

# Brazil

## Country Progress Report

April 2022

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



Sustainable  
Banking and  
Finance  
Network



## Acknowledgements

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## About SBFN

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

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Note to the reader: All measurement results featured in this document, such as graphs and progression matrixes, are based on data collected up to July 2021. Additional activities up to the publishing date of this country report have been included in narrative form.

# 1. Overall country progress – Brazil

## 1.1 SBFN member institutions:

[Central Bank of Brazil \(BCB\)](#)

Member Since: 2012

**Working Group:**

International Development

Association Task Force (Observer)

[Brazilian Federation of Banks \(FEBRABAN\)](#)

Member Since: 2017

**Working Group:**

Measurement

## 1.2 Other key institutions and national initiatives promoting sustainable finance

[Laboratory on Financial Innovation \(LAB\)](#)

[Brazilian Association of Development Institutions \(ABDE\)](#)

[Brazilian Securities and Exchange Commission \(CVM\)](#)

[Sustainability Dimension of BC# Strategic Agenda \(BCB\)](#)

## 1.3 Overall progress

Brazil has continued to make progress in the **"Advancing" sub-stage of the "Implementation" stage of the overall SBFN Progression Matrix**. In 2021, the Brazilian Federation of Banks (FEBRABAN) published the Green Taxonomy and its Explanatory Guide; in 2020, it issued a Guide to Measure and Report Greenhouse Gas Emissions in the Banking Sector, and updated the Self-Regulation Standard SARB 14 on Social and Environmental Responsibility for Financial Institutions. Brazil's Sustainable Finance Framework has been implemented for a number of years, with a series of tools in place, including guidelines, templates (for example for reporting), training, online tools, and supervision guidance on how to do all this in practice. Financial institutions (FIs) have also started sustainable finance reporting on implementation in line with reporting templates.

Figure 1: SBFN Progression Matrix - Overall Country Progress



## 1.4 Country sustainable finance journey

Figure 2: Brazil's sustainable finance journey



2020

FEBRABAN publishes Measurement Guide of GHG Emissions in the Banking Sector as part of the Roadmap for implementing TCFD recommendations in the Brazilian banking sector

FEBRABAN updates SARB 14 on Social and Environmental Responsibility for Financial Institutions, incorporating relevant environment social, and governance (ESG) issues, such as climate change, in alignment with the TCFD recommendations, and stricter criteria for deforestation risk management in rural credit operations

Government of Brazil announces Decree 10.387/2020: New Incentives for the Financing of Infrastructure "Green Projects"

FEBRABAN submits its methodology of Green Taxonomy for banking to public consultation for review

FEBRABAN reviews its methodology for collecting data on the volume of credit directed to the sectors of the green economy, sectors with high exposure to environmental impact, and ones with high exposure to climate change in Brazil. From this year on, data is obtained directly from the Credit Information System of the Central Bank of Brazil

LAB publishes Mainstreaming Sustainability in Brazil's Financial Sector - Policy Actions for a National Supporting Framework

BCB launches its BC# Sustainability agenda, as part of its strategic agenda

FEBRABAN publishes its second Roadmap Progress Report on the implementation of TCFD recommendations by the Brazilian banking sector

FEBRABAN signs an memorandum of understanding with IFC to promote sustainable finance in Brazil

2021

FEBRABAN issues the new version of its Green Taxonomy and an Explanatory Guide. 22 percent of the credit portfolio of Brazilian Banks is classified under the Green Economy category of the Taxonomy in 2020

BCB issues new regulations on social, environmental and climate risk management, responsibility and reporting, as well as on sustainability criteria for Rural Credit operations. These normative updates represent significant improvements on the sustainability regulatory framework of the Central Bank of Brazil

In Brazil, the value of sustainable debt operations in H1 of 2021 reached 54 billion Brazilian reais (approx. \$10.7 billion), including green/social/sustainable bonds and loans. This represents an increase of 88 percent when compared to total amount issued in 2020 (from January to December)

Green bonds issuance reaches \$11.7 billion as of June 30, 2021

## 1.5 COVID response

At the start of the pandemic, the government mobilized the banks around COVID-19 interventions, including the donation and distribution of medical supplies. One of the banks developed an initiative around health and donated 1 billion Brazilian reais (approx. \$200 million), recognized as one of the more innovative and specialized responses. FEBRABAN was also approached by the government to provide masks and sanitizer in order to ensure the safety of the 2020 municipal elections amid concerns about the impact of the pandemic on the democratic process. As a result of the pandemic's impact on existing issues of poverty and food security, the ongoing challenge of 2022 remains humanitarian aid, an issue toward which FEBRABAN has played a key part in directing relief efforts.

## 1.6 Ambitions for the next phase

FEBRABAN is currently undertaking two climate scenario studies to "tropicalize" climate scenarios (one on physical risks and the other on transition risks), in partnership with academic institutions and consultancies, with the intention to empower banks to analyze and measure the potential impact of climate change on their portfolios and to perform stress tests. These studies are part of FEBRABAN's Implementing the TCFD Recommendations: a Roadmap for the Brazilian Banking Sector. The Brazilian Securities and Exchange Commission (CVM), is proposing to change its Resolution 480 with the aim of, among other things, improving existing requirements for the provision of ESG information by listed companies. These initiatives, along with the review of the self-regulation of FEBRABAN and the new resolutions as part of the agenda of BC# Sustentabilidade, are aligning the financial sector in Brazil with the TCFD's recommendations.

Also, Brazilian Banks, with the support of FEBRABAN, are now preparing to comply with new BCB Resolutions (announced in September 2021) on social, environmental, and climate risk management responsibility policies and disclosure.

## 1.7 SBFN and IFC role

IFC has provided advisory services to FEBRABAN for their sustainable finance initiatives and capacity building, in partnership with Canada and the China World Bank Partnership Facility. Through SBFN, FEBRABAN has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base.



We work to provide our member banks with the most relevant and updated knowledge on sustainable finance so they can integrate ESG topics into their strategies and continuously improve social, environmental, and climate risk management in their operations.



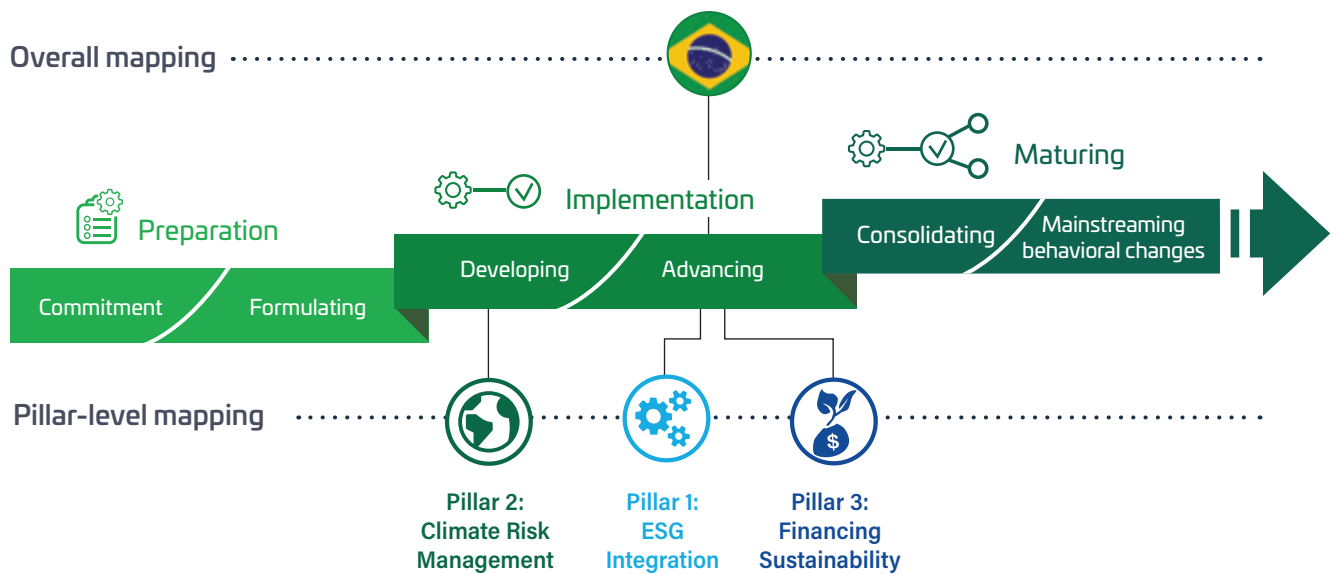
**Amaury Oliva**  
**Director of Sustainability, Financial Citizenship,**  
**Consumer Relations and Self-Regulation**

**FEBRABAN**



## 2. Progress by three pillars

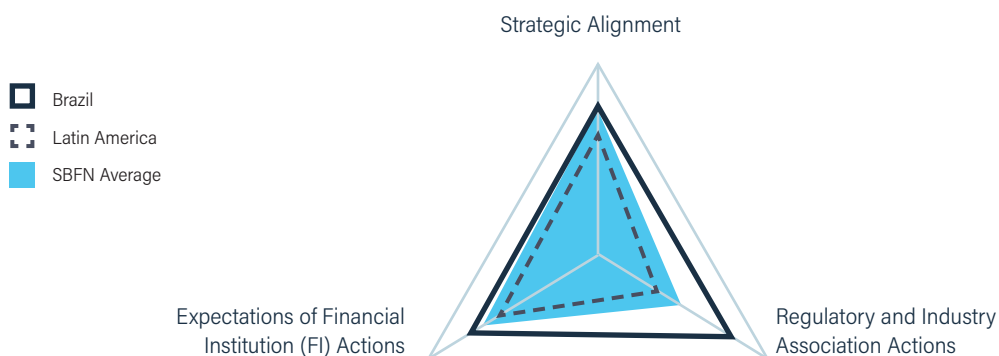
Figure 3: Mapping of overall country progress and individual pillar progress



### Pillar 1: ESG Integration

#### Pillar Progress: Advancing

Brazil is mapped under the **“Advancing” sub-stage of the “Implementation” stage** for the ESG Integration Pillar. Its national framework extends beyond the banking sector and promotes ESG integration across the financial sector ecosystem. In addition to ongoing activities to raise awareness and build capacity, implementation tools and initiatives are in place, and consistent and comparable data is available about FIs’ ESG implementation.



#### Sub-pillar 1: Strategic Alignment

- Brazil's national frameworks for the banking sector and nonbanking sector, such as Resolution No. 4327 (BCB, 2014), the Framework Standard SARB 14 for the Creation and Implementation of Social and Environmental Policies (FEBRABAN, 2014), and BCB's BC# Sustainability Agenda, set out expectations for integrating the consideration of ESG risks and performance.
- The Brazilian financial sector's approach to ESG integration is in alignment with international good practices and standards, such as the Sustainable Development Goals (SDGs), Paris Agreement, IFC Performance Standards, and Equator Principles.
- The framework was developed and/or implemented



in close consultation with stakeholders. Laboratory on Financial Innovation (LAB) is a multi-stakeholder initiative that focuses on ESG integration, led by the Brazilian Securities and Exchange Commission, the Brazilian Association of Development Institutions, the InterAmerican Development Bank, and the German Corporation for International Cooperation GmbH (GIZ).

### Sub-pillar 2: Regulatory and Industry Association Actions

- Brazil's sustainable finance framework is supported with the following implementation guidance and technical tools: updated Standard SARB 14 (FEBRABAN, 2020), ESG questionnaires for banks, and a training program on sustainability.
- The implementation of the Self-regulation Framework SARB 14 is regularly monitored by FEBRABAN, supported by its data collection approach.
- The Brazilian Development Association, the Brazilian Securities and Exchange Commission, and the Inter-American Development Bank, in partnership with GIZ, formed LAB to create innovative financing solutions to leverage private resources for projects with social and/or environmental benefits, and to progress towards Brazil's SDG goals (Agenda 2030) and its commitment to climate change risks (Paris Agreement).
- In September 2020, BCB launched the Sustainability Dimension of the Agenda BC# to further embed green and climate issues into its policies and decisions on currency reserves management, bank stress tests and lending criteria.
- In 2021, BCB launched a public consultation process to set rules for social, environmental, and climate-related risk management disclosure by institutions of the National Financial System. The proposal will be implemented in two phases. In the first phase, the focus is on the disclosure of clear, consistent, and comparable information about governance, strategy, and social, environmental and climate-related risk management. The second phase, scheduled to be launched in 2022, will set the mandatory disclosure of quantitative information (metrics and targets).

### Sub-pillar 3: Expectations for FI Actions

- For seven years, Resolution No. 4327 established the framework for the creation and implementation of a socio-environmental responsibility policy, and has

required FIs to develop policies and procedures to manage ESG risks and performance and publicly report ESG performance.

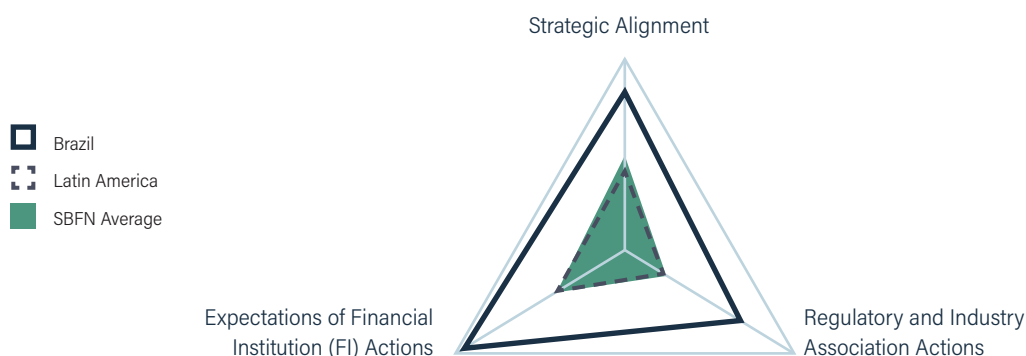
- In September 2021, after the public consultations, the BCB published a set of regulations addressing social, environmental, and climate risk management, policies and disclosure.
- BCB Resolution No. 140 creates specific sections on the Rural Credit Rulebook (Manual de Crédito Rural - MCR) concerning social, environmental, and climate impediments and basic conditions for more sustainable practices for disbursements of credit in Brazil's agricultural sector.
- New Resolution CMN No. 4943 brings the definitions of social, environmental, and climate risks, with examples of related events and requirements for the identification, monitoring, and management of social, environmental and climate risks, including recording data relating to losses (when available), monitoring the concentration of exposures to sectors or regions, and analyses of climate scenarios within the scope of stress testing programs. It also states that operational losses associated with other risks must be included in the operational risk base, regardless of whether they are also contained in other bases. The policies derived from the Resolution must be aligned with the other IF policies, including the Social, Environmental and Climate Responsibility Policy.
- Resolution CMN No. 4945 provides for the Social, Environmental, and Climate Responsibility Policy (PRSAC) and actions aimed at its effectiveness. The resolution will replace Resolution No. 4327, establishing the principles and guidelines for the performance of FIs, and the incorporation of the climate variable. Like its predecessor, it set rules about governance, including the necessity-specific committees, reviews, and mandatory disclosure of PRSAC and actions for its effectiveness.
- The new resolution also provides the dissemination of the Social, Environmental, and Climate Risks and Opportunities Report (GRSAC Report) through the disclosure of standardized tables, with layouts provided by BCB and some aspects that are optional if justified.
- Lastly, Resolution No. 151 defines the content and format of the remittance to the information related to the assessment of social, environmental, and climate risks and their exposures in credit operations and bonds and securities, and of their respective debtors to BCB.



## Pillar 2: Climate Risk Management

### Pillar Progress: Developing

Brazil is in the **“Developing” sub-stage of the “Implementation” stage** of the Climate Risk Management Pillar. There is a framework for climate risk management in place, and there are significant research and capacity building efforts underway by regulators, industry associations, and FIs to develop a deeper understanding of climate risks, in addition to climate risk assessment and management approaches. There are ongoing regulator-industry working groups to raise awareness and build capacity in financial institutions to meet new expectations for climate risk management, including pending regulatory requirements as part of BCB's Sustainability agenda.



#### Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority, as indicated in Brazil's National Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the National Policy on Climate Change. As part of its sustainability agenda, in the financial sector, BCB and FEBRABAN have developed research, regulations, principles, and guidelines for the management of climate risk in the financial sector.

#### Sub-pillar 2: Regulatory and Industry Association Actions

- In 2020, FEBRABAN updated SARB 14 on Social and Environmental Responsibility for Financial Institutions to include requirements on climate-related risks and opportunities, complementing FEBRABAN's 2019 publication, Implementing the TCFD Recommendations: A Roadmap for the Brazilian Banking Sector, and the recently issued 2020 Implementation Update on the Roadmap. FEBRABAN is also developing a Climate Risk Sensitivity Assessment Tool, and in 2020 published the Measurement Guide of GHG Emissions in the Banking Sector.
- In April 2021, as part of BCB's sustainability agenda<sup>1</sup>, it launched public consultations on a package of regulatory

changes (PC82, PC85 and PC86) to replace the 2014 National Monetary Council Resolution No. 4327 on social and environmental risk management, and to integrate climate-related risks into new rules for the governance, risk management, and disclosure of climate, environmental, and social risk by institutions of the National Financial System, all in line with international practices, including TCFD. The consultations were delivered a set of frameworks of Resolutions No. 4945, No. 4943, No. 139, No. 140, No. 151 and Normative Instruction No. 153, that consolidate BCB's advances in the socio-environmental and climate field.

- Regulator-industry working groups and awareness raising on climate issues include the LAB, led by CVM, and involve financial sector stakeholders and government agencies, including BCB. BCB is a member of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and both the BCB and FEBRABAN are formal supporters of the TCFD.
- As part of the TCFD Roadmap, FEBRABAN is developing climate scenarios to guide the analysis and stress testing of climate impacts on banks' portfolios. The scenarios will be "tropicalized" to reflect Brazil's national context with

<sup>1</sup> [BCB's sustainability agenda and climate risk related regulatory and supervisory developments](#)

a focus on energy and agribusiness sectors, including consideration of biodiversity and carbon sinks. BCB's sustainability agenda also indicates BCB is working on stress testing approaches for climate-related risks.

- As part of future progress by Brazil, recommended areas of focus for regulatory and industry association actions include continued capacity building and development of technical guidance (for example for climate scenario analysis and stress testing) for FIs physical and transition risks of climate change and related financial impacts.

### **Sub-pillar 3: Expectations for FI Actions**

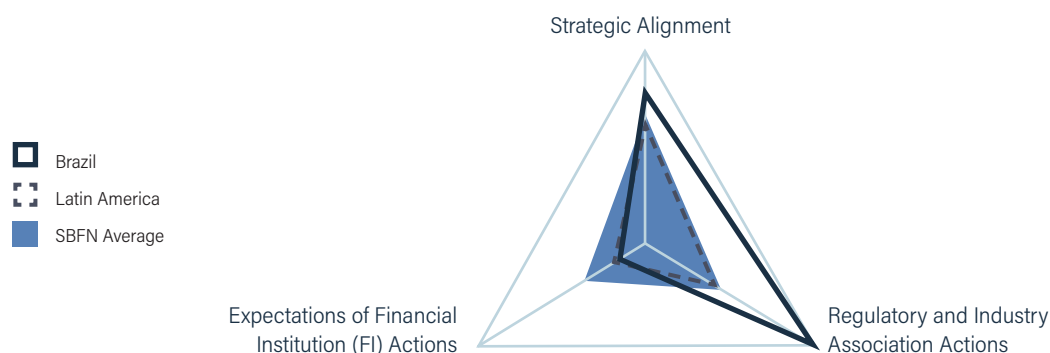
- As part of the TCFD Roadmap, FEBRABAN is monitoring actions taken by member banks to implement practices and build capacity for the governance, risk management, and disclosure of climate risk, as well as reporting on the consolidated results of these activities in an annual status report (most recently in 2020). In 2020, FEBRABAN produced the Measurement Guide of GHG Emissions in the Banking Sector to assist FIs to report on greenhouse gas emissions as part of the Roadmap. A Climate Risk Sensitivity Tool is also in development as part of the Roadmap.
- BCB's proposed regulations (PC85 and PC86) for the governance, risk management, and disclosure of climate risks by financial institutions is being introduced in a phased approach over 2021 and 2022.



## Pillar 3: Financing Sustainability

### Pillar Progress: Advancing

Brazil is mapped under the **“Advancing” sub-stage of the “Implementation” stage** for the Financing Sustainability Pillar. Its national sustainable finance framework for directing financial flows into green, social, climate, and sustainability-linked projects has implementation tools and initiatives in place. Furthermore, FIs have started reporting financing sustainability performance in line with consistent reporting instructions/templates.



#### Sub-pillar 1: Strategic Alignment

- Brazil's national framework for financing sustainability covers both the banking sector and the capital markets, led by BCB and its 2020 BC# Sustainability Agenda and FEBRABAN and its Green Protocol and Guidelines for Issuing Green Bonds in Brazil.
- The Brazilian financial sector's approach to promoting financial flow into green and sustainability projects and sectors is in alignment with international good practices and standards, such as the UN Sustainable Development Goals, the International Capital Markets Association's Green Bonds Principles, Principles for Sustainable Insurance, and the Climate Bond Initiative (CBI) Climate Bond Standards.
- The Brazilian financial sector's approach to financing sustainability identifies key stakeholders and promotes engagement. For example, FEBRABAN hosts an annual Intersectoral Committee discussion on sustainability topics, strategies, urgencies and advances across the Brazilian financial ecosystem with the participation of associations representing the banking industry, capital markets, insurance, and pension funds.

#### Sub-pillar 2: Regulatory and Industry Association Actions

- Brazil's framework on financing sustainability asks the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects. The BC# Sustainability Agenda will create formal mechanisms specifically for the allocation of capital to agriculture through the Green Bureau.

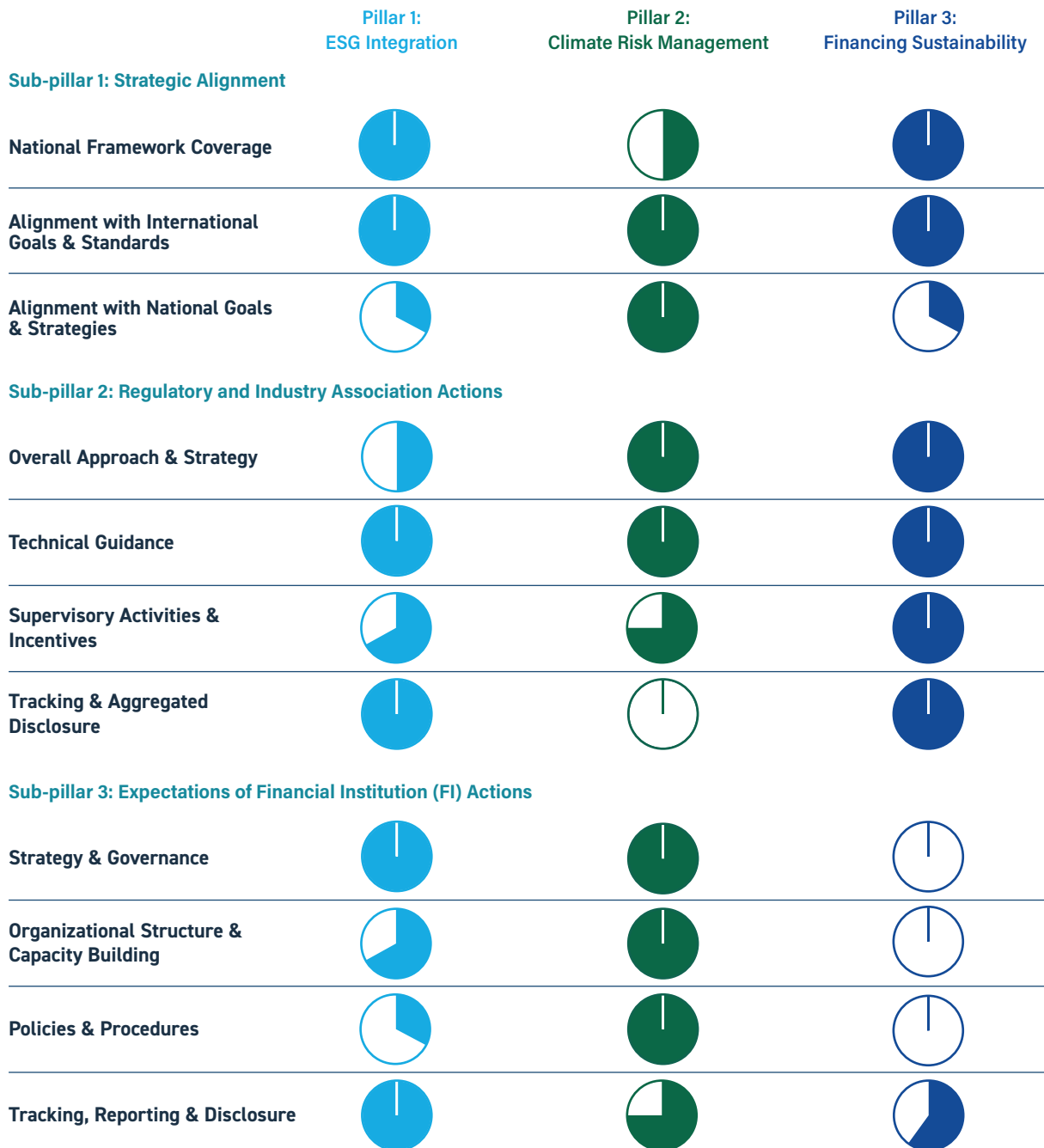
- The Guidelines for Issuing Green Bonds in Brazil provide guidance for issuance of green, social, or sustainability bonds, including requirements for external party verification to ensure the credibility of sustainability instruments.
- Brazil's framework asks the regulator or industry association to monitor information reported by FIs related to green, social, and/or sustainability investment, lending, and other instruments to prevent greenwashing and social-washing; there are also financial or non-financial incentives for FIs to develop and grow green, social, and/or sustainability finance instruments. A fiscal incentive for the issuance of a green/social debt instrument exists, called “debêntures incentivadas”, and is related to infrastructure projects from certain sectors of the economy.
- Since 2015, FEBRABAN has collected the allocation of loans to green sectors annually. This is done through its green taxonomy. The green taxonomy was revised in 2020 and updated results for the Brazilian banking industry will be published annually, reporting on the allocation of credit to specific sectors of “Green Economy”, “High Environmental Impact”, and also “High Exposition to Climate Change”. Currently, data are collected through a collaboration with BCB, providing more accuracy and alignment of the reports with the market.
- The Guidelines for Issuing Green Bonds in Brazil provides a list and samples of green assets. FEBRABAN is in the process of updating this material in 2021/2022.

**Sub-pillar 3: Expectations for FI Actions**

- Brazil's Green Bond Guidelines require issuers to publish annual updates on the performance and impacts of the sustainability instruments in compliance with relevant national and/or international standards.
- The Guidelines require FIs to report on green, social, and/or sustainability bonds and to report both to the regulator(s) and the public.

### 3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Brazil'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

Brazil Green Taxonomy and Taxonomy Explanatory Guide  
(FEBRABAN, 2021)

Resolution 4945/2021 - Social, Environmental and Climate Responsibility Policy (PRSAC)  
(BCB, 2021)

Guide of Tools for Management of Climate Risks  
(FEBRABAN, 2021)

Self-Regulation Standard SARB 14 on Social and Environmental Responsibility for Financial Institutions (update to 2014 policy to include climate risk)  
(FEBRABAN, 2020)

Measurement Guide of GHG Emissions in the Banking Sector  
(FEBRABAN, 2020)

Report on the Status of Implementation of the Task Force on Climate-Related Financial Disclosures Roadmap Across Brazilian Banks  
(2020, FEBRABAN)\*

Decree 10.386/2020: New Incentives for the Financing of Infrastructure “Green Projects”  
(Government of Brazil, 2020)

Report on Green Economy  
(FEBRABAN, 2020)\*

Mainstreaming Sustainability in Brazil’s Financial Sector - Policy Actions for a National supporting framework  
(LAB, 2020)\*

Climate Risk Assessment Tool  
(FEBRABAN, 2019)

Implementing the TCFD Recommendations: a Roadmap for the Brazilian Banking Sector  
(FEBRABAN, 2019)

Guidelines for Issuing Green Bonds in Brazil  
(FEBRABAN and CEBDS, 2016)

Framework SARB 14 for the Creation and Implementation of Social and Environmental Policies  
(FEBRABAN, 2014)

Resolution No.4327 on Social and Environmental Responsibility Policies for Financial Institutions  
(BCB, 2014)

Brazil Green Protocol  
(FEBRABAN, 2008)

Download framework documents and check for updates at [www.sbfnetwork.org/library](http://www.sbfnetwork.org/library)

For new sustainability-related resolutions issued by the Brazilian Central Bank, visit the [BC# Agenda website](#).

\* Not a policy-document, but a key sustainable finance disclosure or stakeholder engagement material.

# 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.

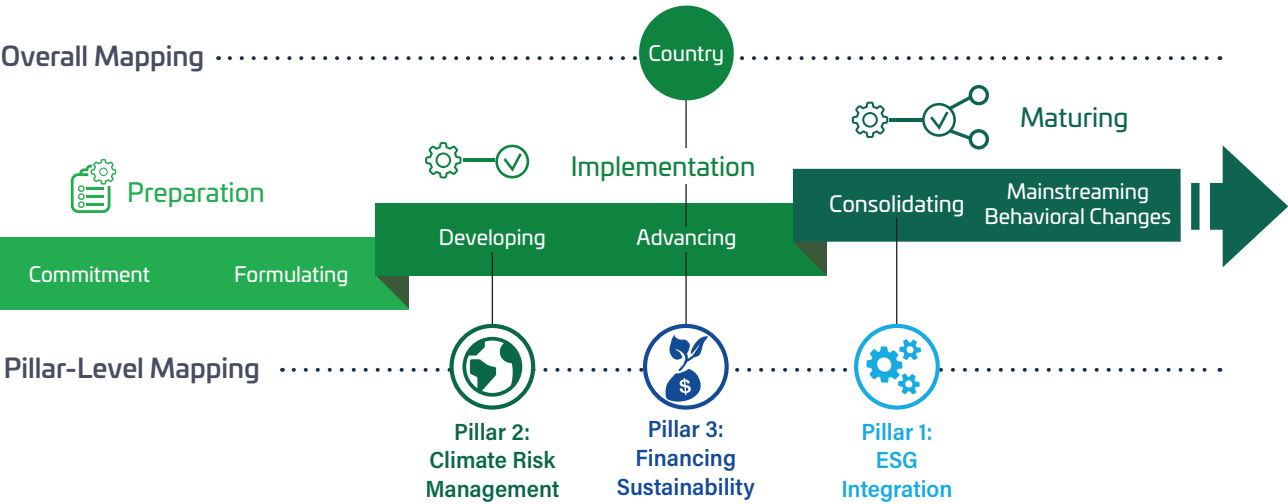


# The Measurement Framework consists of three complementary components:

## 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.



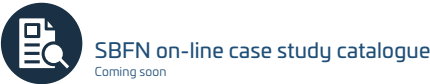
## 2. Pillar benchmarking

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.

	<div> </div>	<div> </div>	<div> </div>	<div> </div>
		Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar 1: Strategic Alignment		<ul style="list-style-type: none"> <li>National framework</li> <li>Alignment with international goals and standards</li> <li>Alignment with national goals and strategies</li> </ul>		
Sub-pillar 2: Regulatory and Industry Association Actions		<ul style="list-style-type: none"> <li>Overall approach and strategy</li> <li>Technical guidance</li> <li>Supervisory activities and incentives</li> <li>Tracking and aggregated disclosure</li> </ul>		
Sub-pillar 3: Expectations of Financial Institution (FI) Actions		<ul style="list-style-type: none"> <li>Strategy and governance</li> <li>Organizational structure and capacity</li> <li>Policies and procedures</li> <li>Tracking, reporting, and disclosure</li> </ul>		

## 3. Sector data and case studies

In 2021, data collection included an exploratory request for quantitative data points — where available — for the number and percentage of financial institutions that are implementing ESG integration as well as climate risk management and disclosure; and the total value of green, social, and sustainability bond issuance. Detailed case studies were also collected of innovative approaches by regulators and industry. Case studies will be published in a new on-line case study catalogue.



# SBFN Measurement Framework pillars, sub-pillars, indicators, and underlying datapoints

Pillar 1: ESG Integration			
Sub-pillar	Indicator	No.	Underlying datapoint
Strategic Alignment	National framework <sup>1</sup> (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?

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

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

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

Figure 5: Overall Progression Matrix Milestones

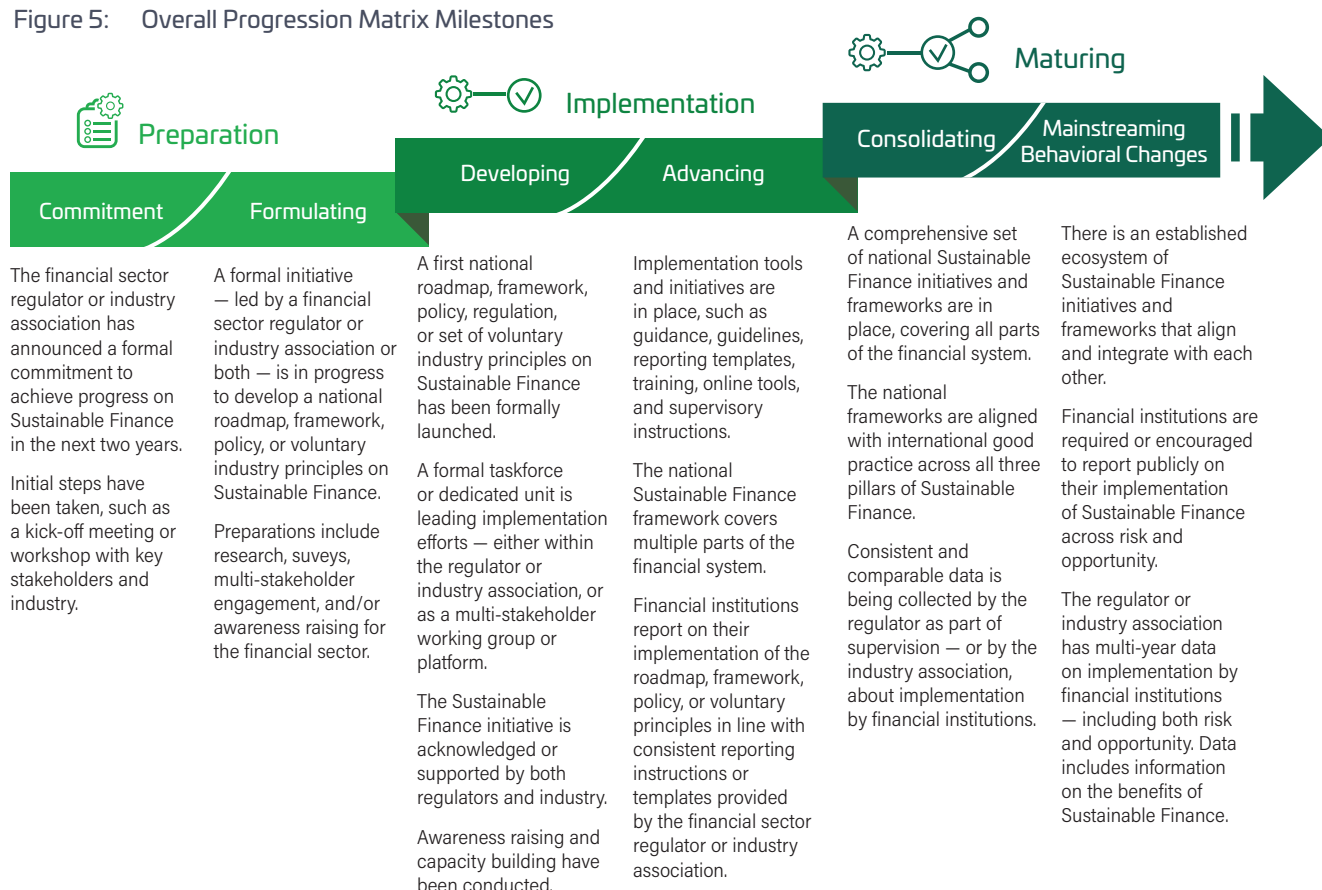


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

