

SUSTAINABLE BANKING
NETWORK (SBN)

GLOBAL PROGRESS REPORT

FEBRUARY 2018

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Foreword from the SBN Secretariat



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FROM MEASURE TO TREASURE: EXPANDING SUSTAINABLE FINANCE

Up to \$7 trillion in yearly financing is needed between now and 2030 to achieve the Sustainable Development Goals—a sum far beyond the means of governments. Countries expect their domestic banking sector to provide much of the funding.

It's a reasonable expectation. In emerging markets, banks hold assets estimated at more than \$50 trillion, meaning they have the potential to make a very large difference in financing sustainable development. Yet responsible lending practices and sound risk management—in relation to financial, environmental, social, and governance matters—will be crucial to the outcome. This means hard work lies ahead, not only for banks and banking associations but also for regulators, policymakers, and development institutions.

In developing countries, that work has begun in earnest—and it is producing encouraging results. In 2012, 10 countries turned to IFC for help in establishing the Sustainable Banking Network, which unified banking regulators and associations around an important goal: creating markets for sustainable finance. In just five years, the network has grown to 34 member countries that account for \$42.6 trillion in bank assets, or more than 85 percent of the total in emerging markets.

The network connects countries of all sizes and levels of development, and has quickly become an important player on the global stage. In 2016, it became a key partner to the G20's Green Finance Study Group, which served to significantly advance the global Green Finance agenda and underscore the importance of environmental risk management within financial systems.

Fifteen of the member countries—including China, Brazil, South Africa, Indonesia, and Nigeria—have developed policies and guidelines in line with international best practices on sustainable finance. They work to refine policies and strengthen implementation; and this report captures their progress.

The network has now reached another important milestone that has the potential to accelerate the growth of sustainable finance—the release of the first SBN Global Progress Report. The report measures the collective and individual progress across SBN member countries, from their initial decision to create a market for sustainable finance, to the execution of policies, and ultimately to changes in behavior by and within their financial institutions. The report is based on an innovative measurement framework developed by IFC and network members to track and measure the adoption and impact of the various sustainable finance policies across member countries.

Foreword from the SBN Secretariat (cont.)

This methodology and the report—which will be published annually—provide practical insights, indicators and tools for countries to apply to their own domestic markets, regardless of size or stage of development. It is designed to facilitate learning by all members and accelerate the pace of change. Moreover, this approach has been agreed by all 34 member countries, a remarkable achievement that is breaking new ground for measuring progress at the global level.

Looking ahead, the network is focusing on new ways to help emerging markets tap into a vast market of climate-smart investment opportunities, a dollar amount which IFC estimates to be \$23 trillion between now and 2030. In this connection, SBN is working to accelerate the growth of the green bond market, and to advance progress in sustainable finance well beyond the banking sector to include capital markets and other parts of the financial system.

In five short years, the Sustainable Banking Network has shown what can be achieved when regulators, policymakers, banking associations, banks and development institutions collaborate to advance sustainable finance. The measurement tools it has developed will encourage many more countries to accelerate their efforts to transform financial markets toward sustainability and constitute an important contribution to helping the world achieve the Sustainable Development Goals by 2030.

Foreword from the SBN Measurement Working Group

Co-chairs of SBN Measurement Working Group



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When we began a collective journey in 2012, the 10 founding member countries of SBN were motivated by a shared goal: to enlist the financial sector as a powerful instrument to reduce pollution, address climate change and restore vital environmental assets. We were seeking to instill a market-wide commitment to more equitable business practices to increase the competitiveness and resilience of our economies.

In China, that journey began in 2007 with the launch of the Green Credit Policy. By 2015, the majority of banks had adopted environmental and social risk management practices and were directing around 10 percent of finance to green loans and investments. In Indonesia, a Sustainable Finance Roadmap launched in 2014 paved the way for an Umbrella Policy launched in 2017, which provides definitions, principles and an action plan for the whole financial system—including banking, capital markets and non-banking sectors—to help achieve ambitious national sustainable development commitments.

Similar bold trajectories can be witnessed in 13 other SBN countries that have launched policies and principles on sustainable finance, including Bangladesh, Brazil, Colombia, Ecuador, Kenya, Mexico, Mongolia, Morocco, Nigeria, Peru, South Africa, Turkey and Vietnam.

Together, these 15 countries, representing more than 76 percent of emerging market banking assets, provide the basis for SBN's first Global Progress Report. For the first time, thanks to rich input from members, we have a systematic view of successful national strategies to develop, implement, and track market-level enabling policies and principles for sustainable finance. The evidence confirms a new trend of regulator and industry-led initiatives that are transforming the financial sectors of major emerging economies.

Importantly, this research dispels any assumptions that only high-income emerging markets are able or interested to adopt sustainable finance. In fact, SBN member countries represent the full spectrum of country size, economic maturity, and income level. We nonetheless share a common urgency.

The seriousness with which we as regulators are engaging with sustainable finance is testimony to the significant challenges that sustainable finance seeks to address. Climate change poses a growing threat to our economies, while the erosion of natural capital—the rich ecosystems and mineral wealth that underpin our markets—combined with the costs of social inequality mean we have no

Foreword from the SBN Measurement Working Group (cont.)

choice but to mobilize the financial sector as influencer of business practices and custodians of risk management.

In doing so, we are drawing on a rich community of practice through SBN. By sharing our experiences and tools, we are learning much faster together than we would be able to on our own. We are also developing common concepts, definitions and approaches that will be effective across borders and regions—facilitating rapid trends such as the growth of the global green bond market.

This first Global Progress Report takes that learning to the next level. For the first time, we have a common framework to compare and analyse country initiatives. Not only can we identify and replicate successful approaches more easily, but we can quickly diagnose where critical elements may be needed to unlock the full potential of sustainable finance and secure market-wide adoption by financial institutions.

In the five years since SBN was founded we have witnessed remarkable progress and innovation. Through this systematic benchmarking effort, we look forward to continued acceleration in the adoption of sustainable finance across the global financial system. We invite established and new members of SBN alike to apply the measurement framework in their own countries' efforts and to share the results in the annual global progress review. In doing so, we can undoubtedly achieve significant and lasting change that fits each of our own national contexts while benefitting us all as a global financial community.

Abbreviations and Acronyms

BRICS	Brazil, Russia, India, China, and South Africa
DfID	Department for International Development
E&S	environmental and social
ESG	environmental, social, and governance
ESMS	environmental and social management system
ESRM	environmental and social risk management
EY	Ernst & Young
FI	financial institutions
FCS	fragile and conflict-affected state
FSB	Financial Sustainability Board
GHG	green house gas
GRI	Global Reporting Initiative
IDA	International Development Association
IFC	International Finance Corporation
JSE	Johannesburg Stock Exchange
NDC	Nationally Determined Contributions
PRI	Principles for Responsible Investment
PSI	Principles for Sustainable Insurance
SASB	Sustainability Accounting Standards Board
SBN	Sustainable Banking Network
SDG	Sustainable Development Goals
SECO	State Secretariat for Economic Affairs
SSE	Sustainable Stock Exchanges
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNEP	United Nations Environment Programme

Executive Summary

Emerging markets have become a major driver for sustainable development and addressing climate change. Reaching the United Nations Sustainable Development Goals (SDG) and climate targets will require a sustained effort and an estimated \$70 trillion^{1,2} of financing by 2030. In emerging markets, banks hold assets estimated at more than \$50 trillion, which gives them the potential to make a substantial difference in sustainable development.

Market-based sustainable finance initiatives led by the members of the Sustainable Banking Network (SBN) have made significant progress in directing the financial sector toward sustainability. Established with support from the International Finance Corporation (IFC) in 2012, SBN represents a community of financial sector regulators and banking associations from 34 emerging market economies with a shared ambition to transform the financial markets towards sustainability. SBN members now represent \$42.6 trillion in banking assets, accounting for more than 85 percent of the total banking assets in emerging markets.

SBN member-led national sustainable finance policies and principles are a new effort to change behaviors of financial institutions (FIs). In most countries, these policies and principles are not hard regulations but strategic and technical “how to” guidance to help FIs to systematically integrate sustainability considerations into business strategy and operations. The guidance developed in the member countries varies in form: (i) mandatory policies, guidelines and roadmaps, advanced by regulators (for example: China, Indonesia, Peru), (ii) voluntary industry principles, led by banking associations (for example: Mongolia, Colombia, Kenya), or (iii) co-existence of policy-led regulations and industry-led principles (for example: Brazil, South Africa).

This report is SBN’s first Global Progress Report. The report presents a systematic view of progress toward sustainable finance among the emerging economies represented by SBN. It is based on a unique measurement framework to assess sustainable finance initiatives across emerging markets. The Global Progress Report was informed by country progress reports that were prepared for 15 SBN members implementing sustainable finance policy initiatives. Country specific reports detail each country’s good practice and highlight areas of focus to support and encourage members to further accelerate efforts in sustainable finance. With \$38.3 trillion in banking assets, these 15 member countries account for more than 76 percent of emerging market banking assets.

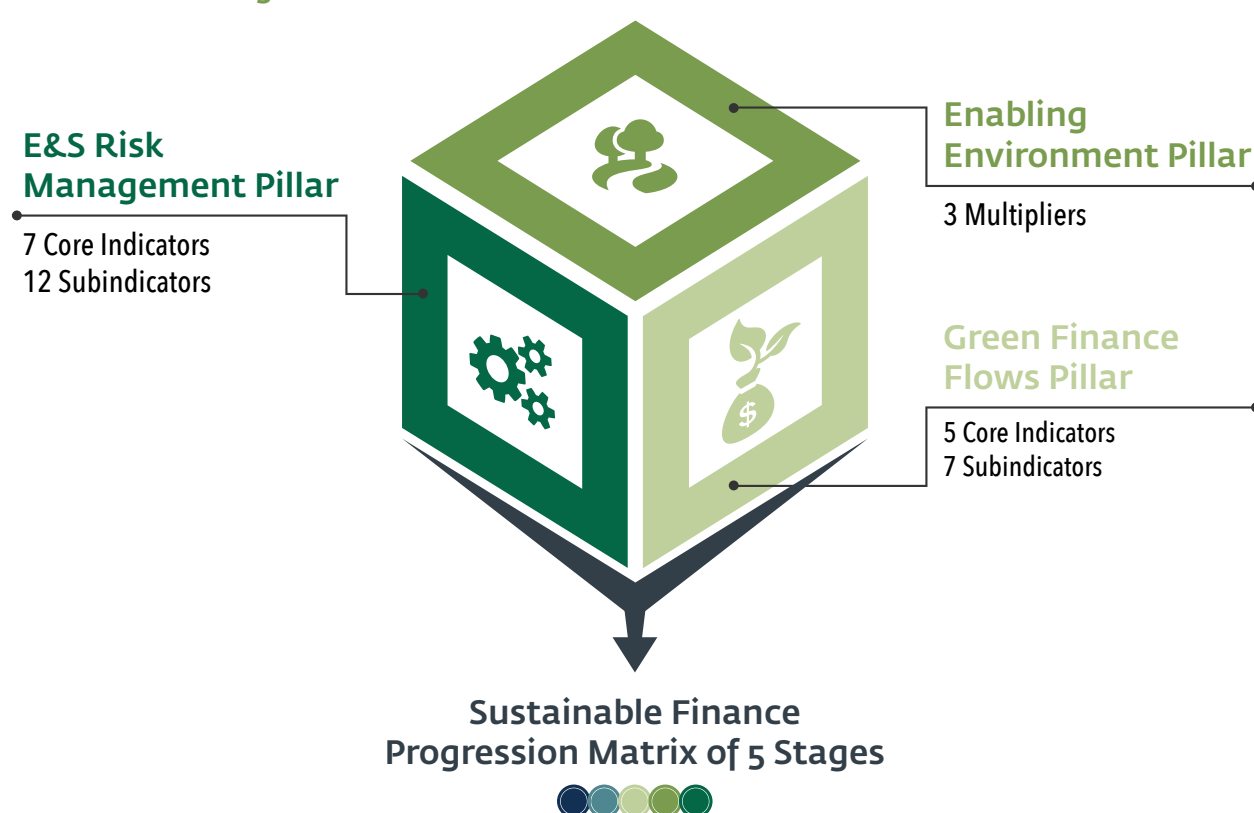
The SBN measurement framework, developed, and agreed to by SBN members, draws on international good practice, as well as SBN members’ experiences and innovations. National sustainable finance policies and principles were assessed for environmental and social risk management practices by banks, green finance flows and enabling environment for comprehensiveness in coverage, depth and clarity. Assessment results feed into a SBN progression matrix to illustrate

¹ UNCTAD - World Investment Report (2014): http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf

² All dollar amounts are in U.S. dollars, unless noted

the collective progress of SBN members. The framework will be applied continuously to measure progress annually. It allows each member to review their own progress and identify the strengths and weaknesses of their own approach, be it mandatory, voluntary or hybrid.

Figure 1: SBN Measurement Framework



1. *The E&S Risk Management Pillar assesses the degree to which national policies or principles provide comprehensive and in-depth guidance and requirements to FIs in managing E&S risks, including climate risk and the extent to which this guidance is applied by financial market participants.*
2. *The Green Finance Flows Pillar assesses the degree to which market infrastructure has been introduced to encourage FIs to direct their lending to projects and businesses with positive environmental and climate impacts and the resulting impact on capital flows.*
3. *The Enabling Environment Pillar assesses crosscutting factors that have been shown to have a multiplying or undermining effect in achieving the first two pillars.*

OVERALL FINDINGS

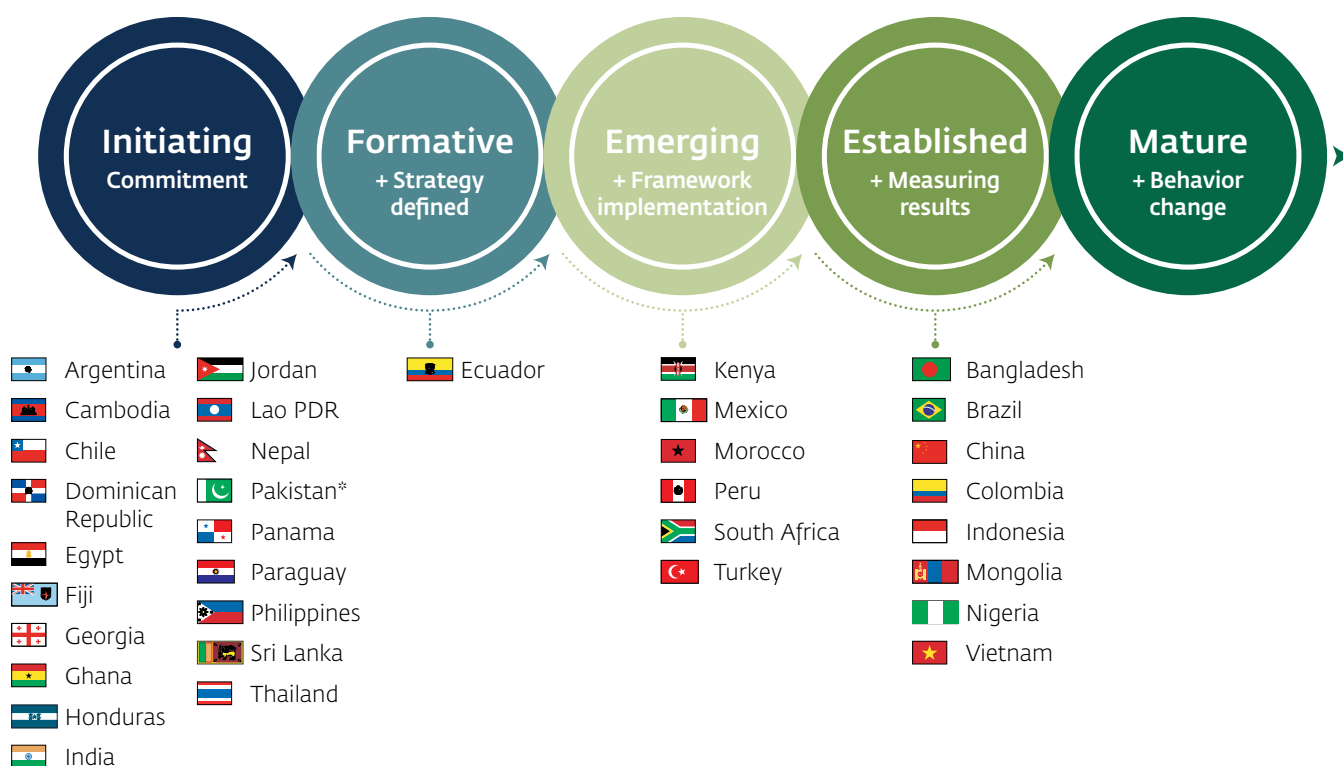
All SBN member countries are advancing sustainable finance, although they are at different stages of development.

The mapping indicates the following:

- 19 members are currently at the “initiating” stage, demonstrating a commitment to take sectorwide actions to promote sustainable finance.
- The 15 countries that have launched policies and principles currently fall into the following categories:
 - 1 country is at the “formative” level, with a policy formalized, but not yet implemented. This country is Ecuador.
 - 6 countries are at the “emerging” stage: they have policies and principles in place and have begun to implement these policies. These countries are: Kenya, Mexico, Morocco, Peru, South Africa and Turkey.
 - 8 countries are at the “established” stage: they have comprehensive implementation actions in place and have begun to report on results and impacts. These countries are: Bangladesh, Brazil, China, Colombia, Indonesia, Mongolia, Nigeria and Vietnam.
 - At this point, no member countries have reached the mature stage, with comprehensive behavior change demonstrated by the banks and other financial sector participants.

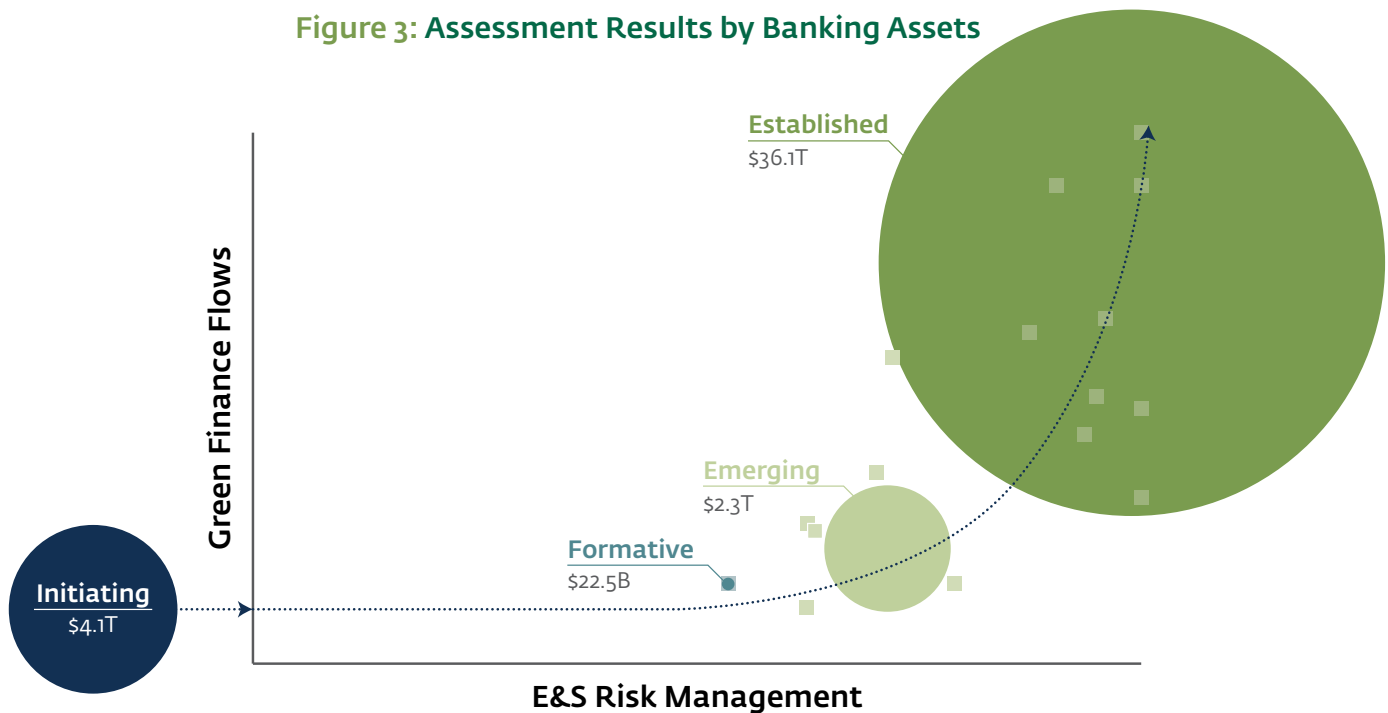
Figure 2: SBN Progression Matrix with Assessment Results

Assessment based on progress up to and as of June 2017



* Pakistan launched its policy in October 2017, after the cut off date of June 2017 for the report

Figure 3: Assessment Results by Banking Assets



Note: Results for the E&S Risk pillar are represented on the x-axis. Results for the Green Finance Flows pillar are on the y-axis. Both results are adjusted using factors of the Enabling Environment pillar. The US dollar numbers are the aggregated banking assets of the countries represented in their respective stages and indicated by the size of the corresponding bubble.

Sustainable finance is expanding globally—wealth, market maturity, and level of development do not limit the transition to sustainable finance. Even the poorest countries can adopt sustainable finance policies. An analysis of country initiatives compared with income level, as defined by the World Bank, shows that member countries of all income levels are advancing the development of sustainable finance, with lower-income countries quickly joining the ranks. For example, Bangladesh was among the first movers in adopting sustainable finance regulation, with a per capita income of \$1,358.

Emerging markets can make rapid progress, leapfrogging ahead, by learning from others. Peer-to-peer knowledge sharing is a hallmark of SBN, resulting in some countries rapidly applying successful ideas from other members to their own conditions. For example, Nepal was inspired to build environmental and economic resilience after a major earthquake in April 2015, and quickly adopted the related experiences from Bangladesh through regional study tours and peer learning supported by SBN.



ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Most member countries have developed policies and principles in alignment with good international industry practice, including the IFC Performance Standards and the Equator Principles which reference them. Two-thirds of the national sustainable finance policies and principles specifically refer to international standards, which offer a benchmark for the environmental and social (E&S) issues to be managed and offer guidance on how to do so. Most of the 15 national policies or principles have good coverage across the seven core indicators of the E&S Risk Management pillar.

Requirements for financial institutions to conduct E&S due diligence and report E&S performance particularly stand out. All 15 national policies or principles beyond the formative stage require FIs to perform E&S risks assessment and 11 countries have further required risk categorization to guide credit decision making. There remains room for further improvement in requiring FIs to continuously monitor E&S performance of their portfolio over time.

Some countries are also spurred to action by climate commitments. Commitments to meeting the United Nations Sustainable Development Goals (SDGs), and Nationally Determined Contributions (NDCs) under the Paris Agreement on Climate Change have led some SBN members to begin incorporating **climate risk** into their national policies or principles. FIs from these markets are starting to develop climate strategies, aligned with the country climate commitments.



GREEN FINANCE FLOWS

The SBN Global Progress Report highlights that the capital for green growth must come predominantly from the private sector. For example, in China, it is estimated that the private sector will need to finance more than 85 percent of the country's total green investment.³ Many SBN members have introduced market incentives to drive banks to step up green investments. Incentives may focus on (i) positive recognition for good performers, such as through awards, preferential considerations and recognition during supervision; or (ii) increased lending to specific green sectors or market segments, such as through dedicated funds or credit lines. However, very few countries have developed and implemented systematic incentive mechanisms to promote and track green finance at this stage.

Private sector green financing is growing and beginning to demonstrate a business case for sustainable finance. Some SBN members are tracking the outcomes of green financing policies and principles to demonstrate the business case for sustainable finance. For example, statistics from China's top 21 banks (accounting for close to 80 percent of total banking assets) show that the loan balance toward green credit is \$1.09 trillion, representing a 16 percent growth year-on-year, two percent higher than the overall lending growth rate. The non-performing loan ratio of those banks' green credit lending stood at 0.41 percentage, which is 1.35 percentage lower than the industry average, demonstrating better credit performances. Green credit now makes up approximately 10 percent of these banks' portfolios. Brazilian banks' lending to green sectors of the economy has grown from 11 percent of the banks' portfolios in 2013 to 14 percent in 2015.

An enormous gap still exists on green finance definitions, data, reporting, and incentives to facilitate private sector participation. Only a few markets are moving into the definition and reporting space. Bangladesh, Brazil, China, and South Africa have defined green assets and sectors for investment. The Brazilian Federation of Banks developed a methodology and tool to systematically track and report green loans and credit financing. Bangladesh and China are requiring financial institutions to report periodically on green finance flows. China is also providing them with a tool to report complex indicators, such as environmental benefits.

³ China Green Finance Task Force. (2015). "Establishing China's Green Financial System", China Finance Publishing.

Although climate change is driving many sustainable finance initiatives, most policies and principles do not require financial institutions to align climate-related definitions and investment targets with countries' climate strategies. Only four national policies—in Bangladesh, China, Morocco, and Vietnam—specify climate as a standalone and specific environmental risk to be addressed.



ENABLING ENVIRONMENT

A sound enabling environment is critical to translate sustainable finance policies and principles into action. The three multiplier factors selected in this progress report are (i) implementation mechanism, (ii) policy infrastructure, and (iii) multistakeholder engagement. Countries in the established stage tend to perform well on both E&S risk management approaches and green finance dimensions when supported with strong enabling factors. Bangladesh, Brazil, and China are all founding members of SBN and had already embarked on their national initiatives when the Network was established in 2012. As a result, these countries have a longer history of building up market capacity, engaging stakeholders, and improving implementation mechanisms. All three countries have integrated sustainable finance considerations into banking supervision and have promulgated regulatory reporting requirements.

Success in the banking sector has led SBN members to expand reforms to other parts of the financial system. SBN members are expanding reforms beyond banking to include insurance, institutional investors, and capital markets. China and Indonesia have taken this approach, with South Africa in the process of developing an overarching set of policies or principles for the entire financial sector, including asset management and pension funds. Morocco's roadmap incorporates banks, insurance companies, and capital markets. Brazil is considering a range of actions, including improving disclosure, incentivizing green investments, and integrating environmental risks into underwriting policy.

CONCLUSION

The SBN members have shown that it is possible to unite a wide array of countries in support of sustainable finance and to achieve significant progress in a relatively short period of time. Despite choosing a range of implementation approaches, the 34 countries show a collective ambition and a consistent framework for measuring progress, positioning them to accelerate reforms further. The measurement initiative and growing knowledge base being developed through SBN—as well as the work the Network is undertaking to develop green bond markets—will create incentives for many more countries to grow their sustainable finance markets, better positioning the world to achieve the Sustainable Development Goals by 2030.



I. INTRODUCTION

COUNTRY INITIATIVES IN SUSTAINABLE FINANCE

Over the past five years, country-level sustainable finance initiatives have emerged rapidly in the financial sectors of emerging economies. These are directed at integrating risk management to include environmental, social and governance (ESG) considerations and participation in financing of investment that provides environmental benefits. These initiatives are set in unique national contexts, with an objective to meet national sustainable development goals and address specific types of environmental and social issues. National financial market regulators and industry associations have been leading and facilitating such initiatives. Two common drivers have been identified across such national initiatives: (i) maintaining the stability of the financial system, from the perspective of preventing and managing risks, as these can expose financial institutions (FIs) to negative reputational, credit or operational impacts; and (ii) exploring innovative growth opportunities, such as new instruments and products in green finance that respond to increased expectations from institutional investors, retail customers, and civil society for finding the pathway to sustainable growth.

The United Nations Sustainable Development Goals (SDGs), launched in 2015, and country commitments (Nationally Determined Contributions—NDCs) in the Paris Agreement on Climate Change have raised the global urgency for countries to achieve sustainable development targets and mobilize the financial sector as partners. The global commitments have also galvanized other stakeholders to support and compel a greater consciousness in the financial sector when it comes to sustainability, raising the visibility and focus on these efforts.

SUSTAINABLE BANKING NETWORK (SBN)

The Sustainable Banking Network (SBN) is a voluntary community of financial market regulators and banking associations from emerging markets committed to advancing sustainable finance to achieve national development priorities, financial market deepening, and stability. With IFC providing the Secretariat, SBN now consists of 34 member countries: Argentina, Bangladesh, Brazil, Cambodia, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, Fiji, Georgia, Ghana, Honduras, India, Indonesia, Jordan, Kenya, Lao People's Democratic Republic (PDR), Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Paraguay, Peru, the Philippines,

South Africa, Sri Lanka, Thailand, Turkey, and Vietnam. These countries account for more than 85 percent of the total \$50 trillion banking assets in emerging markets.

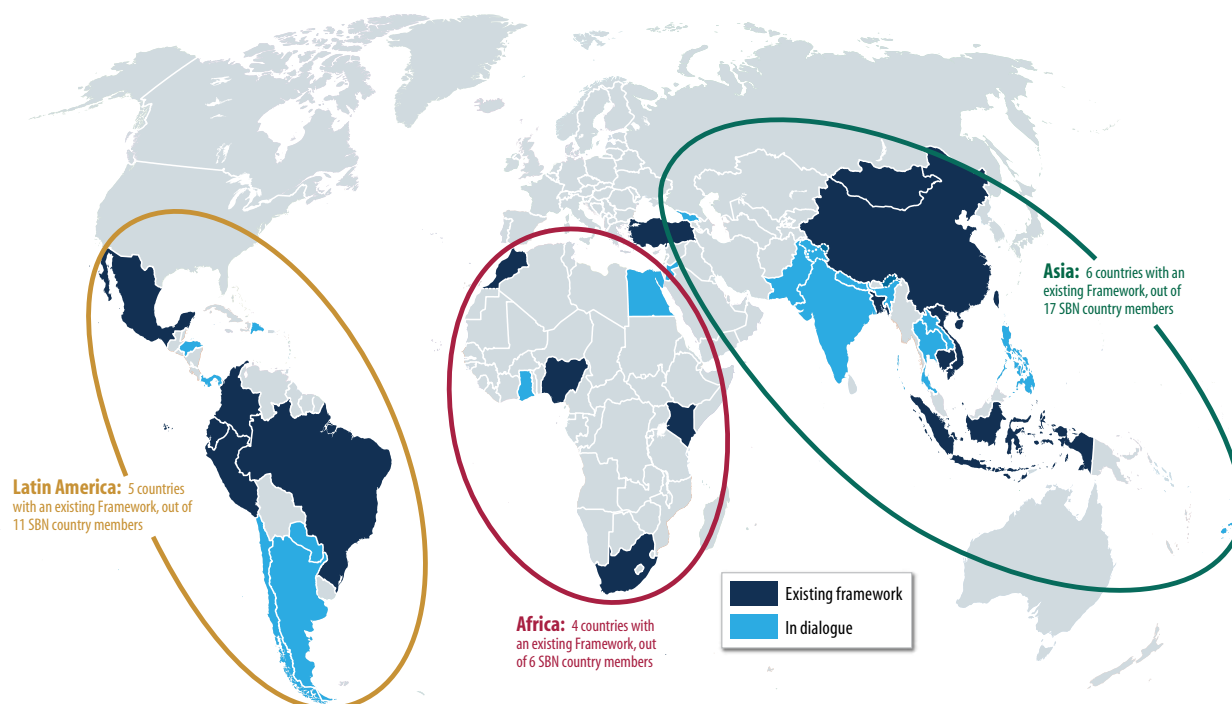
SBN members have developed national policies and principles to guide national initiatives on sustainable finance. Each member's approach to sustainable finance is based on national context and priorities, with each member able to leverage international good practice in sustainable finance through their SBN membership. So far, 15 countries have developed national policies or principles for sustainable finance, as shown in the map below; these serve as governing principles for national sustainable finance initiatives. They set out environmental and social sustainability goals and objectives, provide guiding principles, and offer operational guidance. Increasingly, these policies or principles also establish transparency and reporting mechanisms. They often consist of a series of complementary documents, ranging from policy roadmaps, regulatory guidelines, and circulars, to voluntary industry commitments or codes of conduct.

There is no single path toward sustainable finance, and each policy, principle and roadmap has been designed in accordance with country specificities. The policies or principles may include the country's sustainability and climate-related commitments or financial market profile. Nevertheless, the common goal is to build capacity and motivate changes in the behavior of financial sector actors and the wider private sector, such as banking sector clients. Common technical features occur in different national policies and principles for sustainable finance, whether industry-led and therefore voluntary, or whether government-led and therefore mandatory.

Managing E&S risk and promoting green finance flows emerge as two common components where global good practices can be helpful.

Map 1: SBN Country Members

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TRENDS IN SUSTAINABLE POLICY/PRINCIPLE DEVELOPMENT COMPARED WITH INCOME LEVEL

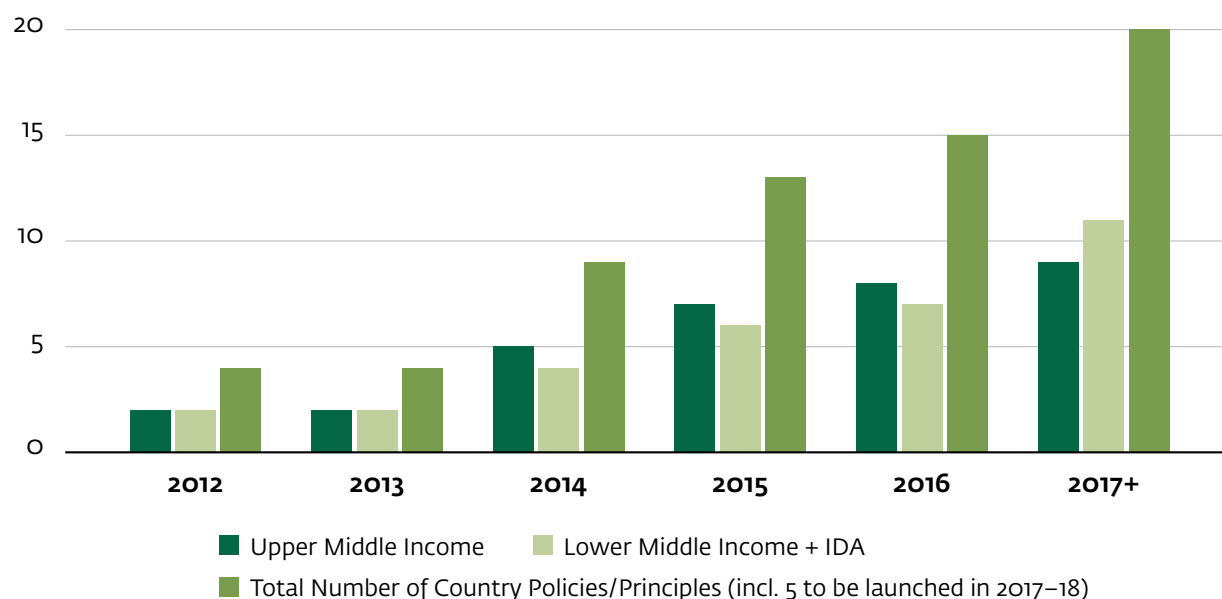
The diversity of SBN membership enabled an analysis to identify whether the transition to sustainable finance was seen as a luxury focus or a core to increased stability and competitiveness, regardless of economic wealth and development. The analysis also considers whether market maturity is a requirement for introducing national policies and principles for sustainable finance.

Table 1: Sustainable Finance Policies/Principles (and Green Bond Guidelines) by Income Level

Year	Country	Sustainable Finance Policy / Principle	Income Level
2007–2012	China	Green Credit Policy launched in 2007, followed by Green Credit Guidelines (an implementation policy by banking sector) launched in 2012	Upper Middle Income
2008–2014	Brazil	Voluntary Protocolo Verde launched in 2008 by the banking association, followed by Resolution of Social & Environmental Responsibility for FIs in 2014	Upper Middle Income
2011–2012	Bangladesh	Environmental Risk Management Guidelines	IDA Only
2012	Nigeria	Nigerian Sustainable Banking Principles	IDA Blend
2012	Colombia	Colombia Green Protocol	Upper Middle Income
2014	Mongolia	Mongolian Sustainable Finance Principles	Lower Middle Income
2014	Turkey	Sustainability Guidelines for the Banking Sector	Upper Middle Income
2014	South Africa	Principles for Managing Environmental and Social Risk	Upper Middle Income
2014	Indonesia	Sustainable Finance Roadmap	Lower Middle Income
2015	Kenya	Sustainable Finance Guiding Principles	IDA Only
2015	Vietnam	Directive on Promoting Green Credit Growth and E&S Risk Management	IDA Blend
2015	Peru	Regulation for Social and Environmental Risk Management	Upper Middle Income
2015	China	Green Bond Guidelines and Catalogue	Upper Middle Income
2016	Ecuador	Sustainable Banking Protocol	Upper Middle Income
2016	China	Guidelines for Establishing China's Green Financial System, covering the entire financial sector	Upper Middle Income
2016	Morocco	Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development, covering banking, capital markets and insurance	Lower Middle Income
2016	Brazil	Guidelines for Issuing Green Bonds in Brazil	Upper Middle Income
2016	India	Disclosure Requirements for Issuing and Listing of Green Bonds	Lower Middle Income
2016	Morocco	Guidelines for the Issuance of Green Bonds in Morocco	Upper Middle Income
2016	Nigeria	Green Bond Guidelines	Lower Middle Income
2017	South Africa	Green Segment/ Amendment to JSE Debt Listing Requirements	Upper Middle Income
2017	Bangladesh	Updated Environmental and Social Risk Management Guidelines	IDA Only
2017	Indonesia	Sustainable Finance Regulation to implement the Sustainable Finance Roadmap launched in 2014, covering the entire financial sector	Lower Middle Income
2017	Pakistan	Sustainable Banking Guidelines	IDA Blend
2018 ¹	Sri Lanka	Sustainable Finance Roadmap	IDA Blend
2018 ¹	Ghana	Sustainable Banking Principles	Lower Middle Income
2018 ¹	Nepal	Environmental and Social Risk Management Guidelines	Low Income IDA/FCS
2018 ¹	Fiji	Sustainable Finance Framework and green bond guidelines	Upper Middle Income
2018 ¹	Kenya	Green bond guidelines	IDA Blend
2018 ¹	Mexico	Green bond guidelines	Upper Middle Income

¹ Projected

Chart 1: Trends in Sustainable Finance Policy/Principle Development Compared with Income Level



1. **Countries of all income levels are advancing the development of sustainable finance.** China launched the mandatory Green Credit Policy in 2007 and Brazil launched Voluntary Protocol Verde in 2008 as pioneers, but they were quickly followed by other emerging markets. Since the inception of SBN, middle-income countries, such as China and Brazil, as well as IDA⁴ countries, such as Bangladesh and Nigeria, have led the trend of sustainable finance policy development (with an initial focus on the banking sector).
2. **Between 2014 and 2016, upper middle-income countries took the lead with establishing comprehensive policies.** 2017 was a turning point. The number of lower income and IDA countries launching sustainable finance policies and principles for the first time exceeded middle income countries.
3. **Since the end of 2015, a new trend in developing green bond guidelines in the financial sector has emerged among middle-income countries.** Almost all BRICS (Brazil, Russia, India, China, and South Africa) countries, including China (2015), Brazil (2016), and India (2016), have pioneered these policies, followed by an increasing number of middle-income countries, including Morocco (2016), Nigeria (2016), and South Africa (2017). More SBN members have committed to launching green bond guidelines in the coming year. ([See Annex 1](#)).
4. **Since 2016, a number of middle-income SBN countries have started to launch updated**

⁴ International Development Association (IDA), a member of the World Bank Group, is an international financial institution which offers concessional loans and grants to the world's poorest developing countries.

sustainable finance policies to “green the whole financial system,” led by China and Indonesia. Based on the experience and initial successes in greening the banking sector, these policies cover the full ecosystem of the financial sector, including banking, capital markets, pension funds, insurance and nonfinancial institutions.

SBN MEASUREMENT WORKING GROUP AND THIS REPORT

The SBN Measurement Working Group was launched in December 2016 at the 4th SBN Annual Meeting in Bali, Indonesia. It responds to members’ calls for enhanced technical support to assist in designing and implementing national initiatives and guidance on sustainable banking. The Working Group is comprised of 12 members, representing 11 countries, and one regional member. During 2017, the Working Group, supported by IFC as Secretariat, captured practical experiences and learning from SBN members and developed a measurement framework to support members to improve effectiveness in the design and implementation of policies and principles at country-level. The SBN Measurement Framework is intended to be a tool and reference for SBN members.

The Network commissioned Ernst & Young to undertake document review, interviews, and a review of SBN knowledge resources to develop country case studies and apply the SBN Measurement Framework to the 15 SBN member countries that have so far introduced sustainable finance policies and principles. The findings reveal common success factors, as well as innovations, among members, providing inspiration for continuous improvement by SBN members. As national sustainable policies and principles remain nascent, with less than half of SBN members already having policies in place, this report focuses on their clarity and comprehensiveness. This report assesses the current status of sustainable finance policies and implementation, focusing on the importance of the enabling environment. Recognizing that many countries are moving quickly on their sustainability journeys, the report captures a snapshot of current practice and proposes logical next steps.

The conclusions of the assessment are presented at two different levels: (i) a global progress report, and (ii) country-specific progress reports. The aim is to bring value to SBN members. This publication, which is an aggregated global report intended for broad dissemination amongst SBN members, is publicly available. It provides SBN members with a comparative baseline that supports future evolution and implementation of national sustainable finance policies and principles. It synthesizes common barriers, good practice, and recommendations that can be used by less advanced SBN members seeking to establish or further develop a national sustainable finance initiative. It is also valuable to leading SBN members who wish to assess gaps or opportunities to strengthen their existing policies.

Country-specific reports were prepared for 15 SBN members. These reports contain a thorough analysis of the country’s policies and principles in relation to the Environmental and Social Risk Management Pillar and to the Green Finance Flows Pillar, as well as a contextual analysis of the local policy landscape and the enabling environment. Country reports detail each country’s good practice and highlight areas of focus and will only be made public at the election of the SBN members involved. These will be available alongside the global report at www.ifc.org/sbn.

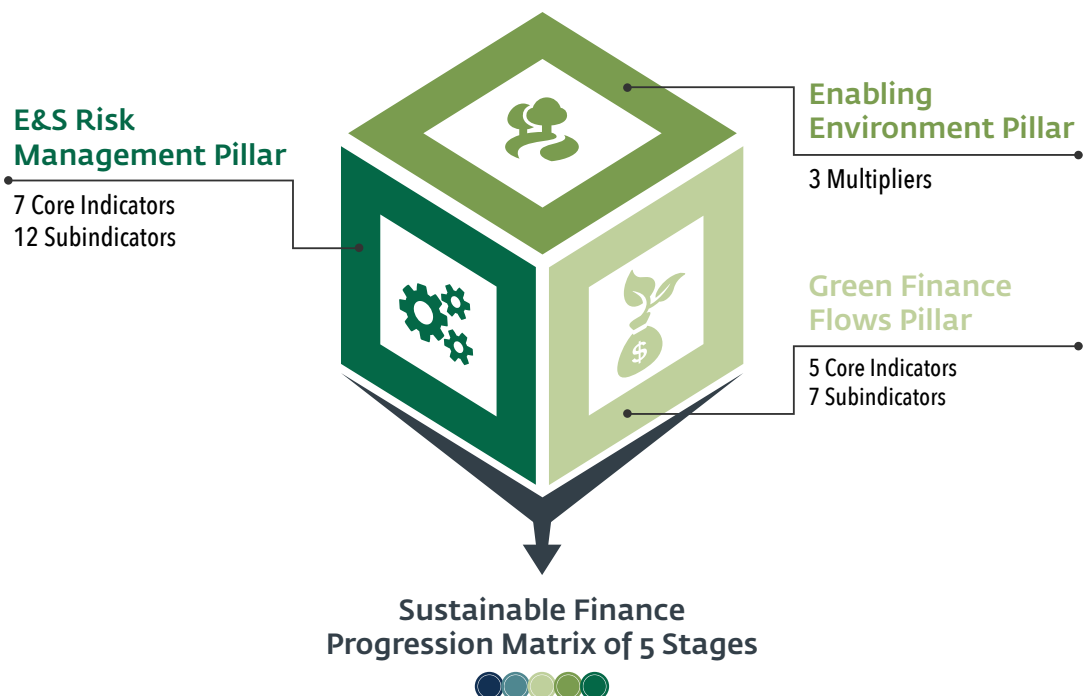


METHODOLOGY:

II. SBN MEASUREMENT FRAMEWORK

The Measurement Framework is designed to be a benchmarking tool for SBN members to track their progress, compare approaches, and strengthen future plans to maximize sustainable finance adoption across their financial markets. It focuses on three particular dimensions identified by SBN members as critical components in the design of nationally appropriate strategies and frameworks: (i) how to embed environmental and social (E&S) considerations in the risk management and business operations of financial institutions (FIs); (ii) how to expand financial flows to green projects; and (iii) how to enable policy implementation, such as through implementation and enforcement mechanisms, multi-dimension enabling policy frameworks, capacity building and multistakeholder engagement. Consequently, the Measurement Framework is shaped along 3 pillars: (i) E&S Risk Management; (ii) Green Finance Flows; and (iii) Enabling Environment.

Figure 1: SBN Measurement Framework



The first two pillars consist of 31 indicators and subindicators that assess the comprehensiveness and clarity of the sustainable finance policies and principles introduced by 15 SBN member countries. The E&S Risk Management Pillar consists of 5 subpillars and the Green Finance Flow Pillar consists of four subpillars. Each subpillar consists of one or two core indicators and a set of subindicators. Points are assigned to each indicator for a quantified outcome, as indicated in Figure 2 below. The assessment is based on IFC technical expert input and SBN Measurement Working Group discussion. The basis of the assessment are (i) review of various policies including national roadmaps, regulations, guidelines, voluntary industry principles and/or code of conducts; and (ii) questionnaire and interview with SBN members.

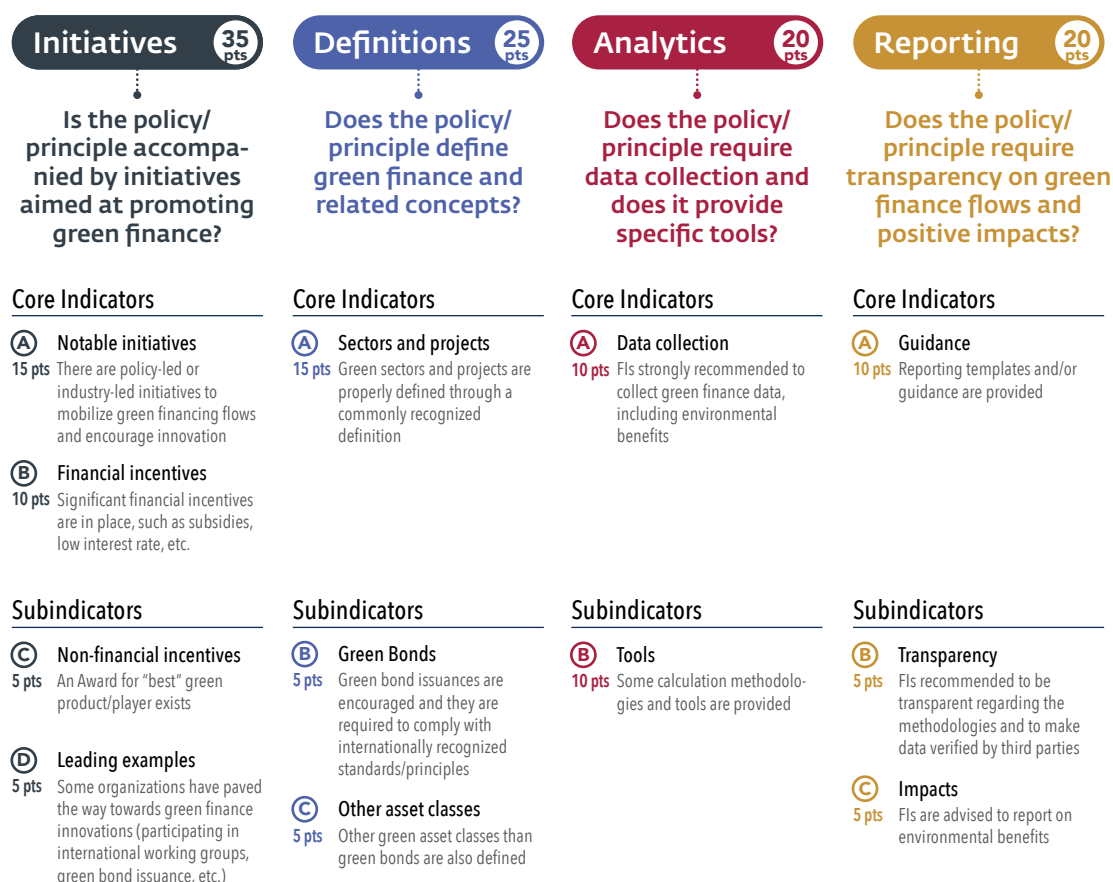


Figure 2: E&S Risk Management Pillar





Figure 3: Green Finance Flows Pillar



An ideal measurement framework would allow assessment of both policy comprehensiveness and implementation effectiveness. However, sustainable finance is still at an early stage of maturity globally, making it difficult to identify and agree on indicators of implementation effectiveness. The third pillar “enabling environment” therefore uses three proxy indicators that have emerged consistently across SBN member countries as strategies to increase the likelihood of effective policy adoption and implementation. Questions under this pillar include whether multiple, mutually supporting policies and guidelines are in force rather than a standalone single policy document; whether enforcement or supervision mechanisms are in place; and if capacity building and multistakeholder engagement is taking place to support policy implementation.

Each of the 31 core and subindicators under pillar 1 and 2 is assigned a quantitative value. For the multiplier factors in pillar 3, a value ranging from 0.7 to 1.3 is allocated depending on whether the multiplier in question is weak (lacking), in place (solid), or very strong (outstanding). In addition, each of the multiplier factors is weighted depending on how significant it has been in driving implementation according to SBN member experiences.

TABLE 2: Enabling Environment Pillar

Country	Lacking	Solid	Outstanding
Policy infrastructure: there is a comprehensive enabling policy infrastructure that provides both high level strategy and operational guidance to green the whole financial system.	x 0.8	x 1.0	x 1.2
Implementation mechanism: a mechanism for implementation for enforcement and/or supervision is allowing the policies or principles to be enforced and consequently more effective. This is one of the key success factors for any regulatory policies or voluntary principles, widely recognized by SBN members.	x 0.7	x 1.0	x 1.3
Multi-stakeholder engagement: the country is experiencing multi-stakeholder engagement and market-wide capacity building.	x 0.8	x 1.0	x 1.2

The final rating is calculated based on a combination of the E&S risk management “Risk” score (60% of the final rating), the green finance flows “Opportunity” score (40% of the final rating), and the application of the enabling environment multipliers using careful contextual analysis. Countries are then mapped to a progression stage based on the final assessment outcome and scores.

Figure 4: Quantitative Assessment Formula



The design of indicators and multipliers draws on international standards and good practice, practical experiences from SBN members, and recognized research initiatives in sustainable finance. These standards and good practice include the IFC Performance Standards, the Equator Principles that refer to them, and research papers from the G20 Green Finance Study Group.

While a quantitative approach allows for aggregation of results and measuring of progress, some limitations also need to be recognized. The indicator design, value, and assigned weighting reflect best efforts to align with standards, good practices, and SBN experiences. These may further evolve in future reports.

Areas not considered in the SBN Measurement Framework

This first report does not attempt to capture the performance of individual private sector financial institutions in the emerging economies covered by the report. Raw data for assessment of E&S risk management and green finance flows focus on national policies and principles that have been developed by SBN members. Thus, while a particular market may have a number of financial institutions with outstanding individual performance on sustainable finance, it may not necessarily rank high in terms of the stage of development, since this initial report's focus is on market-level efforts to green the entire banking or financial sector. Future reports will seek to assess the success of the policies and principles in influencing the behavior of financial institutions. They will also seek to develop case studies in leading financial institutions to demonstrate the business case for sustainability.

For many countries, sustainable finance includes financial institutions' own social and environmental "footprints." This expands beyond the E&S risks and impacts of the business and projects that FIs finance: financial institutions also employ staff, rent or own facilities, and engage in community projects. Consequently, they can "walk the talk" by committing to good E&S practices through reducing carbon footprint, supporting communities through charity work, governance structures and operations. This dimension was not included in the scope of this report, although some SBN members see it as a one of the important elements of their policies or principles.





III. E&S RISK MANAGEMENT PILLAR

METHODOLOGY

The E&S risk management pillar focuses on the requirements set out in the policies or principles for E&S risk management by financial institutions (FIs). In line with SBN members' practices, the E&S pillar assesses the degree to which national sustainable finance policies/principles integrate E&S risk management and the specific governance foundation for this integration, which is referred to as "E&S governance." To succeed, sustainable finance requires a related governance structure as a foundation for sound environmental and social risk management (ESRM) within FIs.

The E&S risk management pillar relies on five components (or sub-pillars), each consisting of two kinds of indicators: **core indicators** are critical to a comprehensive framework, and **subindicators** give countries bonus points for complementary initiatives or requirements that promote even sounder policies or principles. The five sub-pillars and associated core indicators reflect the breadth of the policy frameworks in terms of requirements, while subindicators measure the depth in terms of clarity and granularity.

The list of core and subindicators will be updated on annual basis in order to reflect changing procedures in E&S risk management. The total score for each indicator reflects the **weighting** of the indicator. Indicator design and assignment of weighting is based on the SBN Measurement Working Group discussion with inputs from EY and IFC's technical experts.

The five components align well with IFC Performance Standards, which are widely adopted and which require FIs to establish an environmental and social management system (ESMS). The Equator Principle FIs as well as many development banks have adopted IFC Performance Standards for the management of E&S risks. By developing and maintaining an ESMS, private sector FIs can integrate E&S factors into credit decision making, strengthen existing risk management practices, and catalyze cultural and behavioral change.

OVERALL RESULTS

The assessment of 15 countries' existing E&S policies and principles shows that, amongst these SBN members, in relation to E&S risk management, the sustainable banking policies and principles in advanced SBN member countries are quite comprehensive.

Figure 5 summarizes the assessment outcomes across five subpillars. 15 countries were assessed and scored for each core and subindicator for all five subpillars. The distribution of the aggregated outcome by each subpillar is shown in Tier 1-3 from low to high. For example, for reporting subpillar, 14 countries fall into Tier 3—the highest performance tier; and only 1 country is in Tier 1—the lowest performance tier. No country is in Tier 2. Under each indicator, colored bar graphs indicate the number of countries satisfying the specific indicator.

Policy

Policy subpillar: For the one core indicator, 14 out of the 15 countries require FIs to formalize E&S risk management policy. Five subindicators help examine the depth of the policy, in terms of scope, applicable standards, practical guidance, climate strategy and inclusion of climate risks. Outcomes are overall good, except for inclusion of climate strategy and clarity of climate risk management requirement.

Capacities

Capacities subpillar: Most countries perform well on the “governance” core indicator and training subindicator, as most policies and principles emphasize having proper E&S risk governance. However, not much detail is provided on necessary mechanisms, such as specific roles and responsibilities. To maintain these capacities over time, all policies and principles require training.

Appraisal

Appraisal subpillar: The E&S appraisal component stands out as all 15 countries include this core indicator in their policies (“Is it required to carry out appropriate E&S due diligence at appraisal in order to identify major E&S risks and necessary mitigation measures?”). This is the only indicator met by 100 percent of the 15 policies or principles, which indicate a behavioral change first among the advanced SBN members and potentially leading to changes by their FIs, to integrate E&S considerations into lending decisions' making. Most of the national policies and principles include project categorization (according to their E&S risk profile) and quite a few including E&S covenants in legal agreements, suggesting consistent “depth” on this sub-pillar for the 15 countries reviewed.

Monitoring

Monitoring subpillar: In terms of the two core indicators, most countries require FIs to develop E&S risk supervision process and procedures in place for continuous monitoring of E&S risks after loans are disbursed. However, less than half of countries are asking FIs to review E&S risks at the portfolio level. At subindicators level, only 2-3 countries are requiring onsite visits and carbon risk review.



Reporting

Reporting subpillar: 14 out of the 15 countries satisfied the core indicator of requiring FIs to report on E&S risk management. The outcome at the subindicator level has room for improvement. Less than half of the countries recommend stakeholder engagement and adoption of relevant international E&S risk management reporting standards.

A major gap exists within the sample 15 countries when it comes to climate risks. Climate risks are yet to be subject to a dedicated strategy, or a given focus, in E&S risk management in most national policies or principles. None of the policies ask FIs to develop a climate strategy, although many members acknowledge their national climate change can affect financial markets. In terms of carbon risks, only two countries have requirements on monitoring carbon risk of FIs' portfolios. In the future, the measurement framework will include climate reporting requirement based on the work of FSB Task Force on Climate-related Financial Disclosures (TCFD).

Figure 5: Overall Results for E&S Risk Management⁵



⁵ In the diagram, for each indicator, the colored blocks indicate the number of countries (out of 15) whose policies or principles satisfy the said indicator.

RESULTS BY COMPONENT

Policy

15
pts

Does the policy/
principle require FIs
to develop an E&S
policy?


Core Indicators

- A E&S risk policy**
FIs required to formalize an E&S risk management policy.
- 5 pts 

Subindicators

- B Scope of application**
The activities that should be covered by the policy are specified.
- 2 pts 

- C Standards**
References to good international industry practices are made.
- 2 pts 

- D Practical guidance**
Recommendations on how to develop internal procedures.
- 2 pts 

- E Focus on climate risks**
FIs encouraged to specifically consider climate risk among other E&S risks.
- 2 pts 

- F Climate strategy**
FIs recommended to align the policy with national climate commitments.
- 2 pts 

Current status by indicators

Almost all 15 existing sustainable finance policies or principles require the design and the publication of an E&S policy. Most specify the scope of projects or clients to which the policy applies—mainly covering project finance or corporate finance where the greatest E&S impacts and risks exist.

References are often made to internationally recognized standards—mainly standards related to project finance: Equator Principles or IFC Performance Standards. Thirteen countries out of 15 require FIs to develop practical guidance. This kind of guidance is sometimes provided as a separate document and serves as a toolkit for FIs.

Specific focus on climate risk remains very rare, and none of the policies or principles require FIs to align investments with a climate strategy. Despite climate change being a significant political trigger for developing a sustainable finance policy or principle (as identified through interviews with members), most policies or principles do not ask FIs to align with their countries' climate strategies.

Key recommendations, illustrated by good practice

Once a policy is designed, it is critical to provide **operational guidance or guidelines** to implement the policy. Such tools can include detailed application guides (e.g. Colombia), Key Performance Indicators (e.g. China), case studies (e.g. Kenya), sector guidance (e.g. Mongolia and Nigeria), exclusion lists (e.g. Bangladesh), or questionnaires (e.g. Peru). Some countries have released comprehensive packages. For instance, Mongolia provided FIs with a number of complementary documents in addition to the Sustainable Finance Principles. These documents are implementation guidelines, sector guidelines, an E&S policy template, E&S risk assessment tools, an action plan template, and a sample of E&S covenants.

To influence the whole financial system, the scope of application of the policies or principles needs to be as broad as possible, although the approach applied should vary to ensure it is commensurate with the underlying risks. Within the country samples, the scope of application is often limited to project finance and corporate finance; however, some policies or principles also integrate other financial activities, such as asset management or stock exchanges. More generic policies or principles (often “Principles”) suggest that it is the FIs’ responsibility to apply and adapt the policy, where necessary. Such policies or principles cover the whole industry, but practical guidance needs to be in place to be helpful to FIs.

Two-thirds of the policies or principles refer to international initiatives and standards. Some have been inspired by such standards in their own design (such as IFC Performance Standards and/or the Equator Principles which refer to them). Where relevant within the local context, it is worth promoting the adoption of well-established international standards and good practices. In practice, many FIs have already voluntarily implemented these standards, independently of national policies or principles. Some of the main initiatives include the UN Global Compact, the Equator Principles,



the UNEP Finance Initiative, the UN Principles for Responsible Investment, and the UN Principles for Sustainable Insurance. Only four national policies or principles (Bangladesh, China, Morocco, and Vietnam) are targeting climate as a standalone and specific environmental risk for FIs to address. Three member countries have not yet ratified the Paris Climate Agreement, but all 15 countries have committed to reducing their greenhouse gas (GHG) emissions. While none of the policies or principles are currently doing so, FIs from developed markets are starting to develop climate-strategies that are aligned with their country's climate commitments. Such strategies could cover the following activities: (i) incorporating trends towards the decarbonization of the global economy into the FI's long-term business strategy; (ii) measuring and reporting on financial risks arising from a transition to a green economy; (iii) formalizing guidance, methodologies and levels of adaptation to carbon pricing in the financial industry; and (iv) using environmental and climate risk data for stress-testing at the FI and sector level.

Capacities

25 pts

Does the policy/
principle require FIs to
consider governance in
implementation of the
E&S policy?

Core Indicators

- (A) Governance**
FIs required to set-up a governance structure to manage E&S risks.
10 pts
- (B) Capacity**
FIs recommended to define roles, responsibilities, and competency.
10 pts

Subindicators

- (C) Training**
Regular training sessions are encouraged to maintain capacity.
5 pts

Current status

Most of the policies reviewed stress the importance of having sufficient and relevant capacity to ensure effective E&S risk management. Most policies and principles emphasize having proper E&S risk governance, though not too much detail is provided on necessary mechanisms, such as specific roles and responsibilities. To maintain these capacities over time, all policies and guidelines suggest that proper training is needed.

Governance here is defined as E&S governance, that is, the organization and competencies to the E&S risk management (for example, dedicated E&S risk management committee, E&S audit committee or reporting to the board).

Key recommendations, illustrated by good practice

Where policies or principles require specific governance of E&S issues to be established, they need to clearly define the institutional capacity to be developed and maintained, through training and the reporting line and authority of the ESRM function. The Guidelines on ESRM for Banks and FIs in Bangladesh, for instance, provide clear direction on the roles of E&S specialists, legal advisors, risk managers, and directors. China's Green Credit Key Performance Indicators also define the FI Board's role in setting an overarching strategy, and senior management's role in implementation.

Appraisal

25
pts

**Does the policy/
principle require FIs
to perform an E&S
review before loan
commitment?**

Core Indicators

- (A) Risk assessment**
FIs required to carry out appropriate E&S due diligence in order to identify major E&S risks, and outline necessary mitigation measures before lending

15 pts 

Subindicators

- (B) Categorization**
It is suggested that FIs should categorize projects/clients according to their level of E&S risk.

4 pts 

- (C) Provisions**
FIs are encouraged to incorporate E&S provisions and investment conditions into legal agreements.

6 pts 

Current status

An early E&S risk assessment during the appraisal phase is critical for overall E&S risk management. **All 15 countries have acknowledged this** and the core indicator of this component (“Is it required to carry out appropriate E&S due diligence at appraisal to identify major E&S risks and necessary mitigation measures?”) is the only indicator to be completed by 100 percent of the 15 policies and principles. This represents a systematic effort by the SBN members assessed to promote behavior change among FIs, to integrate E&S considerations into lending decisions.

As part of E&S due diligence, most of the national policies and principles suggest categorizing projects according to their E&S risk profile.

A number of country policies recommend having E&S related covenants in legal agreements. This is a significant area for improvement.

Key recommendations, illustrated by good practice

Identifying, assessing, and mitigating risk are critical components for any sustainable finance management system. Deploying third party experts and site visits are recommended to improve the quality of E&S risk assessment, which is required by some policies or principles (such as China) for the riskiest projects. Several policies or principles also provide guidelines and tools to help FIs in assessing these risks by themselves (for example, Mongolia).

At the appraisal stage, FIs can take advantage of the leverage that they benefit from, in order to incorporate E&S provisions and investment conditions into investment decisions and into legal agreements (including E&S Action Plans if they proceed). Six national policies and principles currently ask FIs to do so. Bangladesh, Mongolia and Peru all provide FIs with templates and examples of E&S covenants.



Monitoring 20 pts

Does the policy/
principle require FIs
to conduct E&S
reviews during loan
monitoring?

Core Indicators

- (A) Project supervision**
FIs required to develop process and procedure to manage borrower E&S risks during portfolio supervision.
10 pts
- (B) Portfolio review**
FIs required to periodically review E&S risks of the aggregated portfolio of financial assets.
5 pts

Subindicators

- (C) Onsite visits**
It is recommended to perform regular onsite visits of high-risk borrowers.
3 pts
- (D) Carbon risk**
FIs recommended to monitor carbon risk exposure at portfolio level.
2 pts

Current status

Post-lending monitoring and supervision is critical for continuous improvement of the E&S performance of an FI client or project receiving financing. Monitoring can be at two levels: the project or client, and the portfolio. Eleven out of the 15 country policies or principles reviewed address this aspect.

At the project or client level, most of the policies or principles stress the importance of managing E&S risk, both before and after investment, and the need to continue monitoring the projects or clients, as long as they remain in the FI's portfolio. However, limited indication is provided on how to do this. For instance, site visits of high risk projects are a way of ensuring that E&S requirements are respected and problems are identified, in addition to reviewing client annual reports. But only three policies suggest regular site visits.

At the portfolio level (understood as an aggregate view of all FI loans or investments), reviews are currently explicitly required by fewer than half of the policies or principles (six out of 15). This is a common weakness, even among mature institutions.

Key recommendations, illustrated by good practice

At project or client level, FIs must monitor E&S risks on an ongoing basis after disbursement. A couple of policies or principles (such as in Bangladesh) include extensive consideration of E&S risk supervision. Monitoring efforts must be commensurate with E&S risks associated with the borrowers.

Portfolio reviews are seldom required. However, they are a useful tool for FIs to monitor their sectoral exposure, sectoral risk concentration, percent of high risk activities, climate-sensitive businesses (against both, transition and physical risks), percent of clients using outdated technologies, and so on. Regulators should pay particular attention to these portfolio-level risks, as the risks relate to the overall quality and safety of financial assets of an FI, or even the entire financial industry. This is probably the main purpose behind E&S related "stress tests" requested by regulators. Amongst SBN members reviewed, China has the most advanced policy in this area.

Reporting

15
pts

Does the policy/
principle require
transparency by FIs
on E&S risk
management?

Core Indicators

- A Disclosure of impacts**
FIs required to report regularly (publicly, to investors or to regulators) on E&S risk management.

10 pts 

Subindicators

- B Stakeholders**
FIs recommended to implement a complaints-monitoring mechanism.

2.5 pts 

- C Standards**
FIs are encouraged to adopt relevant good international industry practices on E&S risks reporting.

2.5 pts 

Current status

Reporting and disclosure of E&S risk management performance is a key element to ensure the actual implementation of policies or principles. Most policies require FIs to undertake some form of disclosure—including regulatory reporting and filing, reporting to banking associations and public disclosure.

Stakeholder engagement remains a new requirement for financial institutions, but it has started to get traction. Seven out of 15 national policies or principles articulate the need for FIs to set up complaint mechanisms or dedicated communication channels to respond to E&S issues and potential controversies.

Key recommendations, illustrated by good practice

Almost all countries are explicitly asking FIs to report information, but such requirements vary a great deal in terms of the content, the controls, and the disclosure. To be effective, reported data must be **relevant, reliable, comparable, and publicly disclosed**. For instance, disclosed indicators must provide a clear understanding of E&S risk management performance at both levels to be relevant: project or client level and portfolio level. Verification by independent third parties, such as by auditors, is considered international good practice.

Comparable information requires common definitions and indicators, such as are suggested by some with templates (e.g. China, Mongolia, Nigeria, or Vietnam) or by reference to international reporting standards, such as the GRI (e.g. Colombia and Indonesia) or the Sustainability Accounting Standards Board (SASB).

Disclosing this information publicly (as required in Mexico, Morocco, Peru or Turkey), and including auditors' assurance reports, appears to be the best way to ensure the credibility of information and foster positive market dynamics. Such initiatives will support effective monitoring of policy implementation.

The FSB Task Force on Climate-related Financial Disclosures (TCFD) is developing voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. This will provide a global reference point for climate risk reporting.







IV. GREEN FINANCE FLOWS PILLAR

METHODOLOGY

The Green Finance Flows pillar focuses on the promotion of green finance products and services. It relies on four components: promoting green finance, defining green finance, measuring green finance, and reporting on impact. Different weightings have been assigned. Each component includes two kinds of indicators: **core indicators**, which represent critical components for a comprehensive policy or principle; and **subindicators**, for complementary initiatives or requirements that promote even more sound policies or principles. Again, core indicators measure the breadth or comprehensiveness of national sustainable finance policies or principles, while subindicators further gauge the clarity, depth, and granularity of such requirements.

OVERALL RESULTS

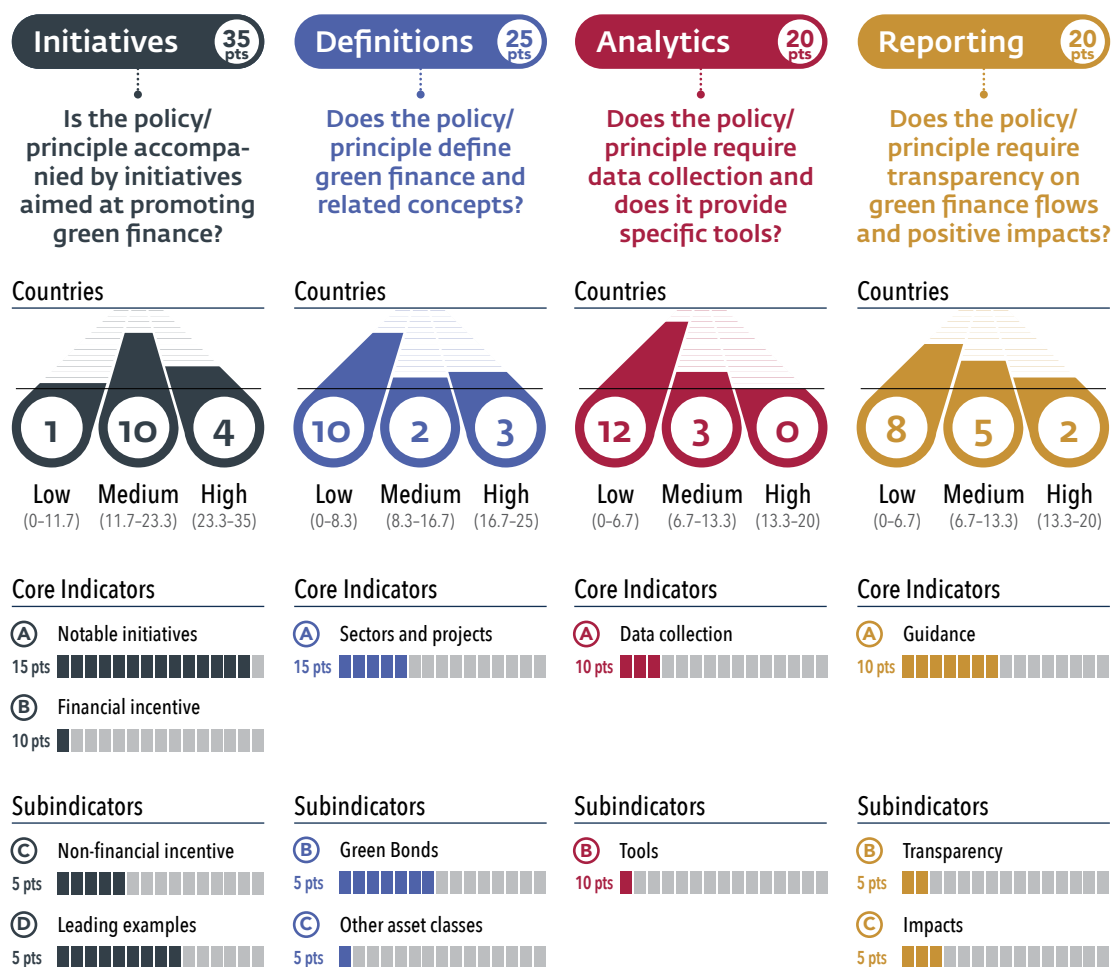
Overall results show that there is little homogeneity in approach among national initiatives to promote green finance opportunities. Green bond guidelines have already been developed in some countries. Other assets classes or financial products, such as sustainable insurance solutions or green-retail banking services, are rarely addressed.

