Morocco

Country Progress Report

April 2022

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

Sustainable
Banking and
Finance
Network

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

Acknowledgements

This SBFN Country Progress Report was developed by the SBFN Secretariat under the leadership of the SBFN Measurement Working Group and with guidance from the SBFN Regional and Country Coordinators Louise Gardiner and Riccardo Ambrosini. Data are provided by Bank Al-Maghrib (BAM, the central bank of Morocco) and Moroccan Capital Market Authority (AMMC) and verified by SBFN. The team is grateful for the support and guidance of BAM and AMMC representatives who provided data, participated in interviews, and reviewed and provided comments to this report, in particular Nezha Hayat, AMMC Chairperson and CEO; Nabil Badr, BAM Deputy Director of the Banking Supervision Department; Yasser Mounsif, AMMC Head of Corporate Finance and Financial Disclosure Department; Najwa Mouhaouri, BAM Head of Green Finance of Banking Supervision; and Rajaa Rochd, BAM Green Finance.

About SBFN

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

About IFC

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

© International Finance Corporation [2022], as the Secretariat of the Sustainable Banking and Finance Network (SBFN). All rights reserved. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433 Internet: www.ifc.org. The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC and SBFN encourage dissemination of their work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC and SBFN do not guarantee the accuracy, reliability, or completeness of the content included in this work, or the conclusions or judgments described herein, and accept no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

This work was prepared in consultation with SBFN members. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank Group, IFC, or the governments they represent. The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, a certain number of the companies and parties named herein.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433. International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

Contents

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 – Morocco

1.1 SBFN member institutions:

Bank Al-Maghrib (BAM, the central bank of Morocco)	Member Since: 2014	**Working Group:** Measurement
Moroccan Capital Market Authority (AMMC)	Member Since: 2018	**Working Groups:** Measurement (Co-Chair) Sustainable Finance Instruments Data and Disclosure

1.2 Other key institutions and national initiatives promoting sustainable finance

Casablanca Stock Exchange (CSE)
Moroccan Banks Association (GPBM)
The Moroccan Federation of Insurance and Reinsurance Companies (FMSAR)
The Supervisory Authority of Insurance and Social Welfare (ACAPS)
Casablanca Finance City Authority (CFC)
The Ministry of Energy Transition and Sustainable Development
The Ministry of Economy and Finance

1.3 Overall progress

Morocco **has continued to make progress in the "Advancing" sub-stage of the "Implementation" stage**. In 2021, BAM issued a regulatory directive covering climate and environment-related financial risk management for banks, and AMMC published the Gender Bonds Guidelines. Morocco's sustainable finance framework has been implemented for a number of years, and has a series of practical tools in place, including guidance/guidelines, reporting templates, training, and capacity-building programs. Additionally, financial institutions (FIs) have started sustainable finance reporting on implementation in line with reporting instructions/templates.

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: Morocco's sustainable finance journey

- 🟩 Policies, principles, regulations, and guidance
- 🟦 Research and engagement (since last SBFN progress report)
- ■ Examples of market actions and impacts

2014

▮ BAM joins SBFN

2016 - 2017

🟩 BAM coordinates the elaboration of the Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development

AMMC releases Green Bonds Guidelines

GPBM launches Banks and Climate Charter

AMMC launches the Marrakech Pledge

AMMC and Casablanca Stock Exchange publish CSR and ESG Reporting Guidelines

2018

▮ AMMC joins SBFN

🟩 AMMC publishes Green, Social and Sustainability Bonds Guidelines

🟦 BAM joins the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

■ Aggregate amount of sustainable finance instruments reaches more than $420 million

2019

🟩 AMMC introduces regulatory provisions for the issuance of sustainable financial instruments as well as for mandatory ESG reporting by issuer

🟦 BAM launches new unit dedicated to green finance

BAM organizes the Global Conference on Inclusive Green Finance with AFI

BAM organizes the 3rd edition of the Global Green Finance Leadership Program, with CFCA, the Tsinghua University Green Finance Development Research Center and IFC

BAM publicly supports TCFD standards

2020

■ Almost 100% compliance with ESG reporting achieved by issuer on the Moroccan Capital Market (first mandatory ESG reports published for 2019 financial year)

🟦 BAM launches a two-year work program supported by the World Bank on climate-related risks, supervision, and monitoring

2021

🟩 BAM publishes Draft Regulatory Directive Calling on Banks to Address Climate and Environmental Financial Risk

AMMC releases Gender Bonds Guidelines, first gender-specific bond guidelines in the emerging markets

🟦 BAM holds periodic informative meetings with banks on climate-related risks measurement methodologies and best practices

BAM starts its climate-related risks assessment exercise as a first step to inform the integration of climate-related financial risks into the supervisory framework and designs further incentives for climate-related risks management by banks

BAM organizes a workshop for banks on portfolio alignment metrics and methodologies with COP26 TCFD experts

AMMC launches an internal capacity-building program, with support from IFC, for training staff and developing an assessment tool for ESG reporting

AMMC organizes training and capacity-building events on green bonds for issuers and local verifiers

1.5 COVID response

A national Business Intelligence Committee was set up to respond to the COVID-19 crisis. The committee is chaired by the Ministry of Finance and includes all relevant ministries, the banking federation, and private sector associations. The Central Guarantee Fund manages state-guaranteed loans to assist banks in giving support to, for example, small, medium and micro enterprises, particularly to help them retain employees.

Banking measures included BAM reducing its key interest rate to 1.5 percent and releasing $3.3 billion to combat COVID-19. To increase liquidity provision to the banking sector, BAM expanded the range of collateral accepted, increased its refinancing operations to support banking credit activities, and introduced prudential relaxation on liquidity ratios, provisioning requirements, and a capital conservation buffer. BAM also provided specific support to financing micro-credit associations and participatory banks.

AMMC undertook several measures to ensure the proper functioning of the capital market during the COVID crisis. Maximum variation thresholds on the Casablanca Stock Exchange (CSE) have been tightened to avoid herding and panic in the market, and the authority made sure that market professionals and market infrastructure deployed adequate business continuity plans. AMMC also oversaw issuers to make sure they continued to fulfill their transparency and governance obligations during this sensitive period, despite constraints imposed by the pandemic.

1.6 Ambitions for the next phase

BAM's focus for the next two years is to put in place the regulatory framework necessary for the banking sector to deal with climate risk. This will include performing climate-related risk assessment and a focus on stress testing, reporting, and capacity building for the implementation of the regulations. The bank will strengthen ministerial coordination to promote green finance at the national level, including taxonomy, taxation, and climate data. At a continent level, BAM is also promoting dialogue about the response of central banks and financial regulators to climate change. A draft BAM directive is underway to provide a strong signal and encourage banks to adopt a gender policy, and to support women's economic participation through the mobilization of products and services intended for them, such as gender bonds

AMMC will provide guidance and capacity on sustainable finance, focusing on the investor side, with a mix of tools, including guidance, incentives, and regulations. A taxonomy-equivalent project will establish where to finance sustainability projects. A working group has also been established to coordinate efforts of various policy makers in the field of sustainable finance.

1.7 SBFN and IFC role

IFC has provided advisory services to BAM and AMMC for their sustainable finance initiatives and capacity building. Through SBFN, BAM and AMMC have shared their experience with other SBFN members and benefited from the collective SBFN knowledge base.

> SBFN provides a unique and essential platform for financial sector regulators and industry associations to work together. As sustainable finance systems mature, collaboration between these different actors becomes critical to moving forward. This work should be extended to include capital markets, insurance, pension funds, and asset management.

Ms. Nezha Hayat

Chairperson & CEO, Moroccan Capital Market Authority (AMMC) &
Co-Chair of the SBFN Measurement Working Group

> The contribution of SBFN is very important to our experience. We learn a lot from SBFN feedback and, in particular, how our sustainable finance systems compare to other countries. We look forward to being included in the work of SBFN on specific issues, such as taxonomy, where we have much to learn from other countries' experiences.

Nabil Badr

Deputy Director of the Banking Supervision Department
Bank Al-Maghrib

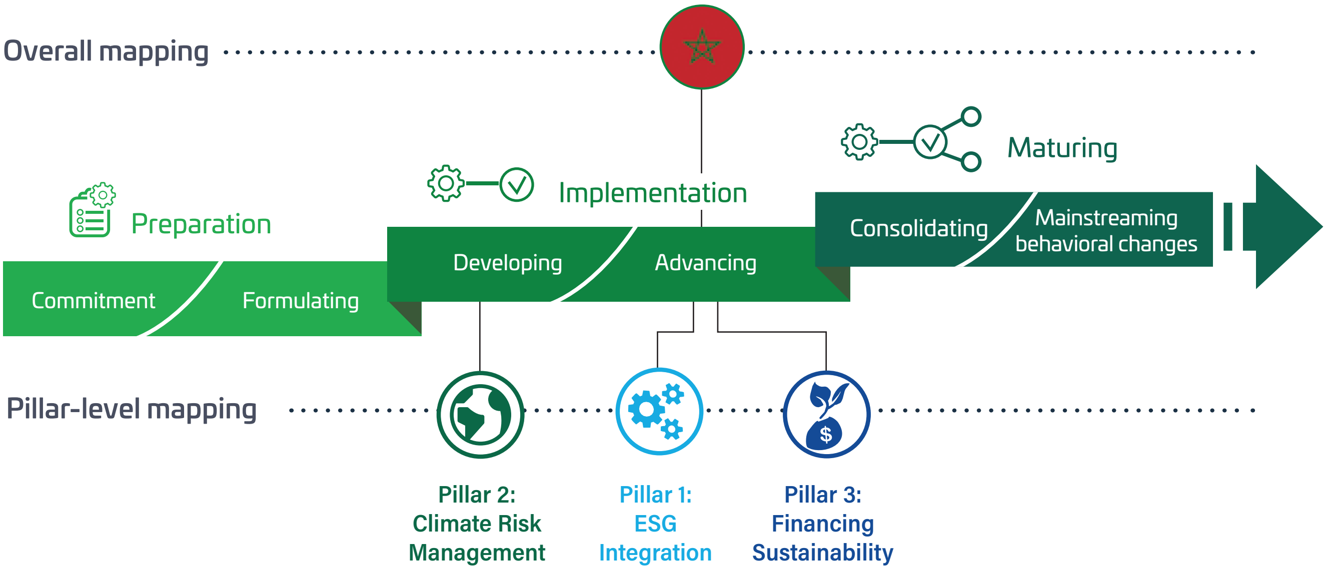
> Compared with other countries, we saw considerable resilience in Moroccan markets [during the COVID-19 crisis], which absorbed many of the losses. This was an opportunity to highlight the value of ESG reporting, which allowed issuers to report extra figures to demonstrate their resilience and solid fundamentals.

Yasser Mounsif

Head of Corporate Finance and Financial Disclosure Department,
Moroccan Capital Market Authority (AMMC)

2. Progress by three pillars

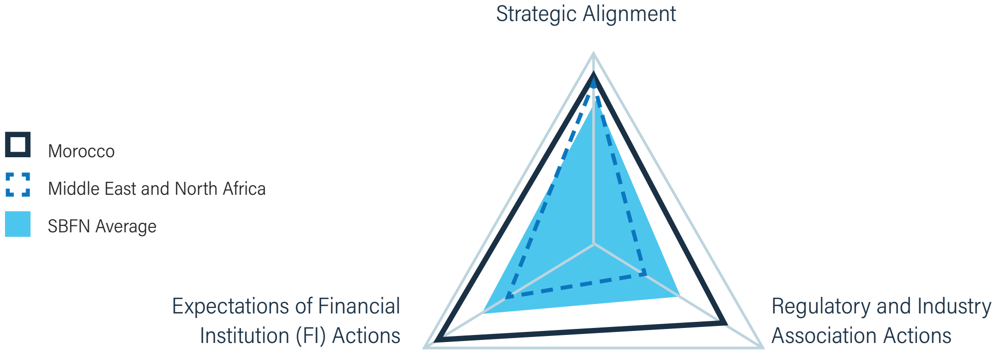
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Advancing

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



Sub-pillar 1: Strategic Alignment

- Morocco's national frameworks for the banking sector and non-banking sector, for example the Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development coordinated by BAM, and the Guidelines on Corporate Social Responsibility and ESG Reporting (AMMC & CSE, 2017), set out expectations for integrating the consideration of ESG risks and performance.
- The Moroccan financial sector's approach to ESG integration is in alignment with international good

practices and standards, such as the SDGs, IFC Performance Standards, Global Reporting Initiative, UN Global Compact, and PRI.

- The framework (Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development) was developed and implemented in close consultation with stakeholders. The Roadmap was endorsed by major actors in the Moroccan financial sector and was established through a broad consultation process with banking institutions.

Sub-pillar 2: Regulatory and Industry Association Actions

- Morocco's sustainable finance framework is supported with implementation guidance and technical tools, such as the CSR and ESG Reporting Guidelines (AMMC & CSE, 2017), Mandatory ESG Reporting Rules (AMMC, 2019) and the Regulatory Directive n° 5/W/2021 (BAM, 2021).
- The implementation of ESG reporting is regularly monitored by AMMC and supported by a data collection approach. The ESG index of the Casablanca Stock Exchange is composed of the 10 best performing issuers in ESG, based on an assessment by an independent third party.
- In 2019, the AMMC rulebook was amended to introduce mandatory ESG reporting for all issuers on the market. This obligation is set out in article 2.9 of the public offerings and disclosure rulebook.
- In March 2021, BAM issued Regulatory Directive n° 5/W/2021 for Credit Institutions Regarding the Management of Climate-related and Environmental Risks setting expectations for banks on managing the financial risks from climate change and other environmental concerns in four core areas: governance, risk management, scenario analysis, and disclosure.

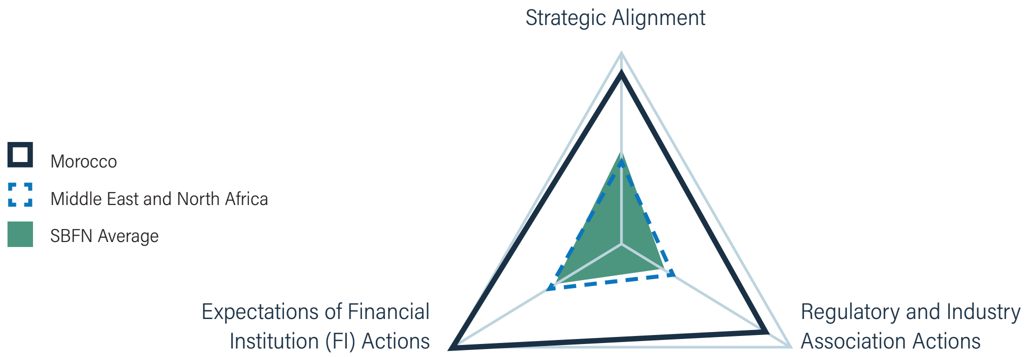
Sub-pillar 3: Expectations for FI Actions

- The Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development and the Regulatory Directive require 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 the public.

Pillar 2: Climate Risk Management

Pillar Progress: Developing

Morocco is in the **"Developing" Sub-stage of the "Implementation" stage** of the Climate Risk Management Pillar. There is a framework for climate risk management for the banking and capital markets sectors and research and capacity-building efforts are underway by regulators, industry associations, and FIs to develop a deeper understanding of climate risks, in addition to climate risk assessment and management approaches. There are ongoing regulator-industry working groups to raise awareness and build capacity among of FIs on the new expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority as indicated in Morocco's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the 2030 National Climate Change Plan. In the financial sector, BAM and AMMC have developed research, regulations, and guidelines for the management of climate risk in the financial sector.

Sub-pillar 2: Regulatory and Industry Association Actions

- The 2016 Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development and the GPBM's 2016 Banks and Climate Charter, both specify the need for banks to evaluate climate risk in their asset portfolios and evaluate financial impacts.
- In 2019, AMMC issued Circular 03/19 on ESG reporting and basic elements of climate risk, which requires reporting by issuers, including banks, in accordance with international practices.
- In 2021, BAM issued Regulatory Directive n° 5/W/2021 requiring credit institutions to identify, manage, and monitor climate-related and environmental risks in line with international practices.
- BAM is working with the World Bank to develop an assessment of key climate-related physical and transition risks in the banking sector and the financial system, to be completed by the end of 2021.
- BAM is a member of the Network for Greening the Financial System (NGFS) and, along with other members of the Moroccan banking sector, is a formal supporter of the Taskforce for Climate-related Financial Disclosures (TCFD).
- As part of future progress by Morocco, recommended areas of focus for regulatory and industry association actions include research, capacity building, and technical guidance (for example climate scenario analysis and stress testing) for managing physical and transition risks of climate change and related financial impacts.

Sub-pillar 3: Expectations for FI Actions

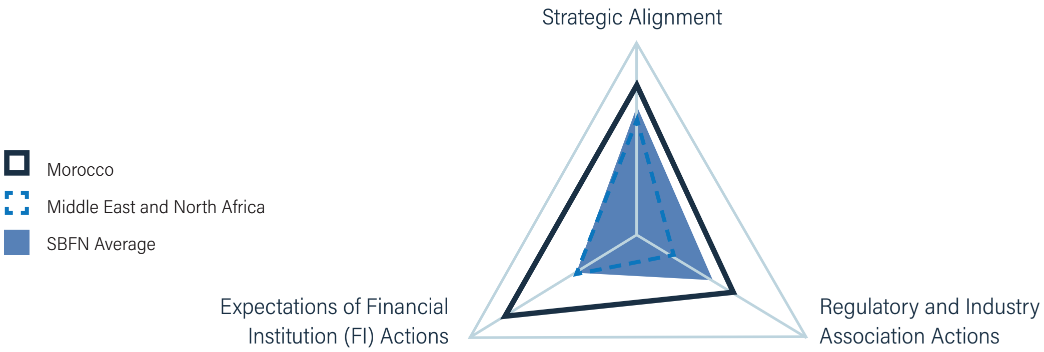
- The application of Morocco's regulatory approaches for banking and capital market sectors for managing climate risk builds familiarity and develops the capacity of Moroccan FIs to improve climate risk management practices.
- Credit institutions are required to develop and implement governance, risk management (including use of climate scenarios and stress tests, per Article 12), and disclosure practices for climate and environmental risk, according to the Regulatory Directive n° 5/W/2021. Credit institutions are to report on their climate risk-management and climate-opportunities approaches using TCFD practices publicly on an annual basis, including indicators and targets (Article 18); and also report directly to BAM on the qualitative and quantitative elements of their climate risk-management approaches on a periodic basis, including principal exposures to climate risks.

- Circular 03/19 on ESG and climate risk disclosure requires reporting by issuers, including banks, to be based on recognized international standards, such as the Carbon Disclosure Standards Board. As of 2021, AMMC is partnering with IFC to update Circular 03/19 to include more comprehensive ESG reporting requirements for issuers, including climate risks of investments.

Pillar 3: Financing Sustainability

Pillar Progress: Advancing

Morocco is mapped under the **"Advancing" sub-stage of the "Implementation" stage** for the Financing Sustainability Pillar. Its national sustainable finance framework for directing financial flows into green, social, climate, and sustainability-linked projects has implementation tools and initiatives in place, and FIs have started reporting financing sustainability performance in line with consistent reporting instructions/templates. In 2021, the AMMC published the Gender Bonds Guidelines, which highlight the relevance of gender equality and women's empowerment for sustainable finance, provide reference standards, and give guidance for issuing such instruments.



Sub-pillar 1: Strategic Alignment

- Morocco's national framework for financing sustainability covers both the banking sector and capital markets led by the Roadmap for Aligning the Financial Sector with Sustainable Development (2016) and AMMC's Green, Social and Sustainability Bonds Guideline and Gender Bonds Guidelines for the capital markets.
- The Moroccan financial sector's approach to promoting financial flows into green and sustainability projects and sectors is in alignment with international good practices and standards, such as the UN Sustainable Development Goals, the International Capital Market Association's Green Bond Principles and Social Bond Principles, and the Climate Bond Initiative's Climate Bond Taxonomy.
- Morocco's framework on financing sustainability identifies key stakeholders and promotes engagement. For example, all the guidelines and regulations published by the AMMC, such as the Green, Social and Sustainability Bonds Guidelines, were submitted to the public for consultation.

Sub-pillar 2: Regulatory and Industry Association Actions

- The 2016 Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development sets up expectations for regulators and industry associations to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects.
- The Roadmap sets expectations for the regulators to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects.
- Morocco's framework on financing sustainability provides definitions, examples, and guidelines of sustainable finance assets and guidelines for the issuance of green, social or sustainability bonds, and requires external party verification to ensure the credibility of sustainability instruments. AMMC's 2021 Gender Bond Guidelines highlight the relevance of gender equality and women's empowerment for sustainable finance.
- AMMC and BAM monitor green bond issuers' reporting and collect information from banks about green products they offer to customers. A reduced AMMC approval fee has been adopted as an incentive to promote green and other sustainability-related bond issuance.

Sub-pillar 3: Expectations for FI Actions

- BAM's Regulatory Directive n° 5/W/2021 requires banks to integrate climate and environment-related risks into their strategic planning and governance framework.
- Morocco's framework on financing sustainability mandates that the financial sector implement training programs for their staff to promote their awareness of sustainable development issues and widen their perception and appraisal related to underlying risks.
- AMMC's Green, Social and Sustainability Bonds Guidelines requires FIs to put in place policies and

procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products, and requires a second-party opinion before the approval of any sustainable instrument.

- AMMC's Green, Social and Sustainability Bonds Guidelines require FIs to publish annual updates on the performance and impacts of sustainability instruments and obtain an independent review of metrics reported annually in relation to the social and environmental outcomes and impacts achieved through the sustainability instruments. Furthermore, the issuers need to report to AMMC and publicly disclose the above-mentioned information.

3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Morocco’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

Regulatory Directive n° 5/W/2021 for Credit Institutions Regarding the Management of Climate-related and Environmental Risks
(BAM, 2021)

Gender Bonds Guidelines
(AMMC, 2021)

Amended Circular 03/19 (on issuance of sustainable finance instruments and mandatory ESG reporting)
(AMMC, 2019)

Green, Social, and Sustainability Bonds
(AMMC, 2018)

CSR and ESG Reporting Guidelines
(AMMC & CSE, 2017)

Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development
(Financial sector actors, coordinated by BAM, 2016)

Banks and Climate Charter Full
(GPBM, 2016)

Green Bonds Guidelines
(AMMC, 2016)

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.

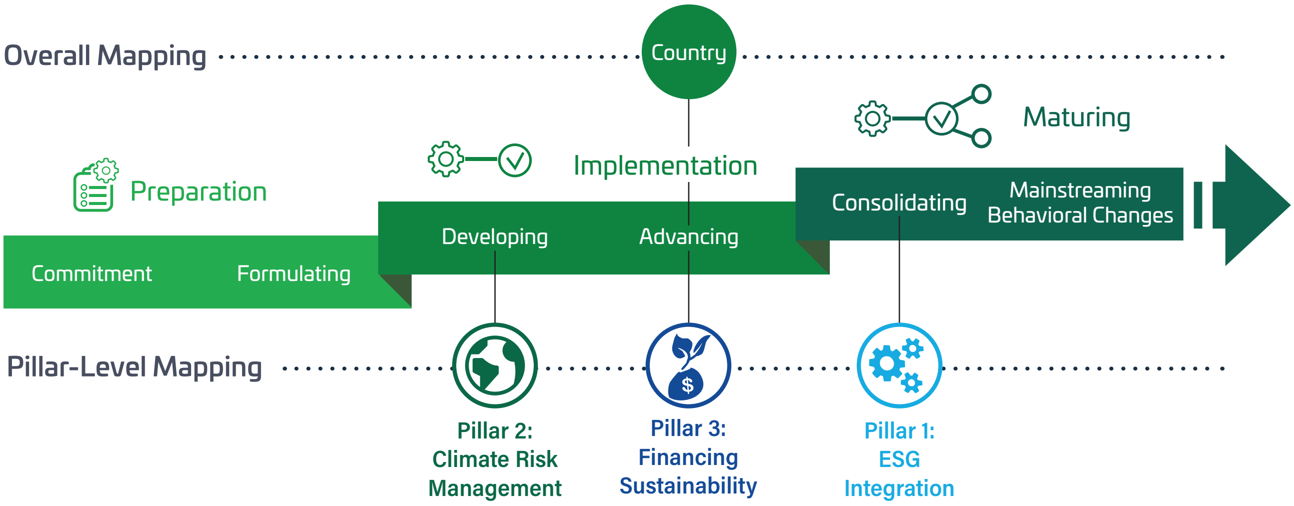
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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

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

3. Sector data and case studies

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

SBFN on-line case study catalogue
Coming soon

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

Pillar 1: ESG Integration

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

---

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

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

Pillar 3: Financing Sustainability

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

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

Figure 5: Overall Progression Matrix Milestones

Preparation		Implementation		Maturing	
Commitment	Formulating	Developing	Advancing	Consolidating	Mainstreaming Behavioral Changes
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

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, 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.

ACCESS THE SBFN GLOBAL AND
COUNTRY PROGRESS REPORTS AT:

WWW.SBFNETWORK.ORG

Sustainable
Banking and
Finance
Network

IFC International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities