GLOBAL PROGRESS REPORT
of the Sustainable Banking Network

Innovations in Policy and Industry Actions in Emerging Markets

October 2019

Case Studies: Inspiring Practices from SBN Members

Sustainable Banking Network

International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

CASE STUDIES

The following sections present case studies drawn from SBN countries and from leading financial institutions.

Inspiring practices from SBN members

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Pillar I: Strategic Alignment

Morocco – Developing sustainable finance roadmaps through collaboration and alignment with international and regional goals

During the 2016 United Nations Climate Change Conference of the Parties (COP 22) held in Marrakech, Morocco's financial sector regulators committed to fostering green finance in Morocco and in Africa.

Morocco launched two sustainable finance roadmaps in 2016: i) *Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development, and ii) Morocco's roadmap for the alignment of the financial sector with climate change commitments*. Both initiatives represent alignment with international sustainability goals and extensive interagency collaboration.

The *Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development* was coordinated by the Bank Al-Maghrib, the Morocco central bank, with contributions from seven regulators:

- The Ministry of Economy and Finance
- The Moroccan Capital Markets Authority
- The Supervisory Authority of Insurance and Social Welfare
- Casablanca Finance City Authority
- Casablanca Stock Exchange
- The Moroccan Bankers' Association
- The Moroccan Federation of Insurance and Reinsurance Companies.

The Marrakech pledge was also launched in parallel, focused on "Fostering Green Capital Markets in Africa." It is a commitment by all African capital markets regulators and exchanges to act collectively in favor of sustainable development in order to promote Africa as a prominent regional green financial marketplace and an attractive destination for green and climate-resilient investments.

Paraguay – Sector guides developed by a coalition of FIs, public agencies, and civil society organizations

In 2012, four Paraguayan banks formed a Roundtable for Sustainable Finance (RSF) and took the lead in developing and implementing sector guides for the cattle, agriculture, and agro-industry sectors. These sectors are an important source of economic development for Paraguay, but also face the challenge of farming and cattle ranging that led to illegal deforestation.

RSF's member banks, which have grown to 14 banks, commit to voluntarily check whether their clients are involved in illegal deforestation and whether they comply with necessary environmental legislation and licenses. These guidelines and criteria were developed in consultation with multiple stakeholders, including FMO, WWF, IDB Invest, UNDP, and several Paraguayan government agencies.[15]

The results of this collaborative work include the strengthening of environmental and social management systems in partner banks and promoting the work of the Roundtable itself.

[15] www.fmo.nl/news

Pillar II: Climate and Green Finance

Brazil – Tracking environmental benefits achieved by banks

In 2014, FEBRABAN (the Brazilian Federation of Banks) facilitated a working group that included representatives from banks to draft a methodology to measure financial resources allocated to the Green Economy.

The methodology is based on the identification of economic activities considered as Green Economy sectors by UNEP, and activities that potentially contribute to socio-environmental impacts, according to the Resolution 237/1997 of the National Environment Council (CONAMA). National Classification of Economic Activities (CNAE) codes were also identified for the activities that comprise the mentioned sectors.

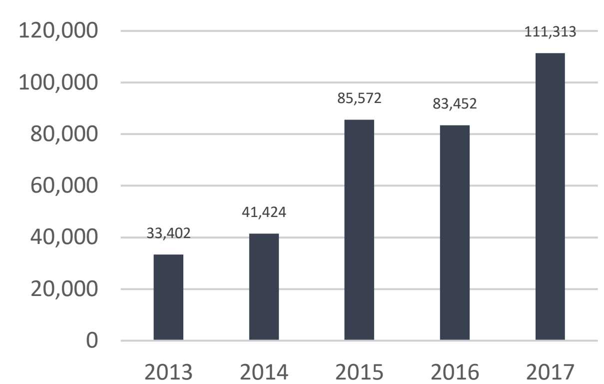
As of December 31, 2017, the balance of credit portfolios (financing and loans) for sectors in the Green Economy was R $412,271 million, which represents 27.6 percent of the total corporate portfolio of the banks in the sample, which adds up to R $1,495 billion.

