

Accelerating Sustainable Finance Together

Global Progress Report of the Sustainable Banking and Finance Network

Evidence of Policy Innovations and Market Actions across 43 Emerging Markets

October 2021



Sustainable
Banking and
Finance
Network



Creating Markets, Creating Opportunities

About SBFN

Established in 2012, SBFN is a voluntary community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance. The first global network of its kind focused on sustainable finance at market level, SBFN represents 43 countries and \$43 trillion (86 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 www.sbfnetwork.org or www.ifc.org/sbfm.

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Abbreviations and Acronyms

ACMF ASEAN Capital Markets Forum	IPSF International Platform on Sustainable Finance
AFI Alliance for Financial Inclusion	MDBs Multilateral Development banks
ASEAN Association of Southeast Asian Nations	MRV Measurement, Reporting, and Verification
BCBS Basel Committee on Banking Supervision	NDCs Nationally Determined Contributions
BES Biodiversity and Ecosystem Services	NGFS Network for Greening the Financial System
BIS Bank for International Settlements	OECD Organisation for Economic Co-operation and Development
CBD The Parties to the Convention on Biological Diversity	SBN Sustainable Banking Network
CCSBSO Central American Council of Superintendents of Banks, Insurance and Other FIs	SBFN Sustainable Banking and Finance Network
CDP formerly known as the Carbon Disclosure Project	SDGs Sustainable Development Goals
CERO Climate change and environmental risks and opportunities	TCFD Task Force on Climate-related Financial Disclosures
DFI Development Finance Institution	UNEP FI United Nations Environment Programme – Finance Initiative
DNSH Do No Significant Harm	
E&S Environmental and social	
ESG Environmental, social, and governance	
ESMS Environmental and social management system	
ESRA Environmental and Social Risks Analysis	
ESRM Environmental and Social Risk Management	
FI Financial Institution	
FSAP Financial Sector Assessment Program (World Bank)	
FSB Financial Stability Board	
IAIS International Association of Insurance Supervisors	
ICMA International Capital Market Association	
IOPS International Organization of Pension Supervision	
IOSCO International Organization of Securities Commissions	
IPCC Intergovernmental Panel on Climate Change	

Foreword from the SBFN Secretariat

In the face of the twin shocks of COVID-19 and the climate crisis, what people, businesses, and economies need in abundance is resilience. World Bank research estimates that climate change could drive up to 132 million more people into poverty by 2030.¹ The effects are already being felt through droughts, heatwaves, floods, and fires, and worse is ahead if we don't rapidly curb greenhouse gas emissions and invest in adaptation. This reality is compounded by the additional 150 million people who may end up in extreme poverty in 2021 due to COVID-19. These combined trends will increase inequality and more seriously affect people who are already marginalized.

The financial sector is on the frontlines of managing these economic, environmental, and social shocks by supporting the private sector's role in unlocking opportunities that help achieve climate commitments and the Sustainable Development Goals. To accelerate this response, financial sector regulators and banking associations across emerging markets are promoting a rapid shift to sustainable finance as a pathway to mobilize the financial sector for resilience.

IFC and 10 emerging markets established the Sustainable Banking and Finance Network (SBFN)—formerly the Sustainable Banking Network—in 2012 with precisely that mission: to accelerate sustainable finance in emerging markets as a tool for increased resilience and prosperity. SBFN's recent name change exemplifies the commitments of members to create collaborative ecosystems for sustainable finance across all parts of the financial sector.

SBFN's 63 member institutions represent 43 countries and \$43 trillion, accounting for 86 percent of banking assets in emerging markets. SBFN facilitates knowledge sharing and collaboration on common approaches by members to speed up the development of national sustainable finance frameworks. So far, these efforts have supported members in 33 countries to launch over 200 national policies, roadmaps, voluntary principles, guidelines, and tools to

enable sustainable lending and investments. This includes the development of guidelines and taxonomies that are enabling the growth in green, social, and sustainability-focused finance in emerging markets.

In fact, global green bond issuance now exceeds \$1.3 trillion and SBFN countries have led this trend in their regions. According to an IFC-Amundi report, green bond issuance in emerging markets in 2020 was robust, with 174 green bonds amounting to \$40 billion in issuance from 101 issuers. This represents 14 percent of global issuance in 2020. Seven emerging markets issued green bonds for the first time to achieve commitments under the Paris Agreement.² In Africa and Latin America, SBFN countries accounted for over 95 percent of cumulative regional green bond issuance.

As the Secretariat to SBFN, IFC is proud to support this acceleration. Both the risk management and opportunity sides of sustainable finance have been part of IFC's DNA for over two decades. We help to set and implement standards through our comprehensive Environmental and Social Performance Standards and Corporate Governance methodology for financing projects in emerging markets. IFC is also committed to growing its climate-related investments to an annual average of 35 percent of its own-account long-term commitment volume between 2021 and 2025 and working with financial institutions to finance projects that will support mitigation and adaptation. In 2021, the World Bank Group approved the Climate Change Action Plan (CCAP),³ in which IFC committed to have 85 percent of its investment program aligned with the Paris Agreement by 2023, and 100 percent by 2025.

IFC is particularly committed to supporting low-income countries and countries affected by fragility, conflict, and violence to harness the benefits of sustainable finance. SBFN's 2020 report, *Necessary Ambition*, found that sustainable finance is a critical pathway for low-income countries to de-risk investments and spur the private

1 World Bank, 2020, "Poverty and Shared Prosperity 2020: Revised Estimates of the Impact of Climate Change on Extreme Poverty by 2030"

2 IFC and Amundi, 2021, "Emerging Market Green Bonds Report 2020"

3 World Bank, 2021, "World Bank Group Climate Change Action Plan 2021–2025 : Supporting Green, Resilient, and Inclusive Development"

financial flows needed to strengthen economic resilience and social inclusion. We will continue to support these countries to address resource and capacity constraints in adopting sustainable finance.

Celebrating almost a decade of progress, a key tenet of SBFN is its partnership across the financial sector—between public and private sector institutions, and at regional and global levels. Members demonstrate what can be achieved when regulators, policymakers, industry associations, financial intermediaries, and development institutions collaborate to advance sustainable finance.

To assist this collaboration, SBFN leverages IFC's sustainability leadership across banking and capital markets, including as a leading green bond issuer and investor, and expertise across the World Bank Group in

areas such as climate risk and sovereign green bond issuance. Over the past two years, SBFN's outgoing Chair, former IFC Vice President Georgina Baker, played a critical role in harnessing World Bank Group to support SBFN members, and championed the Network's growth through her tireless leadership, particularly with new members in Eastern Europe and Central Asia. I look forward to building on Georgina's legacy and continuing this timely and important work.

Crises often result in opportunity, and the pandemic and climate change are no exceptions. As this year's Global Progress Report and Country Reports show, emerging markets are leading the urgent charge to champion sustainable finance as a powerful tool for a resilient and inclusive recovery from COVID-19 and a just transition to green and low-carbon economies.



Alfonso Garcia Mora

Vice President for Asia and the Pacific, IFC
Chair of the Secretariat of the Sustainable Banking and
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Foreword from Co-Chairs of the SBFN Measurement Working Group

As Co-Chairs of the SBFN Measurement Working Group, it gives us great pleasure to welcome SBFN's 3rd Global Progress report.

As all countries work to recover from the impacts of COVID-19, this report provides inspiring examples of how sustainable and green finance innovations can be used to attract capital and build back better. We now have an opportunity to change our financial systems to achieve positive impacts in line with the Sustainable Development Goals (SDGs).

In the past, when talking about sustainable finance, there has been a dominant focus on the environmental aspects. We are pleased to see that this report provides more focus on social aspects, such as gender, human rights, and financial inclusion. We are also excited to see coverage of important new trends, such as financing the climate transition and investing in biodiversity.

No doubt climate risk was one of the most urgent topics for many countries in the past two years, given how much investment is needed to avert a high emissions scenario that would have devastating social, environmental, and economic effects. It has therefore become central on the agenda of financial sector regulators and this report reflects this priority across different jurisdictions.

Before starting the process for the Global Progress Report, the Measurement Working Group met in 2020 to review the Measurement Framework and update it to reflect recent trends. This included a distinct pillar on climate risk management, which comprises a range of new tools and strategies in addition to core elements of environmental and social risk management.

The Framework was also updated to reflect the diversity of approaches being taken by SBFN countries across all three thematic pillars: ESG Integration, Climate Risk management, and Financing Sustainability. It is crucial that SBFN continues to recognize the different needs, priorities, and strategies of member countries in addressing these

themes. The approach taken this year to data collection and interviews, in partnership with members, allows for rich qualitative insights to support future actions.

Our recommendations to the SBFN Secretariat and community are to continue this important work and expand the network to include other types of members to reflect the full financial sector landscape. SBFN provides a unique and essential platform for financial sector regulators and industry associations to work together. The case studies in this year's report confirm that, as sustainable finance systems mature, collaboration between these different actors becomes critical to moving forward. This work should be extended to include capital markets, insurance, pension funds, and asset management.

We therefore welcome the change of the network's name to become the Sustainable Banking and Finance Network. This reflects the reality and needs of members and will enhance the network's mission and benefits.

SBFN should continue to represent emerging markets' perspectives in global dialogues on sustainable finance. This helps emerging markets translate and advance initiatives without being discouraged by the pace of how things are happening.

SBFN continues to do exceptional work in peer-to-peer knowledge sharing, reviewing member guidelines, and providing smaller spaces for members to exchange experiences and insights. SBFN should expand its work on capacity building and consider including investors in the dialogue. The leadership of the Advancing countries in this year's report should be leveraged to help other countries deepen their work on specific themes.

Above all, the report brings a message of hope based on the tremendous progress achieved by members. It also confirms that innovation can stem from various parts of the financial sector and can inspire collective action across the full financial ecosystem. Members can therefore choose the best way to start in their countries, knowing that the

SBFN knowledge base provides a wide range of case studies to accommodate different journeys.

Once again, we congratulate members and the Secretariat for the immense amount of knowledge contained in the 2021 Global Progress Report. And we thank the IFC and World Bank teams for ongoing technical support, which enables innovation in resource constrained environments.

We invite members to use this report to fast-track collaboration and the development of effective national frameworks for sustainable finance to strengthen financial stability, competitiveness, and resilience.



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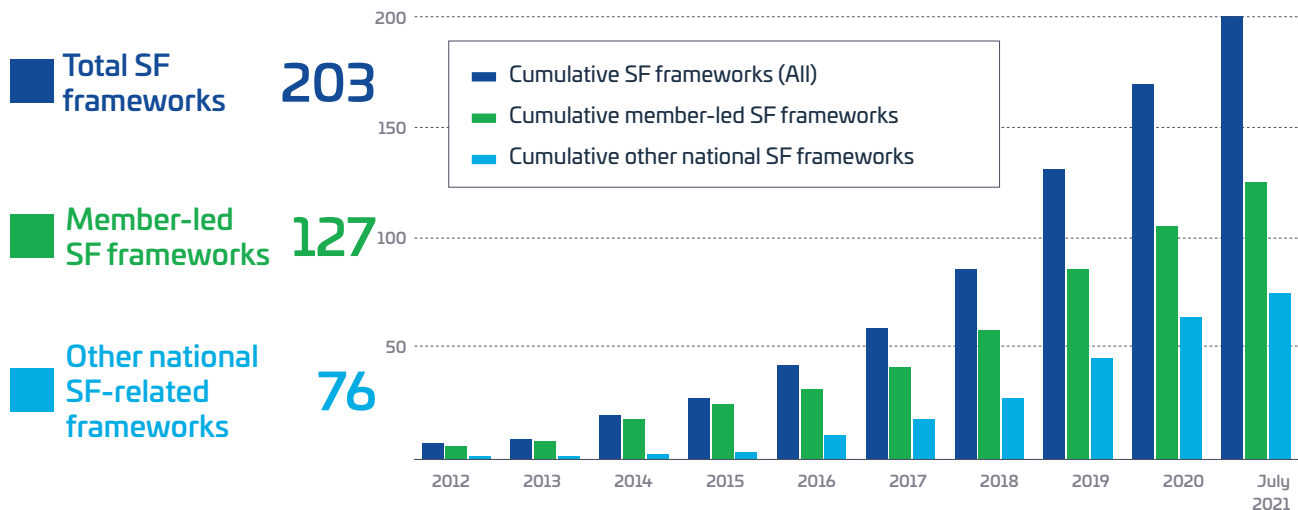
Key data – progress since last report

SBFN membership

43 Member countries **↑13%** **63** Member institutions **↑19%** **33** Countries which launched policies/principles **↑50%**

\$ 43 Trillion (86%) banking assets in emerging markets represented by SBFN membership

Acceleration of Sustainable Framework Issuance in SBFN Countries



Overall highlights

22 countries launched additional policies in this cycle to strengthen their existing sustainable finance frameworks

11 countries introduced their first national sustainable finance frameworks



21 countries moved forward in the Overall Progression Matrix

6 countries, including 1 new member country, made rapid progress, leapfrogging 2 sub-stages

Pillar Benchmarking highlights

Pillar 1: ESG Integration

32 countries (74%) have launched ESG frameworks, of which the majority have reporting requirements and highlight the governance (“G”) of E&S performance.

15 countries (35%) have established systematic ESG data collection to track implementation.

Pillar 2: Climate Risk Management

28 countries (65%) are at Formulating sub-stage for climate risk, leveraging ESG frameworks to begin integrating physical and transition climate risks.

4 countries (10%) are at Developing sub-stage, leading the way with robust policy actions for climate risk.

Pillar 3: Financing Sustainability

24 countries (56%) have launched guidelines for green, social and/or sustainability-focused financial instruments, such as loans or bonds.

6 countries (14%) have published detailed taxonomies and catalogues of eligible green or sustainability-focused projects, sectors, and activities.

1. Executive summary

Significant investment is required to reach the Sustainable Development Goals (SDGs) by 2030. The Organization for Economic Co-operation and Development (OECD) estimates \$2.5 trillion in financing needs in developing countries to achieve the SDGs, with an additional projected shortfall of \$1.7 trillion as a result of COVID-19. Aligning just 1.1 percent of global finance with the SDGs could fill that gap.

While the need is great, the opportunities are also significant. IFC estimates over \$23 trillion in investment opportunities in green and climate-related sectors and activities that can help achieve national goals aligned with the Paris Agreement and accelerate the global transition to a low-carbon economy.⁴ Most of this capital will come from the private sector, including banks, institutional investors, and capital markets.

Consequently, there is a groundswell of interest in sustainable finance worldwide as a means to activate the financial sector in pursuit of sustainable development objectives. With this mind, a growing number of regulators, supervisors, industry associations, and financial institutions (FIs) have adopted policies, regulations, 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.

As of October 2021, the IFC-supported Sustainable Banking and Finance Network (SBFN) represented 63 institutions from 43 countries, covering more than \$43 trillion (86 percent) of the total banking assets in emerging markets.⁵

At the suggestion of members, and to better reflect member diversity, the Network changed its name in September 2021. The new name reflects growing collaboration across different parts of the financial sector, supported by SBFN's unique convening role. Members now include financial sector regulators, central banks, banking associations, ministries of finance, ministries of environment, capital market authorities, and regional bodies representing banking associations and regulators.

Members are committed to advancing sustainable finance and achieving measurable change. To this end, SBFN's Global Progress Report is the most comprehensive assessment and benchmarking of national approaches to promote sustainable finance in emerging markets. It applies a Measurement Framework that has been developed and refined with members since 2016 under the leadership of SBFN's Measurement Working Group.

The Measurement Framework continues to evolve over time, as do members' sustainable finance journeys. It captures market dynamics and collective member insights. The updated 2021 Framework is informed by the latest emerging best practices and relevant global developments. Key themes this year include:

- **Deepening of national ESG risk management frameworks** and implementation by financial institutions.
- **COVID-19** and the response by many countries to leverage sustainable finance as part of "building back better".
- Sustainable finance moving **beyond banking** to include capital markets, pensions, insurance, and asset management.
- The **growing need for data to understand ESG risk as well as opportunity**, which is driving demand for improved disclosure by all parts of the financial sector, including the development of definitions and taxonomies.
- The ever-increasing urgency of **climate change** and the management of **climate risk**.
- The popularity of **green and climate bonds**, which has led to **expansion into social and sustainability bonds**, as well as broadening from bonds to loans and other financial instruments to mobilize capital for sustainable development objectives.

4 IFC, "Climate Investment Opportunities in Emerging Markets: An IFC Analysis" 2016.

5 Data source: International Monetary Fund, Financial Soundness Indicators, 2017 <http://data.imf.org/?sk=51B096FA-2CD2-40C2-8D09-0699CC1764DA>

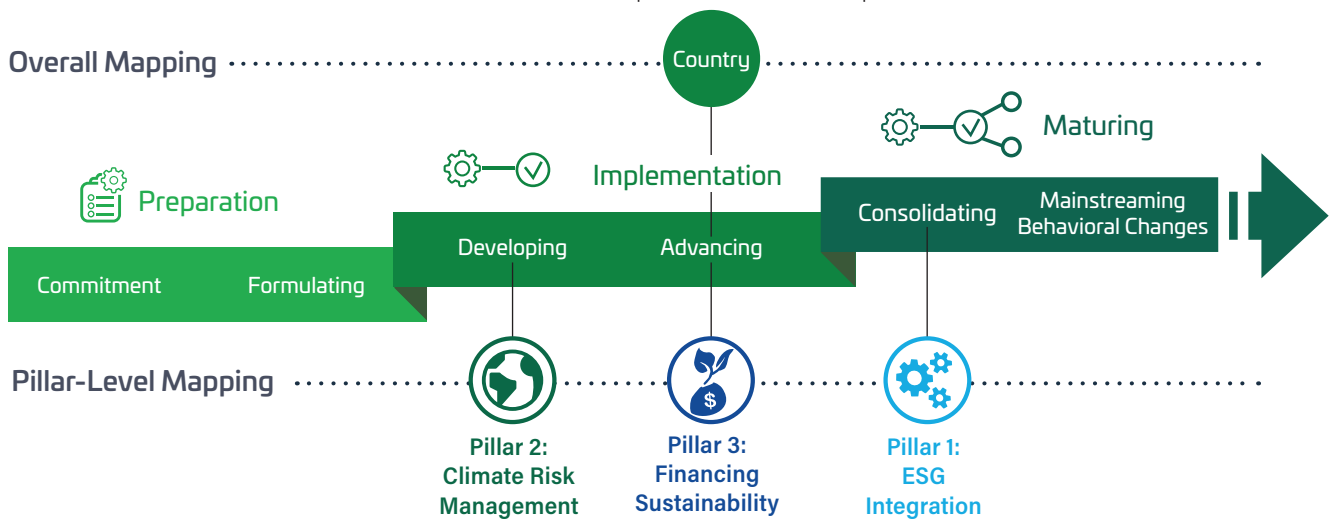
Figure 1: Overview of the 2021 SBFN Measurement Framework

The Measurement Framework consists of three complementary components

1. Progression matrices

Drawing on SBFN Members' common development paths and milestones, the **SBFN Progression Matrix** provides an overview of market-wide progress for all SBFN countries across three typical stages of development. It allows each SBFN member to review its own progress and identify the strengths and weaknesses of its approach.

The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices. In the 2021 report, in addition to the overall Progression Matrix, three pillar-level matrices are added to reflect a country's development process in each of the pillar areas.



2. Pillar benchmarking

A dynamic assessment is conducted across several priority pillars of sustainable finance, using qualitative and quantitative datapoints to assess progress and allow comparison across countries. Three pillars, three cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 underlying datapoints are used to objectively assess a country's sustainable finance framework(s), according to clarity, depth, and alignment to international good practice.

	Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar 1: Strategic Alignment	<ul style="list-style-type: none"> National framework Alignment with international goals and standards Alignment with national goals and strategies 		
Sub-pillar 2: Regulatory and Industry Association Actions	<ul style="list-style-type: none"> Overall approach and strategy Technical guidance Supervisory activities and incentives Tracking and aggregated disclosure 		
Sub-pillar 3: Expectations of Financial Institution (FI) Actions	<ul style="list-style-type: none"> Strategy and governance Organizational structure and capacity Policies and procedures Tracking, reporting, and disclosure 		

3. Sector data and case studies

In 2021, data collection included an exploratory request for quantitative data points — where available — for the number and percentage of financial institutions that are implementing ESG integration as well as climate risk management and disclosure; and the total value of green, social, and sustainability bond issuance. Detailed case studies were also collected of innovative approaches by regulators and industry. Case studies will be published in a new on-line case study catalogue.

The 2021 Global Progress Report is supported by over 30 Country Progress Reports and helps members to

- **assess their progress** in comparison with peers, and
- **identify proven strategies** to promote sustainable finance in their countries based on their stage of development.

As illustrated in the Figure 1 on the previous page, the **Measurement Framework** consists of three complementary components.

1. **An Overall Progression Matrix and three thematic matrices** that show the milestones countries have achieved in developing national sustainable finance frameworks.
2. **Pillar Benchmarking across three thematic pillars** that compare the clarity and comprehensiveness of national sustainable finance frameworks and their alignment to national priorities and international good practice as identified and endorsed by members.
3. **Aggregated national sustainable finance data and case studies** to illustrate interaction between national frameworks and behavior change by financial institutions.

The 2021 report is based on detailed country-level data shared by SBFN members supported by documentation. Extensive verification was carried out by the SBFN Secretariat, supported by third-party service providers Rothko and Intellidex. This included in-depth interviews with over 40 countries, as well as document review and data analysis.

This year's report finds that **member countries are accelerating progress across all dimensions of the Measurement Framework** – evidence that the sustainable finance landscape continues to deepen and expand.

- Since July 2019, the last reporting period, 11 additional countries introduced their **first national enabling frameworks for sustainable finance**, bringing the total number of countries with frameworks to 33.
- 32 countries (74 percent of member countries) have launched national frameworks that set expectations for the management of **ESG risk and performance by financial institutions**, of which the majority have reporting requirements and highlight the governance ("G") of environmental and social performance.
- Recognizing that climate risk management is a new issue

30 countries (70 percent) are in the Implementation stage in the Overall Progression Matrix.

for most members, 28 countries (65 percent) are at the Formulating stage and leveraging or refining existing ESG frameworks **to begin integrating the assessment and management of physical and transition climate risks.**

- 24 countries (56 percent) have launched guidelines for green, social, and/or sustainability-focused financial instruments, such as loans or bonds.
- 21 countries (49 percent) have **moved to a new stage or sub-stage** in the Overall Progression Matrix and six countries made rapid progress, leapfrogging two sub-stages.

These trends demonstrate significant action to deepen national sustainable finance frameworks.

As noted in Figure 2, 30 SBFN countries (70 percent) are in the Implementation stage in the Overall Progression Matrix, having introduced their first sustainable finance frameworks. Nineteen (44 percent) are in the Developing sub-stage, and are focused on developing templates, tools, guidelines, additional frameworks, and capacity for both financial institutions and regulators. Eleven are Advancing, having introduced reporting requirements and collecting comparable data on implementation by financial institutions. Three are in the Consolidating sub-stage, under the Maturing stage. This means they have comprehensive national sustainable finance frameworks that cover all parts of the financial sector, and are collecting robust year-on-year data.

There is a higher degree of collaboration between policy makers, regulators, banking associations, and financial sector institutions than in previous years. **Thirty-one countries have some form of cooperation between government agencies or between the regulator and industry association to promote sustainable finance.** Examples include Morocco's Capital Market Authority in partnership with Bank Al-Maghrib and multiple

other agencies to develop the Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development; China Banking and Insurance Regulatory Commission, People's Bank of China, and multiple other agencies; the Inter-agency Technical Working Group on Sustainable Finance (Green Force)⁶ in the Philippines; Nigeria's Financial Services Regulation Coordinating Committee, which developed the Nigeria Sustainable Finance Principles; and the Banking Association South Africa together with South Africa's National Treasury, Prudential Authority, Reserve Bank, Financial Sector Conduct Authority, and the Johannesburg Stock Exchange. **Ten countries report inter-agency data sharing is in place on aspects of sustainable finance.**

Additional framework elements and implementation tools are being introduced at a rapid pace. To date, 33 member countries have launched over 200 framework elements — including national roadmaps, policies, regulations, voluntary principles, guidelines, reporting templates, scorecards, tools, and research — setting out national good practice expectations for sustainable finance. SBFN research has identified 203 framework elements as of October 2021, of which 127 are directly initiated or supported by SBFN members. Amid the global pandemic, member countries not only maintained their momentum, but in many cases accelerated work to promote sustainable finance as a tool for growth and resilience.

Clear reporting requirements for financial institutions and collection of comparable data are the key milestones for countries in the Advancing and Consolidating sub-stages. Ten countries — Argentina, Bangladesh, China, Colombia, Indonesia, Kenya, Mexico, Mongolia, Turkey, and Vietnam — provided some degree of aggregate quantitative data on ESG performance and/or sustainable finance flows in response to this year's exploration of data availability. This is a significant improvement from 2019 when only China and

44 percent of countries are in the Developing sub-stage, and are focused on developing templates, tools, guidelines, additional frameworks, and capacity for both financial institutions and regulators.

Indonesia reported such data. The countries with data included all three countries in the Consolidating sub-stage — which had data across all three pillars — as well as six in the Advancing sub-stage, with data mainly across ESG integration and Financing Sustainability, and one in the Developing stage, which focused on ESG Integration. All 10 countries provided data on the implementation of ESG framework requirements by financial institutions. Seven countries provided data on capital allocation to green, social, and sustainability categories for loans or bonds. Five countries provided data on the extent to which banks are addressing climate risk.

The most commonly reported data include

- Banking assets covered by ESG integration requirements in the national sustainable finance framework;
- Banks that have established an internal ESG governance structure and/or policies; and
- Banks that report their ESG activities/performance regularly to the regulator/industry association.

⁶ The Green Force is co-chaired by the Department of Finance and Bangko Sentral ng Pilipinas, the central bank, together with 16 key government agencies. The Green Force introduced a Sustainable Finance Roadmap and Guiding Principles in October 2021.

National framework refers to the collective set of policies, roadmaps, guidance, regulations, and/or voluntary principles issued by national 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 and characteristics. They are also often interdependent with other national roadmaps, policies, and regulations. Countries vary in their starting points and the types of documents to kickstart the enabling framework. For instance, initial frameworks could choose to focus on ESG risk management and/or sustainable finance opportunities such as green bonds. They could also focus on banking, capital markets, or institutional investors. The variety of SBFN frameworks provides a rich source of inspiration for peer learning and collaboration.

Figure 2: Progression Matrix presenting overall progress of SBFN countries up to the end of July 2021*



*Countries within each sub-stage are listed in alphabetical order.

1.1 Benchmarking of countries across three thematic pillars

The **Pillar Benchmarking component** comprises three thematic pillars — ESG Integration, Climate Risk Management, and Financing Sustainability — with three cross-cutting sub-pillars, eleven cross-cutting indicators, and 75 underlying datapoints. The cross-cutting sub-pillars and indicators reflect the similar strategies that are used to design and implement frameworks across the three pillars. As discussed in the chapters for each pillar, this granular

benchmarking helps countries to determine which national framework elements are being covered most often by their peers, and to benefit from the experiences of other SBFN members.

As a foundational focus of most members, performance in the **ESG Integration Pillar** is most advanced. This pillar evaluates regulatory guidance, supervision strategies, and voluntary banking sector approaches that set expectations and provide guidance for financial institutions to manage ESG risks in operations, transactions, and portfolios.

The **Climate Risk Management Pillar** is a new addition to the SBFN measurement framework and has been designed to help members develop a roadmap on these new practices. The ESG integration pillar already captures advanced work being done by members on ESG risk management more broadly, which includes climate as an environmental issue. One of the interesting findings in this year's report is that most SBFN countries have included climate risk management into ESG frameworks in some way in recognition of the urgency of climate change. However, in many cases, members self-reported that they were still in the formulating stage when it comes to key elements of current climate risk management good practice, such as implementation of stress testing, use of scenarios, research on financial sector risk, and development of disclosure aligned with the Task Force on Climate-related Financial Disclosures.

Coverage in the **Financing Sustainability Pillar** reflects the strong interest and innovation in emerging markets to stimulate capital flows to sectors and activities that have environmental benefits. Frameworks assessed under this pillar confirm the importance of regulatory and voluntary efforts to provide definitions, guidance, taxonomies, standards, monitoring, and incentives for introducing new, credible products and services that support climate, green economy, and social goals.

Powerful findings are also emerging through correlations across the SBFN thematic pillars:

- Countries that actively supervise implementation by financial institutions also tend to focus on data and disclosure.
- There is more activity in this reporting period, including cross-agency collaboration among regulators, to build the capacity of FIs on climate risk management, with an emphasis on disclosure. This indicates that both regulators and FIs are learning to manage this topic together as data emerges.
- The role of governing bodies is recognized more strongly in relation to climate risk management and financing sustainability.
- When ESG frameworks are strongly aligned with international sustainable development frameworks, there is more likely to be a national framework in place to help banks manage climate risks.
- Countries with inter-agency data sharing and data

collection related to ESG integration are more likely to also have this type of data-sharing related to capital flows going to sustainable activities and efforts to encourage FIs to increase green lending and investment.

1.2 Cross-cutting themes in country-level sustainable finance initiatives

The following themes emerged from the detailed analysis of data across the three pillars of the SBFN measurement framework.

SBFN countries are consolidating and deepening their national enabling frameworks for sustainable finance across all three pillars, with an ESG integration being the pillar where most countries are advancing.

The majority of members did not slow their sustainable finance efforts during the first waves of the COVID-19 pandemic in 2020. Even though all countries are severely impacted, many have leveraged sustainability-focused finance as part of their recovery plans. During the assessment period, 11 countries⁷ introduced their first national sustainable finance frameworks, compared with seven in the 2019 assessment period. This represents a 57 percent increase in the rate of first frameworks being launched. This assessment period is from July 2019 to July 2021, during which 34 countries strengthened their national framework compared with 10 in 2019. This included i) issuance of new or amended policies, principles, guidelines, and tools, and ii) conducting sustainable finance research and publishing findings and recommendations.

A typical sequence has emerged in the development of national sustainable finance initiatives. For most countries, the journey to develop a first policy, regulation, roadmap, or set of voluntary principles can take several years of consultation, research, and preparation. This phase is critical as it builds sector buy-in to a collective sustainable finance vision and ensures the framework is aligned with local priorities and international trends. The first framework — whether focused on banking, capital markets, or more broadly — will often include i) a definition of sustainable finance, ii) reference to international best practice, and iii) the importance of sustainable finance to local priorities. Once the first framework is in place, it is much easier to add more components.

7 Argentina, Costa Rica, Dominican Republic, Egypt, Ghana, Honduras, India, Iraq, Philippines, Thailand, and Ukraine

Most countries start with a focus on improved governance, management, and disclosure of environmental and social risks in the financial sector.

To date, 32 countries (74 percent) have launched ESG-focused frameworks and most countries are in the Advancing category for ESG Integration, with consistent data starting to emerge about implementation by financial institutions. This is a significant achievement for the collective SBFN community. Governance (the “G” in ESG) of environmental and social performance is becoming more prominent in many frameworks, with some countries embedding environmental and social risk management into corporate governance codes. At least six countries — Georgia, Ghana, Iraq, Mexico, South Africa, and Vietnam — include ESG expectations in their corporate governance codes. This trend is expected to grow.

Once this foundation is in place, **opportunities emerge for green, social, and sustainability-focused financial products.**

Additional guidelines can be introduced to support this innovation. Over half (53 percent) of member countries have published guidelines for at least one green or sustainability-focused financial instrument, with bonds among the leading products. Many countries start with green bond guidelines and expand to include social and sustainability guidelines. The ASEAN Capital Markets Forum (ACMF) achieved this at a regional level in 2018 with a high degree of consensus among members. In March 2021, Morocco’s Capital Market Authority added gender bond guidelines to its suite of green, social, and sustainability bond guidelines. The SDGs and associated targets have helped guide this innovation. Additional innovations include blue bonds to protect oceans, and biodiversity-focused instruments.

The taxonomy trend is supporting this expansion.

Sixteen SBFN countries have introduced or are developing green or sustainability-focused taxonomies to provide much-needed clarity on eligible activities, sectors, and assets. Taxonomies have cross-cutting benefits for ESG risk management, disclosure, and guiding capital to sustainable activities. Climate mitigation and adaptation have been the focus of many countries’ first taxonomies. In line with trends from China and the European Union, six countries include detailed criteria and performance requirements for eligible assets.

32 countries (74% of SBFN countries) have launched ESG-focused frameworks.

Underlying principles introduced by the European Union, such as “Do No Significant Harm” and protection of social safeguards, are influencing new taxonomy developments in SBFN countries. Efforts by the European Union and China to support a common approach to national sustainable finance taxonomies have been taken up by the G20 Sustainable Finance Working Group and will drive greater alignment in the underlying principles of taxonomies and the data reported by issuers and investors across different jurisdictions.

Social taxonomies and principles to define transition finance are quickly following. Georgia is developing a social taxonomy alongside its green taxonomy. South Africa has identified transition finance as a priority to enable a low-carbon trajectory while ensuring a “just transition” in which employment, financial inclusion, and inequality are addressed alongside environmental objectives. Recent guidance from the International Capital Market Association provides clarity on what constitutes a credible transition plan in line with the Paris Agreement.

Climate risk is a priority focus that can be addressed through new policies, guidelines and tools, or by enriching existing ESG-focused frameworks.

The latest projections⁸ from the Intergovernmental Panel on Climate Change (IPCC) indicate the world will reach or exceed 1.5 degrees Celsius (2.7 degrees Fahrenheit) of warming within the next two decades, which is the limit for preventing the worst climate impacts. Drastic and immediate actions are needed to avert the stark projections under a high-emissions scenario.

8 IPCC, 2021, “Climate Change 2021 The Physical Science Basis: Working Group I contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change”, August 2021.

Emerging markets are far more vulnerable to rising global temperatures and suffer significantly from the physical impacts of climate change, which can have direct effects on food security and financial stability. Climate-related physical risks from natural disasters are three times more frequent today than they were in the 1970s and 1980s, and global warming is becoming increasingly evident in sectors such as agriculture, a key sector for low-income countries. With more than 120 countries pledging to reach net-zero greenhouse gas emission targets through the United Nations Climate Ambition Alliance, the resulting changes in policies, regulations, and market preferences to prioritize low carbon activities will add transition risks for financial institutions and their clients.

Recognizing this urgency, four member countries (~10 percent) are at the Developing sub-stage for climate risk **and undertaking specific actions by the regulator or industry association to help the financial sector address climate risk**, with Brazil, Colombia, Morocco, and China leading the way.

Most SBFN members are at the early stage of addressing climate risks. Twenty-eight countries (65 percent) at the Formulating sub-stage, leveraging or refining ESG frameworks to integrate assessment and management of physical and transition climate risks, and 11 countries (25 percent) are at the Commitment stage, conducting research and engaging with stakeholders on this topic. Most regulators and central banks are building internal capacity and developing practices and guidance to understand and manage climate-related market and systemic risks. There is recognized urgency to accelerate actions to manage climate risks and avoid the potential for stranded assets, business disruption, and reduced financial valuations.

Member experiences confirm that, when frameworks are already in place to manage ESG risk in the financial sector, climate risks can be integrated into these frameworks and benefit from existing risk management systems. However,

given the unique⁹ and complex nature of climate-related risks and financial impacts, specific skills, capacity and risk management approaches are critically important. These efforts are adding to the risk management toolbox for managing ESG performance. They involve new tools and initiatives such as use of climate scenarios, vulnerability assessments and stress testing, and improved governance and disclosure requirements.

Notably, some SBFN countries have already embedded elements of climate risk in their ESG frameworks and reporting requirements. For example, approaches in Brazil, Colombia, China, Bangladesh, Morocco, the Philippines, Thailand, and Turkey reflect the following elements of climate risk management incorporated into ESG frameworks and related implementation:

- Screening for climate-related physical risks (e.g., flood, sea level rise) as part of credit and operational risk management and opportunities and costs to adapt and build resilience.
- Managing climate risk exposure at portfolio level in sectors with environmental and social risks and integrating environmental and climate risks as important drivers in FI stress tests.
- Undertaking research and sector assessments, building staff capacity, developing guidance, and establishing governance structures to manage climate risk.
- Developing risk assessment and disclosure approaches for climate-related physical and transition risks and financial impacts in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

There is also an increasing focus by the financial sector on net-zero emissions strategies and alignment with the Paris Agreement. Countries' efforts to reduce national emissions and adapt to the impacts of climate change are embodied in their Nationally Determined Contributions (NDCs) to the Paris Agreement. As discussed in Pillar 3: Financing Sustainability, achieving these commitments offers **climate investment opportunities in trillions of dollars** as countries mobilize their financial sectors to achieve climate goals.

9 According to the TCFD's "Guidance on Risk Management Integration and Disclosure," several characteristics of climate-related risks are unique, including: i) they exist and play out over time horizons that stretch beyond traditional business planning and investment cycles; ii) the effects of climate change and climate-related risks occur on local, regional, and global scales with different implications for different businesses, products and services, markets, operations, and value chains; iii) many of the effects of climate change have no precedent, limiting the ability to apply statistical and trend analysis based on historical data; iv) climate-related risks may manifest at different scales over time, with increasing severity and scope of impacts; and v) the risks associated with climate change are interconnected across socioeconomic and financial systems.

Many country case studies highlight the importance of **conducting research, surveys, and consultation** to assess awareness and capacity of financial institutions on environmental and social risk management, including climate-related risks, before introducing new frameworks. These types of engagement increase the chances of successful implementation and help identify where additional guidance and support is needed. There are also multiple, successful examples of banking associations that have collaborated with financial sector regulators in conducting such preliminary research among their members.

Multi-stakeholder, public-private platforms are therefore emerging as highly effective fora to manage the range of initiatives that are needed to advance sustainable finance across the financial sector in an integrated and consistent way. Examples include Mexico's Sustainable Finance Committee, the Mongolia Sustainable Finance Association, and South Africa's Climate Risk Forum. Often hosted or facilitated by banking associations, these platforms typically include policy makers and regulators to facilitate public-private dialogue. A variety of working groups are typically established to conduct research and develop guidance on key themes. These platforms solve a critical challenge expressed by many SBFN countries, which is to ensure effective coordination among government and regulatory agencies and across different parts of the private sector.

The role of capital market regulators and stock exchanges has become more prominent. Almost a third (27 percent) of member institutions represent or oversee capital markets, asset management, insurance, or asset owners, such as retirement funds. The sustainable

finance frameworks in 14 countries cover capital markets, investment, insurance, or other non-lending financial institutions.

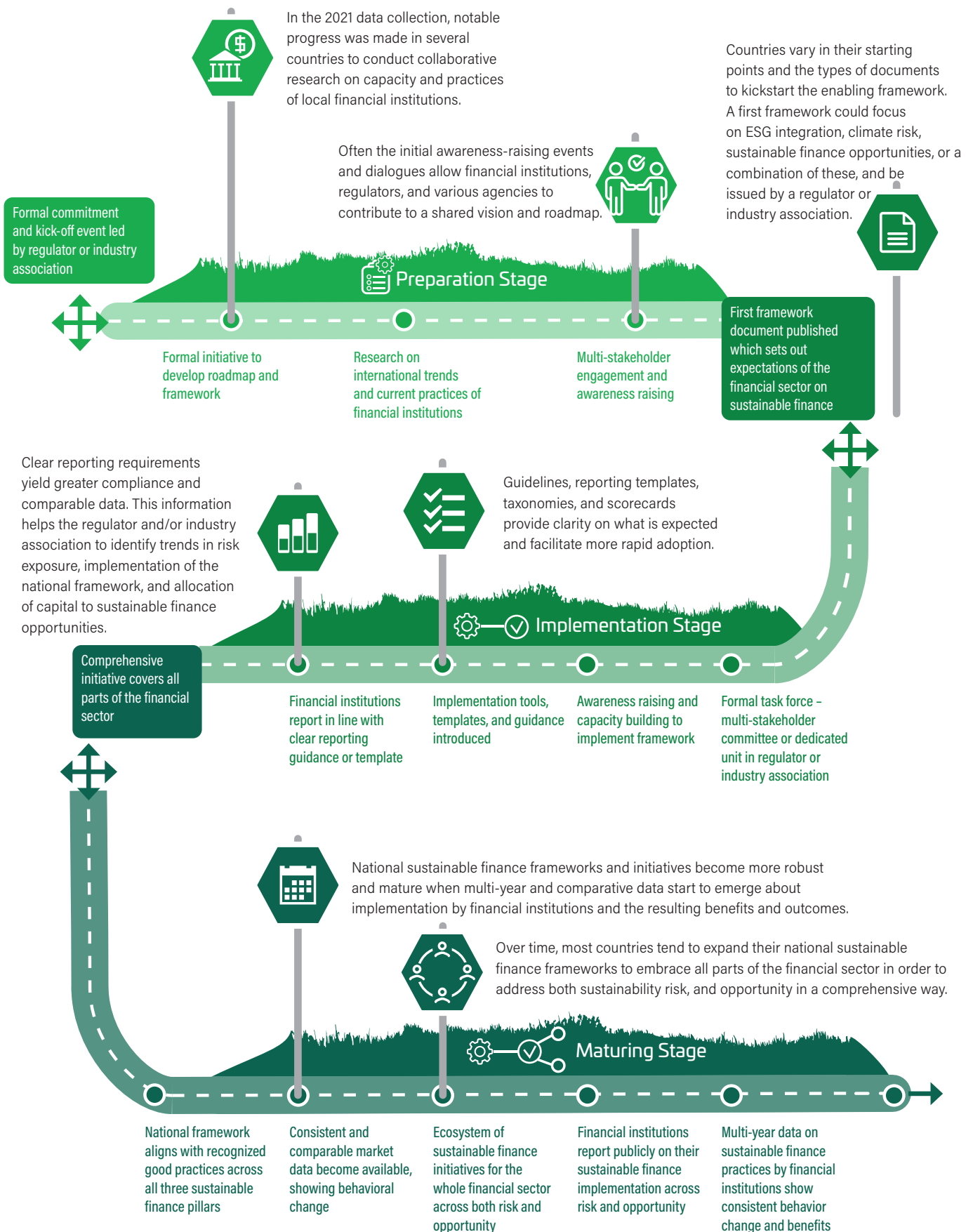
Capital market regulators and stock exchanges have been at the forefront of introducing ESG-focused disclosure requirements for listed companies. They have also introduced guidelines for issuance of green, social, and sustainability bonds. More recently, stock exchanges are championing disclosure of climate risk, evidenced by the "Model Guidance on Climate Disclosure" launched in June 2021 by the United Nations Sustainable Stock Exchanges initiative. In some cases, capital markets have issued the first national sustainable finance frameworks and have been champions with fellow regulators for a collective national sustainable finance roadmap. For SBFN countries where capital markets are underdeveloped, there is an opportunity to integrate ESG factors at the outset as countries look for opportunities to expand their capital markets.