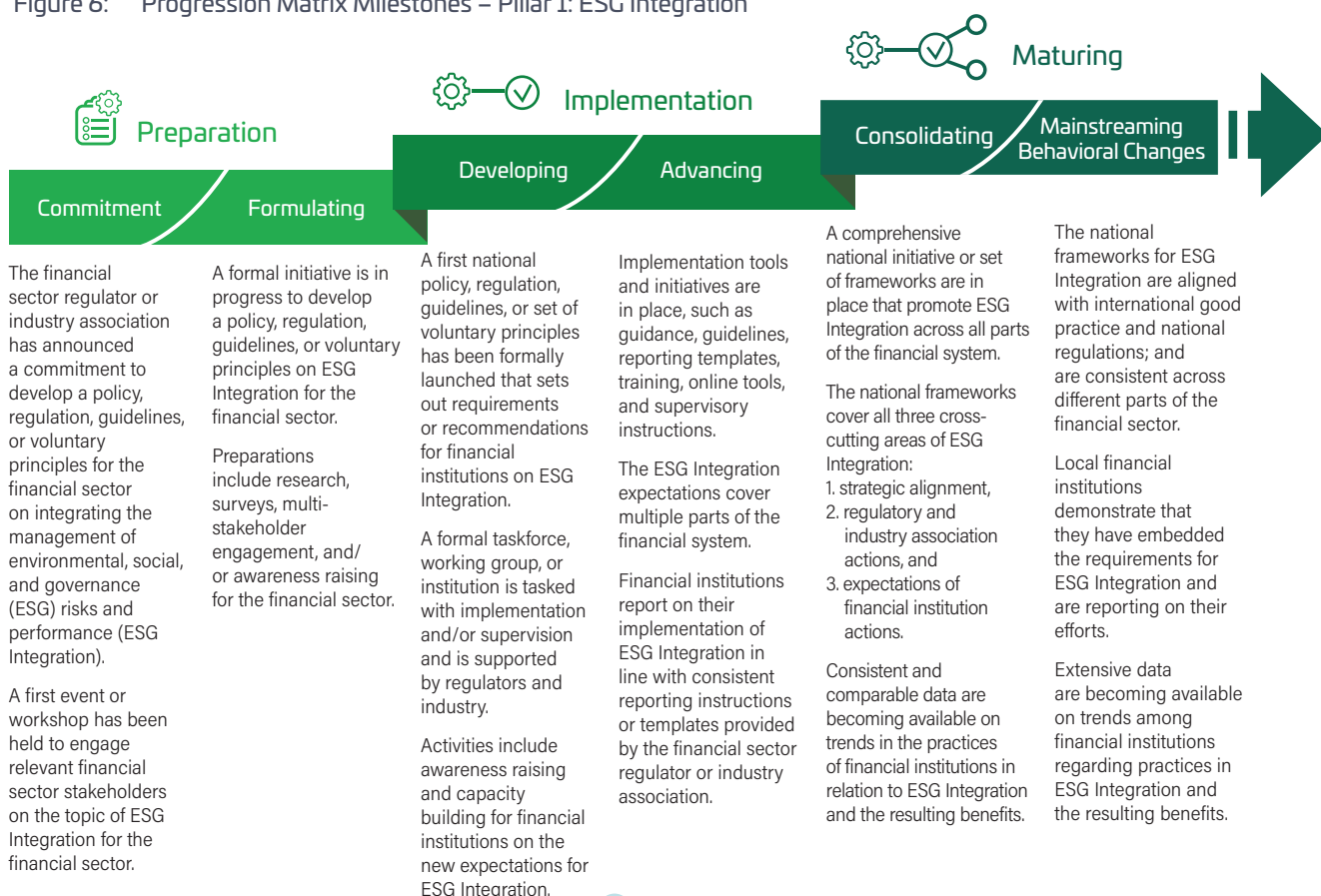


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

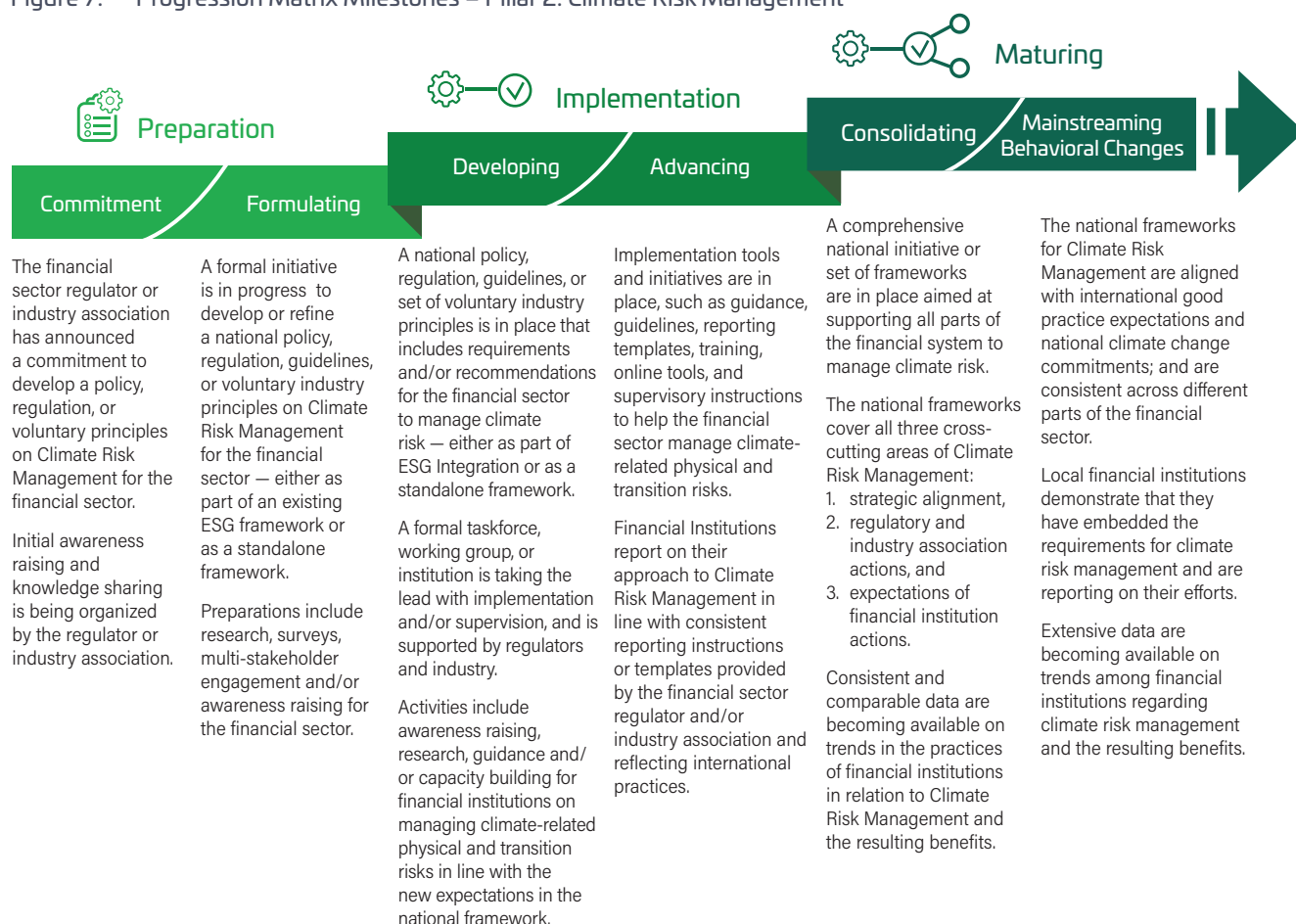
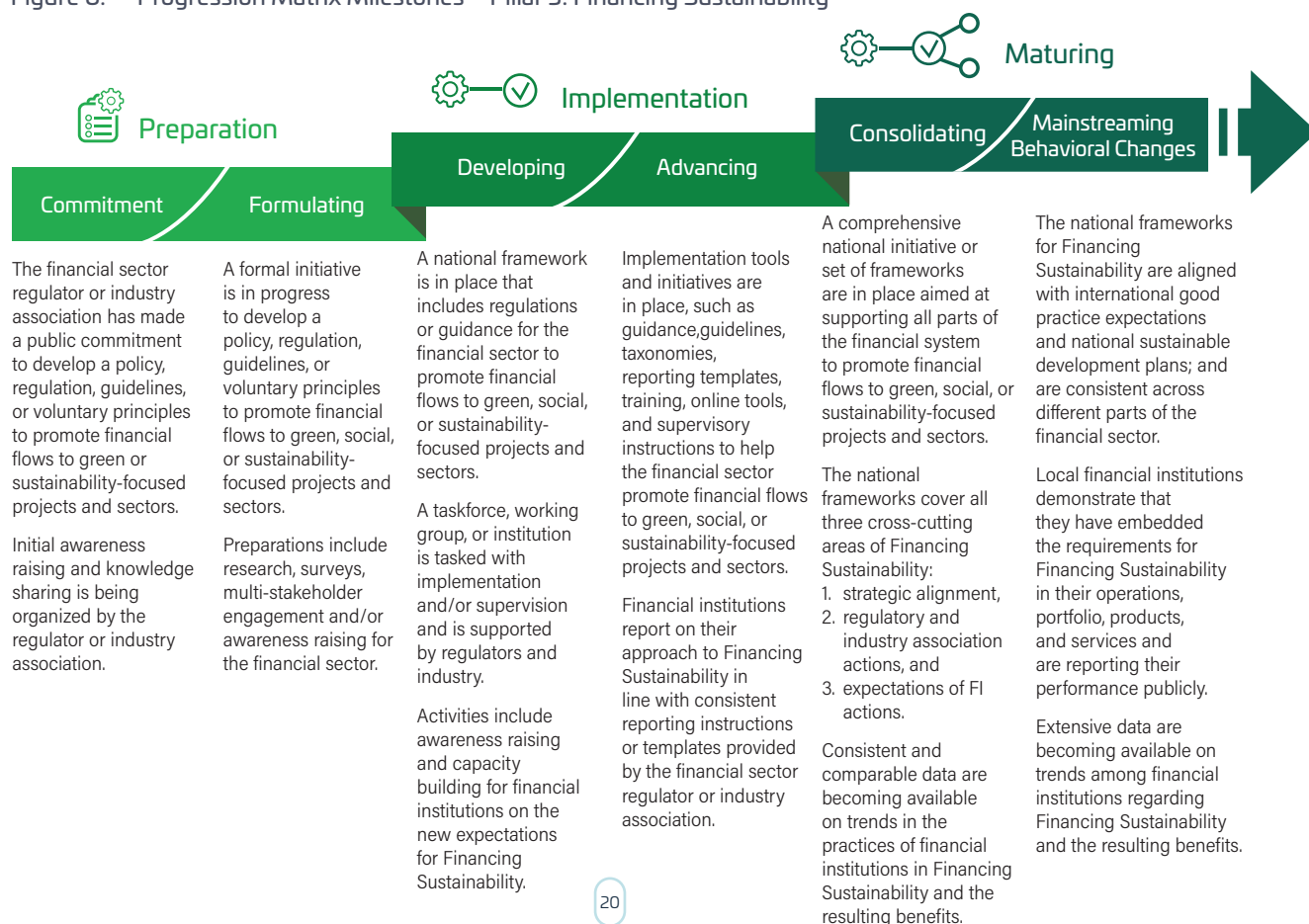


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability





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