Table 4: Green economy sectors

Green Economy Sectors	
(1) sustainable agriculture	(8) water
(2) renewable energy*	(9) forestry
(3) sustainable transport	(10) waste efficiency
(4) products with a specific purpose	(11) cities
(5) productive inclusion and local and regional development	(12) fishing
(6) education	(13) sustainable tourism
(7) health	

Figure 14: Balance of credit portfolios (financing and loans) for sectors in the Green Economy

(Unit: USD million, Exchange rate: BRL/USD=0.27)



Source: FEBRABAN

China – Banking regulator defines and tracks green loans

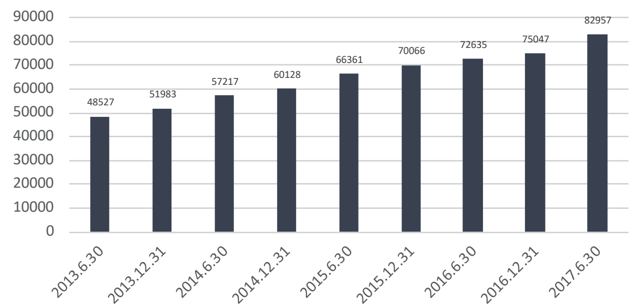
In 2014, the China Banking Regulatory Commission (CBRC) introduced the Green Credit Statistics System (GCSS), which includes definitions for green loans and a tool for banks to calculate the environmental benefits against seven parameters of green loans. The largest 21 banks, representing over 75 percent of China's banking assets, are requested to report to CBRC on these statistics every six months. As of June 2017, the aggregate balance of 21 major Chinese banks' green lending was 24.17 billion Yuan, with a non-performing loan (NPL) ratio of 0.37 percent which was 132 percent lower than the average NPL ratio.

Table 5: 12-category of green credit loans

12-category of green credit loans	
1) green agriculture	7) renewable energy and clean energy
2) green forestry	8) rural and urban water projects
3) industrial energy saving, water conservation and environmental protection	9) building energy efficiency and green building
4) natural protection, ecological restoration, and disaster prevention	10) green transportation
5) resource recycling	11) energy conservation and environmental protection services
6) waste disposal, pollution prevention and treatment	12) overseas finance projects applying international best practices and standards

Figure 15: Green credit loan balance of 21 major banks in China

(Units: USD million; Exchange rate: RMB/USD=0.15)



Source: China Banking and Insurance Regulatory Commission

Table 6: Environmental benefits of 21 major banks in China (units: tons)

Reporting date	Environmental benefits						
	Standard Coal	CO2 equivalent	Chemical Oxygen Demand	NH3 – N	SO2 Saved Water	Nitrogen Oxides	Saved Water
2013.6.30	31,839	71,939	465	43	1,014	256	99,629
2013.12.31	186,718,002	479,026,642	3,300,261	356,630	6,649,186	1,550,799	438,080,487
2014.6.30	188,721,269	456,875,178	2,957,844	310,667	5,377,719	1,313,854	425,699,055
2014.12.31	167,188,855	399,580,836	3,412,996	340,847	5,876,541	1,600,911	933,672,533
2015.6.30	173,631,504	418,766,896	6,740,299	405,640	4,586,645	1,158,785	745,681,127
2015.12.31	221,228,894	549,793,199	3,552,271	384,296	4,849,558	2,269,962	756,053,681
2016.6.30	187,395,852	435,416,666	3,977,344	434,506	3,996,489	2,005,966	623,040,781
2016.12.31	188,482,671	427,197,846	2,714,590	358,947	4,882,658	2,826,861	601,975,909
2017.6.30	215,095,946	490,563,965	2,834,517	267,643	4,645,253	3,131,057	715,006,525

Source: China Banking and Insurance Regulatory Commission

Mongolia – Proposing a broad taxonomy for green investments[16]

The Mongolian Sustainable Finance Association (MSFA) has proposed a taxonomy to clarify the definitions of green sectors, assets, and financial products available to FIs in Mongolia. This would be subject to review and clearance by the Financial Stability Council, which consists of the Central Bank of Mongolia, Financial Regulatory Commission, and Ministry of Mongolia.

Green activities are categorized into three tiers of sectors and assets. The broadest level sector includes eight sectors, including renewable energy, low pollution energy, energy efficiency, resource efficient buildings, pollution prevention and control, sustainable water and waste use, sustainable agriculture (including land use, forestry, biodiversity conservation, and eco tourism), and clean transport. Alignment with Mongolia's environmental objectives is also provided for each green asset defined. Below is an illustration for renewable energy.

