Nigeria

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 Africa Regional Coordinator, Louise Gardiner and Country Coordinator, Damilola Sobo. Data was provided by the Central Bank of Nigeria (CBN) and verified by SBFN. The team is grateful for the support and guidance from all CBN representatives who provided data, participated in interviews, and reviewed and provided comments to this report, in particular Dr A'isha Ahmad, Deputy Governor and Special Adviser to the CBN Governor on Sustainable Banking.

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.

Contents

1

Overall country progress – Nigeria

1. SBFN member institutions
2. Other key institutions and national initiatives promoting sustainable finance
3. Overall progress
4. Country sustainable finance journey
5. COVID response
6. Ambitions for the next phase
7. SBFN and IFC role

page 2

2

Progress by three pillars

Pillar 1: ESG Integration
Pillar 2: Climate Risk Management
Pillar 3: Financing Sustainability

page 6

3

Progress by three sub-pillars and 11 indicators

Sub-pillar 1: Strategic Alignment
Sub-pillar 2: Regulatory and Industry Association Actions
Sub-pillar 3: Expectations of Financial Institution Actions

page 12

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

page 13

5

SBFN measurement framework and methodology

Summary of the SBFN measurement framework, a systematic approach to benchmark country progress in developing national enabling frameworks for sustainable finance

page 14

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 – Nigeria

1.1 SBFN member institution:

Central Bank of Nigeria (CBN)

Member Since: 2012

Working Groups:
Sustainable Finance Instruments
Data and Disclosure
International Development

Association Task Force (Co-Chair)

1.2 Other key institutions and national initiatives promoting sustainable finance

Nigeria Stock Exchange (NSE)
Nigerian Ministry of Environment (MoE)
Development Bank of Nigeria (DBN)
Securities Exchange Commission of Nigeria (SEC)
Debt Capital Markets Development Project
Financial Services Regulation Coordinating Committee (FSRCC)
National Financial Inclusion Strategy
Shared Agent Network Expansion Facilities (SANEF)
e-Naira (Central Bank Digital Currency)

1.3 Overall progress

Nigeria **has continued to make progress in the "Advancing" sub-stage of the "Implementation" stage** of the overall SBFN Progression Matrix. In 2021, Nigeria's Securities Exchange Commission (SEC) issued Guidelines on Sustainable Financial Principles for the Capital Market, and the Ministry of Environment (MoE) published the Green Bond Guidelines; both documents helped to deepen sustainable finance in the country's capital markets. Nigeria's sustainable finance framework has been implemented for a number of years, with a series of implementation tools in place, including guidance/guidelines, templates (for example, for reporting), training, online tools, and supervision guidance on how to do all of this in practice. Financial institutions (FIs) have also started reporting on sustainable finance implementation using consistent reporting templates.

Figure 1: SBFN Progression Matrix - Overall Country Progress

1.4 Country sustainable finance journey

Figure 2: Nigeria's sustainable finance journey

Policies, principles, regulations, and guidance

Research and engagement (since last SBFN progress report)

Examples of market actions and impacts

2012

CBN joins SBFN

CBN issues the Sustainable Banking Principles, Guidance Notes, and Sector Guidelines

2014 - 2016

In 2014, CBN creates the Reporting Template for the Nigerian Sustainable Banking Principles

In 2016, the Financial Services Regulation Coordinating Committee (FSRCC) publishes the Nigerian Sustainable Finance Principles for member agencies and the institutions they regulate/supervise to mobilize sustainable finance flows from the capital markets, pension funds, and the insurance industry

2018

The SEC publishes Green Bond Issuance Rules and New Rule on Green Bonds

FMDQ OTC Securities Exchange publishes the Nigerian Sustainable Finance Roadmap and lists a Green Bond Financial Product

NSE publishes the Sustainability Disclosure Guidelines

The Federal Government of Nigeria issues the Code of Corporate Governance, highlighting key principles to help institutionalize corporate governance best practices in Nigerian companies. The Code has six key governance pillars with sustainability as a stand-alone pillar

2021

SEC publishes Guidelines on Sustainable Financial Principles for the Nigerian Capital Market

CBN approves the solar energy adoption financing facility

As of June 2021, total outstanding credits/loans that have gone through environment, social, and governance (ESG) or environment and social (E&S) screening stands at $32.6 billion

