Indonesia

Country Progress Report

March 2022

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

Sustainable
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Network

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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.

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1. Overall country progress – Indonesia

1.1 SBFN member institution:

Otoritas Jasa Keuangan (OJK)
(Indonesia Financial Services Authority)

Member Since: 2012

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

1.2 Other key institutions and national initiatives promoting sustainable finance

Bank Indonesia (Central Bank of Indonesia)
Ministry of Environmental Affairs and Forestry
Ministry of Finance

Indonesia SDGs Secretariat under Ministry of National Development Planning
Indonesia Stock Exchange
PT Sarana Multi Infrastruktur (PTI SMI)

1.3 Overall progress

Indonesia has **continued to make progress in the "Consolidating" sub-stage of the "Maturing" stage** of the Overall SBFN Progression Matrix. In 2021, the Indonesia Financial Services Authority (OJK) issued the Sustainable Finance Roadmap Phase II (2021-2025), and continues to broaden and deepen the development of sustainable finance nation-wide. Indonesia's sustainable finance framework addresses ESG integration, climate risk management, and financing sustainability. Its coverage has extended from just the banking sector to the rest of the financial sector ecosystem, including pensions, capital markets, and asset management. Consistent and authoritative data on ESG risk management and sustainable finance flows has started to become available, particularly in the banking sector. A national green finance taxonomy was launched in January 2022.

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: Indonesia's sustainable finance journey

🟩 Policies, principles, regulations, and guidance.

🟦 Research and engagement (since last SBFN progress report)

🟦 Examples of market actions and impacts

2012

OJK joins SBFN

2014

OJK in collaboration with the Ministry of Environmental Affairs and Forestry launches the Roadmap for Sustainable Finance in Indonesia (2015-2019)

2017

OJK issues Regulation No. 51/ POJK.03/2017 on Application of Sustainable Finance to Financial Services Institution, Issuers, and Publicly Listed Companies; and a Regulation on the Issuance and the Terms of Green Bond (No. 60/POJK.04/2017)

2018

OJK publishes Technical Guidelines for Banks and Banking Supervisors on the Implementation of POJK NO.51/POJK.03/2017 on Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies

The Government of Indonesia issues the first sovereign global green sukuk for $1.25 billion

PT SMI issues green bonds for 3 trillion Indonesia rupiah (Approximately $200 million)

Bank OCBC NISP issues a $150 million green medium-term note to IFC as sole investor

2019

The Government of Indonesia issues second sovereign global green sukuk of $750 million

PT Bank Rakyat Indonesia issues global sustainability bonds for $500 million

Bank Indonesia (Central Bank of Indonesia) issues regulation on loan-to-value (LTV) for green property mortgages to support green building development

2020

The Government of Indonesia launches the National Economic Recovery Program (PEN)

The Government of Indonesia issues the third sovereign global green sukuk for $750 million

OJK launches an incentive to increase bank's financing for electrical vehicles

Total green bond and sukuk issuance in Indonesia, including sovereign green sukuk issuance, reaches $5 billion*

Bank OCBC NISP issues a $200 million sustainable medium-term note to IFC as sole investor

BTPN launches SME Green Loan to promote access to finance focusing on supply chain financing, gender financing, and green projects for micro, small, and medium enterprises

Indonesia Stock Exchange launches the IDX ESG Leaders Index that measures price performance of stocks that become leaders in environmental, social, and governance rating and do not have significant controversies, selected from stocks with high trading liquidity and good financial performance

2021

OJK publishes the Sustainable Finance Roadmap Phase II (2021-2025); Indonesia Banking Development Roadmap (RP2I) 2020 – 2025; Indonesia Financial Services Sector Master Plan (MPSJKI) 2021-2025; and Indonesia Islamic Banking Development Roadmap 2020-2025

OJK publishes Technical Guidelines for Securities Companies on the Implementation of POJK NO.51/POJK.03/2017 on Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies

Bank Mandiri, Indonesia's second-largest lender by asset, raises $300 million from its first green bond

2022

Publication of Indonesia Green Taxonomy (Edition 1.0)

*Climate Bonds initiative, 2020, "ASEAN Sustainable Finance State of the Market 2020"

1.5 COVID response

OJK launched the Indonesian Banking Development Roadmap (RP2I) 2020 - 2025 as a reference for authorities, the banking industry and other stakeholders in responding to various dynamics due to the Covid-19 pandemic and the changing conditions that accompany it. In June 2020, the Indonesian Government increased the state budget for the handling of COVID-19 and implemented the National Economic Recovery Program (PEN) through the announcement of its largest ever economic stimulus package of 695.20 trillion Indonesian rupiah. However, by November 2020, after several revisions to the package, the amount had reached 744.28 trillion Indonesian rupiah for the handling of the COVID-19 pandemic.

1.6 Ambitions for the next phase

The task ahead is to formulate and assess industry-wide conditions to respond to needs, formulate policy, and promote the most practical and tangible way to move forward on sustainable finance. The green taxonomy is the main task in this regard and sets out a vision for sustainable finance. A next step is implementation of the taxonomy and development of a green investment pipeline. This is both from the regulator and industry side, with OJK collaborating with the industry and the government towards a common understanding of these issues. Technical discussions with some of the first movers within the financial sector will also be extremely useful, such as PT SMI, a Special Mission Vehicle (SMV) under the Ministry of Finance, which is engaged in financing and preparing infrastructure projects.

1.7 SBFN and IFC role

IFC has provided advisory services to OJK for their sustainable finance initiatives and capacity building, in partnership with SECO and UK Aid. Through SBFN, OJK has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base, including as former Co-Chair of the Measurement Working Group and current Co-Chair of the Sustainable Finance Instruments Working Group.

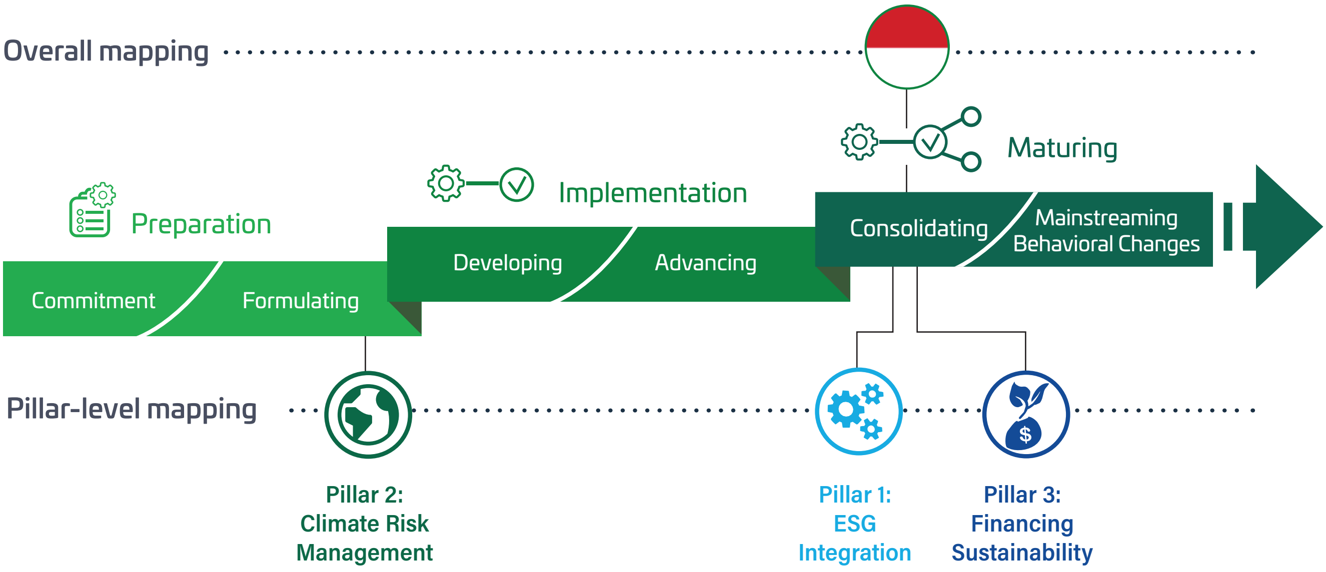
> "Indonesia and other SBFN members in the developing world are among the hardest hit by economic hardship, which is why the government is trying hard to keep the engine of growth running. So when we need to respond to the COVID pandemic (Indonesia already has negative growth), we have to put the right balance in place and communicate carefully around the trade off between the interests of sustainable finance and economic growth to overcome the pandemic."

Mr. Enrico Hariantoro
Group Head
Indonesia Financial Services Authority (OJK)

OJK OTORITAS JASA KEUANGAN

2. Progress by three pillars

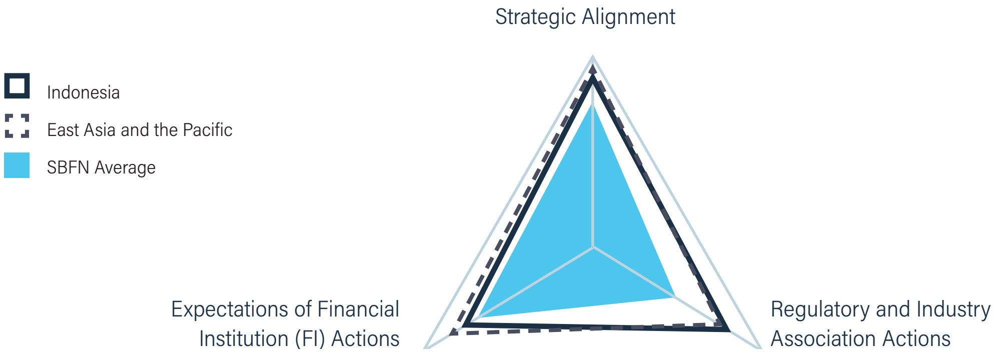
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Consolidating

Indonesia is mapped under the **"Consolidating" sub-stage of the "Maturing" stage** of the ESG Integration Pillar. Its national framework extends beyond the banking sector and promotes ESG integration across the financial sector ecosystem. In addition to ongoing activities to raise awareness and build capacity, implementation tools and initiatives are in place, and consistent and comparable data is available about FIs' ESG implementation.



Sub-pillar 1: Strategic Alignment

- Indonesia's national frameworks for the banking sector and non-banking sector set out expectations for integrating the consideration of ESG risks and performance. They include the Sustainable Finance Roadmap Phase II (2021-2025) (OJK, 2021), Sustainable Finance Regulation (OJK, 2017), and Technical Guidelines on Sustainable Finance Implementation for the Banking Sector (OJK, 2018).
- Indonesia's approach to ESG integration in the financial

sector is aligned with international good practices and standards, including the SDGs. The eight principles of Sustainable Finance Regulation No. 51 /POJK.03/ 2017 align with international standards and are adapted to Indonesian conditions. They include the social and environmental risk management principle, governance principle, responsible investment principle, and sustainable business strategy and practice principle.

- The framework has been developed and implemented in close consultation with stakeholders. OJK works with various ministries and financial industry associations to promote sustainable finance.

Sub-pillar 2: Regulatory and Industry Association Actions

- Indonesia's sustainable finance framework is supported with implementation guidance and technical tools, such as Technical Guidelines on Sustainable Finance Implementation for the Banking Sector (OJK, 2018).
- The implementation of the framework is regularly monitored by OJK and supported by disclosure requirements and data collection.
- In January 2021, OJK issued the Indonesia Sustainable Finance Roadmap Phase II (2021-2025), developing a nationwide sustainable finance ecosystem driven by both supply and demand sides.
- In 2021, OJK launched the Indonesia Financial Services Sector Master Plan (MPSJKI) 2021-2025. The key priorities covered in the master plan include strengthening the resilience and competitiveness of the financial services sector, accelerating digital transformation in the financial services sector, and developing the financial services sector ecosystem.
- OJK, Bank Indonesia, and Deposit Insurance Corporation (LPS) agreed to integrate banking sector reporting through a portal mechanism known as Pelaporan.id, commencing from December 31, 2019. Integrated reporting was developed to minimize redundant and inconsistent information. Single Banking Data was created as a means to access and exchange banking data as needed by each respective authority as well as to improve the quality of the reported data.

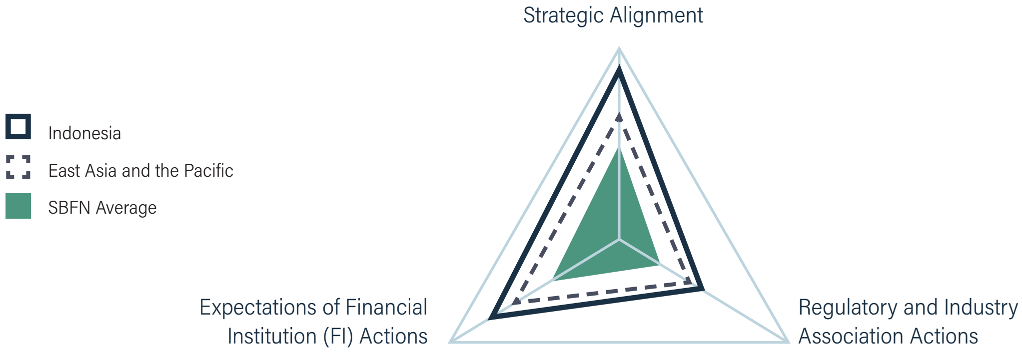
Sub-pillar 3: Expectations for FI Actions

- The Sustainable Finance Regulation and the Technical Guidelines on Sustainable Finance Implementation for the Banking Sector require FIs to develop policies and procedures to manage ESG risks and performance, to monitor ESG risks, and to report ESG performance publicly.
- Financial services providers, issuers, and public companies are required to submit a Sustainable Finance Action Plan and annual business sustainability report to OJK, as well as publish sustainability reports on their websites.

Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Indonesia is in the **"Formulating" sub-stage of the "Preparation" stage** of the Climate Risk Management Pillar. OJK's Sustainable Finance Roadmap Phase II (2021-2025) clearly signals the importance of managing climate risk in the financial sector, and the Sustainable Finance Regulation No. 51 /POJK.03/ 2017 provides a foundation for the future incorporation of approaches to manage climate-related physical and transition risks and related financial impacts as part of overall ESG risk management. Preparations and activities include research, surveys, and 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 Indonesia's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the Ministry of National Planning's low-carbon development plan. In the financial sector, OJK has issued the Sustainable Finance Roadmap Phase II (2021 – 2025) in addition to regulations and technical guidelines for sustainable finance and environmental, climate, and social risk in the banking and financial sector.

Sub-pillar 2: Regulatory and Industry Association Actions

- In 2017, OJK issued Sustainable Finance Regulation No. 51 /POJK.03/ 2017, accompanied by the Technical Guidelines on Sustainable Finance Implementation for the Banking Sector. The regulations emphasize Indonesia's vulnerability to climate risks and include a social and environmental risk management principle (Article 2c) and reporting requirements. In addition, the Technical Guidelines reference climate in the context of supporting national climate priorities (including the NDC) through climate finance for mitigation and adaptation for priority sectors.
- Indonesia's Sustainable Finance Roadmap Phase II (2021 – 2025) was developed by OJK in collaboration with the central bank of Indonesia (Bank Indonesia), and other government agencies. The Roadmap emphasizes the vulnerability of Indonesia to climate-related physical and transition risks in the context of the role of overall ESG risk management and sustainable finance activities by financial institutions. The Roadmap's second priority for 2021-25 seeks to embed ESG risk management by financial institutions. It references the TCFD and the need to incorporate the management of climate-related physical and transition risks as a key component of risk management in the financial sector moving forward.
- Bank Indonesia and OJK are members of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and the Indonesian Stock Exchange is a formal supporter of the TCFD.
- As part of future progress by Indonesia, areas of focus could include research, capacity building, technical guidance (for example climate scenarios, risk assessment methodologies), and development of regulatory and supervisory expectations to help financial institutions manage climate-related physical and transition risks and financial impacts. OJK has signaled the ongoing preparation of studies on climate risk and related financial impacts in the Indonesian economy.

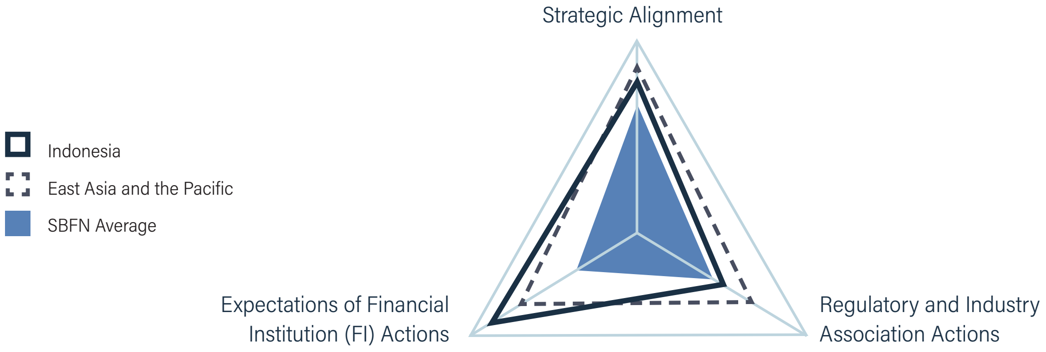
Sub-pillar 3: Expectations for FI Actions

- The priority of the Sustainable Finance Roadmap is to further embed ESG risk management as part of Sustainable Finance Regulation No. 51 /POJK.03/ 2017, and to increase awareness and research on climate risk management practices as part of overall ESG risk management approaches.
- As part of future progress, the regulatory approach can be further elaborated to guide the expected actions of financial institutions 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: Consolidating

Indonesia is in the **"Consolidating" sub-stage of the "Maturing" stage** for the Financing Sustainability Pillar. Its national sustainable finance framework is well aligned with international good practice expectations across all three sub-pillars. Consistent and comparable data is being collected. In 2021, OJK published its Sustainable Finance Roadmap Phase II (2021-2025), strengthening its nationwide sustainable finance ecosystem driven by both supply and demand sides. In January 2022, OJK published a national green finance taxonomy. The Government of Indonesia has led the way through multiple issuances of Sovereign Global Green Sukuk, including the world's first sovereign green sukuk in 2018.



Sub-pillar 1: Strategic Alignment

- Indonesia's framework for financing sustainability covers both the banking sector and the broader financial ecosystem, led by OJK's Sustainable Finance Regulation No. 51 /POJK.03/ 2017, Technical Guidelines on Sustainable Finance Implementation for the Banking Sector (2018), and Regulation on the Issuance and the Terms of Green Bonds (2017).
- The Indonesian financial sector's approach to promoting financial flows into green and sustainability-focused projects and sectors is in alignment with international good practices and standards, such as the UN Sustainable Development Goals, ICMA's Green Bond Principles (GBP), and the ASEAN (Association of Southeast Asian Nations) Green, Social and Sustainability Bond Standards, and sustainable finance taxonomy.
- The Indonesian financial sector's approach to financing sustainability promotes cooperation between agencies and other key stakeholders. OJK is also in the process of establishing a National Task Force for Sustainable Finance.

Sub-pillar 2: Regulatory and Industry Association Actions

- Indonesia's Sustainable Finance Roadmap provides expectations for the regulator to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects.
- Definitions, examples, and classifications of sustainable finance assets are provided in multiple policies, including OJK's Sustainable Finance Regulation No. 51 /POJK.03/ 2017, Technical Guidelines on Sustainable Finance Implementation for the Banking Sector (2018), and Regulation on the Issuance and the Terms of Green Bonds (2017). OJK updated its national green taxonomy to further align with international good practices, and Indonesia's Green Taxonomy (Edition 1.0) was released in January 2022.
- OJK's Regulation on the Issuance and the Terms of Green Bonds (2017) requires external party verification to ensure the credibility of sustainability instruments.
- OJK's Technical Guidelines provide detailed instructions for FIs' sustainability reporting and require written verification from an independent third party.

Sub-pillar 3: Expectations for FI Actions

- OJK's Sustainable Finance Regulation No. 51 /POJK.03/ 2017 requires FIs to state their high-level strategy on sustainable finance in their annual plan as well as annual sustainability report.
- Among other things, the Sustainable Finance Regulation requires FIs to provide continuous internal capacity building and put in place organizational structures and systems to implement sustainable finance, which should be customized to each bank's strategy, size, and needs.
- The Sustainable Finance Regulation requires FIs to set up internal procedures to promote financing of sustainability, and requires 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.
- OJK requires FIs to publish sustainability reports annually, including capital allocations and positive outcomes and impacts of sustainable finance products, such as loans and bonds, as per Sustainable Finance Regulation No. 51 /POJK.03/ 2017. FIs are required to report to OJK and disclose the information to the general public on their websites.

3. Progress by three sub-pillars and 11 indicators

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

	Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar 1: Strategic Alignment			
National Framework Coverage	●	●	●
Alignment with International Goals & Standards	●	●	●
Alignment with National Goals & Strategies	◕	◕	◔
Sub-pillar 2: Regulatory and Industry Association Actions			
Overall Approach & Strategy	◑	◔	○
Technical Guidance	●	○	●
Supervisory Activities & Incentives	◕	◑	●
Tracking & Aggregated Disclosure	●	●	○
Sub-pillar 3: Expectations of Financial Institution (FI) Actions			
Strategy & Governance	●	●	●
Organizational Structure & Capacity Building	◕	●	●
Policies & Procedures	◕	●	◕
Tracking, Reporting & Disclosure	◕	○	◕

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

Indonesia Green Taxonomy (Edition 1.0)
(OJK, 2022)

Indonesia Financial Services Sector Master Plan
(MPSJKI) 2021-2025
(OJK, 2021)

Indonesia Banking Development Roadmap
(RP2I) 2020 – 2025
(OJK, 2021)

Technical Guidelines for Securities Companies on the Implementation of POJK NO.51/POJK.03/2017 on Sustainable Finance for Financial Services Institution, Issuers, and Public Companies
(OJK, 2021)

Indonesia Islamic Banking Development Roadmap 2020-2025
(OJK, 2021)

National Economic Recovery Program
(PEN)
(Government of Indonesia, 2020)

Technical Guidelines for Banks on the Implementation of POJK NO.51/ POJK.03/2017 on Sustainable Finance for Financial Services Institution, Issuers, and Public Companies
(OJK, 2018)

Technical Guidelines for Banking Supervisors on the Implementation of POJK NO.51/POJK.03/2017 on Sustainable Finance for Financial Services Institution, Issuers, and Public Companies
(OJK, 2018)

Regulation NO.51/POJK.03/2017 on Application of Sustainable Finance for Financial Services Institution, Issuers, and Public Companies
(OJK, 2017)

Regulation on the Issuance and the Terms of Green Bonds
(OJK, 2017)

Roadmap for Sustainable Finance in Indonesia (2015-2019)
(OJK, 2014)

Download framework documents and check for updates at 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.

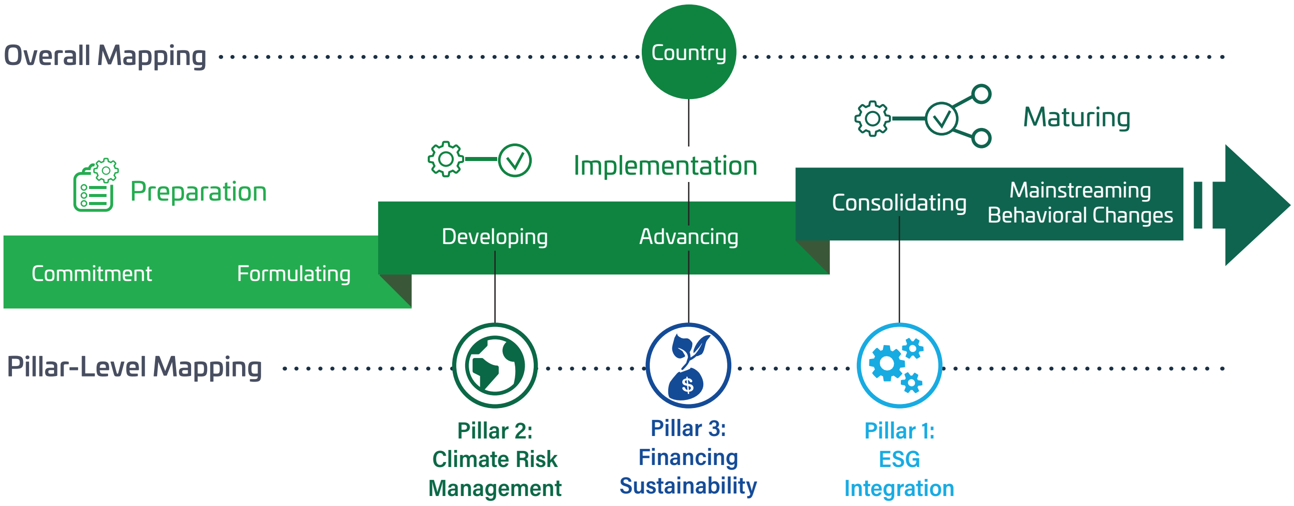
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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

<table>
<tr><th></th><th>Pillar 1: ESG Integration</th><th>Pillar 2: Climate Risk Management</th><th>Pillar 3: Financing Sustainability</th></tr>
<tr><td>Sub-pillar 1: Strategic Alignment</td><td colspan="3">• National framework
• Alignment with international goals and standards
• Alignment with national goals and strategies</td></tr>
<tr><td>Sub-pillar 2: Regulatory and Industry Association Actions</td><td colspan="3">• Overall approach and strategy
• Technical guidance
• Supervisory activities and incentives
• Tracking and aggregated disclosure</td></tr>
<tr><td>Sub-pillar 3: Expectations of Financial Institution (FI) Actions</td><td colspan="3">• Strategy and governance
• Organizational structure and capacity
• Policies and procedures
• Tracking, reporting, and disclosure</td></tr>
</table>

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?

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[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.

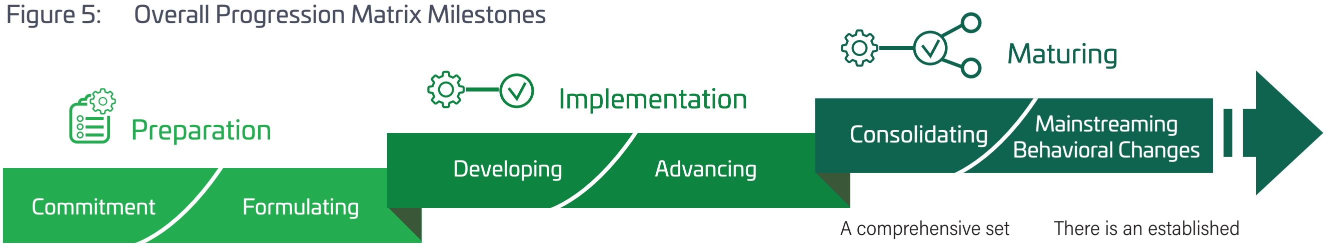
Regulatory and Industry Association Actions	Overall approach and strategy	32	Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?
		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



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.

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.

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.

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.

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.

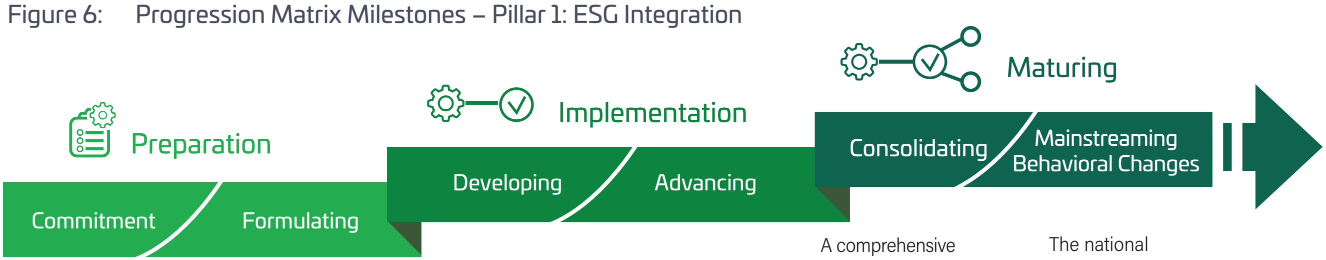
Consistent and comparable data is being collected by the regulator as part of supervision — or by the industry association, about implementation by financial institutions.

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



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.

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.

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 for ESG Integration.

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.

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.

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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