial instruments, debt instruments such as bonds can be listed on stock exchanges.
3.1.4	Dedicated exchange segment for bond issuance	▪ Dedicated segments provide issuers with a full suite of solutions to support green debt issuance. There are examples of Green Bond Segments on Stock Exchanges, such as the "Luxembourg Green Exchange" dedicated section of the Luxembourg Stock Exchange launched in September 2016 or the "Green and Sustainability bonds" dedicated section of the Swiss Stock Exchange launched in July 2018. ▪ To issue bonds means to develop, register, and sell instruments on the bond market, whether they are corporations or different levels of government.
3.1.5	Volume listed	▪ By volume listed, we mean the market value of the different types of bonds defined above, listed on the stock exchange of your financial centre (on a dedicated segment or not), whether the issuer of the bond (company, organisation, etc.) is local, national or international.
3.1.6	Volume issued	▪ By volume issued, we mean the total value of the different types of bonds defined above, issued by local companies or organisations within the financial centre's geography, region or country, whether the bonds are then listed on the stock exchange in your financial centre or in another foreign stock exchange.

Glossary – Section 3.2 – Capital Markets

Q°	Item	Definition
3.2.1	Specific indices / Stock market Index	▪ A stock market index is a hypothetical portfolio of investments that represents a segment of the financial market. Together, this data forms a picture that helps investors compare and calculate market performance of companies. ▪ Each index serves a unique purpose because different investors are interested in different sectors. ESG and/or sustainability indices are thus designed to represent the non-financial performance of a selected set of companies.
3.2.2	Sustainability-related labels	▪ In recent years, sustainable finance has led to the creation of a dozen specific labels, to offer guarantees on the composition of portfolios in terms of ESG. There are both private and public labels that aim to guarantee a certain composition of portfolio and quality of sustainable financial management.
3.2.2	Third party verified labels	▪ Third-party verification is a process of getting an independent party to confirm the reliability and consistency of the data communicated by a fund and attest the compliance with specific label requirements. Labels based on this process are not purely declarative and the data communicated by the funds must be verified by an independent third party.
3.2.3 3.2.4	ESG and/or sustainability labelled funds	▪ There are two categories of labels: ○ ESG and/or sustainability labelled funds refer to funds whose labels are focused on the integration of all ESG criteria. ○ Green labelled funds refer to funds whose labels are focused on the integration of environmental criteria only.
3.2.3	Number of labelled funds	▪ By the number of labelled funds, we mean the number of individual funds registered with the relevant market authorities of your Financial Centre and awarded a sustainable finance label.
3.2.4	Assets under management	▪ Assets under management (AUM) refer to the total market value of the investments managed by a fund or family of funds, a venture capital firm, brokerage company, or an individual registered as an investment advisor or portfolio manager.

Glossary – Sections 3.3, 3.4 & 3.5 (1/2)

Q°	Item	Definition
3.3.1 3.4.1 3.5.1	Formal commitments	▪ Short-term commitment: target in the next year ▪ Long-term commitment: target in more than 1 year ▪ Quantified target: commitment to a specific, quantified, and public amount of capital
3.3.2 3.4.2 3.5.2	Coal extraction and Coal-fired electricity generation	▪ Excluding companies with more than a certain percentage of their operations in the coal sector is one of the most common methods used by financial institutions to filter out companies. Coal extraction refers to all the activities related to coal mining, i.e. the process of extracting coal from the ground, and the related infrastructures, at the basis of the whole coal sector. ▪ Coal-fired electricity generation refers to all the activities related to coal power plants, i.e. thermal power station which burns coal to generate electricity.
3.3.3 3.4.3 3.5.3	Fossil fuels extraction and development	▪ Fossil fuels extraction refers to all the activities related to fossil fuels mining, and the related infrastructures, related to the transformation and use of fossil fuels at the basis of the entire sector. ▪ Fossil fuels development refers to all the activities of identification of new deposits of fossil fuel and implementation of new infrastructures to exploit these deposits.
3.3.4 3.4.4 3.5.4	TCFD recommendations	▪ The Task Force on Climate-Related Financial Disclosures (TCFD) is an organisation developing a set of voluntary climate-related financial risk disclosures for companies. TCFD recommendations suggest that companies should structure their climate-related information around 4 thematic areas and 11 recommended disclosures (please visit the TCFD website for more details): 1. Governance 2. Strategy 3. Risk management 4. Metrics and targets ▪ Partial application means institutions apply the TCFD recommendations in their climate reporting on at least 1 of the 4 thematic areas. ▪ Partial application means institutions apply the TCFD recommendations in their climate reporting on all of the 4 thematic areas.
3.3.5 3.4.5 3.5.5 3.3.6 3.4.6 3.5.6	Equator Principles PRB – Principles for Responsible Banking PRI – Principles for Responsible Investment PSI – Principles for Sustainable Insurance	▪ The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in project finance. ▪ Endorsed by the UNEP FI, the Principles for Responsible Banking (PRB) are a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. ▪ The Principles for Responsible Investment (PRI), a UN-supported organisation, are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. ▪ Endorsed by the UNEP FI, the Principles for Sustainable Insurance (PSI) are a framework for the insurance industry to address environmental, social and governance (ESG) risks and opportunities into insurance underwriting.
3.3.7 3.4.7 3.5.7	SDGs framework	▪ In these questions we aim to assess the explicit use of the SDG framework to drive the business of financial institutions (i.e. banks, asset managers and insurers in these questions) and their action towards a more sustainable financial system. ▪ By explicit use of the SDG framework, we mean the identification of one or more SDGs, or even precisely identified underlying SDG targets, and the explicit mention of these targeted SDGs in the communication of financial institutions. The SDGs framework can thus be used at different levels of commitment by financial institutions, as defined in Definitions 1.5.

