Thailand

Country Progress Report

December 2021

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

Sustainable Banking and Finance Network

IFC 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 with guidance from the SBFN Thailand Country Coordinator Huong Thien Nguyen and Asia Regional Coordinator Wei Yuan. Data are provided by the Thai Bankers' Association (TBA) and verified by SBFN. The team is grateful for the support and guidance of TBA representatives who provided data, participated in interviews, and reviewed and provided comments to this report, in particular Kobsak Duangdee, Secretary General, Darutsakorn Wisootthisin, Assistant Secretary General, and Chayasun Kumanwisai, Senior Officer, Secretary-General Office & Corporate Strategy.

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 – Thailand

1.1 SBFN member institution:

Thai Bankers' Association (TBA)   Member Since: 2012

1.2 Other key institutions and national initiatives promoting sustainable finance

Ministry of Natural Resources and the Environment
Bank of Thailand (BOT)
Office of the Insurance Commission (OIC)
Ministry of Finance (MOF)
Thaipat Institute
Working Group on Sustainable Finance (WG-SF)

Stock Exchange of Thailand (SET)
National Economic and Social Development Council (NESDC)
National Economic and Social Development Plan (NESDP)
Securities and Exchange Commission (SEC)
Thai Banking Academy (TBAC)

1.3 Overall progress

Thailand has **moved to the "Developing" sub-stage of the "Implementation" stage** from the "Formulating" sub-stage of the "Preparation" stage. Thailand has formally launched its sustainable finance framework. In 2019, the Thai Bankers' Association (TBA) released the Thailand Sustainable Banking Guidelines. The Guidelines define the minimum expectations on responsible lending practices for all banks based in Thailand. Also in 2019, the Three Regulators Steering Committee, consisting of BOT, SEC, OIC, and MOF, established and mandated the Working Group on Sustainable Finance (WG-SF) to foster and monitor a culture of sustainable finance throughout Thailand's financial sector. In July 2020, the Ministry of Finance published the Sustainable Financing Framework to support its sustainability commitments and to set out how it intends to raise Green, Social, and Sustainability financing instruments. In 2021, the WG-SF formulated the Sustainable Finance Initiatives for Thailand, setting the direction and framework for driving sustainable finance across the financial sector.

Figure 1: SBFN Progression Matrix - Overall Country Progress

1.4 Country Sustainable Finance Journey

Figure 2: Thailand's sustainable finance journey

- Policies, principles, regulations, and guidance.
- Research and engagement
- Examples of market actions and impacts

2012

- TBA joins SBFN

2014

- Stock Exchange of Thailand joins the UN Sustainable Stock Exchanges (SSE) initiative, making Thailand the first Southeast Asian country committed to promoting sustainability within its capital markets

2015

- The Government of Thailand ratifies the Paris Agreement on Climate Change and commits to reducing its greenhouse gas emissions by 20 percent between 2015 and 2030

2016

- Thaipat Institute becomes a signatory of the United Nations-supported Principles for Responsible Investment

2017

- NESDC issues the National Economic and Social Development Plan
- SEC publishes Investment Governance Code for Institutional Investors (I Code)

2018

- TMB Bank issues Thailand's first green bond
- SEC publishes Guidelines on Issuance of Green, Social, and Sustainability Bonds

2019

- Three Regulators Steering Committee establishes and mandates the Working Group on Sustainable Finance (WG-SF)
- TBA publishes the Sustainable Banking Guidelines on Responsible Lending

2020

- MOF publishes the Sustainable Financing Framework and issues Thailand's first Sustainability Bond
- SEC and Thai Bond Market Association launch a Green, Social, and Sustainability Information Platform on ESG debt issuance
- SEC publishes guidelines for issuing Green, Social, and Sustainability Bonds

2021

- Working Group on Sustainable Finance publishes the Sustainable Finance Initiatives for Thailand
- Thai Union Launches Thailand's First Sustainability-Linked Bond
- SEC publishes comprehensive guidance on issuance of sustianability-focused bonds

1.5 COVID response

A fiscal package was unveiled in March 2020, worth approximately 400 billion Thai baht, consisting of soft loans worth 150 billion Thai baht, debt payments extension, and tax benefits including reduction of withholding taxes, to provide support for households, including by reducing and delaying utility bills. The Bank of Thailand has pledged to set up mechanisms to ease liquidity for commercial banks that buy investment units of COVID-19-affected mutual funds in the money market and daily fixed income funds through collateralization of investment units for liquidity. The Thai Bankers' Association, Government Savings Bank, Insurance companies, and Government Pension Fund together committed to establishing the Corporate Bond Liquidity Stabilization Fund (BSF), amounting to 70 to 100 billion Thai baht, to inject liquidity.

