

# India

## Country Progress Report

April 2022

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



Sustainable  
Banking and  
Finance  
Network



*Creating Markets, Creating Opportunities*

## Acknowledgements

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## 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](http://www.sbfnetwork.org).

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Note to the reader: All measurement results featured in this document, such as graphs and progression matrixes, are based on data collected up to July 2021. Additional activities up to the publishing date of this country report have been included in narrative form.

# 1. Overall country progress – India

## 1.1 SBFN member institution:

[Indian Banks' Association \(IBA\)](#)

Member Since: 2016

## 1.2 Other key institutions and national initiatives promoting sustainable finance

Inter-Ministerial Task Force on Sustainable Finance  
(Department of Economic Affairs, Ministry of Finance,  
Government of India)

[Ministry of Corporate Affairs](#)

[Securities and Exchange Board of India \(SEBI\)](#)

[Insurance Regulatory and Development Authority \(IRDA\)](#)

[Pension Fund Regulatory and Development Authority  
\(PFRDA\)](#)

[Department of Economic Affairs](#)

[Ministry of Finance](#)

[The Climate Policy Initiative](#)

[BSE Limited](#)

[Reserve Bank of India](#)

## 1.3 Overall progress

India has **moved up to the “Developing” sub-stage of the “Implementation” stage** from the “Formulating” sub-stage of the “Preparation” stage on the overall SBFN Progression Matrix. India has formally launched its sustainable finance framework, including national roadmap, framework, policy, voluntary industry principles, or guidance. The Securities and Exchange Board of India (SEBI) has provided disclosure requirements in their Business Responsibility and Sustainability Reporting Framework (BRSR) applicable to the top 1,000 listed entities by market capitalization. The reporting is voluntary for the financial year 2021-22 and mandatory from the financial year 2022-23. The Department of Economic Affairs has formed the Task Force on Sustainable Finance with representation from various ministries and regulators to promote sustainable financing in India. In April 2021, the Reserve Bank of India joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

Figure 1: SBFN Progression Matrix - Overall country progress



## 1.4 Country sustainable finance journey

Figure 2: India’s sustainable finance journey



2020

Department of Economic Affairs, Ministry of Finance, and the United Nations Development Program engage in a public-private sustainable finance collaboration, including a three-day consultation to mobilize sustainable and green finance

The Climate Policy Initiative, in collaboration with Shakti Sustainable Energy Foundation and cKinetics, releases Accelerating Green Financing Definitions: Definitions and Beyond

SEBI issues the Business Responsibility and Sustainability Reporting Framework

As of December 2020, green bonds to the cumulative total value of \$11.8 billion have been issued by Indian institutions

2019

The Ministry of Corporate Affairs issues the National Guidelines for Responsible Business Conduct, updated from National Voluntary Guidelines (2011)

SEBI adopts the Stewardship Code

The India-UK Sustainable Finance Working Group is established

2018

Pension Fund Regulatory and Development Authority adopts the Stewardship Code

Bombay Stock Exchange (Now BSE Limited) issues the Guidance Document on ESG Disclosures

2021

India-UK Sustainable Finance Working Group releases Practical Actions to Finance India's Sustainable Recovery, a report detailing actionable steps to finance India's sustainable recovery from the COVID-19 pandemic

The Reserve Bank of India joins Network of Central Banks and Supervisors for Greening the Financial System( NGFS)

SEBI issues Circular on Business Responsibility and Sustainability Reporting by Listed Entities

## 1.5 COVID response

In response to the COVID-19 pandemic, the Employees' Provident Fund Organization now provides benefits to new employees of registered organizations, including subsidy support from Employees' Provident Fund contributions. The Pension Fund Regulator and Development Authority (PFRDA) allowed partial withdrawals from the National Pension System for treatment of COVID-19 for members and families. Relief measures were announced by the Reserve Bank of India (RBI) in March 2020, including reduction of policy repo rate by 75 basis points. RBI also announced auctions of Targeted Long-term Repo Operations of up to three years for a total amount of up to \$26 billion (at a floating rate linked to policy repo rate), with 50 percent for corporates, 25 percent for development institutions for agriculture, housing, and small and medium enterprises (SMEs), and 25 percent for non-banking financial companies and microfinance institutions.

## 1.6 Ambitions for the next phase

A Task Force on Sustainable Finance was launched in 2020 by the Department of Economic Affairs as a follow-up to the Sustainable Finance Collaborative. This task force has members from several ministries and various regulators. Going forward, it aims to develop a Roadmap on Sustainable Finance, a strategic framework which lays out a number of key recommendations needed to grow sustainable finance in India, along with a clear timeline for implementation. Some of the core focus areas include developing a draft taxonomy of sustainable activities, formulating recommendations to enhance the resilience of the financial system to climate and environmental and social (E&S) risks, strengthening sustainability disclosures, and enhancing the flow of capital towards sustainable development. It will also look into any other matters pertinent to the promotion of sustainable financing in India. To support this effort, multiple technical working groups have been constituted.

## 1.7 SBFN and IFC role

IFC has supported the Indian Banks' Association in their sustainable finance initiatives and capacity building. Through SBFN, IBA has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base. IFC has conducted training sessions on sustainable finance for IBA members and selected bank staff and Reserve Bank of India (RBI) officials.

Under the Task Force on Sustainable Finance, IFC is a co-leader of the sub-group on Building Climate & ESG Resilience in the Financial Sector, and is also a member of the sub-group Sustainable Finance Regulations, which is co-chaired by the RBI and SEBI.



This transition towards a more sustainable economic model to meet citizens' aspirations and international commitments requires large-scale investments in sustainable businesses. Hence, the financial system will play a significant role in the structural transformation of the economy.

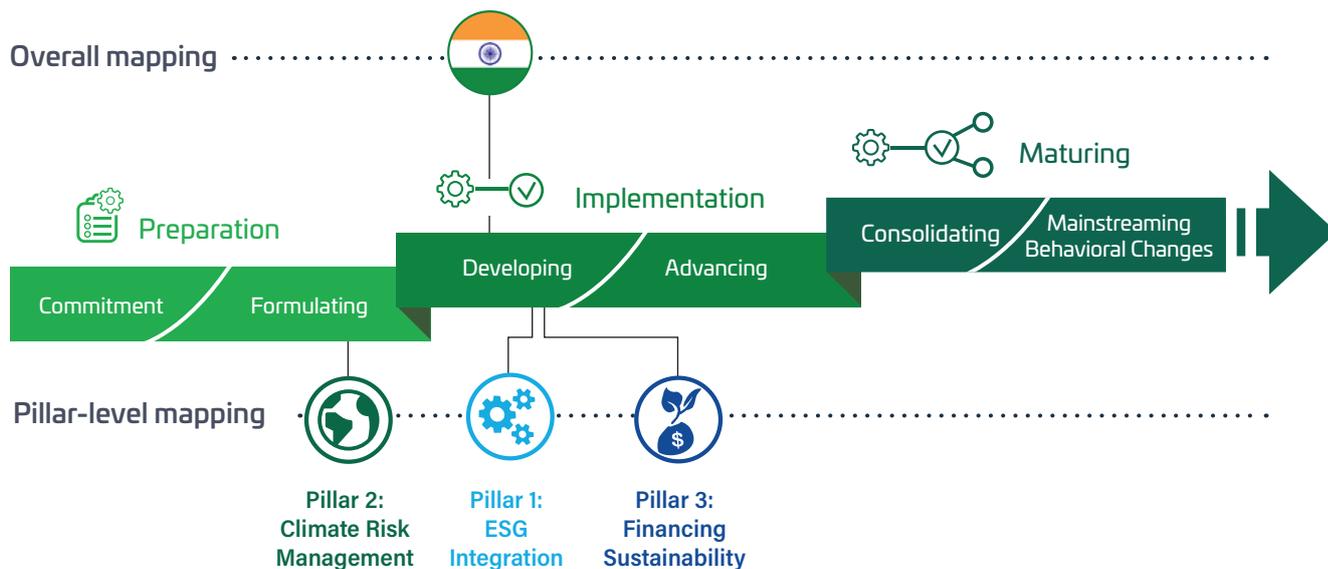


**Working Group on Domestic and Global Best Practices on Sustainable Finance, Indian Banks' Association (IBA)**



## 2. Progress by three pillars

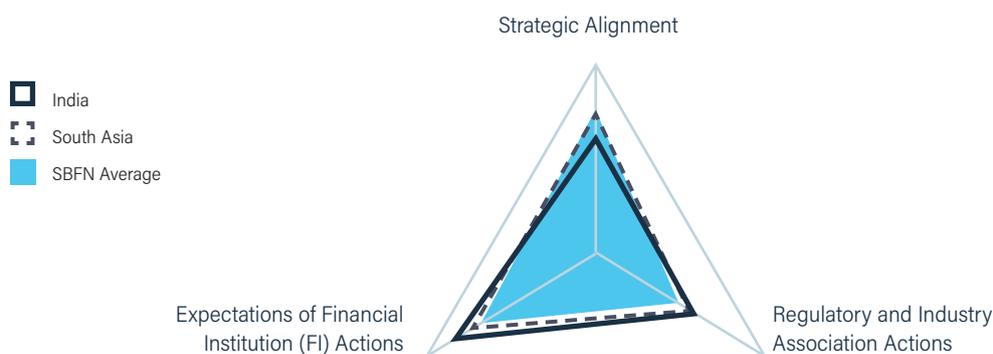
Figure 3: Mapping of overall country progress and individual pillar progress



### Pillar 1: ESG Integration

#### Pillar Progress: Developing

India is mapped under the **“Developing” 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 financial institutions (FIs). There are ongoing activities to raise awareness and build capacity, and early-stage implementation is in progress.



#### Sub-pillar 1: Strategic Alignment

- India's national frameworks for the banking sector and nonbanking sector, including the National Voluntary Guidelines for Responsible Financing (IBA, 2017) and the Business Responsibility and Sustainability Reporting by Listed Entities (SEBI, 2021), set out expectations for integrating the consideration of ESG risks and performance.
- India's approach to ESG integration in the financial sector is aligned with international good practices and standards.
- The framework (National Voluntary Guidelines for Responsible Financing) was developed and implemented in close consultation with stakeholders. The formulation process of the Guidelines started with the working group convened by the IBA. The working group brought

together a cross-section of public and private sector banks, think tanks and implementing agencies.

#### **Sub-pillar 2: Regulator and Industry Association Actions**

- India's sustainable finance framework is supported with implementation guidance and technical tools in the National Voluntary Guidelines on Responsible Financing. The Guidelines state the responsible financing strategy is built on the five pillars of leadership, materiality, integration, engagement, disclosure, and reporting.
- The implementation of the framework is regularly monitored by IBA, supported by its data collection approach. Disclosure follows the principle of 'apply or explain'. The intent is that FIs review how they perform on each principle, and state reasons and plans on how they want to improve their performance going forward.
- In May 2021, SEBI issued a circular on Business Responsibility and Sustainability Reporting (BRSR) by top

listed entities. Filing of BRSR will be mandatory for the top 1,000 listed companies by market capitalization. The reporting requirements were finalized based on feedback received from public consultation. A benchmarking exercise with internationally accepted frameworks was also undertaken.

#### **Sub-pillar 3: Expectations for FI Actions**

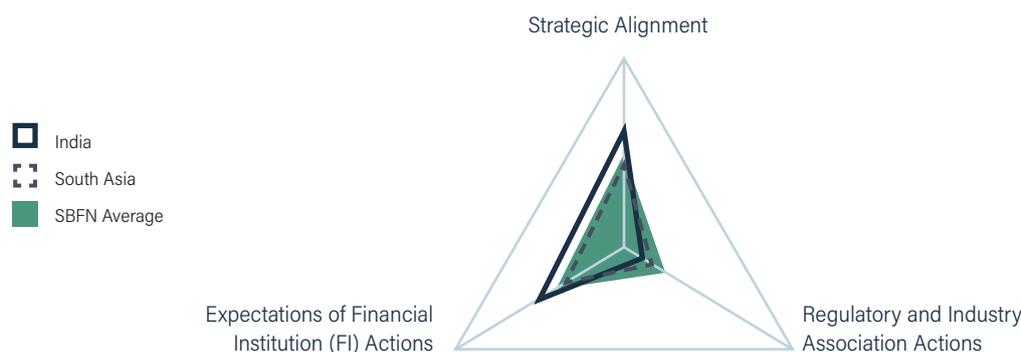
- The National Voluntary Guidelines for Responsible Financing requires FIs to develop policies and procedures to manage ESG risks and performance, undertake regular review and monitoring of ESG risks, and report ESG performance both to the regulator and publicly.



## Pillar 2: Climate Risk Management

### Pillar Progress: Formulating

India is in the **“Formulating” sub-stage of the “Preparation” stage** of the Climate Risk Management Pillar. The Ministry of Corporate Affairs has issued National Guidelines on Responsible Business Conduct, which reference climate change and include disclosure to align with the SEBI Circular on Business Responsibility and Sustainability Reporting by Listed Entities, which includes elements of climate risk. The IBA issued National Voluntary Guidelines for Responsible Financing, which reference climate and include guidelines on financing for climate mitigation and adaptation. The Guidelines also provide a foundation for the future incorporation of approaches to manage climate-related physical and transition risks and financial impacts. Preparations and activities include research, surveys, and/or multi-stakeholder engagement and awareness raising on expectations for climate risk management.



#### Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority, as indicated in India's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the National Action Plan on Climate Change. In the financial sector, the Ministry of Corporate Affairs, SEBI, and the IBA have issued guidelines for the management and disclosure of environmental, climate, and social risk in the banking and capital markets sector.

Financing are directed at FIs and reference climate change in the introductory message; they include ESG risk management (principle two), and financing for climate mitigation and adaptation (principle four).

- In terms of raising awareness of climate risks, the RBI is a member of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and the National Stock Exchange of India Ltd. supports TCFD. The RBI's annual report in 2020 acknowledged the significance of climate risks and the need for a framework to assess and manage climate related risk, building on a discussion of climate risk and disclosure trends including TCFD in the context of green finance in RBI's 2018-2019 Report on Trends and Progress of Banking.
- In April 2020, RBI issued a bulletin referencing the study, Climate Change: Macroeconomic Impact and Policy Options for Mitigating Risks, which highlights the rising risks from climate change for the macroeconomic outlook of economies around the world, and also reviews the available risk-mitigating policy options. An analysis of major weather-related events in India since 1901 shows that the incidence of extreme events has increased in the last two decades, with rising average temperature levels and more volatile precipitation patterns.
- As part of India's future progress, recommended areas of focus for regulatory and industry association actions include research, capacity building, technical

#### Sub-pillar 2: Regulatory and Industry Association Actions

- The National Guidelines on Responsible Business Conduct (NGRBC, 2019) apply to all corporate entities and reference climate change mitigation, adaptation, and building climate resilience in line with India's NDC as part of NGRBC's principle six on respecting and restoring the environment. Annual reporting under the NGRBC is intended to align with the Circular on Business Responsibility and Sustainability Reporting by Listed Entities (SEBI, 2021), which includes reference to climate risk, scope one, two, and three greenhouse gas emissions (Annex Two, BRSR Reporting Format), and notes that BRSR reporting can be cross-referenced to other sustainability reporting (including frameworks such as the Global Reporting Initiative, the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board.
- The IBA's National Voluntary Guidelines for Responsible

guidance (such as climate scenarios or risk assessment methodologies), and development of regulatory and supervisory expectations for FIs for managing climate-related physical and transition risks and financial impacts.

### **Sub-pillar 3: Expectations for FI Actions**

- Application of the National Guidelines on Responsible Business Conduct, and the SEBI sustainability disclosure approach for listed entities serves to build familiarity, capacity, and awareness among the Indian corporate and

financial sector regarding climate risks.

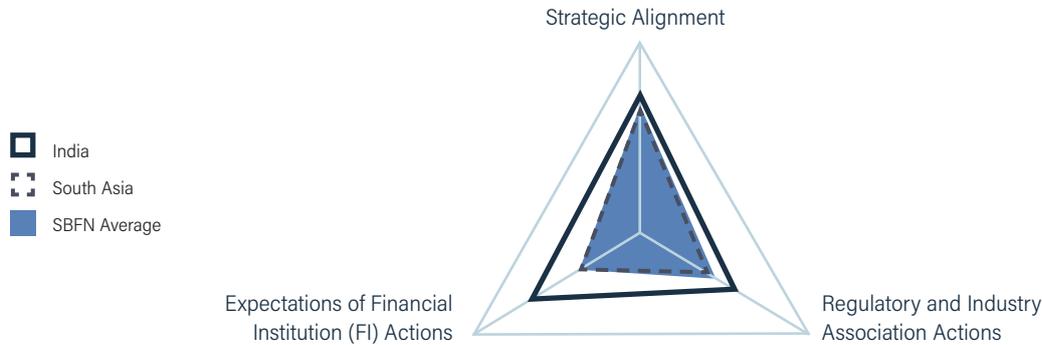
- As part of future progress, the National Guidelines on Responsible Business Conduct, the SEBI's sustainability disclosure approach for listed entities, and the IBA's National Voluntary Guidelines for Responsible Financing can be further elaborated to guide the expected actions of FIs for the development of their strategy, governance, risk management, metrics/targets and disclosure approaches for climate-related physical and transition risks and financial impacts.



## Pillar 3: Financing Sustainability

### Pillar Progress: Developing

India is in the **“Developing” sub-stage of the “Implementation” stage** of progression for the Financing Sustainability Pillar. There is a national framework for promoting financial flows into green, climate, social, and sustainability-linked projects and sectors, and ongoing awareness raising and capacity building on financing sustainability actions and expectations.



#### Sub-pillar 1: Strategic Alignment

- India's national framework for financing sustainability covers both the banking sector and the capital markets, led by IBA's National Voluntary Guidelines for Responsible Financing (2017) and SEBI's Disclosure Requirements for Issuance and Listing of Green Debt Securities (2017). SEBI has also prepared draft Disclosure Requirements for Issuance and Listing of Green Bonds, which are currently pending board approval.
- The Indian financial sector's approach to promoting financial flow into green and sustainability projects and sectors is in alignment with international goals and good practices, such as the UN Sustainable Development Goals and the Climate Bonds Initiative definitions.
- India's framework on financing sustainability promotes cooperation between key stakeholders. The formulation process of IBA's Guidelines began in the working group convened by IBA, which brought together a cross-section of public and private sector banks, think tanks, and implementing agencies.

#### Sub-pillar 2: Regulatory and Industry Association Actions

- SEBI issued its Disclosure Requirements for Issuance and Listing of Green Debt Securities in 2017, which provides definitions for green debt securities and guidelines for issuers of green debt securities, usually green bonds. It also states that “the issuer may appoint an independent

third-party reviewer/certifier”.

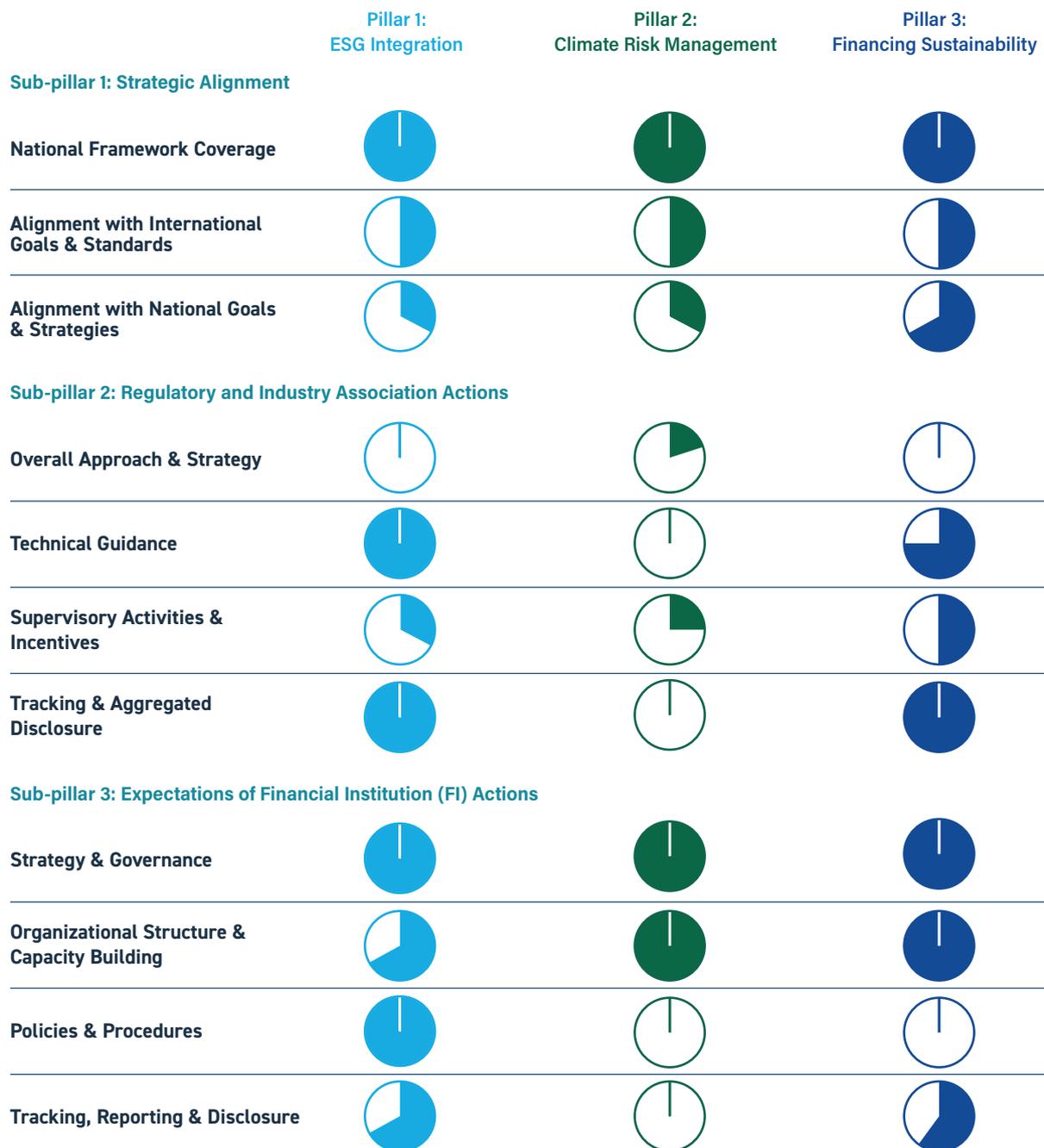
- As part of its Voluntary Guidelines, IBA will measure and monitor FIs' progress in managing ESG issues, both for risk and opportunities, and proactively and regularly disclose this information publicly via relevant disclosure or reporting frameworks.

#### Sub-pillar 3: Expectations for FI Actions

- IBA's Voluntary Guidelines asks FIs' boards to integrate an ESG oversight function in an appropriate sub-committee, or to create a new committee as deemed fit for mainstreaming these principles in FIs' operations and for their subsequent monitoring and review, both for risk and opportunities.
- The Voluntary Guidelines asks FIs to define internal staff roles and responsibilities and to develop and maintain internal staff-related capacity through regular training and learning necessary to promote sustainable finance.
- The Voluntary Guidelines asks FIs to publish annual updates on the performance and impacts of the sustainability instruments, and to report to the IBA and the general public on green, social, and/or sustainability bonds or other positive impact investments, including lines of credit and investment in clean technology, energy efficiency, renewable energy, and climate mitigation and adaptation projects.

# 3. Progress by three sub-pillars & 11 indicators

Figure 4: Overview of India'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

**Circular on Business Responsibility and Sustainability Reporting by Listed Entities**  
(SEBI, 2021)

**Practical Actions to Finance India's Sustainable Recovery**  
(India-UK Sustainable Finance Working Group, 2021)

**Accelerating Green Finance in India: Definitions and Beyond**  
(The Climate Policy Initiative, Shakti Sustainable Energy Foundation and Kinetics, 2020)

**Business Responsibility and Sustainability Reporting Framework**  
(SEBI, 2020)

**National Guidelines for Responsible Business Conduct**  
(Ministry of Corporate Affairs, 2019)

**Stewardship Code**  
(SEBI, 2019)

**Stewardship Code**  
(Pension Fund Regulatory and Development Authority, 2018)

**Guidance Document on ESG Disclosures**  
(BSE Limited, 2018)

**National Voluntary Guidelines on Responsible Financing**  
(Indian Bank's Association, 2017)

**Disclosure Requirements for Issuance and Listing Green Debt Securities**  
(SEBI, 2017)

**Stewardship Code**  
(Insurance Regulatory and Development Authority, 2017)

**National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business**  
(Ministry of Corporate Affairs, 2011)

Download framework documents and check for updates at [www.sbfnetwork.org/library](http://www.sbfnetwork.org/library)

# 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.



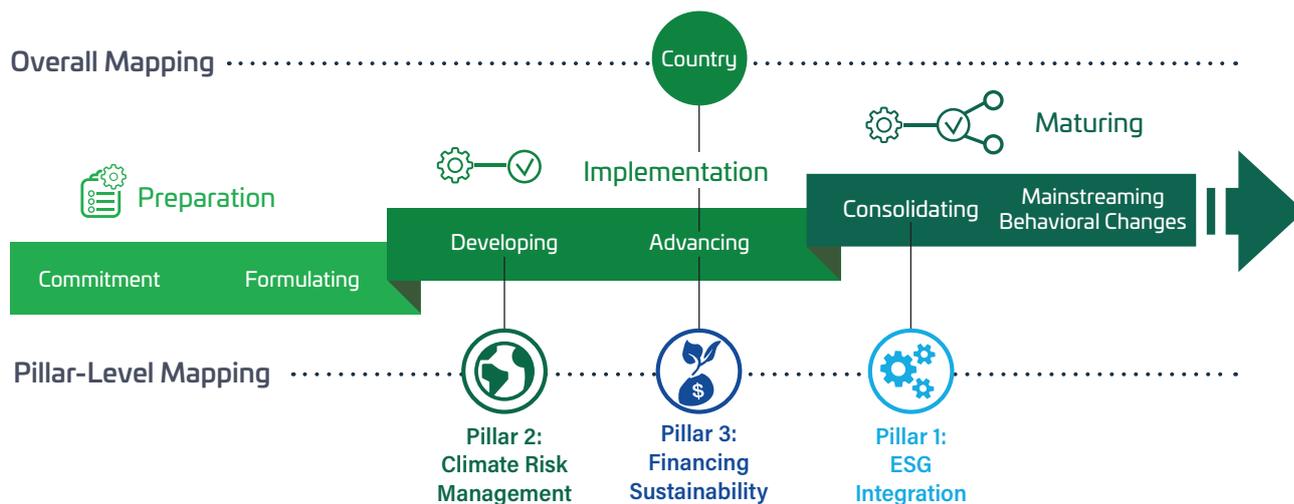
**Financing Sustainability** refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, 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
<b>Sub-pillar 1: Strategic Alignment</b>	<ul style="list-style-type: none"> <li>National framework</li> <li>Alignment with international goals and standards</li> <li>Alignment with national goals and strategies</li> </ul>		
<b>Sub-pillar 2: Regulatory and Industry Association Actions</b>	<ul style="list-style-type: none"> <li>Overall approach and strategy</li> <li>Technical guidance</li> <li>Supervisory activities and incentives</li> <li>Tracking and aggregated disclosure</li> </ul>		
<b>Sub-pillar 3: Expectations of Financial Institution (FI) Actions</b>	<ul style="list-style-type: none"> <li>Strategy and governance</li> <li>Organizational structure and capacity</li> <li>Policies and procedures</li> <li>Tracking, reporting, and disclosure</li> </ul>		

## 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 <sup>1</sup> (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?

<sup>1</sup> **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

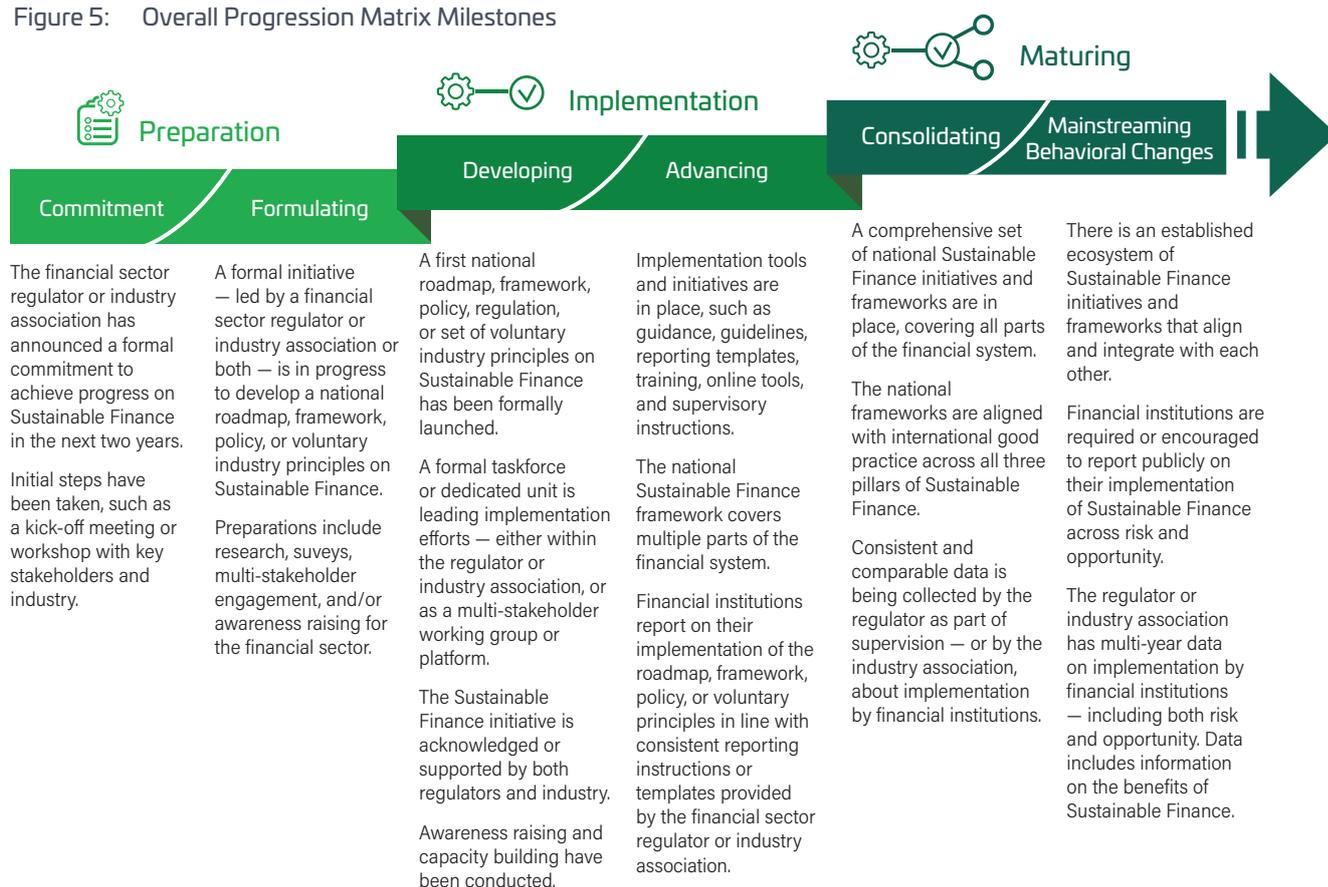


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

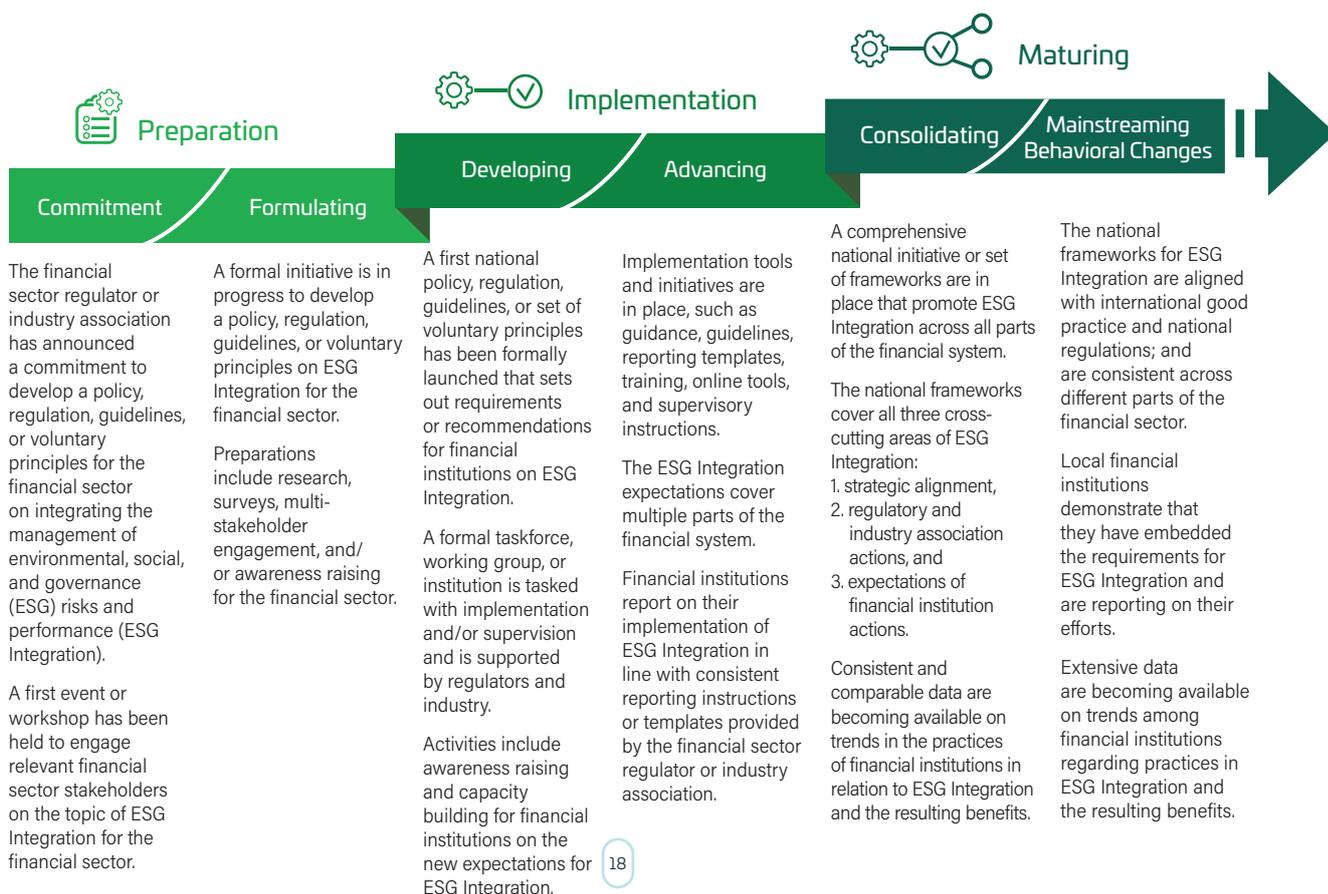


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

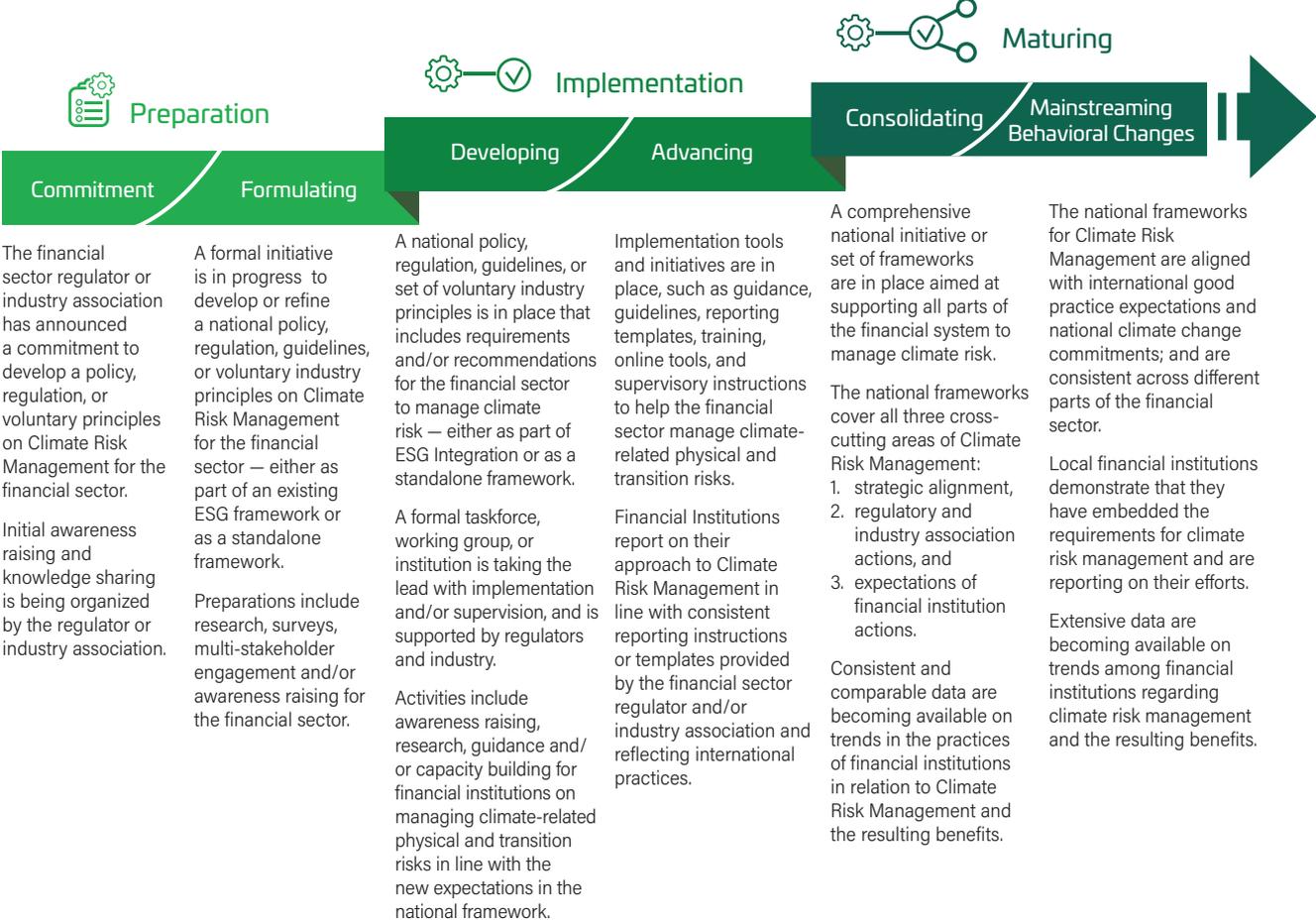
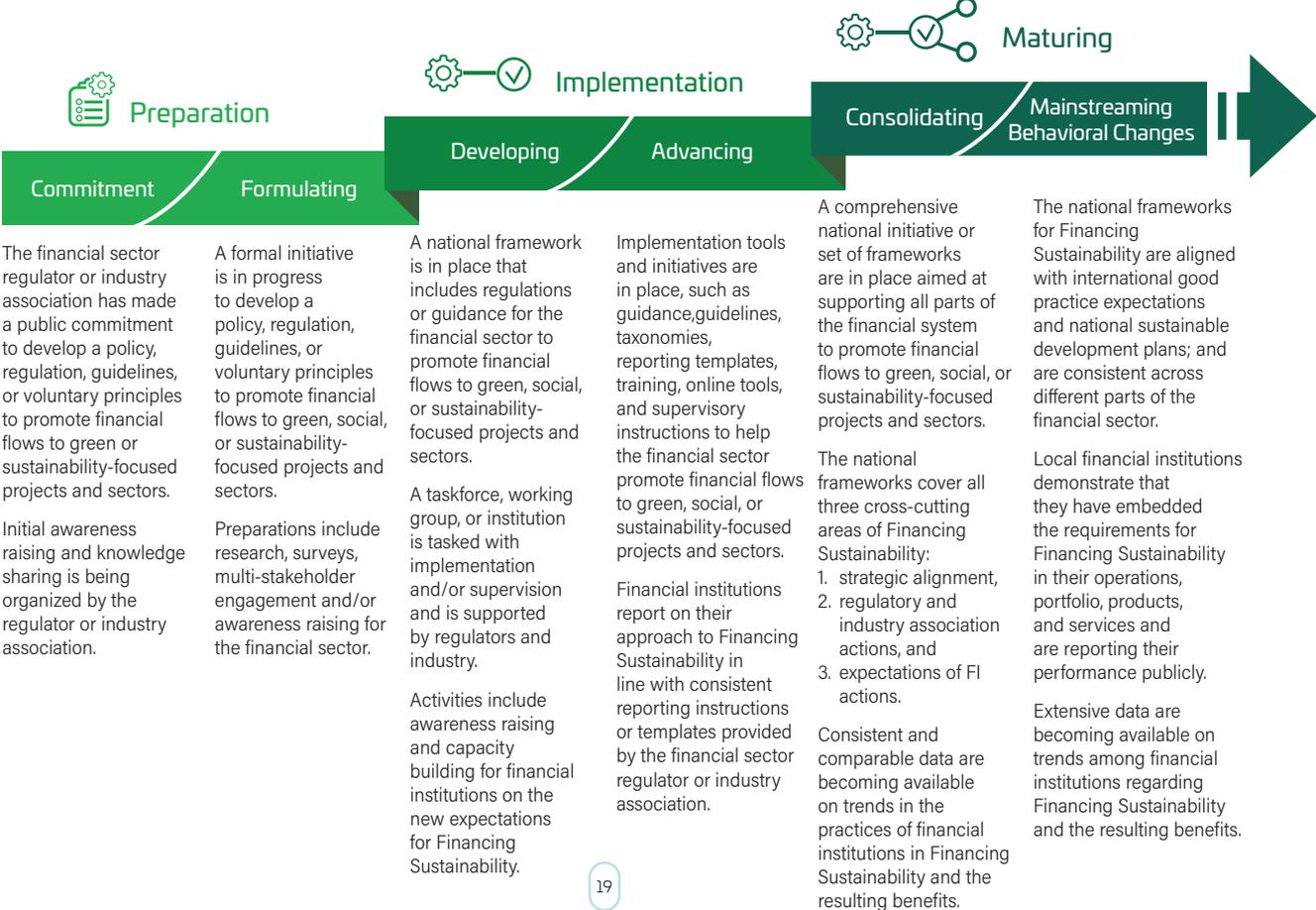


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability



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