

GLOBAL PROGRESS REPORT of the Sustainable Banking Network

Innovations in Policy and Industry Actions in
Emerging Markets

October 2019



Sustainable
Banking
Network



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Creating Markets, Creating Opportunities

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Washington, D.C. 20433

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Foreword from IFC, as the SBN Secretariat



Philippe Le Houérou
Chief Executive Officer,
International Finance
Corporation (IFC)

CREATING MARKETS FOR SUSTAINABLE FINANCE: DRIVING MEASURABLE CHANGE

Seven years since its establishment, the Sustainable Banking Network (SBN) has grown into a force for sustainable finance. The network's members now come from 38 countries and represent \$43 trillion, or 86 percent, of the banking assets in emerging markets.

The commitment of SBN members to manage environmental, social, and governance (ESG) risk and increase capital flows to activities that have a positive impact on the world's climate sets an example for banks and regulators everywhere to follow.

At a time when climate change threatens to send 100 million more people into poverty over the next decade, the SBN's mission is more urgent than ever—especially in emerging markets. The time is now to manage ESG risk and drive sustainable finance reforms.

The network's members do this in two ways. They advocate for sustainable finance as a global priority and they transform their national financial sectors by learning from each other. Peer-to-peer knowledge sharing is a hallmark of the network—it lets members apply what's worked in other countries to their own landscape.

This report details the progress of SBN members in adopting sustainable finance policies, including efforts to convert policy into practical implementation and behavioral change.

A key tenet of the SBN is its partnership across sectors, demonstrating what can be achieved when regulators, policymakers, banking associations, banks, and development institutions collaborate to advance sustainable finance.

Sustainable finance needs to be core to financial regulation. We need to embed ESG risk management and green and climate-finance targets into the day-to-day activities of regulators. Robust reporting and monitoring frameworks also need to be established. Commitments to disclosure and transparency on ESG factors strengthen financial institutions and help create natural checks and balances. Standardized data are also necessary to home in on indicators that are good proxies for the risks that banks are trying to manage.

IFC is proud to serve as the Secretariat and technical advisor to the SBN. Standard setting is in our DNA. We helped create the Equator Principles 16 years ago, giving banks new tools to reduce environmental and social risks in their project finance operations. At the time, commercial banks didn't prioritize these risks in their lending. Today, 97 banks in 37 countries adhere to the Equator Principles, covering more than 80 percent of project finance transactions in emerging markets.

IFC also helped shape the Green Bond Principles in 2014 to promote transparency and integrity in the growing green bond market. Since then, the market has exploded—from \$10 billion in 2013 to \$171 billion in 2018, and an estimated \$250 billion in 2019.

And most recently, in April 2019, we helped design and launch the Operating Principles for Impact Management to bring impact investing further into the mainstream and ease concerns about "impact washing." Already, nearly 80 financial institutions have adopted the Principles.

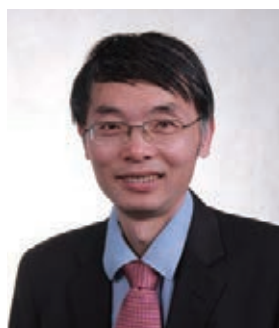
The SBN is part of that tradition of standard setting and working with partners collectively to drive measurable change. IFC looks forward to working alongside the network's members, learning from each other's achievements, and creating new markets for sustainable finance.

Foreword from the SBN Measurement Working Group

Co-chairs of the SBN Measurement Working Group



Mr. Imansyah
Deputy Commissioner,
Indonesia Financial Services
Authority (OJK)



Mr. Yanfei Ye
Deputy Director-General,
China Banking and Insurance
Regulatory Commission
(CBIRC)

As financial market regulators, we, together with financial industry associations, have considered it part of our responsibility to tackle urgent global challenges, including climate change, ecosystem degradation, and to create economic opportunities through market innovations. We see sustainable finance as being inseparable from these objectives.

The SBN Global and Country Progress Reports bring together rich country experiences and the practical lessons we have learned as a community over the past seven years. All SBN members have a deep commitment to share our lessons, insights, and approaches with other countries so that we can collectively accelerate the sustainable finance revolution. As chairs of the SBN Measurement Working Group, we are excited to see the value created through member exchanges and discussions. Our hope is that the SBN Reports can be a useful tool to help us track our progress against a consistent global benchmark and allow us to benefit from a common global knowledge base and peer-to-peer learning.

This year's SBN Global and Country Reports show a strong consensus among SBN members to align our national financial markets with global sustainable development goals and climate change targets. Close to 60 percent of SBN member countries (22) have introduced market-wide sustainable finance frameworks, of which over 60 percent explicitly cite the United Nations Sustainable Development Goals, the Paris Agreement, and Nationally Determined Contributions (NDCs) as drivers of sustainable finance.

This year's report also shows growing recognition of the business case for green finance innovation. With the majority of SBN members now advancing on their policies, and even new and low-income countries ready to move quickly, we can see countries shifting to create markets for green, climate-focused, and inclusive investments. Indonesia's two sovereign green sukuk amounting to \$2 billion, along with China's \$1.2 trillion of green lending by banks, are examples of what is possible. Both the need and the opportunities here are immense.

Integrating climate, environmental, and social sustainability factors into financial systems takes time. This requires development of new financial market roadmaps, regulations, guidelines, and introduction of new market practices. It also requires effective consultation with stakeholders in different parts of the financial sector to ensure we create buy-in, and that the best solutions are chosen. Most countries take at least two years to introduce their first policies and supervision frameworks. However, once these elements are in place, the stage is set for rapid advances. Adoption by financial institutions also takes time, but there is mounting evidence that this is happening.

IFC and the World Bank Group are well positioned to continue supporting emerging markets in these various endeavours, and we continue to welcome their support and leadership through SBN.

Abbreviations and Acronyms

EPs	Equator Principles
E&S	environmental and social
ESG	environmental, social, and governance
ESMS	environmental and social management system
ESRM	environmental and social risk management
FI	financial institutions
FCS	fragile and conflict-affected state
FSB	Financial Stability Board
GHG	greenhouse gas
GRI	Global Reporting Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contributions
MIGA	Multilateral Investment Guarantee Agency
NDC	Nationally Determined Contributions
PRI	Principles for Responsible Investment
PSs	IFC's Performance Standards
PSI	Principles for Sustainable Insurance
SASB	Sustainability Accounting Standards Board
SBN	Sustainable Banking Network
SDGs	Sustainable Development Goals
SSE	Sustainable Stock Exchanges Initiative
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNEP	United Nations Environment Programme
UNEP FI	United National Environment Programme Finance Initiative



Executive Summary

The Sustainable Banking Network, or SBN, is a unique, voluntary community of financial sector regulatory agencies and banking associations from emerging markets that have committed to advancing sustainable finance in line with international best practices. This community is a significant force for sustainable finance, as SBN's 38 member countries represent \$43 trillion—or 85 percent—of emerging market banking assets.

SBN members are committed to moving their financial sectors toward sustainability, with the twin goals of improved environmental, social and governance (ESG) risk management and increased capital flows to activities with positive climate impact. SBN provides a platform for knowledge sharing and capacity building that helps members design and implement national sustainable finance initiatives.

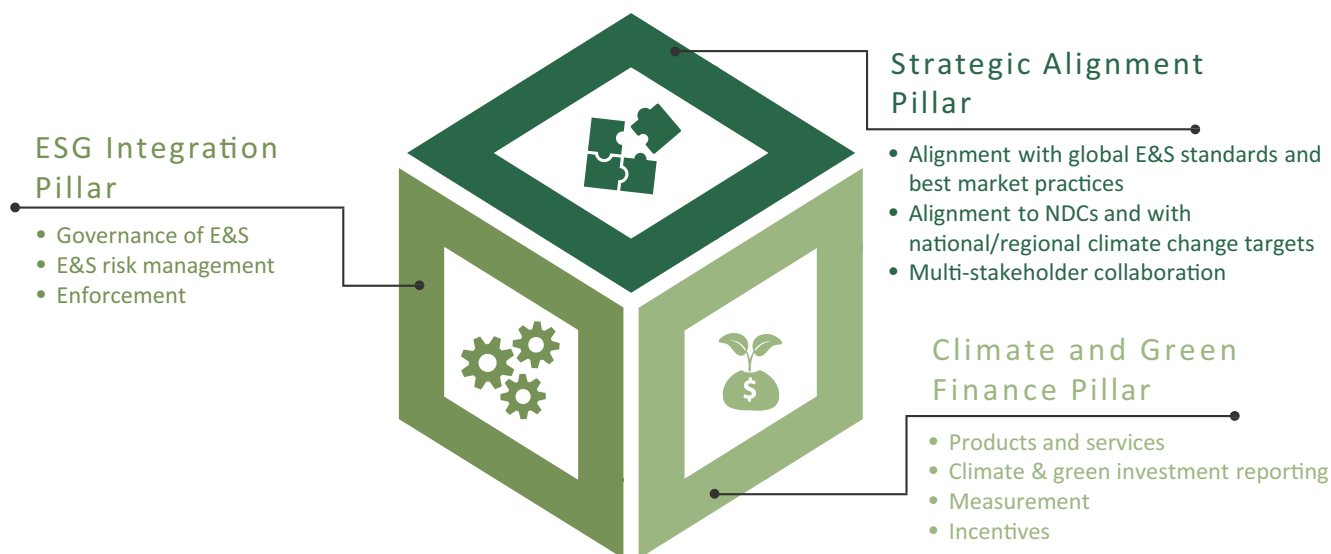
Notable SBN achievements so far include the creation of a progress measurement framework and the inaugural publication of a Global Progress Report (www.ifc.org/sbnreport) in 2018 that detailed member progress and was supported by individual country progress reports. This second Global Progress Report provides further updates on member progress from June 2017 to June 2019, and includes 42 case studies from member countries. It is supported by 30 individual country progress reports.

SBN members have identified three essential components to implementing a sustainable finance framework (Figure ES1). Each contributes in practical ways to financial stability and improved competitiveness of local financial sectors:

- i) **Strategic Alignment:** members find that national policies that are aligned with global good practices and international frameworks are more likely to be effective and to attract international investment.*
- ii) **Climate & Green Finance:** new financial products that address climate, environmental, and social objectives are becoming increasingly popular as a way to achieve national sustainability goals while unlocking financial sector innovation.*
- iii) **ESG Integration:** better management of ESG risks by banks is also leading to reduced credit risk, while contributing to financial stability.*







































These three components are detailed in Chapter 1.

Figure ES1: SBN Measurement Framework



This report provides an assessment of these 22 countries' national sustainable finance policies and principles, based on 19 indicators for

Figure ES2: SBN Progression Matrix with assessment results

Preparation		Implementation		Maturing	
Commitment	Formulating	Developing	Advancing	First Movers	Mainstreaming Behaviour Changes
 Argentina  Chile  Costa Rica  Dominican Republic  Honduras  Iraq  Jordan  Kyrgyz Republic  Lao PDR  Samoa	 Egypt  Fiji  Ghana*  India  Philippines  Thailand*	 Cambodia  Ecuador  Georgia  Nepal  Pakistan  Panama  Paraguay  Peru  Sri Lanka  Turkey	 Bangladesh  Brazil  Colombia  Kenya  Mexico  Mongolia  Morocco  Nigeria  South Africa  Vietnam	 China  Indonesia	

- ☆ 4 new SBN member countries made progress in the Commitment Stage
 - 14 countries made progress within the same stage
- > 13 countries moved up one sub-stage
- >> 7 countries moved up two sub-stages

Note: Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

Overall progress based on the SBN Progression Matrix assessment results

Over the past two years, 24 out of 38 SBN member countries progressed to the next stage in the SBN Progression Matrix. Other countries also progressed within the same stage. These advancements showed tangible and widespread progress on policy and market development across the spectrum of SBN member countries.

For the first time, two countries entered the Maturing Stage.

China and Indonesia have become First Movers in this stage and have demonstrated pioneering policy actions, including the measurement of bank adoption of new practices and the impacts of green finance.

Indonesia's financial regulator (OJK) was the first to introduce a 10-year strategic roadmap for sustainable finance market development in 2014. This was followed by an umbrella policy to green the entire financial system, a set of sustainability reporting requirements, green loan definitions, and a green bond framework. With OJK's guidance and supervision, eight major Indonesian banks have been pioneering policy implementations to systematically green their investment portfolios.

China's banking regulator and central bank have issued guidelines to improve Chinese banks' ESG practices and accelerate green lending since 2012. Green loans made by Chinese banks reached \$1.37 trillion by the first quarter of 2019, up 4.3 percent from the beginning of the year and accounting for 9.9 percent of total loans.

Eight countries moved from the Preparation Stage to the Implementation Stage, shifting from vision to practice in sustainable finance policy action. Cambodia, Ecuador, Georgia, Nepal, Pakistan, Panama, Paraguay, and Sri Lanka have launched sustainable finance policies or principles since the last report and moved into the Implementation Stage. Within that stage, four countries moved from Developing to Advancing. These countries—Kenya, Mexico, Morocco, and South Africa—have launched additional guidance and implementation tools and have seen evidence of adoption of these tools by local financial institutions.

Sixteen countries have not yet launched a policy framework. However, six of these are in the process of formulating policies or principles: Egypt, Fiji, Ghana, India, Philippines, and Thailand moved from Commitment to Formulating within the Preparation Stage and initiated multi-stakeholder consultations on draft policy frameworks. Four countries joined SBN recently and made commitments to develop sustainable finance policy frameworks. These are Costa Rica, Iraq, Kyrgyz Republic, and Samoa, all of which entered the Commitment Stage.

Eleven low-income SBN countries face more acute challenges to achieve sustainable finance, but they continue to demonstrate ingenuity and determination toward that goal. A recent analysis of SBN country initiatives confirms that member countries of all income

levels, as defined by the World Bank, are advancing in sustainable finance, with lower-income countries quickly joining the ranks of those further up the income ladder. Seven low-income countries are in the Implementation Stage. The types of challenges low-income countries face are similar to those faced by other SBN members, though they are often more acute. Their experiences demonstrate that sustainable finance can be addressed alongside other development goals, including promoting financial inclusion and supporting priority sectors. However, competing priorities and a lack of resources mean there is greater need for country-level capacity building—for both the public and private sectors.

SBN members can make rapid progress, leapfrogging ahead by learning from others. Peer-to-peer knowledge sharing is a

hallmark of SBN and often results in some countries rapidly applying successful approaches of other countries to their own landscape. For example, Mongolia, Georgia, and Sri Lanka released sustainable finance roadmaps in 2018/2019. All of them benefited from examples of pioneering roadmaps developed by Indonesia, China, and Morocco, with active member exchanges and cooperation an effective part of the effort. Mongolia's central bank and banking association organized a study tour to China in 2017; Indonesia's OJK shared its experience with the central bank of Sri Lanka during the country's first sustainable finance workshop in 2017; and the Moroccan capital market regulator brought its experience to Georgia's first sustainable finance forum in 2017, organized by the National Bank of Georgia.

Findings based on SBN Measurement Framework

The United Nations Sustainable Development Goals and the Paris Agreement are informing strategies for national sustainable finance initiatives, while public-private partnerships and interagency collaboration are ensuring compatibility with national priorities. SBN countries continue to align their sustainable finance policies and principles with international standards and global goals when developing national frameworks. Partnerships between financial regulators, industry, and environmental and climate change agencies, as well as private sector engagement and capacity building, are consistently adopted across almost all countries embarking on the development of sustainable finance policies and principles.

Development of regulatory or voluntary guidelines that set an expectation for how financial institutions should manage ESG risks has shifted from being niche to widely adopted, which has helped to level the playing field among banks. Twenty-two countries have issued guidelines on ESG integration in alignment with good international industry practices that include IFC Performance Standards and the Equator Principles on environmental and social risk management. These guidelines direct banks to manage potential risks to the environment and communities that arise from projects they finance. In a notable trend, financial regulators are integrating such

requirements into banking supervisory activities and supporting them with implementation tools and mandatory reporting requirements. Concerns over environmental degradation, national green growth strategies, and social development priorities are driving financial regulators' actions.

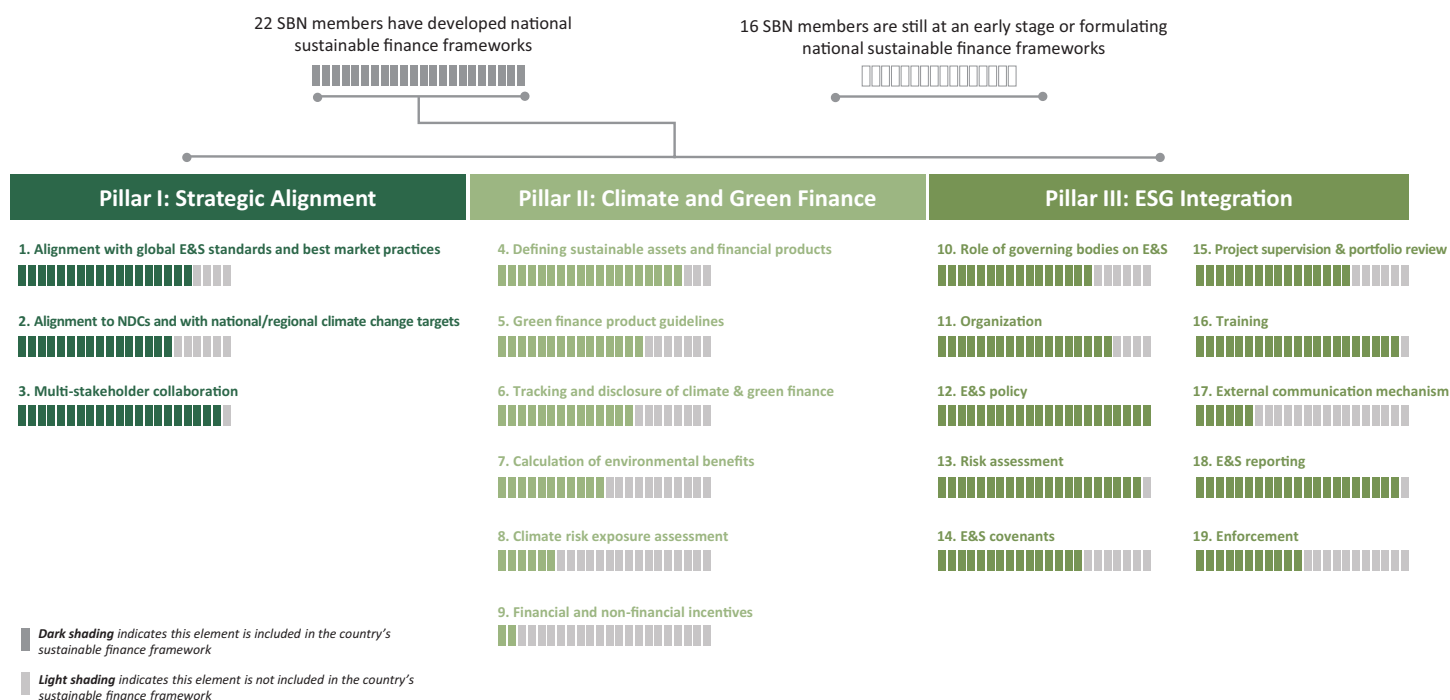
More countries have developed definitions and guidelines for green financial assets, especially for green bonds. Despite this trend, there is still significant potential to green the emerging market banking industry. Fourteen SBN countries have developed green bond guidelines that substantially align with or directly reference international standards such as the Green Bond Principles and the Climate Bonds Initiative. Six countries now provide definitions and/or examples of sustainable financial products and services beyond green bonds. From 2012 to 2018, emerging markets issued a total of US\$140 billion in green bonds; US\$43 billion of that was issued in 2018 alone. Considering that SBN members influence some 85 percent of the total banking assets across emerging market countries, there is enormous potential to redirect financial flows to climate and green sectors.

Robust efforts to understand and assess financial market risks and opportunities related to climate change have not yet begun in any significant way in most SBN member countries. Financial sector assessments by the World Bank underscore the need for banking supervisors to further integrate climate and sustainability risks into supervision. Only a few countries—Brazil and China among them—are collecting data on the exposure and impact of climate risks, and a few are setting precedents for regulator-led and industry-led approaches.

For example, Brazilian banking association Febraban recently developed a Climate Risk Sensitivity Assessment Tool to analyze the sensitivity of banks' credit portfolios to climate risks. This could assist banks with implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

While private sector financial institutions have not yet shown comprehensive behavior change toward sustainable finance, progress is well underway, and leaders are demonstrating high levels of interest in doing so. Regulatory data from China and Indonesia, as well as Felaban (the Latin American Federation of Banks) confirms that regulatory and voluntary initiatives are resulting in changing practices by financial institutions. However, comprehensive behavior change is still lacking in most cases. There are positive indications that banks are moving in the right direction, however. And case studies from pioneering banks show market innovation in green finance and best practices to manage ESG and climate risks.

Figure ES3: Elements included in SBN member countries' sustainable financing frameworks



Next steps

Policy is only a means to an end. What ultimately matters is the measurable change in practices by banks and the impacts of the businesses and projects they finance. After initial progress on setting a collective vision and creating an enabling framework for sustainable finance, SBN members are now moving into the phase of **Driving Measurable Change**, with a focus on four areas:

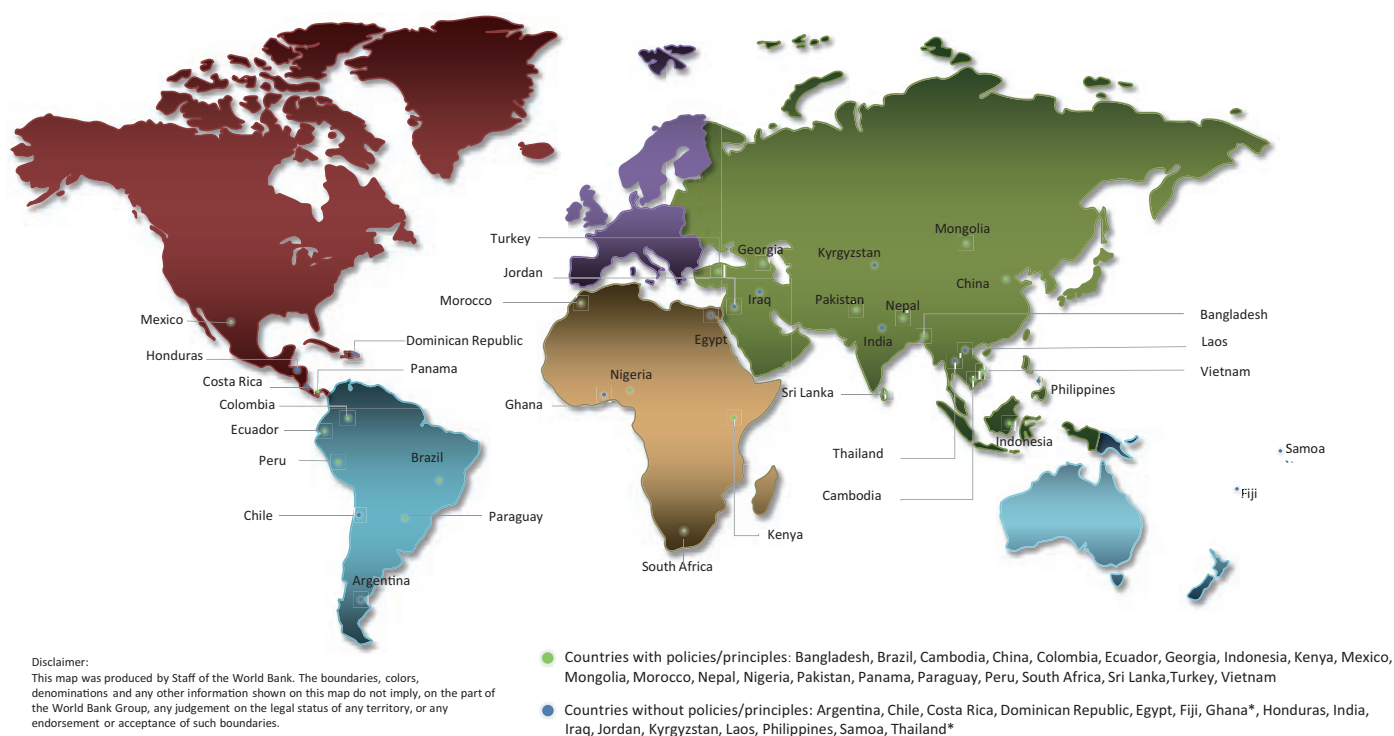
- 1. Sustainable finance needs to be central to financial supervision.** Financial sector regulators need to embed ESG and climate risk management, as well as green and climate-finance targets, into their day-to-day supervision activities.
- 2. Robust reporting and monitoring frameworks need to be established.** Commitments to disclosure and transparency on sustainable finance increase the ability of financial institutions to manage these issues. The data and insights from reporting and monitoring also empower regulators and supervisors to exercise effective checks and balances at both the institutional and the market level.
- 3. More work is urgently needed to enable financial market players to understand and manage both physical and transitional climate-related risks.** The World Bank is piloting an assessment module of climate change and environmental risks as part of the Financial Sector Assessment Program (FSAP). Global initiatives, including the Task Force on Climate-related Financial Disclosures (TCFD) and the Network for Greening the Financial System (NGFS), could provide much-needed technical resources for emerging markets.
- 4. Industry-wide capacity building remains critical to supporting broad behavior change among emerging market financial institutions.** Most countries are still working to embed sustainable finance in the practices of local financial institutions. For less developed markets, where there are competing priorities to develop basic financial market infrastructure, the challenge is even greater. Concerted efforts by international development agencies and other stakeholders could help address these challenges.



1. About the SBN Global Progress Report

1.1 Sustainable finance initiatives in emerging markets and the Sustainable Banking Network

Figure 1: SBN map



*Ghana and Thailand launched their policies/principles in August 2019, after the cut-off date of June 2019 for this report.

Emerging markets face substantial challenges when it comes to financing the responses needed to mitigate and adapt to climate change. This is in addition to the multiple targets embedded in the United Nations Sustainable Development Goals (SDGs) and national development plans. Environmental, social, and governance (ESG) risks from certain projects and sectors may also be greater in emerging markets, where market and social structures may be less resilient and ecosystems more vulnerable due to weaker regulation and enforcement.

In the face of investment shortfalls, more and more developing countries are moving to identify policies and behavioral changes to promote sustainable finance systems, in which banks and other financial institutions proactively manage ESG risk factors in order to promote financial stability, reduce credit risk, and increase capital

flows to green, climate-friendly, and inclusive projects and sectors.

