SUSTAINABLE BANKING AND FINANCE NETWORK

MEASUREMENT FRAMEWORK AND METHODOLOGY

2023

SUSTAINABLE BANKING and FINANCE NETWORK

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

About the Sustainable Banking and Finance Network (SBFN)

Established in 2012, 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. IFC, part of the World Bank Group, 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. As of April 2024, SBFN comprises 91 member institutions representing 70 countries and at least US$68 trillion (92 percent) of the total banking assets in emerging markets. SBFN members are committed to moving their financial sectors towards 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. For more information, visit **https://www.sbfnetwork.org/**

About IFC

IFC — a member of the World Bank Group — is the largest global development institution focused on the private sector in emerging markets and developing economies. We work in more than 100 countries, using our capital, mobilization capacity, expertise, and influence to create jobs and raise living standards, especially for the poor and vulnerable. In fiscal year 2023, IFC committed a record US$43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to improve people's lives as economies grapple with the impacts of global compounding crises. For more information, visit www.ifc.org.

Contents

About this document

The following document sets out the Measurement Framework for assessing and benchmarking progress in advancing sustainable finance at market level by financial sector regulators and industry associations that are members of SBFN. The intention is to capture rapid advances by SBFN countries in developing and implementing national enabling frameworks to promote sustainable finance. The Measurement Framework has been developed at the request and under the leadership of SBFN member institutions to support effective progress through peer knowledge exchange and collaboration. It is guided by a member-led Measurement Working Group. It is regularly updated to reflect collective member inputs, global trends, and emerging topics in sustainable finance. This is the fourth version of the Measurement Framework.

Background and Objectives of the Measurement Framework

Developed in 2016, the SBFN Measurement Framework was established in response to SBFN members' demands for a systematic approach to assessing and benchmarking country progress in developing national sustainable finance frameworks. The Measurement Framework has been updated over time based on member feedback, capturing global trends in sustainable finance and setting an ambition level for SBFN members. Key **objectives** of the Framework are to provide members with

- **A benchmarking tool** to learn from and compare peer approaches, track and review progress against global benchmarks and emerging best practices, and develop common concepts and definitions;
- **A mapping tool** to capture innovations, market-based actions, and policy leadership demonstrated by SBFN members as they move their financial markets toward sustainability;
- **A learning tool** to identify gaps and areas with capacity building needs, as well as to work with World Bank Group teams and other partners to obtain assistance, advice, and technical support;
- **A blueprint/planning tool** to design future sustainable finance policy pathways including national strategies, roadmaps, action plans, and frameworks (e.g., for ESG and climate risk management, sustainable finance instruments, and data and disclosure).

To ensure the Measurement Framework continuously reflects global trends in sustainable finance, as well as members' experiences and priorities, a **Measurement Working Group (WG)** was established in 2018 to capture member insights and provide an effective reference for good practices. Past co-chairs of the WG were the China Banking and Insurance Regulatory Commission (CBIRC), the Indonesia Financial Services Authority (OJK), and the Mongolia Sustainable Finance Association (MSFA). The current WG is co-chaired by the Financial Superintendence of Colombia (SFC) and the Moroccan Capital Market Authority (AMMC). The WG has developed and refined the Measurement Framework, which is approved by all members and continues to evolve.

Since 2018, the Measurement Framework has been guiding the biannual **SBFN Member Data Collection** exercise, which has supported the development of **SBFN's Global and Country Progress Reports**, the most comprehensive benchmarking of national sustainable finance initiatives across emerging markets.

Underlying Principles for the Measurement Framework

The following are the key underlying principles that guide the development of the Measurment Framework:

- **Member-driven approach:** The development and approval of the Measurement Framework is led by the Measurement WG with overall support and technical advice from the SBFN Secretariat. Input to the SBFN Member Data Collection exercise primarily relies on members' self-reported data and evidence of documentation in line with the Measurement Framework.

- **A comprehensive definition of sustainable finance:** In the context of the Measurement Framework, sustainable finance refers to a diverse and evolving ecosystem of policies, regulations, and practices by regulators, supervisors, industry associations, and financial institutions (FIs) to manage environmental, social, and governance (ESG) risks and performance in financial sector activities – including climate and nature-related risks – and to encourage the mobilization of capital to assets, projects, sectors, and business activities that have environmental and social benefits.

- **Alignment with international best practices, standards, and trends:** Given the cross-border nature of finance, the Measurement Framework aims to align with the latest global sustainable finance trends to promote harmonization of relevant policies and standards and allow collaboration between SBFN members and broader global dialogue. In this regard, the Measurement Framework is reviewed by World Bank Group experts as well as SBFN international partners.

- **Appreciation of diversity and local innovation:** While the Measurement Framework generally encourages alignment, SBFN members are diverse in their institutional arrangements and national sustainable finance initiatives. It is impossible to create a one-size-fits-all Framework. We therefore acknowledge that some questions may not make perfect sense to all members in all contexts, and the Measurement Framework values diversity, national characteristics, and local innovations coming from SBFN members. It builds on national good practice examples and local development priorities, and all efforts are made to capture inspiring innovation and leadership practices.

- **Combination of market and policy-based approaches:** SBFN countries typically adopt one, or a combination, of (i) policy-based approaches, whereby financial regulators take the lead in promoting sustainable finance through policy actions; (ii) industry-led approaches, whereby industry associations play a leading role and coordinate voluntary industry initiatives to promote sustainable finance; and/or (iii) public-private partnership approaches. The Measurement Framework captures this unique partnership between the private and public sectors.

- **Continuous improvement to meet member needs:** SBFN's initial focus has shifted from only ESG risk management standards and guidelines for the banking sector, to cover other key elements including financing sustainability through instruments such as green, social, and sustainable loans or bonds, as well as climate risk management, as a pressing priority at the global level. The sectoral coverage of the Measurement Framework has also expanded from banking to include the nonbanking financial sector, such as securities, pensions, and insurance.

- **An important note on the definition of "national framework(s)" under the Measurement Framework:** For the purposes of the Measurement Framework, the term "national framework(s)" can refer to one or several policies, roadmaps, guidance, regulations, and/or principles issued by regulators or industry associations in relation to each pillar of sustainable finance. SBFN recognizes that national frameworks for sustainable finance vary from country to country and are influenced by national priorities, characteristics of national financial sectors, and the institutions that are acting as champions of sustainable finance. This definition of national framework(s) reflects the broad range of initiatives taken across emerging markets by both regulators and industry associations.

Approach for the 2023 Update of the Measurement Framework

The goal of the Measurement Framework is to provide a roadmap for continuous improvement by allowing members to learn, collaborate, and leverage the approaches and innovations of others as part of their respective development of national frameworks for sustainable finance.

As SBFN members' sustainable finance journeys continue to evolve over time, moving from policy design to implementation, the 2023 Measurement Framework is also expected to reflect this direction by helping countries achieve measurable change in **policy implementation, practices by financial institutions, and mobilizing capital** to achieve national sustainable development and climate action goals.

In this regard, the current approach faces some limitations. For example, developing the Global and Country Progress Reports every two years makes it difficult to capture the fast-paced developments in SBFN countries on a regular basis. In addition, given the rapid growth of SBFN's membership, including the emergence of regional members, data collection for the Global and Country Progress Reports presents new challenges and has become resource- and time-intensive over time, requiring a new, more agile approach.

In response to these challenges, the 2023 Measurement Framework update and ongoing developments to streamline the SBFN Member Data Collection exercise aim to:

- **Introduce an ecosystem approach** to measure sustainable finance progress by SBFN members and other key market players, and expand the assessment to nonbanking, including securities, pensions, and insurance:
    - Securities refer to financial assets such as stocks, bonds, and derivatives issued by companies, governments, supranationals, or other entities. The assessment focuses on activities related to securities regulation, investment, and trading. Additionally, the Framework covers **Insurance and Pensions**, considering their essential role in the financial sector ecosystem.

