



2ND
**INTERNATIONAL
SUSTAINABLE BANKING
FORUM**

**LAGOS, NIGERIA.
MARCH 2-4, 2014**



**Sustainable
Banking
Network**



IFC

**International
Finance Corporation**
WORLD BANK GROUP

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2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433 U.S.A.
Telephone: 202 473-1000
Facsimile: 202 974-4384 Internet: www.ifc.org/enviro

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First printing, August 2014

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2ND INTERNATIONAL SUSTAINABLE BANKING FORUM

1 FOREWORD

With more than a half century of experience encouraging private sector in emerging markets, including advisory services to banks and regulators, IFC promotes sustainability. Our impact is felt through our investments and by supporting robust risk management systems that strengthen sustainable banking in line with IFC Performance Standards.

On March 2 -4, 2014, the Central Bank of Nigeria, and the IFC, a member of the World Bank Group, co-hosted the Second International Sustainable Banking Forum in Lagos. The high level forum brought together more than 100 participants, with participation of 30 banking regulator representatives from 14 countries, including governors and deputy governors of central banks from seven countries.

IFC's Performance Standards, and the World Bank Group Environmental, Health and Safety Guidelines serve as international benchmarks for national policy development in emerging markets. Brazil, Bangladesh, China, Colombia and Nigeria have issued related guidelines for banks. Indonesia, Peru, Mongolia and Vietnam are in the process of developing guidelines.

Many emerging market banking regulators are teaming up with partner agencies to pioneer the development of regulatory guidance that encourages local banks to adopt sustainable banking practices. This includes more effective management of environmental and social risks in the projects they finance, and support for businesses that are greener, more climate friendly, and socially inclusive.



This e-book provides a comprehensive overview of the presentations at the 2014 Banking Forum, and summaries of discussions and country level updates on regulator activity to encourage sustainable banking. These materials demonstrate multiple approaches of adopting regulation to suit different economic and political environments. It contributes to the knowledge and tools to encourage knowledge sharing and collaborative learning on this important topic.

We thank our colleagues and partners who contributed to this important initiative. IFC will continue to support these efforts and learn from them to ensure our own approaches are robust and relevant in emerging markets.



2 ABOUT THE SUSTAINABLE BANKING NETWORK

The Sustainable Banking Network (SBN) is an informal and exclusive group of banking regulators and banking associations from emerging markets. Members are interested and involved in the creation of national enabling frameworks for sustainable banking. A main focus is the design and implementation of effective policies, guidelines and practices. The Network aims to facilitate the collective learning of its members and support them in policy development to create drivers for sustainable finance

The idea for the SBN arose during the 1st International Green Credit Forum in Beijing, China, in May 2012. The event was co-hosted by IFC and the China Banking Regulatory Commission (CBRC). During a special roundtable with banking regulators, participants from 12 countries requested that IFC facilitate a knowledge network which would allow the practical exchange of lessons and tools. The Network was formally launched in September 2012.

As the largest global development finance institution focused on the private sector in emerging markets, IFC has more than a decade of experience providing technical assistance to emerging market financial institutions. With an emphasis on sustainability, IFC support its financial sector clients to create robust environmental and social risk management systems (ESMSs) and to seek lending opportunities that leverage new business models for green and inclusive economies. Examples include renewable energy, clean technology, and access to finance for women entrepreneurs.

IFC also increasingly assists regulators in emerging markets to benchmark and design approaches to promote sustainable finance in their home countries. For instance, IFC's Environmental and Social (E&S) Performance Standards and the World Bank Group Environmental, Health and Safety Guidelines have served as technical

“ SBN members include banking regulatory bodies, environmental regulators and industry associations ”

references for national policy development in markets such as China and Nigeria.

Annual SBN meetings, implemented since 2012, are the principal space for dialogue, networking and knowledge generation. These conferences are hosted by a different member country each time and have been implemented in cooperation with the IFC. Regulators are also invited to participate in IFC-hosted dialogue events and expert groups, such as the annual Performance Standards Community of Learning. The Community of Learning supports financial institutions that have adopted the Equator Principles, a global risk management framework, based on IFC's standards, for determining, assessing and managing E&S risk in projects.