Beginning in 2012, banking regulators in Bangladesh and China published regulatory guidelines for banks on how to manage environmental and social risks. In doing so, they referenced international standards such as the IFC Performance Standards and the Equator Principles risk management framework. Since then, emerging markets have seen rapid growth in country-level sustainable finance initiatives. These initiatives have two common incentives:

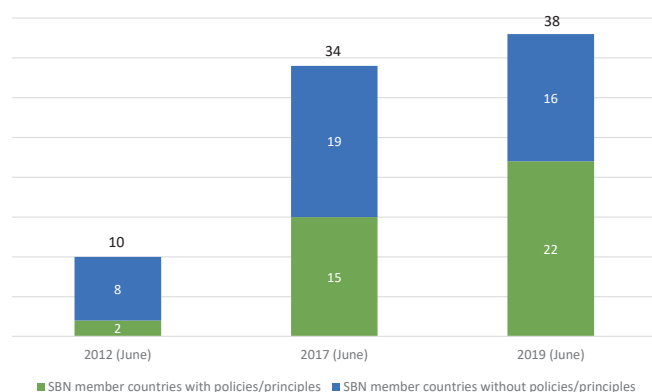
- To maintain the stability of the financial system by managing or preventing risks that could expose financial institutions (FIs) to negative reputational, credit, or operational effects; and
- To explore innovative growth opportunities—including new green products and services—that respond to the growing demand from institutional investors, retail customers, and civil society for

a pathway to sustainable growth.

When the Sustainable Banking Network was founded in 2012, fewer than half of the 10 founding member countries had started to work on or were contemplating how to create an enabling environment for sustainable finance practices among local financial institutions. The first SBN Global Progress Report, published in February 2018, found that 15 countries had introduced national sustainable finance policies, guidelines, or voluntary industry-led principles as of June 2017. These national frameworks set environmental and social sustainability objectives, introduced guiding principles, and provided practical instructions for private sector FIs. Most were directed at banks, given that the banking industry provides the bulk of financing in most emerging market countries.

As of this *second* Global Progress Report, data gathered through June 2019 shows seven additional countries have released national sustainable finance frameworks, which increases the number of SBN countries with such frameworks to 22, or more than half of SBN's 38 members. In addition, 10 SBN member countries have added more documents since the first SBN report, pointing to a deepening trend rather than a one-off movement (see table below and Annex D for a list of new national sustainable finance policies, guidelines, or principles).

Figure 2: As of 2019, 22 of SBN's 38 emerging market member countries have developed national sustainable finance policies and principles



**Ghana and Thailand launched their policies/principles in August 2019, after the cut-off date of June 2019 for this report.*

This year's report is supplemented by 30 country progress reports. Collectively, these documents capture the dynamics of sustainable finance market development across emerging markets. The measurement framework used to assess and benchmark these efforts focuses on two dimensions:

- (i) The comprehensiveness, clarity, and enforceability of national sustainable finance policies and principles and their potential to transform financial industry practices; and

- (ii) The interaction between national frameworks and behavior change by private sector financial institutions, using both sector-level data and individual case studies.

In addition to an analysis of SBN members' collective progress, this year's report also contains case studies from SBN members and local financial institutions, including a number of useful examples from OECD countries.

1.2 SBN Measurement Framework

The SBN Measurement Framework was developed by members and is based on their practical experiences and lessons learned over the past seven years. It reflects the elements that are consistently seen as essential to developing robust and effective national approaches to promoting sustainable finance. The Framework consists of three pillars based on 19 indicators and 55 underlying questions.

Maintaining a fundamental approach, the Framework will continue to evolve each year as members' collective experiences and initiatives change and mature. It is designed to enable each member to review its progress against global benchmarks, build on its strengths, and identify ways to improve its approach to sustainable finance, whether it is mandatory, voluntary, or a combination of the two.

Pillar I: Strategic Alignment replaces the previous Enabling Environment pillar. It reviews the degree of alignment between national frameworks and global ESG standards, sustainability frameworks, and climate commitments. It also evaluates the degree of interagency collaboration and multi-stakeholder involvement at a national level.

Pillar II: Climate and Green Finance has been updated to capture efforts by members to provide definitions, guidance, monitoring, and incentives for FIs to introduce new products and services that support climate and green economy goals such as green bonds. It also evaluates support for FIs to manage their exposure to climate risk.

Pillar III: ESG Integration evaluates guidance and supervision strategies for a range of FI practices that effectively manage ESG risk in FI operations and transactions. A new enforcement indicator assesses incentive mechanisms and verification strategies.

The 19 indicators are identified/agreed by SBN members as key components for a national sustainable finance framework.

Figure 3: Pillar I – Strategic alignment

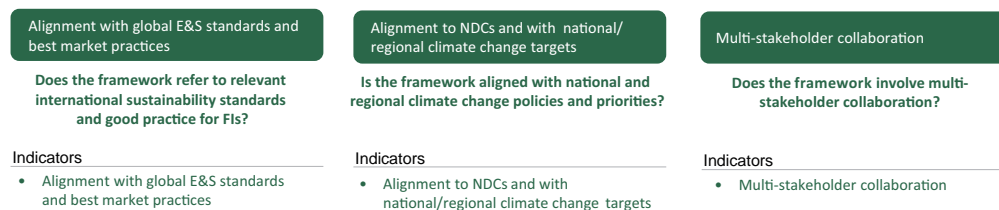


Figure 4: Pillar II – Climate and green finance

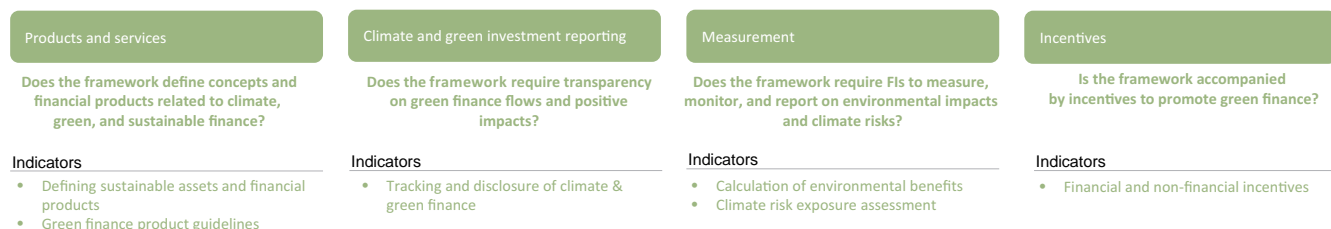
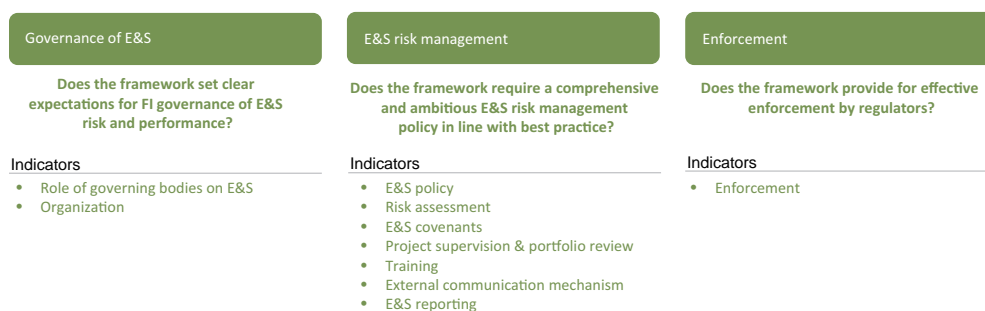


Figure 5: Pillar III – ESG integration



1.3 SBN Progression Matrix

Drawing on the three pillars in the assessment methodology, the Progression Matrix provides an overview of market-wide progress for all SBN countries across three typical stages of development: Preparation, Implementation, and Maturing, with each stage consisting of two sub-stages. The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices.

Figure 6: The SBN Measurement Framework consists of three pillars and 19 indicators

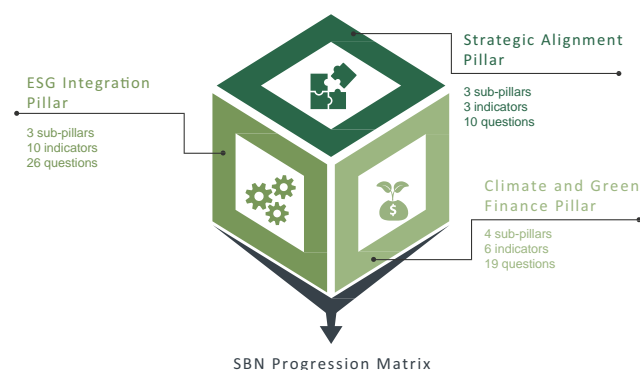


Figure 7 presents a summary of what is included at each stage of the Sustainable Finance Progression Matrix.

1.4 The SBN Measurement Working Group

The SBN Measurement Working Group was launched in December 2016 at the 4th SBN Annual Meeting in Bali, Indonesia. It was a response to members' calls for enhanced technical support to assist in designing and implementing national initiatives and guidance on sustainable finance.

The Working Group is comprised of 12 members representing 11 countries and one region. Supported by IFC, it led the development and update of the SBN Measurement Framework, which reflects a combination of relevant international standards and the evolving best practices from SBN members. By benchmarking market development against the Measurement Framework, the SBN Global and Country Reports are intended to be a tool and reference resource for SBN members, helping them to expedite the alignment of financial markets with sustainable development goals and climate change targets.

The overall approach remains similar to the last version and is summarized in Figure 8:

Figure 7: SBN Progression Matrix – Criteria

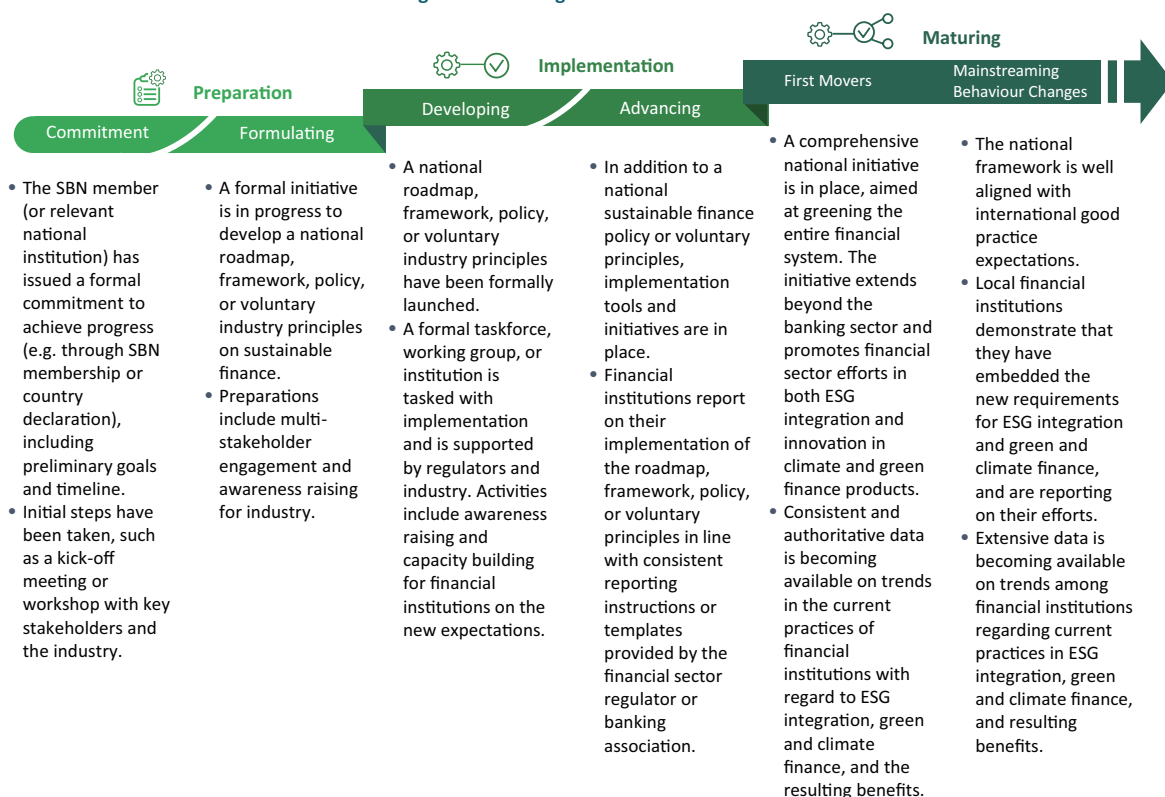


Figure 8: Measurement process



1.5 What is not covered

An ideal measurement framework would allow for the assessment of both policy comprehensiveness and implementation effectiveness. The current methodology tries to capture implementation effectiveness through (i) introducing new indicators on enforcement mechanisms implemented by SBN members, and (ii) assessing market-level performance of private sector FIs in implementing the requirements set out in national frameworks.

For the purpose of this report, enforcement efforts related to compulsory requirements are not given more weight in the methodology than those connected to voluntary principles. This may

be revisited in future reports as more evidence becomes available.

The approach to data collection and assessment of sustainable finance practices at the firm level is still evolving. In consultation with the Measurement Working Group, three sets of existing performance data were identified and adopted as a first step to assess implementation effectiveness among FIs. These were taken from the Latin America region, China, and Indonesia. They are complemented by case studies that highlight some of the most advanced environmental and social (E&S) practices implemented by FIs in emerging economies. The intent is for future reports to deepen the FI performance assessment.

A number of topics are not yet covered by the SBN framework and reports. Insurance, as a key segment of the financial market, is not included in this report. Social dimensions are considered under the ESG integration pillar from a risk perspective, but the full breadth of inclusive finance is not yet covered by the framework. Discussions on these two areas are already underway with SBN members for future expansion of the framework and report coverage.

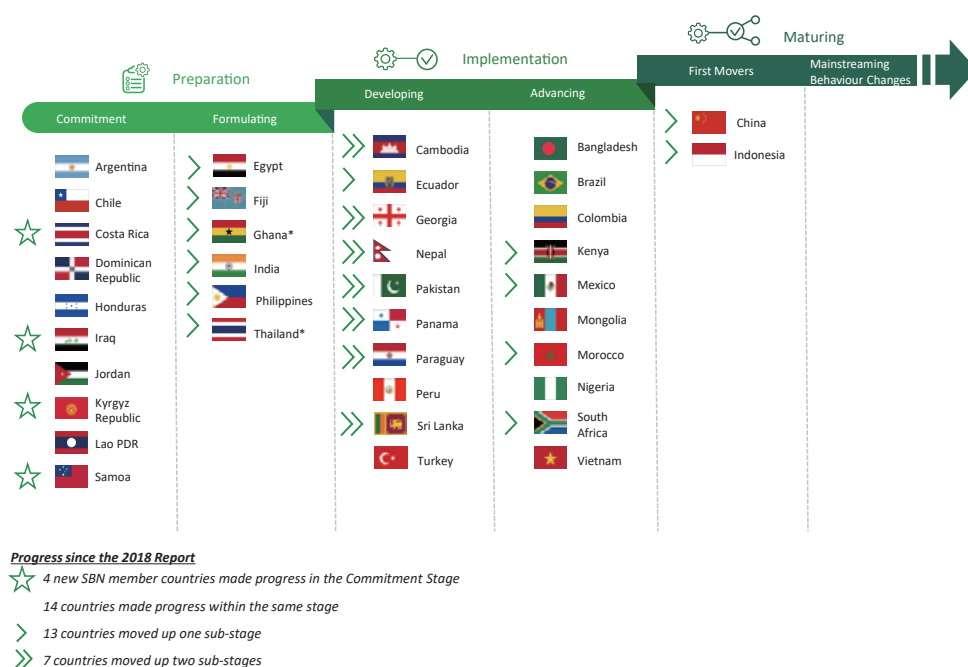
In addition, financial institutions' own social and environmental "footprints"—e.g., their buildings' carbon emissions, recycling, and employee and community programs—are not included in the scope of this report, although some SBN members see these as an important element of their policies or principles.

Lastly, as the measurement framework considers only documents that have already been published, ongoing work and draft policies are not reflected in the final mapping of the countries. Nonetheless, these efforts are recognized qualitatively in the country reports prepared for each SBN member.

2. Overall Progress

2.1 Two thirds of all SBN member countries have progressed to a more advanced stage of maturity since the last report

Figure 9: SBN Progression Matrix with assessment results
Assessment based on progress up to the end of June 2019



*Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

Between June 2017 and June 2019, 24 SBN member countries made significant progress, and by doing so moved to a new stage or sub-stage in the Progression Matrix. Other members are also progressing steadily within the same stage.

Of the 38 SBN countries, 16 have not yet officially launched national sustainable finance voluntary principles or regulatory policies. These are mapped to the Preparation Stage. Nine of these countries are in the process of developing reports, including Chile, Egypt, Fiji, Ghana, Iraq, Jordan, Kyrgyz Republic, Philippines, and Thailand.¹ While in the Preparation Stage, these countries are not assessed according to the full measurement framework. Instead, they are assessed in terms

of their readiness against three dimensions: (i) awareness-raising practices; (ii) multi-stakeholder dialogue toward the establishment of a framework; and (iii) the existence of a timeline for development of a framework. Chapter 6 provides an overview of those nine countries.

The remaining 22 SBN countries, including 20 in the Implementation Stage and two in the Maturing Stage, are assessed and reviewed against the three pillars of the SBN Measurement Framework: (i) strategic alignment; ii) climate and green finance, and iii) ESG integration.

Some highlights of SBN member country progress follow.

¹ Note: Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2.2 Preparation stage

Early-stage countries are working to develop frameworks and make new commitments.

- ▶ *Six countries are in the process of developing regulations and industry standards for sustainable finance frameworks.* Egypt, Fiji, Ghana, India, Philippines, and Thailand started to develop guidance for their financial sectors, and so moved from Commitment to Formulating within the Preparation Stage.
- ▶ *Four countries joined SBN recently and made commitments to develop sustainable finance policy frameworks:* Costa Rica, Iraq, Kyrgyz Republic, and Samoa entered the Commitment Stage.

2.3 Implementation stage

Over half of all SBN countries are now implementing sustainable finance policies and principles, up from 15 (44 percent) two years ago.

- ▶ *20 countries are mapped to the Implementation Stage:* Bangladesh, Brazil, Cambodia, Colombia, Ecuador, Georgia, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Paraguay, Peru, South Africa, Sri Lanka, Turkey, and Vietnam.

- ▶ *Eight countries moved from Preparation to Implementation:* Cambodia, Ecuador, Georgia, Nepal, Pakistan, Panama, Paraguay, and Sri Lanka have launched sustainable finance policies or principles since the last report and moved to the Implementation Stage.
- ▶ *Within Implementation, four countries moved from Developing to Advancing:* Kenya, Mexico, Morocco, and South Africa have launched additional guidance and implementation tools and have seen evidence of adoption by local financial institutions.

2.4 Maturing stage

For the first time, two countries have reached a stage that members recognize as reflecting market maturity in promoting the shift to sustainable finance.

- ▶ *China and Indonesia entered First Movers under the Maturing Stage and have demonstrated pioneering actions in relation to the enabling environment and industry initiatives.* In addition to comprehensive regulator-led frameworks and industry-led capacity building across the entire financial sector, both have systematically collected data on industry-wide implementation.



Case Studies

- China – Using KPIs to drive sustainability in Chinese banks
- Indonesia – Standardizing sustainability reporting in the Indonesian banking sector

3. Strategic Alignment

The Strategic Alignment Pillar reviews the degree of alignment between national frameworks and global E&S standards, sustainability frameworks, and climate commitments. It also evaluates the degree of interagency collaboration and multi-stakeholder involvement at a national level.

The United Nations Sustainable Development Goals and country commitments to the Paris Agreement (Nationally Determined Contributions, or NDCs²) provide important anchors for countries' financial sectors to contribute to sustainable development targets.

The SBN assessment indicates that the SDGs and the Paris Agreement are widely acknowledged among SBN members as two key global drivers for their national sustainable finance initiatives. For operational guidance to industry, global E&S standards such as the IFC Performance Standards and the Equator Principles are widely referenced in policies and principles. Reporting standards such as the Global Reporting Initiative are also increasingly present and recommended. Climate change-related standards such as the Task Force on Climate-related

Financial Disclosures (TCFD)³ are also starting to be integrated, with huge potential for increased uptake. NDCs and other national and regional policies on climate change are extensively referenced in the frameworks.

The majority (95 percent) of SBN members have developed national sustainable finance initiatives through public and private sector consultation and partnership, combined with international support. There is also increasing participation from civil society.

Strategic Alignment Pillar

Sub-pillars

Alignment with global E&S standards and best market practices

Indicators

1 Alignment with global E&S standards and best market practices

Number of SBN countries taking action on the indicator



Alignment to NDCs and with national/regional climate change targets

Indicators

2 Alignment to NDCs and with national/regional climate change targets

Number of SBN countries taking action on the indicator



Multi-stakeholder collaboration

Indicators

3 Multi-stakeholder collaboration

Number of SBN countries taking action on the indicator



Dark shading indicates this element is included in the country's sustainable finance framework

Light shading indicates this element is not included in the country's sustainable finance framework

Empty shading indicates the country has not established national sustainable finance framework

² NDCs embody efforts by each signatory to the Paris Agreement to reduce national emissions and adapt to the impacts of climate change.

³ The FSB Task Force on Climate-related Financial Disclosures (TCFD) develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.



Case Studies



Inspiring practices from SBN members

- Morocco – Developing sustainable finance roadmaps through collaboration and alignment with international and regional goals
- Paraguay – Sector guides developed by a coalition of FIs, public agencies, and civil society organizations



Good practices among financial institutions

- XacBank – Align commercial bank lending to UN SDGs and NDC
- BBVA Spain – Strategy update and commitments aligned with international best practices



3.1 Sub-pillar: Alignment with global E&S standards and best market practices

Alignment with global E&S standards and best market practices

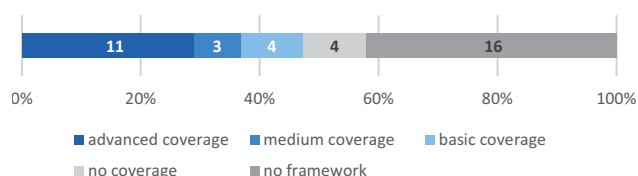
Indicators

1 Alignment with global E&S standards and best market practice

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework refer to international E&S targets (SDGs, Paris Climate Agreement, Global Compact)?
- Does the framework refer to established international E&S risk management standards (IFC PSs, EPs)?
- Does the framework refer to established international sustainability reporting standards (GRI, SASB)?
- Does the framework refer to established international climate finance reporting standards (TCFD)?
- Does the framework ask FIs to seek external verification (assurance, independent review) for E&S policies, practices and results?

There are references to international E&S standards and sustainability and climate goals in more than half of SBN member frameworks. These include the SDGs, referenced in seven frameworks, the Paris Agreement, referenced in six, and IFC Performance Standards and the Equator Principles, referenced in 17.

There is less uniformity regarding reporting standards, but clear progress is being made. Over half of the frameworks (12 of 22) mention the Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB) standards; while five refer to the Task Force on Climate-related Financial Disclosures (TCFD).

There is also increased stakeholder demand for measures that ensure the credibility of reported information. Almost a third of the frameworks (seven of 22) encourage third-party verification of the information banks publish on sustainable finance practices. This trend is likely to increase, with the potential to enhance the credibility of the information provided to regulators and other stakeholders, including investors, financial and non-financial rating agencies, and the wider public.

The overall progress of aligning national frameworks with global goals and practices is promising. Taking these standards into account will be crucial for ensuring the future ability of financial institutions to respond to stakeholder concerns and mitigate environmental, social, and climate-related risks.





3.2 Sub-pillar: Alignment to NDCs and with national/regional climate change targets

Most frameworks address local climate change commitments by referring to Nationally Determined Contributions (NDCs) or other national and regional climate-related policies.

The majority of countries' frameworks (15 of 22) reference the national climate policy context (notably NDCs). NDCs are a very relevant reference point, as they apply to both the public and private institutions of each country.

It is crucial for financial institutions and regulators to understand the climate-related financial implications facing companies in the coming years in order to ensure financial stability. Companies' responses to the Carbon Disclosure Project in 2018⁴ highlight the extent of potential financial impacts linked to climate-related risks.⁵ These impacts are estimated at just under \$1 trillion for the 215 companies that provided estimates (among the world's biggest companies by market capitalization (G500)).

Individual initiatives by FIs highlight the need for guidance in identifying climate risks. Banks in three SBN member countries (Colombia, Peru, and South Africa) have joined a pilot project developed by the Natural Capital Finance Alliance (NCFA) in 2018 to issue a guide for assessing natural capital risks.

Alignment to NDCs and with national/regional climate change targets

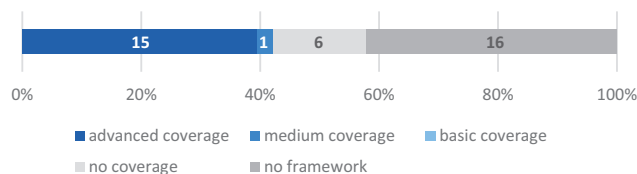
Indicators

2 Alignment to NDCs and with national/regional climate change targets

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Is the framework aligned with national NDCs or other national and regional policies on climate?
- Has the SBN member identified the main climate risks (transition/physical) for their local financial sector?

⁴ "Major risk or rosy opportunity: Are companies ready for climate change?" CDP Climate Change Report 2019.

⁵ The top two identified causes of financial impact are increased operating costs (e.g., higher compliance costs) that are often linked to GHG emissions pricing; and reduced revenue from decreased production capacity due to the physical impacts of climate change.



3.3 Sub-pillar: Multi-stakeholder collaboration

Multi-stakeholder collaboration

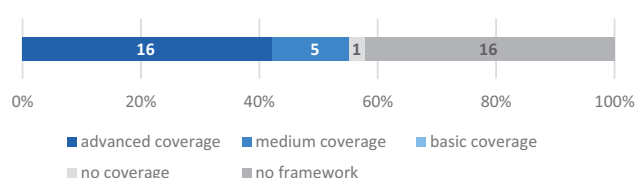
Indicators

3 Multi-stakeholder collaboration

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework involve interagency collaboration between financial supervisors/regulators, industry association, and FIs?
- Does this collaboration also include other public agencies (e.g. environmental agencies, ministries)?
- Does this collaboration also include representatives of civil society (e.g. NGOs, associations, media)?