Figure 3 on the following page shows the typical national journey for SBFN countries as they connect these various components. Knowledge sharing with peers is one of the ways that new members are moving more quickly through the various stages.

Financial inclusion has become more prominent in the sustainable finance landscape. SBFN members have consistently agreed that financial inclusion is an essential component of sustainable finance and a critical enabler for achieving several SDGs. This theme became

When ESG frameworks are strongly aligned with international sustainable development frameworks, there is more likely to be a national framework in place to help banks manage climate risks.

Figure 3: Emerging roadmap for sustainable finance frameworks across all three pillars



stronger in 2021 due to the impact of COVID-19. Many members have prioritized financial inclusion within their national sustainable finance policy or voluntary industry principles and include financial inclusion as a top priority for their sustainable finance committees, working groups, and institutional roadmaps. For example, the Sustainable Finance Group within Colombia's Financial Superintendence of Colombia has this dual responsibility.

The interdependency between financial inclusion and other sustainability themes has become clearer. For example, Reserve Bank of Fiji is tracking how climate change is impacting retail and wholesale banking consumers, and Morocco's new gender bond guidelines aim to address the financial inclusion of women and their greater vulnerability to impacts from COVID-19 and climate change. Some environmentally-focused finance innovations are also demonstrating cross-cutting benefits by supporting financial inclusion and social resilience. Examples include climate smart agriculture and off-grid solar solutions.

Biodiversity is following climate change as a top priority. The launch of the Task Force on Nature-related Financial Disclosures in June 2021 confirmed that biodiversity will be one of the next big priorities for the financial sector. The initiative is aligning its approach with the TCFD and highlights how protection of nature also helps countries mitigate and adapt to climate change.

Management of natural carbon sinks — such as oceans, forests, mangroves, grasslands, and soils — is included in the Climate Risk Management pillar this year and was mentioned by nine countries. This number is expected to be higher moving forward, given the importance of biodiversity and carbon sinks in many member countries. For example, the TCFD Roadmap introduced by the Brazilian Federation of Banks includes the development of “tropicalized” climate scenarios to guide the analysis and stress testing of climate risks and impacts in bank portfolios and to reflect Brazil's national context with a focus on energy and agribusiness sectors. The roadmap notes the key role of natural carbon sinks as part of climate risk management.

Data on ESG risk, performance, and impact are needed by financial sector participants to identify and price risks and opportunities. Data is also needed to monitor the development of the market for

Over a third of SBFN member institutions represent or oversee capital markets, asset management, insurance, or asset owners.

sustainability-focused finance. China was a first mover in developing its Green Credit Statistics System. This has enabled Chinese banks to report systematically on the percentage of their loans that can be classified as green and to demonstrate the link with lower credit risk. Examples from a number of SBFN countries reinforce the effectiveness of mandatory requirements that require financial institutions to report to the regulator on i) their implementation of ESG frameworks, ii) their allocation of capital to sustainable sectors, and/or iii) their management of climate risk. Data is more robust in cases where clear reporting guidance, templates, and taxonomies are provided. Capital markets regulators and stock exchanges can promote public disclosure that benefits all market participants. Coordination between regulatory authorities can avoid duplication or misalignment of disclosure requirements. Data needs and usage by different market players should also be considered.

International convergence in standards for sustainability disclosure is a timely development as most SBFN member countries prepare to deepen their disclosure expectations of FIs and banks' clients in the real sector. The TCFD is driving urgency in this regard, with many members also closely following developments in the European Union and by the International Financial Reporting Standards Foundation before committing to new sustainability disclosure guidance. Model guidance, such as provided by the United Nations Sustainable Stock Exchanges initiative for climate disclosure, provides confidence in aligning with global good practice.

All SBFN countries highlighted the need for continued awareness raising and capacity building for regulators, industry associations, and financial institutions. Regulators emphasized a pressing need

to continue building internal institutional capacity, particularly when it comes to supervising compliance and good practice by financial institutions. Coordinated efforts by international development institutions and other stakeholders could help address these capacity needs. There is significant demand for structured training and e-learning for various parts of the financial sector, with consideration for different institutional functions and units, different sustainable finance topics, and tailored towards member countries at distinct stages of their sustainable finance journeys.

Capacity building is particularly critical for low-income countries and countries affected by fragility, conflict, and violence. SBFN's 2020 report on national sustainable finance initiatives in low-income countries, entitled "Necessary Ambition"¹⁰, demonstrated clear progress and commitment by low-income countries to develop enabling frameworks despite resource constraints and competing national priorities. Sustainable finance was seen as a critical tool for strengthening market resilience and addressing major social and environmental challenges. However, additional international support is needed to de-risk investment and unlock sustainable finance at scale.

1.3 Conclusion

SBFN is a voluntary platform for knowledge exchange and collaboration among financial sector regulators and industry associations in emerging markets. The network supports members in a number of ways:

- Providing continuous partnership and direct technical input to the development of national frameworks and roadmaps by leveraging the rich knowledge base of member experiences and insights.
- Working with IFC and World Bank programs to provide deeper technical assistance to member countries at different stages of their sustainable finance journeys.
- Collating member knowledge and ensuring these emerging market perspectives are reflected in the global dialogue on sustainable finance.
- Convening members' collective efforts to conduct research and develop common approaches and tools, such as through member-led Working Groups and Task Forces.

24 countries (56% of SBFN countries) have launched green, social, or sustainability bond guidelines.

- Supporting catalytic workshops in countries to engage a range of stakeholders around a common national vision and roadmap.

More than ever, sustainable finance is proving a powerful mechanism to help countries rebuild and become more resilient when faced with major social and environmental challenges. The COVID-19 pandemic is a powerful example. Leading countries have shown that proactive actions can help attract international capital and unlock financing for new green and inclusive sectors. This has included finance to respond to the impacts of the pandemic. Delayed action can put local financial institutions at a disadvantage, while lack of alignment with other markets can create costs and inefficiencies in cross-border sustainable finance activities. Coordination between national financial sector regulatory agencies and industry bodies is increasingly important. Findings from the 2021 benchmarking of SBFN countries' progress reveal important next priorities for collective work by members, IFC, World Bank, and other development partners.

PROPOSED ACTIONS FOR SBFN MEMBERS AT COUNTRY LEVEL

- **Expand and deepen frameworks for managing ESG risk throughout the financial sector** as a foundation for competitiveness, investment opportunity, climate resilience, and impact through sustainable finance.
- **Fast-track the development of climate risk guidance and tools** to enable regulators, industry associations, and financial institutions to assess, monitor, and report on climate risk and financial impacts in line with international practice — recognizing the global urgency to act on climate change.
- **Broaden the understanding of national sustainable finance roadmaps** to recognize the diversity of

10 SBFN, "Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges", 2020.

approaches and starting points, including the potential leadership role of all parts of the financial sector, whether banking, capital markets, insurance, and pension funds.

- **Support the continued expansion of sustainable finance beyond “green”** to include financial inclusion, just transitions, human rights, gender, health, inequality, and other SDGs.
- **Strengthen and align data and disclosure requirements** for all parts of the sustainable finance ecosystem, particularly through collaboration between regulatory agencies.

Proposed Collective Actions by the SBFN Community

- **Continue to raise awareness and build capacity** of regulators and banks to design and implement effective sustainable finance frameworks.
- **Strengthen collaboration on common approaches and tools** through the SBFN Working Groups and participation in global dialogue.
- **Consolidate the immense knowledge base within the SBFN community** into dynamic and accessible tools, data, case studies, and evidence for members to more effectively learn and collaborate on specific aspects of sustainable finance.

The **SBFN Secretariat** will support these efforts in the next two years in the following ways:

- Convene the **Sustainable Finance Instruments Working Group** to map the landscape of sustainability-focused financial instruments and support the development of common approaches to national taxonomies and other strategies to increase credibility.
- Convene the **Data and Disclosure Working Group** to map the work being done across the Network on reporting frameworks, disclosure requirements, monitoring, and data sharing for sustainable finance, and identify common tools and principles to support members.
- Support ongoing work by the **SBFN IDA¹¹ Task Force** to develop tools and resources to help build capacity and streamline adoption of effective sustainable finance roadmaps and frameworks in low-income countries.
- **Support members in planning their capacity building programs** and accessing training tools and programs offered by IFC, the World Bank, and other

More than ever, sustainable finance is proving a powerful mechanism to help countries rebuild and become more resilient when faced with major social and environmental challenges, such as the COVID-19 pandemic.

development partners.

- Continue to facilitate **virtual knowledge exchanges** between members on topics of interest, as well as hosting webinars to feature member experiences and international experts.
- Develop **interactive online analytical tools and resources** that leverage the wealth of data gathered through the SBFN Global Progress Reports.

In addition, SBFN will represent emerging market perspectives in global dialogues on sustainable finance, including

- **Contributing member insights to international initiatives on sustainable finance**, such as the G20 Sustainable Finance Working Group, Network for Greening the Financial Sector (NGFS), and the International Platform on Sustainable Finance (IPSF).
- **Working with regional platforms** such as the ASEAN central banks and monetary authorities, the Latin American Banking Association (FELABAN), and the Central American Council of Superintendents of Banks, Insurance and Other Financial Institutions (CCSBSO), to promote regional collaboration, innovation, and knowledge sharing.

11 “IDA” in this context refers to a focus on low-income countries eligible to receive support from the International Development Association, part of the World Bank Group.

2. Introduction

Emerging markets face substantial challenges when it comes to financing the responses needed to mitigate and adapt to climate change. The COVID-19 pandemic has caused significant uncertainty and tensions in financial systems worldwide. These pressures exacerbate existing constraints and other environmental, social, and governance (ESG) challenges in emerging markets. Sustainable finance has emerged as a pathway to address ESG challenges, de-risk investments and enable the financial flows needed to support climate action and sustainable development. Transitioning to sustainable financial systems has become critical.

More and more developing countries are therefore leveraging sustainable finance to promote economic recovery and financial resilience. Interventions by financial sector regulators and industry associations aim to help banks and other financial institutions proactively manage ESG risk factors; address climate risk and impacts; promote financial stability; reduce credit risk; and increase capital flows to green, social, inclusive, climate-smart, and sustainability-linked projects and sectors.

In 2012, originating from a collective need, IFC and banking regulators and associations from 10 countries established the Sustainable Banking and Finance Network (SBFN) – formerly the Sustainable Banking Network – as a global platform for knowledge exchange and collaboration on sustainable banking. IFC is secretariat and knowledge partner, leveraging IFC's global role in promoting standards and innovative practices in sustainable finance for over two decades, as well as connecting members with support and expertise across the World Bank Group.

As of October 2021, the SBFN comprises 63 member institutions from 43 countries. Sustainable finance has become a topic that inspires collaboration across different parts of the financial sector, and SBFN often plays a unique convening role between regulators and industry. Consequently, members now include central banks, banking associations, ministries of finance, ministries

of environment, capital market authorities, regulators covering multiple segments of the financial sector, a regional banking federation, a regional association of regulators, and several multi-stakeholder sustainable finance platforms.

At the suggestion of members, and to better reflect these realities, the name of the network was changed to the Sustainable Banking and Finance Network in September 2021.

SBFN's Global Progress Report is the most comprehensive benchmarking of national sustainable finance progress across emerging markets. It assists countries to assess their progress in comparison with peers and to adopt successful strategies from other jurisdictions. The first Global Report and Country Reports were published in 2018; the second set in 2019, showing rapid progress across all regions.

As of SBFN's 2021 Global Progress Report, 11 more countries have released national sustainable finance frameworks, which increases the number of countries with such frameworks to 33 (three quarters of SBFN's 43 members) and the total number of documents to over 200, including national roadmaps, policies, regulations, guidelines, tools, and voluntary industry principles.

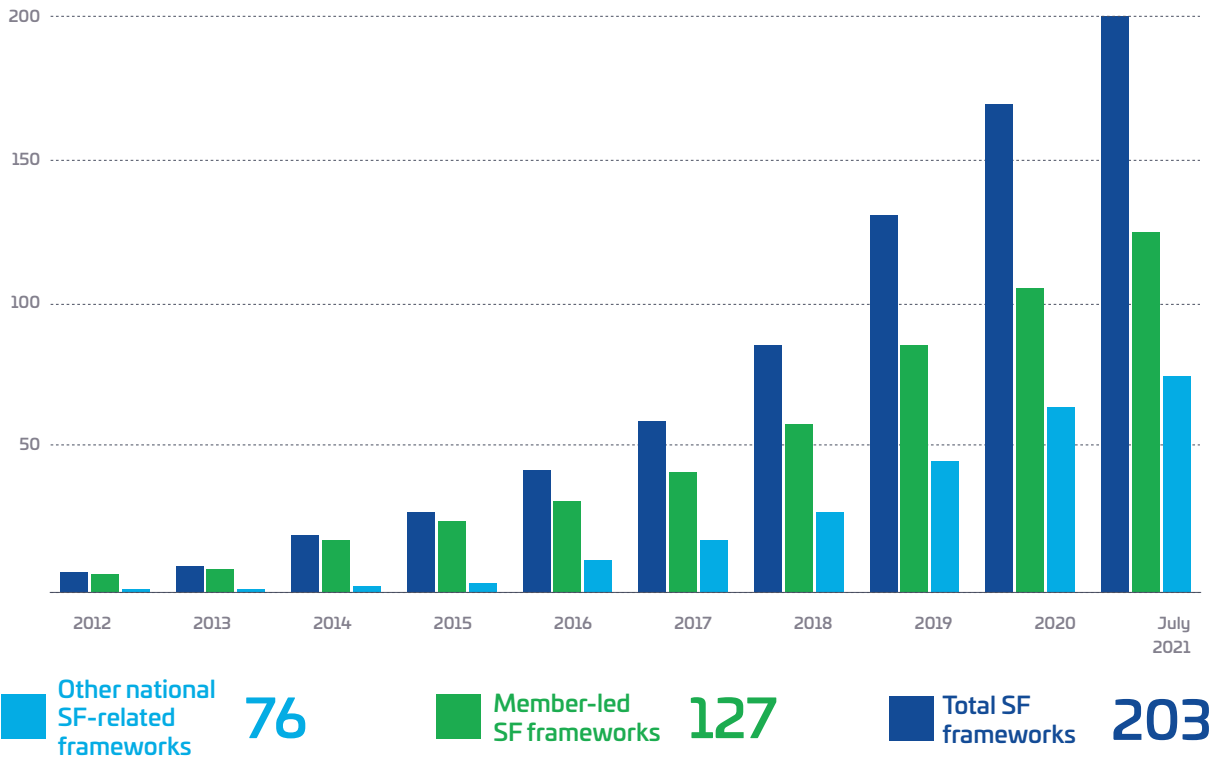
Notably, the global pandemic hasn't slowed down SBFN members' sustainable finance actions. In the midst of the crisis, 22 countries¹² launched additional policies in this cycle to strengthen their existing sustainable finance frameworks. This further shows that members recognize sustainable finance as an effective tool to respond to global crises and are committed to taking measurable actions.

This year's Global Report is supplemented by over 30 Country Reports. Collectively, they capture the dynamic of sustainable finance development across emerging markets, leveraging a Measurement Framework developed by members.

12 Bangladesh, Brazil, Cambodia, China, Colombia, Ecuador, Georgia, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Paraguay, Peru, South Africa, Sri Lanka, Turkey, Vietnam



Figure 4: Acceleration of Sustainable Framework Issuance in SBFN Countries



2.1 Measurement Framework

The Measurement Framework was developed by members and is based on their practical experiences and lessons learned over the past nine years. It reflects the components that are consistently seen as essential to developing robust and effective national approaches to sustainable finance.

While keeping the fundamental approach consistent, the Framework will continue to evolve as sustainable finance matures globally, and will be informed by members' collective experiences and priorities. Updates of the Measurement Framework are overseen by the SBFN Measurement Working Group.

The 2021 Measurement Framework consists of three complementary components.

1. An Overall Progression Matrix and three thematic matrices to show the milestones countries have achieved

in developing national sustainable finance frameworks. Each matrix is aligned with the typical stages that countries go through on their journeys to develop national sustainable finance systems.

2. Pillar Benchmarking across three thematic pillars to compare the clarity and comprehensiveness of national sustainable finance framework and their alignment to international good practice priorities for managing both sustainability risk and opportunity in the financial sector: ESG Integration, Climate Risk Management, and Financing Sustainability. The activities under these pillars have been identified and endorsed by members as essential components of sustainable finance frameworks. The pillars are broadly reflected in international good practices at the market, regulatory, and financial institution levels.

3. Aggregate sector data and case studies to illustrate the interaction between national frameworks and behavior change by financial institutions. Data collection

included an exploratory exercise to assess the availability of data on adoption and outcomes of sustainable finance frameworks across banking and non-banking sectors. The findings will inform future approaches to quantitative data. Case studies were collected through interviews with over 40 countries and extracts are included to illustrate findings throughout this report. The full collection of case studies will be published separately as a knowledge base to support members.

Explaining the Overall and Thematic Progression Matrices

The Overall Progression Matrix provides an overview of progress across three typical stages of development: Preparation, Implementation, and Maturing, with each stage consisting of two sub-stages.

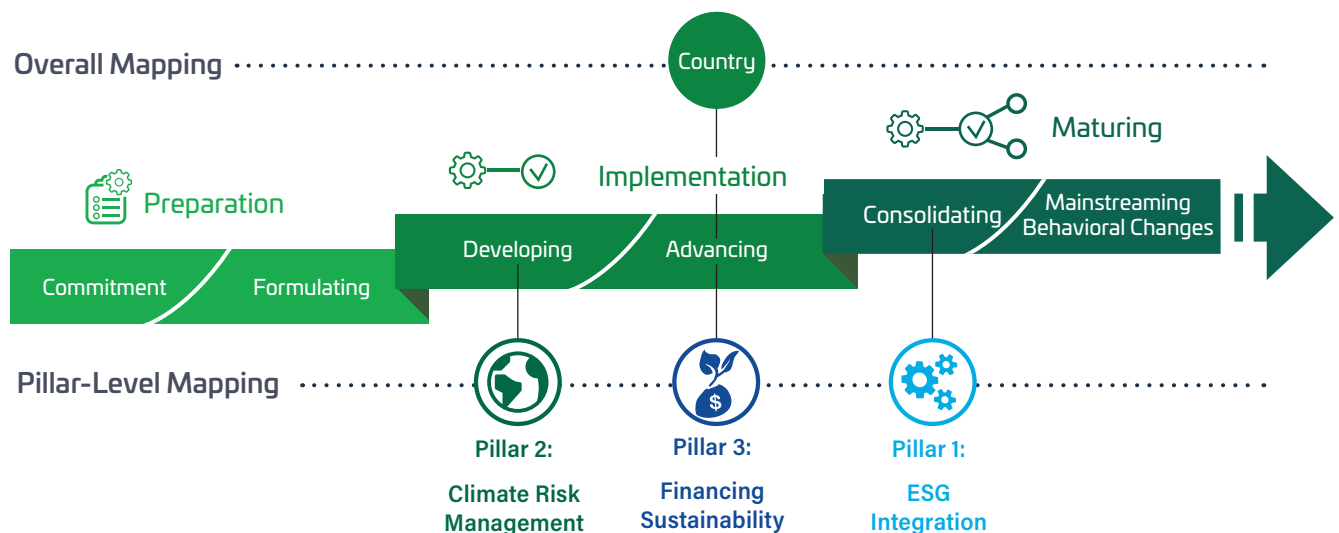
The stage mapping is based on defined milestones related to progress in developing and implementing

national policies, voluntary principles, and guidelines for sustainable finance. These milestones are based on the typical stages that countries go through and the ingredients that are essential for mainstreaming behavioral change by financial institutions.

In this year's report, in addition to the Overall Progression Matrix, three pillar-level matrices are added to reflect a country's development in each of the three thematic pillar areas: ESG Integration, Climate Risk Management, and Financing Sustainability. The milestones for each pillar follow the same stages as the Overall Progression Matrix and are customized for pillar-specific technical aspects.

The pillar-level mapping for each pillar is independent of the others. The overall mapping is informed by the pillar-level mapping and requires a minimum level of performance in each.

Figure 5: SBFN Progression Matrix showing overall progress and pillar-level progress (with a hypothetical country for demonstration only)





The figure below presents a summary of the Matrix's milestones for each stage and sub-stage at the Overall Country Progress level. For milestones for the pillar-level mapping, see Chapter 3 ESG Integration, Chapter 4 Climate Risk Management, and Chapter 5 Financing Sustainability, respectively.

Explaining the Pillar Benchmarking

The Pillar-level Benchmarking within the Measurement Framework assesses countries' performance at a granular level according to the following three themes:

Pillar 1: ESG Integration

Evaluates regulatory guidance, supervision strategies, and voluntary financial sector approaches for a range of practices to manage ESG risks in operations, transactions, and portfolios.

Pillar 2: Climate Risk Management

Provides a space for knowledge sharing and capacity building on the roles of financial sector regulators, industry associations, and FIs in helping markets mitigate and adapt to climate change using new governance, risk management, and disclosure practices.

Eleven cross-cutting indicators and 75 datapoints are used to objectively benchmark a country's sustainable finance framework.

Pillar 3: Financing Sustainability

Evaluates regulatory and voluntary efforts to provide definitions, guidance, taxonomies, monitoring, and incentives for introducing new products and services that support climate, green economy, and social goals.

Each pillar is structured according to the following three cross-cutting sub-pillars:

- Strategic Alignment;
- Regulatory and Industry Association Actions; and
- Expectations of FI Actions.

Eleven cross-cutting indicators and 75 datapoints are then used to objectively benchmark a country's sustainable finance framework.

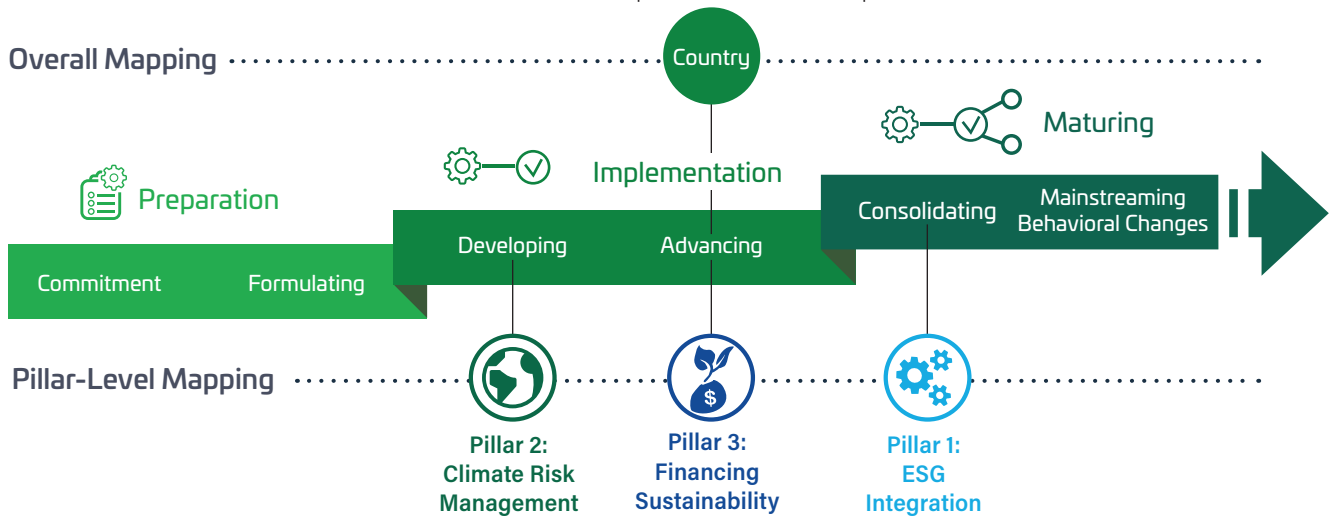
Figure 6: Overview of the 2021 SBFN Measurement Framework

The Measurement Framework consists of three complementary components

1. Progression matrices

Drawing on SBFN Members' common development paths and milestones, the **SBFN Progression Matrix** provides an overview of market-wide progress for all SBFN countries across three typical stages of development. It allows each SBFN member to review its own progress and identify the strengths and weaknesses of its approach.

The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices. In the 2021 report, in addition to the overall Progression Matrix, three pillar-level matrices are added to reflect a country's development process in each of the pillar areas.



2. Pillar benchmarking

A dynamic assessment is conducted across several priority pillars of sustainable finance, using qualitative and quantitative datapoints to assess progress and allow comparison across countries. Three pillars, three cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 underlying datapoints are used to objectively assess a country's sustainable finance framework(s), according to clarity, depth, and alignment to international good practice.

	Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar 1: Strategic Alignment	<ul style="list-style-type: none"> National framework Alignment with international goals and standards Alignment with national goals and strategies 		
Sub-pillar 2: Regulatory and Industry Association Actions	<ul style="list-style-type: none"> Overall approach and strategy Technical guidance Supervisory activities and incentives Tracking and aggregated disclosure 		
Sub-pillar 3: Expectations of Financial Institution (FI) Actions	<ul style="list-style-type: none"> Strategy and governance Organizational structure and capacity Policies and procedures Tracking, reporting, and disclosure 		

3. Sector data and case studies

In 2021, data collection included an exploratory request for quantitative data points — where available — for the number and percentage of financial institutions that are implementing ESG integration as well as climate risk management and disclosure; and the total value of green, social, and sustainability bond issuance. Detailed case studies were also collected of innovative approaches by regulators and industry. Case studies will be published in a new on-line case study catalogue.



2.2 The Measurement Working Group

The SBFN Measurement Working Group was launched in December 2016 at the 4th Annual Meeting in Bali, Indonesia, in response to members’ demand for a systematic approach to assess and benchmark country progress in developing national sustainable finance frameworks.

The Working Group is comprised of 24 members representing 22 countries and one region. Supported by the Secretariat, it led the development and update of the SBFN Measurement Framework, which reflects a combination of relevant international standards and evolving best practices from members.

By benchmarking market development against the Measurement Framework, the Global and Country Progress Reports are intended to be a tool and reference resource for SBFN members, helping them to expedite the alignment of their financial markets with sustainable development goals and climate change targets.

The Working Group is led by members that are leaders in their regions in advancing sustainable finance. From 2016 to 2020, the Working Group was co-chaired by the China Banking and Insurance Regulatory Commission and the Indonesia Financial Services Authority. In 2020 and 2021, leadership was provided by the Financial Superintendence of Colombia, the Mongolian Sustainable Finance Association, and the Moroccan Capital Market Authority.

Co-chairs and working group members ensure that updates to the Measurement Framework reflect the reality and priorities in emerging markets. They have also supported improvements to data collection and report preparation. This year’s report for the first time relies on detailed self-reporting by members, supported by documentation and interviews.

Figure 7: 2021 data collection and benchmarking process



2.3 What is not covered

For the purpose of this report, mandatory national requirements are not given more weight in the methodology than those connected to voluntary principles. This may be revisited in future reports as more evidence becomes available.

The approach to data collection and assessment of sustainable finance practices at the firm level is still evolving. Consequently, evidence of successful mainstreaming and behavior change still relies on data collected by SBFN members. This year’s data collection

included exploratory quantitative data requests. Among other things, the proposed data points consider the percentage of the banking and non-banking sectors that are covered by the national sustainable framework; the extent to which FIs are embedding ESG risk management, including climate risk management and disclosure; and the amount of capital being allocated to green, social, and sustainability focused instruments.

Thirteen countries provided some degree of aggregate quantitative data on ESG performance and/or sustainable

finance flows in response to this year's exploration of data availability. This is a significant improvement from 2019 when only China and Indonesia reported such data. Most members confirmed they are either collecting the selected data already or hope to do so in the future. All 13 countries provided data on the implementation of ESG framework requirements by FIs. Eight countries provided data on capital allocation to green, social, and sustainability categories for loans or bonds. Five countries provided data on the extent to which banks are addressing climate risk.

Insurance and pension funds, both key segments of the financial market, are considered as part of the broader financial sector ecosystem, and not addressed in detail in this report. However, they play an increasingly important role in sustainable finance and might deserve special attention in future.

Social dimensions are considered under the ESG integration pillar and the Financing Sustainability pillar, but the full breadth of inclusive finance is not yet covered by the Measurement Framework. Discussions on these two areas are already underway with SBFN members for future expansion of the Framework and report coverage.

The report's analysis mostly focuses on regulatory policies, voluntary principles, and technical guidelines targeting the financial sector. We acknowledge that there are many market-wide regulations and initiatives promoting

sustainability that have relevance for the financial sector. For example, in many countries, sustainable development, social responsibility, risk management expectations, and reporting requirements related to environmental and social performance are included in the national corporate governance code and the stock exchange listing rules, with which all listed financial institutions need to comply.

Where specifically mentioned by member countries, these broader rules and their market uptake are considered in mapping countries' progress in the progression matrices. However, the report mostly considers policies, principles, and guidelines focused on the financial sector.

In addition, FIs' own social and environmental footprints – namely, their buildings' carbon emissions, recycling, and employee and community programs – are not included in the scope of this report, even though some members see these as an important element of their national framework.

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

3. Overall progress

Between July 2019 to July 2021, 21 SBFN member countries moved to a new stage or sub-stage in the Overall Progression Matrix. This includes four new members entering the Preparation stage.

Eleven countries moved from the Preparation to Implementation stages, with one new member (Ukraine) moving to Implementation in less than a year. One country (Colombia) moved from Implementation to Maturing.

Thirty countries (70 percent) are in the Implementation stage. This means the first enabling frameworks have been introduced, which set an expectation for FIs on ESG performance, climate risk management, and/or financing sustainability, and efforts are now focused on building capacity, developing guidance, and reporting on progress. Three countries are in the Consolidating sub-stage (this sub-stage was formerly named First Movers), which means

robust data is becoming available about implementation.

Of the 43 SBFN countries, 10 have not yet officially launched a national sustainable framework. These are mapped to the Preparation Stage. While in the Preparation Stage, these countries are not assessed according to the detailed Pillar Benchmarking. Instead, they are assessed against three early-stage dimensions:

- Awareness-raising practices
- Multi-stakeholder dialogue toward the establishment of a framework
- The existence of a timeline and process for development of a framework.

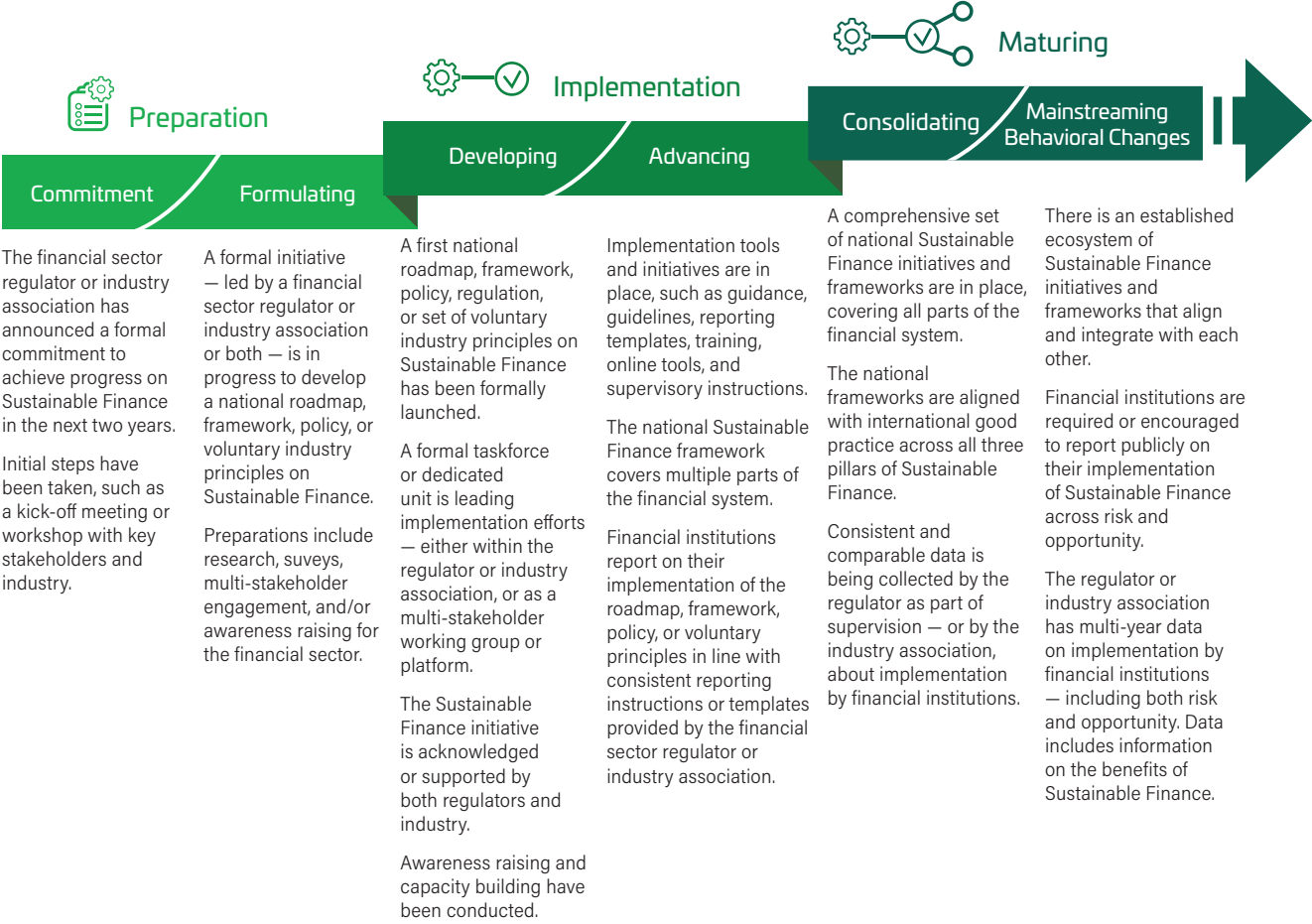
The remaining 33 SBFN countries – including 30 in the Implementation Stage and three in the Maturing Stage – are assessed against the granular indicators of the Pillar Benchmarking.

Figure 8: Progression Matrix presenting overall progress of SBFN countries up to the end of July 2021*



*Countries within each sub-stage are listed in alphabetical order.

Figure 9: Overall Progression Matrix Milestones



3.1 Preparation Stage

When joining SBFN, members commit to implement national sustainable finance initiatives in line with international good practices and foster sustainable finance development in their countries. They also commit to share knowledge with peers in the Network. Almost all SBFN countries in the early stages of their sustainability journeys have started a national dialogue to develop a national sustainable finance policy, principles, or roadmap.

Four countries are in the process of developing their first sustainable finance policies, principles, or guidelines: Among them, Chile, Jordan, and Kyrgyz Republic have started to develop such framework documents, and moved from the Commitment sub-stage to the Formulating sub-stage within the Preparation Stage. Five countries recently joined SBFN and made commitments to develop national sustainable finance frameworks: Kazakhstan, Maldives, Serbia, and Tunisia entered the Commitment sub-stage. Ukraine quickly introduced its first framework document, which includes details on the expectations of green bond issuers to embed

ESG governance and disclosure, and leapfrogged to the Developing sub-stage under Implementation.

While member countries are still in the Preparation stage, they are not assessed using the comprehensive Pillar Benchmarking. Instead there is a focus on qualitative evidence of the following activities:

- Initial awareness raising and knowledge sharing on sustainable finance topics.
- Existence of a plan to start an early-stage dialogue to develop a national policy or voluntary principles on sustainable finance.
- Mechanism and timeline for framework development and involvement of stakeholders.
- Development of draft framework referencing international good practice and local priorities.
- Broad consultation on the draft framework.
- Schedule or plan in place to launch the framework and begin implementation.



Chart 1: Progress of SBFN countries in the Preparation Stage

	Initial awareness raising and knowledge sharing on sustainable finance topics.	Plan to start early-stage dialogue to develop policy or voluntary principles.	Mechanism and timeline for framework development and stakeholder engagement.	Draft framework with references to international good practice and local priorities.	Broad consultation on the draft framework.	Launch timeline and implementation plan in place.
Chile	●	●	●	●	○	○
Fiji	●	●	●	●	○	○
Jordan	●	●	●	●	○	○
Kazakhstan	●	●	○	○	○	○
Kyrgyz Republic	●	●	●	●	○	○
Laos	●	●	○	○	○	○
Maldives	●	●	○	○	○	○
Samoa	●	●	○	○	○	○
Serbia	●	●	○	○	○	○
Tunisia	●	●	○	○	○	○

3.2 Implementation Stage

Thirty SBFN countries are now implementing sustainable finance policies, regulations, voluntary principles, and roadmaps – up from 20 countries in 2019. Eleven countries moved from the Preparation Stage to the Implementation Stage: Argentina, Costa Rica, Dominican Republic, Egypt, Ghana, Honduras, India, Iraq, Philippines, Thailand, and Ukraine have launched sustainable finance policies,

principles, or guidelines since the 2019 report and moved to the Implementation Stage. Within the Implementation Stage, two countries moved from the Developing sub-stage to the Advancing substage: Georgia and Turkey have launched additional guidance and implementation tools and have seen evidence of adoption by local FIs.

3.3 Maturing Stage

Three countries – China, Indonesia, and Colombia – have reached a stage that members recognize as reflecting market maturity in promoting the shift to sustainable finance in the financial sector ecosystem – up from two countries in 2019. Colombia entered the Consolidating sub-stage of the Maturing Stage and has adopted comprehensive frameworks and pioneering actions in relation to ESG integration, climate risk management, and financing sustainability. Countries in this stage have regulator-led and

industry-led initiatives in place to green the entire financial system, extending beyond banking. Moreover, consistent and authoritative data is becoming available about the practices of FIs across all three pillars and the resulting benefits.

China and Indonesia continue to make progress in improving the national regulatory framework and promoting sustainable finance market practices and associated behavior changes in the financial system.

3.4 Advances in data and disclosure

Clear reporting requirements for financial institutions and collection of comparable data are the key milestones for countries in the Advancing and Consolidating sub-stages. Ten countries — Argentina, Bangladesh, China, Colombia, Indonesia, Kenya, Mexico, Mongolia, Turkey, and Vietnam — provided some degree of aggregate quantitative data on ESG performance and/or sustainable finance flows in response to this year's exploration of data availability.

This is a significant improvement from 2019, when only China and Indonesia reported such data. The countries with data included all three countries in the Consolidating sub-stage — which reported data across all three pillars — as well as six in the Advancing sub-stage, with data mainly across ESG integration and Financing Sustainability. One country in the Developing stage — Argentina — reported data

that focused on progress by financial institutions in ESG Integration. All 10 countries provided data on the implementation of ESG framework requirements by financial institutions. Seven countries provided data on capital allocation to green, social, and sustainability categories for loans or bonds. Five countries provided data on the extent to which banks are addressing climate risk.

The most commonly report data include:

- Banking assets covered by ESG integration requirements in the national sustainable finance framework;
- Banks that have established an internal ESG governance structure and/or policies; and
- Banks that report their ESG activities and performance regularly to the regulator or industry association.

3.5 Progress in low-income countries

SBFN low-income country members have demonstrated high levels of ambition and good progress in developing sustainable finance frameworks, despite facing unique constraints due to the size and maturity of their markets.

Ten SBFN countries are classified as low-income according to the World Bank's International Development Association (IDA): Bangladesh, Cambodia, Ghana, Honduras, Kenya, the Kyrgyz Republic, Lao PDR, Nepal, Nigeria, and Pakistan.

In June 2020, the SBFN IDA Task Force, chaired by the Central Bank of Nigeria and the Mongolian Sustainable Finance Association, published the report "Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges." The report provides a first-ever look at the drivers and innovations that underpin sustainable finance efforts in low-income countries in the SBFN community.

The report found that

- **Continuous and significant progress is being made** by the poorest countries among the SBFN network.
- Building sustainability into financial systems not only helps manage environmental, social, and climate risks, but also **de-risks markets to enable greater investment flows and deepened financial market development.**
- Low-income countries are **aligning and integrating their sustainable finance efforts** with lending to SMEs and women, investment in agriculture, and financial inclusion as essential components for resilience.

This is confirmed in the results of the 2021 Global Progress findings, with low-income countries tending to be in the Implementation Stage:

Chart 2: Representation of low-income (IDA) countries on the Overall Progression Matrix

Preparation		Implementation	
Commitment	Formulating	Developing	Advancing
Lao PDR	Kyrgyz Republic	Cambodia Ghana Honduras Nepal Pakistan	Bangladesh Kenya Nigeria

3.6 Overall Results of Pillar-level Benchmarking

In addition to placement on the Overall Progression Matrix and three thematic matrices, the Pillar Benchmarking provides granular assessment of countries' coverage on the three pillars of sustainable finance, consisting of three

cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 datapoints. Figure 10 on the following page shows the overall results for all SBFN member countries for the 2021 reporting cycle.

3.7 Emerging insights across the various findings

Powerful insights are also emerging that cut across different parts of the Measurement Framework. Deeper analysis was conducted to identify correlations between findings in different pillars.

The following connections were observed, which can help confirm the effectiveness of various national strategies and the ways in which sustainable finance efforts in one part of the financial sector ecosystem can influence and support other parts.

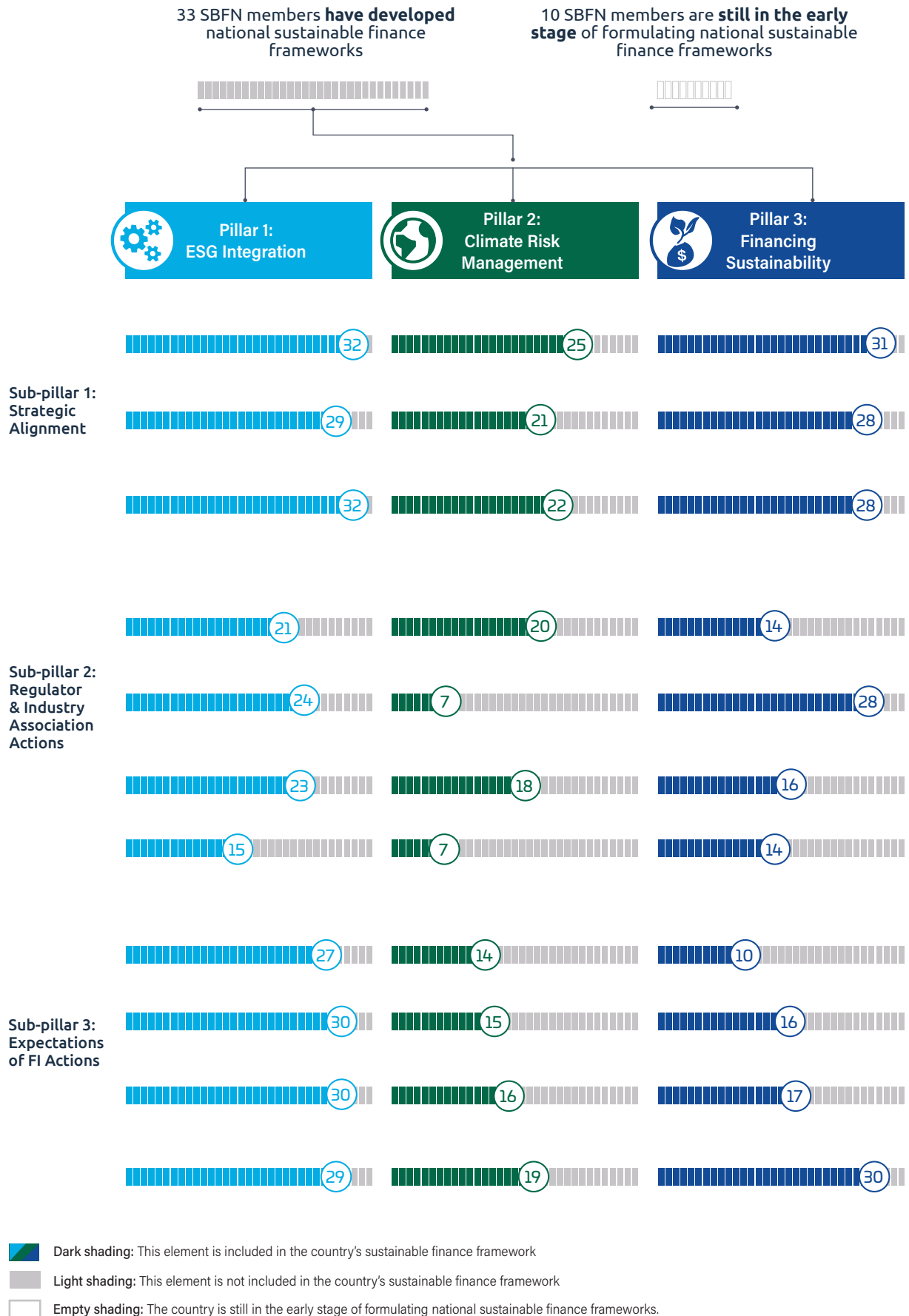
- **Countries that actively supervise implementation by financial institutions also tend to focus on data and disclosure.** This confirms insights from case studies. When financial sector regulators play a stronger role in promoting sustainable finance, they may be more likely to introduce mandatory guidelines that include reporting requirements.
- **There is more activity in this reporting period – including cross-agency collaboration among regulators – to build the capacity of FIs on climate risk management,** with an emphasis on disclosure. This indicates that both regulators and FIs are learning to manage this topic together as data emerges.
- **The role of governing bodies is recognized more strongly in country efforts under the pillars on Climate Risk Management and Financing Sustainability** than it is in relation to the ESG Integration pillar. This may indicate that climate change and new investment opportunities are bringing a stronger focus

on the oversight role of boards. This is evident from requirements in TCFD as well as in emerging standards for sustainability-focused instruments, particularly transition finance, introduced by the International Capital Market Association and others.

- **When ESG frameworks are strongly aligned with international sustainable development frameworks, there is more likely to be a national framework in place to help banks manage climate risks.** This may reflect the success of the Task Force on Climate-related Financial Disclosures and the Network for Greening the Financial System. Countries that are following these international developments closely may be integrating them more quickly.
- **Countries with inter-agency data sharing and data collection related to ESG integration are more likely to also have this type of data-sharing related to capital flows** going to sustainable activities and efforts to encourage FIs to increase green lending and investment. This finding suggests a link between ESG risk management and the identification of opportunities for new types of sustainability-focused investment, and that regulators and industry associations are likely to focus on both at the same time.

These findings offer interesting clues on the direction of sustainable finance going forward. SBFN will continue to monitor these trends and engage with members to understand the underlying drivers and opportunities.

Figure 10: Elements addressed by SBFN member countries that have introduced Sustainable Finance Frameworks



4. Pillar 1: ESG Integration

The **ESG Integration Pillar** evaluates regulatory guidance, supervision strategies, and voluntary banking sector approaches to manage environmental, social, and governance (ESG) risks in the activities of FIs.

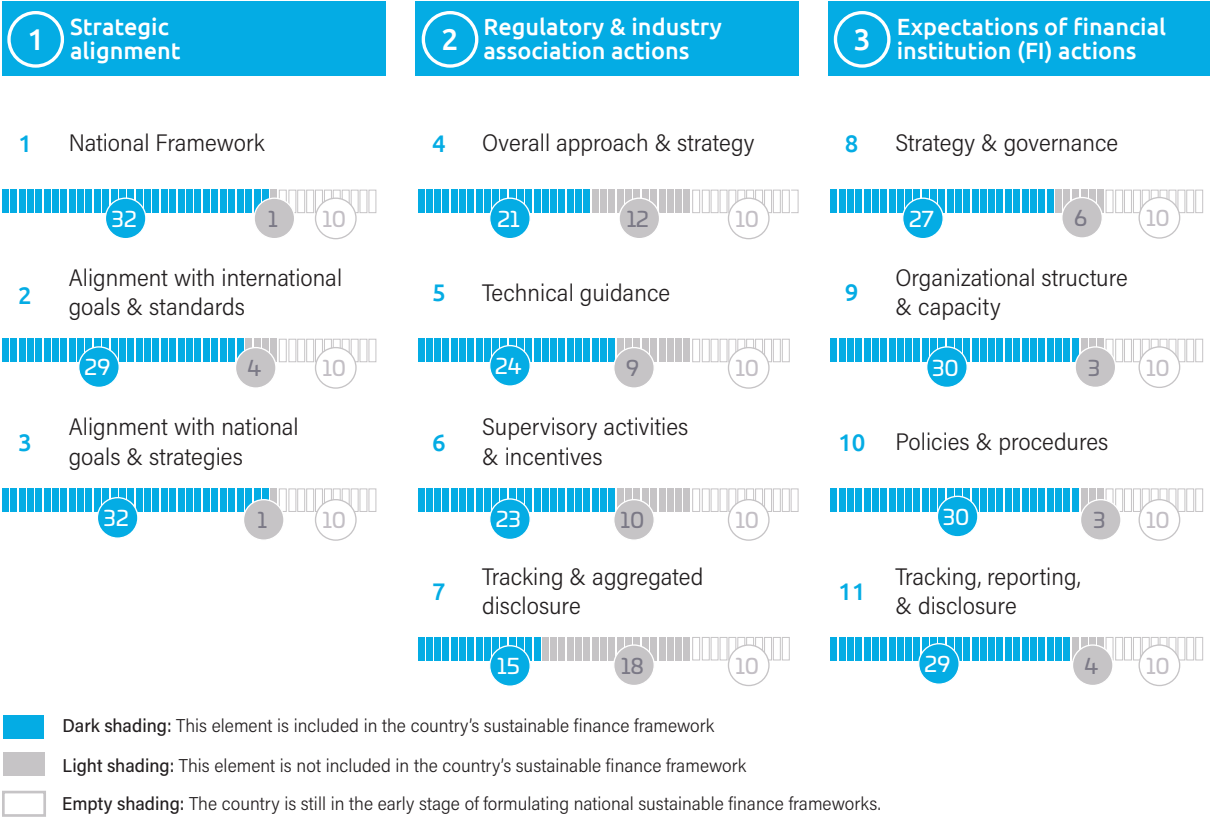
With the high concentration of financial assets in banking in emerging markets, and given SBFN's initial focus on the banking industry, the ESG Integration analysis in 2021 continues to focus primarily on efforts by banking sector regulators and industry associations to encourage banks to integrate environmental and social considerations into credit analysis and decision making. Governance (the "G" in ESG) is chiefly assessed from the perspective of how environmental and social issues are governed within FIs from the highest levels and throughout the organization.

However, sustainable finance is evolving rapidly to include the wider financial ecosystem, such as capital markets,

insurance providers, pension funds, and asset management. These sectors are increasingly adopting practices to manage environmental and social risks and performance in response to regulatory actions and market demand. Business opportunities in areas such as green bonds and sustainability-linked financial products are also becoming more prominent and leverage work done in the sphere of ESG integration. This trend offers the potential for the alignment of ESG risk management approaches to help unlock sustainable financing opportunities between various parts of the financial sector.

In the 2021 Measurement Framework, there are 11 indicators with 24 underlying questions in the ESG Integration pillar. Eleven new underlying questions were added to those asked in 2019 in order to capture global trends and emerging practices by SBFN members.

Figure 11: Findings on coverage of national frameworks and initiatives for Pillar 1: ESG Integration (All SBFN countries)



Four key themes emerged from the benchmarking of SBFN members' actions for Pillar 1: ESG Integration

ESG integration frameworks continue to form the foundation and starting point for the sustainable finance journey of SBFN members. Regulators and banking associations are taking actions to strengthen ESG risk management in the financial sector to promote financial stability, resilience, and competitiveness. This momentum reflects an increasing level of global recognition that a lack of awareness and pricing of environmental and social risks could lead to significant financial losses for FIs that provide financing to sectors and corporates exposed to environmental and social risks. In addition, without the consideration of environmental and social risk and potential losses, an excessive allocation of capital may be directed by FIs towards financing or investing in assets with negative impacts, such as high polluting sectors, thus impacting the transition to a more sustainable global economy.¹³

There are increased requirements for information disclosure and public reporting by FIs on their ESG risk management policies and practices. Measurable and comparable data disclosures are critical to enabling regulatory and supervisory oversight on implementation of ESG risk management by FIs. Public disclosure and reporting also allow civil society and communities to engage in constructive dialogue with FIs to resolve ESG-related issues, and they enable the market and all levels of market participants to react to ESG performance trends and innovate in response to new opportunities and trends.

The link between corporate governance and environmental and social practices is getting stronger, particularly with regard to the responsibilities of governing bodies to identify and manage ESG risks. With this in mind, several countries include ESG risk management responsibilities within national corporate governance codes. In June 2021, National Bank of Georgia updated its Corporate Governance Code for Commercial Banks and its Pillar 3 Disclosure Requirements to include more ESG-related requirements, aligned with international standards and good practices.

Awareness raising activities and capacity building are critical for FIs and regulators and are key components

in the sustainable finance frameworks for most countries. Capacity building focuses on the knowledge and skills required to develop and implement environmental and social risk management systems, and the policies, and procedures to identify, assess, and mitigate environmental and social risks at the project and transaction levels. Twenty-four SBFN countries (56 percent) have provided technical sector guidelines, guidance notes, or tools to support implementation of ESG risk and performance management by the financial sector. For example, in May 2020, South Africa's National Treasury and Banking Association established a Climate Risk Forum to oversee implementation of recommendations in Treasury's Technical Paper on Financing a Sustainable Economy. Several Working Groups were created, including one focused on building capacity and competency of regulators and industry broadly on sustainable finance, with an initial focus on climate risk.

The following are practical suggestions reflected in the 2021 Measurement Framework that SBFN countries can apply to strengthen their sustainable finance frameworks

- When developing sustainable finance frameworks, ensure these are aligned with national development objectives, plans, policies, and targets for sustainable development.
- Conduct research on the existing practices, awareness, and competencies of FIs to ensure that regulations or voluntary principles are well aligned with sector capacity.
- Undertake market-level assessment to identify systemic ESG risks in the financial sector through analysis of the portfolios of supervised entities and publish the results for wider market benefit.
- Provide guidance on the role of the regulator or industry association with regard to assessing implementation of ESG risk management approaches by FIs.
- Provide technical guidance or tools to support implementation of ESG risk and performance management by FIs and engage FIs and financial sector stakeholders in the development of such guidance and tools.
- Establish a data collection approach and database to track implementation by FIs in managing ESG risks and performance for the benefit of the regulator or industry association at a minimum, and potentially for wider market stakeholders.
- Include data collection and analysis on the link between

13 Network for Greening the Financial System Overview of Environmental Risk Analysis by FIs (September 2020) available at: https://www.ngfs.net/sites/default/files/medias/documents/overview_of_environmental_risk_analysis_by_financial_institutions.pdf

- ESG integration and improved credit risk and financial returns to help demonstrate the business case.
- Encourage inter-agency data sharing of FI's ESG performance to facilitate improved supervision and

identification of ESG trends.

- Encourage FIs to create incentives for managers to reduce the ESG risk-level of the portfolio.

4.1 Pillar-level Progress

Since June 2019, **at least 11 SBFN countries added sustainable finance policies, regulations, or guidelines** that integrate environmental and social risk management into financial sector activities, examples include:

- 1. August 2019 – Thai Bankers' Association**, with the support of the **Bank of Thailand**, released the Thailand Sustainable Banking Guidelines for Responsible Lending. The guidelines define the minimum ESG expectations for responsible lending practices for all banks based in Thailand.
- 2. November 2019 – Bank of Ghana** launched the Ghana Sustainable Banking Principles and Sector Guidance Notes to provide guiding principles to underpin effective Environmental and Social Risk Management policy frameworks for banks.
- 3. February 2020 – National Bank of Georgia**, launched the ESG Reporting and Disclosure Principles, which provide guidance to Georgian commercial banks regarding ESG reporting, and disclosure aligned with international good practice.
- 4. April 2020 – Bangko Sentral ng Pilipinas**, the central bank of the Philippines, issued the country's first Sustainable Finance Framework at the start of the COVID-19 pandemic.
- 5. June 2020 – Colombia's Stock Exchange** issued the Guide for the Preparation of ESG Reports for Issuers in Colombia. In addition, the Financial Superintendence of Colombia issued two regulations in 2021 for Institutional Investors (Pension and Insurance) External Circular (EC) 07 and EC-08 regarding ESG integration and ESG product disclosure.
- 6. August 2020 – National Banking and Insurance Commission of Honduras** issued the Standard for the Management of Environmental and Social Risk Applicable to the Institutions of the Financial System, the first national sustainable finance policy issued in the country. The document sets the standards for FIs to manage their environmental and social risk.
- 7. September 2020 – Nepal Rastra Bank**, Nepal's central bank, issued a Unified Directive to require all banks and FIs to integrate environmental and social risk management into their overall credit risk management

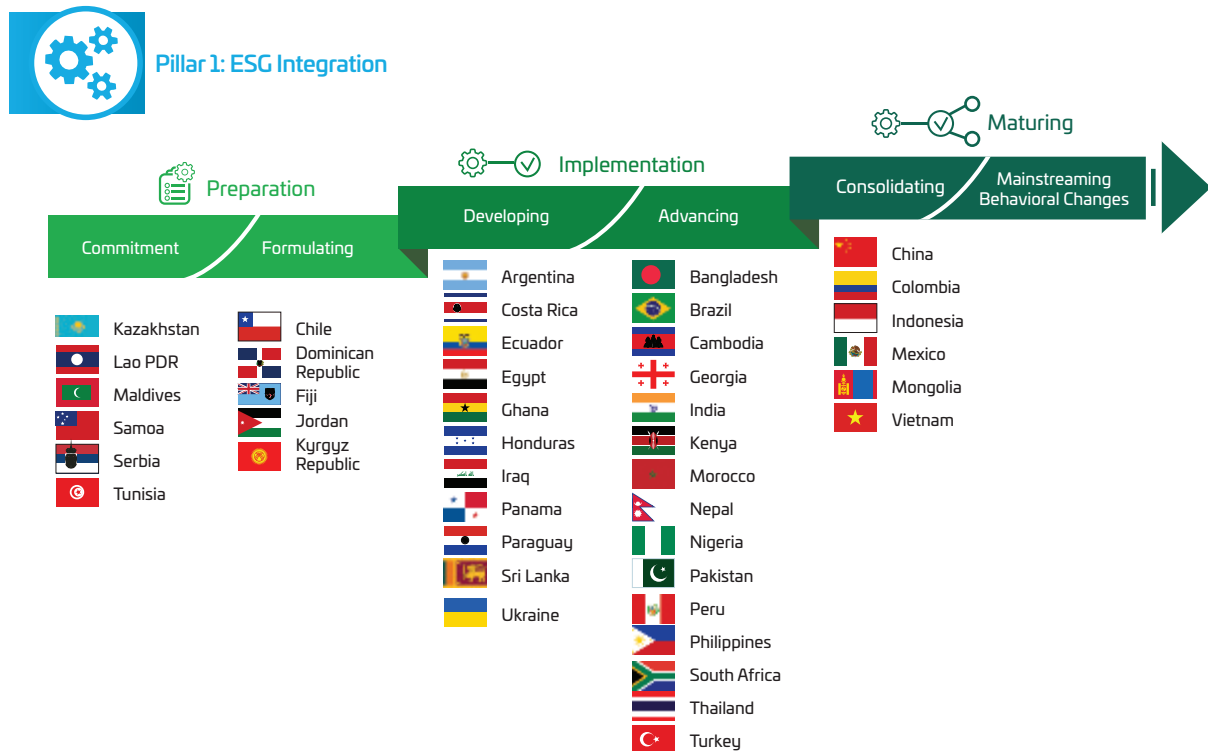
process and formulate policies in compliance with Nepal Rastra Bank's Guidelines on Environmental and Social Risk Management for banks and FIs.

- 8. November 2020 – The Peruvian Ministry of Environment**, in conjunction with the Association of Banks of Peru, Association of Microfinance Institutions of Peru, and the Peruvian Federation of Municipal Savings and Credit Banks, relaunched the Green Protocol of Peru. **The Ministry of the Environment also** launched the Green Finance Roadmap in January 2021 to promote environmental considerations in the financial sector's activities.
- 9. December 2020 – Bangladesh Bank** issued the Sustainable Finance Policy for Banks and FIs, including an Excel reporting template, a comprehensive sustainable finance taxonomy, green taxonomy, and a sustainability rating system.
- 10. January 2021 – Indonesia's Financial Services Authority** issued the Indonesia Sustainable Finance Roadmap Second Phase (2021-2025), developing a nationwide sustainable finance ecosystem driven by both supply and demand sides.
- 11. July 2021 – Central Bank of Egypt** launched the Sustainable Finance Guiding Principles to accelerate sustainable finance development aligning with international standards.

SBFN members are most advanced on the ESG Integration pillar, with 15 countries in the Advancing sub-stage and six countries in the Consolidating sub-stage. None have achieved the Mainstreaming sub-stage due to the requirement for robust data demonstrating behavior change by banks in relation to ESG risk management and performance.

The significant efforts by members to launch these frameworks confirms the trend among SBFN members to first focus on building a solid foundation of ESG risk management within the financial sector before proceeding to focus on innovation in new sustainability-focused financial instruments and addressing climate-related risks.

Figure 12: Progression Matrix Results for ESG Integration Pillar*



*Countries within each sub-stage are listed in alphabetical order.

Figure 13: Progression Matrix Milestones – Pillar 1: ESG Integration

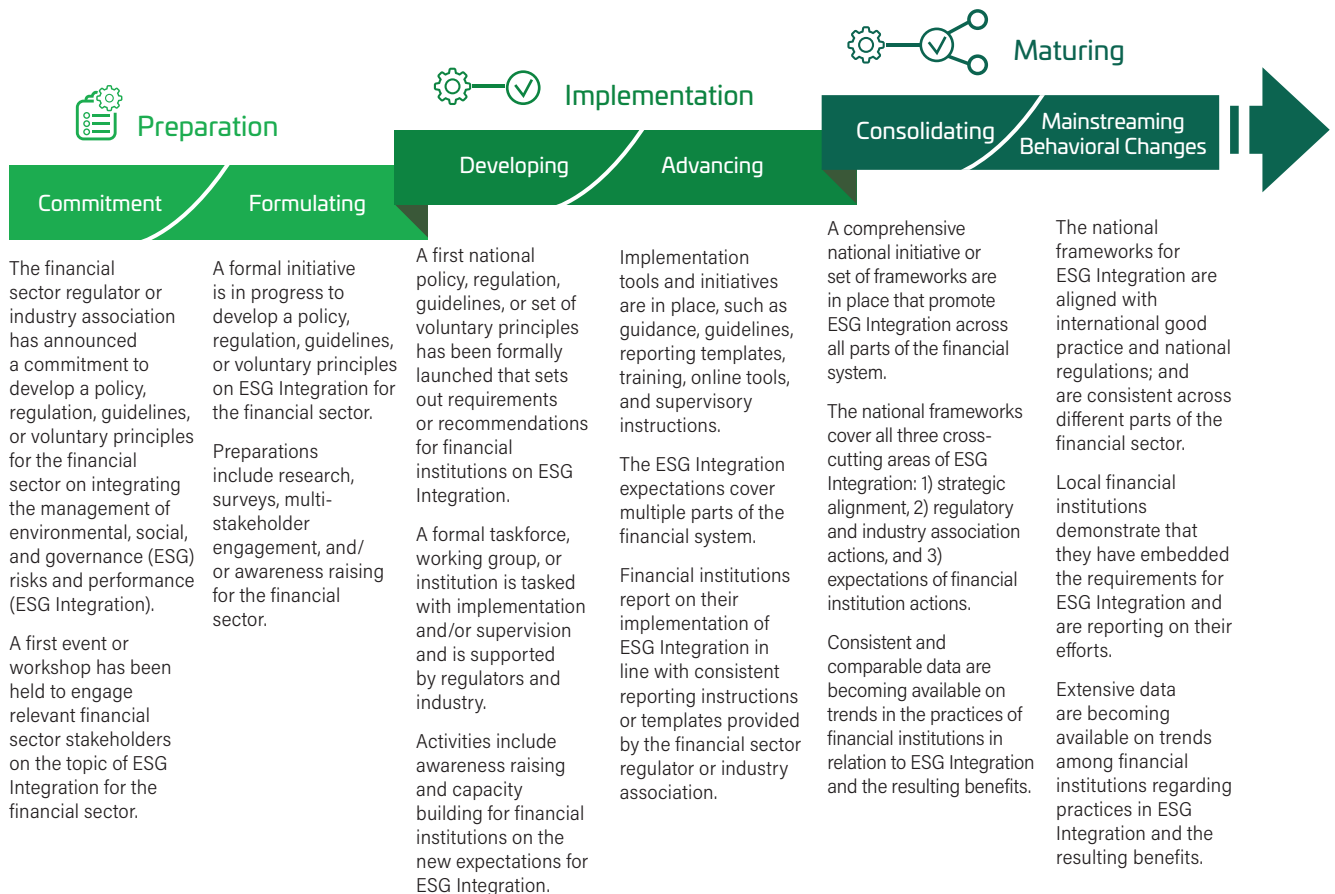
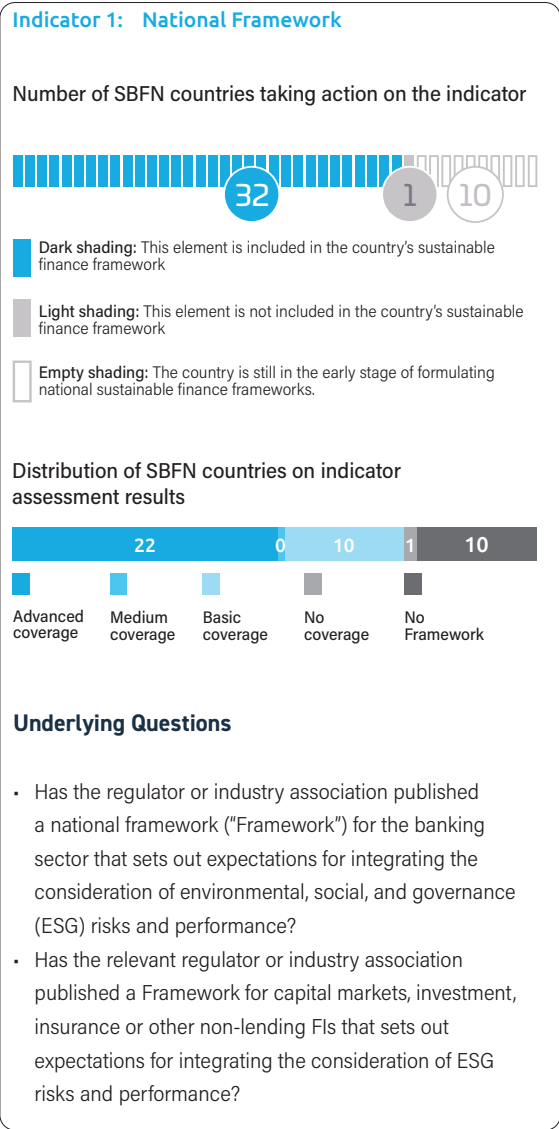


Figure 14: Pillar I: ESG Integration – Sub-pillars and indicators



4.2 Sub-pillar 1: Strategic Alignment



The Strategic Alignment sub-pillar reviews the degree of alignment of national frameworks for ESG integration with international sustainable development initiatives, global ESG risk management standards and practices, and national goals, objectives, and strategies for sustainable development.

Nineteen countries issued additional policies since June 2019 to strengthen their existing sustainable finance frameworks. Ten countries introduced their first national sustainable finance framework with consideration of ESG risks and performance for the banking sector. This brings the total number of SBFN countries with ESG integration frameworks for the banking sector to 32, about half of which have frameworks for non-banking FIs. For example, the Green Finance Advisory Board of Mexico launched the ESG Guide for Investors in 2019, and issued the Request to Issuers Regarding the Disclosure of Environmental, Social, and Corporate Governance Information in 2020.

International sustainability standards have proven useful when designing country-specific sustainable finance policies. Twenty-six countries have made reference to international sustainable development frameworks or goals, such as the Sustainable Development Goals (SDGs) and UN Global Compact. International ESG risk management standards and principles, such as the IFC Performance Standards and Corporate Governance Development Framework, the Equator Principles, and the Principles for Responsible Banking, are referenced in 28 countries.

Box 1: Equator Principles Association and IFC join forces to build capacity of banks on environmental and social risk management¹⁴

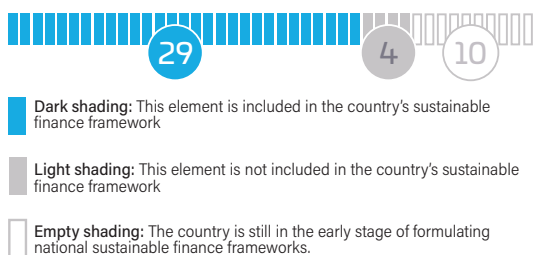
Building on nearly two decades of collaboration, the Equator Principles Association (EPA) and IFC officially joined efforts in 2020 to help strengthen the capacity of FIs to manage environmental and social risk in line with IFC's Environmental and Social Performance Standards. IFC's Performance Standards are the most comprehensive and practical approach to managing environmental and social risks for private investments in emerging markets, and are considered an international

benchmark. The Equator Principles, launched in 2003 and now adopted by over 120 FIs from 38 countries, reference IFC's Performance Standards. The principles provide a framework for FIs to manage environmental and social risk in projects. Over the years, the Equator Principles signatories have drawn from IFC's extensive technical resources and have worked closely with IFC to develop practitioner knowledge on environmental and social risk management.

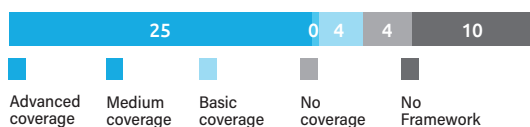
¹⁴ <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=24688>

Indicator 2: Alignment with International Goals & Standards

Number of SBFN countries taking action on the indicator



Distribution of SBFN countries on indicator assessment results



Underlying Questions

- Does the Framework make reference to international sustainable development frameworks or goals?
- Does the Framework make reference to established international ESG risk management standards and principles for FIs?

Many countries have used international standards as a starting point or benchmark when designing policies and guidance that fit with country-level legislation and institutional systems. For example, the Cambodian Sustainable Finance Principles Implementation Guidelines reference the IFC Performance Standards with regard to i) Assessment and Management of Environmental and Social Risks and Impacts (Performance Standard 1), ii) Resource Efficiency and Pollution Prevention (Performance Standard 3), and iii) Biodiversity Conservation and Sustainable Management of Living Natural Resources (Performance Standard 6).

SBFN member countries' national sustainable finance plans, targets, and strategies correlate closely to the SDGs and Nationally Determined Contributions (NDCs) to the Paris Agreement on Climate Change. Frameworks in 25 out of 33 countries referenced such national development policies, plans, and targets.

Multi-stakeholder consultation and inter-agency collaboration have been effective in a number of countries. This has included collaboration between the regulator and industry association on research to understand the current practices, awareness, and capacity of FIs on ESG integration in order to design appropriate regulations and principles. The aim is to build a solid foundation of industry alignment and buy-in before launching a national framework on sustainable finance.

Indicator 3: Alignment with National Goals & Strategies

Number of SBFN countries taking action on the indicator

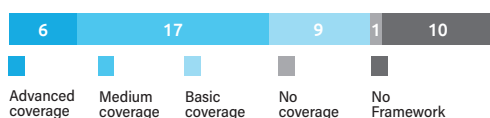


Dark shading: This element is included in the country's sustainable finance framework

Light shading: This element is not included in the country's sustainable finance framework

Empty shading: The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Questions

- Does the Framework make reference to specific national development objectives, plans, policies, goals, or targets?
- Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design and/or implementation related to ESG integration?
- Does any inter-agency data sharing currently exist related to ESG integration by FIs?

This approach is adopted by most countries (30 out of 33) in the form of working groups, committees, or task forces. Examples include Colombia, Georgia, Ghana, Honduras, Iraq, India, South Africa, Sri Lanka and Mongolia. For example, in 2019, Honduras National Commission of Banks and Insurance, in collaboration with Honduran Banking

Association and its Sustainable Banking Committee, participated as an observer in the development of a regulation to introduce mandatory Environmental and Social Risks Analysis in financial transactions.

In May 2020, South Africa's National Treasury and Banking Association established a Climate Risk Forum to oversee implementation of recommendations in Treasury's draft Technical Paper on Financing a Sustainable Economy (2020). Several Working Groups have been created to support implementation of the Technical Paper including a Taxonomy Working Group, Financial Instruments Working Group, TCFD Working Group, Climate Risk Working Group, and Capacity Working Group.

ESG data sharing between agencies, such as departments of environment, statistics, and finance, is still at an early stage. Six countries (Bangladesh, China, Georgia, Mongolia, Sri Lanka, Vietnam) have started the process of sharing data among ministries, agencies, and banking institutions. Agreements and platforms to enable data sharing can ensure consistency across policy and regulatory approaches as well as provide valuable insights into implementation trends.

For example, the Central Bank of Sri Lanka formed an inter-regulatory committee on sustainable finance. There is integration nationally, with all state sector organizations required to report to the national sustainable development council on how sustainable development is actioned in their respective domains. The Department of Census and Statistics, which measures development progress, also tracks SDG progress and is under Sri Lanka's Ministry of Finance.

4.3 Sub-pillar 2: Regulatory and Industry Association Actions

The Regulatory and Industry Association Actions sub-pillar evaluates the comprehensiveness of frameworks in terms of explaining what the role of the regulator or the industry association in assessing FIs' ESG integration practices, providing technical guidance on how to implement the regulation or voluntary principles, providing supervision and incentives for implementation, and tracking and reporting on progress.

Nineteen SBFN countries' ESG frameworks provide

guidance on the role of the regulator or industry association with regard to assessing and managing ESG risk and performance in the financial sector. Seven countries have undertaken market assessments to identify systemic ESG risks through analysis of the portfolios of supervised entities and published the results.

Morocco's Capital Market Authority is currently analyzing the first mandatory ESG reports of issuers, which were published in April 2020 and is collaborating with IFC

to help build capacity for staff and develop assessment methodologies and tools for ESG factors. In Vietnam, ESG risks in the credit granting process of credit institutions have been assessed and identified in thematic reports on renewable energy and high-tech agriculture sectors.

Twenty-four SBFN countries (56 percent) have provided technical sector guidelines, guidance notes or tools to support implementation of ESG risk and performance management by the financial sector. Tools include environmental and social due diligence checklists, environmental and social risk assessment and monitoring protocols, and reporting templates. For the remaining countries, implementation tools are under development in the next two years.

Indicator 4: Overall Approach & Strategy

Number of SBFN countries taking action on the indicator

Dark shading: This element is included in the country's sustainable finance framework

Light shading: This element is not included in the country's sustainable finance framework

Empty shading: The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results

Advanced coverage	Medium coverage	Basic coverage	No coverage	No Framework
5	0	16	12	10

Underlying Questions

- Does the Framework provide guidance on the role of the regulator or industry association with regard to assessing and managing ESG risk and performance in the financial sector?
- Has the regulator or industry association undertaken market assessment to identify systemic ESG risks through analysis of the portfolios of supervised entities/ members and published the results?

Indicator 5: Technical Guidance

Number of SBFN countries taking action on the indicator

Dark shading: This element is included in the country's sustainable finance framework

Light shading: This element is not included in the country's sustainable finance framework

Empty shading: The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results

Advanced coverage	Medium coverage	Basic coverage	No coverage	No Framework
24	0	9	10	0

Underlying Question

- Does the Framework provide technical guidance or tools to support implementation of ESG risk and performance management by the financial sector?

Most SBFN countries (22 out of 33) have started to monitor implementation of the national ESG framework by FIs through regular self-reporting by FIs or public disclosure.

The Banking Association of Colombia (Asobancaria) collects information on an annual basis and publishes the results in its annual Sustainability Report. Central Bank of Nigeria requires annual reporting by all Nigerian banks using a detailed reporting template. The Moroccan Capital Market Authority's Rule Book requires mandatory ESG reporting in alignment with international good practices, and issuers are required to publish a yearly ESG report along with annual financial reports.

Incentives and disincentives remain a relatively new requirement for regulators or banking associations. Seven SBFN countries apply disincentives or penalties for non-compliance by FIs related to ESG risk management requirements, and an equivalent number provide financial or non-financial incentives for FIs to manage ESG performance as part of the national framework.

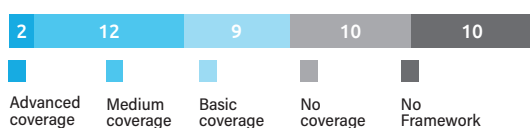
Indicator 6: Supervisory Activities & Incentives

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Questions

- Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
- Does the regulator or industry association provide any financial or non-financial incentives for FIs to manage ESG performance as part of the Framework?
- Does the regulator or industry association apply any disincentives/penalties for non-compliance by FIs in terms of expectations from the regulator and/or industry association related to ESG risk management as part of the Framework?

For example, Bangladesh Bank recognizes top performing FIs using a Sustainability Rating. The Vietnam Banking Association has held the annual Outstanding Banking award since 2019, including the Outstanding Green Credit Bank award. In addition, the State Bank of Vietnam has proposed a suite of innovative solutions to develop green banking, including research incentives and supporting mechanisms and tools.

Bank of Mongolia and the Mongolian Sustainable Finance Association jointly organize the "Best ToC Bank" competition, which selects a bank with the best sustainable finance practices and environmentally friendly offices, as part of the "Banking Development – 95 years" campaign. The competition aims to improve the Mongolian banking sector's ESG risk management practices and sustainable financing more broadly.

People's Bank of China began the quarterly assessments of the green finance performance of 24 major Chinese banks starting from July 1, 2021. The results of the assessments will be incorporated in FIs' ratings alongside the central bank's other policies and prudential management tools. Quantitative indicators include the year-on-year growth in a bank's green finance business and the total risk of a bank's green finance business. Qualitative indicators include the financial support a bank provides to green industries.

For the countries in the Advancing sub-stage, FIs are required to report on their ESG integration implementation in line with consistent reporting instructions/templates. Fifteen countries have established a data collection approach and database to track ESG data linked to an ESG reporting and disclosure template or a statistical system.

In February 2020, National Bank of Georgia launched the ESG Reporting and Disclosure Principles with a corresponding template in order to assist commercial banks and other FIs to disclose ESG-related information in a relevant, useful, consistent and comparable manner. Commercial banks will disclose ESG-related information using this template beginning in 2021.

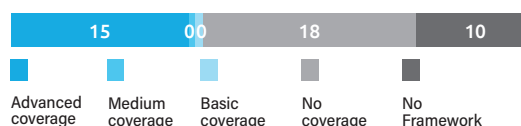
Indicator 7: Tracking & Aggregated Disclosure

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Question

- Has the regulator or industry association established a data collection approach and database to track or regularly publish data related to ESG integration by FIs as part of the Framework?

Box 2: Managing environmental and social risks in financial institutions – IFC’s approach

An environmental and social management system (ESMS) is a set of policies, procedures, tools, and internal capacity to identify and manage the exposure of a financial institution (FI) to the environmental and social (E&S) risks of its clients. An ESMS states an FI’s commitment and explains its procedures for identifying, assessing, and managing E&S risks in financial transactions; defines the decision-making process; describes the roles, responsibilities and capacity needs of staff for doing so, and states the documentation and recordkeeping requirements. It also provides guidance on how to screen transactions, categorize transactions based on their E&S risk, conduct E&S due diligence, and monitor the client’s E&S performance.

Visit firstforsustainability.org to access more information on the following key elements of an ESMS:

The ESMS includes the financial institution’s **environmental and social policy** and designated **roles and responsibilities** of its staff. It is implemented through a set of procedures for:

- Screening transactions
- Conducting environmental and social due diligence
- Categorizing transactions based on their environmental and social risk
- Decision-making process
- Monitoring the client’s/investee’s environmental and social performance
- Managing a client’s/investee’s non-compliance with the financial institution’s environmental and social standards.

Several SBFN member countries have updated and expanded their corporate governance frameworks to embed environmental and social risk management into corporate governance practices. Environmental and Social Risk Management strategies are required to be approved and supervised by a board of directors or the organization’s highest governing body in 27 countries, and 25 SBFN countries require FIs to allocate resources and budget commensurate with portfolio ESG risks and to define ESG risk management roles and responsibilities for senior management and operational staff.

Figure 15: A sample environmental and social management system

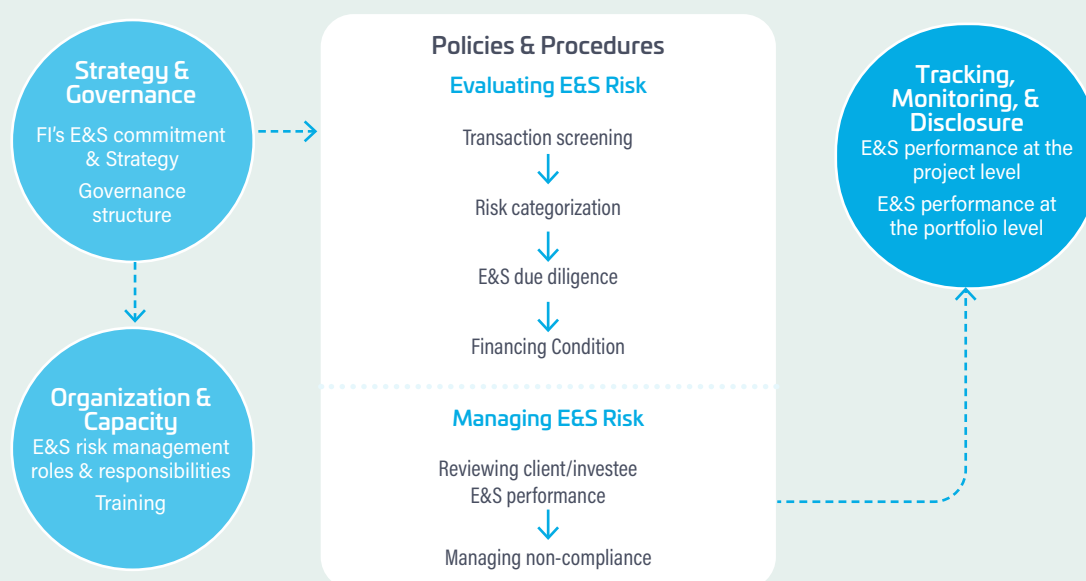


Image adapted from www.firstforsustainability.org

4.4 Sub-pillar 3: Expectations of Financial Institution Actions

The sub-pillar on Expectations of Financial Institutions Actions evaluates the strategy, governance, risk management, and reporting expectations of financial institutions related to ESG risk management at the institutional level, as specified by the ESG frameworks of regulators and industry associations. These requirements are often reflected in an FI's environmental and social management system.

Indicator 8: Strategy & Governance

Number of SBFN countries taking action on the indicator

Dark shading: This element is included in the country's sustainable finance framework

Light shading: This element is not included in the country's sustainable finance framework

Empty shading: The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results

Advanced coverage Medium coverage Basic coverage No coverage No Framework

Underlying Question

- Does the Framework require/ask the FI's board of directors (or highest governing body) to approve an ESRM and/or ESG integration strategy, and to supervise its implementation?

In 2021, the China Banking and Insurance Regulatory Commission engaged in public consultation on the Code of Corporate Governance of Banking and Insurance Institutions.¹⁵ In 2021, National Bank of Georgia updated its Corporate Governance Code for Commercial Banks to include ESG risk management and Disclosure requirements, which require banks to incorporate ESG considerations into the bank's strategy in order to support its long-term sustainability.

Indicator 9: Organizational Structure & Capacity

Number of SBFN countries taking action on the indicator

Dark shading: This element is included in the country's sustainable finance framework

Light shading: This element is not included in the country's sustainable finance framework

Empty shading: The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results

Advanced coverage Medium coverage Basic coverage No coverage No Framework

Underlying Questions

- Does the Framework require/ask FIs to allocate resources/budget commensurate with portfolio ESG risks and define roles and responsibilities for ESG integration within the organization?
- Does the Framework require/ask FIs to develop and maintain the ESG expertise and capacity of staff commensurate with portfolio ESG risks through regular training and learning?
- Does the Framework require/ask FIs to create incentives for managers to reduce the ESG risk-level of the portfolio over a specified timeframe?

Capacity building is critical for FIs and regulators and is one of the key components in the sustainable finance framework for most countries. Thirty SBFN countries' frameworks call for FIs to develop and maintain the ESG expertise and capacity of staff through regular training and learning programs. The Kenya Bankers Association designed an e-learning platform to train bank employees across different functions to ensure the financial sector is well aligned in implementing the Sustainable Finance Initiative.

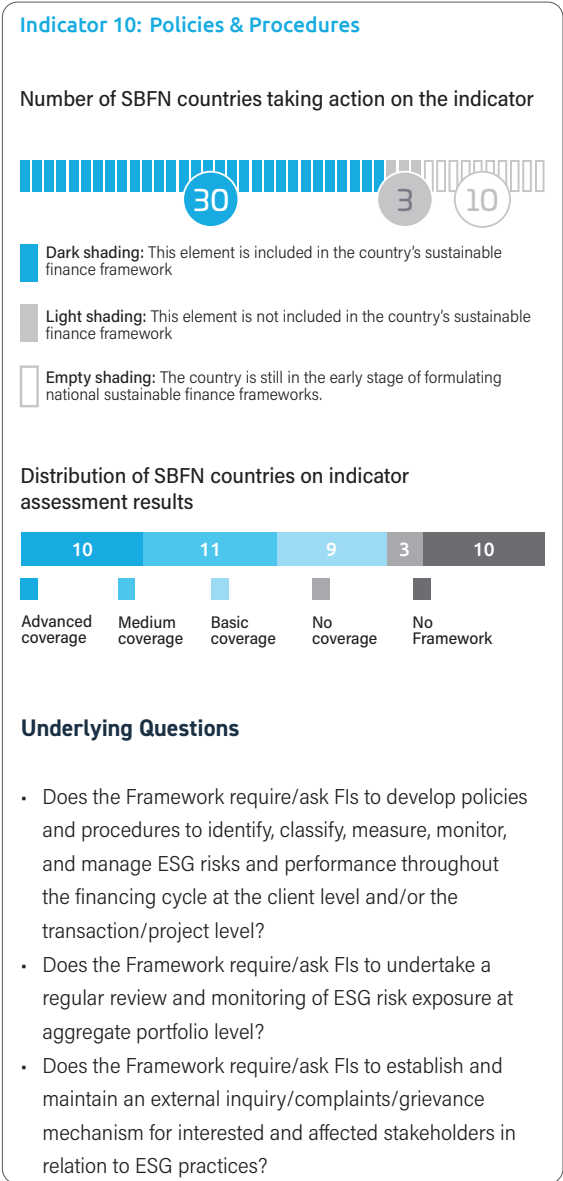
The platform provides learning courses and case studies to build understanding and appreciation among financiers of the importance of ESG disclosure and reporting

15 <http://www.cbirc.gov.cn/en/view/pages/ItemDetail.html?docId=965284&itemId=980>

while conducting their duties as part of good corporate governance practices and structures.

A few SBFN countries (six out of 33) encourage FIs to establish incentives for managers to reduce the ESG risk-level of the portfolio. For example, in the Green Credit Key Performance Indicators issued by the China Banking and Insurance Regulatory Commission, a green credit appraisal and evaluation system shall be established by the financial institution, and relevant business lines and branches should be evaluated regularly, including indicators related to business lines, environmental and social risks, and banks' own environmental and social footprints.

Almost all the SBFN countries (30 out of 33) require FIs to develop policies and procedures to identify, classify, measure, monitor, and manage ESG risks and performance throughout the financing cycle. Among which, 16 countries indicate that FIs must undertake a regular review and monitoring of ESG risk exposure at aggregate portfolio level. In 2020, Bangko Sentral ng Pilipinas, the Central Bank of the Philippines launched its sustainable finance framework requiring banks to establish an Environmental and Social Risk Management System to provide tools for monitoring environmental and social risks, assessing identified environmental and social risks, and for considering the same in the aggregate risk exposure of the bank. Banks are also required to integrate environmental and social risk in stress testing exercises covering both short-term and long-term time horizons following the principles.



Thirteen SBFN countries' frameworks highlight the importance of establishing and maintaining an external inquiry, complaints, or grievance mechanism for interested and affected stakeholders. Only five countries had such a requirement in 2019.

This reflects the increasing importance of having effective mechanisms to establish and maintain dialogues with staff and affected communities and stakeholders to resolve issues of concern. In 2021, the Banking Association of Turkey updated its Sustainability Guideline for the Banking Sector and now recommends that stakeholder engagement be included in the planning and execution of a bank's sustainability activities. Transparent and two-way communication with stakeholders should be established in order to determine their needs and priorities, to identify gaps and address them.

Monitoring and reporting mechanisms are an important part of tracking and supervising FIs' implementation of sustainable finance policies. Some members have introduced indicators and mechanisms to capture this information. Reporting on ESG performance can be deployed as a risk management tool, assisting regulators or banking associations to identify, assess, manage, and mitigate risks that are material for FIs; and an assessment tool to identify the effectiveness of sustainable finance frameworks and the results of their implementation.

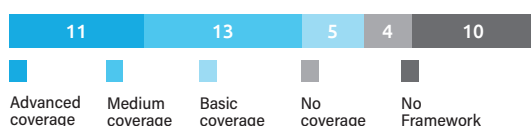
Indicator 11: Tracking, Reporting & Disclosure

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Questions

- Does the Framework require/ask FIs to report ESG risks and performance to the regulator or industry association?
- Does the Framework require/ask FIs to report on ESG integration publicly?
- Does the Framework require/ask FIs to track credit risk (e.g. loan defaults) and/or financial returns in relation to ESG risk level?

FIs are required to report ESG risks and performance to regulators or industry associations in 23 countries, and to do so publicly in 27 countries.

In 2019, the Kenya Bankers Association initiated a Sustainable Finance Initiative voluntary reporting exercise aimed at establishing a baseline on the progress the banking industry had made in implementing the SFI Guiding Principles. In January 2021, Bank of Ghana formally launched the reporting requirements for the Ghana Sustainable Banking Principles. All banks in Ghana are now required to integrate environmental and social considerations into their risk frameworks and report to the BOG periodically in this regard.

An increasing number of SBFN countries (14 out of 33) require FIs to track credit risk and/or financial returns in relation to ESG risk level. For example, the National

Banking and Insurance Commission of Honduras issued the Standard for the Management of Environmental and Social Risk applicable to the Institutions of the Financial System. Credit is evaluated and classified for credit risk purposes in accordance with the Standard. In the Green Credit Statistics reporting template of the China Banking and Insurance Regulatory Commission, non-performing loan ratio is a performance indicator linked to the environmental, health and safety risk profiles of loans. Banks are required to report to the China Banking and Insurance Regulatory Commission regularly on their efforts to restructure non-performing loans, the implementation of internal governance and risk management requirements, and other aspects of financial performance.

4.5 Summary of Pillar I Findings

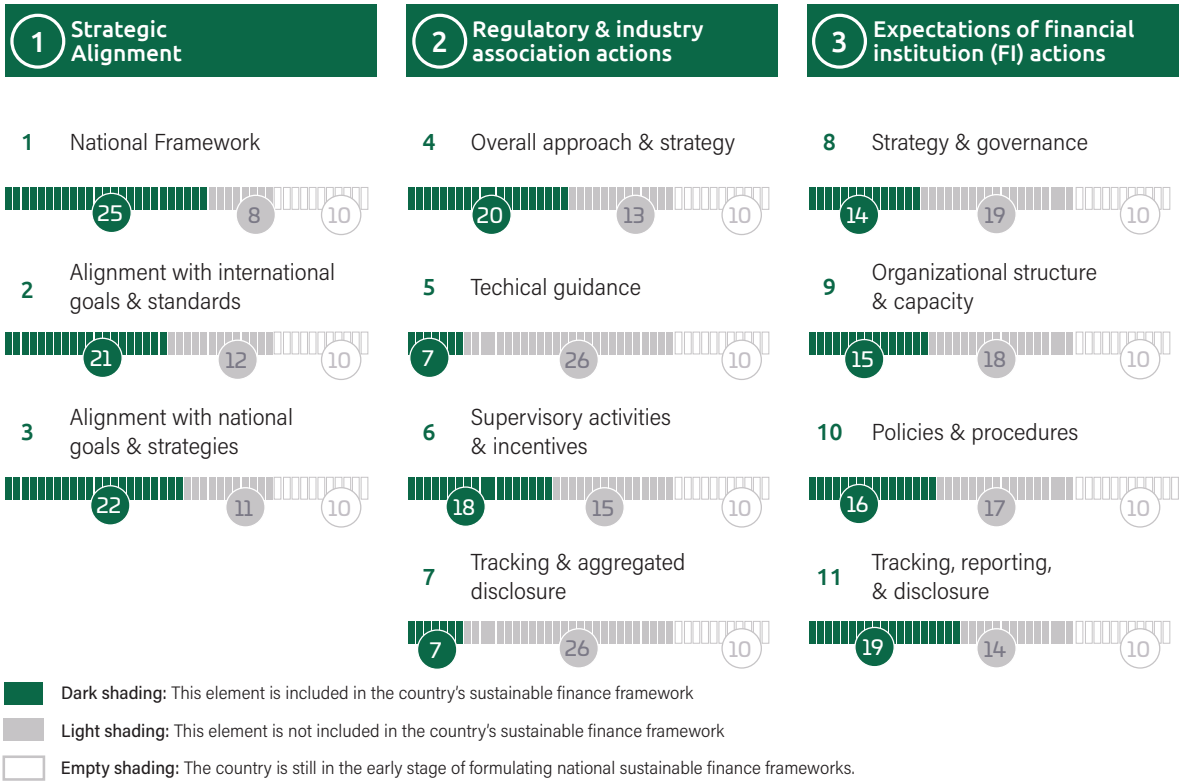
Amid the global pandemic, SBFN member countries have continued to add sustainable finance policies, regulations, or guidelines that integrate environmental and social risk management into financial sector activities. This significant progress in expanding frameworks include ESG integration into risk management practices reflects the wide recognition of the importance of ESG integration as a tool for growth and resilience.

Moving forward, SBFN will continue to support members to:

- Promote the **expansion and deepening of ESG integration frameworks** in recognition of their foundational role in the sustainable finance journey of SBFN members.
- Reinforce the **importance of ESG information disclosure and public reporting** by FIs on their ESG risk management policies and practices, and the use by a wide range of market stakeholders.
- Strengthen the linkage between corporate governance codes and environmental and social risk management practices in recognition of the **critical role of governing bodies in overseeing and promoting environmental and social performance**.
- **Continue to create opportunities for awareness raising activities and capacity building on ESG risk management and performance** for FIs and regulators as key components for building and implementing stronger sustainable finance frameworks.

5. Pillar 2: Climate Risk Management

Figure 16: Findings on coverage of national frameworks and initiatives for Pillar 2: Climate Risk Management (All SBFN countries)



Emerging markets are far more vulnerable to rising global temperatures and suffer significantly from impacts of climate change. The financial sector is expected to be increasingly vulnerable to climate-related physical risks as natural disasters are three times more frequent today than they were in 1970s and 1980s and global warming is becoming increasingly evident.¹⁶ As global action to address climate change intensifies with more than 120 countries pledging to reach net-zero greenhouse gas emissions, transition risks resulting from changes in policies, regulations and market preferences to prioritize low carbon opportunities could result in stranded assets, business disruption, and reduced financial valuations. Countries' efforts to reduce national emissions and adapt to the impacts of climate change are embodied in their Nationally Determined Contributions (NDCs) to the Paris Agreement, and the transition to a

low-carbon, climate-resilient global economy is presenting investment opportunities in the trillions of dollars as countries mobilize their financial sectors to achieve climate goals, as highlighted in the chapter on Pillar 3 Financing Sustainability.¹⁷

In 2019, the second SBFN Global Progress Report concluded that efforts to understand and assess climate-related financial sector risks and opportunities were at a very early stage in most SBFN member institutions and countries. An important shift is now underway as actors in the global financial sector are mobilizing in recognition that climate change, in addition to natural disasters, environmental degradation, and social risks can lead to significant risks for the financial sector.

16 Food and Agriculture Organization (FAO), 2021. "The impact of disasters and crises 2021 on agriculture and food security".
 17 OECD, 2017. "Investing in Climate, Investing in Growth"; IFC, 2016. "Climate Investment Opportunities in Emerging Markets"; IFC, 2020. "Ctrl-Alt-Delete: A Green Reboot for Emerging Markets".

A growing number of central banks, financial sector regulators, supervisors, and banking associations are seeking to activate the financial sector in support of national and international efforts to manage climate risk. Consequently, the development of climate risk management approaches in the financial sector has become an urgent priority, with a need for new governance approaches, risk management practices, and disclosure.

5.1 Pillar-level Progress

Three key themes emerged from SBFN members' responses to the data collection and interviews.

Top-down, bottom-up, and side-to-side efforts are driving financial sector action. Global action to address climate risk is occurring through top-down efforts, and building on global practices such as the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD)¹⁸; the guidance on environmental and climate-related risks from central banks, supervisors, and regulators in the Network for Greening the Financial System (NGFS); and the work of the G20 Sustainable Finance Study Group.¹⁹ In addition, all major standard setting bodies have started to consider climate-related financial risk.²⁰ The Basel Committee on Banking Supervision released a study on "Climate-related risk drivers and their transmission channels"²¹. The Financial Stability Board has recently published a Climate Risk Roadmap²² to support international coordination among these various efforts, in addition to stocktaking analyses²³ on the experience of financial authorities in integrating physical and transition climate risks as part of their financial stability monitoring.

Through these and related initiatives, common analytical approaches, risk management strategies, and climate

To bring focus to this critical global issue, and capture progress in the evolution of sustainable finance frameworks, the 2021 SBFN Measurement Framework includes a new Climate Risk Management pillar. The pillar reflects known strategies by SBFN members, priorities expressed by members, and trends from international good practice.

scenarios are being developed to address physical and transition risks posed by climate change. SBFN member countries, institutions, and financial sector actors are playing important roles in these efforts.

In turn, global practices for climate risk management are influenced by the bottom-up actions of financial sector institutions and industry associations. The financial industry and partnerships with academic institutions, civil society organizations, institutional shareholders, asset owners, and multilateral development institutions are driving innovations and new approaches that are increasingly reflected in efforts to incorporate climate risks and opportunities as part of net zero and Paris Agreement aligned risk management and climate finance strategies.

Momentum for addressing climate risk is also being influenced side-to-side by different parts of the financial system in addition to banking, with SBFN members representing capital markets, pensions, insurance, and other financial sector actors developing approaches to the management of climate risk that influence each other.

For example, the Financial Superintendence of Colombia undertook scenario analysis and stress testing of pension funds' portfolios, and is conducting a vulnerability

18 Momentum has grown quickly since the launch of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) in 2015, and the issuing of the 2017 TCFD Recommendations for consistent climate-related financial disclosures for corporations and financial sector actors. Many SBFN countries and member institutions and organizations are represented in the over 2000 formal TCFD supporting organizations in 77 countries, including corporations, national governments and ministries, central banks, regulators, stock exchanges, and credit agencies.

19 Central Bank and Supervisors Network for Greening the Financial System (NGFS): <https://www.ngfs.net/en>

20 Including the Basel Committee on Banking Supervision (BCBS), Bank for International Settlements (BIS), Financial Stability Board (FSB), International Association of Insurance Supervisors (IAIS), International Organization of Securities Commissions (IOSCO), and International Organization of Pension Supervision (IOPS).

21 BIS and BCBS, 2021. "Climate-related risk drivers and their transmission channels".

22 FSB, 2021. "FSB Roadmap for Addressing Climate-Related Financial Risks".

23 FSB, 2020. "Stocktake of Financial Authorities' Experience in Including Physical and Transition Climate Risks as Part of Their Financial Stability Monitoring".

analysis of the banking sector for climate-related physical and transition risks to inform planned regulatory guidance on climate risk management and disclosure. The Superintendence also conducts a biennial survey of Colombian FIs regarding climate risk management approaches, looking at both risks and opportunities.

Evolving approaches, learning-by-doing, and the importance of networks. While there is global recognition that climate-related and environmental risks can result in financial risks²⁴, the research, analytical frameworks, and techniques to inform climate risk management are still evolving in both developed and developing markets.²⁵ Most SBFN member institutions indicated urgency to build the capacity of financial institutions on climate risk. Approximately 10 percent of SBFN countries are at the Developing sub-stage for climate risk and undertaking specific actions by the regulator or industry association to help the financial sector address climate risk, with Brazil, Colombia, Morocco, and China leading the way. Twenty-eight countries (65 percent) are at the Formulating sub-stage, leveraging or refining ESG frameworks to begin integrating physical and transition climate risks, and 11 countries (25 percent) are at the Commitment sub-stage, conducting research and engaging with stakeholders on this topic.

Global efforts are supporting the construction of climate scenarios to project future pathways for physical and transition risks and impacts, and the development of qualitative and quantitative tools to assess exposure and stress test the financial sector. For most SBFN countries, additional research and capacity building is needed to inform the assessment of climate-related risks to the financial sector, and expectations for the management of climate risk by FIs.

SBFN members are also playing a key role in advancing the agenda for climate risk through global networks. SBFN member countries are represented in the G20 Sustainable Finance Working Group, which includes climate risk management as a key part of a multi-year sustainable finance roadmap. SBFN has been a knowledge partner to

the G20 Sustainable Finance Working Group (formerly the Green Finance Study Group) since 2016 and contributed a series of Input Papers with case studies of member experiences, providing an emerging markets' perspective to inform the global agenda.

The G20 efforts reflect a growing convergence of developed and emerging market priorities and approaches on climate risk. Examples include the World Bank Group supported Coalition of Finance Ministers for Climate Action²⁶ and the 2021 G7 Finance Ministers and Central Banks Communique, which supports a move towards mandatory climate-related financial disclosures, based on the TCFD approach and in line with domestic regulatory frameworks.

Experiences from first-mover countries in the SBFN community have shown that transfer of knowledge, lessons, and case studies can significantly reduce the time and resources required to develop effective national frameworks.

ESG Integration has established a solid foundation for addressing climate risk. ESG frameworks establish a sound foundation for FIs as they begin to develop approaches to incorporate climate-related physical and transition risk and financial impacts as a component of credit, operational, liability, and market risk management at the project and portfolio levels. A 2020 study by the UN Environment Programme Finance Initiative and Development Bank of Latin America, in collaboration with the Latin American Federation of Banks, found that, when financial institutions internalize ESG systems, this tends to create favourable conditions for the analysis of climate risks.²⁷

Notably, several SBFN countries have already embedded basic elements of climate risk in their existing ESG frameworks and reporting requirements. For example, in 2020, the Brazilian Federation of Banks updated its SARB 14 on Social and Environmental Responsibility for FIs to include requirements on climate-related risks and alignment with the TCFD.

24 NGFS, 2019. "A call for action: Climate change as a source of financial risk"

25 European Central Bank, 2021. "Climate-related risk and financial stability".

26 As part of the Coalition of Finance Ministers for Climate Action, fifty finance ministers have committed to take supportive actions to green financial sectors by signing up to the shared principles.

27 UNEP FI and CAF, 2020. "[How the Banks of Latin America and the Caribbean incorporate climate change in their risk management](#)"

However, given the unique²⁸ and complex nature of climate-related risks and financial impacts, specific skills, capacity, and risk management approaches are critically important. These efforts are adding to the risk management toolbox for managing ESG performance, including use of climate scenarios, vulnerability assessments, stress testing, and improved governance and disclosure requirements.

A number of SBFN regulators and central banks are increasing their focus and building their internal capacity to understand and manage climate-related market and systemic risks impacting the economy and financial sector. For example, as part of its sustainability approach, Bank of Brazil is establishing new rules to include climate-related risks as part of supervision priorities for environmental and social risks related to institutions of the National Financial System.

The SBFN benchmarking analysis confirms that most members are at the early stage of elaborating approaches for climate risk management. In recognition of this early stage of progression on climate risk, 28 countries (65 percent) are at the Formulating sub-stage of the climate risk pillar and are developing and/or refining approaches to climate risk, often by leveraging ESG frameworks.

For example, some countries in the Formulating sub-stage with more recently published national frameworks for ESG integration and sustainable finance have incorporated consideration of climate-related physical and transition risks and related financial impacts as part of risk management by FIs; and regulators and industry associations have initiated research and engagement with the financial sector to begin raising awareness and building capacity on the new expectations for managing climate risks.

Other countries in the Formulating sub-stage have included climate change considerations as part of environmental and social risk management frameworks; including the contribution of projects to climate change, such as through greenhouse gas emissions, or the risks that climate change may pose to specific investments, such as through extreme weather events. They have also signalled their intention to raise awareness on financial sector exposure to the risks

of a changing climate and to incorporate more advanced assessments of climate-related physical and transition risks to banks' portfolios and related financial impacts as they refine their approaches.

As global practices continue to evolve and influence SBFN member approaches to climate risk management, it is expected that the progression milestones for this SBFN pillar will be refined to better capture the journeys of SBFN members as they increasingly develop their frameworks for climate risk management.

Approximately 65 percent of SBFN countries are at the Formulating sub-stage in the SBFN Climate Risk Management pillar, which means

- A formal initiative is in progress to develop or refine a national roadmap, guidance, regulation, policy or voluntary industry principles on climate risk management, either as part of an existing ESG Integration framework or as a standalone framework.
- Preparations include multi-stakeholder engagement, awareness raising, research, and/or development of guidance on climate risk for the financial sector by regulators or industry associations.

Four countries (Brazil, China, Colombia, and Morocco) representing approximately 10 percent of SBFN countries are at the Developing sub-stage in the SBFN Climate Risk Management pillar, which means

- A national framework is in place that includes requirements and/or recommendations for the financial sector to manage climate risk (either as part of ESG Integration or as a standalone framework).
- A formal taskforce, working group, or institution is taking the lead with implementation and is supported by regulators and industry.
- Activities include awareness raising, research, guidance and/or capacity building by regulators, industry associations, and/or FIs on managing climate-related physical and transition risks in the financial sector and the new expectations for climate risk management contained in the national framework.

28 According to the TCFD's "Guidance on Risk Management Integration and Disclosure", several characteristics of climate-related risks are unique, including: i) they exist and play out over time horizons that stretch beyond traditional business planning and investment cycles; ii) the effects of climate change and climate-related risks occur on local, regional, and global scales with different implications for different businesses, products and services, markets, operations, and value chains; iii) many of the effects of climate change have no precedent, limiting the ability to apply statistical and trend analysis based on historical data; iv) climate-related risks may manifest at different scales over time, with increasing severity and scope of impacts; and v) the risks associated with climate change are interconnected across socioeconomic and financial systems.

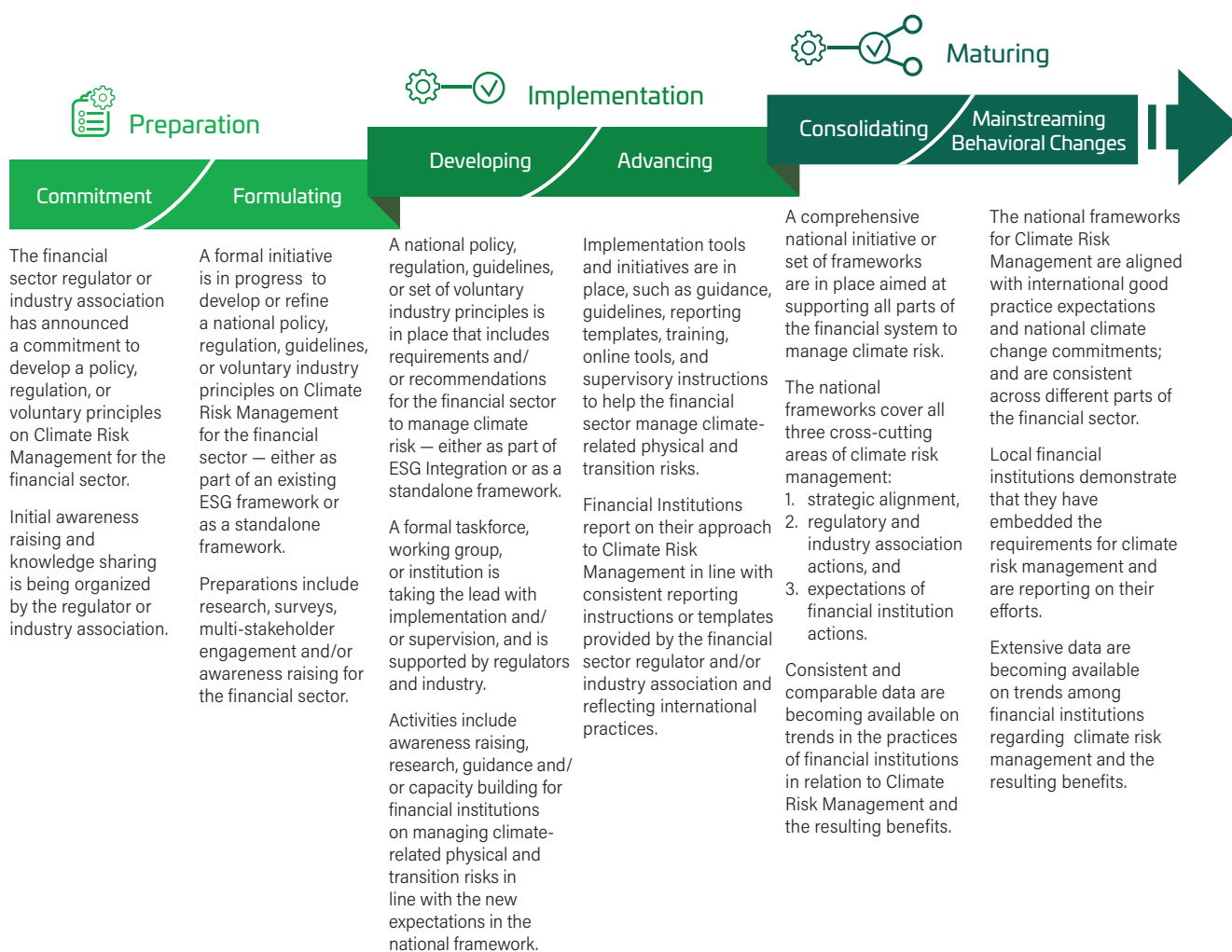
Figure 17: Progression Matrix Results for Climate Risk Management Pillar*



*Countries within each sub-stage are listed in alphabetical order.

Most SBFN countries have included climate risk management into ESG frameworks in some way. However, in many cases, SBFN members self-reported that they were still at an early stage when it comes to key elements of current climate risk management good practice, such as implementation of stress testing, use of scenarios, research on financial sector risk, and development of TCFD-aligned disclosure.

Figure 18: Progression Matrix Milestones – Pillar 2: Climate Risk Management



Box 3: Climate risk management

There is growing global recognition that climate change can lead to risks for the financial sector and economy originating from:

- i. acute and chronic **physical risks** of climate change, including the increasing severity and frequency of extreme weather events (e.g., heat waves, floods) and longer-term (chronic) climate shifts (e.g., sea level rise), and
- ii. **transition risks** of climate change, which are related to economic, public policy, legal, technology, and market changes as economies and financial sectors transition to a lower carbon status.

SBFN member countries in emerging markets have higher than average exposures to the impacts of climate change and other environmental risks, and less capacity to deal with impacts and build resilience. The financial sector will be increasingly vulnerable to climate physical risks, as natural disasters are three times more frequent today than they were in 1970s and 1980s and global warming is becoming

increasingly evident²⁹. The insurability and valuation of assets could be challenged, as climate change increases the frequency and severity of impacts, raising the potential for business disruption and the associated costs of adaptation measures to manage these risks.

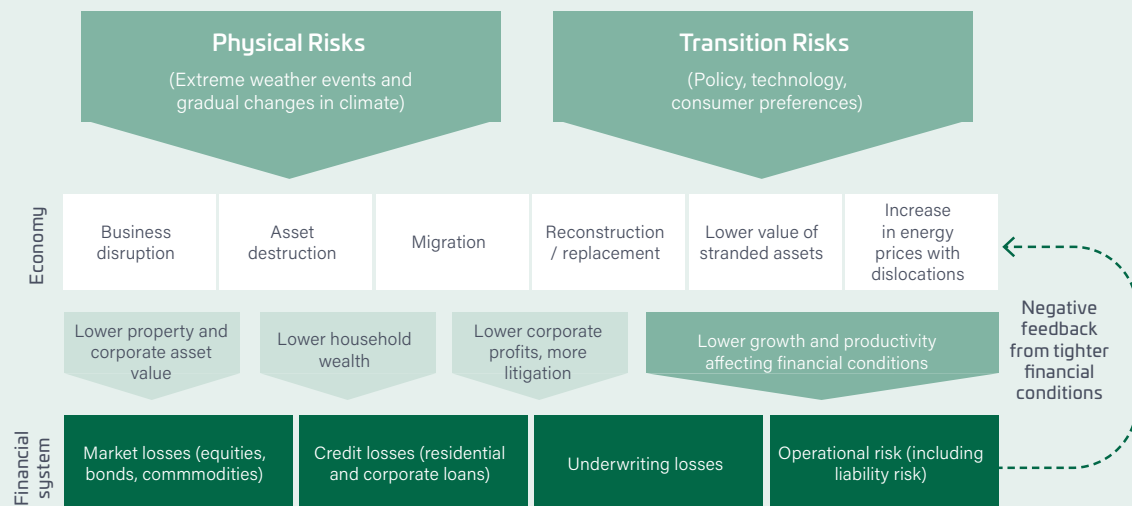
For example,³⁰

- Industrial operations, infrastructure, or real estate situated in low-lying areas close to coastlines, rivers, or floodplains, may experience disruption to operations, physical damage and environmental impacts, and occupational and community health and safety impacts as part of more frequent and intense flooding incidents.
- Workforces in hot climates requiring outside work (e.g., agribusiness, construction, or mining) are susceptible to heat stress from more frequent and extreme temperature events.
- Agriculture and forestry sectors are vulnerable to limitations imposed across supply chains from changes to habitats and ecosystem services resulting from climate change, as well as drought, flooding, wildfires, and storms.
- Hydroelectric power and other water-dependent

industries (e.g., farming, food processing, textiles, and garments) might be vulnerable to lower precipitation levels and competing water supply demands (social, community, and ecological) compounded by impacts to water quality.

With regard to climate-related transition risk, global climate action is progressing rapidly, with more than 120 countries pledging to reach net-zero greenhouse gas emissions, which could have broad impacts on the economy and translate into risks for the financial sector. Changes in policies, regulations, and market preferences aimed at addressing climate change – such as limiting carbon emissions in key sectors, requiring increased use of low carbon energy, reducing land conversion, and protecting carbon sinks – could result in stranded assets, business disruption, reputational risks, and liability issues, leading to reduced financial valuations.

Figure 19: The risks from climate change have two basic channels, but many potential impacts³¹



29 FAO, 2021. "The impact of disasters and crises 2021 on agriculture and food security".

30 Equator Principles, 2020: "Guidance Note On Climate Change Risk Assessment".

31 Grippa et al., 2019. "Climate Change and Financial Risk. IMF Finance and Development", Vol 56, No.4 (December 2019)

Figure 20: Climate-related risks, opportunities, and financial impact³²



As indicated in the figures above, physical and transition risks and related impacts can be transmitted to the economy and financial system through different channels and feedback loops. Depending on the magnitude of rising global temperatures and the ongoing and future form and pace of the global transition to a lower carbon economy (for example, as described in NGFS climate scenarios) both physical and transition risks can affect credit, operational, market, and liquidity risks, threatening the profitability and solvency of financial sector actors and the real economy. Without action to reduce emissions, average global incomes may fall by up to a quarter by 2100. Financial value at risk could be up to 17 percent, depending on temperature rise, and stranded assets could exceed \$20 trillion across a broad range of sectors.³³

However, as noted in the components of the SBFN Measurement Framework Pillar for Climate Risk Management, the development of a holistic approach to climate risk management at the strategic, regulator, industry association, and financial institution levels can help manage climate risks and activate the financial sector to unlock sustainable finance opportunities across many sectors of the economy, including buildings, energy, transport, industry, and agribusiness. The OECD estimates that \$90 trillion in global investment is needed to finance a low carbon, net zero transition³⁴ and an IFC study identified an investment opportunity of \$23 trillion in emerging markets by 2030 for climate-smart investment across building, industry, transport, energy, and agribusiness sectors.³⁵


32 TCFD, 2017. "Recommendations of the Task Force on Climate-related Financial Disclosures".

33 NGFS, 2019. "A call for action: Climate change as a source of financial risk". April 2019.

34 OECD, 2017. "Investing in Climate, Investing in Growth".

35 IFC, 2016. "Climate Investment Opportunities in Emerging Markets: An IFC Analysis".

Figure 21: Pillar 2: Climate Risk Management – Sub-pillars and indicators

 <p>Pillar 2: Climate Risk Management</p>	<p>Sub-pillar 1: Strategic Alignment</p>	<ul style="list-style-type: none"> • National framework • Alignment with international goals and standards • Alignment with national goals and strategies
	<p>Sub-pillar 2: Regulatory and Industry Association Actions</p>	<ul style="list-style-type: none"> • Overall approach and strategy • Technical guidance • Supervisory activities and incentives • Tracking and aggregated disclosure
	<p>Sub-pillar 3: Expectations of Financial Institution (FI) Actions</p>	<ul style="list-style-type: none"> • Strategy and governance • Organizational structure and capacity • Policies and procedures • Tracking, reporting, and disclosure

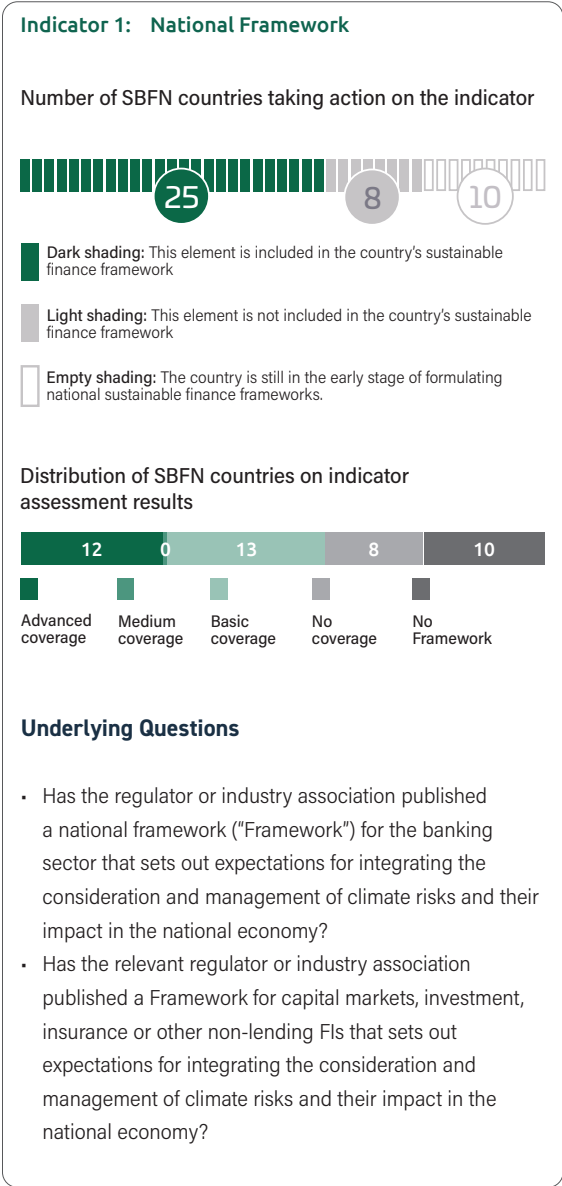
At the national framework level, climate risk management positions SBFN members to improve the readiness of the economy and financial sector to manage climate change risks. At the level of FIs, effective climate risk management can protect the balance sheet from uncertainty.

The SBFN Climate Risk Management Pillar incorporates key elements of the TCFD and NGFS approaches. Regulatory and banking association actions should include clear expectations of FIs to manage climate-related physical and transition risks, technical guidance on climate risk assessment, supervisory oversight and monitoring, and market and firm-level data collection and disclosure.

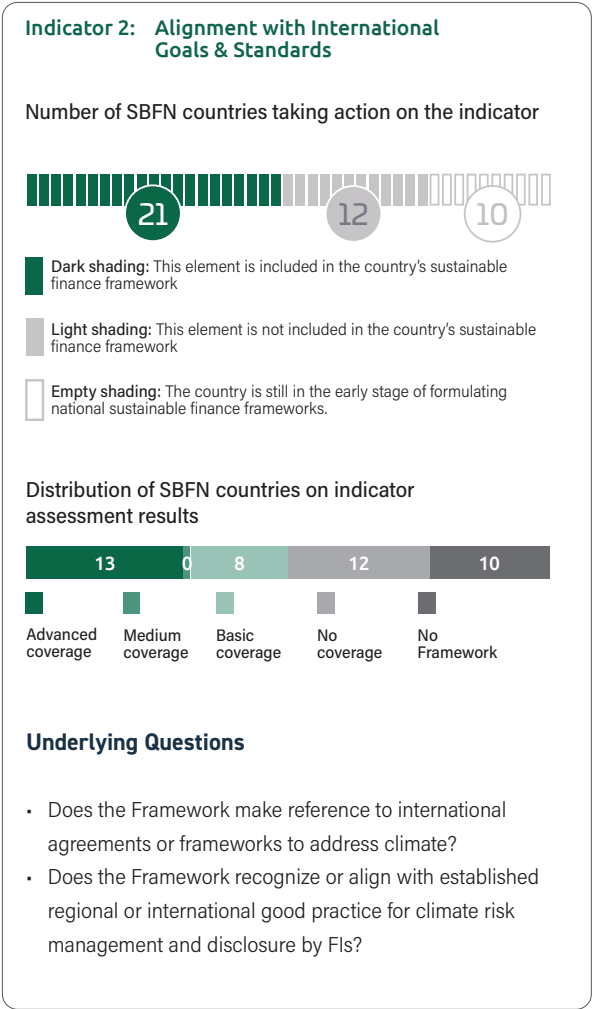
Expectations of FIs include development of strategy and governance of climate risk at board and senior management level; policies and procedures to manage climate risk (e.g., portfolio and transaction level risk exposure, scenario analysis, stress testing, and integration as part of credit, operational, and other risks), and reporting and disclosure on climate risk in line with international practices (e.g., TCFD), including metrics and targets to reduce climate risk exposure and greenhouse gases.

5.2 Sub-pillar 1: Strategic Alignment

The Strategic Alignment sub-pillar for climate risk management indicates that SBFN members are increasingly incorporating climate risk management as part of national sustainable finance frameworks for banking and other parts of the financial sector.



Since the launch of the Financial Stability Board’s TCFD Recommendations³⁶ and the establishment of the NGFS in 2017, the climate risk management field has been characterized by rapid evolution and innovation in the development of governance, risk management, and disclosure practices for SBFN regulators and FIs, multi-stakeholder public and private sector consultations, and support from international organizations.



The increasing adoption of climate risk management approaches by SBFN members builds off the past 10 years of progress in establishing ESG risk management frameworks. ESG Integration frameworks provide a structure for risk management that can be expanded, or replicated as a standalone framework, for the more comprehensive

incorporation of climate-related risk as part of credit, operational, liability, and other risk management approaches at the transaction and portfolio levels. Emerging frameworks for climate risk management can take many forms, including combinations of policies, principles, regulations, roadmaps, and strategies.³⁷ The Pillar Benchmarking indicates that 25 SBFN countries have established initial elements to address climate risk management in the financial sector, with many leveraging existing ESG risk management frameworks. Moving forward, elaborating these frameworks to more explicitly incorporate the assessment and management of climate-related physical and transition risks will allow FIs to identify climate risks, protect their balance sheets, and benefit from climate-smart investment opportunities.

For example, Bangladesh Bank's Green Banking Policy and Guidelines require basic screening for climate-related physical risks (e.g., flood, sea level rise) as part of credit and operational risk management and identification of opportunities for climate resilience. The Thai Banking Association, with the support of the Bank of Thailand, issued the Sustainable Banking Guidelines for Responsible Lending (2019) which reference climate risk as a component of ESG risks and emphasizes the importance of exposure assessment at the transaction and portfolio levels and determining how these risks materialize into financial risks.

In addition, thirteen SBFN members' frameworks for climate risk also cover other parts of the financial sector, such as capital markets, pensions, and insurance sectors. In particular, securities market regulators are increasingly requiring stock exchanges to implement ESG and climate-related disclosure by issuers. In 2021, the UN Sustainable Stock Exchanges Initiative, IFC, and the Climate Disclosure Standards Board launched a new training program for issuers and stock exchanges on climate disclosure focusing on implementing TCFD recommendations, including a number based in SBFN countries.

Regulations issued in 2021 by Morocco's central bank, Bank Al-Maghrib, requires credit institutions to identify, manage, and monitor climate-related and environmental risks. The

36 TCFD, 2017. "Recommendations of the Task Force on Climate-related Financial Disclosures"
 37 It is recognized that national frameworks, including policies, regulations, principles, guidelines, roadmaps, and strategies, may include climate risk as part of an overall environmental risk management or ESG Integration framework and/or as a separate standalone framework. There is no one-size-fits-all approach, and the experiences of different SBFN countries and member institutions provide a foundation for continued innovation. As noted in the report by UNEP FI and the Development Bank of Latin America (CAF), "How the Banks of Latin America and the Caribbean incorporate climate change in their risk management" (August 2020), internalizing ESG systems tends to create favourable conditions for the analysis of climate risks within FIs.

Moroccan Capital Market Association is currently updating their 2019 Circular 03/19 on ESG disclosure, which, with the assistance of IFC, will build on existing requirements for issuers to disclose climate risks using international standards such as the Carbon Disclosure Standards Board and TCFD.

In Mexico, a framework for climate risk is emerging through the Green Finance Advisory Council's declaration in 2020 for companies and public issuers to expand existing ESG disclosure to governance, strategy, risk management, and reporting of climate risk management practices. The Central Bank of Mexico's report "Climate and Environmental Risks and Opportunities in Mexico's Financial System: from Diagnosis to Action" provides an assessment of climate risk of credit institutions and asset managers, and establishes a roadmap for the development of consistent guidelines and disclosure policies for climate-related and environmental risks across different financial supervisors.

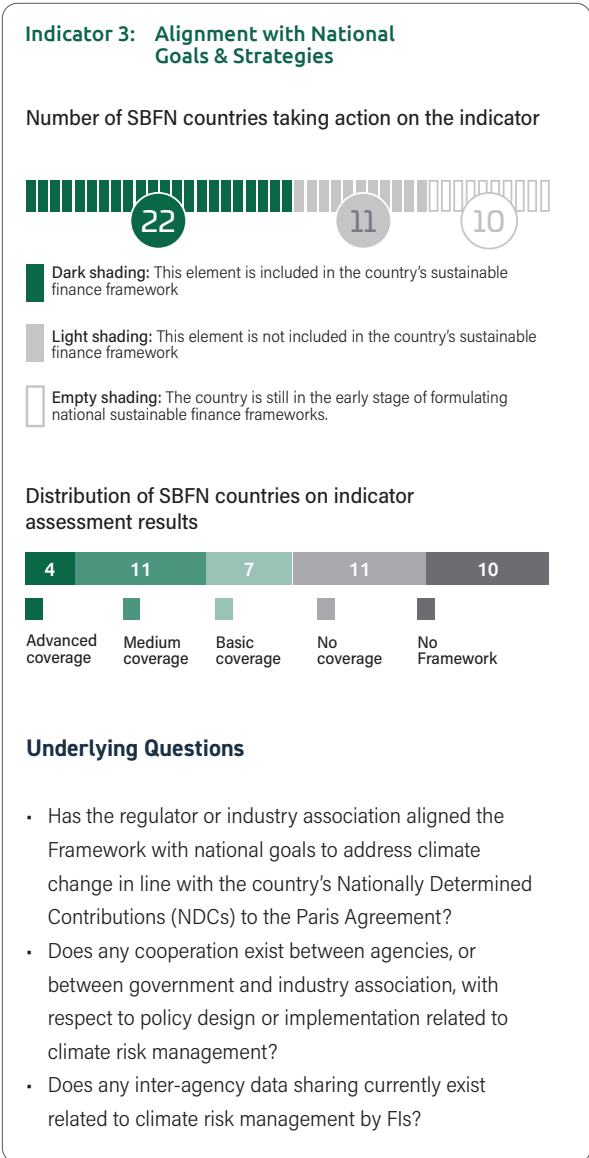
In Colombia, the Financial Superintendence of Colombia published "Climate Risks and Opportunities" (2019), which provides a framework for the Superintendence's approach to climate risk management. In addition, the Superintendence issued regulatory guidance for the pension sector that includes best practices for the management of ESG and climate-related risks; and, in 2021, plans to issue regulatory guidance on climate risk management and climate-related financial risk disclosure, which will form the basis for financial sector supervision activities.

In the Philippines, the Sustainable Finance Framework (2020) published by the central bank, Bangko Sentral ng Pilipinas, includes climate-related physical and transition risks as part of the environmental and social risks that FIs must consider in the context of credit risk and other risk management.

SBFN members' frameworks for climate risk management make reference to key international commitments for action on climate change, with eighteen countries incorporating reference to commitments such as the SDGs, which includes Goal 13 on Climate Change, and/ or the Paris Agreement. Twenty-one countries reference national objectives for climate change, including the country's associated Nationally Determined Contributions (NDCs) to the Paris Agreement, detailing climate

mitigation and adaptation policy priorities.

This alignment provides strategic direction to activate the financial sector as part of international action on climate change and the Paris Agreement. In addition, these frameworks are increasingly referencing and aligning with international good practices for climate risk management and operational guidance to the financial sector and industry. Sixteen countries reference TCFD implementation and risk management guidance, as well as the Sustainability Accounting Standards Board, Carbon Disclosure Standards Board, and Global Reporting Initiative, and the technical guidance to regulators and supervisors from the NGFS, in which SBFN members are playing a key role.



SBFN member frameworks that incorporate elements of climate change also reference the Equator Principles, which recently launched Equator Principles IV (2020) and include new guidance on climate change risk assessment at the transaction/project level³⁸; and the IFC Performance Standards, which include consideration of project risks and adaptation opportunities associated with a changing climate as part of overall risk and impact identification in the environmental and social assessment and management requirements of Performance Standard 1.³⁹

As discussed below in the sub-pillar for Expectations for Action by FIs, alignment with international standards and practices enables progress towards consistent climate-related financial management and disclosure for corporations and financial sector actors (banks, insurers, and asset owners and managers), while allowing for national circumstances and progressive implementation in line with the capacity of local FIs.

Given the broad scope of climate risks across the economy, cooperative approaches between regulators, other government agencies, industry associations, and civil society are increasingly common among SBFN countries.

Sixteen countries indicate that such collaborations exist, including joint research, stakeholder consultations, inter-agency committees, regulatory-industry working groups, and four countries indicate that climate risk that climate risk data-sharing agreements are established between agencies (e.g., statistics agencies and other agencies collecting climate-related, geographic, and other environmental data).

South Africa's Climate Risk Forum Steering Committee, chaired by the National Treasury and hosted by Banking Association South Africa, includes working groups on TCFD disclosure and development of climate scenarios. The working groups involve participants from banking, capital markets, pensions, insurance, private equity, representatives from local development finance institutions, and relevant government departments, such as environmental affairs and planning, monitoring and evaluation.

In Mexico, regulatory and industry collaboration on environmental and climate risks is facilitated by the Financial Stability Board's Sustainable Finance Committee involving financial authorities and industry associations across the financial system, including the Mexican Banking Association.

38 Equator Principles, 2020. "Guidance Note on Climate Risk Assessment"

39 The cross-cutting issue of climate change is addressed, for example, in IFC Performance Standard 3: Resource Efficiency and Pollution Prevention (as related to project greenhouse gas emissions and energy efficiency), Performance Standard 4: Community Health and Safety, and Security (as related to project affected communities and ecosystem services impacted by climate change), and Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources (as related to climate change and interactions with ecosystems, and ecosystem services). The IFC performance Standards are available at: www.ifc.org/sustainability

Box 4: Biodiversity – a rising financial sector priority linked to climate change

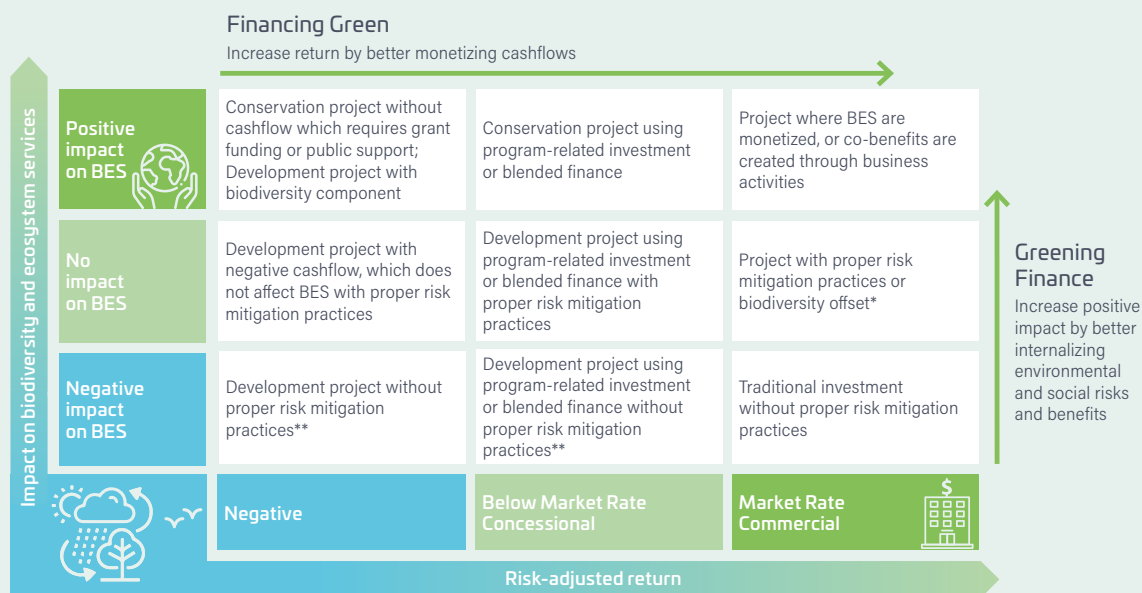
Recently published World Bank research⁴⁰ estimates that the collapse of select ecosystem services provided by nature could result in a decline in global GDP of \$2.7 trillion annually by 2030 and underscores the strong reliance of economies on nature, particularly in low-income countries. The interlinkages between climate change and biodiversity risk were also highlighted in the recent joint report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services⁴¹ and Intergovernmental Panel on Climate Change.⁴²

The protection and enhancement of natural carbon sinks, including forests, mangroves, peatlands, and soils on agricultural lands are critical for addressing these dual crises. Ecosystems that store and absorb

substantial amounts of carbon often have high biodiversity and provide other critical ecosystem services in addition to carbon sequestration, such as water purification, evapotranspiration, pollination, or protection against extreme weather events. These critical ecosystems support livelihoods, food security, disaster risk reduction, and other sustainable development priorities.

The financial sector has a critical role to play in better managing climate and biodiversity-related risks and opportunities through driving financial flows away from activities that are contributing to the destruction of nature, and towards activities contributing to its conservation, restoration, and sustainable use. The below graph illustrates these two shifts.

Figure 22: The two dimensions of mobilizing private sector finance for Biodiversity and Ecosystem Services (BES)



Source: Mobilizing Private Finance for Nature⁴³

40 World Bank, 2021. "The Economic Case for Nature: A Global Earth-Economy Model to Assess Development Policy Pathways".

41 <https://ipbes.net/>

42 <https://ipbes.net/events/launch-ipbes-ipcc-co-sponsored-workshop-report-biodiversity-and-climate-change>

43 World Bank Group, 2020. "Mobilizing Private Finance for Nature".

Recent developments in the financial sector indicate that biodiversity risk management will be one of the next big priorities for financial sector actors. Several SBFN members have already taken steps to address these issues, including through building on existing frameworks, such as IFC Performance Standard 6 on biodiversity.

Central banks including in the Netherlands, Costa Rica, Brazil, and Malaysia have all undertaken or are currently engaged in assessments of the exposure of their financial sectors to biodiversity-related financial risk. Her Majesty's Treasury in the UK commissioned an independent review of the economics of biodiversity, which was published in 2021. The 600-page Dasgupta Review⁴⁴ concludes that human demands on nature far exceed its capacity to supply them, putting biodiversity under huge pressure and society at extreme risk.

The World Bank's report "Mobilizing Private Finance for Nature"⁴⁵ lays out the role for the financial sector in addressing the biodiversity crisis, and the role of governments and regulators in unlocking the potential of the financial sector to contribute to aligning financial flows with global biodiversity goals. "The Economic Case for Nature,"⁴⁶ presents a first-of-its-kind global integrated ecosystem-economy model that assesses economic policy responses to the global biodiversity crisis.

Other global initiatives are underway to develop new tools, metrics, frameworks, and approaches. These include:

- The Task Force for Nature-related Financial Disclosures
- The Science-Based Targets Network
- The Partnership for Biodiversity Accounting Financials
- The Finance for Biodiversity Pledge
- Nature Action 100
- The Network for Greening the Financial System (NGFS) research project on biodiversity-related financial risk and its transmission channels.

The Parties to the Convention on Biological Diversity (CBD)⁴⁷ are currently negotiating the Post-2020 Global Biodiversity Framework, aiming to reach a global agreement on nature similar to the Paris Agreement at COP15. The first detailed draft of the Global Biodiversity Framework was published in July 2021⁴⁸ and includes a target to ensure **at least 30% of land and sea areas globally are conserved through effective, equitably managed, ecologically representative and well-connected systems of protected areas by 2030**. CBD published a guide for the financial sector⁴⁹ in June 2021, which includes recommendations ranging from strategic investor engagement with companies to target setting by financial institutions to achieve the targets of the Framework.

44 Dasgupta, P., 2021. "The Economics of Biodiversity: The Dasgupta Review". (London: HM Treasury).

45 World Bank Group, 2020. "Mobilizing Private Finance for Nature".

46 World Bank Group, 2021. "The Economic Case for Nature: A Global Earth-Economy Model to Assess Development Policy Pathways".

47 <https://www.cbd.int/>

48 CBD, June 2021. "First Detailed Draft of the New Post-2020 Global Biodiversity Framework". Article published at <https://www.cbd.int/article/draft-1-global-biodiversity-framework>

49 CBD, 2021. "Financial Sector Guide for the Convention on Biological Diversity: Key Actions For Nature"

5.3 Sub-pillar 2: Regulatory and Industry Association Actions

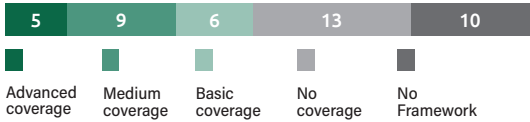
Indicator 4: Overall Approach & Strategy

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Questions

- Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?
- Does the Framework identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?
- Does the Framework incorporate the conservation/ restoration of natural carbon sinks (such as oceans, forests, mangroves, grasslands, and soils) as an important part of reducing climate change risks (e.g., through guidelines, scenario analysis, targets, or incentives for FIs)?
- Has the regulator or industry association developed an internal strategy to address climate risk, and/or embedded climate risk management into its governance, organizational structures, and budget as part of the Framework?
- Has the regulator or industry association undertaken any activities to expand and deepen analytical understanding of national and/or cross-border physical and transition climate risks, and to raise awareness as to how these risks may transmit to, and impact, the financial sector?

The sub-pillar on Regulatory and Industry Actions tracks progress in the major areas for regulatory and industry association oversight of climate risk management, including i) the research and understanding of climate risks, ii) organizational strategy to support climate risk management,

and iii) the development of technical guidance, supervision practices and implementation tools, and reporting elements.

The indicators in this sub-pillar reflect the recommendations of the NGFS "Guide for Supervisors" for developing organizational strategy, capacity, practices, tools, and processes related to climate risk management.

With regard to overall approach and strategy, the SBFN assessment indicates that 9 countries are undertaking research to understand the potential impacts of climate change resulting from physical and transition risks and related financial impacts and the pathways through which these risks and impacts are transmitted to the financial sector and economy. In addition, 11 countries have undertaken basic or more advanced analyses for identification of greenhouse gas intensive sectors that are vulnerable to transition risk, such as power generation, and sectors vulnerable to physical risks, such as manufacturing and coastal infrastructure exposed to flooding, sea level rise, and extreme weather.

For example,

- In 2020, the Colombian Central Bank published "Climate change: policies to manage its macroeconomic and financial effects", a report on physical and transition risks from climate change and their impacts on the Colombian economy, and the Financial Superintendence of Colombia is partnering with the World Bank to develop a Climate Vulnerability Analysis for the banking sector.
- The Central Bank of Mexico and UNEP released the report "Climate and Environmental Risks and Opportunities in Mexico's Financial System: from Diagnosis to Action", which provides an assessment and roadmap to address climate risk of credit institutions and asset managers in the Mexican economy and financial sector.
- The Banking Association South Africa is a member of the Business Unity South Africa's Just Transition Task Group, which is researching the cost and impacts of the climate transition, and in 2021 released "Just Transition and Climate Pathways Study – Decarbonising South Africa's Power System".
- In 2020, the central bank of the Philippines, Bangko Sentral ng Pilipinas, released "Impact of Extreme Weather Episodes on the Philippine Banking Sector: Evidence Using Branch-Level Supervisory Data", which analyzed

the connection to loan growth and quality in extreme weather events.

- Indonesia's Sustainable Finance Roadmap Phase II (2021 – 2025) was developed by Indonesia's financial sector regulator (OJK) in collaboration with the central bank of Indonesia, Bank Indonesia. It references the vulnerability of Indonesia to climate risk and the need to incorporate the management of climate-related physical and transition risks as a key component of risk management in the financial sector. OJK is planning to undertake several climate risk studies and assessments in the near term.

One of the key challenges for most SBFN members is the availability of appropriate climate-related data and analytical tools to understand physical and transition risks in their countries. Related challenges include the extended time horizons of climate risk, the evolving science of climate change, and the uncertainty of climate impacts and transition pathways. SBFN members are accessing data from national meteorological organizations, environment ministries, and economic and statistics agencies, in addition to global resources on economic impacts from climate and environmental risks.

Box 5: Sources for climate risk research and assessment

[World Bank Climate Change Knowledge Portal](#) provides global data on historical and future climate vulnerabilities and impacts.

[IMF Climate Change Indicators Dashboard](#) is an initiative focused on climate-related economic indicators.

[Notre Dame-GAIN Index](#) measures a country's readiness for and vulnerability to climate change.

[Germanwatch Climate Risk Index](#) ranks countries on losses from weather-related events.

[EM-DAT](#) is an online database that tracks frequency and impact of natural disasters.

[World Resources Institute Aqueduct Tool](#) to identify and evaluate current and future water risks across locations.

[ENCORE](#) is a tool to help users understand and visualise the impact of environmental change on the economy.

[World Bank Carbon Pricing Dashboard](#) provides key statistics on global carbon pricing initiatives.

[Climate Technology Compass](#) is a platform to map the technology transition and investments necessary to achieve the 2°C target for 100+ countries and 8 key climate sectors.

[UNEP FI Portfolio Impact Analysis Tool](#) guides banks through a holistic analysis of banking portfolios.

[UNEP FI/Natural Capital Finance Alliance Drought stress testing tool](#) to assess drought risk within their portfolios.

[SensesToolkit \(Potsdam Institute/PIK\)](#) provides climate scenario tools for finance and policy decision makers.

[NGFS Scenario Portal](#) provide a common reference point for understanding how climate-related physical and transition risk could evolve in different futures

[Toolkits for Policymakers to Green the Financial System by World Bank](#) provides a practical, high-level guidance for public authorities to green their financial sector.

There is increasing recognition of the intersection of climate and biodiversity issues and impacts to the financial sector. Ten countries make reference to consideration of ecosystems that are natural carbon sinks (forests,

grasslands, soils, mangroves, and oceans among others) and related sectors, such as forestry, and agriculture, as part of their research and framework approaches for ESG integration and climate risk management.

For example, the TCFD Roadmap of the Brazilian Federation of Banks includes development of “tropicalized” climate scenarios to guide the analysis and stress testing of climate impacts in bank portfolios and reflect Brazil’s national context with a focus on energy and agribusiness sectors, recognizing the key role of natural carbon sinks as part of climate risk management. Morocco’s Bank Al-Maghrib participated in the NGFS study group on biodiversity and financial stability, which explored the financial implications of biodiversity loss in developed and emerging countries including in Africa.

Nine countries are actively developing internal strategies and addressing organizational capacity and skill requirements to facilitate oversight and management of climate risks and related financial sector impacts from their perspective as regulators, supervisors, and industry associations.

For example, the Central Bank of Brazil describes its strategy and governance of climate risks in its “Commitment to Climate Change”, with the Risk Management Directorship responsible for climate risk management. The Central Bank of Brazil is also incorporating climate-related risks in the bank’s supervisory priorities along with existing priorities for environmental and social risk. Capacity building is a key focus of SBFN members. Morocco’s central bank, Bank Al-Maghrib, is working with the World Bank to build internal analytical capacity as part of the development of an assessment of key climate-related risks in the banking sector and the financial system. Bank Al-Maghrib is also undertaking internal training to bolster capacity for climate risk supervision. Morocco’s Capital Market Authority is also working with IFC to build internal capacity in terms of analysis and assessment of climate risk reporting, and supervision of ESG and climate risk.

Twelve countries use a variety of financial sector working groups and initiatives to raise awareness and deepen the financial sector’s understanding of physical and transition climate risks.

For example, in 2021, China’s Banking and Insurance Regulatory Commission and the China Banking Association announced a joint initiative in response to China’s 2060 net zero target. It includes supporting banks to further develop climate risk management approaches to be integrated into existing risk management systems.

In preparation for the evolving climate risk regulatory agenda, the Colombian banking association, Asobancaria, is including climate risk management elements as part of the 2021 update to the Green Protocol. They aim to raise industry awareness on standards and practices, including TCFD, and to undertake training and capacity building for financial sector institutions.

Beginning in 2021, IFC is collaborating with the Central American Council of Superintendents of Banks, Insurance and Other Financial Institutions (CCSBSO) to build capacity and common approaches on climate risk management, ESG, and taxonomies. CCSBSO and its members collectively joined SBFN in October 2021.

The development of technical guidance for risk assessment approaches, methodologies, and tools is an emerging element in climate risk management. Eight countries report initiatives and progress in this area, undertaking initial studies that will form the basis of future technical guidance.

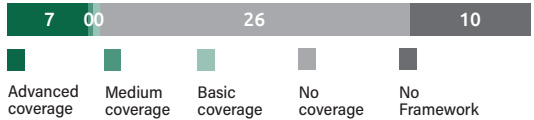
Indicator 5: Technical Guidance

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country’s sustainable finance framework
- Light shading:** This element is not included in the country’s sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Question

- Has the regulator or industry association developed risk assessment approaches, methodologies, or tools to understand and assess the financial sector’s exposure to climate risk as part of the Framework?

- The Financial Superintendence of Colombia is partnering with the World Bank to undertake a Climate Vulnerability Analysis for the banking sector, and partnered with the 2° Degrees Investing Initiative to conduct scenario analysis and stress testing in the pension sector.
- The Central Bank of Mexico's 2020 Financial Stability Report includes assessment of FIs to quantify their exposure to climate and environmental risks. It builds on the Central Bank's 2019 report "Embedding environmental scenario analysis into routine financial decision-making in México", which aimed to promote the integration of environmental and climate scenario analysis into financial decision-making for FIs across the banking, insurance, and asset management sectors.
- In 2021, the National Bank of Georgia initiated research on the financial sector's exposure to climate-related physical and transition risks, and development of scenario analysis with the support of the German Sparkassenstiftung for International Cooperation.
- Morocco's central bank, Bank Al-Maghrib, is working with the World Bank to develop a vulnerability assessment of key climate related physical and transition risks in the banking sector and the financial system.

At the global level, the NGFS recently released updated climate scenarios for physical and transition risk pathways that are informing SBFN member approaches at the country level, and in the climate-risk portfolio approaches of FIs.

Box 6: Climate and environmental risks and opportunities as part of the Financial Sector Assessment Program Development Module

The World Bank has developed a guidance note to inform the assessment of climate change and environmental risks and opportunities (CERO) for the financial sector in client countries as part of the Financial Sector Assessment Program Development Module.

During pilot missions in Bangladesh, Philippines, South Africa, and Trinidad and Tobago, recommendations have been provided to financial sector authorities on supervisory responses to climate and environmental risks, as well as ways to stimulate green finance and climate risk instruments.

One of the first publicly available FSAP CERO assessments was undertaken in 2019 in conjunction with Philippine financial and banking sector regulators. The technical note provides a

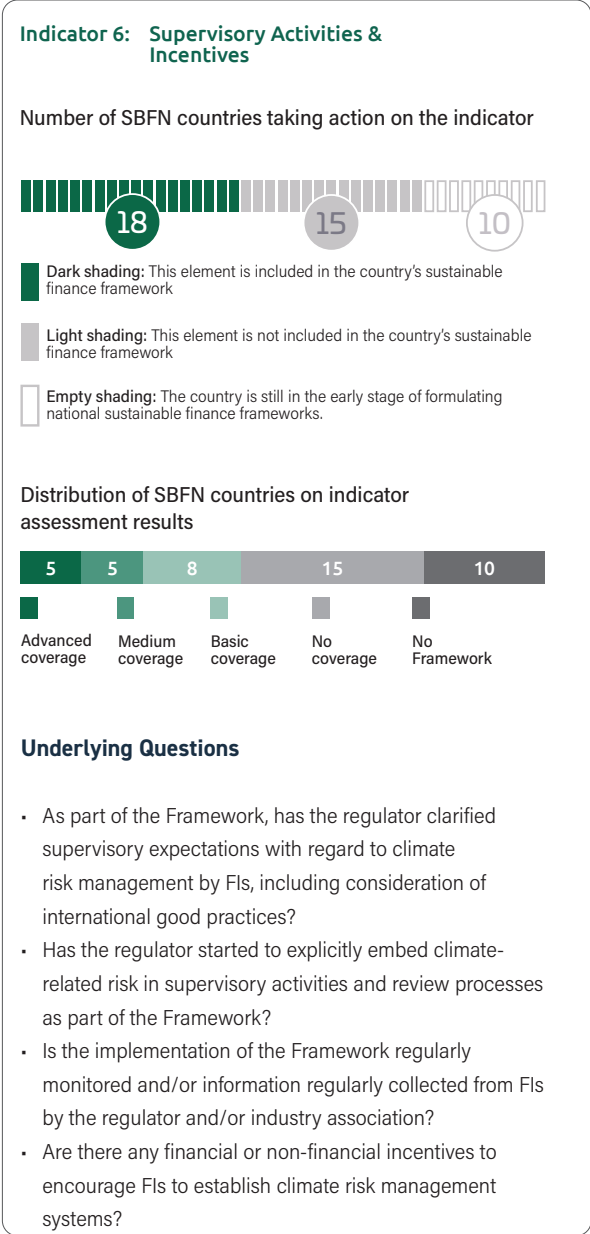
high-level assessment of the physical and transition risks and impacts of climate change and natural disasters on financial stability, and the supervisory responses and tools by financial sector regulators to manage these risks based on emerging international good practices. The technical note also explores opportunities for deepening financial markets to mobilize green finance in line with the Philippine Nationally Determined Contribution (NDC) to the Paris Agreement.⁵⁰

The World Bank – often in collaboration with partners like SBFN – is also providing technical assistance to support client countries on climate risk management approaches, disclosure and transparency measures and green finance solutions. Recently it also published a Toolkit for Policymakers to Green the Financial System.⁵¹

50 World Bank, 2019. "Philippines Financial Sector Assessment Program Technical Note Climate Change and Environmental Risks and Opportunities".

51 World Bank, 2021. "Toolkits for Policymakers to Green the Financial System".

As the understanding of climate-related risks in the financial sector becomes more established, central banks, supervisors and regulators are moving to integrate climate-related and environmental risks into financial sector oversight. Nine countries have begun to establish various forms of supervisory expectations and guidance for climate risk management for FIs, while six countries have begun to integrate and embed these elements into existing supervisory processes and practices.



In 2021, Morocco's Bank Al-Maghrib issued Regulatory Directive n°5 in 2021, requiring credit institutions to identify, manage, and monitor climate-related and environmental risks in line with international practices.

- The Financial Superintendence of Colombia, with support from the World Bank, and based on a vulnerability assessment of the Colombian economy to climate risks, is planning to issue regulatory guidance in 2021 on governance and climate risk management and climate-related financial risk disclosure. This guidance will form the basis for incorporating climate risk management into financial sector supervision activities and build on existing guidance for ESG and climate risk issued for the pension sector.
- In April 2021, as part of its sustainability approach, the Central Bank of Brazil launched public consultations on two regulations (PC85 and PC86) to replace CMN Resolution 4327 (2014) on social and environmental risk management and establish new rules for the governance, risk management, and disclosure of climate, environmental, and social risk by financial institutions in line with international practices including TCFD.
- Costa Rica's General Superintendency of Financial Entities is undertaking consultations on the draft Regulation Proposal for the Management of Environmental-Social risk and Climate Change Risk in the Credit Portfolios of Financial Intermediaries. The regulation would require FIs to adopt climate and environmental and social risk management approaches in line with international practices such as TCFD.
- The China Banking and Insurance Regulatory Commission requires banks to manage risk exposure of sectors with high environmental and social risks at portfolio level, and supports FIs to integrate environmental and climate risks as important drivers in their stress tests for credit risks. The recently announced joint initiative between the China Banking and Insurance Regulatory Commission and the China Banking Association in response to China's 2060 net zero target will include development of climate metrics, scenario analysis, and stress testing methodologies, as well as approaches for carbon disclosure by Chinese banks with consideration of TCFD.

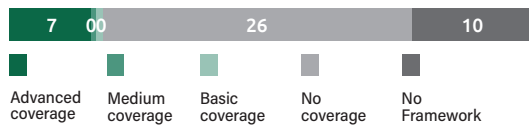
Indicator 7: Tracking & Aggregated Disclosure

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Question

- Does the regulator or industry association regularly collect and/or report market-level and/or FI-level data on climate-related financial sector risks as part of the Framework?

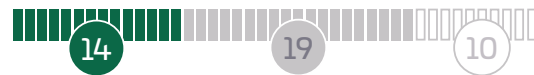
Seventeen countries are in the early stages of collecting data from financial sector actors related to climate risk frameworks, including as part of reporting requirements of the above noted examples and in addition to reporting related to industry association climate risk approaches. Seven countries use surveys and forms of aggregated reporting, such as the biennial survey on "Climate Risks and Opportunities" by the Financial Superintendence of Colombia, to collect market-level data on the climate risk management approaches by FIs.

5.4 Sub-pillar 3: Expectations of Financial Institution Actions

Frameworks in 14 countries for managing climate risks call for FIs to develop a strategy for climate risk with defined governance at the Board of Directors level and with roles and responsibilities for senior management and operational staff. In many cases, these strategy and governance elements are part of ESG Integration frameworks that include basic reference to climate considerations. Moving forward, the unique nature of climate-related physical and transition risks will require FIs to add climate expertise at Board level and in Board committees in order to i) establish the FI's climate risk appetite as part of overall strategy, and ii) approve policies and procedures to embed climate change in risk management approaches and metrics, the internal control framework, and decision-making processes.⁵²

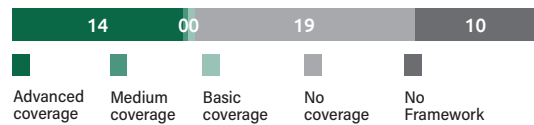
Indicator 8: Strategy & Governance

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



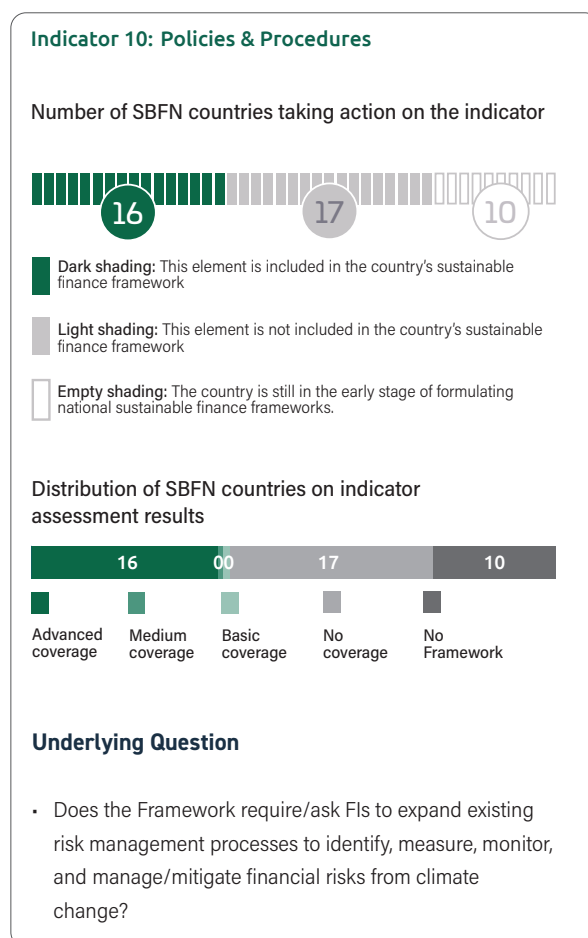
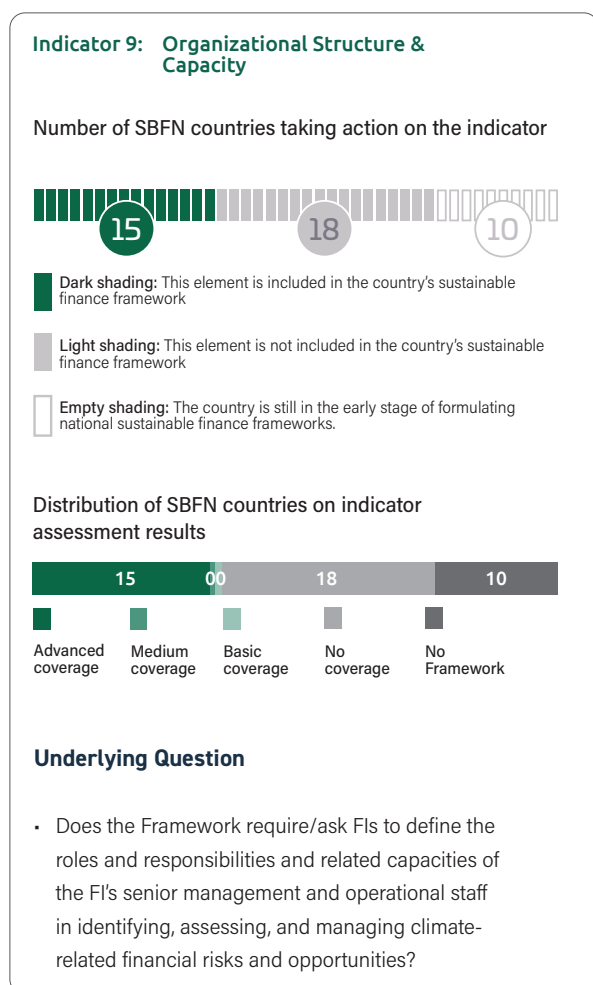
Underlying Question

- Does the Framework require/ask FIs to establish a strategy for climate risk management with responsibility at the board of director level (or highest governing body)?

52 World Economic Forum, 2019. "How to Set Up Effective Climate Governance on Corporate Boards: Guiding principles and questions".

Bank Al-Maghrib, the central bank of Morocco, has issued a regulatory Directive calling on banks to address climate and environmental financial risk in African activities. It requires financial institutions and especially banks to define clear roles and responsibilities to promote green finance and manage climate and environment-related financial risks. As part of Bank of Brazil's sustainability approach, FIs will be required to establish a policy on social, environmental, and climate responsibility, and the new rule establishes minimum responsibilities for the board, senior management, and management committees on social, environmental, and climate risks and opportunities.

Frameworks in 16 countries call for establishing policies and procedures to expand existing risk management processes to identify, measure, monitor, and manage/mitigate financial risks from climate change. However, the unique⁵³ and complex nature of climate-related risks and financial impacts will require FIs to adapt and further develop ESG policies and procedures to incorporate new approaches for climate-related risk identification, assessment, and management, utilize tools such as climate scenarios and stress tests.



The emerging regulatory approaches for climate risks cited in the section above in Brazil, Costa Rica, Colombia, China and Morocco, establish rules and expectations for FIs for the identification, assessment, management and reporting of climate-related risks and for the treatment of these risks

53 According to the TCFD's "Guidance on Risk Management Integration and Disclosure", several characteristics of climate-related risks are unique, including: i) they exist and play out over time horizons that stretch beyond traditional business planning and investment cycles; ii) the effects of climate change and climate-related risks occur on local, regional, and global scales with different implications for different businesses, products and services, markets, operations, and value chains; iii) many of the effects of climate change have no precedent, limiting the ability to apply statistical and trend analysis based on historical data; iv) climate-related risks may manifest at different scales over time, with increasing severity and scope of impacts; and v) the risks associated with climate change are interconnected across socioeconomic and financial systems.

as part of credit risk, and market, operational, legal and liquidity risk. The following are additional examples:

- Bank of Bangladesh's Green Banking Policy and Guidelines require screening for climate-related physical risks (e.g., flood, sea level rise) as part of credit and operational risk management and to identify opportunities for climate resilience. This includes the creation of Climate Change Risk Funds to direct financing flows to these vulnerable areas and sectors.
- Bangko Sentral ng Pilipinas, the central bank of the Philippines, issued a Sustainable Finance Framework in 2020 as part of the Manual of Regulations of Banks, which establishes expectations for FIs and includes climate-related physical and transition risks in addition to environmental and social risk for consideration in credit risk and other risk management.
- The Brazilian Federation of Banks updated its self-regulation on social and environmental risk management (standard SARB 14) in 2020 and now sets out requirements on climate-related risks and opportunities.
- The Thai Bankers' Association issued Sustainable Banking Guidelines for Responsible Lending (2019) with the support of the Bank of Thailand, which references climate risk as a component of ESG risks and emphasizes the importance of exposure assessment at the transaction and portfolio levels and determining how these risks materialize into financial risks.

In addition to the ongoing work by central banks, regulators, and supervisors to develop technical guidance, there is a growing body of globally available guidance to help expand the policies and procedures of FIs to identify, measure, monitor, and manage/mitigate financial risks from climate change. These include the "TCFD Implementation Guide" (CDSB and SASB: 2019); "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (TCFD: 2017); "Guidance on Risk Management Integration and Disclosure" (TCFD: 2020), and the "TCFD Report Playbook" (UNEP FI and Institute of International Finance: 2020).

Industry associations are also developing tools, for example the Mexican Banking Association's Climate, Environmental and Social Risk Tool provides industry guidance on climate risk strategy, governance, and disclosure practices in line with TCFD. The Brazilian Banking Federation issued "Implementing the TCFD Recommendations: A Roadmap for the Brazilian Banking Sector" (2019) to provide guidance, and recently issued a progress update in 2020 on the implementation of the Roadmap by Brazilian banks.⁵⁴

Frameworks in 13 countries reference the use of international good practices for FIs to begin reporting on climate risk management approaches such as the Carbon Disclosure Standards Board, CDP, Global Reporting Initiative, and increasingly the TCFD, recognizing that the quality and completeness of this reporting is evolving as governance and risk management approaches for climate risks are developed. The National Bank of Georgia has partnered with the IFC and the OECD in the development of the ESG Reporting and Disclosure Principles (2020) that require reporting on climate risk management and climate-related physical and transition risks and exposures in line with elements of the TCFD. Morocco's Central Bank, Bank Al-Maghrib, has issued reporting requirements for banks on climate and environmental risk exposures alongside ESG reporting.

Frameworks in 13 countries include requirements or recommendations for FIs to identify and report on their exposure to sectors that are vulnerable to transition risk and physical risk, while four countries ask or require FIs to adopt and report on performance targets to reduce exposure to climate risks and portfolio greenhouse gas emissions.

As part of the TCFD Roadmap developed by the Brazilian Federation of Banks, a "Guide on Measurement of Financed Emissions"⁵⁵ provides guidance on emissions measurement from bank operations and lending activities, and the Brazilian Federation of Banks is also developing a "Climate Risk Sensitivity Assessment Tool". In 2021, the Mexican Banking Association and a group of Mexican banks will participate in a pilot exercise with the 2° Degrees Investing Initiative to analyze the exposure of portfolios to climate scenarios.

54 FEBRABAN, 2021. "Roadmap Progress Report 2020 – The implementation of TCFD recommendations by the Brazilian banking sector".

55 FEBRABAN, 2020. "Guia Sobre Mensuração De Emissões De Gee No Setor Bancário" ("Guide on Measurement of Financed Emissions").

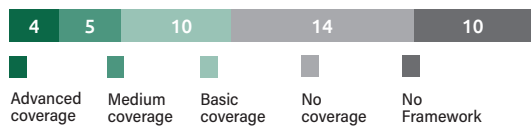
Indicator 11: Tracking, Reporting & Disclosure

Number of SBFN countries taking action on the indicator



- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** The country is still in the early stage of formulating national sustainable finance frameworks.

Distribution of SBFN countries on indicator assessment results



Underlying Questions

- Does the Framework require/ask FIs to report on their overall approaches to climate risk management in line with international good practices (e.g., TCFD), or establish a timeline by which FIs should begin to align their reporting with such practices?
- Does the Framework require/ask FIs to identify, measure, and report on exposure to sectors which are vulnerable to transition risk and physical risk?
- Does the Framework require/ask FIs to adopt and report on performance targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?
- Does the Framework require/ask FIs to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?

Industrial and Commercial Bank of China⁵⁶ and China Construction Bank have undertaken stress tests on the credit quality of thermal power industry loans in response to transition risk as reflected in carbon price factors and environmental protection policies. Using the Shanghai Stock Exchange's CSI 300 Index as an asset portfolio, China's International Institute of Green Finance of the Central University of Finance and Economics conducted stress testing to measure the impact of carbon price risk and other environmental factors, including water resource risk, on the returns and market value of the index components.

In addition, UNEP-FI's TCFD Pilot Banking Project has been working since 2017 to equip the banking industry to implement the recommendations of the TCFD, including developing transition and physical assessment models and metrics to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities, and helping banks enhance their climate risk toolkits and practices across the TCFD's governance, strategy, risk management, and metrics/targets elements.⁵⁷

Several regulatory initiatives on climate risk have signaled that quantitative metrics and targets will be added as part of a 'second phase', which will allow FIs time to learn and adapt to the new expectations. For example, Brazil's Central Bank will develop rules for quantitative metrics and targets for climate risks in 2022 after the regulations launch in 2021, and Costa Rica's General Superintendent of Financial Institutions has indicated a similar phased-in approach. The focus on adopting climate risk metrics and targets at the level of FIs will continue to gain importance and traction as part of the significant momentum behind Net Zero emissions, Science-based Targets, and for financial sector investments and portfolios to align with the Paris Agreement.

⁵⁶ Industrial and Commercial Bank of China (ICBC), 2016. "Impact of Environmental Factors on Credit Risk of Commercial Banks".

⁵⁷ The third phase of the UNEP-FI TCFD Banking Pilot commenced in January 2021. It includes nearly 50 banks and investors who are exploring ways to add depth, granularity, and nuance to their climate risk assessments, consolidate best practices in climate risk management, and standardize climate disclosures across the industry. Visit <https://www.unepfi.org/climate-change/tcfd/tcfd-for-banks/>

5.5 Summary of Pillar II Findings

SBFN member countries are responding to the urgent global priority to address climate change risks, and as discussed in Pillar 3 Financing Sustainability, they are mobilizing their financial sectors to pursue climate-smart investment opportunities across multiple sectors.

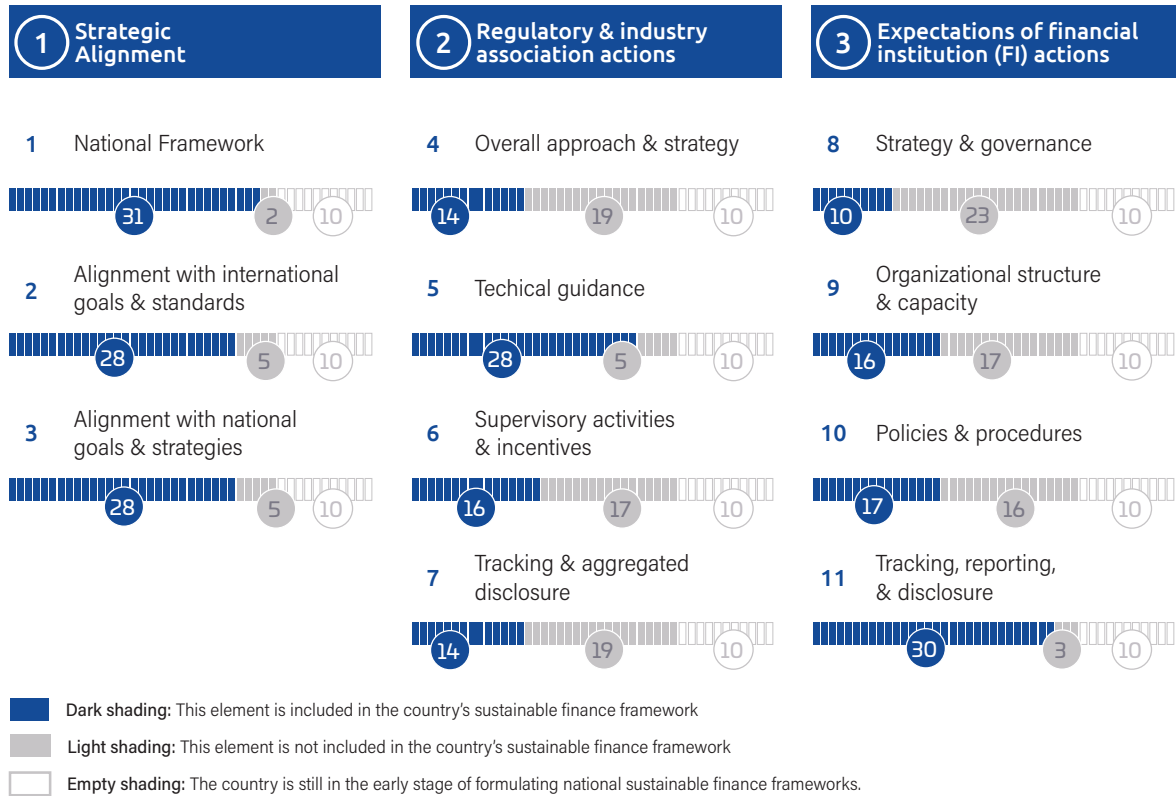
Through these and related initiatives, common analytical approaches, risk management strategies, and climate scenarios are being developed to address physical and transition risks posed by climate change. SBFN member countries, institutions, and financial sector actors are playing important roles in these efforts.

Moving forward, SBFN will continue to support members to

- Promote the perspectives and priorities of emerging markets in global and regional forums for climate risk management.
- Facilitate peer learning and the dissemination of technical guidance and tools for climate risk management approaches.
- Continue to create opportunities for awareness raising and capacity building for banks and regulators on climate risk management and performance as key components of building and implementing stronger sustainable finance frameworks.

6. Pillar 3: Financing Sustainability

Figure 23: Findings on coverage of national frameworks and initiatives for Pillar 3: Financing Sustainability (All SBFN countries)



SBFN's Benchmarking **Pillar 3, Financing Sustainability**, with 11 indicators and 26 questions, evaluates regulatory and voluntary efforts to provide definitions, guidance, taxonomies, monitoring, and incentives for introducing new financial products, instruments, and services that support climate, social, green economy, and sustainability goals. In particular, this pillar evaluates the part of a national sustainable finance framework that relates to the promotion and alignment of sustainable finance instruments in emerging markets. Green bonds are an example of such a product.

SBFN member countries have been the leading force in green bond issuance in emerging markets. As of December 2020, SBFN member countries have cumulatively contributed to 99 percent of total green bond issuance in the Africa region, 66 percent in the Asia-Pacific region, and 98.7 percent in the Latin America region.⁵⁸

SBFN's first Global Progress Report (published in 2018) identified major gaps in terms of green finance definitions,

data, reporting, and incentives, and the second Global Progress Report (published in 2019) revealed notable progress that members had made to address these issues. The 2021 SBFN Global Progress Report finds that almost all (31 out of 33) SBFN countries' national frameworks now include contents promoting financial flows to green, social, climate, and sustainability-focused projects and sectors.

Since June 2019, at least 24 SBFN countries added sustainable finance policies, regulations, or guidelines that promote financial flows into green, social, or sustainable-focused assets.

1. Bank of Argentina published the Sustainable Finance Protocol (2019), setting up a national framework to promote sustainable finance development. In 2019 and 2021, the Argentina Stock Exchange issued three regulations to promote financing sustainability in the capital markets, they are "Regulation for the Securities List Trustees and/or Parties of Social, Green, and Sustainable Closed Common Funds Investment",

- "Regulation for the listing of negotiable obligations and or public securities and for its incorporation into social green and sustainable panel," and "Guidelines for issuance of social green and sustainable securities".
2. Bangladesh Bank issued the Sustainable Finance Policy for Banks and FIs (2020), including an Excel reporting template, a comprehensive sustainable finance taxonomy, green taxonomy, and a sustainability rating system.
 3. The Brazil Banking Association published the National Green Taxonomy and an Explanatory Guide (2021) after a public consultation process in 2020. In 2020, the Laboratory of Financial Innovation (LAB) published "Mainstreaming Sustainability in Brazil Financial Sector", helping banks prepare for measurement and reporting of greenhouse gas emissions resulting from credit concessions and investments.
 4. The People's Bank of China, China's Development and Reform Commission, and China Securities Regulatory Commission jointly issued the 2021 Green Bond Catalogue after expert and public consultation. The updated taxonomy aims at expanding China's green bond market and helping achieve carbon neutrality.
 5. Financial Superintendence of Colombia (SFC) published the Recommendations and Guidelines for the issuance of Green Bonds (2020), which includes recommendations related to project selection and evaluation, fund management, and information disclosure. The Superintendence also issued the External Circular 028 of 2020, which formally incorporates the definition of a Green Bond, making Colombia the first country in the region to have an exclusive regulatory framework for this type of thematic bond.
 6. General Superintendent of Financial Institutions in Costa Rica (SUGEF) published the Protocol on Green Finance Principles (2019) and the "Monitoring of Climate Financing in Financial Entities Supervised by SUGEF in Costa Rica: Guide for Reporting", which establish the country's sustainable finance development and encourage climate-related financing and its reporting.
 7. The Superintendence of the Securities Market of the Dominican Republic published the "Guidelines for broadcast of values public offer sustainable, green and social in the market of Securities" (2020), which set up the country's green bond market and its national sustainable finance framework.
 8. Quito Stock Exchange in Ecuador published the "Guide for Green and Social Bonds" (2020), promoting green bond issuance in the country.
 9. Central Bank of Egypt launched the Sustainable Finance Guiding Principles (2021) to accelerate financial flow into sustainable-focused sectors aligning with international standards.
 10. Indonesia's Financial Services Authority (OJK) published its second phase Sustainable Finance Roadmap (2021-2025), strengthening its nationwide sustainable finance ecosystem driven by both supply and demand sides.
 11. The Mexican Bankers Association developed the "Proposal of Elements for the Development of Green Taxonomy in Mexico" (2020), making progress in the country's taxonomy development, and aligning with international good practices and standards.
 12. Ministry of Finance of Mongolia published the Green Bond Regulation (2021), in line with the International Capital Markets Association's (IMCA) Green Bond Principles. In 2020, the Bank of Mongolia established an online Green Loan Statistics system, and publishes national green loan statistics every quarter. In 2019, facilitated by the Mongolian Sustainable Finance Association, Mongolia published its National Green Taxonomy.
 13. The Moroccan Capital Market Authority published the Gender Bonds Guidelines (2021), which highlight the relevance of gender equality and women's empowerment for sustainable finance, provide reference standards, and give guidance for issuing such instruments.
 14. Nigeria's Ministry of Environment issued the Nigeria Green Bonds Guidelines (2020), which strengthen the development of the country's green bond market and further prevent green-washing.
 15. Pakistan's Securities and Exchange commission of Pakistan issued the Green Bonds Guidelines (2021) for the corporate sector to raise funds from the capital market to finance or refinance projects that contribute positively to the environment.
 16. The Panama Stock Exchange published the "Guidelines for issuance of social negotiable, green and sustainable securities" (2019), establishing the country's sustainability-focused bond markets in line with international standards and good practices.
 17. Paraguay's National Securities Commission published the "Guidelines for the emission of Sustainable Development Goals (SDG) Bonds" (2020), which modify legislation seeking to "endow the stock market with new financial instruments that promote social and environmental objectives" in line with the 2030 Agenda

- and the SDGs.
18. Peru's Ministry of Finance published the Green Finance Roadmap (2021), which outlines how financial activities can promote sustainable finance for both risks and opportunities. In 2020, Peru's Ministry of Environment, jointly with three financial sector associations, relaunched the Green Protocol of Peru. The new Protocol includes added content to promote environmental risk management by financial institutions and deepen sustainable development in the financial sector.
 19. The Central Bank of the Philippines published the Sustainable Finance Framework (2020), which promotes sustainable finance for both ESG integration and financing sustainability. Moreover, the Philippine's Securities and Exchange Commission released the "Guidelines on the Issuance of Green/Social/Sustainability Bonds", promoting the country's green, social, and sustainability bond markets in line with the ASEAN Green, Social, and Sustainability Bonds Standards.
 20. South Africa's National Treasury published the draft Technical Paper on Financing a Sustainable Economy (2020), which outlines activities and recommendations to promote sustainable finance. The Johannesburg Securities Exchange expanded its Green Bond Segment to a new Sustainability Segment, which makes it easier to list and trade sustainability-related instruments. In 2019, South Africa's Financial Sector Conduct Authority published the "Guidance note on Sustainability of investments and assets in the context of a retirement fund's investment policy statement", the first type in the emerging markets.
 21. Thailand's Securities Exchange Commission published the "Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond, and Sustainability Bond" (2020), promoting the country's sustainable-focused bond markets in line with the ASEAN Green Bond and Sustainability Bond Standards.
 22. The Banks Association of Turkey updated its Sustainability Guidelines for the Banking Sector (2021) to strengthen support to the SDGs. The updates include financial inclusion and climate-related risk management and financing.
 23. Ukraine's National Securities and Stock Market Commission adopted the Recommendations on Implementation or Financing Environmental Projects by Issuing Green Bonds (2021), aligning with international standards and aiming to boost the green bond market in Ukraine.
 24. Vietnam's State Securities Commission published the handbook on "How to issue green bonds, social bonds, and sustainability bonds" (2021), which aims to provide corporate issuers and other market players in Vietnam with guidance in applying the global and ASEAN standards, as well as national regulations for green, social and sustainability bonds.

6.1 Pillar-level Progress

Five key themes emerged from the benchmarking of SBFN members' actions for Pillar 3: Financing Sustainability

Sustainable finance has expanded beyond a focus on environmental objectives. The 2021 SBFN Global Report findings reinforce a trend of SBFN countries to emphasize the importance of addressing social aspects of sustainable finance, including financial inclusion, gender, inequality, human rights, and other SDGs. This is reflected in the move to develop guidelines for social and sustainability-focused finance, as well as transitional financial products that green the economy while considering social impacts on livelihoods.

In the banking sector, tracking and reporting of finance

flows into green, or environmental-friendly, projects and sectors, has been expanded to include climate, social, and other sustainability linked areas. For example, Bangladesh Bank's 2020 Sustainable Finance Policy has a chapter on "Sustainable Finance Taxonomy", which includes a green taxonomy covering fourteen components, including green banking, green finance, monitoring and screening, green marketing, awareness and capacity building, greening the polluting industries, green bond standards, research, and disclosures. It also covers themes such as sustainable agriculture; cottage, micro, small and medium entrepreneurs; and socially responsible finance. In 2020, Bank of China, a commercial bank, issued Asia's first blue bond, which is a new category of sustainability bonds and another new entrant on the landscape of green finance that aims to promote the restoration of ocean ecosystems and livelihoods.

Financing sustainability continues to move beyond banking and is strongly anchored in capital markets. Asset owners, such as institutional investors, and asset managers play an important role as they recognize the growth potential of sustainable finance instruments in emerging markets. Capital market instruments, including bonds and sukuk, are playing a growing role in directing finance flows into green, climate, and sustainability-related sectors and projects, and are also innovating in the social themes of sustainable finance. For example, Argentina (2020), Dominican Republic (2020), Ecuador (2020), Morocco (2018), Pakistan (2021), Panama (2019), Paraguay (2020), Thailand (2020), and Vietnam (2021) have issued guidelines for social and/or sustainability-linked bonds. In 2021, Morocco's Capital Market Authority issued Gender Bond Guidelines, which highlight the relevance of gender equality and women's empowerment for sustainable finance.

SBFN members continue to leverage various mechanisms to promote the development and growth of sustainable finance instruments. Non-financial incentives are widely adopted, such as through awards to recognize innovation and leadership by the private sector. Financial incentives and disincentives are provided to a limited extent. For example, Kenya introduced a withholding tax exemption on green bonds. Bangladesh Bank has made it mandatory for five percent of all term loans disbursed by the nation's banks and other financial institutions to contribute to green finance objectives, and 20 percent of all loans disbursed to contribute to sustainable finance objectives. Failure in these issues will adversely impact banks' CAMELS ratings⁵⁹ and Sustainability Ratings, which is unique globally. As of the fall 2021, the top ten banks and top five FIs as rated by Bangladesh Bank in its Sustainability Rating are placed on the central bank's website. In Mongolia, the stock exchange's initial listing fee may be discounted by 20 percent if the issuer has operations directed towards implementing the SDGs. Morocco's Capital Market Authority has reduced approval fees to 0.01 percent of the total issue amount for sustainable financial instruments, such as green bonds, compared with a 0.025 percent fee for traditional bonds.

The availability of data regarding green and sustainable finance flows has improved to a limited extent. Twenty-four SBFN countries have introduced green or sustainability bond regulations or guidance, which all contain disclosure requirements at the instrument level. A smaller number of countries require or encourage FIs to report publicly on their investment flows to sustainable projects and sectors.

In 2020, the Central Bank of Mongolia announced its national Green Loan Statistics, calculating the amount and ratio of green loans in the portfolio based on the Mongolia Green Taxonomy. Several other countries, including but not limited to China, Colombia, Indonesia, Mexico, and Turkey, also collect market-level data on financing sustainability.

Many SBFN countries have issued or are developing and updating their national green/sustainable finance taxonomies, which is crucial in mobilizing financial flows. Sixteen SBFN countries have introduced or are developing green or sustainability-focused taxonomies to provide much-needed clarity on eligible activities, sectors and assets. In line with developments in China and the European Union, some include detailed criteria for eligible assets. Climate mitigation and adaptation have been the focus of many countries' first taxonomies. However, social and transition taxonomies are quickly following. For example, Georgia is developing a social taxonomy alongside its green taxonomy, and South Africa is exploring further development of social and transition elements in response to the urgent need to enable a low-carbon trajectory while ensuring a Just Transition, where employment, financial inclusion, and inequality are addressed.

The SBFN 2021 pillar benchmarking indicates that most SBFN countries are in the Implementation stage for the Financing Sustainability pillar, with 19 in Developing and nine in Advancing. This reflects the fact that most have introduced frameworks but many are still working to catalyze local markets for sustainability-focused financial products, often starting with green bonds. Issuers require time and guidance to develop suitable internal frameworks and capacity, and the lack of eligible projects and assets can pose a challenge initially.

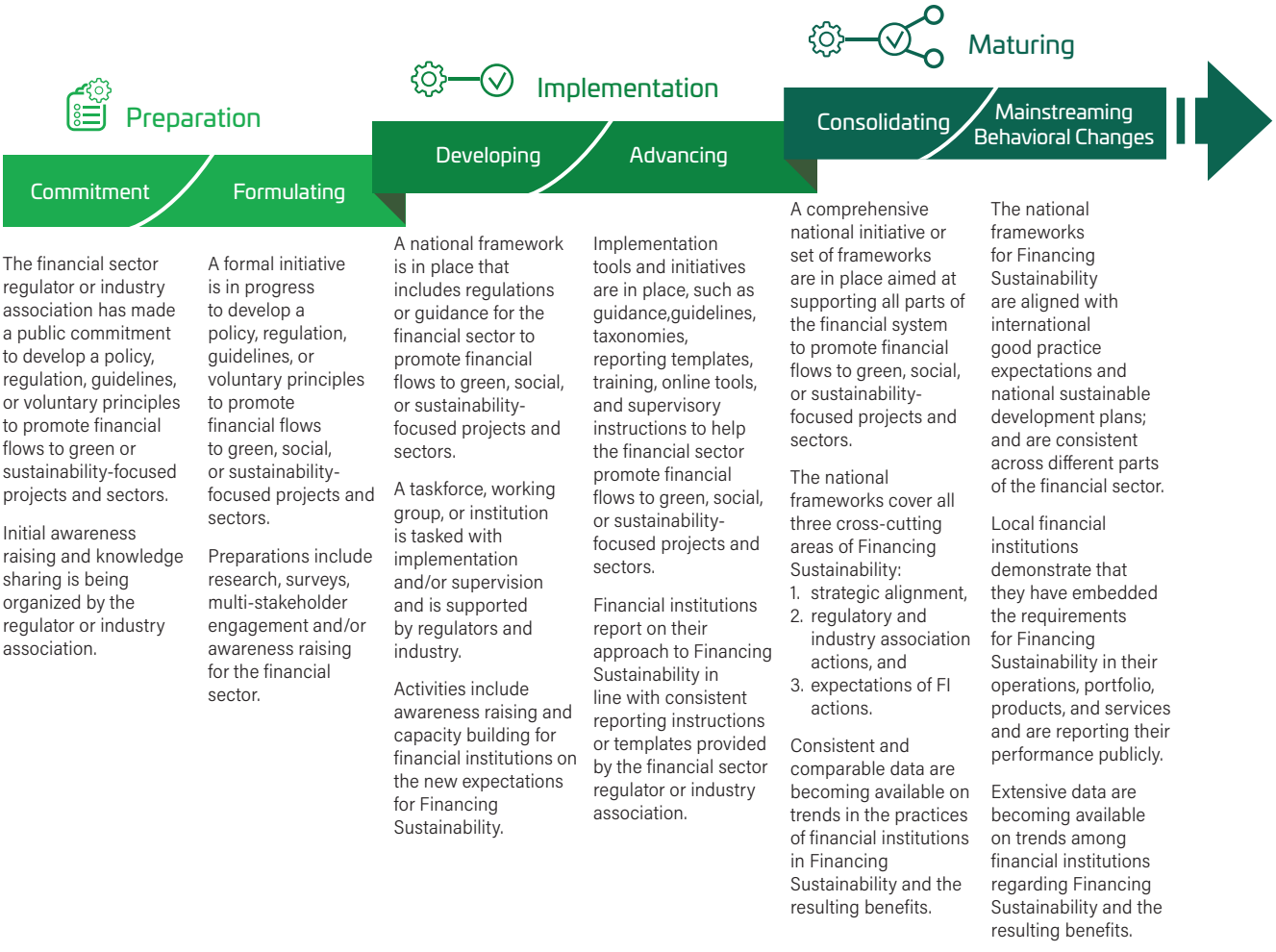
59 The CAMELS acronym stands for "Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity." It is used by regulatory banking authorities to rate FIs according to the six factors.

Figure 24: Progression Matrix Results for Financing Sustainability Pillar*



*Countries within each sub-stage are listed in alphabetical order.

Figure 25: Progression Matrix Milestones – Pillar 3: Financing Sustainability



Box 7: Innovations in sustainability instruments

For emerging markets, sustainability-focused finance instruments can play a critical role in prioritizing large-scale public investment in green sectors and promoting private sector investment through supportive policies.

Since the first green bond was issued by the World Bank in November 2008, the market has accelerated exponentially. The introduction of the Green Bond Principles in 2014 helped boost the integrity, credibility, and growth of the market. Green bonds have become mainstream and dramatically increased the flow of capital to green projects. With a sixty-percent average annual growth since 2015, the green bond market surpassed a cumulative US\$1 trillion milestone at the end of 2020. This trend has stimulated a wide range of innovative financial instruments, including green bonds (covering blue and biodiversity-focused bonds), sustainability bonds, social bonds and, more recently, sustainability-linked bonds and loans. As of August 2021, the total value of outstanding green, social and sustainability bonds globally was \$1,890.02 billion. The International Capital Market Association (ICMA) Green, Social, and Sustainability Bond Principles have helped drive this growth.

Another financial innovation is the Climate Transition label, supported by the ICMA Climate Transition Handbook, which aims to stimulate transformation of carbon-intensive industries, such as cement, chemicals, steel, and heavy transport, through commitments to a net-zero pathway aligned with the goals of the Paris Agreement. The challenge is to determine a credible decarbonization pathway, which will be different for each sector.

Sustainability-linked finance (SLF) enables a broader issuer base to promote their sustainability strategy and performance as a way to **access finance** and **lower cost of capital**. SLF is a forward-looking performance-based instrument where the financial structure, such as the interest

rate, is linked to the performance of the issuer and thereby holds the issuer accountable to its promised performance.

The increasing interest in sustainability-framed instruments is driven by increasing investor and issuer awareness of the climate risks and interest in how best to mitigate for these and protect values. Sustainability instruments are proving to attract a wider pool of investors as they lead to improved company-level environmental and social footprints and financial performance.

IFC's role as investor, issuer, and catalyst of the sustainability bond market

IFC issued its first green bond in 2010 and has actively worked to create and develop the green bond market as an issuer, investor, provider of advisory services, and through the development of technical assistance and risk mitigation instruments.

As of June 2021, IFC has issued 178 green bonds in 20 currencies amounting to \$10.5 billion. IFC's Green Bond Program has won industry recognition of over 11 awards for bonds issued and impact reporting. IFC has served as a member of the Executive Committee of the Green, Social and Sustainability-Linked Bond Principles, since its inception in 2014. Under IFC's chairmanship since June 2020, the updated Green and Social Bond Principles were published in June 2021.

IFC partnered with Amundi in 2018 to launch the Amundi Planet EGO Fund, the world's largest green bond fund in emerging markets, which will deploy \$2 billion over its 7 year investment lifetime. In May 2020, IFC and HSBC Global Asset Management launched the Real Economy Green Investment Opportunity (REGIO) Bond Fund to increase access to climate finance for companies and municipalities in emerging markets. The Fund will catalyze up to \$600 million in private sector capital.

For more information, visit www.ifc.org/greenbonds

Figure 26: Pillar 3: Financing Sustainability– Sub-pillars and indicators

 <p>Pillar 3: Financing Sustainability</p>	<p>Sub-pillar 1: Strategic Alignment</p>	<ul style="list-style-type: none"> • National framework • Alignment with international goals and standards • Alignment with national goals and strategies
	<p>Sub-pillar 2: Regulatory and Industry Association Actions</p>	<ul style="list-style-type: none"> • Overall approach and strategy • Technical guidance • Supervisory activities and incentives • Tracking and aggregated disclosure
	<p>Sub-pillar 3: Expectations of Financial Institution (FI) Actions</p>	<ul style="list-style-type: none"> • Strategy and governance • Organizational structure and capacity • Policies and procedures • Tracking, reporting, and disclosure

6.2 Sub-pillar 1: Strategic Alignment

Experiences of SBFN members highlights the importance of having national frameworks that both align with international practices and standards, and reflect national sustainable development priorities for the promotion and expansion of sustainable financial flows and investment.

A majority of SBFN countries with policy frameworks (31 out of 33) provide some policy coverage on promoting sustainable financial flows.

As the major source of investment funds, the banking sector is still the leading force and play the dominant role in most countries for promoting policies and market actions to direct more financial flows into sustainable projects and sectors. However, in some cases, such as Dominican Republic, Morocco and Ukraine, the capital markets regulator has taken the lead in promoting sustainable finance, including through guidelines for green, social, and sustainability instruments and disclosure. Of these 31 countries with frameworks, 23 (Argentina, Bangladesh, Brazil, China, Colombia, Ecuador, Georgia, India, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Peru, Philippines, South Africa, Sri Lanka, Thailand, and Vietnam) have published a national framework for both the banking sector and the non-banking sectors, including capital markets, investment, insurance, or other non-lending FIs, that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy. Four countries (Cambodia, Egypt, Iraq, and Turkey) have frameworks that cover only the banking sector, and four countries have frameworks that cover only the capital markets and other non-banking sectors (Costa Rica, Dominican Republic, Paraguay, and Ukraine).

Indicator 1: National Framework

Number of SBFN countries taking action on the indicator

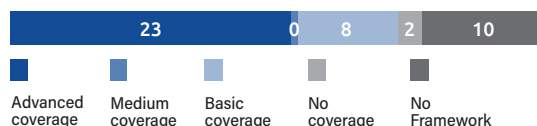


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Distribution of SBFN countries on indicator assessment results



Underlying Questions

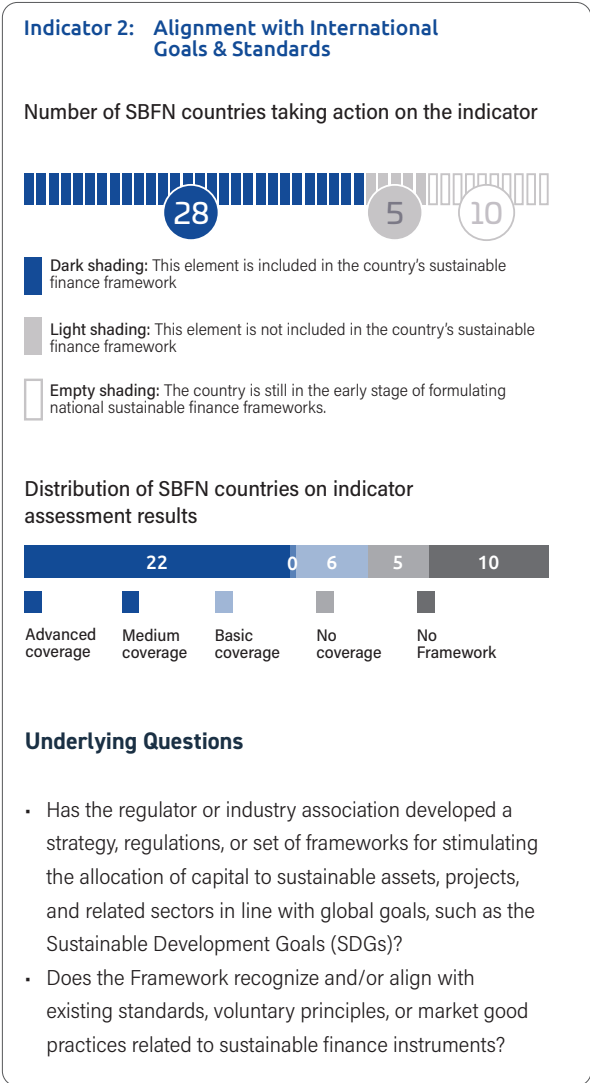
- Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
- Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?

A key trend is the increased alignment of national frameworks with international sustainable financing standards.

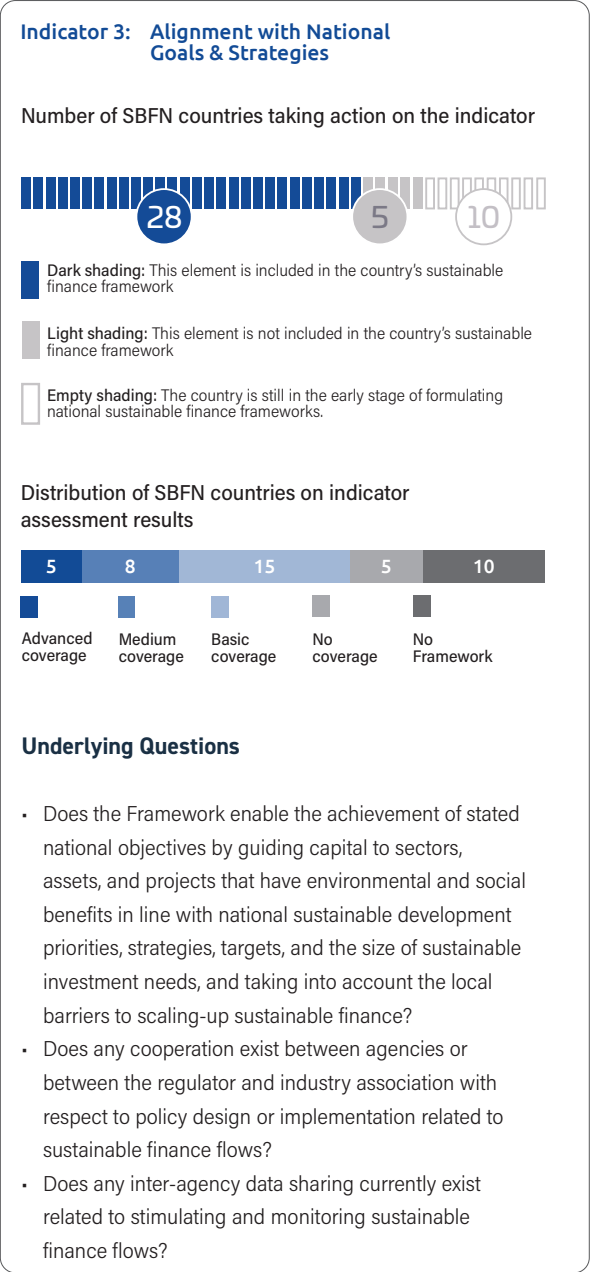
Twenty-two SBFN countries explicitly refer to the UN SDGs and recognize international sustainable financing standards, such as the International Capital Market Association Principles for Green, Social, and Sustainability-linked Bonds, the Climate Bonds Initiative’s Climate Bonds Standard and Taxonomy, and the European Union Sustainable Finance Taxonomy. This trend represents a 50 percent increase compared to the benchmarking in the 2019 SBFN Global Report. Another 6 countries explicitly refer to either the UN SDGs or other international sustainable finance standards.

collaboration models. The Sustainable Finance Initiative of Ecuador, led by the Center for Public Policy Development of ESPOL Polytechnic University and supported by the Central Bank of Ecuador, involved a significant degree of public-private collaboration between financial sector regulators, industry associations, and academia to promote financial flows into sustainable finance sectors.

The partnership between the State Bank of Vietnam and the Vietnam Ministry of Natural Resources and Environment is an example of collaboration between financial and non-financial sector agencies, and reflects the growing need for integrated approaches among regulators across public policy domains of sustainable finance.



Twenty-eight countries explicitly align their sustainable finance frameworks with their national sustainable development goals and encourage interagency cooperation and data-sharing in order to promote sustainable finance flows. SBFN countries also offer several multi-stakeholder



Box 8: Linking financial inclusion and sustainable finance

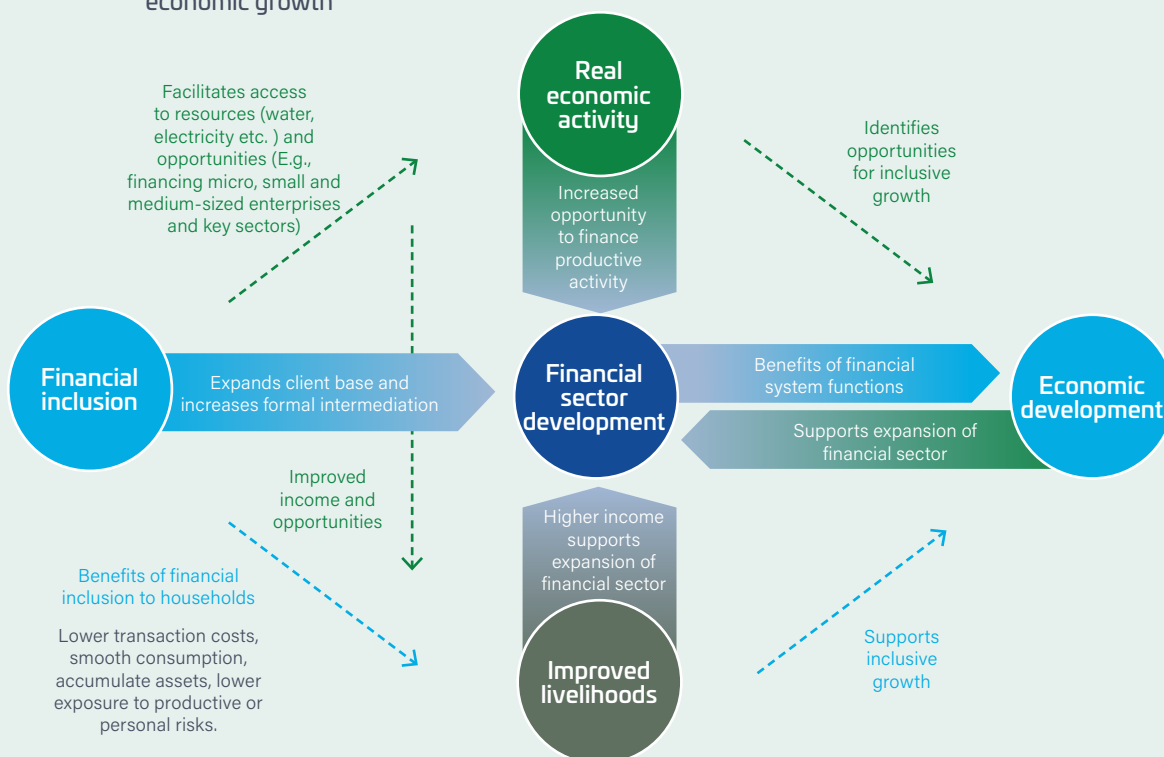
A 2020 report by the UN Capital Development Fund shows how inclusive and sustainable human development and environmental sustainability are closely and inextricably linked. For example, the significant use of biomass energy in low income households, even in countries with good access to grid energy, highlight that energy usage is intrinsically woven into both poverty and climate change.

Similarly, a 2021 report by the Alliance for Financial Inclusion (AFI) highlights the impacts that climate will have on people in fragile situations. This can be through transition risks, which change national economic dynamics, and physical risks that affect infrastructure, economic stability, and personal security. Storms, droughts and fires are just some of the ways this is happening, with women being particularly affected.

The links between finance, economic growth, poverty, and sustainability are complex. The primary purpose of financial inclusion is to facilitate access to real economic services that are crucial for people to access and maintain opportunities.

Financial inclusion is therefore an enabler of eight of the seventeen SDGs: No poverty (#1), Zero hunger (#2), Good health (#3), Gender equality (#5), Decent work (#8), Industry, innovation, and infrastructure (#9), and Reduced inequality (#10). It is affected by risks in the remainder of the goals, particularly in relation to climate change and the depletion of vital ecosystems.

Chart 3: From real economic activity to financial inclusion to financial sector development to economic growth



SBFN's 2020 report, "Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges", uncovered **four specific priorities that low-income countries connect with their sustainable finance ambitions**: environmental and social risk management by FIs, green finance, financial inclusion, agriculture, and financing of small and medium-sized enterprises.

An increasingly important focus of sustainable finance is therefore **how financing can create a lasting future in ways that are supportive of the climate and the environment in conjunction with long-term pathways out of poverty**.

SBFN members are adopting the following strategies to link these two areas of work:

- Including financial inclusion as a core component of national frameworks and banking principles for sustainable finance.
- Aligning sustainable finance and financial inclusion workstreams through the same unit, task force, or working group to leverage synergies and overlapping expertise.
- Promoting inclusion-focused innovation in sustainability-linked financial instruments, such as gender bonds, climate risk insurance, and lending to small and medium-sized enterprises in green sectors.
- Tracking the impacts of climate change on the financial status of retail banking consumers.

For example, Reserve Bank of Fiji is tracking how climate change is impacting retail and wholesale banking consumers, and new gender bond guidelines issued by the Moroccan Capital Market Authority aim to address the financial inclusion of women and their greater vulnerability to impacts from COVID-19 and Climate Change. Similarly, environmentally-focused finance innovations are demonstrating cross-cutting benefits by supporting financial inclusion and social resilience, such as climate smart agriculture and off-grid solar solutions. AFI's Inclusive Green Finance Working Group, established in 2019, is led by three SBFN member institutions: Bank Al-Maghrib (Central Bank of Morocco) (Chair), Bangko Sentral ng Pilipinas (Central Bank of the Philippines) (Co-Chair), and Bank of Ghana (Gender Focal Point). Other SBFN central banks are active members.

Financial inclusion as a development objective and national policy imperative speaks strongly to the social criteria of sustainable finance. It is also essential to achieve financial inclusion in tandem with the environmental goals of sustainable finance. By facilitating access to resources, basic services and opportunities for the most excluded segments of society, financial inclusion facilitates social mobility and ensures that no one is left behind in the transition to a low-carbon, green economy. It can also help break the cycle between poverty and environmental degradation, and strengthen community resilience in response to climate change.

6.3 Sub-pillar 2: Regulatory and Industry Association Actions

The Regulatory and Industry Association Actions sub-pillar evaluates the comprehensiveness of frameworks in terms of providing strategy and approach, technical guidance, establishing supervisory activities of FIs, and tracking data and disclosure at the regulatory and/or industry association level to guide financing flows to sustainability objectives.

Fourteen countries' national frameworks specifically ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects, including Argentina, Bangladesh, Brazil, China, Colombia, Kenya,

Mexico, Mongolia, Morocco, Nigeria, Philippines, South Africa, Sri Lanka, and Vietnam.

The Mexico Banking Association conducted a pilot exercise to identify green financing opportunities in selected banks' portfolios and is planning to expand the project. In Vietnam, the State Bank of Vietnam's department of Finance and Balance Accounting is responsible for allocating appropriate financial resources to build and implement green banking and green credit operations. Experiences of SBFN members highlight the importance of providing FIs with clarity on the types, and issuance expectations, of

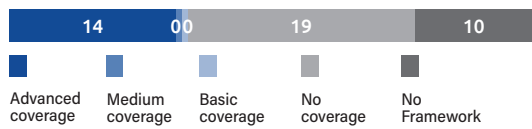
Indicator 4: Overall Approach & Strategy

Number of SBFN countries taking action on the indicator



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Underlying Question

- Does the Framework require/ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects?

products and services that qualify as green, climate, social, and sustainable. This enables FIs to direct their finance flows accordingly, develop new financial products and instruments, and identify new opportunities within and beyond their existing portfolio.

Twenty-seven SBFN countries have provided definitions, examples, or a taxonomy (catalog or guidelines) of eligible sustainable finance assets.

In most countries, such definitions and samples of eligible assets and sectors are included in their green or sustainability-focused bond guidelines. These are usually short and with high-level descriptions. Some countries also refer to the Climate Bonds Initiative or International Capital Market Association taxonomies directly in their guidelines, such as Kenya and Peru, to supplement their definitions and samples.

Six countries - Bangladesh, Brazil, China, Indonesia, Mongolia, and Vietnam - have published comprehensive taxonomies for green and/or sustainable finance. Colombia, Dominican Republic, Georgia, India, Mexico, South Africa, and Sri Lanka are

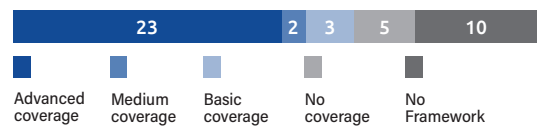
Indicator 5: Technical Guidance

Number of SBFN countries taking action on the indicator



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Underlying Questions

- Does the Framework provide definitions, examples, and/or a taxonomy (catalogue and guidelines) of sustainable finance assets?
- Does the Framework provide guidelines for extending green, social, or sustainability-focused loans (excluding bonds)?
- Does the Framework provide guidelines for issuance of green, social, or sustainability bonds?
- Does the Framework require/ask for external party verification to ensure the credibility of sustainability instruments?

at various stages of developing such taxonomies. These taxonomy systems are much longer and include detailed definitions of eligible green or sustainability-focused sectors and activities tailored to the countries' economic goals and development priorities. They usually have some fundamental principles and safeguards, such as Mongolia's "6 Principles for the Green Taxonomy Frameworks" and Brazil's "Explanatory Guide for Green Taxonomy". New principles introduced in the European Union's Sustainable Finance Taxonomy, such as Do No Significant Harm to other environmental objectives and ensure that social safeguards are protected, are influencing emerging markets. There is also some expectation of periodic updates. For example, China has updated its "Green Bond Endorsed Project Catalogue" twice since its publication in 2015. Indonesia is in the process of updating its catalog into a more systematic

taxonomy. The taxonomies of Bangladesh and Indonesia are embedded in their overall sustainable finance policies as detailed technical annexes. The taxonomies of Brazil, China, Mongolia, and Vietnam are published as standalone documents.

Regulators can also play a convening role to promote an integrated market for sustainable finance instruments. In Ecuador, the Ministry of Finance and Economy, supported by the United Nations Development Programme, is designing a National Integrated Financing Framework that will allow for monitoring of financial flows destined for sustainable development. It will help link the SDGs and national planning, align the budget with national and international development objectives, prioritize policies with greater multiplier effect in the achievement of the SDGs, estimate the financing gap for sustainable development, establish innovative financing instruments, and implement a multi-stakeholder mechanism for coordination and accountability on financing for development. This in turn will allow progress in the implementation of Ecuador’s National Climate Financing Strategy.

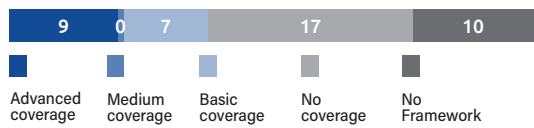
Indicator 6: Supervisory Activities & Incentives

Number of SBFN countries taking action on the indicator



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Underlying Questions

- Does the regulator or industry association monitor information reported by FIs related to green/social/ sustainability investment, lending, and other instruments to prevent greenwashing and social-washing?
- Are there any financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments?

Box 9: The role of carbon credits

Together with impact investments and ESG investing, carbon credits aim to align climate and sustainability strategies with brands and businesses. These investment instruments can play an essential role in bridging the transition to net-zero emissions. The financial sector is witnessing a rapid evolution in climate metrics, driven by both regulatory pressure and consumer-driven trends toward sustainable investment, helping investors prioritize lower carbon investments.

The emergence of climate transition finance instruments provides further incentive for climate change-related commitments and practices seeking to play a positive role in achieving the Paris Agreement. Through a well-functioning voluntary carbon market, investment flows can not only enable to prioritize lower carbon or climate transition strategies, but additionally to use offsets to

immunize against residual carbon intensity in pension or other savings vehicles.

Carbon footprint metrics can provide a hook for retail investor willingness-to-pay to mitigate greenhouse gas emissions and to achieve net zero. Governments and regulators can encourage this trend in order to enhance the financial sector’s role in the climate transition. The Taskforce on Scaling Voluntary Carbon Markets final report of January 2021 included a call for enhanced consumer product offerings to bolster industry-wide commitments in order to build a demand signal for scaling voluntary carbon markets. The potential for investors to support international climate finance programs in developing countries has important implications for financial stability.

Box 10: Green and sustainable finance taxonomies

SBFN member actions

SBFN members see the urgent need for national green or sustainable finance taxonomies and are eager to move ahead. Many already have some form of catalog in place to clarify eligible sectors and activities for green or socially focused finance, and more are taking proactive actions in taxonomy development.

For the countries with established taxonomies, SBFN members have signalled their interest to update them to be more comprehensive and aligned with international trends, such as China and Indonesia, and expand them to include social and other aspects of sustainability, such as Morocco.

China regularly updates its Green Bond Endorsed Project Catalogue to reflect national development priorities, alignment with international standards, and advances in technology, from the 2015 launch to the 2019 version and the latest update in March 2021. Indonesia is currently updating its taxonomy, which is part of its 2018 Technical Guidelines for Banks for Implementation of OJK's Regulation on Sustainable Finance.

The Moroccan Capital Markets Authority's issued Green, Social, and Sustainability Bonds Guidelines in 2018, including a taxonomy of eligible projects that goes beyond environmental considerations; and introduced Gender Bond Guidelines in March 2021, adding gender-based factors to broaden its sustainability-related bond markets. Bangladesh Bank issued its Sustainable Finance Policy in 2020, which provides both a more targeted Green Taxonomy and a broader Sustainable Finance Taxonomy, covering agriculture, financial inclusion, and social aspects.

Taxonomy governance – which focuses on the ongoing expansion, updates, and maintenance of eligible categories and projects; integration into national policies, regulations, disclosure,

and supervision activities; the mediation of conflicts in taxonomy usage, and ensuring long-term credibility – has become a new focus for countries with established taxonomies. It also invites greater collaboration between different government agencies.

For those developing a taxonomy for the first time, there is interest in international collaboration and peer learning. Most countries are still learning about the full scope of taxonomies, how they work, and how they are used in the market. More sophisticated thinking is emerging as countries build capacity on the topic. Many SBFN members are working with international partners, such as Colombia and Mexico with GIZ and South Africa and Sri Lanka with IFC.

Taxonomy development is also becoming more transparent and undertaken with proactive stakeholder engagement. Colombia and Mexico published their proposals of elements for green finance taxonomy development. South Africa conducted multiple public consultation sessions during the drafting process in 2020, published a taxonomy development progress report, and is currently in the final beta-testing stage of its green taxonomy. Many members are actively participating in taxonomy-related learning and capacity building.

Trends

We see consistent interest in aligning or learning from global taxonomy categories and principles and a need to acknowledge local priorities and uniqueness. The European Union Sustainable Finance Taxonomy has become a key reference for many countries, including innovations such as the principles of ensuring that green activities Do No Significant Harm (DNSH) to other environmental objectives and adhere to social safeguards.

