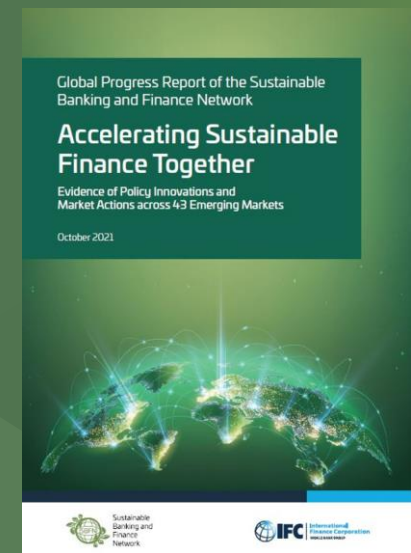


Global Progress Report of the Sustainable Banking and Finance Network (SBFN)

Accelerating Sustainable Finance Together

Evidence of Policy Innovations and Market Actions across 43 Emerging Markets

Key Findings of the Global Progress Report



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Facilitated by IFC and supported by
World Bank



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Financing Needed to Make a Substantial Difference in Achieving the Sustainable Development Goals (SDGs)



The UN estimates that up to **\$7 trillion** in investment is needed each year to achieve the Sustainable Development Goals (SDGs) by **2030**.



The OECD estimates **\$2.5 trillion** in financing needs in **developing countries** to achieve the SDGs, with an additional projected shortfall of **\$1.7 trillion** as a result of COVID-19.

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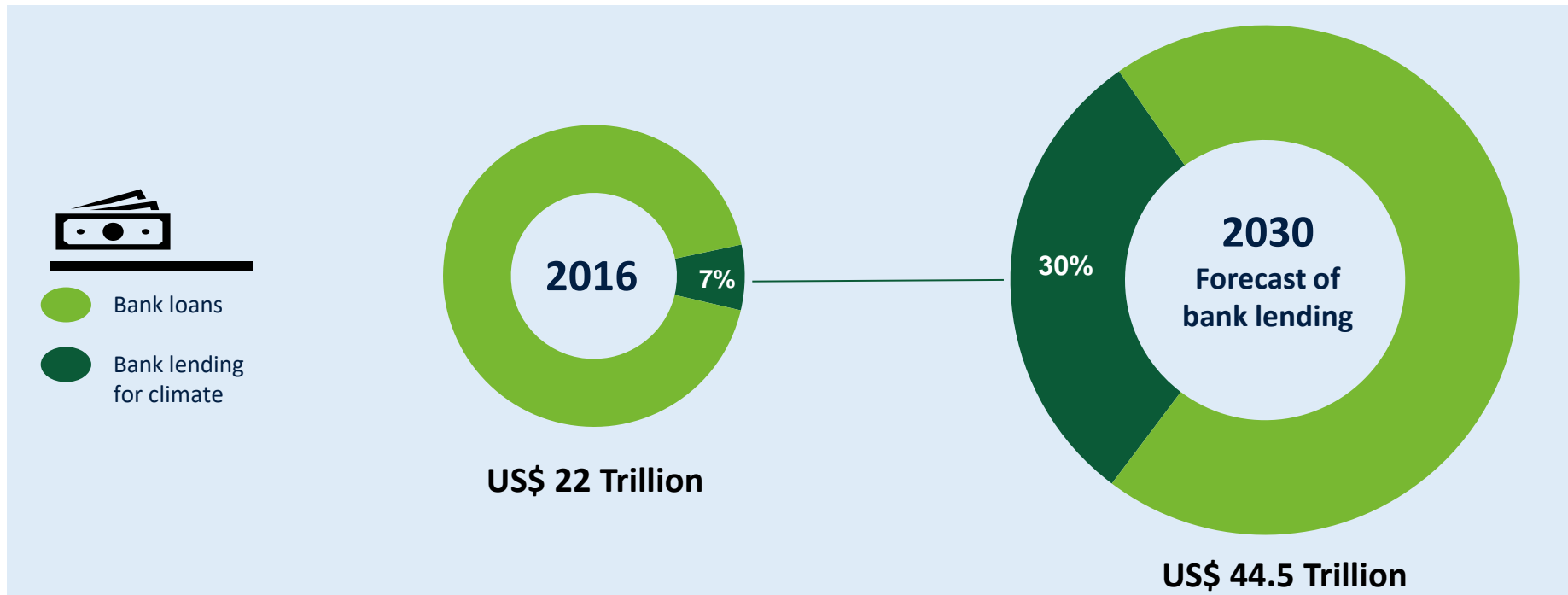
<https://www.weforum.org/agenda/2017/09/the-money-is-there-to-fight-climate-change/>

<https://www.oecd.org/newsroom/covid-19-crisis-threatens-sustainable-development-goals-financing.htm>



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Climate Financing Opportunities in Emerging Markets, Contributing to the Paris Agreement and Nationally Determined Contributions (NDCs)



IFC estimates there are **US\$23 trillion** climate investment opportunities in 21 emerging market countries until 2030. Banks need to increase the share of climate lending from **7% today to 30% in 2030** to mobilize the necessary financing for investment opportunities presented by the NDCs in those 21 countries.



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Source: IFC Compilation



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Finance Corporation
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Emerging Themes in Sustainable Finance (2021)

Climate change risk management (driven by NGFS and TCFD) and climate smart investment opportunities have become urgent priorities.

COVID-19 has highlighted social and economic vulnerabilities to ESG impacts and the value of sustainable finance, both to manage risks and to unlock capital for “building back better”.



The popularity of green and climate bonds has led to expansion into social and sustainability bonds and broadening from bonds to loans and other financial instruments.

Sustainable finance has moved “beyond banking” with approaches for capital markets, pensions, insurance, asset management etc.

The need for data to understand ESG risk as well as opportunity is driving demand for improved disclosure by all parts of the financial sector, including the development of definitions & taxonomies.

IFC and the IFC-managed Sustainable Banking and Finance Network (SBFN) are working with partners across all key elements of the sustainable finance ‘ecosystem’



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About Sustainable Banking and Finance Network (SBFN)



Purpose & Focus

Twin objectives of

- **Improved management of Environmental, Social, and Governance (ESG) risks and performance** – including climate risk
- **Increased capital flows** to activities with environmental and social benefits, including positive climate impact.

Supporting behavior change of banks through market-based actions with policy leadership, knowledge sharing & capacity building.



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Membership Growth

Members include **financial sector regulators** and **industry associations**.

Launched in Sept. 2012 with **10** founding members.

As of October 2021, **43** member-countries, **63** member institutions, **86%** of banking assets in emerging markets.

33 countries launched **203 (127 of them are member-led) policy documents** including roadmaps, policies, regulations, voluntary principles, guidelines.



Collective Ambition

Members commit to

- **Take policy actions** within 2-year of joining & **Report progress biannually** based on SBFN Measurement framework (requirement since 2016)
- **Share knowledge** with peers and participate in **4 working groups** to accelerate collective progress and design common roadmaps.

Members have confirmed a collective goal to ***“drive measurable change in line with international standards”***.



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Sustainable Banking and Finance Network (SBFN)

43 member-countries, 63 institutions, 86% banking assets in EM, 33 countries launched 200+ policies/principles



Disclaimer:
The map displayed is for reference only. The boundaries, colors, denominations and any other information shown on these maps do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.



