2022 SUSREG ANNUAL REPORT

AN ASSESSMENT OF SUSTAINABLE FINANCIAL REGULATIONS AND CENTRAL BANK ACTIVITIES

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WWF is one of the world's most respected and experienced conservation organisations, with over 5 million supporters and a global network active in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which people live in harmony with nature. WWF has worked with the finance sector for more than a decade via innovative collaborations that seek to integrate ESG risks and opportunities into mainstream finance, to redirect financial flows in support of the global sustainable development agenda. Through its Greening Financial Regulation Initiative (GFRI), WWF engages specifically with central banks, financial supervisors as well as insurance regulators on the need to fully integrate climate, environmental and social risks into mandates and operations. The GFRI tracks regularly how central banks and supervisors are making progress via its SUSREG tool. It also undertakes research, capitalising on in-house expertise and external partners, and offers targeted assistance, trainings and workshops to individual financial supervisors, central banks, and policy makers using scientifically based data, tools, and methodologies. For more information visit our website at panda.org/gfr or contact our secretariat through gfr@wwf.ch

"THE 2022 GLOBAL LIVING PLANET INDEX SHOWS AN AVERAGE 69% DECREASE IN MONITORED WILDLIFE POPULATIONS BETWEEN 1970 AND 2018. UNLESS WE CONSERVE AND RESTORE BIODIVERSITY, AND LIMIT HUMAN-INDUCED CLIMATE CHANGE, ALMOST NONE OF THE SDGS CAN BE ACHIEVED."

LIVING PLANET REPORT 2022:
BUILDING A NATURE-POSITIVE SOCIETY
OCTOBER 2022

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EXECUTIVE SUMMARY

"TODAY'S NEGATIVE ENVIRONMENTAL IMPACTS ARE TOMORROW'S FINANCIAL RISKS AND INACTION ON CLIMATE CHANGE AND BIODIVERSITY LOSS IS NOT NEUTRAL BUT AGGRAVATING THE SITUATION."

WWF'S CENTRAL BANKING AND FINANCIAL SUPERVISION ROADMAP: TRANSITIONING TO A NET ZERO AND NATURE POSITIVE ECONOMY | SEPTEMBER 2022

Momentum is building among central banks and financial supervisors to play a role in addressing climate change and reversing nature loss. Climate change and nature loss are key drivers of financial risks, impacting price and market stability, and should therefore be tackled as an integral part of central banking and financial supervisory activity mandates. In several jurisdictions, preliminary broad-stroke analyses of the financial system's exposure to nature across sectors show significant macroeconomic and financial implications.

Across emerging and developing jurisdictions, taxonomies of sustainable activities have been launched to help financial institutions identify and evaluate financing and investments that meet respective climate- and environment-related Sustainable Development Goals (SDGs). Yet, neither science-based metrics and thresholds nor 'brown' taxonomies are fully in place as a necessary complement to 'green' taxonomies. This puts at risk not only the financial stability of the markets and the solvency of the financial institutions they supervise but also the entire future well-being and prosperity of humanity.

As a global science-based conservation organisation, WWF, through its Greening Financial Regulation Initiative (GFRI)[1] engages with central banks, financial regulators and supervisors across the world, to ensure the financial system fully accounts for climate- and nature-related risks and becomes a driving force behind a net zero and nature-positive economy. In September this year, WWF and more than 90 organisations (including think tanks and opinion leaders in the academic and finance world) have been calling on central banks and financial supervisors to act as precautionary agents in addressing the twin crisis posed by climate change and biodiversity loss.[2] The Central Banking and Financial Supervision Roadmap[3,4] by GFRI, sets out tangible steps for central banks and financial supervisors on transitioning to a net-zero and nature-positive economy.

WWF is annually monitoring and reporting on progress via its SUSREG Tracker[5] and annual report to improve the understanding of how central banks and supervisors address the twin crisis and integrate environmental and social (E&S) risks into their activities and daily operations. This year's annual report also shares good practices and identifies gaps in green financial regulation and central banking that must be addressed to achieve a nature-positive economy. The SUSREG assessment has been extended this year to cover regulations pertaining to the insurance industry, enabling the assessment of progress made by insurance regulators and supervisors.