1.6 Ambitions for the next phase

Sustainability is one of the four priorities in TBA's three-year strategic plan. TBA has been working closely with the Association of Banks in Singapore and the World Wildlife Fund (WWF) since 2020 to develop an online training course on sustainable finance in the Thai language. The course is under development and should be ready in 2021. MOF issued a 50 billion Thai baht sovereign sustainability bond in 2020, the first sustainability bond in the country, and the proceeds are being used for infrastructure projects, including the mass railroad transit system, and to assist in COVID recovery. ESG bond issuances in Thailand raised over 80 billion Thai baht in 2020 and are expected to reach 100 billion Thai baht in 2021. TBA is working to promote transparency throughout the financial system as well as financial inclusion. Digital transactions and digital trade transformation are also key areas of focus for TBA.

The report, Sustainable Finance Initiatives for Thailand, published in August 2021, sets the direction and framework for driving sustainable finance across the entire financial sector. This is a collective achievement - with technical assistance from IFC and SBFN - by a public-private Working Group on Sustainable Finance, which consists of the Ministry of Finance, the Bank of Thailand, the Securities and Exchange Commission, the Office of Insurance Commission, and the Stock Exchange of Thailand. It provides key strategic objectives and initiatives to set up an ecosystem to enable sustainable finance in five key areas, including developing a sustainable finance taxonomy, improving the ESG data environment, implementing effective incentives for sustainable finance products, and building human capital.

1.7 SBFN and IFC role

IFC has provided advisory services to TBA for their sustainable finance initiatives and capacity building. IFC has supported the Working Group on Sustainable Finance to develop the Sustainable Finance Initiatives roadmap issued in August 2021. Through SBFN, TBA has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base.

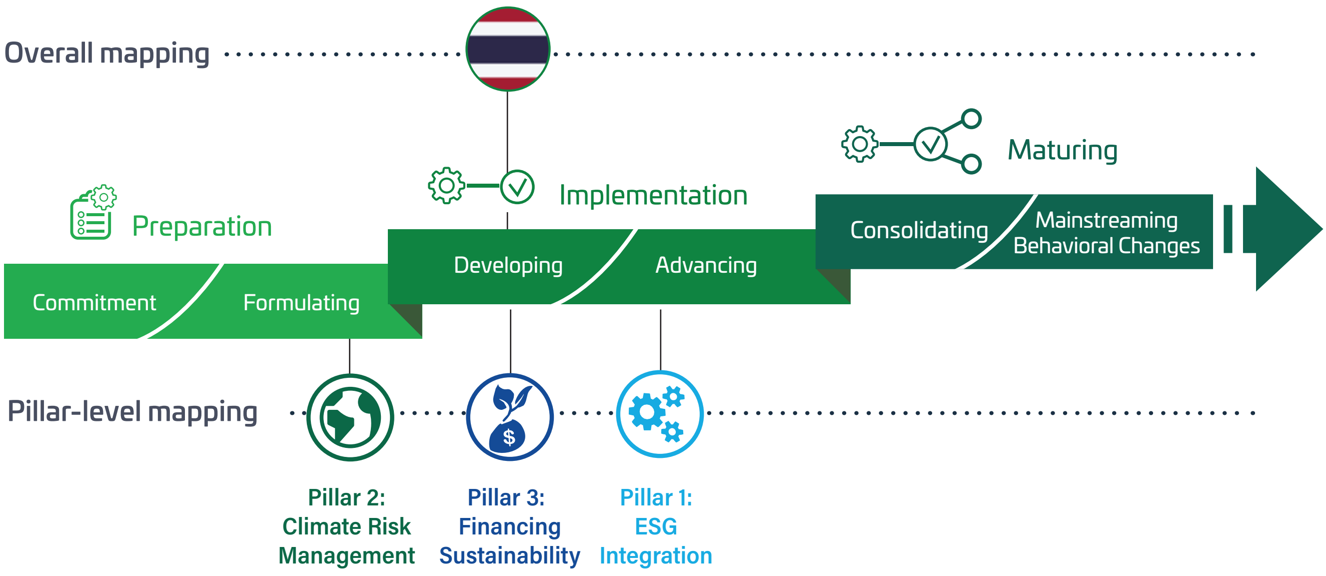
> There are a lot of things that we can foresee that TBA and SBFN could collaborate on in the future on the sustainable banking journey – the contribution in this area from IFC would be helpful. We would be looking to work more with SBFN when we have the strategic plan implemented in 2022. Sustainable banking is an area where we would like to move forward, and working in close cooperation would be welcomed.

Mr Kobsak Duangdee
Secretary General

Thai Bankers' Association (TBA)

2. Progress by three pillars

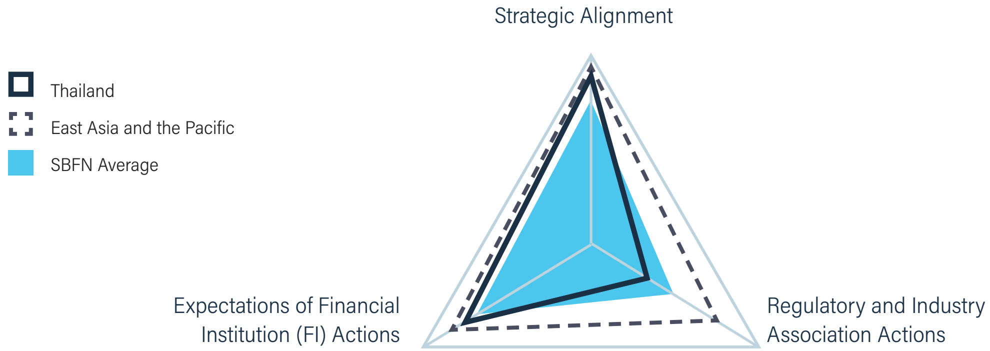
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Advancing

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



Sub-pillar 1: Strategic Alignment

- Thailand's national framework for the banking sector, including the Sustainable Banking Guidelines on Responsible Lending (TBA, 2019), sets out expectations for integrating the consideration of ESG risks and performance by banks.
- Thailand'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), Principles for Responsible Banking (PRB), and Task Force on Climate-Related Financial Disclosures (TCFD).

- The Sustainable Banking Guidelines were developed in close consultation with members of TBA with inputs from WWF.

Sub-pillar 2: Regulator and Industry Association Actions

- In August 2019, TBA released the Sustainable Banking Guidelines, serving as guidance for banks to establish a responsible lending strategy to manage their environmental and social (E&S) impacts and risks.
- The implementation of the Guidelines is regularly monitored by TBA. Banks are required to disclose how they implement the responsible lending practices in reports or on their websites in a timely and reliable manner.
- TBA established the Thai Banking Academy (TBAC) with the mission to become a world-class academy for banking and financial professionals in Thailand. The online training platform will provide training courses on sustainable finance in the Thai language.
- Bank of Thailand (BOT) launched a three-year strategic plan (2020-2022) with the theme of "Central Bank in a Transformative World" to strengthen the resilience of Thailand's financial and economic system to help promote inclusive and sustainable growth of the Thai economy. One of the seven strategies is "sustainability (environmental, social and governance) as an integral part of all operations".
- BOT is in the process of developing a sustainable finance policy framework, which includes a sustainability roadmap and tools to help the banking sector improve ESG risk management practices.

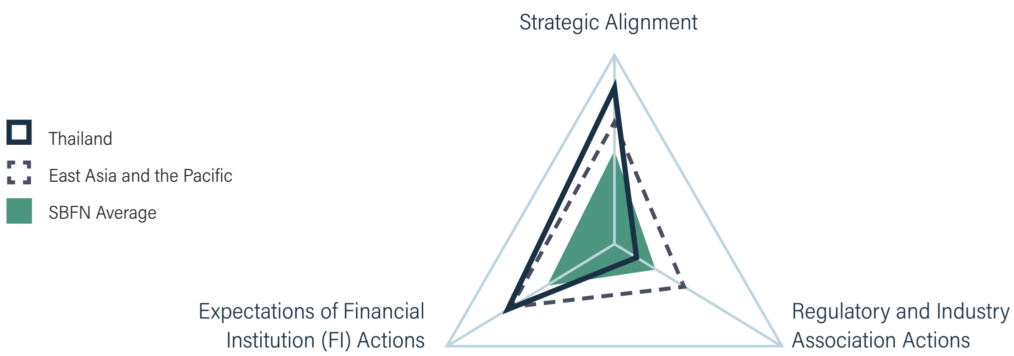
Sub-pillar 3: Expectations for FI Actions

- The Sustainable 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 publicly.

Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Thailand is in the **"Formulating" sub-stage of the "Preparation" stage** of the Climate Risk Management pillar. The Thai Bankers' Association, with the support of the Bank of Thailand, has released ESG risk management guidelines for the banking sector that include climate risk. Preparations and activities include research, surveys, multi-stakeholder engagement, and raising awareness about expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority as indicated in Thailand's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the Climate Change Master Plan 2015-2050 (released in 2016).
- In the financial sector, TBA's Sustainable Banking Guidelines include climate risk as one of the key environmental risks that FIs must manage.

Sub-pillar 2: Regulatory and Banking Association Actions

- BOT has recognized the role of the financial sector in driving Thailand's sustainable growth and the promotion of sustainable banking has been part of BOT's strategic plan. BOT is a member of the Central Banks and Supervisors Network for Greening the Financial System (NGFS).
- TBA's 2019 Sustainable Banking Guidelines reference climate change as a component of ESG risks and emphasize the importance of exposure assessment at the transaction and portfolio levels and of determining how these risks materialize into financial risks. The Guidelines reference management and disclosure practices, including the Taskforce for Climate-related Financial Disclosures (TCFD).
- The Stock Exchange of Thailand (SET) is a member of the UN Sustainable Stock Exchanges Initiative and has online guidance on ESG disclosure and reference to the TCFD in addition to the Guidelines for Sustainability Reporting (2012), which incorporate energy, greenhouse gas, and climate-related elements of the Global Reporting Initiative and CDP standards.
- With ambition to promote the transition to a low-carbon economy, SET is also promoting TCFD disclosures among Thai businesses, listed companies in particular. SET, in collaboration with CDSB and SASB, launched the translated TCFD Good Practice Handbook (in Thai).
- The Securities and Exchange Commission is a formal supporter of the TCFD.
- As part of future progress by Thailand, recommended areas of focus for regulatory and industry association actions include awareness raising, research, capacity building, and technical guidance (for example, climate scenarios, risk assessment tools and methodologies) to build financial sector understanding of climate-related physical and transition risks and financial impacts.

Sub-pillar 3: Expectations for FI Actions

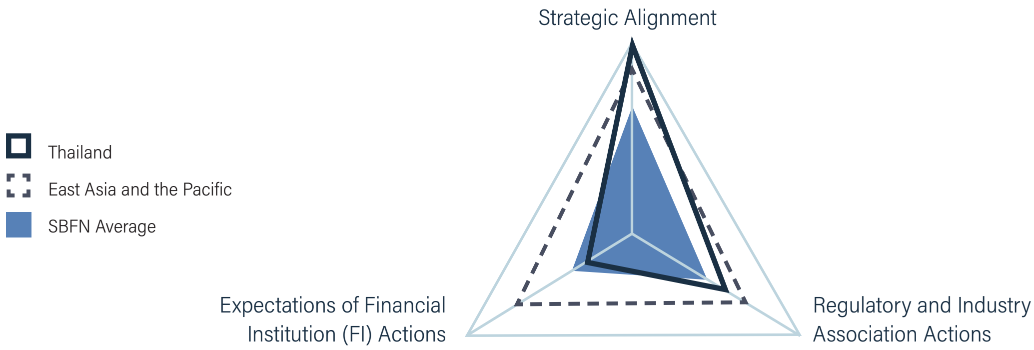
- The Sustainable Banking Guidelines released by the Thai Bankers' Association serve to build familiarity and capacity among Thai FIs to improve climate risk management practices as part of overall ESG risk management approaches. The Guidelines emphasize how the identification and management of ESG risks and climate-related risks at the portfolio level allow banks to build long-term resilience and unlock growth prospects. The Guidelines reference international practices, including TCFD.

- As part of future progress, the Sustainable Banking Guidelines for banks can be further elaborated with technical guidance and implementation tools to support the expected actions of FIs 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

Thailand is mapped under 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, as well as ongoing awareness raising and capacity building. In 2020, the Thai Securities Exchange Commission published the Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond, and Sustainability Bond, promoting the country's sustainable-focused bond in alignment with the ASEAN Green, Social, and Sustainability Bond Standards.



Sub-pillar 1: Strategic Alignment

- Thailand's national framework for financing sustainability covers both the banking sector and the capital markets and is aligned with international standards.
- The Ministry of Finance issued its Sustainable Financing Framework in 2020, alongside its issuance of the first sovereign sustainability bond in Thailand. The Framework aligns with the SDGs, the Paris Agreement on Climate Change, and Thailand's Twelfth National Economic and Social Development Plan (2017-2021). It is also aligned with international and ASEAN capital markets standards.
- The Thai Securities and Exchange Commission published the Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond, and Sustainability Bond in 2018, which aligns with ASEAN and International Capital Market Standards.
- MOF's approach to financing sustainability also identifies and involves key stakeholders, and promotes engagement. MOF has set up a Committee consisting of multiple government agencies and industry associations to monitor projects funded under its Sustainable Financing Framework.

Sub-pillar 2: Regulatory and Banking Association Actions

- MOF's Sustainable Financing Framework sets up a government-funded scheme to support green and social investment and provides a list of green project categories and social project categories. It tasks a Committee to monitor the use of proceeds and the positive E&S impacts of eligible green and social projects annually. The Committee tracks and monitors the environmental and social benefits of the eligible green and social projects that are funded by MOF's green, social, or sustainability financing instruments.
- The Committee under the Sustainable Finance Framework also reports on the associated environmental and social benefits on an annual basis starting one year from the first Green, Social, or Sustainability financing instrument issuance until the full allocation of the proceeds. The report(s) will be made available to investors on the Public Debt Management Office's website.
- The SEC's Green Bond, Social Bond, and Sustainability Bond Guidelines explicitly require issuers to follow either the ASEAN standards or International Capital Market Association principles, and therefore give clear instructions on eligible projects, issuance process, disclosure, and external verification to ensure the credibility of sustainability instruments.

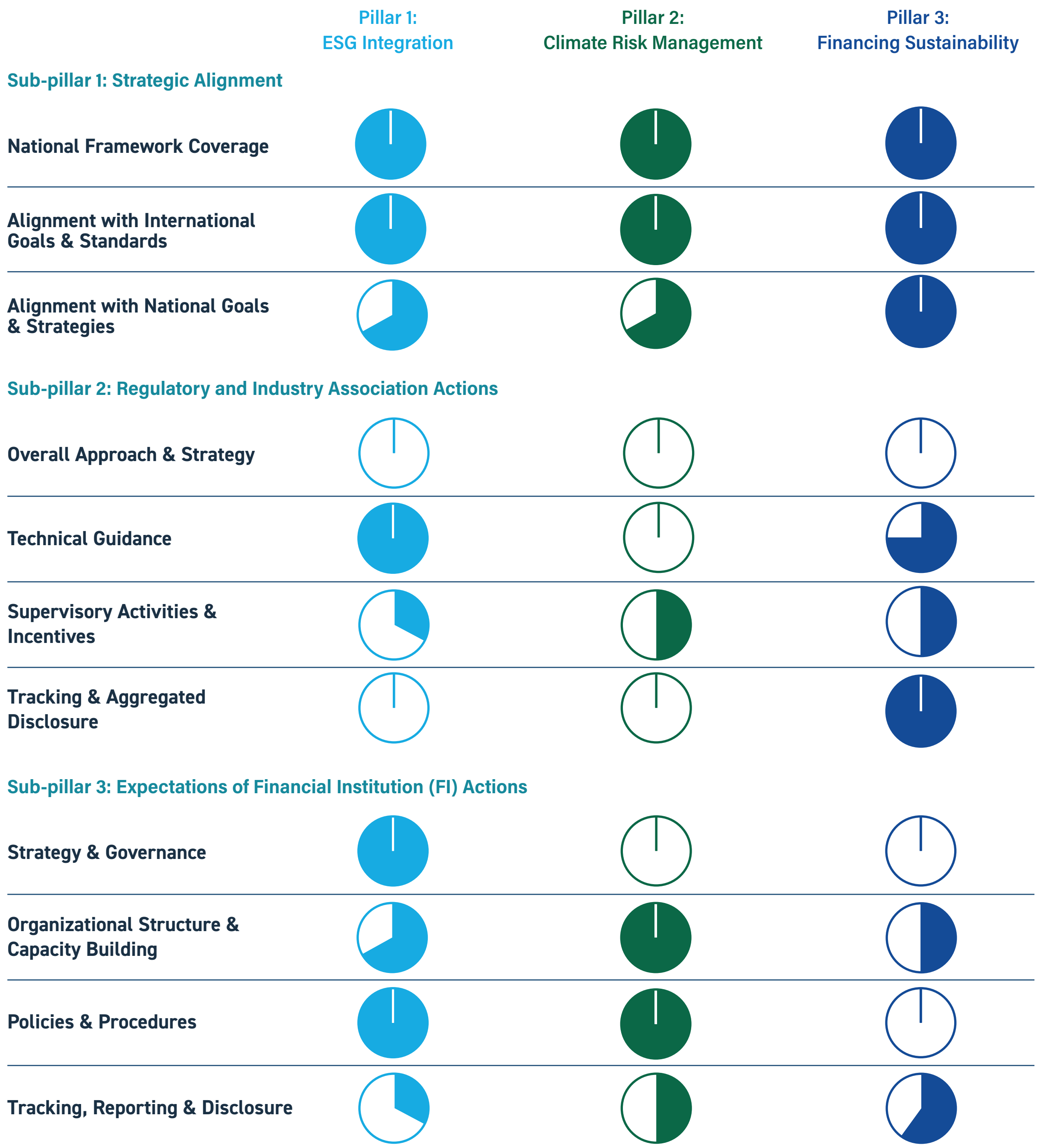
Sub-pillar 3: Expectations for FI Actions

- TBA's Guidelines for Sustainable Banking ask banks to dedicate resources and specify clear roles and responsibilities to support the implementation of the responsible lending strategy.

- TBA's Guidelines also ask banks to publish relevant statements, policies, and processes in their annual sustainability reports or websites.
- The SEC's Green, Social, and Sustainability Bond Guidelines ask issuers to publish annual updates on the performance and impacts of the sustainability instruments and 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.
- The SEC's Green, Social, and Sustainability Bond Guidelines also require information to be published on the issuers' website on an annual basis, on elements such as use of proceeds and project progress, and in line with relevant international and national standards and regulations.

3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Thailand'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

- **Sustainable Finance Initiatives for Thailand** (Working Group on Sustainable Finance, 2021)
- **Sustainable Bond Issuance Guide** (Thai SEC, 2021)
- **Strategic Plan 2020-2022 — including focus on ESG and sustainable finance** (Thai SEC, 2020)
- **Sustainable Financing Framework** (Kingdom of Thailand, 2020)
- **Sustainable Banking Guidelines on Responsible Lending** (TBA, 2019)
- **Guidelines on Issuance and Offer for Sale of Green Bond, Social Bond, and Sustainability Bond** (Thai SEC, 2018)
- **Investment Governance Code for Institutional Investors (I Code) - including ESG** (Thai SEC, 2017)

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.

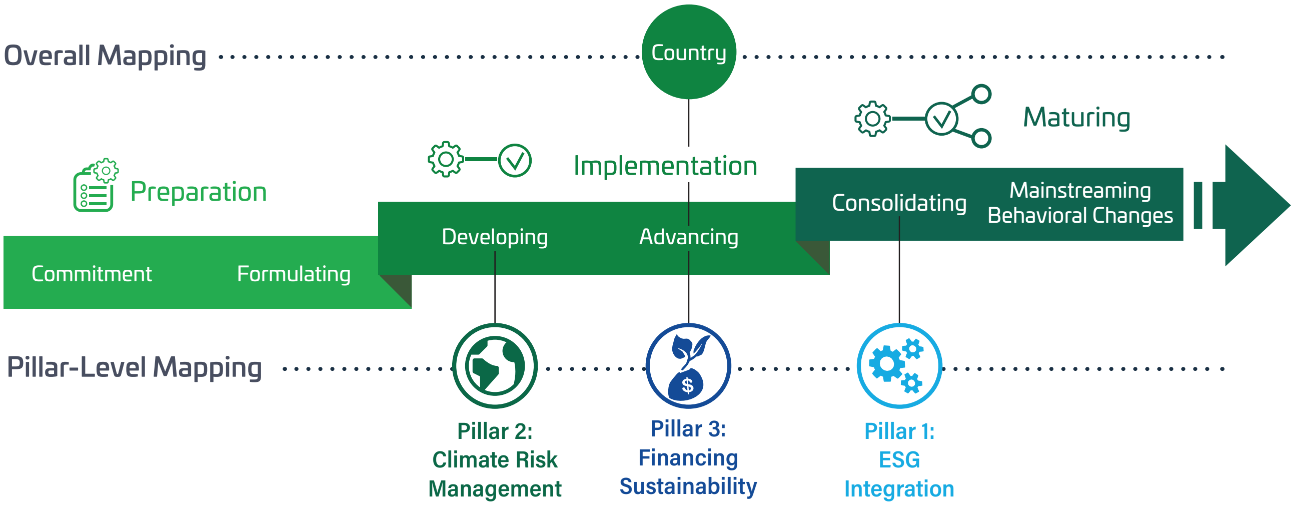
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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

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

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

Regulatory and Industry Association Actions	Overall approach and strategy	32	Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?
		33	Does the Framework identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?
		34	Does the Framework incorporate the conservation/restoration of natural carbon sinks (such as oceans, forests, mangroves, grasslands, and soils) as an important part of reducing climate change risks (e.g., through guidelines, scenario analysis, targets, or incentives for FIs)?
		35	Has the regulator or industry association developed an internal strategy to address climate risk, and/or embedded climate risk management into its governance, organizational structures, and budget as part of the Framework?
		36	Has the regulator or industry association undertaken any activities to expand and deepen analytical understanding of national and/or cross-border physical and transition climate risks, and to raise awareness as to how these risks may transmit to, and impact, the financial sector?
Regulatory and Industry Association Actions	Technical guidance	37	Has the regulator or industry association developed risk assessment approaches, methodologies, or tools to understand and assess the financial sector's exposure to climate risk as part of the Framework?
	Supervisory activities and incentives	38	As part of the Framework, has the regulator clarified supervisory expectations with regard to climate risk management by FIs, including consideration of international good practices?
		39	Has the regulator started to explicitly embed climate-related risk in supervisory activities and review processes as part of the Framework?
		40	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
		41	Are there any financial or non-financial incentives to encourage FIs to establish climate risk management systems?
	Tracking and aggregated disclosure	42	Does the regulator or industry association regularly collect and/or report market-level and/or FI-level data on climate-related financial sector risks as part of the Framework?
Expectations of FI Actions	Strategy and governance	43	Does the Framework require/ask FIs to establish a strategy for climate risk management with responsibility at the board of director level (or highest governing body)?
	Organizational structure and capacity	44	Does the Framework require/ask FIs to define the roles and responsibilities and related capacities of the FI's senior management and operational staff in identifying, assessing, and managing climate-related financial risks and opportunities?
	Policies and procedures	45	Does the Framework require/ask FIs to expand existing risk management processes to identify, measure, monitor, and manage/mitigate financial risks from climate change?
	Tracking, reporting, and disclosure	46	Does the Framework require/ask FIs to report on their overall approaches to climate risk management in line with international good practices (e.g. TCFD), or establish a timeline by which FIs should begin to align their reporting with such practices?
		47	Does the Framework require/ask FIs to identify, measure, and report on exposure to sectors which are vulnerable to transition risk and physical risk?
		48	Does the Framework require/ask FIs to adopt and report on performance targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?
		49	Does the Framework require/ask FIs to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?
Pillar 3: Financing Sustainability			
Strategic Alignment	National framework	50	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
		51	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
	Alignment with international goals and standards	52	Has the regulator or industry association developed a strategy, regulations, or set of frameworks for stimulating the allocation of capital to sustainable assets, projects, and related sectors in line with global goals, such as the Sustainable Development Goals (SDGs)?
		53	Does the Framework recognize and/or align with existing standards, voluntary principles, or market good practices related to sustainable finance instruments?
	Alignment with national goals and strategies	54	Does the Framework enable the achievement of stated national objectives by guiding capital to sectors, assets, and projects that have environmental and social benefits in line with national sustainable development priorities, strategies, targets, and the size of sustainable investment needs, and taking into account the local barriers to scaling-up sustainable finance?
		55	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design or implementation related to sustainable finance flows?
		56	Does any inter-agency data sharing currently exist related to stimulating and monitoring sustainable finance flows?
Regulatory and Industry Association Actions	Overall approach and strategy	57	Does the Framework require/ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects?
	Technical guidance	58	Does the Framework provide definitions, examples, and/or a taxonomy (catalogue and guidelines) of sustainable finance assets?
		59	Does the Framework provide guidelines for extending green, social, or sustainability-focused loans (excluding bonds)?
		60	Does the Framework provide guidelines for issuance of green, social, or sustainability bonds?
		61	Does the Framework require/ask for external party verification to ensure the credibility of sustainability instruments?
	Supervisory activities and incentives	62	Does the regulator or industry association monitor information reported by FIs related to green/social/sustainability investment, lending, and other instruments to prevent greenwashing and social-washing?
		63	Are there any financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments?
	Tracking and aggregated disclosure	64	Does the regulator or industry association collect and/or publish data from FIs or other sources about allocation of capital to green/social/sustainability assets, projects, or sectors?

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

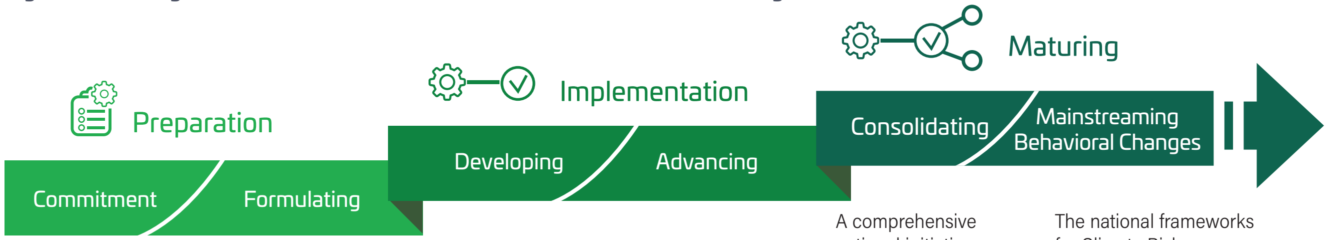
Figure 5: Overall Progression Matrix Milestones

Preparation		Implementation		Maturing	
Commitment	Formulating	Developing	Advancing	Consolidating	Mainstreaming Behavioral Changes
The financial sector regulator or industry association has announced a formal commitment to achieve progress on Sustainable Finance in the next two years. Initial steps have been taken, such as a kick-off meeting or workshop with key stakeholders and industry.	A formal initiative — led by a financial sector regulator or industry association or both — is in progress to develop a national roadmap, framework, policy, or voluntary industry principles on Sustainable Finance. Preparations include research, surveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.	A first national roadmap, framework, policy, regulation, or set of voluntary industry principles on Sustainable Finance has been formally launched. A formal taskforce or dedicated unit is leading implementation efforts — either within the regulator or industry association, or as a multi-stakeholder working group or platform. The Sustainable Finance initiative is acknowledged or supported by both regulators and industry. Awareness raising and capacity building have been conducted.	Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions. The national Sustainable Finance framework covers multiple parts of the financial system. Financial institutions report on their implementation of the roadmap, framework, policy, or voluntary principles in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.	A comprehensive set of national Sustainable Finance initiatives and frameworks are in place, covering all parts of the financial system. The national frameworks are aligned with international good practice across all three pillars of Sustainable Finance. Consistent and comparable data is being collected by the regulator as part of supervision — or by the industry association, about implementation by financial institutions.	There is an established ecosystem of Sustainable Finance initiatives and frameworks that align and integrate with each other. Financial institutions are required or encouraged to report publicly on their implementation of Sustainable Finance across risk and opportunity. The regulator or industry association has multi-year data on implementation by financial institutions — including both risk and opportunity. Data includes information on the benefits of Sustainable Finance.

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

Preparation		Implementation		Maturing	
Commitment	Formulating	Developing	Advancing	Consolidating	Mainstreaming Behavioral Changes
The financial sector regulator or industry association has announced a commitment to develop a policy, regulation, guidelines, or voluntary principles for the financial sector on integrating the management of environmental, social, and governance (ESG) risks and performance (ESG Integration). A first event or workshop has been held to engage relevant financial sector stakeholders on the topic of ESG Integration for the financial sector.	A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles on ESG Integration for the financial sector. Preparations include research, surveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.	A first national policy, regulation, guidelines, or set of voluntary principles has been formally launched that sets out requirements or recommendations for financial institutions on ESG Integration. A formal taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry. Activities include awareness raising and capacity building for financial institutions on the new expectations for ESG Integration.	Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions. The ESG Integration expectations cover multiple parts of the financial system. Financial institutions report on their implementation of ESG Integration in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.	A comprehensive national initiative or set of frameworks are in place that promote ESG Integration across all parts of the financial system. The national frameworks cover all three cross-cutting areas of ESG Integration: 1. strategic alignment, 2. regulatory and industry association actions, and 3. expectations of financial institution actions. Consistent and comparable data are becoming available on trends in the practices of financial institutions in relation to ESG Integration and the resulting benefits.	The national frameworks for ESG Integration are aligned with international good practice and national regulations; and are consistent across different parts of the financial sector. Local financial institutions demonstrate that they have embedded the requirements for ESG Integration and are reporting on their efforts. Extensive data are becoming available on trends among financial institutions regarding practices in ESG Integration and the resulting benefits.

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



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.

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.

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

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.

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.

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.

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