

Pakistan

Country Progress Report

April 2022

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



Sustainable
Banking and
Finance
Network



Creating Markets, Creating Opportunities

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About SBFN

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

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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 – Pakistan

1.1 SBFN member institution:

[State Bank of Pakistan \(SBP\)](#)

Member Since: 2015

Working Groups:

International Development
Association Task Force

1.2 Other key institutions and national initiatives promoting sustainable finance

[Government of Pakistan](#)

[Collaboration with Green Climate Fund through the](#)

[Deutsche Gesellschaft für Internationale](#)

[Zusammenarbeit \(GIZ\)](#)

[Pakistan Banks' Association \(PBA\)](#)

[National Institute of Banking & Finance \(NIBAF\)](#)

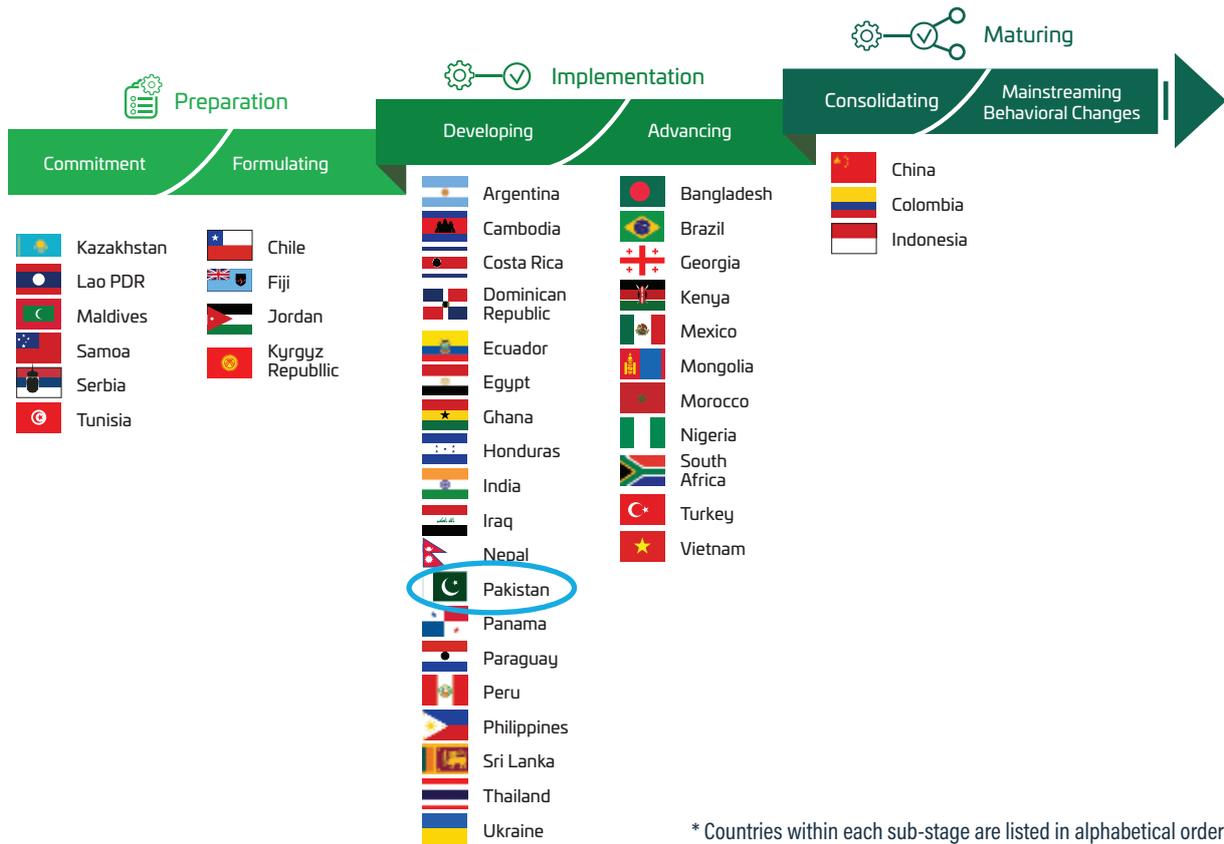
[Clean Green Pakistan Movement \(GoP\), 2018](#)

[Ten Billion Tree Tsunami Program \(GoP\), 2018](#)

1.3 Overall progress

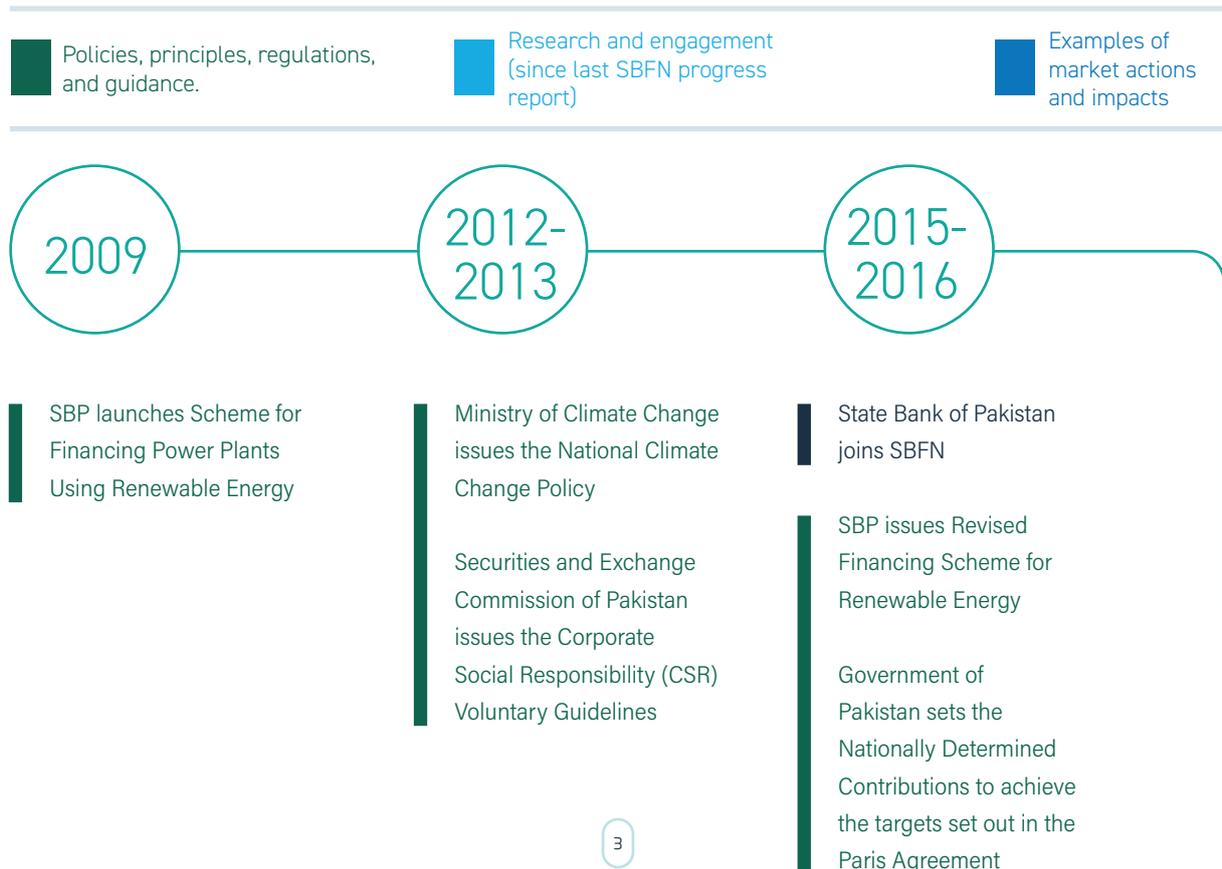
Pakistan has **continued to make progress in the “Developing” sub-stage of the “Implementation” stage of the SBFN Progression Matrix**. It has formally launched its sustainable finance framework, including the State Bank of Pakistan (SPB) Green Banking Guidelines (2017). The Securities and Exchange Commission of Pakistan issued the Green Bond Guidelines in 2021. The SBP monitors the implementation of the sustainable finance framework, and provides regulatory guidance to enhance knowledge and capacity of financial institutions on ESG and climate risk management. The Green Bonds Guidelines provide a framework and guidance to promote sustainable investment flows. Awareness raising and capacity building have been conducted.

Figure 1: SBFN Progression Matrix - Overall Country Progress



1.4 Country sustainable finance journey

Figure 2: Pakistan’s sustainable finance journey



2018

SBP issues the Guidelines on Environmental and Social Risk Management (ESRM) Policy and Procedures for Microfinance Banks (MFBs), Non-Bank Microfinance Companies and Non-Bank Finance Companies in Pakistan

SBP quarterly seeks implementation status of the Green Banking Guidelines from more than 30 banks and Development Financial Institutions (DFIs)

SBP arranges workshops and training sessions for the banking industry to build awareness and capacity for green banking

Government of Pakistan launches Clean Green Pakistan Movement (CGPM)

Government of Pakistan launches Ten Billion Trees Tsunami Program

2017

SBP issues the Green Banking Guidelines

The Government of Pakistan & UNDP publish the Pakistan Climate Change Financing Framework: A Road Map to Systemically Mainstream Climate Change into Public Economic and Financial Management

2019

Government of Pakistan issues Alternative and Renewable Energy Policy (ARE Policy)

Government of Pakistan and WWF jointly launch Recharge Pakistan: Building Pakistan's Resilience to Climate Change through Ecosystem-Based Adaptation for Integrated Flood Risk Management

SBP enhances the scope of the Refinancing Facility for Modernization of Small and Medium Enterprises (SMEs) by including new zig-zag technology brick kilns for financing under the scheme

SBP further revises and extends the Financing Scheme for Renewable Energy to June 2022

2020-2021

Government of Pakistan launches Protected Area Initiative (PAI)

Government of Pakistan issued Electric Vehicle Policy 2020-2025 (Draft)

As of June, 2021, Financing Scheme for Renewable Energy has financed approximately 717 projects, with a total capacity of 1,082 megawatts and total outstanding loans of 53 billion Pakistani rupees

Securities and Exchange Commission of Pakistan (SECP) issues the Green Bonds Guidelines

2022

SBP launches the SDGs and Sustainability Report – Pakistan Banking Sector Perspective, mapping the progress of Pakistan's banks towards the Sustainable Development Goals (SDGs) and identifying specific gaps

1.5 COVID response

On 30 March 2020, the Government of Pakistan approved a fiscal stimulus package of 1.2 trillion Pakistani rupees (\$8 billion) and a supplementary grant of 100 billion Pakistani rupees for the Residual/Emergency Relief Fund to mitigate the effects of COVID-19. Furthermore, SBP announced the Temporary Economic Refinance Facility amounting to 436 billion Pakistani rupees to stimulate investment in the manufacturing sector. Several other measures have also been implemented, such as the refinance scheme for payment of wages and salaries (Rozgar Scheme), the Refinance Facility for Combating COVID-19 (RFCC) to enhance the capacity of health sector, the deferment of monthly and quarterly fuel adjustments in electricity bills, power tariff freezing, an incentive package for the construction industry, and a series of loan repayment deferments.

1.6 Ambitions for the next phase

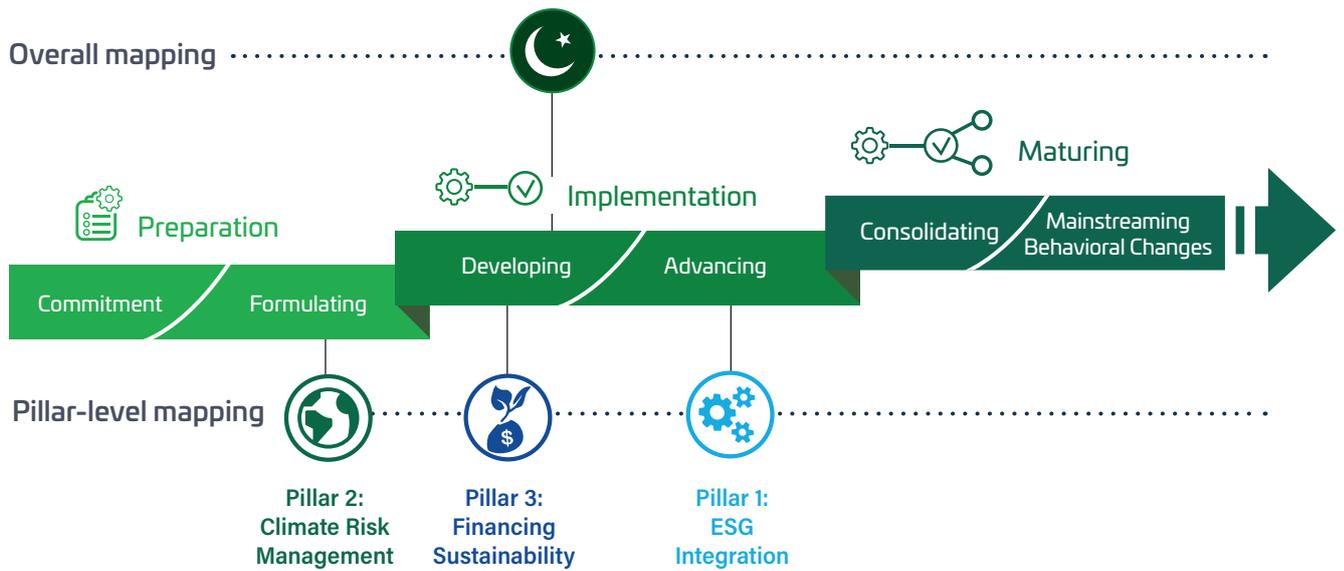
The SBP is currently focusing on implementing the Green Banking Guidelines, published in 2017. To this end, SBP has initiated a project with IFC namely, called the Pakistan Sustainable Banking Project. The project will focus on developing implementation tools to support the effective uptake of the guidelines by banks on environmental and social risk management, raising awareness and building capacity of the entire banking industry, and creating market capacity for local training intermediaries. In addition, defining green or sustainable projects in Pakistan is also under SBP's consideration in the form of Green Taxonomy. Other future initiatives include assessing the market readiness for green bonds, and preparing a manual for green business facilitation for financial institutions.

1.7 SBFN and IFC role

IFC has provided advisory services to the SBP for their sustainable finance initiatives and capacity building, in partnership with the Government of Pakistan.

2. Progress by three pillars

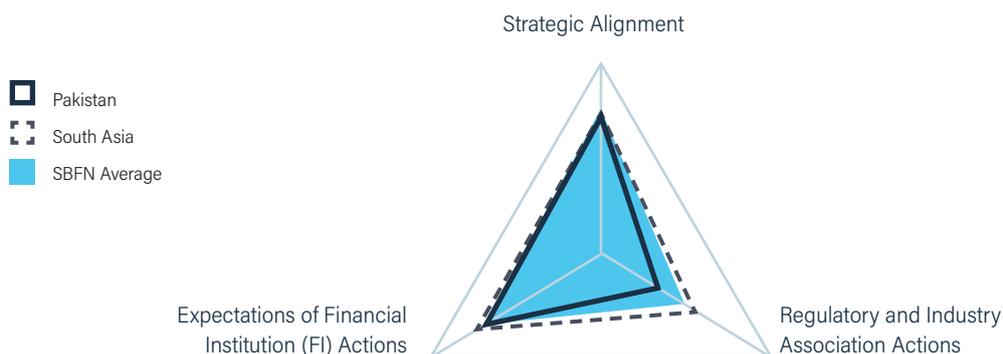
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Advancing

Pakistan 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. In addition to ongoing activities to raise awareness and build capacity, implementation tools and initiatives are in place, and financial institutions (FIs) report on their ESG implementation with consistent reporting instructions or templates.



Sub-pillar 1: Strategic Alignment

- Pakistan's national framework for the banking sector and non-banking sector, including the Green Banking Guidelines (SBP, 2017), sets out expectations for integrating the consideration of ESG risks and performance. The Green Banking Guidelines run in

- parallel to other guidelines such as the Code of Corporate Governance and Corporate Social Responsibility Voluntary Guidelines issued by the Securities and Exchange Commission of Pakistan in 2013.
- The Pakistani financial sector's approach to ESG integration is in alignment with international good

practices and standards, such as the UN Sustainable Development Goals.

- The Green Banking Guidelines framework was developed and/or implemented in close consultation with stakeholders.

Sub-pillar 2: Regulatory and Industry Association Actions

- Pakistan's sustainable finance framework is supported with implementation guidance and technical tools in the Green Banking Guidelines. The Guidelines provide instructions on environmental due diligence and environmental risk characterization and rating.
- The implementation of the framework is regularly monitored by SBP. SBP is formulating regulatory guidance to enhance knowledge and capacity of banks on environmental and social risk management (ESRM) and integrating climate change and other sustainability concerns into their risk management systems.

Sub-pillar 3: Expectations for FI Actions

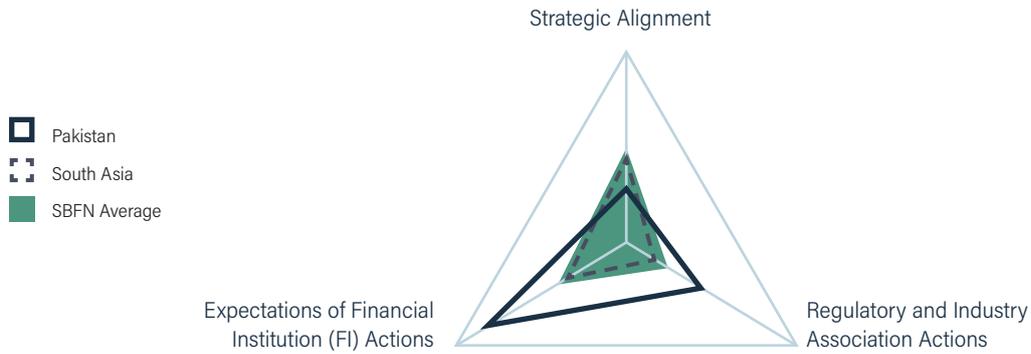
- The Green Banking Guidelines require FIs to develop policies and procedures to manage ESG risks and performance, undertake regular review and monitoring of ESG risks, and report ESG performance to SBP.



Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Pakistan is in the “**Formulating**” Sub-stage of the “**Preparation**” Stage of the Climate Risk Management Pillar. SBP’s Green Banking Guidelines highlight the country’s vulnerability to climate risks and incorporate climate risk considerations as part of environmental risk in the overall ESG approach to risk management, and 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 expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority as indicated in Pakistan’s Intended Nationally Determined Contribution (INDC) to the Paris Agreement and its national climate policies, including the National Climate Change Policy for Pakistan. In the financial sector, the SBP’s Green Banking Guidelines incorporate climate risk considerations as part of environmental risk in the overall ESG approach for risk management.

Sub-pillar 2: Regulatory and Industry Association Actions

- SBP’s Green Banking Guidelines (2017) highlight the country’s vulnerability to climate risks and the importance of a transition to a low-carbon and climate-resilient economy. The Guidelines provide a foundational framework for environmental and social (E&S) risk management in the banking sector and include specific reference to climate change risks as part of E&S

risk management procedures and overall credit risk management on a transaction and portfolio basis.

- In 2019, the Government of Pakistan and WWF jointly launched Recharge Pakistan: Building Pakistan’s Resilience to Climate Change through Ecosystem-Based Adaptation for Integrated Flood Risk Management.
- In 2020, Pakistan’s government launched the Protected Area Initiative, which aims to increase protected areas such as national parks, wetlands, and wildlife reserves to 15 per cent of the country’s total area by 2023.
- As part of future SBP capacity-building efforts on climate risk, recommended areas of focus by SBP for regulatory and industry association actions include research, capacity building, technical guidance (such as climate scenarios and risk assessment methodologies), and further development of regulatory and supervisory expectations for FIs for managing climate-related physical and transition risks and financial impacts.

Sub-pillar 3: Expectations for FI Actions

- Application of the Green Banking Guidelines serves to build familiarity and capacity among Pakistani financial institutions to improve climate risk management practices as part of overall ESG risk management approaches. The Guidelines' E&S risk management approach is designed to incorporate procedures for evaluation and management of environmental and climate change risks and related financial impacts; these include physical risks like flooding and drought in sectors such as agriculture and manufacturing; risks related to a low-carbon transition, such as technology changes and market preference shifts to renewable sources of fuels of current

as well as future financing; and investments of banks in credit and operational risk management procedures. The Guidelines describe how risks from climate change may affect a bank's balance sheet if a client's activities and assets are impacted and result in reduced cash-flow and impairment of loan repayment capability.

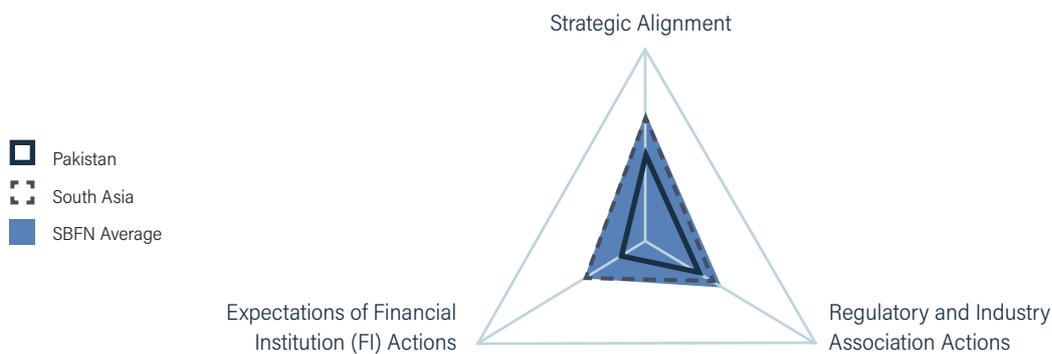
- In 2021, with the support of IFC and the World Bank and in collaboration with the Pakistan Banking Association, SBP will lead the development of regulatory guidance, training and capacity building, and implementation tools to support the further integration of the Green Banking Guidelines into the risk management of financial institutions, with an initial focus on E&S risk management.



Pillar 3: Financing Sustainability

Pillar Progress: Developing

Pakistan is in the **“Developing” sub-stage of the “Implementation” stage** for the Financing Sustainability Pillar. There is a national framework for promoting financial flows into green, climate, social, and sustainability-linked projects and sectors, and ongoing awareness raising and capacity building on financing sustainability actions and expectations. In 2021, the Securities and Exchange Commission of Pakistan issued the Green Bonds Guidelines for the corporate sector to raise funds from the capital market to finance or refinance projects that contribute positively to the environment.



Sub-pillar 1: Strategic Alignment

- Pakistan's national framework for financing sustainability, led by SBP's Green Banking Guidelines (2017) and the Securities and Exchange Commission of Pakistan's Green Bond Guidelines (2021), covers both the banking sector and the capital markets.
- The Pakistani financial sector's approach to financing sustainability encourages cooperation between agencies or between the regulator and industry associations with respect to policy design or implementation related to sustainable finance flows. It highlights the importance of building conducive relationships with the government agencies entrusted with implementation of environmental regulations.

- The framework also tasks SBP to monitor the progress of implementation of the national framework on financing sustainability on a regular basis.
- In 2019, SBP enhanced the scope of the Refinancing Facility for Modernization of Small and Medium Enterprises (SMEs) by including new zig-zag technology brick kilns for financing under the scheme.

Sub-pillar 2: Regulatory and Industry Association Actions

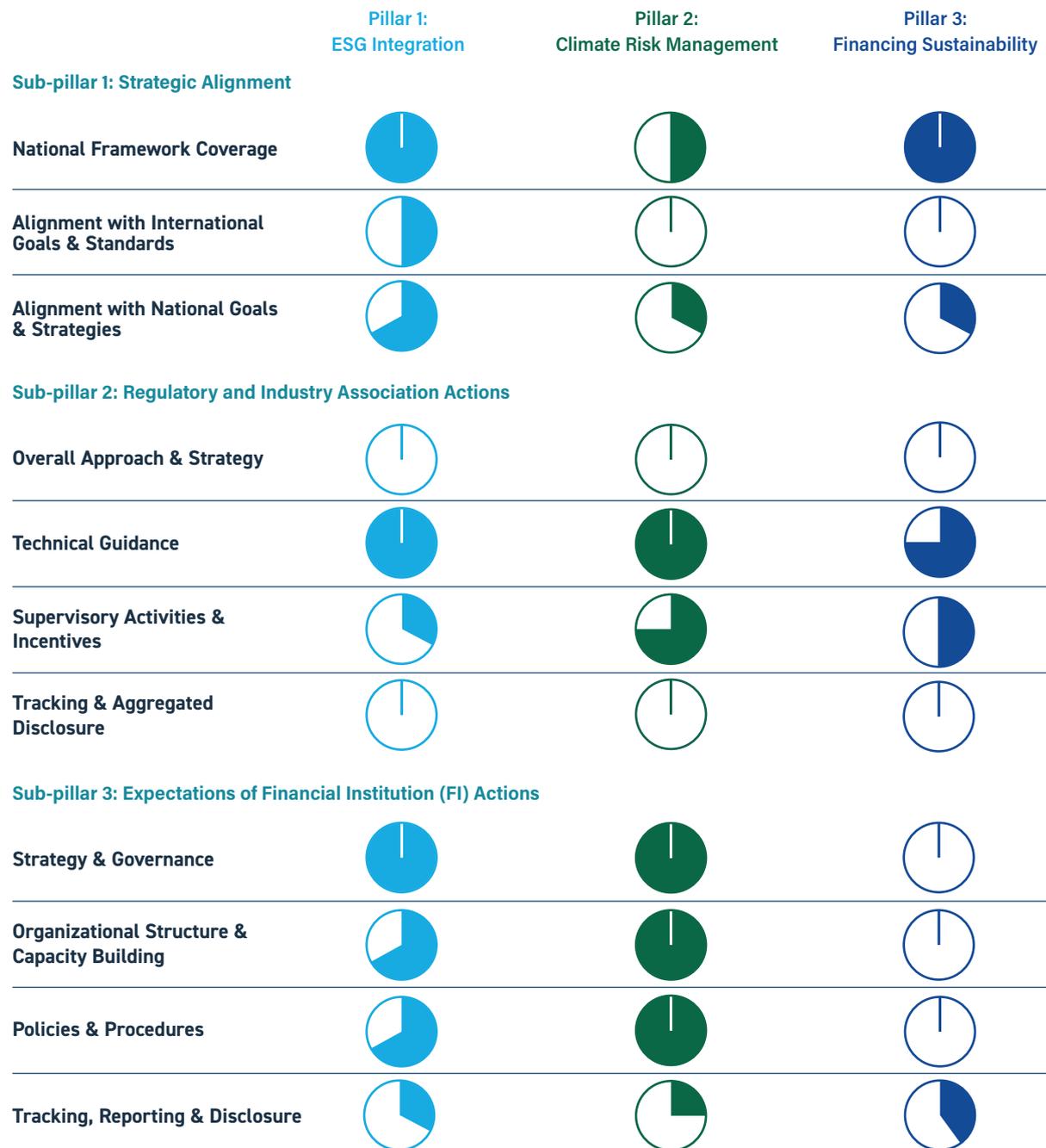
- Pakistan's Green Banking Guidelines provide examples of opportunities for financing environmentally friendly activities in almost all sectors and for almost all sizes of businesses and households. The Green Bonds Guidelines provide technical details on issuance of green bonds, the use of proceeds, and external reviewers.

Sub-pillar 3: Expectations for FI Actions

- Pakistan did not report specific policies or actions related to expectations for FI actions in this cycle. The SBP is expected to develop standard ESG reporting procedures and contents, which will impose expectations for reporting on FIs.
- Pakistan's Green Bonds Guidelines ask issuers to publish annual updates on the performance and impacts, obtain and disclose independent reviews, and publish such information on their websites. The information includes performance indicators (qualitative and quantitative) showing expected environmental and social impact of projects that have received funding.

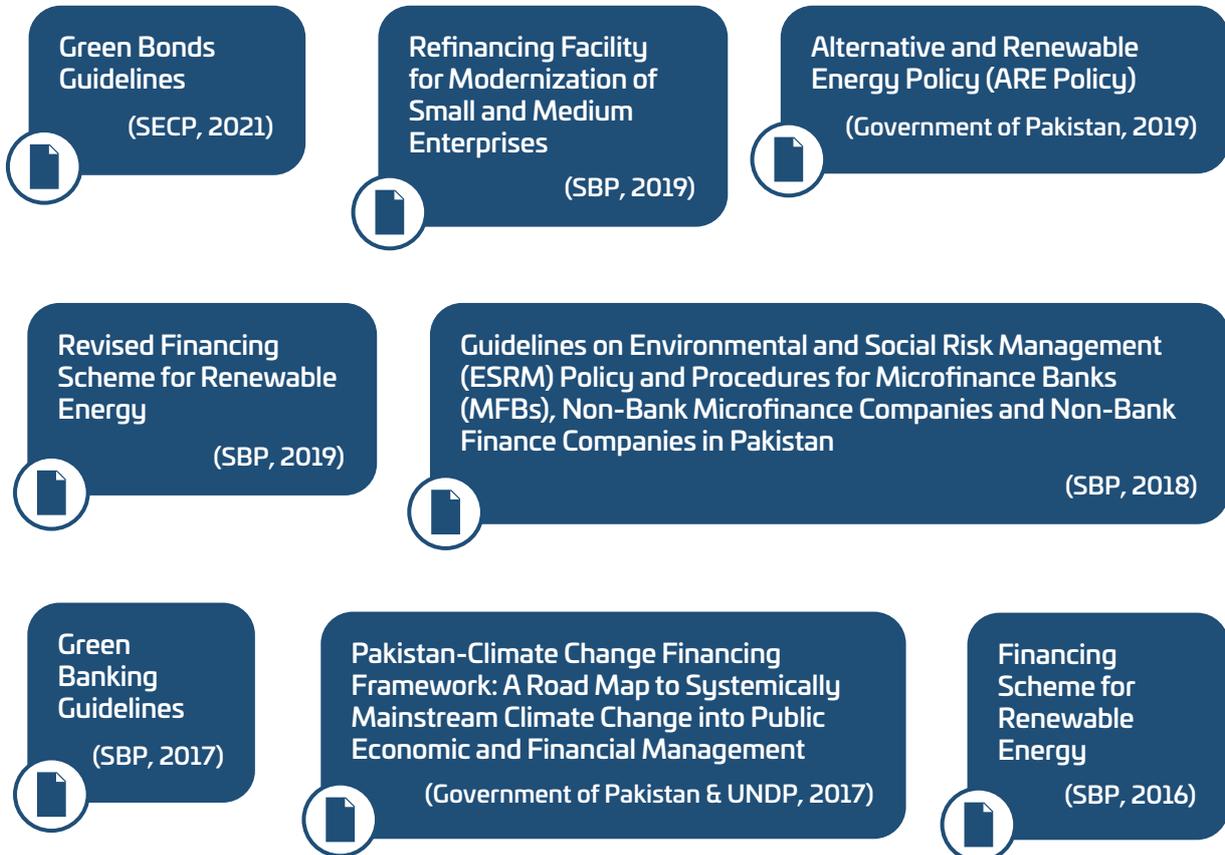
3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Pakistan’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



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.



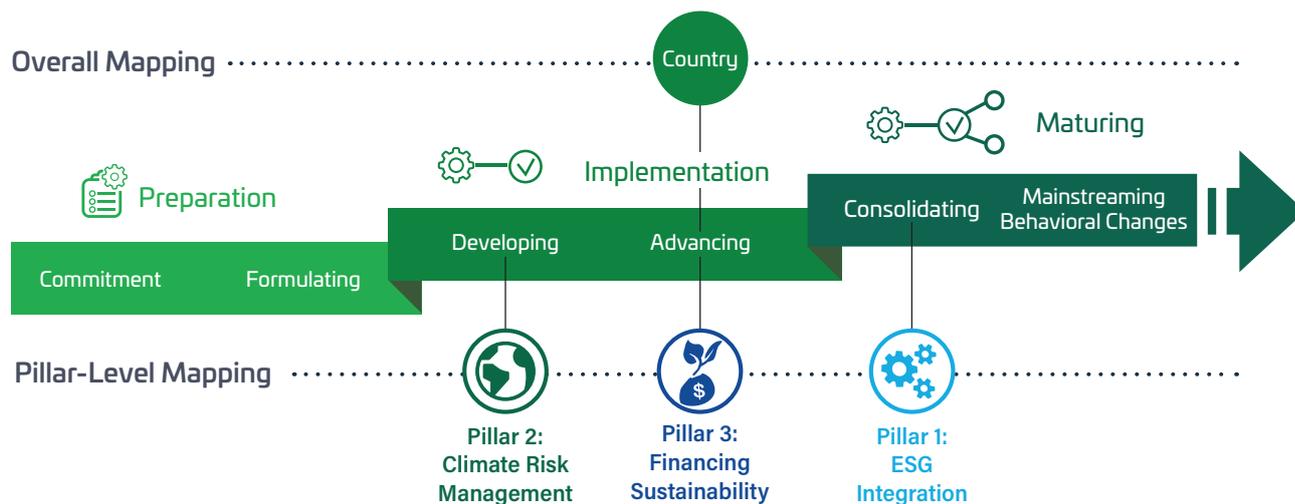
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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

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| 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? |

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

Figure 5: Overall Progression Matrix Milestones

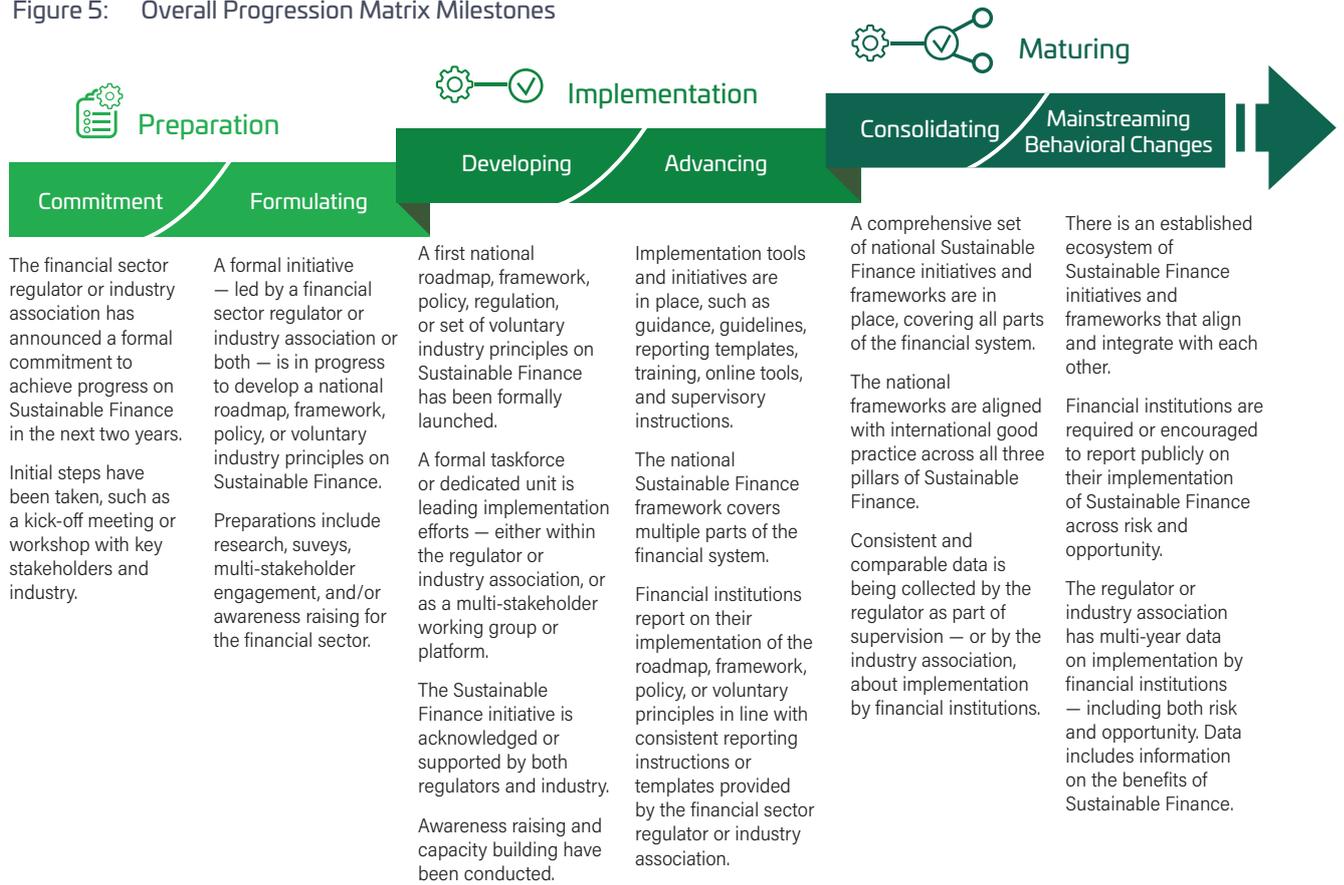


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

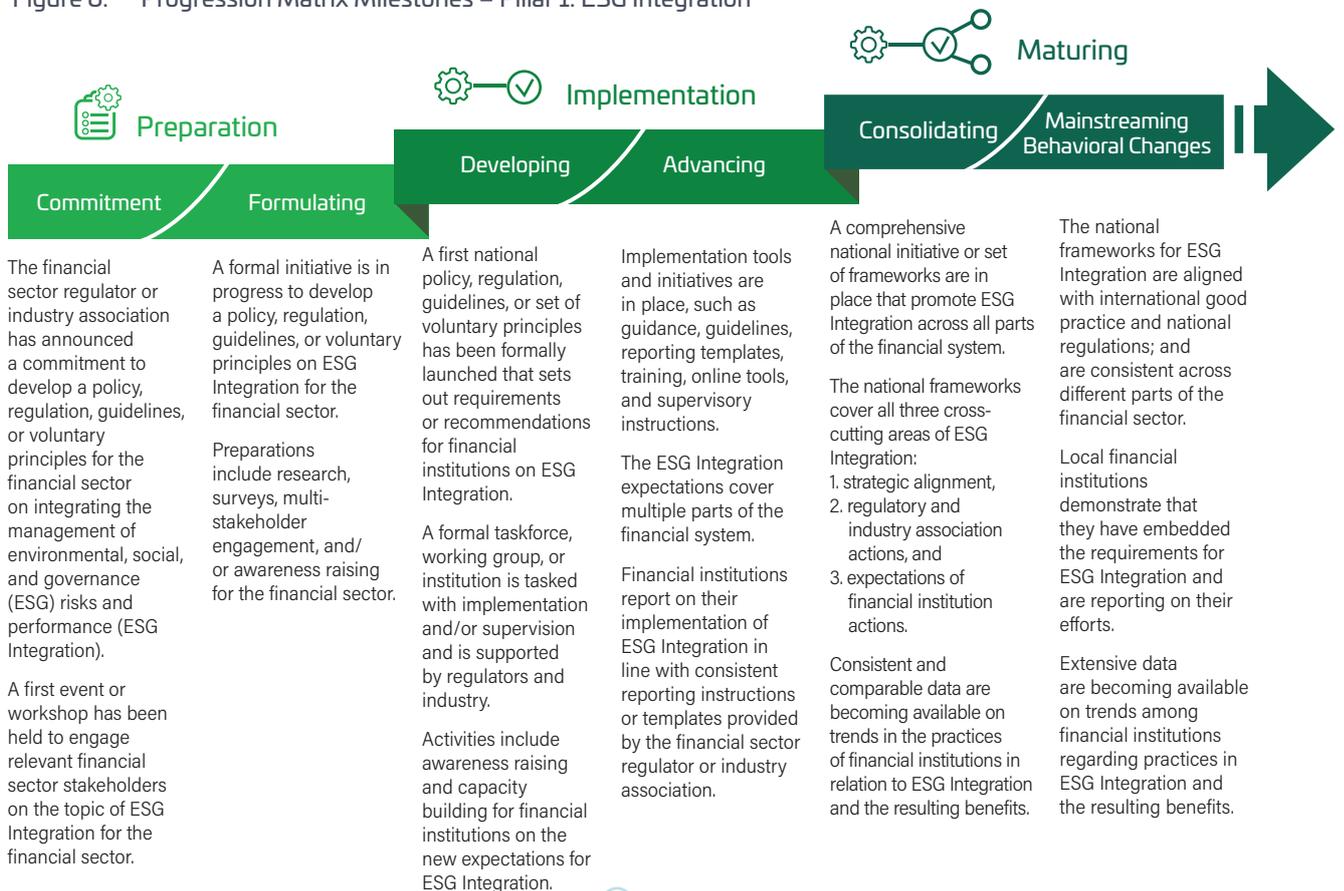


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

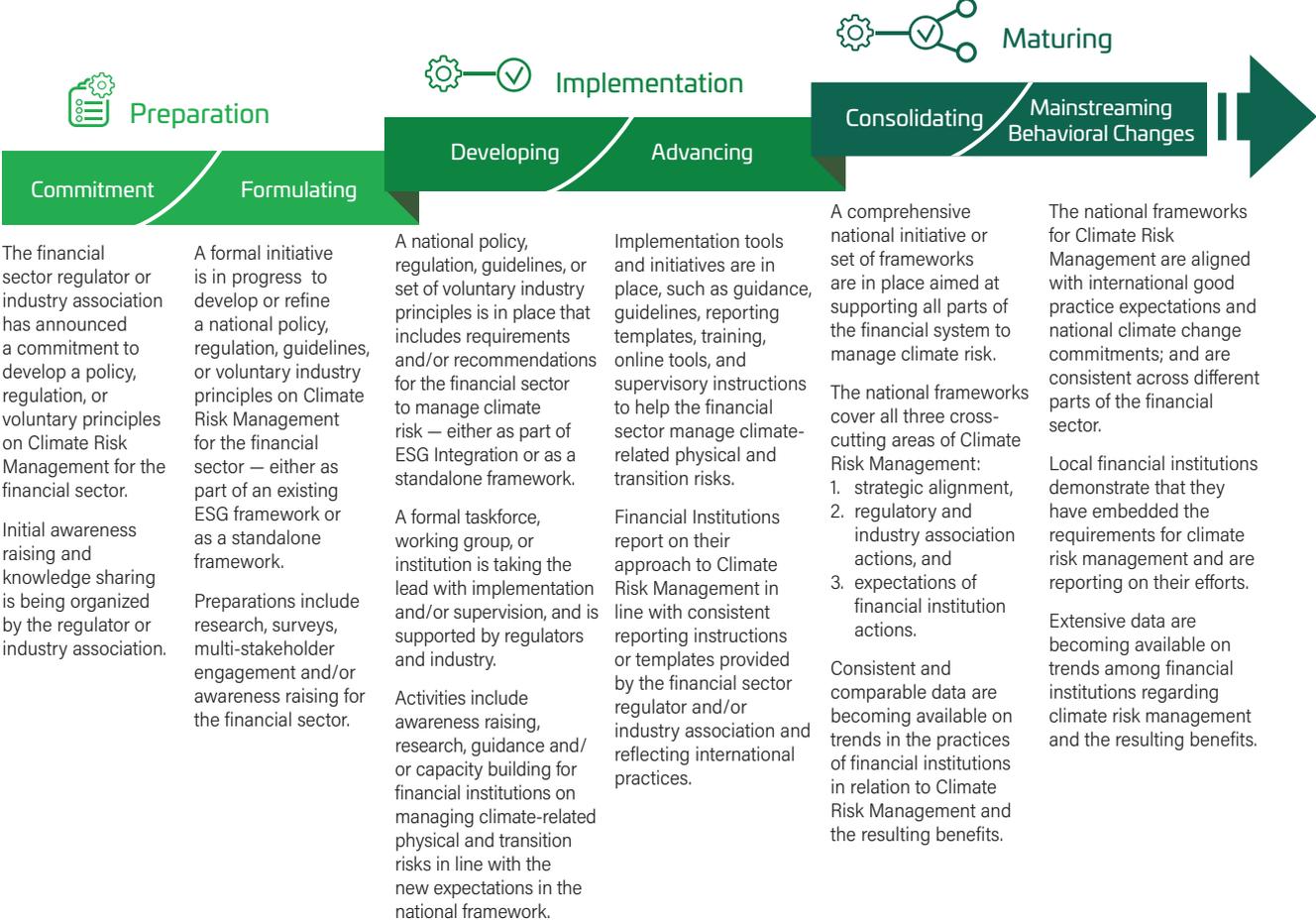
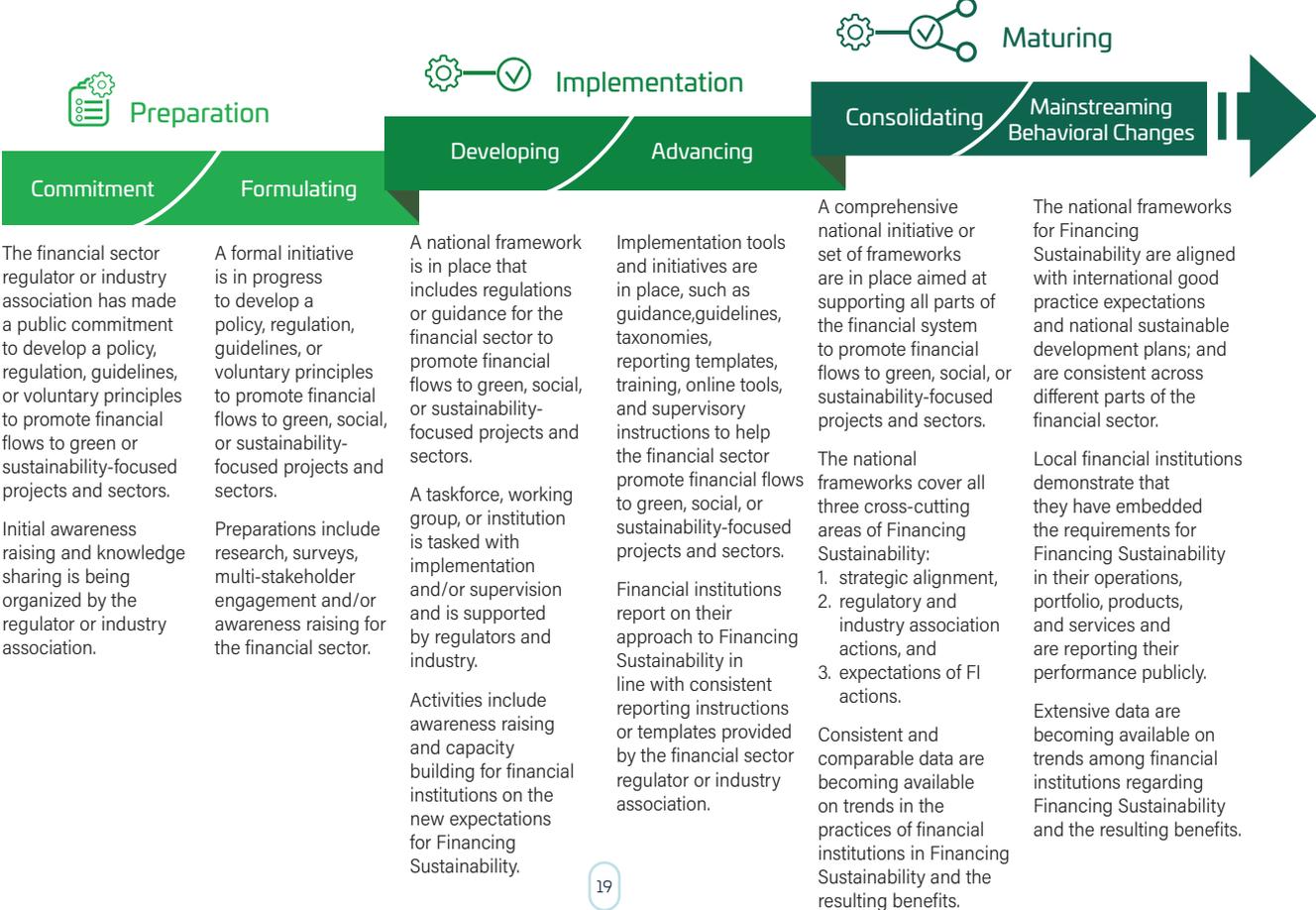


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability



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