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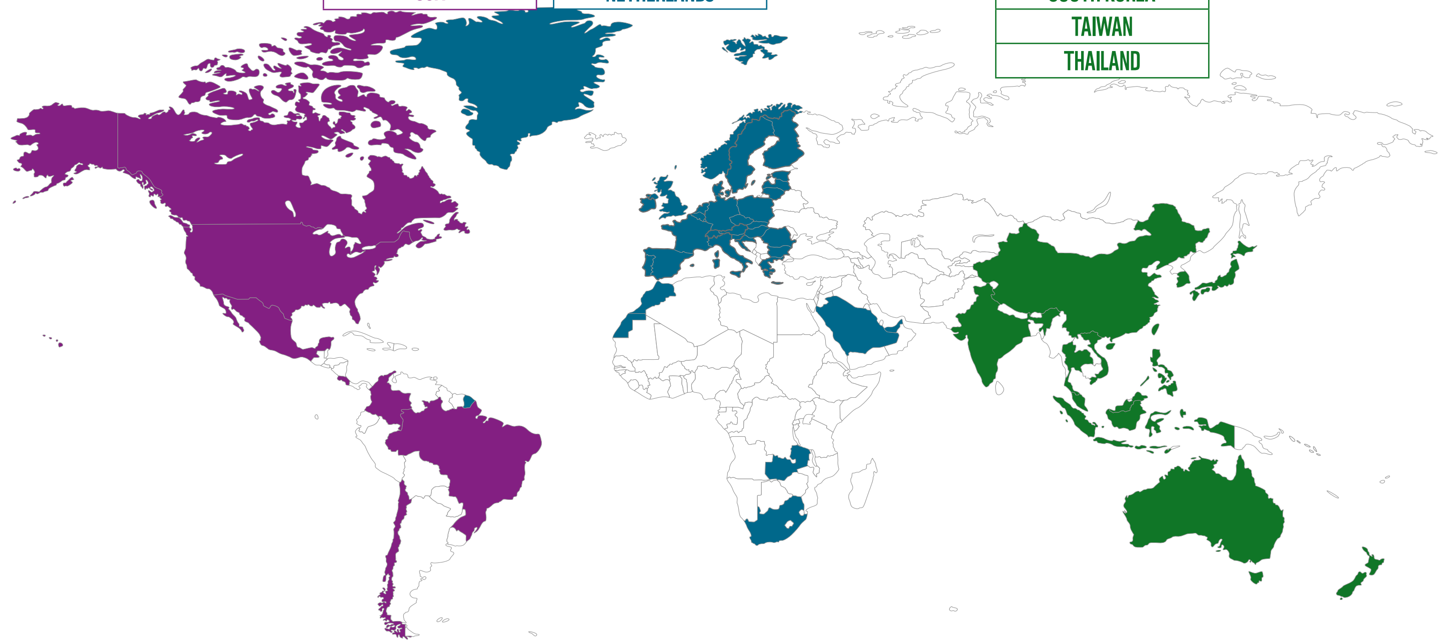

The assessment has expanded from 38 jurisdictions in 2021 to 44 jurisdictions in 2022 across the Americas, EMEA (Europe, Middle East, and Africa), and APAC (Asia Pacific), representing over 88% of the global GDP and 72% of global GHG emissions, and 11 of the 17 most biodiversity-rich countries in the world. Most of these are members and observers of the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Forty-two jurisdictions were assessed on both banking and insurance (Saudi Arabia and Zambia were assessed only on banking, while Bermuda and Taiwan only on insurance).

"THE NGFS ACKNOWLEDGES THAT NATURE-RELATED RISKS, INCLUDING THOSE ASSOCIATED WITH BIODIVERSITY LOSS, COULD HAVE SIGNIFICANT MACROECONOMIC IMPLICATIONS, AND THAT FAILURE TO ACCOUNT FOR, MITIGATE, AND ADAPT TO THESE IMPLICATIONS IS A SOURCE OF RISKS FOR INDIVIDUAL FINANCIAL INSTITUTIONS AS WELL AS FOR FINANCIAL STABILITY. CENTRAL BANKS AND SUPERVISORS SHOULD THEREFORE ADEQUATELY CONSIDER THESE RISKS FOR THE FULFILMENT OF THEIR MANDATES."

NGFS TASK FORCE "BIODIVERSITY LOSS AND NATURE-RELATED RISKS" MANDATE | APRIL 2022 / APRIL 2024

"NO G7 COUNTRY'S CORPORATE SECTOR IS ALIGNED WITH THE PARIS AGREEMENT'S 1.5°C GOAL."

MISSING THE MARK: 2022 ANALYSIS OF GLOBAL CDP TEMPERATURE RATINGS | SEPTEMBER 2022

THIRTEEN RECOMMENDATIONS TO CONSIDER IN THE SHORT TERM

(MINIMUM REQUIREMENT FOR CENTRAL BANKS AND FINANCIAL SUPERVISORS)

INTEGRATION OF ENVIRONMENTAL AND SOCIAL RISKS AND OPPORTUNITIES IN THE OVERALL STRATEGY AND ROADMAP

01. **Publish transition plans to a low-carbon, nature-positive economy:** Central banks and financial supervisors must lead by example and provide necessary clarity and forward guidance to financial markets actors by publishing their own clear and detailed transition plan (with clear quantifiable climate and biodiversity goals for 2025, 2030, and 2050 covering all central banking, financial regulation, and supervision activities). This should be reinforced with measures for contributing to a net-zero and nature-positive financial sector in line with its mandate. Central banks and financial supervisors must request all regulated financial institutions to publish yearly, detailed net-zero and nature-related transition plans regarding all their investment, lending, and underwriting practices.

02. **Officially set science-based, climate- and environmental-related nominal anchor:** Central banks should officially define a 1.5°C or well below 2°C nominal anchor as part of their objectives, underpinned by a plan of reaching net-zero CO_2 emissions of the economy by 2050. Central banks should also define a 'full biodiversity recovery by 2050' nominal anchor as part of their objectives which is underpinned by a plan to reach a nature-positive economy by 2030.

03. **Integrate nature-related risks and opportunities:** Central banks should consider climate and nature as a single twin crisis and ensure their monetary policy implementation does not contribute to climate change and nature loss. Financial supervisors should stop the financial contribution to climate change and nature loss using all available tools at micro- and macro-levels. Loss of trees and other vegetation is a cause of various phenomena exacerbating climate change and nature loss (loss of habitats, increased greenhouse gas emissions (GHG), disruption of the water cycle, and soil erosion) but also putting our economies and health at risk. Central banks and financial supervisors should take the necessary steps to stop deforestation, ensuring they are not participating in it and asking financial institutions whether and how they integrate deforestation and wider habitat conversion issues in their decision-making, risk management processes and policies, with minimum requirements. Financial institutions should not be associated, at the very least, with any type of business relationship with illegal deforestation, conversion of Key Biodiversity Areas, Protected Areas, and World Heritage Sites. Central banks and supervisors should further develop a risk-based classification framework for sectors and assets exposed to biodiversity loss, which may enhance the data required for stress-testing and scenario analyses and reallocate capital flows from biodiversity-negative to -positive projects. Lastly, supervisors should mandate financial institutions to report their management of nature-related risk and opportunity based on the Taskforce on Nature-related Financial Disclosures (TNFD) framework.

SUPERVISION (BANKING AND INSURANCE)

04. **Set clear and minimum supervisory E&S expectations and reflect them in supervisory requirements:** Financial supervisors should plan, set, and publicly declare minimum expectations to send the necessary signals to financial markets. Supervisors and regulators should set minimum capital requirements or capital add-ons (and liquidity ratios for banks) for financial institutions to incorporate E&S considerations, through a differentiated risk-based approach. Supervisors should use all supervisory tools (concentration limits, calibration of capital, liquidity requirements, etc.) to reflect the risks embedded in banks' lending to and insurers' underwriting of companies included in the 'always environmentally harmful filter list'.[6]

05. **Make full use of macro-prudential tools to prevent systemic risks triggered by climate change and nature loss:** Supervisors should issue prudential rules to limit the exposure of financial institutions for certain activities, to prevent and protect against the build-up of systemic risk related to E&S. Specific capital requirements for banks and insurers to incorporate a macro-prudential buffer for systemic E&S risks should be considered to foster long-term financial stability.

SUPERVISION (BANKING AND INSURANCE)

06. **Promote robust and mandatory disclosure of climate- and nature-related risks and opportunities:** Supervisors should require financial institutions to include information about their E&S strategy and its implementation in their annual report, in both quantitative and qualitative terms, either directly or by referencing other separate publications. The reporting on the strategy's progress needs to include information on potential non-achievement of related targets and planned activities to realign, set, and/or adapt their strategy. In addition, supervisors should actively support initiatives to address E&S data availability and quality issues, including promoting open-source solutions. This must be supported by concrete recommendations or actions from the supervisors and not remain just a general statement of encouragement. Mandatory disclosure and robust assurance based on internationally-recognised frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD) and TNFD, would enhance data quality and availability.

07. **Set targets and taxonomy alignment:** Supervisors should expect financial institutions to set climate science-based targets and keep up to date with the latest climate science, to align their portfolios with the objectives of the Paris Agreement, as well as set science-based targets at the portfolio level to mitigate negative environmental impacts beyond climate. Banks should be expected to publicly disclose the share of their total lending portfolio (and insurers their total underwriting portfolio) that is aligned with existing classification systems for sustainable or unsustainable activities (taxonomies).

08. **Apply scenario analysis and assess tipping points:** Financial institutions should continually assess and manage their exposure to material E&S risks, by using science-based, forward-looking scenario analysis and stress testing, over the short-, medium- and long-term. Such scenarios should also integrate likely or probable physical tipping points, such as the melting of the Greenland ice cap or the disintegration of the West Antarctic ice sheet.

SUPERVISION (INSURANCE-SPECIFIC ISSUES)

09. **Apply consistency between assets and liabilities:** In many cases, insurance supervision concerning E&S issues is more developed for the investment activities of insurance companies than for their traditional insurance activities. Consistent supervisory expectations should be developed and enforced for both sides of insurers' balance sheets to ensure, for example, that insurers do not keep underwriting risks for harmful activities that they have started phasing out of their asset portfolios.

10. **Reduce the protection gap:** As climate change, biodiversity collapse, or A.I.-enabled underwriting develop, entire sections of the general population (often the most vulnerable) may lose access to insurance as premiums increase or covers are withdrawn. Governments and insurance supervisors should decisively act to reduce this protection gap through a combination of Public-Private Partnerships, insurance mandates, product innovation, and capital or tax incentives.

11. **Understand the role of the reinsurance system:** The equivalent for insurers of central banks is the mostly private and decentralised network of reinsurance companies. These reinsurers are often the ultimate underwriters of several E&S risks (such as natural catastrophes). Insurance supervisors should examine this specific role of the reinsurance system when it comes to E&S issues and, where relevant, leverage reinsurers' expert knowledge of these risks.

CENTRAL BANKING AND MONETARY POLICY

12. **Integrate E&S in central bank's collateral framework and subsidised loans:** Central banks need to make full use of their monetary policy toolkit, both to reflect the risks derived from environmental and social issues as well as to ensure that their actions promote the transition to a low-carbon and more sustainable economy. Central banks' collateral framework should take E&S considerations into account by integrating historical- and forward-looking, quantitative, and qualitative climate- and nature-related (e.g., deforestation and habitat conversion risk) metrics and social considerations. Central banks should also offer subsidised loans or preferential targeted refinancing lines based on E&S considerations.

ENABLING ENVIRONMENT

13. **Use tools such as science-based taxonomies covering both sustainable and unsustainable activities and efficient carbon pricing:** When designed and implemented consistently, these can prove to be powerful levers to complement and reinforce other regulatory actions. Financial and non-financial regulators and policymakers should define and publish disclosure principles and templates for E&S risks and impacts, and make disclosure mandatory for corporations. They should request annual disclosure of GHG emissions as well as nature-related and social impacts by corporations and encourage the disclosure of supply chain data.

MAIN PROGRESS

BANKING AND INSURANCE

01.	**Regulations or supervisory expectations (1.1.0)*:** Sustainable banking regulations or supervisory expectations have been issued and applied by 62% of all banking jurisdictions in the assessment in 2022, compared to only 35% in 2021. Around 62% of the insurance jurisdictions assessed also do so.
02.	**Business and risk strategy (1.2.1):** Across the jurisdictions assessed, 84% are fully or partially integrating climate considerations into financial institutions' business and risk strategies.
03.	**Integration in policies and processes (1.3.5):** Globally, 83% of banking supervisors and 74% of insurance supervisors included in the assessment have full or partial expectations for banks to integrate climate in their decision making and risk management processes and policies.
04.	**Disclosure in annual report (1.6.4):** Around 70% of all assessed banking supervisors and 56% of all assessed insurance supervisors include at least a partial disclosure expectation around climate, environment and/or social matters.
05.	**Pricing incentives (1.4.12, specific to insurance):** Seventeen jurisdictions (including 10 in EMEA, thanks to initiatives in the European Union) are encouraging insurers to include underwriting and pricing incentives for their clients to mitigate E&S risks.

ENABLING ENVIRONMENT

06.	**Carbon pricing (3.1.7):** A carbon pricing mechanism is being implemented in 29 of the 44 surveyed jurisdictions (66%). There is a voluntary carbon pricing system, a pilot scheme, or a limited mechanism in place for an additional nine jurisdictions.
07.	**National-level sustainability strategy (3.1.8):** Almost all jurisdictions have a national-level strategy related to climate, although only 20 explicitly include the financial sector in their climate strategy. Thirty-one assessed jurisdictions have national environmental strategies.

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* This and the similar numberings are the reference to indicator numbers, in which the full list of indicators can be found in Annex 3 of the full SUSREG annual report 2022.

MAIN GAPS AND EXPECTED ACTIONS FOR BANKING

BANKING SUPERVISION

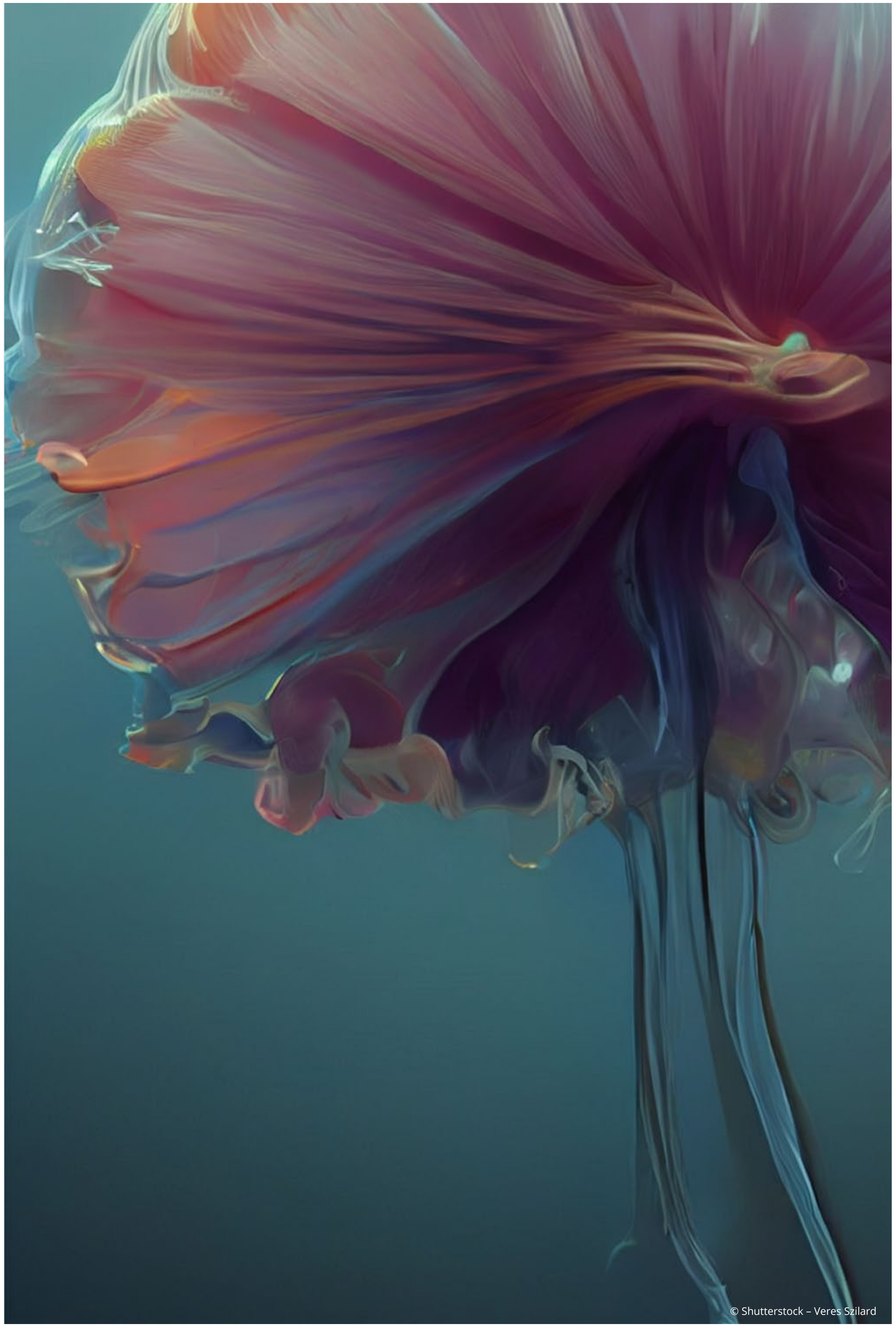
SUPERVISORY EXPECTATIONS	GAPS	EXPECTED ACTIONS
MICRO-PRUDENTIAL SUPERVISION: POLICIES AND PROCESSES	**Integration of nature-related risks (1.3.6):** While about 20% jurisdictions have nature-related issues listed among a list of general considerations, 80% jurisdictions do not have any supervisory considerations.	Supervisors should ask whether and assess how banks integrate nature-related risks and impacts, including deforestation and wider habitat conversion issues, in their decision-making, risk management processes and policies. Supervisors should also ask banks to get ready to disclose their material nature-related risks according to the TNFD framework.
	Data and IT infrastructure (1.3.11): Expectations towards integrated data and IT systems covering climate and environmental risks are not applicable in 60% of the jurisdictions surveyed. For social matters, only four jurisdictions include such expectations.	Supervisors should communicate expectations towards banks to develop systems integrated into the banking group's broader data governance and IT infrastructure to collect and aggregate E&S risk and impact data effectively.
MICRO-PRUDENTIAL SUPERVISION: PORTFOLIO RISKS & IMPACTS	**Climate and nature target setting (1.4.4 and 1.4.5):** Paris-alignment expectations are set in only two jurisdictions and science-based target setting to mitigate negative environmental impacts beyond climate is applicable in only one jurisdiction worldwide.	There should be an expectation for banks to keep up to date with the latest climate science and set climate science-based targets to align their portfolio with the objectives of the Paris Agreement (this can also be expressed as temperature targets, i.e., well below 2°C or 1.5°C).
MICRO-PRUDENTIAL SUPERVISION (RULE-BASED)	**Minimum capital requirements (1.5.2) and liquidity ratios (1.5.4):** The incorporation of E&S considerations in minimum capital requirements and liquidity ratios is still work-in-progress globally, with no surveyed jurisdiction having set fully formed expectations. For capital requirements, there are only partial expectations for eight jurisdictions on climate, for four jurisdictions on other environmental issues, and for two jurisdictions on social matters. For liquidity ratios, only four jurisdictions have defined partial expectations.	