- Breaking down financial institutions in the securities subsector enables a more thorough assessment of the various entities operating within the market. In addition to regulators and industry associations, stock exchanges have been included as possible issuers of sustainable finance framework to explore and assess their contribution to shaping and influencing sustainable practices within capital markets. As **Asset Managers** integrate ESG issues into investment decisions and propose new sustainable investment products and approaches, their contribution as financial institutions has also been incorporated into quantitative data questions.

- **Capture sustainable finance trends and emerging topics**, by:
    - Expanding the coverage of the Climate Risk Management Pillar to broader environmental issues including nature, and thus renaming it Climate and Nature-related Risk Management;
    - Updating existing indicators in the three pillars (ESG Integration, Climate and Nature-related Risk Management, and Financing Sustainability) to reflect the latest trends and global dialogue; and
    - Introducing new indicators under the three pillars on emerging sustainable finance topics to identify good practices and examples of SBFN members regarding issues such as nature-related risks and opportunities, gender finance, green inclusive finance, and sustainable digital finance.

- **Measure the depth of sustainable finance implementation by the financial sector** by restructuring the three sub-pillars and integrating quantitative data questions into the core Measurement Framework indicators. However, the restructuring of the three sub-pillars will not affect the methodology to place countries on the SBFN Progression Matrix.

- **Streamline the data collection process from members** and other public sources, into an **online SBFN Data Portal, including a data collection system, Global Dashboard, Country Profiles, and Framework Library** to enable regular updates and provide up-to-date information of SBFN members' sustainable finance progress, and consolidate existing resources and case studies in a single place.

- **Leverage the Measurement Framework to provide SBFN members with practical toolkits (e.g.,** Developing Sustainable Finance Roadmaps Toolkit**) and learning offerings** that would enable members to access best practices in policy development and implementation, assess their current progress, identify gaps against global benchmarks, and prioritize the policies/practices to be implemented going forward.

This section describes the proposed approach for the 2023 Measurement Framework update and SBFN Member Data Collection exercise in more detail, in terms of **(i) who/whom** (coverage of sectors and stakeholders covered by the Measurement Framework); and **(ii) what** (coverage of topics and indicators that members will be assessed on and expected outputs from the data collection exercise).

A Who/whom?

The 2023 Measurement Framework aims to introduce an ecosystem approach to measure sustainable finance progress by SBFN members and other key market players in SBFN countries. The primary target is to measure sustainable finance developments and practices in the banking sector given SBFN's historical focus and membership base. However, to better reflect the growth and diversification of SBFN's membership and capture the full picture and fast growth of sustainable finance in the wider financial ecosystem, data on sustainable finance developments in the nonbanking sector is also captured.

In line with this approach, the primary target group for data collection are SBFN members (mainly financial sector regulators and banking associations). But SBFN members are encouraged to reach out to other national institutions (e.g., capital markets authorities, stock exchanges) to provide additional data for areas that are not under the mandate of the SBFN member in order to get a comprehensive assessment of a country's progress on sustainable finance. Good practices from previous assessments have highlighted the value of collaborative approaches at country level where SBFN members work together with relevant organizations and counterparts to collect data.

B What?

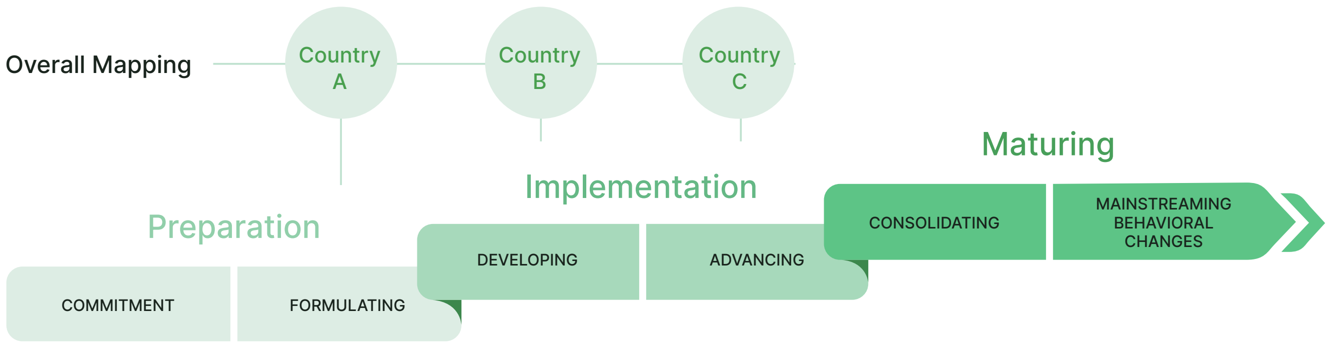
The Measurement Framework helps to facilitate a roadmap of continuous improvement along the twin goals of improving ESG risk management (including climate and nature-related risks) and increasing flows of capital to activities with positive environmental and social benefits, by deploying **three benchmarking tools:**

1. **The SBFN Progression Matrix**

   The SBFN Progression Matrix consists of typical phases and milestones that countries follow as they establish and implement national enabling frameworks in each pillar of sustainable finance, which then defines the country's placement on the overall progression matrix. Specific milestones must be achieved to move to the next phase of the progression matrix. By their placement in the progression matrix, members can more easily identify useful practices from peers in the same stage or learn from case studies of SBFN members that are more advanced in their journeys.

   In 2023, the stages of the overall progression matrix were maintained without changes to allow for comparable assessments of country progress.

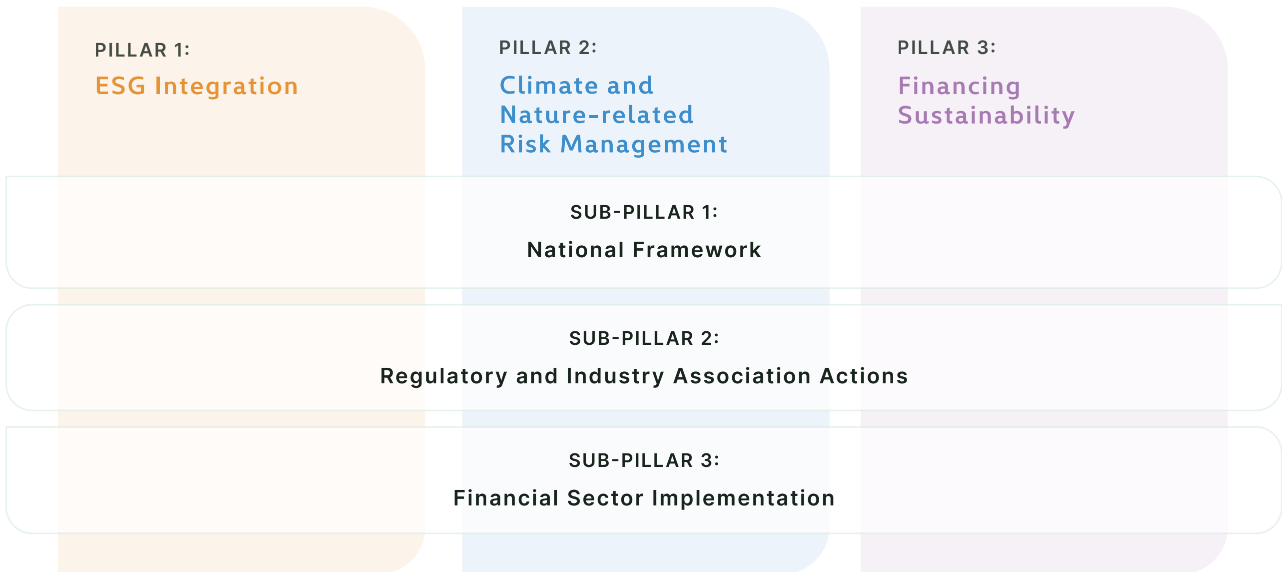
SBFN PROGRESSION MATRIX



Additional details on the SBFN Progression Matrix and associated stages of development are presented in ANNEX I. SBFN Progression Matrix (Overall and by Pillar).

2. SBFN Pillar-Level Benchmarking

This dynamic assessment across the three pillars and three sub-pillars utilizes qualitative and quantitative datapoints to assess country progress according to generally accepted good practices. This allows for granular comparison among countries. It yields suggestions on gaps that can be filled as well as trends of good practices emerging across the Network.



Under the 2023 Measurement Framework, the pillar benchmarking continues to be based on the three pillars identified and endorsed by SBFN members as critical components of sustainable finance. This update of the Measurement Framework reflects some changes to the indicators contained in the three pillars in line with global developments and country needs:

The ESG Integration Pillar evaluates regulatory guidance, supervision strategies, and voluntary financial sector approaches for a range of practices to manage ESG risks in financial sector operations and transactions. These practices include environmental and social (E&S) policies, risk management systems, training, monitoring, disclosure, and governance structure associated with the management of E&S risks. The ESG Integration analysis in 2023 will continue to focus on efforts by financial sector regulators and industry associations to encourage financial institutions to integrate E&S assessments into credit and investment decision making.

The Climate and Nature-related Risk Management Pillar recognizes that climate change and the management of climate-related financial risks in the financial sector have become urgent priorities, with a need for adequate governance structures, risk assessment and management, and disclosure frameworks and practices. This pillar was extended to broader environmental issues in 2023 by including nature-related risks, in line with global developments. It captures information on the different roles of financial sector regulators, industry associations, and financial institutions in helping their markets mitigate and adapt to climate change, address financial or economic risks resulting from threats posed by impacts and dependencies on nature, as well as compound systemic risks associated with the interaction between climate change and the biodiversity loss crisis. The pillar was updated to add new indicators around nature-related risks, climate mitigation, adaptation and resilience, just transition, Paris alignment, transition plans, and reporting of Scope 1, 2, and 3 GHG emissions, reflecting emerging international good practices from initiatives such as the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), Task Force on Climate-related Financial Disclosure (TCFD), Task Force on Nature-related Financial Disclosure (TNFD), Greenhouse Gas Protocol, Partnership for Carbon Accounting Financials (PCAF), the Global Biodiversity Framework, and sustainability disclosure standards by the International Sustainability Standards Board (ISSB).

It Is important to note that, while the ESG Integration Pillar focuses on the assessment and management of E&S issues in financing operations (i.e., at client, transaction, and/or project level) and associated corporate governance considerations, the Climate and Nature-related Risk Management Pillar focuses on the medium- to long-term financial risks posed by climate change and nature-related risks in the financial sector, with a greater focus on portfolio level.

The Financing Sustainability Pillar evaluates regulatory and voluntary efforts by members to provide definitions, guidance, monitoring, and incentives for financial institutions and nonbanking financial sector entities to introduce new products and services that support climate, green economy, and social goals. Bonds and loans labeled as green, social, and sustainable, as well as sustainability-linked bonds and transition finance instruments, are all examples of these products. In some cases these include extensive detail on the criteria for eligibility, such as in the form of taxonomies.

Standards have emerged for defining and identifying eligible projects, sectors, and assets, for issuance of sustainable finance instruments, for reporting on financing flows, outcomes, and impacts, and for the use of independent review and verification to prevent "green/social-washing." The updates to the Measurement Framework added in 2023 focus on introducing new indicators to capture member actions around designing sustainable finance schemes and blended finance solutions, as well as implementing activities to promote the development of more bankable, sustainable projects and pipelines. Indicators to capture member efforts and best practices related to emerging sustainable finance topics were included in this pillar, including on nature-related opportunities, inclusive green finance, gender finance, and sustainable digital finance.

The three Pillars of the Measurment Framework are supported by **cross-cutting sub-pillars and indicators.** The sub-pillars, which were restructured in 2023 – including two sub-pillars that were renamed to better reflect their scope – include:

Sub-pillar 1: National Framework: This sub-pillar seeks to establish the alignment between the SBFN member's sustainable finance framework(s) and the goals, standards, and strategies commonly aligned with each pillar's theme at the international and national levels; identify key features of the framework(s); and identify expectations from financial institutions as defined in the framework(s).

Sub-pillar 2: Regulator and Industry Association Actions: This sub-pillar focuses on regulatory approaches and actions, in addition to approaches and actions through voluntary industry principles (e.g., banking associations).

Sub-pillar 3: Financial Sector Implementation: This sub-pillar focuses on measuring the depth of implementation of national framework(s) in the financial sector by requesting quantitative market data. The proposed quantitative questions are aligned with (i) existing practices by members and (ii) emerging and established leading market practices. Nevertheless, SBFN recognizes that quantitative data may not be easily available in some markets, and this attempt at collecting comprehensive data on the uptake of sustainable finance practices by the financial sector may only affect the most advanced stage of the SBFN Progression Matrix (Mainstreaming Behavioral Change). Member data and disclosure practices will further be captured as good practice case studies and disseminated among SBFN members and partners. Ongoing feedback is welcomed from members on the practicality of the proposed indicators. Alternative data is also welcome where available. Any publication of country-level data will only be done with the approval of SBFN members. Members are requested to only report data that is publicly available (or that they will formally accept for SBFN to make publicly available).

The cross-cutting indicators under each sub-pillar were expanded in 2023 to include governance structures, capacity building, and awareness-raising initiatives.

The SBFN Secretariat recognizes that by broadening its sector coverage to include nonbanking, as well as requesting comprehensive data about banking and nonbanking financial sector implementation, SBFN members might not be able to provide fully comprehensive responses to all the Measurement Framework questions. The objectives of this expansion are to track the development of sustainable finance in the larger financial ecosystem and disseminate data with SBFN members and the public, and to encourage SBFN members to advance their level of ambition, while acknowledging challenges related to data availability in many countries.

3. SBFN Data Portal and Global Progress Brief

Following the completion of the SBFN Member Data Collection exercise, the SBFN Secretariat produces:

- **SBFN Data Portal (online):** Updating and consolidating the data collected from members into online Global Dashboards, Country Profiles, Framework Library, and Case Studies for a one-stop shop of all sustainable finance data, smart search, and benchmarking across countries, regions, and thematic pillars. The Data Portal contains links to relevant country documents through the Framework Library, as well as publicly available data on green/sustainable financial flows. Country Profiles feature the data reported by SBFN members through the data collection exercise, timelines of the countries' sustainable finance journeys, and good practice case studies. The Data Portal also contains a Member section, which integrates the data collection process with the global dashboards and country profiles.

- **SBFN Global Progress Brief:** Developing the SBFN Global Progress Brief leveraging information from the Data Portal to summarize key trends and country examples across the three pillars of the Measurement Framework, and providing practical recommendations on evolving trends in sustainable finance and their implications for members. The Brief also maps key activities of SBFN, its members, and Working Groups.

The data for the SBFN Data Portal is finalized and validated in collaboration with SBFN members as part of the SBFN Member Data Collection exercise.

Going forward, the online Data Portal will be updated regularly based on evidence of new sustainable finance developments and documentation collected from members. In addition, **the SBFN Secretariat will continue to formally request all members to report information on new sustainable finance developments and policy actions in their countries on a regular basis.**

This creates an integrated, efficient system for sustainable finance progress benchmarking across SBFN members globally, which will allow for the smooth integration of new members.

2023 SBFN Measurement Framework

In total, the 2023 Measurement Framework consists of 111 underlying datapoints to objectively assess a country's sustainable finance framework(s) according to clarity, comprehensiveness, and alignment with international good practices, as well as to measure its implementation by the financial sector, based on the **3 pillars, 3 cross-cutting sub-pillars, and 11 cross-cutting indicators.** The yes/no responses to these questions are complemented by sub-questions in the SBFN Member Data Collection survey to capture more granular data, and are supported by evidence and documentation provided by SBFN members.

MEASUREMENT FRAMEWORK OVERVIEW:

3 PILLARS, 3 CROSS-CUTTING SUB-PILLARS, 11 CROSS-CUTTING INDICATORS, 111 UNDERLYING DATAPOINTS

PILLAR 1:
ESG Integration

PILLAR 2:
Climate and Nature-related Risk Management

PILLAR 3:
Financing Sustainability

SUB-PILLAR 1:
National Framework

- Framework Adoption
- Alignment with international goals & standards
- Alignment with national goals & standards
- Expectations from Financial Institutions

SUB-PILLAR 2:
Regulatory and Industry Association Actions

- Assessment
- Technical guidance
- Governance structure & collaboration
- Capacity building & awareness
- Supervisory activities & incentives
- Tracking & aggregated disclosure

SUB-PILLAR 3:
Financial Sector Implementation

- Quantitative data on framework(s) implementation by the financial sector

Assessment of SBFN members at Preparation Stage

For SBFN member countries that are in the early stages of their sustainable finance journeys and have not yet developed a national sustainable finance framework, a simplified assessment is conducted to identify each country's initial commitments, stakeholder engagement and consultation activities, and status of framework preparation. The questionnaire developed for these countries is available in ANNEX II. Preparation Stage Assessment.

PILLAR 1:

ESG Integration

With regard to the questions in this pillar, the term “national framework(s)” (“Framework(s)”) can refer to one or several policies, roadmaps, guidance, regulations, and/or voluntary principles issued by the national regulator(s) or industry association(s) that directly address the adoption of environmental, social, and governance (ESG) risk management systems into the practices of financial institutions, as well as ESG disclosure frameworks.

This pillar focuses on frameworks and practices to manage ESG risks in the financial sector. These practices include the assessment and management of E&S issues in financing operations (i.e., at client, transaction, and/or project level) and associated corporate governance considerations.

Sub-pillar	Indicator	No.	Question
National Framework	Framework Adoption	1	Is there a published national framework(s) (“Framework(s)”) that sets out expectations for integrating the consideration of environmental, social, and governance (ESG) risk management in financial sector operations?
	Framework alignment with international goals & standards	2	Does the Framework(s) make reference to international sustainable development frameworks or goals?
		3	Does the Framework(s) make reference to established international ESG risk management and/or disclosure standards?
	Framework alignment with national goals & strategies	4	Does the Framework(s) make reference to specific national development objectives, plans, policies, goals, or targets?
	FI expectations-Strategy	5	Does the Framework(s) require/encourage financial institutions’ boards of directors/supervisory boards (or equivalent) to ensure that Environmental and Social Risk Management (ESRM) policies are in place to identify and manage E&S risks and impacts, including an Environmental and Social Management System (ESMS)?
	FI expectations-Organizational structure & capacity building	6	Does the Framework(s) require/encourage financial institutions to define roles and responsibilities for ESG risk management within the organization?
		7	Does the Framework(s) require/encourage financial institutions to develop and maintain the necessary ESG knowledge and capacity of staff through regular training?

Sub-pillar	Indicator	No.	Question
	FI expectations- Policies & procedures	8	Does the Framework(s) require/encourage financial institutions to adopt exclusion lists of products, activities, or sectors not recommended for financing?
		9	Does the Framework(s) require/encourage financial institutions to develop policies, procedures, and management systems to conduct ESG risks due diligence at the client, transaction, and/or project level?
		10	Does the Framework(s) require/encourage financial institutions to regularly monitor ESG risks at the client, transaction and/or project level throughout the project cycle (i.e., after investment approval)?
	FI expectations- Tracking, reporting & disclosure	11	Does the Framework(s) require/encourage financial institutions to undertake a regular review and monitoring of ESG risk exposure at aggregate portfolio level?
		12	Does the Framework(s) require/encourage financial institutions to establish and maintain external communications mechanisms with stakeholders in relation to ESG issues?
		13	Does the Framework(s) require/encourage financial institutions to track credit risk (e.g., loan defaults, non-performing loans) and/or financial returns in relation to ESG risk?
Regulator or industry association actions	Assessment	14	Has any assessment been undertaken to identify systemic ESG risks in key lending/investment sectors?
	Technical guidance	15	Are any technical guidance or tools provided to support implementation of the Framework(s) related to ESG Integration?
	Governance structure	16	Is there a governance structure(s) (committees, task forces, working group, etc.) in place to support the design and/or implementation of the Framework(s) related to ESG Integration?
	Capacity building and awareness	17	Are there any initiatives to promote knowledge and institutional capacities to successfully implement the Framework(s) related to ESG Integration?
	Supervisory activities & incentives	18	Is the implementation of the Framework(s) integrated into supervisory activities of the regulator, and/or regularly monitored by the industry association?
		19	Are there any financial or non-financial incentives and/or disincentives to manage ESG performance as part of the Framework(s)?
	Tracking and aggregated disclosure	20	Has a data collection mechanism been established to track data related to ESG Integration?
		21	Is the data collected on ESG Integration aggregated and publicly disclosed?

Sub-pillar	Indicator	No.	Question
Financial Sector Implementation	Quantitative Data (2022)	22	Total number of financial institutions in the country/market
		23	Total assets in the country/market
		24	Financial institutions covered by the ESG Integration framework(s)
		25	Financial institutions that adopted ESMS, including ESG risk management policies
		26	Financial institutions that defined roles and responsibilities for ESG risk management
		27	Financial institutions that report their ESG activities/performance regularly to the regulator or industry association
		28	Financial institutions that disclose their ESG risk management performance to public
		29	Outstanding credits/loans that have gone through ESG / E&S screening or due diligence (in USD million)
		30	Total credits/loans that have gone through ESG / E&S screening or due diligence (in USD million)
		31	NPL ratio

PILLAR 2:

Climate and Nature-related Risk Management

With regard to the questions in this pillar, the term “national framework(s)” (“Framework(s)”) can refer to one or several policies, roadmaps, guidance, regulations, and/or voluntary principles issued by the national regulator(s) or industry association(s) related to managing climate- and nature-related financial risks. It is recognized that policy frameworks, strategies, regulations, and guidelines may include climate and nature-related risks as part of an overall environmental risk management framework and/or as separate stand-alone frameworks. The questions for this pillar can be answered from either of these two perspectives.

It is important to note that while Pillar 1: ESG Integration focuses on the assessment and management of E&S risks and impacts in financing operations (i.e., at client, transaction, and/or project-level), Pillar 2 focuses on the medium- to long-term financial risks that arise from climate change and nature-related risks in the financial sector, with a greater focus on the portfolio level:

- **Climate-related risks** refer to financial or economic risks associated with physical and transition risks of climate change. Physical risks typically include the potential economic and financial losses resulting from acute climate and weather-related events, and chronic or progressive shifts in climate conditions, which may impact socioeconomic systems, infrastructure assets and services, and natural capital. Transition risks typically 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, and reputational risks.
- **Nature-related risks** refer to 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 crisis.

Sub-pillar	Indicator	No.	Question
National Framework	Framework Adoption	32	Is there a published national framework(s) (“Framework(s)”) that set(s) out expectations for integrating the consideration and management of climate-related risks and their impact in the financial sector, and/or associated disclosure of information?

Sub-pillar	Indicator	No.	Question
		33	Is there a published national framework(s) ("Framework(s)") that set(s) out expectations for integrating the consider-ation and management of nature-related risks and their impact in the financial sector, and/or associated disclosure of information?
	Framework alignment with international goals & standards	34	Does the Framework(s) on climate-related risks make reference to international agreements or frameworks to address climate change?
		35	Does the Framework(s) make reference to established international climate-related risk management and disclosure standards?
		36	Does the Framework(s) on nature-related risks make reference to international agreements, frameworks, or standards to address risks related to biodiversity loss and the degradation of ecosystems?
	Framework alignment with national goals & strategies	37	Is the Framework(s) aligned with national goals to address climate change mitigation and adaptation in line with the country's Nationally Determined Contributions (NDCs) to the Paris Agreement?
		38	Is the Framework(s) aligned with the country's National Biodiversity Strategy and Action Plan (NBSAP)?
	Framework Components	39	Does the Framework(s) include considerations to support a just transition? *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.*
		40	Does the Framework(s) recognize the concept of double materiality of climate and/or nature-related risks, meaning that banking and nonbanking entities can be impacted by, and/or have an impact on factors including climate change and nature?
		41	Does the Framework(s) identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?
	FI Expectations - Strategy & governance	42	Does the Framework(s) require/encourage financial institutions' board of directors/supervisory board-level (or equivalent) to ensure that climate and/or nature-related strategy, policies, and targets are in place?

Sub-pillar	Indicator	No.	Question
		43	Does the Framework(s) require/encourage financial institutions to adopt internationally recognized methodologies and tools to consider the Paris Alignment of their portfolios, businesses and strategy? *A working definition of Paris Alignment includes the alignment of public and private financial flows with the objectives of the Paris Agreement on climate change. Article 2.1c of the Paris Agreement defines this alignment as "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." Following this definition, 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.*
		44	Does the Framework(s) require/encourage financial institutions to develop and disclose climate transition plans, including goals, actions, and accountability mechanisms to align their business activities with a decarbonization/net-zero pathway within a defined timeframe?
		45	Does the Framework(s) require/encourage financial institutions to define the roles and responsibilities within the organization to identify, assess, and manage climate and/or nature-related financial risks?
	FI Expectations - Organizational structure & capacity building	46	Does the Framework(s) require/encourage financial institutions to develop and maintain the necessary knowledge and capacity of staff related to climate and/or nature-related risks through regular training?
	FI Expectations – Policies & procedures	47	Does the Framework(s) require/encourage financial institutions to include climate-related risks into existing risk management processes?
		48	Does the Framework(s) require/encourage financial institutions to include nature-related risks into existing risk management processes?
		49	Does the Framework(s) require/encourage financial institutions to integrate transaction-level climate change risk screening and/or assessments for their financing operations, for example by expanding their environmental and social risk management systems?

Sub-pillar	Indicator	No.	Question
		50	Does the Framework(s) require/encourage financial institutions to identify, measure, and report on their exposure to sectors that are vulnerable to climate transition risk and physical risk? *Sectors that are particularly vulnerable to transition risks include those with high carbon intensities or exposure to activities impacting natural carbon sinks.* *Sectors that are particularly vulnerable to physical risks include those likely to be affected by acute climate and weather-related events and/or progressive shifts in climate and weather patterns, and/or gradual loss of ecosystem services. Physical risk exposure at the portfolio level can be identified, for example, by examining vulnerabilities to physical climate impacts by geographical location at increasing levels of granularity (e.g., district-level, facility-level, etc.).*
	FI Expectations - Tracking, reporting & disclosure	51	Does the Framework(s) require/encourage financial institutions to report Scope 1, 2, and 3 greenhouse gas (GHG) emissions and emissions intensity related to their portfolio, using internationally recognized methodologies?
		52	Does the Framework(s) require/encourage financial institutions to set, track, and report on targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?
		53	Does the Framework(s) require/encourage financial institutions to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?
		54	Does the Framework(s) require/encourage financial institutions to disclose publicly their approach to climate-related risk assessment and management in line with international good practices (e.g., TCFD, ISSB)?
		55	Does the Framework(s) require/encourage financial institutions to disclose publicly their approach to nature-related risk assessment and management in line with international good practices (e.g., TNFD)?
Regulator or industry association actions	Assessment	56	Have baseline surveys been conducted to assess the financial sector's historical exposure to climate-related risks, and/or financial institutions' awareness and preparedness to address economic and financial risks associated with climate change?
		57	Have forward-looking assessments been conducted to identify the main climate-related risks for the financial sector in the country, including stress testing and scenario analysis?
		58	Has an analytical framework been developed to assess the interactions between nature-related risks and the financial sector, including assessment of the degree to which financial systems are exposed to impacts and dependencies on nature?

Sub-pillar	Indicator	No.	Question
	Technical guidance	59	Has technical guidance been issued in relation to approaches to assessing and managing climate-related risks in the financial sector?
		60	Has technical guidance been issued in relation to approaches to assessing and managing nature-related risks in the financial sector?
	Governance structure	61	Is there a governance structure(s) (committees, task forces, working group, etc.) in place to support the design and implementation of the Framework(s) on climate and/or nature-related risk management?
	Capacity building and awareness	62	Are there measures in place to promote knowledge and institutional capacities related to climate and/or nature-related risks in the financial sector?
	Supervisory activities & incentives	63	Is the implementation of the Framework(s) integrated into supervisory activities of the regulator, and/or regularly monitored by the industry association?
		64	Are there any financial or non-financial incentives and/or disincentives for financial institutions to assess and manage climate and/or nature-related risk?
	Tracking and disclosure	65	Has a data collection mechanism been established to track data related to climate-related risk?
		66	Is the climate-related risk data collected by the regulator and/or industry association aggregated and disclosed publicly?
		67	Have a data infrastructure and measurement mechanisms been developed to collect data related to nature-related risks?
		68	Is the nature-related risk data collected by the regulator and/or industry association aggregated and disclosed publicly?
Financial Sector Implementation	Quantitative Data (2022)	69	Total number of financial institutions in the country/market
		70	Total assets in the country/market
		71	Financial institutions covered by the climate and/or nature-related risk framework(s)
		72	Financial institutions that introduced climate and nature-related risk policies/strategies
		73	Financial institutions that have measured their exposure to physical and transition risk at the portfolio level

Sub-pillar	Indicator	No.	Question
		74	Financial institutions that have undertaken climate and/or nature-related risk scenario analysis and/or stress testing
		75	Financial institutions that report their climate and/or nature-related risk management performance to the industry association or regulator
		76	Financial institutions that have adopted a transition/decarbonization plan
		77	Financial institutions that have TCFD-aligned reporting in 2022

PILLAR 3:

Financing Sustainability

With regard to the questions in this pillar, the term "national framework(s)" ("Framework(s)") can refer to one or several policies, roadmaps, guidance, regulations, and/or voluntary principles issued by the national regulator(s) or industry association(s) that seek to promote increased financial flows to projects, assets, sectors, and entities that have social and environmental benefits, or that comply with national definitions of sustainability categories (e.g., taxonomies).

The term "Financing Sustainability" in this context broadly includes green, social, and sustainability-focused instruments and activities under the concepts of green, social, sustainable, and sustainability-linked finance, and transition finance:

- **Green finance** refers to financial instruments that seek to support environmentally sound and sustainable projects, including but not limited to 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), and blue finance (covering ocean and water protection).
- **Social finance** refers to financial instruments that seek to support activities with positive social outcomes, including but not limited to poverty reduction, gender, inclusion, health, education, housing, and job creation.
- **Sustainable finance** includes financial instruments where the proceeds will be exclusively applied to a combination of both green and social projects.
- **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 rate – to their achievement.
- **Transition finance** refers to 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.

Some questions under this pillar also seek more granular information on emerging sustainable finance topics, some of which may be subsets of the categories above:

- **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 populations 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.

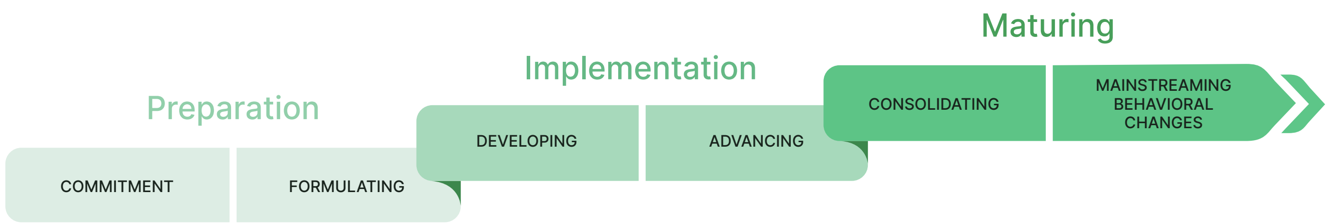
Sub-pillar	Indicator	No.	Question
National Framework	Framework Adoption	78	Is there a published national framework(s) ("Framework(s)") that sets out expectations for the financial sector to direct financial flows to sustainable assets, sectors, and/or activities?
		79	Has a taxonomy, classification, catalogue, or definition of sustainable finance assets, sectors, and/or activities been issued?
	Framework alignment with international goals & standards	80	Does the Framework(s) make reference to international agreements or goals to address climate change, biodiversity loss and/or ecosystems degradation?
		81	Does the Framework(s) make reference to existing standards, voluntary principles, market good practices, or global goals related to sustainable finance instruments?
	Framework alignment with national goals & strategies	82	Is the Framework(s) aligned with national development objectives, plans, policies, goals, or targets to scale up sustainable finance?
	Framework components	83	Does the Framework(s) set(s) out expectations for expanding access to finance to low-income households, small businesses and vulnerable groups with a focus on supporting climate change adaptation and/or resilience of these groups?
		84	Does the Framework(s) include a strategy and/or approach(es) to mobilize financing to women-led/owned businesses and/ or activities that support gender equality (e.g., adoption of gender principles, standards, frameworks)?
		85	Does the Framework(s) set(s) out expectations for promoting sustainable digital finance, such as sustainable digital finance strategies, programs, or classification systems?
	FI Expectations - Strategy & governance	86	Does the Framework(s) require/encourage financial institutions' board of directors/supervisory board-level (or equivalent) to approve a strategy or high-level targets for capital allocation to sustainable assets, projects, or sectors?

Sub-pillar	Indicator	No.	Question
	FI Expectations - Organizational structure & capacity building	87	Does the Framework require/encourage financial institutions to define the roles and responsibilities within the organization to encourage finance flows to green, social, and/or sustain-ability-focused investments?
		88	Does the Framework require/encourage financial institutions to develop and maintain the necessary knowledge and capacity of staff related to green, social, or sustainability-fo-cused products through regular training and learning?
	FI Expectations - Policies & procedures	89	Does the Framework(s) require/encourage financial institutions to put in place policies and procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products?
		90	Does the Framework (s) require/encourage financial institu-tions to integrate operational staff performance targets related to sustainability-focused products?
	FI Expectations - Tracking, reporting & disclosure	91	Does the Framework require/encourage financial institutions to report to the regulator(s) or industry association(s) on the allocation of green, social, and/or sustainability loans, bonds or other positive impact investments?
		92	Does the Framework require/encourage financial institutions to report to the regulator(s) or industry association(s) on the outcomes (e.g., GHG emissions reduction) of green, social, and/or sustainability bonds and/or loans?
		93	Does the Framework require/encourage financial institutions to report publicly on their green, social and sustainability-focused finance allocation and outcomes/impacts (i.e., not only to the regulator or shareholders)?
Regulator or industry association actions	Assessment	94	Has any assessment been undertaken to identify opportunities and gaps for sustainable finance?
	Technical guidance	95	Does the Framework(s) provide guidelines and supporting tools (e.g., impact assessment tools) for developing and issuing green, social or sustainability-focused financial products (e.g., loans, bonds)?
	Governance structure	96	Is there a governance structure(s) (committees, task forces, working group, etc.) in place to support the design and implementation of the Framework(s) on green, social, or sustainability-focused financing?
	Capacity building and awareness	97	Are there any measures in place to promote sustainable finance knowledge and institutional capacities to successfully implement the Framework(s) and the proposed measures?
	Supervisory Activities & Incentives	98	Is there monitoring of banking or nonbanking entities' activities related to green, social, or sustainability-focused investment, lending, and other instruments through supervisory activities?

Sub-pillar	Indicator	No.	Question
	Supervisory Activities & Incentives	99	Are there any financial or non-financial incentives and/or requirements for banking or nonbanking entities' to develop and grow green, social, or sustainability-focused financial instruments?
	Financing mechanism	100	Is there a dedicated financing mechanism to promote the mobilization and allocation of green, social, sustainability-focused capital to public, private, and international sources to sustainable sectors, assets, and projects?
		101	Have activities been undertaken to support the identification and development of sustainable activities, projects, and assets?
	Tracking and disclosure	102	Is data collected regarding the allocation of capital to green, social, sustainability-focused assets, projects, or sectors?
		103	Is the data collected aggregated and publicly disclosed?
	Verification	104	Does the Framework require/encourage external party verification by accredited/approved reviewers to ensure the credibility of sustainability instruments and prevent 'green/social-washing'? *External party verification includes but is not limited to second party opinion, assurance, and certification.*
Financial Sector Implementation	Quantitative Data (2022)	105	National Finance total value in USD million
		106	Green finance value in USD million *Please refer to definitions for the scope of "green finance"*
		107	Social finance value in USD million *Please refer to definitions for the scope of "social finance"*
		108	Gender-linked finance value in USD million *Please refer to definitions for the scope of "gender-linked finance"*
		109	Sustainable finance value in USD million *Please refer to definitions for the scope of "sustainable finance"*
		110	Sustainability-linked finance value in USD million *Please refer to definitions for the scope of "sustainability-linked finance"*
		111	Transition finance value in USD million *Please refer to definitions for the scope of "transition finance"*

ANNEX I. SBFN Progression Matrix (Overall and by Pillar)

FIGURE 1: OVERALL PROGRESSION MATRIX MILESTONES



COMMITMENT

The financial sector regulator or industry association has announced a formal commitment to achieve progress on sustainable finance in the next two years.
Initial steps have been taken, such as a kick-off meeting or workshop with key stakeholders and industry.

FORMULATING

A formal initiative - led by a financial sector regulator or industry association or both - is in progress to develop a national roadmap, framework, policy, or voluntary industry principles on sustainable finance.
Preparations include research, suveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.

DEVELOPING

A first national roadmap, framework, policy, regulation, or set of voluntary industry principles on sustainable finance has been formally launched.
A formal taskforce or dedicated unit is leading implementation efforts - either within the regulator or industry association, or as a multi-stakeholder working group or platform.
Assessment, awareness raising and/or capacity building have been conducted.

ADVANCING

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions.
The national framework(s) cover(s) multiple parts of the financial system and encompass(es) key components and expectations from the financial sector, in line with international standards and best practices.
Financial institutions are required or encouraged to report on their implementation.
Financial institutions started reporting on their implementation of the roadmap, framework, policy, or voluntary principles in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

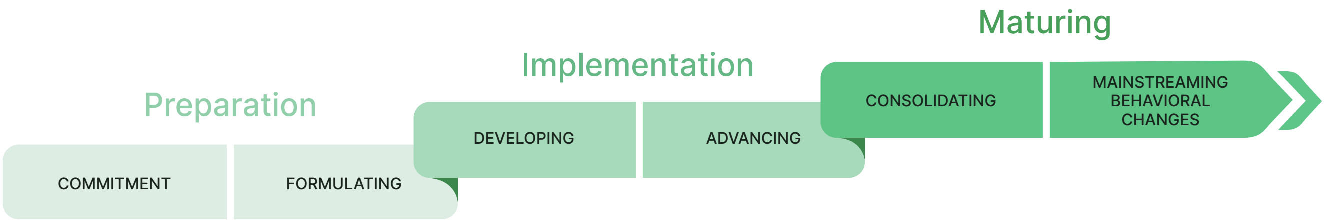
CONSOLIDATING

A comprehensive set of national initiatives and frameworks on sustainable finance are in place, covering all parts of the financial system.
The national frameworks are aligned with international good practice across all three pillars of sustainable finance as defined by the SBFN
Measurement Framework.
Actions are undertaken to supervise or monitor the implementation of the frameworks.
Consistent and comparable data is being collected by the regulator as part of supervision - or by the industry association, about implementation by financial institutions.

MAINSTREAMING BEHAVIORAL CHANGES

There is an established ecosystem of sustainable finance initiatives and frameworks in all parts of the financial system that align and integrate with each other.
Financial institutions are required or encouraged to report publicly on their implementation of sustainable finance across risk and opportunity.
The regulator or industry association has multi-year data on implementation by financial institutions - including both risk and opportunity.

FIGURE 2: PROGRESSION MATRIX MILESTONES – PILLAR 1: ESG INTEGRATION



COMMITMENT

The financial sector regulator or industry association has announced a formal commitment to develop a policy, regulation, guidelines, or voluntary principles for the financial sector on ESG Integration.
A first event or workshop has been held to engage relevant financial sector stakeholders on the topic of ESG Integration for the financial sector.

FORMULATING

A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles on ESG Integration in the financial sector.
Preparations include research, surveys, multi-stakeholder engagement, and / or awareness raising for the financial sector.

DEVELOPING

A first national policy, regulation, guidelines, or set of voluntary principles has been formally launched that sets out requirements or recommendations for financial institutions on ESG Integration.
A formal taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry.
Assessments, awareness raising, and/or capacity building for financial institutions on the new expectations for ESG Integration have been conducted.

ADVANCING

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions.
The framework(s) on ESG Integration cover(s) multiple parts of the financial system and encompass(es) key components and expectations from the financial sector, in line with internation- al standards and best practices.
Financial institutions are required or encouraged to report on their implementation.
Financial institutions started reporting on their implementation of ESG Integration expectations in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

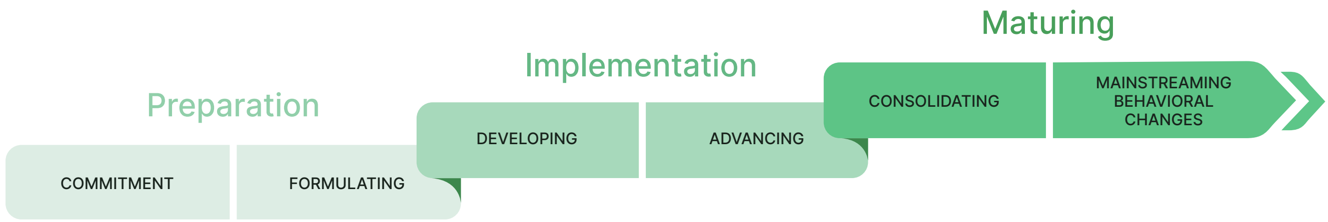
CONSOLIDATING

A comprehensive set of national initiatives and frameworks on ESG Integration are in place, covering all parts of the financial system.
The national frameworks are aligned with international good practice and cover all three crosscutting areas of ESG Integration:
1. National framework (incl. national and international alignment, and expectations from FIs),
2. Regulatory and industry association actions, and
3. Data on financial sector implementation.
Actions are undertaken to supervise or monitor the implementaion of ESG Integration frameworks.
Consistent and comparable data is being collected by the regulator as part of supervision - or by the industry association, about the implementation of ESG Integration expectations by financial institutions.

MAINSTREAMING BEHAVIORAL CHANGES

There is an established ecosystem of ESG Integration initiatives and frameworks that are consistent across all parts of the financial system, and that align and integrate with each other. Financial institutions are required or encouraged to report on their implementation of ESG Integration, and the information collected is disclosed publicly.
The regulator or industry association has multi-year data on implementation by financial institutions on ESG Integration.

FIGURE 3: PROGRESSION MATRIX MILESTONES – PILLAR 2: CLIMATE AND NATURE-RELATED RISK MANAGEMENT



COMMITMENT

The financial sector regulator or industry association has announced a formal commitment to develop a policy, regulation, guidelines, or voluntary principles for the financial sector on Climate and/or Nature-related Risk Management.
A first event or workshop has been held to engage relevant financial sector stakeholders on the topic of Climate and/or Nature-related Risk Management for the financial sector.

FORMULATING

A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles on Climate and/or Nature-relat- ed Risk Management in the financial sector.
Preparations include research, surveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.

DEVELOPING

A first national policy, regulation, guidelines, or set of voluntary principles has been formally launched that sets out requirements or recommendations for financial institutions on Climate and/or Nature-related Risk Management.
A formal taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry.
Assessments, awareness raising, and/or capacity building for financial institutions on the new expectations for Climate and/or Nature-related Risk Management have been conducted.

ADVANCING

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions to help the financial sector manage Climate-related physical and transition risks and/or Nature-relat- ed Risks.
The framework(s) on Climate and/or Nature-related Risk Manage- ment cover(s) multiple parts of the financial system and encom- passes) key components and expectations from the financial sector, in line with international standards and best practices. Financial institutions are required or encouraged to report on their implementation.
Financial institutions started reporting on their implementation of Climate and/or Nature-related Risk Management expectations in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

CONSOLIDATING

A comprehensive set of national initiatives and frameworks on Climate and/or Nature-related Risk Management are in place, covering all parts of the financial system.
The national frameworks are aligned with international good practice and cover all three crosscutting areas of Climate and/or Nature-related Risk Management:

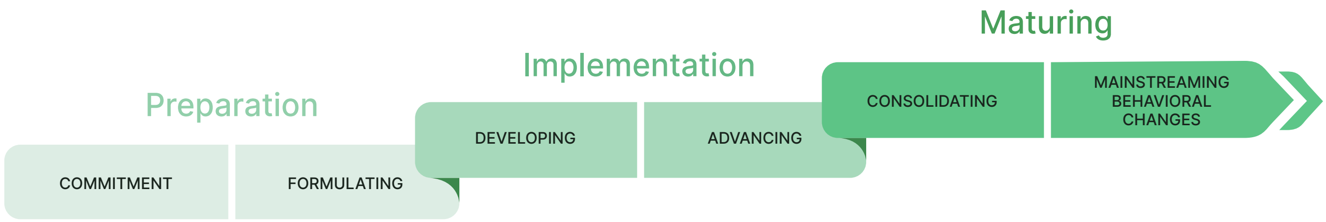
1. National framework (incl. national and international alignment, and expectations from FIs),
2. Regulatory and industry association actions, and
3. Data on financial sector implementation.

Actions are undertaken to supervise or monitor the implementation of Climate and/or Nature-related Risk Management frameworks.
Consistent and comparable data is being collected by the regulator as part of supervision - or by the industry association, about the implementation of Climate and/or Nature-related Risk Management expectations by financial institutions.

MAINSTREAMING BEHAVIORAL CHANGES

The national frameworks for Climate and/or Nature-related Risk Management are aligned with international good practice expectations, are consistent across different parts of the financial sector, and align and integrate with each other.
Financial institutions are required or encouraged to report on their implementation of Climate and/or Nature-related Risk Manage- ment, and the information collected is disclosed publicly.
The regulator or industry association has multi-year data on implementation by financial institutions on Climate and/or Nature-related Risk Management.

FIGURE 4: PROGRESSION MATRIX MILESTONES – PILLAR 3: FINANCING SUSTAINABILITY



COMMITMENT

The financial sector regulator or industry association has announced a formal commitment to develop a policy, regulation, guidelines, or voluntary principles to promote financial flows to green, social and/or sustainability-focused assets, projects, and sectors.
Initial awareness raising and knowledge sharing is being organized by the regulator or industry association.

FORMULATING

A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles to promote financial flows to green, social, and/or sustainability- focused assets, projects, and sectors.
Preparations include research, surveys, multi-stakeholder engagement and/or awareness raising for the financial sector.

DEVELOPING

A first national policy, regulation, guidelines, or set of voluntary principles has been formally launched that sets out requirements or recommendations for financial institutions to promote financial flows to green, social, and/or sustainability-focused assets, projects and sectors.
A formal taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry.
Assessments, awareness activities, and/or capacity building for financial institutions on the new expectations for Financing Sustainability have been conducted.

