

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Cambodia



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1. Country progress summary – Cambodia



SBN Member: [Association of Banks in Cambodia \(ABC\)](#) (member since 2016)

SBN Working Group: IDA taskforce

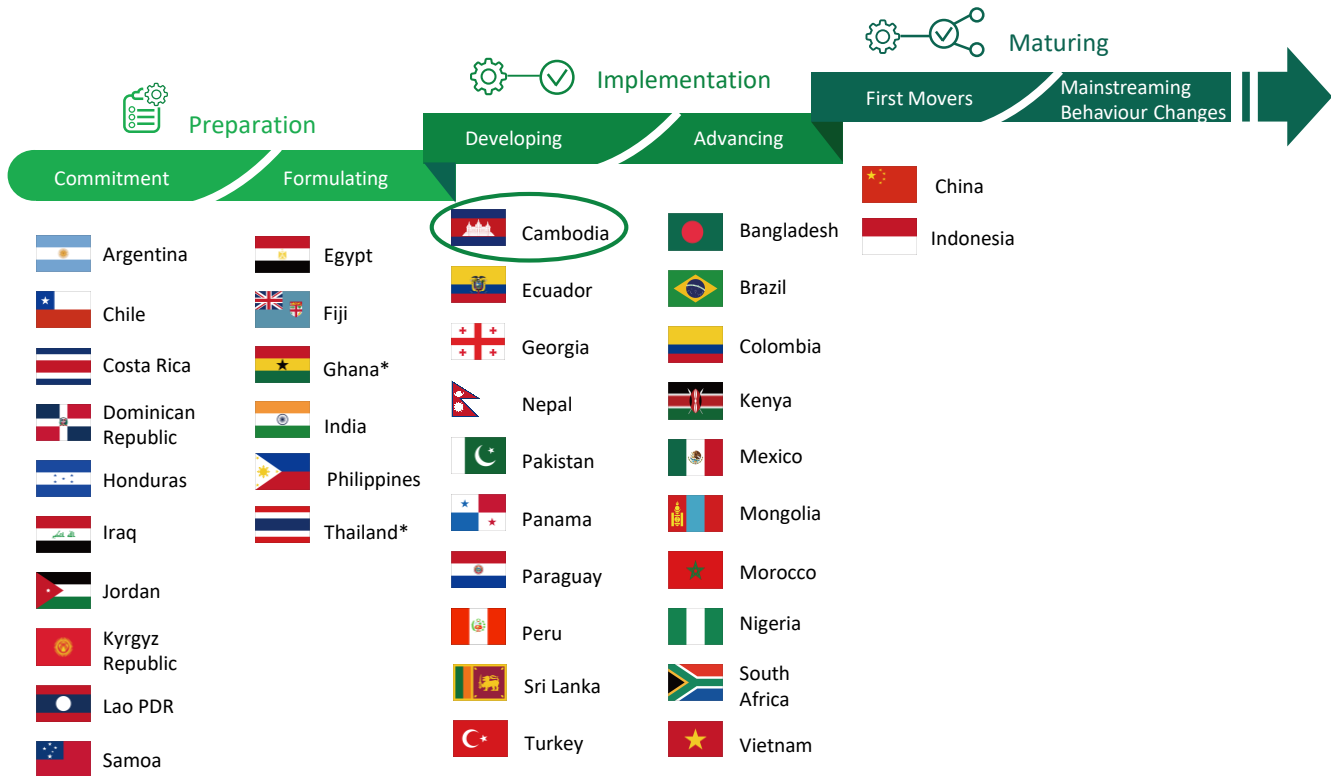
Key milestones since 2018 SBN Report:

- Launch of Cambodian Sustainable Finance Principles (ABC, 2018)
- Launch of Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019)
- Cambodia has started implementation of its sustainable finance principles, and thus progressed from “Formulating” under the “Preparation” stage to “Developing” under the “Implementation” stage, as indicated in the “Progression Matrix”.

SBN and IFC role: IFC has provided advisory services to ABC in relation to principles and tools development, implementation, and capacity building, in partnership with the government of Japan. Through SBN, ABC has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

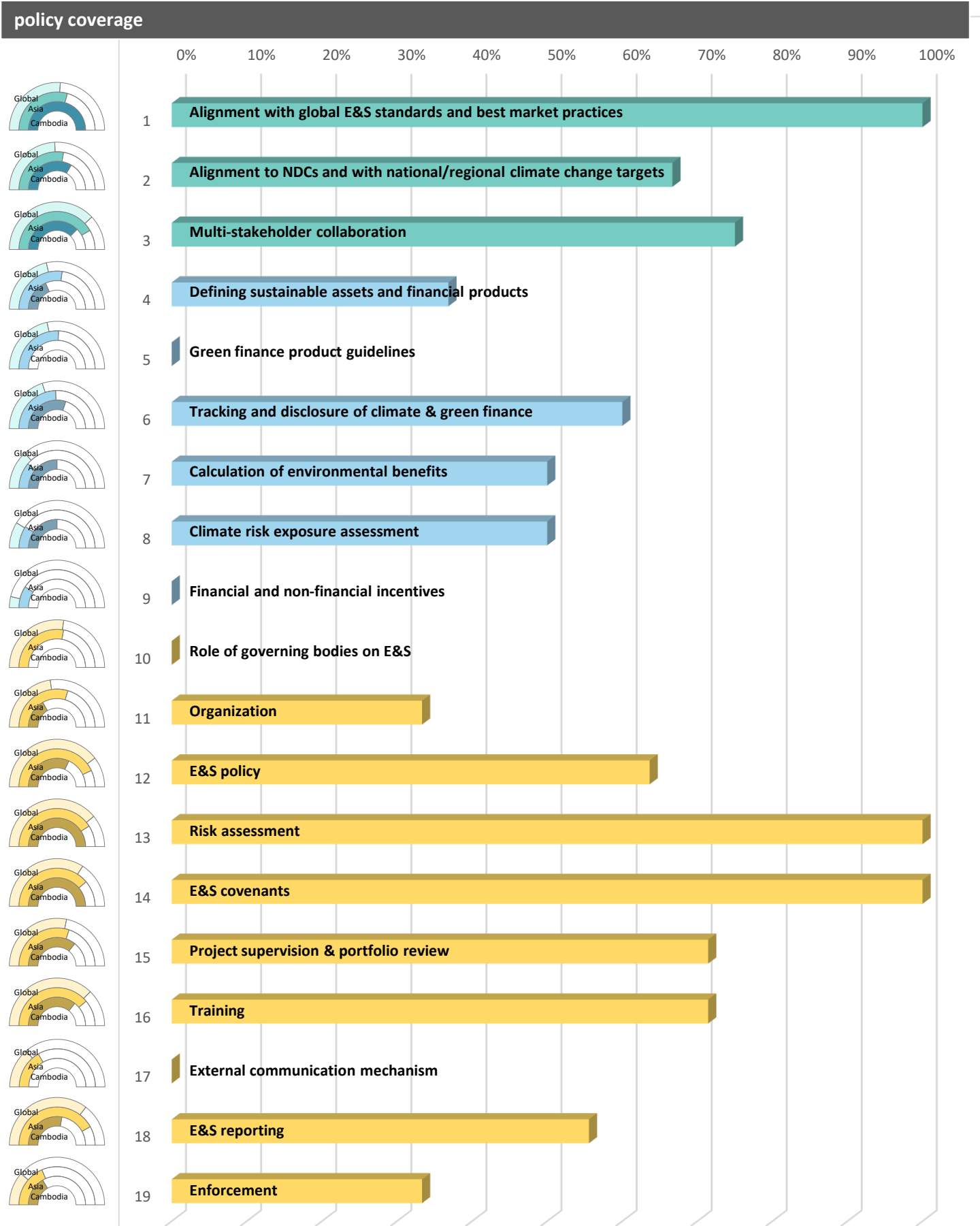


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

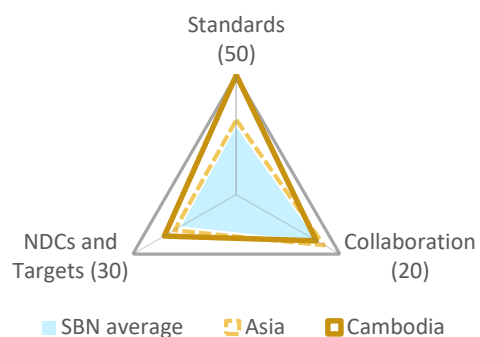
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