Banking regulators or supervisors should incorporate risk-based E&S considerations, focusing on the most environmentally harmful sectors (for C&E) in the calculation of either minimum capital requirements or capital add-ons for banks, and liquidity ratios (either the liquidity coverage ratio or the net stable funding ratio) through a differentiated risk-based approach. There should be an explicit mention of climate / E&S risks being considered in the relevant calculation.
DISCLOSURE & TRANSPARENCY	**Disclosure against taxonomy (1.6.6):** Banks are expected to publicly disclose the share of their total lending portfolio that is aligned with existing classification systems for sustainable or unsustainable activities (taxonomies) in 60% of jurisdictions in EMEA particularly in the EU region, however, there are almost no clear expectations in other jurisdictions.	An official taxonomy (covering sustainable and/or unsustainable activities) should be in place and banks should be expected or required to publicly disclose the share of their total lending portfolio that is aligned with such taxonomy. This is key to create a level-playing field, local or regional taxonomies should be harmonised as much as possible globally.
	Disclosure in annual report (1.6.4): The inclusion of E&S considerations in banks' annual reports is increasingly expected in most countries. While about 70% of all surveyed countries include at least a partial expectation around climate, environment and/or social matters, there is limited disclosure requirements on non-achieved targets and taken measures. Such expectations are more mature for APAC and EMEA than for the Americas (where no country scored a full expectation).	Banks should be expected to include information on potential non- achievement of related targets and planned activities to re-align to set strategy and/or adapt strategy. There should be mandatory disclosure based on internationally recognised frameworks such as the TCFD and TNFD.
MACRO-PRUDENTIAL SUPERVISION	**Exposure limit (1.7.5):** The assessed supervisors have not yet issued prudential rules to limit the exposure of banks to certain activities (in two jurisdictions, initiatives have been announced but are yet to come into force).	Supervisors should issue prudential rules to limit the exposure of banks to the most environmentally harmful activities, including phase-out plans and targets, in order to prevent and protect against the build-up of systemic risk, based on E&S considerations.
	Systemic E&S risks in capital requirements (1.7.6): Specific capital requirements for banks to incorporate macro-prudential buffers for systemic E&S risks are only applicable in three jurisdictions.	Specific capital requirements for banks should incorporate a macro-prudential buffer to limit the exposure of financial institutions to certain activities and prevent the build-up of systemic E&S risks in the financial system, particularly with regards to climate and environmental risks.

LEADERSHIP & INTERNAL ORGANIZATION

GAPS	EXPECTED ACTIONS
Supervisor's E&S strategy (1.8.2): Only 17% of supervisors in the assessed jurisdictions have published official climate strategies or roadmaps that include a science-based transition plan.	Supervisors should publish an official E&S strategy or roadmap that includes a science-based transition plan with associated measures for contributing to a net-zero and nature-positive financial sector, in line with its mandate. Additionally, the roadmap should contain explicit definition of relevant terms or clear reference to sources which serve as basis for understanding of E&S related risks and impacts.
Data quality initiatives (1.8.8): Only 13 banking supervisors are supporting E&S data quality improvement initiatives and providing concrete recommendations and proposed actions, mostly in the Americas and APAC. Another 10 countries have declared themselves supportive in principle but have not provided yet any concrete support or recommendations.	Supervisors should actively support initiatives to address E&S data availability and quality issues, including through the promotion of open-source solutions. Mandatory sustainability disclosures and robust reporting assurance based on internationally recognised frameworks such as the TCFD and TNFD would enhance data quality and availability.

CENTRAL BANKING

SUPERVISORY EXPECTATIONS	GAPS	EXPECTED ACTIONS
MONETARY POLICY	**Collateral framework (2.1.2):** Most central bank collateral frameworks do not integrate E&S considerations, and only nine central banks (all in EMEA and APAC) currently have some sort of expectation in this area.	Central banks' collateral framework should take E&S considerations into account and should do so by integrating historic and forward-looking, quantitative and qualitative climate- and nature-related (e.g., deforestation and conversion risk) metrics and social considerations.
	Subsidised and targeted loans (2.1.4): Central banks offer subsidised loans based on climate considerations in only two APAC jurisdictions. Three additional jurisdictions in APAC and EMEA have a similar mechanism in place but only for a limited number of underlying sectors/activities and/or with limited details on the criteria and standards used.	Central banks should offer subsidised loans or preferential targeted refinancing lines based on E&S considerations, and information on the specific criteria and standards used should be published. Banks that are highly exposed to climate-related risk or deforestation with no reasonable efforts to eliminate these risks (e.g., no clear policy in place), should face more stringent refinancing conditions.
LEADERSHIP & INTERNAL ORGANISATION	**Nominal anchors (2.2.2):** Central banks have defined a 1.5°C or well below 2°C nominal anchor as part of their objectives in only 6 jurisdictions. Full biodiversity recovery by 2050 is the objective of only 2 central banks. Social considerations are included in the main objectives of only 1 central bank.	Central banks should define science-based, climate and environmental-related nominal anchors as objectives beyond conventional ones and governments should set the required framework for central banks to enable them to do so where necessary.