ADVANCING

Implementation tools and initiatives are in place, such as guidance, guidelines, taxonomies, reporting templates, training, online tools, and supervisory instructions to help the financial sector promote financial flows to green, social, and/or sustainabil- ity-focused assets, projects, and sectors.
The framework(s) on green, social, and/or sustainability-focused financing cover multiple parts of the financial system and encom- pass(es) key components and expectations from the financial sector, in line with international standards and best practices. Financial institutions are required or encouraged to report on their implementation.
Financial institutions started reporting on their implementation of the framework(s) on green, social, and/or sustainability-focused financing in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

CONSOLIDATING

A comprehensive set of national initiatives and frameworks are in place aimed at supporting all parts of the financial system to promote financial flows to green, social, and/or sustainability-fo- cused assets, projects and sectors.
The national frameworks are aligned with international good practice and cover all three crosscutting areas of Financing Sustainability:

1. National framework (incl. national and international alignment, and expectations from FIs),
2. Regulatory and industry association actions, and
3. Financial sector implementation.

Actions are undertaken to supervise or monitor the implementation of frameworks on green, social, and/or sustainability-focused financing.
Consistent and comparable data is being collected by the regulator as part of supervision - or by the industry association, about implementation by financial institutions.

MAINSTREAMING BEHAVIORAL CHANGES

The national frameworks for Climate and/or Nature-related Risk Management are aligned with international good practice expectations, are consistent across different parts of the financial sector, and align and integrate with each other.
Financial institutions are required or encouraged to report on their implementation of the frameworks on green, social, and/or sustainability-focused financing, and the information collected is disclosed publicly.
The regulator or industry association has multi-year data on implementation by financial institutions on green, social, and/or sustainability-focused financing.

ANNEX II. Preparation Stage Assessment

	Process	Question
Preparation Stage Assessment	**Commitment**	Is there basic awareness raising and knowledge sharing on sustainable finance topics?
		Is there a plan to start an early-stage dialogue to develop policy or voluntary principles?
		Please provide examples of FI commitments.
	Consultation	Are there a mechanism and timeline for stakeholder engagement/consultation for framework development?
		Has the key framework content or focus area been identified? Has the referenced international good practice been identified?
		Please provide examples of FI adopting international standards/good practices, and/or market champions.
	Formulation	Is there a draft framework that has undergone broad consultation in the country and internationally?
		Is there a detailed framework launch progress and timeline?
		Please provide examples of market uptake of the proposed policy/principles.

Status of Policy Preparation	**Open-ended question**
	1. Timeline for the development of a policy or principles
	2. Dialogue towards the establishment of a policy or voluntary principles
	3. Awareness raising practices
	4. Recent progress and achievements
	5. Sustainable finance development plans for the next 2 years. Please mention the key challenges and how SBFN can assist.

ANNEX III. Definitions

The following table provides key definitions to support a common understanding by members of the terms used in the SBFN Measurement Framework. These definitions draw from broadly accepted definitions by international bodies (e.g. IFC, ICMA, TCFD, NGFS, etc.). They are not meant to represent the "correct" definition of each term, but rather are designed to provide common definitions of the terms used in the Measurement Framework for SBFN members as they report their answers to the survey.

Selected terms (listed alphabetically)

Term	Definition	Source
Biodiversity finance	Biodiversity finance refers to 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	Blue finance refers to innovative financing solutions that earmark funds exclusively for ocean-friendly projects and critical clean water resources protection.	IFC
Climate change adaptation	Climate change adaptation refers to measures to reduce the vulnerability of human or natural systems to the effects of climate change and climate variability–related risks by maintaining or increasing adaptive capacity and resilience. Adaptation actions can take on many forms, depending on the unique context of a community, business, organization, country, or region, and can range from building flood defenses, setting up early warning systems for cyclones, and switching to drought-resistant crops, to redesigning communication systems, business operations, and government policies.	UNFCCC, IPCC, IFC
Climate change mitigation	Climate change mitigation refers to measures to reduce emissions of greenhouse gasses (GHGs) into the atmosphere or absorption of GHGs from the atmosphere.	UNFCCC, IPCC, IFC
Climate finance	Climate finance generally refers to 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 gasses 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	Dependencies on nature refer to the degree that business activities depend on nature for inputs, if 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 (e.g., risks to agriculture producer from declining water aquifer and possible default risk to financial institution).	TNFD, IFC
Environmental & Social Risk Management	An environmental and social management system (ESMS) 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. The issues covered by an ESMS may include those from the eight IFC Performance Standards on Environmental and Social Sustainability. A good ESMS also provides for consultation with stakeholders and a means for complaints from external stakeholders to be addressed.	IFC

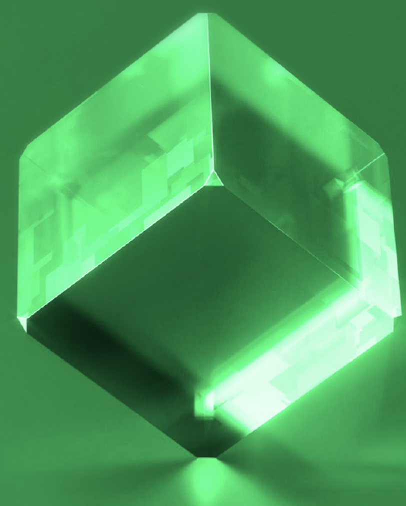
Term	Definition	Source
E&S	Refers to a range of Environmental and Social risks that may be encountered by financial institutions in their lending and investment activities. In line with the IFC Performance Standards, these issues may include labor and working conditions, resource efficiency and pollution prevention, community health, safety, and security, land acquisition and involuntary resettlement, biodiversity conservation and sustainable management of living natural resources, indigenous peoples, and cultural heritage.	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.	IFC
Financial institution	For the purposes of the SBFN Measurement Framework, the term "financial institution" refers to entities such as banks, insurance companies, pension funds, asset management firms, and other intermediaries involved in financial transactions.	SBFN
Gender finance	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.	IFC
Green finance	Green finance refers to financial instruments that seek to support environmentally sound and sustainable projects, including but not limited to 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), and blue finance (covering ocean and water protection).	IFC
Impacts on nature	Impacts on nature measure negative or positive impacts of financing activities on nature – i.e., risks to nature (e.g. overdrawing water in water scarce region).	TNFD, IFC
Inclusive green finance	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 populations 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 basis or context.	IFC
Just transition	A just transition is an integral part of international efforts to limit global heating to 1.5C. A just transition 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

Term	Definition	Source
Nature-related opportunities	Nature-related opportunities refer to developing approaches to promote financing nature-smart practices that conserve, restore, or avoid negative impact on biodiversity and ecosystem services in economic activity.	IFC, TNFD
Nature-related risk	Nature-related risks refer to 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 crisis.	IFC, TNFD
Paris Alignment	Paris Alignment includes the alignment of public and private financial flows with the objectives of the Paris Agreement on climate change. Article 2.1c of the Paris Agreement defines this alignment as "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." Following this definition, 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)	Physical risks include the potential economic and financial losses resulting from acute climate and weather-related events (e.g., increased severity of cyclones and floods) and chronic or progressive shifts in climate conditions (e.g., changes in precipitation patterns and extreme variability, rising mean temperatures, rising sea levels).	TCFD
Securities (subsector)	Securities refer to financial assets such as stocks, bonds, and derivatives issued by companies, governments, supranationals, or other entities. For the purposes of the Measurement Framework, the assessment focuses on activities related to securities regulation, investment, and trading.	SBFN
Social finance	Social finance refers to financial instruments that seek to support activities with positive social outcomes, including but not limited to poverty reduction, gender, inclusion, health, education, housing, and job creation.	ICMA, IFC
Sustainable digital finance	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.	IFC
Sustainable finance (as a financing instrument)	Sustainable finance includes 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

Term	Definition	Source
Taxonomy	A taxonomy is 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	Transition finance refers to 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 that face the most complex climate transition challenges.	ICMA, IFC
Transition risks	Transition risks include those risks 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 (e.g., 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 (e.g., stranded assets, financial value at risk, etc.).	TCFD

ACCESS THE SBFN DATA PORTAL AND GLOBAL PROGRESS BRIEF AT:

WWW.SBFNETWORK.ORG ↗



SUSTAINABLE BANKING *and* FINANCE NETWORK

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities