Vietnam
Country Progress Report
April 2022
SUPPLEMENT TO THE 2021 GLOBAL PROGRESS REPORT OF
THE SUSTAINABLE BANKING AND FINANCE NETWORK
Acknowledgements

This SBFN Country Progress Report was developed by the SBFN Secretariat under the leadership of the SBFN Measurement Working Group and with guidance from the SBFN Vietnam Country Coordinator, Huong Thien Nguyen and Asia Regional Coordinator, Wei Yuan. Data are provided by the State Bank of Vietnam (SBV) and verified by SBFN. The team is grateful for the support and guidance of SBV representatives who provided data, participated in interviews, and reviewed and provided comments to this report, in particular Nguyen Sao Mai, Risk Manager; Lê Hà, Thi Hong Nguyen, Tran Anh Quy, and Pham Thi Thanh Tung.

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.

About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. IFC works in more than 100 countries, using its capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2021, IFC committed a record $31.5 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of the COVID-19 pandemic. For more information, visit www.ifc.org.
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Note to the reader: All measurement results featured in this document, such as graphs and progression matrices, 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 – Vietnam

1.1 SBFN member institutions:

State Bank of Vietnam (SBV)  
Member Since: 2012  
Working Group: Measurement

Ministry of Natural Resources and Environment of the Socialist Republic of Vietnam (MONRE)  
Member Since: 2012

1.2 Other key institutions and national initiatives promoting sustainable finance

Association of South East Asian Nations (ASEAN)  
ASEAN Capital Markets Forum (ACMF)  
Vietnam Ministry of Finance (MOF)  
State Securities Commission of Vietnam

Saigon – Hanoi Commercial Joint Stock Bank (SHB)  
Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)

1.3 Overall progress

Vietnam has continued to make progress in the “Advancing” sub-stage of the “Implementation” stage. In 2021, the State Securities Commission of Vietnam issued guidelines on How to Issue Green Bonds, Social bonds, and Sustainability Bonds. The Decree No. 53 Regulations on corporate bonds, issued by the Government of Vietnam, also covers green bonds. These policies have extended the sustainable finance coverage in the country to the capital markets. Vietnam’s sustainable finance framework has been implemented for a number of years, and it has a series of implementation tools in place, including guidance/guidelines, templates (for example, for reporting), training, online tools, and supervision guidance on how to do all this in practice. Financial institutions (FIs) have also started reporting on sustainable finance implementation in line with consistent reporting instructions/templates.

Figure 1: SBFN Progression Matrix - Overall Country Progress

* Countries within each sub-stage are listed in alphabetical order
14 Country Sustainable Finance Journey

Figure 2: Vietnam’s sustainable finance journey

<table>
<thead>
<tr>
<th>2012</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBV joins SBFN as a founding member</td>
<td>SBV issues the Directive on Promoting Green Credit Growth and E&amp;S Risk Management in Credit Granting Activities and the Action Plan for the banking sector to Implement the National Strategy on Green Growth toward 2020</td>
<td>SBV releases the Green Banking Development Scheme, the Decision to set the Action Plan of the banking sector to implement the 2030 Agenda for Sustainable Development, and the Handbook on Environmental and Social Risk Assessment for specific sectors</td>
</tr>
<tr>
<td>Ministry of Natural Resources and Environmental Protection joins SBFN as a founding member</td>
<td>The National Green Growth Strategy for the period 2011-2020 with a vision to 2050 is approved (Decision 1393/QĐ-TTg, Prime Minister)</td>
<td>Government of Vietnam issues the Decree on Government Debt Instruments, the Decree on Corporate Bond Issuance, including green bonds, and the Strategy to Develop the Banking Industry in Vietnam to 2025 and Vision to 2030, incorporating green credit development</td>
</tr>
</tbody>
</table>

Policies, principles, regulations, and guidance. | Research and engagement (since last SBFN progress report) | Examples of market actions and impacts

Government of Vietnam issues Decree No. 53: Regulations on Individual Corporate Bond Offerings and Transactions in the Domestic Market and Corporate Bond Offerings in the International Market, which mentions green bonds

Policy dialogue between the ASEAN Central Bank governors and the CEOs of FIs on digitalization and sustainability is being facilitated by SBV

ASEAN banking sector sets up a task force to look into how member countries can implement ASEAN sustainable banking principles

ASEAN Sustainable Banking Principles Initiative is approved

Ministry of Finance mandates the green house gas (GHG) emission disclosure among public listed companies in their Circular 96/2020/TT-BTC

SBV issues an official letter requesting credit institutions to report on the implementation of the banking sector plan to achieve national green growth targets (No. 8519/NHNN)

37 banks have internal ESG policies and report ESG performance to the regulator

37 FIs saw an annual growth rate of 22.97 percent for green loans between 2017 and 2020, accounting for 3.72 percent of total outstanding loans

38 FIs saw an annual growth rate of 109.24 percent in the value of outstanding E&S screened loans between 2017 and 2020

One nonbanking institution has established internal ESG structures and reports ESG activities regularly to the regulator

$55 billion of outstanding bank loans have undergone ESG screening

$284 million worth of green bonds issued as of December 31, 2020
1.5 COVID response

In July 2021 the Government of Vietnam introduced a variety of measures aimed at supporting employers and helping their employees cope with the COVID-19 pandemic, and also provided interest-free loans to cover job-cessation and recovery-related salaries in certain sectors such as transportation, travel, and hospitality. Additionally, the State Bank of Vietnam (SBV) has implemented several monetary policy measures to stabilise the money market, including interest rate reduction to support credit institutions with conditions to reduce lending interest rates for businesses. The SBV has also undertaken credit policy measures to direct credit flow towards priority production and business sectors by issuing regulations to create a legal basis for credit institutions to restructure debts and support customers. Several measures have also been put into place to improve the legal framework for digital banking, which is seen as integral to economic recovery.

1.6 Ambitions for the next phase

Association of South East Asian Nations (ASEAN) endorsed the initiative on the ASEAN Sustainable Banking Principles proposed by the SBV. Vietnam is looking to foster greater cooperation with other ASEAN countries to promote digitization and interoperability, safety, and security for sharing common data, and to promote the implementation of the Principles. The Ministry of Finance (MOF), SBV, Ministry of Planning and Investment (MPI), and Ministry of Natural Resources and Environment (MONRE) are working on the national green taxonomy to facilitate the green bond and green credit. State Securities Commission (SSC) will be contributing to the ASEAN Capital Markets Forum (ACMF) initiative on ASEAN sustainable finance taxonomy. The SBV will continue to assess credit policies to support the sustainable development of agricultural and rural areas and encourage bank credit products and policies to support operations in these areas, and will continue to develop the legal framework guiding the implementation of green banking credit, including clarifying the list of investible green projects and green bonds. Furthermore, SBV is actively contributing to the National Green Growth Strategy for 2021-2030 and will develop the Green Growth Action Plan for the banking sector, and plans to integrate ESG requirements into current regulations on lending activities for credit institutions and foreign banks, as well as to strengthen awareness within FIs about green lending and Environmental and Social Risk Management (ESRM) lending activities.

1.7 SBFN and IFC role

IFC has provided advisory services to the SBV and the Vietnam MONRE for their sustainable finance initiatives and capacity building. Through SBFN, the SBV and MONRE have shared their experience with other SBFN members and benefited from the collective SBFN knowledge base.

“As a member of SBFN, we expect to be connected and learn from the experiences of other member countries in the development of policies and mechanisms to guide banks to implement ESRM requirements and to build up their green credit portfolio. Capacity building and training for the workforce of the banking sector in particular and the financial sector in general in the field of sustainable finance and green banking is also of key focus for us.”

Mrs Phạm Thị Thanh Tùng  
Deputy Director, Department of Credit Policies for Economic Sectors, State Bank of Vietnam
2. Progress by three pillars

Overall mapping

Pillar-level mapping

Pillar 1: ESG Integration
Pillar Progress: Consolidating

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

Sub-pillar 1: Strategic Alignment
- Vietnam's national framework for the banking sector and non-banking sector, including the Action Plan for the Banking Sector to Implement the National Strategy on Green Growth toward 2020 (SBV, 2015), the Directive on Promoting Green Credit Growth and E&S Risk Management in Credit Granting Activities (SBV, 2015), the Strategy to Develop the Banking Industry in Vietnam to 2025 and Vision to 2030 (SBV, 2018), and the Decree on Issuance of Corporate Bonds (Government of Vietnam, 2018), set out expectations for integrating the consideration of ESG risks and performance.
The Vietnamese financial sector’s approach to ESG integration is in alignment with international good practices and standards, such as the UN Sustainable Development Goals (SDGs), the Equator Principles, the Green Bond Principles, and the ASEAN Green Bonds, Social Bonds, and Sustainable Bonds standards.