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MAIN GAPS AND EXPECTED ACTIONS FOR INSURANCE

INSURANCE SUPERVISION

SUPERVISORY EXPECTATIONS	GAPS	EXPECTED ACTIONS
MICRO-PRUDENTIAL SUPERVISION: POLICIES AND PROCESSES	**Integration of nature-related risks (1.3.6):** Globally, supervisory expectations for insurers to include deforestation in their decision-making, risk management processes and policies is still very uncommon. Only three jurisdictions (all in APAC) have expressed some expectations in this area.	Supervisors should ask whether and assess how insurers integrate nature related risks and impacts, including deforestation and wider habitat conversion issues, in their decision-making, risk management processes and policies.
MICRO-PRUDENTIAL SUPERVISION: PORTFOLIO RISKS & IMPACTS	**Climate target setting (1.4.4):** It is still uncommon for insurance supervisors to include science-based climate targets in their expectations (only 19% of the assessed jurisdictions do so for underwriting and 14% for investment activities of insurers). Notably, a few EMEA jurisdictions put higher expectations on setting climate targets in investment activities.	There should be an expectation for insurers to keep up to date with the latest climate science and set climate science-based targets to align their portfolio with the objectives of the Paris Agreement (this can also be expressed as temperature targets, i.e., well below 2°C or 1.5°C).
	Natural catastrophe claims (1.4.7): Clear expectation towards insurers to have specific response plans for additional claims associated with natural catastrophes is only found in four assessed jurisdictions. One of the EU Taxonomy regulation criteria also indirectly encourages this, so as a result, the EU jurisdictions in scope are partially meeting this indicator.	As climate change and nature loss cause more disasters, insurers and reinsurers should have specific response plans for timely managing significant additional claims associated with natural catastrophes.
MICRO-PRUDENTIAL SUPERVISION (RULE-BASED)	**Enterprise Risk Management framework (1.5.1):** Out of the 42 assessed insurance jurisdictions, only 11 of them (26%) expect insurers to integrate E&S considerations in their Enterprise Risk Management framework (e.g., Own Risk Solvency Assessment or ORSA).	Insurers should integrate both short- and long-term E&S considerations in their Enterprise Risk Management framework (e.g., in their Own Risk Solvency Assessment or ORSA). These expectations may start with climate risk, but should extend over time to broader issues such as nature loss.
	Expectations for reinsurers (1.5.3): Globally, only three supervisors have mentioned expectations reflecting reinsurers' specific role as ultimate carriers of several systemic E&S risks. The other 39 jurisdictions surveyed have not addressed the links between E&S risks and the reinsurance system.	Where applicable, the supervisor should have specific expectations for reinsurers, reflecting their role as ultimate carriers of several systemic E&S risks (such as those linked to climate risk and natural catastrophes).
DISCLOSURE & TRANSPARENCY	**Greenwashing risks (1.6.9):** Most EMEA jurisdictions address greenwashing issues in their expectations towards the investment products sold by insurers (notably due to EU regulation). However, this is usually not the case in the APAC and American jurisdictions assessed, and it is in general not the case for traditional (non-investment) insurance products.	The supervision of conduct risk for insurance products sold by insurers should include provisions related to addressing greenwashing risks, for saving products as well as for traditional insurance products.
MACRO-PRUDENTIAL SUPERVISION	**Exposure limit (1.7.5):** Only three out of the 42 surveyed jurisdictions have asked or required insurers to limit their exposure to certain activities (e.g., thermal coal) to prevent E&S related systemic risk.	Supervisors should issue prudential rules to limit the exposure of insurers to most environmentally harmful activities, in order to prevent and protect against the build-up of systemic risk, based on E&S considerations. This includes concrete phase-out plans and targets, and should cover both investment and insurance activities.
	Obligatory insurance mandates (1.7.6): Only four out of the 42 surveyed jurisdictions issued some form of obligation for insurers to cover E&S related risks. Insurance mandates are still an uncommon policy instrument, despite the rise of climate-related natural catastrophes for instance.	Supervisors should issue obligatory insurance mandates (or similar binding measures such as moratoriums on non-renewals) in relation to E&S risks, with an objective to reduce the protection gap (especially for socially and financially vulnerable populations).

ENABLING ENVIRONMENT – INSURANCE

GAPS	EXPECTED ACTIONS
Public-Private partnerships (3.1.11i): Nine jurisdictions out of 42 have implemented Public-Private Partnerships (PPP) to support the continued provision of insurance for E&S risks.*	Public-Private Partnerships should be put in place to support the continued provision of insurance covering E&S risks (e.g., co-insurance pools). Given the systemic nature of many E&S risks, PPPs should be developed to ensure the insurability of these risks where market mechanisms alone are not sufficient.

Overall, sustainable finance regulation and supervisory expectations are being gradually introduced around the world, often starting with climate. Financial institutions are generally asked to integrate sustainability in their strategy and governance, and disclosure requirements (such as the Corporate Sustainability Reporting Directive (CSRD) in the EU, the disclosure prototypes from International Sustainability Standards Board (ISSB), the climate disclosure proposals from the Securities and Exchange Commission (SEC) in the USA, or the climate disclosure recommendations from the TCFD are being developed. However, concrete prudential measures are still rare. While the integration of risk and impact considerations in policies and processes has started in some leading jurisdictions, much remains to be done to create a global level-playing field incorporating the emerging best practices pointed out in this report.

Given the urgency to act in the face of mounting climate and the environmental crisis, WWF expects central banks and financial supervisors to accelerate the full mobilisation of their monetary policy, regulatory and prudential tools to support a timely and orderly transition towards a more sustainable economy, and for the supervisory expectations to extend beyond climate and cover broader environmental and social topics. In this critical decade of action, ambitious early interventions and international coordination will be the key to success.

It is our hope that the SUSREG framework and tracker will contribute to the strengthening and harmonisation of sustainability practices among central banks and financial regulators worldwide towards adopting nature-positive policies by 2030, limiting global warming to 1.5°C, and achieving net-zero emissions by 2050 or earlier as key anchors for their mandates.

* Note that there is some potential double-counting as the US National Flood Insurance Program also applies for the surveyed State jurisdictions of California and New York.

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