[16] MSFA, 2019

Table 7: Overview of Mongolia Taxonomy

Level I	Level 2	Level 3	Specification/defining criteria	Alignment with environmental objectives
1.Renewable energy	1.1 Wind power	1.1.1 Wind power facilities	Construction and operation of onshore wind farm and other wind power facilities	Pollution prevention and control Climate change mitigation
	1.2 Solar	1.2.1 Solar PV power facilities	Construction and Operation of solar PV power facilities	Pollution prevention and control Climate change mitigation
		1.2.2 Concentrated solar power and heating facilities	Construction and operation of concentrated solar power and heating facilities	
		1.2.3 Solar water heating and other applications of solar power	Construction and operation of device/facility using solar energy, e.g., solar water heater, solar energy and air source heat pump hot water system, etc.	
	1.3 Hydro-power	1.3.1 Hydropower generation facilities	Construction and operation of device/facility using solar energy - Criteria:power density>5W/m2 or emissions of electricity generated	Pollution prevention and control Climate change mitigation
	1.4 Geothermal power	1.4.1 Generation power and heating	Construction and operation of geothermal power plants and thermal applications of geothermal energy.	Pollution prevention and control Climate change mitigation
	1.5 Bio-energy	1.5.1 Bio-energy product facilities	Installation and operation of facilities for producing solid biomass, biogas, bio-liquids and other bio-energy products. - Criteria: only if they result in net reductions in emissions, taking into account production, processing and transportation	Pollution prevention and control Climate change mitigation
		1.5.2 Biomass or biogas power facilities	Construction and operation of biomass or biogas power plant. - Criteria: only if net emission reductions, including carbon pool balance can be demonstrated	

Morocco – Capital market regulator provides definitions and operational guidelines for green, social, and sustainability bonds[17]

The Moroccan Capital Market Authority (AMMC) has issued guidelines on green, social, and sustainability bonds. These guidelines provide useful information on:

- Definition and typologies of bonds (green, social, and sustainable bonds), and links between each product and the SDGs.
- The issuance process of such bonds. The guidelines outline clearly the benefits and good practices of each product, covering the different stages of the life of a bond: funds allocation, evaluation and selection of projects to be funded, management of the funds raised, external reviews, reporting and communication.

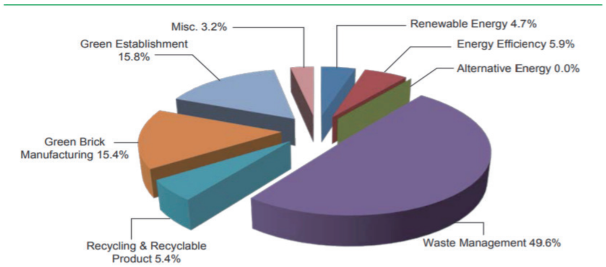
Bangladesh – Central bank requires detailed reporting of green investments

In 2014, Bangladesh Bank (BB) set FIs a minimum annual target to disburse 5 percent of all loans or investments as green finance. To clarify what constitutes green finance, in 2017 BB issued an exhaustive list of 52 products that contribute to this target.

A circular from BB requires FIs to submit quarterly information on their green finance flows, using a standardized reporting format. It also expects FIs to report on their green marketing, training, and capacity development; their utilization of climate risk funds; their strategic plans and steps for green banking; their sector-specific green finance policies; and other topics.

Bangladesh Bank monitors FIs' progress towards the 5 percent target using a dedicated Monitoring & Evaluation tool. This allows for yearly reporting on green financing by local FIs, as shown below.

The graph below shows the share of different green finance products in FY18[18]:



Source: Sustainable Finance Department, BB.

Vietnam – Central bank issues Directive to promote green loan growth and E&S risk management

Through its 2015 *Directive on promoting green credit growth and E&S risk management in credit granting,*[19] the State Bank of Vietnam requires FIs to report the quantities and values of their green credit transactions, as well as to disclose information on their E&S risk management processes to the SBV on a quarterly basis. SBV provides a reporting template for this purpose:

No.	Criteria	Short-term credit granted		Medium and long-term credit granted	
		Quantity	Value	Quantity	Value
1	Credit/loan application				
2	Credit/loan applications declined after being E&S risks evaluated				
3	Credit/loan applications approved after being E&S risks evaluated				
4	Total outstanding value of credits/loans granted which have been evaluated on E&S risks				
5	Total outstanding value of credits/loans being on hold due to E&S risks				
6	Value of green credit/loan granted				
7	Total outstanding value of green credits/loans granted				
8	Total outstanding value of green credits/loans granted Total outstanding value of credits/loans granted				

OECD example – Dutch Central Bank introduces risk assessments and advanced tooling

In recent years, several central banks and regulators have started to measure and evaluate climate risks. The Dutch Central Bank (DNB) has been one of the frontrunners. In 2015 and 2016 DNB started measuring financial sector exposures to highly CO_2-intensive assets, as part of an exploration into transition risks that could come from policy efforts to keep global warming below 2 degrees Celsius above pre-industrial levels. Their assessment showed that Dutch FIs have sizable exposures to fossil fuel producers and power suppliers, but also exposures to economic sectors like steel, cement, agriculture, and transport, as well as the built environment.

In the 2017 study Waterproof, these measurements were further refined, and a broader risk assessment was done on all the ways that climate change can affect the Dutch financial sector, including impacts of floods on assets and the effects of climate change on insurers.[20] Along the way, the Dutch also worked on advanced assessment tools, including stress tests for insurers, as well as a macro stress test on the

[17] http://marrakechpledge.com/news

[18] Bangladesh Bank Annual Report 2018.

[19] State Bank of Vietnam, 2015.

[20] Waterproof: an example of climate-related risk for the Dutch financial sector, DNB, 207.

impact of an energy transition on the Dutch financial sector.[21] Other central banks, including the Bank of England and Banque de France, have also performed more advanced measurements.

Pakistan – Central bank asks FIs to monitor climate risk exposure through the Green Banking Guidelines[22]

Pakistan's central bank has introduced guidelines that require FIs to monitor their climate risk exposure at portfolio level and encourage them to take steps to mitigate the risks they identify. Banks are also provided with a taxonomy of environmental risks. Risks are classified by level (direct, indirect, and reputational) as well as by source (linked to client's behavior or outside its influence). The role of climate change and climate-related risks are highlighted, as shown below.

Climate Change: The adverse weather conditions, especially due to global warming, have brought about disasters such as flooding and droughts. Clients who are vulnerable to adverse weather conditions and their consequences or have their operation and production in areas prone to catastrophes are at risk of losing their income base or having to make high investments to defend their businesses. Examples of such industries are the agricultural sector or industries that rely on agricultural products as raw material. Risk from climate change affects the bank/DFI - client relationship as the cash-flow situation and loan repayment capability may be impaired.

Types of Risks

ECOLOGICAL MONITORING
- Soil Degradation - Global
- Tropical Forest Cover
- Rangelands
- River and Sediment Discharge
- World Glacier Inventory
- Isotope Concentration in Precipitation

BIOSPHERE
- Wildlife Sampling and Monitoring
- Impact of Pesticide Residues
- Living Marine Resources

POLLUTANTS
- Air Quality Monitoring - Global
- Transmission of Air Pollutants in Europe
- Water Quality - Global
- Eutrophication in Inland Waters

FOOD AND ANIMAL FEED CONTAMINANTS
- Pollutants in Body Fluids and tissues
- Human Milk Composition Pollutants in Human Hair
- Ionizing Radiation

CLIMATE
- Climatic Variability
- World Weather Watch
- Solar Radiation
- Atmospheric Ozone
- Climate Change
- Glacier Mass Balance and Fluctuation
- Atmospheric Pollutants

Brazil – Banking association provides methodological considerations to calculate climate risk exposure

In 2018, with the support of its members, FEBRABAN (the Brazilian Federation of Banks) designed a Roadmap for implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).[23] The Roadmap identifies a list of challenges and enablers for FIs implementing the TCFD's recommendations, and suggests a set of actions to help banks address any gaps identified:

Actions	Potential results
1. Application of the Climate Risk Sensitivity Tool	• Improved understanding of the materiality of climate issues • Action prioritization
2. Revision of governance around climate-related risks and opportunities (who is responsible, what are the responsibilities)	• Increased transparency regarding the responsibilities within the risk management structure • Assignment of responsibilities for the implementation of the TCFD Recommendations
3. Revision of publicly available information in bank documents and other reporting frameworks	• Diagnosis of current alignment to the Recommendations and the main gaps, in order to bridge them
4. Incorporation of a specific implementation agenda for the TCFD recommendations by sustainability committees and the board	• Top management involvement • Design of a work agenda in line with the Action Plan of the Social and Environmental Responsibility Policy
5. Monitoring of the corporate credit portfolio's exposure to critical sectors and climate opportunities	• Identification of critically exposed sectors to prioritize sector-specific actions to manage climate risks & opportunities

In addition, FEBRABAN's Working Group on Climate Risks has developed a Climate Risk Sensitivity Tool. This supports the identification and preliminary measurement of climate risk exposures at three levels: i) by economic sector in the credit portfolio; ii) by client; and iii) by financial transaction.

Levels of assessment	Variables	
	Relevance	Proportionality
Sector risk	• Likelihood of climate-related financial impacts, by economic sector* • Credit quality of each economic sector in the portfolio (based on credit ratings)	• Credit exposure, by economic sector
Client risk	• Likelihood of climate-related financial impacts, by economic sector • Client credit rating	• Weighted average tenor of client exposure • Credit exposure, by client
Transaction risk	• Likelihood of climate-related financial impacts, by economic sector • Credit rating of the financial transaction • Locational risk of the transaction	• Transaction tenor • Transaction amount

*It was based on the TCFD list of sectors potentially most affected by climate change.

China – Central bank leverages refinance and macroprudential tools to incentivize green finance; local governments also provide financial incentives

In 2018, the People's Bank of China (PBOC) issued the *Green Credit Performance Evaluation for Deposit-taking Financial Institutions*, incorporating the green credit performance evaluation into PBOC's Macro-Prudential Assessment (MPA). The evaluation is undertaken on a quarterly basis, and evaluation results are assessed based on quantitative (80 percent weighting) and qualitative basis (20 percent weighting).

In addition, PBOC announced that green financial debt and green loans are accepted as collateral for the PBOC's Medium-term Lending Facilities. On June 1, 2018, PBOC issued a public notice on "Appropriately expanding the scope of collateral for medium-term lending facilities (MLF)." AA-rated green bonds and green loans fall within the scope of MLF collaterals.

Some local governments have provided non-financial and financial incentives and support for green finance, including a streamlined approval process for green finance products, a government guarantee fund to provide risk-sharing and loss-sharing, subsidies for green bond interest, and tax deductions for green bond issuers and investors.

[21] An energy transition stress test for the financial sector of the Netherlands, NDB, 2018.

[22] State Bank of Pakistan, 2017.

[23] Implementing the TCFD recommendations: a roadmap for the Brazilian banking sector, FEBRABAN, 2019.

Bangladesh – Central bank introduces incentives for sustainable finance[24]

Bangladesh Bank has implemented several incentives – both financial and non-financial – to promote sustainable finance in the country:

- Non-financial incentives:
    - Bangladesh Bank asks for quarterly reporting from local FIs on green finance flows.
    - The licensing of new bank branches is fast-tracked for banks that have adopted environmental and social risk management best practices.
- Financial incentives:
    - Bangladesh Bank has set up refinancing schemes for projects related to energy efficiency, kiln efficiency, and textile and leather production
    - Bangladesh Bank has designed its supervisory "CAMELS" rating to incorporate sustainability performance for each local FI.

[24] Policy Guidelines for Green Banking, Bangladesh Bank, 2011.

Pillar III: ESG Integration

Emerging approaches by banking regulators to promote sustainable finance through engagement with FIs[25]

Seven SBN member countries regularly verify or collect information from FIs about their implementation of ESRM requirements. These activities can be grouped into three typical engagement strategies: i) self-reporting by banks with regulatory oversight, ii) engagement by banking supervision department (BSD), and iii) engagement by specialized sustainable banking unit. Some members start with one approach and subsequently move to another approach, while some members use a combination of the approaches.

Model 1: Self-reporting with regulatory oversight

When self-reporting is employed, banks are tasked with assessing and reporting on their ESRM implementation, with no onsite and limited offsite verification by the regulator of the reported data. The role of regulators is primarily to ensure that reporting is done and the information received is analyzed on a firm and/or industry level.

This model can be considered to form the foundation or first step for banks before more intensive monitoring is implemented. For example, in Nigeria, following the development of the Nigerian Sustainable Banking Principles monitoring report, the banking sector was given fifteen months (March 2014 – June 2015) to self-report on their compliance through one-off and biannual reports, before more active regulatory engagement commenced.

In this model, limited capacity is required on the part of the regulator, and thus it is the most cost-effective for the regulator. However, this approach relies heavily upon the regulator's ability to provide a robust monitoring framework to ensure that the data collected is concise and relevant.

For example, China's banking regulator CBIRC has introduced a comprehensive set of 200 indicators for banks to self-report on their E&S performance. A review committee and third party verification is also introduced to verify data collected.