For most countries, developing a sustainable finance framework has been a collaborative process involving both private and public stakeholders. Some countries with a strong desire for inclusivity are also engaging with representatives from civil society.

Of the 22 countries to have launched a sustainable finance framework, 21 acknowledged that these were developed based on a concerted dialogue between financial supervisors or regulators, industry associations, and financial institutions.⁶

In most countries (16 of 22), several public agencies were involved in the process. For example, environmental ministries are often represented in the discussions (China, Mongolia, Brazil, Cambodia, and Nigeria). This is very important, as it strengthens the credibility of the frameworks and their alignment with wider environmental policies.

Civil society organizations were involved in the development of frameworks in nine of 22 countries. Increasing the role of such organizations in defining policies and guidelines represents an area of potential improvement for SBN member-led initiatives.

In addition to information on international good practices and technical expertise provided via SBN, members greatly value the best practices shared by peers in terms of framework implementation. For example, in Cambodia, the drafting of both the Principles and the Guidelines benefited from the support of not only the National Bank of Cambodia and of the Ministry of Environment, but also the Mongolian Bankers Association (MBA) and Mongolian Sustainable Finance Association (MSFA). In Nepal, Nepal Rastra Bank used peer learning opportunities provided by SBN to draw on the Bangladesh Central Bank's E&S policy framework and implementation experience, as well as other SBN members' relevant ESRM policies.

⁶ No clear indication was received from one country on the particular question.



4. Climate and Green Finance

Pillar II, Climate and Green Finance, reviews efforts by members to provide definitions, guidance, monitoring, and incentives for financial institutions to introduce new products and services that support climate and green economy goals. Green bonds are an example of one such product. Pillar II also evaluates support for FIs to manage their exposure to climate risk.

The first SBN Progress Report (published in 2018) identified major gaps in terms of green finance definitions, data, reporting, and incentives. This year's review has identified notable progress that members have made to address these issues. The 2018 report listed just three countries with green finance product definitions; today, 19 countries provide definitions and/or examples of sustainable financial products and services, particularly for green bonds.

Green bond market growth was a major area of progress in the last period, bolstered by national frameworks introduced by regulators and stock exchanges to define the rules and definitions for issuing green bonds. Progress has also been observed in efforts by financial regulators and banking associations to define other types of green financial products and services, especially green loans. Indonesia and Vietnam both released guidance on such loans.

Most SBN members take a cautious approach toward financial incentives to support green investment. Non-financial incentives are widely adopted, mainly through awards to recognize innovation and leadership by the private sector. The central banks of Bangladesh and China employed refinancing schemes to incentivize green lending by banks. China is also contemplating including banks' green credit performance in macroprudential assessments.

The reliability of data regarding green and climate finance is still limited. FIs are only recently required to monitor and report on this, and standardized taxonomies and key performance indicators (KPIs) are lacking. However, estimates have been made using samples of banks in different regions:

- ▶ Green credit accounted for approximately 10 percent of banks' portfolios in China in 2019.
- ▶ Climate-related loans represented 6 percent of the loan books of a sample of banks in emerging markets surveyed by IFC in 2016.



Climate and Green Finance Pillar

Sub-pillars

Products and services

Indicators

4 Defining sustainable assets and financial products

Number of SBN countries taking action on the indicator



5 Green finance product guidelines

Number of SBN countries taking action on the indicator



Climate and green investment reporting

Indicators

6 Tracking and disclosure of climate & green finance

Number of SBN countries taking action on the indicator



Measurement

Indicators

7 Calculation of environmental benefits

Number of SBN countries taking action on the indicator



8 Climate risk exposure assessment

Number of SBN countries taking action on the indicator



Incentives

Indicators

9 Financial and non-financial incentives

Number of SBN countries taking action on the indicator



Dark shading indicates this element is included in the country's sustainable finance framework

Light shading indicates this element is not included in the country's sustainable finance framework

Empty shading indicates the country has not established national sustainable finance framework



Case Studies



Inspiring practices from SBN members

- Brazil – Tracking environmental benefits achieved by banks
- China – Banking regulator defines and tracks green loans
- Mongolia – Proposing a broad taxonomy for green investments
- Morocco – Capital market regulator provides definitions and operational guidelines for green, social, and sustainability bonds
- Bangladesh – Central bank requires detailed reporting of green investments
- Vietnam – Central bank issues Directive to promote green loan growth and E&S risk management
- Pakistan – Central bank asks FIs to monitor climate risk exposure through the Green Banking Guidelines
- Brazil – Banking association provides methodological considerations to calculate climate risk exposure
- China – Central bank leverages refinance and macroprudential tools to incentivize green finance; local governments also provide financial incentives
- Bangladesh – Central bank introduces incentives for sustainable finance



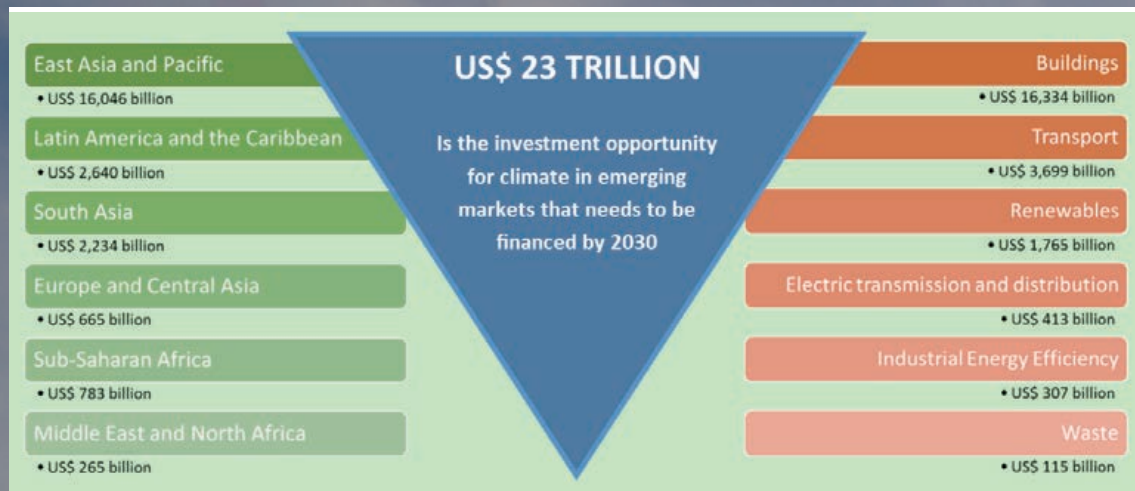
Good practices among financial institutions

- Ant Financial – Expanding the reach and impact of green digital finance
- HSBC Vietnam and GIC Investment Joint Stock Company, HDBank, and BIDV – Green finance for solar power and climate resilience in Vietnam
- Access Bank – Leading the expansion of the green bond market in Nigeria
- IFC Green Bonds – Building the foundation for climate smart investments in emerging markets
- Argentina's Banco Galicia – Moving forward with climate smart agriculture and green lending in Argentina
- Bancolombia and Davivienda – Innovations in green lending and climate smart investment in the construction sector
- JSE and Nedbank – Leading the charge for Green Bonds in South Africa
- Société Générale – Sustainable and Positive Impact Finance
- Natixis (France) – Green Weighting Factor
- Standard Chartered – Harnessing emissions data to unlock climate investment opportunities

Climate finance opportunities in emerging markets

IFC undertook a bottom-up analysis in 2016 to assess the market potential for climate-smart investment opportunities in emerging economies. IFC analyzed national climate change commitments, commonly known as Nationally Determined Contributions (NDCs), and other policies in 21 countries representing 62 percent of the world's population and 48 percent of global greenhouse gas (GHG) emissions. The report, *Climate Investment Opportunities in Emerging Markets*, estimates that achieving these NDC targets in key sectors represents an investment opportunity of about \$23 trillion from 2016 to 2030, as shown in the chart below.

Figure 10: Climate-smart investment potential 2016 – 2030



Source: IFC Investment Opportunities Report 2016

IFC also estimates that the share of climate and green finance represents 7% of total private sector bank lending in 2016. To accommodate the debt financing associated with climate investment opportunities, IFC estimates that this number would have to grow from 7 percent to 30 percent of total bank lending, as shown in the figure below. Another survey carried out by IFC indicates that banks are increasing their financing to most climate-related sectors. The sectors benefiting from the strongest growth in banks' portfolios are renewable energy and energy efficiency, as shown below.

Figure 11: Bank lending for climate investments in 2016 and 2030 for 21 emerging markets

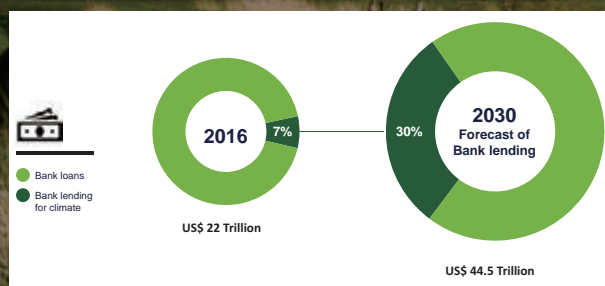
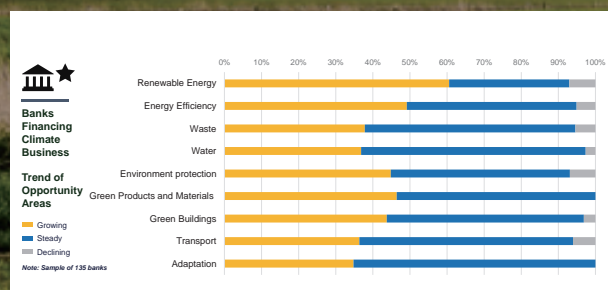


Figure 12: Growth trends in various sectors for IFC client banks



Source: *Raising \$23 Trillion: Greening Banks and Capital Markets for Growth*, IFC, 2018



4.1 Sub-pillar: Products and services

Experiences of SBN members highlight the importance of providing FIs with clarity on the types of products and services that qualify as green, climate-friendly, and socially sustainable. This enables FIs to direct their lending to sustainable sectors and projects, develop new green products, and identify green lending opportunities in their existing portfolios.

Financial regulators and banking associations have played a role in disseminating knowledge as well as encouraging local innovation. Most frameworks provide examples of green assets and sectors for investment. Brazil, China, Kenya, Mongolia, Indonesia, and Vietnam have each published lists of green sectors. In Brazil and China, the sectors have been further refined to include sub-sectors, making it easier for banks to tag loans for tracking and measurement purposes.

A majority of the SBN countries with policy frameworks (19 of 22) also provide broad definitions and examples for different types of sustainable finance products and services. These include saving accounts, means of payment, insurance, private equity, and different types of bonds. For instance, Morocco has chosen to broaden its green bond guidelines to include social bonds and sustainability bonds, and to provide detailed guidelines for implementation by local issuers and FIs.

The 2018 SBN Report *Creating Green Bond Markets* found that detailed taxonomies of eligible green assets, such as those developed by the Climate Bonds Initiative (CBI) and several Chinese agencies, encourage green bond issuance. In China, the introduction of taxonomies in 2015 led to a massive surge in green bond issuance the following year. The proposed EU taxonomy for sustainable activities offers an opportunity for greater harmonization. Clearer definitions have a vital role to play in guiding decision-making on this relatively new topic.

Products and services

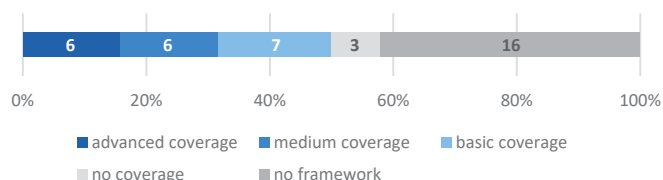
Indicators

4 Defining sustainable assets and financial products

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework provide definitions and examples for green assets?
- Does the framework provide a comprehensive taxonomy of green assets?
- Does the framework provide definitions, examples, or a taxonomy of social and/or sustainable assets?
- Besides debt products (loans, bonds), does the framework provide definitions and examples of different types of sustainable finance products/services (e.g. saving accounts, means of payment, insurance, private equity, etc.)?

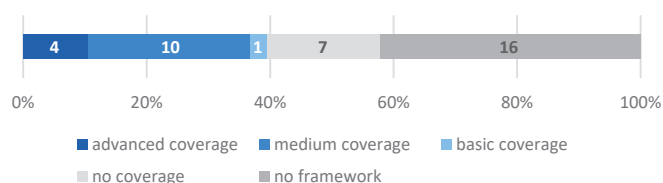
Indicators

5 Green finance product guidelines

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework provide guidelines for green loan/green credit or other green financial assets (excluding green bonds)?
- Does the framework provide guidelines for issuance of green bonds?
- Does the framework refer to existing standards (e.g., ICMA's Green Bond Principles or CBI's Climate Bonds Standard)?
- Does the framework recommend external party verification (e.g., second party opinion, assurance, certification)?



This year's *Global Progress Report* highlights a leap forward in the development of green bond markets by SBN countries since the publication of the first assessment. The steady increase in green bond issuance in emerging countries, although at a slower pace than in developed economies, highlights growing interest in the concept of green bonds.

Over half of SBN member countries have now published green bond guidelines. The 2018 SBN Report on the creation of green bond markets noted that all existing national and regional green bond frameworks in emerging economies appeared to be aligned with international standards. The report identified 13 SBN countries, together with Malaysia and one region, the Association of Southeast Asian Nations (ASEAN), that have well-aligned green bond guidelines. All but two of them (Indonesia and Mongolia) refer to existing standards, and 10 of 13 recommend external third-party verification.

Table 1: Self-reported stage of development of national green bond markets

Not started (7)	Nascent (7)	Emerging (8)	Established	Robust
Bangladesh	Argentina	Brazil	None	None
Egypt	Ecuador	China		
Georgia	Fiji	Colombia		
Kenya	México	Indonesia		
Mongolia	Philippines	Morocco		
Paraguay	Turkey	Nigeria		
Tunisia	UAE-ADGM	South Africa		
		Vietnam		

Source: *SBN Creating Green Bond Markets Report 2018*

In addition to national green bond guidelines, regional green bond frameworks are also on the rise and contribute to improving harmonization of practices and definitions. The ASEAN Green, Social, and Sustainability Bond Standards (promoted by the ASEAN Capital Markets Forum), the Marrakech Pledge and other regional initiatives led by the Moroccan Capital Markets Authority (AMMC), and supporting actions led by FELABAN (the Latin American Federation of Banks), all contribute to promoting and spreading regional awareness about green bonds.



European Union classification system for environmentally sustainable economic activities

With the publication of three seminal reports in June 2019—an EU classification system for environmentally sustainable economic activities (hereafter the Taxonomy), a voluntary EU Green Bond Standard, and the voluntary low -carbon benchmarks—the EU Technical Expert Group (TEG) has created new paths for a sustained increase in green investment into the 2020s. It has also addressed the need to attract the hundreds of billions of dollars of private capital needed annually to meet climate and sustainability goals. The reports, a key part of the EU Action Plan on Sustainable Finance, will become the basis for the development of new regulatory frameworks for the financial sector.

The EU Taxonomy, modelled on the Climate Bonds Taxonomy, is a procurement list for identifying and shaping green economic activities that will help meet and contribute to six environmental and climate objectives, including (i) climate change mitigation; (ii) climate change adaptation; (iii) sustainable use and protection of water and marine resources; (iv) transition to a circular economy, waste prevention and recycling; (v) pollution prevention and control; and (vi) protection of healthy ecosystems.

A key part of the Taxonomy is the technical screening criteria that cover 67 activities from seven sectors, including manufacturing, agriculture, transport, buildings, electricity generation, water and waste, and ICT. The development of the eligibility criteria was based on two overarching principles: Substantial Contribution and Do No Significant Harm (DNSH). That is, to be included in the proposed EU Taxonomy, an economic activity must contribute substantially to at least one environmental objective and must do no significant harm to the other five, as well as meet minimum social safeguards. Meanwhile, the TEG aims to adopt a “technology neutral” approach, as well as ensure that the eligibility criteria are based on conclusive scientific evidence and market experience.

The EU Taxonomy also supports brown-to-green action by including economic sectors and activities that are not already low carbon, in order to provide them with a path to mitigation objectives. By focusing on classifying economic activities and not investable entities, the Taxonomy can be used by any organization to specify the proportion of its activities that substantially contribute to environmental objectives.

While the Taxonomy applies only to the European and foreign market participants engaged in allegedly sustainable finance activities in Europe, it can potentially be used outside of the EU. Some coordination is already being undertaken to ensure some degree of harmonization or at least comparability with other existing taxonomies (e.g., China). Future iterations of the Taxonomy are also expected to integrate additional activities that make a substantial contribution to the environmental objectives of the EU.

— By Climate Bond Initiative (CBI)

The emerging role of taxonomies in facilitating green finance⁷

Taxonomies are emerging as an important stepping stone in developing the global green bond market. They serve as the foundation for bond issuers and investors to evaluate projects and assets as to their eligibility for classification as “green” or “climate friendly.” Many countries will start with a list of eligible sectors. Comprehensive taxonomies provide details on specific types of eligible projects under sector categories, the related performance thresholds they would be expected to meet, and indicators to be monitored during the life of the investment.

At the international level, the Green Bond Principles (GBP),⁸ which were established by a consortium of investment banks in 2014 and are currently hosted by the International Capital Market Association (ICMA), and the Climate Bonds Taxonomy (CBT), which was developed by the Climate Bonds Initiative (CBI),⁹ are currently the two taxonomies that are internationally accepted and widely used.¹⁰

In addition, multilateral development banks (MDBs) and the International Development Finance Club (IDFC) have also developed common principles for tracking and reporting climate finance, including a high-level typology of climate mitigation project activities.¹¹ The typology has been further elaborated by individual institutions in formulating their respective criteria for climate project classification. IFC has incorporated the typology into its Climate Definitions to identify climate-related activities, which also serves as the reference for IFC’s Green Bond classification.¹²

Table 2: Selected international green bond taxonomies

Green Bond Principles	Climate Bonds Taxonomy	IFC Climate Definitions
Provide high-level categories for eligible Green Projects, which offer a foundation to encourage all participants in the market to develop their own standards/criteria.	Focuses on “Climate” projects (both mitigation and adaptation), covering eight major sectors of the global economy, ¹³ supplemented by sector-specific technical criteria for screening.	Has a focus on “Climate” projects (both mitigation and adaptation), including both real sector investment by IFC and the lending to financial intermediaries with the requirement that IFC’s investments be on-lent to specific climate projects that fit the criteria set in the Definition.
Eligible Green Project Categories include, for example, renewable energy, energy efficiency, clean transport, pollution prevention and control, biodiversity conservation, circular economy.	Also provides GHG emissions screening criteria consistent with the 2°C global warming target set by the Paris Agreement.	
As voluntary process guidelines, they emphasize transparency, accuracy, and integrity of information required to be disclosed by issuers, including four core components: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting.	In terms of process, aligned with the GBP with respect to the four core components.	Ongoing refinement to reflect MDBs’ collective efforts to align with the Paris Agreement. Applied to IFC’s own Green Bond screening. In terms of process, aligned with the GBP with respect to the four core components.

It is also important to maintain taxonomies as living documents. Periodic reviews and updates are required to keep pace with the latest scientific and technological advancements, as well as the experience gained from the market.

⁷ This case study was written by Xing Zhang, Climate Business, IFC.

⁸ www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

⁹ <https://www.climatebonds.net/standard/taxonomy>

¹⁰ The existence of other international Green Bond standards such as the ASEAN Green Bond Standards is well noted. GBP and CBT are used as two examples herein for illustration; the same applies in using IFC’s Climate Definition as an example in the following discussion.

¹¹ www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf

¹² IFC’s Definitions and Metrics for Climate-Related Activities www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/ifc+governance/investor+relations/grnbond-overvw

¹³ Eight sectors include Energy, Transport, Water, Buildings, Land Use & Marine, Industry, Waste and ICT.





4.2 Sub-pillar: Climate and green investment reporting

Climate and green investment reporting

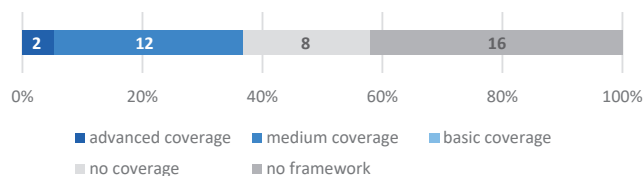
Indicators

6 Tracking and disclosure of climate & green finance

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to report on climate/green finance flows (quantitatively or qualitatively)?
- Does the framework ask FIs to report on climate risk exposure at portfolio level?
- Does the framework encourage FIs to report publicly on their green finance activities (i.e., not only to the regulator)?

A majority of SBN countries analyzed (14 of 22) ask financial institutions to report on their climate and green financing, either qualitatively or quantitatively. Encouraging better reporting of climate and green finance activities is a major step toward tracking green finance flows at the national level.

12 of 22 countries encourage FIs to disclose the data publicly, a practice that will increase the transparency of their local financial markets. Providing templates and operational guidelines on how to report is a major step toward strengthening data homogeneity and comparability (both between FIs and over time). Countries with best practices in this area include Brazil, China, and Vietnam, where local SBN members provide banks with reporting templates.





4.3 Sub-pillar: Measurement

With a consistent definition of what qualifies as climate-friendly or green finance, it is then possible to track volumes and impacts. Ten SBN member countries ask local FIs to calculate environmental benefits of their climate and green finance flows. This represents major progress since last year's report, as measuring and reporting on impacts was still a very new topic. Brazil and China have taken this a step further, to provide a taxonomy of potential environmental impacts.

Assessment of climate risk exposure is increasingly encouraged by SBN members, although operational guidelines are lacking. A limited but growing number of SBN countries ask FIs to monitor climate risk exposure at the portfolio level and to mitigate these risks. Six of the 22 countries ask FIs to monitor climate risk exposure at the portfolio level. Pakistan's central bank provides a list of potential climate risks for banks to monitor. Febraban, the Brazilian banking association, recently developed a tool to help banks assess and report on climate risk exposure, linking to TCFD recommendations.

These efforts are an important addition to the analysis of E&S risks at the project level, which is more often required by SBN member countries, and would be fully aligned with international best practices such as the TCFD recommendations.

There is room for improvement for SBN member countries, including the following recommendations:

- ▶ Strengthen requirements for monitoring of climate risk exposure at the portfolio level.
- ▶ Refer to specific climate risk exposure methodologies, providing FIs with guidance and promoting harmonization of calculation practices (e.g., climate scenario analysis, climate risk stress testing, calculation of carbon risk exposure, tracking of energy label/efficiency for real estate portfolios).
- ▶ Encourage FIs to take mitigating steps on climate risks. Mitigating steps are still not promoted enough by SBN members, although some—including Morocco's AMMC—encourage local FIs to implement exclusion criteria and sector policies for the most carbon intensive sectors.
- ▶ Improve disclosure practices and the measurement and tracking of impacts of investments, such as emissions and the sectors being invested in.

Measurement

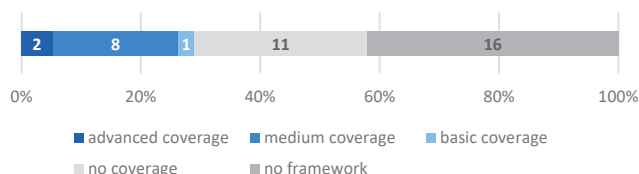
Indicators

7 Calculation of environmental benefits

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to calculate the environmental benefits of their investments? (e.g. CO₂ emission reduction, water saving, etc.)
- Does the framework provide a taxonomy of potential environmental impacts?
- Does the framework provide methodologies, tools, and/or templates to measure and report these impacts?

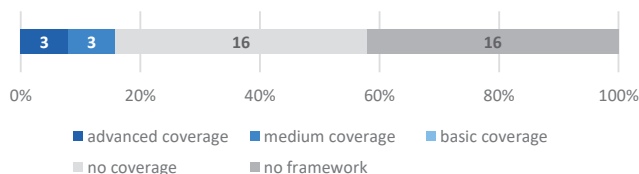
Indicators

8 Climate risk exposure assessment

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to monitor climate risk exposure at the portfolio level?
- Does the framework refer to specific climate risk exposure methodologies (e.g., climate scenario analysis, climate risk stress testing, calculation of carbon risk exposure, tracking of energy efficiency for real estate portfolio)?
- Does the framework encourage FIs to take mitigating steps on these risks?

Climate and environmental risks and opportunities as part of the Financial Sector Assessment Program Development Module

Recently, as part of the Financial Sector Assessment Program (FSAP), the World Bank has started to pilot an assessment module focused on climate change and environmental risks and opportunities for the financial sector in client countries. On the risk side, this module helps authorities identify channels through which climate and environmental risks pose risks to the financial sector. It also benchmarks regulatory responses to emerging international good practices, benefiting from the work of networks like SBN and NGFS. On the opportunity side, it helps financial policymakers identify market and institutional barriers for green finance. Based on these assessments, a set of recommendations are provided to financial sector regulators and policymakers on how to better manage climate change and environmentally-related financial risks, as well as how to address barriers to green finance. In the coming period, the assessment framework will be further refined and tested in client countries. Follow-up will include technical support to financial sector policymakers and regulators to integrate climate and environmental considerations into supervisory approaches, including the development of supervisory tools, methods, and databases to assess climate and environmental risks.

— By Martijn Gert Jan Regelink, Senior Financial Sector Specialist, World Bank



Case Studies

- OECD example – Dutch Central Bank introduces risk assessments and advanced tooling





4.4 Sub-pillar: Incentives

INCENTIVES – Non-financial incentives such as awards and labels are most common, but a few SBN members have already implemented financial incentives such as green financing schemes. SBN members are increasingly using market incentives to mobilize green finance flows and encourage innovation within their local financial sectors.

Ten SBN members so far have introduced incentives for green financial products and services. As of 2019, positive recognition for good performers consists mostly of awards or labels. To date, only five SBN members have introduced financial incentives to encourage banks to increase their green investments. For example, Bangladesh Bank has set both financial and non-financial incentives to promote green finance, via an annual award and a requirement for FIs to dedicate 5 percent of total loans or investments to green assets.

At present, very few countries have developed and implemented systematic financial incentive mechanisms to promote and track green finance. China is the only country with targeted incentives for green bond issuers since 2017.

The next step is to make these practices more systematic and to make greater use of financial incentives. Only two SBN members currently use such approaches.

Incentives

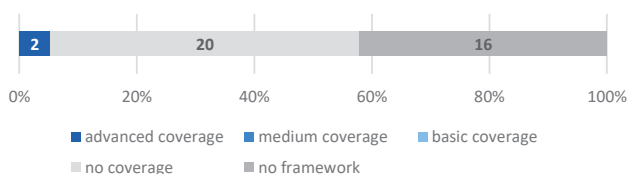
Indicators

9 Financial and non-financial incentives

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework provide any type of incentives for green financial products and services?
- More specifically, does the framework introduce financial incentives on green products and services?





5. ESG Integration

The ESG Integration Pillar evaluates guidance and supervision strategies for a range of financial institution practices that effectively manage ESG risk in FI operations and transactions, including governance, policies, systems, training, monitoring, and disclosure. A new enforcement indicator assesses incentive mechanisms and verification strategies.

With emerging markets' high concentration of financial assets in banking, and given SBN's primary mandate in relation to the banking industry, the ESG integration analysis in this report focuses on frameworks and interventions by banking sector regulators and industry associations to encourage banks to integrate environmental and social considerations into credit decision making. Capital market and company ESG requirements that affect financial market players are reviewed where relevant. Specific ESG requirements for asset owners and managers are not included in this report, except where they are part of a cross-cutting approach that is likely to influence requirements for banks, such as in the case of South Africa. A broader focus on asset management may be included in future reports.

Banking regulators in emerging markets started out in sustainable finance with a focus on developing environmental and social risk management (ESRM) guidelines for banks. Bangladesh Bank issued its Environmental Risk Management Guidelines in 2011 and the former China Banking Regulatory Commission issued the Green Credit Guidelines in 2012.

Almost all national frameworks issued by SBN members include guidelines or a component on ESRM. Drawing on a wide range of well-established international standards, ESRM guidelines help financial institutions in emerging markets to operationalize ESG integration by putting in place governance structures, policies, and procedures to identify, assess, mitigate, and manage E&S risks, as well as to identify opportunities to create business value by improving the ESG performance of their clients.

Early adopters such as Bangladesh, Brazil, and China have progressed further to improve enforcement through mandatory and voluntary reporting requirements.

It is notable that banking regulators are increasingly considering ESRM to be part of banks' microprudential responsibilities and are taking steps to include relevant considerations into supervisory frameworks. Approaches range from regulatory review of banks' self-reported information in standardized templates (developed either by regulators or industry), to ESRM consideration as part of banking supervisory activities, to the creation of a dedicated sustainable finance function for both compliance supervision and encouraging green finance.



ESG Integration Pillar

Sub-pillars

Governance of E&S

Indicators

10 Role of governing bodies on E&S

Number of SBN countries taking action on the indicator



11 Organization

Number of SBN countries taking action on the indicator



E&S risk management

Indicators

12 E&S policy

Number of SBN countries taking action on the indicator



13 Risk assessment

Number of SBN countries taking action on the indicator



14 E&S covenants

Number of SBN countries taking action on the indicator



15 Project supervision & portfolio review

Number of SBN countries taking action on the indicator



16 Training

Number of SBN countries taking action on the indicator



17 External communication mechanism

Number of SBN countries taking action on the indicator



18 E&S reporting

Number of SBN countries taking action on the indicator



Enforcement

Indicators

19 Enforcement

Number of SBN countries taking action on the indicator



Dark shading indicates this element is included in the country's sustainable finance framework
Light shading indicates this element is not included in the country's sustainable finance framework
Empty shading indicates the country has not established national sustainable finance framework



Case Studies



Inspiring practices from SBN members

- Emerging approaches by banking regulators to promote sustainable finance through engagement with FIs
- South Africa – King Code on Corporate Governance sets out governance responsibilities for environmental and social performance
- Bangladesh – Central bank specifies governance of E&S and clarifies the use of E&S covenants
- Nepal – Central bank provides detailed guidance on expectations toward an E&S Policy, the appropriate steps of an ESRM system and supervision
- Nigeria – Sustainable Banking Principles Guidance Note asks banks to perform internal and external E&S audits
- Emerging practices to encourage FIs' reporting and transparency efforts



Good practices among financial institutions

- Industrial Bank – Evolution of governance structures to drive growth in sustainable finance
- BRAC Bank and City Bank – Striving to be the market leaders in Green Finance in Bangladesh
- Ecobank – Aligning ESRM practices with international standards
- ING – Comprehensive environmental and social risk management framework





5.1 Sub-pillar: Governance of E&S

Governance of E&S

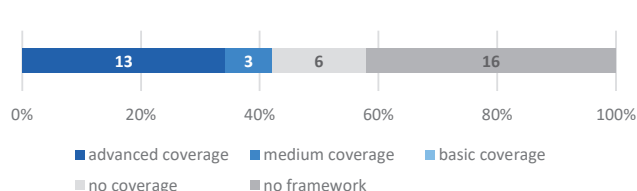
Indicators

10 Role of governing bodies on E&S

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the country policy require one of the FI's governing bodies (e.g., Board of Directors, Executive Committee, Supervisory Board, etc.) to approve an E&S strategy?
- Does the policy require management to report on the E&S strategy implementation to the governing bodies?
- Does the policy require FI operational bodies to report to the governing bodies (or specific Board committee) on implementation of the E&S strategy?

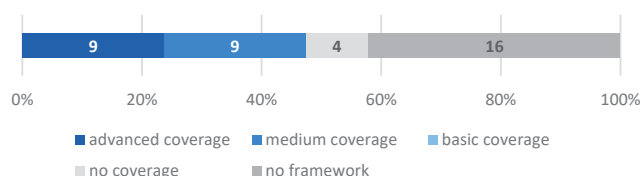
Indicators

11 Organization

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to define roles and responsibilities?
- Does the framework highlight the roles of front office staff and second lines of defense (risk officers and/or compliance officers)?
- Does the framework ask FIs to define competencies for each role?

E&S policies and principles released by 22 countries reference expectations for FIs' governance and are well aligned with international good practices. Most frameworks ask FIs to develop and maintain an overarching sustainability or E&S strategy and policy, and emphasize that such a policy must start with adequate governance at the highest level of the organization and the identification of those responsible for its application.

Sixteen SBN countries indicate that an FI's E&S policy must be validated by its governing bodies, such as the board of directors, executive committees, or supervisory boards. This is an important prerequisite, ensuring that the policy is supported at the highest level and that E&S policy documents are aligned with the FI's strategic objectives.

Twelve of 22 countries also recommend that FI managers report to their governing bodies on the implementation of E&S policies. Most frameworks (18 of 22) require the individuals responsible for implementing E&S policies to be identified, together with their roles in the implementation process.

Several frameworks (4 of 22) take the next step and require operational teams to report to governing bodies on E&S performance. Some frameworks indicate that the specialized teams driving E&S policies must regularly report to governing bodies on policy implementation.

Future SBN member frameworks could suggest the following:

- ▶ E&S teams bring technical knowledge and drive the implementation of E&S policy.
- ▶ Front office staff are trained and know which tools to use.
- ▶ Risk and Compliance departments review client and transaction-related E&S risks during the financing and monitoring phases.
- ▶ Internal Audit regularly reviews the implementation of policies and compliance with procedures.



5.2 Sub-pillar: E&S risk management

Seven practical aspects were reviewed in relation to the comprehensiveness of E&S risk management guidance for FIs. They include (i) E&S policy; (ii) risk assessment for transactions; (iii) E&S covenants in loan agreements; (iv) project supervision and portfolio review; (v) training; (vi) external communication mechanism; and (vii) E&S reporting. These reflect international best practices in ESG integration, especially for banks, and follow the credit-decision making process commonly used by financial institutions.



E&S policy

E&S risk management

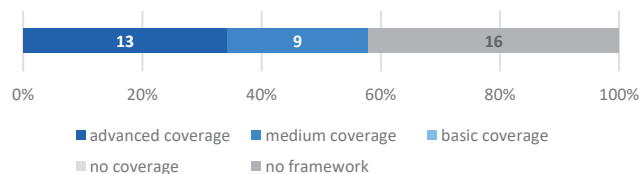
Indicators

12 E&S policy

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to formalize an E&S or ESG policy?
- Does the framework encourage FIs to go beyond E&S requirements of local laws and regulations?
- Does the framework ask FIs to set E&S objectives and targets?
- Does the framework ask FIs to publicly disclose their E&S policy and its governance?

All SBN country frameworks indicate that local FIs should formalize an E&S policy. In a clear majority of cases (18 of 22), the regulator or local industry association also encourages FIs to go beyond the requirements of local laws and regulations, and to refer to international initiatives and standards.

Half of the frameworks (12 of 22) encourage FIs to publicly disclose their E&S policies and governance. Disclosing an E&S policy helps FIs to engage closely with implementation, since it attracts the scrutiny of NGOs, the media, and clients. This represents best practice and is included in all important international standards and initiatives (e.g., GRI, TCFD recommendations, UNEP-FI Principles for Responsible Banking).

Half of the policies and guidelines (11 of 22) ask FIs to set targets. Setting targets—either quantitative or qualitative—is another major milestone for FIs, since it usually triggers additional commitments. These include dedicating resources to achieve targets and track progress, creating a structured communication plan around progress toward the target, and reporting to senior managers. If these objectives are communicated to the broader public and not only to regulators, it encourages FIs to commit to providing external stakeholders with accurate and transparent information.



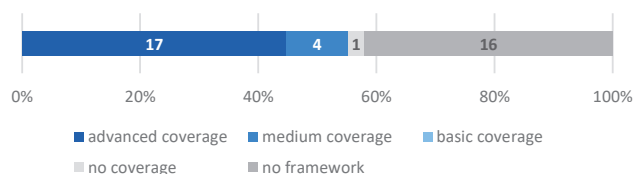
Risk assessment

13 Risk assessment

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework require FIs to carry out appropriate E&S due diligence at transaction level?
- Does the framework require FIs to carry out appropriate E&S due diligence at client level?
- Does the framework encourage FIs to categorize projects/clients according to their level of E&S risk?
- For high-risk transactions, does the framework encourage site visits to be organized?
- In case of negative E&S impacts, does the framework invite FIs to engage with clients to implement mitigation measures?

Sustainable banking policies and principles in advanced SBN member countries are quite comprehensive when it comes to E&S risk management. Many new policies and principles have incorporated good practices identified in the previous progress report.

E&S risk assessment is encouraged in most countries during the first stages of the financing cycle. Several tools have been developed by SBN members to guide FIs through their risk assessments (i.e., environmental and social due diligence of clients and transactions) and their contracting phase (e.g., examples of E&S covenants).

The next step for SBN members will be to increase the emphasis on E&S requirements during the monitoring phase of investments, an area that is currently lagging. Principles could also do more to stress the importance of establishing complaints mechanisms that external parties can use to report grievances related to FIs' ESG practices.

Another next step for SBN members is to incentivize banks to go further in adopting E&S risk management. Implementing site visits, conducting regular reviews at the portfolio level, and training frontline staff are a few key examples of the steps needed to mitigate E&S risks.

Project and client risk assessment

Almost all frameworks ask FIs to carry out an E&S due diligence at both the project level (20 of 22) and client level (19 of 22) in order to identify, assess, and mitigate E&S risks. Twenty frameworks ask FIs to categorize clients and projects based on their level of E&S risk.

The rationale for good E&S management is well explained in the policies and principles. About half of the frameworks (12 of 22) go further by encouraging FIs to engage proactively with clients that have negative E&S impacts.



Good Practices from SBN Members

- ▶ Set up thorough controls such as site visits for high-risk transactions. This allows for a deeper and more relevant analysis of E&S risks that could impact the project and, consequently, the lender or investor itself.
- ▶ Engage further with clients to implement risk mitigation measures, depending on the level of negative E&S impacts identified.



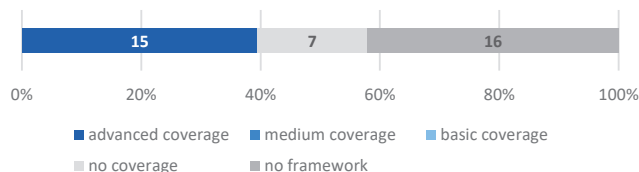
E&S covenants

14 E&S covenants

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to incorporate E&S covenants and investment conditions into legal agreements with clients?

Most frameworks (15 of 22) encourage FIs to incorporate E&S covenants and investment conditions into legal agreements.

This marks a major advance from the first SBN Global Progress Report, in which the inclusion of E&S covenants was identified as an area of potential improvement for most countries.



Good Practices from SBN Members

- Provide FIs with a list of standard examples of E&S covenants and provide templates.
- Require the monitoring of E&S covenants throughout the life of a project.

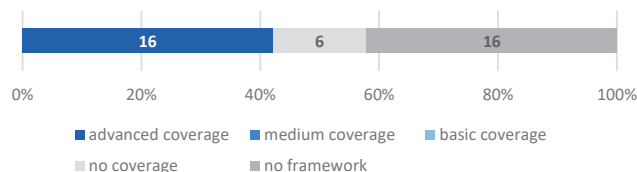
Project supervision and portfolio review

15 Project supervision & portfolio review

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to develop processes to manage E&S risks during supervision?
- Does the framework encourage a periodic review of E&S risks at aggregate portfolio level?

Most countries require FIs to develop E&S risk supervision processes and procedures that can continuously monitor E&S risks after funds have been disbursed.

Nevertheless, policies and guidelines could put more emphasis on E&S requirements during the monitoring phase of investments, an area that is currently lagging. In addition to project-level monitoring (e.g., checking for new E&S risks, following up on reporting commitments, etc.), frameworks could stress the value of portfolio-level monitoring (e.g., identifying the most frequent risks, developing a priority action plan, undertaking monitoring site visits, etc.).

Frameworks could also do more to stress the importance of establishing complaints mechanisms that external parties can use to report grievances related to FIs' ESG practices.



Good Practices from SBN Members

- Review E&S risks at the portfolio level to consistently manage risks across all projects.
- Review E&S risks throughout the lifetime of a project to consistently manage risks over time.



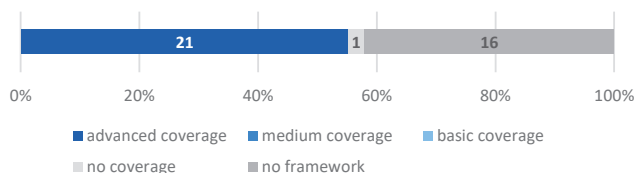
Training

16 Training

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the framework ask FIs to develop and maintain E&S capacity through regular training?
- Does the framework highlight the training of (i) front office staff, (ii) second lines of defense (risk officers and/or compliance officers), and (iii) E&S experts?

All but one countries encourage FIs to train staff in conducting E&S activities. Nevertheless, very few distinguish between the different needs of key E&S roles. As shown in the Green Finance Latin America report, one of the main challenges in implementing sustainable practices among banks is a lack of sufficient technical knowledge among staff. The inability to understand the costs and benefits of implementing E&S practices is another obstacle.

Training needs for different staff vary in terms of format and frequency. Consequently, training programs should be adapted to the audience, covering:

- ▶ Front office staff
- ▶ Second lines of defense (risk officers and/or compliance officers)
- ▶ E&S experts
- ▶ Internal audit
- ▶ External grievance mechanisms

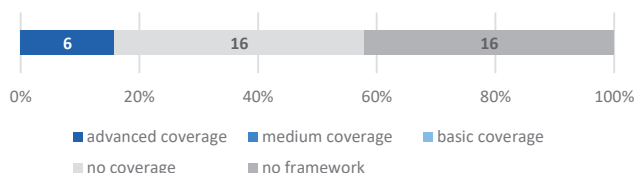
External communication mechanisms

17 External communication mechanism

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the policy require FIs to establish and maintain an inquiry/complaints/grievance mechanism in relation to E&S or ESG practices?

Six SBN member frameworks highlight the importance of establishing and maintaining an inquiry or complaints mechanism with regard to FIs' E&S practices.

Promoting grievance mechanisms could be a good way for local regulators or industry associations to encourage external communication and transparency. This would allow a broader set of stakeholders to provide feedback and ask questions about the implementation of the FI's E&S practices.



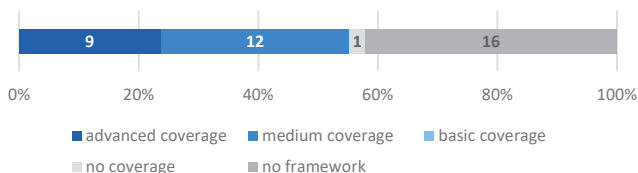
5.3 Sub-pillar: Enforcement

18 E&S reporting

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Does the policy require FIs to report regularly on E&S or ESG performance, including publicly, to investors or to regulators?
- Does the policy make E&S or ESG reporting and disclosure more consistent across financial institutions through principles, guidelines, or templates?

Enforcement

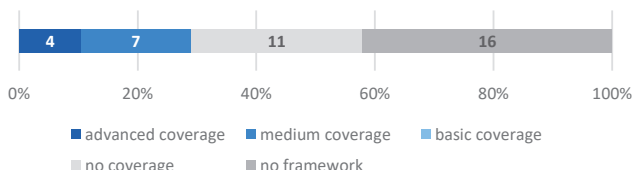
Indicators

19 Enforcement

Number of SBN countries taking action on the indicator



Distribution of SBN countries on indicator assessment results



Underlying questions

- Is the implementation of the framework regularly verified or is information regularly collected from FIs?
- Is there any financial and/or non-financial incentive for establishing ESRM systems?
- Are there sanctions/penalties/warnings in case of noncompliance with the framework?

A number of SBN members regularly collect information on FIs' implementation of sustainable finance expectations. Regulatory and voluntary reporting is used by a number of countries as an enforcement mechanism. Ten of 22 SBN members regularly verify or collect information from FIs on their E&S risk management activity.

Two countries (Bangladesh and Kenya) provide incentives (financial or non-financial) and three other countries (China, Indonesia, Peru) use sanctions. Of course, creating incentives depends on the nature of each SBN member. Brazil's Febraban is the only banking association to provide annual incentives.

Several measures have been identified as useful in ensuring the enforcement of E&S policies in countries where regulators have published an E&S framework for local FIs:

- First, information should regularly be sent to regulators by local FIs. This information, which should be both qualitative and quantitative (e.g., using reporting templates provided by the regulator), would then be verified, and could lead to further exchanges of information between FIs and regulators.
- Second, mechanisms should be put in place to define the consequences of inaccurate or absent regulatory reporting. The policy could define the channels through which reporting should occur, the required timings (including deadlines), and the potential sanctions (warnings, penalties, etc.).
- Finally, a positive element could be added to enforcement mechanisms by putting incentives in place. For instance, Bangladesh Bank regularly releases a public acknowledgment of the E&S leaders amongst local FIs.



6. Progress among Early-stage Countries

Nine early-stage countries have been implementing national sustainable finance initiatives, albeit at different levels.¹⁴ Looking across these countries, several recent developments stand out:

- ▶ In most countries, awareness raising initiatives have started and levels of awareness among financial institutions are rising. Sustainable finance committees and training sessions are common.
- ▶ SBN members in almost all the countries assessed for this review have started a dialogue on sustainable finance. This typically means that the relevant regulator or industry association has initiated discussions with local FIs to understand their needs, challenges, and progress on E&S. In four countries, the regulator is working jointly with the banking association or a group of local FIs (Thailand, Ghana, Fiji, Egypt).
- ▶ Half of the countries report that they are currently drafting policies, principles or roadmaps. These documents are expected to be released in 2019 and 2020. Five countries have already precisely defined the content of their future E&S framework.
- ▶ In a few countries, stock exchanges are already active on the green bond side (via the issuance of recommendations and guidelines).
- ▶ Knowledge sharing between less advanced and more advanced SBN members is common practice, and is one of the main features of SBN membership. This helps all SBN members to understand the pathways taken by other members to establish a framework (see examples below for Philippines and Thailand) to share good practices and to discuss challenges.

The table on the following page summarizes the progress of national sustainable finance initiatives along three dimensions:

- ▶ Awareness raising efforts, either led by financial regulators or banking associations (training, knowledge sharing events, conferences and meetings, research, publications, etc.).
- ▶ Existence of sector-wide dialogue or planning aimed at establishing a national sustainable finance framework and involving relevant stakeholders (government and other public bodies, private and public financial institutions, regulators, civil society organizations, etc.).
- ▶ Existence of a timeline for the development of a sustainable finance policy (i.e., a clear schedule and milestones to launch the framework), with key content for the policy.

¹⁴ Note: Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.



Table 3: Early-stage SBN members' reported progress on sustainable banking practices

	Awareness raising and knowledge sharing actions in place	Existing plan to start a dialogue on policies or principles	Existing timeline for framework development	Content of the future policies and principles already defined
Chile	✓	✓		
Egypt	✓	✓	✓	✓
Fiji	✓	✓	✓	✓
Ghana*	✓	✓	✓	✓
Iraq	✓	✓		
Jordan	✓			
Kyrgyz Republic	✓	✓		
Philippines	✓	✓	✓	✓
Thailand*	✓	✓	✓	✓

*Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.



7. Low-income, High-ambition Countries

An SBN Diagnostic Assessment in low-income countries shows that, despite facing additional challenges, these countries remain committed and ambitious when it comes to adopting sustainable finance and demonstrate examples of leading good practices.

Sustainable finance frameworks are critical tools to empowering banks and other financial institutions to address prevailing environmental and social challenges in low-income countries. Low-income SBN members have demonstrated a strong commitment to sustainable finance. Nevertheless, these countries face additional challenges in developing sustainable finance frameworks due to weaker institutional and financial sector capacity.

The first-of-its-kind Diagnostic Assessment of low-income countries eligible for IDA (International Development Association) support addresses two key questions: (1) how have SBN IDA countries developed and promoted sustainable finance frameworks? and (2) how have SBN IDA countries leveraged sustainable finance frameworks to address environmental and social challenges? To address these questions, the SBN team implemented a survey of low-income country members, supplemented with desk-based research and interviews.

7.1 Building sustainability

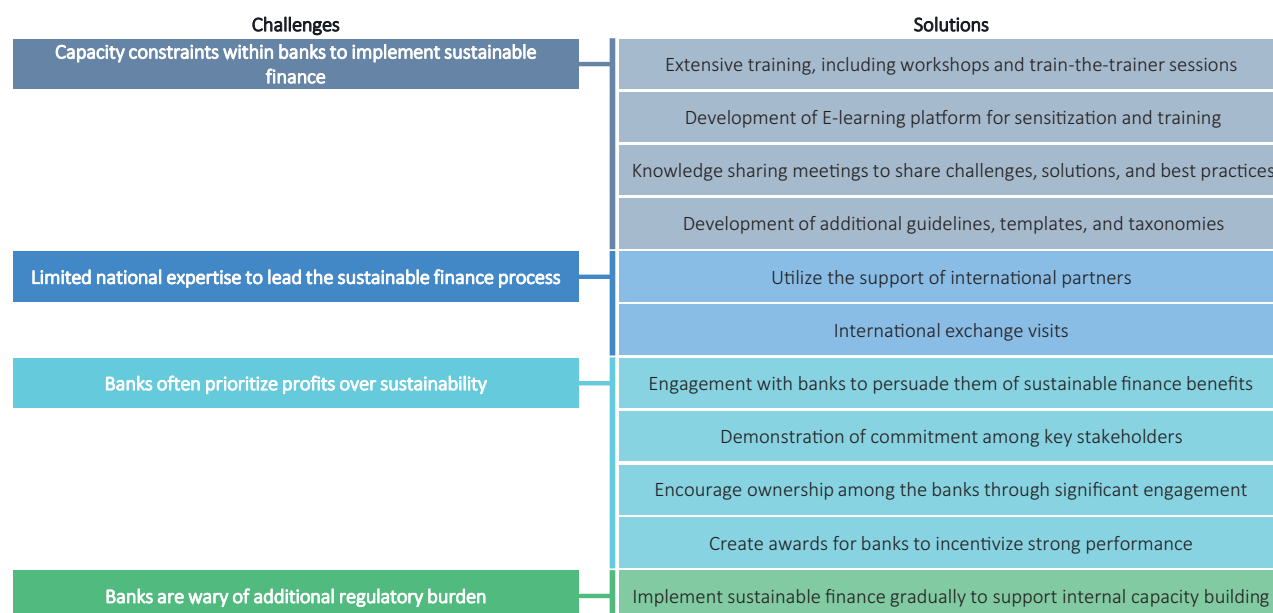
The development of sustainable finance frameworks in SBN IDA countries has been driven by policy and regulation, collaboration,

market forces, and learning opportunities. The majority of SBN IDA members—75 percent of members surveyed—noted that a supportive policy environment, such as a national commitment to the SDGs, is a crucial driver of sustainable finance.

There have typically been two paths to developing sustainable finance frameworks in SBN IDA countries: regulator-driven and industry-driven. Under the regulator-driven approach, regulators have drafted and launched sustainable finance frameworks supported by consultation with the financial sector. Implementation has been led by central policy actors, with varying degrees of monitoring and enforcement. Under the industry-driven approach, banking associations have been mandated by their members to develop sustainable finance frameworks. These banking associations have then drafted the sustainable finance framework, often jointly with a working group of bank representatives. Implementing the sustainable finance framework has typically been voluntary, industry-driven, and gradual.

Despite divergent paths, SBN IDA members have faced strikingly similar challenges in the development of sustainable finance frameworks – but have responded creatively to overcome these, as shown in Figure 13.

Figure 13: SBN IDA members have deployed a wide range of solutions to address similar challenges



Looking ahead, SBN IDA members' top priorities for future action are: i) promoting green finance, ii) developing sustainable finance roadmaps, and iii) supporting sustainable finance implementation. Three-quarters of SBN IDA members identified green finance as a priority, with a green bonds program considered a key next step.

7.2 Deepening sustainability

SBN IDA members have leveraged sustainable finance frameworks to address the environmental and social challenges their countries face and to support broader financial sector development. However, the level of integration varies. The Assessment looks at four key areas:

- **Environmental and social risk management:** ESRM has been a core component of the sustainable finance frameworks of SBN IDA countries, which in turn have supported ESRM implementation within financial institutions.
- **Green finance:** Green finance is a priority for SBN IDA members and a key driver for the development of sustainable finance frameworks. Key priorities have included the development of definitions for eligible green projects such as taxonomies to support investment and green bonds to unlock capital.
- **Financial inclusion:** Most SBN IDA members consider financial inclusion to be a key component of their sustainable finance frameworks. Although in practice, measures to promote financial inclusion have often been conducted on a standalone basis.
- **Agricultural and SME finance:** SBN IDA members have implemented support measures to facilitate the flow of credit to the agricultural and SME sectors. However, these have not been comprehensively integrated within sustainable finance frameworks.

