FOREWORD

Against the backdrop of the United Nations' Sustainable Development Goals (SDGs), awareness of sustainability issues has been increasing globally, and efforts for sustainability have been strengthened in Asia in recent years. Asia is especially prone to natural disasters, and there are concerns that the risk of natural disasters will increase due to the progress of climate change. Asian countries set targets for reducing greenhouse gas (GHG) emissions by 2030, based on the Paris Agreement which sets long-term goals to substantially reduce GHG emissions to limit the global temperature increase in this century to 2°C while pursuing efforts to limit the increase even further to 1.5°C. Furthermore, many Asian countries aim to achieve net-zero GHG emissions by around 2050. In order to achieve these targets, each country in the region is promoting various initiatives including the shift from fossil fuels to renewable energy.

According to a report issued by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in 2019, the Asia and the Pacific region requires an additional annual investment of USD1.5 trillion to achieve the SDGs by 2030, of which USD434 billion per year would be needed for clean energy and climate-resilient infrastructure. Financing from capital markets is becoming more important to meet such enormous investment demand in this region. For example, ASEAN launched the green bond standards in 2017 and the sustainability bond standards in 2018 to facilitate financing from bond markets. The introduction of these standards contributed to the increased amount of green and sustainability bonds. In particular, the issuance of sustainability bonds that are used to respond to both environmental and social issues has been significantly increasing, as more attention has been paid to social issues amid the COVID-19 pandemic.

Banks play an important role in the sustainable finance sector in Asia. Banks are one of the major issuers of green and sustainability bonds as well as huge providers of loans for sustainable assets and businesses in the region. Multilateral development banks (MDBs) are also contributing to the growth of sustainable finance markets. For example, the International Finance Corporation (IFC), a member of the World Bank Group, has helped Asian countries develop sustainable finance frameworks and issue green and sustainability bonds through investments in these bonds.

With the aim of further promoting sustainable finance, some Asian countries launched taxonomies to identify and classify green and/or sustainable activities, which are intended to reduce the risk of "green washing". An increasing number of Asian countries are considering introducing such taxonomies. Moreover, further research and studies on impact measurement are expected, with increasing interest in impact investment toward achieving the SDGs.

This issue of *Nomura Journal of Asian Capital Markets* features articles related to the current status, challenges, and prospects of sustainable finance in major ASEAN countries, as well as IFC's initiatives in sustainable finance in Asia.