Other donors and partners that are supporting the Sustainable Banking Network and its activities include the German Agency for Development Cooperation (GIZ), on behalf of the German Ministry for Economic Cooperation and Development (BMZ), the government of Japan through the Ministry of Finance, and the Government of Switzerland through the State Secretariat for Economic Affairs (SECO).

SBN members include banking regulatory bodies, environmental regulators and industry associations, such as banking associations. The Network is open to all officials or specialists working in these institutions, who have an interest in environmental and social sustainability issues, as well as in supporting the financial sector with guidance to manage environmental and social risks and opportunities.

The SBN is entirely voluntary. Membership does not constitute any legal obligation or formal commitment to undertake regulatory actions. A defining characteristic of the network is the practicality and openness with which regulators are collaborating to share knowledge.



**Sustainable
Banking
Network**

ABOUT THE SUSTAINABLE BANKING NETWORK

Network activities include:

- The Annual Sustainable Banking Forum hosted by a Network member
- Regular updates on the progress of policy development and implementation in each member country
- Bilateral exchanges between member countries such as study tours and learning events
- Access to IFC's annual Performance Standards Community of Learning event
- Access to member-led thematic groups on Policy & Guideline Development; Monitoring & Supervision; Sector Guidelines; and Incentives
- Access to knowledge and learning products such as publications, documentaries, reports and case studies

Current SBN members

- Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
- Bank Al-Maghrib (Central Bank of Morocco)
- Bank of Bangladesh
- Bank of Lao PDR
- Bank of Mongolia
- Central Bank of Nigeria
- Central Bank of Brazil
- China Banking Regulatory Commission
- OJKOJK (Indonesia Financial Services Authority)
- State Bank of Vietnam
- Superintendence of Banks, Insurers, and Private Pension Funds of Peru (SBP)
- Asobancaria (Banking Association of Colombia)
- China Banking Association

- China Ministry of Environmental Protection
- Mongolia Banking Association
- Mongolia Ministry of Environment and Green Development
- Nepal Rastra Bank
- Thai Bankers Association
- Vietnam Ministry of Natural Resources & Environment

The SBN welcomes regulators, officials, and specialists to join at any time and encourages them to share experiences, learn from others, and to benefit from Network activities.

To become a member of the SBN, please get in touch with **Ms. Rong Zhang** at rzhang@ifc.org.

For more info visit

<http://firstforsustainability.org/home/sustainable-banking-network/>





3 AGENDA AND PRESENTATIONS

All available presentations can be downloaded at the First for Sustainability Website:

<http://firstforsustainability.org/sustainable-banking-network/sustainable-banking-network-meetings/>

MARCH 2, 2014

Welcoming and opening remarks:

- Dr Kingsley Moghalu, Deputy Governor, Central Bank of Nigeria
- Dr A'isha U. Mahmood, Special Adviser to CBN Governor on Sustainable Banking
- Mr. Yanfei Ye, Deputy Director-General, China Banking Regulatory Commission
- Mr. Solomon Quaynor, Country Manager of Nigeria and Chief Investment Officer, IFC

Thematic Discussion on developing sector-specific guidelines

MODERATED BY

Bilal Rahill, Senior Manager, Environment, Social and Governance Department, IFC

Thematic Discussion on Basel and E&S Risks

MODERATED BY

Piotr Mazurkiewicz, Senior Environment & Social Development Specialist, IFC

“ Preserving the environment and ensuring social equity and inclusiveness is vital in maintaining vibrant economies ”

MARCH 3, 2014

Welcome Address by Dr A'isha U. Mahmood, Special Adviser to CBN Governor on Sustainable Banking

KEYNOTE SPEECHES

- Dr. Kingsley Moghalu, Deputy Governor, Central Bank of Nigeria
- Mr. Solomon Quaynor, Country Manager of Nigeria and Chief Investment Officer, IFC

