Georgia

Country Progress Report

November 2021

SUPPLEMENT TO THE 2021 GLOBAL PROGRESS REPORT OF THE SUSTAINABLE BANKING AND FINANCE NETWORK

Sustainable Banking and Finance Network

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

Acknowledgements

This Country Progress Report was developed by the SBFN Secretariat under the leadership of the SBFN Measurement Working Group and with guidance from the SBFN Regional Coordinator Boris Janjalia. Data are provided by the National Bank of Georgia (NBG) and verified by SBFN. The team is grateful for the support and guidance from NBG representatives who provided data, participated in the interviews, and reviewed and provided comments to this report, particularly Salome Tvalodze, Head of Macrofinancial Modeling and Analysis Division, Mariam Kharaishvili, Chief Specialist, and Valida Pantsulaia, Senior Specialist.

About SBFN

Established in 2012, SBFN is a voluntary community of financial sector regulators and industry associations from emerging markets committed to collectively advancing sustainable finance in line with international good practice and national priorities. As of October 2021, SBFN members represented 63 institutions, 43 countries, and $43 trillion (86 percent) of the total banking assets in emerging markets. Members are committed to i) improving the management of environmental, social, governance, and climate change risks in financial sector activities, and ii) increasing capital flows to activities with positive environmental and social impacts, including climate change mitigation and adaptation. For more information, visit www.sbfnetwork.org.

About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. IFC works in more than 100 countries, using its capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2021, IFC committed a record $31.5 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of the COVID-19 pandemic. For more information, visit www.ifc.org.

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1.1 SBFN member institution:

National Bank of Georgia (NBG)

Member Since: 2017

Working Groups:
Measurement
Sustainable Finance Instruments
Data and Disclosure (Co-Chair)

1.2 Other key institutions and national initiatives promoting sustainable finance

Ministry of Economy and Sustainable Development of Georgia
Ministry of Finance of Georgia
Ministry of Environment Protection and Agriculture of Georgia
Sustainable Finance Working Group

1.3 Overall progress

Georgia has moved to the **"Advancing" sub-stage of the "Implementation" stage** from the "Developing" sub-stage of the Overall SBFN Progression Matrix. In 2021, the National Bank of Georgia (NBG) updated its Corporate Governance Code for Commercial Banks, including regulation on disclosure requirements for commercial banks to strengthen monitoring and management of environmental, social, and governance (ESG) issues and risks, including gender diversity and climate change, in order to promote long-term sustainability. Georgia's sustainable finance framework has been implemented for a number of years, and it has a series of implementation tools in place, including guidance/guidelines, templates (for example, for reporting), training and knowledge sharing events, online tools, and supervision guidance on how to do all this in practice. Financial institutions (FIs) have also started reporting on implementation, in line with consistent reporting instructions/templates (ESG Reporting and Disclosure Principles).

Figure 1: SBFN Progression Matrix - Overall Country Progress

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

1.4 Country sustainable finance journey

Figure 2: Georgia's sustainable finance journey

Policies, principles, regulations, and guidance

Research and engagement (since last SBFN progress report)

Examples of market actions and impacts

2017

NBG joins SBFN

2018

NBG launches the Corporate Governance Code for Commercial Banks

2019

NBG publishes a Roadmap for Sustainable Finance in Georgia

2020

NBG launches ESG Reporting and Disclosure Principles and corresponding template

NBG exchanges knowledge with National Treasury of South Africa and development of green finance taxonomies

2021

NBG publishes Governor op-ed in The Banker, titled "Georgia proves the benefits of preparedness", highlighting the importance of NBG's Sustainable Finance Roadmap

NBG exchanges knowledge with Bangladesh Bank on the development of ESG guidelines for FIs

NBG amends the Corporate Governance Code for Commercial Banks as well as the Regulation on Disclosure Requirements for Commercial Banks within Pillar 3 to reflect the importance of managing and reporting on ESG issues and risks

NBG publishes ESG reports of commercial banks for the first time

NBG launches its first Sustainable Finance Status Report

1.5 COVID response

The overall sustainable finance agenda for NBG remains unchanged. The NBG has introduced some temporary supervisory actions to support FIs for the duration of the pandemic.

1.6 Ambitions for the next phase

The NBG is developing the Georgia Sustainable Finance Taxonomy, combining both green and social components. It is also working with IFC to develop an ESG Scorecard for commercial banks and include ESG provisions in the Corporate Governance Code for Issuers of Public Securities. Of the actions contained within the Sustainable Finance Roadmap, the development of sustainable finance guidelines (under the Sustainable Finance Flows pillar), the development of ESG risk management guidance and tools (under the ESG Risk Management pillar), and the development of progress measurement tools (under the Transparency and Market Discipline pillar) are all upcoming. NBG has started developing climate scenario analyses to assess vulnerabilities related to physical and transitional risks for the Georgian financial sector.

1.7 SBFN and IFC role

IFC has provided advisory services to NBG for their sustainable finance initiatives and for capacity building, through the IFC Program on Promoting Investment through Integrated ESG Standards in Europe and Central Asia, supported by the Swiss State Secretariat for Economic Affairs (SECO), as well as through the IFC Green Bond Development Program and ECA Banking Advisory Services Outreach Program, supported by the Austrian Federal Ministry of Finance. Through SBFN, NBG has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base.

> Working with SBFN and IFC has been very beneficial for our sustainable finance journey. After successful collaboration on many projects within the first cooperation agreement, we signed a second cooperation agreement with IFC for the next two years. It is quite comprehensive and covers many actions, including the ones outlined in our roadmap. Currently, we are working on the development of the sustainable finance taxonomy, which will include both green and social taxonomies. It is a very important project. We are almost at the final stage.

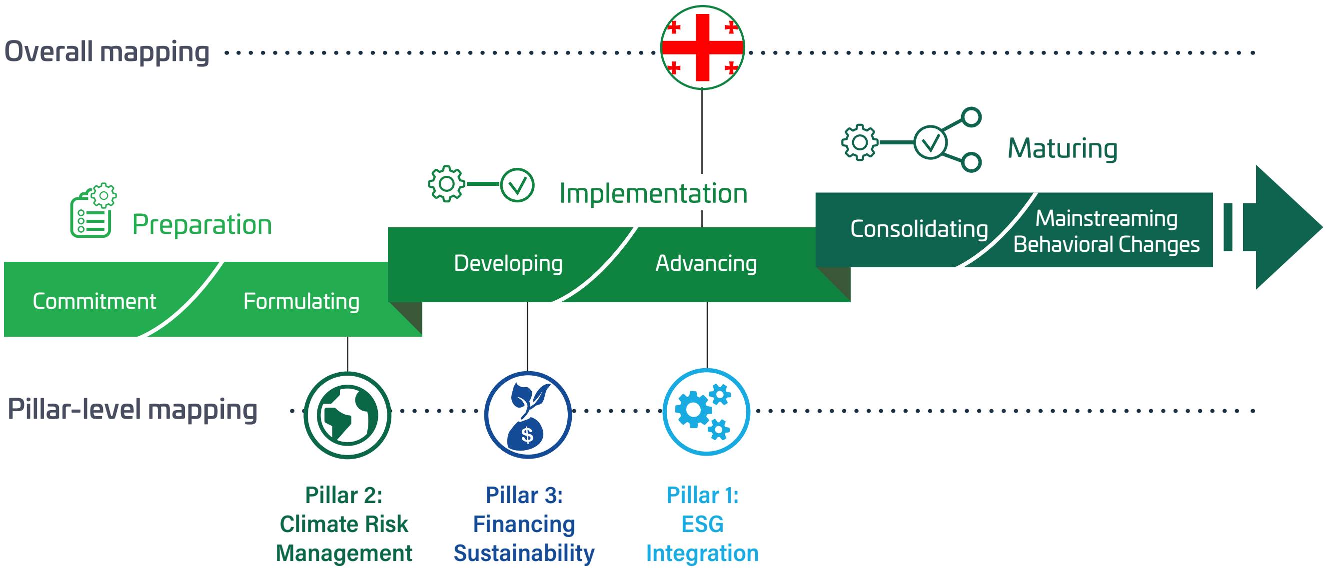
Salome Tvalodze
Head of Macrofinancial Modelling and Analysis Division

National Bank of Georgia

National Bank of Georgia

2. Progress by three pillars

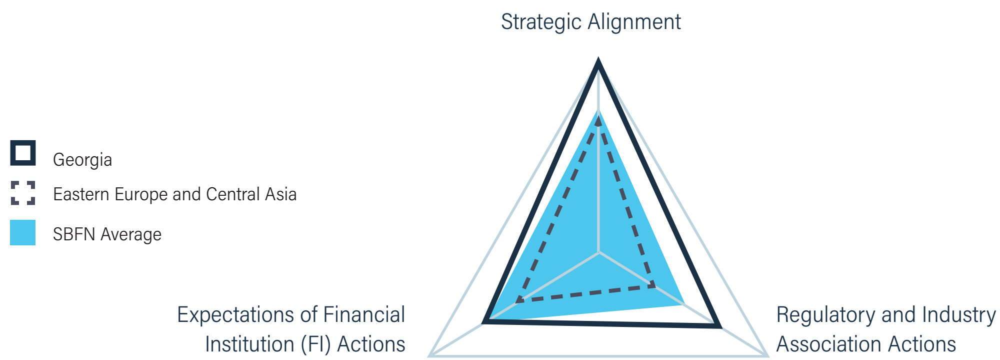
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Advancing

Georgia is mapped under the **"Advancing" sub-stage of the "Implementation" stage** for the ESG Integration pillar. There is an existing national framework addressing the integration of ESG risk and performance considerations into the practices of FIs. In addition to ongoing activities to raise awareness and build capacity, implementation tools and initiatives are in place, and FIs report on their ESG implementation with consistent reporting instructions and templates.



Sub-pillar 1: Strategic Alignment

- Georgia's national frameworks for the banking sector and non-banking sector, such as the Roadmap for Sustainable Finance in Georgia (NBG, 2019) and the Corporate Governance Code for Commercial Banks (NBG, issued in 2018 and amended in 2021), set out expectations for integrating the consideration of ESG risks and performance.
- The financial sector's approach to ESG integration is aligned with international good practices and standards, such as the UN Sustainable Development Goals (SDGs), IFC Performance Standards, Equator Principles, the

Taskforce for Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board, the UN Principles for Responsible Investment, and the Global Reporting Initiative.

- The frameworks were developed and/or implemented in close consultation with IFC and SBFN and the OECD.

Sub-pillar 2: Regulatory and Banking Association Actions

- Georgia's sustainable finance framework is supported by implementation guidance and technical tools.
- In February 2020, the NBG 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 disclose ESG-related information using this template starting from 2021, now available on the NBG website. The ESG Reporting and Disclosure Principles provide detailed guidance on how to report on ESG oversight by the highest governing body, due diligence processes, and key performance indicators.
- In June 2021, the NBG 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.
- Implementation of the framework is regularly monitored by the NBG, supported by a data collection approach. The NBG has developed an ESG reporting and disclosure template to collect and aggregate ESG-related information from FIs.

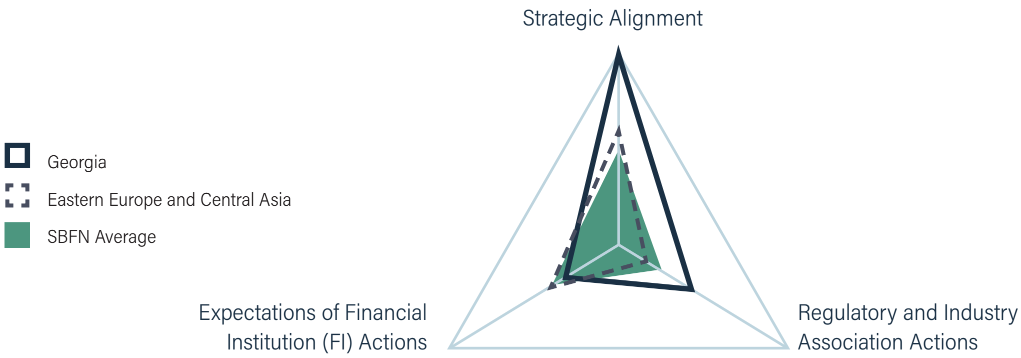
Sub-pillar 3: Expectations for FI Actions

- The Corporate Governance Code for Commercial Banks and Roadmap for Sustainable Finance in Georgia require FIs to develop policies and procedures to manage ESG risks and performance, and to report ESG performance both to the regulator and publicly.

Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Georgia is in the **"Formulating" sub-stage of the "Preparation" stage** of the Climate Risk Management pillar. The NBG has issued the Sustainable Finance Roadmap that references climate risk, and amended the corporate governance code to include climate risk management and disclosure requirements in line with international practices, including TCFD. There are ongoing activities to raise awareness, build capacity, and inform FIs about the new expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risk is a national priority, as indicated in Georgia's Nationally Determined Contribution (NDC) to the Paris Agreement, and national climate policies, including the 2030 Climate Change Strategy and 2021-2023 Action Plan (CSAP). In the financial sector, the NBG has issued a sustainable finance roadmap, and incorporates the management and disclosure of environmental, climate, and social risk in the banking sector as part of its corporate governance code and sustainability reporting requirements.

Sub-pillar 2: Regulatory and Banking Association Actions

- The NBG issued the Roadmap for Sustainable Finance (2019) for banks and capital markets in collaboration with IFC/World Bank. The Roadmap addresses climate-related physical and transition risks and ESG risk management and establishes actions to integrate ESG and climate risk management into corporate governance codes for banks and capital markets, and to develop implementation tools and guidance.
- In 2018, the NBG issued Decree 215/04 Corporate Governance Code for Banks , and amended it in 2021. The Code includes climate risk as part of ESG considerations (Article 3) that can materially affect the performance of a bank's investments, loans, and other lending activity, and references international practices such as the TCFD. Article 17 of the Code establishes requirements for oversight of the integration of ESG and climate risks into the risk management frameworks of banks, including requirements for the bank's supervisory board to verify that these risks are identified, measured, monitored, and their impacts are mitigated. A similar code covering the capital markets is under development.
- Georgia has partnered with the OECD in the development of the ESG Reporting and Disclosure Principles and Reporting Template (2020) that require reporting on climate risks as part of sustainability reporting.
- FIs are actively engaged as part of a regulatory-industry Sustainable Finance Working Group, and the NBG is a member of the Network for Greening the Financial System (NGFS).
- In 2021, NBG began to undertake research on the financial sector's exposure to climate-related physical and transition risks, and develop scenario analyses with support from the German Sparkassenstiftung for International Cooperation.
- As part of Georgia's future progress, recommended areas of focus for regulatory and industry association actions include research, capacity building, and technical guidance (for example, on climate scenarios and risk assessment methodologies) for managing climate-related physical and transition risks and financial impacts.

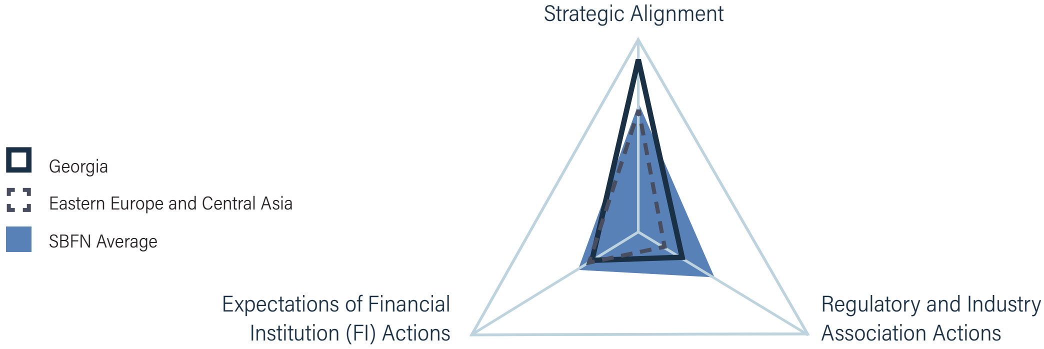
Sub-pillar 3: Expectations for FI Actions

- Commercial banks will continue to build familiarity and capacity as part of the implementation of ESG and climate risk management elements in the Sustainable Finance Roadmap and Corporate Governance Codes.
- In 2021, banks began reporting in line with the ESG Reporting and Disclosure Principles (2020), which include requirements for reporting on the exposure to physical and transition climate risks and related financial impacts, aligned with TCFD. The reporting is publicly disclosed on the NBG's website.

Pillar 3: Financing Sustainability

Pillar Progress: Developing

Georgia is in the **"Developing" sub-stage of the "Implementation" stage** for the Financing Sustainability pillar. There is a national framework for promoting financial flows into green, climate, social, and sustainability-linked projects and sectors, as well as ongoing awareness raising and capacity building on actions and expectations for financing sustainability-focused activities.



Sub-pillar 1: Strategic Alignment

- Georgia's national framework for financing sustainability-focused activities, led by the NBG and its 2019 Sustainable Finance Roadmap, covers both the banking sector and capital markets.
- The financial sector's approach to promoting financial flows into green and sustainability-focused projects and sectors is aligned with international good practices and standards, such as the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, and Sustainability-Linked Bond Principles; Loan Market Association (LMA) Principles for Green and Sustainability-Linked Loans; Climate Bonds Initiative (CBI) Climate Bonds Standard and Taxonomy; and the European Union (EU) Sustainable Finance Taxonomy.
- The NBG's Sustainable Finance Roadmap has "Sustainable Finance Flows" as one of four core pillars. Key milestones include developing a national sustainable finance taxonomy, issuing sustainable finance guidelines, and exploring options for incentives and regulations to stimulate sustainable finance flows.

Sub-pillar 2: Regulatory and Banking Association Actions

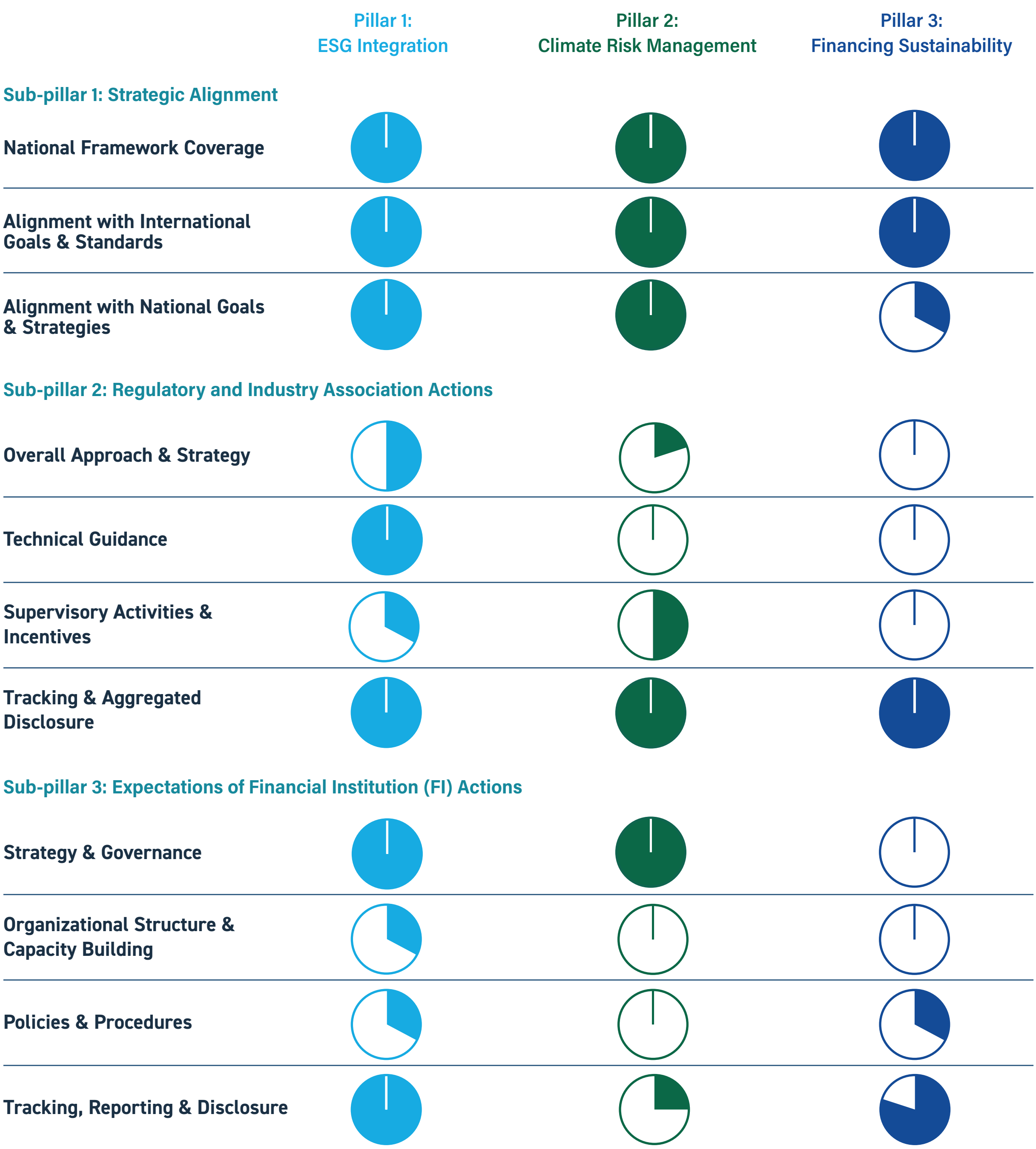
- The NBG has developed an ESG reporting and disclosure template to collect and aggregate ESG-related information from FIs, covering both the risk and opportunity sides.

Sub-pillar 3: Expectations for FI Actions

- The NBG Corporate Governance Code asks FIs to put in place policies and procedures for defining, issuing, tracking, and reporting on ESG-related issues and performance.
- The NBG's Corporate Governance Code and ESG Reporting and Disclosure Principles and corresponding template require FIs to disclose on their websites information on their governance oversight and management of ESG issues, including opportunities, as well as allocation of capital to sustainability-focused loans and investment equities.

3. Progress by three sub-pillars and 11 indicators

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



4. Library of national sustainable finance framework documents

National strategies, roadmaps, policies, voluntary principles, regulations, guidelines, research, templates, and tools that provide an enabling framework for sustainable finance

- Corporate Governance Code of Commercial Banks (NBG, 2021)
- Georgia Sustainable Finance Status Report (NBG, 2021)*
- ESG Reports of Commercial Banks (NBG, 2021)*
- Regulation on Disclosure Requirements for Commercial Banks within Pillar 3 (NBG, 2021)
- ESG Reporting and Disclosure Principles (NBG, 2020)
- Roadmap for Sustainable Finance (NBG, 2019)
- Corporate Governance Code for Commercial Banks (NBG, 2018)

Download framework documents and check for updates at www.sbfnetwork.org/library

* Not a policy document, but a key research, data disclosure, and stakeholder engagement material/publication.

5. SBFN 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.

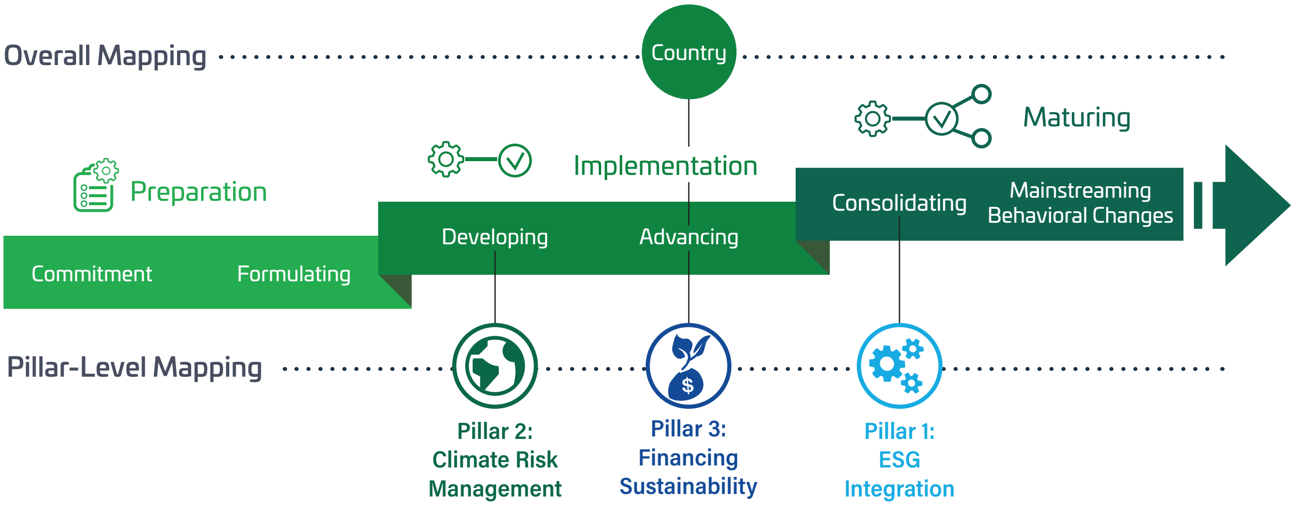
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, 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	• National framework • Alignment with international goals and standards • Alignment with national goals and strategies		
Sub-pillar 2: Regulatory and Industry Association Actions	• Overall approach and strategy • Technical guidance • Supervisory activities and incentives • Tracking and aggregated disclosure		
Sub-pillar 3: Expectations of Financial Institution (FI) Actions	• 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 on-line case study catalogue
Coming soon

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 5: Overall Progression Matrix Milestones

Preparation

Commitment

The financial sector regulator or industry association has announced a formal commitment to achieve progress on Sustainable Finance in the next two years.

Initial steps have been taken, such as a kick-off meeting or workshop with key stakeholders and industry.

Formulating

A formal initiative — led by a financial sector regulator or industry association or both — is in progress to develop a national roadmap, framework, policy, or voluntary industry principles on Sustainable Finance.

Preparations include research, surveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.

Implementation

Developing

A first national roadmap, framework, policy, regulation, or set of voluntary industry principles on Sustainable Finance has been formally launched.

A formal taskforce or dedicated unit is leading implementation efforts — either within the regulator or industry association, or as a multi-stakeholder working group or platform.

The Sustainable Finance initiative is acknowledged or supported by both regulators and industry.

Awareness raising and capacity building have been conducted.

Advancing

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions.

The national Sustainable Finance framework covers multiple parts of the financial system.

Financial institutions report on their implementation of the roadmap, framework, policy, or voluntary principles in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

Maturing

Consolidating

A comprehensive set of national Sustainable Finance initiatives and frameworks are in place, covering all parts of the financial system.

The national frameworks are aligned with international good practice across all three pillars of Sustainable Finance.

Consistent and comparable data is being collected by the regulator as part of supervision — or by the industry association, about implementation by financial institutions.

Mainstreaming Behavioral Changes

There is an established ecosystem of Sustainable Finance initiatives and frameworks that align and integrate with each other.

Financial institutions are required or encouraged to report publicly on their implementation of Sustainable Finance across risk and opportunity.

The regulator or industry association has multi-year data on implementation by financial institutions — including both risk and opportunity. Data includes information on the benefits of Sustainable Finance.

Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

Preparation

Commitment

The financial sector regulator or industry association has announced a commitment to develop a policy, regulation, guidelines, or voluntary principles for the financial sector on integrating the management of environmental, social, and governance (ESG) risks and performance (ESG Integration).

A first event or workshop has been held to engage relevant financial sector stakeholders on the topic of ESG Integration for the financial sector.

Formulating

A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles on ESG Integration for the financial sector.

Preparations include research, surveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.

Implementation

Developing

A first national policy, regulation, guidelines, or set of voluntary principles has been formally launched that sets out requirements or recommendations for financial institutions on ESG Integration.

A formal taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry.

Activities include awareness raising and capacity building for financial institutions on the new expectations ESG Integration.

Advancing

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions.

The ESG Integration expectations cover multiple parts of the financial system.

Financial institutions report on their implementation of ESG Integration in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

Maturing

Consolidating

A comprehensive national initiative or set of frameworks are in place that promote ESG Integration across all parts of the financial system.

The national frameworks cover all three cross-cutting areas of ESG Integration:
1. strategic alignment,
2. regulatory and industry association actions, and
3. expectations of financial institution actions.

Consistent and comparable data are becoming available on trends in the practices of financial institutions in relation to ESG Integration and the resulting benefits.

Mainstreaming Behavioral Changes

The national frameworks for ESG Integration are aligned with international good practice and national regulations; and are consistent across different parts of the financial sector.

Local financial institutions demonstrate that they have embedded the requirements for ESG Integration and are reporting on their efforts.

Extensive data are becoming available on trends among financial institutions regarding practices in ESG Integration and the resulting benefits.

Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

Preparation		Implementation		Maturing	
Commitment	Formulating	Developing	Advancing	Consolidating	Mainstreaming Behavioral Changes
The financial sector regulator or industry association has announced a commitment to develop a policy, regulation, or voluntary principles on Climate Risk Management for the financial sector. Initial awareness raising and knowledge sharing is being organized by the regulator or industry association.	A formal initiative is in progress to develop or refine a national policy, regulation, guidelines, or voluntary industry principles on Climate Risk Management for the financial sector — either as part of an existing ESG framework or as a standalone framework. Preparations include research, surveys, multi-stakeholder engagement and/or awareness raising for the financial sector.	A national policy, regulation, guidelines, or set of voluntary industry principles 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/or supervision, and is supported by regulators and industry. Activities include awareness raising, research, guidance and/or capacity building for financial institutions on managing climate-related physical and transition risks in line with the new expectations in the national framework.	Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions to help the financial sector manage climate-related physical and transition risks. Financial Institutions report on their approach to Climate Risk Management in line with consistent reporting instructions or templates provided by the financial sector regulator and/or industry association and reflecting international practices.	A comprehensive national initiative or set of frameworks are in place aimed at supporting all parts of the financial system to manage climate risk. The national frameworks cover all three cross-cutting areas of Climate Risk Management: 1. strategic alignment, 2. regulatory and industry association actions, and 3. expectations of financial institution actions. Consistent and comparable data are becoming available on trends in the practices of financial institutions in relation to Climate Risk Management and the resulting benefits.	The national frameworks for Climate Risk Management are aligned with international good practice expectations and national climate change commitments; and are consistent across different parts of the financial sector. Local financial institutions demonstrate that they have embedded the requirements for climate risk management and are reporting on their efforts. Extensive data are becoming available on trends among financial institutions regarding climate risk management and the resulting benefits.

Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability

Preparation		Implementation		Maturing	
Commitment	Formulating	Developing	Advancing	Consolidating	Mainstreaming Behavioral Changes
The financial sector regulator or industry association has made a public commitment to develop a policy, regulation, guidelines, or voluntary principles to promote financial flows to green or sustainability-focused projects and sectors. Initial awareness raising and knowledge sharing is being organized by the regulator or industry association.	A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles to promote financial flows to green, social, or sustainability-focused projects and sectors. Preparations include research, surveys, multi-stakeholder engagement and/or awareness raising for the financial sector.	A national framework is in place that includes regulations or guidance for the financial sector to promote financial flows to green, social, or sustainability-focused projects and sectors. A taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry. Activities include awareness raising and capacity building for financial institutions on the new expectations for Financing Sustainability.	Implementation tools and initiatives are in place, such as guidance,guidelines, taxonomies, reporting templates, training, online tools, and supervisory instructions to help the financial sector promote financial flows to green, social, or sustainability-focused projects and sectors. Financial institutions report on their approach to Financing Sustainability in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.	A comprehensive national initiative or set of frameworks are in place aimed at supporting all parts of the financial system to promote financial flows to green, social, or sustainability-focused projects and sectors. The national frameworks cover all three cross-cutting areas of Financing Sustainability: 1. strategic alignment, 2. regulatory and industry association actions, and 3. expectations of FI actions. Consistent and comparable data are becoming available on trends in the practices of financial institutions in Financing Sustainability and the resulting benefits.	The national frameworks for Financing Sustainability are aligned with international good practice expectations and national sustainable development plans; and are consistent across different parts of the financial sector. Local financial institutions demonstrate that they have embedded the requirements for Financing Sustainability in their operations, portfolio, products, and services and are reporting their performance publicly. Extensive data are becoming available on trends among financial institutions regarding Financing Sustainability and the resulting benefits.

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