I. ABOUT THE SUSTAINABLE BANKING AND FINANCE NETWORK (SBFN)

The Sustainable Banking and Finance Network (SBFN) (https://www.sbfnetwork.org/) is a voluntary community of financial sector regulators, central banks, ministries of finance, ministries of environment, and industry associations from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening, and stability. Members’ approaches draw on international good practices, while reflecting national contexts and priorities. IFC is SBFN’s Secretariat and knowledge partner, assisting members to share knowledge and access capacity building that help them design and implement national sustainable finance initiatives.

As of January 2022, SBFN comprises 70 member institutions representing 47 countries and US$43 trillion (86 percent) of the total banking assets in emerging markets. Among the 70 members, four are regional organizations from Latin America, including the Federation of Latin American Banks Federation (FELABAN); Central American Council of Superintendents of Banks, Insurance and Other Financial Institutions (CCSBSO); Association of Supervisors of Banks of the Americas (ASBA); and Eastern Caribbean Central Bank (ECCB).

SBFN members are committed to moving their financial sectors towards sustainability, with the twin goals of
i) Improved risk management and governance of environmental and social factors by financial institutions (FIs), including management and disclosure of climate risks, and

ii) Increased capital flows to activities with positive environmental and social impact, including climate change mitigation and adaptation. For more information, visit https://www.sbfnetwork.org/

II. INTRODUCTION

The following Terms of Reference (ToR) sets out the purpose, scope, and proposed working structure of the SBFN member-led Data and Disclosure Working Group. This Working Group (WG) responds to the current global need for improved data and disclosure by the financial sector to support national sustainable finance ecosystems and enable regulators and supervisory agencies to better assess environmental, social, and governance (ESG) risks and climate risk at the market level and incentivize the transition to green and inclusive economies.

The Working Group will map the latest country-level developments in sustainable finance data and disclosure across the SBFN community as well as international initiatives to facilitate the continued development of tools and practical guidance for SBFN members.

This evolving TOR will inform the activities and deliverables of the Working Group members between December 2021 and February 2023 and will be adapted in response to member discussion and feedback.

III. THE GROWING IMPORTANCE OF DATA & DISCLOSURE EXPRESSED BY MEMBERS

In their efforts to promote sustainable finance practices across the financial sector — including banking, insurance, pension funds, and capital markets — a consistent gap identified by SBFN members is the lack of adequate, minimum reporting and data related to ESG risk, climate risk management, and capital flows to investments and projects that have positive environmental and social benefits.

Improved data and disclosure are required to support analysis by regulators regarding the impact of ESG risks on financial stability — including exposure to climate change — and alignment of banks’ activities with national development priorities. FIs in turn are faced with a variety of ESG and climate reporting frameworks at global level and pressure from stakeholders to increase their transparency about portfolio and project-level risks as well as sustainability performance.

SBFN members have taken different approaches to address these gaps and inconsistencies in recent years. This has resulted in valuable case studies and insights that can be applied by other SBFN members to address similar challenges. Moreover, with efforts underway at international level to promote convergence in global ESG reporting frameworks, SBFN members can contribute to the international disclosure dialogue by assessing and capturing the specific needs of policy makers, regulators, supervisors, and industry associations in the Network.

Importantly, such research can give consideration to differences between public reporting (e.g. annual integrated and sustainability reports published by listed companies, including financial institutions) and reporting by FIs directly to financial sector regulators, such as in standardized templates. The latter provides a channel for important data collection outside of the public domain.
International convergence in standards for sustainability disclosure is a timely development as most SBFN member countries prepare to deepen their disclosure expectations of FIs’ and banks’ clients in the real sector.

Recent initiatives that are helping to shape international disclosure good practice include:

- The Task Force on Climate-related Financial Disclosures (TCFD);
- The establishment of the International Sustainability Standards Board, which will deliver a comprehensive global baseline of sustainability-related disclosure standards; and
- New regulations by the European Union regarding sustainability-related disclosures in the financial services sector (SFDR) and corporate sustainability reporting; and
- Model guidance on ESG disclosure and climate disclosure provided by the United Nations Sustainable Stock Exchanges initiative.

These initiatives build on an existing wealth of guidance on sustainability reporting good practice, including the Global Reporting Initiative, CDP, Sustainability Accounting Standards Board (SASB), and Integrated Reporting Framework by the Value Reporting Foundation.

Green, social and sustainability bonds and other types of sustainability-focused investments are another trend that has heightened the urgency around ESG and climate disclosure. Growing cross-border investment and bond issuance is raising investor and regulator demand for transparency and consistent, high-quality data that is comparable across jurisdictions. This is another driver for alignment of national and international reporting standards.

By establishing ESG disclosure as a foundation of the financial system, FIs and businesses will be well-placed to leverage new innovations in green, social and sustainability-related financial instruments in different asset classes, including bonds, loans, and equities. Such reporting is needed to ensure that i) issuers achieve the social and environmental impacts promised to investors, and ii) they manage environmental and social risks in line with emerging principles such as “Do No Significant Harm” and protection of social safeguards. It also assists regulators and industry associations to track financial flows to related development.

IV. OBJECTIVES

Given the findings and highlights above, the recommendations in SBFN’s 2021 Global Progress Report included the following:

- For SBFN members to “Strengthen and align data and disclosure requirements for all parts of the sustainable finance ecosystem, particularly through collaboration between regulatory agencies”, and

- For the SBFN Secretariat to “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.”

With this in mind, the Data and Disclosure Working Group will have the following objectives:

2. Map current ESG and climate disclosure initiatives and requirements by SBFN members
3. Identify and contribute SBFN member perspectives to international ESG and climate disclosure trends and initiatives that are relevant to SBFN members.
3. **Develop guidance and a toolkit to support SBFN members to develop local ESG and climate disclosure frameworks and initiatives that support sustainable finance ecosystems.**

4. **Support SBFN members through country-level awareness raising, capacity building and knowledge sharing.**

V. **DELIVERABLES, PROCESS & TIMELINE**

The activities of the Working Group are expected to be divided into two main phases:

**PHASE I: mapping**

Leveraging findings and data from the 2021 SBFN Global Progress Report and member interviews, SBFN will commission in-depth research into current practices of SBFN members across all parts of the financial system.

This research will include a focus on the following elements:
- Mandatory requirements for FIs to report to regulators on ESG integration, climate risk management, and sustainable finance flows.
- Mandatory or voluntary disclosure and impact reporting requirements being issued by stock exchanges and capital market regulators.
- The issuing of disclosure guidance and templates to support FIs.
- Linkages with new sustainable finance taxonomies.
- The use and reporting of aggregated sustainable finance data by regulators and industry associations.
- Collaborative approaches among regulators and industry associations to develop disclosure guidance and collect and manage reported data.
- Requirements for independent review, verification, and assurance to ensure credibility of disclosed information.

SBFN member case studies will be compared to identify common ingredients and approaches. The findings will be compared with international trends in disclosure standards and data requirements.

**PHASE II: development of practical technical tools**

The findings of the phase I research will be analyzed to determine suitable country case studies, common approaches, and lessons learned that can be utilized by other SBFN member countries. These will be published as a guidance document and toolkit, including
- Sample reporting templates for FIs to report to regulators for supervision purposes.
- Common elements of guidance issued by capital market regulators for FIs and companies to report publicly on ESG integration, climate risk management, and sustainable finance flows.
- Commonly-used indicators.
- Useful resources.
- Practical tips for navigating the landscape of international reporting trends.
- Opportunities for alignment and integration among different disclosure requirements, expectations, and guidance across different parts of the financial sector.
VI. ACTIVITIES
The following activities are proposed in 2022:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
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<tr>
<td>1st meeting of WG Co-Chairs</td>
<td>January 2022</td>
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<tr>
<td>1st meeting of the Data and Disclosure Working Group to discuss the conceptual framework and proposed approach to mapping research, including presentations by member countries on their current experiences and case studies.</td>
<td>March 2022</td>
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<tr>
<td>Map the current status and lessons learned from national, regional, and global data and disclosure initiatives in emerging markets, with a focus on SBFN countries.</td>
<td>April 2022 — June 2022</td>
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<td>2nd meeting of Working Group Co-Chairs</td>
<td>July 2022</td>
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<tr>
<td>2nd meeting of the Working Group to reflect on the finalized mapping research and give input on the development of a practical toolkit and templates.</td>
<td>July 2022</td>
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<tr>
<td>Develop a practical toolkit and templates that emerging market countries can adopt to promote integrate approaches to national ecosystems for data and disclosure to support sustainable finance.</td>
<td>July 2022 – December 2022</td>
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<tr>
<td>3rd meeting of Working Group to review outputs before launch and discuss next phases of work.</td>
<td>November 2022</td>
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Additional phases of work can be guided by the Working Group based on member priorities.