The framework was developed and/or implemented in close consultation with stakeholders. Financial regulators are responsible for coordinating with the MONRE who is in charge of State management of environmental protection and issuing and organizing the implementation of policies and laws, technical instructions and evaluations, and of approval of results of environmental impact assessment reports.

**Sub-pillar 2: Regulator and Industry Association Actions**

- Vietnam’s sustainable finance framework is supported with implementation guidance and technical tools, such as the Manual on Environmental and Social Risk Assessment for 15 Sectors (SBV, 2018 and 2019). The Manual is used as a tool for credit institutions to identify E&S risks when evaluating credit applications for projects and business plans in high-risk industries.
- The implementation of the framework is regularly monitored by SBV, and supported by its data collection approach. SBV monitors the granting of credit that was assessed for E&S risks, and also monitors the implementation of the Green Banking Scheme, the green banking development strategic framework.
- Vietnam’s National Assembly passed the 2020 Law on Environment Protection, which introduces many new policies, such as the classification of investment projects according to environmental criteria, environmental impact assessment, environmental permit, and environmental carrying capacity; it also includes the application of best available techniques (BATs) for environmental audits. These policies provide two effective tools in environmental control for both managers and investors.

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

- Government frameworks (Directive 03 / CT-NHNN dated 24/3/2015, Decision 1604 / QD-NHNN on green banking, Circular 39/2016 / TT-NHNN on lending activities of credit institutions, foreign bank branches, and Circular 13/2018 / TT-NHNN regulating the internal control system of commercial banks and foreign bank branches) 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.
- In August 2018, SBV issued the Green Banking Development Scheme, which requires credit institutions to formulate an ESRM system, integrate E&S risk assessment as part of the banks’ credit risk assessment, and collaborate with the functional units of the SBV to formulate, implement, evaluate, and report on the implementation progress of the green banking strategies.
- According to data from 2019, 17 banks in Vietnam have analyzed the E&S impact of their lending. Each bank in Vietnam will be required to have created its own department dedicated solely to ESG analysis, and to have incorporated ESG factors into its overall risk analyses according to SBV’s goal by 2025.1

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Pillar 2: Climate Risk Management
Pillar Progress: Formulating

Vietnam is in the "Formulating" sub-stage of the "Preparation" stage of the Climate Risk Management Pillar. The State Securities Commission of Vietnam has issued guidance to promote improved ESG disclosure in the capital market, including on energy use and GHG emissions; and the Hanoi and Ho Chi Minh Stock Exchanges' support of the Taskforce for Climate-related Financial Disclosures (TCFD) is promoting awareness on climate issues in the financial sector. There is an existing framework for ESG risk management issued by SBV that references climate change. 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 Vietnam's Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the National Climate Change Strategy. In the financial sector, the State Securities Commission of Vietnam has issued guidance on ESG Disclosure, and Vietnam's central bank has issued a directive for the management and disclosure of E&S risk in the banking sector that references climate change.

Sub-pillar 2: Regulatory and Industry Association Actions
- SBV issued the Directive on Promoting Green Credit Growth and E&S Risk Management in Credit Granting Activities (2015), which requires all credit institutions to consider E&S risk management as part of credit-granting activities, and references climate change.

Sub-pillar 3: Expectations for FI Actions
- The Hanoi and Ho Chi Minh Stock Exchanges are supporters of the Taskforce for Climate-related Financial Disclosures (TCFD).
- As part of future progress by Vietnam, recommended areas of focus for regulatory and industry association actions include research, capacity building, technical guidance (for example, climate scenarios, risk assessment methodologies), and development of regulatory and supervisory expectations for FIs for managing climate-related physical and transition risks and financial impacts.