Many countries are building taxonomies that extend beyond environmental objectives. Bangladesh's Sustainable Finance Taxonomy

and Morocco's taxonomy for Green, Social, and Sustainability Bonds are examples of expanded taxonomies that include social activities.

Furthermore, different use cases for taxonomies are emerging, beyond bonds and loans. Regulators are considering how taxonomies will be embedded in different regulations and supervision activities. For example, based on the sustainable finance taxonomy, Bangladesh Bank set a 15 percent target of all loans issued by the nation's banks and other FIs to meet the broader definition of being sustainable, with a 2 percent mandatory minimum.

The Central Bank of Mongolia launched a national Green Loan Statistics system, calculating the amount and ratio of green loans in the portfolio based on the Mongolia Green Taxonomy.

The Mongolian Sustainable Finance Association shared its experiences with SBFN members in a public webinar. The development of a national sustainable finance taxonomy is usually a coordinated effort across multiple stakeholders with one leading entity. Below is the step-by-step approach used by the Association.

Chart 4: Recommended step-by-step approach for SBFN members

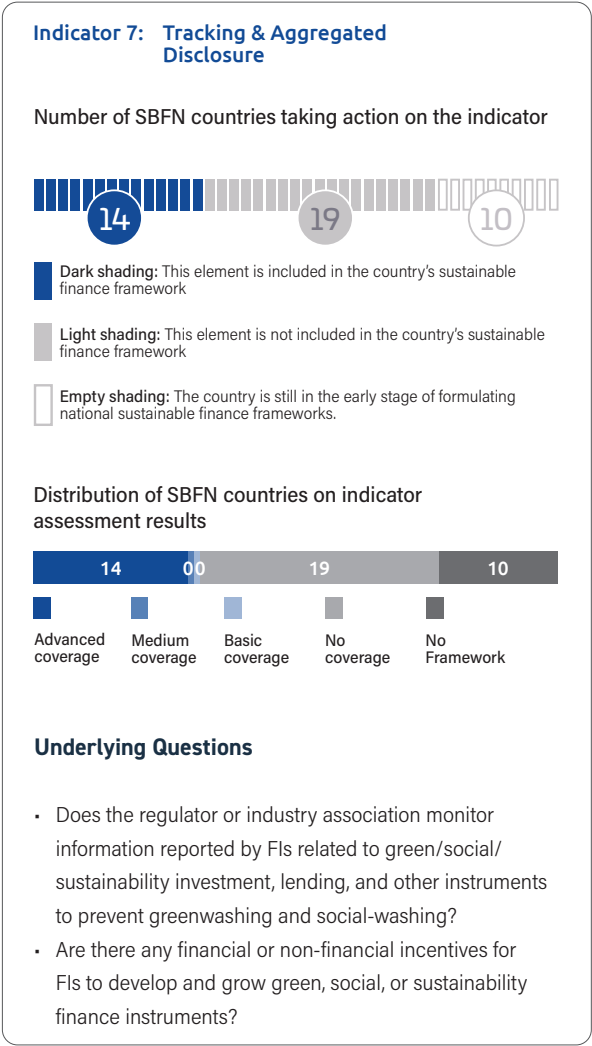


Over half of SBFN member countries have published guidelines for at least one green financial instrument, with bonds and loans as the leading products. Twenty-four countries (Argentina, Bangladesh, Brazil, China, Colombia, Costa Rica, Dominican Republic, Ecuador, India, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Sri Lanka, Thailand, Ukraine, and Vietnam) have issued guidance for green, social, or sustainability bonds, and eight countries (Argentina, Bangladesh, Brazil, China, Indonesia, Mexico, Mongolia, and Vietnam) have issued guidelines for similar loans.

Most green bond guidelines in SBFN countries make direct reference to, and are aligned with, international leading standards, such as the International Capital Market Association's Principles for Green Bonds, Social Bonds, and Sustainability-Linked Bonds, and the Climate Bonds Initiative's Climate Bond Principles. For example, Thailand's 2020 Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond and Sustainability Bond requires issuers to comply with the ASEAN Green, Social, and Sustainability Bond Standards, and references the International Capital Market Association standards as a minimum disclosure requirement. To guard against greenwashing⁶⁰, most SBFN countries' green bond

60 Greenwashing is a form of marketing or provision of misleading information to persuade the public, investors, regulators, and other stakeholders that an organization's products, aims, and policies are environmentally-friendly.

issuance instructions require external party verification and regular sustainability or integrated reporting to ensure the credibility of sustainability instruments.



Regulators or industry associations in approximately a third of SBFN member countries (Argentina, Bangladesh, Brazil, China, Costa Rica, India, Indonesia, Kenya, Mongolia, Morocco, Nigeria, Pakistan, Paraguay, South Africa, Thailand, and Vietnam) monitor information reported by FIs related to green, social, or sustainability-focused investment, lending, and other instruments. For example, Pakistan's 2017 Green Banking Guideline indicates that the State Bank of Pakistan will monitor implementation progress on a regular basis, and will develop reporting procedures in coordination with banks and development financial institutions.

In addition to reporting requirements, regulators and associations also try to promote financial flows into sustainable projects and sectors by using incentives. Nine SBFN member countries have provided either financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments – this is double the number reported in 2019 by SBFN members.

- State Bank of Vietnam considers sustainable lending performance when prioritizing access to concessional loans from international organizations and development partners and allows commercial banks to have a high proportion of green credit loans.
- China's Banking and Insurance Regulatory Commission not only collects and monitors green lending information, but also considers the amount and ratio of loans given to sustainable projects and sectors as part of the evaluation of banks' key performance indicators.
- The Ministry of Environment and Tourism of Mongolia provided MNT 3 billion (\$1 billion) of green loan interest subsidies for green consumer and business loans issued through three domestic commercial banks. As a result, the interest rate of green loans decreased from 18 percent to 8 percent for eligible green lenders and it accelerated both the supply and demand side of green lending in Mongolia.
- In 14 SBFN member countries (Bangladesh, China, Colombia, Costa Rica, Georgia, India, Kenya, Mexico, Mongolia, Morocco, Nigeria, Philippines, Thailand, and Vietnam), the regulator or industry association regularly collects and publishes data from FIs or other sources to track sustainable finance flows and the allocation of capital to sustainable projects and sectors.
- In 2020, the Central Bank of Mongolia began publishing national Green Loan Statistics, which disclose the amount and ratio of green loans in banking portfolios based on the Mongolia Green Taxonomy. Another example is Colombia's online platform for Measurement, Reporting and Verification (MRV) of Climate Financing⁶¹, which is an information portal on national and international public and private financing resources used in Colombia for the implementation of actions aimed at reducing greenhouse gas emissions and promoting adaptation and resilience to climate change.

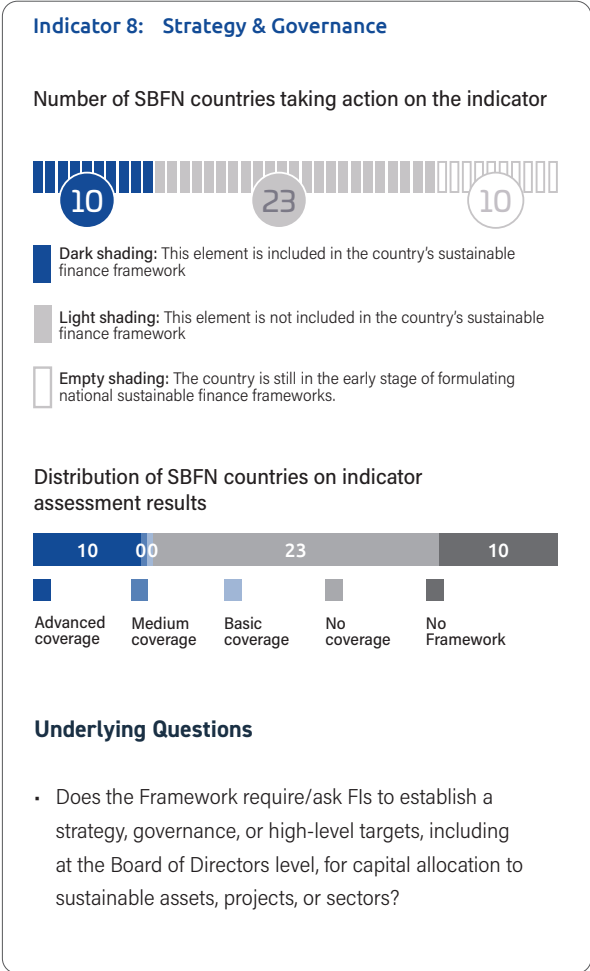
61 <https://mrv.dnp.gov.co/Paginas/inicio.aspx>

6.4 Sub-pillar 3: Expectations of Financial Institution Actions

Increased financial flows to sustainable projects and sectors is being driven by a global groundswell of demand for ESG and climate-friendly investment opportunities, and an increasing recognition by governments of the need to activate the financial sector in pursuit of sustainable development and climate objectives, including as part of Nationally Developed Contributions (NDCs) to the Paris Agreement. Ten SBFN member countries (Bangladesh, China, India, Indonesia, Kenya, Mongolia, Morocco, Nigeria, Philippines, Thailand, and Vietnam) have explicitly required or asked FIs to establish a strategy, governance, or high-level targets, including at the Board of Directors level, for capital allocation to sustainable assets, projects, or sectors.

For example, Indonesia's Sustainable Finance Regulation requires FI's to state their high-level strategy on sustainable finance opportunities in their annual plans as well as annual sustainability report. Bangladesh's Sustainable Finance Policy, Kenya's Green Bond Principles, and the Brazilian Banking Association's "Exploratory Guide for a Green Taxonomy" all emphasize the opportunities for the financial sector to incorporate sustainable finance into their corporate strategies and capitalize on opportunities across green, social, and sustainability projects and activities, with a particular focus on climate smart investments to meet pressing climate mitigation and adaptation priorities. The OECD estimates that \$90 trillion in global investment is needed to finance a low carbon, net zero transition⁶² and IFC research indicates significant opportunities for climate smart investment in emerging markets across building, industry, transport, energy and agribusiness sectors.

Ten SBFN member countries (Bangladesh, China, India, Indonesia, Kenya, Mexico, Mongolia, Nigeria, Philippines, and Thailand) **require or ask FIs to define internal staff roles and responsibilities to encourage finance flows** to green, social, or sustainability-focused investments. Fifteen (Bangladesh, Cambodia, China, Egypt, India, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nigeria, Philippines, Sri Lanka, Turkey, and Vietnam) ask FIs to develop and maintain internal staff capacity on green, social, or sustainability products through regular training and learning. For example, both Morocco's and Sri Lanka's national sustainable finance roadmaps emphasize promoting financial flows into sustainable projects and sectors as well as related institutional and staff-level capacity building on sustainable finance opportunities.



62 OECD, 2017. "Investing in Climate, Investing in Growth".

Indicator 9: Organizational Structure & Capacity

Number of SBFN countries taking action on the indicator

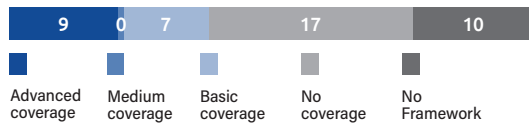


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Underlying Questions

- Does the Framework require/ask FIs to define internal staff roles and responsibilities to encourage finance flows to green, social, and/or sustainability-focused investments?
- Does the Framework require/ask FIs to develop and maintain internal staff capacity on green, social, or sustainability products through regular training and learning?

Over a quarter of SBFN countries ask FIs to put in place policies and procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social, or sustainability-focused products. For example, National Bank of Georgia's Corporate Governance Code for Commercial Banks includes requirements for information disclosure and transparency for both risk management and opportunities for financing sustainability.

Indicator 10: Policies & Procedures

Number of SBFN countries taking action on the indicator

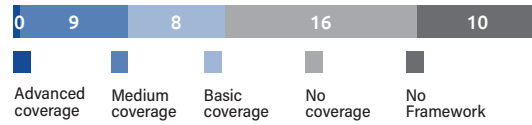


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Underlying Questions

- Does the Framework require/ask FIs to put in place policies and procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products?
- Does the Framework require/ask FIs to appoint an independent external reviewer to confirm that the FI's internal framework meets the requirements of the recognized national framework and regulations, or aligns to international standards?
- Does the Framework require/ask that FIs create incentives for managers to increase sustainable loans or investments in the portfolio?

Four countries (Bangladesh, Mongolia, Turkey, and Vietnam) ask FIs to create incentives for managers to increase sustainable finance loans or investments in the portfolio. For example, the Turkey Sustainability Guidelines for the Banking Sector (2021) require banks to identify key performance indicators specific to their institutions to measure and track sustainability performance, and such indicators should be associated with the performance of employees in the relevant position.

Approximately half of SBFN member countries with frameworks require or ask FIs to report on their sustainable financial flow data, and the majority acknowledge that such reporting and disclosure should follow international standards and good practices,

especially for bond issuance. Disclosure of data on sustainable finance flows has become increasingly important in the global market, and increased cross-border investment and bond issuance is raising investor and regulator demand for transparency, and consistent, high-quality data that is comparable across jurisdictions. This is one of the drivers for alignment of national and international reporting standards.

Indicator 11: Tracking, Reporting & Disclosure

Number of SBFN countries taking action on the indicator

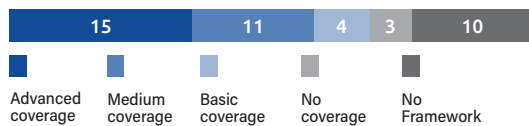


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Underlying Questions

- Does the Framework require/ask FIs to publish annual updates on the performance and impacts of the sustainability instruments in compliance with relevant national and/or international standards?
- Does the Framework require/ask FIs to obtain and disclose independent review of metrics reported annually in relation to the social and environmental outcomes and impacts achieved through the sustainability instruments?
- Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on allocation and/or outcomes of green, social, and/or sustainability loans?
- Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on green, social, and/or sustainability bonds or other positive impact investments?
- Does the Framework require/ask FIs to report publicly on their green, social, and sustainability-focused finance activities and positive outcomes or impacts (i.e. not only to the regulator or shareholders)?

Twenty-five SBFN member countries ask FIs to publish annual updates on the performance and impacts of their sustainability instruments in compliance with relevant national or international standards. Sixteen SBFN member countries require FIs **to obtain and disclose independent reviews of metrics reported annually** in relation to the social and environmental outcomes and impacts achieved through the sustainability instruments. Such a requirement is usually part of the green or sustainability bond guidelines.

Fourteen SBFN member countries ask FIs to report to the regulators or industry associations on allocation or outcomes of green, social, and sustainability loans, and 19 countries have similar requirements for bonds or other sustainable finance investments. For the banking sector, several SBFN countries have a reporting template for FIs to report their finance flow into green, social, and sustainability-related projects or sectors, either as an independent template or an annex within the general policy, including Bangladesh, China, Indonesia, and Nigeria. For the capital markets at the instrument level, all green bond guidelines have reporting requirements, and many of them include a list of items to report or a reporting template.

Twenty-five SBFN member countries (Bangladesh, Brazil, Cambodia, China, Colombia, Dominican Republic, Georgia, India, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Peru, Philippines, South Africa, Sri Lanka, Thailand, Turkey, Ukraine, and Vietnam) ask FIs to report publicly on their green, social, and sustainability-focused finance instruments and activities and related positive outcomes or impacts, mostly on their corporate websites. For example, the Cambodian Sustainable Finance Principles Implementation Guidelines encourage periodic public reporting on progress against each of the Cambodian Sustainable Finance Principles in an annual sustainability report and on the FI's website. Public disclosure of green bond related information on issuers' websites seems to be a common requirement for green bond guidelines in SBFN countries.

6.5 Summary of Pillar III Findings

Findings in the Financing Sustainability pillar demonstrate the continued efforts of SBFN members to develop sustainable finance policies, regulations, or guidelines to promote the adoption and growth of sustainable finance products and instruments. This significant progress reflects the dramatic expansion in market demand for green, climate, social, and sustainability-focused investment opportunities, and the global recognition of the need to harness the financial sector in the pursuit of the SDGs and the Paris Agreement.

Moving forward, SBFN will continue to support members to

- Continue the expansion of sustainable finance beyond green (environmental), in recognition of the importance

to SBFN members of addressing social aspects of sustainable finance, including financial inclusion, gender, inequality, and other SDGs.

- Facilitate the trend of sustainable finance to move beyond banking and recognize the significant potential for growth in other parts of the financial sector, including capital markets and through the role of institutional investors, such as pension funds.
- Support the development of critical enabling elements of sustainable finance flows, including innovative financial products and instruments, robust ESG data, harmonized standards, and the development of taxonomies.

Box 11: Climate investment opportunities in emerging markets

SBFN's Climate Risk Management pillar discussed the importance of financial sector policies and regulations that require climate risk management and disclosures for banks and investors to accelerate the rebalancing of financial portfolios away from high-emitting sectors towards low-carbon assets, and to improve the resilience of vulnerable assets exposed to the physical risks and impacts of climate change including extreme weather, floods, and drought. While the risks are significant, there is a tremendous opportunity for the global economy and emerging markets to benefit from a shift to a low-carbon future.

IFC undertook a bottom-up analysis in 2016 to assess the market potential for climate-smart investment opportunities in emerging economies. IFC analyzed national climate change commitments, commonly known as Nationally Determined Contributions (NDCs), and other policies in 21 countries representing 62 percent of the world's population and 48 percent of global greenhouse gas (GHG) emissions. The report, "[Climate Investment Opportunities in Emerging Markets](#)" (2016)⁶³, estimates that achieving these NDC targets in key sectors represents an investment opportunity of about \$23 trillion from 2016 to 2030, as shown in the chart below.

As noted in IFC's "[Ctrl-Alt-Delete: A Green Reboot for Emerging Markets](#)" (2020)⁶⁴, green and climate finance by banks and capital markets will be critical to fuel a post-COVID green recovery. The report identified over \$10 trillion of opportunities for climate smart investments, and green financial products and instruments will play a key role across all identified key sectors. These include green bonds and green loans that allocate the use of proceeds to eligible climate investments. New products have been developed including municipal resilience bonds, sustainability-linked bonds, and loans that offer variable interest rates based on achieving quantified climate results. Transition bonds are emerging as a new product to help heavy-emitting sectors make a transition to cleaner production practices. Traditional lending that targets climate-smart businesses, technologies, and financing specific climate-related improvements remains critical. Governments' enabling policies, regulations, and financial support across the reviewed key sectors will play a key role in helping build a pipeline of investable and bankable green asset classes.

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[IFC, 2016, "Climate Investment Opportunities in Emerging Markets - AN IFC Analysis"](#)

[IFC, 2020, "Ctrl-Alt-Delete: A Green Reboot for Emerging Markets - Key sectors for post-COVID sustainable growth"](#)

7. Conclusion

IFC has estimated over \$23 trillion in investment opportunities in climate-related sectors across emerging markets to achieve national Paris-aligned goals. Similarly, significant investment is required to achieve the SDGs by 2030. Most of the capital will need to come from the private sector. This will require robust foundations of environmental and social risk management and good governance to meet eligibility criteria for green, social, or sustainability-focused investments.

SBFN members have been collectively committed to this work since 2012. Once the foundations of risk management are in place, there is significant potential to enrich national frameworks to facilitate investment in a variety of environmental and social priorities, such as climate change mitigation and adaptation, biodiversity, financial inclusion, gender, and transition topics.

Data remains an essential building block in sustainable finance ecosystems. Where reporting is mandatory, such as to central banks, and where reporting templates are provided, there is detailed and robust data and high levels of compliance. Aggregated disclosure can reveal trends and correlations to inform market development. Public reporting requirements from stock exchanges and capital market regulators lead to more publicly available data, but of varying quality and credibility. International convergence around standards for sustainability disclosure are a timely development as most SBFN member countries get ready to deepen their disclosure expectations of FIs and FI clients.

All SBFN countries highlighted the need for continued awareness raising and capacity building for regulators, industry associations, and FIs. Regulators included a focus on building their internal institutional capacity, particularly when it comes to supervising compliance and good practice by FIs. Coordinated efforts by international development agencies and other stakeholders could help address these challenges. There is demand for structured training and e-learning for different parts of the financial sector, different institutional functions and units, and different sustainable finance topics, from introductory to complex. Peer-to-peer learning remains a powerful tool.

Despite clear progress among many low-income and fragile and conflict-affected countries and examples of good practices in developing and implementing sustainable

finance frameworks, further actions and additional international support are needed to help these countries de-risk investment and unlock sustainable finance at scale.

Based on the journeys of SBFN members to date, **mature sustainable finance ecosystems will have the following features:**

- Alignment with good practice across all three pillars: ESG Integration, Climate Risk Management, and Financing Sustainability.
- Sustainable frameworks and supporting elements that address all parts of the financial sector.
- Consistent and comparable data about sustainable finance implementation by FIs, on both the risk management and opportunity sides, and measurement of environmental, social, and economic benefits.
- Reporting requirements for the purposes of regulation and supervision, as well as to allow investors and stakeholders to better understand the sustainability performance of FIs and companies.
- Ongoing capacity building on sustainable finance that is tailored to different functions and roles in the financial sector ecosystem.

SBFN is a voluntary platform for knowledge exchange and collaboration among financial sector regulators and industry associations in emerging markets. The network supports members in a number of ways:

- Providing continuous partnership and direct technical input to the development of national frameworks and roadmaps by leveraging the rich knowledge base of member experiences and insights.
- Working with IFC and World Bank programs to provide deeper technical assistance to member countries at different stages of their sustainable finance journeys.
- Collating member knowledge and ensuring these emerging market perspectives are reflected in the global dialogue on sustainable finance.
- Convening members' collective efforts to conduct research and develop common approaches and tools, such as through member-led Working Groups and Task Forces.
- Supporting catalytic workshops in countries to engage a range of stakeholders around a common national vision and roadmap.

More than ever, sustainable finance is proving a powerful mechanism to help countries rebuild and become more resilient when faced with major social and environmental challenges, such as the COVID-19 pandemic. Leading countries have shown that proactive actions can help attract international capital and unlock financing for new green and inclusive sectors. Delayed action can put local financial institutions at a disadvantage, while lack of alignment with other markets can create costs and inefficiencies in cross-border sustainable finance activities. Nevertheless, success also requires consideration of local contexts, priorities, readiness, and constraints.

Findings from the 2021 benchmarking of progress among SBFN countries reveals important next priorities for collective work by members, IFC, World Bank, and other development partners:

7.1 Proposed actions for SBFN members at country level

- Broaden the understanding of national sustainable finance roadmaps to recognize the diversity of approaches and starting points, including the potential leadership role of all parts of the financial sector, including banking, capital markets, insurance, and pension funds.
- Support the continued expansion of sustainable finance beyond green (environmental) to include financial inclusion, just transition, human rights, gender, health, inequality, and other SDGs.
- Strengthen and align data and disclosure requirements for all parts of the sustainable finance ecosystem, particularly through collaboration between regulatory agencies.
- Expand and deepen frameworks for managing ESG risk throughout the financial sector as a foundation for competitiveness, investment opportunity, and impact through sustainable finance.
- Fast-track the development of climate risk guidance and tools to enable regulators, industry associations, and financial institutions to assess, monitor, and report on climate risk and financial impacts in line with international practice — recognizing the global urgency to act on climate change.

7.2 Proposed collective actions by the SBFN community

- Continue to raise awareness and support capacity building of FIs and regulators to design and implement effective sustainable finance frameworks.
- Strengthen collaboration on common approaches and tools through the SBFN Working Groups and participation in global dialogue.
- Consolidate the immense knowledge base within the SBFN community into dynamic and accessible tools, data, case studies, and evidence for members to more effectively learn and collaborate on specific aspects of sustainable finance.

The SBFN Secretariat will support these efforts in the next two years in the following ways:

- Convene the Sustainable Finance Instruments Working Group to map the landscape of sustainability-focused financial instruments and support the development of common approaches to national taxonomies and other strategies to increase credibility.
- Convene the Data and Disclosure Working Group to map the work being done across the network on reporting frameworks, disclosure requirements, monitoring, and data sharing for sustainable finance, and identify common tools and principles to support members.
- Support ongoing work by the SBFN IDA⁶⁵ Task Force to develop tools and resources to help build capacity and streamline adoption of effective sustainable finance roadmaps and frameworks in low-income countries.
- Leverage the SBFN Roadmap Approach to support members in planning their capacity building programs and accessing training tools and programs offered by IFC, the World Bank, and other development partners.
- Continue to facilitate virtual knowledge exchanges between members on topics of interest, as well as hosting webinars to feature member experiences and international experts.
- Develop interactive online analytical tools and resources that leverage the wealth of data gathered through the SBFN Global Progress Reports.

65 IDA refers to the International Development Association, part of the World Bank Group, which helps the world's poorest countries.

In addition, SBFN will represent emerging market perspectives in global dialogues on sustainable finance, including

- Contributing member insights to international initiatives on sustainable finance, such as the G20 Sustainable Finance Working Group, Network for Greening the Financial Sector (NGFS), and the International Platform on Sustainable Finance (IPSF).
- Working with regional platforms such as the ASEAN central banks and monetary authorities; the Latin American Banking Association (FELABAN); and the Central American Council of Superintendents of Banks, Insurance and Other Financial Institutions (CCSBSO), to promote regional collaboration, innovation, and knowledge sharing.

Box 12: ASEAN as an example of regional leadership on sustainable finance

The Association of Southeast Asian Nations (ASEAN) is a success story of regional collaboration on sustainable finance. Faced with common environmental and social challenges, the 10 ASEAN countries⁶⁶ have achieved rapid joint commitment to key components of sustainable finance systems.

The ASEAN Capital Markets Forum (ACMF), comprising the capital markets regulators from the 10 ASEAN countries, released the ASEAN Green Bond Standards in November 2017 based on the International Capital Market Association Green Bond Principles. Consensus within the ACMF was achieved quickly, as infrastructure needs and climate change are high on the agenda of all the regulators. The standards were updated in 2018 to include Social and Sustainability Bond Standards.

Building on this success, in March 2021, at the seventh meeting of the ASEAN Finance Ministers and Central Bank Governors, a number of initiatives were announced to deepen sustainable finance in the region:

- ASEAN Central banks officially endorsed the initiative on the ASEAN Sustainable Banking Principles, proposed by the State Bank of Vietnam with SBFN and

IFC support. The Principles will guide ASEAN central banks in further developing sustainable banking guidelines and tools aligned with each respective country's context.

- The ASEAN Capital Markets Forum, the ASEAN Insurance Regulators Meeting, the ASEAN Senior Level Committee on Financial Integration, and the ASEAN Working Committee on Capital Market Development jointly launched an initiative to develop an ASEAN taxonomy for sustainable finance, which will serve as the region's common language for sustainable finance.
- ACMF endorsed the ACMF Action Plan 2021-2025, which sets out three strategic objectives: (i) fostering growth and recovery with sustainability, (ii) promoting and sustaining inclusiveness; and (iii) strengthening and maintaining orderliness and resilience. The five key priorities that support the strategic objectives are:
 - i. driving higher levels of transparency and disclosure,**
 - ii. continuing with regulatory harmonisation,**
 - iii. intensifying capacity building,**
 - iv. amplifying communication and awareness building; and**
 - v. strengthening cooperation and coordination.**

66 Brunei, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

Annex A: SBFN country sustainable finance framework coverage

● Coverage for the banking sector ● Coverage for the non-banking sector ● Reporting requirements/recommendations

Country	ESG Integration	Climate Risk Management	Financing Sustainability	SBFN member representation*
Argentina	● ● ●	●	● ● ●	●
Bangladesh	● ● ●	● ●	● ● ●	● ●
Brazil	● ● ●	● ●	● ● ●	●
Cambodia	● ● ●	● ●	● ●	●
Chile				● ●
China	● ● ●	● ● ●	● ● ●	● ●
Colombia	● ● ●	● ● ●	● ● ●	● ●
Costa Rica	● ● ●	● ●	● ● ●	● ●
Dominican Republic			● ● ●	●
Ecuador	● ● ●		● ● ●	●
Egypt	● ● ●	●	● ● ●	●
Fiji				● ●
Georgia	● ● ●	● ● ●	● ● ●	● ●
Ghana	● ● ●	●		●
Honduras	● ● ●	● ●		● ●
India	● ● ●	● ●	● ● ●	●
Indonesia	● ● ●	● ●	● ● ●	● ●
Iraq	● ● ●		●	●
Jordan				●
Kazakhstan				● ●
Kenya	● ● ●	●	● ● ●	●
Kyrgyz Republic				●
Lao PDR				●
Maldives				●
Mexico	● ● ●	● ● ●	● ● ●	●
Mongolia	● ● ●	● ●	● ● ●	● ●
Morocco	● ● ●	● ● ●	● ● ●	● ●
Nepal	● ● ●		● ● ●	●
Nigeria	● ● ●	● ●	● ● ●	●
Pakistan	● ● ●	● ●	●	● ●
Panama	● ● ●	● ●	● ● ●	●
Paraguay	● ● ●		● ● ●	● ●
Peru	● ● ●		● ● ●	● ●
Philippines	● ● ●	● ● ●	● ● ●	● ●
Samoa				●
Serbia				●
South Africa	● ● ●	● ● ●	● ● ●	● ●
Sri Lanka	● ● ●	● ● ●	● ● ●	●
Thailand	● ● ●	● ● ●	● ● ●	●
Tunisia	● ● ●			●
Turkey		● ● ●	● ● ●	●
Ukraine			● ● ●	● ●
Vietnam	● ● ●		● ● ●	●

* The SBFN member representation indicates whether the SBFN member institutions in each country cover the banking sector and the non-banking sector.

Annex B: SBFN 2021 Measurement Framework and Methodology

About SBFN

Established in 2012, the Sustainable Banking and Finance Network (SBFN) is a unique, voluntary community of financial sector regulatory agencies and industry associations from emerging markets committed to advancing sustainable finance in line with international best practice. SBFN is facilitated by IFC as secretariat, and supported by the World Bank Group.

As of October 2021, SBFN comprised 43 member countries representing over US\$43 trillion and 86 percent of total banking assets in emerging markets. Members are committed to collectively driving measurable change.

Why a measurement framework?

In 2016, members requested a systematic comparison of country approaches to developing national sustainable finance frameworks. The SBFN Measurement Working Group was established to convene member inputs on the design of a common framework to benchmark country progress and accelerate peer-to-peer knowledge exchange. The Framework is designed to inform the biennial SBFN Global Progress Report.

An evolving framework

The SBFN Measurement Framework reflects the activities, strategies, and tools that members use to promote sustainable finance in their countries. It evolves to match advances in country initiatives. It also incorporates the latest international standards and best practices identified by members as important to their efforts.

A member-led approach

The Framework was designed with extensive member input under the leadership of the Measurement Working Group and Co-Chairs. Updates to the Framework are guided by the Measurement Working Group and agreed by all SBFN Members.

Data collection in partnership with members

As of 2021, data collection for the SBFN Global Progress Report relies on member country reporting in line with the updated Measurement Framework. Information is supported by evidence, which is verified by the SBFN secretariat in collaboration with third-party service providers. Evaluation and milestones are objective and transparent. Members approve the final Global and Country Progress Reports.

The Framework can be used as:



a **mapping tool** to capture the dynamic interaction of collective insights, market-based actions, and policy leadership demonstrated by SBFN members as they move their financial markets toward sustainability;



a **benchmarking tool** for SBFN members to learn from and compare peer approaches, track and review progress against global benchmarks, develop common concepts and definitions, and leverage innovations and strengths; and



a **forward planning and capacity building tool** to identify future policy pathways and capacity building needs.

The Measurement Framework is based on three intersecting themes in sustainable finance. For each theme, it assesses regulatory guidance, supervision strategies, disclosure requirements, and voluntary industry approaches.



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



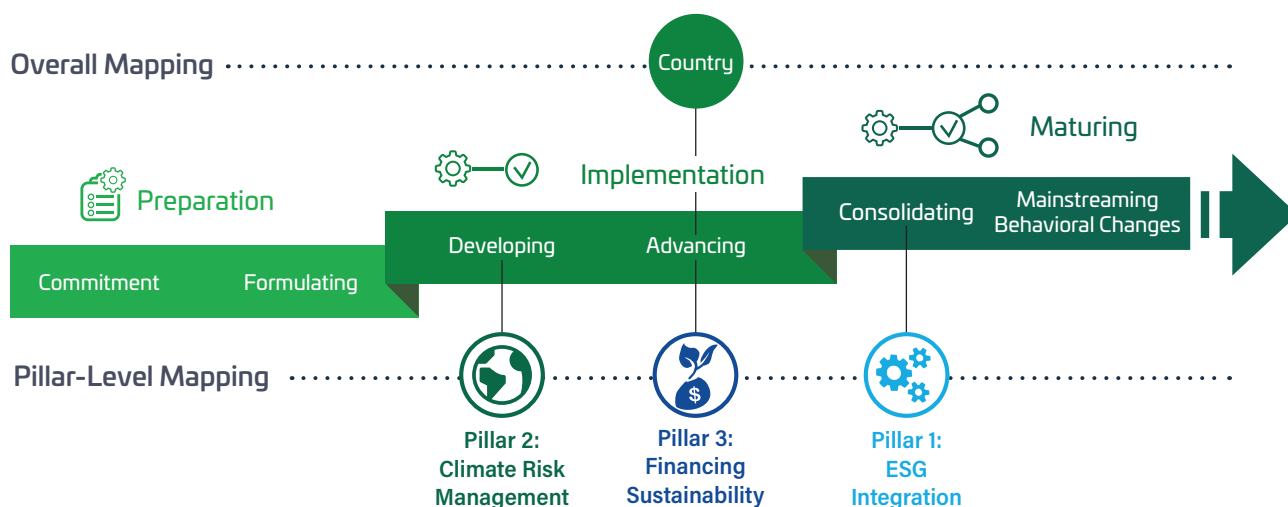
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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

The Measurement Framework consists of three complementary components:

1. Progression matrices

Drawing on SBFN members' common development paths and milestones, the **SBFN Progression Matrix** provides an overview of market-wide progress for all SBFN countries across three typical stages of development. It allows each SBFN member to review its own progress and identify the strengths and weaknesses of its approach.

The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices. In the 2021 report, in addition to the Overall Progression Matrix, three pillar-level matrices are added to reflect a country's development process in each of the pillar areas.



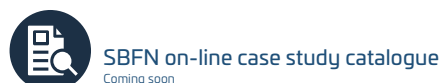
2. Pillar benchmarking

A dynamic assessment is conducted across several priority pillars of sustainable finance, using qualitative and quantitative datapoints to assess progress and allow comparison across countries. Three pillars, three cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 underlying datapoints are used to objectively assess a country's sustainable finance framework(s), according to clarity, depth, and alignment to international good practice.

	Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar 1: Strategic Alignment	<ul style="list-style-type: none"> National framework Alignment with international goals and standards Alignment with national goals and strategies 		
Sub-pillar 2: Regulatory and Industry Association Actions	<ul style="list-style-type: none"> Overall approach and strategy Technical guidance Supervisory activities and incentives Tracking and aggregated disclosure 		
Sub-pillar 3: Expectations of Financial Institution (FI) Actions	<ul style="list-style-type: none"> Strategy and governance Organizational structure and capacity Policies and procedures Tracking, reporting, and disclosure 		

3. Sector data and case studies

In 2021, data collection included an exploratory request for quantitative data points — where available — for the number and percentage of financial institutions that are implementing ESG integration as well as climate risk management and disclosure; and the total value of green, social, and sustainability bond issuance. Detailed case studies were also collected of innovative approaches by regulators and industry. Case studies will be published in a new on-line case study catalogue.



SBFN Measurement Framework pillars, sub-pillars, indicators, and underlying datapoints

Pillar 1: ESG Integration			
Sub-pillar	Indicator	No.	Underlying datapoint
Strategic Alignment	National framework ¹ (e.g. policies, roadmaps, guidance, regulations, voluntary principles, templates, or tools)	1	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of environmental, social, and governance (ESG) risks and performance?
		2	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance or other non-lending FIs that sets out expectations for integrating the consideration of ESG risks and performance?
	Alignment with international goals and standards	3	Does the Framework make reference to international sustainable development frameworks or goals?
		4	Does the Framework make reference to established international ESG risk management standards and principles for FIs?
	Alignment with national goals and strategies	5	Does the Framework make reference to specific national development objectives, plans, policies, goals, or targets?
		6	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design and/or implementation related to ESG integration?
		7	Does any inter-agency data sharing currently exist related to ESG integration by FIs?
Regulatory and Industry Association Actions	Overall approach and strategy	8	Does the Framework provide guidance on the role of the regulator or industry association with regard to assessing and managing ESG risk and performance in the financial sector?
		9	Has the regulator or industry association undertaken market assessment to identify systemic ESG risks through analysis of the portfolios of supervised entities/members and published the results?
	Technical guidance	10	Does the Framework provide technical guidance or tools to support implementation of ESG risk and performance management by the financial sector?
	Supervision activities and incentives	11	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
		12	Does the regulator or industry association provide any financial or non-financial incentives for FIs to manage ESG performance as part of the Framework?
		13	Does the regulator or industry association apply any disincentives/penalties for non-compliance by FIs in terms of expectations from the regulator and/or industry association related to ESG risk management as part of the Framework?
	Tracking and aggregated disclosure	14	Has the regulator or industry association established a data collection approach and database to track or regularly publish data related to ESG integration by FIs as part of the Framework?
Expectations of FI Actions	Strategy and governance	15	Does the Framework require/ask the FI's board of directors (or highest governing body) to approve an ESRM and/or ESG integration strategy, and to supervise its implementation?
	Organizational structure and capacity	16	Does the Framework require/ask FIs to allocate resources/budget commensurate with portfolio ESG risks and define roles and responsibilities for ESG integration within the organization?
		17	Does the Framework require/ask FIs to develop and maintain the ESG expertise and capacity of staff commensurate with portfolio ESG risks through regular training and learning?
		18	Does the Framework require/ask FIs to create incentives for managers to reduce the ESG risk-level of the portfolio over a specified timeframe?
	Policies and procedures	19	Does the Framework require/ask FIs to develop policies and procedures to identify, classify, measure, monitor, and manage ESG risks and performance throughout the financing cycle at the client level and/or the transaction/project level?
		20	Does the Framework require/ask FIs to undertake a regular review and monitoring of ESG risk exposure at aggregate portfolio level?
		21	Does the Framework require/ask FIs to establish and maintain an external inquiry/complaints/grievance mechanism for interested and affected stakeholders in relation to ESG practices?
	Tracking, reporting, and disclosure	22	Does the Framework require/ask FIs to report ESG risks and performance to the regulator or industry association?
		23	Does the Framework require/ask FIs to report on ESG integration publicly?
		24	Does the Framework require/ask FIs to track credit risk (e.g. loan defaults) and/or financial returns in relation to ESG risk level?
Pillar 2: Climate Risk Management			
Strategic Alignment	National framework	25	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?
		26	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?
	Alignment with international goals and standards	27	Does the Framework make reference to international agreements or frameworks to address climate?
		28	Does the Framework recognize or align with established regional or international good practice for climate risk management and disclosure by FIs?
	Alignment with national goals and strategies	29	Has the regulator or industry association aligned the Framework with national goals to address climate change in line with the country's Nationally Determined Contributions (NDCs) to the Paris Agreement?
		30	Does any cooperation exist between agencies, or between government and industry association, with respect to policy design or implementation related to climate risk management?
		31	Does any inter-agency data sharing currently exist related to climate risk management by FIs?

¹ **National framework** refers to the collective set of policies, roadmaps, guidance, regulations, and/or voluntary principles issued by national 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 and characteristics. They are also often interdependent with other national roadmaps, policies, and regulations. Countries vary in their starting points and the types of documents to kickstart the enabling framework. For instance, initial frameworks could choose to focus on ESG risk management and/or sustainable finance opportunities such as green bonds. They could also focus on banking, capital markets, or institutional investors. The variety of SBFN frameworks provides a rich source of inspiration for peer learning and collaboration.

Regulatory and Industry Association Actions	Overall approach and strategy	32	Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?
		33	Does the Framework identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?
		34	Does the Framework incorporate the conservation/restoration of natural carbon sinks (such as oceans, forests, mangroves, grasslands, and soils) as an important part of reducing climate change risks (e.g., through guidelines, scenario analysis, targets, or incentives for FIs)?
		35	Has the regulator or industry association developed an internal strategy to address climate risk, and/or embedded climate risk management into its governance, organizational structures, and budget as part of the Framework?
		36	Has the regulator or industry association undertaken any activities to expand and deepen analytical understanding of national and/or cross-border physical and transition climate risks, and to raise awareness as to how these risks may transmit to, and impact, the financial sector?
Regulatory and Industry Association Actions	Technical guidance	37	Has the regulator or industry association developed risk assessment approaches, methodologies, or tools to understand and assess the financial sector's exposure to climate risk as part of the Framework?
	Supervisory activities and incentives	38	As part of the Framework, has the regulator clarified supervisory expectations with regard to climate risk management by FIs, including consideration of international good practices?
		39	Has the regulator started to explicitly embed climate-related risk in supervisory activities and review processes as part of the Framework?
		40	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
	41	Are there any financial or non-financial incentives to encourage FIs to establish climate risk management systems?	
Tracking and aggregated disclosure	42	Does the regulator or industry association regularly collect and/or report market-level and/or FI-level data on climate-related financial sector risks as part of the Framework?	
Expectations of FI Actions	Strategy and governance	43	Does the Framework require/ask FIs to establish a strategy for climate risk management with responsibility at the board of director level (or highest governing body)?
	Organizational structure and capacity	44	Does the Framework require/ask FIs to define the roles and responsibilities and related capacities of the FI's senior management and operational staff in identifying, assessing, and managing climate-related financial risks and opportunities?
	Policies and procedures	45	Does the Framework require/ask FIs to expand existing risk management processes to identify, measure, monitor, and manage/mitigate financial risks from climate change?
	Tracking, reporting, and disclosure	46	Does the Framework require/ask FIs to report on their overall approaches to climate risk management in line with international good practices (e.g. TCFD), or establish a timeline by which FIs should begin to align their reporting with such practices?
		47	Does the Framework require/ask FIs to identify, measure, and report on exposure to sectors which are vulnerable to transition risk and physical risk?
		48	Does the Framework require/ask FIs to adopt and report on performance targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?
		49	Does the Framework require/ask FIs to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?

Pillar 3: Financing Sustainability

Strategic Alignment	National framework	50	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
		51	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
	Alignment with international goals and standards	52	Has the regulator or industry association developed a strategy, regulations, or set of frameworks for stimulating the allocation of capital to sustainable assets, projects, and related sectors in line with global goals, such as the Sustainable Development Goals (SDGs)?
		53	Does the Framework recognize and/or align with existing standards, voluntary principles, or market good practices related to sustainable finance instruments?
	Alignment with national goals and strategies	54	Does the Framework enable the achievement of stated national objectives by guiding capital to sectors, assets, and projects that have environmental and social benefits in line with national sustainable development priorities, strategies, targets, and the size of sustainable investment needs, and taking into account the local barriers to scaling-up sustainable finance?
		55	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design or implementation related to sustainable finance flows?
56		Does any inter-agency data sharing currently exist related to stimulating and monitoring sustainable finance flows?	
Regulatory and Industry Association Actions	Overall approach and strategy	57	Does the Framework require/ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects?
	Technical guidance	58	Does the Framework provide definitions, examples, and/or a taxonomy (catalogue and guidelines) of sustainable finance assets?
		59	Does the Framework provide guidelines for extending green, social, or sustainability-focused loans (excluding bonds)?
		60	Does the Framework provide guidelines for issuance of green, social, or sustainability bonds?
		61	Does the Framework require/ask for external party verification to ensure the credibility of sustainability instruments?
	Supervisory activities and incentives	62	Does the regulator or industry association monitor information reported by FIs related to green/social/sustainability investment, lending, and other instruments to prevent greenwashing and social-washing?
		63	Are there any financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments?
	Tracking and aggregated disclosure	64	Does the regulator or industry association collect and/or publish data from FIs or other sources about allocation of capital to green/social/sustainability assets, projects, or sectors?

Expectations of FI Actions	Strategy and governance	65	Does the Framework require/ask FIs to establish a strategy, governance, or high-level targets, including at the Board of Directors level, for capital allocation to sustainable assets, projects, or sectors?
	Organizational structure and capacity building	66	Does the Framework require/ask FIs to define internal staff roles and responsibilities to encourage finance flows to green, social, and/or sustainability-focused investments?
		67	Does the Framework require/ask FIs to develop and maintain internal staff capacity on green, social, or sustainability products through regular training and learning?
	Policies and procedures	68	Does the Framework require/ask FIs to put in place policies and procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products?
		69	Does the Framework require/ask FIs to appoint an independent external reviewer to confirm that the FI's internal framework meets the requirements of the recognized national framework and regulations, or aligns to international standards?
		70	Does the Framework require/ask that FIs create incentives for managers to increase sustainable loans or investments in the portfolio?
	Tracking, reporting, and disclosure	71	Does the Framework require/ask FIs to publish annual updates on the performance and impacts of the sustainability instruments in compliance with relevant national and/or international standards?
		72	Does the Framework require/ask FIs to obtain and disclose independent review of metrics reported annually in relation to the social and environmental outcomes and impacts achieved through the sustainability instruments?
		73	Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on allocation and/or outcomes of green, social, and/or sustainability loans?
		74	Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on green, social, and/or sustainability bonds or other positive impact investments?
		75	Does the Framework require/ask FIs to report publicly on their green, social, and sustainability-focused finance activities and positive outcomes or impacts (i.e. not only to the regulator or shareholders)?

Figure 27: Overall Progression Matrix Milestones

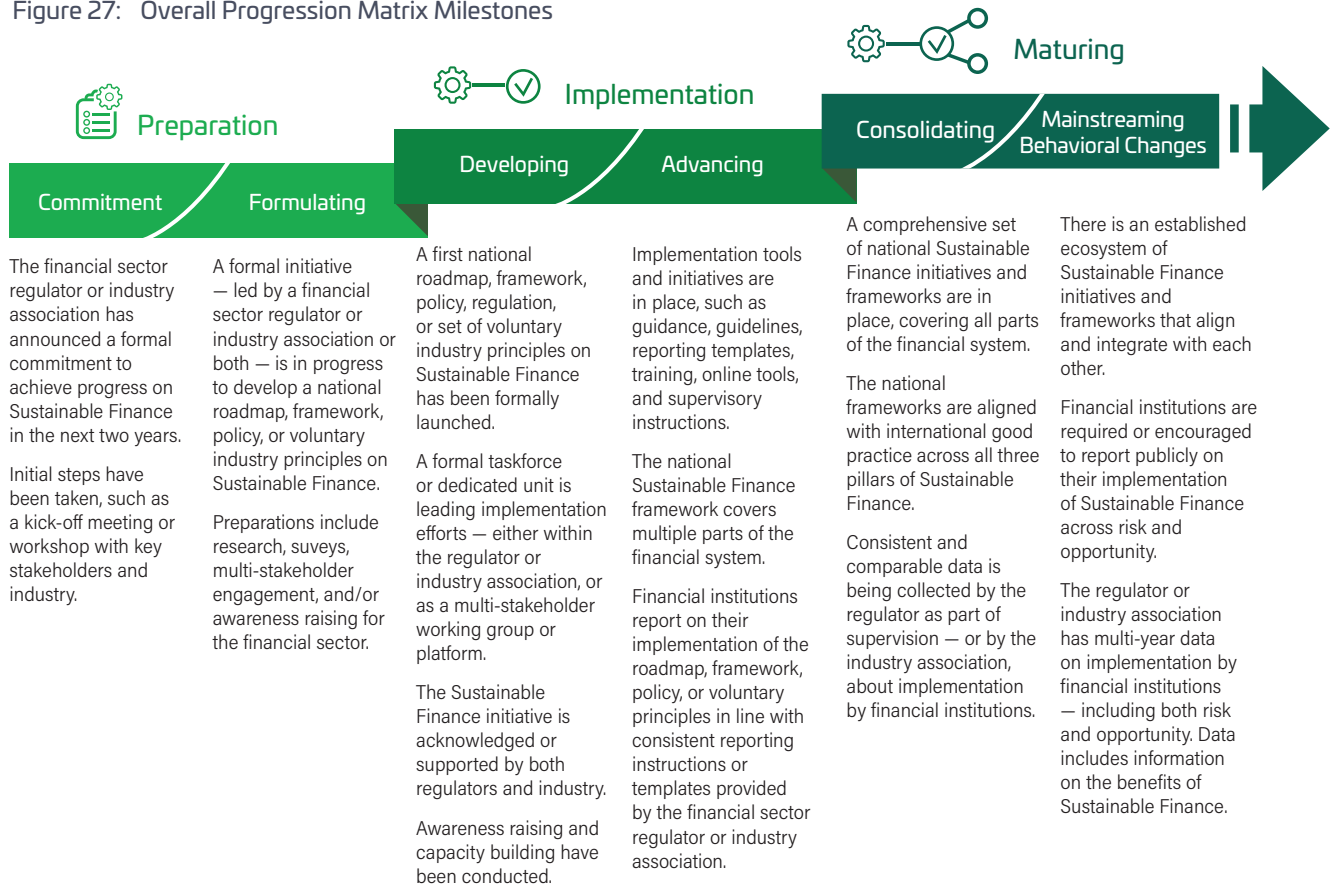


Figure 28: Progression Matrix Milestones – Pillar 1: ESG Integration

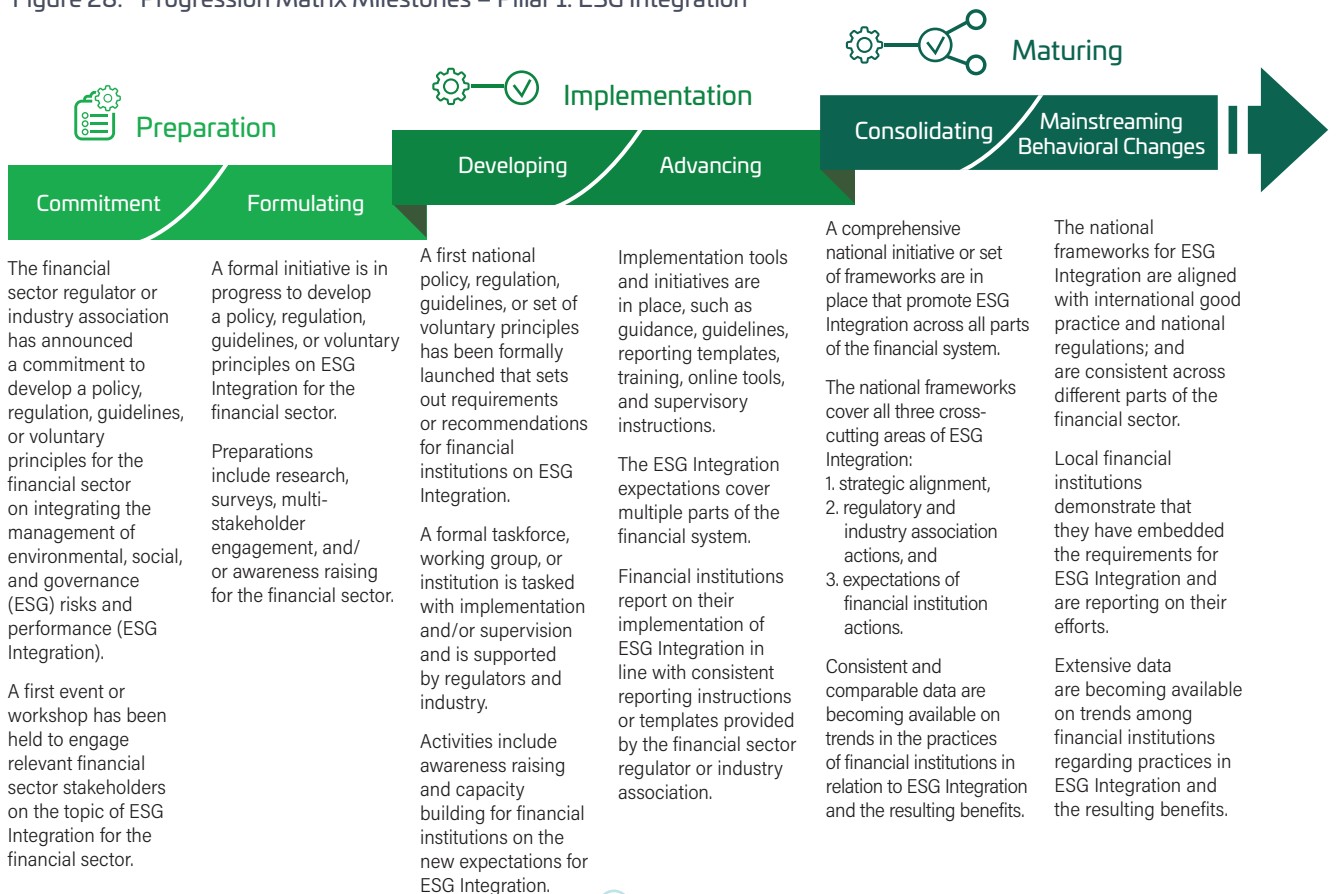


Figure 29: Progression Matrix Milestones – Pillar 2: Climate Risk Management

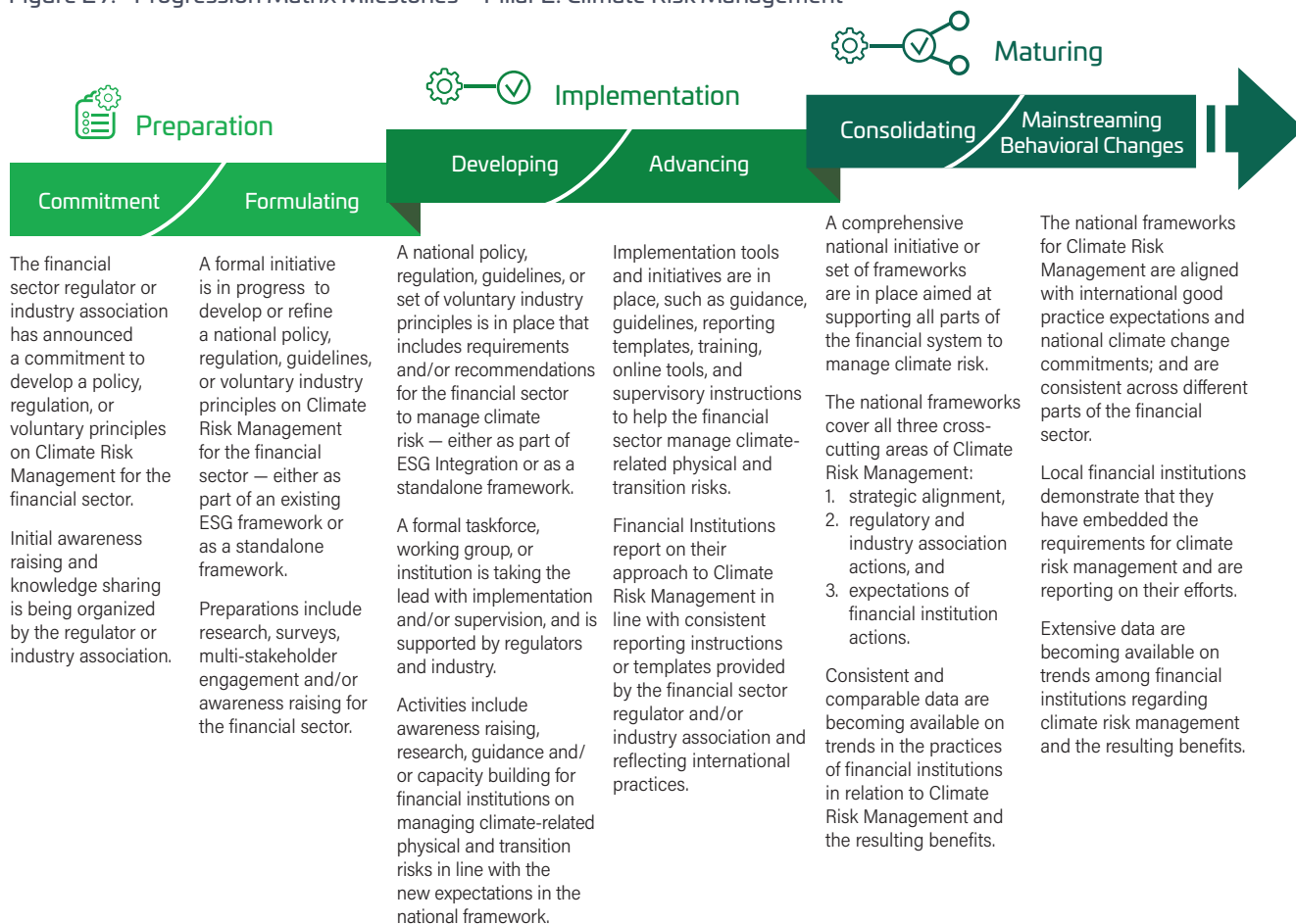
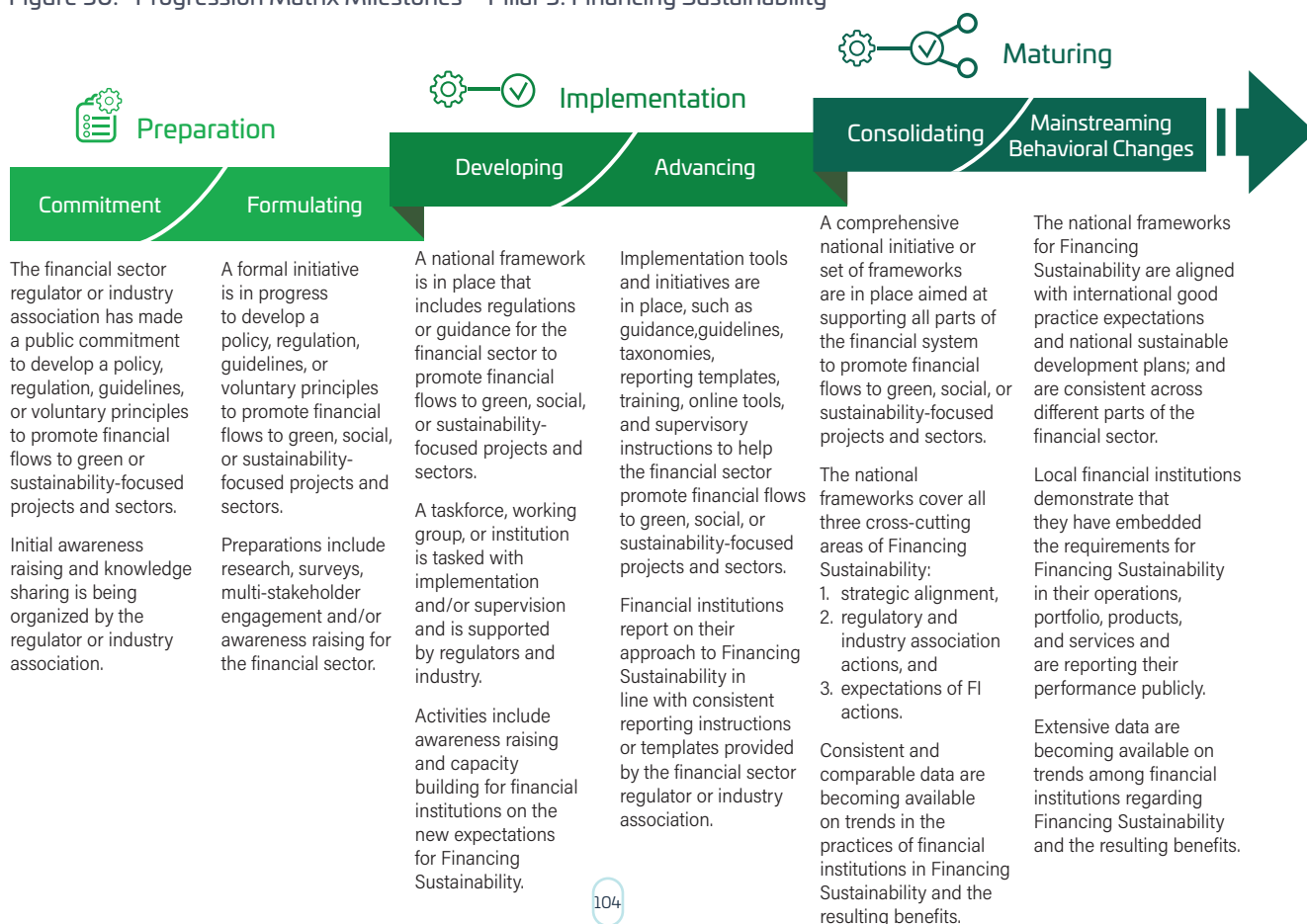


Figure 30: Progression Matrix Milestones – Pillar 3: Financing Sustainability



Annex C: Library of national sustainable finance framework documents

The table below indicates the national policies, regulations, voluntary principles, guidelines, roadmaps, and other sustainable finance documents developed by SBFN member countries that were considered during the development of the 2021 Global Progress Report and Country Reports. Documents issued between the cut-off date for the 2019 Global Progress Report (31 July 2019) and the 2021 Global Progress Report (31 July 2021) are highlighted in light-green background.

This is not an exhaustive list, it only represents what we have been able to capture during our data collection and member interviews.

In the case of multiple authors/issuers, it may be the case that only one is listed here.

 Policies marked in green were issued after the 2019 report

Country	Policies/Principles/Guidelines/Directives/Circulars/...	Year	Issuer
Argentina	Regulation for the Securities List Trustees and/or Parties of Social, Green, and Sustainable Closed Common Funds Investment (FCCI)	2021	Argentina Stock Exchange
Argentina	Regulation for the listing of negotiable obligations and/or public securities and for its incorporation into social green and sustainable panel	2021	Argentina Stock Exchange
Argentina	Green and Sustainable Social Bond Guide	2020	Argentina Stock Exchange
Argentina	Sustainable Finance Protocol 2019	2019	Bank of Argentina
Argentina	Guidelines for issuance of social green and sustainable securities	2019	National Securities Commission (CNV)
Argentina	Argentina's Guidelines for the Issuance of Social, Green and Sustainable Negotiable Securities	2018	National Securities Commission (CNV)
Bangladesh	SFD Circular No. 01 Target and Achievement of Sustainable Finance and Green Finance	2021	Bangladesh Bank
Bangladesh	Updated template for report on Green Banking Activities of Banks and Financial Institutions	2021	Bangladesh Bank
Bangladesh	Sustainability Rating of Banks and Financial Institutions	2020	Bangladesh Bank
Bangladesh	Sustainable Finance Policy for Banks and Institutions	2020	Bangladesh Bank
Bangladesh	Green Bonds Development in Bangladesh: A market landscape	2019	Bangladesh Bank
Bangladesh	Green Banking Reporting template	2018	Bangladesh Bank
Bangladesh	ESDD Risk Assessment Tool	2018	Bangladesh Bank
Bangladesh	Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh	2017	Bangladesh Bank
Bangladesh	Policy Guidelines for Green Banking	2011	Bangladesh Bank
Brazil	Green Taxonomy	2021	FEBRABAN
Brazil	Explanatory Guide to FEBRABAN Green Taxonomy	2021	FEBRABAN
Brazil	Normative SARB 14 on Social and Environmental Responsibility for Financial Institutions 2020 update to 2014 policy to include climate risk	2020	FEBRABAN
Brazil	Measurement Guide of GHG Emissions in the Banking Sector	2020	FEBRABAN
Brazil	Report on the Status of Implementation of the TCFD Roadmap Across Brazilian Banks	2020	FEBRABAN
Brazil	Decree 10.387/2020: New Incentives for the Financing of Infrastructure "Green Projects"	2020	Government of Brazil
Brazil	Mainstreaming Sustainability in Brazil financial sector	2020	Financial Innovation Laboratory (LAB)

Brazil	Climate Risk Sensitivity Assessment Tool	2019	FEBRABAN
Brazil	Implementing the TCFD recommendations: A roadmap for the Brazilian banking sector	2019	FEBRABAN
Brazil	Guidelines for issuing Green Bonds	2016	FEBRABAN
Brazil	Resolution No 4327 on Social and Environmental Responsibility for Financial Institutions	2014	Central Bank of Brazil
Brazil	Framework for the Creation and Implementation of a Socioenvironmental Responsibility Policy	2014	FEBRABAN
Brazil	Green Protocol	2008	FEBRABAN
Cambodia	ABC member banking industry survey on sustainable finance	2020	Association of Banks in Cambodia
Cambodia	Sustainable Finance Principles Implementation Guidelines	2019	Association of Banks in Cambodia
Cambodia	Sustainable Finance Principles Statement of Intent	2016	Association of Banks in Cambodia
Chile	Sovereign Sustainable Bond Framework	2020	Government of Chile
Chile	Sovereign Green Bond Framework	2019	Government of Chile
China	Updated Green Bond Project Catalogue	2021	People's Bank of China
China	Guidelines on Environmental Information Disclosure for Financial Institutions	2021	People's Bank of China
China	Banking Sector Financial Institution Green Finance Assessment Plan	2021	People's Bank of China
China	Notice on Evaluating Green Credit Performance of Banking Deposits-Type Financial Institutions External Circular 028	2020	People's Bank of China
China	Guiding Opinions of the China Banking and Insurance Regulatory Commission on Promoting the High-Quality Development of the Banking and Insurance Industry: No. 52	2019	China Securities Regulatory Commission
China	Policies and Actions for Addressing Climate Change	2019	Ministry of Ecology and Environment of the People's Republic of China
China	Green Industry Guiding Catalogue	2019	National Development and Reform Commission
China	Compulsory Environmental Pollution Liability Insurance Regulation	2018	Ministry of Ecology and Environment of the People's Republic of China & CBIRC
China	The Green Investment Principles (GIP) for the Belt and Road Initiative	2018	Green Finance Committee
China	Notice of Green Finance Performance Evaluation Program	2018	People's Bank of China
China	Green Banking Assessment Plan (Pilot)	2017	China Banking Association
China	Guidelines for Green Bond Issuance for listed companies	2017	China Securities Regulatory Commission
China	Institutional Investors Guidelines for Green Bond	2017	National Association of Financial Market Institutional Investors
China	Impact of Environmental Factors on Credit Risk of Commercial Banks	2016	Industrial and Commercial Bank of China
China	Guidelines for Green Bond Issuance	2016	Industrial and Commercial Bank of China
China	Notice on Green Bond for Inter-bank Market & Green Bond Endorsed Project Catalogue	2016	People's Bank of China
China	Guidelines for Establishing the Green Financial System	2016	People's Bank of China
China	Notice on Green Bond for Inter-bank Market & Green Bond Endorsed Project Catalogue	2015	People's Bank of China
China	Green Credit Key Performance Indicators	2014	China Banking and Insurance Regulatory Commission (CBIRC)
China	Green Credit Statistics Reporting	2013	China Banking and Insurance Regulatory Commission (CBIRC)

China	Green Credit Guidelines	2012	China Banking and Insurance Regulatory Commission (CBIRC)
China	Green Credit Policy	2007	China Banking and Insurance Regulatory Commission (CBIRC)
Colombia	CE07-2021 for mandatory pension funds regarding their investment policies (AFPs to consider and integrate ESG issues as risk factors)	2021	Financial Superintendence of Colombia (SFC)
Colombia	CE08-2021 for voluntary pension funds (Voluntary funds with a Sustainability, Green, Social, or other ESG dimension denomination to justify the denomination and report on performance on the denomination)	2021	Financial Superintendence of Colombia (SFC)
Colombia	Technical Document on ESG and Climate Disclosure	2021	Financial Superintendence of Colombia (SFC)
Colombia	Best practices for the management of investments of the administrators of the general pension system	2021	Financial Superintendence of Colombia (SFC)
Colombia	External Circular 028 - Specific Securities Issue Rules (including instructions on issuance of green bonds)	2020	Financial Superintendence of Colombia (SFC)
Colombia	Recommendations and Guidelines for-the issuance of Green Bonds	2020	Financial Superintendence of Colombia (SFC)
Colombia	Climate change: policies to manage its macroeconomic and financial effects	2020	Central Bank of Colombia (Banco de la Republica)
Colombia	Guide for the preparation of ESG reports for issuers in Colombia	2020	Financial Superintendence of Colombia (SFC)
Colombia	Risks and Opportunities of Climate Change - Survey of Supervised Entities	2019	Financial Superintendence of Colombia (SFC)
Colombia	Roadmap of actions to launch a green bond market	2017	E3 and Metrix Finanzas
Colombia	General guidelines for the implementation of E&S risk analysis	2016	Asobancaria
Colombia	Green Protocol	2012	Asobancaria
Costa Rica	Monitoring of Climate Financing in Financial Entities Supervised by SUGEF in Costa Rica: Guide for Reporting	2021	General Superintendency of Financial Institutions of Costa Rica (SUGEF)
Costa Rica	Principles of Green Economy	2019	National Stock Exchange
Costa Rica	Green Protocol	2019	Chamber of Banks and Financial Institutions
Costa Rica	Guide to voluntary sustainability reporting	2018	National Stock Exchange
Dominican Republic	Guidelines for broadcast of values public offer sustainable, green, and social in the securities market	2020	Superintendency of the Securities Market
Dominican Republic	Green Finance Segment for the Dominican Republic	2019	Dominican Republic Stock Exchange
Ecuador	Guide for Green and Social Bonds	2020	Quito Stock Exchange
Ecuador	Sustainable Banking Protocol	2016	Banking Association of Ecuador (Asobancos)
Egypt	Sustainable Finance Guiding Principles	2021	Central Bank of Egypt
Egypt	Implementation Plan: Scaling Up Climate Finance in Egypt Through the Financial Sector	2020	Central Bank of Egypt
Egypt	Sovereign Green Financing Framework	2020	Government of Egypt
Fiji	Sovereign Green Bond Framework	2017	Government of Fiji
Georgia	Corporate Governance Code of Commercial Banks (including ESG)	2021	National Bank of Georgia
Georgia	Regulation on disclosure requirements for Commercial Banks	2021	National Bank of Georgia
Georgia	ESG Reporting and Disclosure Principles	2020	National Bank of Georgia
Georgia	NBG publishes ESG reports of commercial banks for the first time	2020	National Bank of Georgia
Georgia	NBG launches its first Sustainable Finance Status Report	2020	National Bank of Georgia
Georgia	Roadmap for sustainable finance	2019	National Bank of Georgia
Georgia	Corporate Governance Code for Commercial Banks (including ESG)	2018	National Bank of Georgia

Ghana	Reporting template for Ghana Sustainable Banking Principles	2020	Bank of Ghana
Ghana	Sustainable Banking Principles	2019	Bank of Ghana
Ghana	Agriculture and Forestry Sector Guidance Note	2019	Bank of Ghana
Ghana	Power and Energy Sector Guidance Note	2019	Bank of Ghana
Ghana	Construction and Real Estate Sector Guidance Note	2019	Bank of Ghana
Ghana	Manufacturing Sector Guidance Note	2019	Bank of Ghana
Ghana	Oil and Gas and Mining Sector Guidance Note	2019	Bank of Ghana
Ghana	Corporate Governance Directive	2018	Bank of Ghana
Honduras	Standard for Management of Environmental and Social Risk Applicable to Financial Institutions - Circular CNBS No.028 / 2020	2020	National Commission on Banking and Insurance (CNBS)
Honduras	Environmental Categorization Table - Ministerial Agreement No. 0740-2019	2019	Secretary of State in the Offices of Natural Resources and Environment of Honduras
India	Practical actions to finance India's sustainable recovery	2021	India-UK Sustainable Finance Working Group
India	Business responsibility and sustainability reporting by listed entities	2020	Securities & Exchange Board of India
India	National Guidelines on Responsible Business Conduct	2019	Ministry of Corporate Affairs
India	National Voluntary Guidelines for Responsible Financing	2017	Indian Banks' Association
India	Disclosure Requirements for Issuance and Listing of Green Debt Securities	2017	Securities & Exchange Board of India
Indonesia	Sustainable Finance Roadmap: 2021-2025	2021	Indonesia Financial Services Authority (OJK)
Indonesia	Islamic Banking Development Roadmap: 2020-2025	2021	Indonesia Financial Services Authority (OJK)
Indonesia	Financial Services Sector Master Plan: 2021-2025	2021	Indonesia Financial Services Authority (OJK)
Indonesia	National Economic Recovery PEN	2020	Government of Indonesia
Indonesia	Technical Guidelines for Banks on the Implementation of OJK Regulation POJK Number 51/POJK.03/ 2017	2017	Indonesia Financial Services Authority (OJK)
Indonesia	Regulation on the Issuance and the Terms of Green Bond (No. 60/ POJK.04/2017)	2017	Indonesia Financial Services Authority (OJK)
Indonesia	Regulation on Application of Sustainable Finance to Financial Services Institution, Issuer and Publicly Listed Companies	2017	Indonesia Financial Services Authority (OJK)
Indonesia	Sustainable Finance Roadmap 2015-2019	2014	Indonesia Financial Services Authority (OJK)
Iraq	Environmental, Social, and Corporate Governance Scorecards (assessment by authorization only)	2021	Central Bank of Iraq (CBI)
Iraq	The Second Strategic Plan 2021-2023	2021	Central Bank of Iraq (CBI)
Iraq	Sustainability Principles (as part of the Corporate Governance Code)	2019	Central Bank of Iraq (CBI)
Kenya	Guidance on Climate-Related Risk Management	2021	Central Bank of Kenya
Kenya	The Landscape of Climate Finance in Kenya Report	2021	National Treasury
Kenya	2020 Report on the State of Sustainable Finance in Kenya's Banking Industry	2021	Kenya Bankers Association
Kenya	Kenya Sustainable Finance Initiative Industry Guiding Principles	2019	Kenya Bankers Association
Kenya	Green Bond Guidelines Background Document	2019	Kenya Bankers Association
Kenya	Green Bond Market Issuers Guide	2019	Nairobi Securities Exchange
Kenya	Green Bonds Training Material	2018	Nairobi Securities Exchange
Kenya	National Treasury Climate Finance Policy	2016	National Treasury
Kenya	Sustainable Finance Principles and Guidelines	2015	Kenya Bankers Association
Mexico	Analysis tool for governance structures and environmental, social, and climate risk management practices (limited access)	2020	Mexican Bankers Association (ABM)

Mexico	Proposal of Elements for the Development of Green Taxonomy in Mexico	2020	Mexican Bankers Association (ABM)
Mexico	Climate and Environmental Risk and Opportunities in Mexico's Financial System, from Diagnosis to Action	2020	Central Bank of Mexico
Mexico	Request to issuers regarding the disclosure of environmental, social, and corporate governance information	2020	Green Finance Advisory Council
Mexico	Climate and Environmental Risks and Opportunities in Mexico's Financial System: from Diagnosis to Action	2019	Central Bank of Mexico
Mexico	Provisions of a general nature in financial matters of the Retirement Savings Systems (The mandatory inclusion of environmental, social and corporate governance factors)	2019	CONSAR, National Commission of the Retirement Savings System
Mexico	ESG Guide for Investors	2019	Green Finance Advisory Council
Mexico	Requirement to integrate ESG factors in pensions investment decisions by 2022	2019	CONSAR, National Commission of the Retirement Savings System
Mexico	Green Bond Principles MX	2018	Climate Finance Advisory Group
Mexico	Banking Sustainability Protocol	2016	Mexican Bankers Association (ABM)
Mongolia	Green Bond Regulation	2021	Financial Regulatory Commission (FRC)
Mongolia	Green Loan Statistics online database	2020	Bank of Mongolia
Mongolia	National Green taxonomy	2019	Financial Stability Commission of Mongolia
Mongolia	Sustainable Finance Principles: Textile Sector Guideline	2019	Mongolian Bankers Association
Mongolia	National Sustainable Finance Roadmap	2018	Mongolian Sustainable Finance Association (MSFA)
Mongolia	Sustainable Finance Principles: Mining Sector Guideline	2014	Mongolian Sustainable Finance Association (MSFA)
Mongolia	Sustainable Finance Principles: Manufacturing Sector Guideline	2014	Mongolian Sustainable Finance Association (MSFA)
Mongolia	Sustainable Finance Principles: Construction and Infrastructure Sector Guideline	2014	Mongolian Sustainable Finance Association (MSFA)
Mongolia	Sustainable Finance Principles: Agriculture Sector Guideline	2014	Mongolian Sustainable Finance Association (MSFA)
Mongolia	Sustainable Finance Principles: Guidelines	2014	Mongolian Sustainable Finance Association (MSFA)
Morocco	Regulatory directive calling on banks to address climate and environmental financial risk	2021	Bank Al-Maghrib (BKAM, central bank of Morocco)
Morocco	Gender Bonds Guidelines	2021	Moroccan Capital Market Authority (AMMC)
Morocco	AMMC amended rulebook, including provisions for the issuance of sustainable finance instruments and mandatory ESG reporting	2019	Moroccan Capital Market Authority (AMMC)
Morocco	Green Social and Sustainability Bonds	2018	Moroccan Capital Market Authority (AMMC)
Morocco	CSR and ESG Guidelines	2017	Moroccan Capital Market Authority (AMMC)
Morocco	Roadmap for aligning the Moroccan financial sector with sustainable development	2016	Bank Al-Maghrib (BKAM, central bank of Morocco)
Morocco	Green Bonds Guidelines	2016	Moroccan Capital Market Authority (AMMC)
Morocco	Banks and Climate Charter	2016	Moroccan Banks Professional Group (GPBM)
Nepal	Unified Directive for Environmental and Social Risk Management	2020	Nepal Rastra Bank
Nepal	Guideline on Environmental and Social Risk Management for Banks and Financial Institutions	2018	Nepal Rastra Bank

Nepal	ESDD Checklist and Risk Rating Tool	2018	Nepal Rastra Bank
Nepal	National Review of the Sustainable Development Goals	2017	Government of Nepal, National Planning Commission
Nepal	SDG Report Status and Roadmap 2016-2030	2017	Government of Nepal, National Planning Commission
Nigeria	SEC Guidelines on Sustainable Financial Principles for the Capital Market	2021	Securities and Exchange Commission
Nigeria	Green Bond Guidelines	2020	Ministry of Environment
Nigeria	Reporting Template on Sustainable Financial Principles for the Capital Market	2019	Securities and Exchange Commission
Nigeria	Sustainability Disclosure Guidelines	2018	Nigerian Stock Exchange
Nigeria	Green Bond Financial Product listed	2018	FMDQ OTC Securities Exchange
Nigeria	Sustainable Finance Roadmap	2018	FMDQ OTC Securities Exchange
Nigeria	New Rule on Green Bonds	2018	Securities and Exchange Commission
Nigeria	Green bond issuance rules	2018	Securities and Exchange Commission
Nigeria	Reporting template Sustainable Banking Principles	2014	Central Bank of Nigeria
Nigeria	Sustainable Banking Principles Guidance Note and Sector Guidelines	2012	Central Bank of Nigeria
Pakistan	Green Bonds Guidelines	2021	Securities and Exchange Commission of Pakistan
Pakistan	Revised Financing Scheme for Renewable Energy	2019	State Bank of Pakistan
Pakistan	Refinancing Facility for Modernization of SMEs	2019	State Bank of Pakistan
Pakistan	Guidelines on Environmental and Social Risk Management (ESRM) Policy and Procedures for Banks and Financial Institutions in Pakistan	2018	State Bank of Pakistan
Pakistan	Green banking guidelines	2017	State Bank of Pakistan
Pakistan	Pakistan-Climate Change Financing Framework: A Road Map to Systemically Mainstream Climate Change into Public Economic and Financial Management	2017	Government of Pakistan
Pakistan	Financing Scheme for Renewable Energy	2016	State Bank of Pakistan
Panama	Guide for the reporting and voluntary disclosure of ESG factors	2021	Panama Stock Exchange
Panama	Guidelines for Issuance of Social, Green, and Sustainable Securities	2019	Panama Stock Exchange
Panama	Sustainable Finance Protocol of Panama	2018	Panama Banking Association
Panama	Recommendations for the implementation of Sustainable Finance Protocol	2018	Panama Banking Association
Paraguay	Guidelines for the Issuance of Sustainable Development Goals (SDG) Bonds	2020	National Securities Commission
Paraguay	Environmental and Social Guide for the sustainable financing of the livestock sector	2016	Sustainable Finance Board of Paraguay (MFS)
Paraguay	Environmental and Social Guide for financing agricultural activity in Paraguay	2017	Sustainable Finance Board of Paraguay (MFS)
Paraguay	Environmental and Social Guide for financing agro-industrial activity in Paraguay	2018	Sustainable Finance Board of Paraguay (MFS)
Paraguay	Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the Central Bank of Paraguay	2018	Central Bank of Paraguay
Peru	Green Finance Roadmap	2021	Peru Ministry of Finance
Peru	Green Protocol for the Peruvian Financial System	2020	Peru Ministry of Environment and Peruvian Banking Association (ASBANC)
Peru	Green Bonds Guide	2018	Lima Stock Exchange

Peru	Regulation for Social and Environmental Risk Management	2015	Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS)
Peru	Role of enhanced due diligence in regulation of environmental and social risk management for financial firms	2015	Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS)
Philippines	The Philippine Sustainable Finance Roadmap	2021	Inter-agency Technical Working Group on Sustainable Finance (Green Force)
Philippines	The Philippine Sustainable Finance Guiding Principles	2021	Inter-agency Technical Working Group on Sustainable Finance (Green Force)
Philippines	Sustainable Finance Framework	2020	Bangko Sentral ng Pilipinas
Philippines	Sustainability Reporting Guidelines for Publicly Listed Companies	2019	Philippines Securities and Exchange Commission
Philippines	Guidelines on the Issuance of Green/Social/Sustainability Bonds Under the ASEAN Green/Social/Sustainability Bonds Standards in the Philippines	2018-2019	Philippine Securities and Exchange Commission
South Africa	Technical paper on financing a sustainable economy	2021	South Africa National Treasury
South Africa	Working Paper – WP/20/04: Climate change and its implications for central banks in emerging and developing economies	2020	Prudential Authority
South Africa	Sustainable Finance Practices in South African Retirement Funds	2020	Financial Sector Conduct Authority (FSCA)
South Africa	Sustainability Segment	2020	Johannesburg Securities Exchange (JSE)
South Africa	Guidance note on sustainability of investments and assets in the context of a retirement fund's investment policy statement	2019	Financial Sector Conduct Authority (FSCA)
South Africa	Primer on Embedding Environmental Scenario Analysis into Routine Financial Decision Making	2018	National Treasury
South Africa	JSE Debt Listings Requirements for the Green Segment	2017	Johannesburg Securities Exchange (JSE)
South Africa	King IV Code on Corporate Governance	2016	Institute of Directors in Southern Africa (IoDSA)
South Africa	Principles for managing Environmental and Social risks	2015	Banking Association South Africa
South Africa	Regulation 28 of the Pension Funds Act (requirement to consider ESG)	2012	South African Government
Sri Lanka	Sustainable Finance Roadmap	2019	Central Bank of Sri Lanka (CBSL)
Sri Lanka	Communicating Sustainability Guide for Listed Companies	2019	Colombo Securities Exchange
Sri Lanka	Sustainable Sri Lanka 2030 Vision and Strategic Path	2019	Government of Sri Lanka
Sri Lanka	Sustainable Banking Initiative	2015	Sri Lankan Bankers' Association (SLBA)
Thailand	Sustainable Financing Framework	2020	Ministry of Finance
Thailand	Sustainable Banking Guidelines on Responsible Lending	2019	Thai Bankers' Association
Thailand	Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond, and Sustainability Bond	2018	Thai SEC
Turkey	Guidance on Loan Origination and Monitoring Processes	2021	Banking Regulation and Supervision Agency
Turkey	Sustainability Guidelines for the Banking Sector	2021	Banks Association of Turkey
Turkey	Framework for Compliance with Sustainability principles	2020	Capital Market Board
Turkey	Sustainability Guidelines for the Banking Sector	2014	Banks Association of Turkey
Ukraine	Recommendations on Implementation or Financing Environmental Projects by Issuing Green Bonds	2021	Ukraine National Securities and Stock Market Commission (NSSMC)

Vietnam	How to issue green bonds, social bonds, and sustainability bonds	2021	State Securities Commission of Vietnam with international partners
Vietnam	Decree No. 53 regulations on individual corporate bond offerings and transactions in the domestic market and corporate bond offerings in the international market	2020	The Government of Vietnam
Vietnam	Decision approving the Scheme on green bank development in Vietnam (No. 1640/QD-NHNN)	2018	State bank of Vietnam
Vietnam	Decision to set the Action Plan of the banking sector towards the 2030 agenda and Vietnam SDGs No. 1731/2018/QD-NHNN	2018	State bank of Vietnam
Vietnam	Decision strategy for the development of the banking sector to 2025, incorporating green credit development No. 986/QD-TTg 11. Handbook on Social and Environmental Risk Assessment	2018	State bank of Vietnam
Vietnam	Decree 163/2018/ND-CP on corporate bond issuance, including green bonds	2018	Vietnam Ministry of Finance
Vietnam	Decree on government debt instruments No. 95-201-ND-CP	2018	The Government of Vietnam
Vietnam	Directive on Promoting Green Credit Growth and Environmental and Social Risks Management in Credit Granting Activities No. 03/CT-NHNN	2015	State bank of Vietnam
Vietnam	Decision on issuance of Action Plan of the banking sector to implement the national strategy on green growth toward 2020 No. 1552/QD-NHNN	2015	State bank of Vietnam
Vietnam	Circular to facilitate the development of green bonds 34/2013/TT-NHNN	2013	State bank of Vietnam

Acknowledgements and Contributors

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