

SBFN Toolkit

Developing Sustainable Finance Roadmaps

Developed by the IFC-facilitated Sustainable Banking and Finance Network (SBFN)

Version 1.0 (2023)



**SUSTAINABLE
BANKING *and*
FINANCE NETWORK**



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Creating Markets, Creating Opportunities

Acknowledgement

This toolkit was produced by the Sustainable Banking and Finance Network (SBFN) Secretariat based on SBFN member requests and drawing on the experience of SBFN member countries that introduced National Sustainable Finance Roadmaps, including **Azerbaijan, Georgia, Indonesia, Mongolia, Morocco, Philippines, Sri Lanka, Thailand, and Ukraine**. In addition, sustainable finance roadmaps and strategies of non-SBFN countries, regions and networks such as **Australia, the European Union, Germany, G20, Ireland, Luxembourg, and New Zealand** informed this toolkit.

The toolkit builds on the [SBFN Measurement Framework Methodology](#), a comprehensive assessment to benchmark sustainable finance progress in line with international standards. It also references existing guidance documents such as the [“Toolkits for Policymakers to Green the Financial System”](#) by the World Bank, [“An Analysis of Sustainable Finance Roadmaps: Charting the Path to Financial System Transformation”](#) by the Coalition of Finance Ministers for Climate Action and UNDP Financial Centers for Sustainability (FC4S), and the recently published [“Diagnostics Toolkit and Sustainable Finance Roadmaps”](#) by FC4S and the Green Finance Platform.

Additionally, the toolkit benefitted from the review and inputs by the International Finance Corporation and World Bank.

About SBFN

Established in 2012, the Sustainable Banking and Finance Network (SBFN) is a voluntary community of financial sector regulators, central banks, ministries of finance, ministries of environment, and industry associations from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening, and stability. SBFN members are committed to moving their financial sectors toward sustainability, with the twin goals of improved environmental and social risk management (including disclosure of climate risks) and increased capital flows to activities with positive climate, environmental, and social impact. As of April 2023, SBFN comprises 77 member institutions representing 63 countries and US\$ 43 trillion (86 percent) of the total banking assets in emerging markets. IFC is SBFN’s Secretariat and knowledge partner, assisting members to share knowledge and access capacity building to support the design and implementation of national sustainable finance initiatives. For more information, visit the SBFN website at www.sbfnetwork.org.

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Message from the SBFN Secretariat



Alfonso Garcia Mora

Chair, Sustainable Banking and Finance Network (SBFN)
Vice President for Europe, Latin America and the
Caribbean, International Finance Corporation (IFC)

Over the past decade, the Sustainable Banking and Finance Network (SBFN) has promoted sustainable finance in emerging markets and developing economies, supporting public and private sector institutions, at national, regional and global levels. Established in 2012 by 10 countries, SBFN has grown to be a community of 78 member institutions representing 63 countries, with a common vision of creating sound, stable and sustainable financial systems that support the mobilization of capital to accelerate the climate transition.

SBFN's 10th anniversary in 2022 provided the perfect milestone to reflect on the pioneering work of its members and to redefine the network's strategic priorities moving forward. As we move into the second decade of operation, we will shift our focus from supporting policy development to implementation of sustainable finance approaches across member countries, encouraging the effective adoption of ESG and climate-related risk management standards and practices, and creating markets to increase sustainable finance flows. We will achieve these goals by broadening SBFN's platform to reach all parts of the financial sector, diversifying our thematic focus to align with global sustainable finance trends and topics (including issues related to nature, inclusive green finance, gender, and digital finance), and providing members with practical toolkits on key topics, such as sustainable finance roadmaps and taxonomies, to advance their sustainable finance agendas.

We are excited to launch the “**SBFN Toolkit: Developing Sustainable Finance Roadmaps**”, a practical, one-stop guidance document that provides SBFN members and other users with an easy-to-use tool to design and implement sustainable finance roadmaps. Roadmaps, as evidenced by SBFN members' experience, are powerful instruments to bring together different market players, and align their efforts toward shaping sustainable financial systems. This toolkit builds on lessons and insights of SBFN members, leverages existing guidance documents published by SBFN partners, and takes into consideration emerging sustainable finance trends and developments.

The world is at risk of irreversible and disastrous consequences of climate change if we do not act, now. There is a real urgency to accelerate our collective effort to meet the Sustainable Development Goals and the objectives of the Paris Agreement. We hope SBFN members and partners will benefit from this toolkit to fast-track the development of sustainable finance roadmaps and accelerate the mobilization of capital at the speed and scale required to tackle these challenges.

Abbreviations

AMMC	Moroccan Authority for Capital Markets	KPI	Key performance indicator
ASEAN	The Association of Southeast Asian Nations	LGBTQI	Lesbian, Gay, Bisexual, Transgender, Queer, and Intersex Life
BAM	Bank Al-Maghrib	LMA	Loan Markets Association
CDP	Carbon Disclosure Project	NBG	National Bank of Georgia
CEO	Chief executive officer	NDC	Nationally Determined Contribution
CSR	Corporate social responsibility	NGFS	Network of Central Banks and Supervisors for Greening the Financial System
EC	European Commission	NGO	Non-governmental organization
ESDD	Environmental and Social Due Diligence	OECD	Organization for Economic Co-operation and Development
ESG	Environmental, social, governance	OJK	Indonesia Financial Services Authority
ESMS	Environmental and Social Management System	PACTA	Paris Agreement Capital Transition Assessment
ESRM	Environmental and Social Risk Management	PCAF	Partnership for Carbon Accounting Financials
EU	European Union	SBFN	Sustainable Banking and Finance Network
E&S	Environmental and Social	SDG	Sustainable Development Goal
FIs	Financial institutions	SME	Small and medium-sized enterprises
FC4S	Financial Centres for Sustainability (FC4S)	SREP	Supervisory Review and Evaluation Process
G20	Group of Twenty	TCFD	Task Force on Climate-related Financial Disclosures
GHG	Greenhouse gas emissions	TNFD	Taskforce on Nature-related Financial Disclosures
GPBM	Professional Grouping of Banks in Morocco	TPI	Transition Pathway Initiative
ICMA	International Capital Market Association	WB	World Bank
IFC	International Finance Corporation		
IIRC	International Integrated Reporting Committee		

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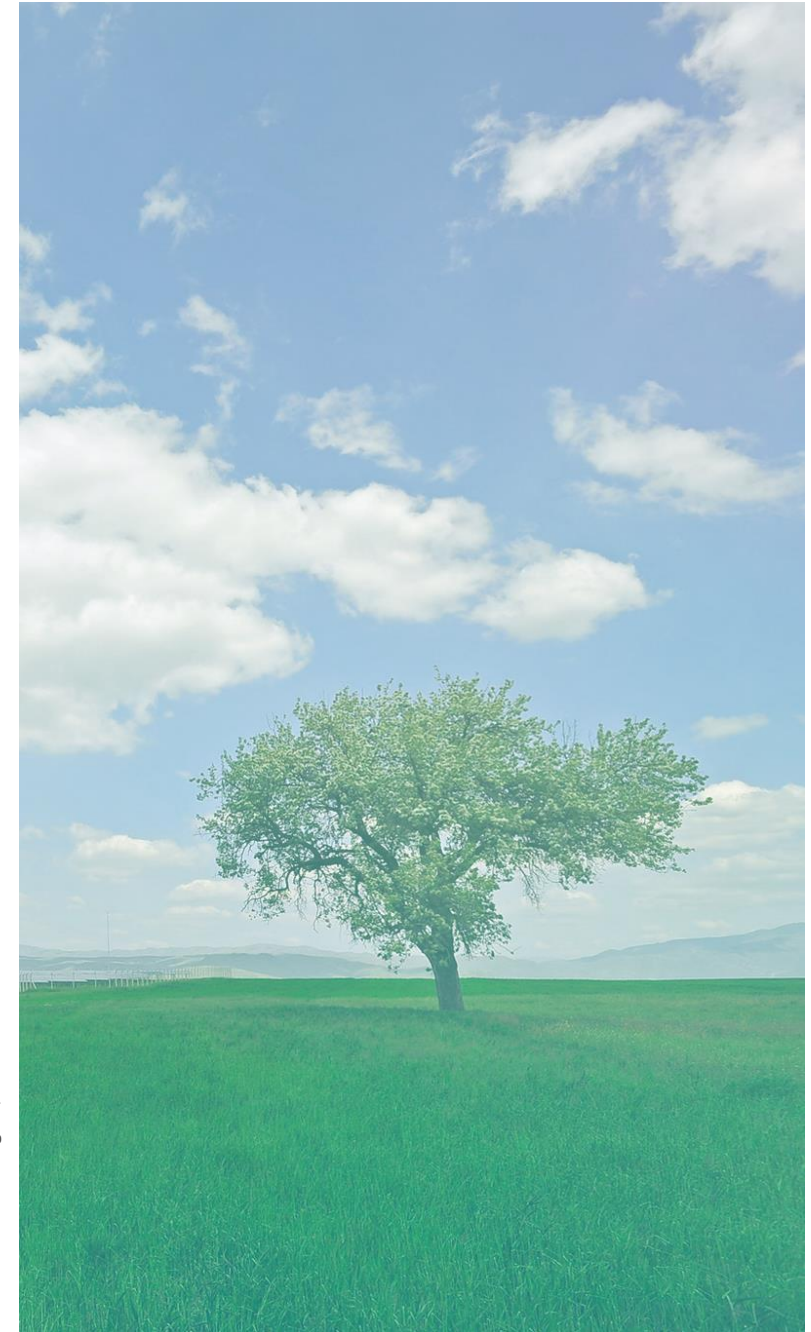


Photo: Tomislav Georgiev / World Bank

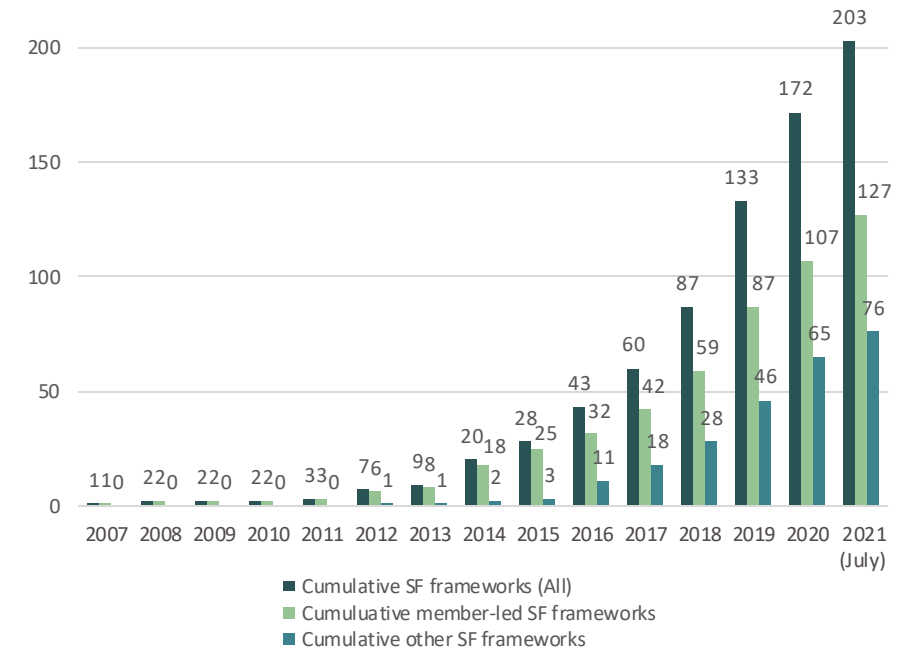


Introduction

Why develop a roadmap?

- **Sustainability has become a fundamental part of financial decision-making.** Fueled by the urgency to combat climate change and achieve development pathways that are inclusive and resilient, global financial systems are undergoing a transformation to incorporate sustainability factors into the rules and market standards that govern and guide the financial system.
- **A growing number of regulators, supervisors, industry associations, and financial institutions (FIs) have adopted policies, regulations, guidance, and practices to:**
 - **reduce** and manage environmental, social, and governance (ESG) risks from financial sector activities—including climate-related risk, and
 - **encourage** the flow of capital to assets, projects, sectors, and businesses that have environmental, climate, and social benefits.
- **The [2021 SBFN Global Progress Report](#) highlights that 33 SBFN member countries have launched over 200 framework documents**—including sustainable finance-related policies, regulations, voluntary principles, guidelines, reporting templates, scorecards, tools, and research—setting out national good practice expectations for sustainable finance. These frameworks usually focus on one of the pillars of sustainable finance such as ESG risk management, climate risk management, or sustainable finance opportunities (for example, green loans, green bonds). They could also focus on banking, capital markets, or institutional investors.

Acceleration of Sustainable Finance Framework Issuance in SBFN Countries



* Sustainable Finance frameworks include policies, regulations, voluntary principles, guidelines, reporting templates, scorecards, tools, and research.

Why develop a roadmap? (cont.)

- Although many efforts are taking place, a large financing gap still exists. The [Organization for Economic Co-operation and Development \(OECD\)](#) estimates US\$ 2.5 trillion in financing needs in developing countries to achieve the Sustainable Development Goals (SDGs), with an additional projected shortfall of US\$ 1.7 trillion as a result of COVID-19. On the other hand, supporting a green post-COVID recovery can generate more than US\$ 10 trillion in investment opportunities and create over 200 million jobs in emerging markets alone.¹
- **To fill this gap, the entire financial system—including banking, capital markets, pensions, and insurance, as well as their regulating bodies—needs to be mobilized** in a coherent, coordinated, and systematic way. In other words, ESG risks and opportunities need to be embedded in the ways financial markets are organized, leveraging linkages across financial and real sectors. This calls for the development and implementation sustainable finance roadmaps.
- Several countries have introduced sustainable finance roadmaps that are guiding the markets in their sustainable finance transformations. **SBFN member countries that have developed national sustainable finance roadmaps to date include Azerbaijan, Georgia, Indonesia, Morocco, Mongolia, Philippines, Sri Lanka, Thailand, and Ukraine. Other member countries such as Armenia, Eastern Caribbean Countries, Iraq, and Maldives are in the process of developing roadmaps.**
- In addition, some non-SBFN countries and regions such as **Australia, Germany, Ireland, Luxembourg, New Zealand, and the European Union** have introduced sustainable finance roadmaps. International networks and forums such as **G20** have issued best practice guidance on the key measures and activities that underpin the planning and design of roadmaps.
- Going forward, the need for sustainable finance roadmaps that offer a holistic and consolidated approach will intensify as countries increasingly seek systematic approaches to advance the sustainable finance agenda.

¹ IFC (2021), Ctrl-Alt-Delete: A Green Reboot for Emerging Markets.

WHAT IS A SUSTAINABLE FINANCE ROADMAP?

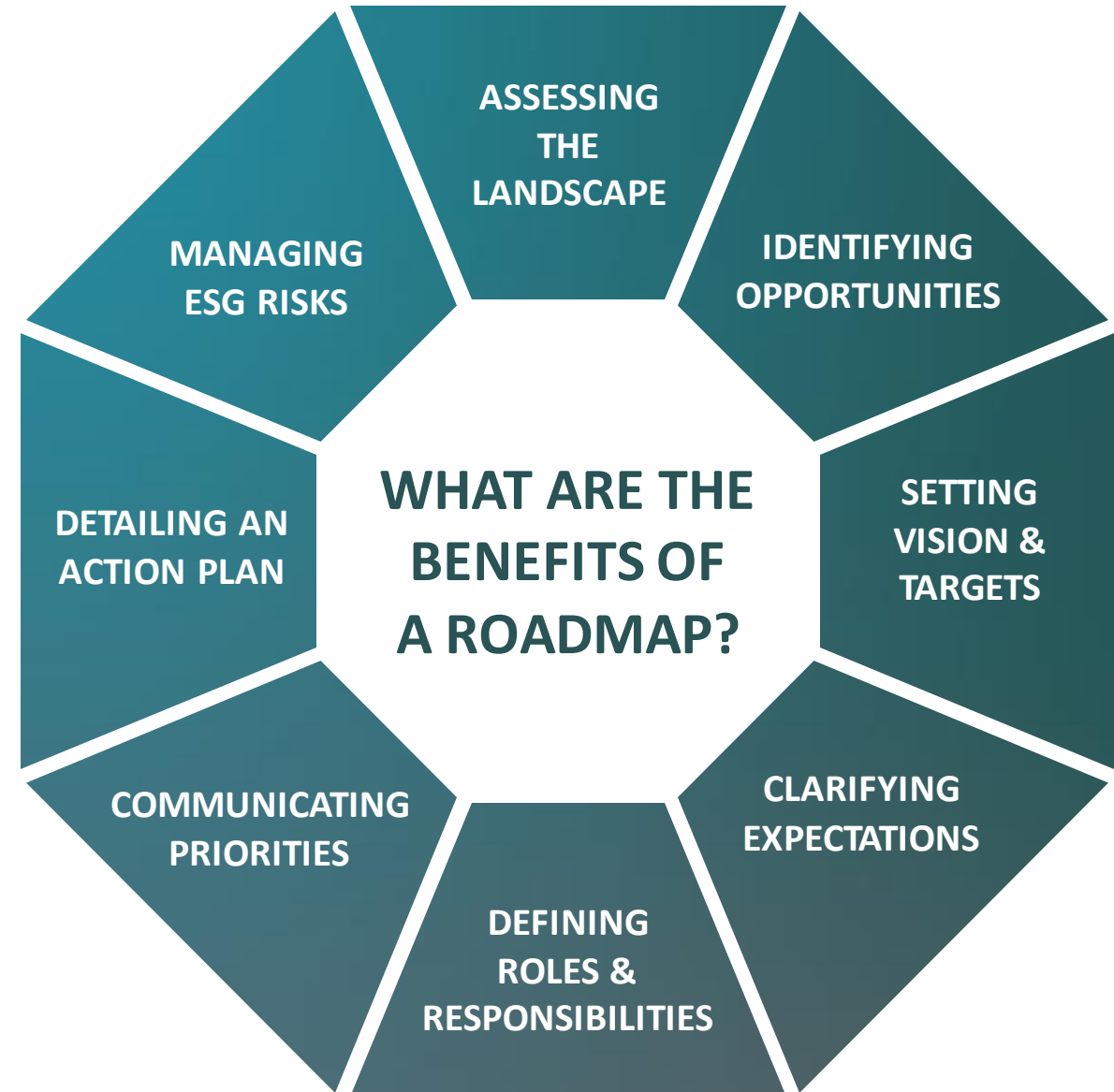
A sustainable finance roadmap provides a country with a holistic, multistakeholder, systematic framework to jointly define sustainable finance objectives, identify key opportunities and barriers, and set out actions and key reforms required to align the financial system with national and global sustainable development priorities.

- IFC SBFN

Why develop a roadmap? (cont.)

Lessons from SBFN members have shown that **sustainable finance roadmaps** serve multiple important functions:

- **Assessing the current sustainable finance landscape** in a country and identifying gaps, barriers, and areas that require further intervention and action.
- **Identifying opportunities to leverage existing actions** and channel increased financial flows to priority sectors that represent the largest financing need.
- **Setting a vision and target** to accelerate the development of a more sustainable financial system.
- **Clarifying expectations** from the market and preparing financial institutions for future transitions.
- **Detailing an action plan** with timelines, actions, key actors, and resources to reach the vision and target.
- **Defining and aligning the roles of different stakeholders**, including policymakers, supervisors, industry associations, financial institutions, corporations, international development organizations, civil society, academia, and other financial sector participants to enhance policy coherence and collaboration.
- **Communicating sustainable finance priorities** to a broad set of stakeholders, both nationally and internationally, and sending a political signal for commitment and action.



About the toolkit

- In response to the demand from SBFN countries to have a more systematic approach for the development of sustainable finance markets, **the “SBFN Toolkit: Developing Sustainable Finance Roadmaps” provides SBFN members and other users with a practical, easy-to-use set of tools to design and operationalize national and regional sustainable finance roadmaps, in line with latest international trends and standards, and practical lessons from countries that have roadmaps in place.** The toolkit consists of:
 - Sustainable Finance Roadmap **Guide**: this guidance document 1) defines the key fundamentals of developing a roadmap, 2) proposes steps for the development process, 3) includes key measures to be included in the roadmap, and 4) presents case studies of select SBFN member countries in different regions.
 - Sustainable Finance Roadmap **Mapping and Benchmarking tool**: a complementary Excel tool that compares existing sustainable finance roadmaps of 16 countries, global networks, and intergovernmental forums.

Photo: Boris Balabanov / World Bank

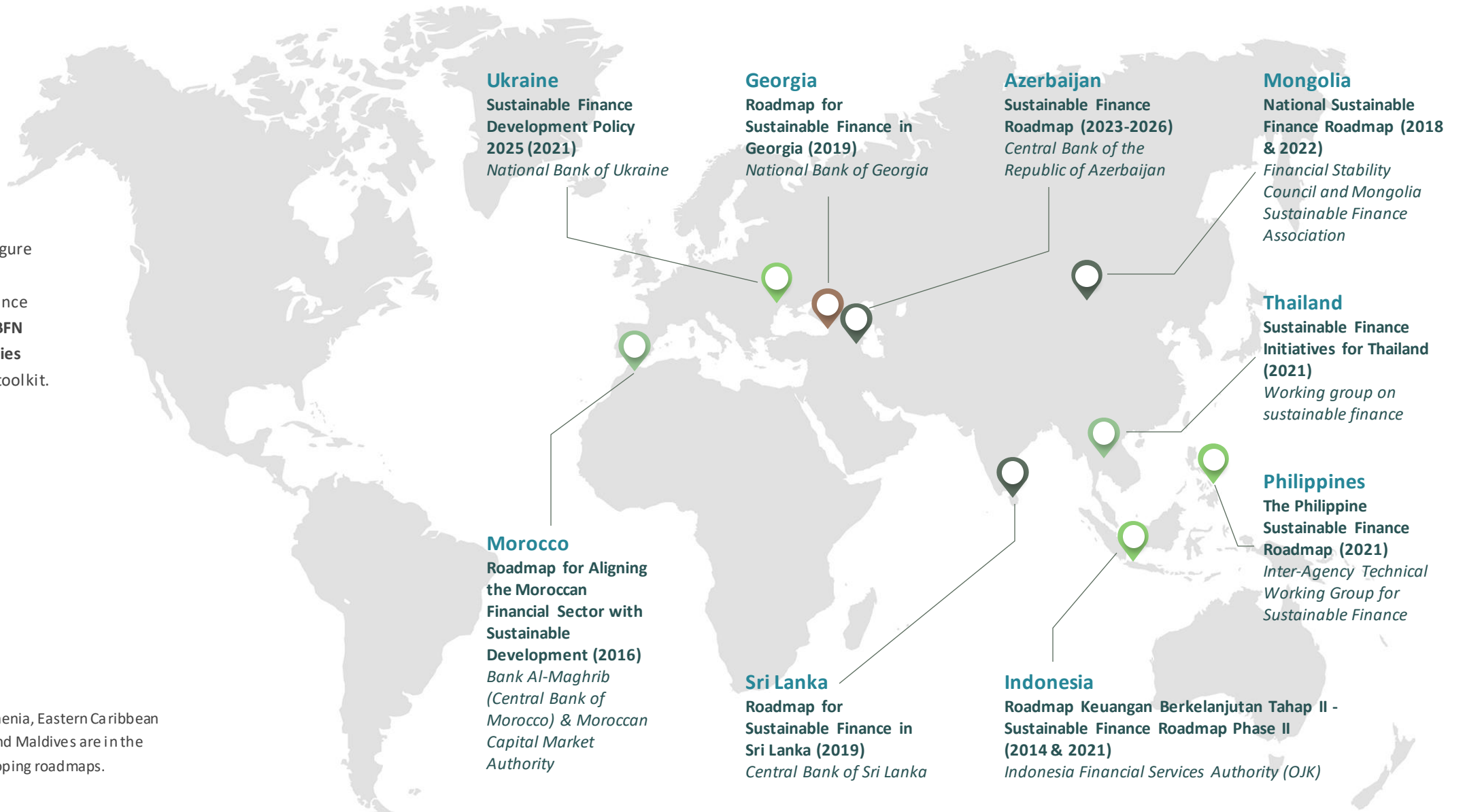


About the toolkit (cont.)

- **The toolkit's content was informed by collective insights, experiences, common approaches, and lessons learned** from SBFN member and non-member countries. Their experiences were documented through a mapping study and interviews with select SBFN members and World Bank Group experts that closely supported the development of roadmaps in a diverse country contexts. Content and recommendations of existing tools developed by the World Bank and UNDP FC4S were integrated into the toolkit. The toolkit is amplified by **selected case studies of SBFN members in different regions** documenting their process of developing and implementing a roadmap, taking a closer look at the structure and content of the roadmap, and identifying essential lessons and recommendations.
- **The toolkit does not intend to set out a prescriptive approach** to roadmap development; instead, it offers some key building blocks, principles and best practices that countries can review and tailor to their local context. For example, some countries can opt to take a 'lighter touch' approach by using some key parts of the toolkit, but not following each recommendation strictly. The overall approach should be decided by the users taking into consideration the needs and priorities of the country and core stakeholders.
- The toolkit consists of **four main parts**:
 - Chapter 1: **Fundamentals** of a sustainable finance roadmap
 - Chapter 2: **Process to develop** a sustainable finance roadmap
 - Chapter 3: **Content and measures** to include in a sustainable finance roadmap
 - Chapter 4: **Case studies and lessons from SBFN member countries**: Georgia, Indonesia, Mongolia, Morocco
- **The toolkit is not intended to provide a comprehensive overview and analysis** of existing sustainable finance roadmaps. Instead, it is a practical learning tool for members that wish to develop and improve their sustainable finance roadmaps. Users can also use the toolkit as training material.
- **The toolkit will be updated regularly** with insights from new roadmaps developed by SBFN members and emerging lessons from the global community.

List of roadmaps reviewed

The following figure summarizes the sustainable finance roadmaps by SBFN member countries included in the toolkit.



*In addition, Armenia, Eastern Caribbean Countries, Iraq and Maldives are in the process of developing roadmaps.

List of roadmaps reviewed (cont.)

The following figure summarizes the sustainable finance roadmaps by non-SBFN member countries reviewed as part of the toolkit development process.





Chapter 1. Fundamentals of a sustainable finance roadmap

1. Fundamentals of a sustainable finance roadmap

Before starting the process of developing a roadmap, it is important to define the **key fundamental concepts** that will shape the overall approach and narrative. These are not sequenced recommendations and users can decide how to implement them in local context.

1	Drivers for sustainable finance	Define the market gap, why sustainable finance is important and what the key drivers are in the national context. These may include long-term structural drivers (such as financial sector stability) underpinning the growing momentum of and demand for sustainable finance, considerations related to climate change, and international commitments (for example UN SDGs) and NDCs.
2	Lead entity	Identify the entity (or entities) that will lead and facilitate the roadmap development process, depending on the country's context, regulatory structure of the financial sector, capacities of key stakeholders, and the principal objectives and intended reforms.
3	Stakeholders	Identify core public and private stakeholders that should be directly involved in drafting a sustainable finance roadmap.
4	Objective and narrative	Define the core and broad objectives of the roadmap which should serve as the key narrative to make the case for aligning the national financial system with sustainable development goals and generate stakeholder buy-in and support.
5	Scope	Define the scope and boundaries of the roadmap, including sustainable development objectives to be addressed (green versus sustainable), sectors to be covered (banking versus entire financial sector), and timeline of implementation (long-term versus phased), depending on a country's or region's context and specific circumstances.

1.1 Drivers for sustainable finance

Identifying market gaps and drivers for sustainable finance: Before starting the roadmap development process, it is critical to define why sustainable finance is important and what the key drivers are in the national or regional context. These may include long-term structural drivers underpinning the growing momentum of and demand for sustainable finance. Below are examples of some common drivers in the global context:

- **Commitment to global goals and local targets:** Achieving the global goals such as the SDGs and international and national commitments under the Paris Agreement requires collective action. The financial services industry is a vital enabler for sustainable development given its ability to channel financing flows toward sustainable activities and unlock additional capital. The financial market can link global commitments, local targets, and financing needs.
- **Financial sector stability:** ESG risks including climate change can pose risks to financial systems and the economy if not managed properly. ESG issues range from working conditions, biodiversity, climate change, gender diversity and equality to product safety. These issues are diverse and can often impact a wide range of stakeholders, from workers and customers to suppliers and local communities. They can disrupt the portfolio stability of financial institutions. Large exposures to carbon-intensive and other transition-sensitive sectors or physical impacts of climate change can also translate into financial risks.
- **Growing investment opportunities:** Supporting a green post-COVID recovery can generate more than US\$ 10 trillion in investment opportunities and create over 200 million jobs in emerging markets alone.² Climate investment opportunities in 21 emerging market countries reviewed by IFC are estimated at US\$ 23 trillion until 2030. This means banks need to increase the share of climate lending from seven percent today to 30 percent in 2030 to mobilize the necessary financing for investment opportunities presented by the National Determined Contributions (NDCs) in those 21 countries.³ The global transition away from fossil fuels has been estimated as a US\$ 50 trillion opportunity.⁴ The annual gap in financing required to achieve the broader sustainability agenda in developing countries, including investment in SDG-relevant sectors, is estimated at around US\$ 2.5 trillion.⁵
- **Changing regulatory and market environment:** Demand for sustainable finance is emerging among a number of different actors. Global investors are increasingly asking that financial institutions uphold sustainability standards. Clients are demanding that investors incorporate ESG issues into their decision-making. The regulatory environment on sustainable finance is evolving rapidly with more and more issuance of regulations and frameworks requiring financial institutions to integrate ESG issues in financial decision-making, management systems, and disclosure practices. Also, broader societal trends reflect a growing public desire to transform and green the economy to achieve sustainable development targets.

² IFC (2021), Ctrl-Alt-Delete: A Green Reboot for Emerging Markets.

³ IFC (2016), Climate investment opportunities in emerging markets.

⁴ DW (2021), Davos: Green transition is \$50-trillion investment opportunity

⁵ UNCTAD (2014). World Investment Report



Photo: Gerardo Pesantez / World Bank

1.2 Lead Entity (or entities)

Identifying the lead entity responsible for developing the roadmap: Identifying the entity that will lead the roadmap development depends on the country's context, the regulatory structure of the financial sector, stakeholder capabilities, and the main objectives and intended reforms of the roadmap. In some cases, the lead entity itself initiates the process by bringing up the need to have a roadmap and showing its willingness to convene all stakeholders, while in other cases core stakeholders collectively decide on the lead entity or entities. The roadmaps reviewed demonstrate a variety of approaches involving:

- **Public entities:** led by central banks, finance ministries, or capital market regulators. For example, in countries such as Azerbaijan, Georgia, Indonesia, Sri Lanka, or Ukraine the roadmap development process was led by the financial regulator.
- **Private entities:** led by industry associations, private sector networks or coalitions. In Australia and New Zealand, the roadmaps were designed by private sector coalitions and platforms.
- **Public-private partnerships:** led by platforms or interagency working groups that represent key public- and private-sector stakeholders. In countries such as Mongolia, Morocco, or Thailand, private and public entities covering both banking and nonbanking sectors came together to work on the roadmap.

Besides identifying the lead entity at the local level, **collaborating with leading international development partners** can help with identifying global trends and adopting lessons and best practices from other countries. For example, IFC/SBFN has closely supported the roadmap development initiatives in Georgia, Indonesia, Mongolia, Sri Lanka and Thailand.

Examples of good practice:

Given that roadmaps cover various parts of the financial system, most SBFN countries took a collaborative approach in the development of a roadmap based on multistakeholder and interagency platforms. For example:

- **Morocco's** roadmap is a joint product between the Central Bank of Morocco (Bank Al-Maghrib) and the Moroccan Capital Market Authority.
- In **Mongolia**, the roadmap was drafted by the Mongolian Sustainable Finance Association representing the private sector, but the final document was approved and endorsed by the Financial Stability Council represented by the Central Bank of Mongolia, Financial Regulatory Commission, Ministry of Finance, and Deposit Insurance Commission.
- In **Thailand**, a working group on sustainable finance led the roadmap development and approval process. The working group consists of the Ministry of Finance, Bank of Thailand, Securities and Exchange Commission Thailand, The Office of Insurance Commission, and the Stock Exchange of Thailand.

Although private and public sector involvement is equally important in the roadmap development process, lessons show that engaging relevant public entities or financial regulators at an early stage and getting approval or endorsement of the roadmap, are critical to ensure successful implementation by relevant stakeholders after its launch.

1.3 Stakeholder engagement

Identifying the stakeholders closely engage with in the roadmap development: A critical success factor for SBFN countries has been multistakeholder engagement and collaboration to develop sustainable finance roadmaps. A wide array of public and private stakeholders from the financial, environmental, and real sectors should be involved in drafting a sustainable finance roadmap. Stakeholders can include:

- ❑ **Financial regulators** (for example, central banks, banking regulators, capital market regulators, insurance regulators, pension fund regulators)
- ❑ **Government agencies** (for example, ministries, treasury, national planning agencies, national statistics offices)
- ❑ **Elected officials** (for example, parliamentary subgroups focused on sustainability)
- ❑ **Financial sector industry associations** (for example, banking, microfinance, capital market, insurance, sustainable finance, fintech associations)
- ❑ **Financial institutions** (for example, banks, micro, stock exchanges, insurance companies, asset managers, mortgage companies, guarantee companies)
- ❑ **Private companies and networks** (for example, chambers of commerce, corporates, SMEs, startups)
- ❑ **International organizations** (for example, development finance institutions, international organizations and NGOs)
- ❑ **Service providers** (for example, rating agencies, credit information companies, advisory firms)
- ❑ **Civil society organizations** (for example, labor unions, independent research institutes and community-based organizations)
- ❑ **Academia and research institutions** (for example, banking and finance academies, think tanks, universities)
- ❑ **Other stakeholders** (for example, individual experts, media and communication firms)

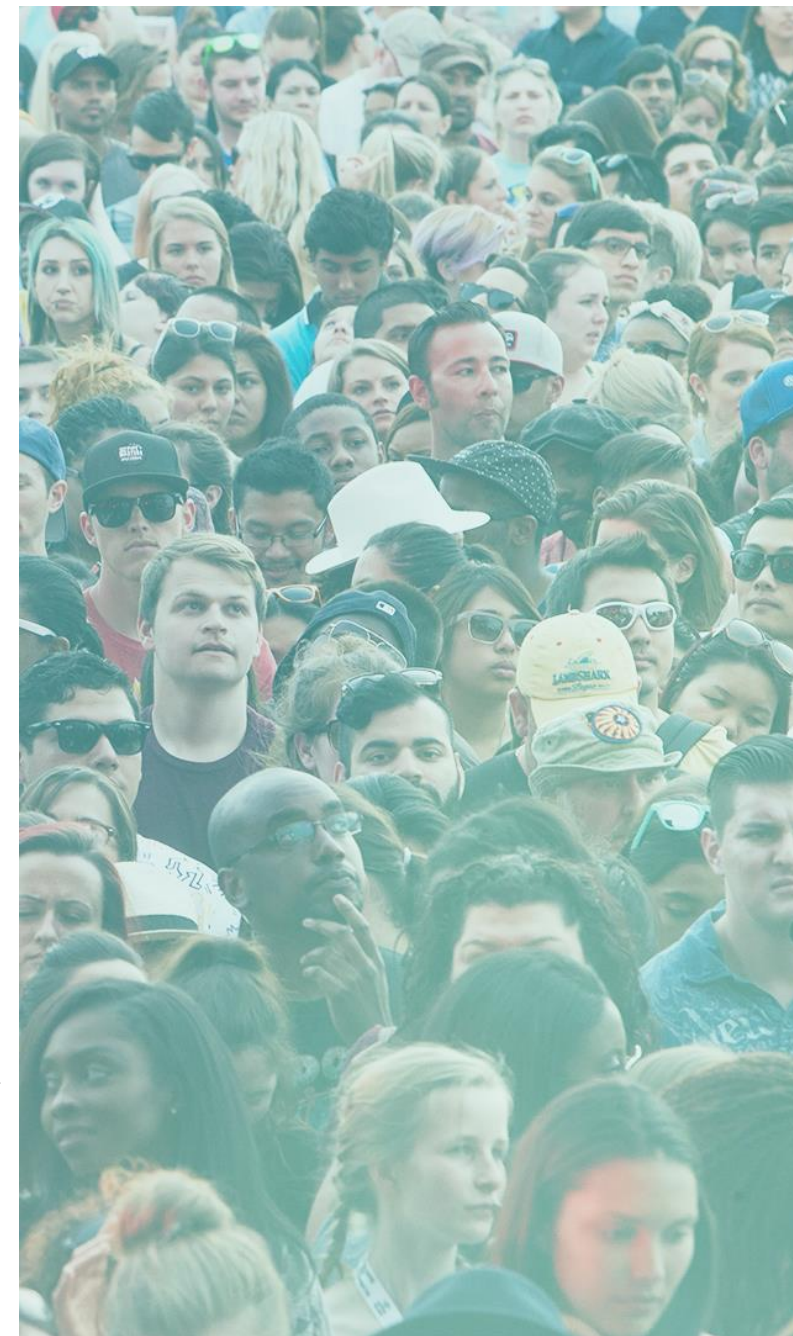
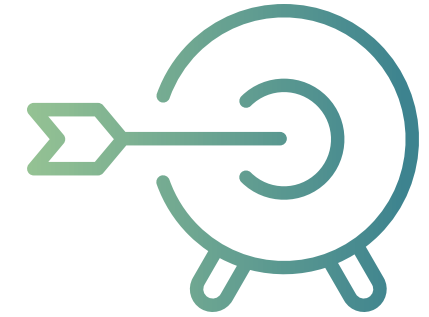


Photo: Simone D. McCourtie / World Bank

1.4 Objectives of a roadmap



In the early stages of the roadmap development process, it is critical to define the overarching objective of the roadmap, explaining "what it aims to achieve", in response to the key drivers defined in the previous step. This also sets the key narrative to explain the case for aligning the national financial system with sustainable development goals and generate stakeholder buy-in and support. The objectives can adopt a very country-specific view, such as setting out a sustainable finance vision for the country, or more broadly explaining the need for a systematic and coordinated plan to integrate sustainability into the financial system.

Here are select examples of sustainable finance roadmap objectives:

Georgia – “Set out actions to transition the market and integrate sustainability into financial decision making.”

Indonesia – “Set out key components for the development of a sustainable finance ecosystem in Indonesia.”

Morocco – “Set out the actions and measures necessary to ensure a coordinated and progressive alignment of the Moroccan financial sector, including the banking, insurance and capital markets activities, with the challenges of sustainable development.”

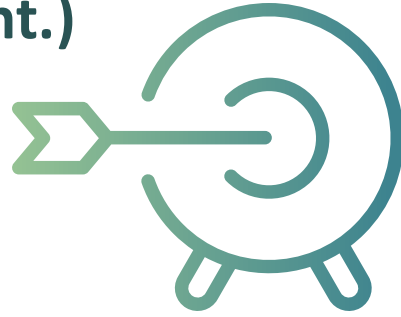
Mongolia – “Agree on an integrated, multistakeholder, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with the country’s sustainable development and climate targets.”

Philippines – “Lay out the high-level action plans of the whole-of government approach to promote sustainable finance in the Philippines.”

Sri Lanka – “Set out plans to develop sustainable finance in Sri Lanka, aiming to provide guidance and support to financial institutions to effectively managing ESG risks associated with projects they finance and increase support to businesses that are greener, climate-friendly and socially inclusive.”

Thailand – “Set forth the implementation of recommendations and goals which advance the sustainable transformation of Thailand’s financial sector by December 2025.”

1.4 Objectives of a roadmap (cont.)



Here are additional examples of sustainable finance roadmap objectives:

Ireland – “This roadmap sets out targeted measures with a view to Ireland being a leading sustainable finance centre by 2025, informed by extensive research and stakeholder engagement. It outlines how public-private sector collaboration will develop talent, prepare industry, leverage digital solutions, enhance the enabling environment, and promote and communicate Ireland’s sustainable finance priorities and capabilities.”

Germany – “The Sustainable Finance Strategy represents the means by which the German government is setting the course for Germany to become a leading sustainable finance centre.”

Luxembourg – “In line with Luxembourg’s international and national commitments, the Strategy aims to support the Luxembourg financial sector in transitioning to sustainable finance and further developing the financial centre’s role as a leading international hub for sustainable finance.”

New Zealand – “Develop a financial system which is sustainable, and to do this by 2030. Our vision is a financial system that is more resilient, inclusive, robust, and agile through the incorporation of environmental, social and economic considerations in financial decisions.”

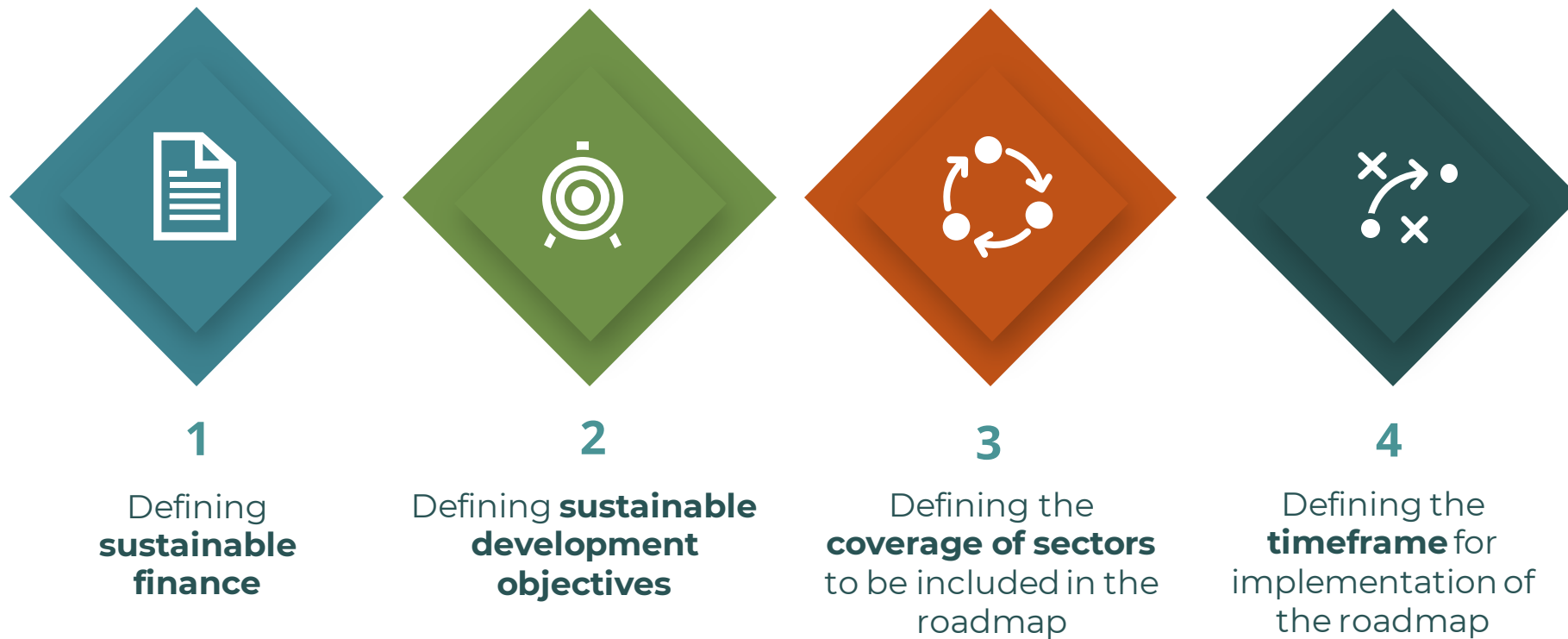
Australia – “Map out a transformation of the country’s financial system to one that prioritizes prosperity for all, better meets 21st century sustainability challenges, and positions Australia more competitively within international markets.”

G20 – “To help focus the attention of the G20 members, relevant international organizations, networks, initiatives, and other stakeholders to key priorities of the sustainable finance agenda and set out actions for the G20 to take to promote the achievement of those priorities over the coming years.”

1.5 Scope and approach of a roadmap

The scope and boundaries of the roadmap need to be defined, as sustainable finance is still an evolving concept, and countries may have different starting points and priorities depending on their national context and the structure of their financial system.

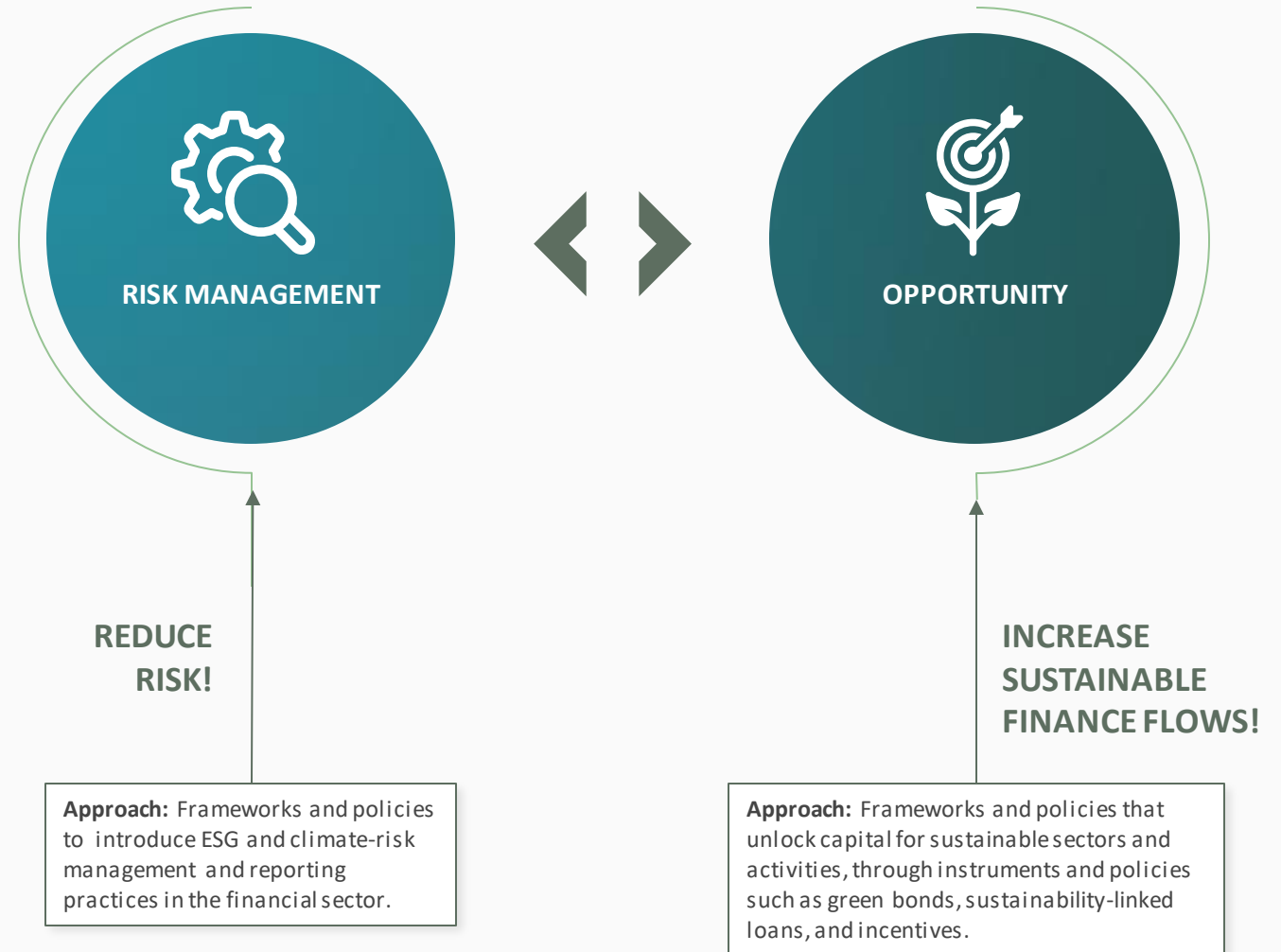
When defining the scope of the roadmap, the following elements can be considered, but countries can tailor the approach to their local context:



1.5.1 Defining sustainable finance

While the definition of sustainable finance can vary across countries, it commonly refers to developing a sustainable financial system in the context of both risk and opportunity.

- **Risk** refers to the identification and management of ESG and climate-related risks as part of financial decision-making.
- **Opportunity** refers to increasing financing flows into sectors and activities that contribute to climate-related and sustainable development objectives.



1.5.1 Defining sustainable finance (cont.)



Examples of definitions of sustainable finance:

SBFN defines sustainable finance as policies, regulations, and practices by regulators, supervisors, industry associations, and financial institutions (FIs): (1) to reduce and manage environmental, social, and governance (ESG) risks from financial sector activities—including climate change and nature-related risks; and (2) to encourage the flow of capital to assets, projects, sectors and businesses that have environmental and social benefits—including climate-change mitigation and adaptation.

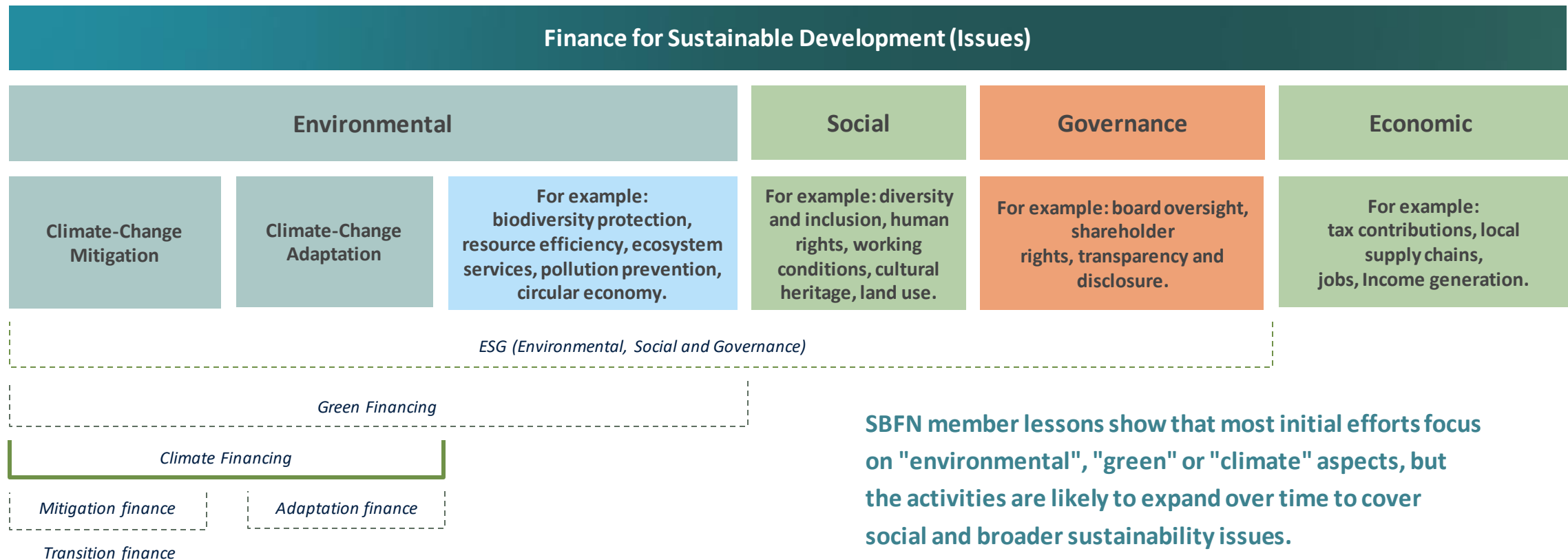
The European Commission (EC) defines sustainable finance as “the process of taking due account of ESG considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.”

The International Capital Market Association defines sustainable finance as “climate, green and social finance while also adding wider considerations concerning the longer-term economic sustainability of the organizations that are being funded, as well as the role and stability of the overall financial system in which they operate.”

1.5.2 Defining sustainable development objectives



The aspiration toward a sustainable financial system can encompass a multiplicity of environmental, social, and governance issues. It is therefore important at the outset to clarify and narrow down the core environmental and social objectives that are expected as a result of the implementation of the roadmap, in line with the key sustainable development priorities of the country or region. These will help define the core sustainable finance measures and instruments to include in the roadmap (for example, green taxonomy versus sustainable taxonomy). Most SBFN member countries usually start with measures to address environmental aspects, and include social components over time, although this may depend on the local context and needs. The range of sustainable development issues may include the following:

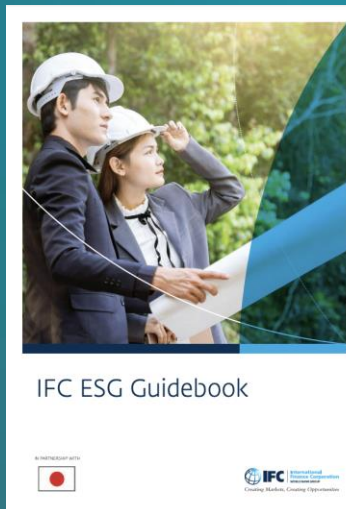


Source: Adapted by SBFN from Definitions and Concepts: Background Note, UNEP

1.5.2 Defining sustainable development objectives (cont.)

Toolbox 1:

- The [IFC ESG Guidebook \(2021\)](#) is a useful source that provides further guidance on how ESG issues can be defined.
- The guidebook was created as part of a broader effort to raise awareness of ESG issues among companies and investors in developing markets.
- Multiple standards and norms exist, and the rapid evolution of the ESG landscape has created a degree of complexity. Various stakeholders are collaborating to streamline and align standards to facilitate the dialogue between investors, issuers, regulators and other market participants. The focus of the guidebook has been to consider ESG issues that may materially impact performance, depending on the country, sector, and other factors.



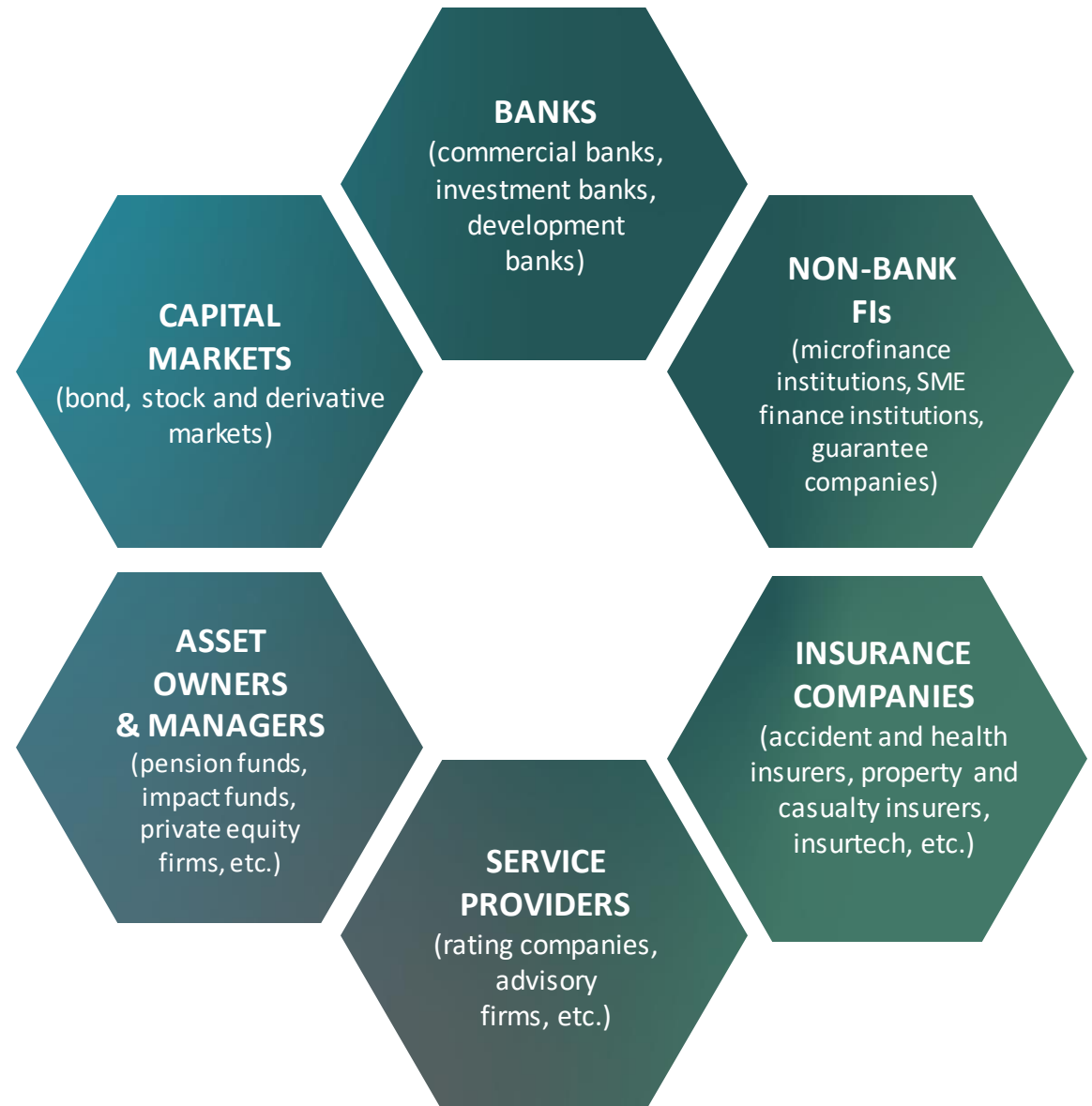
The table below summarizes these factors and provides examples of key ESG factors which are relevant to many companies.

	<p>Environmental</p> <p>Businesses rely on natural resources and physical assets to perform their operations. Products and services may directly or indirectly impact the environment.</p> <ul style="list-style-type: none"> • Climate change • Carbon management • Resource depletion • Pollution • Energy consumption • Land use • Loss of biodiversity • Water consumption • Waste management • Innovations or products or services that reduce environmental impact
	<p>Social</p> <p>To conduct their operations, companies harness the talent and skills of their employees. Products and services, and operating activities involved in production, may benefit society or cause harm.</p> <ul style="list-style-type: none"> • Job creation and working conditions • Equal opportunity • Diversity • Training • Impacts on local communities • Health and safety • Child and forced labor across supply chains • Grievance mechanisms • Human rights • Social impact of products, services, or company operations • Gender-based violence and harassment
	<p>Governance</p> <p>When making decisions and allocating their natural, human and financial resources, companies should consider how they will create long-term value that will benefit all stakeholders.</p> <ul style="list-style-type: none"> • Purpose, values and culture • Board diversity, structure and oversight • Succession planning • Executive pay • Internal controls • Risk governance • Ethics and compliance • Shareholder rights • Governance of stakeholder engagement • Disclosure and transparency

1.5.3 Defining coverage of sectors to be included in the roadmap

Since most roadmaps aim to transform financial systems holistically and strengthen the interconnectedness of various stakeholders, they cover a wide range of financial subsectors and actors. These may include banks, nonbank financial institutions, capital market players, insurance companies, asset owners and managers, and nonfinancial service providers. However, depending on the unique needs and structure of the financial system in the country, some roadmaps only focus on select subsectors that make up the largest part of the financial market. In developing countries, these are mostly banks, nonbanks, and capital markets. In addition, sectors covered by the roadmap may depend on the leading entity's mandate or priorities, and not include all sectors at the outset.

For example, **Morocco's** roadmap covers sustainable finance reforms in banking, capital markets and insurance comprehensively, whereas **Sri Lanka's** roadmap has a stronger focus on the debt and equity markets.



1.5.4 Defining the timeframe for implementation of the roadmap

When defining the scope of the roadmap, it is also important to set the timeframe for the reforms to be implemented. Different country roadmaps can cover different timeframes and levels of detail, yet be equally effective starting points to drive the sustainable finance agenda.

- **Comprehensive, multiyear roadmaps:** Some roadmaps aim to define a comprehensive set of actions to be implemented over a longer timeframe (five to ten years) usually aligned with national, regional, or global sustainable development targets and commitments.
- **Concise, phased roadmaps:** Others take a nimbler approach, covering focused interventions to be implemented over a shorter timeframe (three to five years). They start with certain sectors or areas of sustainable finance and expand into other reforms once the first phase of the roadmap is successfully completed.

Since roadmaps are living documents, additional measures, subsectors, and objectives can be added over time to reflect evolving global sustainable finance trends and developments, national sustainability targets and priorities, and local market needs. Good practice suggests undertaking a review of the implementation and relevance of the roadmap every two years, leading to amendments and adjustments where required.

Examples of different roadmap timeframes and approaches.

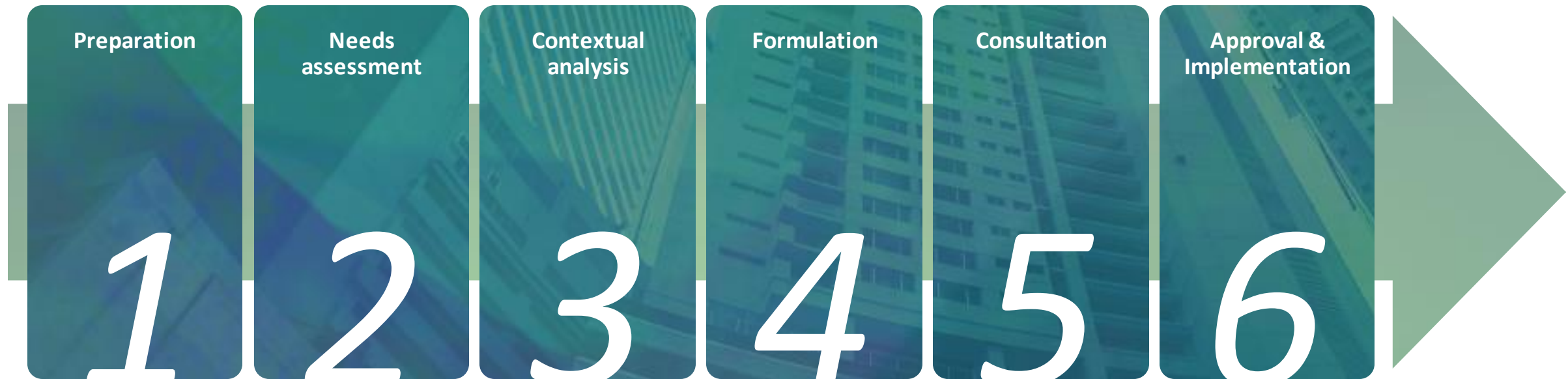
- **Mongolia's** roadmap takes a long-term, comprehensive approach by laying out activities to be implemented until 2030, aligned with the country's sustainable development and climate-change commitments. Within the roadmap, activities are categorized as near-term, mid-term, and longer-term measures.
- **Georgia**, by contrast, issued the first phase of its roadmap in 2019 with a focus on five key practical, priority areas to serve as building blocks for a sustainable financial system.
- **Indonesia** became one of the first countries to develop a roadmap when in 2014 it covered core reforms to be implemented over five years. In 2021, the second version of the roadmap introduced the next set of measures to further advance and accelerate sustainable finance in the country.



Chapter 2. Process to develop a sustainable finance roadmap

2. Steps to develop a sustainable finance roadmap

The following is a suggested stepped approach to guide countries in their roadmap development process, based on SBFN members' experiences.



2.1 Steps to develop a sustainable finance roadmap - Preparation

PHASE 1: PREPARATION

Goal: Form a common understanding and approach for the development of the roadmap and create initial buy-in and support from core stakeholders.

- **Form a working group or task force** to oversee the roadmap development, and set up adequate governance, engagement and communication mechanisms.
- **Build the capacity of the group** and ensure common understanding of sustainable finance concepts and the objectives.
- **Develop a detailed work plan** with timelines, responsibilities, and required resources to develop the roadmap.
- **Hold a kick-off event** to initiate dialogue and get buy-in from key stakeholders.

2.2 Steps to develop a sustainable finance roadmap – Needs Assessment

PHASE 2: CONDUCT NEEDS ASSESSMENT

Goal: Review existing sources and financial flows, and estimate the financing needs and gaps, where possible in quantitative terms, required to achieve sustainable development priorities. It should be noted that methodologies and data sources to measure financing flows and needs are still in development stage. Therefore, in areas where quantitative data is unavailable, estimations, proxies, and a qualitative assessment can be used.

Certain countries, have adopted a more complex approach for the needs assessment, requiring a process distinct from the roadmap.

- **Identify key national climate and sustainable development strategies, policies, goals, and targets**, which may include:
 - National strategies or policies aligned with the Sustainable Development Goals (SDGs)
 - Commitments under the Paris Agreement (nationally determined contributions)
 - Sectoral sustainability policies and strategies
 - National frameworks or policies on ESG risk management
- **Assess the financing needs and goals of financial institutions** to achieve national strategies and targets
- **Identify priority sectors** and their specific financing needs or market demand
- **Estimate current sustainable finance supply and flows** in the country
- **Estimate sustainable investment gaps and opportunities in priority sectors**

2.2 Steps to develop a sustainable finance roadmap – Needs Assessment (cont.)

The following is an example approach to estimate existing public and private finance flows and gaps. Given the complexity of the process, countries are recommended to review and use existing studies and data sources where possible.

Estimating public finance

Public finance primarily refers to total government/municipal/state expenditure in sectors covered by the definition of sustainable finance. Key data sources may include budgets, websites and datasets of the Ministry of Finance; Central Bank; National Statistics Office; relevant line ministries (environment, agriculture, forest, transport); or local governments.

1. Identify capital expenditure of government in each sector and subsector in a particular year. The data is often available from the government's annual budget.
2. Estimate the portion of expenditure in each sector and subsector that is aligned with the definition of sustainable finance used. Some countries already employed [SDG/climate-aligned budget/expenditure tags](#) but for others, this will require some subjective judgment given the imprecision of some line items.
3. Development finance/ODA from donors: As most official development assistance (ODA) is directly reflected in government budget, estimate and subtract the ODA contribution with sustainable objectives from government expenditure to get net public finance.
4. Sovereign bonds: Another instrument extensively used by governments to raise capital for sustainable projects and budget expenditures takes the form of green/social/sustainable sovereign bonds. The World Bank, [CBI](#) and [ICMA](#) facilitate databases of existing issuances.

Estimating private finance

Existing private finance flows can be estimated from several sources and financing instruments offered in the country. Common sources may include:

1. **Banks** – Some countries may have green/sustainable loan statistics at the sectoral/national level provided by banking regulators or statistics offices. If not available, a survey and mapping of estimated green/sustainable loan portfolios and existing products offered in the market can be conducted.
2. **Corporate bonds** – Some countries may have green/sustainable bond statistics at the sectoral/national level provided by stock exchanges and securities commissions. If these are not available, the percentage of existing issuances that can be attributed to green/social purposes should be estimated, if feasible.
3. **Investment** – Institutional investors constitute private pension funds, mutual funds, insurance companies, private equity, and venture capital funds. In many developing countries, financial assets managed by institutional investors are often much smaller than banking assets, and most financial assets tend to be associated with the banking sector. The estimation of total institutional investment in a country is done by examining the investment portfolio of each of these investors.

While going through the exercise of defining existing financing flows and gaps, it is also critical to document the key data/methodological gaps to ensure the roadmap includes measures to address these gaps.

Source: Adapted from “[Diagnostics Toolkit and Sustainable Finance Roadmaps](#)” by FC4S and the Green Finance Platform.

2.2 Steps to develop a sustainable finance roadmap – Needs Assessment (cont.)

Toolbox 2:

- An IFC Analysis estimated **Climate Investment Opportunities in Emerging Markets**, in green sectors such as renewable energy, energy efficiency, buildings, transportation, and waste, by assessing national climate change commitments and other policies.
- The **World Bank Group's Country Climate and Development Reports (CCDRs)** are diagnostic reports that integrate climate change and development considerations which can help countries prioritize the most impactful actions.
- The IFC **Green Finance – A Bottom-Up Approach to Track Existing Flows** report suggests a new approach to assess and track green finance, focusing on the banking sector, to understand the current status of green lending and provide recommendations on how to better align different approaches to measuring green finance.
- The Climate Bonds Initiative **Green Infrastructure Investment Opportunity** reports identify and analyze green infrastructure projects open for potential investment.

Photo: Dominic Chavez / World Bank



2.3 Steps to develop a sustainable finance roadmap – Contextual Analysis

PHASE 3: CONTEXTUAL ANALYSIS

Goal: Assess the current level of sustainable finance development in the country, including initiatives and policy actions to date as well as major barriers hindering the uptake of sustainable finance. The [SBFN Country Reports](#) provide a good foundation from which to begin a contextual analysis. Chapter 5 of the toolkit also provides case studies and further illustration of how the analysis was conducted by SBFN member countries.

- **Review the national financial system structure**, including the remit and set up of the financial market (where relevant, country Financial Sector Assessment Programs can provide guidance), the composition of the system, relative market share of each subsector, latest developments and market trends.
- **Review major global and regional sustainable finance trends** relevant to the country. These may include commitments and actions by international or regional bodies (for example, EU, G20, ASEAN, SBFN, NGFS) and peer countries (for example, SBFN members). Peer learning and exchanges can also be organized as part of the process.
- **Review the current level of sustainable finance development in the country** including the policy environment development, market-based initiatives, implementation of existing frameworks, as well as awareness and practices of local financial institutions. A survey or mapping of relevant projects and initiatives related to sustainable finance can also illuminate the current situation.
- **Conduct stakeholder mapping** to understand all participants that may be involved in or affected by the roadmap.
- **Analyze the key barriers** hindering the uptake of sustainable finance in the country. These may be technical (for example, no common definition of green/social/sustainable finance), or institutional (such as limited coordination between stakeholders), or relate to policy (for example, lack of sustainable finance policy incentives), market (for example, lack of sustainable pipeline projects), or capacity (for example, limited technical knowledge of FI front staff). The analysis may also identify general challenges, such as the underdevelopment of capital markets.

2.3 Steps to develop a sustainable finance roadmap – Contextual Analysis (cont.)

Toolbox 3:

- The [SBFN Global Progress Report and Country Reports](#) are the most comprehensive benchmarking of national sustainable finance initiatives globally and **offer a useful overview of the state of sustainable finance in SBFN member countries and specific features country by country.**
- The reports apply a robust measurement framework agreed on by all SBFN members. It allows countries to track and review progress on sustainable finance against global benchmarks and identify gaps, future policy pathways and areas in need of further capacity and technical intervention. 41 country progress reports were published in 2021.
- The [2021 Measurement Framework & Methodology*](#) consists of 75 indicators and underlying data points across three core pillars of sustainable finance: 1) ESG integration, 2) climate-risk management, and 3) financing sustainability. The methodology is updated regularly in line with member needs and innovations as well as global developments and trends.



ESG Integration refers to the management of environmental, social, and governance (ESG) risks in the governance, operations, lending, and investment activities of financial institutions.



Climate-related Risk Management refers to new governance, risk management, and disclosure practices that financial institutions can use to mitigate and adapt to climate change.



Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, taxonomies, monitoring, and incentives.



Pillar 1: ESG Integration

- National framework
- Alignment with international goals and standards
- Alignment with national goals and strategies



Pillar 2: Climate- related Risk Management

- Overall approach and strategy
- Technical guidance
- Supervisory activities and incentives
- Tracking and aggregated disclosure



Pillar 3: Financing Sustainability

- Strategy and governance
- Organizational structure and capacity
- Policies and procedures
- Tracking, reporting, and disclosure

Subpillar 1: Strategic Alignment

Subpillar 2: Regulatory and Industry Association Actions

Subpillar 3: Expectations of Financial Institution (FI) Actions

*The 2023 Measurement Framework is currently under consultation.

2.4 Steps to develop a sustainable finance roadmap - Formulation

PHASE 4: FORMULATION

Goal: Develop a draft roadmap document by defining, prioritizing and sequencing measures to include in the roadmap, including timelines, targets, roles, and responsibilities.

- Based on international experience, global good practices, and a country-specific assessment, **research, analyze and compare different financial sector actions** to address identified gaps.
- **Create a long-list of measures** that need to be undertaken. The next chapter provides an overview of different measures that are commonly included in sustainable finance roadmaps and are essential to accelerate sustainable finance.
- **Prioritize and sequence measures** based on urgency, level of impact, feasibility, cost-effectiveness and dependencies; and identify detailed and concrete recommended activities for each measure. Some activities can be prerequisites for deeper reforms. Where required, engage other key stakeholders in this process.
- **Identify the timeline, responsible entity, and budget** for each action. If detailed budgets cannot be drawn up, an indication of the level of cost required (for example, high/medium/low cost) can facilitate the sequencing and prioritizing of measures.
- **Add quantitative and qualitative targets** where possible.

Toolbox 4:

- As part of this toolkit, SBFN developed an [Excel-based mapping and benchmarking tool](#) for countries to compare existing sustainable finance roadmaps and identify actions and measures that are commonly included in roadmaps.
- The [SBFN Framework library](#) is a comprehensive and searchable collection of national sustainable finance framework documents introduced by members to date. It includes national roadmaps, policies, regulations, voluntary principles, guidelines, research, templates, taxonomies, and tools to guide and enable sustainable finance in emerging markets.

2.5 Steps to develop a sustainable finance roadmap - Consultation

PHASE 5: CONSULTATION

Goal: Plan and conduct stakeholder consultations on the draft roadmap document to gain support and align understanding. These consultations may include:

- **Review of draft document** by approving entities;
- **Consultations with the core working group;** and
- **Broader consultations,** including government agencies, financial institutions, industry and professional associations, international partners, NGOs, academia, and others. See the previous section for suggestions on stakeholders to be engaged.

These consultations can be organized through working groups, roundtable discussions, surveys, written feedback, public review periods, and interviews.



Photo: Grant Ellis / World Bank

2.6 Steps to develop a sustainable finance roadmap – Approval & Implementation

PHASE 6: APPROVAL AND IMPLEMENTATION

Goal: Approve and promote the roadmap and set up adequate implementation mechanisms.

- **Publish and promote the document** to signal policy commitment and enable market readiness.
- Develop a **detailed action plan, budget, and implementation arrangements** (institutional coordination, working groups, and so forth).
- Design a **capacity-building plan** to ensure the development of organizational capacities required for the implementation of the roadmap.
- Set up **monitoring and reporting systems**, including performance indicators and reporting schedules, templates or formats, to measure the implementation of the roadmap. Monitoring and reporting forms may include:
 - Monitoring and reports from institutions responsible for implementation of the roadmap
 - Monitoring and reports from financial institutions
 - Regular public engagement to update core stakeholders on progress
 - Periodic revision of the roadmap in line with policy developments and market needs
- Establish **accountability mechanisms**, to sustain momentum and prevent policy reversals.

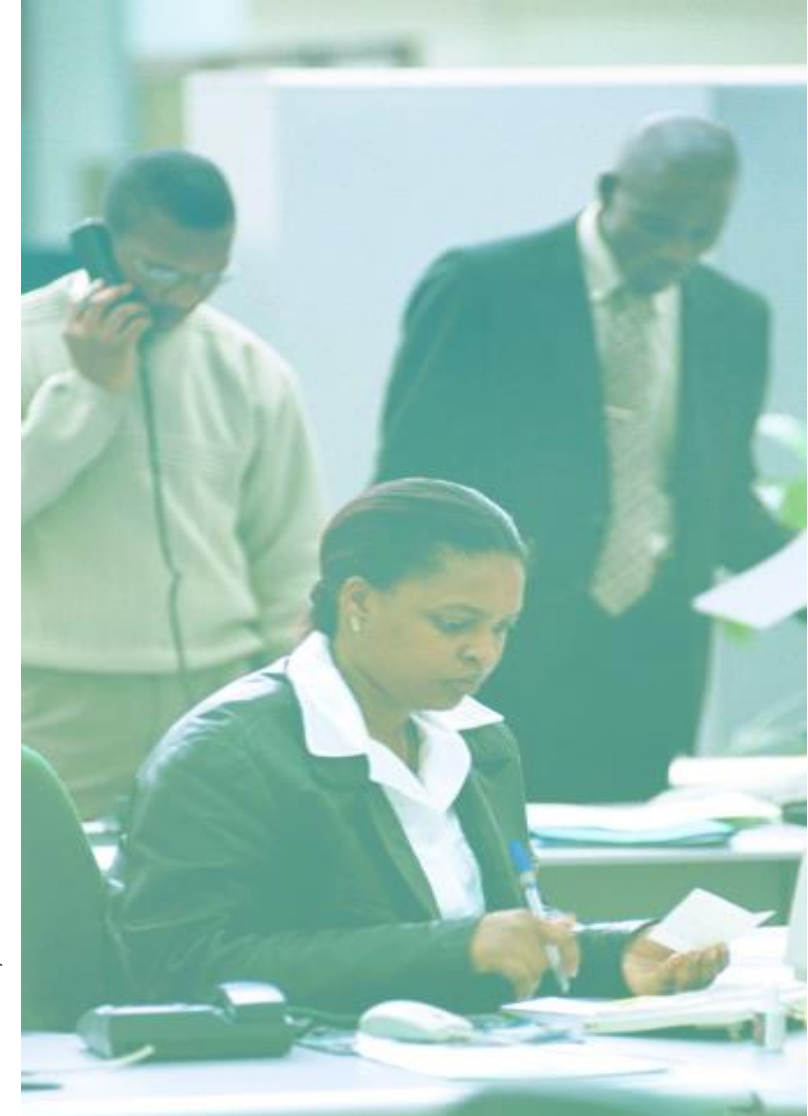


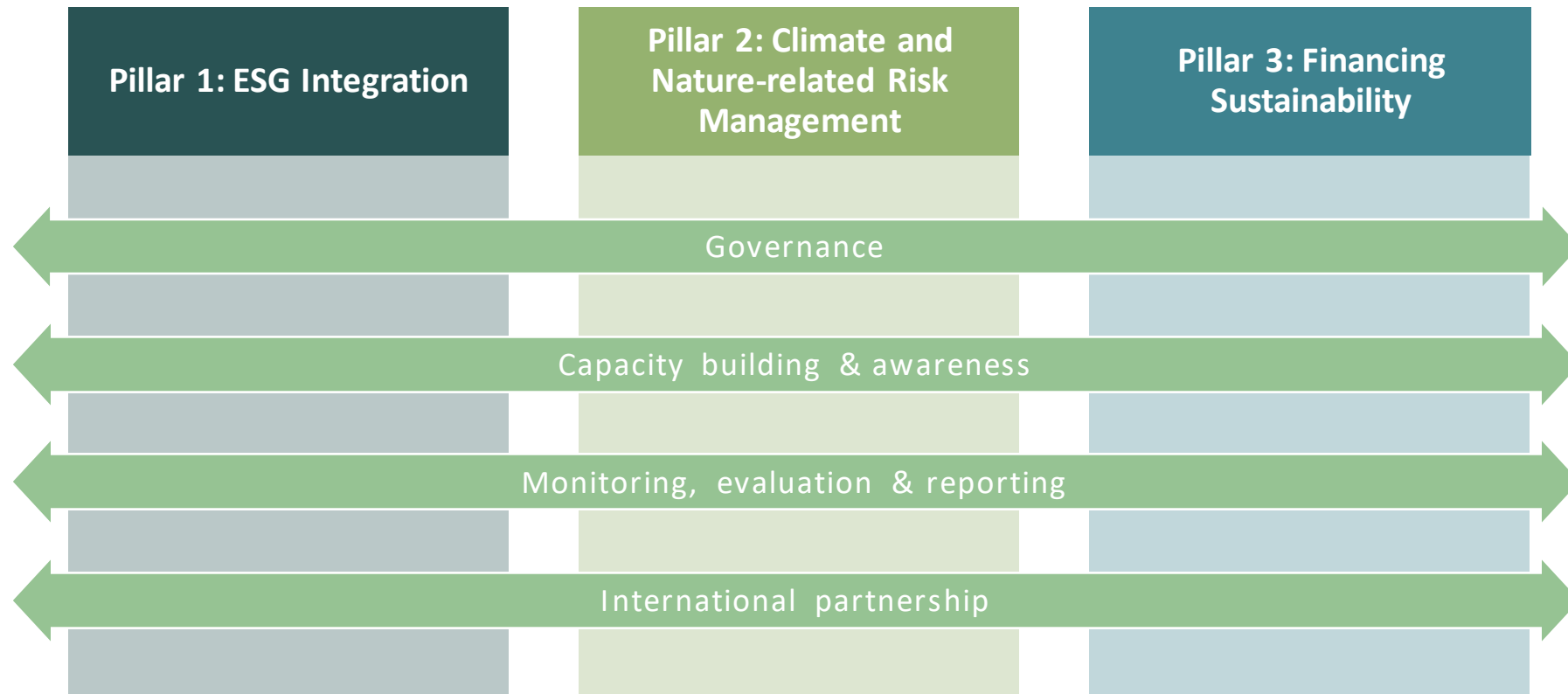
Photo: Eric Miller/World Bank



Chapter 3. Content and measures to include in a sustainable finance roadmap

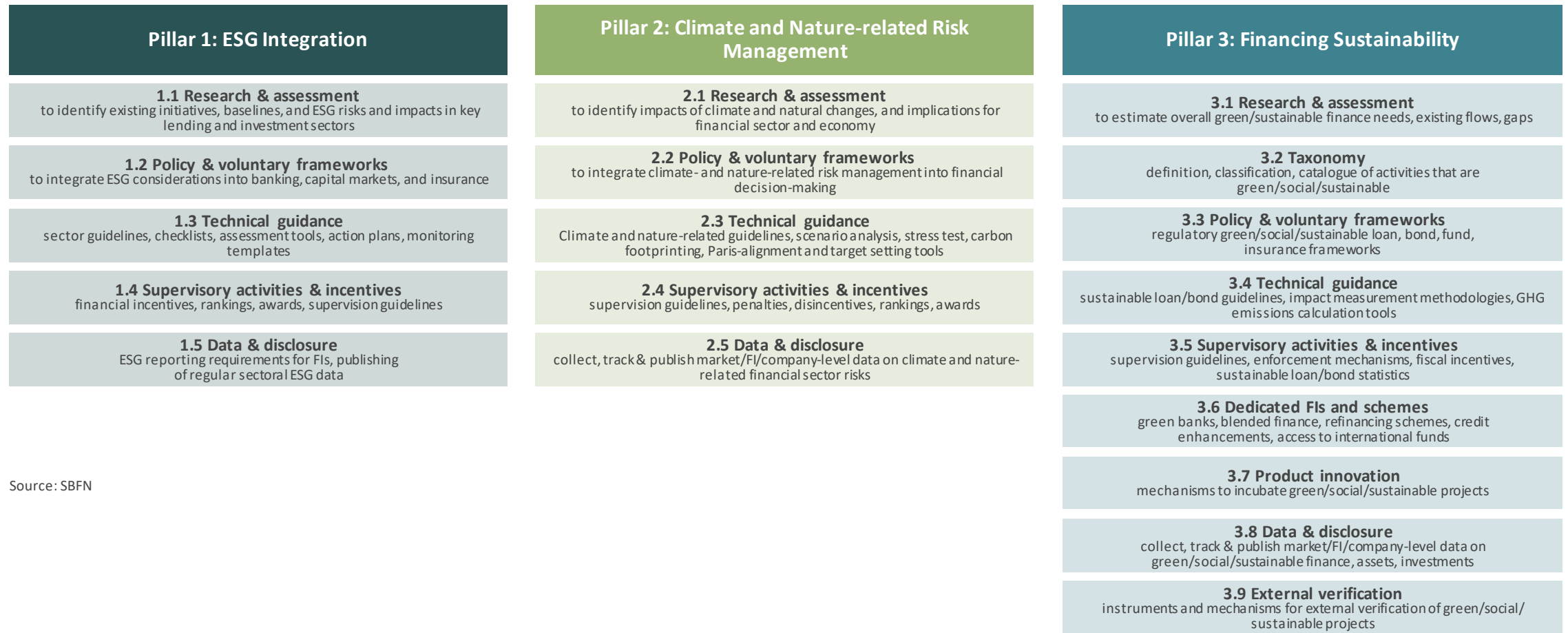
Content of a sustainable finance roadmap

Sustainable finance roadmaps are tailored frameworks reflecting the country's (or a region's) sustainable development aspirations, unique needs and opportunities. The frameworks should cover characteristics of the financial sector, institutional arrangements, and socioeconomic context. The scope and content of each roadmap can vary from country to country, but common reforms and activities have been observed among SBFN member roadmaps, as summarized in this section, in line with the SBFN Measurement Methodology.



Source: SBFN

Defining the content of a sustainable finance roadmap



Source: SBFN



Defining the content of a sustainable finance roadmap – ESG Integration

PILLAR 1: ESG INTEGRATION

1.1 Research and assessment

Description	Facilitation of market research or assessment to identify existing initiatives, baseline awareness, needs, challenges, expectations or key ESG risks and impacts in major lending and investment sectors.
Examples	<ul style="list-style-type: none"> ● Brazil – Report on Social, Environmental and Climate-related Risks and Opportunities (2020) ● Cambodia – Analysis of Banking Sector E&S Risks and Opportunities (2020) ● China – Impact of Environmental Factors on Credit Risk of Commercial Banks (2016) ● Mongolia – ESG risk management baseline assessment among banks (2014), non-bank financial institutions (2021), and listed companies (2020)* ● Vietnam – thematic reports on ESG risks in the credit granting process of credit institutions*
Relevant standards/resources	<ul style="list-style-type: none"> ● Sustainable Development Goals ● IFC FIRST for Sustainability website ● IFC Performance Standards on Environmental and Social Sustainability ● IFC Corporate Governance Methodology ● EBRD E&S risk overview sheet

*Source: [SBFN Global and Country Progress Reports](#) (2021 & 2022)

Defining the content of a sustainable finance roadmap – ESG Integration

PILLAR 1: ESG INTEGRATION

1.2 Policies & voluntary frameworks on ESG Integration

Description	<p>Development of policies, regulatory requirements, or voluntary frameworks to integrate environmental, social and governance risk management considerations into financial decision-making of banks, nonbank financial institutions, capital markets, asset managers and owners, insurance companies and nonfinancial service providers, introduced by financial regulators or industry associations. See Tip Box 1 for the key expectations/requirements for financial institutions defined as part of ESG integration policy frameworks and principles.</p>
Implementation examples	<p>Policy/regulatory framework examples:</p> <ul style="list-style-type: none"> ● Bangladesh Bank Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions (2022) ● Brazil Resolution on Social and Environmental Responsibility for Financial Institutions (2014) ● China Green Credit Policy (2007), Green Credit Guidelines (2012), and Green Finance Guidelines (2022) ● Colombia CE07-2021 for Mandatory Pension Funds (with ESG requirements) (2021) and Corporate Governance Code of Commercial Banks (2021) ● Honduras Standard for Management of Environmental and Social Risk Applicable to Institutions of FS (2020) ● Indonesia Application of Sustainable Finance to Financial Services Institutions, Issuers, and Publicly Listed Companies (2022) ● Mexico Requirement to Integrate ESG factors in Pensions Investment Decisions by 2022 (2019) ● Nepal Unified Directive for ESRM (2020) ● Peru Regulation for Social and Environmental Risk Management (2015) ● Philippines Sustainable Finance Framework (2020) and Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks (2022) ● South Africa Code for Responsible Investing in South Africa (2011) ● Thailand Investment Governance Code for Institutional Investors (I Code) — Including Guidelines for Responsible and Sustainable Investment (2017) ● Vietnam Directive on Promoting Green Credit Growth and Environmental and Social Risks Management in Credit Granting Activities (2015) <p>Voluntary framework examples:</p> <ul style="list-style-type: none"> ● Brazil Green Protocol – P2 (2008) and Framework for the Creation and Implementation of a Socio-environmental Responsibility Policy (2014) ● Cambodia Sustainable Finance Principles Implementation Guidelines – P1,2,3,7,8 (2019) ● Ecuador Sustainable Banking Protocol - P3 (2016) ● India National Voluntary Guidelines for Responsible Financing (2017) ● Kenya Sustainable Finance Principles and Guidelines – P3 (2015) ● Mongolia Sustainable Finance Principles and Guidelines – P1,2,3,4 (2015) ● Nigeria Sustainable Banking Principles Guidance Note and Sector Guidelines – P1,2,6 (2012) ● Panama Guide for the Reporting and Voluntary Disclosure of ESG Factors – P2 (2021) ● South Africa Principles for Managing Environmental and Social Risks (2015) ● Turkey Framework for Compliance with Sustainability Principles (2020)

Defining the content of a sustainable finance roadmap – ESG Integration

PILLAR 1: ESG INTEGRATION

1.2 Policies & voluntary frameworks on ESG integration (cont.)

Relevant standards/ resources	<ul style="list-style-type: none">● Sustainable Development Goals● IFC Performance Standards● IFC Corporate Governance Methodology● WB/IFC Environmental, Health and Safety Guidelines● Equator Principles● Principles for Responsible Investment● Principles for Responsible Banking● Principles for Sustainable Insurance● Green Investment Principles● IFC FIRST for Sustainability website
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Defining the content of a sustainable finance roadmap



Tip Box 1: The following are the main expectations/requirements for financial institutions defined as part of ESG integration policy frameworks and principles:

- Approval of ESG risk-management policy/strategy by the board of directors or supervisory board
- Definition of roles and responsibilities to implement ESG risk management
- Allocation of budget to implement ESG risk management
- Development and implementation of ESG training programs
- Incentives for ESG risk management (for example, linking executive remuneration to ESG KPIs)
- Policies/procedures to identify, classify, measure, monitor, and manage ESG risks and performance throughout the financing cycle
- Regular review and monitoring of ESG risk exposure at aggregate portfolio level
- External inquiry/complaints/grievance mechanism for stakeholders in relation to ESG practices
- Reporting on ESG risk management performance both internally (executive committee, board) and externally (for example, regulator, industry association, annual reports)
- Tracking of credit risk (for example loan defaults) and/or financial returns in relation to ESG risk level

Source: SBFN



Photo: Gerardo Pesantez / World Bank

Defining the content of a sustainable finance roadmap – ESG Integration

PILLAR 1: ESG INTEGRATION

1.3 Technical guidance

<p>Description</p>	<p>Development of mandatory or non-mandatory guidelines and other types of tools that set out in detail how to integrate the management of environmental, social and governance risk considerations into the management systems and due diligence processes of financial institutions (banks, nonbank FIs, capital markets, insurance companies, investors) usually as required by financial regulators or industry associations. These may include:</p> <ul style="list-style-type: none"> ● Environmental and social management system design and implementation guidance ● Sector-specific guidelines and risk categorization list ● ESG due diligence handbooks/tools/checklists ● Guidance on integrating ESG into credit rating ● ESG action plan/monitoring templates ● ESG reporting templates ● ESG benchmarking/assessment tools for FIs and companies
<p>Examples</p>	<ul style="list-style-type: none"> ● Bangladesh ESRM Guideline (2022) and ESDD Risk Assessment Tool (2022) ● China Green Credit Policy (2007), Green Credit Guidelines (2012), and Green Finance Guidelines (2022) ● Colombia Technical Document on ESG and Climate Disclosure (2021), General Guidelines for the Implementation of E&S Risk Analysis (2016) ● Ecuador Sector Guides to Enhance Banks' Environmental and Social (E&S) Risks and Mitigation Strategies (2021) ● Georgia ESG Reporting and Disclosure Principles ● Ghana Sector Guidance Notes (2019) ● Mexico ESG Guide (2019) ● Mongolia Environmental and Social Management System Guidelines (2015) ● Nepal Guideline on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions, ESDD Checklist and Risk Rating Tool (2018) ● Paraguay Sector Guidelines (2016) and Guidelines for the Management of Environmental and Social Risks (2018) ● Philippines Circular - Environmental and Social Risk Management Framework (2021) and Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System (2022) ● Vietnam Handbook on Social and Environmental Risk Assessment (2018)
<p>Relevant standards/resources</p>	<ul style="list-style-type: none"> ● IFC ESMS Diagnostic Toolkit for FIs ● IFC FIRST for Sustainability website ● IFC Corporate Governance Methodology ● CDC Group Toolkit on ESG for fund managers ● FMO E&S risk assessment tools ● EBRD E&S supporting tools and toolkit ● Equator Principles

Defining the content of a sustainable finance roadmap – ESG Integration



Tip Box 2: A sample environmental and social management system:



Image adapted from www.firstforsustainability.org

Defining the content of a sustainable finance roadmap – ESG Integration

PILLAR 1: ESG INTEGRATION	
1.4 Supervisory activities and financial policies	
Description	<p>Design and setup of supervisory and policy mechanisms to support the implementation of ESG rules, principles and other frameworks, such as:</p> <ul style="list-style-type: none"> ● Fiscal policies: integration of ESG risk screening into public procurement policies and public investments, environmental tax, polluter penalties ● Supervisory actions and financial policies: for example, introducing ESG factors into credit scoring, inclusion of ESG risk management requirements into Supervisory Review and Evaluation Process (SREP), updating of supervisory rating system to account for ESG risk management, inclusion of ESG risk management requirements into bank licensing requirements or listing rules, issuance of ESG risk requirements for financing/relending schemes ● Incentives: for example, financial incentives, ESG indices and rankings, ESG awards <p>Separate measures should be introduced for different parts of the financial sector such as banking, capital markets and insurance.</p>
Examples	<ul style="list-style-type: none"> ● Bangladesh Bank Sustainability Rating of Financial Institutions (2020) ● China Notice of Green Finance Performance Evaluation Program (2018), Banking Sector Financial Institution Green Finance Assessment Plan (2021) ● Georgia Corporate Governance Code for Commercial Banks ● Iraq ESG Scorecard Report for the Iraqi Banks (2023) ● Italian Central Bank Information on New ESG Criteria ● Mexico ESG Index ● Mongolia Annual Sustainable Finance Performance Assessment and Best Sustainable Financial Institution Award* ● Vietnam Annual Outstanding Bank Award*
Relevant standards/ resources	<ul style="list-style-type: none"> ● IOPS Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk Management of Pension Funds (2019) ● IOSCO Recommendations on Sustainability-related Practices, Policies, Procedures and Disclosure in Asset Management (2021) ● IOSCO Sustainable Finance and the Role of Securities Regulators (2020) ● IOSCO Report on Sustainability-related Issuer Disclosures (2021) ● UN SSE How securities regulators can support the Sustainable Development Goals – A sharing of experiences (2018) ● UN SSE Action Plan to Make Markets Climate Resilient: How stock exchanges can integrate the TCFD recommendations (2021)

*Source: [SBFN Global and Country Progress Reports \(2021 & 2022\)](#)

Defining the content of a sustainable finance roadmap – ESG Integration

PILLAR 1: ESG INTEGRATION	
1.5 Data & aggregated disclosure	
Description	<p>Design, improvement or expansion of mechanisms to collect, track or regularly publish data related to ESG integration by financial institutions such as ESG due diligence portfolio reports, regular ESG reports, requirements or guidelines to integrate ESG information into annual reports, development of common ESG reporting metrics, development of aggregate ESG corporate reports or incorporation into financial stability reports, creation of ESG information databases and methodologies for environmental accounting.</p> <p>Separate measures should be introduced for different parts of the financial sector such as banking, capital markets and insurance.</p>
Examples	<ul style="list-style-type: none"> • China Green Credit KPI (2014), Guidelines on Environmental Information Disclosure for Financial Institutions (2021) and National database for disclosed information on credit, which includes information on environmental compliance of nonfinancial firms • Colombia CE031-2021 for Disclosure of Information on Social and Environmental Issues, Including Climate (2021), Guide for the Preparation of ESG Reports for Issuers in Colombia (2020) • Georgia ESG Reporting and Disclosure Principles (2020) • Ghana central bank reporting requirements as part of the Ghana Sustainable Banking Principles (2019) • India Business Responsibility and Sustainability Reporting by Listed Entities (2020) • Mexico Request to Issuers Regarding the Disclosure of Environmental, Social and Corporate Governance Information (2020) • Mongolia Semi-annual sustainable finance voluntary reporting template for FIs (2015), Central Bank directive to include sustainable finance performance in annual reports (2017)*, and ESG reporting guideline for listed companies (2022) • Morocco CSR and ESG Reporting Guidelines (2017) • Nigeria Sustainability Disclosure Guidelines (2018) and Reporting Template on Sustainable Financial Principles for the Capital Market (2019), Reporting Template – Sustainable Banking Principles • Philippines Sustainability Reporting Guidelines for Publicly Listed Companies (2019)
Relevant standards/ resources	<ul style="list-style-type: none"> • SBFN Data and Disclosure Working Group • World Benchmarking Alliance • Global Reporting Initiative • Sustainability Accounting Standards Board (SASB) • IFC Toolkit for Disclosure and Transparency • International Integrated Reporting Council (IIRC) • International Sustainability Standards Board (ISSB) • IFRS [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information • UN Sustainable Stock Exchange Initiative (SSEI)

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

PILLAR 2: Climate- and nature-related risk management

2.1 Research & assessment

Description	<p>Facilitation of research or assessment studies with published results to identify:</p> <ul style="list-style-type: none"> ● Historical impacts to the economy and financial sector from climate change, nature and biodiversity, and/or future expected impacts resulting from physical and transition climate- and nature-related risks (including stress testing and scenario analysis); ● GHG emissions (relative contributions by key sectors); ● Potential investment opportunities from climate change and nature; ● Challenges, barriers, and possible solutions; and ● Cross-border implications of identified risks and impacts.
Examples	<ul style="list-style-type: none"> ● Brazil Implementing the Task Force on Climate-related Disclosure (TCFD) Recommendations: A Roadmap for the Brazilian Banking Sector (2019) ● China Impact of Environmental Factors on Credit Risk of Commercial Banks (2016) and Stress tests on the credit quality of thermal power industry loans in response to transition risk ● Colombia Risks and Opportunities of Climate Change (English) (2019), Climate Change: Policies to Manage Its Macroeconomic and Financial Effects (2020), and Not so Magic Realism: A Climate Stress Test of the Colombian Banking Sector (2021), ● Georgia Climate-related Risk Radar for Georgian Economic Sectors and its Application for the Financial Sector (2022) ● Kenya Environmental Risk Exposure in the Kenyan Banking Sector (2022) ● India Report of the Survey on Climate Risk and Sustainable Finance (2022) ● Mexico Climate and Environmental Risk and Opportunities in Mexico's Financial System (2020) ● Morocco Country Climate and Development Report (2022) ● Philippines Report on the Roles of ASEAN Central Banks in Managing Climate and Environment-Related Risks (2020), Impact of Extreme Weather Episodes: Evidence Using Branch-Level Supervisory Data (2020) ● South Africa Working Paper – Climate Change and its Implications for Central Banks in Emerging and Developing Economies (2020) and Just Transition and Climate Pathways Study – Decarbonising South Africa's Power System report (2021). ● France Central Bank Climate Risk Assessment – Financial Stability Focus (2020) ● Netherlands Central Bank Climate Risk Assessment – Financial Sector (2017) and Transition Stress Test (2018) ● Bank of England Climate Risk Assessment – Banking Sector (2018) ● European Central Bank Economy-wide Climate Stress Test (2021)
Relevant standards/ resources	<ul style="list-style-type: none"> ● World Bank Toolkits for Policy Makers to Green the Financial System Toolkit 6 World Bank Climate Change Knowledge Portal (CCKP) ● Task Force on Climate-related Disclosure (TCFD) Recommendations Task Force on Nature-related Disclosure (TNFD) Recommendations ● NGFS Guide to Climate Scenario Analysis for Central Banks and Supervisors NGFS Climate Scenarios for Central Banks and Supervisors (updated version released Sep 2022) ● FSB The Implications of Climate Change for Financial Stability ● IMF Climate Change Indicators Dashboard ● UNEP FI Portfolio Impact Analysis Tool and Drought Stress Testing Tool ● BCBS Climate-related Risk Drivers and their Transmission Channels BCBS Climate-related Financial Risks – Measurement Methodologies ● BCBS Principles for the Effective Management and Supervision of Climate-related Financial Risks

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk



Tip Box 3: Conducting a climate and environmental risk assessment

1. Preparation phase

- Set up a project organization with a core project team, a steering group, and a broad network of specialists
- Develop a project plan
- Set up interviews with financial institutions, environmental specialist, scientists and other experts
- Develop a qualitative survey for financial institutions
- Develop a data request (template covering physical and transition risks)
- Determine which climate-related and environmental risks are applicable
- Determine how these risks are transmitted through the economy to the financial sector

2. Analytical phase

- Assess quantitative and qualitative information
- Determine the climate-related and environmental exposures in the financial sector in terms of financial risks (including credit risk, operational risk, market risk)
- Develop a few extreme but plausible scenarios or set up vulnerability assessments of exposures to the risks
- Conduct a stress test or a sensitivity test to estimate the potential magnitude of the risks, and determine losses and impact on prudential ratios and/or other risk indicators

3. Concluding phase

- Develop a storyline (main findings and conclusions), supported by data and pictures
- Determine a supervisory response to the findings from the assessment, including recommendations for supervision, policymakers and financial institutions
- Publish a report and organize media events to share results with internal and external stakeholders
- Set the key indicators that will help monitor the climate-related and environmental risks

Source: Based on: World Bank input for NGFS report.

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

PILLAR 2: Climate- and nature-related risk management

2.2 Policies & voluntary frameworks on climate- and nature-related risk management

Description	<p>Development of policies, regulatory requirements, or voluntary frameworks setting expectations for FIs to integrate climate- and nature-related risks into financing and business operations, including governance, strategy, risk assessment and risk management, and disclosure requirements for banks, nonbank financial institutions, capital markets, investors and asset managers, and insurance companies. In some countries, measures related to climate- and nature-related risk management are integrated into overall ESG risk management frameworks. See Tip Box 4 for the recommended coverage of the framework.</p>
Examples	<p>Policy/regulatory frameworks:</p> <ul style="list-style-type: none"> ● Bangladesh Bank Green Banking Policy and Guidelines (2011) ● Morocco Regulatory Directive Calling on Banks to Address Climate and Environmental Financial Risk (2021) and Banks and Climate Charter (2016) ● Costa Rica Draft Regulation for the Management of Environmental, Social and Climate Related Risk in the Loan Portfolios of FIs (2019) ● Philippines Sustainable Finance Framework Circular (2020) ● Georgia Corporate Governance Code for Commercial Banks ● Kazakhstan Stock Exchange Listing Requirements (2021) ● New Zealand Reserve Bank of New Zealand Climate Change Strategy (2018) ● UK Bank of England Supervisory Statement – Enhancing Banks’ and Insurers’ Approaches to Managing the Financial Risks from Climate Change ● France Article 29 of Law No. 2019-1147 (Energy-Climate Law) ● Germany BaFin Guidance Notice on Dealing with Sustainability Risks ● European Central Bank Detailed Roadmap of Climate-change Related Actions <p>Voluntary frameworks:</p> <ul style="list-style-type: none"> ● Brazil Implementing the TCFD Recommendations: A Roadmap for the Brazilian Banking Sector (2019) ● Brazilian Federation of Banks self-regulation on E&S risk management (updated to include climate risk)* ● Mongolian Sustainable Finance Principles (updated in 2022 to include climate risk considerations) ● Thailand Sustainable Banking Guidelines for Responsible Lending (2019)
Relevant standards/ resources	<ul style="list-style-type: none"> ● (please see next slide for the full list)

*Source: [SBFN Global and Country Progress Reports](#) (2021 & 2022)

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

PILLAR 2: Climate- and nature-related risk management

2.2 Policies & voluntary frameworks on climate- and nature-related risk management (cont.)

Relevant standards/ resources

- World Bank [Toolkits for Policy Makers to Green the Financial System - Toolkit 7](#)
- [A World Bank Guide for Sovereign Debt Managers – Engaging with Investors on Environmental, Social, and Governance \(ESG\) Issues](#)
- [Task Force on Climate-related Disclosure \(TCFD\) Recommendations](#)
- [Task Force on Nature-related Disclosure \(TNFD\) Recommendations](#)
- NGFS [Guide for Supervisors Integrating climate-related and Environmental Risks Into Prudential Supervision](#)
- BCBS [Principles for the Effective Management and Supervision of Climate-related Financial Risks](#)
- BCBS [Climate-related Financial Risks: A Survey on Current Initiatives](#)
- BCBS [Climate-related financial risks – Measurement Methodologies](#)
- BCBS [Climate-related Risk Drivers and their Transmission Channels](#)
- ECB [Guide on Climate-related and Environmental Risks](#)
- Financial Stability Board (FSB) [Recommendations on Supervisory and Regulatory Approaches to Climate-related Risks](#)
- International Association of Insurance Supervisors (IAIS) [Issues Paper on the Implementation of the Recommendations of the TCFD](#)
- IAIS [Global Insurance Market Report special edition on The Impact of Climate Change on the Financial Stability of the Insurance Sector](#)
- IAIS [Application Paper on the Supervision of Climate-related Risks in the Insurance Sector](#)
- IAIS [Issues Paper on Climate Change Risks to the Insurance Sector](#)
- IAIS [Response to ISSB Exposure Draft on Climate Disclosure](#)
- IFRS [\[Draft\] IFRS S2 Climate-related Disclosures](#)
- IOSCO [Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management](#) (2021)
- IOSCO [Sustainable Finance and the Role of Securities Regulators](#) (2020)
- IOSCO [Report on Sustainability-related Issuer Disclosures](#) (2021)
- [IMPACT+ Principles for Climate Aligned Finance](#)
- International Organization of Pension Supervisors (IOPS) [Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk Management of Pension Funds](#) (2019)
- UN SSE [Model Guidance on Climate Disclosure: A template for stock exchanges to guide issuers on TCFD implementation](#) (2021)
- UN SSE [Model Guidance on Reporting ESG Information to Investors: A Voluntary Tool For Stock Exchanges to Guide Issuers](#) (2015)
- [Alliance for Green Commercial Banks](#)
- [UN Net-Zero Asset Owner Alliance](#)
- [UN Net-Zero Banking Alliance](#)
- [UN Net-Zero Insurance Alliance](#)
- [UN Sustainable Stock Exchange Initiative \(SSEI\)](#)
- [Paris Aligned Investment Initiative](#)
- [Center for Climate Aligned Finance](#)

Defining the content of a sustainable finance roadmap

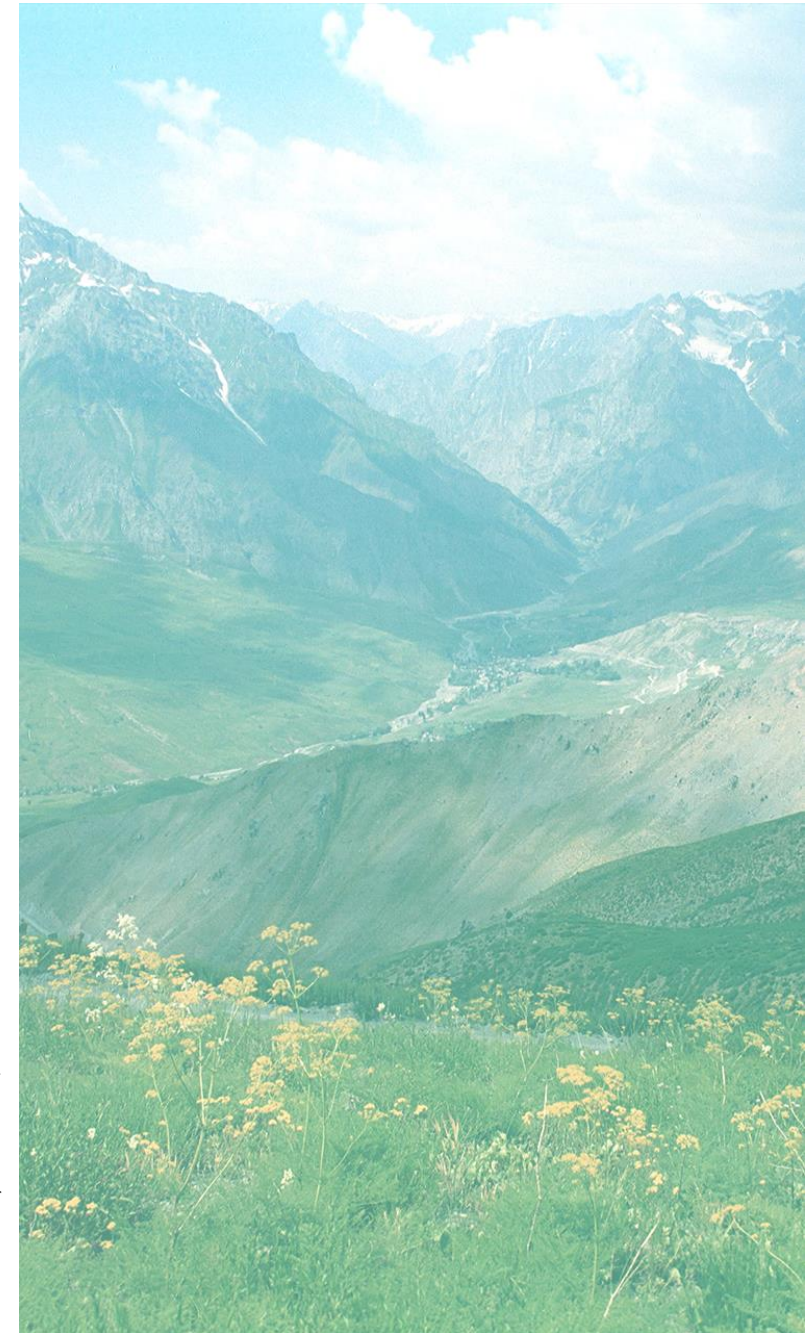


Tip Box 4: The following are some best practices for financial institutions defined as part of climate- and nature-related risk management policy frameworks and principles:

- Approval of climate- and nature-related risk management policy/strategy by the board of directors/supervisory board
- Definition of roles and responsibilities in identifying, assessing, and managing climate- and nature-related financial risks and opportunities
- Establishment/integration of climate- and nature-related risk considerations into existing risk management procedures and processes
- Identification, measurement, and reporting on exposure to sectors which are vulnerable to transition risk and physical risk (for example, scenario analysis, stress testing)
- Adopt performance targets to reduce portfolio greenhouse gas (GHG) emissions: track and report on a regular basis
- Adopt performance targets to reduce exposure to climate change risks at the portfolio level: track and report on a regular basis
- Report on the overall climate- and nature-related risk management approach both internally (executive committee, board) and externally (for example, regulator, industry association, annual reports), in line with international standards such as TCFD, TNFD, CDP

Source: SBFN

Photo: Gennadiy Ratushenko / World Bank



Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

Overview good practice recommendations for Pillar II

Element	Good practices on the scope of supervisory guidance
I. Governance	<ul style="list-style-type: none"> • Adopt performance targets to reduce portfolio greenhouse gas (GHG) emissions: track and report on a regular basis • Adopt performance targets to reduce exposure to climate change risks at the portfolio level: track and report on a regular basis • Report on the overall climate- and nature-related risk management approach both internally (executive committee, board) and externally (for example, regulator, industry association, annual reports), in line with international standards such as TCFD, TNFD, CDP
II. Strategy	<ul style="list-style-type: none"> • Adopt long-term view, beyond the standard business planning horizon (of 3–5 years) to inform strategic direction and assess long-term business model impact • Use results from (qualitative/quantitative) scenario and sensitivity analysis to inform strategy-setting process and ensure future business model viability • Have execution capabilities in place to ensure the business strategy is cascaded down to individual business and product lines
III. Risk Management	<ul style="list-style-type: none"> • Risk identification process considers short- and long-term risks, using forward-looking data • Risk assessment informs understanding of the current and potential future impacts of physical and transition risk factors on clients, counterparties and investees • Use of quantitative or qualitative tools and metrics⁵ to monitor (changes in) exposure to climate-related and environmental risks and develop Management Information (MI) reporting • Climate-related and environmental risks are integrated into the Internal Capital Adequacy Assessment Process (ICAAP) or insurers' Own Risk and Solvency Assessment (ORSA), including all material exposures relating to climate change; an assessment of how the materiality of exposures is determined in the context of the business (where the risk is not deemed material, firms are expected to provide evidence of this conclusion) and sensitivities to longer term business plan (based on longer term scenario analysis) • Develop mitigation plans for different material exposures scenarios (such as reducing concentrations) • Measures and frameworks are in place to ensure preparedness for natural disasters and other immediate environmental crises
IV. Stress Testing and Scenario Analysis	<ul style="list-style-type: none"> • Conduct (qualitative/quantitative) scenario analysis to test the resilience of the long-term business model and capital adequacy against a plausible set of future scenarios • Use stress testing, scenario or sensitivity analysis to assess material exposure to climate risk and impact on solvency, liquidity or ability to cover insurance pay outs • Ensure that scenario analysis or stress testing covers both short (for example 1–3 years), medium (3–5/10 years), and longer-time horizons (10 years or more)
V. Disclosure	<ul style="list-style-type: none"> • Disclose information and metrics on exposure to climate-related and environmental risks, their potential impact and how those risks are managed (in line with the TCFD recommendations) • Demonstrate transparency by integrating climate-related and environmental disclosures into existing disclosure practices • Integrate climate risk into Basel Pillar 3 disclosures • Encourage client disclosure through ownership of financial assets and active client engagement

⁵ These could include transition-sensitive sector exposures, internal carbon pricing, implied temperature rise models. For an overview of climate related financial risk measurement methodologies for banks see BCBS (2021)

Source: [World Bank Toolkits for Policy Makers to Green the Financial System Toolkit](#)

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

PILLAR 2: Climate- and nature-related risk management

2.3 Technical guidance

<p>Description</p>	<p>Development of mandatory or voluntary guidelines, risk assessment approaches and other types of tools for banks, nonbank FIs, capital markets, investors, insurance companies, and credit rating agencies to implement frameworks mentioned in 2.2 and assess and manage the financial sector's exposure to climate- and nature-related risk. These may include:</p> <ul style="list-style-type: none"> ● Portfolio and transaction-level climate and nature risk assessment and management guidelines and tools ● Climate and natural exposure analysis ● Scenario analysis and stress testing guide ● Portfolio emissions/carbon footprint assessment tool ● Science-based target setting and Paris alignment tools ● Sector-specific guidelines
<p>Examples</p>	<ul style="list-style-type: none"> ● Australia Climate Vulnerability Assessment Guide (2021) And Explanatory Paper on Scenario Analysis ● Brazil Climate Risk Sensitivity Assessment Tool (2019), Measurement Guide of GHG Emissions in the Banking Sector (2020), Guide of Tools for Management of Climate Risks (2021) ● Georgia Climate-related Risk Radar for Georgian economic sectors and its Possible Application for the Financial Sector (2022) ● Ireland Draft Climate Change Risk Guidance for the Insurance Sector (2022) ● Japan TCFD Guidance 2.0 (2020) ● Kenya Guidance on Climate-Related Risk Management (2021) ● Mexico ESG and Climate Risk Analysis Tool (2020) and pilot exercise with the 2°Degrees Investing Initiative* ● South Africa Primer on Embedding Environmental Scenario Analysis into Routine Financial Decision Making (2018) ● European Central Bank Guide on Climate-related and Environmental Risks (2020) ● Netherlands Central Bank Integration of Climate-related Risk Considerations into Banks' Risk Management, Good Practice document (2019)
<p>Relevant standards/ resources</p>	<ul style="list-style-type: none"> ● Task Force on Climate-related Disclosure (TCFD) Recommendations Task Force on Nature-related Disclosure (TNFD) Recommendations ● Partnership for Carbon Accounting Financials (PCAF) ● Science-based targets ● Paris Agreement Capital Transition Assessment (PACTA) ● Transition Pathway Initiative (TPI) ● World Bank Climate Risk Screening Tool ● IFC Technical Guidance for Financial Institutions — Assessment of Greenhouse Gases ● UNEP FI The Climate Risk Landscape ● NGFS Guide to Climate Scenario Analysis for Central Banks and Supervisors ● NGFS Scenarios Portal ● NGFS Overview of Environmental Risk Analysis by Financial Institutions ● Equator Principles Guidance Note on Climate Change Risk Assessment

Defining the content of a sustainable finance roadmap



Tip Box 5: Example of a Paris-alignment starting guide for financial institutions

1. Secure senior-level commitment within the organization to align lending and investment portfolios with Paris goals and SDGs
2. Publicly communicate the institution's ambition and target to achieve Paris Alignment
3. Join an international or national initiative that has the objective of aligning with Paris goals
4. Set up an internal structure for the delivery of the project and allocate responsibilities to relevant teams
5. Design a strategy/project plan, including clear timelines for delivery of the project, as well as the mapping of interlinkages with other policy and regulations: for example, schemes for pricing of emissions
6. Pick a metric: in other words, given that the Paris Alignment process consists of different phases, pick a relevant methodology by sector, by step of the alignment process, or by asset class
7. Engage with experts, service providers or other relevant parties to support the analysis
8. Collect the required (for example asset/client-level) data (public, bilaterally from clients, external data providers)
9. Decide on the relevant reporting or disclosure mechanism (standalone report, as part of Annual Report) and report on the results
10. Get started – even if the approach is not perfect yet

Source: World Bank Toolkits-for-Policymakers-to-Green-the-Financial-System



Photo: Dana Smillie / World Bank

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

PILLAR 2: Climate- and nature-related risk management	
2.4 Supervisory activities & financial policies	
Description	<p>Design, improvement or expansion of mechanisms to support the implementation of climate- and nature-related risk management regulations, principles and other frameworks, such as:</p> <ul style="list-style-type: none"> ● Monetary policy: for example, negative screening or exclusion of assets with high climate risk from Central Banks investments, portfolio climate targets, issuance of climate-risk guidelines for financing or relending schemes, portfolio carbon assessments ● Fiscal policy: for example, integration of climate-risk screening into public procurement policies, adjusting taxes and subsidies to reflect climate-change risks and vulnerabilities (such as removal of fossil-fuel subsidies, introducing a carbon price) ● Macroprudential regulations: for example, setting limits on risk concentration, requiring capital add-ons to address concentration risk, expectations to integrate climate-related and environmental risks in banks' Internal Capital Adequacy Assessment Process (ICAAP) or insurers' Own Risk and Solvency Assessment (ORSA) ● Incentives: for example, financial incentives, rankings, best TCFD, TNFD-aligned report awards ● Supervisory actions: for example, assessing and monitoring implementation of FI expectations, inclusion of climate-risk analysis and management requirements into supervision frameworks (for example, SREP), targeted supervisory on-site assessments of climate-related and environmental risks, or updating of a supervisory rating system to account for climate and environmental risks. <p>Separate measures should be introduced for different parts of the financial sector such as banking, capital markets and insurance.</p>
Examples	<ul style="list-style-type: none"> ● Bank Al-Maghrib Work program on climate-related risks monitoring and supervision (2020) ● China Green Banking Guidelines (2020) ● Philippines Sustainable Finance Framework Circular ● France Central Bank fossil-fuel exclusions to its own investment portfolio ● Sweden's Riksbank climate risk-weightings to a portion of its forex reserves ● Bank of England application of climate targets to Corporate Bond Purchase Scheme ● European Central Bank takes further steps to incorporate climate change into its monetary policy operations
Relevant standards/ resources	<ul style="list-style-type: none"> ● World Bank Toolkits for Policy Makers to Green the Financial System - Toolkit 8 ● NGFS Guide for Supervisors Integrating climate-related and environmental risks into prudential supervision (2020) ● NGFS A Sustainable and Responsible Investment Guide for Central Banks' Portfolio Management (2019) ● NGFS Climate Change and Monetary Policy: Initial Takeaways (2020) ● NGFS Adapting Central Bank Operations to a Hotter World: Reviewing Some Options (2021) ● European Central Bank To Be or Not To Be "Green": How Can Monetary Policy React to Climate Change? (2021) ● BIS Incorporating Climate-related Risks into International Reserve Management Frameworks (2022)

Defining the content of a sustainable finance roadmap – Climate- and Nature-related Risk

PILLAR 2: Climate- and nature-related risk management	
2.5 Data & disclosure	
Description	Design, improvement or expansion of mechanisms to collect, track or regularly publish market-level and/or financial institution/company-level data on climate- and nature-related risk management , including disclosure requirements, disclosure guidelines, development of common reporting metrics, undertaking of periodic market surveys, development of periodic aggregate reports (for example, incorporated into financial stability reports), and setting up of databases.
Examples	<ul style="list-style-type: none"> ● Brazil New Regulation on Social, Environmental, and Climate-Related Risk Disclosures (2021) ● Colombia Biennial survey on “Climate Risks and Opportunities” to collect market-level data on climate-risk management approaches by FIs* ● Jamaica Financial Stability Report (2021) ● Philippines Sustainable Finance Framework Circular (guidance for banks to integrate climate and other ESG factors, including by providing detailed ESG disclosure in their annual reports) ● European Commission Directive on Corporate Sustainability Reporting (2021) ● UK Mandatory Climate and Carbon Emissions Disclosure for Large Companies (2021) ● Bank Of England’s Climate-related Financial Disclosure (2022) ● New Zealand Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act (2021) ● USA Guidance on Disclosure Related to Climate Change (2022)
Relevant standards/ resources	<ul style="list-style-type: none"> ● World Bank Toolkits for Policy Makers to Green the Financial System - Toolkit 10 ● Task Force on Climate-related Disclosure (TCFD) Recommendations ● Task Force on Nature-related Disclosure (TNFD) Recommendations ● Climate Disclosure Standards Board (CDSB) ● Climate Disclosure Project (CDP) ● Sustainability Accounting Standards Board (SASB) ● International Integrated Reporting Council (IIRC) ● International Sustainability Standards Board (ISSB) ● Sustainable Stock Exchange Initiative (SSEI) Model Guidance on Climate Disclosure (2021) ● Global Reporting Initiative (GRI)

*Source: [SBFN Global and Country Progress Reports](#) (2021 & 2022)

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.1 Research & assessment

Description	Facilitation of research or assessment to understand market landscape and estimate overall or sector-specific sustainable financing needs, existing flows, gaps, and priority sectors and potential pipeline projects. These assessments may include broader landscape assessments but also more specific needs assessments in targeted sectors/topics (for example, green finance, biodiversity finance, energy-efficient housing finance).
Examples	<ul style="list-style-type: none"> ● Bangladesh Green Bonds Development in Bangladesh. A market landscape (2019) ● Georgia Biodiversity Financial Needs Assessment (2018) ● Germany The Landscape of Climate Finance in Germany (2012) ● Kenya The Landscape of Climate Finance in Kenya Report (2021) ● South Africa Technical Paper on Financing a Sustainable Economy (2021) ● Vietnam Green Infrastructure Investment Opportunities (2020)
Relevant standards/resources	<ul style="list-style-type: none"> ● NDC Partnership Understanding NDC Financing Need ● IFC Climate Investment Opportunities in Emerging Markets ● IFC Green Finance – A Bottom-Up Approach to Track Existing Flows ● CBI Green Infrastructure Investment Opportunity

The IFC [Climate Investment Opportunities in Emerging Markets](#) Report identifies green investment opportunities in the following key sectors:



ENERGY:

Low carbon generation, energy efficiency, storage, smart grids, sustainable energy access



TRANSPORTATION:

Energy efficient components, fuels and logistics



WATER:

Capture, treatment, conservation, wastewater treatment, access



AIR & ENVIRONMENT:

Carbon credits, trading and offsets



BUILDINGS:

Low-carbon strategy, energy efficiency, sustainable materials, green buildings



MANUFACTURING:

Green chemicals, energy-efficient and renewable-energy supply chain, cleaner production



AGRICULTURE & FORESTRY:

Land management, low-carbon and adaptation strategies, biomass, biofuels, energy efficiency



RECYCLING & WASTE:

Recycling and waste treatment services

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.2 Taxonomy

Description	<p>Development of taxonomies, definitions, classifications, labeling, catalogue of activities or other similar frameworks to help financial sector to identify and encourage the allocation of capital to sustainable assets, sectors and projects.</p> <p>Examples of sustainable finance assets include, but are not limited, to green/climate/blue assets, social assets, sustainable assets, and transition assets.</p>
Examples	<ul style="list-style-type: none"> ● Bangladesh Green & Sustainable Finance Taxonomy (2020) and Policy on Green Bond Financing for Banks and Financial Institutions (2022) ● Brazil Green Taxonomy and Explanatory Guide (2021) ● Chile Taxonomy Roadmap (2021) ● China Green Industry Guiding Catalogue (2020) and Updated Green Bond Project Catalogue (2021) ● Colombia Green Taxonomy (2022) ● Georgia Sustainable Finance Taxonomy (2022) ● Indonesia Green Taxonomy (2022) ● Malaysia Climate Change and Principle-based Taxonomy (2021) ● Mongolia Green Taxonomy (2019) ● South Africa Green Finance Taxonomy (2022) ● Sri Lanka Green Finance Taxonomy (2022) ● Vietnam Green Taxonomy (2022) ● EU Sustainable Finance Taxonomy (2020) ● IPSF Common Ground Taxonomy (2021) ● Climate Bonds Initiative Taxonomy (2021)
Relevant standards/ resources	<ul style="list-style-type: none"> ● World Bank Toolkits for Policy Makers to Green the Financial System - Toolkit 11 ● SBFN Sustainable Finance Instruments Working Group ● ICMA Overview and Recommendations for Sustainable Finance Taxonomies (2021) ● IFC Blue Finance Guidelines ● World Bank Guide Developing a National Green Taxonomy (2020)

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.3 Policies & voluntary frameworks on financing green/social/sustainable activities

Description	<p>Development of policies, regulatory requirements, or voluntary frameworks related to green/social/sustainability instruments (loan, bond, fund, insurance), goals, and standards for financing sustainability, including investment targets and requirements for ensuring credibility and managing and measuring resulting impacts. While these frameworks primarily support or mandate behaviors of financial institutions, some may also focus on responsible investment principles and policies for financial regulators’ own investment activities.</p>
Examples	<p>Policy/regulatory frameworks:</p> <ul style="list-style-type: none"> ● Argentina Sustainable Finance Protocol (2019) and Regulation for the Securities List Trustees and/or Parties of Social, Green, and Sustainable Closed Common Funds Investment (ECCL) (2021) ● Bangladesh Circular on Target and Achievement of Sustainable and Green Finance (2021) and Policy Guidelines for Green Banking (2011) ● Chile Green Bond Framework (2019) and Sustainable Bond Framework (2020) ● China China Green Credit Policy (2007), Green Credit Guidelines (2012), Green Bond Guidelines (2017) and Compulsory Environmental Pollution Liability Insurance Regulation (2018) ● Dominican Republic Guidelines for broadcast of values public offer sustainable, green and social in the market of Securities (2020)* ● Egypt Sovereign Green Financing Framework (2020) ● Fiji Sovereign Green Bond Framework (2017) ● Indonesia Regulation on the Issuance and the Terms of Green Bond (2017), Regulation on application of Sustainable Finance to FSI, Issuer and PLC, Sustainable Finance Regulation 51 (2017) ● Kenya National Treasury Climate Finance Policy (2016) and Policy Guidance Note on Green Bonds (2019) ● Mongolia Green Bond Regulation (2021) ● Nigeria New Rule on Green Bonds (2018) and Green Bond Issuance Rules (2018) ● Philippines Sustainable Finance Framework (2020) ● South Africa JSE Debt Listings Requirements for the Green Segment (2017), Guidance Note on Sustainability of Investments and Assets in the Context of a Retirement Fund’s Investment Policy Statement* ● Thailand Sustainable Financing Framework (2020), Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond and Sustainability Bond (2018), Sustainable Bond Issuance Guide (Guidance) (2021)

*Source: [SBFN Global and Country Progress Reports](#) (2021 & 2022)

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.3 Policies & voluntary frameworks on financing green/social/sustainable activities (cont.)

<p>Examples</p>	<ul style="list-style-type: none"> ● Ukraine Recommendations on Implementation or Financing of Environmental Projects by Issuing Green Bonds (2021) ● Vietnam Regulations on Individual Corporate Bond Offerings and Transactions in the Domestic Market and Corporate Bond Offerings in the International Market (2020), Vietnam Guidance On E&S Risk Management and Green Credit Reporting with 12 Groups Of Environmental Protection, Climate Change Mitigation and Adaptation Projects (2018), Decree on Corporate Bond Issuance, including Green Bonds, Circular to Facilitate the Development of Green Bonds 34/2013/TT-NHNN (2015) ● Bank of England Climate Risk Assessment and Management of own Portfolio ● Hungary Central Bank Dedicated Green Program and Green Bond Portfolio ● DNB Responsible Investment (RI) Charter (2019) <p>Voluntary frameworks:</p> <ul style="list-style-type: none"> ● Cambodian Sustainable Finance Principles – P6 (2018) ● Colombia Green Protocol (2022) and Protocol on Green Finance Principles (2019) ● Ecuador Sustainable Finance Protocol – P2 (2016) ● Ghana Sustainable Banking Principles & Sector Guidance Notes – P9 (2019) ● Kenya Sustainable Finance Guiding Principles and Guidelines – P1 (2015) and Green Bond Principles ● Mexico Green Bond Principles (2019), Protocol of Sustainability – P3 (2018) ● Mongolia Sustainable Finance Principles – P4 (2014) ● Panama Sustainable Finance Protocol of Panama – P3 (2018) ● Thailand Sustainable Banking Guidelines on Responsible Lending (2019) ● Turkey Sustainability Guidelines for the Banking Sector (2021)
<p>Relevant standards/resources</p>	<ul style="list-style-type: none"> ● European Union Green Bond Standard ● International Capital Market Association (ICMA) Principles for Green, Social, and Sustainability-linked Bonds, and Sustainability Bonds Guidelines ● Climate Bonds Initiative (CBI) Climate Bonds Standard ● Loan Market Association (LMA) Principles for Green and Sustainability-linked Loans ● IFC Guidance for Sovereign Green Bond Issuers (2018) ● World Bank Green Bond Proceeds Management & Reporting (2018) ● NGFS A sustainable and responsible investment guide (2019)

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.4 Technical guidance

Description	Development of technical guidelines and tools to support financial institutions and companies in the identification, measurement, monitoring and reporting of sustainable assets and their impact, such as detailed sustainable loan/bond guidelines, impact measurement methodologies, impact calculation tools, standards or guidance for verification.
Examples	<ul style="list-style-type: none"> ● Argentina Guidelines for Issuance of Social Green and Sustainable Securities (2019) ● Bangladesh Sustainable Finance Reporting Format (2020) ● Brazil Guidelines for issuing Green Bonds (2016) and Guide on measurement and reporting of greenhouse gas emissions resulting from credit Concessions and Investment (2020) ● China Green Investment Guidelines (2018) and Green Bond Guidelines (2017) ● Colombia Recommendations and Guidelines for the Issuance of Green Bonds (2020) ● Costa Rica Protocol on Green Finance Principles (2019) and Guide for the Definition and Management of Green Projects (2019) ● Ecuador Guide for Green and Social Bonds (2020) ● Georgia Approval of Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy (2022) ● Kenya Green Bond Market Issuers Guide (2019) ● Morocco Gender Bonds Guidelines (2021), and Green Social and Sustainability Bonds (2018) ● Nigeria Green Bonds Guidelines (2020) ● Pakistan Green Bonds Guidelines (2021), Green Banking Guidelines ● Panama Guidelines for Issuance of Social, Green, and Sustainable Securities (2019) ● Paraguay Guidelines on Issuance of Sustainability Bonds (2020) ● South Africa Responsible Investment and Ownership – A Guide for Pension Funds in South Africa (interactive tool) (2021), Guidance Note – Sustainability of Investments and Assets in the Context of a Retirement Fund’s Investment Policy Statement ● Turkey Guidance on Loan Origination and Monitoring Processes (2021), Sustainability Guidelines for the Banking Sector ● Ukraine Recommendations on Implementation or Financing of Environmental Projects by Issuing Green Bonds (2021) ● Vietnam How to Issue Green Bonds, Social Bonds and Sustainability Bonds (2021)
Relevant standards/ resources	<ul style="list-style-type: none"> ● International Capital Market Association (ICMA) Principles for Green, Social, and Sustainability-linked Bonds, and Sustainability Bonds Guidelines ● Loan Market Association (LMA) Principles for Green and Sustainability-Linked Loans

Defining the content of a sustainable finance roadmap



Tip Box 6: The following are some important expectations/requirements for financial institutions defined as part of green/social/sustainable finance policy frameworks and principles:

- Approval of mid- to long-term policy/strategy for sustainable capital allocation and reduced financing to polluted industries by the board of directors or supervisory board
- Definition of roles and responsibilities to implement the policy or strategy
- Allocation of budget to implement the policy or strategy
- Design and roll-out of green/social/sustainability financial products and standards
- Development and implementation of green/social/sustainability product training programs with targets to certify stipulated proportions of staff
- Policies and procedures for defining, issuing, managing proceeds of, tracking performance of, and reporting on green, social or sustainability-focused products
- Policies and procedures to measure and verify the impacts of green, social or sustainability-focused products/activities
- Incentives for managers to increase sustainable loans or investments in the portfolio (for example, linking executive remuneration to green loan KPIs)
- Annual reports and updates on the performance and impacts of the sustainability instruments
- Independent review of annual reports
- Reporting on all allocation and outcomes of green, social, and sustainability loans both internally (executive committee, board) and externally (for example, regulator, industry association, annual reports)

Source: SBFN

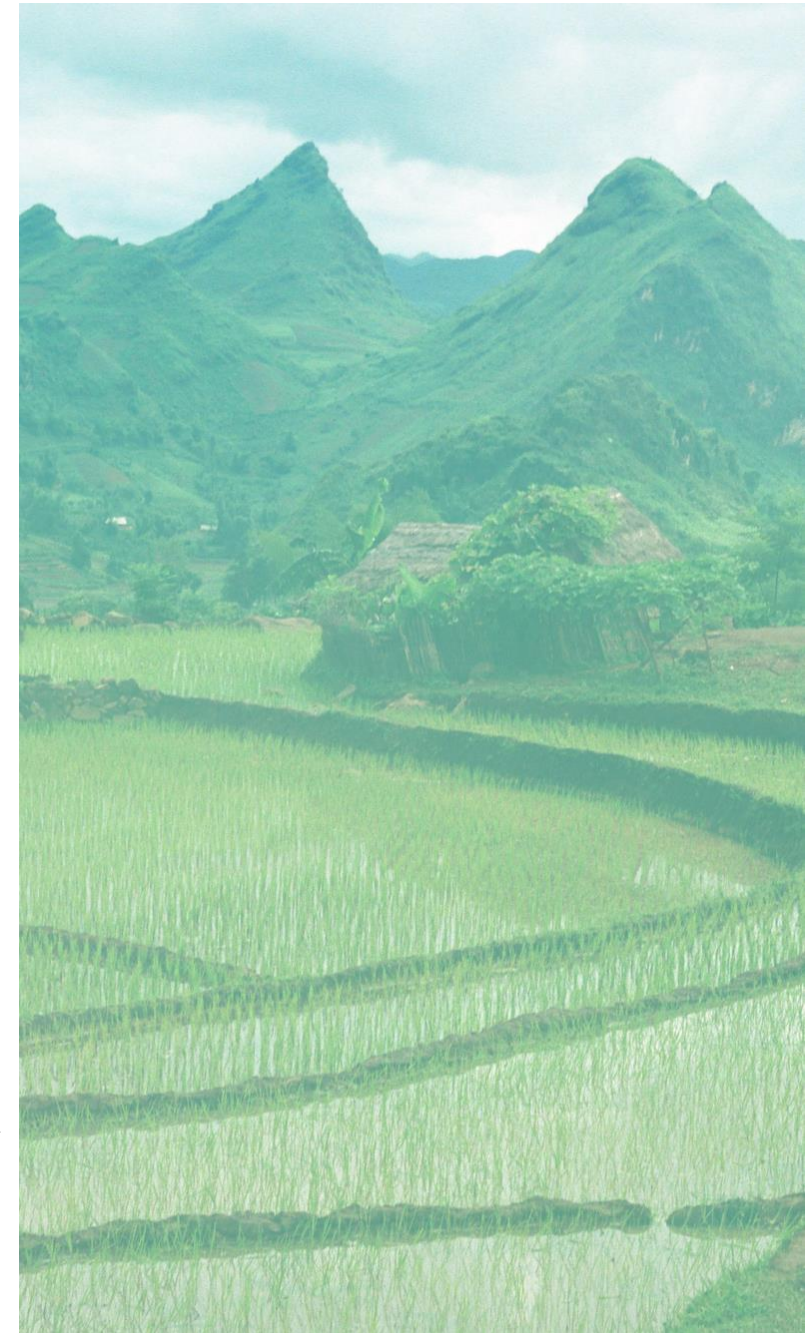


Photo: © Tran Thi Hoa / World Bank

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.5 Supervisory activities and financial policies

<p>Description</p>	<p>Design and setup of financial policies and supervisory actions to support the allocation of capital to sustainable assets, such as:</p> <ul style="list-style-type: none"> ● Monetary policy: for example, integration of green/sustainable investment targets into Central Bank investment policies, minimum green/social/sustainability loan targets and threshold, investment into green/sustainable bonds ● Fiscal policies: for example, green/sustainable public procurement requirements, carbon tax, environmental tax, tax exemptions for green technologies ● Macroprudential regulations: for example, adjusted risk and capital reserve requirements for green assets, rankings, awards ● Incentives: for example, preferential interest rates, results-based payments, green/sustainable bond segments on stock exchange ● Supervision activities: for example, monitoring the credibility of sustainable instruments during supervision activities <p>Separate measures should be introduced for different parts of the financial sector such as banking, capital markets and insurance.</p>
<p>Examples</p>	<ul style="list-style-type: none"> ● Bangladesh Bank Requirement for banks and nonbank FIs to allocate 20% of their total loan portfolio to sustainable sectors (5% for green sectors) and Sustainability Rating of Banks and Financial Institutions ● China Notice of Green Finance Performance Evaluation Program (2018), Green Credit KPI (2014) ● Costa Rica Monitoring of Climate Financing in Financial Entities Supervised by SUGEF in Costa Rica (2019) ● Morocco Articles 7 & 8 of Bank Al-Maghrib Directive to integrate climate and environmental imperatives in their product design, investment and lending policies ● Mongolia Preferential SWAP Terms for Green Funds (2021), Green interest rate subsidies (2020), and tax exemptions for green technologies (2017) ● South Africa Johannesburg Stock Exchange Green Sustainability Segment ● Vietnam Annual Outstanding Green Credit Award and consideration of sustainable lending performance when prioritizing access to concessional loans from international organizations* ● Lebanon Central Bank Lowered Reserve Requirements for Energy Savings Products (2020) ● Hungary Central Bank Preferential Capital Requirements for Energy-efficient Housing Loans (2020) ● The Securities Commission Malaysia, Monetary Authority of Singapore and Hong Kong Monetary Authority grant schemes to subsidize the cost of green loan framework development, assessment, monitoring, and external reviews ● London Stock Exchange's Sustainable Bond Market and Transition Bond Segment ● Luxembourg Green Exchange ● European Union voluntary Green Public Procurement Tool (2016)
<p>Relevant standards/resources</p>	<ul style="list-style-type: none"> ● NGFS Climate Change and Monetary Policy: Initial Takeaways (2020) ● European Union Handbook on Green Public Procurement (2016)

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.6 Dedicated financial institutions and schemes

Description	<p>Design and setup dedicated financing mechanisms to promote the mobilization and allocation of green/social/sustainable capital from public, private and international sources to sustainable sectors, assets and projects such as:</p> <ul style="list-style-type: none"> ● Greening national development or commercial banks ● Setting up national green banks or other types of financial institutions that catalyze green finance and function as a center of excellence ● Using blended finance (for example, sovereign guarantees and insurance for green bonds/loans, green/sustainable credit lines and refinancing programs, co-lending and credit enhancement) ● Increasing access to international funds (for example, multilateral development banks, Green Climate Fund)
Examples	<ul style="list-style-type: none"> ● Bangladesh Green Transformation Fund (GFT), Refinance Scheme for Environment Friendly Products/Projects/Initiatives, and Technology Development/Upgrade Fund ● Cambodia Green Financing Institution ● China Relending and interest subsidies/guarantees for green lending facilities and bonds, and Shandong Green Development Fund ● Fiji Import Substitution and Export Finance Facility, including renewable energy ● India Reserve Bank Priority Sector Loans Scheme, including renewable energy (2015) ● Malaysia Green Technology Financing Scheme ● Mongolia Green Finance Corporation ● Morocco Government Guarantee to Morocco's first Green Bond, issued by the Moroccan Agency for Sustainable Energy (MASEN) ● Pakistan Revised Financing Scheme for Renewable Energy (2019) and Refinancing Facility for Modernization of SMEs (2019) ● Southern Africa Development Bank Climate Finance Facility ● Vietnam Decision Approving the Scheme on Green Bank Development (2018) ● Japan Climate Loans Scheme (2021) ● New York Green Bank ● UK Green Investment Bank
Relevant standards/resources	<ul style="list-style-type: none"> ● IFC Alliance for Green Commercial Banks ● IFC Blended Concessional Finance for Climate ● Inter-American Development Bank (IDB) Build or Renovate? The decision to establish a new Green Bank, or "green" an existing National Development Bank (2019) ● Rocky Mountain Institute State of Green Banks (2020) and Green Bank Network ● Institute for Climate Economics Using Credit Lines to Foster Green Lending

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.7 Pipeline development & product innovation

Description	Design and setup of mechanisms to prepare and scale up sustainable projects , such as design of new products, identification and development of green/social/sustainable projects, piloting of new projects, conducting market assessments, creating sustainable project/technology databases, building TA facilities, matchmaking platforms, and standardization and labeling of green/social/sustainable products.
Examples	<ul style="list-style-type: none">● Malaysia Green Technology and Climate Change Centre● South Africa Climate Finance Accelerator● Uganda Green Enterprise Finance Accelerator● UK Green Home Finance Accelerator● Private Infrastructure Development Group Sustainable and inclusive infrastructure platform that builds pipeline via InfraCo Africa and InfraCo Asia
Relevant standards/resources	<ul style="list-style-type: none">● UN SDG Investor Maps● Climate Technology Centre and Network

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.8 Data & disclosure

Description	Design, improvement or expansion of mechanisms to collect and/or publish data from financial institutions or other sources about allocation of capital to green/social/sustainability assets, projects, or sectors.
Examples	<ul style="list-style-type: none"> ● Bangladesh Sustainable Finance Reporting Format (2020) and Quarterly Review Report On Sustainable Finance ● Cambodian periodic public reporting on progress against each of the Cambodian Sustainable Finance Principles ● China Green Credit Statistics Reporting (2013) ● Colombia's online platform for Measurement, Reporting and Verification (MRV) of Climate Financing ● Georgia Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy (2022), Green Loan Monthly Reporting Form (2022) ● Ghana's SDG Budget Baseline Report (2019) ● India Disclosure Requirements for Issuance and Listing Green Bonds (2017) ● Kenya Green Bonds Annual Report (2019) ● Mongolia Green Loan Statistics (2021) ● Morocco Roadmap for Aligning the Financial Sector with Sustainable Development (2016) ● Pakistan Green Banking Guidelines (2017) ● South Africa Sustainable Finance Practices in South African Retirement Funds (2020)
Relevant standards/ resources	<ul style="list-style-type: none"> ● World Bank Green Bond Proceeds Management & Reporting (2018) ● IOSCO Environmental, Social and Governance (ESG) Ratings and Data Products Providers

Defining the content of a sustainable finance roadmap – Financing Sustainability

PILLAR 3: FINANCING SUSTAINABILITY

3.9 External verification

Description	Establishing or expanding mechanisms and markets for external verification of green/social/sustainable projects, instruments and their impact . These may include the development of regulations and requirements for verifiers, designing verification standards/guidelines, making external verification mandatory for sustainable products, providing subsidies for verification, training of verifiers, and creating a local market/pool of verifiers.
Examples	<ul style="list-style-type: none">• China's Green Bond Verification Guidelines (2018)• South Africa Requirements to Join the Green Bond Segment of the Johannesburg Stock Exchange (2014)• EU Green Bond Standard (2020)
Relevant standards/resources	<ul style="list-style-type: none">• ICMA Guidelines for External Reviews

Defining the content of a sustainable finance roadmap



Tip Box 7: Emerging Sustainable Finance Priorities

Because sustainable finance is evolving rapidly, it is important to keep pace with global trends and market needs, and consider these in local framework development, where relevant. Some emerging topics observed among SBFN members include:

- **Inclusive green finance** refers to access to and usage of financial services and products that build resilience to the negative impacts of climate change, and loss of biodiversity and ecosystems, and facilitate participation of low-income households, small businesses, and vulnerable groups in the green and low-carbon economy. *Vulnerable groups* can include the elderly, migrants and forcibly displaced people, as well as underserved population, such as the poor, youth, women, persons with disabilities, LGBTQI, rural populations, and other disadvantaged or marginalized groups. Vulnerable groups vary and should be evaluated on a country-to-country basis or context.
- **Gender finance** refers to making accessible and affordable financial products and services available to all genders equally; and can be a catalyst in encouraging women's economic participation and unlocking new market opportunities.
- **Sustainable digital finance** refers to innovative solutions through which the integration of big data, artificial intelligence (AI), mobile platforms, blockchain and the Internet of things (IoT) in the provision of financial services, can support the integration of ESG and climate considerations into business decisions and unlock opportunities to scale up sustainable finance.

Source: SBFN



Photo: Flore de Preneuf / World Bank

Defining the content of a sustainable finance roadmap – Cross-cutting Issues

SBFN roadmaps also include cross-cutting elements that are critical for roadmap development and implementation. These include **governance; capacity building and awareness; monitoring, evaluation and reporting; and international partnership.**

CROSS-CUTTING PILLAR	
4.1 Governance	
Description	<p>Establishment or expansion of multistakeholder governance and coordination mechanisms to ensure the successful coordination and implementation of the roadmap and its activities, such as:</p> <ul style="list-style-type: none"> ● Independent or integrated formal structures such as task forces, working groups, and committees ● Initiatives, associations and coalitions, usually led by the private sector ● Broader collaboration and consultation platforms such as roundtable meetings that bring together a wide range of public, private, and international market participants. <p>These platforms have the overall responsibility for coordinating, implementing, and monitoring the implementation of the roadmap and its activities. Governance mechanisms do not necessarily need to be established separately, because they can also be integrated into existing governance structures. Some platforms cover broad sustainable finance topics, while others are designed to achieve specific objectives.</p>
Examples	<ul style="list-style-type: none"> ● Task Forces <ul style="list-style-type: none"> □ Bangladesh ToR of Sustainable Finance Unit and Sustainable Finance Committee □ China Green Finance Taskforce □ Mexico Sustainable Finance Committee and Green Finance Advisory Board □ Sri Lanka Inter-regulatory Committee on Sustainable Finance □ Georgia Sustainable Finance Working Group established by the National Bank of Georgia □ Germany Sustainable Finance Committee □ EU High-level Expert Group on Sustainable Finance □ UK Green Finance Taskforce

Defining the content of a sustainable finance roadmap – Cross-cutting Issues

CROSS-CUTTING PILLAR	
4.1 Governance (cont.)	
Examples	<ul style="list-style-type: none">● Initiatives<ul style="list-style-type: none">□ Brazil Green Finance Initiative (BGFI)□ Cambodian Sustainable Finance Initiative□ South Africa Sustainable Finance Initiative□ Mongolian Sustainable Finance Association□ Kazakhstan Green Finance Center□ Hong Kong Green Finance Association□ Japan TCFD Consortium□ Swiss Sustainable Finance● Collaborative platforms:<ul style="list-style-type: none">□ South Africa Climate Risk Forum□ Netherlands Platform for Sustainable Finance□ EU Sustainable Finance Platform
Resources	<ul style="list-style-type: none">● World Bank Greening the Financial System Toolkit 3 (2021)

Defining the content of a sustainable finance roadmap – Cross-cutting Issues

CROSS-CUTTING PILLAR

4.2 Capacity building, research and awareness

Description	<p>Plan and implement a systematic approach to build sustainable finance knowledge and institutional capacities to successfully implement the roadmap and the proposed measures. Capacity-building activities can include:</p> <ul style="list-style-type: none"> ● Specialized trainings and certification programs on various sustainable finance topics ● E-learning platforms ● Integration of sustainable finance modules into formal education ● General awareness campaign on sustainability topics ● Research centers and initiatives on sustainable finance ● Focused websites and platforms
Examples	<ul style="list-style-type: none"> ● Georgia Sustainable Finance Status Report ● Kenya Green Bonds Training Material (2018) ● Kenya Sustainable Finance E-learning Platform ● HKMA Centre for Green Finance ● Japan Green Finance Portal ● Mexico Sustainable Finance Institute ● Mongolia Sustainable Finance Online Learning Platform ● Nigerian Sustainable Banking Principles – P7 (2012) ● Swiss Sustainable Finance Training Platform
Relevant standards/ resources	<ul style="list-style-type: none"> ● IFC Green Banking Academy ● IFC Financial Institutions: Resources, Solutions and Tools (FIRST) for Sustainability ● Asia Development Bank Institute Governing Sustainable Finance e-course ● GIZ Fundamentals in Sustainable Finance Course ● UNEP FI Sustainable Finance training program (including e-learning) ● The One UN Climate Change Learning Partnership Introduction to Sustainable Finance ● TCFD free training course

Defining the content of a sustainable finance roadmap – Cross-cutting Issues

CROSS-CUTTING PILLAR	
4.3 Monitoring, evaluation, and reporting	
Description	<p>Set up monitoring, accountability and reporting measures to ensure the adequate implementation of the roadmap. These may include:</p> <ul style="list-style-type: none"> ● Developing key performance indicators (KPIs) and targets to measure roadmap implementation ● Monitoring and reports from key institutions responsible for the roadmap implementation ● Monitoring and reports from financial institutions ● Participation in international sustainable finance progress assessments (for example, SBFN annual measurement) ● Design of periodic national/regional/sectoral/entity-specific status reports ● Periodic reporting events and meetings across core stakeholders ● Regular public engagement to keep core stakeholders informed about progress <p>It is vital to put in place accountability mechanisms to sustain momentum and prevent policy reversals.</p> <p>Also, the roadmap should go through a regular review process (at least every two years) and be revised or updated if needed, to reflect changing country priorities, global trends, and lessons from implementation.</p>
Examples	<ul style="list-style-type: none"> ● Bangladesh Sustainable Finance Reporting Format (2020) and Gender Equality Report of Banks & FIs ● China Establishing China's Green Financial System Progress Report (2017) ● France Central Bank Responsible Investment Report (2018) ● Georgia Sustainable Finance in Georgia Status Report (2021, 2022) ● Hungary Green Finance Report (2022) ● Kenya Report on the State of Sustainable Finance in Kenya's Banking Industry (2021) ● Mexico Mexican Banking Sector 2030 Agenda for Sustainable Development Report (2020) ● Mongolia Annual Sustainable Finance Report (2022) ● Nigeria Reporting Template of Nigeria Sustainable Banking Principles ● Singapore Sustainability Report of Monetary Authority of Singapore (2022) ● United Kingdom Central Bank disclosure of climate-related financial risk assessment and management (2019)
Resources	<ul style="list-style-type: none"> ● SBFN Measurement Framework and Country Reports ● FC4S Diagnostic Toolkit

Defining the content of a sustainable finance roadmap – Cross-cutting Issues

CROSS-CUTTING PILLAR

4.4 International partnership

Description	Identification of relevant initiatives and participation in various international networks, platforms and coalitions to facilitate cross-border knowledge sharing and collaboration, and ensure alignment with international standards and best practice.
Examples	<ul style="list-style-type: none"> ● Indonesia Roadmap for Sustainable finance Phase I, 2015–2020 (2014), Phase II, 2021–2025 (2021) ● Nigerian Sustainable Banking Principles – P8 (2012) ● Sri Lanka Roadmap for Sustainable finance – P5 (2019)
Resources	<ul style="list-style-type: none"> ● World Bank Greening the Financial System Toolkit 4 (2021) ● International networks: <ul style="list-style-type: none"> □ Overall financial market: IFC-facilitated Sustainable Banking and Finance Network (SBFN), UNDP Financial Centers for Sustainability (FC4S), OECD Centre of Green Finance and Investment □ Central banks and financial supervisors: Central Banks and Supervisors Network for Greening the Financial System (NGFS), Alliance for Financial Inclusion (AFI) □ Finance ministers: Finance Ministers Coalition for Climate Action, IFRS Working Group on global sustainability reporting standards □ Banking: Equator Principles Association, UN Environment Finance Initiative, UN Principles for Responsible Banking, Green Investment Principles □ Stock market: UN Sustainable Stock Exchange Initiative □ Investment: Global Impact Investors Network (GIIN), UN Net Zero Asset Owners Alliance, UN Principles for Responsible Investment □ Insurance: UN Principles for Sustainable Insurance, Sustainable Insurance Forum □ Companies: UN Global Compact



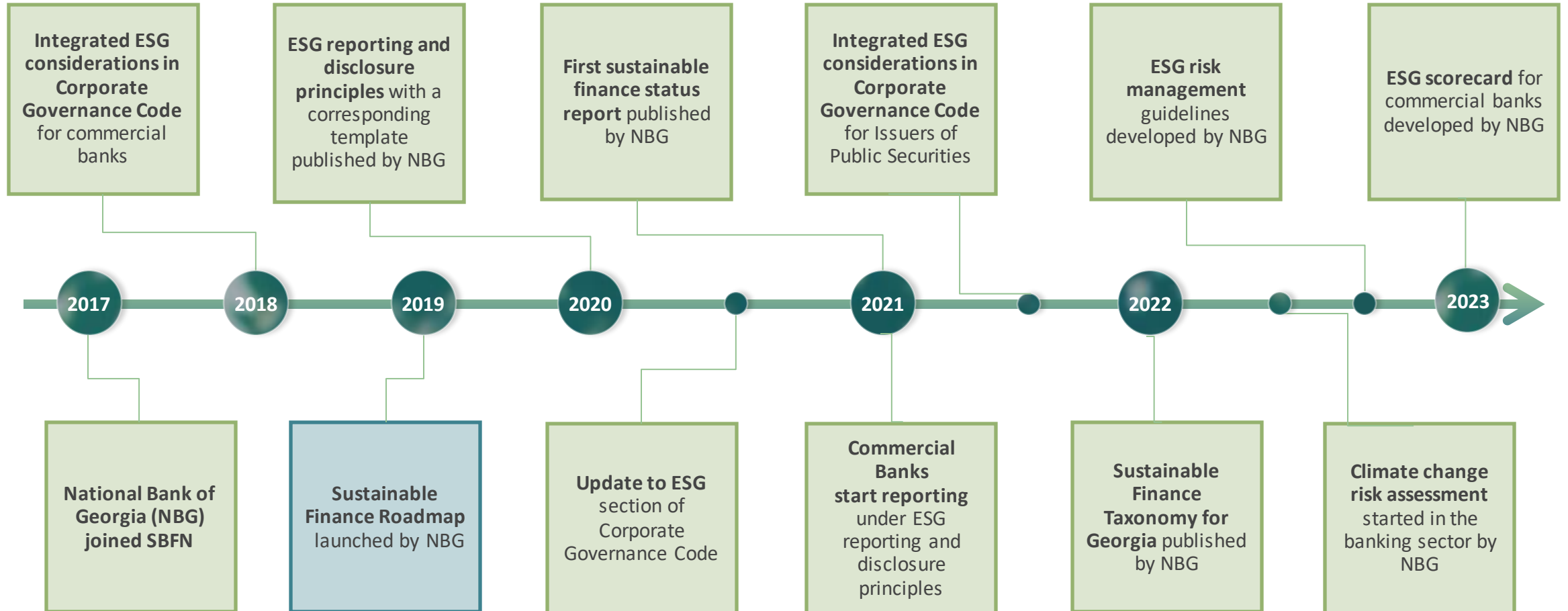
Chapter 4. Case studies and lessons from SBFN member countries: Georgia, Indonesia, Mongolia, and Morocco



4.1 Georgia

Case Study — Georgia

Main sustainable finance milestones



Case Study — Georgia

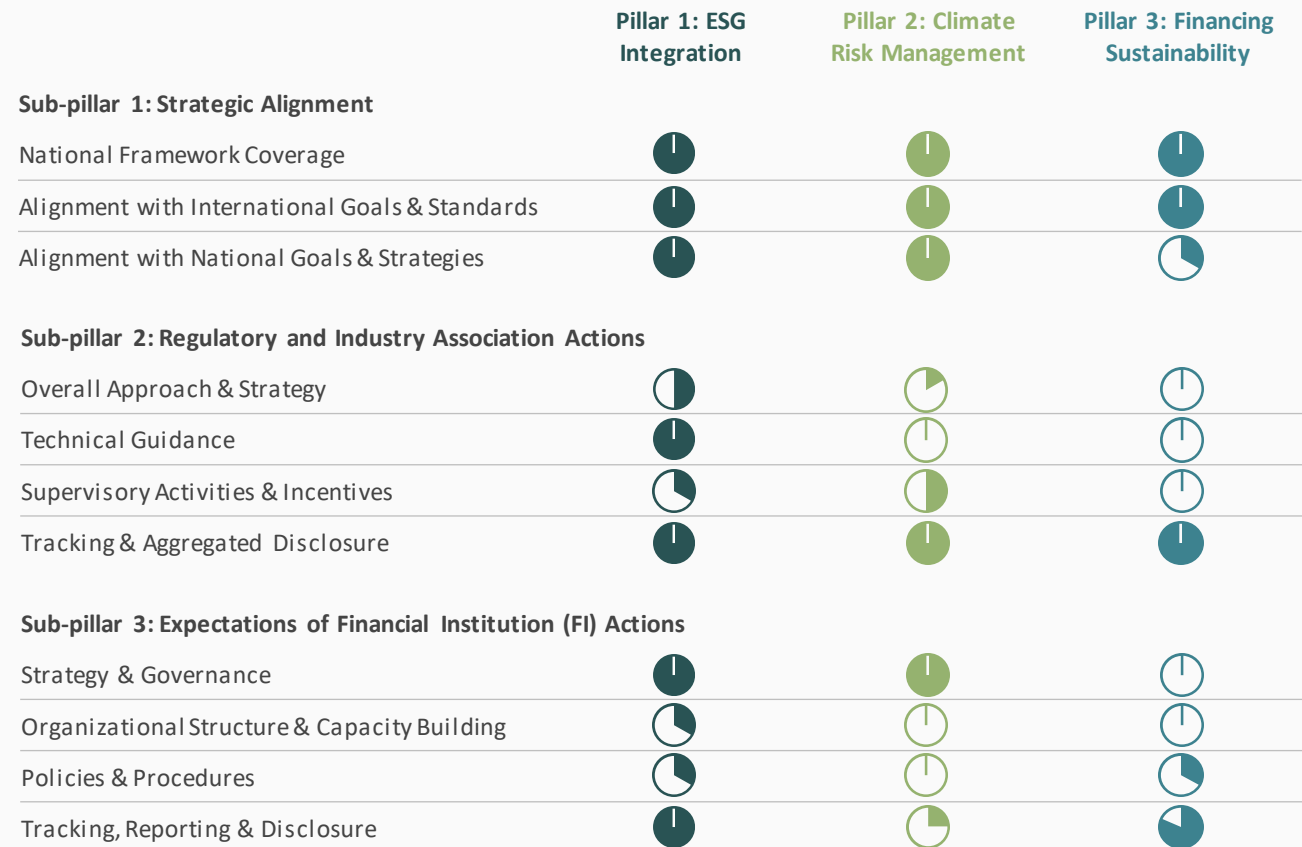
Needs assessment	
Key national policies and targets	<ul style="list-style-type: none"> Nationally Determined Contributions (NDCs) Sustainable Development Goals National Document
Financing needs	<ul style="list-style-type: none"> US\$ 19 billion (for climate)¹
Key sectors with investment opportunities²	<ul style="list-style-type: none"> Strengthening forest and landscape management Sustainable development of the coastal zone Pollution management Building a multisectoral approach to sustainable development, engaging the private sector and green recovery from COVID-19 pandemic

Source: ¹Mobilising finance for climate action in Georgia

²World Bank Group, Georgia: Towards Green and Resilient Growth

Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Georgia's sustainable finance coverage in three framework areas



Source: Georgia Country Progress Report, SBFN, 2021

Case Study — Georgia

Roadmap fundamentals	
Name of document	Roadmap for Sustainable Finance in Georgia (version 1) Roadmap for Sustainable Finance in Georgia (version 2 – under development)
Date of issuance	Version 1 - 2019 Version 2 – under development
Development timeline	6 months
Lead entity	National Bank of Georgia
Objective	The ultimate goal of this roadmap is to provide a credible, predictable and stable regulatory framework and prepare the market for transitioning to sustainable finance. The roadmap aims to support incorporation of sustainability issues into decision-making by providing coherent and consistent actions and allowing time for the system to adapt.
Stakeholders	National Bank of Georgia
Supporting international organizations	IFC - SBFN
Sectoral coverage	<ul style="list-style-type: none"> • Banking • Capital markets
Sustainability objectives	Green, social, sustainability
Timeframe/approach	Short-term (2019-2022) / Broad



საქართველოს ეროვნული ბანკი
National Bank of Georgia

Roadmap for Sustainable Finance in Georgia

April 2019

Case Study — Georgia

Overall scope of roadmap

Objective: Set out actions to transition the market and integrate sustainability into financial decision-making

