

6th Global Meeting of the Sustainable Banking Network

Washington D.C. USA - April 10 & 11

The 6th Global Meeting of the Sustainable Banking Network (SBN*) was held on April 10-11 in Washington DC, alongside the WBG/IMF Spring Meetings. The Global Meeting attracted **over 100 participants from over 40 countries**. The participants included heads of central banks, senior representatives from banking associations, sister networks, and leading financial institutions.



IFC Vice President Ethiopis Tafara opened the event, stating: “What stands out to me the most is the ripple effect of this network – both within our membership and beyond. Your leadership exemplifies the importance of global coordination to address the environmental, social, and governance risks our entire global financial system faces.”

SBN members are living and putting into practice their commitment to policy actions for measurable change in line with international standards. IFC was honored to host SBN members and remains proud to host the SBN Secretariat.



The Global Meeting also showcased the **launch of national roadmaps for sustainable finance by Cambodia, Georgia, and Sri Lanka**.



Ms. Mary Pescha, IFC's ESG Director, facilitated a **central bank governors' panel on their Perspectives on Financing the SDGs (sustainable development goals), Building Low-Carbon Economies and Managing ESG Risks.** Joining her on the panel were Dr. Maxwell Opoku-Afari, First Deputy Governor, Central Bank of Ghana; Dr. P Nandalal Weerashinghe, Senior Deputy Governor, Central Bank of Sri Lanka; Mr. Archil Mestvirishvili, Deputy Governor, National Bank of Georgia; Mr. Dondo Mogajane, Director General, National Treasury, Republic of South Africa, and Dr. Aisha Mahmood, Special Advisor to the Governor on Sustainable Banking, Central Bank of Nigeria.



Mr. Jamie Fergusson, IFC's ESG Thought Leadership Manager, led a panel discussion on how to achieve a **coordinated Transition to Sustainable Financial Markets through Connecting the Dots Between Initiatives and Networks.** Speakers were Mr. Alfonso Mora, Director of Finance, Competitiveness and Innovation Global Practice, World Bank; Ms. Simone Dettling, Banking Lead, UNEP Finance Initiative; Mr. Klaus Prochaska, Project Lead of

Financial Inclusion and Climate Change, Alliance for Financial Inclusion (AFI), and Christian Rosenholm, Impact Investing Principles, IFC.



Ms. Nuru Mugambi, Director, Kenya Bankers Association, facilitated a discussion on **Environment, Social and Governance (ESG) Risks and Returns**. Joining her were Dr. Daniel Schydrowsky, CEO, Boston Institute for Developing Economies, Ltd. & Former Superintendent of Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru; Mr. Guan Schellekens, Advisor to the Board, Dutch Central Bank; Mr. Amit Puri, Managing Director and Global Head of Environmental and Social Risk Management, Standard Chartered Bank, and Mr. Davit Karapetyan, Senior Corporate Governance Officer, IFC.



Mr. Peer Stein, Global Head of Climate Finance, IFC, explored **Climate and Green Financing Opportunities** with co-panelists, Mr. Giorgio Trettenero, Secretary General of the Latin America Banking Federation (FELABAN); Ms. Dinah A. Koehler, UBS Global Asset Management; Mr. Sean Kidney, CEO of the Climate Bonds Initiative; Mr.

Martijn Regelink, Senior Financial Sector Specialist, World Bank, and Rajeev Mahajan, Senior Project Finance Specialist, Green Climate Fund.



Mr. Jamie Fergusson, IFC’s ESG Thought Leadership Manager, led a panel to share the latest experiences with introducing mandatory and/or voluntary initiatives and tools to promote **disclosure and transparency** to support sustainable finance. The panelists include: Mr. Archil Mestvirishvili, Deputy Governor, National Bank of Georgia; Ms. Beatriz Secaf, Sustainability Advisor, FEBRABAN, Brazil; Mr. Ariel Meyerstein, Senior Vice President, Corporate Sustainability, Citi; Ms. Ralitzia Germanova, Corporate Governance Officer, IFC.



SBN Working Groups and Task Force convened on April 11. SBN currently has 2 working groups, addressing measurement and green bonds, respectively, and 1 taskforce on support to IDA (low-income) members.



1) Measurement Working Group

- In 2017, SBN set up a measurement working group to help members align national financial policies and industry best practices with global ESG standards and trends in climate and green finance. This is done via the SBN Global Progress Report in two ways:
 - Development of a consistent SBN measurement framework consisting of indicators and underlying questions covering 3 aspects: i) alignment with international standards, ii) ESG risk management, iii) climate and green finance flow.
 - Data collection across all SBN countries that have introduced national policies and principles for sustainable finance and analysis against the SBN measurement framework. This involves discussions with SBN members and industry experts and third party assessment against the framework. Good practices and areas of improvement are identified.
 - The first SBN Global Progress Report was published in February 2018, and included 10 country reports. (www.ifc.org/sbnreport)
- The SBN secretariat and EY updated members on the 2019 Global Progress Report. 22 country progress reports are in draft, comprising countries that have national policies and principles in place. Aggregate results will be presented for all 36 countries.
- The 2019 SBN Global Progress Report will be released in September 2019.

2) Green Bond Working Group *becomes the Sustainable Finance Reporting Working Group*:

- The Green Bond Working Group was established in October 2017 to assist SBN members in mapping the current growth of green bond markets in emerging markets and provide guidance on how to develop national strategies and frameworks to leverage this trend. The Working Group report, “*Creating Green Bond Markets – Insights, Innovations, and Tools from Emerging Markets*”, was published in October 2018 covering over 22 emerging markets with a review of 13 country and regional green bond frameworks.
- The report findings show that one of the biggest challenges still faced by regulators is the lack of reporting on ESG risk, performance and impact across a wide range of financial sector transactions.
- The Secretariat recommended that the next phase of work of the Green Bond Working Group should focus on research and analysis related to trends in measurement, monitoring, and reporting – including taxonomies – to facilitate the implementation of sustainable finance across different parts of the financial sector. This work is expected to cover both banking industry and capital markets, as well as both regulatory reporting and public disclosure.

3) IDA Task Force

- The SBN IDA Task Force (TF) was established in 2018 for dedicated support to IDA countries (low-income countries eligible for support from the International Development Association) which are active and committed to sustainable finance.
- The taskforce is carrying out a diagnostic study focusing on all 11 SBN member countries that are IDA countries. The Diagnostic report will be released by June 2019, including the summary of the diagnostic study findings, country profiles for each IDA member covered in the study, and case studies focusing on 4 key thematic areas. The thematic areas are
 - Linkages between sustainable financial systems and green finance;
 - Promoting financial inclusion within sustainable finance;
 - Synergies between agriculture and SME finance and sustainable financial systems; and
 - Pathways to developing Environmental and Social Risk Management (ESRM) frameworks.

The following are some of the highlights and insights that emerged from the various panel and group discussions.

- ESG is not just about risk management. **It also opens new lines of investment through green, climate-friendly, and socially inclusive finance.** Investment in green buildings, renewables, transportation, energy efficiency, resilient infrastructure, and climate-smart agriculture are among investments that will drive emerging markets. By 2030, climate-related investments in emerging markets are projected to account for more than US\$23 trillion, making up one-third of all bank loans (compared to 7%). Regulators and banking associations play a key role in preparing the financial sector for these opportunities, such as through regulatory frameworks, incentives, awareness-raising, and capacity building.
- **Transparency and disclosure** are critical components for the successful transition of financial markets toward sustainability. A growing number of SBN members are therefore introducing measures to drive increased transparency among financial institutions and their real sector clients, particularly on ESG risks in the banking and capital markets.

- **SBN needs to keep a focus on the broad spectrum of issues relevant to members.** The big issues are currently climate risk and decarbonisation. As this expands, the social issues are becoming more important and should be included in the scorecard. We are currently confined to “banks”, but the Network should include broader participation from other parts of the financial sector.
- During the discussion on **SBN Governance**, members supported a **progressive adoption of rotating leadership roles** as the Network grows and matures. In particular, members agreed to increase member ownership in the management of the Secretariat work by providing more regional leadership.
- **SBN support and technical work needs to focus on driving measurable improvement** in the quantity and quality of green/sustainable assets and the implementation of ESG risk management by FIs. This can be achieved through
 - Technical capacity building for senior management in SBN member institutions
 - The review of existing guidelines
 - Strengthening Green Bond principles
 - Setting green finance targets
 - Incentive programs
 - General capacity building
 - Incorporating ESG into overall credit risk rating system
 - Strengthening the ecosystem of activities that support the sustainable finance regulation, such as disclosure and supervision.

***About SBN**

The Sustainable Banking Network (SBN) is a voluntary community of financial sector regulators and banking associations from emerging markets committed to peer-to-peer knowledge exchange and national progress on sustainable finance. Established in 2012, SBN has grown to represent 37 member-countries, covering an estimated US\$43 trillion (85%) of banking assets in emerging markets.

IFC, part of the World Bank Group, acts as Secretariat and technical partner to the Network, leveraging over two decades of experience setting standards of environmental, social and governance (ESG) risk management in private sector finance in emerging markets, as well as being a pioneer in innovative investments that achieve positive environmental and social impacts.

For more information and event video recordings, please visit: www.ifc.org/sbn
 Watch out for the new SBN website to be live in July 2019! www.sustainablebankingnetwork.org