Model 2: Engagement by Banking Supervision Department (BSD)

In this model, the Banking Supervision Department (BSD) monitors and engages with banks both onsite and offsite, sometimes along with the credit risk supervision of the banks.

Given the existing structure and experience housed within the BSD, this model may be the most seamless for the regulator. However, for this model to be successful, there must be a clear strategy with regard to the process for ESRM engagement, and there must be a capacity

[25] This case study was written by Damilola Rachael Sobo, IFC.

development plan for the Supervisors.

Model 3: Engagement by Specialized Sustainable Banking Unit

In this model, there is a specialized team created within the Central Bank whose task is the implementation and monitoring of banks' adoption of sustainable finance and ESRM principles. The team could be a sub-unit within the BSD or reside in another department and work closely with the BSD to ensure that processes and tools are aligned with the current reporting obligations for the banks. For example, in 2015 Bangladesh Bank created a sustainable finance department that carries out onsite and offsite monitoring. It also introduced sustainability ratings for banks, which are integrated into CAMELS[26] ratings.

A key challenge to this model is the resources needed to set up and operate the specialized sustainable banking unit. Unlike the other two models, this model requires recruitment of a new team, with associated costs required for implementing their mandate.

South Africa – King Code on Corporate Governance sets out governance responsibilities for environmental and social performance

Released in 2016, the King IV Code on Corporate Governance is the fourth iteration of South Africa's pioneering King Code which complements the Companies Act. It applies to all types of organizations and governing bodies, including FIs. In October 2017 the Johannesburg Stock Exchange made it mandatory for listed companies to apply and disclose their adherence to the King Code.

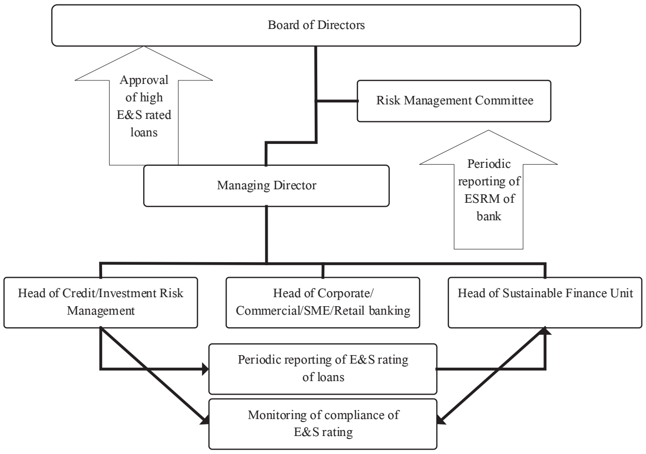
King IV is pioneering in i) its broad recognition of company stakeholders beyond just shareholders, ii) explicit expectations for companies to be good corporate citizens, iii) the requirement to establish social and ethics committees, and iv) instructions for governing bodies to consider risks and performance related to six capitals: financial, manufactured, intellectual, human, social and relationship, and natural capital.

King IV requires companies to publish integrated reports that include sustainability performance. All South African banks are expected to apply King IV as a minimum. The King Code also incorporates specific expectations for responsible investing practices by pension funds.

Bangladesh – Central bank specifies governance of E&S and clarifies the use of E&S covenants[27]

The Bangladesh Bank Guidelines on Environmental and Social Risk Management provide a clear outline of an organizational structure to manage environmental and social (E&S) performance. A structure is suggested for:

- Design and approval of the E&S policy
- Reporting by management and by operational committees (e.g. risk management committee)
- Involvement of operational teams across an FI's activities (credit/investment risk, commercial, SME, retail banking, and corporate banking) working alongside the sustainability unit.



Bangladesh Bank further provides the following information on E&S covenants:

- When E&S covenants should be considered
- What type of covenants can be implemented
- Who within the bank should be involved
- How compliance with E&S covenants should be monitored
- How the FI can work with the client towards complying with E&S covenants

The involvement of the Legal Department is also suggested. Examples are provided of positive and negative covenants, conditions precedent, default events, and corrective action plans to be included as annexes to legal agreements.

Nepal – Central bank provides detailed guidance on expectations toward an E&S Policy, the appropriate steps of an ESRM system and supervision

Through the Guideline on ESRM for banks and financial institutions,[28] Nepal Rastra Bank provides a full checklist for a sound E&S policy. This checklist covers typical E&S risks for FIs, applicable local and international standards, propositions for a full E&S process, and reporting templates.

[26] The acronym "CAMEL" refers to the five components of a bank's condition that are assessed: Capital adequacy, Asset quality, Management, Earnings, and Liquidity. A sixth component, a bank's Sensitivity to market risk, was added in 1997; hence the acronym was changed to CAMELS.

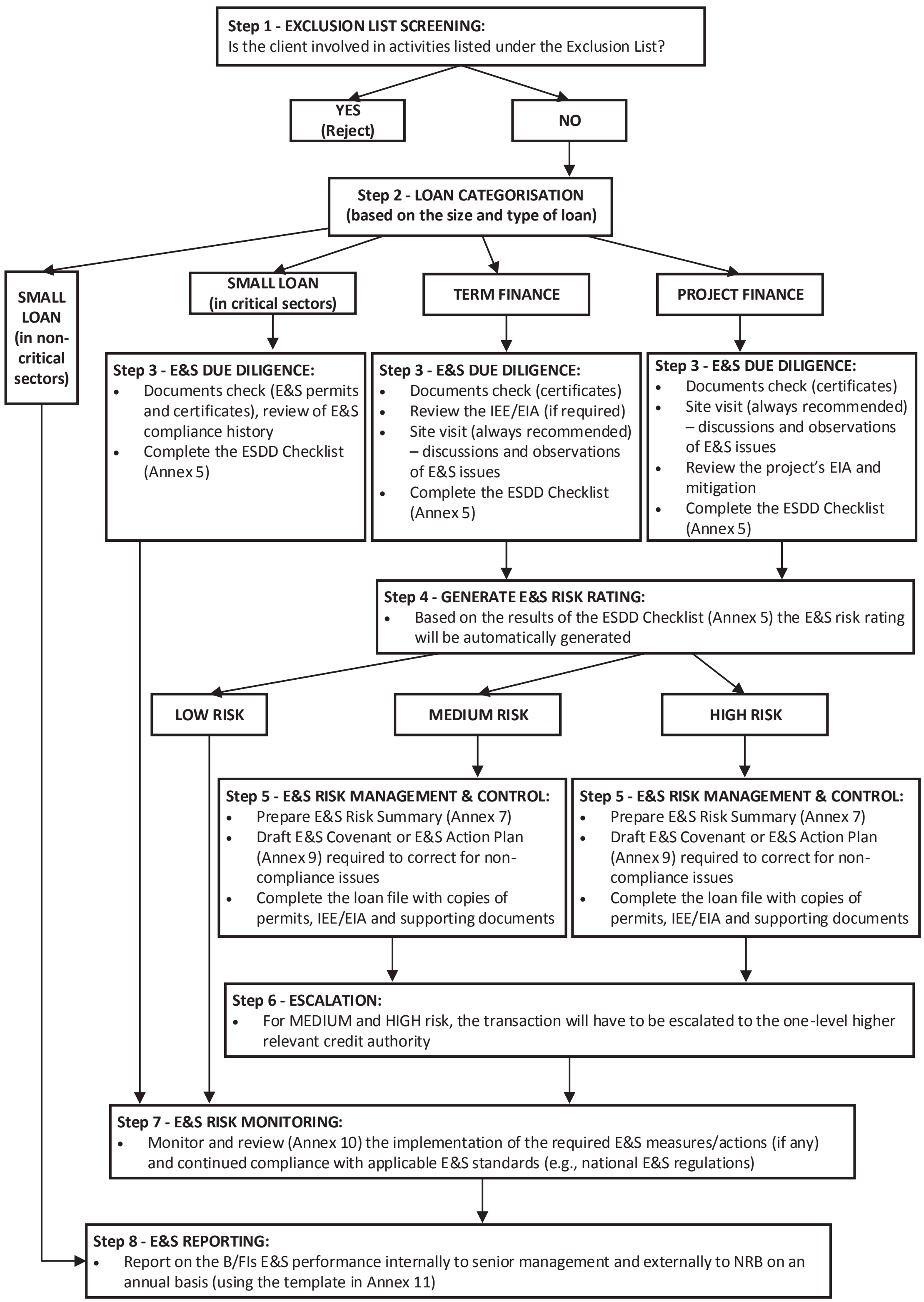
[27] Bangladesh Bank, 2017.

[28] Nepal Rastra Bank, 2018.

A flow chart details all the steps for FIs to follow through the investment cycle, including loan categorization, generation of E&S risk ratings (low, medium, or high risk), E&S risk management and control, escalation (for medium and high risks) and E&S risk monitoring.

The following flow chart summarizes the steps to be followed while conducting ESDD:

Figure 16: Steps for conducting ESDD



A checklist is also provided for continued E&S monitoring after loans are disbursed (See the "E&S monitoring checklist" below). The checklist provides a list of questions to be answered, including about environmental, health, and safety (EHS) management linked to the project, permits and compliance certificates, and grievance management.

Table 8: E&S monitoring checklist

Sl. No.	Question /Issues to check	Response
Project Summary Information		
1	Reporting period covered by this supervision report	
2	Specification of project stage (design, construction, operation or closure stage)	
3	Key developments and any major changes in project location and design, if any from the time of loan disbursement or from the last supervision period.	
General Information		
4	Status of implementation of covenants/corrective action plan. Is it in line with the agreed timeframe? (i.e.,if all covenants are implemented or partially implemented or not implemented or delayed implementation). If partially implemented or not implemented or delayed implementation, RM to please mention the reason in the response column along with a timeline for completion of implementation as committed by the client during supervision.	
EHS Management		
5	If there was any incidence of accidents, spills, leakages, explosion etc. during the reporting period. If yes, what was the scale of damage (e.g. if there was any fatality, monetary loss etc.)? What was the action taken in response to the incident?	
6	If there were any recent fines or penalties issued by the regulatory body. If yes, RM to please mention the nature of violation, amount of fine/penalty paid, action taken by the client to address the issue to avoid any such fine/penalty in future.	

Nigeria – Sustainable Banking Principles Guidance Note asks banks to perform internal and external E&S audits

The Nigerian Sustainable Banking Principles Guidance Note outlines the need for internal, and external verification of E&S Governance structures and processes (see green frame below).

Target	Requirement/Deliverable	Due Date
Sustainable Banking governance committee	Establishment of a Board-level Sustainable Banking Governance Committee to oversee the development of Sustainable Banking commitments, which should include governance and accountability for E&S issues and ensure the measuring and monitoring of progress against those commitments.	Q3 2012
E&S governance integrated into risk committee and functions	A Bank's Sustainable Banking policies and procedures should include a governance structure, which details roles and responsibilities relating to assessing and categorising E&S risk potentially associated with clients/engagements. This responsibility could be integrated into existing risk committee structure and function.	Q1-2 2013
E&S Performance-linked incentives	A Bank should align Sustainable Banking governance and accountability performance metrics with its existing performance management indicators and processes to ensure that employees across all relevant functions are incentivised to deliver against agreed E&S related responsibilities and targets.	Q1-2 2013; on-going thereafter
Internal and external E&S audits	As part of a commitment to continuous improvement, a Bank should undertake, on an annual basis: • Internal audits to assess progress and monitor the effectiveness of E&S governance structures and accountability practices and procedures. • External audits, using independent third party assessors to review Sustainable Banking and E&S governance and accountability processes, which should be consistent with standard audit processes.	Q3-4 2013; on-going annual audits

Emerging practices to encourage FIs' reporting and transparency efforts

A growing number of SBN members are requiring or encouraging local FIs to disclose information on their sustainable finance performance. Typical indicators include:

- Number of loan requests rejected due to exclusion list or E&S risk
- Share of transactions subject to ESG due diligence within the total loan portfolio (per project type)
- Number of "high risk" projects identified
- Number of site visits conducted
- Number of ESRM training programs conducted

In Brazil, FEBRABAN's framework formalizes fundamental procedures for its signatories, including an obligation to report on E&S related losses.

In Indonesia, OJK outlines the need to disclose information on a "Target Achievement Strategy" that must include the following:

- Risks management due to the application of Sustainable Finance concerning economic, social and environmental aspects;
- Seizure of business opportunity and prospect; and
- Description on economic, social and environmental external situations that may potentially affect FSI, Issuer and Publicly Listed Company sustainability."

The table below provides an indication of the elements covered by a sample of country FI reporting templates issued by regulators or associations:

	Policies/ governance	ESRM data	Green finance data
Bangladesh		✓	✓
Cambodia		✓	
China	✓	✓	✓
Indonesia	✓	(only for the FIs themselves, but not for their borrowers)	✓
Mongolia (list)	✓	✓	✓
Nepal	✓	✓	

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