

Paraguay

Country Progress Report

April 2022

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



Sustainable
Banking and
Finance
Network



Creating Markets, Creating Opportunities

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.

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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 – Paraguay

1.1 SBFN member institutions:

Sustainable Finance Roundtable (MFS)	Member Since: 2015	Working Groups: Sustainable Finance Instruments Data and Disclosure
Central Bank of Paraguay (BCP)	Member Since: 2016	Working Groups: Sustainable Finance Instruments Data and Disclosure

1.2 Other key institutions and national initiatives promoting sustainable finance

National Commission on Climate Change (DNCC)	Ministry of Environment and Sustainable Development
National Securities Commission (CNV)	Ministry of Agriculture and Livestock
Banking Association of Paraguay	

1.3 Overall progress

Paraguay has **continued to make progress in the “Developing” sub-stage of the “Implementation” stage of the overall SBFN Progression Matrix.** In 2020, National Securities Commission (CNV) issued the Guidelines for the Issuance of Sustainable Development Goals (SDG) Bonds, promoting sustainable finance in the capital markets. Paraguay has formally launched its sustainable finance framework, including the Central Bank of Paraguay’s (BCP) Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the Central Bank of Paraguay (2018). The sustainable finance framework requires financial institutions (FIs) to report information on environmental, social, and governance (ESG) performance and sustainable financing to the regulators, and to publicly disclose information on performance and outcomes. Implementation of the framework is monitored by BCP.

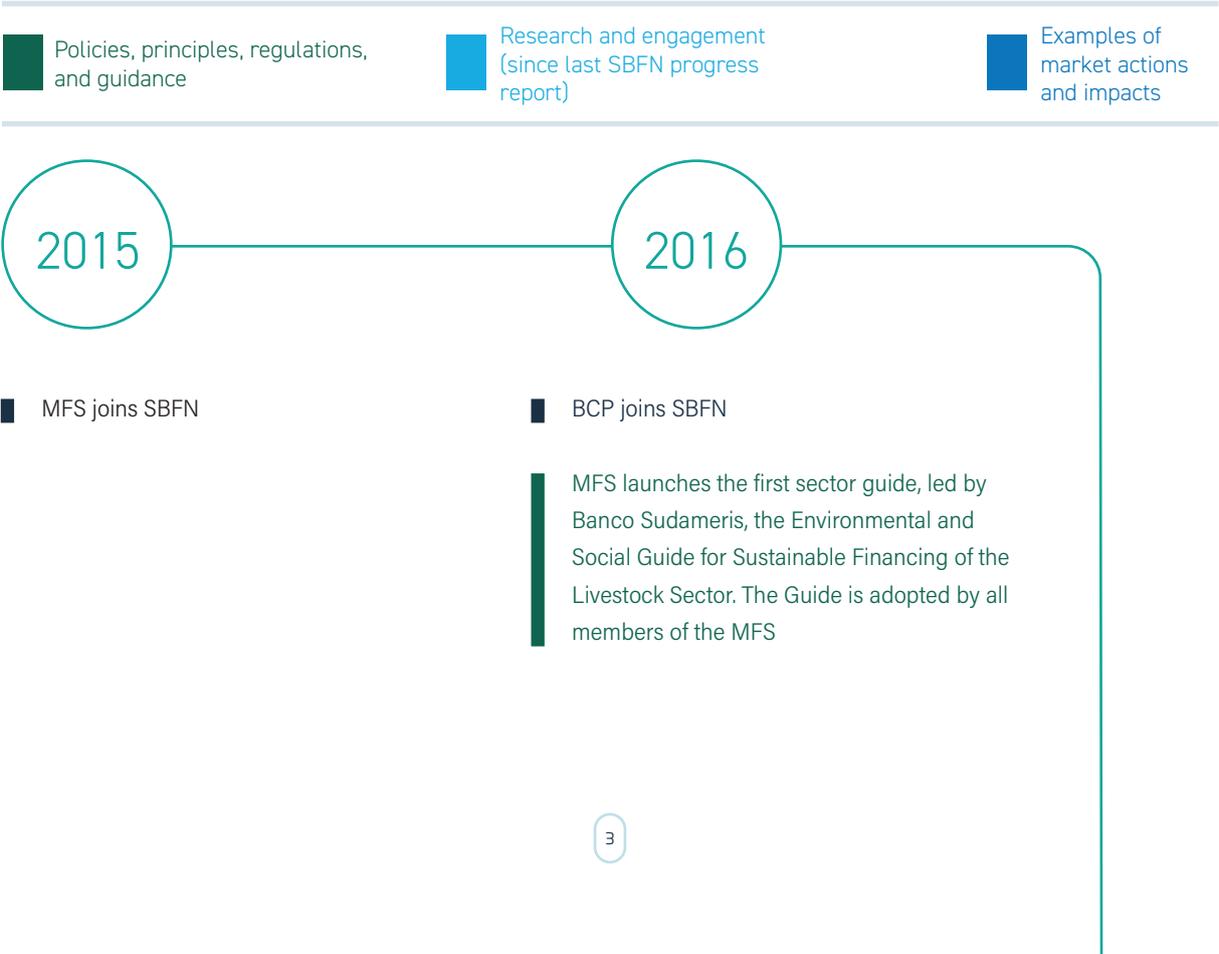
Figure 1: SBFN Progression Matrix - Overall Country Progress



* Countries within each sub-stage are listed in alphabetical order

1.4 Country sustainable finance journey

Figure 2: Paraguay’s sustainable finance journey



2017-
2019

MFS holds the First International Sustainable Finance Forum of Paraguay

MFS participates in the meetings of the Technical Committee of the Green Commodities Project

MFS holds the First International Sustainable Finance Forum of Paraguay

MFS conducts training on the application of the Environmental and Social Guide for Financing Agricultural Activities in Paraguay

MFS signs an inter-institutional cooperation agreement with TNC Brazil to carry out the initiative to build a version for Paraguay of the tool called "Agroideal"

MFS launches the second sector guide led by Banco Regional, Environmental and Social Guide for Financing Agricultural Activities in Paraguay. The Guide is adopted by all members of the MFS

BCP issues the Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the Central Bank of Paraguay

MFS launches the third sector guide led by Banco Continental Environmental and Social Guide for Financing Agro-Industrial Activities in Paraguay. The Guide is adopted by all members of the MFS

2020

Sudameris Bank, through a line of credit granted by a syndicate formed between the German Development Bank-DEG, the Netherlands Development Bank-FMO and the French Development Bank-PROPARCO, becomes the first bank in Paraguay to obtain a Green Credit Line enabling the offer of sustainable financial products to its client portfolio

National Securities Commission (CNV) issues the Paraguay Guidelines for the Issuance of Sustainable Development Goals (SDG) Bonds, making Paraguay the first country in Latin America to adopt SDG bonds in its national regulation

MFS officially signs the Principles for Responsible Banking of the United Nations Environment Programme Finance Initiative 2020

The assets of 17 banks (100 percent) are covered by ESG integration requirements in the national sustainable finance framework

BCP becomes a member of Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

2021

Banco Continental del Paraguay issues the country's first Sustainability Bond of \$300 million, winning the Environmental Finance Bond Awards 2021

1.5 COVID response

The BCP has taken measures in response to the Covid-19's pandemic. On the one hand, the Central Bank has reduced the monetary policy interest rate from 4% in February to 0.75% in June, which seeks to reduce the cost of money, thereby lowering the cost of credit for the real sector. Also, the BCP has offered liquidity to the financial institutions in the order of 4% of GDP by actions related, among others, to reserves requirements, a special credit facility, and the implementation of monetary policy. On the other hand, the BCP's board of directors issued Resolution No. 9, Act No. 17, of March 16, 2020, establishing an exceptional measure related to a tool to allow the refinancing of credits granted to both individuals and legal entities for the whole economy, which is transient at this point in time. The measure was generally applied only when a specific productive sector was subject to negative shocks due to extraordinary circumstances. Hence, the measure mentioned above has been extended to all productive sectors of the economy.¹ In addition, the MFS held a series of webinars to support banks in becoming more sustainable in the era of COVID.

1.6 Ambitions for the next phase

The MFS has a plan to implement reporting requirements and guidelines for all the institutions in the financial sector. The reporting guidelines were included in the strategic ambition of the MFS this year, and planned to be released in early 2022. Detailed regulations will need to be put in place to implement and embed the resolution, as well as to integrate climate risk. There are indications that the larger banks are ready to start incorporating climate risk into their environmental and social management systems based on resolution number eight, which requires them to have environmental and social risk management systems into which climate can be incorporated.

1.7 SBFN and IFC role

IFC has provided advisory services to the MFS and BCP for their sustainable finance initiatives and capacity building, in partnership with the Facility for Investment Climate Advisory Services. Through SBFN, MFS and BCP have shared their experiences with other SBFN members and benefited from the collective SBFN knowledge base.

“ We are very happy to have the opportunity to share our experiences, our goals, our challenges, and we will be very happy to explore opportunities to work together to develop our reporting over the years. ”

Mirta Martínez
General Manager
Sustainable Finance Roundtable (MFS)



“ The SBFN represents an important ally when it comes to building synergies among members towards sustainable finance. In addition, it allows us to be constantly updated on the progress of other countries on the matter, which can serve as a guide or model for those countries that are in early stages but that aim at the same objectives. ”

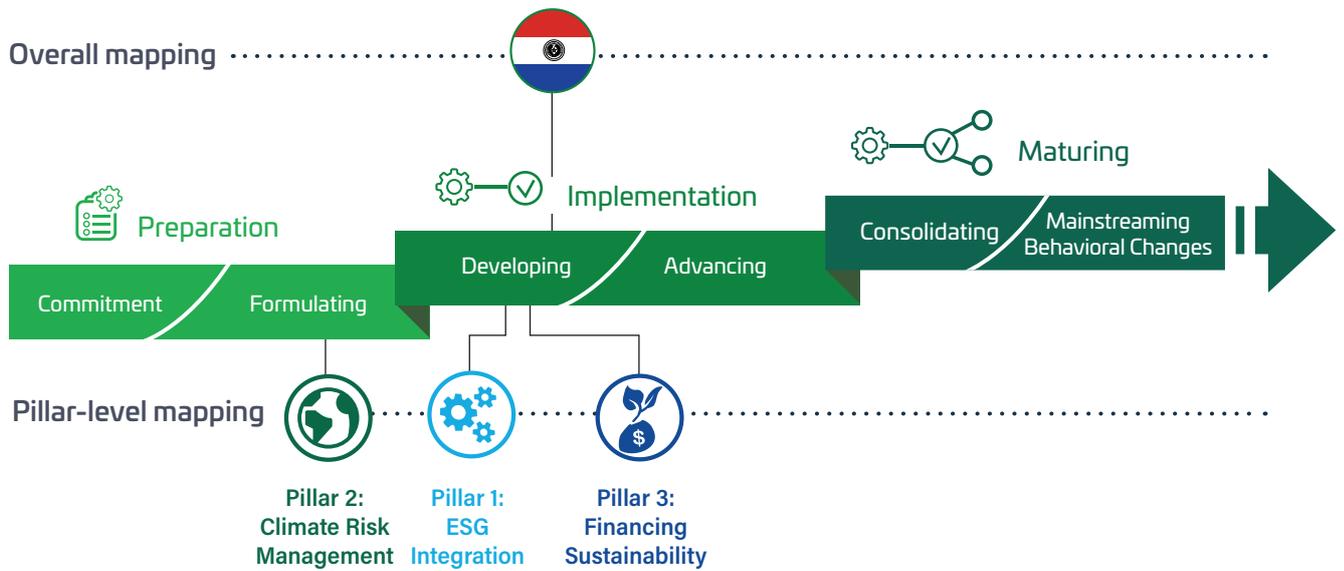
Cynthia Franco
Studies and Standards Officer
Central Bank of Paraguay (BCP)



¹ The details on BCP's COVID actions can be found at <https://www.bcp.gov.py/medidas-financieras-de-apoyo-a-la-economia-y-proteccion-a-las-familias-y-empresas-i950>.

2. Progress by three pillars

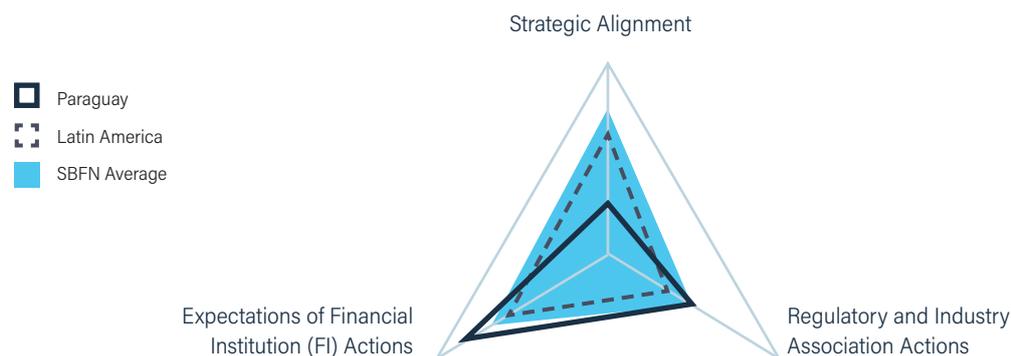
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Developing

Paraguay is mapped under the **“Developing” sub-stage of the “Implementation” stage** for the ESG Integration Pillar. There is an existing national framework addressing the integration of ESG risk and performance considerations into the practices of FIs. There are ongoing activities to raise awareness and build capacity, and early-stage implementation is in progress.



Sub-pillar 1: Strategic Alignment

- Paraguay's national framework for the banking sector, including the Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the Central Bank of Paraguay (BCP, 2018), sets out expectations for integrating the

consideration of ESG risks and performance.

- During the framework development process, the draft of the framework was shared with the MFS and MADES to have their views and suggestions.

Sub-pillar 2: Regulatory and Industry Association Actions

- Paraguay's sustainable finance framework is supported with implementation guidance and technical tools. The Guidelines for the Management of Environmental and Social Risks provide guidance to FIs on how to implement the environmental and social risk analysis.
- The implementation of the framework will be regularly monitored by the Superintendency of Banks, which evaluates FIs' progress implementation periodically. Compliance to BCP's Guidelines is a requirement for all

MFS members, and its non-compliance can potentially affect an FIs' membership status.

Sub-pillar 3: Expectations for FI Actions

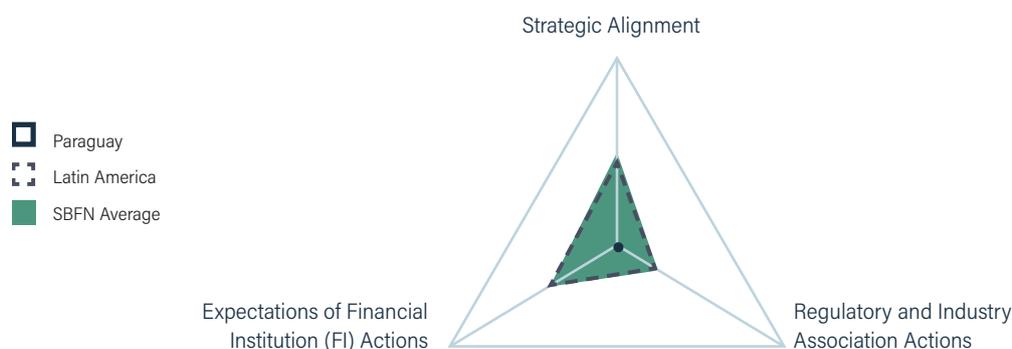
- The Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the Central Bank of Paraguay require FIs to develop policies and procedures to manage ESG risks and performance, undertake regular review and monitoring of ESG risks, and report ESG performance publicly.



Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Paraguay is in the **Formulating Sub-stage of the Preparation Stage** of the Climate Risk Management Pillar. There is an existing framework for ESG risk management issued by BCP that provides a foundation for the future incorporation of approaches to manage climate-related physical and transition risks and financial impacts. Preparations and activities include research, surveys, and/or multi-stakeholder engagement and awareness raising on expectations for climate risk management.



Sub-pillar 1: Strategic Alignment

- Addressing climate change risks is a national priority, as indicated in Paraguay's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the National Climate Change Policy (2012) and the National Climate Change Adaptation Strategy (2017). In the financial sector, BCP has issued guidance for the management and disclosure of environmental and social (E&S) risk in the banking sector.

Sub-pillar 2: Regulatory and Industry Association Actions

- The BCP issued Resolution Number 8 (2018), which establishes the Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the BCP.
- In terms of awareness raising, research, and capacity building for climate risks, the BCP is a member of the NGFS and there is regulator-industry collaboration on E&S risk management with BCP and MFS.
- As part of future progress, recommended areas of focus for regulatory and industry association actions in Paraguay include research, capacity building, technical guidance (such as climate scenarios and risk assessment

methodologies), and development of regulatory and supervisory expectations for FIs for managing climate-related physical and transition risks and financial impacts.

Sub-pillar 3: Expectations for FI Actions

- With regards to raising awareness on climate risk management, in 2020 six banks in Paraguay participated in a regional survey undertaken by the United Nations Environment Programme Finance Initiative and the Development Bank of Latin America (CAF), with coordination by the Federation of Latin American Banks (FELABAN, a member of SBFN), on the approach of FIs to incorporating climate change into risk management.²
- As part of future progress, the BCP's Guidelines for the Management of Environmental and Social Risks can be further elaborated to guide the expected actions of FIs for the development of their strategy, governance, risk management, metrics and targets, and disclosure approaches for climate-related physical and transition risks and financial impacts.

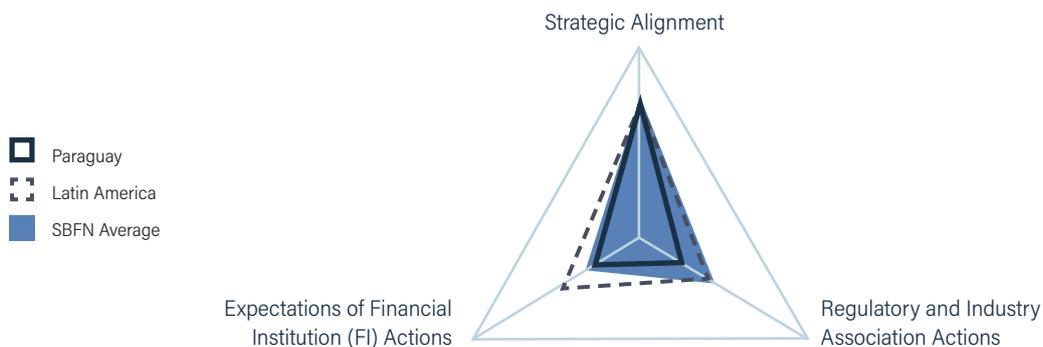
² As noted in the [UNEP-FI-Development Bank of Latin America \(CAF\) "How the Banks of Latin America and the Caribbean incorporate climate change in their risk management"](#) internalizing ESG systems tends to create favorable conditions for the analysis of climate risks within financial institutions.



Pillar 3: Financing Sustainability

Pillar Progress: Developing

Paraguay is in the **“Developing” sub-stage of the “Implementation” stage** for the Financing Sustainability Pillar. There is a national framework for promoting financial flows into green, climate, social, and sustainability-linked projects and sectors, and ongoing awareness raising and capacity building on financing sustainability actions and expectations. In 2020, CNV published the Guidelines for the Issuance of Sustainable Development Goals (SDG) Bonds, establishing the country’s sustainability-focused bond market and aligning it with international standards and good practices.



Sub-pillar 1: Strategic Alignment

- Paraguay’s national framework for financing sustainability covers mainly the capital markets, led by the National Securities Commission’s Guidelines for the Issuance of Sustainable Development Goals (SDG) Bonds.
- The Paraguayan financial sector’s approach to promoting financial flow into green and sustainability projects and sectors is in alignment with international goals, good practices and standards, such as the UN Sustainable Development Goals and the Climate Bond Initiative’s Climate Bond Taxonomy.
- The Paraguayan financial sector’s approach to financing sustainability is also aligned with its national goals and strategies and promotes sustainable finance in the country. For example, the National Securities Commission’s 2020 Resolution No. 9, Act No. 17 on SDG Bonds.

Sub-pillar 2: Regulatory and Industry Association Actions

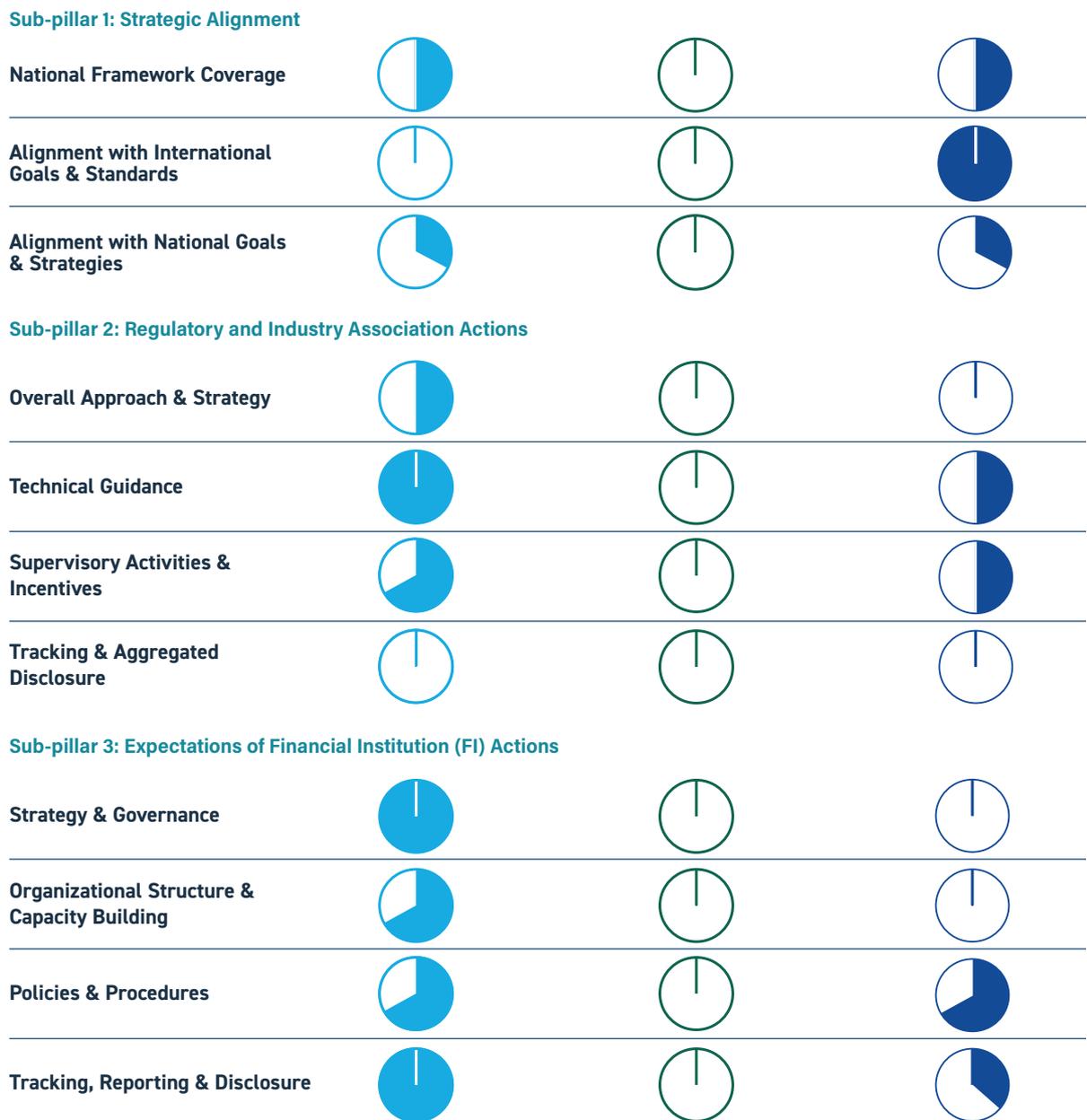
- Paraguay’s SDG Bonds Guidelines provide a list and examples of sustainable finance assets. The Guidelines also provides technical guidance for the issuance of green and social or sustainability bonds, with requirements for external party verification to ensure the credibility of sustainability instruments.
- The National Securities Commission also monitors information reported by FIs related to green bonds to prevent greenwashing and sustainability-washing.

Sub-pillar 3: Expectations for FI Actions

- The SDG Bonds Guidelines require issuers to put policies and procedures into place for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products, and to appoint an independent external reviewer to confirm that FIs’ internal frameworks meet the requirements.
- The Guidelines also ask FIs to report to regulators and to publish annual updates on the performance and impacts of the sustainability instruments.