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- Countries with polices/principles: Argentina, Bangladesh, Brazil, Cambodia, China, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Georgia, Ghana, Honduras, India, Indonesia, Iraq, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, South Africa, Sri Lanka, Thailand, Turkey, Ukraine, Vietnam
- Countries without policies/principles: Chile, Fiji, Jordan, Kazakhstan, Kyrgyzstan, Laos, Maldives, Samoa, Serbia, Tunisia

SBFN Flagship Global & Country Progress Reports



2018
February

2018 Global Progress Report is supplemented by 10 country reports.



2019
October

2019 Global Progress Report is supplemented by 30 country reports.



2021
October

2021 Global Progress Report is supplemented by 30+ country reports.

Biennial SBFN Global Progress Report

is designed to enable SBFN members to

- **Review progress** in a structured way against collective progress of SBFN countries
- **Learn from successful approaches** taken by their peers in other countries
- **Identify the next best initiatives** in their country's sustainable finance journey

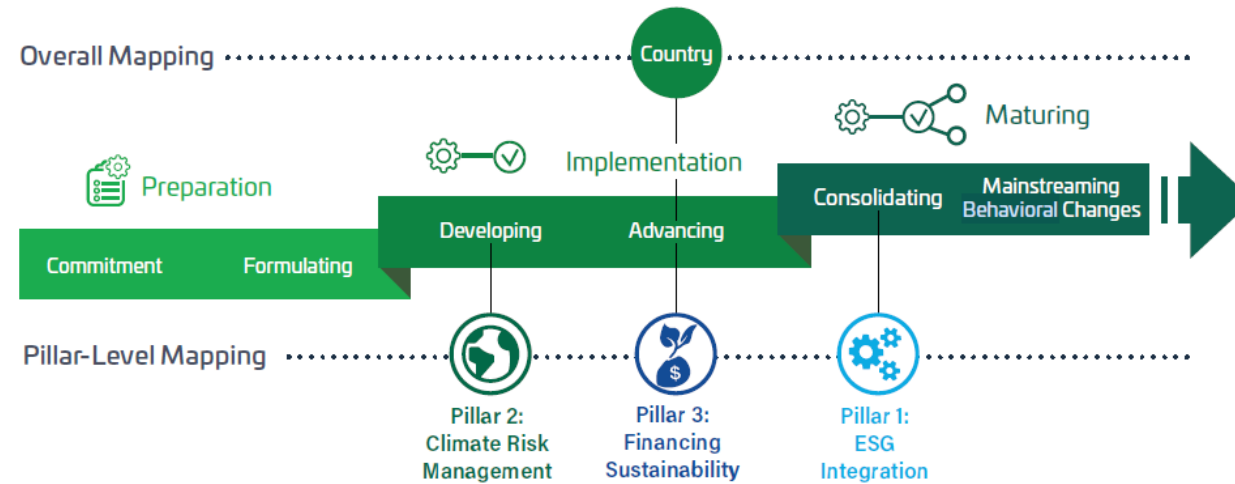
SBFN Measurement Working Group (WG)

- Established in 2016, as a respond to SBFN member demand for a systematic approach to **assess and benchmark country progress** in developing national sustainable finance frameworks.
- The WG has developed and refined the **SBFN Measurement Framework** that was approved by all members and continues to evolve. The WG members provided leadership for the biennial **SBFN Global and Country Progress Reports**.
- Representing 22 countries**, the WG is chaired by the Financial Superintendence of Colombia (SFC), Mongolian Sustainable Finance Association (MSFA), and the Moroccan Capital Market Authority (AMMC).



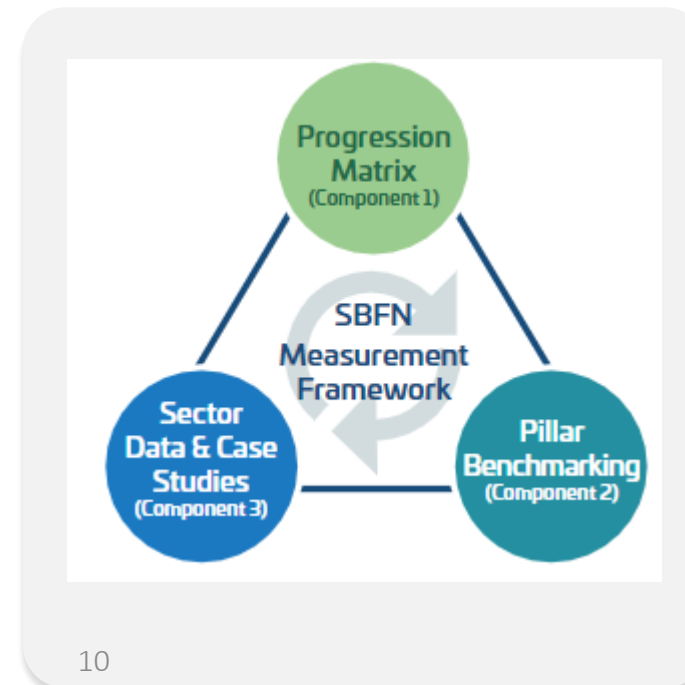
SBFN 2021 Measurement Framework – to inform SBFN Global & Country Progress Reports

SBFN Progression Matrix



SBFN Pillar Benchmarking

3 pillars, 3 cross-cutting sub-pillars, 11 cross-cutting indicators, 75 underlying datapoints



Sustainable Finance Data & Case Studies

Aggregated national sustainable finance data and case studies to illustrate interaction between national frameworks and behavior change by financial institutions.



SBFN on-line case study catalogue

Key Comparison Data - 2021 vs. 2019 SBFN Global Progress Reports

1. Key SBFN membership data

US\$43 Trillion (86%) banking assets in emerging markets represented by SBFN membership

43 
Member countries **13%**


63 
Member institutions **19%**

33 
Countries launched policies/principles **50%**

Comparison with SBFN membership data in 2019 Progress Report

203 
Total sustainable finance (SF) frameworks **53%**

127 
Member-led SF frameworks **46%**

76 
Other national SF-related frameworks **65%**

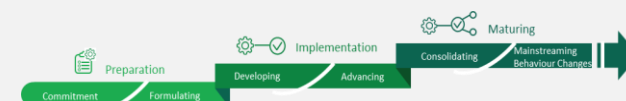
2. Overall highlights

203 Policies documents launched by 33 countries



22 countries launched additional policies documents in this cycle to strengthen their existing sustainable finance frameworks

11 countries introduced their first national sustainable finance frameworks



21 countries moved forward in the Overall Progression Matrix

6 Countries, 5 existing and 1 new member countries, made rapid progress - leapfrogging 2 sub-stages

3. Pillar benchmarking highlights

Pillar 1: ESG Integration

32 countries (74%) have launched ESG frameworks, of which the majority have reporting requirements and highlight the governance (“G”) of E&S performance.

15 countries (35%) have established systematic ESG data collection to track implementation.

Pillar 2: Climate Risk Management

28 countries (65%) are at “Formulating” sub-stage for climate risk, leveraging ESG frameworks to begin integrating physical and transition climate risks.

4 countries (10%) are at “Developing” sub-stage, leading the way with robust policy actions for climate risk.