Glossary – Sections 3.3, 3.4 & 3.5 (2/2)

Q°	Item	Definition
3.3.8 3.4.8	2-degree climate scenario analysis methodology	▪ 2°C or lower scenario methodologies can especially be used to stress-test financial performance against a low-carbon transition in line with the Paris Agreement. ▪ Climate scenario methodologies can assess either or both type of climate risks. ▪ There are many scenario analysis methodologies and providers that offer diverse and continually improving analyses. Non-exhaustive lists of methodologies can found in the UNEP FI report (2019) or in the Coalition of Finance Ministers for Climate Action Study (2021). ▪ Climate scenario analysis is also part of the recommendations of the TCFD (see Definitions 3.x.4), which outline the need for corporate and financial institutions to conduct forward-looking scenario-based assessments of climate-related risks and opportunities.
3.3.11 3.4.11	Global Coal Exit List	▪ Endorsed by Urgewald, a German-based environment NGO, the Global Coal Exit List (GCEL) is a comprehensive database of companies participating in the thermal coal value chain and of financial institutions involved in financing these companies. ▪ The list includes compagnies operating in the entire thermal coal value chain in its data sets, including all coal-related revenue streams. For each GCEL compagnies, the related banks and investors financing their activity are identified.
3.4.9	Negative screening policy	▪ The PRI defines negative screening as the use of a set of filters to determine which companies, sectors or activities are ineligible to be included in a specific portfolio. These criteria might be based on an investor's preferences, values and ethics. Negative screening is one of several widely used tools that investment managers or asset owners can use to implement a responsible investment policy across their investments, that can be used when considering ESG issues in portfolio construction and asset selection.
3.4.9	ESG integration policy	▪ The PRI defines ESG integration as the explicit and systematic inclusion of ESG issues in investment analysis and investment decisions. ▪ Put another way, ESG integration is the analysis of all material factors in investment analysis and investment decisions, including environmental, social, and governance (ESG) factors.
3.4.10	Thematic fund	▪ Thematic funds refer to funds which focuses on predicted long-term trends rather than specific companies or sectors, enabling investors to access structural, one-off shifts that can change an entire industry. Thematic funds can focus on certain themes or objectives related to the achievement of the SDGs
3.5.8	Green and sustainable insurance policies	▪ Green and/or sustainability driven insurance can be defined as insurance that not only covers people or companies in case of injury or damage, but also contributes to protecting our environment or positively contributing to a sustainable development goal. ▪ There is no universally accepted definition of such insurance policies.
3.5.9	Impact-driven policies	▪ Impact-driven policies focus on business models and products and services companies produce. In this sense, impact-driven policies aim to positively impact society beyond ESG-related compliance and risk monitoring. ▪ There is no universally accepted definition of such insurance policies.

Thank you

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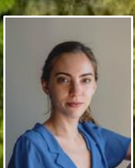

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The FC4S Assessment Programme being a declarative survey, answers provided by the 29 responding centres were corrected only when questions were misunderstood and answers were not consistent with other parts of the survey. As such, this report is solely based on the information disclosed by FC4S members.

The evaluation proposed in the executive summary section of this report 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.