7.3 Supporting low-income countries into the future

The SBN IDA Diagnostic Assessment finds that:

- SBN IDA countries face additional challenges in implementing sustainable finance frameworks, but leading countries have developed strong and creative responses to these challenges.
- Sustainable finance frameworks have been leveraged to address broader environmental and social challenges, which the financial sector has done with the support of SBN IDA members.
- Further research should be conducted into the synergies between different environmental and social challenges and the financial sector response.
- SBN IDA countries are strongly committed to developing sustainable finance frameworks, presenting an opportunity for these countries to become global leaders in delivering sustainable finance systems.
- There is a strong need for the SBN IDA Task Force to continue building the capacity of SBN IDA members and to develop a practical toolkit for sustainable finance framework development in IDA countries.

The SBN IDA Task Force can continue to support SBN IDA members through technical assistance and developing an IDA Toolkit. An IDA Toolkit consisting of templates, guidelines, and other resources would enable SBN IDA members to benefit from international best practices, tailored to their specific challenges. The Toolkit should focus on how sustainable finance frameworks can be leveraged in low-income countries to address broader environmental and social challenges.



8. Next Steps

How can SBN members and the international community build on progress and continue to promote sustainable finance?

8.1 Recommendations for supporting accelerated progress

The Global Progress Report's review of all 38 SBN members' experiences and progress since the 2018 Report demonstrates a number of common themes, successful approaches, and lessons for SBN countries, and highlights how international partners can best support ongoing progress toward sustainable finance systems.

1. Sustainable finance needs to be central to financial supervision and treated in an integrated way.

- Financial regulators need to embed ESG and climate risk management, as well as green and climate-finance targets, into day-to-day supervisory activities of financial sector regulators.
- ESG risk management is increasingly recognized by regulators as essential for maintaining financial stability and market competitiveness. At the same time, new climate and green finance opportunities can unlock significant domestic and international capital flows for strategic sustainable development investments.
- Leading SBN members are approaching these aspects as interconnected and complementary dimensions of sustainable finance and embedding a holistic approach within roadmaps, policies, and guidelines to systematically mainstream sustainable finance for maximum benefit and impact.

2. Robust reporting and monitoring frameworks need to be established.

- Commitments to disclosure and transparency on sustainable finance increase the ability of financial institutions to manage these issues. The data and insights gained from reporting and monitoring also empower regulators and supervisors to exercise effective checks and balances—at both the institutional and the market levels.

- SBN members can also accelerate green and climate finance through common definitions, guidelines, and monitoring frameworks that promote consistency and credibility, and that systematically track environmental and social impacts.
 - Emerging markets collectively could draw from proven approaches when it comes to defining and monitoring green finance activities. For instance, by leveraging a harmonized global taxonomy on eligible green projects while still addressing local concerns, SBN countries could improve transparency and attract international capital flows.
- #### 3. More work is urgently needed to enable financial market players to understand and manage climate-related risks, both physical and transitional.
- While global urgency to address climate change has mounted rapidly over the past year, and most SBN countries are advancing in their efforts to meet climate goals under the Paris Agreement, most national sustainable finance policies and principles do not contain specific requirements and guidance for financial institutions to align climate-related definitions and investment targets with countries' climate strategies.
 - This year's review found that emerging market banks still tend to have limited understanding of climate financing opportunities and climate-related risks. Coordinated efforts are therefore needed to increase the technical guidance and on-the-ground support available to central banks and financial institutions on this topic.
 - The World Bank has started to pilot an assessment module of climate change and environmental risks as part of the Financial Sector Assessment Program. Global initiatives, including the Task Force on Climate-related Financial Disclosures and the Network for Greening the Financial System, could provide much-needed technical resources for emerging markets.

4. Industrywide capacity building remains critical to support broad behavior change in emerging market financial institutions.

- Most countries are still working to embed sustainable finance broadly in the practices of local financial institutions. For less developed markets, where there are competing priorities to develop basic financial market infrastructure, the challenge is even greater. Concerted efforts by international development agencies and other stakeholders could help address these challenges.
- There is an increasing number of initiatives and networks that are helping to promote and define sustainable finance

globally. This is happening across a broad range of different stakeholder groups and with complementary areas of focus. SBN is building partnerships with many of these initiatives and networks, such as the G20 Sustainable Finance Study Group, the Network for Greening the Financial Sector, UNEP Finance Initiative, Alliance for Financial Inclusion, the World Bank Financial Sector Assessment Program, and the World Bank-supported Coalition of Finance Ministers for Climate Action.

- Collective success in transitioning the global financial system will rely on understanding and coordination across networks and initiatives.



CASE STUDIES

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Inspiring practices from SBN members

Pillar I: Strategic Alignment

Morocco – Developing sustainable finance roadmaps through collaboration and alignment with international and regional goals

During the 2016 United Nations Climate Change Conference of the Parties (COP 22) held in Marrakech, Morocco's financial sector regulators committed to fostering green finance in Morocco and in Africa.

Morocco launched two sustainable finance roadmaps in 2016: i) *Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development*, and ii) *Morocco's roadmap for the alignment of the financial sector with climate change commitments*. Both initiatives represent alignment with international sustainability goals and extensive interagency collaboration.

The *Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development* was coordinated by the Bank Al-Maghrib, the Morocco central bank, with contributions from seven regulators:

- ▶ The Ministry of Economy and Finance
- ▶ The Moroccan Capital Markets Authority
- ▶ The Supervisory Authority of Insurance and Social Welfare
- ▶ Casablanca Finance City Authority
- ▶ Casablanca Stock Exchange
- ▶ The Moroccan Bankers' Association
- ▶ The Moroccan Federation of Insurance and Reinsurance Companies.

The Marrakech pledge was also launched in parallel, focused on "Fostering Green Capital Markets in Africa." It is a commitment by all African capital markets regulators and exchanges to act collectively in favor of sustainable development in order to promote Africa as a prominent regional green financial marketplace and an attractive destination for green and climate-resilient investments.

Paraguay – Sector guides developed by a coalition of FIs, public agencies, and civil society organizations

In 2012, four Paraguayan banks formed a Roundtable for Sustainable Finance (RSF) and took the lead in developing and implementing sector guides for the cattle, agriculture, and agro-industry sectors. These sectors are an important source of economic development for Paraguay, but also face the challenge of farming and cattle ranging that led to illegal deforestation.

RSF's member banks, which have grown to 14 banks, commit to voluntarily check whether their clients are involved in illegal deforestation and whether they comply with necessary environmental legislation and licenses. These guidelines and criteria were developed in consultation with multiple stakeholders, including FMO, WWF, IDB Invest, UNDP, and several Paraguayan government agencies.¹⁵

The results of this collaborative work include the strengthening of environmental and social management systems in partner banks and promoting the work of the Roundtable itself.

¹⁵ www.fmo.nl/news

Pillar II: Climate and Green Finance

Brazil – Tracking environmental benefits achieved by banks

In 2014, FEBRABAN (the Brazilian Federation of Banks) facilitated a working group that included representatives from banks to draft a methodology to measure financial resources allocated to the Green Economy.

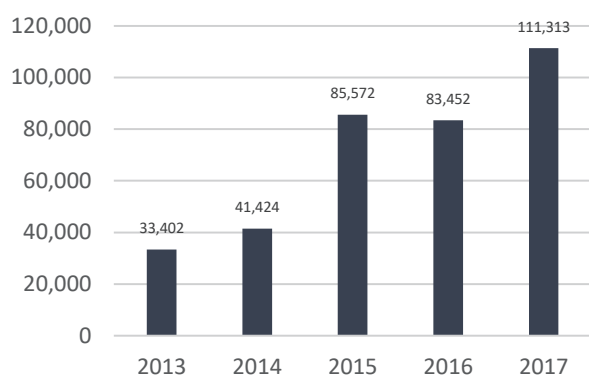
The methodology is based on the identification of economic activities considered as Green Economy sectors by UNEP, and activities that potentially contribute to socio-environmental impacts, according to the Resolution 237/1997 of the National Environment Council (CONAMA). National Classification of Economic Activities (CNAE) codes were also identified for the activities that comprise the mentioned sectors.

As of December 31, 2017, the balance of credit portfolios (financing and loans) for sectors in the Green Economy was R \$412,271 million, which represents 27.6 percent of the total corporate portfolio of the banks in the sample, which adds up to R \$1,495 billion.

Table 4: Green economy sectors

Green Economy Sectors	
(1) sustainable agriculture	(8) water
(2) renewable energy*	(9) forestry
(3) sustainable transport	(10) waste efficiency
(4) products with a specific purpose	(11) cities
(5) productive inclusion and local and regional development	(12) fishing
(6) education	(13) sustainable tourism
(7) health	

Figure 14: Balance of credit portfolios (financing and loans) for sectors in the Green Economy
(Unit: USD million, Exchange rate: BRL/USD=0.27)



Source: FEBRABAN

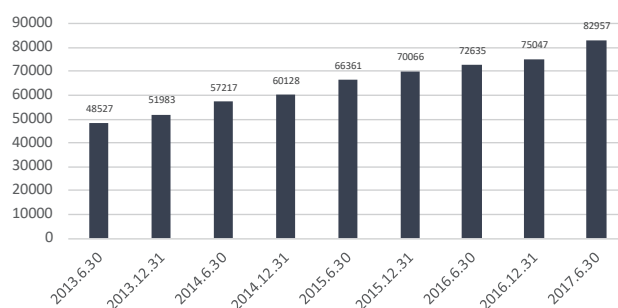
China – Banking regulator defines and tracks green loans

In 2014, the China Banking Regulatory Commission (CBRC) introduced the Green Credit Statistics System (GCSS), which includes definitions for green loans and a tool for banks to calculate the environmental benefits against seven parameters of green loans. The largest 21 banks, representing over 75 percent of China's banking assets, are requested to report to CBRC on these statistics every six months. As of June 2017, the aggregate balance of 21 major Chinese banks' green lending was 24.17 billion Yuan, with a non-performing loan (NPL) ratio of 0.37 percent which was 132 percent lower than the average NPL ratio.

Table 5: 12-category of green credit loans

12-category of green credit loans	
1) green agriculture	7) renewable energy and clean energy
2) green forestry	8) rural and urban water projects
3) industrial energy saving, water conservation and environmental protection	9) building energy efficiency and green building
4) natural protection, ecological restoration, and disaster prevention	10) green transportation
5) resource recycling	11) energy conservation and environmental protection services
6) waste disposal, pollution prevention and treatment	12) overseas finance projects applying international best practices and standards

Figure 15: Green credit loan balance of 21 major banks in China
(Units: USD million; Exchange rate: RMB/USD=0.15)



Source: China Banking and Insurance Regulatory Commission

Table 6: Environmental benefits of 21 major banks in China (units: tons)

Reporting date	Environmental benefits						
	Standard Coal	CO2 equivalent	Chemical Oxygen Demand	NH3 – N	SO2 Saved Water	Nitrogen Oxides	Saved Water
2013.6.30	31,839	71,939	465	43	1,014	256	99,629
2013.12.31	186,718,002	479,026,642	3,300,261	356,630	6,649,186	1,550,799	438,080,487
2014.6.30	188,721,269	456,875,178	2,957,844	310,667	5,377,719	1,313,854	425,699,055
2014.12.31	167,188,855	399,580,836	3,412,996	340,847	5,876,541	1,600,911	933,672,533
2015.6.30	173,631,504	418,766,896	6,740,299	405,640	4,586,645	1,158,785	745,681,127
2015.12.31	221,228,894	549,793,199	3,552,271	384,296	4,849,558	2,269,962	756,053,681
2016.6.30	187,395,852	435,416,666	3,977,344	434,506	3,996,489	2,005,966	623,040,781
2016.12.31	188,482,671	427,197,846	2,714,590	358,947	4,882,658	2,826,861	601,975,909
2017.6.30	215,095,946	490,563,965	2,834,517	267,643	4,645,253	3,131,057	715,006,525

Source: China Banking and Insurance Regulatory Commission

Mongolia – Proposing a broad taxonomy for green investments¹⁶

The Mongolian Sustainable Finance Association (MSFA) has proposed a taxonomy to clarify the definitions of green sectors, assets, and financial products available to FIs in Mongolia. This would be subject to review and clearance by the Financial Stability Council, which consists of the Central Bank of Mongolia, Financial Regulatory Commission, and Ministry of Mongolia.

Green activities are categorized into three tiers of sectors and assets. The broadest level sector includes eight sectors, including renewable energy, low pollution energy, energy efficiency, resource efficient buildings, pollution prevention and control, sustainable water and waste use, sustainable agriculture (including land use, forestry, biodiversity conservation, and eco tourism), and clean transport. Alignment with Mongolia's environmental objectives is also provided for each green asset defined. Below is an illustration for renewable energy.

¹⁶ MSFA, 2019

Table 7: Overview of Mongolia Taxonomy

Level I	Level 2	Level 3	Specification/defining criteria	Alignment with environmental objectives
1.Renewable energy	1.1 Wind power	1.1.1 Wind power facilities	Construction and operation of onshore wind farm and other wind power facilities	Pollution prevention and control Climate change mitigation
	1.2 Solar	1.2.1 Solar PV power facilities	Construction and Operation of solar PV power facilities	Pollution prevention and control Climate change mitigation
		1.2.2 Concentrated solar power and heating facilities	Construction and operation of concentrated solar power and heating facilities	
		1.2.3 Solar water heating and other applications of solar power	Construction and operation of device/facility using solar energy, e.g., solar water heater, solar energy and air source heat pump hot water system, etc.	
	1.3 Hydro-power	1.3.1 Hydropower generation facilities	Construction and operation of device/facility using solar energy - Criteria: power density > 5W/m ² or emissions of electricity generated	Pollution prevention and control Climate change mitigation
	1.4 Geothermal power	1.4.1 Generation power and heating	Construction and operation of geothermal power plants and thermal applications of geothermal energy.	Pollution prevention and control Climate change mitigation
	1.5 Bio-energy	1.5.1 Bio-energy product facilities	Installation and operation of facilities for producing solid biomass, biogas, bio-liquids and other bio-energy products. - Criteria: only if they result in net reductions in emissions, taking into account production, processing and transportation	Pollution prevention and control Climate change mitigation
		1.5.2 Biomass or biogas power facilities	Construction and operation of biomass or biogas power plant. - Criteria: only if net emission reductions, including carbon pool balance can be demonstrated	

Morocco – Capital market regulator provides definitions and operational guidelines for green, social, and sustainability bonds¹⁷

The Moroccan Capital Market Authority (AMMC) has issued guidelines on green, social, and sustainability bonds. These guidelines provide useful information on:

- Definition and typologies of bonds (green, social, and sustainable bonds), and links between each product and the SDGs.
- The issuance process of such bonds. The guidelines outline clearly the benefits and good practices of each product, covering the different stages of the life of a bond: funds allocation, evaluation and selection of projects to be funded, management of the funds raised, external reviews, reporting and communication.

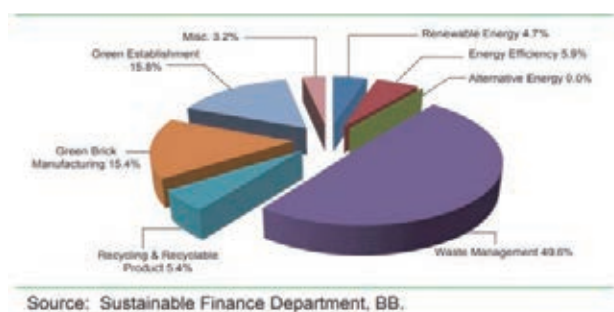
Bangladesh – Central bank requires detailed reporting of green investments

In 2014, Bangladesh Bank (BB) set FIs a minimum annual target to disburse 5 percent of all loans or investments as green finance. To clarify what constitutes green finance, in 2017 BB issued an exhaustive list of 52 products that contribute to this target.

A circular from BB requires FIs to submit quarterly information on their green finance flows, using a standardized reporting format. It also expects FIs to report on their green marketing, training, and capacity development; their utilization of climate risk funds; their strategic plans and steps for green banking; their sector-specific green finance policies; and other topics.

Bangladesh Bank monitors FIs' progress towards the 5 percent target using a dedicated Monitoring & Evaluation tool. This allows for yearly reporting on green financing by local FIs, as shown below.

The graph below shows the share of different green finance products in FY18¹⁸:



Vietnam – Central bank issues Directive to promote green loan growth and E&S risk management

Through its 2015 *Directive on promoting green credit growth and E&S risk management in credit granting*,¹⁹ the State Bank of Vietnam requires FIs to report the quantities and values of their green credit transactions, as well as to disclose information on their E&S risk management processes to the SBV on a quarterly basis. SBV provides a reporting template for this purpose:

No.	Criteria	Short-term credit granted		Medium and long-term credit granted	
		Quantity	Value	Quantity	Value
1	Credit/loan application				
2	Credit/loan applications declined after being E&S risks evaluated				
3	Credit/loan applications approved after being E&S risks evaluated				
4	Total outstanding value of credits/loans granted which have been evaluated on E&S risks				
5	Total outstanding value of credits/loans being on hold due to E&S risks				
6	Value of green credit/loan granted				
7	Total outstanding value of green credits/loans granted				
8	Total outstanding value of green credits/loans granted Total outstanding value of credits/loans granted				

OECD example – Dutch Central Bank introduces risk assessments and advanced tooling

In recent years, several central banks and regulators have started to measure and evaluate climate risks. The Dutch Central Bank (DNB) has been one of the frontrunners. In 2015 and 2016 DNB started measuring financial sector exposures to highly CO₂-intensive assets, as part of an exploration into transition risks that could come from policy efforts to keep global warming below 2 degrees Celsius above pre-industrial levels. Their assessment showed that Dutch FIs have sizable exposures to fossil fuel producers and power suppliers, but also exposures to economic sectors like steel, cement, agriculture, and transport, as well as the built environment.

In the 2017 study *Waterproof*, these measurements were further refined, and a broader risk assessment was done on all the ways that climate change can affect the Dutch financial sector, including impacts of floods on assets and the effects of climate change on insurers.²⁰ Along the way, the Dutch also worked on advanced assessment tools, including stress tests for insurers, as well as a macro stress test on the

¹⁷ <http://marrakechpledge.com/news>

¹⁸ Bangladesh Bank Annual Report 2018.

¹⁹ State Bank of Vietnam, 2015.

²⁰ *Waterproof*: an example of climate-related risk for the Dutch financial sector; DNB, 2017.

impact of an energy transition on the Dutch financial sector.²¹ Other central banks, including the Bank of England and Banque de France, have also performed more advanced measurements.

Pakistan – Central bank asks FIs to monitor climate risk exposure through the Green Banking Guidelines²²

Pakistan’s central bank has introduced guidelines that require FIs to monitor their climate risk exposure at portfolio level and encourage them to take steps to mitigate the risks they identify. Banks are also provided with a taxonomy of environmental risks. Risks are classified by level (direct, indirect, and reputational) as well as by source (linked to client’s behavior or outside its influence). The role of climate change and climate-related risks are highlighted, as shown below.

Climate Change: The adverse weather conditions, especially due to global warming, have brought about disasters such as flooding and droughts. Clients who are vulnerable to adverse weather conditions and their consequences or have their operation and production in areas prone to catastrophes are at risk of losing their income base or having to make high investments to defend their businesses. Examples of such industries are the agricultural sector or industries that rely on agricultural products as raw material. Risk from climate change affects the bank/DFI - client relationship as the cash-flow situation and loan repayment capability may be impaired.

Types of Risks

ECOLOGICAL MONITORING	
Soil Degradation - Global	
Tropical Forest Cover	
Rangelands	
River and Sediment Discharge	
World Glacier Inventory	
Isotope Concentration in Precipitation	
BIOSPHERE	
Wildlife Sampling and Monitoring	
Impact of Pesticide Residues	
Living Marine Resources	
POLLUTANTS	
Air Quality Monitoring - Global	
Transmission of Air Pollutants in Europe	
Water Quality - Global	
Eutrophication in Inland Waters	
FOOD AND ANIMAL FEED CONTAMINANTS	
Pollutants in Body Fluids and tissues	
Human Milk Composition Pollutants in Human Hair	
Ionizing Radiation	
CLIMATE	
Climatic Variability	
World Weather Watch	
Solar Radiation	
Atmospheric Ozone	
Climate Change	
Glacier Mass Balance and Fluctuation	
Atmospheric Pollutants	

Brazil – Banking association provides methodological considerations to calculate climate risk exposure

In 2018, with the support of its members, FEBRABAN (the Brazilian Federation of Banks) designed a Roadmap for implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).²³ The Roadmap identifies a list of challenges and enablers for FIs implementing the TCFD’s recommendations, and suggests a set of actions to help banks address any gaps identified:

Actions	Potential results
1. Application of the Climate Risk Sensitivity Tool	<ul style="list-style-type: none"> Improved understanding of the materiality of climate issues Action prioritization
2. Revision of governance around climate-related risks and opportunities (who is responsible, what are the responsibilities)	<ul style="list-style-type: none"> Increased transparency regarding the responsibilities within the risk management structure Assignment of responsibilities for the implementation of the TCFD Recommendations
3. Revision of publicly available information in bank documents and other reporting frameworks	<ul style="list-style-type: none"> Diagnosis of current alignment to the Recommendations and the main gaps, in order to bridge them
4. Incorporation of a specific implementation agenda for the TCFD recommendations by sustainability committees and the board	<ul style="list-style-type: none"> Top management involvement Design of a work agenda in line with the Action Plan of the Social and Environmental Responsibility Policy
5. Monitoring of the corporate credit portfolio’s exposure to critical sectors and climate opportunities	<ul style="list-style-type: none"> Identification of critically exposed sectors to prioritize sector-specific actions to manage climate risks & opportunities

In addition, FEBRABAN’s Working Group on Climate Risks has developed a Climate Risk Sensitivity Tool. This supports the identification and preliminary measurement of climate risk exposures at three levels: i) by economic sector in the credit portfolio; ii) by client; and iii) by financial transaction.

Levels of assessment	Variables	
	Relevance	Proportionality
Sector risk	<ul style="list-style-type: none"> Likelihood of climate-related financial impacts, by economic sector* Credit quality of each economic sector in the portfolio (based on credit ratings) 	<ul style="list-style-type: none"> Credit exposure, by economic sector
Client risk	<ul style="list-style-type: none"> Likelihood of climate-related financial impacts, by economic sector Client credit rating 	<ul style="list-style-type: none"> Weighted average tenor of client exposure Credit exposure, by client
Transaction risk	<ul style="list-style-type: none"> Likelihood of climate-related financial impacts, by economic sector Credit rating of the financial transaction Locational risk of the transaction 	<ul style="list-style-type: none"> Transaction tenor Transaction amount

*It was based on the TCFD list of sectors potentially most affected by climate change.

China – Central bank leverages refinance and macroprudential tools to incentivize green finance; local governments also provide financial incentives

In 2018, the People’s Bank of China (PBOC) issued the *Green Credit Performance Evaluation for Deposit-taking Financial Institutions*, incorporating the green credit performance evaluation into PBOC’s Macro-Prudential Assessment (MPA). The evaluation is undertaken on a quarterly basis, and evaluation results are assessed based on quantitative (80 percent weighting) and qualitative basis (20 percent weighting).

In addition, PBOC announced that green financial debt and green loans are accepted as collateral for the PBOC’s Medium-term Lending Facilities. On June 1, 2018, PBOC issued a public notice on “Appropriately expanding the scope of collateral for medium-term lending facilities (MLF).” AA-rated green bonds and green loans fall within the scope of MLF collaterals.

Some local governments have provided non-financial and financial incentives and support for green finance, including a streamlined approval process for green finance products, a government guarantee fund to provide risk-sharing and loss-sharing, subsidies for green bond interest, and tax deductions for green bond issuers and investors.

²¹ An energy transition stress test for the financial sector of the Netherlands, NDB, 2018.

²² State Bank of Pakistan, 2017.

²³ Implementing the TCFD recommendations: a roadmap for the Brazilian banking sector, FEBRABAN, 2019.

Bangladesh – Central bank introduces incentives for sustainable finance²⁴

Bangladesh Bank has implemented several incentives – both financial and non-financial – to promote sustainable finance in the country:

- ▶ Non-financial incentives:
 - Bangladesh Bank asks for quarterly reporting from local FIs on green finance flows.
 - The licensing of new bank branches is fast-tracked for banks that have adopted environmental and social risk management best practices.
- ▶ Financial incentives:
 - Bangladesh Bank has set up refinancing schemes for projects related to energy efficiency, kiln efficiency, and textile and leather production
 - Bangladesh Bank has designed its supervisory “CAMELS” rating to incorporate sustainability performance for each local FI.

Pillar III: ESG Integration

Emerging approaches by banking regulators to promote sustainable finance through engagement with FIs²⁵

Seven SBN member countries regularly verify or collect information from FIs about their implementation of ESRM requirements. These activities can be grouped into three typical engagement strategies: i) self-reporting by banks with regulatory oversight, ii) engagement by banking supervision department (BSD), and iii) engagement by specialized sustainable banking unit. Some members start with one approach and subsequently move to another approach, while some members use a combination of the approaches.

Model 1: Self-reporting with regulatory oversight

When self-reporting is employed, banks are tasked with assessing and reporting on their ESRM implementation, with no onsite and limited offsite verification by the regulator of the reported data. The role of regulators is primarily to ensure that reporting is done and the information received is analyzed on a firm and/or industry level.

This model can be considered to form the foundation or first step for banks before more intensive monitoring is implemented. For example, in Nigeria, following the development of the Nigerian Sustainable Banking Principles monitoring report, the banking sector was given fifteen months (March 2014 – June 2015) to self-report on their compliance through one-off and biannual reports, before more active regulatory engagement commenced.

In this model, limited capacity is required on the part of the regulator, and thus it is the most cost-effective for the regulator. However, this approach relies heavily upon the regulator’s ability to provide a robust monitoring framework to ensure that the data collected is concise and relevant.

For example, China’s banking regulator CBIRC has introduced a comprehensive set of 200 indicators for banks to self-report on their E&S performance. A review committee and third party verification is also introduced to verify data collected.

Model 2: Engagement by Banking Supervision Department (BSD)

In this model, the Banking Supervision Department (BSD) monitors and engages with banks both onsite and offsite, sometimes along with the credit risk supervision of the banks.

Given the existing structure and experience housed within the BSD, this model may be the most seamless for the regulator. However, for this model to be successful, there must be a clear strategy with regard to the process for ESRM engagement, and there must be a capacity

²⁴ Policy Guidelines for Green Banking, Bangladesh Bank, 2011.

²⁵ This case study was written by Damilola Rachael Sobo, IFC.

development plan for the Supervisors.

Model 3: Engagement by Specialized Sustainable Banking Unit

In this model, there is a specialized team created within the Central Bank whose task is the implementation and monitoring of banks' adoption of sustainable finance and ESRM principles. The team could be a sub-unit within the BSD or reside in another department and work closely with the BSD to ensure that processes and tools are aligned with the current reporting obligations for the banks. For example, in 2015 Bangladesh Bank created a sustainable finance department that carries out onsite and offsite monitoring. It also introduced sustainability ratings for banks, which are integrated into CAMELS²⁶ ratings.

A key challenge to this model is the resources needed to set up and operate the specialized sustainable banking unit. Unlike the other two models, this model requires recruitment of a new team, with associated costs required for implementing their mandate.

South Africa – King Code on Corporate Governance sets out governance responsibilities for environmental and social performance

Released in 2016, the King IV Code on Corporate Governance is the fourth iteration of South Africa's pioneering King Code which complements the Companies Act. It applies to all types of organizations and governing bodies, including FIs. In October 2017 the Johannesburg Stock Exchange made it mandatory for listed companies to apply and disclose their adherence to the King Code.

King IV is pioneering in i) its broad recognition of company stakeholders beyond just shareholders, ii) explicit expectations for companies to be good corporate citizens, iii) the requirement to establish social and ethics committees, and iv) instructions for governing bodies to consider risks and performance related to six capitals: financial, manufactured, intellectual, human, social and relationship, and natural capital.

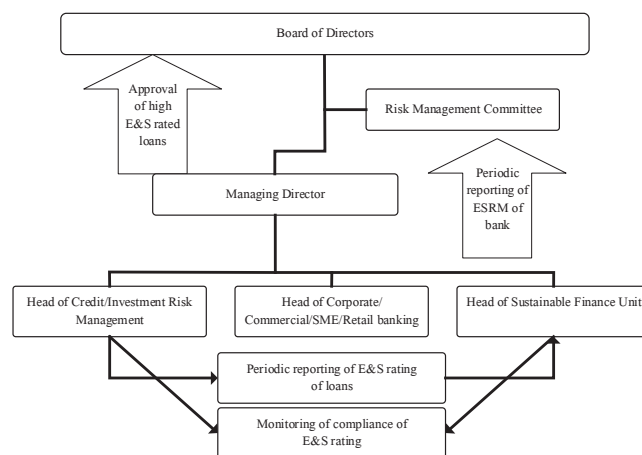
King IV requires companies to publish integrated reports that include sustainability performance. All South African banks are expected to apply King IV as a minimum. The King Code also incorporates specific expectations for responsible investing practices by pension funds.

Bangladesh – Central bank specifies governance of E&S and clarifies the use of E&S covenants²⁷

The Bangladesh Bank Guidelines on Environmental and Social Risk Management provide a clear outline of an organizational structure to

manage environmental and social (E&S) performance. A structure is suggested for:

- Design and approval of the E&S policy
- Reporting by management and by operational committees (e.g. risk management committee)
- Involvement of operational teams across an FI's activities (credit/investment risk, commercial, SME, retail banking, and corporate banking) working alongside the sustainability unit.



Bangladesh Bank further provides the following information on E&S covenants:

- When E&S covenants should be considered
- What type of covenants can be implemented
- Who within the bank should be involved
- How compliance with E&S covenants should be monitored
- How the FI can work with the client towards complying with E&S covenants

The involvement of the Legal Department is also suggested. Examples are provided of positive and negative covenants, conditions precedent, default events, and corrective action plans to be included as annexes to legal agreements.

Nepal – Central bank provides detailed guidance on expectations toward an E&S Policy, the appropriate steps of an ESRM system and supervision

Through the Guideline on ESRM for banks and financial institutions,²⁸ Nepal Rastra Bank provides a full checklist for a sound E&S policy. This checklist covers typical E&S risks for FIs, applicable local and international standards, propositions for a full E&S process, and reporting templates.

²⁶ The acronym "CAMEL" refers to the five components of a bank's condition that are assessed: Capital adequacy, Asset quality, Management, Earnings, and Liquidity. A sixth component, a bank's Sensitivity to market risk, was added in 1997; hence the acronym was changed to CAMELS.

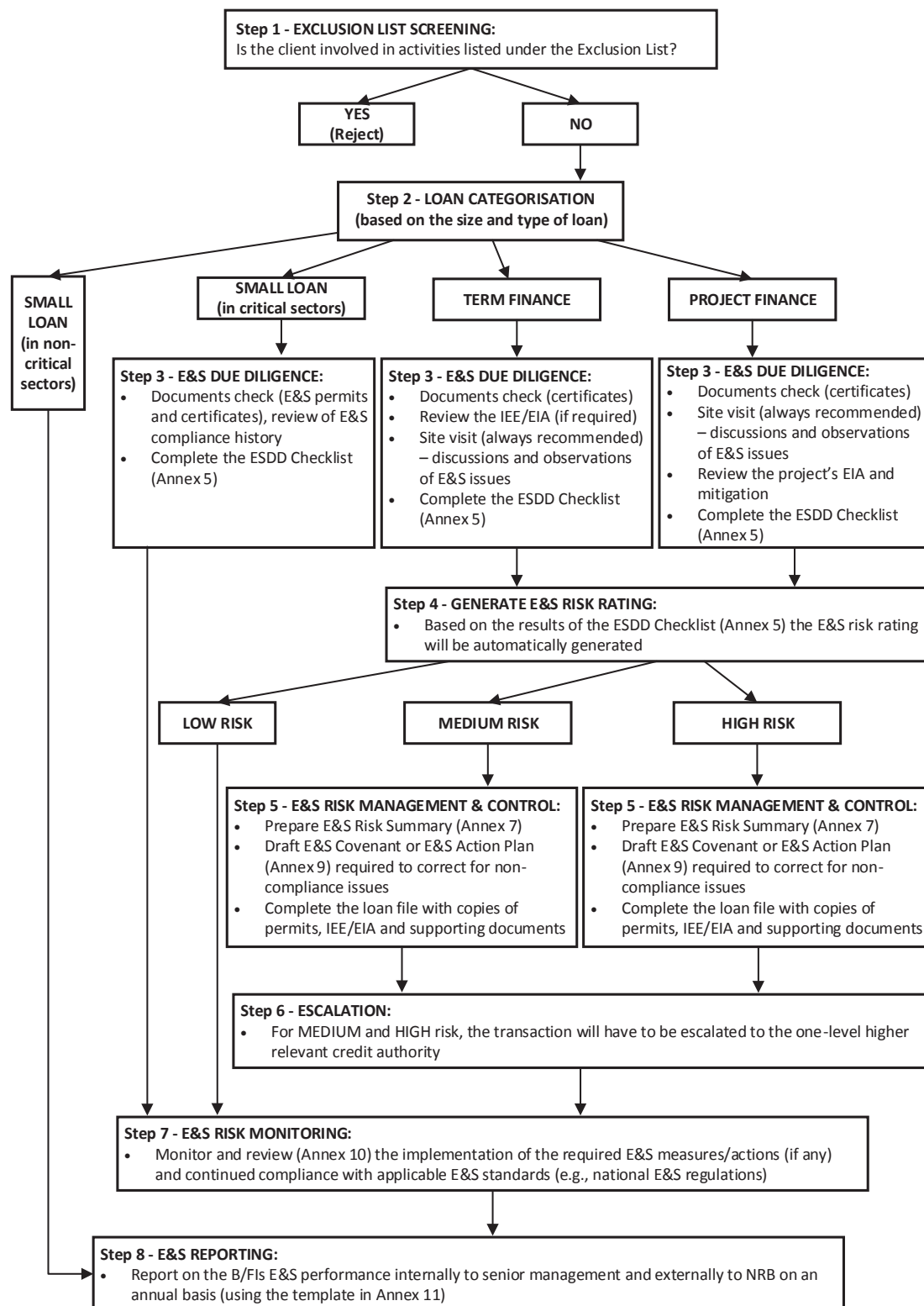
²⁷ Bangladesh Bank, 2017.

²⁸ Nepal Rastra Bank, 2018.

A flow chart details all the steps for FIs to follow through the investment cycle, including loan categorization, generation of E&S risk ratings (low, medium, or high risk), E&S risk management and control, escalation (for medium and high risks) and E&S risk monitoring.

The following flow chart summarizes the steps to be followed while conducting ESDD:

Figure 16: Steps for conducting ESDD



A checklist is also provided for continued E&S monitoring after loans are disbursed (See the “E&S monitoring checklist” below). The checklist provides a list of questions to be answered, including about environmental, health, and safety (EHS) management linked to the project, permits and compliance certificates, and grievance management.

Table 8: E&S monitoring checklist

Sl. No.	Question /Issues to check	Response
Project Summary Information		
1	Reporting period covered by this supervision report	
2	Specification of project stage (design, construction, operation or closure stage)	
3	Key developments and any major changes in project location and design, if any from the time of loan disbursement or from the last supervision period.	
General Information		
4	Status of implementation of covenants/corrective action plan. Is it in line with the agreed timeframe? (i.e., if all covenants are implemented or partially implemented or not implemented or delayed implementation). If partially implemented or not implemented or delayed implementation, RM to please mention the reason in the response column along with a timeline for completion of implementation as committed by the client during supervision.	
EHS Management		
5	If there was any incidence of accidents, spills, leakages, explosion etc. during the reporting period. If yes, what was the scale of damage (e.g. if there was any fatality, monetary loss etc.)? What was the action taken in response to the incident?	
6	If there were any recent fines or penalties issued by the regulatory body. If yes, RM to please mention the nature of violation, amount of fine/penalty paid, action taken by the client to address the issue to avoid any such fine/penalty in future.	

Nigeria – Sustainable Banking Principles Guidance Note asks banks to perform internal and external E&S audits

The Nigerian Sustainable Banking Principles Guidance Note outlines the need for internal, and external verification of E&S Governance structures and processes (see green frame below).

Target	Requirement/Deliverable	Due Date
Sustainable Banking governance committee	Establishment of a Board-level Sustainable Banking Governance Committee to oversee the development of Sustainable Banking commitments, which should include governance and accountability for E&S issues and ensure the measuring and monitoring of progress against those commitments.	Q3 2012
E&S governance integrated into risk committee and functions	A Bank's Sustainable Banking policies and procedures should include a governance structure, which details roles and responsibilities relating to assessing and categorising E&S risk potentially associated with clients/engagements. This responsibility could be integrated into existing risk committee structure and function.	Q1-2 2013
E&S Performance-linked incentives	A Bank should align Sustainable Banking governance and accountability performance metrics with its existing performance management indicators and processes to ensure that employees across all relevant functions are incentivised to deliver against agreed E&S related responsibilities and targets.	Q1-2 2013; on-going thereafter
Internal and external E&S audits	As part of a commitment to continuous improvement, a Bank should undertake, on an annual basis: <ul style="list-style-type: none"> Internal audits to assess progress and monitor the effectiveness of E&S governance structures and accountability practices and procedures. External audits, using independent third party assessors to review Sustainable Banking and E&S governance and accountability processes, which should be consistent with standard audit processes. 	Q3-4 2013; on-going annual audits

Emerging practices to encourage FIs' reporting and transparency efforts

A growing number of SBN members are requiring or encouraging local FIs to disclose information on their sustainable finance performance.

Typical indicators include:

- Number of loan requests rejected due to exclusion list or E&S risk
- Share of transactions subject to ESG due diligence within the total loan portfolio (per project type)
- Number of “high risk” projects identified
- Number of site visits conducted
- Number of ESRM training programs conducted

In Brazil, FEBRABAN's framework formalizes fundamental procedures for its signatories, including an obligation to report on E&S related losses.

In Indonesia, OJK outlines the need to disclose information on a “Target Achievement Strategy” that must include the following:

- Risks management due to the application of Sustainable Finance concerning economic, social and environmental aspects;
- Seizure of business opportunity and prospect; and
- Description on economic, social and environmental external situations that may potentially affect FSI, Issuer and Publicly Listed Company sustainability.”

The table below provides an indication of the elements covered by a sample of country FI reporting templates issued by regulators or associations:

	Policies/ governance	ESRM data	Green finance data
Bangladesh		✓	✓
Cambodia		✓	
China	✓	✓	✓
Indonesia	✓	(only for the FIs themselves, but not for their borrowers)	✓
Mongolia (list)	✓	✓	✓
Nepal	✓	✓	



Good practices among financial institutions

Market-Level FI Practices

China – Using KPIs to drive sustainability in Chinese banks

CBRC introduced the Green Credit Implementation Key Performance Indicators (KPIs) in 2014, and required the largest 21 banks to submit self-evaluation reports against those KPIs on an annual basis. These 21 major banks account for over 70 percent of China's banking assets.

Banks' self-evaluation reports, with supporting evidence, are verified by a third-party agency, under the supervision of a panel comprising CBRC, China Banking Association (CBA), and bank representatives. The 2018 findings identified progress in banks' development of ESMSs and integration of banks' green lending performance into business targets.

A number of KPIs stood out in terms of achieving a high level of compliance, including (i) integrating E&S risks into compliance check, (ii) including E&S covenants in loan agreements for category A&B clients, and (iii) ensuring staff have the necessary knowledge to review E&S risks and seek support from third parties as needed. 19 of 21 banks have complied with these requirements. The 2018 evaluation noted that banks' understanding of KPIs and the quality of supporting evidence vary from bank to bank, with leading banks consistently maintaining a high quality over the years. A steady and gradual improvement across all indicators is noted for all banks.

Indonesia – Standardizing sustainability reporting in the Indonesian banking sector

With OJK's issuance of the regulation on Sustainable Finance in 2017, the largest banks and foreign banks (around 55 banks) are required to submit annual action plans to OJK, setting out their implementation of the sustainable finance initiative, as well as to prepare an annual sustainability report.

In June 2018, eight Indonesian banks launched the Indonesia Sustainable Finance Initiative (ISFI) to support implementation of sustainable finance in Indonesia. OJK reviewed the portfolios of these eight banks in 2016-2018. They found that the green component of banks' portfolios is at 2 percent of total financing, with growth of 14 percent per annum from 2016 to 2018.

OJK data shows that as of December 2018, for eight banks surveyed representing over 50 percent of total banking assets, seven banks have formalized an E&S policy, while five banks have included E&S covenants in loan agreements and have defined an E&S function to varying extents. Gaps remain on climate aspects with only two banks tracking environmental benefits achieved.

Latin America – Tracking green finance performance of Latin American banks in 18 countries

In 2017, the Latin American Federation of Banks (FELABAN), IFC, and eco.business Fund joined forces to prepare a report on the state of green finance in Latin America. The goal of the report is to identify opportunities and challenges remaining for the adoption of sustainable banking practices, as well as the steps and achievements required from the banking sector to contribute to climate change mitigation. It is hoped that the results will feed into discussions and debates on the topic.

Methodology

The report analyzes the sustainable banking situation in 18 Latin American countries, with a focus on the private banking sector. The findings and conclusions are based on extensive desktop and market research, together with a survey carried out by 101 private banks in the region (58 percent of which were local banks).

Main findings

The report's results highlight the need for further commitment and investment from financial institutions in seizing opportunities offered by green and sustainable sectors, including renewable energy, sustainable agriculture, and energy efficiency.

It has been noted that numerous banks surveyed have now included E&S criteria in their credit and investment decisions, a significant improvement over previous years.

Figure 17: Green finance adoption

From Corporate Social Responsibility (CSR) to strategic business pillar.



Green products and services

49 percent of banks offered green products and 88 percent of the remaining ones expressed interest in doing so. However, demand for green products remains at the corporate banking level. There is thus a strong need to commercialize green products for small and medium sized clients, and the Latin American region is well positioned to face

this challenge. Indeed, the Green Bond market is a growing trend.

Sustainable finance strategic commitments

Only 46 percent of surveyed banks have committed to a green or sustainable finance strategy, making this dimension the least mature one. To promote this practice and guide FIs in engaging in sustainable practices, several countries have implemented mandatory and voluntary E&S sustainability protocols and guidelines.

ESRM

64 percent of respondents have an ERMS (environmental risk management system) in place, with IFC standards most commonly used. The rest of the FIs have adopted good practices in this area. ERMS's are mostly applied to corporate banking activities. Despite some barriers remaining – including lack of resources and knowledge, and resistance in corporate culture – banks seem to acknowledge the benefits arising from environmental risk management practices, such as reduced risks and costs, and improved reputation.

Eco-efficiency practices

This dimension is the most diverse, with 74 percent of the 101 participants applying eco-efficiency practices, with energy efficiency practices as the most common. However, improvements are still required at monitoring level, with only 68 percent of banks that have eco-efficiency practices also measuring the financial and environmental impacts of their actions.

Individual FI Case Studies

Pillar I: Strategic Alignment

XacBank – Align commercial bank lending to UN SDGs and NDC

XacBank is a leading financial institution in Mongolia and a pioneer in sustainable banking and climate finance. The bank's strategic direction is aligned with the Sustainable Development goals (SDGs) and with the government of Mongolia's commitment under the Paris Agreement to supply 20 percent of the country's energy through renewable energy by 2020, and 30 percent by 2030.

As the first commercial bank and first private entity from a developing nation to achieve National Implementing Entity accreditation for the Green Climate Fund (GCF) in 2016, XacBank is enabling action to slow climate change and adapt to the impacts already affecting Mongolia, including more extreme weather conditions, desertification, and urban air pollution. Climate finance products developed and marketed by XacBank include a business loan program with preferential rates for greenhouse gas (GHG) reduction projects by SMEs, a renewable energy loan facility for utility scale solar power projects, and an energy efficiency loan program for residential and commercial clients.

XacBank has also adopted international principles and standards for sustainability. For instance, XacBank has mapped its sustainable finance lending offerings to the SDGs. In support of SDG #5 for Gender Equality, at least 50 percent of GCF-financed business loans for GHG reduction projects must go to women-led businesses. In 2018, XacBank surpassed this target and achieved a 77 percent rate of lending to women-led businesses. In support of SDG #7 for Affordable and Clean Energy, XacBank co-financed a 10 MW utility scale solar facility that produces over 15,000 MWh per year of clean electricity for the Mongolian grid and will reduce GHGs by over 300,000 tonnes over the project's lifetime. XacBank is actively developing climate finance initiatives with the GCF to expand their lending activities in energy efficiency, renewable energy, and climate-smart livestock practices.

With its commitment to sustainable banking and climate finance, XacBank is playing a leadership role in enabling the growth of sustainable and climate-friendly businesses in Mongolia.

OECD example

BBVA Spain – Strategy update and commitments aligned with international best practices

At the 2018 United Nations Climate Change Conference (COP24) in Katowice (Poland), five leading banks (BBVA, BNP Paribas, Société Générale, Standard Chartered, and ING) committed to measure the climate alignment of their lending portfolios, and to explore ways to progressively steer financial flows through their lending towards Paris Agreement goals.

In 2018, BBVA launched the “2025 Pledge,” its climate change and sustainable development strategy, in which it sets three main objectives for the bank:

1. Increase financial mobilization in fields contributing to reaching the SDGs.
2. Manage environmental and social risks to minimize potential negative direct and indirect impacts.
3. Engage with stakeholders to promote the contribution of financial industry to sustainable development.

BBVA provides details for each of these three pillars and has implemented the following best practices:

- BBVA presents its commitments and performance in a dynamic way:
 - For pillar 1, BBVA presents both current exposure and targeted exposure up to 2025 for various economic sectors.
 - For pillar 2, direct environmental impacts are presented for 2015, 2020, and 2025.
- BBVA is aligned with most major initiatives, including:
 - The Green Bond Principles and Sustainable Bond Principles
 - The TCFD’s recommendations on metrics and targets.

BBVA is involved in multiple best practice initiatives, such as UNEP-FI, UN Principles for Responsible Investment, CDP, Equator Principles, UN Global Compact, RE 100, and the Social Bond Principles.

Pillar II: Climate and Green Finance

Ant Financial – Expanding the reach and impact of green digital finance

In January 2017, the United Nations Environmental Program and China’s Ant Financial jointly launched the Green Digital Finance Alliance. Launched at the World Economic Forum, the partnership aims to leverage digital technologies and innovations to enhance financing for sustainable development.

In 2016, Ant Financial developed the Alipay Ant Forest initiative to promote greener lifestyle choices by encouraging users to engage in low-carbon activities, such as paying utility bills online and commuting by walking or cycling instead of driving. Users earn “green energy” points that can be used to grow a virtual tree in Ant Forest within the Alipay app. With enough energy points, the virtual tree can be converted into a real tree and planted in the desert by Alipay and its philanthropic partners.

The Ant Forest program attracted 200 million users in the first six months, and currently has over 500 million users, resulting in over 100 million trees planted in Gansu Province, Inner Mongolia Autonomous Region, and other areas in China. Inspired by Alipay Ant Forest, Philippines-based GCash, Alipay’s e-wallet partner in the Philippines, recently introduced GCash Forest, a new feature accessible through the GCash app, which enables local users to contribute to reforestation and environmental preservation by adopting low carbon activities.

As part of a developing collaboration with IFC, Ant Financial is also seeking to expand its green digital finance business and develop for its clientele a first-of-its-kind Green Rating Standards for Micro and Small Enterprises (“MSEs”), many of which are sole proprietorships. Once the methodology has been validated, Ant Financial will integrate the standards as part of its online MSE green rating application and include it in the credit underwriting process.

HSBC Vietnam and GIC Investment Joint Stock Company, HDBank, and BIDV²⁹ – Green finance for solar power and climate resilience in Vietnam

Context – Modernizing Vietnam’s energy sector

As part of the Government of Vietnam’s commitment to the SDGs, initiatives are underway to modernize the energy sector, increase the use of renewable energy, reduce environmental impacts, ease the

²⁹ Information in this case study has been partly derived from the following sources: United Nations Industrial Development Organization (UNIDO). 2018. *Handbook on How to Access Green Financing in Vietnam*; HSBC Vietnam press release. 2019. *HSBC Vietnam is now supporting homeowners to invest in rooftop solar power with new ‘Green Loan’*; and Bach Khoa Investment and Development of Solar Energy Corporation (SolarBK) press release *BigK – The first rooftop solar power system in Vietnam accompanied by electricity insurance and finance service*, available at: <https://solarbk.vn/en/bigk-the-first-rooftop-solar-power-system-in-vietnam-accompanied-by-electricity-insurance-and-finance-service/>.

strain on the national power grid, and improve climate resilience. Several innovative green financing mechanisms have been launched by leading financial institutions in Vietnam, including i) a residential solar power green loan product from HSBC Vietnam, in collaboration with GIC Investment Joint Stock Company (GIC); ii) utility-scale and SME-scale solar power green loan programs offered by HDBank, and iii) innovative electricity insurance and green loan products from SolarBK Holdings, in partnership with Bank for Investment and Development of Vietnam Insurance Joint Stock Corporation (BIC) and Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV).

Growth phase – Expanding green financing options for solar power

In 2017, HSBC announced a global commitment to sustainable finance, and its intention to provide \$100 billion of sustainable financing and investment by the year 2025 around the world. As part of this initiative, HSBC Vietnam, in collaboration with GIC, has created a new green lending product to support the production and use of solar energy in residential areas. HSBC Vietnam's customers looking to install a rooftop solar energy system for a residential property are eligible to receive preferential financing rates and repayment periods. Participants are also eligible for purchasing discounts on solar power equipment from GIC.

HDBank of Vietnam is also providing green loan products for grid-scale solar power plant development, and for SMEs looking to install solar power systems on factories and warehouses. Eligible applicants benefit from access to loans up to 70 percent of the project's required investment capital cost, in addition to preferential lending rates and flexible, longer term repayment conditions.

SolarBK Holdings has partnered with Bank for Investment and Development of Vietnam (BIDV) and BIDV's insurance arm (BIC) to provide innovative electricity insurance in addition to green financing. Eligible participants can have a significant portion of the simulated energy output of the solar system guaranteed for a period of five years via BIC's electricity insurance product. Green loans by BIDV provide preferential rates and loan terms to incentivize the adoption of solar power technologies.

Moving forward – Energy sector modernization and climate resilience

With Vietnam's projected annual increase in power demand of 8 percent during 2021 – 2031, green finance and insurance innovations to promote solar power use are expected to continue to gain market acceptance and play a key role in mobilizing private sector investment to promote the sustainability of Vietnam's energy sector.

Access Bank – Leading the expansion of the green bond market in Nigeria³⁰

In June 2018, the Nigerian Securities Exchange (FMDQ), the Climate Bonds Initiative (CBI), and Financial Sector Deepening Africa (FSD Africa) collaborated to launch the Nigerian Green Bond Market Development Program. The program is designed to promote the use of green bonds and provides training and capacity development for regulators, bond issuers, and the investment community.

Access Bank is a leading African commercial bank operating a network of more than 600 branches and service outlets, spanning three continents, 12 countries, and 29 million customers. Building on its established reputation for sustainable finance and environmental and social risk management, Access Bank became the first bank to issue a certified corporate green bond in Africa on the FMDQ OTC Securities Exchange.

Access Bank's bond issuance is the first corporate green bond to benefit from the Nigerian Green Bond Market Development Program. Following the launch of the program, Access Bank established a Green Bond Committee in September 2018, with a specialized business unit to support its clients and to identify and realize environmental and climate change related investment opportunities. The team was guided by Access Bank's Green Bond Framework, a substantive policy document principally designed to guide the Bank's approach to financing/re-financing of identified eligible green assets and projects.

Issued in March of 2019, Access Bank's N15bn Fixed Rate Senior Unsecured Green Bond is rated AA with a five-year maturity, and was fully subscribed with participation from institutional investors, Pension Fund Administrators (PFAs), and high net-worth individuals. The bond was verified by PwC-UK and certified by the Climate Bonds Initiative. The net proceeds of the bond will finance/refinance solar power generation, flood water defense, sustainable agriculture projects, and green assets certified by the Climate Bond Standard. Access Bank will publicly report on the use of the bond's proceeds over time, in addition to sustainability impact metrics as part of a third-party verified Green Progress Report.

³⁰ Information for this case study has been partly derived from the following sources: FMDQ OTC Securities Exchange. April 1, 2019. *Access Bank PLC Pioneer Climate Bond Certified Green Bond* available at: <https://www.fmdqotc.com/63990-2/>; Market Screener. March 3, 2019. *Access Bank: N15bn Africa's First Green Bond Fully Subscribed* available at: <https://www.marketscreener.com/ACCESS-BANK-PLC-6500790/news/Access-Bank-N15bn-Africa-s-First-Green-Bond-Fully-Subscribed-28189450/>

IFC Green Bonds – Building the foundation for climate smart investments in emerging markets³¹

Since launching its Green Bond Program in 2010, IFC has established a unique ‘one stop shop’ offering a holistic approach to the development of green bonds, including acting as issuer, investor, and provider of advisory services and technical assistance to develop the potential of green bonds in emerging markets. Since 2015, IFC has helped 17 banks and non-bank financial institutions issue green bonds worth \$1.8 billion – nearly all of which were first-time green bond issuances. To date, IFC has issued approximately 150 green bonds in 16 currencies amounting to almost \$10 billion.

The prospects for further growth of green bond issuances in emerging markets are bright. Emerging market issuances of green bonds from 2012 to 2018 totaled \$140 billion cumulatively, with \$43 billion issued in 2018 representing 3 percent of total bond issuances in emerging markets. Outstanding green bonds in emerging markets are projected to increase to between \$210 billion and \$250 billion by 2021.

IFC has played a key role in developing the market infrastructure needed to promote green bonds, including assisting in the development of the Green Bond Principles (GBP), the most accepted guidelines for the issuance and impact reporting related to green bonds globally, and through the efforts of the Sustainable Banking Network and the IFC Green Bond Technical Assistance Facility (GB-TAP) to develop green bond frameworks, build capacity, and catalyze local bond issuances. IFC is also taking the lead on deploying innovative ways to mobilize private capital to fill the financing gap required to tackle climate change through pioneering funds including the Emerging Green One (EGO) Bond Fund and the Real Economy Green Investment Opportunity (REGIO) Bond Fund.

Building on a decade of engagement in the green bond market, IFC is positioned to continue to play a key leadership role as a collaborator and innovator to help catalyze the use of green bonds to unlock financing for climate smart investments in emerging markets.

Argentina’s Banco Galicia – Moving forward with climate smart agriculture and green lending in Argentina

As part of its commitments under the Paris Agreement on climate change, the Government of Argentina has been pursuing policies to enable climate-smart agriculture (CSA) and promote the greening of its financial institutions. IFC has collaborated with Argentina’s largest

bank, Banco Galicia, to realize investment opportunities for CSA, biofuels, renewable energy and other resource efficiency projects as part of Argentina’s objective to reduce greenhouse gases and produce 20 percent of the country’s electricity needs from renewable sources by 2025.

As part of this effort, IFC worked with Banco Galicia to develop its technical capacity to identify and develop green-lending opportunities, including the development of a green bond framework, and aligning the bank’s organization and processes with the Green Bond Principles. In 2018, Banco Galicia successfully issued the first green bond by a private sector institution in Argentina, valued at \$100 million with a seven-year tenor.

IFC fully subscribed to the \$100 million bond, which has enabled Banco Galicia to increase its investments in energy efficiency, biofuels and renewable energy, and sustainable construction projects that span corporate and agribusiness lending. In fiscal year 2018, Banco Galicia financed \$9.5 million in climate-friendly investments which are expected to reduce GHG emissions by 190,000 tons CO₂e.

The IFC partnership with Banco Galicia has created a market for climate finance in Argentina, and the successful launch of the green bond has triggered interest from several other banks in the country and across Latin America.

Bancolombia and Davivienda – Innovations in green lending and climate smart investment in the construction sector

Colombia’s population is rapidly urbanizing, with 75 percent of Colombians now living in cities. Consequently, the country has one of the fastest growing construction sectors in the world. Opportunities for climate-friendly projects as part of urban development are a key facet of Colombia’s commitment to the SDGs, as well as the country’s target to reduce greenhouse gases by 20 percent by 2030 as part of the Paris Agreement on climate change. Bancolombia and Davivienda are two leading Colombian financial institutions leading the charge to expand green finance opportunities in Colombia.

With 30 percent of its portfolio in the construction market in Colombia, Bancolombia began a collaboration with IFC in 2016 to build capacity for climate-friendly investments in the construction sector. This led to Bancolombia becoming the first private financial institution to issue green bonds in Latin America in late 2016, including a \$115 million green bond fully subscribed by IFC. To date, approximately half of the bond proceeds are financing construction projects involving buildings with Leadership in Energy and Environmental Design (LEED) certification, while the remaining proceeds are financing renewable energy (with a focus on small hydro facilities), and energy efficiency projects.

For Colombia, the Bancolombia bond issuance with IFC created a new market in the country for climate-friendly investments. In

³¹ Information in this case study has been partly derived from the following sources: Amundi Asset Management and International Finance Corporation (IFC). 2018. *Emerging Market Green Bonds Report* available at: <https://www.ifc.org/wps/wcm/connect/9e8a7c68-5bec-40d1-8bb4-a0212fa4bfbf/Amundi-IFC-Research-Paper-2018.pdf?MOD=AJPERES>; and other information from the IFC Green Bonds website: https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/investor+relations/jr-products/grnbond-overvw

2017, Davivienda joined the green finance wave and launched the largest green bond issuance at the time, a \$150 million green bond fully subscribed by IFC. Davivienda's green bond is financing the construction of two large climate-friendly office buildings with significant energy and water savings, in addition to investments supporting cleaner energy production, energy efficiency, and renewable energies—particularly hydropower, biomass, wind, and solar energy.

JSE and Nedbank – Leading the charge for Green Bonds in South Africa³²

In 2017, the Johannesburg Stock Exchange (JSE) launched the Green Bond Segment following a series of successful multi-stakeholder consultations and market-wide awareness raising events led by JSE and South Africa's Financial Services Conduct Authority (FSCA), with the support of IFC.

The JSE has aligned its Green Bond listing requirements with international best practice, including the Green Bond Principles. To ensure the integrity of the green bonds, the JSE requires institutions issuing these products to appoint an independent, external reviewer and to disclose the proceeds generated through the issuance as well as how the funds are to be allocated over the lifetime of the bond.

In April 2019, Nedbank became the first commercial bank in South Africa to list a green bond on the JSE's Green Bonds Segment as part of Nedbank's pioneering renewable energy green bond. The issue was oversubscribed by 3.28 times at auction with a final allocation of R1.7 billion, and Nedbank succeeded in diversifying the order book to include international investors.

In accordance with the JSE's requirements, Nedbank engaged the Climate Bonds Initiative to act as the certification agency and appointed the Carbon Trust to be the approved verifier. The bond's proceeds support investments in underlying renewable energy assets, including three 75 megawatt (MW) solar power plants and a 120 MW wind energy development, all slated to begin commercial operation in 2020. Collectively, these projects are projected to reduce annual greenhouse gas emissions by over 200,000 tonnes.

As the South African green bond market further deepens, issuers will be encouraged to strengthen their credentials as sustainable and

socially responsible organizations. As a pioneer in this space, Nedbank has recently undergone a process of aligning its commercial activities with the SDGs, the result of which has been the commitment of a significant portion of the bank's lending book towards sustainable activities, particularly in the renewable energy space.

OECD example

Société Générale – Sustainable and Positive Impact Finance

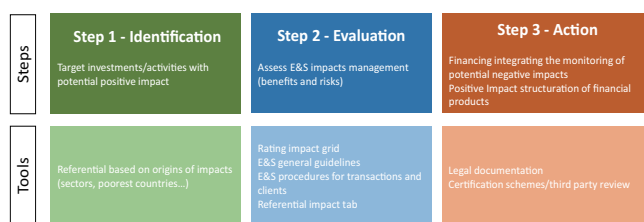
The momentum of impact finance is growing. Two major initiatives aim to promote the concept, and to develop the methodologies and transparency of financial institutions.

- The *UNEP-FI Positive Impact Initiative* – led by UNEP-FI members across the finance chain, as well as a range of public and private stakeholders beyond the finance sector – focuses on addressing SDG financing.
- The *Operating Principles for Impact Management* have been developed by IFC in consultation with external stakeholders, including impact asset managers, asset owners, and industry associations. The nine principles defined by IFC are articulated through five key steps: strategy, creation and structuring, portfolio management, exit, and independent audit.

In response, Société Générale Group has established its own Sustainable and Positive Impact Finance analytical framework. It is underpinned by a few key methodological choices:

- It intends to remain linked to the ongoing development of leading E&S standards.
- It aims to encompass a variety of sustainable development issues, including environmental, social and societal, governance, and economic development.
- It considers both positive impacts and the treatment of negative impacts.
- It covers all the activities of Société Générale Group.

For each potential transaction, the framework is implemented in three steps, as detailed below:



³² Information for this case study has been partly derived from the following sources: Johannesburg Stock Exchange (JSE). October 2017. *Press release: JSE Launch of the Green Bond Segment* available at: <https://www.jse.co.za/articles/Pages/JSE-launches-Green-Bond-segment-to-fund-low-carbon-projects.aspx>; JSE. April 2019. *Press release: Nedbank Limited's Listing on the JSE Green Bond Segment* available at: [https://www.jse.co.za/articles/Pages/Nedbank-Limited-lists-a-Green-Bond-on-the-Johannesburg-Stock-Exchange-\(JSE\).aspx](https://www.jse.co.za/articles/Pages/Nedbank-Limited-lists-a-Green-Bond-on-the-Johannesburg-Stock-Exchange-(JSE).aspx); Sustainable Banking Network (SBN). 2018. *Creating Green Bond Markets: Insights, Innovations, and Tools from Emerging Markets*. Available at: www.ifc.org/sbngreenbond; and Nedbank. 2019. Case Study: Nedbank Green Renewable Energy Senior Unsecured "Use of Proceeds" Bond.

First, potential “positive impact” transactions are identified based on their sector or location. Société Générale’s framework states that projects with the following characteristics are eligible for a positive impact categorization:

Positive impact sectors Electric power production (Wind), agriculture, forestry, energy, water, healthcare	Poorest countries UN least developed countries World Bank criteria: low-income and lower-middle-income economies	Transversal improvements Energy efficiency, food security, GHG emissions reduction...
----------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------

The second step consists of a more thorough evaluation of positive and negative project impacts. Seventeen expected impact categories have been developed.

Projects are rated from zero (impact management is unsatisfactory) to four (positive impact) for each applicable impact category.

Eventually, projects that can demonstrate positive impacts, with negative impacts that can be identified and remediated, will be considered as having a ‘positive impact’. Monitoring of remediation might be included in legal documentation; this would represent the third step of the assessment process.

Natixis (France) – Green Weighting Factor

In March 2018, the European Commission launched its Action Plan on Sustainable Finance. The plan has three main objectives:

- To re-orient capital flows toward sustainable investment, to achieve sustainable and inclusive growth;
- To manage financial risks stemming from climate change, environmental degradation, and social issues; and
- To foster transparency and long-termism in financial and economic activity.

To achieve these three objectives, the Action Plan sets out a **comprehensive strategy**, including the following key actions:

- Establish a clear and detailed EU classification system (taxonomy) for sustainable activities;
- Establish EU labels for green financial products;
- Introduce measures to clarify asset managers’ and institutional investors’ duties regarding sustainability;
- Strengthen the transparency of companies on their ESG policies (ensuring issuers provide the right information to investors);
- Introduce a “green supporting factor” in the EU prudential rules for banks and insurance companies.

In recent years, Natixis, a French corporate and investment bank, has set itself objectives regarding the financing of green activities, namely by committing 10 percent of its investments each year to green assets.

To support this objective – and to anticipate a potential European move to promote green assets via prudential ratios – the bank has introduced a new in-house capital allocation mechanism called the “Green Weighting Factor.”

According to Natixis, this Green Weighting Factor “aims to promote finance deals with a positive impact on both the climate and the environment, by adjusting the expected profitability threshold on these various transactions according to their effects on climate change.”

The Green Weighting Factor applies a positive adjustment to analytical risk-weighted assets (RWA) for deals that create affirmative climate and environmental action, and a negative adjustment for deals with an adverse environmental impact. Natixis is testing its green weighting factor in four sectors: real estate, electricity, mining, and automotive.

The next steps for this initiative will be to broaden the scope of sectors covered by the Green Weighting Factor and to integrate the future taxonomy of the European Union into the framework.

Standard Chartered – Harnessing emissions data to unlock climate investment opportunities

Standard Chartered is working to help its clients, communities, and stakeholders contribute to the achievement of the Paris Agreement climate goal to keep warming below 2 degrees Celsius. In September 2018, Standard Chartered made the commitment to stop financing any new coal-fired powerplants anywhere in the world – a key step in the bank’s development of a strategy to mobilize sustainable finance in the markets where it matters most across Asia, Africa, and the Middle East. The Bank is already committed to finance and facilitate \$4 billion in clean technology by 2020.

As part of these efforts, Standard Chartered recognizes the need for accurate greenhouse gas emissions data that can be used by all financial institutions to ensure capital flows efficiently towards the \$23 trillion in global climate investment opportunities over the next decade. In the last year, Standard Chartered has taken on this collective challenge of developing new emission measurement methodologies to allow financial institutions to measure, manage and ultimately reduce the emissions related to their own activities and those related to the financing of clients.

In a recently released white paper,³³ Standard Chartered describes its experience with pilot programs to test two emerging methodologies to help measure the emissions related to its financing: one at product level using a manual calculation process, and the other at sector level using an automated software solution. The white paper discusses the respective strengths and weaknesses of each methodology and invites global financial institutions to join the collaborative effort to refine and

³³ Emissions White Paper Executive Summary, Standard Chartered, May 2019. Available at: <https://av.sc.com/corp-en/content/docs/emissions-whitepaper.pdf>

promote a common approach to measuring emissions.

To promote collaboration in the development of a common methodology, Standard Chartered has engaged in platforms including the Katowice Commitment,³⁴ alongside BBVA, BNP Paribas, Société Générale and ING. It is also actively working with the Asia Sustainable Finance Initiative (ASFI), led by the World Wildlife Fund (WWF) and United Nations Environment Programme (UNEP-FI), to engage banks within markets across Asia, Africa, and the Middle East.

Pillar III: ESG Integration

Industrial Bank – Evolution of governance structures to drive growth in sustainable finance

Since becoming the first Chinese bank to adopt the Equator Principles (EP) in 2008, Industrial Bank (IB) has been a leader in sustainable finance across sectors such as renewable energy, energy efficiency, and water and waste management, among others. A robust sustainability strategy and effective governance structure has been a key success factor in the growth of IB's sustainable finance business.

IB's entrance into the sustainable finance space began in 2006 as part of a cooperation with IFC to launch China's first energy efficiency project financing products. At that time, a small team from the corporate business line was formulated to implement this special financial product.

Beginning in 2009, IB's senior leadership at the board-level established a steering committee to guide the implementation of the Equator Principles and entrench green finance as a core value in the bank's corporate policies, business strategy, and culture. At the institutional level, a Sustainable Finance Center was established in 2009 to guide this transition and evolved, in 2012, into the establishment of Green Finance Departments as top-tier departments in headquarters and at 30 tier-one branches nationwide. The Green Finance Departments coordinated professional research, product innovation, marketing management, project review, operation management, and brand building.

E&S risk management policies and a range of survey, analytical, and risk monitoring tools, in addition to IT support and legal systems, were progressively rolled out as part of the development of IB's E&S management system (ESMS). IB established a bank-wide linkage mechanism to clarify the specific roles and responsibilities for sustainable financial management across various operating agencies of the Bank, including legal, compliance, credit review, and risk management functions.

IB has also aligned employee and management incentive structures to promote green finance growth, including establishing green finance business development as a corporate and branch-level key performance indicator (KPI); arranging a special green credit line on an annual basis to ensure that green financial projects are not subject to scale restrictions; setting up special funds to facilitate green lending initiatives and products, including green bonds; and using dedicated review of green finance projects by specialized teams in the credit review process to prioritize approval. To embed sustainability throughout the organization, IB has organized more than 400 trainings over the last 10 years and has trained nearly 50,000 employees.

In 2015, IB group identified green finance as its core business

³⁴ Information on the Katowice Commitment is available at: <https://www.sc.com/en/media/press-release/weve-pledged-further-support-for-action-on-climate-change/>

development strategy not just for its banking operations, but also for leasing, trusts, funds, and capital market operations. IB was rewarded the “Best Green Bank in China” award in 2017 and 2018 by the UK’s Global Banking & Finance Review, and the “Best Green Bond Issuance in Emerging Market Countries in 2018” by the Climate Bond Initiative.

BRAC Bank and City Bank – Striving to be the market leaders in Green Finance in Bangladesh³⁵

Since 2011, the Central Bank of Bangladesh has developed a number of policies to promote sustainable finance, including, among others, the Policy Guidelines on Green Banking, with a requirement for Bangladeshi banks to adopt the guidelines by 2013, and the Guidelines on Environmental and Social Risk Management (ESRM) in 2017. These guidelines encourage banks and financial institutions (FIs) to incorporate environmental and social risk management into their credit activities, and to publish green banking and sustainability reports. These guidelines reflect the commitment of the Government of Bangladesh to sustainability, and the importance of the banking and financial sector in helping Bangladesh to achieve progress toward the SDGs.

As an early adopter of sustainable banking principles, BRAC Bank has established itself as a regional leader in green lending and sustainable finance. In response to the guidelines of the Central Bank, BRAC Bank established a Sustainable Finance Unit (SFU) at the operational level as part of its credit risk management. The SFU identifies, develops, and implements financing solutions for clients across a number of green sectors and technologies. The SFU is overseen at the managerial level by the Sustainable Finance Committee (SFC), chaired by the Deputy Managing Director and Chief Risk Officer. Both the SFU and the SFC are overseen by the Board Risk Management Committee, supervising all of BRAC Bank’s sustainability activities.

City Bank adopted an environmental risk management framework in 2012, which evolved into a comprehensive environmental and social management system (ESMS) based on the IFC Performance Standards in 2016. City Bank’s environmental and social risk management is managed by a dedicated senior management official, who reports to the bank’s Sustainable Finance Committee comprising representatives from the bank’s major departments, which is itself overseen by the Board Risk Management Committee.

BRAC Bank offers over 50 green lending products across over 30 sectors and technologies in the bank’s green lending portfolio

(percentages represent the sector’s share of BRAC Bank’s green lending portfolio in 2018), including effluent treatment plant financing (43 percent); energy efficiency initiatives (32 percent) featuring Bangladesh’s first Energy Efficiency Financing Loan to assist ready-made garments and textile industries to invest in energy efficiency technology; green buildings (21 percent); renewable energy (2 percent), and recycling (2 percent), among others. By offering clients a suite of services – including technical support, sustainability advice, and blended finance solutions – BRAC Bank is playing a leadership role in the expansion of green lending in emerging markets.

In 2018, City Bank disbursed over BDT 1,359 m in green finance and energy-efficiency projects. To measure the reduction in energy consumption and CO2 emissions of its lending portfolio, the Bank has three in-house certified energy auditors. As of end 2018, the proportion of Green Finance was 4.06 percent of the total funded loan disbursement, and City Bank is actively working to expand green financing opportunities moving forward.

Ecobank – Aligning ESRM practices with international standards

Ecobank is the leading pan-African bank, with a presence in 36 countries across the continent. As a signatory to the Equator Principles since 2012, Ecobank has established a reputation as a leader in sustainable banking. Ecobank is an active member of UNEP-FI and its Africa Task Force, and a signatory to the UN Global Compact.

As part of the implementation of the Equator Principles, Ecobank developed a corporate Environmental and Social Policy in 2014 using international standards, including IFC’s Performance Standards. The policy received Board approval and has been implemented at the management-level through Ecobank’s Environmental and Social Management System (ESMS). Environmental and Social Due Diligence (ESDD) is undertaken for transactions in the corporate, project finance, commercial retail, and SME business lines, and across sectors including oil, gas and mining, agribusiness, manufacturing, heavy construction (infrastructure), power generation transmission, and distribution, and real estate.

As described in the graphic below, Ecobank undertakes ESDD as part of a multi-stage process. The screening stage determines whether the proposed investment is compatible with Ecobank’s Exclusion List and sector strategies, while the E&S classification step assigns the investment a risk category based on the degree of E&S impacts.

The E&S due diligence assessment is informed by the review of E&S studies and site field visits. Corrective measures to ensure the project meets Ecobank’s E&S policies and standards are agreed with the client for implementation according to a specific timeframe as part of an E&S Action Plan (ESAP) incorporated in the investment agreement. Compliance is monitored by Ecobank’s Relationship Manager and the E&S Manager.

³⁵ Information for this case study was partly derived from the following sources: BRAC Bank. 2018. Disclosure on Green Banking Report available at: <https://www.bracbank.com/storage/app/public/pdf/Disclosure-on-Green-Banking-2018.pdf>; Sustainable Banking Network (SBN). Country Progress Reports: Bangladesh available at: <https://www.ifc.org/wps/wcm/connect/9bf5ffc5-9696-4d78-80eb-8127fd72ca07/SBN+Country+Progress+Report+-+Bangladesh.pdf?MOD=AJPERES&CVID=mcXM3Rj>; and BRAC Bank Sustainability website, available at: <https://www.bracbank.com/en/sustainable-banking>

Stage				
Screening	Classification	Due Diligence	E&S Action Plans	Compliance monitoring and reporting
Inputs				
Exclusion List	E&S checklist and risk classification criteria	Ecobank due diligence / assessment (E&S checklist and sector guidelines)	Formulation of E&S Action Plans	Ecobank E&S risk, total exposure, loan conditions, reporting template
Outputs				
Decision to proceed or reject	E&S risk classification, due diligence requirements	Specific E&S requirements and mitigation measures	Incorporation of due diligence in Action Plan and Offer Letter	E&S monitoring report; Ecobank supervision of E&S performance

Ecobank undertakes an annual E&S risk portfolio review led by the Internal Control, Internal Audit, and E&S Risk Management teams. Transactions are reviewed for compliance with the ESMS process based on the E&S reporting submitted by the client and site visits. Findings from the review are documented, and feedback and requests on E&S practices are communicated to the client.

Ecobank produces a corporate E&S report as part of its sustainability and disclosure policies, and provides regular ESG performance reports to international sustainability initiatives, including the Equator Principles, UNEP-FI, and the UN Global Compact, as well as its development finance institution (DFI) partners, including IFC.

OECD example

ING – Comprehensive environmental and social risk management framework

UNEP FI's Principles for Responsible Banking, published in November 2018, intend to align banks with society's goals, as expressed in the SDGs, and with the Paris Agreement. The Principles were developed by 28 banks assisted by 12 civil society organizations.

Principle 5 commits signatory banks to continuously increase their positive impacts while reducing their negative impacts and risks to people and environment arising from their activities, products, and services.

ING has developed an Environmental and Social Risk (ESR) Framework. The Framework (reviewed in 2018) applies to all business activity, meaning that transactions and clients are screened against it. However, the level of due diligence and monitoring varies depending on the nature of the client and service provided. The trigger for applying the ESR Framework comes from a new business engagement.

Several functions within the bank are involved in the screening process:

- Front Office – the departments which have direct client contact and originate transactions
- Risk Management – the departments which provide controls over Front Office activities
- ESRM teams – for high risk transactions only
- KYC teams – the teams assessing the ESR client risk profile of corporate clients

The ESR checks are integrated as part of the check processes on the client side as well as on the transaction side, ensuring a proper assessment and management of E&S risks.

In case of low or medium-risk transactions, front office staff and risk managers proceed with the engagement. For high-risk transactions, the ESR team carries out additional analysis and provides operational teams with advice. The ESR Frameworks also include monitoring of client ESR profiles and high-risk transactions. The transaction rating and client rating are then combined into a single risk profile for the engagement (ESR low risk, ESR medium risk, ESR high risk or unacceptable).

Annex A: Publication calendar of core national policies and principles documents

The table below highlights the years of publication of the main documents that constitute national frameworks among SBN member countries up to June 2019. The colors reflect the different types of format observed among SBN members' policies and principles.

Symbols used in the table below to illustrate the type of policies/principles



Green or sustainable bond guidelines



Roadmaps toward sustainable finance



Sustainable finance banking principles or guidelines



Environmental and social risk management (ESRM) principles/guidelines

Country	#	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bangladesh	3									
Brazil	3									
Cambodia	2									
China	9									
Colombia	3									
Ecuador	1									
Georgia	2									
Indonesia	3									
Kenya	3									
Mexico	2									
Mongolia	2									
Morocco	3									
Nepal	1									
Nigeria	2									
Pakistan	1									
Panama	1									
Paraguay	1									
Peru	2									
South Africa	4									
Sri Lanka	2									
Turkey	1									
Vietnam	3									

Annex B: Scope of finance activities covered by sustainable banking policies and principles

The table below summarizes the finance activities covered by the sustainable finance policies and/or principles in each country up to June 2019. The banking scope has been divided into three main pillars (project finance, corporate finance, and retail). The two other scopes are capital markets and the insurance sector.

It must be noted that information about the scope of the policy/guideline is often lacking. It would be an improvement if future documents clarified which sectors are concerned. In particular, the term "banking" is used in a quite broad manner, and does not specify which banking activities are covered (such as project finance, corporate finance, commercial banking, other financial services).

Symbols used in the table below to illustrate the type of policy/principles

- Scope covered by ESRM policies/principles
- Scope covered by green finance/green bond policies/principles

Country	Scope – Banking			Scope – Capital market	Scope – Insurance
	<i>Project finance</i>	<i>Corporate finance</i>	<i>Retail</i>		
Bangladesh	● ●	● ●			
Brazil	● ●	● ●		●	
Cambodia	● ●	● ●	● ●		
China	● ●	● ●	● ●	● ●	● ●
Colombia	● ●	● ●		●	● ●
Ecuador	● ●	● ●			
Georgia	● ●	● ●		● ●	
Indonesia	● ●	● ●	● ●	● ●	● ●
Kenya	●			●	
Mexico	● ●	● ●		●	
Mongolia	● ●	● ●		● ●	
Morocco	●	●	●	● ●	●
Nepal	●				
Nigeria	●	●	●	●	
Pakistan	● ●	● ●	● ●	●	
Panama	● ●	● ●			
Paraguay	●	●			
Peru	●	●		●	
South Africa	●	●		●	
Sri Lanka	● ●	● ●	● ●	● ●	
Turkey	●	●	●		
Vietnam	● ●	● ●			

Annex C: SBN members

Symbols used in the table below to illustrate the roles of SBN members























Financial Regulator



Banking Association

Country	Classification		SBN members		Year of first Policy
	Income	Lending			
Argentina	High	IBRD		 (2016)	-
Bangladesh	Lower-Middle	IDA	 (2012)		2011
Brazil	Upper-Middle	IBRD	 (2012)	 (2017)	2008
Cambodia	Lower-Middle	IDA		 (2016)	2018
Chile	High	IBRD	 (2016)		-
China	Upper-Middle	IBRD	 (2012, 2012)	 (2014)	2012
Colombia	Upper-Middle	IBRD	 (2018)	 (2012)	2012
Costa Rica	Upper-Middle	IBRD	 (2019)		-
Dominican Rep.	Upper-Middle	IBRD		 (2017)	-
Ecuador	Upper-Middle	IBRD		 (2016)	2016
Egypt	Lower-Middle	IBRD	 (2019)	 (2016)	-
Fiji	Upper-Middle	IBRD	 (2017)		-
Georgia	Lower-Middle	IBRD	 (2017)		2018
Ghana	Lower-Middle	IDA	 (2016)	 (2016)	2019*
Honduras	Lower-Middle	IDA	 (2015)	 (2015)	-
India	Lower-Middle	IBRD		 (2016)	-
Indonesia	Lower-Middle	IBRD	 (2012)		2015
Iraq	Upper-Middle	IBRD	 (2019)		-
Jordan	Upper-Middle	IBRD	 (2016)		-
Kenya	Lower-Middle	Blend		 (2015)	2015
Kyrgyz Republic	Lower-Middle	IDA		 (2018)	-
Lao PDR	Lower-Middle	IDA	 (2012)		-

Country	Classification		SBN members		Year of first Policy
	Income	Lending			
Mexico	Upper-Middle	IBRD	 (2016)	 (2016)	2016
Mongolia	Lower-Middle	Blend	 (2012, 2013)	 (2013)	2014
Morocco	Lower-Middle	IBRD	 (2014, 2018)		2016
Nepal	Low	IDA	 (2014)		2018
Nigeria	Lower-Middle	Blend	 (2012)		2012
Pakistan	Lower-Middle	Blend	 (2015)		2017
Panama	High	IBRD		 (2017)	2018
Paraguay	Upper-Middle	IBRD	 (2016)	 (2015)	2018
Peru	Upper-Middle	IBRD	 (2013)		2015
Philippines	Lower-Middle	IBRD	 (2013, 2013)		-
Samoa	Upper-Middle	IBRD	 (2019)		-
South Africa	Upper-Middle	IBRD		 (2016)	2015
Sri Lanka	Lower-Middle	IBRD	 (2016)		2018
Thailand	Upper-Middle	IBRD		 (2012)	2019*
Turkey	Upper-Middle	IBRD	 (2015)		2014
Vietnam	Lower-Middle	IBRD	 (2012)	 (2012)	2015

*The policies/principles are launched after the report cut-off date of June 2019.

Annex D: New or additional sustainable finance policies, principles, or roadmaps issued since SBN 2018 Global Progress Report

Pictograms used in the tables below to illustrate the type of Policy/Principles



Green or sustainable bond guidelines



Roadmaps toward sustainable finance










Sustainable finance banking principles or guidelines




Environmental and Social Risk Management (ESRM) principles/guidelines

Seven SBN countries have issued sustainable finance policies, principles, or roadmaps for the first time since SBN 2018 Global Progress Report

Country (alphabetical)	New policies and principles published since the 2018 SBN Global Progress Report	Type
Cambodia	The Association of Banks in Cambodia (ABC) released the Cambodian Sustainable Principles in 2018, which are supported by Implementation Guidelines.	
Georgia	In April 2019 the National Bank of Georgia (NBG) published the Roadmap for Sustainable Finance in Georgia, aimed at financial institutions and the capital market. In 2018, the NBG integrated mandatory environmental, social, and governance (ESG) requirements, including ESG disclosure, into the corporate governance code for commercial banks, branches, and subsidiaries of foreign banks operating in Georgia.	
Nepal	Nepal Rastra Bank launched the first policy document "Guideline on Environmental and social risk management (ESRM) for banks and financial institutions" ("the Guideline") in 2018, which is supported by an environmental and social management system (ESMS) implementation checklist, as a tool to guide financial institutions.	
Pakistan	The State Bank of Pakistan issued the Green Banking Guidelines (GBG) in 2017. The Guidelines are the first step in a series of interventions aimed at harnessing the banking sector to create a sustainable economy. The framework currently focuses on clean energy, recycling, and climate change.	
Panama	Panama made substantial progress in 2018 with the launch of the Sustainable Finance Protocol and guidelines by the Sustainable Banking Committee of the Panama Banking Association (ABP). A broader group of financial institutions, including the ABP, also began a round of meetings to develop a sustainable finance roadmap for Panama.	
Paraguay	In December 2018, Paraguay's Central Bank approved a Guide for Environmental and Social Risk Management, to be integrated within the credit risk analysis of financial institutions. The Guide was developed through collaboration by the Roundtable for Sustainable Finance (RSF). The RSF, together with member banks, have also issued several sector-specific guidelines setting out minimum criteria for FIs to apply to their sustainable activities.	
Sri Lanka	In early 2015 the Sri Lanka Banks' Association (SLBA) launched the Sri Lanka Sustainable Banking Initiative, setting out 11 Sustainable Banking Principles. In 2018, the Colombo Stock Exchange, a member of the Sustainable Stock Exchanges (SSE) Initiative, published guidance for sustainability reporting in financial markets. The CBSL, a member of SBN since 2016, also approved and released the Roadmap for Sustainable Finance in Sri Lanka in 2019.	

*The cut-off date for this report is June 2019.

Ten SBN countries have issued additional policies or principles since SBN 2018 Global Progress Report to improve their existing frameworks

Country (alphabetical)	Policies and principles published	Type
Brazil	The Brazilian Federation of Banks (FEBRABAN) published “Implementing the TCFD Recommendations: A Roadmap for the Brazilian Banking Sector” (2019). The purpose of this document is to support Brazilian banks in the adoption of the recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board. The roadmap presents two types of actions: (i) collective actions by the banking sector through FEBRABAN; and (ii) individual actions by the banks. FEBRABAN also issued the “Climate Risk Sensitivity Assessment Tool - Implementation Guide for Banks” (2019). It is a tool that allows an analysis of the sensitivity of banks’ credit portfolio to climate risk, which further assists banks in the TCFD implementation trajectory.	
China	Several new policy documents have been published: <ul style="list-style-type: none"> • People’s Bank of China (PBOC) Notice on Evaluating Green Credit Performances (2018) • Asset Management Association of China’s (AMAC) Green Investment Guidelines • Compulsory Environmental Pollution Liability Insurance Regulation, by the Ministry of Ecology and Environment and CIRC (2018) The PBOC’s Notice on Building a Green Financial System laid out a comprehensive roadmap for the entire financial sector, covering banking, capital market, insurance, and asset management. From 2018, PBOC has begun to consider including banks’ green credit performance into macroprudential management, collecting data on green lending by all banks and deposit taking financial institutions, and introducing scoring of green credit performance. Pilot programs were introduced to test different green finance products.	
Kenya	The final version of the Kenya Green Bond Guidelines Background Document (the “Green Bond Guidelines”), developed as part of the Kenya Green Bonds Programme, was released in February 2019.	
Indonesia	The Indonesia Financial Services Authority (Otoritas Jasa Keuangan (OJK)) issued “Technical Guidelines for Banks on the Implementation of Sustainable Finance in Indonesia” (2018). It covers the following areas of sustainable finance: practical meaning, priorities, implementation, action plan, business activities, and use of funds.	
Mexico	The Green Bond Principles MX, released by Mexico’s Climate Finance Advisory Group (Consejo Consultivo de Finanzas Verdes (CCFV)) in January 2018, are the official reference point for listing green bonds on the Mexican Stock Exchange.	
Mongolia	To build on the Mongolian Sustainable Finance Principles and bolster the development of sustainable finance, the Mongolian Sustainable Finance Association (MSFA), with the support of IFC and UNEP Inquiry, issued a national sustainable finance roadmap in November 2018.	
Morocco	The Moroccan Capital Market Authority (AMMC) amended their “Green Bonds Guidelines” in 2018 to become the “Green, Social and Sustainability Bonds Guidelines”. The main addition of these updated Guidelines is the taxonomy for social assets, which sets Morocco apart from the purely green bond focus of many other markets.	
Peru	A trend of financing green projects and green growth can clearly be observed in Peru, and is in line with the Government’s environmental policies. A green bond guide was launched in 2018 by the stock exchange.	
South Africa	South Africa’s Financial Sector Conduct Authority (FSCA) issued a Guidance Notice on “Sustainability of investments and assets in the context of a retirement fund’s investment policy statement” in June 2019. The Guidance incorporates broad stakeholder input and builds on updated Regulation 28 of South Africa’s Pension Fund Act, which requires pension funds to integrate environmental, social, and governance (ESG) considerations across all investments. The requirements impact other parts of the financial sector, including banks that undertake investment on behalf of pension funds.	
Vietnam	State Bank of Vietnam (SBV) approved a scheme for green bank development in 2018 to incentivize credit flows towards green projects. A decision has also been announced to establish an Action Plan for the banking sector to help achieve the 2030 Agenda and the Vietnam SDGs, as a step towards aligning the framework with national sustainable development goals. The government has also introduced a legal framework for corporate green bonds.	

*The cut-off date for this report is June 2019.

Annex E: SBN Measurement Framework sub-pillars, indicators, and questions

Pillar I: Strategic Alignment		
Sub-pillar	Indicator	Question
Alignment with global E&S standards and best market practices	Alignment with global E&S standards and best market practices	Does the framework make reference to international E&S targets (SDGs, Paris Agreement, Global Compact)?
		Does the framework make reference to established international E&S risk management standards (IFC PSs, EPs)?
		Does the framework make reference to established international sustainability reporting standards (GRI, SASB)?
		Does the framework make reference to established international climate finance reporting standards (TCFD)?
		Does the framework ask to make E&S policies, practices and results externally verified (assurance, independent review)?
Alignment to NDCs and with national/regional climate change targets	Alignment to NDCs and with national/regional climate change targets	Is the framework aligned with national NDCs or other national and regional policies on climate?
		Has the SBN member identified the main climate risks (transition/physical) for their local financial sector?
Multi-stakeholder collaboration	Multi-stakeholder collaboration	Does the framework involve interagency collaboration between financial supervisors/regulators, industry association, and FIs?
		Does this collaboration also include other public agencies (e.g., environmental agencies, ministries)?
		Does this collaboration also include representatives of civil society (e.g., NGOs, associations, media)?
Pillar II: Climate and Green Finance		
Sub-pillar	Indicator	Question
Products and services	Defining sustainable assets and financial products	Does the framework provide definitions and examples of green assets?
		Does the framework provide a comprehensive taxonomy of green assets?
		Does the framework provide definitions, examples, or a taxonomy of social and/or sustainable assets?
		Besides debt products (loans, bonds), does the framework provide definitions and examples of different types of sustainable finance products/services (e.g., saving accounts, means of payment, insurance, private equity, etc.)?
	Green finance product guidelines	Does the framework provide guidelines for green loan/green credit or other green financial assets (excluding green bonds)?
		Does the framework provide guidelines for issuance of green bonds?
		Does the framework refer to existing standards (e.g., ICMA's Green Bond Principles or CBI's Climate Bonds Standard)?
		Does the framework recommend external party verification (e.g., second party opinion, assurance, certification)?
Climate and green investment reporting	Tracking and disclosure of climate & green finance	Does the framework ask FIs to report on climate/green finance flows (quantitatively or qualitatively)?
		Does the framework ask FIs to report on climate risk exposure at portfolio level?
		Does the framework encourage FIs to report publicly on their green finance activities (i.e. not only to the regulator)?

Measurement	Calculation of environmental benefits	Does the framework ask FIs to calculate the environmental benefits of their investments? (e.g., CO ₂ emission reduction, water saving, etc.)
		Does the framework provide a taxonomy of potential environmental impacts?
		Does the framework provide methodologies, tools, and/or templates to measure and report these impacts?
	Climate risk exposure assessment	Does the framework ask FIs to monitor climate risk exposure at portfolio level?
		Does the framework refer to specific climate risk exposure methodologies (e.g., climate scenario analysis, climate risk stress testing, calculation of carbon risk exposure, tracking of energy efficiency for real estate portfolio)?
Incentives	Financial and non-financial incentives	Does the framework encourage FIs to take mitigating steps on these risks?
		Does the framework provide any type of incentives for green financial products and services? More specifically, does the framework introduce financial incentives on green products and services?

Pillar III: ESG Integration

Sub-pillar	Indicator	Question
Governance of E&S	Role of governing bodies on E&S	Does the country policy require one of the FI's governing bodies (e.g., Board of Directors, Executive Committee, Supervisory Board, etc.) to approve an E&S strategy?
		Does the policy require management to report on E&S strategy implementation to the governing bodies?
		Does the policy require FI operational bodies to report to the governing bodies (or specific Board committee) on implementation of the E&S strategy?
	Organization	Does the framework ask FIs to define E&S roles and responsibilities?
		Does the framework highlight the E&S roles of front office staff and second lines of defense (e.g. risk officers and/or compliance officers)?
E&S risk management	E&S policy	Does the framework ask FIs to define E&S competencies for each role?
		Does the framework ask FIs to formalize an E&S or ESG policy?
		Does the framework encourage FIs to go beyond E&S requirements of local laws and regulations?
		Does the framework ask FIs to set E&S objectives and targets?
	Risk assessment	Does the framework ask FIs to publicly disclose their E&S policy and its governance?
		Does the framework require FIs to carry out appropriate E&S due diligence at transaction level?
		Does the framework require FIs to carry out appropriate E&S due diligence at client level?
		Does the framework encourage FIs to categorize projects/clients according to their level of E&S risk?
	E&S covenants	For high-risk transactions, does the framework encourage site visits to be organized?
		In case of negative E&S impacts, does the framework invite FIs to engage with clients to implement mitigation measures?
	Project supervision & portfolio review	Does the framework ask FIs to incorporate E&S covenants and investment conditions into legal agreements with clients?
		Does the framework ask FIs to develop processes to manage E&S risks during supervision?
Enforcement	Training	Does the framework encourage a periodic review of E&S risks at aggregate portfolio level?
		Does the framework ask FIs to develop and maintain E&S capacity through regular training?
	External communication mechanism	Does the framework highlight the training of (i) front office staff, (ii) second lines of defense (risk officers and/or compliance officers), and (iii) E&S experts?
		Does the policy require FIs to establish and maintain an inquiry/complaints/grievance mechanism in relation to E&S or ESG practices?
	E&S reporting	Does the policy require FIs to report regularly on E&S or ESG performance, including publicly, to investors or to regulators?
		Does the policy make E&S or ESG reporting and disclosure more consistent across financial institutions through principles, guidelines, or templates?
	Enforcement	Is the implementation of the framework regularly verified or is information regularly collected from FIs?
		Is there any financial and/or non-financial incentive for establishing ESRM systems?
		Are there sanctions/penalties/warnings in case of noncompliance with the framework?

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Contributors

Asif Iqbal, Deputy Director, Sustainable Finance Department, Bangladesh Bank, Bangladesh

Beatriz Stuart Secaf, Assessora de Sustentabilidade, FEBRABAN, Brazil

Rachana Lay, Chief Risk Officer (CRO) / Deputy CEO of Foreign Trade Bank of Cambodia, Association of Banks in Cambodia – Foreign Trade Bank of Cambodia, Cambodia

Stephanie Moore, Officer, International Affairs , Superintendencia de Bancos e Instituciones Financieras, Chile

Isabel Mantilla Naranjo, Director Sostenibilidad y Educación Financiera – Vicepresidencia Asuntos Corporativos, Asobancaria Colombia, Colombia

Mariana Escobar Uribe, Advisor, Superintendencia Financiera de Colombia , Colombia

Carolina Landin, Coordinadora de Sostenibilidad, Competitividad e Innovación, Asociacion de Bancos del Ecuador, Ecuador

Dalia A. Kader, Head of Sustainable Finance Committee, Federation of Egyptian Banks, Egypt

Caroline Waqabaca, Chief manager Economics, Reserve Bank of Fiji, Fiji

Swastika Singh, Senior Analyst, Financial System Development Unit, Reserve Bank of Fiji, Fiji

Zviad Zedginidze, Head of Financial Stability Department, National Bank of Georgia, Georgia

Edi Setijawan, Deputy director of the Indonesia Banking Architecture- Department of Banking Research and Regulation, OJK, Indonesia

Qismah Salih, Acting Director General of Banking Supervision Department – CBI, Central Bank of Iraq, Iraq

Mohamad Amaireh, Assistant Executive Manager, Banking Supervision Dept, Central Bank of Jordan, Jordan

Nuru Mugambi, Director of Communications and Public Affairs , Kenya Bankers Association , Kenya

Rustam Sarybaev, Project Manager, The Union of Banks of Kyrgyzstan, Kyrgyzstan

José Miguel Domínguez, Communications and International Relations Director , Mexican Bankers Association, Mexico

Munkhbat Oyungerel, Project and Partnership manager, Mongolian Sustainable Finance Association, Mongolia

Yasser Mounsif, Head of Corporate Finance and Financial Disclosure Department, Moroccan Capital Market Authority (AMMC), Morocco

Mériem Lamrani Karim, Banking Supervision Department, Bank Al-Maghrib, Morocco

Sushil Gyawali, Assistant Director, Bank and Financial Institution Regulation Department (BFIRD), Nepal Rastra Bank, Nepal

A'isha U. Mahmood, Special Advisor to the Governor on Sustainability, Central Bank of Nigeria, Nigeria

Raúl E. Preciado, Vicepresidente Asistente de Riesgo – Banco General, Panama Banking Association - Banco General, S.A. , Panama

Cynthia Franco, Lead of norms and regulations, Superintendency of Banks, Central Bank of Paraguay (BCP), Paraguay

Omar Fernández, President, Mesa de Finanzas Sostenibles, Paraguay

Rochelle Tomas, Inclusive Finance Advocacy, Bangko Sentral ng Pilipinas, Philippines

Pierre Venter, General Manager Human Settlements, Market Conduct Division, The Banking Association of South Africa, South Africa

Dino Lazaridis, Deputy Director, Financial Sector Policy Unit, National Treasury, South Africa

Janet Terblanché, Divisional Head: Policy Prudential Authority: Policy, Statistics and Industry Support Department, South Africa Reserve Bank, South Africa

Anil Perera, Director of Economic Research and Secretary of steering committee on developing a sustainable finance roadmap, Central Bank of Sri Lanka, Sri Lanka

Darutsakorn Wisootthisin, Assistant Secretary-General, Thai Bankers Association, Thailand

Swisa Ariyaprichya , Deputy Director, Financial Institutions Strategy Department, Bank of Thailand, Thailand

Berk Mesutoğlu, Senior Banking Specialist, Department of Strategy Development, Banking Regulation and Supervision Agency, Turkey

Nguyen Kim Thanh, Official, Division of credit policies for trade and services, State Bank of Vietnam, Vietnam

Ha Thu Giang, Deputy Director, Department of Credit Policies for Economic Sectors, State Bank of Vietnam, Vietnam

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Bangladesh	Bangladesh Bank	Policy Guidelines for Green Banking	2011
Bangladesh	Bangladesh Bank	Guideline on ESRM for Banks and FIs in Bangladesh	2017
Bangladesh	Bangladesh Bank	ESDD Risk Assessment Tool	2018
Bangladesh	Bangladesh Bank	Green Banking Reporting template	2018
Brazil	FEBRABAN	Brazil Protocolo Verde	2008
Brazil	Central Bank of Brazil	Resolution No.4,327	2014
Brazil	FEBRABAN	Framework for the Creation and Implementation of a Socioenvironmental Responsibility Policy (SARB14)	2014
Brazil	FEBRABAN and CEBDS	Guidelines for Issuing Green Bonds in Brazil	2016
Brazil	FEBRABAN	Implementing the TCFD recommendations: a roadmap for the Brazilian banking sector	2019
Cambodia	Association of Banks in Cambodia	Cambodian Sustainable Finance Principles	2018
Cambodia	Association of Banks in Cambodia	Cambodian Sustainable Finance Principles Implementation Guidelines V4	2019
China	China Banking Regulatory Commission, People's Bank of China and Ministry of Environmental Protection	Green Credit Guidelines	2012
China	China Banking Regulatory Commission, People's Bank of China and Ministry of Environmental Protection	Green Credit Statistics & Reporting Template	2013
China	China Banking Regulatory Commission, People's Bank of China and Ministry of Environmental Protection	Green Credit Key Performance Indicators	2014
China	China Banking Association	Green Banking Assessment Plan (Pilot)	2017
China	People's Bank of China	Notice on Evaluating Green Credit Performances	2018
China	People's Bank of China, Ministry of Finance, National Development and Reform Commission, Ministry of Environmental Protection, China Banking Regulatory Commission, China Securities Commission, China Insurance Regulatory Commission	Guidelines for Establishing the Green Financial System	2016
China	People's Bank of China	Notice on Green Bond for Inter-bank Market & Green Bond Endorsed Project Catalogue	2015
China	China Securities Regulatory Commission	Guidelines for Green Bond issuance	2016
China	National Association of Financial Market Institutional Investors	Guidelines for Green Bond	2017
China	Asset Management Association of China	Green Investment Guidelines	2018
China	China Securities Regulatory Commission	Guidelines for Green Bond issuance for listed companies	2017
China	Ministry of Ecology and Environment and China Insurance Regulatory Commission	Compulsory Environmental Pollution Liability Insurance Regulation	2018
Colombia	Asobancaria	Colombia Protocolo Verde	2012
Colombia	Asobancaria	General Guidelines for the Implementation of Environmental and Social Risk Analysis	2016
Colombia	E3 and Metrix Finanzas	Roadmap of actions to launch a Green Bond market in Colombia	2017
Ecuador	Asobanca	Protocolo de Finanzas Sostenibles del Ecuador	2016
Georgia	The National Bank of Georgia	Roadmap for sustainable finance in Georgia	2019
Georgia	The National Bank of Georgia	Corporate Governance Code for Commercial Banks in Georgia	2018
Ghana	Bank of Ghana	Guidance Notes for the Sustainable Banking Principles	2019
Ghana	Bank of Ghana	Agriculture and Forestry Sector Guidance Note	2019
Ghana	Bank of Ghana	Power and Energy Sector Guidance Note	2019
Ghana	Bank of Ghana	Construction and Real Estate Sector Guidance Note	2019
Ghana	Bank of Ghana	Manufacturing Sector Guidance Note	2019
Ghana	Bank of Ghana	Oil & Gas and Mining Sector Guidance Note	2019
Indonesia	Otoritas Jasa Keuangan (Indonesia Financial Services Authority)	Sustainable Finance Roadmap (2015-2019)	2015
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Kenya	Kenya Bankers Association	Kenya Sustainable Finance Principles and Guidelines	2015
Kenya	National Treasury	National Policy on Climate Finance	2016
Kenya	Kenya Green Bonds Programme, Kenya Bankers Association	Kenya Green Bond Guidelines Background Document	2019

Country	Issuer	Title	Year
Kenya	Nairobi Stock Exchange	NSE Listing Rules	2018
Mexico	Asociacion de Bancos de Mexico	Protocolo de Sustentabilidad de la ABM	2016
Mexico	Climate Finance Advisory Group	Green Bond principles MX	2018
Mongolia	Mongolian Bankers Association	Mongolian Sustainable Finance Principle Guidelines	2014
Mongolia	Mongolian Bankers Association	Mongolian Sustainable Finance Principles – Agriculture Sector Guideline	2014
Mongolia	Mongolian Bankers Association	Mongolian Sustainable Finance Principles – Construction and Infrastructure Sector Guideline	2014
Mongolia	Mongolian Bankers Association	Mongolian Sustainable Finance Principles – Manufacturing Sector Guideline	2014
Mongolia	Mongolian Bankers Association	Mongolian Sustainable Finance Principles – Mining Sector Guideline	2014
Mongolia	IFC	National sustainable finance roadmap of Mongolia	2018
Mongolia	Mongolian Bankers Association	A proposal of Green Taxonomy Development for Mongolia	2014
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Morocco	AMMC	Green, Social and Sustainability Bonds Guidelines	2018
Morocco	AMMC	CSR and ESG Guidelines	2017
Morocco	GPBM	Banks and Climate Charter	2016
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Morocco	AMMC	Amended Listed Rules – draft	2018
Nepal	Nepal Rastra Bank	Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions	2018
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Nigeria	Central Bank of Nigeria	Nigerian Sustainable Banking Principles	2012
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Nigeria	Nigerian Stock Exchange	Nigerian Stock Exchange website – Green Bonds	2018
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Pakistan	State Bank of Pakistan	Green Banking Guidelines	2017
Pakistan	Government of Pakistan	NDC	2016
Pakistan	IFC	Promoting environmental and social risk management (ESRM) in the financial sector of Pakistan	2015
Pakistan	IFC	Sustainable Energy Finance – the opportunities in Pakistan	2014
Pakistan	Securities and Exchange Commission of Pakistan	Corporate social responsibility voluntary guidelines	2013
Panama	Asociación Bancaria de Panamá	Protocolo de Finanzas Sostenibles de Panama	2018
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Paraguay	Central Bank	ESG risk management guide	2018
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South Africa	Banking Association South Africa	Principles for managing Environmental and Social risks	2015
South Africa	PRI South Africa Network	Code for Responsible Investing in South Africa	2011
South Africa	Government of South Africa (Economic Development Department)	Green Economy Accord	2011
South Africa	JSE	Debt Listings Requirements for the Green Segment	2017
South Africa	Institute of Directors in Southern Africa	King IV Code On Corporate Governance	2016
South Africa	Financial Sector Conduct Authority	Guidance Notice: Sustainability of Investments and Assets in the Context of a Retirement Fund's Investment Policy Statement	2019
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Sri Lanka	Sri Lanka's Banker Association	Sri Lankan Sustainable Banking Principles	2018
Turkey	Banks Association of Turkey	Sustainability Guidelines for the Banking Sector	2014
Vietnam	State bank of Vietnam	Directive on promoting green credit growth and ES risk management in credit granting activities (No 03/CT-NHNN)	2015
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Vietnam	Ministry of Finance	Decree 163/2018/ND-CP on corporate bond issuance	2018

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