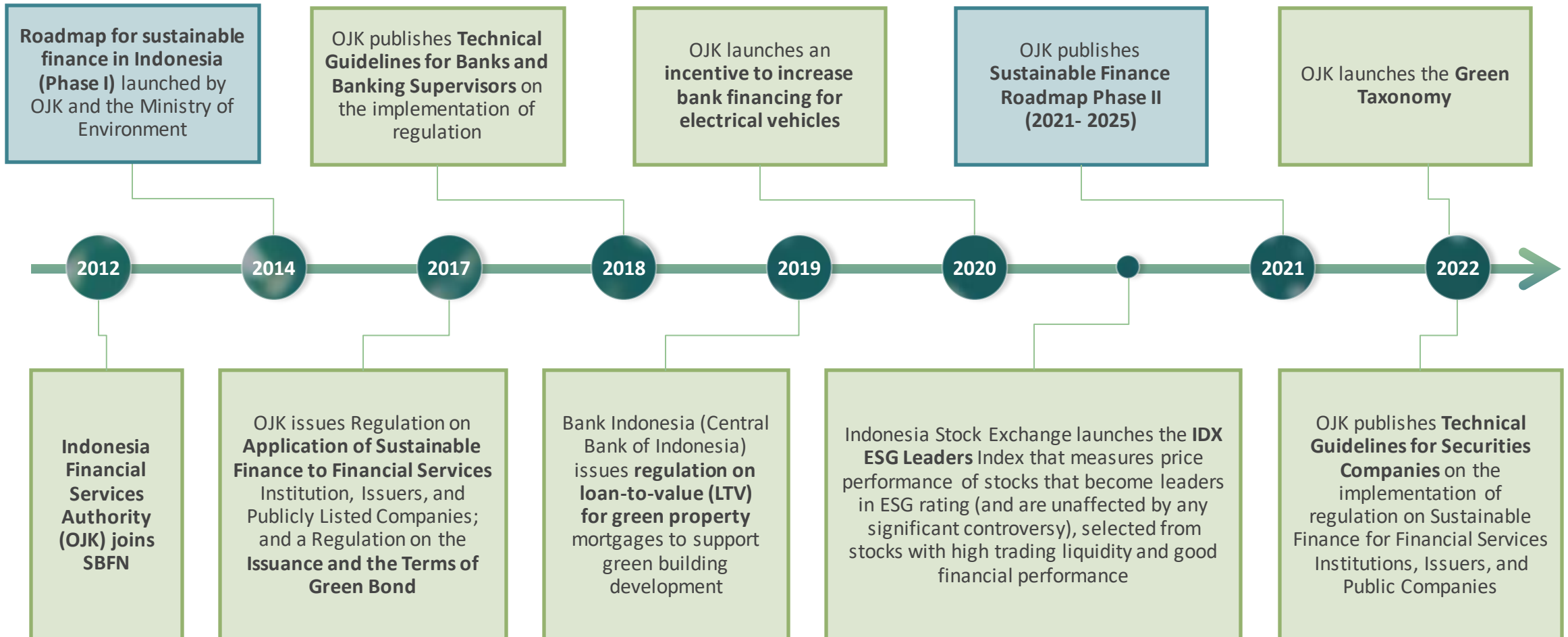
PILLAR I: Increasing awareness and capacity	PILLAR II: Sustainable finance flows	PILLAR III: ESG risk management	PILLAR IV: Transparency and market discipline
<ul style="list-style-type: none">• Develop Policies and Guidance to Support Market Action• Provide and Facilitate Trainings and Workshops for Stakeholders• Conduct Research on Sustainable Finance Topics• Establish Sustainable Finance Working Group	<ul style="list-style-type: none">• Introduce Sustainable Finance Taxonomy• Develop Sustainable Finance Guidelines• Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows	<ul style="list-style-type: none">• Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks• Integrate ESG Considerations in CG Code for Capital Market• Develop ESG Risk Management Guidance and Tools	<ul style="list-style-type: none">• Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market• Provide Guidance on ESG Reporting and Disclosure• Develop Progress Measurement Tools• Create an Information Hub



4.2 Indonesia

Case Study — Indonesia

Main sustainable finance milestones



Case Study — Indonesia

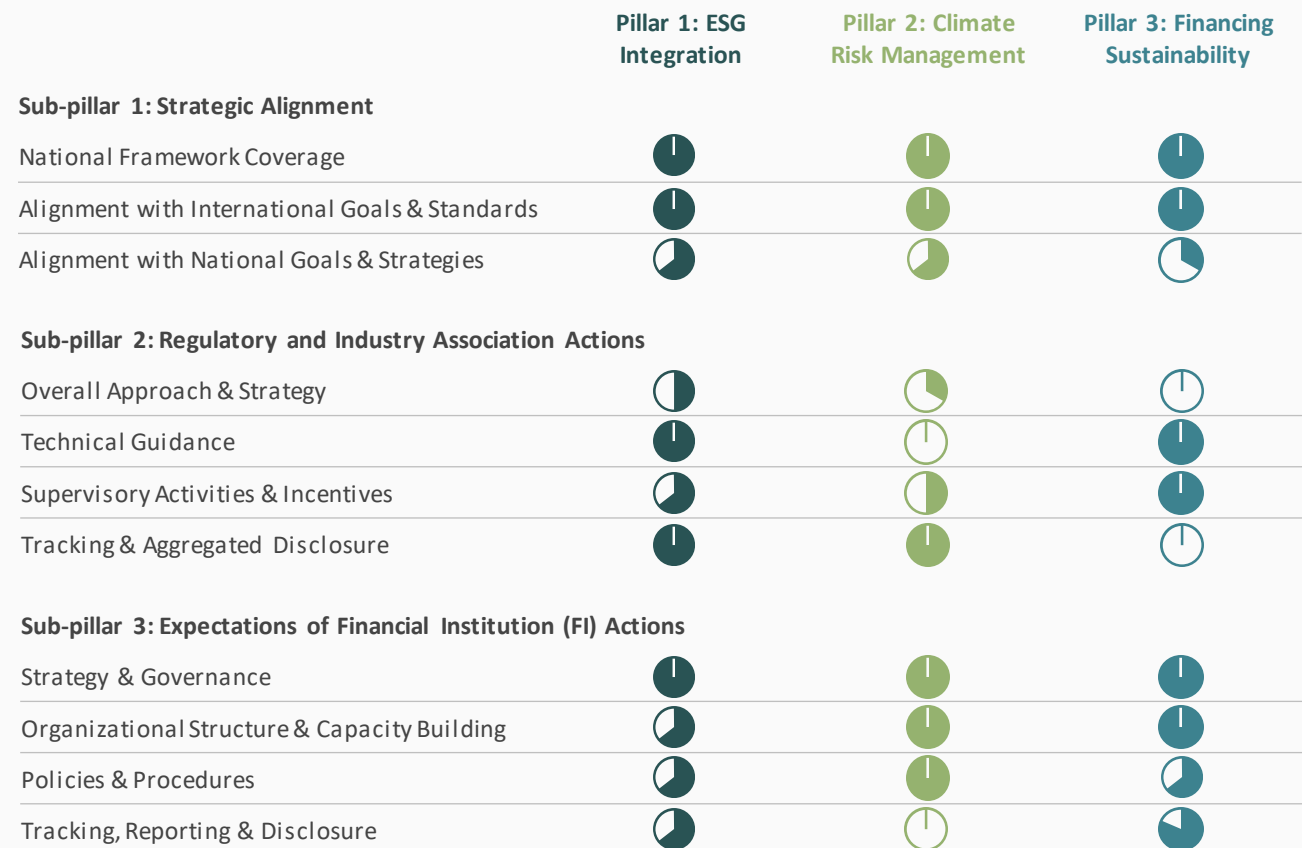
Needs assessment	
Key national policies and targets	<ul style="list-style-type: none"> Nationally Determined Contributions (NDCs) National Long Term Development Plan (2005-2025) National Action Plan for the Reduction of Greenhouse Gas Emissions (2011)
Financing needs	<ul style="list-style-type: none"> US\$ 4.41 trillion (until 2030)¹
Key sectors with investment opportunities²	<ul style="list-style-type: none"> Energy Water Sustainable Landscapes Green City Development

Source: ¹Sustainable Finance Roadmap Phase II (2021 – 2025)

²Driving Investment to Deliver Green Growth for Indonesia

Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Indonesia's sustainable finance coverage in three framework areas



Source: Indonesia Progress Report, SBFN, 2021

Case Study — Indonesia

Roadmap fundamentals

Name of document	Sustainable Finance Roadmap
Date of issuance	Phase I (2015 - 2019) Phase II (2021 – 2025)
Development timeline	12 months
Lead entity	Indonesia Financial Services Authority (OJK)
Objective	Set out key components for the development of a sustainable finance ecosystem in Indonesia
Stakeholders	National Development Planning Agency (Bappenas), the Ministry of Finance (Kemenkeu), the Ministry of Environment and Forestry (KLHK), the Ministry of Energy and Mineral Resources, the Coordinating Ministry of Economic Affairs, the Coordinating Ministry of Maritime and Investment Affairs (Kemenkomarves), the Ministry of Industry (Kemenperin), Bank Indonesia
Supporting international organizations	IFC, United States Agency for International Development (USAID), WWF Indonesia
Sectoral coverage	<ul style="list-style-type: none"> ● Banking ● Nonbank financial institutions ● Capital market
Sustainability objectives	To accelerate the implementation of environmental, social, and governance aspects
Timeframe/approach	2021-2025 / Comprehensive



Case Study — Indonesia

Overall scope of roadmap

Objective: Set out key components for the development of a sustainable finance ecosystem in Indonesia

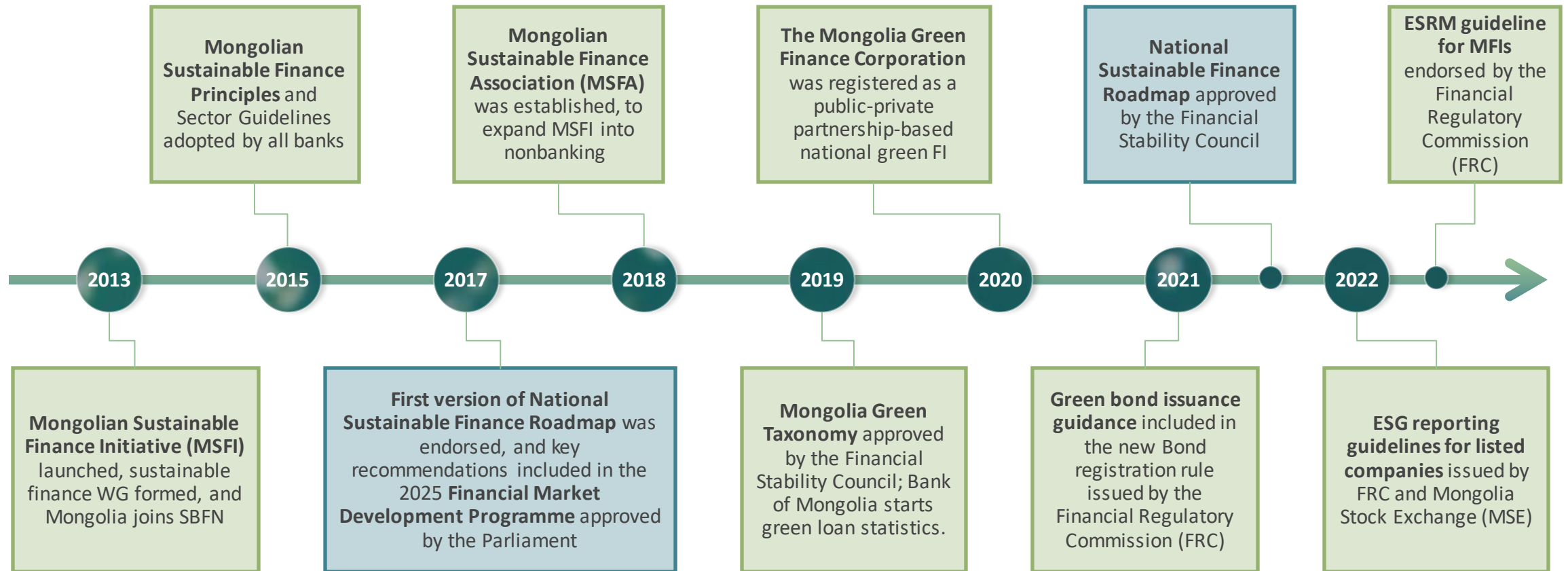
PILLAR I: Policies	PILLAR II: Product	PILLAR III: Market infrastructure	PILLAR IV: Coordination	PILLAR V: Non- government support	PILLAR VI: Human resources	PILLAR VI: Awareness
<ul style="list-style-type: none"> • Green Taxonomy • Key Performance Indicator (KPI) • Developing Incentives • Guidance on Sustainable Finance Implementation in the Capital Market and nonbank financial institutions 	<ul style="list-style-type: none"> • Developing Supporting Infrastructure • Product Innovation 	<ul style="list-style-type: none"> • Sustainable Finance Information Hub (SFIH) • Development of primary and secondary market 	<ul style="list-style-type: none"> • National Task Force • Monitoring and Evaluation of the Implementation of Sustainable Finance 	<ul style="list-style-type: none"> • Developing Research Centers • Real Programs 	<ul style="list-style-type: none"> • Sustainable Finance Training and Training of Trainers • E-learning 	<ul style="list-style-type: none"> • Guide Book of Credit/Financing/ Investment in Sectors • National Campaign – Indonesia Sustainability Week • Sustainable Finance Inclusion Program • Sustainable Finance Award

4.3 Mongolia



Case Study — Mongolia

Main sustainable finance milestones



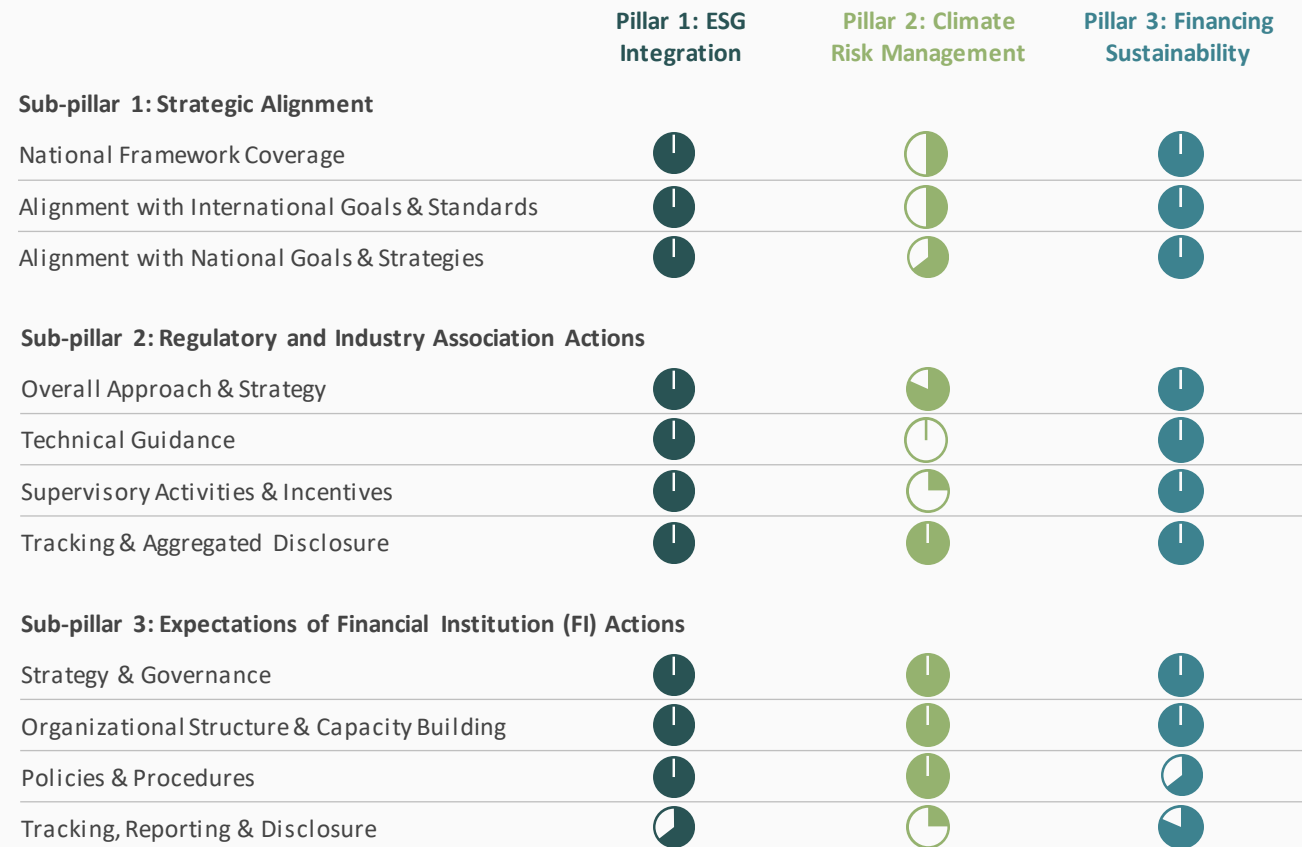
Source: MSFA, 2022

Case Study — Mongolia

Needs assessment	
Key national policies and targets	<ul style="list-style-type: none"> Nationally Determined Contributions (NDCs) Sustainable Development Vision 205
Financing needs	<ul style="list-style-type: none"> NDC – US\$ 11.5 billion SDGs – US\$ 101.7 billion
Key sectors with investment opportunities	<ul style="list-style-type: none"> Building Energy efficiency Renewable energy Sustainable textiles Sustainable agriculture Clean transportation Pollution prevention

Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Mongolia's sustainable finance coverage in three framework areas



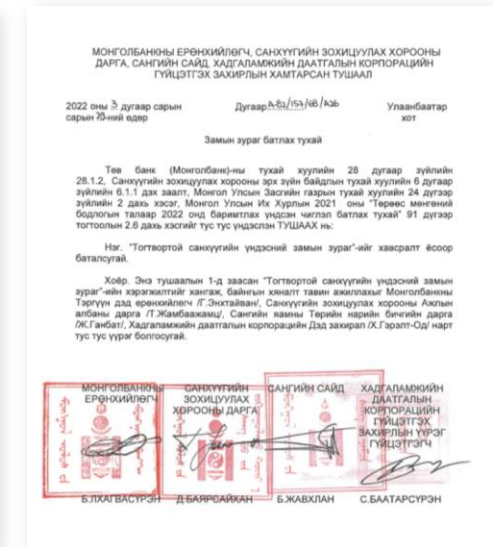
Source: Mongolia Country Progress Report, SBFN, 2021

Case Study — Mongolia

Roadmap fundamentals	
Name of document	National Sustainable Finance Roadmap
Date of issuance	2018 (version 1) – partially incorporated into government programme 2022 (version 2) – officially approved
Development timeline	12 months
Lead entity	<ul style="list-style-type: none"> Financial Stability Council (Central Bank, Financial Regulatory Commission, Ministry of Finance, Deposit Insurance Commission) Mongolian Sustainable Finance Association
Objective	Agree on an integrated, multistakeholder, strategic approach toward accelerating the development of a sustainable financial system in the country by 2030 in alignment with the country's sustainable development and climate targets.
Stakeholders	Mongolian Sustainable Finance Association, Bank of Mongolia, Financial Regulatory Commission, Ministry of Finance, Deposit Insurance Commission, President's Office, Prime Minister's Office, Ministry of Environment and Tourism, Mongolia Bankers Association, Mongolia non-bank financial institutions' association, local financial institutions
Supporting international organizations	UNEP Inquiry, IFC, EBRD
Sectoral coverage	<ul style="list-style-type: none"> Banking Microfinance Capital markets Insurance Public finance institutions
Sustainability objectives	Green, social, sustainability
Timeframe/approach	Multiyear, comprehensive (until 2030)



2018



2022

Case Study — Mongolia

Overall scope of roadmap

Objective: Agree on an integrated, multistakeholder, strategic approach toward accelerating the development of a sustainable financial system in the country by 2030 in alignment with the country’s sustainable development and climate targets

Targets: To increase green/sustainable loans up to ten percent in the banking sector, and up to five percent in the nonbanking sector

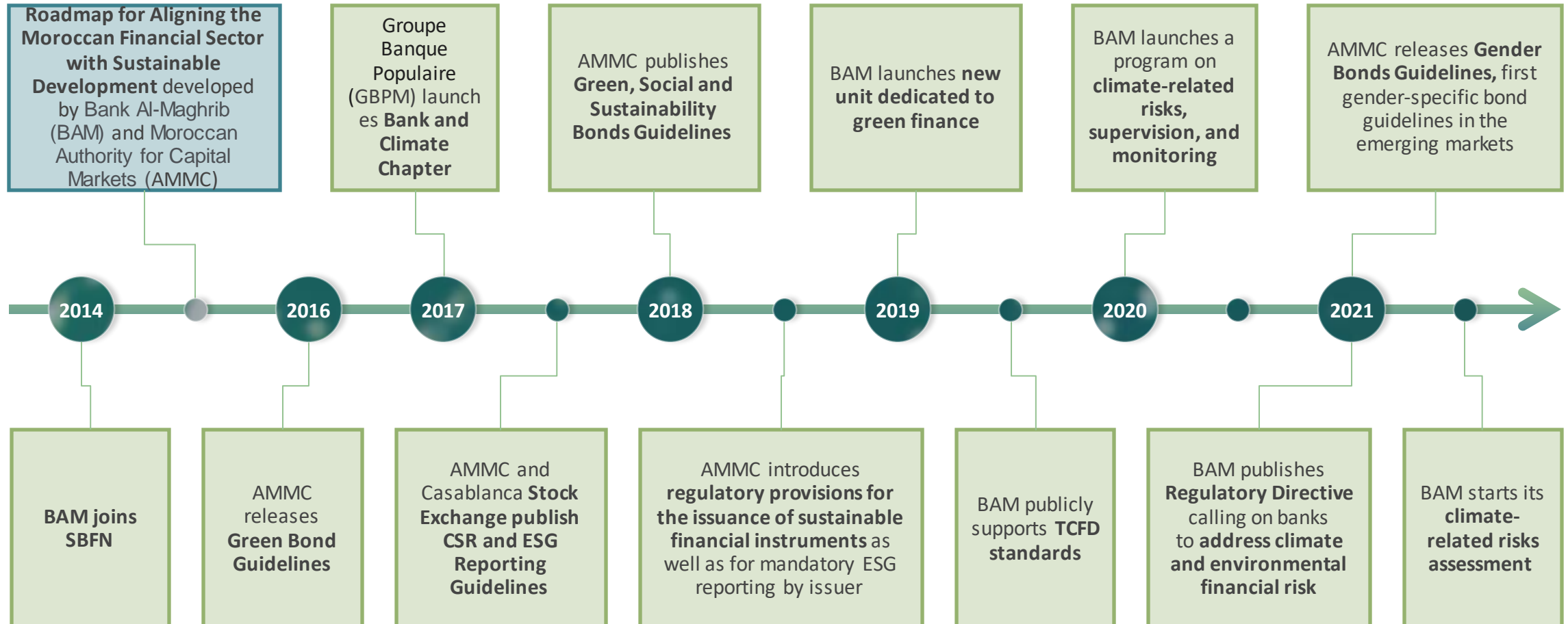
PILLAR I: Enable basic infrastructure	PILLAR II: Fiscal measures	PILLAR III: Financing sustainability	PILLAR IV: Financing sustainability	PILLAR V: ESG and climate risk management	PILLAR VI: Transparency and disclosure
<ul style="list-style-type: none"> • Strategy • Green recovery/transition plan • Taxonomy • Governance mechanism • Training, research • International collaboration • Monitoring and reporting 	<ul style="list-style-type: none"> • Carbon tax • Environmental tax • Green/sustainable budget expenditure and procurement • Debt swap 	<ul style="list-style-type: none"> • Needs and opportunity assessment • Green/sustainable lending • Green/sustainable bond • Green fintech/insurance • Gender finance 	<ul style="list-style-type: none"> • Mongolia Green Finance Corporation • Mandates for state-owned financial institutions • Biodiversity and conservation trust funds 	<ul style="list-style-type: none"> • ESG risk management system • Climate risk management system 	<ul style="list-style-type: none"> • ESG reporting for listed companies • Sustainability reporting for financial institutions



4.4 Morocco

Case Study — Morocco

Main sustainable finance milestones



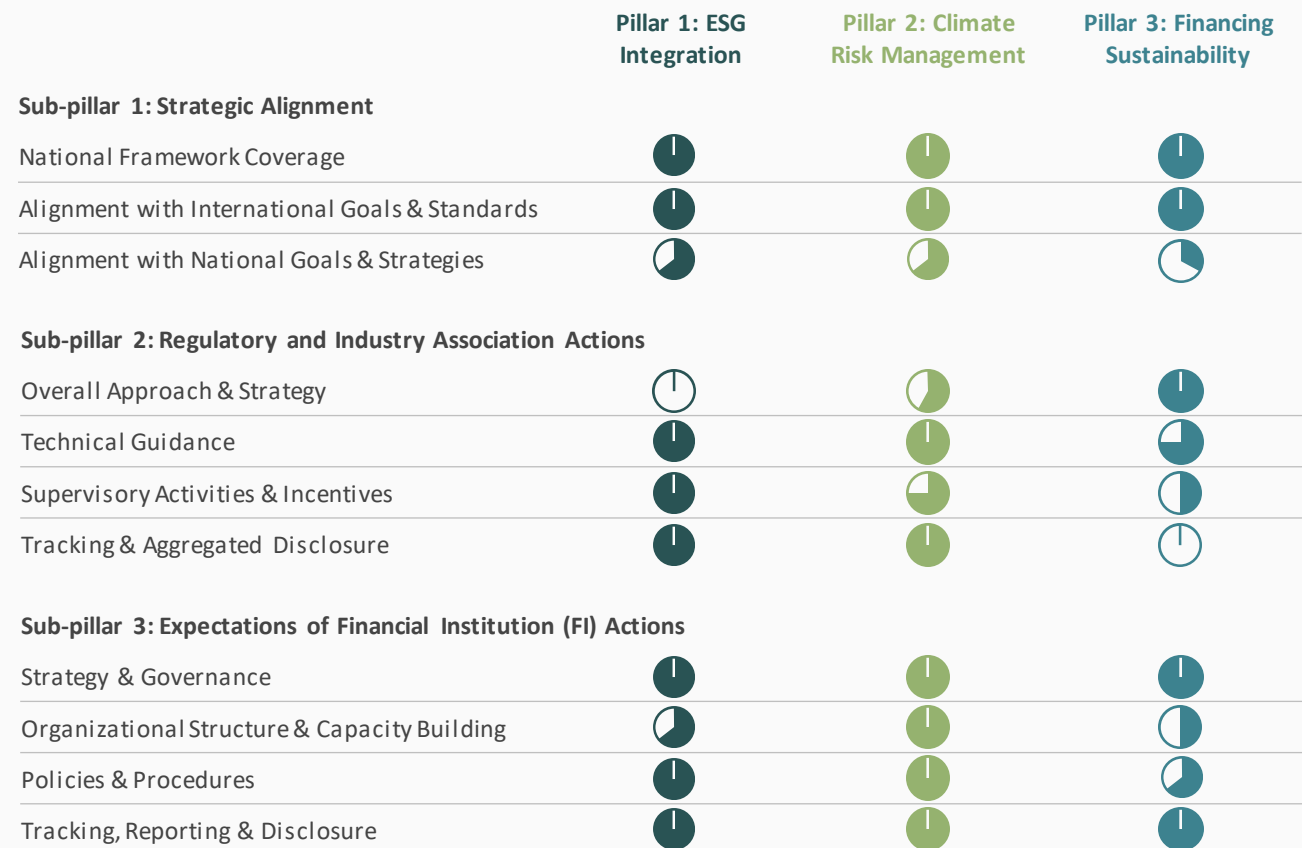
Case Study — Morocco

Needs assessment	
Key national policies and targets	<ul style="list-style-type: none"> Nationally Determined Contributions (NDCs) National Charter for Environment and Sustainable Development National Sustainable Development Strategy (NSDS)
Financing needs	<ul style="list-style-type: none"> US\$ 78 billion (by 2050)¹
Key sectors with investment opportunities¹	<ul style="list-style-type: none"> Tackling water scarcity and droughts, most notably through the lens of the water-agriculture nexus Enhancing resilience to floods, to preserve urban and coastal economies and livelihoods Decarbonizing the economy

Source: ¹World Bank Group, Country Climate and Development Report

Progress by three sub-pillars and 11 indicators

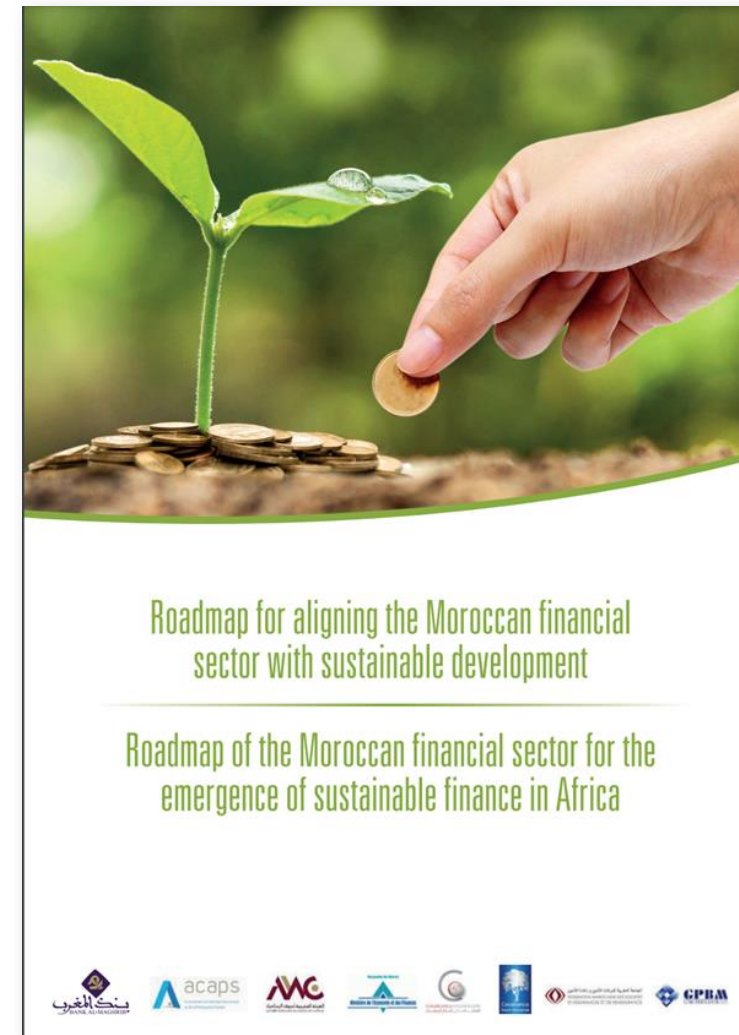
Figure 4: Overview of Morocco's sustainable finance coverage in three framework areas



Source: Morocco Country Progress Report, SBFN, 2021

Case Study — Morocco

Roadmap fundamentals	
Name of document	Morocco Roadmap for Aligning the Financial Sector with Sustainable Development
Date of issuance	2016
Development timeline	12 months
Lead entity	Bank Al-Maghrib
Objective	Set out the actions and measures necessary to ensure a coordinated and progressive alignment of the Moroccan financial sector - including the banking, insurance and capital markets activities - with the challenges of sustainable development.
Stakeholders	The Moroccan Capital Market Authority, The Supervisory Authority of Insurance and Social Welfare, The Ministry of Economy and Finances, Casablanca Finance City Authority, Casablanca Stock Exchange, The Moroccan Banking Association, The Moroccan Federation of Insurance and Reinsurance Companies
Supporting international organizations	IFC, UNEP FI, Scientific Committee of COP22
Sectoral coverage	<ul style="list-style-type: none"> ● Banking ● Insurance ● Capital market
Sustainability objectives	Green, social, financial inclusion
Timeframe/approach	No timeframe / Comprehensive



Case Study — Morocco

Overall scope of roadmap

Objective: Set out the actions and measures necessary to ensure a coordinated and progressive alignment of the Moroccan financial sector, including the banking, insurance and capital markets activities, with the challenges of sustainable development.

PILLAR I: Social and environmental risk governance	PILLAR II: Financial products and tools dedicated to sustainability	PILLAR III: Promoting financial inclusions	PILLAR IV: Capacity building	PILLAR V: Transparency and market discipline
<ul style="list-style-type: none"> ● All: Sustainable finance charter ● Banks: Includes sustainability factors in banks' internal rating systems; Identify the carbon risk included in the assets portfolio and assess its impact ● Insurance: Invest 5 billion dirhams of assets under management in "green assets"; reduce the ecological impact of the sector activity ● Capital market: Listed issuers: include the sustainability dimension in the governance model; evaluate the carbon footprint of managed funds 	<ul style="list-style-type: none"> ● All: Adopt a shared definition of green projects/assets ● Banks: Mobilize green resources; develop green saving products; set up a refinancing mechanism of loans to eligible projects ● Insurance: Develop green saving products; expand the offer for climate-change coverage; create insurance solutions for environmental risks ● Capital market: Set up ad-hoc investment vehicles promote sustainable investment; encourage the issuance of Green Bonds 	<p>All:</p> <ul style="list-style-type: none"> ● Reduce gender gaps ● Adopt a national strategy for financial inclusion. ● Develop targets for digital financial inclusion 	<p>All: Extend the Moroccan Foundation for Financial Education to environmental issues and sustainable finance; develop training programs for staff</p> <p>Capital market: Develop other awareness channels for environmental concerns; include sustainable finance as part of the minimal knowledge required by professionals; develop e-learning modules aimed at the general public</p> <p>CFC: Include green finance training modules in the Casablanca Finance City (CFC) Academy; organize workshops and lecture series for business members of the CFC ecosystem</p>	<ul style="list-style-type: none"> ● Banks: Publish a specific report on sustainability policies and practices. ● Capital market: <ul style="list-style-type: none"> □ Issuers: Require a note on the environmental and social impact of the activity.; develop a guide for issuers to prepare the issuance of Green Bonds, communicating the use of funds and the environmental impact of funded projects □ Asset Managers: Introduce new information and environmental and social transparency requirements; develop an ESG responsibility index

Lessons from SBFN members

National alignment:

It is important to align with existing national commitments or strategies related to sustainable development. This helps set the priorities and performance aspirations of the sustainable finance roadmap.

International alignment:

By aligning with existing international standards and good practice, the roadmap can prepare local financial institutions for expectations of international investors. The roadmap can also leverage concepts and technical standards used by international frameworks.

Contextual analysis:

Conducting a contextual analysis including a financing needs assessment can help develop targeted measures that address existing bottlenecks to scale up sustainable finance.

Phased approach:

While roadmaps are generally comprehensive and long-term oriented, lessons show that phased and focused approaches can also help move the market and provide an initial policy signal. Roadmaps are living documents to be updated in line with policy changes, market needs, and international trends.

Stakeholder engagement:

A broad consultative process involving policymakers, technical experts, academics, financial market participants, and representatives of environmental organizations and other civil society groups can help produce a comprehensive and feasible roadmap that secures the buy-in of key actors in the public and private sectors.

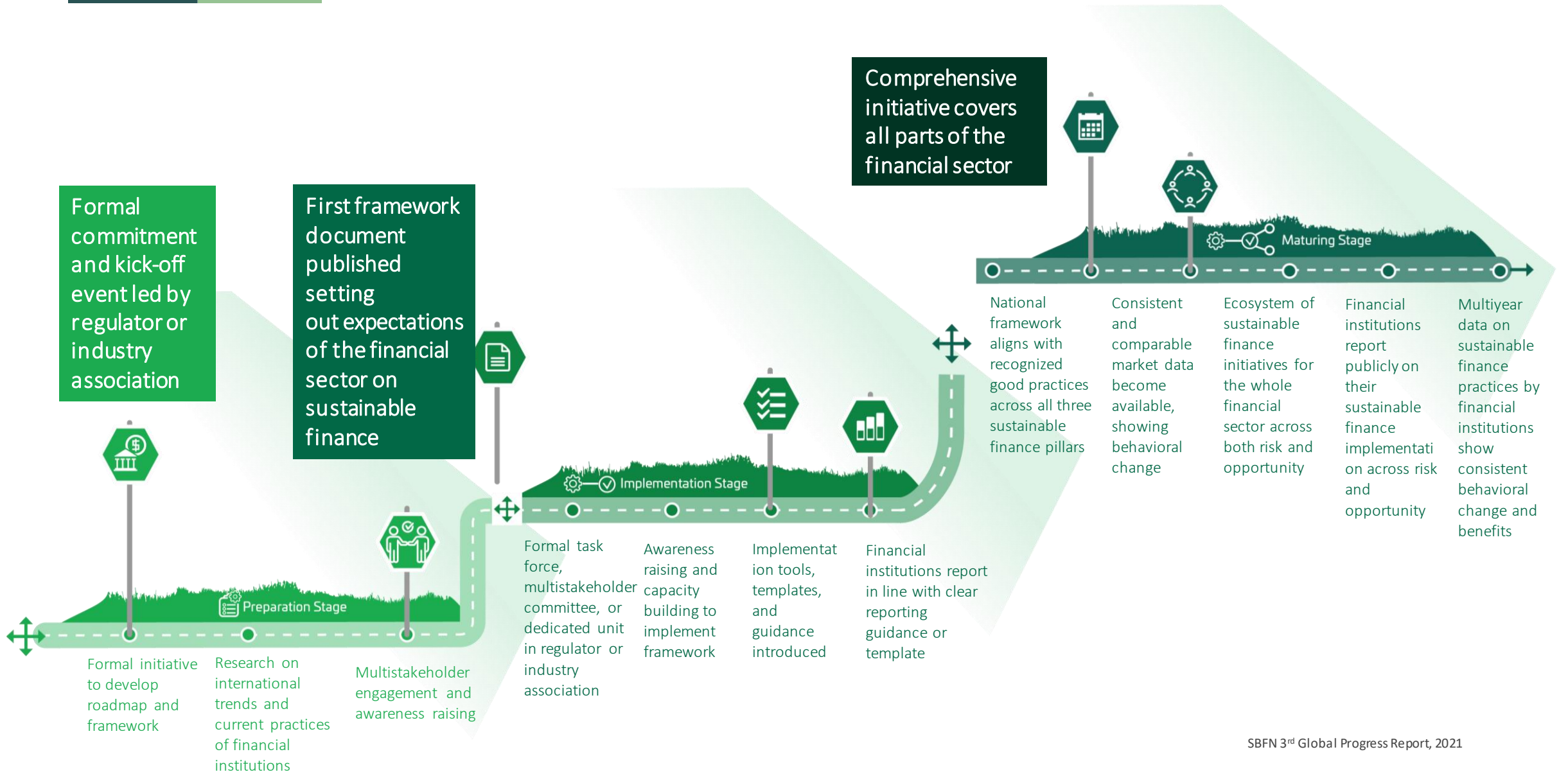
Institutional leadership:

Identifying and building appropriate institutional leadership is imperative to ensure successful implementation of the roadmap.

Implementation arrangements:

The development of the roadmap is only the start. Setting up implementation arrangements including communication, coordination, monitoring and reporting is essential.

Example Roadmap for Sustainable Finance Framework by SBFN members



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For more policies, regulations, voluntary principles, guidelines, research, templates, taxonomies, and tools to guide and enable sustainable finance in emerging markets, visit the **SBFN Framework Library**

<https://www.sbfnetwork.org/library/>



Annex I: Sample roadmap table of contents and template

Sample table of contents for roadmap document

The following is an example table of contents for a sustainable finance roadmap document, based on existing roadmaps.

- **Fundamentals of the Roadmap**

- Key drivers for sustainable finance in the national context
- Objective of the roadmap
- Scope and approach
- Process and principles
- List of stakeholders engaged

- **Setting the context**

- Global sustainable finance trends
- Current state of sustainable finance in the country
- Stakeholder mapping

- **Opportunities and barriers assessment**

- Overall financing needs and priority sectors
- Existing financing flows
- Critical gaps and barriers limiting the advancement of sustainable finance in the country

- **Proposed roadmap**

- Main pillars
- Description of activities
- Implementation of the roadmap (for example, coordination, capacity building, monitoring, reporting)

- **Annex: Roadmap table with timeline and roles and responsibilities**

Source: SBFN

Example roadmap template

The following is a sample template for a sustainable finance roadmap:

No	Reform area	Activity	Target (indicator)	Lead responsible entity	Support responsible entities	Timeline (urgency)	Priority (level of impact)	Cost*
1.1	ESG Integration	Develop and approve ESG risk management guideline for banking sector	Adoption of guideline by XX banks	Central Bank	Bankers Association	1-2 years	High	\$

Source: SBFN

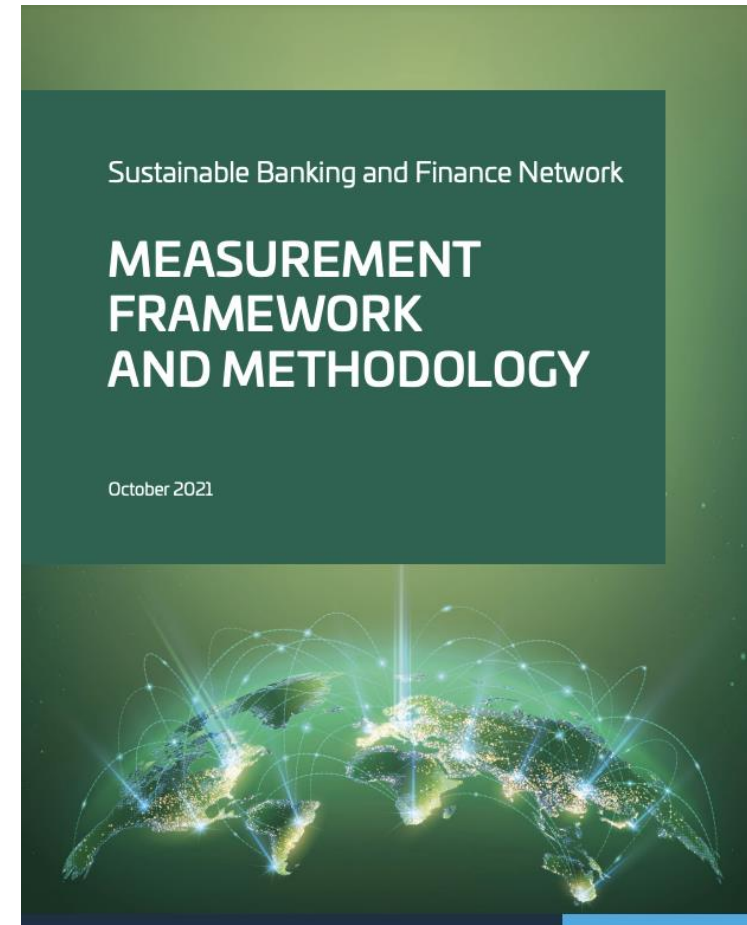
* The costing does not need to be disclosed in the final document, but a rough estimate of resources required can help with the prioritization and sequencing of measures.



Annex II: Useful additional resources

Other resources on Sustainable Finance Roadmap Development

- The following existing and upcoming SBFN resources serve as additional tools to support the development and implementation of sustainable finance roadmaps:
 - SBFN **Measurement Methodology**: a comprehensive assessment framework consisting of three main pillars and 73 supporting data sources/indicators to evaluate the implementation of sustainable finance in a country (2023 version is currently under revision).
 - SBFN **Global and Country Progress Reports**: biennial global progress report and country progress reports of over 40 SBFN member countries based on member survey responses, desk studies, and interviews.
 - SBFN **Analytical Tool**: an extensive database derived from SBFN's global and country reports data collection process, providing a detailed picture of SBFN member country initiatives.
 - SBFN **Framework Library**: a comprehensive and searchable collection of national sustainable finance framework documents introduced by SBFN members to date.
 - SBFN **Toolkits and Training programmes on Taxonomy and Disclosure** (under development): thematic guidance documents to help SBFN members and others to design national frameworks.
 - SBFN **Global Dashboard** (under development): a one-stop, digital platform to benchmark SBFN members' progress and integrate all SBFN tools and resources.



Other resources on Sustainable Finance Roadmap Development

Sustainable Finance Diagnostic Toolkit by Green Finance Platform and the International Network of Financial Centres for Sustainability (FC4S)

Welcome to the Sustainable Finance Diagnostic Toolkit

The Sustainable Finance Diagnostic Toolkit is a 10-step online questionnaire to help facilitate the development of a national sustainable finance status report and provide input in developing a sustainable finance roadmap and build consensus on key measures and actions to be taken to advance sustainable finance in the country.

This toolkit is based on research and analysis by the UNEP Inquiry into the Design of a Sustainable Financial System and the International Network of Financial Centres for Sustainability (FC4S). It is developed and distributed online as a part of the Global Environment Facility (GEF) funded **Aligning Finance Policies** project, under which the Green Finance Platform is working with six countries.

The Green Finance Platform provides a clearinghouse of market, policy and regulatory innovations for the financial system to contribute to the transition toward a low-carbon, resilient and inclusive economy. Developing a sustainable finance roadmap through this toolkit is the first step to building the financial architecture for sustainable economic transitions. The toolkit is followed by three consecutive steps: aligning with global standards and best practices based on the **Green Finance Measures Database**, designing effective green financial policies and regulations based on the **Green Finance Effectiveness Framework**, and shaping the global conversation through **sustainable finance knowledge** sourced from **partner networks**.

10 Steps in the Diagnostic Toolkit

1. Building the narrative
2. Defining sustainable finance
3. Sustainable finance needs
4. Sustainable finance stocks, flows, and future investment gap
5. Barriers to sustainable finance
6. Aligning with international experience
7. Mapping the national financial system
8. Drivers of sustainable finance
9. Stocktaking (progress) to date
10. Potential interventions and innovations

Other resources on Sustainable Finance Roadmap Development (cont.)

Coalition of Finance Ministers for Climate Action and UNDP Financial Centers for Sustainability, *An Analysis Of Sustainable Finance Roadmaps: Charting The Path To Financial System Transformation (2021)*



'To Do' List for Developing Sustainable Finance Roadmaps

- ✓ Develop a broad consultative process.
- ✓ Designate appropriate institutional leadership.
- ✓ Build a strong narrative for financial system alignment with sustainable development goals.
- ✓ Describe the requirements for aligning the financial system with sustainable development goals.
- ✓ Include an estimate of the investment gap in low-carbon sectors.
- ✓ Conduct an analysis of challenges and obstacles to scaling sustainable finance.
- ✓ Include multiple projected scenarios for the evolution of the financial system.
- ✓ Develop precise and actionable recommendations.
- ✓ Identify most urgent and feasible measures, alongside prerequisites for deeper reforms.
- ✓ Develop a capacity-building plan to strengthen organizational competencies.
- ✓ Define the monitoring arrangements including progress indicators.
- ✓ Identify the agency or institution responsible for implementing each recommendation.
- ✓ Periodically evaluate the overall state of sustainable finance and renew public engagement.

Other resources on Sustainable Finance Roadmap Development (cont.)

World Bank: *Toolkits for Policymakers to green the financial system* (2021)

 <p>Strategy and Coordination</p>	<p>Green Finance Roadmap Key line ministries (for example, finance, environment), Central Bank</p>	<p>National Climate Finance Strategy Key line ministries (for example, finance, environment, energy), Central Bank</p>		
 <p>Build Skills and Capacity</p>	<p>National Platform/Taskforce on Green Finance Ministry of Finance, Central Bank, financial regulator/supervisor, industry associations</p>	<p>International Networks Ministry of Finance, Central Bank, supervisory authority, financial regulator/supervisor</p>	<p>Paris Alignment by Fis Ministry of Finance, financial regulator/supervisor, industry associations</p>	
 <p>Financial Regulation and Central Bank Activities</p>	<p>Climate-Related Risk and Environmental Risk Assessment Ministry of Finance, central banks, financial regulator/supervisor, other experts/stakeholders</p>	<p>Climate-Related and Environmental Supervisory Practice Central Bank, financial regulator/supervisor</p>	<p>Supervisory Guidance on Climate Related and Environmental Financial Risks Central Bank, financial regulator/supervisor</p>	<p>Exploring Greening of Central Banks' Activities Central Bank</p>
 <p>Increasing Transparency</p>	<p>Climate-Related and Environmental Disclosure and Reporting Standards Ministry of Finance, Central Bank, financial regulator/supervisor</p>	<p>Green/Sustainable Taxonomy Key line ministries (for example, for finance and environment), Central Bank, other experts/stakeholders</p>		
 <p>Greening Fis</p>	<p>Greening NDBs/other public Fis Key line ministries (for example, finance, development, environment), NDBs, other public Fis</p>	<p>National Green Finance Entity or Green Bank Key line ministries (for example, finance, development, environment)</p>		
 <p>Green Financial Tools and Instruments</p>	<p>Stimulate Corporate Green Bond Issuance Capital market regulatory authority, Industry associations</p>	<p>Originate Green Sovereign Bonds Key line ministries (for example, finance, development, environment)</p>	<p>Promote Blended Finance Products Key line ministries (for example, finance, development, environment), NDBs or other public Fis</p>	<p>Stimulate Green/Sustainability-Linked Loan Ministry of Finance, NDBs, other public Fis</p>



Annex III: Definitions

Definitions

The following table provides key definitions to support a common understanding. These definitions draw from broadly accepted definitions by international bodies (such as IFC, ICMA, TCFD, NGFS). They are not meant to represent the "correct" definition of each term.

Selected terms (listed alphabetically)

TERM	DEFINITION	SOURCE
Biodiversity finance	Finance that contributes or intends to contribute to activities that conserve, restore, or avoid a negative footprint on biodiversity and ecosystem services.	OECD, IFC
Blue finance	Innovative financing solutions that earmark funds exclusively for ocean-friendly projects and critical clean water resources protection.	IFC
Climate-change adaptation	Measures to reduce the vulnerability of human or natural systems to the effects of climate change, and risks associated with climate variability, by maintaining or increasing adaptive capacity and resilience. Adaptation actions can take various forms, depending on the context of a community, business, organization, country or region, and can range from building flood defences, setting up early warning systems for cyclones, switching to drought-resistant crops, to redesigning communication systems, business operations and government policies.	UNFCCC, IPCC, IFC
Climate-change mitigation	Measures to reduce emissions of greenhouse gases (GHGs) into the atmosphere or absorption of GHGs from the atmosphere.	UNFCCC, IPCC, IFC
Climate finance	Financing that seeks to support climate change mitigation and adaptation actions. Although there is no single definition of climate finance, the United Nations Framework Convention on Climate Change (UNFCCC) provides the following definition: "Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts."	UNFCCC
Dependencies on nature	The degree to which business activities depend on nature for inputs, whether any risks stem from the disappearance of nature, and how those could translate into financial risks to companies and by extension to financial institutions that finance them (for example, risk to agricultural producers from declining water resource as aquifers are depleted, and possible default risk to financial institutions).	TNFD, IFC

Definitions (cont.)

TERM	DEFINITION	SOURCE
Environmental & Social Risk Management System (ESMS)	A system that helps companies integrate plans and standards into their core operations —so they can anticipate environmental and social risks posed by their business activities and avoid, minimize, and compensate for such impacts as necessary. In line with the IFC Performance Standards, the issues covered by an ESMS may include labor and working conditions, resource efficiency and pollution prevention, community health, safety, and security, land acquisition and involuntary resettlement, indigenous peoples, cultural heritage, biodiversity and sustainable management of living natural resources. A good ESMS also provides for consultation with stakeholders and a means for complaints from external stakeholders to be addressed.	IFC
E&S	A range of environmental and social risks that may be encountered by financial institutions in their lending and investment activities.	IFC
ESG	A term increasingly used by investors to refer to the type of risks assessed as part of responsible investment practices. It includes a range of topics under the categories of environmental, social, and corporate governance risks and performance.	
Gender Finance	Making affordable financial products and services readily available to all genders equally; this can be a catalyst in encouraging women’s economic participation and unlocking new market opportunities.	
Green Finance	Financial instruments that seek to support environmentally sound and sustainable projects, such as climate finance (covering climate change mitigation and adaptation), biodiversity finance (seeking to protect, maintain, or enhance biodiversity and ecosystem services and sustainably manage living natural resources), or blue finance (covering ocean and water protection).	
Impacts on nature	These could be positive or negative impacts of financing activities on nature—for example, the depletion of aquifers through excessive withdrawal of groundwater in a water-scarce region.	TNFD, IFC

Definitions (cont.)

TERM	DEFINITION	SOURCE
Inclusive green finance	Access to and usage of financial services and products that build resilience to the negative impacts of climate change, especially the loss of biodiversity and ecosystems, and facilitate participation of low-income households, small businesses, and vulnerable groups in the green and low-carbon economy. Vulnerable groups can include the elderly, migrants and forcibly displaced people, as well as underserved population, such as the poor, youth, women, persons with disabilities, LGBTQI, rural and other disadvantaged or marginalized groups. Vulnerable groups will vary and should be evaluated on a country-by-country basis.	
Just transition	An integral part of international efforts to limit global heating to 1.5°C. It may be defined as “securing the future and livelihoods of workers and their communities in the transition to a low-carbon economy. It is based on social dialogue between workers and their unions, employers, and government, and consultation with communities and civil society” (ITUC, Just Transition Center). Considerations for a just transition may include measures to mitigate negative impacts on the people and communities affected by the climate transition, and on the competitiveness and resilience of GHG-intensive economic activities, and support equal access to the new opportunities, jobs and markets associated with the transition.	ITUC, Just Transition Center, IFC
Nature-related opportunities	Approaches to promote financing nature-smart practices in economic activity that conserve, restore (or avoid negative impact on) biodiversity and ecosystem services.	IFC, TNFD
Nature-related risk	Financial or economic risks resulting from threats posed by dependencies on nature and impacts on nature. These risks stem from physical impacts associated with biodiversity loss and the degradation of ecosystems, transition and reputational risks as well as compound systemic risks associated with the interaction between climate change and biodiversity loss.	IFC, TNFD
Paris alignment	Alignment of public and private financial flows with the objectives of the Paris Agreement on climate change, namely “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” (Article 2.1c). Thus for the financial sector, Paris Alignment is a process through which financial institutions aim to align their businesses, portfolios, and strategies with the objectives of the Paris Agreement.	Paris Agreement, IFC
Physical risks (from climate change)	Potential economic and financial losses that can result from acute climate- and weather-related events (such as increased severity of cyclones and floods) and chronic or progressive shifts in climate conditions (for example, rising mean temperatures, rising sea levels, extreme variability in weather patterns, and changed rainfall patterns).	TCFD
Social finance	Financial instruments that seek to support activities with positive social outcomes, including – but not limited to poverty reduction, gender equity, inclusion, improved health, education, or housing, and job creation.	

Definitions (cont.)

TERM	DEFINITION	SOURCE
Sustainable digital finance	Innovative solutions through which the integration of big data, artificial intelligence (AI), mobile platforms, blockchain and the Internet of things (IoT) in the provision of financial services, can support the integration of ESG and climate considerations into business decisions and unlock opportunities to scale up sustainable finance.	IFC
Sustainable finance (as a financing instrument)	Financial instruments where the proceeds will be exclusively applied to a combination of both green and social projects.	ICMA
Sustainability-linked finance	Sustainability-linked finance mobilizes capital to support the borrower's improved environmental, social, and governance performance. These financial instruments (sustainability-linked bonds and sustainability-linked loans) incentivize the pursuit of sustainability targets by tying pricing—usually through interest rates—to their achievement.	ICMA, IFC
Taxonomy	A classification system establishing a list of environmentally and/or socially sustainable economic activities, including a set of criteria for activities to be considered aligned with the taxonomy.	IFC
Transition Finance	Financing activities that contribute to the transition toward decarbonization by enabling an issuer's climate-change strategy, particularly by those industries with high greenhouse gas (GHG) emissions which face the most complex climate transition challenges.	ICMA, IFC
Transition Risks	Transition risks include those associated with the economic and financial implications of the transition to low-carbon economies and may include policy and legal risks, technological change risks, market risks (such as changing consumer preferences), and reputational risks. The transmission of these risks through indirect and direct channels and feedback loops may result in significant impacts to economies and financial sectors (stranded assets, financial value at risk, and so forth).	TCFD

International Finance Corporation

Sustainable Banking and Finance Network



SUSTAINABLE
BANKING *and*
FINANCE NETWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities