

Sri Lanka

Country Progress Report

April 2022

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



Sustainable
Banking and
Finance
Network



Creating Markets, Creating Opportunities

Acknowledgements

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About SBFN

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

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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 – Sri Lanka

1.1 SBFN member institution:

[Central Bank of Sri Lanka \(CBSL\)](#)

Member Since: 2016

Working Groups:

Sustainable Finance Instruments
Data and Disclosure

1.2 Other key institutions and national initiatives promoting sustainable finance

[Sri Lanka Banks' Association \(SLBA\)](#)

[Sri Lanka Banks' Association Sustainable Banking Initiative \(SLBA SBI\)](#)

[Securities and Exchange Commission of Sri Lanka \(SEC\)](#)

[Colombo Stock Exchange](#)

[Climate Change Secretariat of the Ministry of Environment](#)

[Centre for Banking Studies National Financial Inclusion Strategy \(NFIS\)](#)

1.3 Overall progress

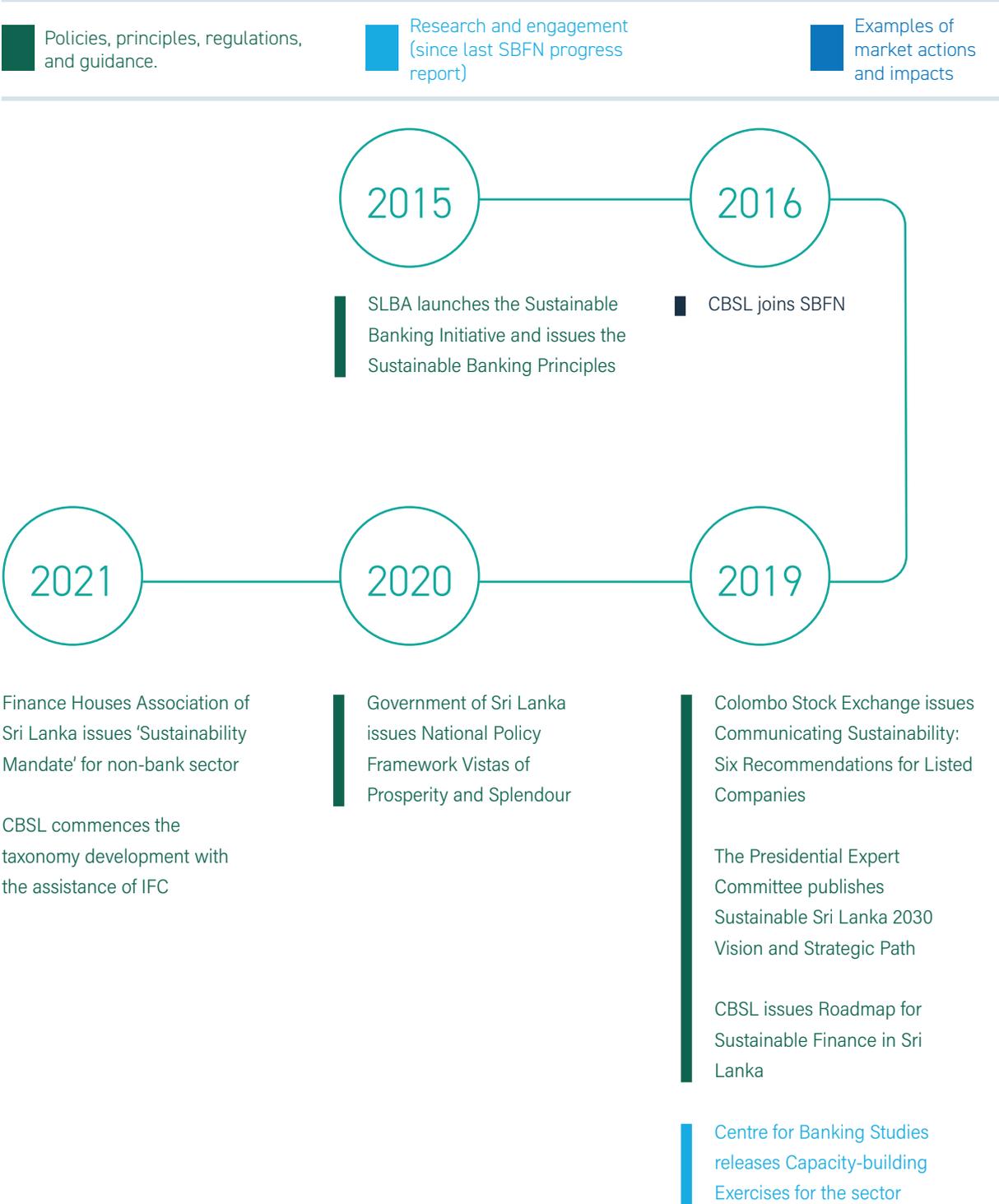
Sri Lanka **has continued to make progress in the “Developing” sub-stage of the “Implementation” stage of the SBFN Progression Matrix.** Sri Lanka formally launched its sustainable finance framework in 2019, the Roadmap for Sustainable Finance in Sri Lanka. A formal taskforce or initiative is in charge – either within the regulator or banking association, or as a multi-stakeholder working group or platform, which is acknowledged or supported by both regulators and industry. Sri Lanka has formed an inter-regulatory committee on sustainable finance led by the Central Bank of Sri Lanka (CBSL), including the Climate Change Secretariat, Insurance Regulatory Commission, Securities and Exchange Commission, Banks Association, Finance House Association, and Microfinance Practitioners' Association. Awareness raising and capacity building (training 1.0) have been conducted.

Figure 1: SBFN Progression Matrix - Overall Country Progress



1.4 Country sustainable finance journey

Figure 2: Sri Lanka’s sustainable finance journey



1.5 COVID response

In response to COVID-19, CBSL has taken a range of measures regarding monetary policy, macro-prudential measures, and supervisory relaxation. Various release measures were provided by the banks to assist businesses and individuals. CBSL also introduced various extraordinary regulatory measures to provide flexibility to banks and facilitate credit flows to the economy, and debt moratorium schemes were implemented along with certain loan-support schemes aimed at small and medium enterprises.

During the pandemic, banks were permitted to draw on the capital conservation buffer up to 100 basis points for Domestically Systemically Important Banks (D-SIBs), and 50 basis points for non-D-SIBs. In terms of supervision, close monitoring teams were set up for each bank to monitor the stresses arising from prevailing conditions. In addition, considering the restricted movements during the period, remote on-site examinations were carried out.

1.6 Ambitions for the next phase

Over the next two years, the success of Sri Lanka's sustainable finance journey will be contingent on strong coordination between and among the financial sector. This will also need to include stronger linkages with the government. The next priority will be the development of the green finance taxonomy. Building on that, institutions that fall under the purview of the Central Bank will be engaged around sustainable finance practices and related aspects. Capacity building will also be essential — there is a recognition of the need for much more awareness, training, expertise, and methodologies.

1.7 SBFN and IFC role

IFC has provided advisory services to CBSL for their sustainable finance initiatives and capacity building, in partnership with UNDP's BIOFIN Program in Sri Lanka. Through SBFN, CBSL has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base.



The Central Bank of Sri Lanka introduced a Road Map for Sustainable Finance in 2019 with IFC and SBFN's support, which provides a broad direction to financial regulators, financial institutions, and the markets to effectively align their businesses and activities to become greener, climate-friendly, and socially inclusive. In operationalizing the actions of the Roadmap, it is required to devise an applicable taxonomy, which is the key requirement in facilitating the financial sector towards green finance. We look forward to the continued partnership with IFC and SBFN.

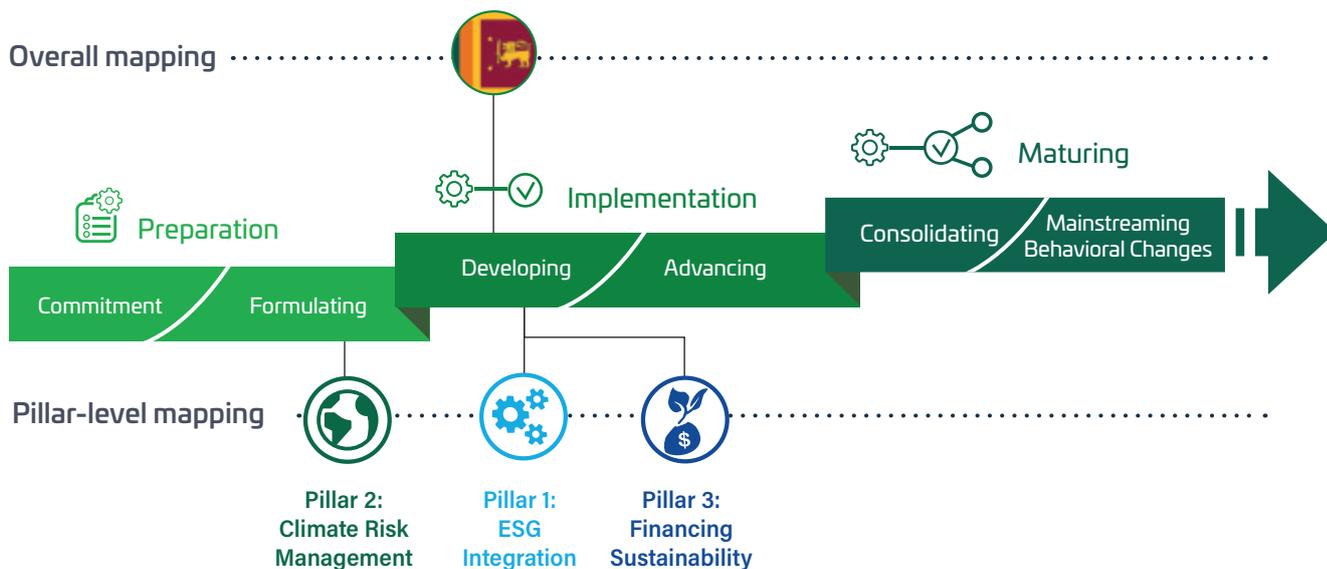


Yvette Fernando
Deputy Governor in charge of Financial System Stability , and Chairperson of the Steering Committee on Implementation of Sustainable Finance in Sri Lanka
Central Bank of Sri Lanka (CBSL)



2. Progress by three pillars

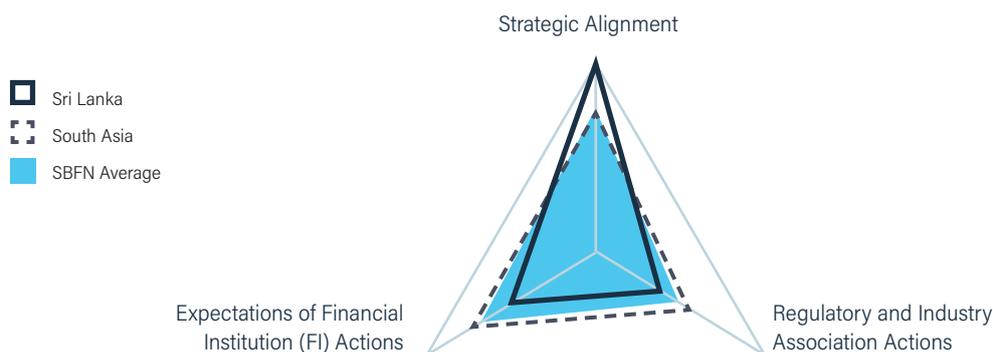
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Developing

Sri Lanka is mapped under the **“Developing” sub-stage of “Implementation” stage** for the ESG Integration Pillar. There is an existing national framework addressing the integration of environmental, social, and governance (ESG) risk and performance considerations into the practices of financial institutions (FIs). In addition to ongoing activities to raise awareness and build capacity, implementation tools and initiatives are in place.



Sub-pillar 1: Strategic Alignment

- Sri Lanka's national frameworks for the banking sector and non-banking sector, including the Roadmap for Sustainable Finance in Sri Lanka (CBSL, 2019) and the Sri Lanka Sustainable Banking Initiative (SLBA, 2015). The Sri

Lanka Sustainable Banking Initiative set out expectations for integrating the consideration of ESG risks and performance.

- Sri Lanka's approach to ESG integration in the financial sector is aligned with international good practices and

standards, such as the UN Sustainable Development Goals (SDGs), Paris Agreement, IFC Performance Standards, and Equator Principles.

- The framework (Roadmap for Sustainable Finance in Sri Lanka) was developed and/or implemented in close consultation with stakeholders. In 2020, CBSL constituted an Inter-Regulatory Committee on Sustainable Finance, including the Securities and Exchange Commission (SEC) and the Insurance Regulatory Commission of Sri Lanka.

Sub-pillar 2: Regulatory and Industry Association Actions

- Sri Lanka's sustainable finance framework is supported with capacity building and training. The Sustainable Banking Initiative has been supporting CBSL's Centre for Banking Studies (CBS) to develop a specialized training program on "Adopting Sustainable Finance" for banking and NBFIs sector employees. The Sustainable Banking Initiative also provides capacity support in terms of

guidance, case studies and e-learning courses for the banking sector.

- In March 2021, CBSL launched the first National Financial Inclusion Strategy of Sri Lanka with the vision of "Better Quality Inclusion for Better Lives".

Sub-pillar 3: Expectations for FI Actions

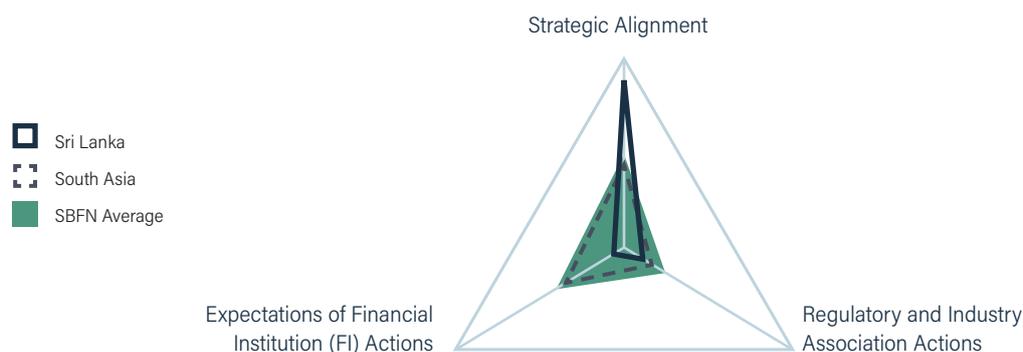
- The Roadmap for Sustainable Finance in Sri Lanka requires FIs to develop policies and procedures to manage ESG risks and performance, undertake regular review and monitoring of ESG risks, and report ESG performance publicly.
- The Sri Lankan Sustainable Banking Principles were signed by 18 Sri Lankan banks to contribute to sustainable economic growth. The principles promote green economies, collaborative partnerships, financial inclusion, and environmental and social governance.



Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Sri Lanka is in the **“Formulating” sub-stage of the “Preparation” stage** of the Climate Risk Management Pillar. CBSL has issued a roadmap which signals the importance of managing climate risks and Sri Lanka's vulnerability to climate impacts. There is ESG disclosure for capital markets that reference climate risk, and there are existing principles for ESG risk management by Sri Lanka Banks' Association (SLBA) that provide a foundation for the future incorporation of approaches to manage climate-related physical and transition risks and financial impacts. Preparations and activities include research, surveys, and/or multi-stakeholder engagement and awareness raising on expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority as indicated in Sri Lanka's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies. In the financial sector, CBSL has issued a Roadmap for Sustainable Finance (2019) and SLBA has issued the Sustainable Banking Principles (2015), which collectively signal the importance of the management and disclosure of environmental, climate, and social risk in the banking sector.
- CBSL is also a member of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

Sub-pillar 2: Regulatory and Industry Association Actions

- In 2019, CBSL issued the Roadmap for Sustainable Finance, developed with the support of IFC and UNDP-BIOFIN, which signals the importance of managing climate risks and Sri Lanka's vulnerability to climate impacts. As part of the Roadmap's objective on ESG integration into the financial market, the Roadmap calls for regulators and industry associations to develop guidance, tools, and methodologies (such as country-level climate risk assessments for financial institutions, and use of environmental stress testing), for FIs to improve ESG risk management approaches, and to facilitate disclosure of climate risks using international standards, including the Taskforce for Climate-related Financial Disclosures (TCFD). The Roadmap's

implementation timeline notes country-level climate risk assessments are planned for the 2021-2025 time period.

- The Colombo Stock Exchange (CSE) has joined the UN Sustainable Stock Exchanges (SSE) Initiative. In 2018, the CSE issued “Communicating Sustainability”, which references Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards and includes elements of climate risk. SLBA has issued the Sustainable Banking Principles (2015), which includes principle one, which focuses on E&S risk management, but is without specific mention of climate change.
- CBSL engages on the Roadmap for Sustainable Finance in Sri Lanka through an inclusive and multi-stakeholder process, and inter-agency coordination through the Inter-Regulatory Committee on Sustainable Finance. CBSL has included discussion of research on climate risk-related issues in the Sri Lankan economy as part of CBSL's annual reports. The Climate Change Secretariat of Ministry of Environment is part of the Inter-Regulatory Committee on Sustainable Finance.
- As part of future progress by Sri Lanka, areas of focus for regulatory and industry association actions include research, capacity building, technical guidance (for example, climate scenarios, risk assessment methodologies), and development of regulatory and supervisory expectations for FIs for managing climate-related physical and transition risks and financial impacts

Sub-pillar 3: Expectations for FI Actions

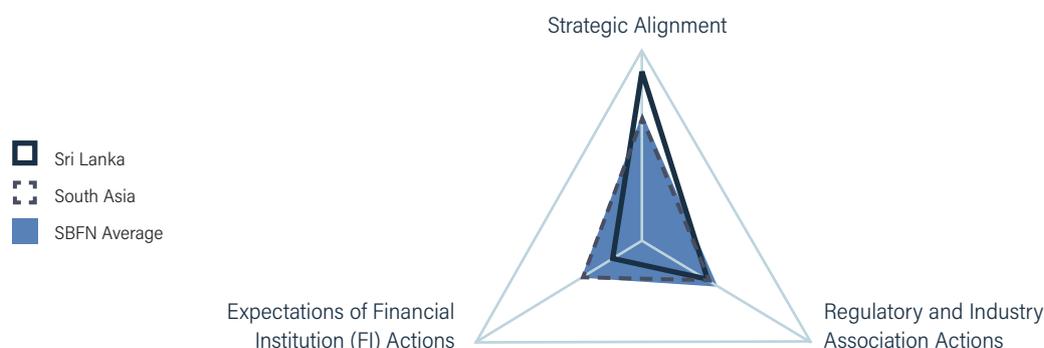
- Moving forward, application of the Roadmap's initiatives will serve to build familiarity and capacity among Sri Lankan financial institutions on ESG risks, and raise awareness on climate risk management practices as part of overall ESG risk management approaches.
- As part of future progress under the Roadmap, the Sustainability Principles for Banks and other ESG risk management guidance can be further elaborated to guide the expected actions of financial institutions for the development of their strategy, governance, risk management, metrics/targets and disclosure approaches for climate-related physical and transition risks and financial impacts.



Pillar 3: Financing Sustainability

Pillar Progress: Developing

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



Sub-pillar 1: Strategic Alignment

- Sri Lanka's national framework for financing sustainability covers the banking and non-banking sectors, and capital markets. It is led by CBSL's Roadmap for Sustainable Finance in Sri Lanka (2019), which has a section on green bonds, SLBA's Sustainable Banking Initiative Implementation Guide for the Banking Sector, and the Colombo Stock Exchange's Communicating Sustainability: Six Recommendations for Listed Companies (2019).
- The Sri Lankan financial sector's approach to promoting financial flow into green and sustainability projects and sectors is in alignment with international good practices and standards, such as the UN SDGs, and the ICMA and CBI frameworks.
- The framework promotes collaboration and intra-agency data exchanges via the Inter-Regulatory Committee on Sustainable Finance, the partnership between Centre for Banking Studies of CBSL, and Core Group of SLBA's Sustainable Banking Initiative and the Climate Change Secretariat of the Ministry of Finance.

Sub-pillar 2: Regulatory and Industry Association Actions

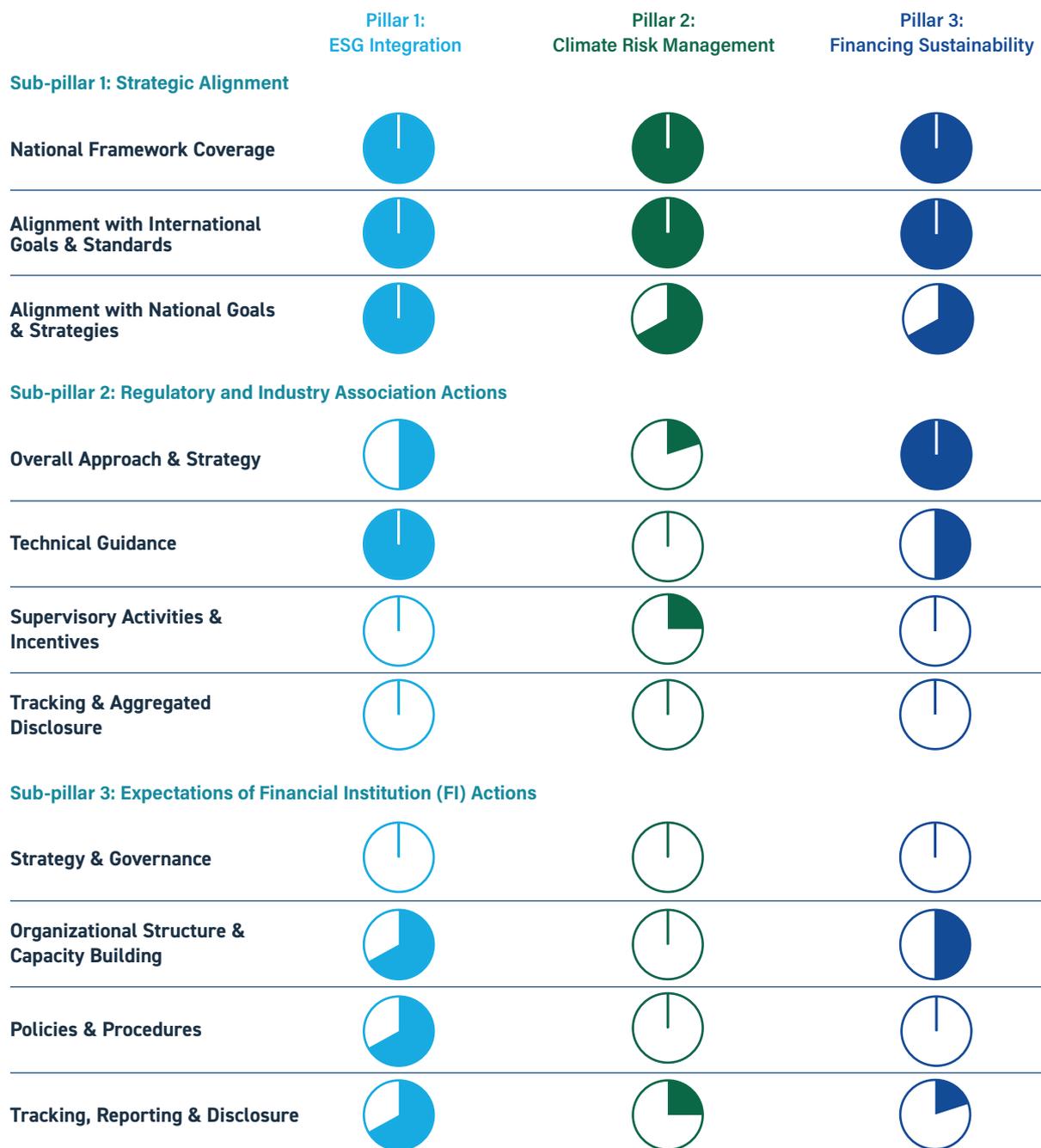
- CBSL's Roadmap provides visions and expectations for the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects in areas such as sustainable and green loans, bonds, public equity, and other finance products and instruments. It also sets expectations for regulators to issue guidelines for green loans and green bonds.
- CBSL's Roadmap provides definitions and examples of sustainable finance assets, and asks for external party verification to ensure the credibility of sustainability instruments.
- CBSL, together with the Ministry of Finance are exploring collaboration opportunities with multiple international partners for green bond issuance and investments. These partnerships are expected to improve Sri Lanka's green bond framework's coverage, clarity, and alignment to international standards.

Sub-pillar 3: Expectations for FI Actions

- CBSL's Roadmap identifies the need to have trained professionals in FIs and asks for related capacity building and training.
- The Colombo Stock Exchange's 2019 Communicating Sustainability Guide for Listed Companies encourages listed companies to report on GRI standards and with the materiality for financial institutions, emphasizing communicating on sustainable finance activities as a key aspect.

3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Sri Lanka’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.



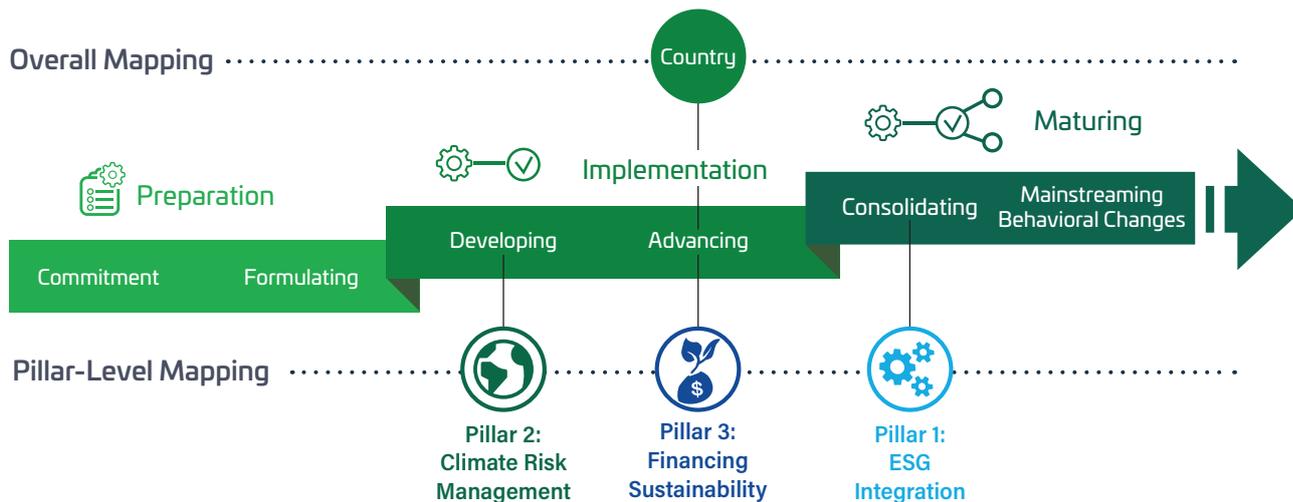
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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



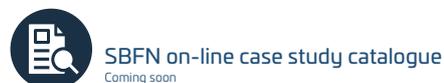
2. Pillar benchmarking

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

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

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

Figure 5: Overall Progression Matrix Milestones

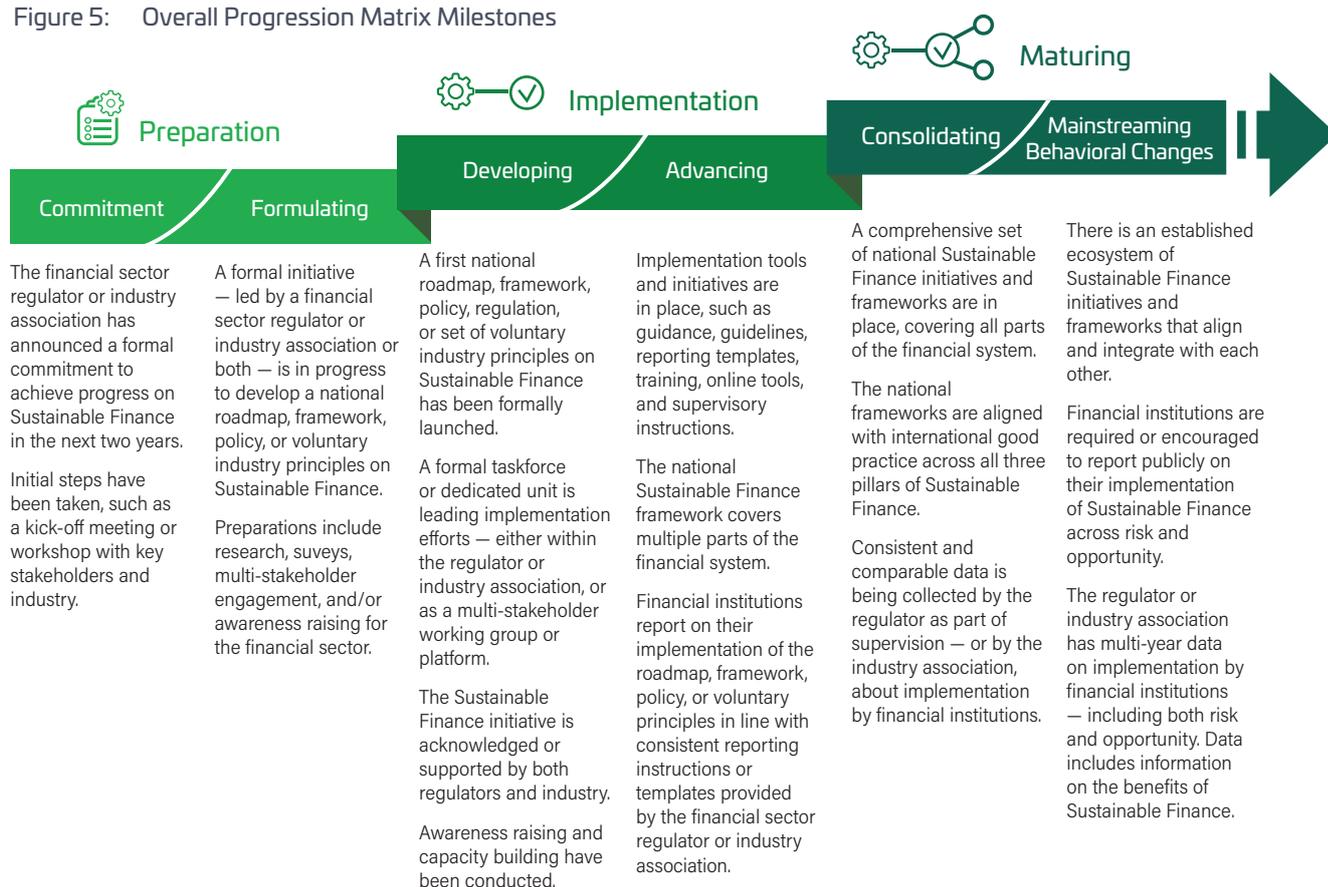


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

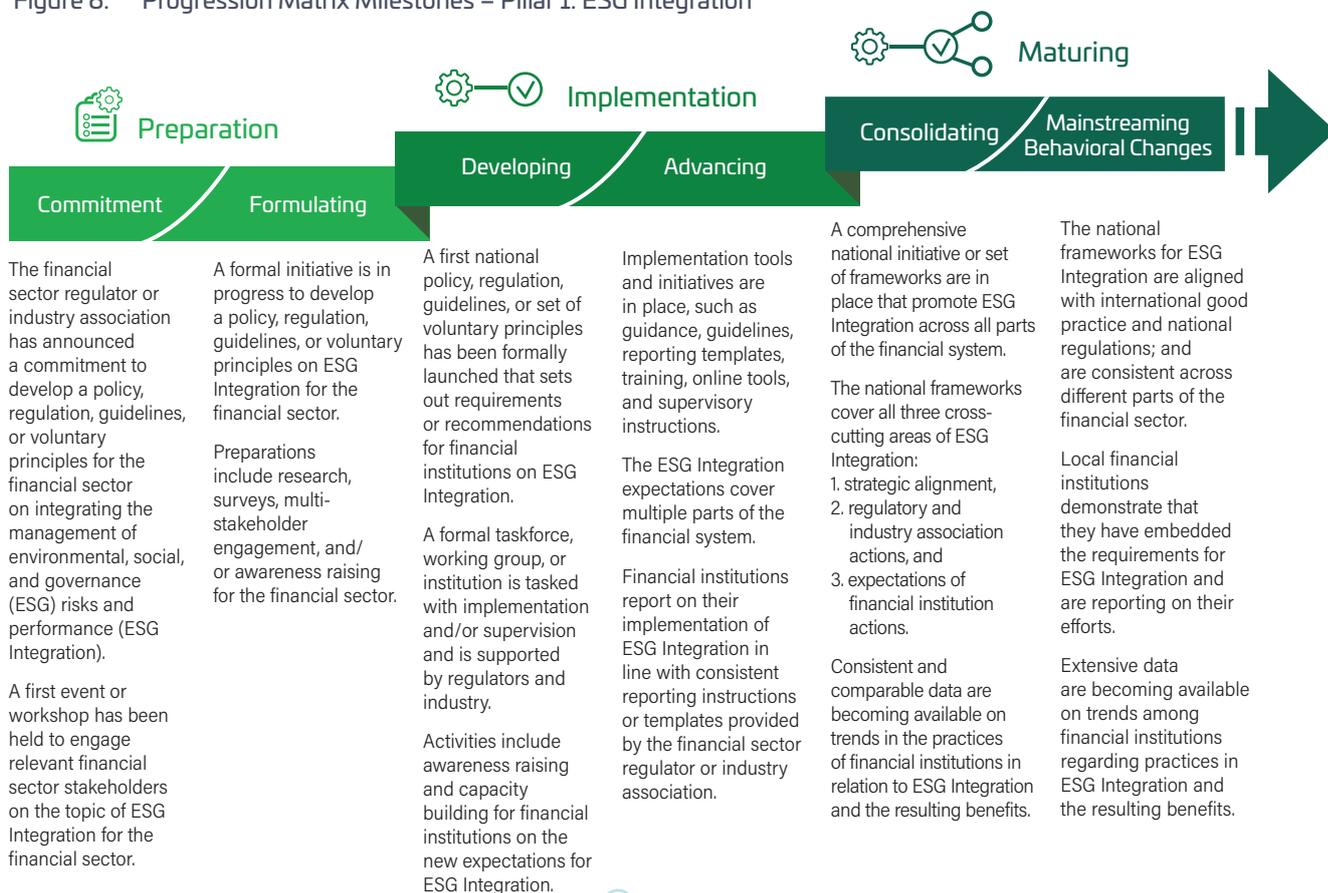


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

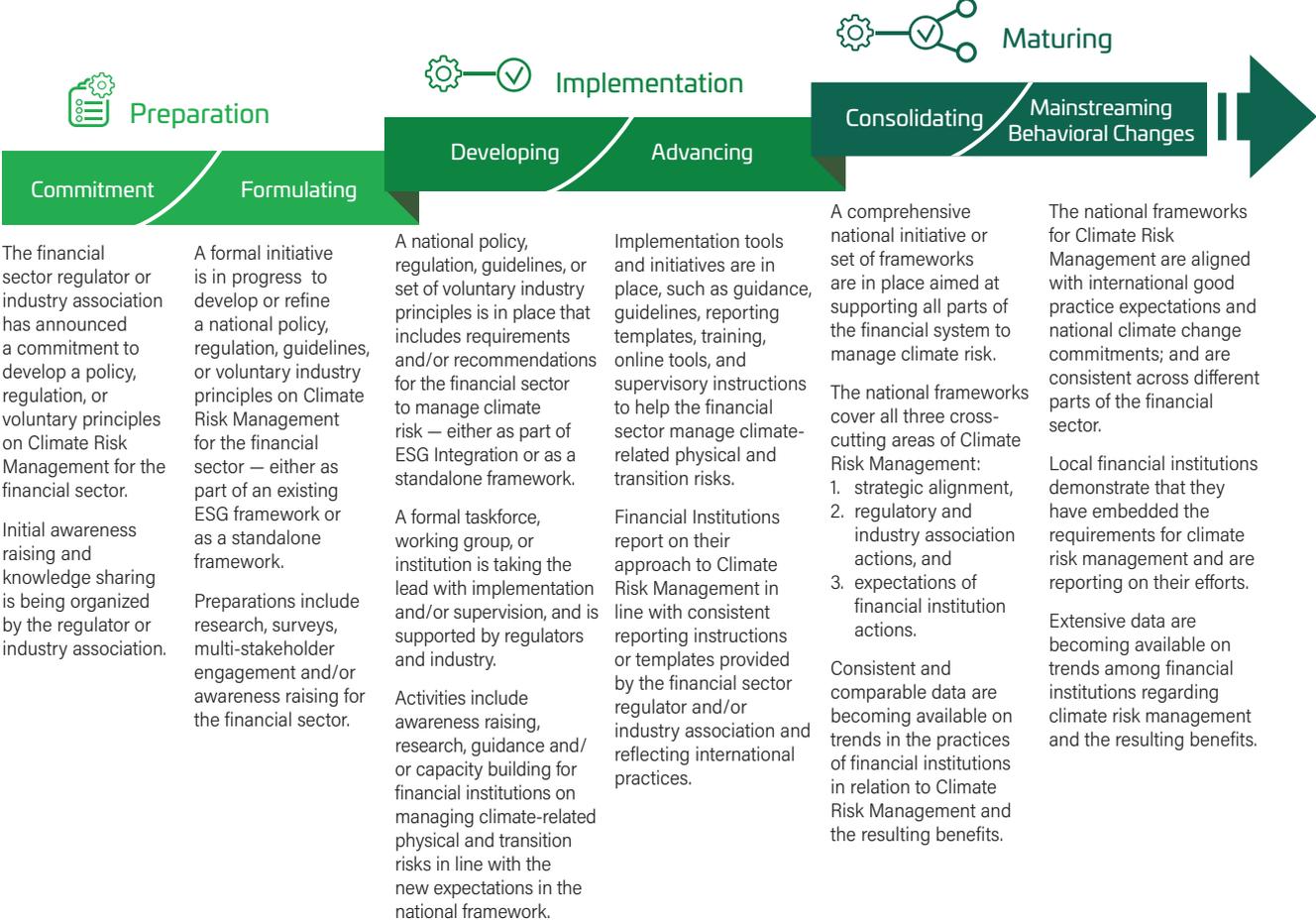
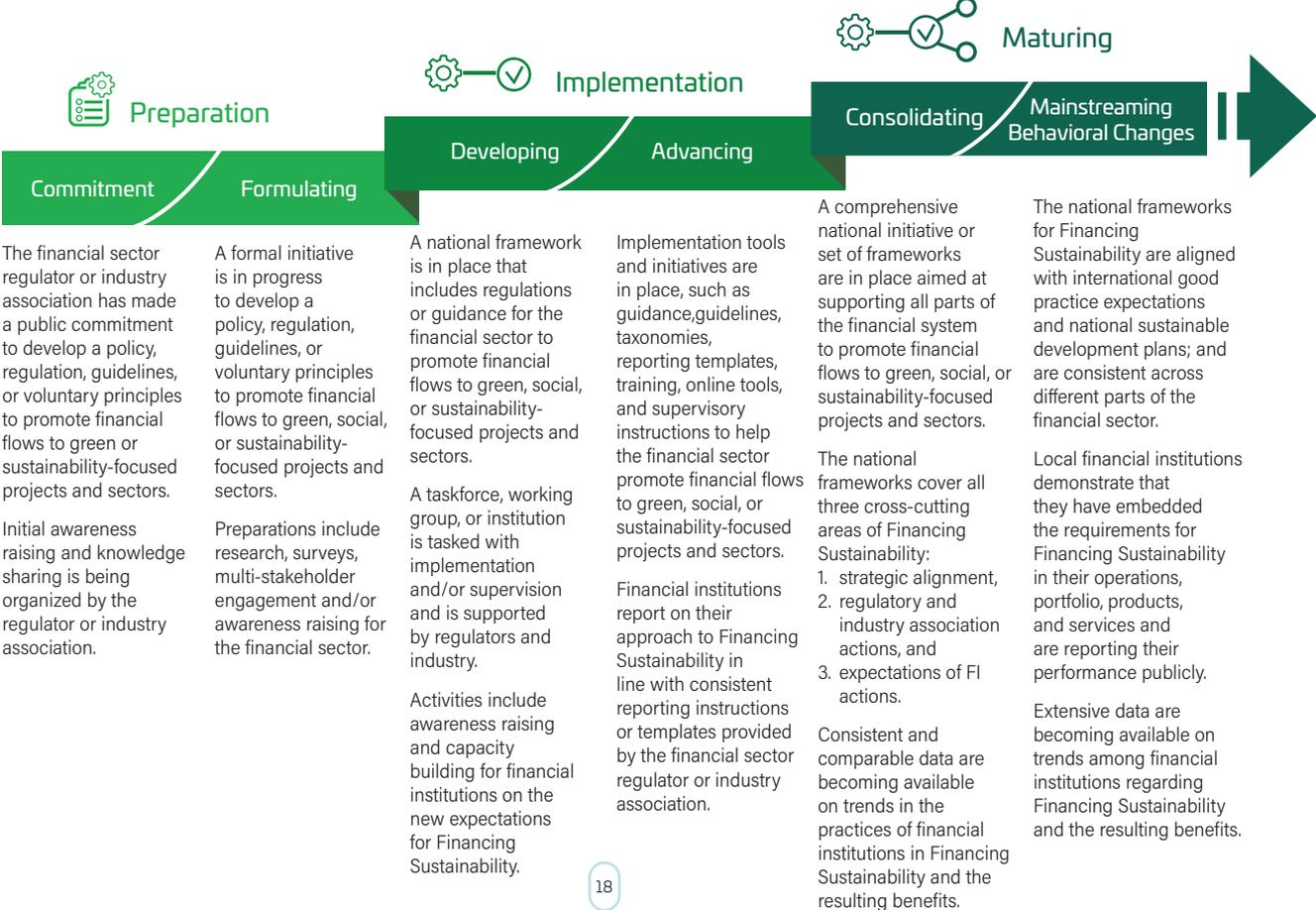


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability



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