With the Central Bank Digital Currency (CBDC), the e-Naira leveraging technology, Nigeria becomes the first country in Africa to issue digital currency to ease transactions and trading as well as deepen financial inclusion

With its Decade of Gas campaign, Nigeria targets gas-powered economy by 2030 to exploit its 600 trillion cubic feet of gas resources and rising global demand for cleaner energy

CBN power interventions, aimed at improving infrastructure and electricity supply, have reached N1.3 trillion to date and include:

- N300 billion Power and Aviation Intervention Fund
- N213 billion Nigerian Electricity Market Stabilisation Facility
- N140 billion Solar Connection Intervention Facility, including the development of in-country capacity for assembling and manufacturing affordable solar system solutions
- N120 billion mass metering facility to address the 6 million metering gap
- Hyundai Electric is the first 100% electric car with zero emissions assembled in Nigeria by the Stallion Group in February 2021

CBN hosts a two-day training on sustainable finance for the Nigeria Financial Services Regulation Coordinating Committee member regulators

2020

CBN publishes the Framework for Advancing Women's Financial Inclusion in Nigeria

MoE issues Nigeria Green Bond Guidelines and the National Adaptation Plan Framework

Federal Government of Nigeria launches its Economic Sustainability Plan (ESP)

Federal Government of Nigeria launches the MSME Survival Fund

Private sector collaborates to establish the Coalition Against COVID-19 (CACOVID)

As of 31 December 2020, $136 million worth of green bonds have been issued

CBN approves N200 billion mortgage finance facility for the construction of 300,000 social housing units for low-income earners, expecting to create 1.5million jobs

2019

CBN launches the Shared Agent Network Expansion Facilities (SANEF)

Access Bank issues the first corporate Green Bond valued at 15 billion Nigerian naira ($41 million)

1.5 COVID response

In July 2020, Nigeria's federal government approved a $5.9 billion (23 trillion Nigerian naira) Nigerian Economic Sustainability Plan (ESP). As part of the ESP, the government also launched an initiative to roll out 5 million new solar-based connections in communities without grid connection. This program is expected to generate an additional 7 billion Nigerian naira increase in tax revenues per annum and $10 million in annual import substitutions. The disproportionate impact of the COVID-19 pandemic on women has necessitated the development of the Framework for Advancing Women's Financial Inclusion in Nigeria, by the Central Bank of Nigeria (CBN), in partnership with the Financial Inclusion Special Interventions Working Group (FISIWG), Enhancing Financial Innovation and Access (EFInA), and Women's World Banking (WWB). CBN strengthened the Nigerian economy by providing a combined stimulus package of about 3.5 trillion Nigerian naira in targeted measures to households, businesses, manufacturers, and healthcare providers.

1.6 Ambitions for the next phase

Sustainable finance principles are being reviewed for alignment with both the Nationally Determined Contributions (NDCs) and global frameworks, including the Paris Climate Agreement and the UN's Sustainable Development Goals. Climate risk will be a central aspect of this review as the focus until now has been primarily on ESG. In 2012, a strategy was developed to promote financial inclusion, but was reviewed in 2019 with the target of achieving 95 percent financial inclusion of eligible Nigerians by 2024. Current levels stand at 63.2 percent. To boost green energy use and reduce emissions, CBN is financing renewable energy through the Renewable Energy Initiative's Solar Energy Adoption Financing Facility,t argeting about 25 million individuals who will be connected to solar energy by 2023.

1.7 SBFN and IFC role

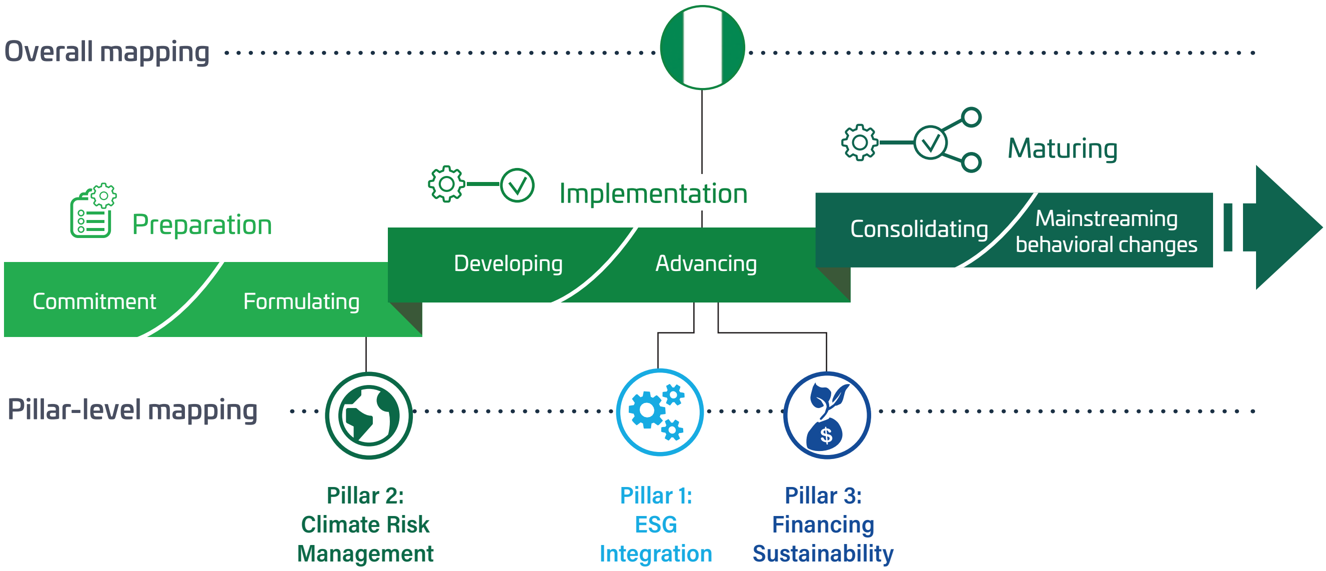
IFC has provided advisory services to CBN for their sustainable finance initiatives and for capacity building. Through SBFN, CBN has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base.

> "Nigeria's 2019 report did not show alignment with the NDCs. I am happy to report to you now that the central bank management has approved a review of the principles in order to align it with the revised Nationally Determined Contributions and all global imperatives, such as the Paris Agreement and UN Sustainable Development Goals. The review is going to start as soon as possible with stakeholders, and I would also like to extend invitation to IFC and SBFN to support the review process of the principles."

Dr. A'isha Mahmood
Special Adviser to the Governor of Central Bank of Nigeria
Central Bank of Nigeria (CBN)

2. Progress by three pillars

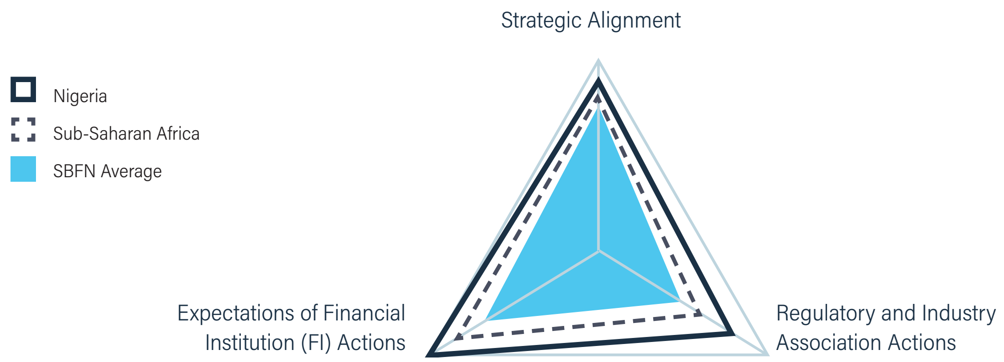
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Advancing

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



Sub-pillar 1: Strategic Alignment

- Nigeria's national frameworks for the banking sector, for example, Sustainable Banking Principles, Guidance Notes, and Sector Guidelines (CBN, 2012), set out expectations for integrating the consideration of ESG risks and performance.
- The Nigerian financial sector's approach to ESG integration is in alignment with international good practices and standards, such as the UN Global Compact, Global Reporting Initiative, IFC Performance Standards, the World Bank Group Environmental, Health and Safety Guidelines, and the Equator Principles.
- The framework was developed and/or implemented in close consultation with stakeholders, such as the Federal Ministry of Environment.

Sub-pillar 2: Regulatory and Industry Association Actions

- Nigeria's sustainable finance framework is supported with implementation guidance and technical tools in the Sustainable Banking Principles, Guidance Notes, and Sector Guidelines. The sector-specific guidelines focus on engaging three sectors, agriculture, power, and oil and gas, which are considered priorities due to their high-risk nature and their regular exposure to FIs. CBN is now in the process of updating the sector guidelines to include the mining, manufacturing, and infrastructure sectors.
- Implementation of the framework is regularly monitored by CBN, supported by its data-collection approach.
- In 2021, CBN approved the review of Nigeria's sustainable banking plan to align it with the revised Nigerian NDCs.
- An inter-agency Financial Services Regulation Coordinating Committee (FSRCC) has been established to deal with matters of common interest and concern to the various regulatory and supervisory authorities in the financial industry. Members include CBN, SEC, National Insurance Commission, Ministry of Finance, and Nigerian Stock Exchange, among others.

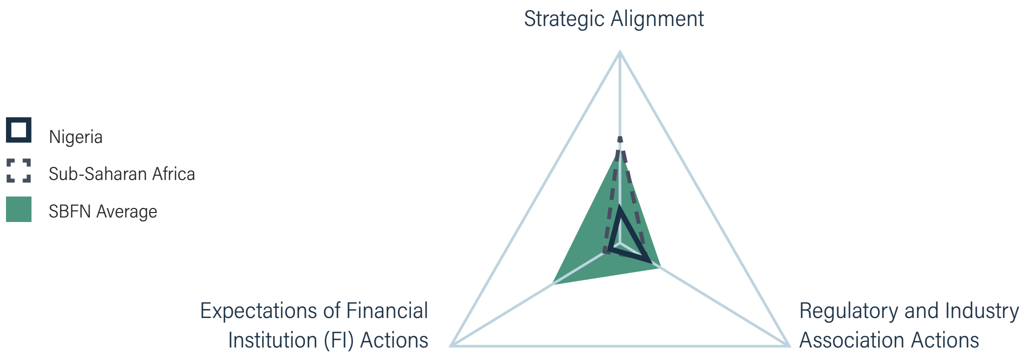
Sub-pillar 3: Expectations for FI Actions

- The Sustainable Banking Principles, Guidance Notes, and Sector Guidelines (CBN, 2012) and the Reporting Template for the Nigerian Sustainable Banking Principles (CBN, 2014) require FIs to develop policies and procedures to manage ESG risks and performance, and report ESG performance both to the regulator and publicly.

Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Nigeria is in the **"Formulating" sub-stage of the "Preparation" stage** of the Climate Risk Management Pillar. CBN has issued principles and sector guidance for the banking sector that incorporate elements of climate risk in the overall ESG approach for risk management. They also provide a foundation for the incorporation of more comprehensive approaches to manage climate-related physical and transition risks and financial impacts. Preparations and activities include research, surveys, and/or multi-stakeholder engagement and awareness raising on the expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority as indicated in Nigeria's NDCs to the Paris Agreement and national climate policies, including the 2013 National Climate Change Policy, issued by Nigeria's Ministry of Environment. In the financial sector, CBN has issued principles and guidance for the banking sector that incorporate elements of climate risk as part of environmental risk in the overall ESG approach for risk management.

Sub-pillar 2: Regulatory and Industry Association Actions

- Nigeria's Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) and Reporting Template (CBN, 2014) reference greenhouse gas (GHG) emissions and impacts to the atmosphere as part of Principle 1 E&S Risk Management of Business Activities; ESG risks are considered part of the management of credit, operational, and liability risk. The Principles and Sector Guidelines identify key sector sources of GHG emissions (oil and gas, mining, and agriculture), and reference climate-related risks and potential financial impacts. These include, for example, the potential for drought and reduced agricultural yields, and the exposure of GHG-intensive technologies, fuels, and sectors to global trends to reduce emissions, as well as related policy, trade, and reputational risks as part of the transition to a low-carbon economy.
- The 2018 Nigerian Sustainable Finance Roadmap highlights climate risk and vulnerabilities in the Nigerian economy and financial sector, including climate-disrupted agricultural systems, and the importance of climate risk management and disclosure through practices such as the Task force on Climate-related Financial Disclosures (TCFD) to enable financial markets to better understand climate-related financial risks and opportunities. The Roadmap provides a forum for future policy development and awareness raising related to climate risk among Nigerian financial sector actors.
- As part of Nigeria's future progress, recommended areas of focus for regulatory and industry association actions include research, capacity building, technical guidance (for example, climate scenarios and risk assessment methodologies), and further development of regulatory and supervisory expectations for FIs around managing climate-related physical and transition risks and financial impacts.

Sub-pillar 3: Expectations for FI Actions

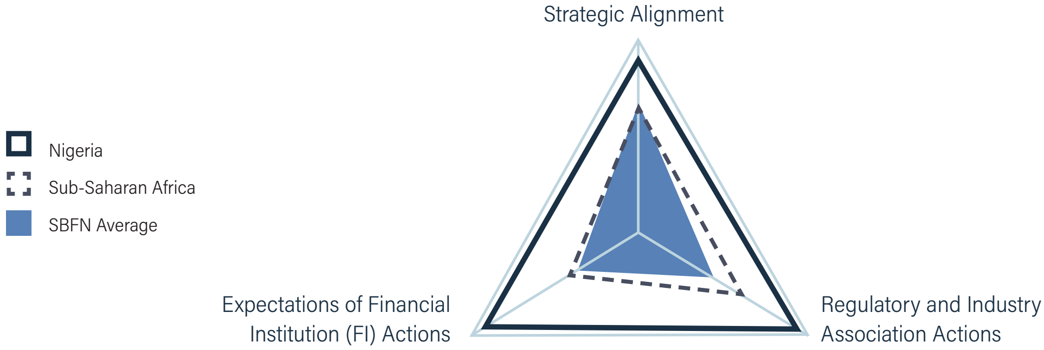
- The application of the Sustainable Banking Principles Guidance Note and Sector Guidelines (CBN, 2012) for E&S risk management is creating familiarity and capacity among Nigerian FIs to improve climate risk management practices as part of overall ESG risk management approaches. As part of the E&S risk management process, the Sustainable Banking Principles Reporting Template (CBN, 2014) requires FIs to report on the amount of lending at the transaction and portfolio levels to sectors with high climate risk exposure.

- As part of future progress, the ESG-based framework can be further developed to guide FIs in 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: Advancing

Nigeria 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 financial sustainability performance in line with consistent reporting instructions/templates. In 2020, the MoE issued the Nigeria Green Bond Guidelines, strengthening the development of the country's green bond market and further preventing green-washing.



Sub-pillar 1: Strategic Alignment

- The Nigerian financial sector's national framework for financing sustainability covers both the banking sector and capital markets. CBN and its 2012 Sustainable Banking Principles, Guidance Notes, and Sector Guidelines focus on the banking sector; and the Securities Exchange Commission, the Nigeria Securities Exchange, and the FMDQ OTC Securities Exchange address capital markets with their green bond policies, Nigerian Sustainable Finance Roadmap, and Sustainability Disclosure Guidelines.
- The Nigerian financial sector's approach to promoting financial flows into green and sustainability projects and sectors is aligned with international good practices and standards, such as the UN Sustainable Development Goals and the International Capital Markets Association's Green Bonds Principles.
- The Nigerian financial sector's approach on financing sustainability is also aligned with its national goals and strategies, such as the indicated NDCs. It identifies key stakeholders and promotes engagement; for example, the Nigerian Sustainable Banking Principles were developed in collaboration with government ministries and agencies such as the MoE.

Sub-pillar 2: Regulatory and Industry Association Actions

- Nigeria's framework asks financial sector regulators and associations to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects.
- The Nigeria Green Bond Guidelines provide definitions and examples of green finance assets, guidelines for the issuance of green bonds, and require external party verification to ensure the credibility of green bonds.
- The SEC collects and monitors information reported by issuers, and the Nigeria Sustainable Finance Principles (FSRCC, 2016) encourages the provision of incentives for FIs to develop green and sustainability-focused finance instruments.

Sub-pillar 3: Expectations for FI Actions

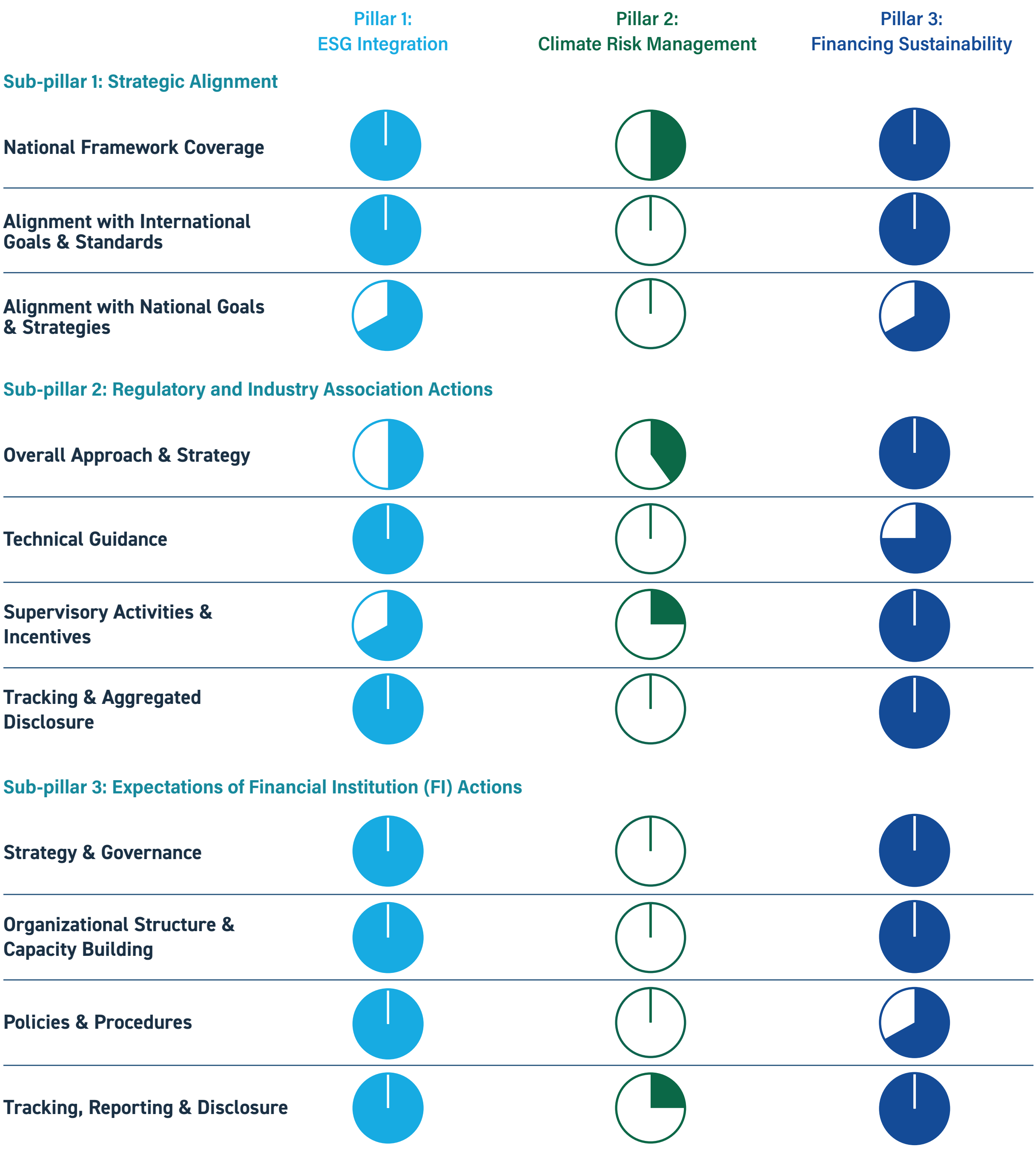
- Nigeria's Sustainable Finance Roadmap (FSRCC, 2018) requires board and management commitment in formulating sustainable finance policies.
- The Nigerian Sustainable Banking Principles Guidance Note and Sector Guidelines requires FIs to define internal staff roles and responsibilities and to develop and maintain internal staff-related capacity through regular training to identify, assess, and manage the environmental and social opportunities associated with sustainable finance.

  The document also requires FIs to put in place policies and procedures for defining, issuing, and managing proceeds, tracking performance, and reporting on green, social, or sustainability-focused products, as well as to appoint an independent external reviewer to confirm consistency between FI's internal framework and recognized national frameworks and regulations or international standards.

- CBN's Sustainable Banking Principles Reporting Template requires FIs to report their allocation and/or outcomes of green, social, and/or sustainability loans. The SEC's New Rule on Green Bonds asks issuers to publish the performance and impacts of green bonds in their annual reports, with external review, and on its website or other media.

3. Progress by three sub-pillars and 11 indicators

Figure 4: Nigeria's sustainable finance coverage in three framework areas



4. Library of national sustainable finance framework documents

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

SEC Guidelines on Sustainable Financial Principles for the Capital Market
(SEC, 2021)

Nigeria Green Bond Guidelines
(MoE, 2020)

National Adaptation Plan Framework
(MoE, 2020)

Reporting template on Sustainable Financial Principles for the Capital Market
(SEC, 2019)

Sustainability Disclosure Guidelines
(NSE, 2018)

New Rules on Green Bonds
(SEC, 2018)

Sustainable Finance Roadmap
(FMDQ OTC Securities Exchange, 2018)

Green Bond Financial Product list
(FMDQ OTC Securities Exchange, 2018)

Green Bonds Issuance Rules
(SEC, 2018)

Nigerian Sustainable Finance Principles
(FSRCC, 2016)

Reporting template Sustainable Banking Principles
(CBN, 2014)

Nigerian Sustainable Banking Principles, Guidance Notes, and Sector Guidelines
(CBN, 2012)

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.

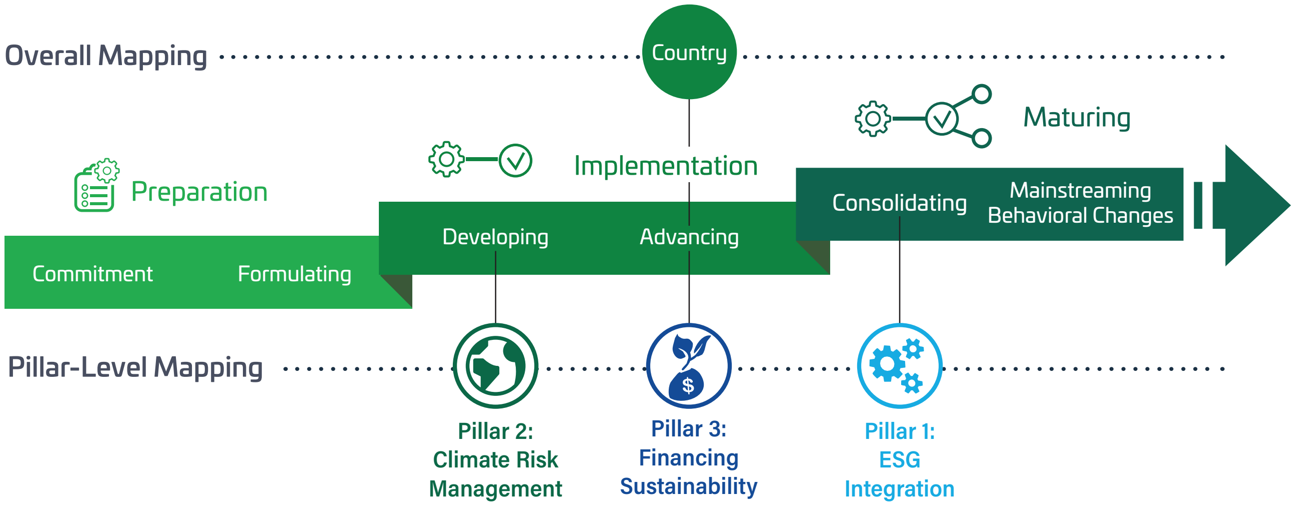
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, 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: Commitment	Preparation: Formulating	Implementation: Developing	Implementation: Advancing	Maturing: Consolidating	Maturing: 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, suveys, 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: Commitment	Preparation: Formulating	Implementation: Developing	Implementation: Advancing	Maturing: Consolidating	Maturing: 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

Commitment

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.

Formulating

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.

Implementation

Developing

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.

Advancing

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.

Maturing

Consolidating

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.

Mainstreaming Behavioral Changes

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

Commitment

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.

Formulating

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.

Implementation

Developing

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.

Advancing

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.

Maturing

Consolidating

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.

Mainstreaming Behavioral Changes

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

International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities