

The Philippines

Country Progress Report

April 2022

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



Sustainable
Banking and
Finance
Network



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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 – The Philippines

1.1 SBFN member institutions:

[Bangko Sentral ng Pilipinas \(BSP, Central Bank of the Philippines\)](#)

Member Since: 2013

[Department of Environment and Natural Resources of the Philippines \(DENR\)](#)

Member Since: 2013

1.2 Other key institutions and national initiatives promoting sustainable finance

Members of the Inter-Agency Technical Working Group on Sustainable Finance (Green Force)¹:

[Department of Finance \(DOF\)](#)

[Department of Agriculture of the Philippines \(DA\)](#)

[Department of Energy of the Philippines \(DOE\)](#)

[National Economic and Development Authority of the Philippines \(NEDA\)](#)

[Climate Change Commission \(CCC\)](#)

[Securities and Exchange Commission \(SEC\)](#)

[Insurance Commission \(IC\)](#)

[Department of Budget and Management \(DBM\)](#)

[Department of Interior and Local Government \(DILG\)](#)

[Department of Public Works and Highways \(DPWH\)](#)

[Department of Science and Technology \(DOST\)](#)

[Department of Transportation \(DOTr\)](#)

[Department of Trade and Industry \(DTI\)](#)

[Mindanao Development Authority \(MDA\)](#)

[Public-Private Partnership Center \(PPP\)](#)

Industry Associations:

[Rural Bankers Association of the Philippines](#)

[Bankers Association of the Philippines](#)

[Chamber of Thrift Banks](#)

1.3 Overall progress

The Philippines has **moved up to the “Developing” sub-stage of the “Implementation” stage** from the “Formulating” sub-stage of the “Preparation” stage on the SBFN Progression Matrix. The Central Bank of the Philippines (BSP), issued the country's first Sustainable Finance Framework in April 2020, requiring banks to integrate environmental and social risk management in their corporate governance and risk management frameworks, as well as in their strategic objectives and operations. Formal working groups were created within the BSP. One working group is under the supervision sector and aimed at developing and issuing enabling regulations and embedding environmental, social, and governance (ESG) considerations in supervision; the other working group is focusing on the implementation of the Sustainable Central Banking Program.

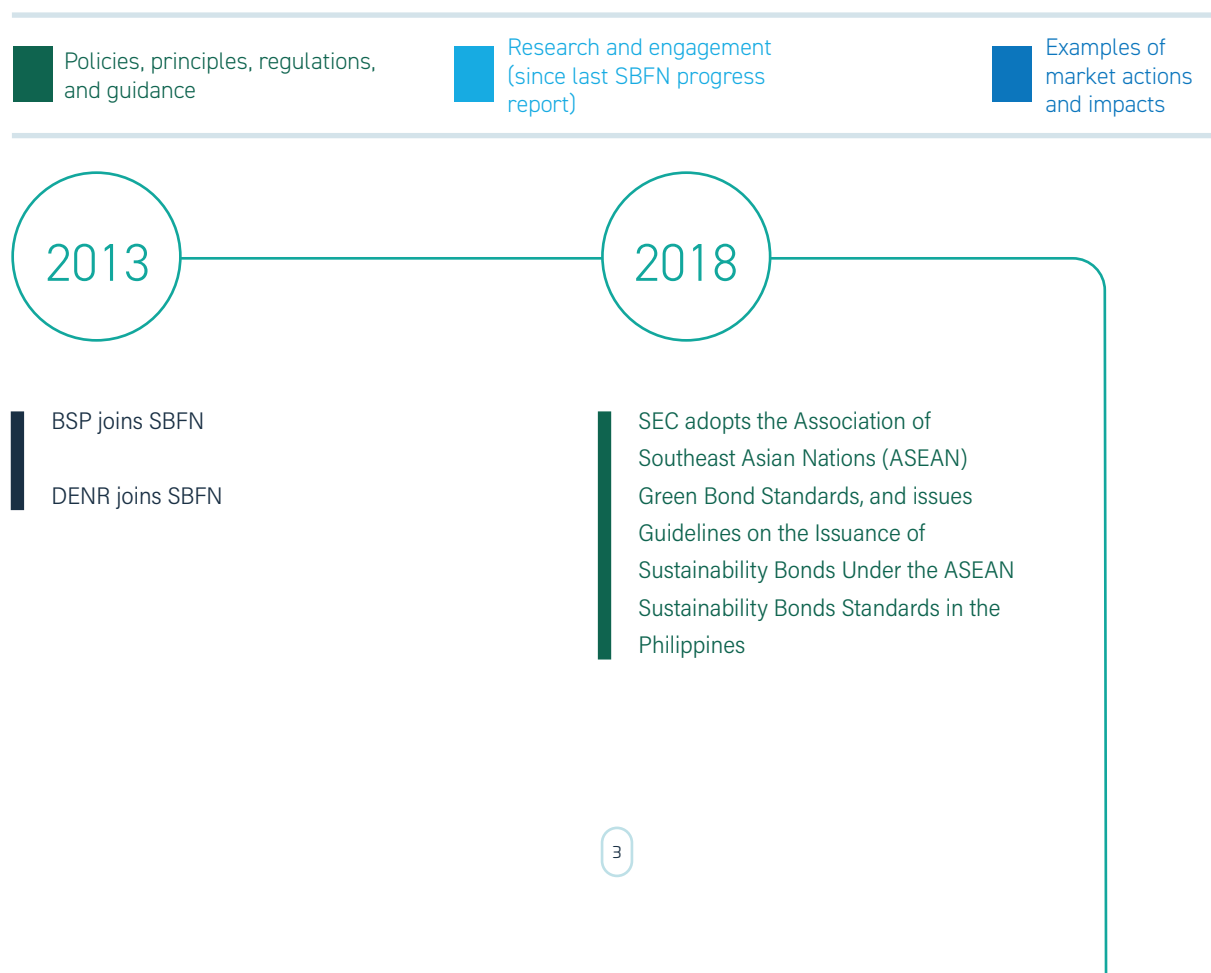
¹ The Green Force was established to support and contribute to the acceleration of the development of a sustainable economy. It is co-chaired by the DOF, BSP and also involves the DENR.

Figure 1: SBFN Progression Matrix - Overall Country Progress



1.4 Country sustainable finance journey

Figure 2: The Philippines's sustainable finance journey



2021

The Philippines Inter-Agency Technical Working Group for Sustainable Finance (ITSF) issues the Sustainable Finance Roadmap and Sustainable Finance Guiding Principles

BSP issues the Environmental and Social Risk Management Framework (Circular No. 1128 Series of 2021), complementing the Sustainable Finance Framework

2020

BSP issues the Sustainable Finance Framework (Circular No. 1085 Series of 2020), requiring banks to integrate environmental and social risk management in their corporate governance and risk management frameworks, as well as in their strategic objectives and operations

BSP joins the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

BSP publishes the Impact of Extreme Weather Episodes on the Philippine Banking Sector: Evidence Using Branch-Level Supervisory Data (Working Paper series 2020-03)

BSP, together with the members of the ASEAN Task Force, publishes the Report on the Roles of ASEAN Central Banks in Managing Climate and Environment-Related Risks

As of the end of 2020, the country's accumulative green, Social, and Sustainability bonds issuance have reached \$3.53 billion

2019

SEC issues the Sustainability Reporting Guidelines for Publicly Listed Companies

SEC issues the Guidelines on the Issuance of Social Bonds under the ASEAN Social Bonds Standards and the Guidelines of the Issuance of Sustainability Bonds under the ASEAN Sustainability Bonds Standards in the Philippines

BSP adopts the Sustainable Central Banking Program as one of its corporate strategies, aiming to champion the sustainability agenda in the financial system by fostering environmentally responsible and sustainable policies and work practices

BSP joins the ASEAN Task Force on the Roles of Central Banks in Managing Climate and Environment-Related Risks, which aims to conduct a study on the roles of ASEAN Central Banks in addressing or managing climate and environment-related risks to monetary, financial, and broader macroeconomic stability

1.5 COVID response

In response to the pandemic, the Philippine Government launched a four-pillar socio-economic strategy to mitigate the impact of the pandemic and aid the national recovery effort. The framework aims to provide emergency support for vulnerable groups and individuals; expand medical resources to fight Covid-19 and ensure the safety of health workers; implement fiscal and monetary initiatives to keep the economy afloat; and launch an economic recovery plan to create jobs and sustain growth. The Philippines declared a state of calamity in March 2020. The government introduced a variety of direct and indirect tax measures including exemptions, employment-related measures including state compensation schemes and training, and economic stimulus measures including interest free loans and moratoriums on debt repayments. In addition, for a six-month period, the government authorized the importation and receipt of donations, introduced price control for basic needs and commodities, distributed disaster funds, and introduced a hazard allowance for certain public health workers and government personnel.

The Bangko Sentral ng Pilipinas (BSP) launched various initiatives to provide liquidity support for the country's COVID-19 response and recovery, extend financial relief to borrowers, incentivize lending, and ensure the continued delivery and access to financial services.

The BSP institutionalized a standard relief framework for banks affected by typhoons and other calamities in 2018, which provides a set of relief measures to affected supervised financial institutions given the country's vulnerability to these natural disasters. The BSP has leveraged this policy in issuing the first set of regulatory relief measures implemented at the onset of the health crisis. This allowed the BSP to respond rapidly to assist banks to get through the immediate impact of COVID-19 quickly, and to continue to deliver financial services to households and business enterprises amid the implemented lockdown or quarantine protocols.

1.6 Ambitions for the next phase

The BSP is focusing on the continued implementation of the Sustainable Finance Framework, and completed phase two in 2021 with the issuance of the Environmental and Social Risk Management Framework. Phase three will involve implementing potential incentives for compliance with the Sustainable Finance Framework. Meanwhile, the BSP, in collaboration with the World Wide Fund for Nature (WWF) Philippines, World Bank, and volunteer Philippine banks, plans to conduct a vulnerability assessment and run a climate stress-testing exercise to integrate climate risks into banks' risk management systems.

The implementation of BSP's Sustainable Central Banking Program will continue, involving awareness-building, climate and environmental risk vulnerability assessment of BSP offices, and development of a Sustainable Central Banking Roadmap, planned for early 2022. It will highlight the BSP's role as an enabler, mobilizer and doer with respect to advocating sustainability in the financial system. The Inter-Agency Technical Working Group on Sustainable Finance or the "Green Force", which is co-chaired by the Department of Finance and the BSP, aims to harmonize all government policies concerning green and sustainable projects, establish a cohesive action plan to institutionalize the role of sustainable finance, and develop a pipeline for sustainable investments. These objectives are embedded in the Sustainable Finance Roadmap and Sustainable Finance Guiding Principles, which were issued by the Philippines Inter-Agency Technical Working Group for Sustainable Finance (ITSF) in 2021. Moving forward, the BSP will review its policies and initiatives to align with the objectives and strategies defined under the Roadmap and the Guiding Principles.

1.7 SBFN and IFC role

IFC has provided advisory services to the BSP and Department of Environment and Natural Resources of the Philippines (DENR) for their sustainable finance initiatives and capacity building. IFC also plans to work with a number of financial institutions (FIs) to build up their climate portfolio. Through SBFN, BSP and DENR have shared their experience with other SBFN members and benefited from the collective SBFN knowledge base.



Our membership in the Sustainable Banking and Finance Network has enabled us to look at the experiences of our peers and pace our sustainable finance initiatives with developments in other jurisdictions. We don't have to reinvent the wheel. Thanks to first-mover jurisdictions, and from the international best practices, we can adopt what is most suitable for our country. We will continue our alliance with SBFN as we leverage the momentum to turn our climate ambition into concrete actions.



Ms. Lyn Javier

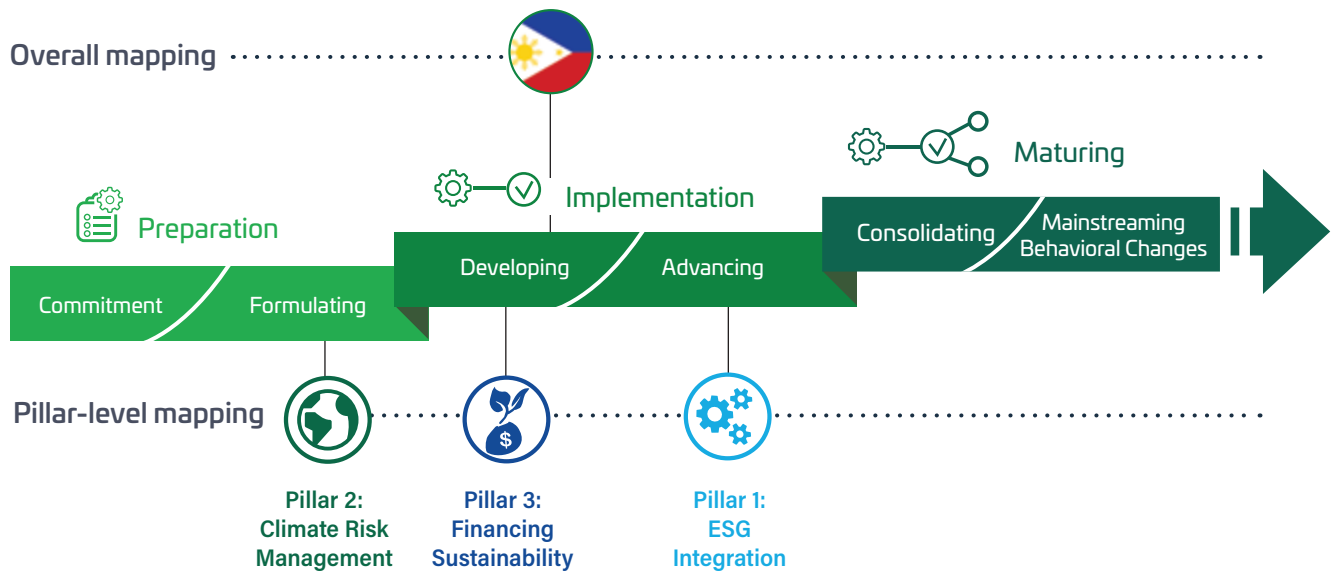
Assistant Governor, Policy and Supervision Sub-Sector, Financial Supervision Sector

Bangko Sentral ng Pilipinas



2. Progress by three pillars

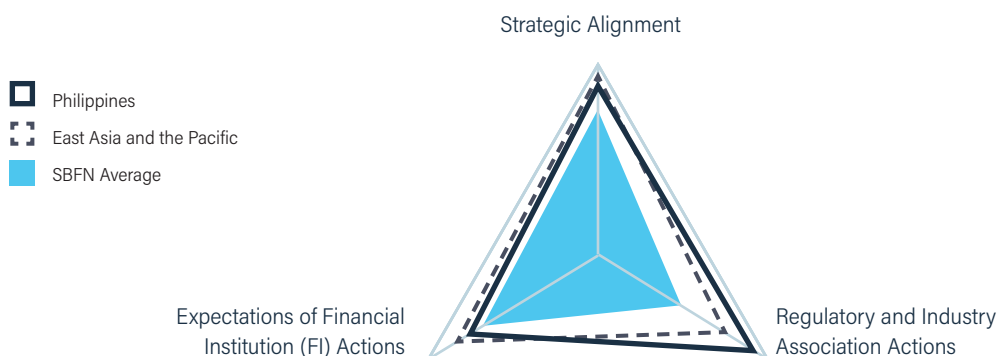
Figure 3: Mapping of overall country progress and individual pillar progress



Pillar 1: ESG Integration

Pillar Progress: Advancing

The Philippines is mapped under the **“Advancing” sub-stage of the “Implementation” stage** for the ESG Integration Pillar. The Sustainable Finance Framework (BSP, 2020), as well as the Sustainability Reporting Guidelines for Publicly Listed Companies (SEC, 2019), address the integration of ESG risk and performance considerations into the practices of financial institutions. In addition to ongoing activities to raise awareness and build capacity, implementation tools and initiatives are in place, and FIs have started reporting on their ESG implementation with consistent reporting instructions or templates.



Sub-pillar 1: Strategic Alignment

- The Philippines' national frameworks for the banking sector and non-banking sector, including the Sustainable Finance Framework (BSP, 2020), and the Sustainability Reporting Guidelines for Publicly Listed Companies (SEC, 2019), set out expectations for integrating the consideration of ESG risks and performance.
- The Philippines' approach to ESG integration in the financial sector is aligned with international good practices and standards, such as the UN Sustainable Development Goals, Global Reporting Initiative, Sustainability Reporting Standards, Sustainability Accounting Standards Board, and the Task Force on Climate-related Financial Disclosures (TCFD).

Sub-pillar 2: Regulatory and Industry Association Actions

- The Philippines' sustainable finance framework is supported with implementation guidance and technical tools in the Sustainable Finance Framework (BSP, 2020). The framework, complemented by the Environmental and Social Risk Management Framework (BSP, 2021), provides requirements to integrate environmental and social risk management into banks' corporate governance and risk management frameworks, as well as into their strategic objectives and operations.
- The implementation of the framework is regularly monitored by BSP, supported by its data collection approach.
- In 2019, BSP launched the Sustainable Central Banking Program as part of its strategic programs for 2020-2023, which aims to foster environmentally-responsible and sustainable policies and work practices as well as to integrate social governance into its key functions and operations.
- The SEC's Sustainability Reporting Guidelines for Publicly-Listed Companies (PLCs), require such companies to disclose compliance or non-compliance of the recommendations provided under the Code of Corporate Governance for PLCs operating in the Philippines.

- In June 2020, BSP published the Impact of Extreme Weather Episodes on the Philippine Banking Sector: Evidence Using Branch-Level Supervisory Data working paper, which examined the impact of extreme weather conditions on banking sector performance using the BSP's Branch Regional Information System to inform BSP's policy-making process.
- The BSP, in collaboration with key government agencies, developed a harmonized approach towards promoting green or sustainable finance under a technical working group, the Green Force, which has launched the Sustainable Finance Roadmap and the Sustainable Finance Guiding Principles.

Sub-pillar 3: Expectations for FI Actions

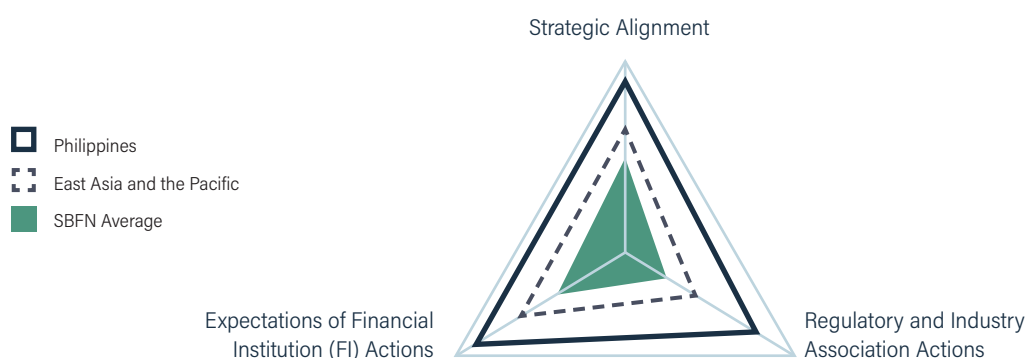
- The Sustainable Finance Framework requires banks to develop policies and procedures to manage ESG risks and performance, undertake regular review and monitoring of ESG risks, and report ESG performance publicly. During the transitory phase or before the effectivity of the Sustainable Finance Framework, the BSP may request banks to submit their transition plan, which provides their strategy or approach in implementing the Framework.
- In their annual reports, banks are required to disclose the progress of the implementation of initiatives undertaken to integrate sustainability principles in their governance framework, risk management system, and business strategy and operations.



Pillar 2: Climate Risk Management

Pillar Progress: Formulating

The Philippines is in the **"Formulating" sub-stage of the "Preparation" stage** of the Climate Risk Management Pillar. The BSP issued the Sustainable Finance Framework (2020) that includes climate-related physical and transition risks as part of overall ESG risk management, and the SEC has released sustainability reporting guidelines that reference climate risk. 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 the Philippines' Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the National Climate Change Action Plan 2011-2028. In the financial sector, the BSP issued the Sustainable Finance Framework in 2020 as part of the Manual of Regulations of Banks, which includes climate-related physical and transition risks as part of overall ESG risk management. The SEC has also released the Sustainability Reporting Guidelines for Publicly Listed Companies, which reference climate risk.

Sub-pillar 2: Regulatory and Industry Association Actions

- The Sustainable Finance Framework emphasizes the responsibilities of the board of directors and senior management of banks in managing climate risks. The Framework recognizes that climate risks pose financial sector stability concerns and requires banks to include climate-related physical and transition risks in addition to Environmental and Social (E&S) risk for consideration in credit risk and other risk management activities.

- In 2020, BSP released the Impact of Extreme Weather Episodes on the Philippine Banking Sector: Evidence Using Branch-Level Supervisory Data working paper, which analyzed the connection between loan growth and quality and extreme weather events.
- In 2019, the World Bank and International Monetary Fund (IMF), in conjunction with BSP, undertook a Climate and Environmental Risk and Opportunities Assessment as part of the Financial Sector Assessment Program Development Module. The technical note provides a high-level assessment of the physical and transition risks and impacts of climate change and natural disasters on financial stability, and the supervisory responses and tools by financial sector regulators to manage these risks based on emerging international good practices.²
- In 2019, the SEC released the Sustainability Reporting Guidelines for Publicly-Listed Companies (PLCs), which include reporting requirements for PLCs using international guidelines, including the TCFD and under which issuers and companies reported data for 2021.
- In terms of awareness raising for E&S and climate risks, the BSP is a member of the Network of Central Banks

² World Bank Philippines Financial Assessment Program: Technical Note on Climate Change Risks and Opportunities. The technical note also explores opportunities for deepening financial markets to mobilize green finance in line with the Philippine Nationally Determined Contribution (NDC) to the Paris Agreement.

and Supervisors for Greening the Financial System, and the SEC is a formal supporter of the TCFD.

- As part of future progress by the Philippines, recommended areas of focus for regulatory and industry association actions include research, capacity building, technical guidance (for example climate scenarios, risk assessment methodologies), and further 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

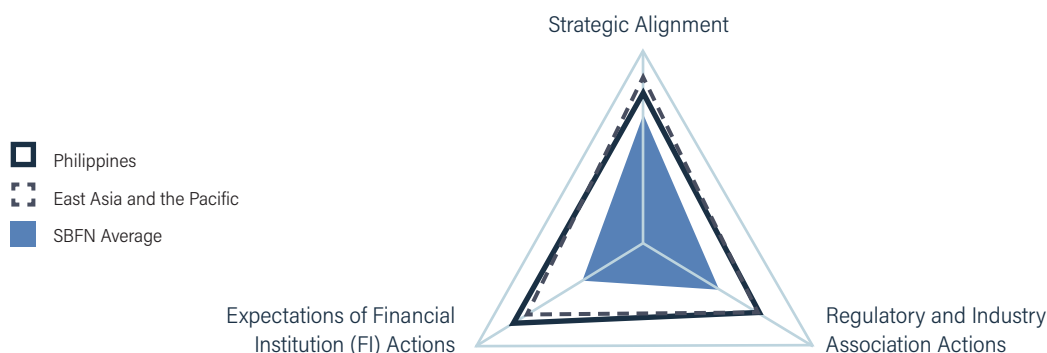
- Application of the Sustainable Finance Framework serves to build familiarity and capacity among Philippine financial institutions to improve climate risk management practices as part of overall ESG risk management approaches. Climate-related physical and transition risks are integrated with E&S risk for consideration in the risk management for banks, and the Framework requires these risks to be integrated as part of overall stress testing requirements over the short and long-term.
- As part of the Scaling Up Climate Finance through the Financial Sector (30 by 30 Zero initiative), the IFC and World Bank are collaborating with Philippine financial authorities and the financial sector to scale climate finance, and build the capacity 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.



Pillar 3: Financing Sustainability

Pillar Progress: Developing

The Philippines 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, BSP published the Sustainable Finance Framework, promoting ESG integration into banks’ corporate strategies and risk management systems, and financing sustainability. In 2018 and 2019, the SEC published the Guidelines for the issuance of green, social, and sustainability bonds, promoting the country’s green bond markets, which are aligned with the ASEAN Green/Social/Sustainability Bond Standards.



Sub-pillar 1: Strategic Alignment

- The Philippines’ national framework for financing sustainability, led by the BSP and the SEC, includes the Green Bond Issuance Guidelines (2018) and the Social and Sustainability Bond Issuance Guidelines (2019), and covers both the banking sector and the capital markets.
- The Philippine financial sector’s approach to promoting green bond issuance is in alignment with international good practices and standards, including the UN Sustainable Development Goals. Both SEC Guidelines require issuers to follow the ASEAN Green, Social and Sustainability Bonds Standards, which were developed based on the International Capital Markets Association’s Green and Sustainability-Linked Bond Principles.
- Within the Philippines, an inter-agency working group on sustainable finance, the Green Force, has been formed, and is involved in policy design and implementation related to sustainable finance flows.

Sub-pillar 2: Regulatory and Industry Association Actions

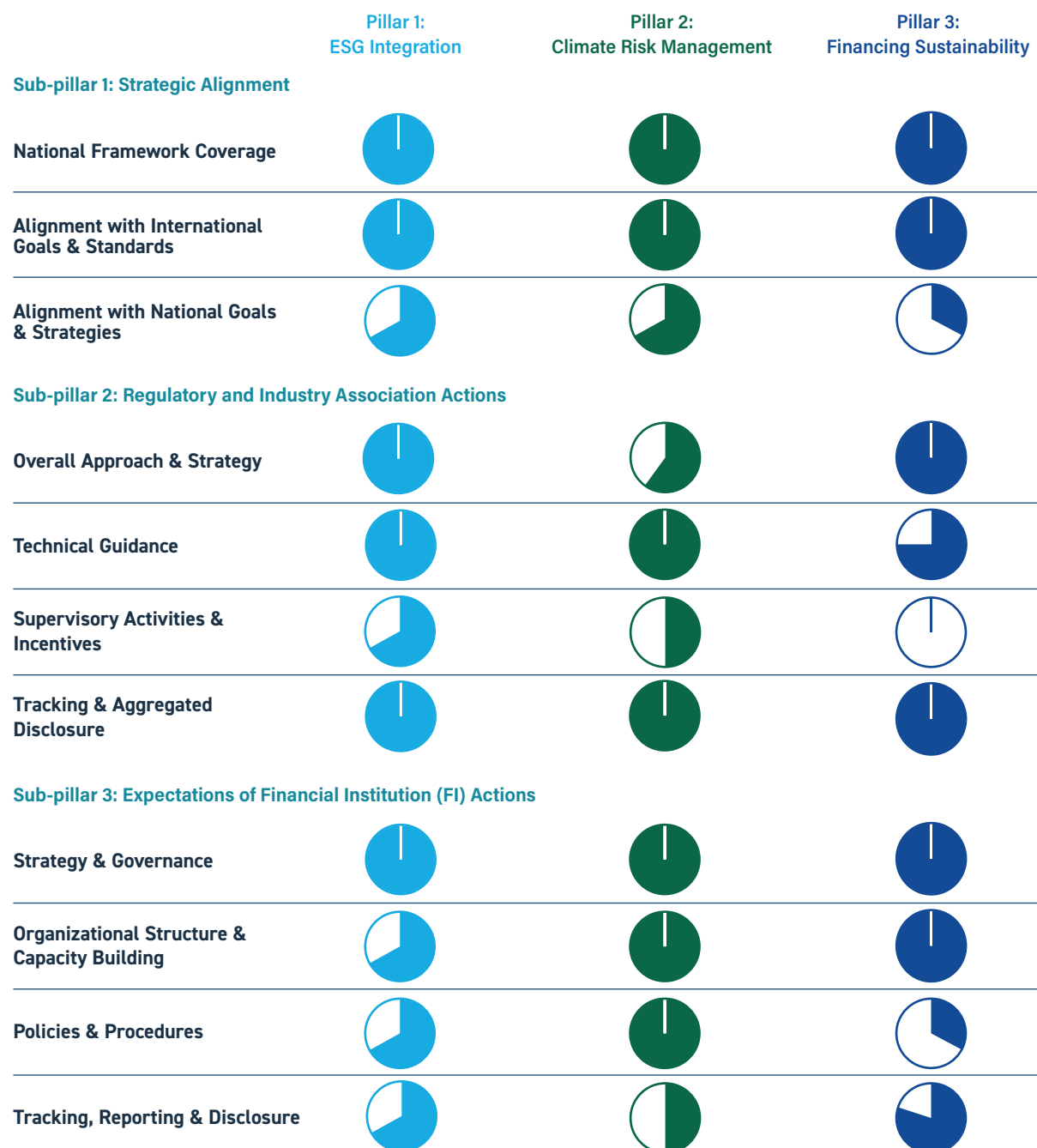
- The SEC’s Guidelines use the same eligibility categories as the ASEAN Green, Social and Sustainability bond standards.
- The SEC’s Guidelines on Issuance of Green, Social and Sustainability Bonds directly follows the ASEAN Green, Social and Sustainability Bond Standards, which require external party verification to ensure the credibility of sustainability instruments. The Guidelines directly cite ASEAN standards for all aspects of bond issuance, including general provisions, eligibility requirements, use of proceeds, process for project selection and evaluation, management of proceeds, reporting requirements, and external review requirements.
- The SEC publishes the Sustainable Finance Market Update about the green, social, and sustainability bond issuances of Philippine companies on a monthly basis.

Sub-pillar 3: Expectations for FI Actions

- The BSP Sustainable Finance Framework expects that banks' environmental and social risk management systems to define the level of risk appetite on E&S risk. Hence, thresholds on allocating resources to sustainable assets or projects will vary across banks depending on their internal assessment and capacity to bear and manage such risk.
- The BSP's Sustainable Finance Framework sets up expectations on the duties and responsibilities of the board of directors, on defining internal staff roles and responsibilities, and developing and maintaining internal staff capacity on green, social, or sustainability products through regular training and learning.
- The Framework requires banks to disclose in their annual reports several elements of their sustainability agenda, which include the sustainability strategic objectives and risk appetite; overview of the environmental and social risk management system; products/services aligned with internationally recognized sustainability standards and practices; breakdown of E&S risk exposures; and information on existing and emerging E&S risks and its impact on the bank. The disclosure requirements are broadly aligned with the SEC's Sustainability Reporting Guidelines. If the required disclosures are captured in the Sustainability Report submitted by publicly listed banks to the SEC, the Sustainability Report may be submitted together with the annual report to the BSP in compliance with the requirements of the Framework.
- The SEC, aside from the Sustainability Reporting Guidelines, has also issued the Guidelines pertaining to the issuance of Green, Social, and Sustainability Bonds in 2018 and 2019. The SEC guidelines are patterned after ASEAN Standards and International Capital Market Association Principles. The Guidelines provide the classification and categories of eligible projects.
- In this regard, the issuers are required to disclose the use of proceeds; project evaluation and selection process, including certifications related to the project selection; qualitative and quantitative performance indicators/measures; among other things. The annual reports and the external review on the annual reports, if any, are required to be made available to the investors. Meanwhile, the green, social and sustainability bonds issued should be reviewed by external review providers that have the relevant expertise and experience.

3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of the Philippines'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



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.



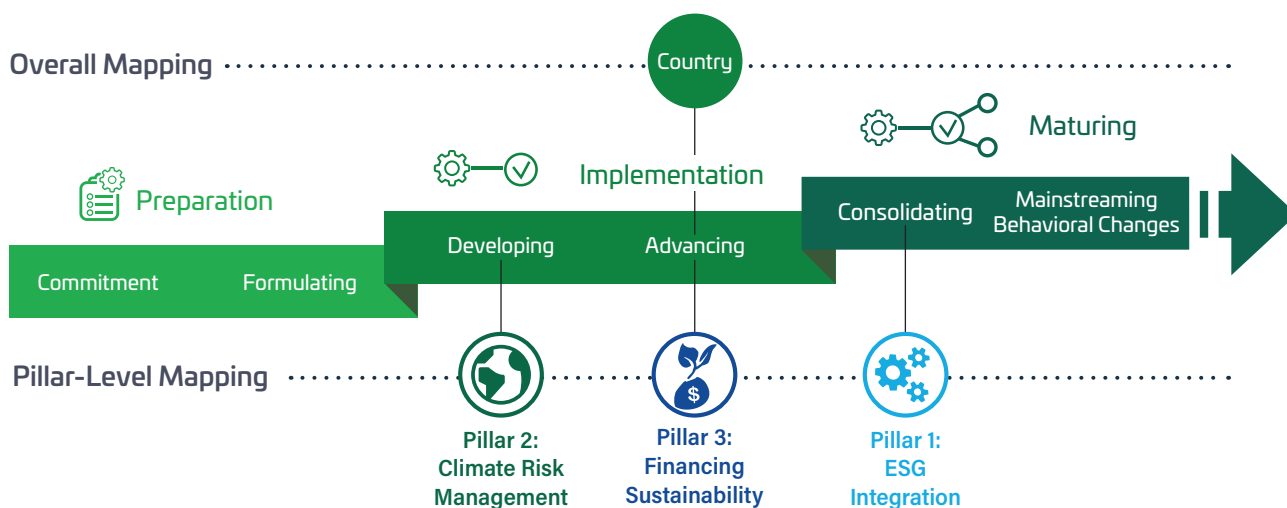
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, 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
 <p>Sub-pillar 1: Strategic Alignment</p>	<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 on-line case study catalogue
Coming soon

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

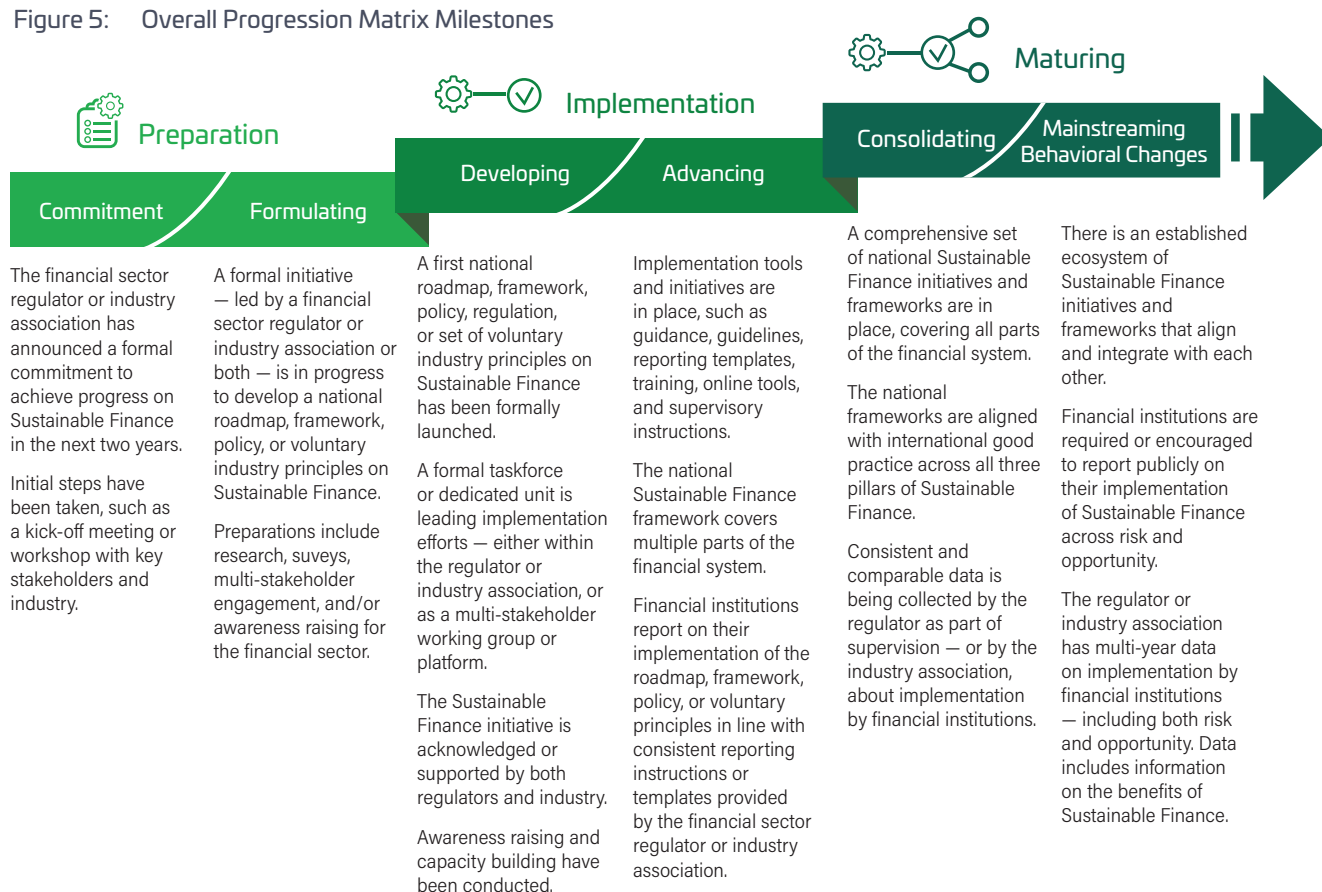


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

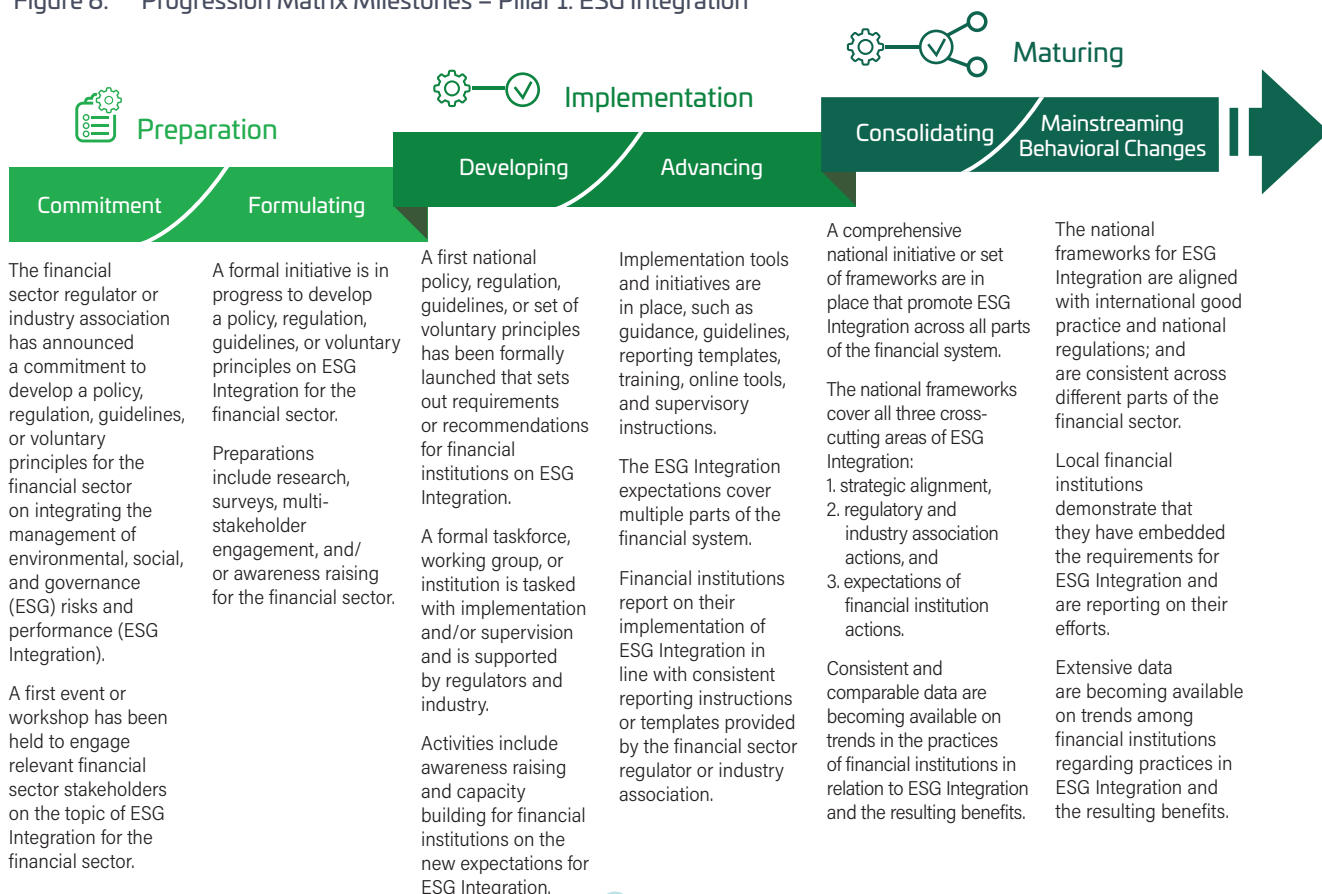


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

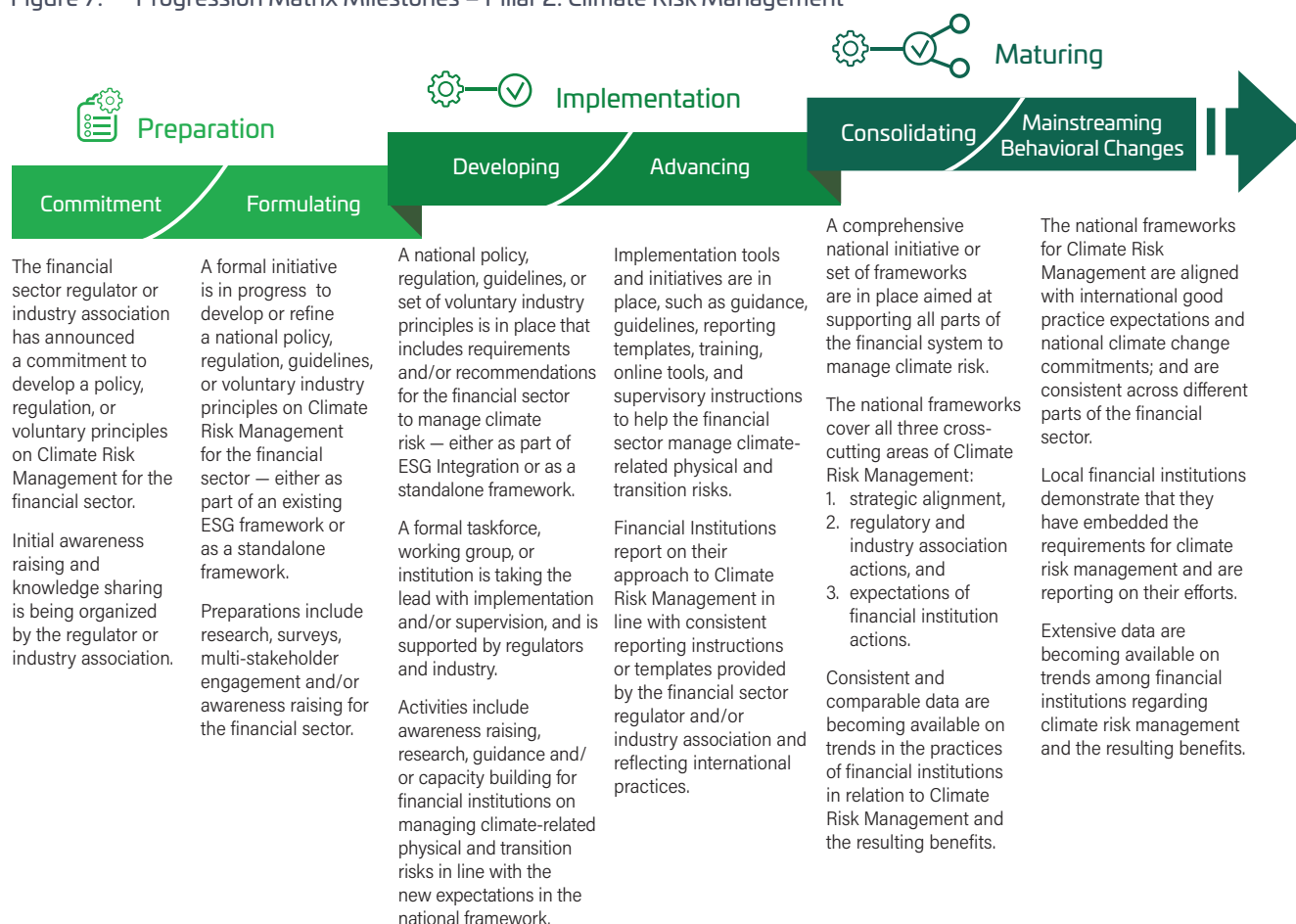
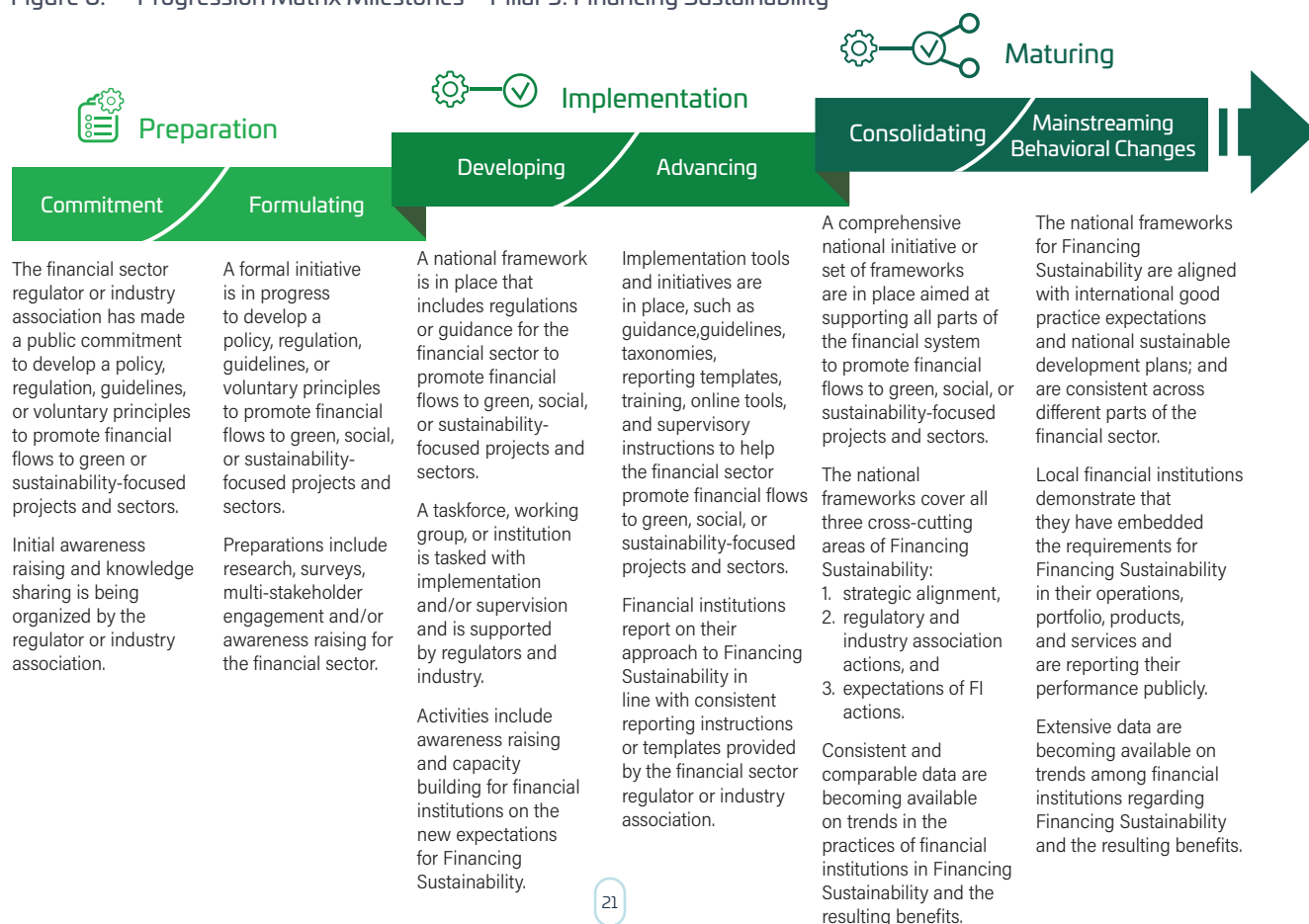


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability



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