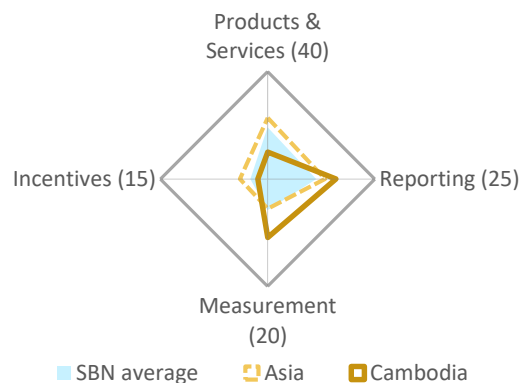
3. Policy coverage developed

Pillar I: Strategic Alignment



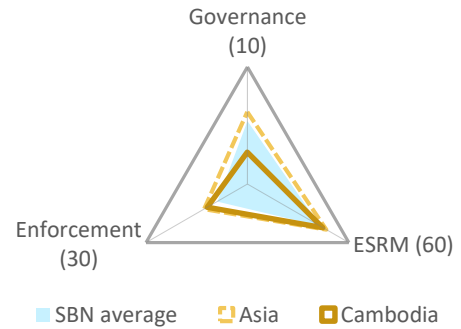
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	<p>The Sustainable Finance Principles set out examples of good international practice for each of the nine principles.</p> <p>The Implementation Guidelines, which require banks and to develop strong voluntary reporting practices, refer to international development goals and standards, including the Global Reporting Initiative.</p> <p>External verification of E&S policies and practices is recommended, but not required.</p>	<p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 3 - 1.2.</p> <p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 24 - 9.2.</p> <p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 24 - 9.3.</p>
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	<p>The Implementation Guidelines identify four environmental issues of particular concern to Cambodia, which banks and MFIs need to consider when assessing potential negative impacts.</p> <p>Specific targets for climate change and green growth are due to be set by the Ministry of Planning. Support from the public sector is also expected to help private sector banks and MFIs develop green finance products.</p>	<p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 3</p> <p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 4</p>
Multi-stakeholder collaboration		
Indicator 3	<p>The Principles were developed based on extensive stakeholder consultation involving industry, the central bank and the Ministry of environment. 47 banks signed up to the Principles.</p>	-

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4,5	<p>The sixth Principle, aligned with the Action Plan on green growth, encourages banks and MFIs to develop green strategies and green finance capabilities. Green sectors and assets are defined, together with examples of sustainable finance products and references to good practice.</p> <p>To date, no green or climate-aligned bonds have been issued in Cambodia. However, it was announced in 2018 that the Global Climate Fund will provide a \$30m grant and a \$10m loan (in addition to the Asian Development Bank’s \$90m loan) to support climate-friendly value chains in agribusiness.</p>	Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 13 - 5.3; Page 15 - 6.3.; Page 16 - 6.3.
Climate and green investment reporting		
Indicator 6	The framework encourages reporting on green products and services, including publicly.	-
Measurement		
Indicator 7, 8	The Guidelines state that the internal policies developed by FIs should provide calculation methodologies and tools to measure and collect data on green products and services, including environmental and social benefits.	-
Incentives		
Indicator 9	The Guidelines explicitly state that banks and MFIs should consider the national Action Plans, as well as the possibility of accessing international green finance flows or developing a Cambodian green finance fund.	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10,11	<p>The Principles and Implementation Guidelines recommend that banks should formalize a comprehensive E&S policy. The Guidelines provide some guidance on developing E&S risk management systems.</p> <p>The Guidelines state that banks should define E&S roles and responsibilities clearly and allocate them to specific functions. They also provide a list of functions required for an effective E&S policy.</p>	<p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 5 - 1.5.</p> <p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 5 - 1.5.</p>
E&S risk management		
Indicator 12 - 18	<p>The Guidelines encourage signatories to publicly report their progress in implementing the Principles, including key metrics and impact measurements. They also provide examples of E&S indicators to report and recommend reporting on the implications of relevant standards and internal commitments.</p> <p>The Guidelines require banks to establish procedures to identify, assess, categorize, mitigate, monitor, and report on E&S risks associated with all their activities and operations.</p> <p>The Guidelines differentiate between E&S due diligence at client and transaction levels and suggest mitigating measures, such as onsite visits for high-risk projects.</p>	<p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 26 - Annex 1</p> <p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 5 - 1.5.</p> <p>Cambodian Sustainable Finance Principles Implementation Guidelines (ABC, 2019) - Page 27</p>
Enforcement		
Indicator 19	-	-

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	0%	-
	Alignment to NDCs and with national/regional climate change targets	33%	➤ Defined main climate risks for local financial sector
	Collaboration across different agencies	25%	➤ Representation of civil society
Pillar II: Climate and Green Finance	Products & services	83%	<ul style="list-style-type: none"> ➤ Comprehensive taxonomy for green assets ➤ Definition/examples for social/sustainable assets ➤ Guidelines for issuance of green bonds ➤ Guidelines for green financial assets (excluding green bond) ➤ Reference to existing standards ➤ Recommendation of external party verification
	Climate & green investment reporting	40%	➤ Requirement of report on portfolio climate risk exposure
	Measurement	50%	<ul style="list-style-type: none"> ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, templates to measure/report impacts ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	80%	<ul style="list-style-type: none"> ➤ FI governing bodies required to approve an E&S strategy ➤ Management to report on the E&S strategy implementation to the governing bodies ➤ FI operational bodies to report to the governing bodies on E&S strategy implementation ➤ Highlight the roles of front offices and second lines of defense ➤ Requirement to define role competencies
	E&S risk management	28%	<ul style="list-style-type: none"> ➤ Requirement to set objectives/targets ➤ Requirement to disclose E&S policy & its governance ➤ Encouragement of periodic review of E&S risk at aggregate portfolio level ➤ Training for front officers, second lines of defense, E&S experts ➤ Requirement to establish and maintain inquiry/complaints mechanism to FI's E&S/ESG practices ➤ Making E&S/ESG reporting and disclosure more consistent via principles or guidelines
	Enforcement	67%	<ul style="list-style-type: none"> ➤ Financial and/or non-financial incentives for setting up ESRM ➤ Sanctions/penalties/warnings for non-compliance

Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report