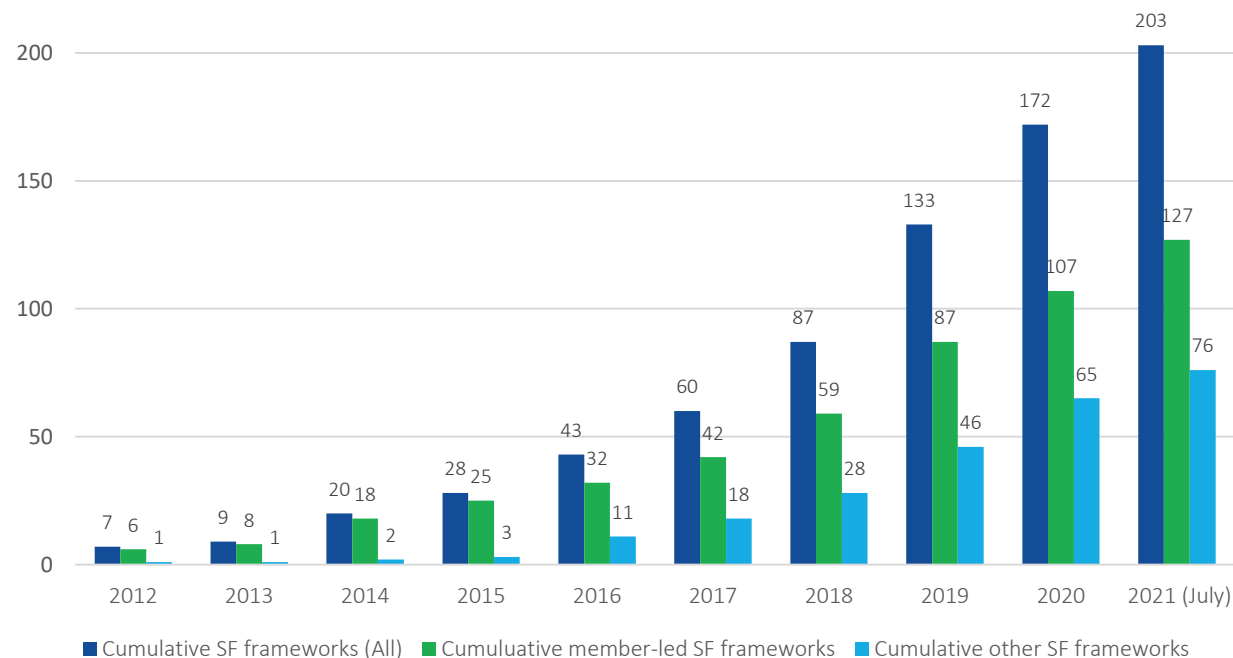
Pillar 3: Financing Sustainability

24 countries (56%) have launched guidelines for green, social and/or sustainability-focused financial instruments, such as loans or bonds.

6 countries (14%) have published detailed taxonomies and catalogues of eligible green or sustainability-focused projects, sectors, and activities.

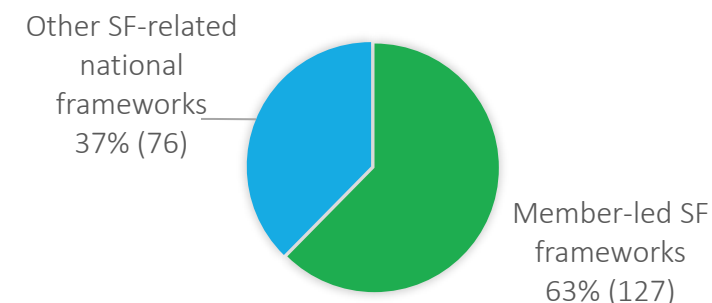
Key Data – National Sustainable Finance Frameworks Issuance in SBFN Countries

Acceleration of Sustainable Framework Issuance in SBFN Countries

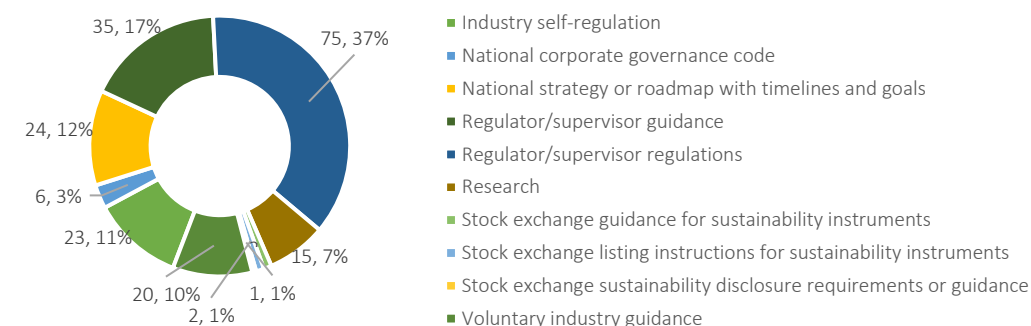


* Sustainable Finance frameworks include roadmaps, policies, regulations, voluntary principles, guidelines, reporting templates, scorecards, tools, and research.

National SF Frameworks Launched to date in SBFN Countries



Type of National SF Frameworks Launched in SBFN Countries



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Overall progress of SBFN countries in developing national sustainable finance frameworks



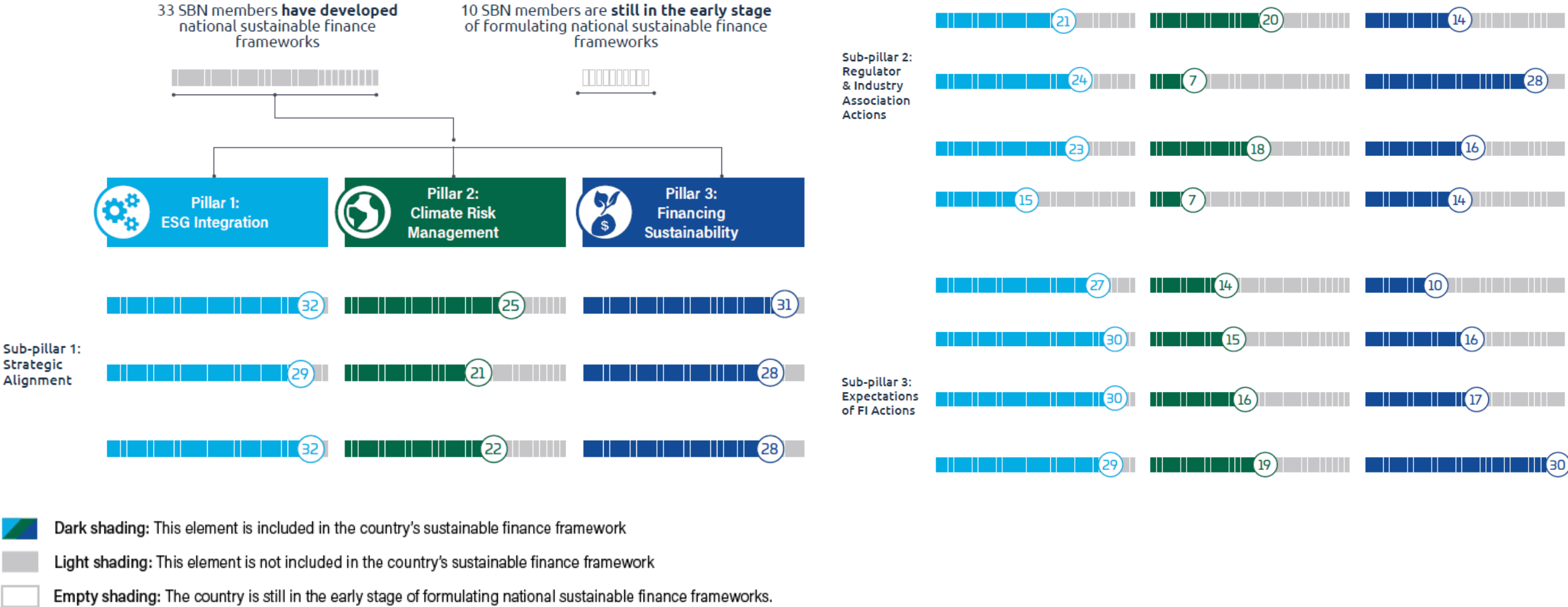
Progress since the 2019 Report

- ☆ 4 new SBFN Countries entered the "Commitment" sub-stage
- Ω 1 new SBFN country leapfrogged to the "Development" sub-stage
- 22 countries progressed within the same sub-stage
- ▶ 11 countries moved up one sub-stage
- ▶▶ 5 countries moved up two sub-stages

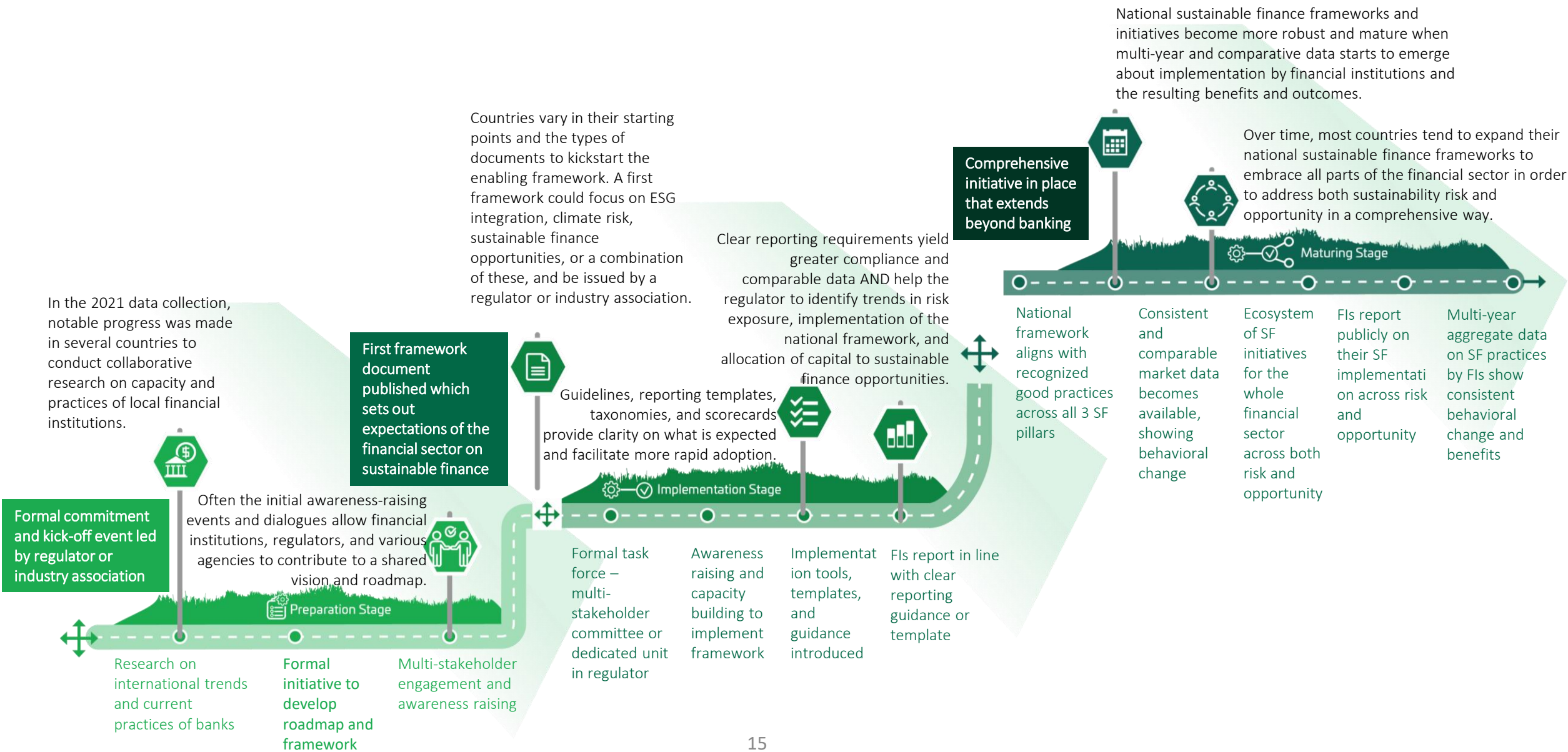


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2021 Global Progress Report Country Assessment Results by Indicators



Emerging Roadmap for Sustainable Finance Frameworks across All Three Pillars



Recommendations - Proposed Actions for SBFN Members at Country Level

country

community

secretariat

1

Broaden the understanding of national sustainable finance roadmaps to recognize the diversity of approaches and starting points, including the potential leadership role of all parts of the financial sector, whether banking, capital markets, insurance, and pension funds.

2

Expand and deepen frameworks for managing ESG risk throughout the financial sector as a foundation for competitiveness, investment opportunity, climate resilience, and impact through sustainable finance.

3

Fast-track the development of climate risk guidance and tools to enable regulators, industry associations, and financial institutions to assess, monitor, and report on climate risk and financial impacts in line with international practice — recognizing the global urgency to act on climate change.

4

Support the continued expansion of sustainable finance beyond “green” to include financial inclusion, just transition, human rights, gender, health, inequality, and other SDGs.

5

Strengthen and align data and disclosure requirements for all parts of the sustainable finance ecosystem, particularly through collaboration between regulatory agencies.



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Recommendations- Proposed Collective Actions by SBFN Community (cont.)



1

Continue to raise awareness and build capacity of regulators and banks to design and implement effective sustainable finance frameworks.

2

Strengthen collaboration on common approaches and tools through the SBFN Working Groups and participation in global dialogue.

3

Consolidate the immense knowledge base within the SBFN community into dynamic and accessible tools, data, case studies, and evidence for members to more effectively learn and collaborate on specific aspects of sustainable finance.



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Recommendations - Proposed Actions by SBFN Secretariat (cont.)

country

community

secretariat

1

Convene the **Sustainable Finance Instruments Working Group** to map the landscape of sustainability-focused financial instruments and support the development of common approaches to national taxonomies and other strategies to increase credibility.

2

Convene the **Data and Disclosure Working Group** to map the work being done across the Network on reporting frameworks, disclosure requirements, monitoring, and data sharing for sustainable finance, and identify common tools and principles to support members.

3

Support ongoing work by the **SBFN IDA Task Force** to develop tools and resources to help build capacity and streamline adoption of effective sustainable finance roadmaps and frameworks in low-income countries

4

Support members in planning their capacity building programs and accessing training tools and programs offered by IFC, the World Bank, and other development partners.

5

Continue to facilitate **virtual knowledge exchanges** between members on topics of interest, as well as hosting webinars to feature member experiences and international experts.

6

Develop **interactive online analytical tools and resources** that leverage the wealth of data gathered through the SBFN Global Progress Reports.

Additional Resources

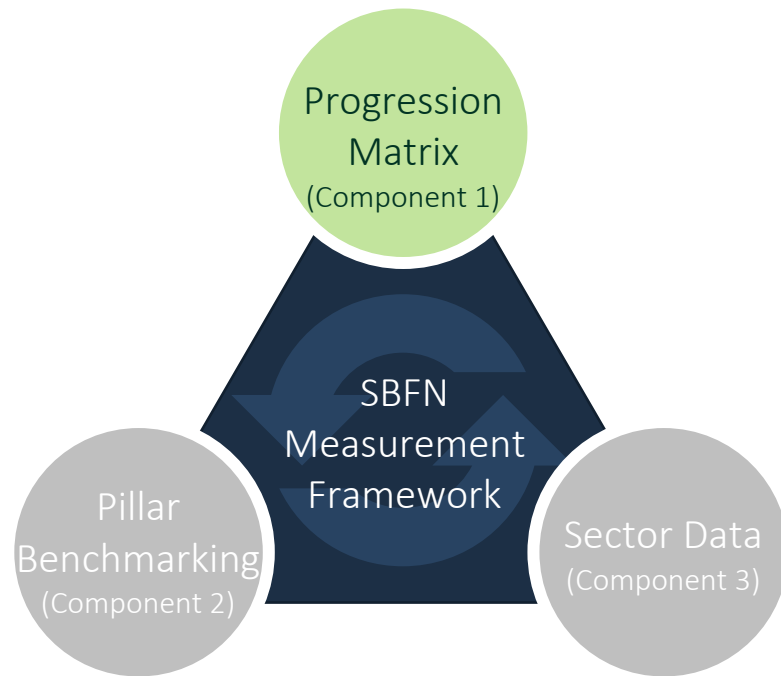
- SBFN Library of (200+) Policy Documents from members (*launched*)
- New SBFN website (*launched*) with analytical tool (*coming soon*)
- SBFN library of Case studies from members (*coming soon*)
- A series of global and regional launch events (*pls check the SBFN website for details*)

Learn more about
SBFN 2021 Global Progress Report
<https://www.sbfnetwork.org/publications/global-progress-report-2021/>

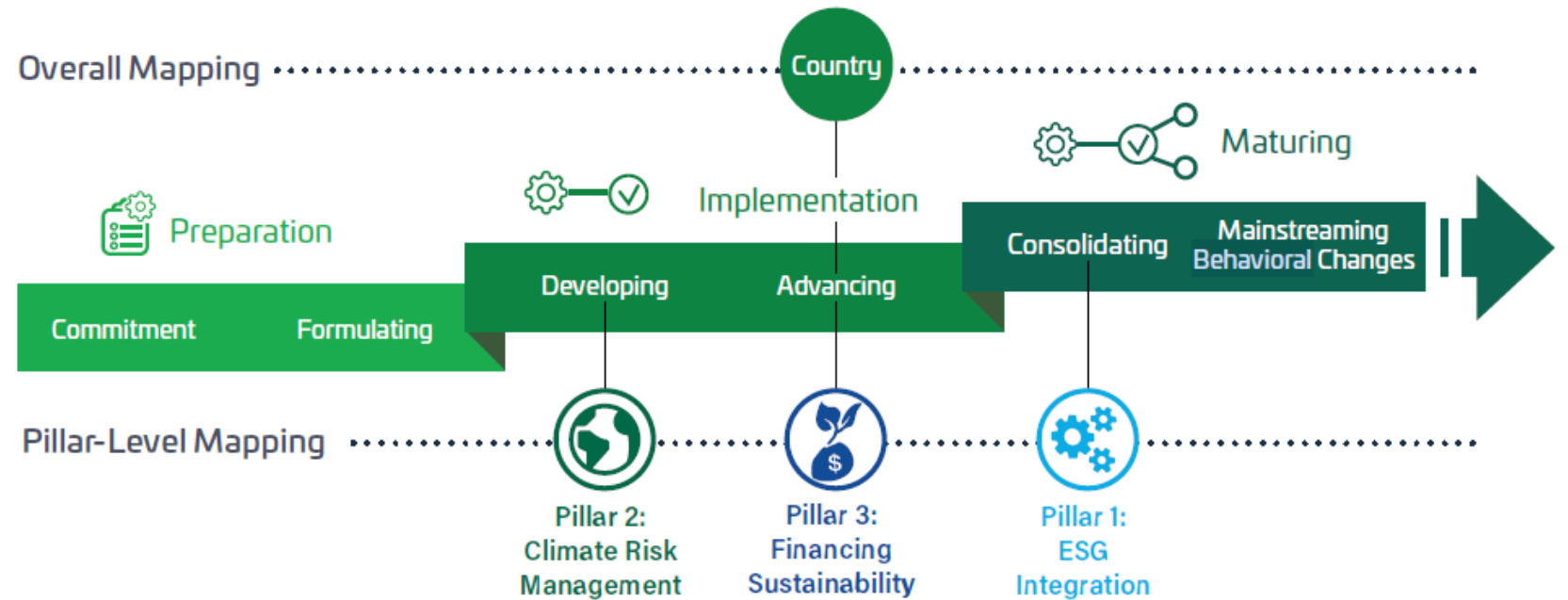
Contact SBFN Secretariat
SBFN_Secretariat@ifc.org



Annex 1: SBFN Measurement Framework – Progression Matrix

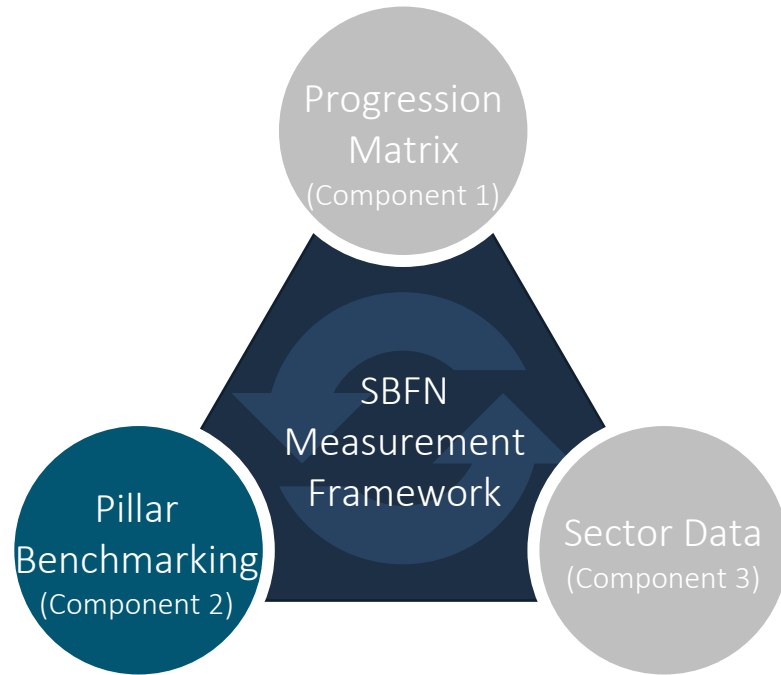


Progression Matrix



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Annex 1: SBFN Measurement Framework – Pillar Benchmarking



Pillar Benchmarking

3 pillars, 3 cross-cutting sub-pillars,
11 cross-cutting indicators, 75 underlying datapoints



Sub-pillar 1: Strategic Alignment



- National framework
- Alignment with international goals and standards
- Alignment with national goals and strategies

Sub-pillar 2: Regulatory and Industry Association Actions

- Overall approach and strategy
- Technical guidance
- Supervisory activities and incentives
- Tracking and aggregated disclosure

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

- Strategy and governance
- Organizational structure and capacity
- Policies and procedures
- Tracking, reporting, and disclosure

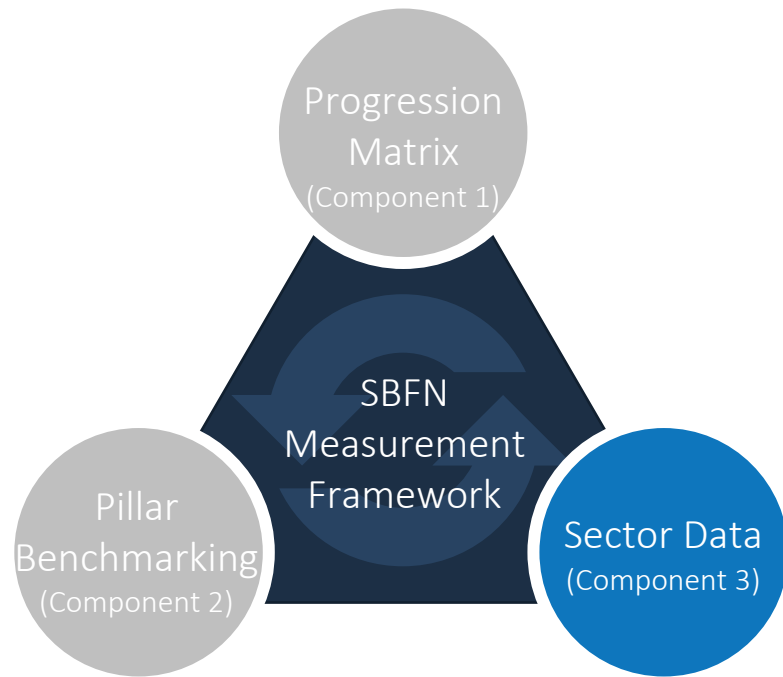


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Annex 1: SBFN Measurement Framework – Sector Data & Case Studies



Sector Data

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 online case study catalogue.



SBFN on-line case study catalogue

To be launched soon



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Annex 2: Key Data - Progress since Last Report (2019 - 2021)

SBFN membership

Started in 2012 with 10 countries

43

Member
countries

33

Countries launching
policies/principles

63

Member
institutions

203

Policies/principles
launched

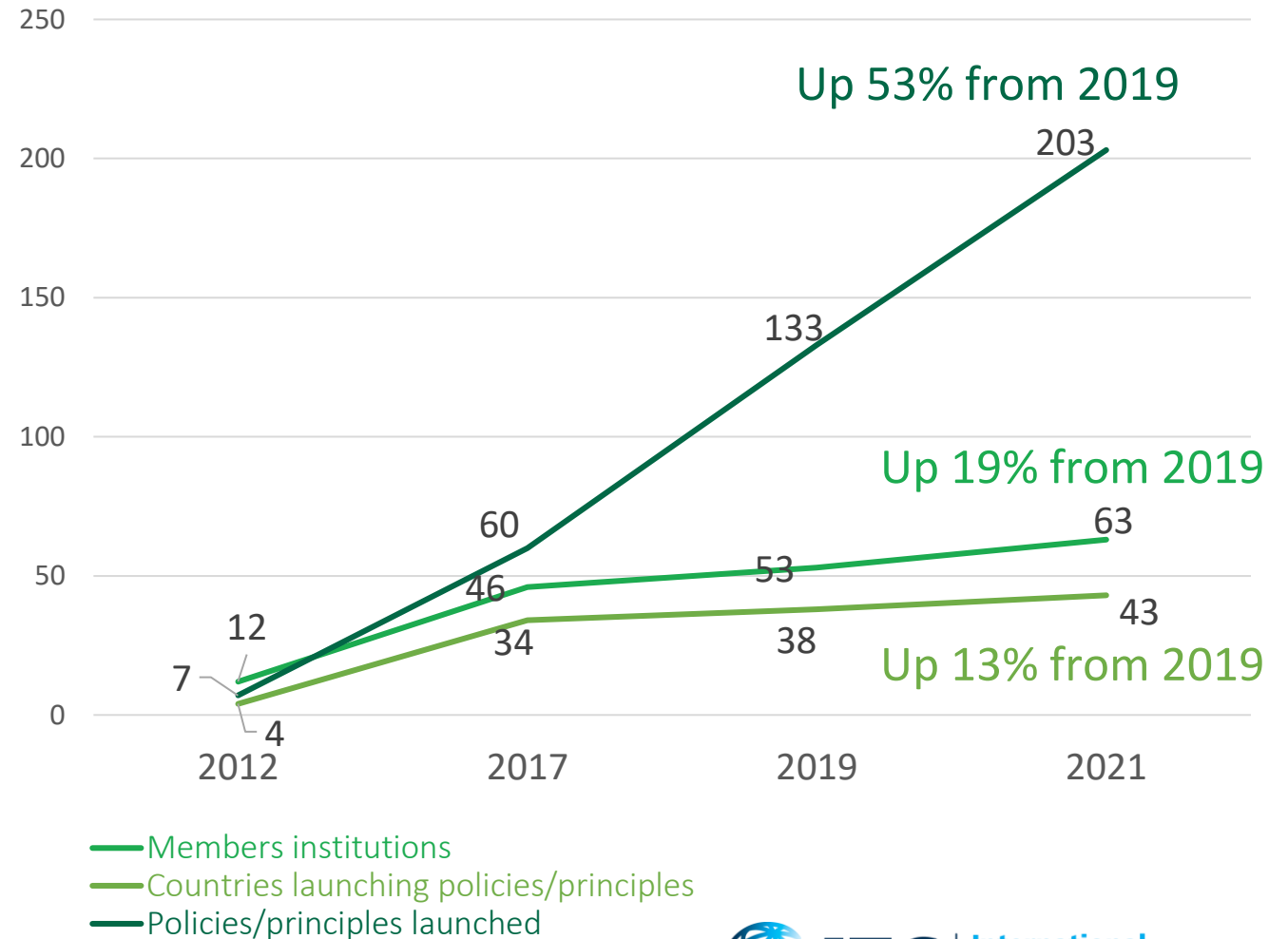


\$43 Trillion (86%)

banking assets in emerging markets
represented by SBFN membership



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Overall highlights

 **22** countries launched additional policies in this cycle to strengthen their existing sustainable finance frameworks

 **11** countries introduced their first national sustainable finance frameworks



21 countries moved forward in the Overall Progression Matrix

6 countries, including 1 new member country, made rapid progress, leapfrogging 2 sub-stages

Pillar-level highlights



Pillar 1: ESG Integration

- 32** countries (74%) have launched ESG frameworks, of which the majority have reporting requirements and highlight the governance (“G”) of E&S performance.
- 15** countries (35%) have established systematic ESG data collection to track implementation.



Pillar 2: Climate Risk Management

- 28** countries (65%) are at “Formulating” sub-stage for climate risk, leveraging ESG frameworks to begin integrating physical and transition climate risks.
- 4** countries (10%) are at “Developing” sub-stage, leading the way with robust policy actions for climate risk.



Pillar 3: Financing Sustainability

- 24** countries (56%) have launched guidelines for green, social and/ or sustainability-focused financial instruments, such as loans or bonds.
- 6** countries (14%) have published detailed taxonomies and catalogues of eligible green or sustainability-focused projects, sectors, and activities.



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Annex 3: SBFN Progression Matrix Pillar-Level Assessment Results

Pillar 1: ESG Integration

ESG Integration

As a foundational focus of most members, performance in the ESG Integration Pillar is most advanced. This pillar evaluates regulatory guidance, supervision strategies, and voluntary banking sector approaches that set expectations and provide guidance for financial institutions to manage ESG risks in operations, transactions, and portfolios.



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Annex 3: SBFN Progression Matrix Pillar-Level Assessment Results

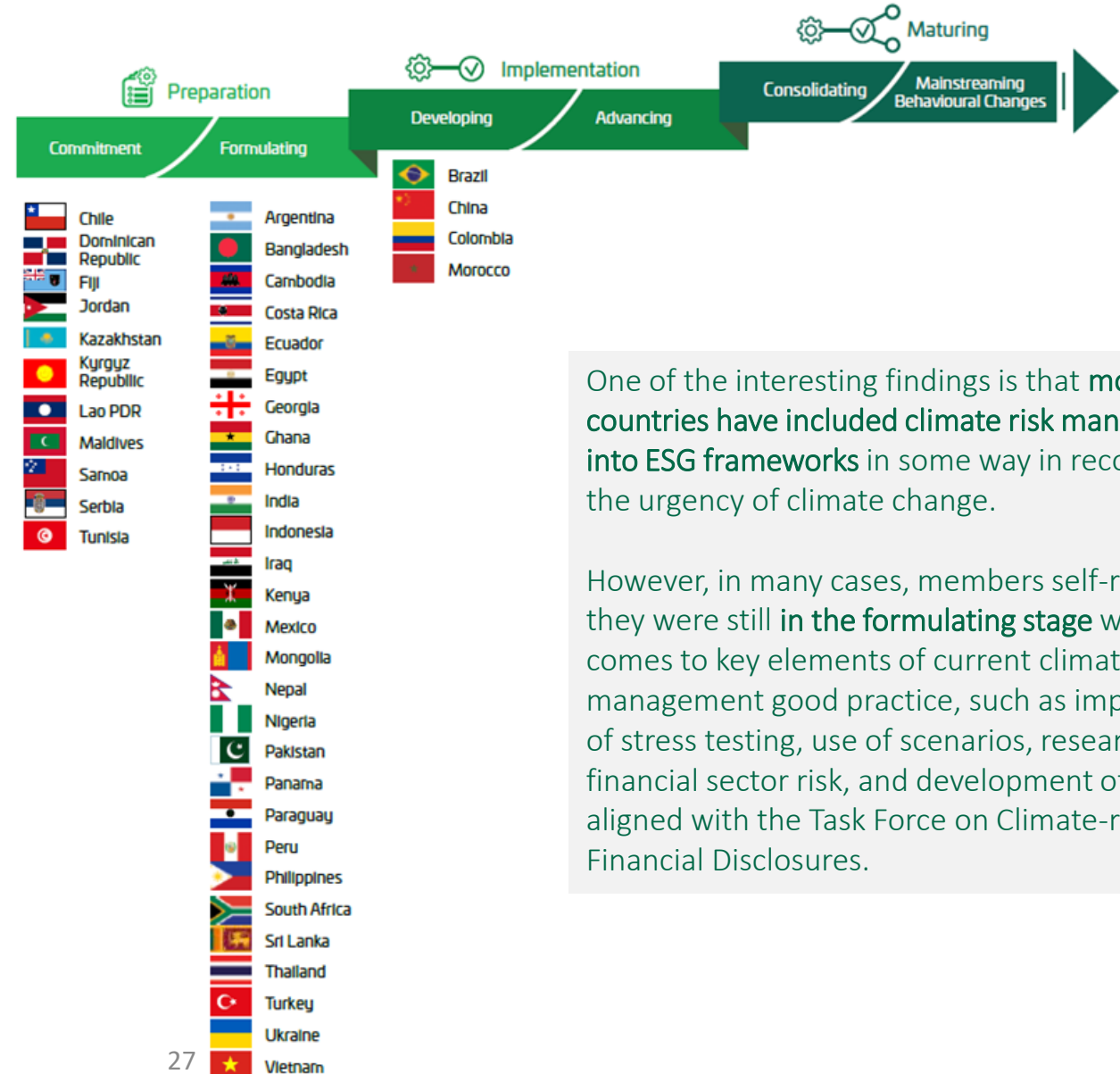
Pillar 2: Climate Risk Management



Climate Risk Management

is a new addition to the SBFN measurement framework and has been designed to help members develop a roadmap on these new practices.

It provides a space for knowledge sharing and capacity building on the roles of financial sector regulators, banking associations, and financial institutions in helping markets mitigate and adapt to climate change using new governance, risk management, and disclosure practices.



One of the interesting findings is that **most SBFN countries have included climate risk management into ESG frameworks** in some way in recognition of the urgency of climate change.

However, in many cases, members self-reported that they were still **in the formulating stage** when it comes to key elements of current climate risk management good practice, such as implementation of stress testing, use of scenarios, research on financial sector risk, and development of disclosure aligned with the Task Force on Climate-related Financial Disclosures.



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Annex 3: SBFN Progression Matrix Pillar-Level Assessment Results

Pillar 3: Financing Sustainability

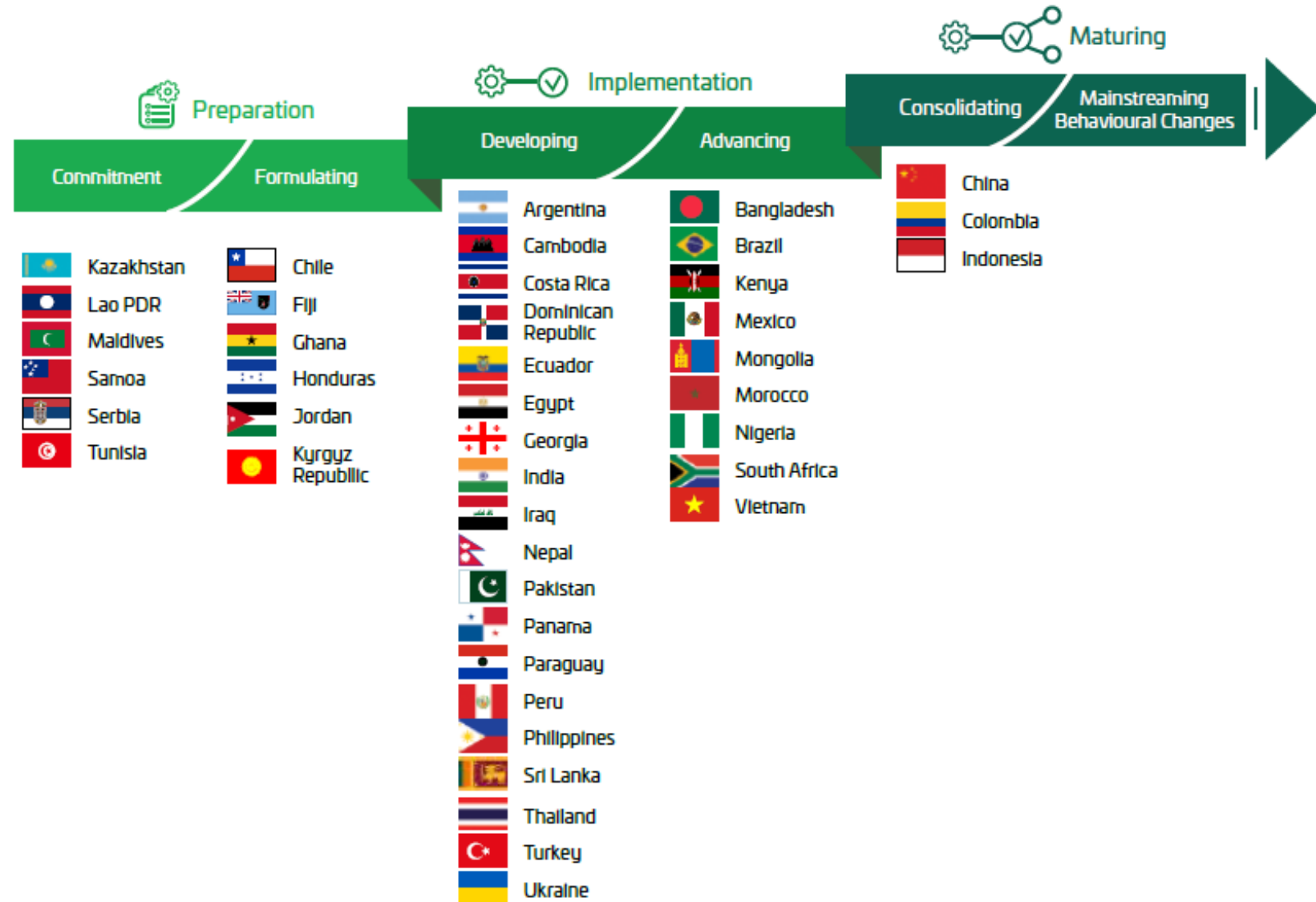


Financing Sustainability

reflects the strong interest and innovation in emerging markets to stimulate capital flows to sectors and activities that have environmental benefits. Frameworks assessed under this pillar confirm the importance of regulatory and voluntary efforts to provide definitions, guidance, taxonomies, standards, monitoring, and incentives for introducing new, credible products and services that support climate, green economy, and social goals.



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Annex 3: SBFN Progression Matrix Pillar-Level Assessment Results

Powerful findings are emerging through correlations across the SBFN thematic pillars



ESG Integration



Climate Risk Management



Financing Sustainability

1. Countries that actively supervise implementation by financial institutions also tend to focus on data and disclosure.
2. There is more activity in this reporting period, including cross-agency collaboration among regulators, to build the capacity of FIs on climate risk management, with an emphasis on disclosure. This indicates that both regulators and FIs are learning to manage this topic together as data emerges.
3. The role of governing bodies is recognized more strongly in relation to climate risk management and financing sustainability.
4. When ESG frameworks are strongly aligned with international sustainable development frameworks, there is more likely to be a national framework in place to help banks manage climate risks.
5. Countries with inter-agency data sharing and data collection related to ESG integration are more likely to also have this type of data-sharing related to capital flows going to sustainable activities and efforts to encourage FIs to increase green lending and investment.






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Annex 4: Findings on Coverage of National Frameworks and Initiatives

Pillar 1: ESG Integration

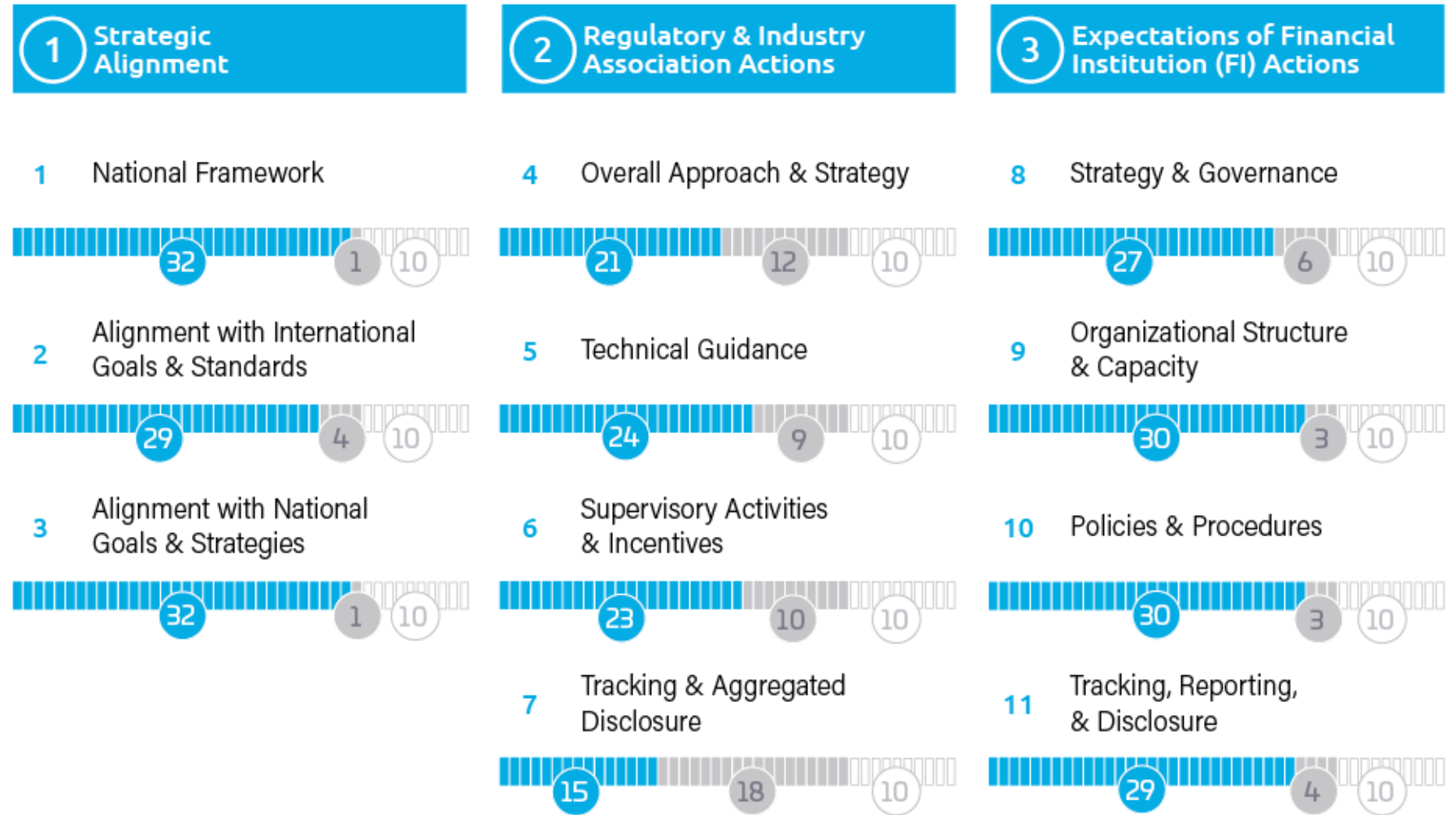


ESG Integration

-  **Dark shading:** This element is included in the country's sustainable finance framework
-  **Light shading:** This element is not included in the country's sustainable finance framework
-  **Empty shading:** This country is still in the early stages of formulating national sustainable finance frameworks



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Annex 4: Findings on Coverage of National Frameworks and Initiatives

Pillar 2: Climate Risk Management



Climate Risk Management

- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** This country is still in the early stages of formulating national sustainable finance frameworks



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Annex 4: Findings on Coverage of National Frameworks and Initiatives

Pillar 3: Financing Sustainability



Financing Sustainability

- Dark shading:** This element is included in the country's sustainable finance framework
- Light shading:** This element is not included in the country's sustainable finance framework
- Empty shading:** This country is still in the early stages of formulating national sustainable finance frameworks





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Annex 5: Key Cross-cutting Themes in Country-level Sustainable Finance Framework

Key cross-cutting themes in country-level sustainable finance framework

- 01  Most countries start with a focus on improved governance, management, and disclosure of environmental and social risks in the financial sector.
- 02  Urgent need for national green or sustainable finance taxonomies
- 03  Climate risk is a priority focus that can be addressed through new policies, guidelines and tools, or by enriching existing ESG-focused frameworks.
- 04  Multi-stakeholder, public-private platforms
- 05  The role of capital market regulators and stock exchanges has become more prominent.
- 06  Financial inclusion has become more prominent in the sustainable finance landscape.
- 07  Biodiversity is following climate change as a top priority.
- 08  Data on ESG risk, performance, and impact are needed by financial sector participants to identify and price risks and opportunities.



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Annex 6: Report Key Findings – Progress in Low-income Countries

SBFN low-income country members have demonstrated high levels of ambition and good progress in developing sustainable finance frameworks, despite facing unique constraints due to the size and maturity of their markets.

The report found that

- **Continuous and significant progress** is being made by the poorest countries among the SBFN network.
- Building sustainability into financial systems not only helps manage environmental, social, and climate risks, but also **de-risks markets to enable greater investment flows and deepened financial market development**.
- Low-income countries are **aligning and integrating their sustainable finance efforts** with lending to SMEs and women, investment in agriculture, and financial inclusion as essential components for resilience.