VII. MEMBERSHIP

Incoming Data and Disclosure WG membership
The incoming Co-Chairs of the WG are the China Banking and Insurance Regulatory Commission (CBIRC) and the National Bank of Georgia.

The following table indicates the 27 incoming WG members as indicated by a survey of members in September 2020. It includes potential observer organizations from international institutions active on data and disclosure topics.

SBFN will explore appropriate opportunities to collaborate with specific international organizations on delivery of the work plan.

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<th>Region</th>
<th>Country</th>
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<td>Cambodia</td>
<td>2 The Association of Banks in Cambodia</td>
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<td>China</td>
<td>3 China Banking and Insurance Regulatory Commission (CBIRC)(Co-Chair)</td>
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<td>Fiji</td>
<td>4 Reserve Bank of Fiji</td>
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<td>Maldives</td>
<td>5 Maldives Monetary Authority</td>
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**VIII. RESPONSIBILITIES**

As SBFN Secretariat and knowledge advisor, IFC is responsible for the administration of the Working Group, including:

- Convening Working Group meetings (in person and virtually)
- Collecting and sharing relevant materials required for informed input and deliberation by Working Group members
- Implementing decisions taken by the WG
- Providing regular updates on Working Group activities to i) Working Group members and ii) the SBFN wider network

Working Group members commit to
• Provide guidance on the strategic direction of the Working Group to achieve the greatest global impact;
• Participate in Working Group meetings;
• Share their country information and lessons learned;
• Review background materials;
• Provide expert and technical input to the Working Group discussions;
• Review and provide input to various drafts of the Working Group outputs; and
• Represent SBFN and share the Working Group findings at conferences and similar events.

Recognizing that members have different availability, interest, and expertise related to the different working groups. The following additional categories of participation have been proposed:

| Co-Chairs (Rotate every few years) | • Represent one of the SBFN regions and membership categories (e.g., regulator, banking association, and/or capital market authority)
| | • Guide the WG’s work and provide technical expertise during and between working group meetings
| | • Contribute deep expertise thanks to country, regional, and/or institutional leadership on the topic
| | • Be a spokesperson for the WG and support external communication and knowledge sharing efforts
| | • Review strategy and outputs |
| Members/Observers | • Participate in WG meetings
| | • Review and contribute to WG case studies
| | • Participate in WG webinars
| | • Provide expert peer review to strategy, outputs, documents, and processes
| | • Support the WG dissemination efforts |

IX. CONTACTS

Working Groups Coordinator – Louise Gardiner (South Africa), lgardiner@ifc.org, +27 72 615 9780
Policy Specialist – Honglin Li (Washington, DC), hli4@ifc.org, +1 202 406 0700
Disclosure Expert — Ralitza Germanova, rgermanova@ifc.org
ANNEX I — KEY FINDINGS FROM THE SBFN 2021 GLOBAL PROGRESS REPORT

In 2021, SBFN conducted its third comprehensive benchmarking of national sustainable finance developments across emerging markets. The following are some of the key findings:

- Clear reporting requirements for financial institutions and collection of comparable data are among the key milestones for countries in the Advancing and Consolidating sub-stages.
- A growing number of countries are collecting and are able to provide aggregated data on implementation by local FIs. Ten countries — Argentina, Bangladesh, China, Colombia, Indonesia, Kenya, Mexico, Mongolia, Turkey, and Vietnam — provided some degree of aggregate quantitative data on ESG performance and/or sustainable finance flows in response to this year’s exploration of data availability.
  - All 10 countries provided data on the implementation of ESG framework requirements by financial institutions.
  - Seven countries provided data on capital allocation to green, social, and sustainability categories for loans or bonds.
  - Five countries provided data on the extent to which banks are addressing climate risk.
- The most commonly reported types of data include:
  - Banking assets covered by ESG integration requirements in the national sustainable finance framework.
  - Banks that have established an internal ESG governance structure and/or policies; and
  - Banks that report their ESG activities and performance regularly to the regulator or industry association.
- Countries that actively supervise implementation by financial institutions also tend to focus on data and disclosure.
- The growing 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 and taxonomies.
- Data is more robust in cases where clear reporting guidance, templates, and taxonomies are provided.
- Capital market regulators and stock exchanges have been at the forefront of introducing ESG-focused disclosure requirements for listed companies, which benefits all market participants. They have also introduced guidelines for issuance of green, social, and sustainability bonds. More recently, stock exchanges are championing disclosure of climate risk, evidenced by the “Model Guidance on Climate Disclosure” launched in June 2021 by the United Nations Sustainable Stock Exchanges initiative.
- 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.
- Momentum has grown quickly since the launch of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) in 2015, and the issuing of the 2017 TCFD Recommendations for consistent climate-related financial disclosures for corporations and financial sector actors. Many SBFN countries and member institutions and organizations are represented in the over 2000 formal TCFD supporting organizations in 77 countries, including corporations, national governments and ministries, central banks, regulators, stock exchanges, and credit agencies.
- The launch of the Task Force on Nature-related Financial Disclosures in June 2021 confirmed that biodiversity will be one of the next big priorities for the financial sector. The initiative is aligning its approach with the TCFD and highlights how protection of nature also helps countries mitigate and adapt to climate change.
• Clear reporting requirements yield greater compliance and comparable data. This information helps the regulator and/or industry association to identify trends in risk exposure, implementation of the national framework, and allocation of capital to sustainable finance opportunities.

• National sustainable finance frameworks and initiatives become more robust and mature when multi-year and comparative data start to emerge about implementation by financial institutions and the resulting benefits and outcomes.

• Coordination between regulatory authorities can avoid duplication or misalignment of disclosure requirements.

• Data needs and usage by different market players should also be considered.
ANNEX II — PROGRESS BY SBFN MEMBERS IN THE LAST REPORTING PERIOD

Most SBFN countries (22 out of 33) have started to monitor implementation of the national ESG framework by FIs through regular self-reporting by FIs or public disclosure.

China was a first mover in developing its Green Credit Statistics System. This has enabled Chinese banks to report systematically on the percentage of their loans that can be classified as green and to demonstrate the link with lower credit risk.

The following are other notable SBFN examples in the last reporting period.

- In February 2020, National Bank of Georgia launched the ESG Reporting and Disclosure Principles with a corresponding template in order to assist commercial banks and other FIs to disclose ESG-related information in a relevant, useful, consistent and comparable manner. Commercial banks will disclose ESG-related information using this template beginning in 2021.
- In 2020, Colombia’s Stock Exchange issued the Guide for the Preparation of ESG Reports for Issuers in Colombia. In addition, the Financial Superintendence of Colombia issued two regulations in 2021 for Institutional Investors (Pension and Insurance) External Circular (EC) 07 and EC-08 regarding ESG integration and ESG product disclosure.
- The Green Finance Advisory Board of Mexico launched the ESG Guide for Investors in 2019, and issued the Request to Issuers Regarding the Disclosure of Environmental, Social, and Corporate Governance Information in 2020.
- In 2020, the Central Bank of Mongolia announced its national Green Loan Statistics, calculating the amount and ratio of green loans in the portfolio based on the Mongolia Green Taxonomy.
- Frameworks in 13 countries reference the use of international good practices for FIs to begin reporting on climate risk management approaches, such as the Carbon Disclosure Standards Board, CDP, Global Reporting Initiative, and increasingly the TCFD, recognizing that the quality and completeness of this reporting is evolving as governance and risk management approaches for climate risks are developed.
- The Brazilian Banking Federation issued “Implementing the TCFD Recommendations: A Roadmap for the Brazilian Banking Sector” (2019) to provide guidance, and recently issued a progress update in 2020 on the implementation of the Roadmap by Brazilian banks.
- Frameworks in 13 countries include requirements or recommendations for FIs to identify and report on their exposure to sectors that are vulnerable to transition risk and physical risk, while four countries ask or require FIs to adopt and report on performance targets to reduce exposure to climate risks and portfolio greenhouse gas emissions.
- Twenty-four SBFN countries have introduced green or sustainability bond regulations or guidance, which all contain disclosure requirements at the instrument level. A smaller number of countries require or encourage FIs to report publicly on their investment flows to sustainable projects and sectors.
- Approximately half of SBFN member countries with frameworks require or ask FIs to report on their sustainable financial flow data, and the majority acknowledge that such reporting and disclosure should follow international standards and good practices, especially for bond issuance.