- SBV is planning to develop a circular guiding the management of environmental risks in banking operations, and has indicated an intention to study climate change risks in banking activities as part of the National Green Growth Strategy for the period 2021-2025 and the 2030 Agenda for the SDGs.
- Capital market ESG disclosure requirements for listed institutions on the Hanoi and Ho Chi Minh Stock Exchanges serve to sensitize banks to GHG emissions, energy use, and climate change as part of E&S risk management and disclosure.
Vietnam is mapped under the "Advancing" sub-stage of the "Implementation" stage for the Financing Sustainability Pillar. In 2021, Vietnam’s State Securities Commission (SSC) launched the handbook, How-to Issue Guide for Green Bonds, Social Bonds, and Sustainability Bonds, an implementation tool to encourage financial flows into green, social, climate, and sustainability-linked projects. Furthermore, FIs have started reporting financing sustainability performance in line with consistent reporting instructions/templates.

Sub-pillar 1: Strategic Alignment
- Vietnam’s national framework for financing sustainability, led by SBV, Ministry of Finance, and SSC, covers both the banking sector and capital markets. Key policies include the 2021 How-to Issue Green Bonds, Social Bonds and Sustainability Bonds Handbook, the 2018 Green Banking Development Scheme, and the 2018 Decision on Incorporating Green Credit Development.
- The Vietnamese financial sector’s approach to promoting financial flow into green and sustainability projects and sectors is in alignment with international good practices and standards, such as the UN SDGs, and the ASEAN Green Bond, Social Bond, and Sustainability Bond Standards. The SBV, as the Chair of ASEAN 2020, proposed and facilitated the passing of the ASEAN Sustainable Banking Principles in 2021.
- The Vietnamese financial sector’s approach to financing sustainability is aligned with Vietnam’s national goals and strategies, such as the indicated NDCs. It also identifies key stakeholders and promotes engagement. There are multiple intra-agency data sharing schemes, for example, SBV will report on changing financial and credit institutions to suit green growth goals to the Green Growth Coordination Committee; the Ministry of Planning and Investment will synthesize the reports to submit to the Prime Minister and National Committee on Climate Change before October 31 every year.

Sub-pillar 2: Regulatory and Industry Association Actions
- Vietnam’s framework on financing sustainability asks the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects, including the implementation of green banking and green credit operations and to encourage credit institutions to allocate capital to sustainable fields, assets and projects.
- Vietnam’s framework provides definitions, samples, and a taxonomy for green sectors/projects. The 2018 Decision on Incorporating Green Credit Development provides guidelines for extending green, social, or sustainability-focused loans. The 2021 How-to Issue Green Bonds, Social Bonds and Sustainability Bonds Handbook provides guidelines for the issuance of green, social, or sustainability bonds, which also requires external party verification to ensure the credibility of the bonds. The guidelines refer to the global and ASEAN standards as well as national regulations of green, social, and sustainability bonds.
- The SBV monitors outstanding loans, including green loans. The SBV also considers priority access to concessional loans from international organizations and development partners for commercial banks to have a high proportion of green credit loans, which is an incentive for banks to issue green loans.
- SBV routinely collects data from credit institutions on allocation of capital to green and sustainability assets, projects, or sectors.
Sub-pillar 3: Expectations for FI Actions

- The SBV requires credit institutions to develop green credit programs and policies to gradually increase the proportion of green credit in its credit portfolio structure based on the approved National Strategy on Green Growth and programs and action plans.
- The framework requires that the board of directors of credit institutions proactively develop credit programs and policies to gradually increase the proportion of green credit in the structure of its credit investment portfolio.
- Credit institutions are asked to organize training courses on sustainable development, green growth, green credit, and green banking, among other things. Credit institutions are also asked to construct and implement solutions to promote green credit growth and to encourage environmentally and socially responsible business activities.
- SBV requires credit institutions to report on the growth of the green credit proportion of the bank’s investment portfolio, and the results of the implementation of banking sector targets and targets implementing the 2030 Agenda for Sustainable Development according to a template provided by SBV. Some information needs to be submitted to SBV and some is required to be disclosed publicly by the credit institutions.
3. Progress by three sub-pillars and 11 indicators

Figure 4: Overview of Vietnam’s sustainable finance coverage in three framework areas

<table>
<thead>
<tr>
<th>Sub-pillar 1: Strategic Alignment</th>
<th>Pillar 1: ESG Integration</th>
<th>Pillar 2: Climate Risk Management</th>
<th>Pillar 3: Financing Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Framework Coverage</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
</tr>
<tr>
<td>Alignment with International Goals &amp; Standards</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
</tr>
<tr>
<td>Alignment with National Goals &amp; Strategies</td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
</tr>
</tbody>
</table>

Sub-pillar 2: Regulatory and Industry Association Actions

| Overall Approach & Strategy | ⬤                        | ⬤                                 | ⬤                                |
| Technical Guidance          | ⬤                        | ⬤                                 | ⬤                                |
| Supervisory Activities & Incentives | ⬤                        | ⬤                                 | ⬤                                |
| Tracking & Aggregated Disclosure | ⬤                        | ⬤                                 | ⬤                                |

Sub-pillar 3: Expectations of Financial Institution (FI) Actions

| Strategy & Governance          | ⬤                        | ⬤                                 | ⬤                                |
| Organizational Structure & Capacity Building | ⬤                        | ⬤                                 | ⬤                                |
| Policies & Procedures          | ⬤                        | ⬤                                 | ⬤                                |
| Tracking, Reporting & Disclosure | ⬤                        | ⬤                                 | ⬤                                |

All data in the report are pending member confirmation.
### 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**

<table>
<thead>
<tr>
<th>Document Title</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>How to issue green bonds, social bonds, and sustainability bonds</td>
<td><a href="https://www.sbfnetwork.org/library">State Securities Commission of Vietnam, 2021</a></td>
</tr>
<tr>
<td>Decision to set the Action Plan of the banking sector to implement the 2030 Agenda for Sustainable Development No. 1731/2018/QD-NHNN</td>
<td><a href="https://www.sbfnetwork.org/library">SBV, 2018</a></td>
</tr>
<tr>
<td>Strategy to develop the banking industry in Vietnam to 2025 and vision to 2030, incorporating green credit development No. 986/QD-TTg</td>
<td><a href="https://www.sbfnetwork.org/library">Government of Vietnam, 2018</a></td>
</tr>
<tr>
<td>Guidance of E&amp;S risk management and green credit reporting with 12 groups of environmental protections, climate change mitigation and adaptation projects</td>
<td><a href="https://www.sbfnetwork.org/library">SBV, 2018</a></td>
</tr>
<tr>
<td>Decision approving Green Banking Development Scheme in Vietnam No. 1604/ QD-NHNN</td>
<td><a href="https://www.sbfnetwork.org/library">SBV, 2018</a></td>
</tr>
<tr>
<td>Decision on issuance of Action Plan for the banking sector to implement the National Strategy on Green Growth toward 2020 No. 1552/QD-NHNN</td>
<td><a href="https://www.sbfnetwork.org/library">SBV, 2015</a></td>
</tr>
<tr>
<td>Directive on Promoting Green Credit Growth and E&amp;S Risk Management in Credit Granting Activities No 03/CT-NHNN</td>
<td><a href="https://www.sbfnetwork.org/library">SBV, 2015</a></td>
</tr>
<tr>
<td>Circular to facilitate the development of green bonds 34/2013/TT NHNN</td>
<td><a href="https://www.sbfnetwork.org/library">State Bank of Vietnam, 2013</a></td>
</tr>
</tbody>
</table>

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

### Overall Mapping

- **Preparation**
- **Commitment**
- **Formulating**
- **Implementation**
- **Consolidating**
- **Maturing**

### Pillar-Level Mapping

- **Pillar 1: ESG Integration**
  - Sub-pillar 1: Strategic Alignment
  - Sub-pillar 2: Regulatory and Industry Association Actions
  - Sub-pillar 3: Expectations of Financial Institution (FI) Actions
- **Pillar 2: Climate Risk Management**
- **Pillar 3: Financing Sustainability**

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.

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.

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SBFN on-line case study catalogue Coming soon
### SBFN Measurement Framework pillars, sub-pillars, indicators, and underlying datapoints

#### Sub-pillar: Strategic Alignment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>No.</th>
<th>Underlying datapoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>National framework(^1) (e.g. policies, roadmaps, guidance, regulations, voluntary principles, templates, or tools)</td>
<td>1</td>
<td>Has the regulator or industry association published a national framework (&quot;Framework&quot;) for the banking sector that sets out expectations for integrating the consideration of environmental, social, and governance (ESG) risks and performance?</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>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?</td>
</tr>
<tr>
<td>Alignment with international goals and standards</td>
<td>3</td>
<td>Does the Framework make reference to international sustainable development frameworks or goals?</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Does the Framework make reference to established international ESG risk management standards and principles for FIs?</td>
</tr>
<tr>
<td>Alignment with national goals and strategies</td>
<td>5</td>
<td>Does the Framework make reference to specific national development objectives, plans, policies, goals, or targets?</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>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?</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Does any inter-agency data sharing currently exist related to ESG integration by FIs?</td>
</tr>
</tbody>
</table>

#### Strategic Alignment: Regulatory and Industry Association Actions

<table>
<thead>
<tr>
<th>Indicator</th>
<th>No.</th>
<th>Underlying datapoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall approach and strategy</td>
<td>8</td>
<td>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?</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>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?</td>
</tr>
<tr>
<td>Technical guidance</td>
<td>10</td>
<td>Does the Framework provide technical guidance or tools to support implementation of ESG risk and performance management by the financial sector?</td>
</tr>
<tr>
<td>Supervision activities and incentives</td>
<td>11</td>
<td>Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Does the regulator or industry association provide any financial or non-financial incentives for FIs to manage ESG performance as part of the Framework?</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>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?</td>
</tr>
<tr>
<td>Tracking and aggregated disclosure</td>
<td>14</td>
<td>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?</td>
</tr>
<tr>
<td>Strategy and governance</td>
<td>15</td>
<td>Does the Framework require/ask FIs to report on ESG integration publicly?</td>
</tr>
<tr>
<td>Organizational structure and capacity</td>
<td>16</td>
<td>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?</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>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?</td>
</tr>
<tr>
<td>Policies and procedures</td>
<td>18</td>
<td>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?</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>Does the Framework require/ask FIs to undertake a regular review and monitoring of ESG risk exposure at aggregate portfolio level?</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>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?</td>
</tr>
<tr>
<td>Tracking, reporting, and disclosure</td>
<td>21</td>
<td>Does the Framework require/ask FIs to report ESG risks and performance to the regulator or industry association?</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Does the Framework require/ask FIs to report on ESG integration publicly?</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>Does the Framework require/ask FIs to track credit risk (e.g. loan defaults) and/or financial returns in relation to ESG risk level?</td>
</tr>
</tbody>
</table>

#### Strategic Alignment: Expectations of Fi Actions

<table>
<thead>
<tr>
<th>Indicator</th>
<th>No.</th>
<th>Underlying datapoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>National framework</td>
<td>25</td>
<td>Has the regulator or industry association published a national framework (&quot;Framework&quot;) for the banking sector that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?</td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>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?</td>
</tr>
<tr>
<td>Alignment with international goals and standards</td>
<td>27</td>
<td>Does the Framework make reference to international agreements or frameworks to address climate?</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Does the Framework recognize or align with established regional or international good practice for climate risk management and disclosure by FIs?</td>
</tr>
<tr>
<td>Alignment with national goals and strategies</td>
<td>29</td>
<td>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?</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>Does any cooperation exist between agencies, or between government and industry association, with respect to policy design or implementation related to climate risk management?</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>Does any inter-agency data sharing currently exist related to climate risk management by FIs?</td>
</tr>
</tbody>
</table>

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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.
## Pillar 3: Financing Sustainability

<table>
<thead>
<tr>
<th>Expectations of FI Actions</th>
<th>National framework</th>
<th>Alignment with international goals and standards</th>
<th>Alignment with national goals and strategies</th>
<th>Overall approach and strategy</th>
<th>Technical guidance</th>
<th>Supervisory activities and incentives</th>
<th>Tracking and aggregated disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory and Industry Association Actions</td>
<td>Overall approach and strategy</td>
<td>Pillar 3: Financing Sustainability</td>
<td></td>
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<tr>
<td>32</td>
<td>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?</td>
<td>50</td>
<td>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 measuring resulting impacts in the national economy?</td>
<td>51</td>
<td>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 measuring resulting impacts in the national economy?</td>
<td>52</td>
<td>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)?</td>
</tr>
<tr>
<td>Category</td>
<td>Question</td>
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<tr>
<td>Strategy and governance</td>
<td>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?</td>
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<tr>
<td>Organizational structure and capacity building</td>
<td>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?</td>
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<tr>
<td></td>
<td>Does the Framework require/ask FIs to develop and maintain internal staff capacity on green, social, or sustainability products through regular training and learning?</td>
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<tr>
<td>Policies and procedures</td>
<td>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?</td>
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<td></td>
<td>Does the Framework require/ask FIs to appoint an independent external reviewer to confirm that the FIs internal framework meets the requirements of the recognized national framework and regulations, or aligns to international standards?</td>
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<tr>
<td></td>
<td>Does the Framework require/ask that FIs create incentives for managers to increase sustainable loans or investments in the portfolio?</td>
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<tr>
<td>Tracking, reporting, and disclosure</td>
<td>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?</td>
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<tr>
<td></td>
<td>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?</td>
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<tr>
<td></td>
<td>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?</td>
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<tr>
<td></td>
<td>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?</td>
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<tr>
<td></td>
<td>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)?</td>
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</tbody>
</table>
The financial sector regulator or industry association has announced a formal commitment to achieve progress on Sustainable Finance in the next two years.

Initial steps have been taken, such as a kick-off meeting or workshop with key stakeholders and industry. A first national roadmap, framework, policy, regulation, or voluntary industry principles on Sustainable Finance has been formally launched. A formal taskforce or dedicated unit is leading implementation efforts — either within the regulator or industry association, or as a multi-stakeholder working group or platform.

The Sustainable Finance initiative is acknowledged or supported by both regulators and industry. Awareness raising and capacity building have been conducted.

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions. The national Sustainable Finance framework covers multiple parts of the financial system. Financial institutions report on their implementation of the roadmap, framework, policy, or voluntary principles in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

A comprehensive set of national Sustainable Finance initiatives and frameworks are in place, covering all parts of the financial system. The national frameworks are aligned with international good practice across all three pillars of Sustainable Finance. Consistent and comparable data is being collected by the regulator as part of supervision — or by the industry association, about implementation by financial institutions.

There is an established ecosystem of Sustainable Finance initiatives and frameworks that align and integrate with each other. Financial institutions are required or encouraged to report publicly on their implementation of Sustainable Finance across risk and opportunity. The regulator or industry association has multi-year data on implementation by financial institutions — including both risk and opportunity. Data includes information on the benefits of Sustainable Finance.
The financial sector regulator or industry association has announced a commitment to develop a policy, regulation, guidelines, or voluntary principles on Climate Risk Management for the financial sector.

Initial awareness raising and knowledge sharing is being organized by the regulator or industry association.

A formal initiative is in progress to develop or refine a national policy, regulation, guidelines, or voluntary principles on Climate Risk Management for the financial sector — either as part of an existing ESG framework or as a standalone framework.

Preparations include research, surveys, multi-stakeholder engagement and/or awareness raising for the financial sector.

Activities include awareness raising, research, guidance and/or capacity building for financial institutions on managing climate-related physical and transition risks in line with the new expectations in the national framework.

Implementation tools and initiatives are in place, such as guidance, templates, reporting templates, training, online tools, and supervisory instructions to help the financial sector manage climate-related physical and transition risks.

Financial institutions report on their approach to Climate Risk Management in line with consistent reporting instructions or templates provided by the financial sector regulator and/or industry association and reflecting international practices.

The national frameworks for Climate Risk Management are aligned with international good practice expectations and national climate change commitments; and are consistent across different parts of the financial sector.

Local financial institutions demonstrate that they have embedded the requirements for climate risk management and are reporting on their efforts.

Extensive data are becoming available on trends among financial institutions regarding climate risk management and the resulting benefits.

The national frameworks for Financing Sustainability are aligned with international good practice expectations and national sustainable development plans; and are consistent across different parts of the financial sector.

Local financial institutions demonstrate that they have embedded the requirements for Financing Sustainability in their operations, portfolio, products, and services and are reporting their performance publicly.

Extensive data are becoming available on trends among financial institutions regarding Financing Sustainability and the resulting benefits.
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