3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Paraguay'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

Guidelines for the Issuance of Sustainable Development Goals (SDG) Bonds

(National Securities Commission, 2020)



Guidelines for the Management of Environmental and Social Risks for Entities Regulated and Supervised by the Central Bank of Paraguay

(Central Bank of Paraguay, 2018)



Environmental and Social Guide for Financing Agro-Industrial Activities in Paraguay

(MFS, 2018)



Environmental and Social Guide for Financing Agricultural Activities in Paraguay

(MFS, 2017)



Environmental and Social Guide for the Sustainable Financing of the Livestock Sector

(MFS, 2016)



Download framework documents and check for updates at www.sbfnetwork.org/library

5. SBFN measurement framework and methodology

About SBFN

Established in 2012, the Sustainable Banking and Finance Network (SBFN) is a unique, voluntary community of financial sector regulatory agencies and industry associations from emerging markets committed to advancing sustainable finance in line with international best practice. SBFN is facilitated by IFC as secretariat, and supported by the World Bank Group.

As of October 2021, SBFN comprised 43 member countries representing over US\$43 trillion and 86 percent of total banking assets in emerging markets. Members are committed to collectively driving measurable change.

Why a measurement framework?

In 2016, members requested a systematic comparison of country approaches to developing national sustainable finance frameworks. The SBFN Measurement Working Group was established to convene member inputs on the design of a common framework to benchmark country progress and accelerate peer-to-peer knowledge exchange. The Framework is designed to inform the biennial SBFN Global Progress Report.

An evolving framework

The SBFN Measurement Framework reflects the activities, strategies, and tools that members use to promote sustainable finance in their countries. It evolves to match advances in country initiatives. It also incorporates the latest international standards and best practices identified by members as important to their efforts.

A member-led approach

The Framework was designed with extensive member input under the leadership of the Measurement Working Group and Co-Chairs. Updates to the Framework are guided by the Measurement Working Group and agreed by all SBFN Members.

Data collection in partnership with members

As of 2021, data collection for the SBFN Global Progress Report relies on member country reporting in line with the updated Measurement Framework. Information is supported by evidence, which is verified by the SBFN secretariat in collaboration with third-party service providers. Evaluation and milestones are objective and transparent. Members approve the final Global and Country Progress Reports.

The Framework can be used as:



a **mapping tool** to capture the dynamic interaction of collective insights, market-based actions, and policy leadership demonstrated by SBFN members as they move their financial markets toward sustainability;



a **benchmarking tool** for SBFN members to learn from and compare peer approaches, track and review progress against global benchmarks, develop common concepts and definitions, and leverage innovations and strengths; and



a **forward planning and capacity building tool** to identify future policy pathways and capacity building needs.

The Measurement Framework is based on three intersecting themes in sustainable finance. For each theme, it assesses regulatory guidance, supervision strategies, disclosure requirements, and voluntary industry approaches.



ESG Integration refers to the management of environmental, social, and governance (ESG) risks in the governance, operations, lending, and investment activities of financial institutions.



Climate Risk Management refers to new governance, risk management, and disclosure practices that financial institutions can use to mitigate and adapt to climate change.



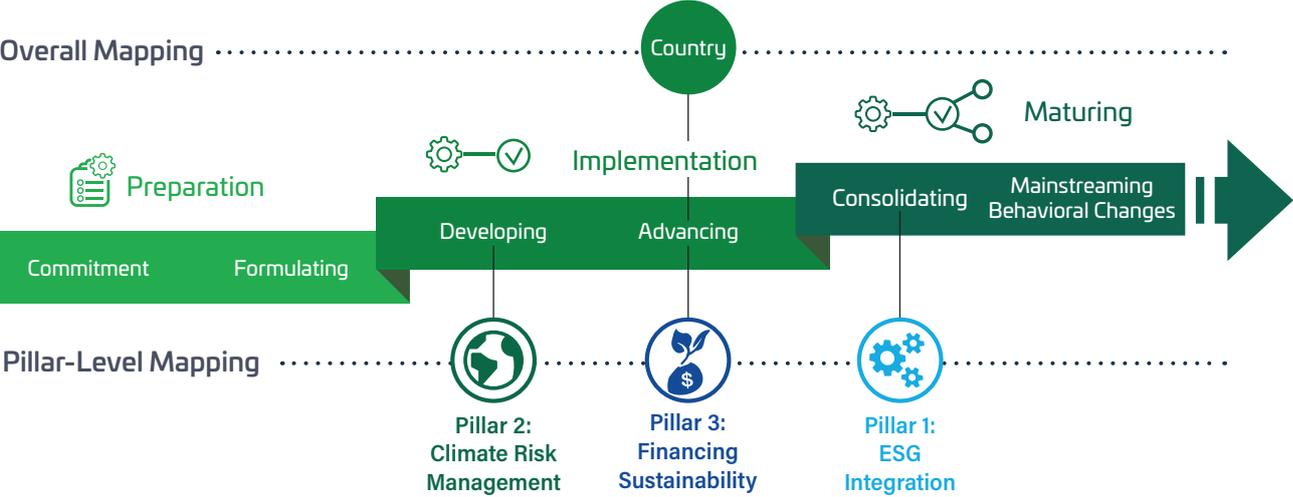
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance,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

The Measurement Framework consists of three complementary components:

1. Progression matrices

Drawing on SBFN members' common development paths and milestones, the **SBFN Progression Matrix** provides an overview of market-wide progress for all SBFN countries across three typical stages of development. It allows each SBFN member to review its own progress and identify the strengths and weaknesses of its approach.

The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices. In the 2021 report, in addition to the Overall Progression Matrix, three pillar-level matrices are added to reflect a country's development process in each of the pillar areas.



2. Pillar benchmarking

A dynamic assessment is conducted across several priority pillars of sustainable finance, using qualitative and quantitative datapoints to assess progress and allow comparison across countries. Three pillars, three cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 underlying datapoints are used to objectively assess a country's sustainable finance framework(s), according to clarity, depth, and alignment to international good practice.

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

3. Sector data and case studies

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



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

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

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

Regulatory and Industry Association Actions	Overall approach and strategy	32	Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?
		33	Does the Framework identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?
		34	Does the Framework incorporate the conservation/restoration of natural carbon sinks (such as oceans, forests, mangroves, grasslands, and soils) as an important part of reducing climate change risks (e.g., through guidelines, scenario analysis, targets, or incentives for FIs)?
		35	Has the regulator or industry association developed an internal strategy to address climate risk, and/or embedded climate risk management into its governance, organizational structures, and budget as part of the Framework?
		36	Has the regulator or industry association undertaken any activities to expand and deepen analytical understanding of national and/or cross-border physical and transition climate risks, and to raise awareness as to how these risks may transmit to, and impact, the financial sector?
Regulatory and Industry Association Actions	Technical guidance	37	Has the regulator or industry association developed risk assessment approaches, methodologies, or tools to understand and assess the financial sector's exposure to climate risk as part of the Framework?
	Supervisory activities and incentives	38	As part of the Framework, has the regulator clarified supervisory expectations with regard to climate risk management by FIs, including consideration of international good practices?
		39	Has the regulator started to explicitly embed climate-related risk in supervisory activities and review processes as part of the Framework?
		40	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
	41	Are there any financial or non-financial incentives to encourage FIs to establish climate risk management systems?	
Tracking and aggregated disclosure	42	Does the regulator or industry association regularly collect and/or report market-level and/or FI-level data on climate-related financial sector risks as part of the Framework?	
Expectations of FI Actions	Strategy and governance	43	Does the Framework require/ask FIs to establish a strategy for climate risk management with responsibility at the board of director level (or highest governing body)?
	Organizational structure and capacity	44	Does the Framework require/ask FIs to define the roles and responsibilities and related capacities of the FI's senior management and operational staff in identifying, assessing, and managing climate-related financial risks and opportunities?
	Policies and procedures	45	Does the Framework require/ask FIs to expand existing risk management processes to identify, measure, monitor, and manage/mitigate financial risks from climate change?
	Tracking, reporting, and disclosure	46	Does the Framework require/ask FIs to report on their overall approaches to climate risk management in line with international good practices (e.g. TCFD), or establish a timeline by which FIs should begin to align their reporting with such practices?
		47	Does the Framework require/ask FIs to identify, measure, and report on exposure to sectors which are vulnerable to transition risk and physical risk?
		48	Does the Framework require/ask FIs to adopt and report on performance targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?
		49	Does the Framework require/ask FIs to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?

Pillar 3: Financing Sustainability

Strategic Alignment	National framework	50	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
		51	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
	Alignment with international goals and standards	52	Has the regulator or industry association developed a strategy, regulations, or set of frameworks for stimulating the allocation of capital to sustainable assets, projects, and related sectors in line with global goals, such as the Sustainable Development Goals (SDGs)?
		53	Does the Framework recognize and/or align with existing standards, voluntary principles, or market good practices related to sustainable finance instruments?
	Alignment with national goals and strategies	54	Does the Framework enable the achievement of stated national objectives by guiding capital to sectors, assets, and projects that have environmental and social benefits in line with national sustainable development priorities, strategies, targets, and the size of sustainable investment needs, and taking into account the local barriers to scaling-up sustainable finance?
		55	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design or implementation related to sustainable finance flows?
56		Does any inter-agency data sharing currently exist related to stimulating and monitoring sustainable finance flows?	
Regulatory and Industry Association Actions	Overall approach and strategy	57	Does the Framework require/ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects?
	Technical guidance	58	Does the Framework provide definitions, examples, and/or a taxonomy (catalogue and guidelines) of sustainable finance assets?
		59	Does the Framework provide guidelines for extending green, social, or sustainability-focused loans (excluding bonds)?
		60	Does the Framework provide guidelines for issuance of green, social, or sustainability bonds?
		61	Does the Framework require/ask for external party verification to ensure the credibility of sustainability instruments?
	Supervisory activities and incentives	62	Does the regulator or industry association monitor information reported by FIs related to green/social/sustainability investment, lending, and other instruments to prevent greenwashing and social-washing?
		63	Are there any financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments?
	Tracking and aggregated disclosure	64	Does the regulator or industry association collect and/or publish data from FIs or other sources about allocation of capital to green/social/sustainability assets, projects, or sectors?

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

Figure 5: Overall Progression Matrix Milestones

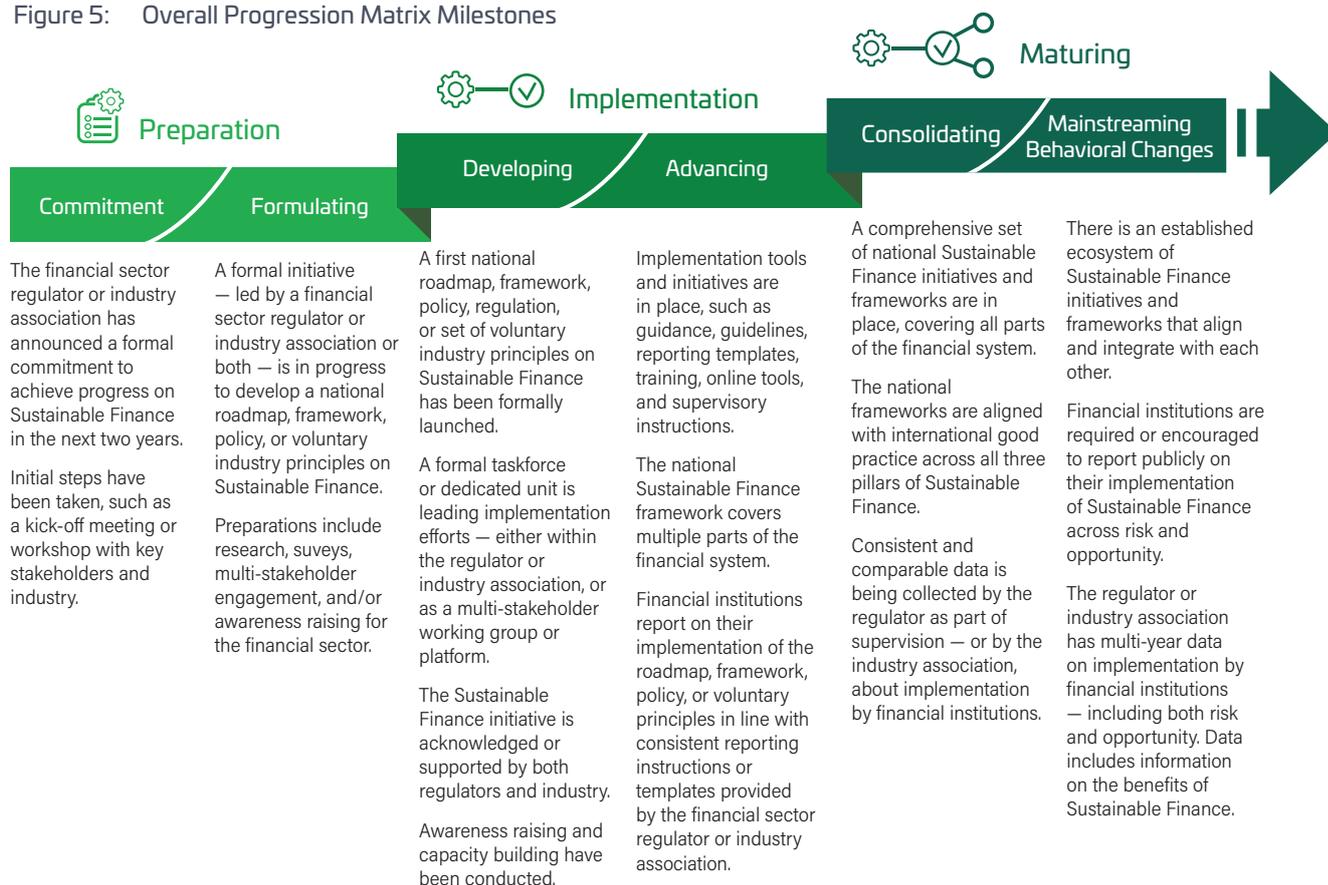


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

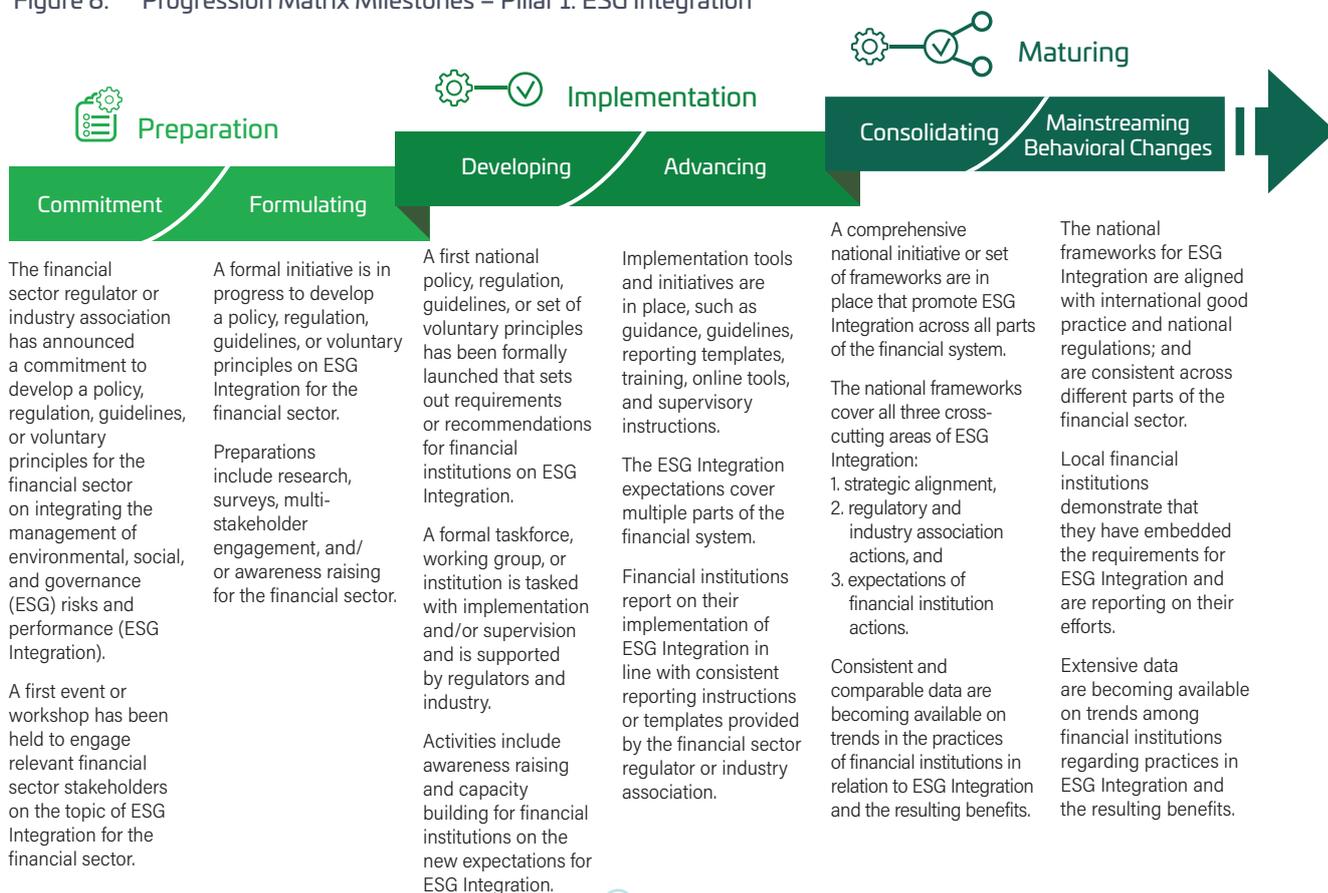


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

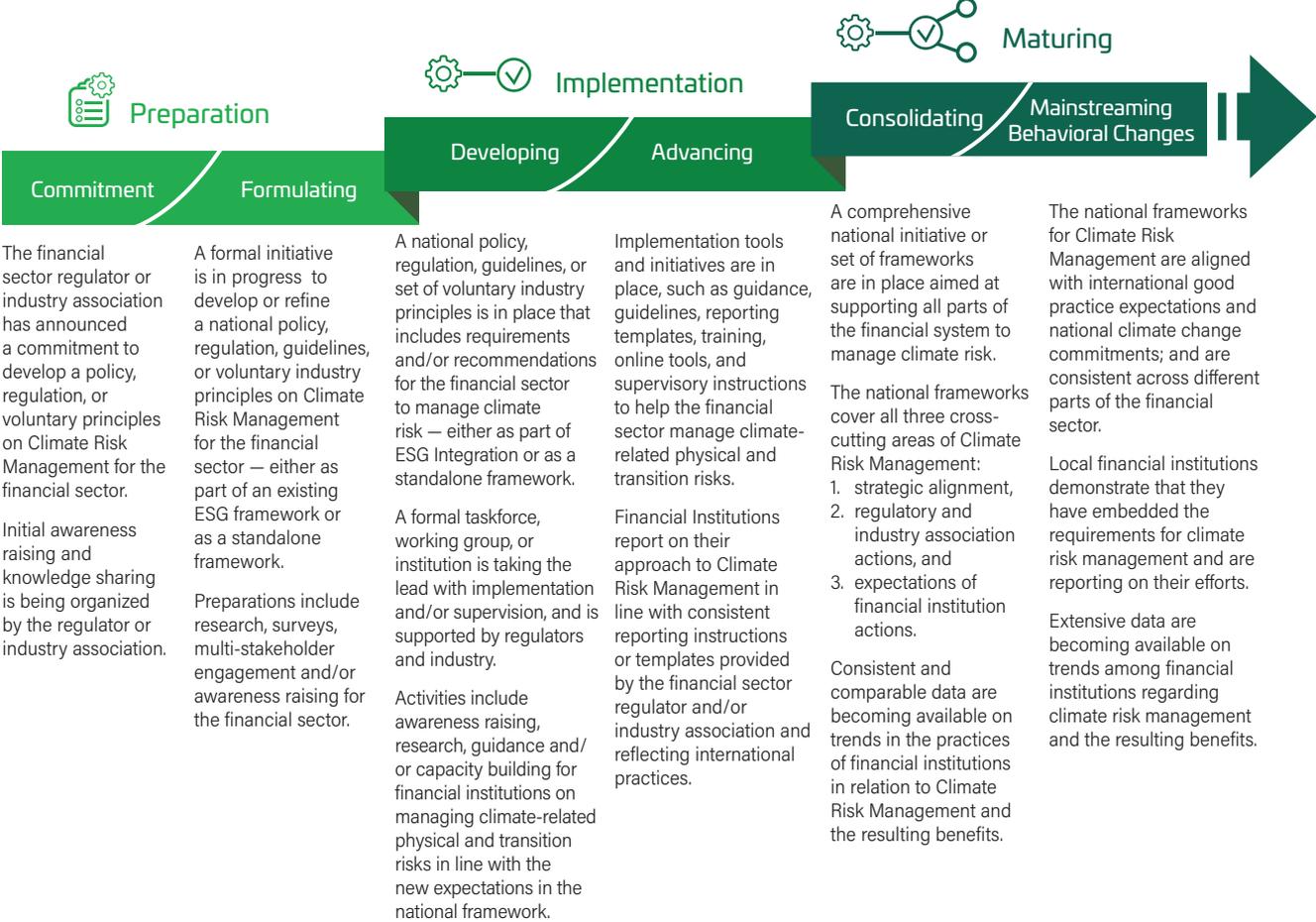
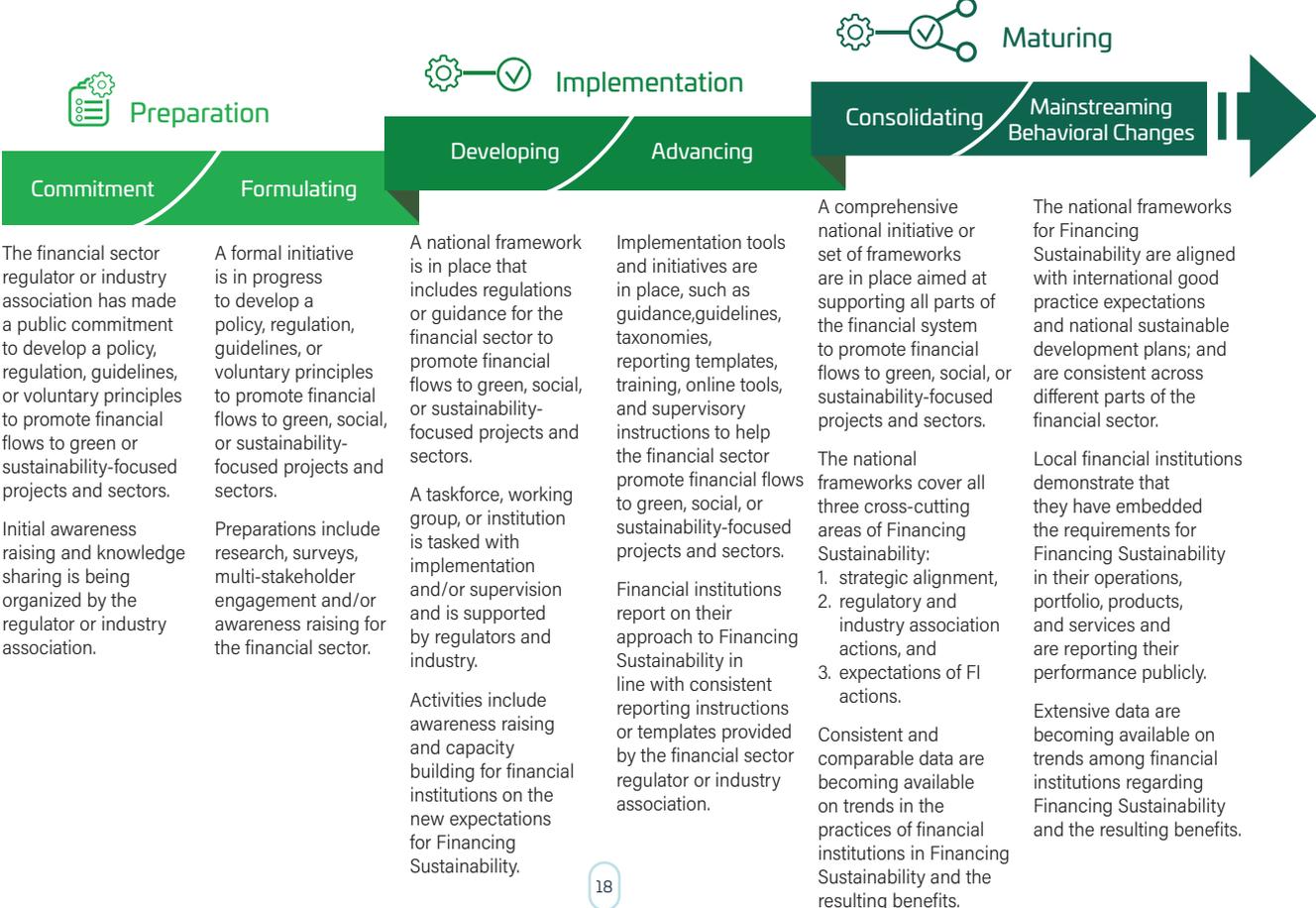


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability



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