The capital needed for green growth must predominantly come from the private sector. Almost all countries have some initiatives aimed at mobilizing green finance flows. Many SBN members have introduced incentives to drive banks to step up green investments. Incentives may focus on (i) positive recognition for good performers, such as through awards, preferential considerations, and recognition during supervision; or (ii) increased lending to specific green sectors or market segments, such as through dedicated funds or credit lines.

Despite leading examples from a few countries, a huge gap still exists on green finance definitions and analytics to facilitate private-sector participation. Most sustainable finance policies and principles do not ask FIs to align with the countries' climate strategies. Only a few markets are moving into definitions and analytics. Bangladesh, Brazil, China, and South Africa have defined green assets and sectors in which to invest; The Brazilian Federation of Banks completed an estimate of the amount of loans and credit financing for the green economy; Bangladesh and China are requiring FIs to report periodically on green flows data; and China is also providing FIs with a tool to report complex indicators, such as environmental benefits.



Figure 6: Overall Results for Green Finance Flows



RESULTS BY COMPONENT

Initiatives

35
pts

Is the policy/
principle accompa-
nied by initiatives
aimed at promoting
green finance?

Core Indicators

- A Notable initiatives**
There are policy-led or industry-led initiatives to mobilize green financing flows and encourage innovation

15 pts 

- B Financial incentives**
Significant financial incentives are in place, such as subsidies, low interest rate, etc.

10 pts 

Subindicators

- C Non-financial incentives**
An award for "best" green product/player exists.

5 pts 

- D Leading examples**
Some organizations have paved the way towards green finance innovations (participating in international working groups, green bond issuance, etc.)

5 pts 

Current status

Almost all countries have some initiatives to mobilize green finance flows and encourage innovation, including policy incentives and national strategies, with regard to specific industries. In many countries, organizations have paved the way to innovative green investments or financial products. Many SBN members have introduced market incentives, in order to drive banks to step up their green investment. Incentives may focus on (i) positive recognition for good performers, such as through awards, or preferential considerations and recognition from statutory market supervisors, and (ii) increased lending to specific green sectors or market segments, such as through dedicated funds or credit lines. To date, very few countries have developed and implemented systematic financial incentive mechanisms to promote and track green finance. That said, many countries are keenly learning from international good practice to inspire their future initiatives, and will tailor this to their in-country circumstances.

Key recommendations, illustrated by good practice

Policy-led and industry-led incentives, as well as leading examples from public or private sector organizations, offer inspiring and promising developments for green finance. Some countries (such as Indonesia, Kenya, Mexico, Mongolia, and Nigeria) are already granting an official award to promote top performers and publicly acknowledge their willingness to further develop green finance. Bangladesh Central Bank has set up an exclusive refinancing window to encourage green finance initiatives and has issued a circular requiring all banks to have at least 5 percent of their portfolio in green finance. China has introduced a number of innovative measures, such as national and regional green development funds, and has developed green equity indices and products. Central bank relending, interest subsidies and guarantees for green lending are being considered.



Definitions 25 pts

Does the policy/
principle define
green finance and
related concepts?

Core Indicators

- A Sectors and projects**
Green sectors and projects are properly defined through a commonly recognized definition

15 pts

Subindicators

- B Green Bonds**
Green bond issuances are encouraged and they are required to comply with internationally recognized standards/principles

5 pts

- C Other asset classes**
Other green asset classes than green bonds are also defined

5 pts

Current status

Seven policies or principles gained points in this component, with the leading example being China. Many areas for improvement still need to be addressed by the assessed countries to allow FIs to correctly understand and promote green or social assets, green-asset classes, and green financial products.

Key recommendations, illustrated by good practice

The key to anchor initiatives for green finance and strengthen investor trust in green financial services is to set consistent and nationally, regionally or internationally recognized definitions of green products and services. SBN members seem to be conscious of the importance of developing common and consistent sets of definitions, but very few currently lead the way. A first step is to define green finance, which almost all policies and principles are currently doing. Going further, some policies and principles (see Bangladesh, China, and South Africa) have defined green assets or sectors in which to invest. Several countries (such as Vietnam) are planning to provide these definitions in the near future. On the capital markets side, stock exchanges holding their first green bond sales have often provided guidance and definitions aligned with good international industry practices—the Green Bond Principles, in particular (see China, Morocco, and South Africa).

Analytics

20
pts

Does the policy/
principle require
data collection and
does it provide
specific tools?

Core Indicators

- A** Data collection
FIs strongly recommended to collect green finance data, including environmental benefits

10 pts 

Subindicators

- B** Tools
Some calculation methodologies and tools are provided

10 pts 

Current status

Once green finance flows are properly defined, a further step is collecting data and providing tools to calculate, for instance, the environmental impact of green investment. Only three countries gained points on this component.

Key recommendations, illustrated by good practice

To accurately follow and monitor the efficiency of green investments, SBN members must be able to collect quantitative information on the different green finance flows. Some countries are trying to estimate green finance flows (the Brazilian Federation of Banks completed an estimate of the amount of loans and credit financing for the green economy) and some others (for example, Bangladesh) are requiring FIs to report periodically on green finance flows. In addition to clear definitions and data collection requirements, FIs will also need data collection tools. So far, amongst the 15 countries assessed, only China is providing FIs with a tool to report on complex indicators, such as environmental benefits.



Reporting

20
pts

Does the policy/
principle require
transparency on
green finance flows
and positive impacts?

Core Indicators

- (A) Guidance**
Reporting templates and/or
guidance are provided
- 10 pts

Subindicators

- (B) Transparency**
FIs recommended to be
transparent regarding the
methodologies and to make
data verified by third parties
- 5 pts
- (C) Impacts**
FIs are advised to report on
environmental benefits
- 5 pts

Current status

Of the 15 assessed, only 7 countries provide reporting guidance or even fewer require FIs to disclose information on their green finance flows and related impacts. China and Mongolia, however, set good examples for this sub-pillar. Transparency requirements are very low across the different policies and principles.

Key recommendations, illustrated by good practice

The disclosure of green finance flows is essential to assess the mobilization of the financial system toward a more sustainable economy. As the global financial industry works to solve this challenge, there is a vital need for guidance that helps FIs. Some policies and principles are already providing reporting templates (such as Mongolia and Vietnam), while others are only encouraging FIs to disclose. FIs should also be required to ensure that their information on green finance flows is verified by third parties (which China and Mongolia are currently doing) and that the information is publicly disclosed. Such disclosure should also be fully transparent about the calculation methodology and assumptions. Finally, a newly emerging best practice is to report the concrete impacts that investments have on the environment, society, or the economy. Several countries are exploring this idea, with China the most advanced.

At the global level, the FSB Task Force on Climate-related Financial Disclosures (TCFD) is developing voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. This can be a reference framework for climate-finance reporting.





V. ENABLING ENVIRONMENT PILLAR

METHODOLOGY

The E&S Risk Management Pillar and the Green Finance Flows Pillar assess the comprehensiveness and clarity of sustainable finance policies and principles. These are necessary and critical but not sufficient for transformation to a sustainable finance market. Sustainable finance is still at an early stage in terms of industry evolution and behavior change among FIs. Many countries are also in the early stages of sustainable finance market development and therefore only seeing preliminary results. The SBN Measurement Framework therefore uses proxy indicators that have emerged consistently across SBN member countries as strategies to increase the likelihood of effective adoption and implementation. Questions under this pillar include whether multiple, mutually supporting policies and guidelines are in force rather than a standalone single policy document; whether enforcement or supervision mechanisms are in place; and if capacity building and multistakeholder engagement is taking place to support policy implementation.

These are often cited by various SBN members as among key success factors. For a quantified approach, the Measurement Framework pilots the use of these three factors based on whether they are a) lacking (negative multiplier), b) solid (natural multiplier), or c) outstanding (positive multiplier). See the table on the following page.

TABLE 2: Enabling Environment Pillar

Country	Lacking	Solid	Outstanding
Policy infrastructure: there is a comprehensive enabling policy infrastructure that provides both high level strategy and operational guidance to green the whole financial system.	x 0.8	x 1.0	x 1.2
Implementation mechanism: a mechanism for implementation for enforcement and/or supervision is allowing the policies and principles to be enforced and consequently more effective. This is one of the key success factors for any regulatory policies or voluntary principles, widely recognized by SBN members.	x 0.7	x 1.0	x 1.3
Multistakeholder engagement: the country is experiencing multi-stakeholder engagement and market-wide capacity building.	x 0.8	x 1.0	x 1.2

OVERALL RESULTS

Overall, hardly any country is assessed as lacking across the three factors, meaning SBN countries are overall committed to action to drive implementation rather than stopping at developing and issuing policies and principles on paper. Most SBN countries have started their national initiatives with a focus on awareness raising, capacity building and multistakeholder engagement. The assessment outcome confirms this experience, with over half of the countries scoring as Outstanding on this factor. Almost all of the countries assessed, 14 of the 15, are assessed as “Solid” or “Outstanding” in terms of implementation mechanisms, with 4 countries standing out with comprehensive and practical implementation approaches in place. All countries are “Solid” or “Outstanding” in terms of policy infrastructure. This is consistent with the market trend towards steadily building a robust set of mutually supporting policies, regulations, guidelines and monitoring frameworks that enable FIs in this space.

MULTIPLIER 1	A comprehensive enabling policy infrastructure for setting standards across different financial market operations
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Most national sustainable finance policies or principles consist of a number of guidance documents which form a comprehensive policy infrastructure. Some SBN member countries with sustainable finance initiatives in place started their sustainable finance journey more than a decade ago. National policies or principles that can demonstrate a continuous deepening are awarded a positive multiplier. Similarly, a stand-alone guidance document may not be able to trigger uptake by financial institutions, which weakens the impact of the national initiative.



In general, the earlier that a country started on its SBN journey, the greater the number of supporting documents published in relation to its sustainable finance policy or principle. Earlier starters, such as Bangladesh, Brazil and China, have multiple guidance documents, ranging from a high-level commitment, to credit guidelines incorporating environmental and social risks, to operational guidance on green financing, such as energy efficiency lending. While the number of documents does not necessarily imply increased comprehensiveness and clarity of requirements, it could reflect continuous efforts for improvement and progress.

A new trend among SBN members is adopting holistic approaches to sustainable finance that incorporate all parts of the financial system, including banking, insurance, institutional investors, and capital markets. China and Indonesia have both taken this approach, with South Africa in the process of developing an overarching policy for the entire financial sector, including asset management and pension funds. Morocco's roadmap incorporates banks, insurance companies (soon to be included), and capital markets. Brazil may include its investment and insurance sectors in its sustainable finance policies.

Unlike single-dimension guidance documents developed just for the banking sector, holistic, sectorwide roadmaps are characterized by wide consultation and consensus building with key financial market players. These roadmaps often set out a future plan for developing multiple guidance documents. Brazil's regulator has surveyed the insurance sector to better understand the integration of sustainability factors. South Africa has established an industry-regulator working group on sustainable finance, with representatives from each of the financial sector industry associations and the major stock exchange.

MULTIPLIER 2	Enabling mechanism to ensure implementation (such as enforcement and supervision, transparency, and disclosure)
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Notwithstanding the scope and intent of national policies and principles, the inclusion of mechanisms to ensure implementation such as stipulations for enforcement, supervision, transparency and disclosure are critical. Regulators and banking associations are all exploring effective and innovative implementation mechanisms, either mandatory or voluntary, aiming to change behaviors of the FIs over time.

Regulations that require reporting on sustainable finance implementation by FIs have been an effective tool to both promote uptake and allow ongoing dialogue on market strategy. More and more countries that initially had an industry-led policy are now requesting regular reporting. This tends to be focused on ensuring that the policy or principle is adhered to, and can be as effective as instituting penalties in cases of noncompliance. Bangladesh, Brazil, China, and Nigeria have all released regulatory reporting templates for banks to report on environmental and social risks. China's Green Credit Key Performance Indicators system tracks the annual performance of Chinese banks' green credit policies, procedures, governance structure, and capacity.

MULTIPLIER

3

Multi-stakeholder engagement and market-wide capacity building

Multistakeholder engagement mobilizes crosscutting support to enable national sustainable finance initiatives to take off. Many SBN members have cited interministry collaboration as a key success factor to help make the market shift. This collaboration can be between the financial regulator and environmental regulators, in order to tap into the technical knowledge of the environmental sphere and improve financial institution access to environmental data. The Ministry of Finance is also a key player. South Africa's Treasury has coordinated a multistakeholder consultation with industry associations and the major stock exchange for a sectorwide strategy on sustainable finance.

Private sector participation is vital for the success of a national sustainable finance initiative. Policy makers are increasingly encouraging the financial sector to develop an industry-led approach to sustainable finance. Government support for industry-led initiatives encourages a joint construction of the policy or principle, aligned with the reality and ambition of the financial sector.

The concentration of the financial sector and the existence of banks already familiar with good international industry practices may influence the implementation of policies or principles or explain why an approach would be industry-led. Brazil and South Africa, who were among the early adopters, have a significant number of banks that are signatories of international initiatives such as the Equator Principles and the UNEP Finance Initiative. The national banking sector profile and the structure of the financial market largely influences the approach taken, and maturity regarding sustainable finance issues.

Marketwide capacity building is critical to enable participation by financial institutions and engagement by regulators. Almost all SBN members have cited capacity as a major constraint. The G20 Green Finance Study Group in its 2016 report identified capacity as a major barrier. National initiatives featuring marketwide capacity building are awarded with a positive multiplier, recognizing the importance of this factor. Such marketwide capacity building initiatives remain at an early stage, but many SBN members are already taking action and making progress. Support ranges from training and workshops, to technical guidance and sector-specific guidelines and checklists. Here are some examples: In Kenya, an e-learning platform has been implemented to train banks; The Mongolian Bankers' Association has designed customized training material for specific roles (E&S officer, risk analysts, loan officers, branch managers, lawyers and credit committee members) and organizes onsite training for sensitive sectors; Bangladesh's and Vietnam's banking regulators have developed sector-specific guidelines and checklists for high-risk sectors, based on country context.





VI. NEXT STEPS

This first SBN Global Progress Report (the “Report”) provides a starting point and important baseline for future evaluations of SBN members’ progress on their journeys to create sustainable financial markets. It recognizes the tremendous achievements of members to date—particularly the 15 countries that represent the innovators and early adopters of sustainable finance reform, accounting for more than 76 percent (\$38.3 trillion) of emerging market banking assets.

As an ongoing SBN initiative, the Report will be updated on a regular basis, with the next review gathering information on the remaining 19 member countries that are currently at the “initiating” stage of development. We will thereby achieve a comprehensive view of progress and innovation by the SBN community, covering more than 85 percent (\$42.6 trillion) of the total banking assets in emerging markets.

While the current Report focuses on assessing the comprehensiveness and clarity of the policies and principles that have been adopted by the considered countries, future Reports will delve deeper into the effectiveness of implementation and evidence of behavior change by the banks operating within the countries and the impact of this behavior change on the wider economy. Future Reports will also seek to capture the latest developments and innovations, such as green bond market development through the newly developed SBN Green Bond Working Group. They will also address the urgent need to develop risk assessment and reporting related to climate change.

Beyond supporting more effective country progress, the SBN Global Progress Reports will also leverage other relevant and complementary global initiatives such as the World Bank Group/ UNEP Sustainable Finance Roadmap, the G20 Green Finance Study Group, as well as the Financial Stability Board Task Force on Climate Related Financial Disclosures (TCFD). Collectively we aspire to raise ESG risk management standards in financial markets, mobilize finance for climate change mitigation and adaptation in line with the Paris Agreement, and support capital flows that deliver the Sustainable Development Goals (SDGs).



VI. ANNEX

ANNEX I:

Table 3: SBN Member List

No.	Institution	Country	Year of Joining
Asia			
1	Bank of Bangladesh	Bangladesh	2012
2	Bank of Lao PDR	Lao PDR	2012
3	Bank of Mongolia	Mongolia	2012
4	China Banking Regulatory Commission	China	2012
5	China Ministry of Environmental Protection	China	2012
6	Otoritas Jasa Keuangan (Indonesia Financial Services Authority)	Indonesia	2012
7	State Bank of Vietnam	Vietnam	2012
8	Thai Bankers Association	Thailand	2012
9	Vietnam Ministry of Natural Resources & Environment	Vietnam	2012
10	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)	Philippines	2013
11	Department of Environmental and Natural Resources of the Philippines (DENR)	Philippines	2013
12	Mongolia Bankers Association	Mongolia	2013
13	Mongolia Ministry of Environment and Green Development	Mongolia	2013
14	China Banking Association	China	2014
15	Nepal Rastra Bank	Nepal	2014

No.	Institution	Country	Year of Joining
16	State Bank of Pakistan	Pakistan	2015
17	Association of Banks in Cambodia	Cambodia	2016
18	Central Bank of Sri Lanka	Sri Lanka	2016
19	Indian Banks Association	India	2016
Latin America			
20	Asobancaria (Banking Association of Colombia)	Colombia	2012
21	Central Bank of Brazil	Brazil	2012
22	Superintendence of Banks, Insurers, and Private Pension Funds of Peru (SBS)	Peru	2013
23	Honduran Banking Association (Ahiba)	Honduras	2015
24	National Commission on Banking and Insurance (CNBS)	Honduras	2015
25	Sustainable Finance Round Table	Paraguay	2015
26	ADEBA—Asociacion de Bancos Argentinos (Banking Association of Argentina)	Argentina	2016
27	Asobancos—Asociacion de Bancos del Ecuador (Banking Association of Ecuador)	Ecuador	2016
28	Central Bank of Paraguay	Paraguay	2016
29	Mexican Bankers Association (ABM)	Mexico	2016
30	Semarnat (Secretariat of Environment and Natural Resources) of Mexico	Mexico	2016
31	Superintendence of Banks and Financial Institutions of Chile (SBIF)	Chile	2016
32	Federation of Latin American Banks (FELABAN)	Latin America	2016
33	Brazilian Federation of Banks (FEBRABAN)	Brazil	2017
34	Commercial Banks Association of the Dominican Republic (ABA)	Dominican Republic	2017
35	Panama Banking Association (ABP as per its acronym in Spanish)	Panama	2017
Africa			
36	Central Bank of Nigeria	Nigeria	2012
37	Kenya Bankers Association	Kenya	2015
38	Bank of Ghana	Ghana	2016
39	Banking Association South Africa (BASA)	South Africa	2016
40	Ghana Association of Bankers	Ghana	2016

No.	Institution	Country	Year of Joining
EMENA			
41	Central Bank of Morocco	Morocco	2014
42	Banking Regulation and Supervision Agency of Turkey (BRSA)	Turkey	2015
43	Central Bank of Jordan	Hashemite Kingdom of Jordan	2016
44	Federation of Egyptian Banks (FEB)	Egypt	2016
45	National Bank of Georgia	Georgia	2017
Pacific			
46	Reserve Bank of Fiji NEW	Fiji	2017

Table 4: Review of SBN Member National Sustainable Finance Documents

Country	Sources
All	<ul style="list-style-type: none"> — Central Bank and Development Finance Institution approaches to investing in global systems, TIIP & IRRCi (2017) — On the role of Central Banks in enhancing green finance, UNEP (2017) — Greening the Banking System—Experiences from the SBN, IFC (2017) — The Financial System We Need: From Momentum to Transformation, UNEP (2016) — Global Surveys on Factors Affecting E&S Performance of Banks in Emerging Markets, IFC (2016) — Moving forward with E&S Risk Management, IFC (2014)
Bangladesh	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Policy Guidelines for Green Banking, Bangladesh Bank (2011) — Guidelines on ESRM for Banks and FIs in Bangladesh, Bangladesh Bank (2017) — ESDD Risk Assessment Tool, Bangladesh Bank (2017) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Financing Green Growth in Bangladesh, UK Aid and EDGG (2017) — Designing a Sustainable Financial System in Bangladesh, UNEP (2015) — Monitoring, Evaluation and Incentive Mechanisms in support of Sustainable Banking Regulatory Frameworks, Bangladesh Bank (2014)

Country**Sources****Brazil****POLICIES / PRINCIPLES:**

- Brazil Protocolo Verde, FEBRABAN (2008)
- Resolution No.4,327, Central Bank of Brazil (2014)
- Framework for the Creation and Implementation of a Socioenvironmental Responsibility Policy (SARB14), FEBRABAN (2014)
- Guidelines for Issuing Green Bonds in Brazil, FEBRABAN and CEBDS (2016)
- Measuring financial resources allocated to the Green Economy, FEBRABAN (2017)

OTHER DOCUMENTS:

- Resolution No.3,545 on the protection of Amazon Biome, Central Bank of Brazil (2008)
- Resolution No.3,813 on sugar cane investment, Central Bank of Brazil (2009)
- Resolution No.3,876 on slave labor, Central Bank of Brazil (2010)
- Resolution No.3,457 on Internal Capital Adequacy Assessment (ICAAP), Central Bank of Brazil (2011)
- Resolution No.4,557 on integrated risk management (2017)
- Financial Stability Report - Volume 16, Central Bank of Brazil (2017)

China**POLICIES / PRINCIPLES:**

- Green Credit Policies, China Banking Regulatory Commission, People's Bank of China, Ministry of Environmental Protection (2007)
- Green Credit Guidelines, China Banking Regulatory Commission, People's Bank of China, Ministry of Environmental Protection (2012)
- Green Credit Statistics System, China Banking Regulatory Commission (2014)
- Green Credit Implementation Key Performance Indicators, China Banking Regulatory Commission (2015)
- China Green Bond Endorsed Project Catalogue, Green Finance Commission, People's Bank of China, National Development and Reform Commission (2015)
- Guidelines for Establishing the Green Financial System, 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 (2015)

OTHER DOCUMENTS:

- Guidelines for Green Bond Issuance for listed companies, China Securities Regulatory Commission (2015)
- Energy Efficiency Lending Guidance, China Banking Regulatory Commission (2015)

Country	Sources
Colombia	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Colombia Protocolo Verde, Asobancaria (2012) — General Guidelines for the Implementation of Environmental and Social Risk Analysis, Asobancaria (2016) — Roadmap of actions to launch a Green Bond market in Colombia, E3 and Metrix Finanzas (2017) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Aligning Colombia’s Financial System with Sustainable Development, IFC (2015) — Colombia Sostenible—Building a Sustainable Colombia in Peace, Government of Colombia and Inter-American Development Bank (2015)
Ecuador	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Ecuador Sustainable Banking Protocol, ASOBANCA (2016)
Indonesia	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Sustainable Finance Roadmap (2015-2024), Otoritas Jasa Keuangan (Indonesia Financial Services Authority) — Sustainable Finance Umbrella Policy, Otoritas Jasa Keuangan (2017) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — National Action Plan for the Reduction of Greenhouse Gas Emission, Presidential Decree N°61 (2011) — National Long Term Development Plan (2005-2025), pursuant to Article 4 of Law No. 25/2004 on the National Development Planning System, Government of Indonesia (2007)
Kenya	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Sustainable Finance Guiding Principles, Kenya Bankers Association (2015) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Code for Corporate Governance, Private Sector Initiative for Corporate Governance (2002) — Companies Act (2015) — Climate Change Act (2016)

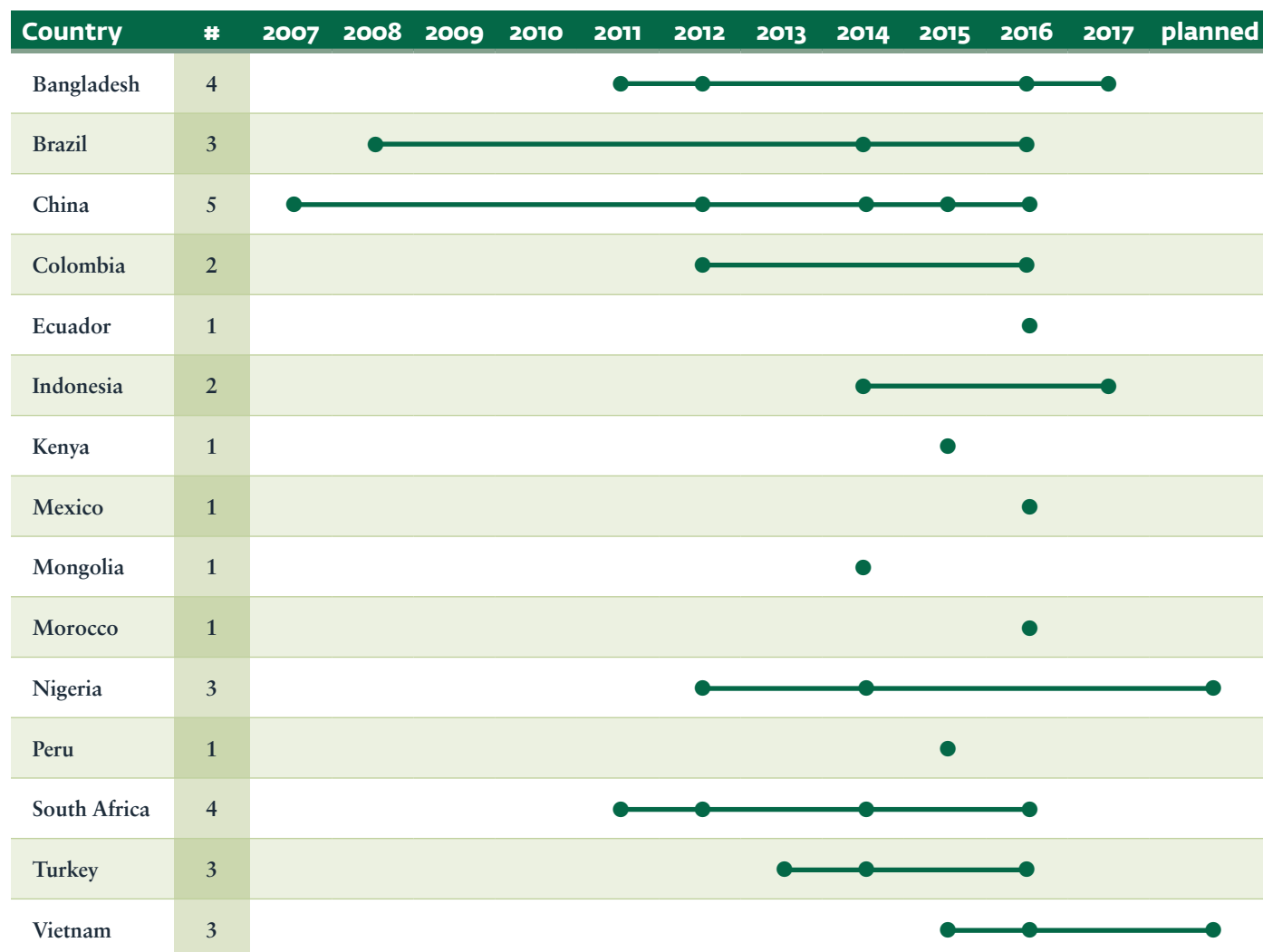
Country	Sources
Mexico	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Sustainability Protocol, Asociacion de Bancos de Mexico (2016) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Climate Change Law, Government of Mexico (2012) — Energy Transition Law, Government of Mexico (2015) — Special Climate Change Program 2014-2018, Government of Mexico (2014)
Mongolia	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Mongolian Sustainable Finance Principles, Mongolian Bankers Association (2014) — Sector Guidelines for Agriculture, Construction and Infrastructure, Manufacturing & Mining, Mongolian Bankers Association (2014) — Brochure: Mongolian Sustainable Finance Initiative, Mongolian Bankers Association (2014) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Mongolian Green Development Strategy, Ministry of Environment, Green Development and Tourism (2014) — Environmental Impact Assessment Law, Ministry of Environment, Green Development and Tourism (2014) — E&S Policy Framework Template, Mongolian Bankers Association (2014)
Morocco	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Roadmap for aligning the Moroccan financial sector with sustainable development, Scientific Commission under the coordination of the Central Bank of Morocco (Bank Al-Maghrib) (2016) — Roadmap for aligning the Moroccan financial sector for the emergence of sustainable finance in Africa, Scientific Commission under the coordination of the Central Bank of Morocco (Bank Al-Maghrib) (2016) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Framework law No.99-12 bearing National Charter for the Environment and Sustainable Development, Government of Morocco, (2013) — Green Bond Guidelines, Moroccan Capital Market Authority (2016)

Country	Sources
Nigeria	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Nigerian Sustainable Banking Principles, Central Bank of Nigeria (2012) — Nigerian Sustainable Banking Principles Guidance Notes, Central Bank of Nigeria (2012) — Nigeria Sustainable Banking Principles Power Sector Guidelines, Central Bank of Nigeria (2012) — Nigeria Sustainable Banking Principles Agriculture Sector Guidelines, Central Bank of Nigeria (2012) — Nigeria Sustainable Banking Principles Oil and Gas Sector Guidelines, Central Bank of Nigeria (2012) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Code of Corporate Governance (2003) — National Policy on Climate Change (2013)
Peru	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Regulation for Social and Environmental Risk Management, Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) (2015) — Role of Enhanced Due Diligence in the Regulation of Socioenvironmental Risk Management for Financial Firms, SBS (2015) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Regulation of the Ecosystem Services Compensation Mechanisms Law (2016) — Regulation of the Sanitation Sector Reform Law (2016) — National Forestry and Climate Change Strategy (2016) — Guidance on Biodiversity Offsets for Andean Ecosystems (2016)
South Africa	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Principles on Environmental and Social Risk Management, Banking Association South Africa (2014) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Code for Responsible Investing in South Africa (2011) — Green Economy Accord (2011) — King IV Report on Corporate Governance for South Africa (2016) — Debt Listings Requirements for the Green Segment, JSE (2017)

Country	Sources
Turkey	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Sustainability Guidelines for the Banking Sector, Banks Association of Turkey, (2014) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — Regulation on Environmental Impact Assessment (N°29619), Ministry of Environment and Urban Planning (2016) — Regulation on Environmental Impact Assessment (N°29186), Ministry of Environment and Urban Planning (2015) — Climate Action Plan 2011–2023, Ministry of Environment and Urban Planning (2012) — National Renewable Energy Plan for Turkey, Ministry of Energy and Natural Resources (2014)
Vietnam	<p>POLICIES / PRINCIPLES:</p> <ul style="list-style-type: none"> — Directive on Promoting Green Credit Growth and Environmental and Social Risks Management in Credit Granting Activities, State Bank of Vietnam (2015) — Decision No. 1552/QD-NHNN On issuance of Action Plan of the banking sector to implement the National Strategy on Green Growth toward 2020, State Bank of Vietnam (2015) <p>OTHER DOCUMENTS:</p> <ul style="list-style-type: none"> — National Green growth Growth (2011–2020, with a vision to 2050), Ministry of Planning and Investment (2011) — E&S Disclosure Guide, State Securities Commission of Vietnam (2016) — Circular No. 39/2016/TT-NHNN prescribing lending transactions of credit institutions and/or foreign bank branches with customers, State Bank of Vietnam (2016) — Green Project Catalogue, State Bank of Vietnam (2017)

ANNEX II:

Table 5: Main Documents Upon Which National Policies/Principles Are Based



Source: EY

The table shows how countries have introduced different policy documents over time.

ANNEX III:

Table 6: Scope of Financial Activities Covered by the Sustainable Banking Policies/Principles

Country	Project finance	Corporate finance	Asset management	Insurance	Capital market
Bangladesh	●	●			
Brazil	●	●			
China ¹	●	●	●	●	●
Colombia	●	●			
Ecuador	●	●			
Indonesia	●	●	●	●	●
Kenya	●				
Mexico	●	●	●		
Mongolia	●	●			
Morocco	●	●	●	●	●
Nigeria ²	●	●			
Peru ³	●	●			
South Africa	●	●			
Turkey	●	●			
Vietnam ⁴	●	●			

¹ Policy banks, Commercial banks, Rural cooperative banks, Rural credit unions. As for Asset management, Insurance and Capital market, they are partially covered (listed and targeted) by the Guidelines establishing the green financial system, but no specific requirements are set in the guidelines.

² Banks, Discount houses, Development Finance Institutions

³ Applicable to investments of a certain amount

⁴ Commercial banks, Cooperative banks, Non-bank credit institutions, Microfinance institutions, People's credit funds, Foreign bank branches

Source: EY

ANNEX IV:

Table 7: Participation in Main International Initiatives

Country	Financial Institutions <i>UN Global Compact</i>	Banking <i>Equator Principles</i>	Asset Management <i>UN PRI</i>	Insurance <i>UN PSI</i>	Capital Markets <i>SSE Initiative</i>
Argentina	21	1	2	-	1
Bangladesh	4	-	-	-	1
Brazil	37	5	48	11	1
Cambodia	-	-	-	-	-
Chile	8	-	1	-	1
China	12	2	6	1	1
Colombia	19	1	1	1	1
Ecuador	19	-	-	-	-
Egypt	12	1	-	-	1
Fiji	-	-	-	-	-
Ghana	5	-	-	-	-
Honduras	-	-	-	-	-
India	6	1	4	-	2
Indonesia	3	-	3	-	-
Jordan	2	-	-	-	1
Kenya	6	-	-	2	1
Lao PDR	-	-	-	-	-
Mexico	43	2	3	1	1
Mongolia	-	-	-	-	-
Morocco	2	1	1	-	1

	Financial Institutions	Banking	Asset Management	Insurance	Capital Markets
Country	<i>UN Global Compact</i>	<i>Equator Principles</i>	<i>UN PRI</i>	<i>UN PSI</i>	<i>SSE Initiative</i>
Nepal	1	-	-	-	-
Nigeria	9	2	1	2	1
Pakistan	2	-	-	-	-
Panama	12	1	-	-	-
Paraguay	14	-	-	-	-
Peru	9	1	1	-	1
Philippines	1	-	-	1	-
South Africa	8	3	52	2	1
Sri Lanka	3	-	-	-	1
Thailand	-	-	1	-	1
Turkey	11	-	2	-	1
Vietnam	1	-	-	-	2

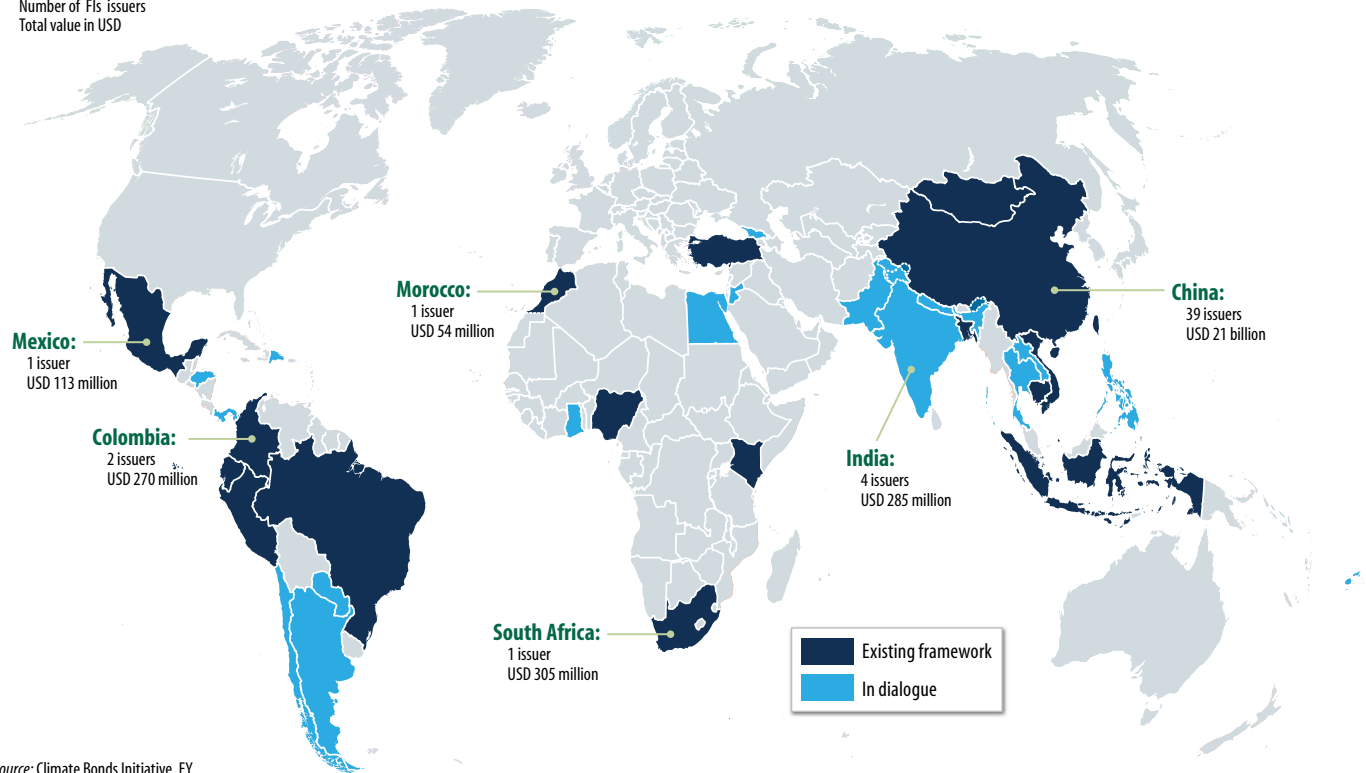
Sources: www.unglobalcompact.org; www.equator-principles.com; www.unpri.org; www.unepfi.org; www.sseinitiative.org; EY

ANNEX V:

Map 2: Green Bonds Issuance from FIs Across SBN Members

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Experiences of green bonds:
Number of FIs issuers
Total value in USD



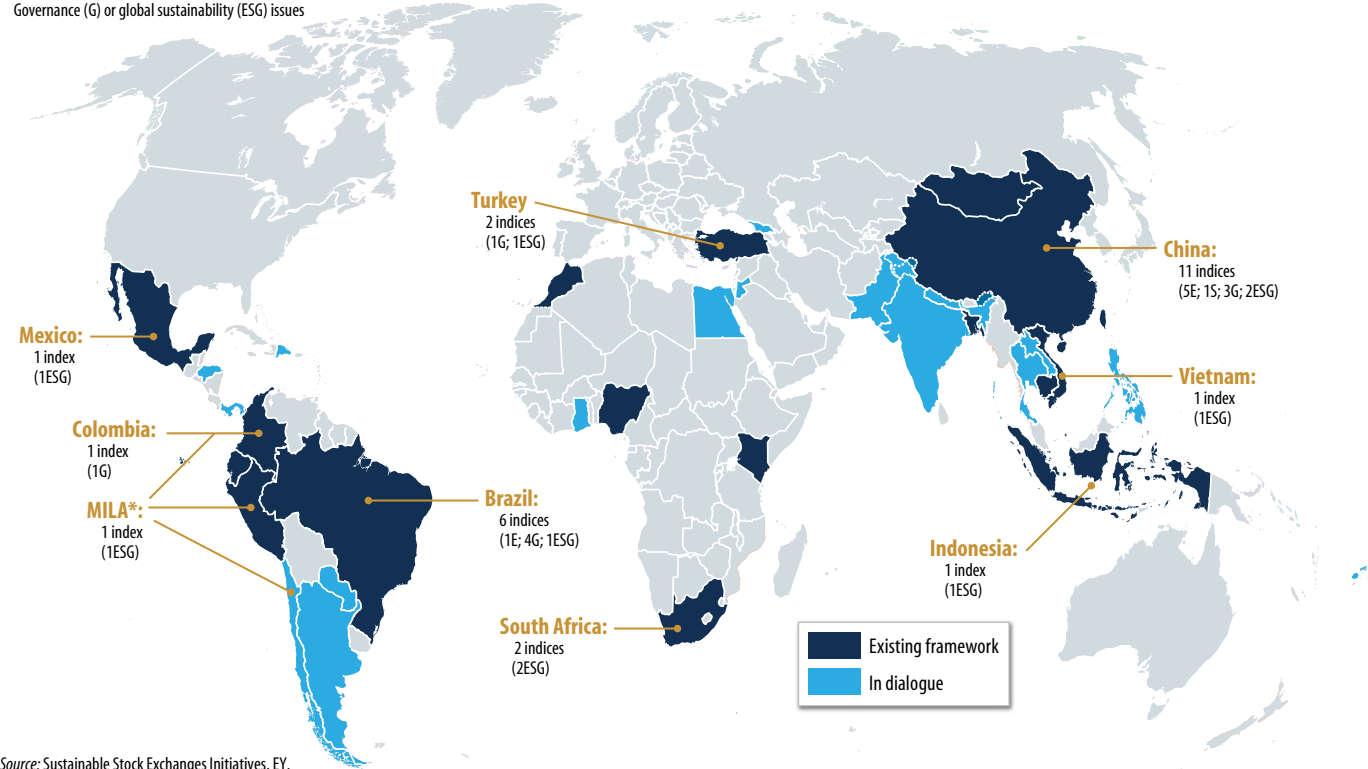
Source: Climate Bonds Initiative, EY.

Map 3: Sustainability-Related Indices Across SBN Members

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Experiences of green bonds:

Number of Indexes focusing on Environment/Climate (E), Social (S), Governance (G) or global sustainability (ESG) issues



Source: Sustainable Stock Exchanges Initiatives, EY.

*The Mercado Integrado Latinoamericano (MILA) is an integrated trading venture formed by the Chile, Colombia and Peru stock exchanges.

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