PANEL DISCUSSION 1:

Monitoring, Evaluation and Incentive Mechanisms in support of Sustainable Banking Regulatory Frameworks

MODERATOR

Bilal Rahill, Senior Manager, Environment, Social and Governance Department, IFC

PANELISTS

- Mr. Khondkar Morshed Millat, Deputy General Manager, Bangladesh Bank
- Mr. Yanfei Ye, Deputy Director-General, China Banking Regulatory Commission
- Dr. Aisha Mahmood, Special Adviser to CBN Governor on Sustainable Banking

AGENDA AND PRESENTATIONS

PANEL DISCUSSION 2

Technical Advisory for Financial Institutions on Sustainable Banking through Mobilizing Market Resources, Solutions, and Tools

MODERATOR

Ms. Careen Abb, Banking Commission Coordinator, UNEP Finance Initiative

PANELISTS

- Mr. Zaiping Yang, EVP, China Banking Association
- Mr. Edi Setijawan, Deputy Director, Indonesia Banking Architecture Department of Banking Research and Regulation
- Mr. Naidalaa Badrakh, CEO of the Mongolian Bankers Association
- Mr. Cat Quang Duong, Deputy Director of Credit Department, State Bank of Vietnam

PANEL DISCUSSION 3

Financial Institutions – Good Practices and Innovation

MODERATOR

Dr. Aisha Mahmood, Special Adviser to CBN Governor on Sustainable Banking

PANELISTS

- Mr. Dotun Adeniyi, Executive Director, Skye Bank
- Dr. Alex Otti, Group Managing Director, Diamond Bank
- Mr. Omar Hafeez, CEO, Citibank Nigeria
- Mr. Piotr Mazurkiewicz, Senior Environment & Social Development Specialist, IFC
- Mr. Fedja Canters, Senior Investment Officer, FMO

MARCH 4, 2014

SESSION I

Sector Challenges and Opportunities

MODERATOR

Bilal Rahill, Senior Manager, Environment, Social and Governance Department, IFC

- Presentation on Nigeria Sustainable Banking Sector Guidelines by Mr. Kehinde Johnson, Managing Partner, Rosebank Consulting
- Presentation on the World Bank Group Environment, Health and Safety Guidelines by Ms. Emiola Abass, Environmental and Social Development Specialist, IFC

SESSION II

Climate Change – Business Opportunities, Good Practices, Tools

MODERATOR

Mr. Roland Gross, Project Coordinator, Financial Systems Development, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

- Presentation on Sustainable Energy Finance by Mr. Bilal Rahill, Senior Manager, Environment, Social and Governance Department, IFC
- Presentation by Mr. Peter Damian Mbama, CEO, RegCharles
- Presentation by Dr. James Allan, Associate Director, Maplecroft



“ The forum was the first time a meeting of this kind would take place on the African continent ”

4 AGENDA AND PRESENTATIONS

The 2nd International Sustainable Banking Forum, co-hosted by IFC and the Central Bank of Nigeria was held in Lagos, Nigeria, from March 2nd to 4th, 2014.

The Forum consisted of an intimate, half-day roundtable discussion for regulators on Sunday, March 2nd, followed by a larger conference on March 3rd and 4th, attended by regulators as well as banks, development agencies, and E&S service providers.

With the increasing realization that preserving the environment and ensuring social equity and inclusiveness is vital in maintaining vibrant economies, sustainability is now recognized as central to the growth of emerging markets. This formed the core of the conversations at the Forum, with each participant discussing the progress of sustainable banking in their home country.

4.1 KEY MESSAGES

The following high-level themes emerged from the 2nd International Sustainable Banking Forum:

All participants acknowledged the value of this unique collaborative platform. Participating regulators mentioned the value of the Network both in terms of knowledge sharing among peers and the access to specialized technical expertise not available elsewhere.

Participants expressed interest to further expand and deepen the Sustainable Banking Network. This could mean more regulators and financial institutions joining, as well as a deepening of the kind of work done by the Network through dedicated working groups. It was noted the Network should remain small enough to maintain the current levels of intimacy and collaboration, but broad enough to stay vibrant in terms of new knowledge and catalytic collaboration.

The event confirmed the opportunity to expand this initiative in Africa. It was the first time the meeting of regulators took place on the African continent. Nigeria was one of the founding members of the SBN and stands out as a successful case of bank-led transformation. The Nigerian Sustainable Banking Principles, a set of principles

developed by the collaboration of ten (10) leading local banks, were subsequently endorsed by the Central Bank of Nigeria and made mandatory for all banks in Nigeria. Mongolia has since indicated it aim to follow a similar approach. Nigeria's commitment to sustainable banking has also garnered interest from other African countries. Dr A'isha Mahmood, Special Adviser on Sustainable Banking to the Governor of the Central Bank of Nigeria, used the opportunity of the regulator roundtable to propose an African chapter of the SBN, which would facilitate meetings of African regulators to focus on topics specific to the region. This would be an exciting regional development which could be replicated elsewhere.

There is a natural expansion of thinking to include other parts of the financial ecosystem. Indonesia is already looking at ways to extend sustainable finance practices to the insurance, pension fund, and stock exchange sectors. IFC's work with emerging market stock exchanges, and recently with pension funds in South Africa, may provide additional insights into how sustainable banking connects with these different spheres of finance.

Much technical work still needs to be done by the Network in response to member demand. The proposal for specific working groups was welcomed, particularly to focus on themes such as monitoring and evaluation, business opportunities, and economic incentives. Members would also like to engage collectively with other initiatives, such as Basel III.

There is widespread appetite for more examples and strategies to unlock business opportunities through sustainable banking. Business opportunities emerged as a theme in a few of the discussions. A number of speakers emphasized that sustainable banking is not just about risk management. There are new industries and business models emerging in response to E&S challenges. Cost savings to businesses through better sustainability performance is also an attractive prospect that financiers can promote. Participants were interested in more examples and information in this regard.

OVERVIEW OF FORUM

4.2 DISCUSSIONS

During the two-day conference, panel discussions featured contributions from both regulators and banks on the following topics:

Monitoring, Evaluation and Incentive Mechanisms in support of Sustainable Banking Regulatory Frameworks: Participants shared their knowledge and experience in monitoring banks' compliance with sustainable banking regulations, and in providing incentives for adherence to voluntary principles. It was clear much work still needs to be done in this area. Many countries are still in the process of designing policies. A next step is to introduce systems to collect updates from banks and assess progress.

Technical Advisory for Financial Institutions on Sustainable Banking, including Market Resources, Solutions, and Tools: A recurring theme during the Forum was the limited availability of technical know-how in the area of sustainable banking, related for instance to key aspects such as policy development, incentive schemes, and compliance measures. The Forum provided an avenue for participants to learn more and highlighted possible solutions and resources. Participants also welcomed the idea of specific working groups to focus on these topics.

Financial Institutions – Good Practices and Innovation: Discussion focused on leading financial institutions and how they have skillfully incorporated sustainability into their day-to-day business. A number of speakers identified the benefits of good practice in risk mitigation, strengthening market positioning by establishing a good reputation, identification of green business opportunities, gaining access to funding by meeting (international) investor demands on sustainability practices, as well as increased ability to comply with regulatory and investor demands in a listing process, or initial public offering (IPO).

Sector Guidelines – Challenges and Opportunities: Speakers from several countries discussed how they have selected sectors in which to establish specific guidelines for sustainable banking. Sectors were selected predominantly by the effect they have on the environment and the effect the environment has on these sectors, as well as the impact of

these sectors on economic growth. According to the speakers, key stakeholders in these sectors were involved in the development of the guidelines to ensure necessary issues were taken into consideration. One major challenge identified was striking a balance between ensuring continuous productivity in these sectors whilst they comply with sustainability guidelines.

Climate Change – Business Opportunities, Good Practices, Tools: Climate change was noted as a major trend impacting emerging markets and having different effects in different regions. Climate related risks, such as droughts, fires, and severe storms and floods, are already recognized by the insurance sector and are affecting some banks' lending portfolios. Mitigation and adaptation to Climate Change, moreover, requires innovative business responses, such as renewable energy, clean technology, and infrastructure solutions. Banks were encouraged to adopt proactive strategies to anticipate and manage both the business risks and opportunities related to Climate Change, and to understand specific regional impacts.





“Countries developing sustainable banking guidelines include - Bangladesh, china, Indonesia, Mongolia, Nigeria Philippine & Vietnam ”

5 OVERVIEW OF NATIONAL REGULATORY INITIATIVES

Participating countries provided the following updates on the development of guidelines, implementation, incentives and major issues.

5.1 BANGLADESH

Since 2008, Bangladesh Bank has formulated policies for promoting sustainable banking and has introduced incentives to broaden the scope of sustainable finance to include corporate social responsibility (CSR), stakeholder engagement, green banking, environmental risk management, and financial inclusion.

In 2011, Bangladesh Bank introduced guidelines on environmental risk management (ERM) to encourage banks and financial institutions to consider environmental factors in a structured way in the overall credit appraisal system. In 2013, the policy guidelines for green banking were extended to all financial institutions. These guidelines will be rolled out in 3 phases

- **Phase I:** Policy and governance, incorporation of ERM in credit risk management, in-house environmental management, green financing, climate risk fund, green marketing, online banking, training, research and development.
 - **Phase II:** Sector-specific environmental policies, green strategic planning, green branches, and bank-specific environmental risk management plan.
 - **Phase III:** innovative products and sustainability reporting in line with the Global Reporting Initiative (GRI)
- Bangladesh Bank is currently working with IFC to upgrade the ERM framework. The specific outcomes from this collaboration will include revision of the existing ERM Guidelines to include social risk factors, development of a monitoring tool to assess financial institutions' compliance with the ERM Guidelines, formulation of sector-specific policies to complement the ERM Guidelines, and development of a quantitative scoring model to generate E&S risk ratings for financial institutions.

Banks are currently required to report to Bangladesh Bank in a regular manner on their activities with respect to the different aspects of sustainable banking. Bangladesh Bank also conducts off-site monitoring and evaluation of

sustainable banking practices based on the banks' reports. This is conducted on an annual basis under the comprehensive bank inspection module of the Central Bank.

Incentives include a revolving finance scheme to promote green financial products. Under this scheme banks can claim refinancing facilities from Bangladesh Bank at 5% against the direct finance of 9% for green products, and 11% in the case of financing supported by a multilateral finance institution. Bangladesh Bank has introduced 10 new green products and allows banks to claim refinancing facilities for a total of 16 green products.

Sector guidelines

In Bangladesh, due diligence checklists exist in several sectors, and are currently being developed into sector-specific guidelines to govern the sectors. They focus on the environment, its impact on the sector, and vice versa, with the major variable being pollution. 12-15 sector-specific environmental policies are expected to be developed by the end of 2014. This will cover 85-90% of the portfolios of banks and financial institutions.

With regard to dissemination and implementation, a consultation approach has been but in place. Discussions are ongoing with banks and financial institutions, and stakeholders receive feedback on operations and portfolio coverage to identify key focus areas and enable the establishment of implementable guidelines.

OVERVIEW OF NATIONAL REGULATORY INITIATIVES

5.2 CHINA

In July 2007, the China Banking Regulatory Commission (CBRC), the Ministry of Environmental Protection, and the People's Bank of China jointly launched the national Green Credit Policy. By December 2007, CBRC introduced the Credit Guidance on Energy Efficiency and Emission Reduction Lending.

With support of IFC, CBRC subsequently introduced the Green Credit Guidelines in February 2012, which applies to all Chinese commercial and policy banks for their domestic and overseas investment. The Guidelines outlined three pillars for bank implementation:

- Environmental and social risk management
- Identifying related business opportunities
- Managing banks' own footprints

In November 2013, under the initiative of CBRC and China Banking Association (CBA), 29 leading banks in China signed the joint commitment to Green Credit by the Chinese Banking Industry.

The Green Credit Guidelines are applicable to all Chinese banks and have specific requirements in terms of organizational structure, policies and capacity building, lending process management, internal management, and information disclosure. As a result, in 2012, financial institutions used the Guidelines as an E&S risk management framework to screen over USD 8 trillion or approximately 85% of all corporate finance. The Guidelines also require Chinese banks to actively lend to green industries such as those related to energy efficiency and renewable energy. As of Dec 2013, over 9% of the portfolios of major 21 Chinese banks were invested in green industries, amounting to USD 0.9 trillion.

As a next step, CBRC plans to introduce a mix of qualitative and quantitative key performance indicators as a guidance tool for self-assessment by banks.

Going forward, CBRC will focus on improving compliance with the Green Credit Guidelines through a monitoring and

evaluation system, and development of technical tools and resources. CBA will focus on capacity building for banks and technical service providers on green credit.

Sector guidelines

CBRC requested that banks develop their own sector-specific guidelines. Banks have the freedom to develop guidelines for any sector they select. Larger commercial banks find it easy to develop their own sector-specific guidelines. The smaller banks, due to their lack of capacity, have requested the help of CBRC in developing basic sector-specific guidelines, which are still under consideration.

CBRC has developed guidelines for energy efficiency financing, which focus not just on the risk but also on the business opportunities. The focus on energy efficiency is based on the fact that it cuts across all sectors and is therefore a core sector issue. These guidelines are currently being reviewed by commercial bank experts.

China has also identified some specific sectors as green sectors to enable banks to invest more financial resources in these sectors. They include green agriculture, recycling projects, renewable energy/green energy, and water projects.

CBA, in association with the commercial banks, is currently working on developing a green practice book to be published in 2014. This book will focus on the experience of banks and enable knowledge sharing on good practices and success stories.

OVERVIEW OF NATIONAL REGULATORY INITIATIVES

5.3 INDONESIA

Up to December 2013, Bank Indonesia (BI) led the development of a draft Green Banking Regulation. Since January 2014, the newly established financial services authority, Otoritas Jasa Keuangan (OJK) has taken over the agenda. In partnership with IFC, OJK plans to issue policies and regulations on sustainable finance, which could impact all financial institutions covered by OJK, including the capital market, insurance, pension funds and other non-banking institutions.

To prepare for the regulation, OJK will build awareness and capacity of the banks and bank supervisors to get buy-in and understanding and to equip them with technical knowledge and tools to implement the regulation after it is launched. Partnering with the Ministry of Environment, BI/OJK offered a series of seminars and workshops in the last year and trained 160 bankers from 80 banks, as well as 20 bank supervisors to accelerate the uptake of sustainable finance, OJK is also currently in coordination with other ministries and government agencies on preparation of incentives for financial institutions. Moving forward, OJK intends to undertake the following activities:

- Enhance the capacity of banks in terms of environmental and social risk management and increase green financing portfolios (e.g. renewable energy, energy efficiency, sustainable agriculture, green building, eco-tourism, and eco-label products).
- Enhance collaboration with international institutions (e.g. technical assistance, green lending models/guidelines, capacity building).
- Increase exchange of information among banks and regulators.

OJK will harmonize all regulation related to sustainable finance for all financial services institutions in Indonesia.

5.4 MONGOLIA

The Mongolian Sustainable Finance Initiative is the result of a joint effort by the Dutch Development Bank (FMO), Trade and Development Bank of Mongolia (TDB), IFC, Mongolian Bankers Association (MBA) and the Banking and Finance Academy (BFA).

During the CEO Roundtable in March 2013, at which CEOs from 13 Mongolian banks shared their views on how banks could address sustainability through E&S policies, it was agreed to develop and release a joint statement and establish a Working Group for Sustainable Finance.

The Mongolia Sustainable Finance Working Group was established and its first meeting was held in September 2013. Over 30 participants represented the key stakeholders, such as Bank of Mongolia (BoM), the Ministry of Environment and Green Development (MoEGD), Mongolian Bankers Association (MBA) and all the commercial banks. During the meeting, the Mongolia Sustainable Finance Joint Commitment Statement was signed by all commercial banks of Mongolia. Led by MBA and representing all Mongolian banks, the Sustainable Finance Working Group agreed to develop a road map towards developing principles, guidance and industry guidelines to support banks in practicing sustainable banking.

In November 2013, the Mongolia Sustainable Finance Joint Commitment Statement was signed by all commercial banks of Mongolia. This event was an important milestone for the Mongolia's banking sector to embark on a journey to develop and launch the Mongolian Sustainable Finance Principles. Subsequently, MBA, with support from IFC, had a number of high-level meetings with some key stakeholders (MoEGD and BoM) and got their full support for the initiative.

Also in the same month, a training for the Mongolian Sustainable Finance Working Group members was conducted, which focused on international best practices in sustainable banking and the Mongolian E&S related laws and regulations. 20 members attended the training. The Mongolian Sustainable Banking Principles were also

OVERVIEW OF NATIONAL REGULATORY INITIATIVES

successfully finalized and received strong support from the financial sector community at the MBA Annual meeting in December 2013.

IFC signed a Cooperation Agreement with MBA to jointly implement the Mongolian Sustainable Banking Initiative in March 2013 during the Mongolian Economic Forum.

Sector guidelines:

Mongolia is focusing its efforts around sector-specific guidelines on the following four major sectors based on a review of major banks' portfolios:

- Mining
- Agriculture
- Manufacturing
- Construction

These sectors were also selected because they form the backbone of Mongolia's national economy.

Sector-specific guidelines are currently being developed for these sectors, which will be released by the first quarter of 2014.

5.5 NIGERIA

The Nigerian banking sector plays a significant role in national economic growth and development through its lending and investment activities. The context in which business decisions are currently made is, however, characterized by complex and growing challenges in population growth, urban migration, poverty, food insecurity, energy and infrastructure challenges, amongst others.

With these challenges in mind, the Bankers' Sub-Committee on Economic Development and Sustainability met to discuss the prudence of adopting a sustainable banking framework for the burgeoning industry. The initiative, which was led by a group of Nigerian financial institutions, with an enabling environment provided by the Central Bank of Nigeria (CBN), culminated in the creation of the Nigerian Sustainable Banking Principles (NSBP) in July 2012. By September 2012, the Principles were approved and adopted by the CBN.

Currently 34 financial institutions have committed to the implementation of the NSBP. The Principles direct banks, discount houses and development finance institutions in Nigeria to integrate E&S risk considerations into their business activities and operations. They cover nine key themes as follows:

- E&S risk management
- E&S footprint management
- Human rights
- Women's economic empowerment
- Financial inclusion
- E&S governance
- Capacity building
- Collaborative partnership
- Reporting

Sector guidelines

Sector-specific guidelines have been developed for three key sectors: Power, Oil and Gas and Agriculture. Selection of these sectors was based on their contribution to the economy as well as their impact on the environment. Going forward, sector guidelines for the mines and steel industry will be developed.

A reporting template has been developed which will assess and monitor performance according to the sector guidelines, and compliance will be reviewed.

OVERVIEW OF NATIONAL REGULATORY INITIATIVES

5.6 PHILIPPINES

On May 2013, IFC and the Bangko Sentral ng Pilipinas (BSP) jointly organized the Roundtable on Sustainable Finance for Inclusive and Sustainable Growth in the Philippines. The Roundtable is an unprecedented initiative to enable multi-stakeholder dialogue and discussions on sustainability for the Philippine banking sector. A number of concrete steps were proposed by participants of the Roundtable, including systematic awareness raising and capacity building for the sector, a multi-stakeholder dialogue mechanism, and research to map out the environmental and social sustainability landscape affecting the banking and finance industry

Following the consensus reached during Roundtable, BSP deemed that the research is a good starting point to provide the basis and approach to create a market environment conducive to sustainable and inclusive growth of the sector. IFC has initiated the research in cooperation with BSP.

5.7 VIETNAM

With the support of IFC, the State Bank of Vietnam (SBV) is leading the drafting of an Environmental and Social Risk Management Circular for banking activities, which is expected to be issued in June 2014.

SBV is also developing sector-specific E&S due diligence checklists for approximately 5-10 key sectors, which will be the primary tool used by commercial banks to identify E&S risks when appraising loan proposals for those particular sectors.

Key performance indicators (KPIs) and reporting templates will also be developed to enable SBV to monitor and evaluate the implementation of the Circular by banks. In the past two years, SBV, in partnership with IFC, organized a number of awareness raising and capacity building events targeting leaders at commercial banks. Once the new regulation is issued, SBV plans to continue partnering with IFC and other international and local technical partners to organize more technical and in-depth training for FI staff and leaders. Awareness raising and capacity building will also be conducted for SBV inspectorates and other staff to strengthen their supervisory and enforcement capacity.



6 USEFUL RESOURCES

The publication “Moving forward with Environmental and Social Risk Management” provides an overview of the implementation of ESRM in commercial banks in nine emerging markets.

<http://bit.ly/1rLc5sy>

First for Sustainability is an online platform hosted by IFC that provides information and tools on sustainable finance and E&S risk management for banks. A dedicated section provides updates on the SBN and useful resources, such as presentations from the 2nd International Sustainable Banking Forum.

<http://firstforsustainability.org/>

The IFC Sustainability Training and E-Learning Program (STEP) is a free, online training, designed to help financial institutions better understand sustainable finance and E&S risk management, and to explore sustainability-related business opportunities:

<http://bit.ly/1qHtkeO>

Information from the Green Credit Forum in China in 2012 is available as an eBook:

<http://bit.ly/1rwejJ>

Video on the China Green Credit Forum 2012:

<http://bit.ly/WK8w9e>

The IFC Sustainability Framework

<http://bit.ly/1uA618l>

The IFC Performance Standards:

<http://bit.ly/1pwTSZL>

The IFC Environmental, Health and Safety Standards:

www.ifc.org/ehsguidelines

The Equator Principles: www.equator-principles.com

The ES-Toolkit is an assessment tool, designed to assist managers of private equity funds in assessing and managing the E&S risks and opportunities associated with their investments:

<https://www.estoolkit.com/>



2121 Pennsylvania Avenue, NW | Washington, DC 20433 USA
www.ifc.org

ABOUT IFC

OUR VISION

That people should have the opportunity to escape poverty and improve their lives.

OUR VALUES

- Excellence
- Commitment
- Integrity
- Teamwork
- Diversity

OUR PURPOSE

To create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth, through:

- Mobilizing other sources of finance for private enterprise development
- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping generate productive jobs and deliver essential services to the poor and vulnerable

To achieve its purpose, IFC offers development impact solutions through firm-level interventions (direct investments, Advisory Services, and the IFC Asset Management Company); promoting global collective action, strengthening governance and standard-setting; and business enabling environment work.

Creating Opportunity Where It's Needed Most

CREDITS

EDITORIAL TEAM

Prepared by Suss Productions.

Edited by Louise Gardiner, Damilola Sobo, and Rong Zhang.

Contributions provided by Ananya Kader, Atiyah Curmally, Batmunkh Batbold, Christina Poser, Damilola Sobo, Ejura Audu, Huong Thien Nguyen, Marinela Pascua, Rahajeng Pratiwi, Upoma Dutta and Wei Yuan.

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LAGOS, NIGERIA.
MARCH 2- 4, 2014



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