

Ecuador

Country Progress Report

April 2022

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



Sustainable
Banking and
Finance
Network



Creating Markets, Creating Opportunities

Acknowledgements

This Country Progress Report was developed by the SBFN Secretariat under the leadership of the SBFN Measurement Working Group and with guidance from the SBFN Latin America and the Caribbean Regional Coordinator, Marcela Ponce. Data are collected and verified by SBFN. The team is grateful for the support and guidance of the Central Bank of Ecuador (BCE) and Banking Association of Ecuador (ASOBANCA) representatives who reviewed and provided comments to this report, in particular Guillermo Avellan Solines, BCE General Manager; Pablo Eduardo Grijalva Bautista, BCE Operations Deputy Manager; Francisco Miguel Encalada Lopez, from BCE; Veronica Artola Jarrin, former BCE General Manager; Fernando Rafael Jurado Grijalva, former employee from BCE; Roberto Romero, ASOBANCA Communication and Public Affairs Director; Daniel V. Ortega-Pacheco, Director of Center for Public Policy Development at ESPOL Polytechnic University and Coordinator of the Ecuador Sustainable Finance Initiative.

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.

© International Finance Corporation [2022], as the Secretariat of the Sustainable Banking and Finance Network (SBFN). All rights reserved. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433 Internet: www.ifc.org. The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC and SBFN encourage dissemination of their work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC and SBFN do not guarantee the accuracy, reliability, or completeness of the content included in this work, or the conclusions or judgments described herein, and accept no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

This work was prepared in consultation with SBFN members. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank Group, IFC, or the governments they represent. The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, some of the companies and parties named herein.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433. International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

Contents

1

Overall country progress – Ecuador

1. SBFN member institutions
2. Other key institutions and national initiatives promoting sustainable finance
3. Overall progress
4. Country sustainable finance journey
5. COVID response
6. Ambitions for the next phase
7. SBFN and IFC role

page 2

2

Progress by three pillars

- Pillar 1: ESG Integration
- Pillar 2: Climate Risk Management
- Pillar 3: Financing Sustainability

page 5

3

Progress by three sub-pillars and 11 indicators

- Sub-pillar 1: Strategic Alignment
- Sub-pillar 2: Regulatory and Industry Association Actions
- Sub-pillar 3: Expectations of Financial Institution Actions

page 10

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

page 11

5

SBFN measurement framework and methodology

Summary of the SBFN measurement framework, a systematic approach to benchmark country progress in developing national enabling frameworks for sustainable finance

page 12

Note to the reader: All measurement results featured in this document, such as graphs and progression matrixes, are based on data collected up to July 2021. Additional activities up to the publishing date of this country report have been included in narrative form.

1. Overall country progress – Ecuador

1.1 SBFN member institutions:

[Banking Association of Ecuador \(Asociación de Bancos del Ecuador - \(ASOBANCA\)\)](#) Member Since: 2016

[Central Bank of Ecuador \(BCE\)](#) Member Since: 2021

1.2 Other key institutions and national initiatives promoting sustainable finance

[Quito Stock Exchange](#)

[Superintendency of Companies, Securities and Insurance](#)

1.3 Overall progress

Ecuador has **continued to make progress in the “Developing” sub-stage of the “Implementation” stage**. In 2021, ASOBANCA published 12 sector guides at the Sustainable Banking Protocol issuance fifth-anniversary event and announced 22 more sector guides to be developed in 2022, covering all productive sectors in the economy. In 2020, the Quito Stock Exchange issued the Guide for Green and Social Bonds, advancing the development of sustainable finance in the capital markets. Ecuador has formally launched its sustainable finance framework, starting with the Sustainable Banking Protocol for Ecuador issued by ASOBANCA in 2016. A formal initiative is in place, which is supported by both regulators and industry. Awareness raising and capacity building have been conducted.

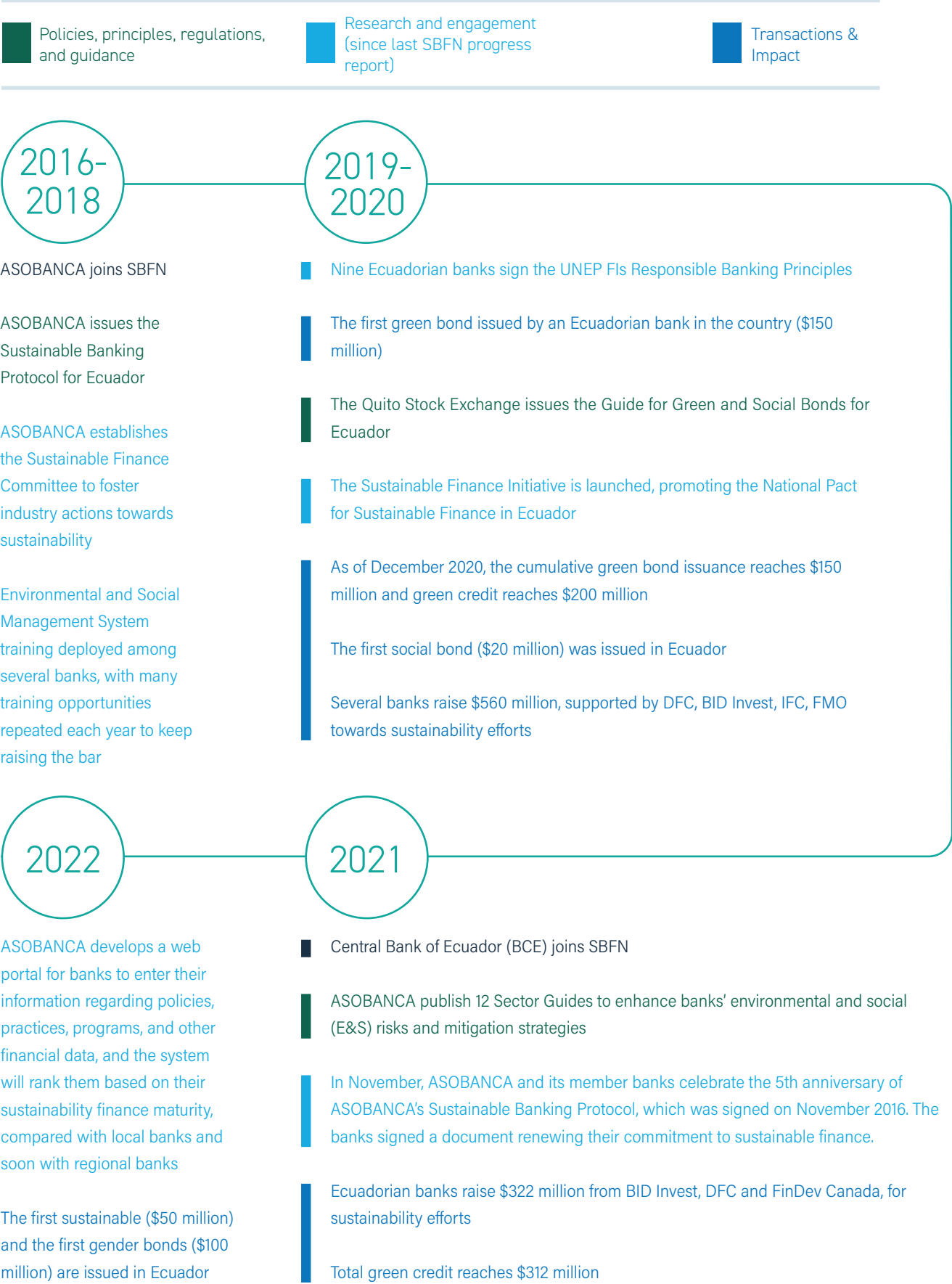
Figure 1: SBFN Progression Matrix - Overall Country Progress



*Countries within each sub-stage are listed in alphabetical order.

1.4 Country sustainable finance journey

Figure 2: Ecuador’s sustainable finance journey



1.5 COVID response

Ecuador established a state of emergency in response to the COVID-19 pandemic. Several direct and indirect tax measures were introduced, including payment deferrals, rate reductions, and a suspension of tax audits. Economic stimulus measures were introduced including loans and a moratorium on debt repayments. Permission was granted to suspend or reduce working days. A loan suspension or extension was granted to the Superintendence of Companies and the courts, and a suspension of payments was granted for mining conservation patents.

1.6 Ambitions for the next phase

BCE and ASOBANCA have recognized that sustainable finance is vital for Ecuador and are committed to developing and implementing a national sustainable finance framework in the near term, with a focus on sustainable finance sensitization, capacity building, and stakeholder awareness raising, participation, and consultation. ASOBANCA, with support from BID Invest & FMO, started the development of another 22 sector guides, with 34 sector guides (12 in 2020-2021 and 22 in 2021-2022) covering all productive sectors in the economy.

1.7 SBFN and IFC role

IFC has provided support to the financial sector for sustainable finance initiatives and capacity building in Ecuador, in partnership with the Facility for Investment Climate Advisory Services. Through SBFN, ASOBANCA and the Central Bank of Ecuador have shared their experience with other SBFN members and benefited from the collective SBFN knowledge base.

Since ASOBANCA's Sustainable Banking Protocol was signed in 2016, banks have been working with a clear strategy to promote sustainable finance in the country. This has allowed the implementation of initiatives that set a precedent in the country, such as the issuance of the first green bond, the first social bond, the first sustainable bond, and more recently, the first gender bond. The sector's efforts have also facilitated several banks to receive resources from international and multilateral organizations to promote credit for sustainable projects. In addition, Ecuador's private banks have demonstrated their commitment to responsible banking and ratified it supporting Ecuadorians to deal with impacts of COVID-19 since 2020.

Dr. Marco Rodriguez
Executive President of Asobanca



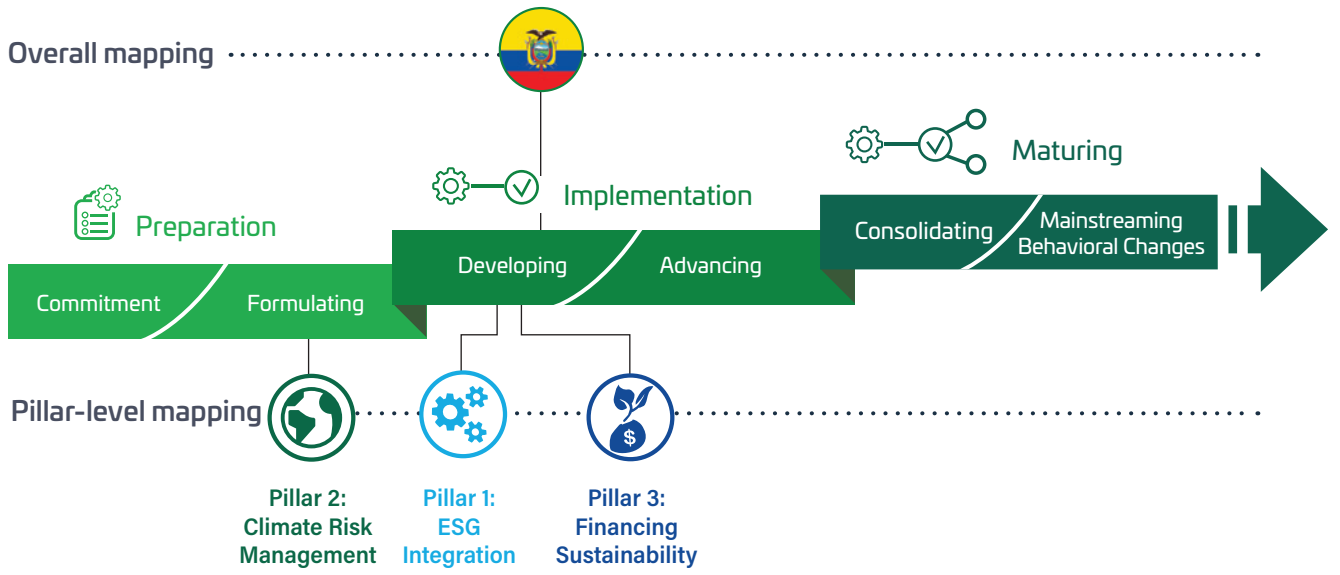
The Central Bank of Ecuador is committed to contributing to the development of public policies, in collaboration with the private and public sectors, in order to promote sustainable finance that ensures social welfare and environmentally friendly growth.

Guillermo Avellán Solines
General Manager of the Central Bank of Ecuador



2. Progress by three pillars

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

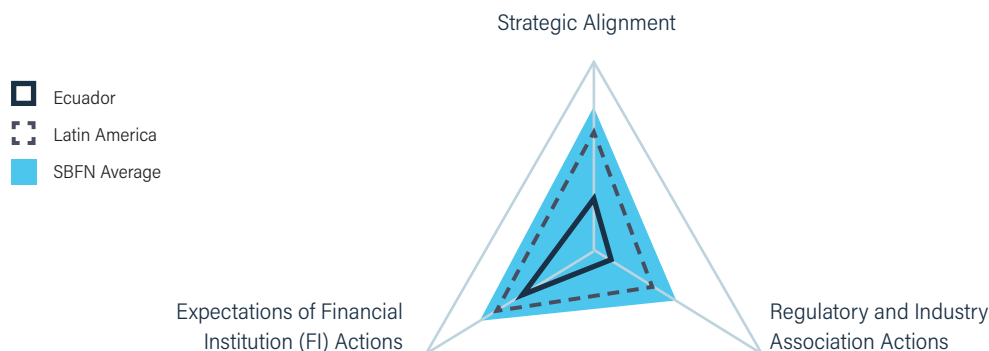




Pillar 1: ESG Integration

Pillar Progress: Developing

Ecuador is mapped under the **“Developing” sub-stage of the “Implementation” stage** for the ESG Integration Pillar. There is an existing national framework addressing the integration of environmental, social, and governance (ESG) risk and performance considerations into the practices of financial institutions. There are ongoing activities to raise awareness and build capacity, and early-stage implementation is in progress.



Sub-pillar 1: Strategic Alignment

- Ecuador's national framework for the banking sector, including the Sustainable Banking Protocol for Ecuador (ASOBANCA, 2016), sets out expectations for integrating the consideration of ESG risks and performance.
- The framework was developed and/or implemented in close consultation with stakeholders. The Protocol involves cross agency collaboration between financial supervisors or regulators, industry associations, and financial institutions (FIs).

IFC's Green Bond Technical Assistance Program and Green Banking Academy. IFC support has increased knowledge and dissemination. In particular, the financial and technical support in designing, implementing, and communicating successful implementation, provided by the first Green, Social, and Sustainability Bond Executive Training and targeted at the major private banks in Ecuador, was crucial. This support has allowed banks to produce high-quality public goods (such as case studies and videos) that will be accessible to stakeholder groups and may contribute to enlarging the IFC support's impact.

Sub-pillar 2: Regulatory and Industry Association Actions

- The implementation of the framework is regularly monitored by ASOBANCA.
- In August 2020, Ecuador launched the Sustainable Finance Initiative, led by CBE. The Initiative is an innovative public-private-academic alliance to promote sustainable finance in Ecuador, aligning with international standards and good practice.
- For tracking and aggregated disclosure, as part of the Sustainable Finance Initiative, a survey has been designed to track data related to ESG integration by FIs. The survey will be conducted on an annual basis. The same survey will be replicated in Colombia and Mexico by partner academic institutions.
- Capacity building efforts have been supported by the

- In 2021, ASOBANCA published 12 Sector Guides to Enhance Banks' Environmental and Social (E&S) Risks and Mitigation Strategies, with support from eco.business Fund and focusing on agribusiness. Banks signed a document renewing their commitment to sustainable finance. ASOBANCA also announced that it would develop 22 more sector guides in 2022, covering all productive sectors in the economy.*

Sub-pillar 3: Expectations for FI Actions

- The Ecuador Sustainable Banking Protocol requires FIs to develop policies and procedures to manage ESG risks and performance, and to report ESG performance both to the regulator and publicly.

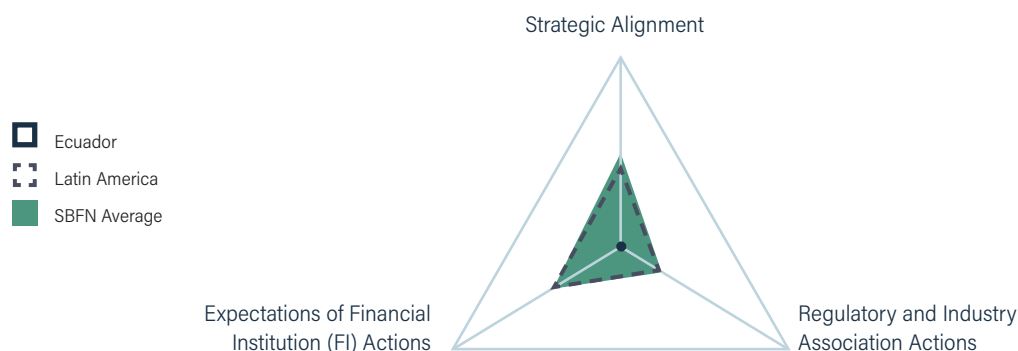
* The sector guides were issued in November 2021, after this report data were collected and analyzed. Learn more at <https://www.ecobusiness.fund/es/academia/recursos/guias-sectoriales-para-los-agronegocios>.



Pillar 2: Climate Risk Management

Pillar Progress: Formulating

Ecuador is in the **“Formulating” sub-stage of the “Preparation” stage** of the Climate Risk Management Pillar. ASOBANCA issued the Sustainable Banking Protocol for Ecuador (2016) which includes the management and disclosure of environmental and social risk in the banking sector, and lists climate mitigation and adaptation as part of sustainable financing activities. 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 Ecuador’s Nationally Determined Contribution (NDC) to the Paris Agreement and national climate policies, including the National Strategy on Climate Change 2012-2025. In the financial sector, ASOBANCA issued the Sustainable Banking Protocol for Ecuador, which includes the management and disclosure of environmental and social risk in the banking sector, and lists climate mitigation and adaptation as part of sustainable financing activities.

Sub-pillar 2: Regulatory and Industry Association Actions

- ASOBANCA issued the Sustainable Banking Protocol for Ecuador in 2016, including Strategy 1 for climate mitigation and adaptation as part of sustainable finance activities and Strategy 3 for overall environmental and social risk management and credit analysis.
- The Quito Stock Exchange is a member of UN Sustainable Stock Exchanges, and a formal supporter of the Task Force on Climate-related Financial Disclosures (TCFD).
- As part of Ecuador’s future progress, recommended areas of focus for regulatory and industry association

actions in Ecuador include research, capacity building, technical guidance (such as climate scenarios and risk assessment methodologies), and the development of regulatory and supervisory expectations for FIs for managing climate-related physical and transition risks and financial impacts.

- In terms of awareness raising for environmental and social (E&S) and climate risks, ASOBANCA continues to work with the Federation of Latin American Banks (FELABAN), a member of SBFN, to address important topics such as E&S risks (including climate risks), climate financing, and monitoring and impact. In 2020, Ecuador launched the Sustainable Finance Initiative.

Sub-pillar 3: Expectations for FI Actions

- As part of awareness raising on climate risk management, in 2020 seven banks in Ecuador participated in a regional survey, undertaken by the United Nations Environment Programme Finance Initiative and the Development Bank of Latin America (CAF), with coordination by FELABAN, on the approaches of financial institutions to incorporating climate change into risk management.¹

¹ As noted in the [UNEP-FI-Development Bank of Latin America \(CAF\) “How the Banks of Latin America and the Caribbean incorporate climate change in their risk management”](#), internalizing ESG systems tends to create favorable conditions for the analysis of climate risks within financial institutions.

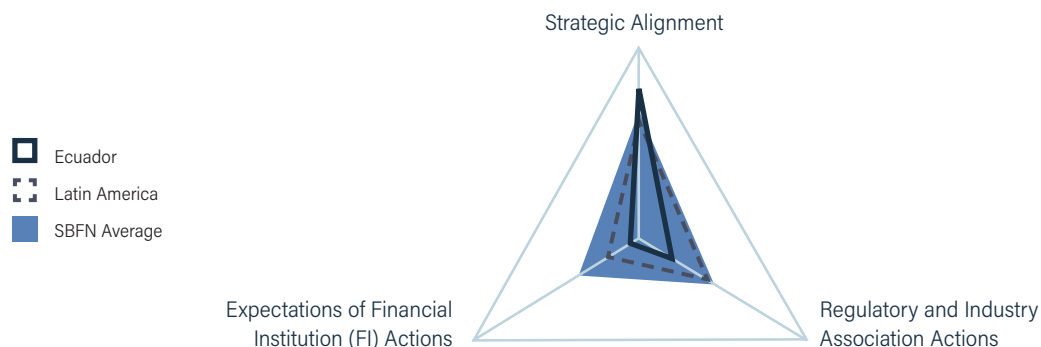
- As part of future progress, the Sustainable Banking Protocol for Ecuador for E&S risk management can be further elaborated to guide the expected actions of FIs for the development of their strategy, governance, risk management, metrics and targets, and disclosure approaches for climate-related physical and transition risks and financial impacts.



Pillar 3: Financing Sustainability

Pillar Progress: Developing

Ecuador is in the **“Developing” sub-stage of the “Implementation” stage** for the Financing Sustainability Pillar. There is a national framework for promoting financial flows into green, climate, social, and sustainability-linked projects and sectors, and ongoing awareness raising and capacity building on financing sustainability actions and expectations. In 2020, the Quito Stock Exchange published the Guide for Green and Social Bonds, promoting green bond issuance in the country.



Sub-pillar 1: Strategic Alignment

- Ecuador's national framework for financing sustainability covers both the banking sector and the capital markets; it is led by the BCE, ASOBANCA and its 2016 Sustainable Banking Protocol for Ecuador for the banking sector, and the Quito Stock Exchange and its 2020 Guide for Green and Social Bonds for Ecuador for the capital markets.
- The Ecuadorian financial sector's approach to promoting financial flow into green and sustainability projects and sectors is in alignment with international goals, good practices, and standards, such as the UN Sustainable Development Goals, and the International Capital Market Association's Principles for Green Bonds.
- Ecuador's Sustainable Banking Protocol involves cross-agency collaboration between financial supervisors and regulators, industry associations, and FIs. In 2020, Ecuador launched the Sustainable Finance Initiative, an innovative public-private-academic collaboration led by BCE to promote sustainable finance in Ecuador, aligning with international standards and good practice.

Sub-pillar 2: Regulatory and Industry Association Actions

- Ecuador's Sustainable Banking Protocol provides definitions and examples of sustainable finance assets. The Guide for Green and Social Bonds for Ecuador issued by Quito Stock Exchange in 2020 provides guidelines for the issuance of green and social or sustainability bonds, with requirements for external party verification to ensure the credibility of sustainability instruments.

Sub-pillar 3: Expectations for FI Actions

- The Guide for Green and Social Bonds for Ecuador requires bond issuers to publish annual updates on the performance and impacts of the sustainability instruments in compliance with relevant national and/or international standards.

3. Progress by three sub-pillars and 11 indicators

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



4. Library of national sustainable finance framework documents

National strategies, roadmaps, policies, voluntary principles, regulations, guidelines, research, templates, and tools that provide an enabling framework for sustainable finance

12 Sector Guides to Enhance Banks' Environmental and Social (E&S) Risks and Mitigation Strategies

(ASOBANCA, 2021)



Guide for Green and Social Bonds for Ecuador

(Quito Stock Exchange, 2020)



Sustainable Banking Protocol for Ecuador

(ASOBANCA, 2016)



Download framework documents and check for updates at www.sbfnetwork.org/library

5. SBFN measurement framework and methodology

About SBFN

Established in 2012, the Sustainable Banking and Finance Network (SBFN) is a unique, voluntary community of financial sector regulatory agencies and industry associations from emerging markets committed to advancing sustainable finance in line with international best practice. SBFN is facilitated by IFC as secretariat, and supported by the World Bank Group.

As of October 2021, SBFN comprised 43 member countries representing over US\$43 trillion and 86 percent of total banking assets in emerging markets. Members are committed to collectively driving measurable change.

Why a measurement framework?

In 2016, members requested a systematic comparison of country approaches to developing national sustainable finance frameworks. The SBFN Measurement Working Group was established to convene member inputs on the design of a common framework to benchmark country progress and accelerate peer-to-peer knowledge exchange. The Framework is designed to inform the biennial SBFN Global Progress Report.

An evolving framework

The SBFN Measurement Framework reflects the activities, strategies, and tools that members use to promote sustainable finance in their countries. It evolves to match advances in country initiatives. It also incorporates the latest international standards and best practices identified by members as important to their efforts.

A member-led approach

The Framework was designed with extensive member input under the leadership of the Measurement Working Group and Co-Chairs. Updates to the Framework are guided by the Measurement Working Group and agreed by all SBFN Members.

Data collection in partnership with members

As of 2021, data collection for the SBFN Global Progress Report relies on member country reporting in line with the updated Measurement Framework. Information is supported by evidence, which is verified by the SBFN secretariat in collaboration with third-party service providers. Evaluation and milestones are objective and transparent. Members approve the final Global and Country Progress Reports.

The Framework can be used as:



a **mapping tool** to capture the dynamic interaction of collective insights, market-based actions, and policy leadership demonstrated by SBFN members as they move their financial markets toward sustainability;



a **benchmarking tool** for SBFN members to learn from and compare peer approaches, track and review progress against global benchmarks, develop common concepts and definitions, and leverage innovations and strengths; and



a **forward planning and capacity building tool** to identify future policy pathways and capacity building needs.

The Measurement Framework is based on three intersecting themes in sustainable finance. For each theme, it assesses regulatory guidance, supervision strategies, disclosure requirements, and voluntary industry approaches.



ESG Integration refers to the management of environmental, social, and governance (ESG) risks in the governance, operations, lending, and investment activities of financial institutions.



Climate Risk Management refers to new governance, risk management, and disclosure practices that financial institutions can use to mitigate and adapt to climate change.



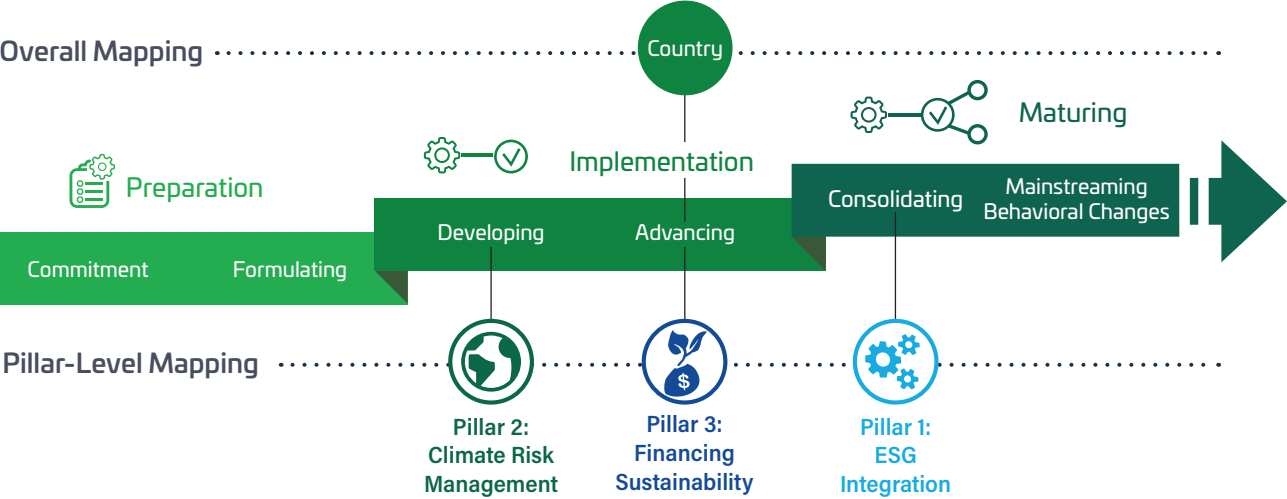
Financing Sustainability refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, taxonomies, monitoring, and incentives.

The Measurement Framework consists of three complementary components:

1. Progression matrices

Drawing on SBFN members' common development paths and milestones, the **SBFN Progression Matrix** provides an overview of market-wide progress for all SBFN countries across three typical stages of development. It allows each SBFN member to review its own progress and identify the strengths and weaknesses of its approach.

The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices. In the 2021 report, in addition to the Overall Progression Matrix, three pillar-level matrices are added to reflect a country's development process in each of the pillar areas.



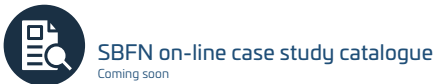
2. Pillar benchmarking

A dynamic assessment is conducted across several priority pillars of sustainable finance, using qualitative and quantitative datapoints to assess progress and allow comparison across countries. Three pillars, three cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 underlying datapoints are used to objectively assess a country's sustainable finance framework(s), according to clarity, depth, and alignment to international good practice.

	Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar 1: Strategic Alignment	<ul style="list-style-type: none"> National framework Alignment with international goals and standards Alignment with national goals and strategies 		
Sub-pillar 2: Regulatory and Industry Association Actions	<ul style="list-style-type: none"> Overall approach and strategy Technical guidance Supervisory activities and incentives Tracking and aggregated disclosure 		
Sub-pillar 3: Expectations of Financial Institution (FI) Actions	<ul style="list-style-type: none"> Strategy and governance Organizational structure and capacity Policies and procedures Tracking, reporting, and disclosure 		

3. Sector data and case studies

In 2021, data collection included an exploratory request for quantitative data points — where available — for the number and percentage of financial institutions that are implementing ESG integration as well as climate risk management and disclosure; and the total value of green, social, and sustainability bond issuance. Detailed case studies were also collected of innovative approaches by regulators and industry. Case studies will be published in a new on-line case study catalogue.



SBFN Measurement Framework pillars, sub-pillars, indicators, and underlying datapoints

Pillar 1: ESG Integration			
Sub-pillar	Indicator	No.	Underlying datapoint
Strategic Alignment	National framework ¹ (e.g. policies, roadmaps, guidance, regulations, voluntary principles, templates, or tools)	1	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of environmental, social, and governance (ESG) risks and performance?
		2	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance or other non-lending FIs that sets out expectations for integrating the consideration of ESG risks and performance?
	Alignment with international goals and standards	3	Does the Framework make reference to international sustainable development frameworks or goals?
		4	Does the Framework make reference to established international ESG risk management standards and principles for FIs?
	Alignment with national goals and strategies	5	Does the Framework make reference to specific national development objectives, plans, policies, goals, or targets?
		6	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design and/or implementation related to ESG integration?
		7	Does any inter-agency data sharing currently exist related to ESG integration by FIs?
Regulatory and Industry Association Actions	Overall approach and strategy	8	Does the Framework provide guidance on the role of the regulator or industry association with regard to assessing and managing ESG risk and performance in the financial sector?
		9	Has the regulator or industry association undertaken market assessment to identify systemic ESG risks through analysis of the portfolios of supervised entities/members and published the results?
	Technical guidance	10	Does the Framework provide technical guidance or tools to support implementation of ESG risk and performance management by the financial sector?
	Supervision activities and incentives	11	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
		12	Does the regulator or industry association provide any financial or non-financial incentives for FIs to manage ESG performance as part of the Framework?
		13	Does the regulator or industry association apply any disincentives/penalties for non-compliance by FIs in terms of expectations from the regulator and/or industry association related to ESG risk management as part of the Framework?
	Tracking and aggregated disclosure	14	Has the regulator or industry association established a data collection approach and database to track or regularly publish data related to ESG integration by FIs as part of the Framework?
Expectations of FI Actions	Strategy and governance	15	Does the Framework require/ask the FI's board of directors (or highest governing body) to approve an ESRM and/or ESG integration strategy, and to supervise its implementation?
	Organizational structure and capacity	16	Does the Framework require/ask FIs to allocate resources/budget commensurate with portfolio ESG risks and define roles and responsibilities for ESG integration within the organization?
		17	Does the Framework require/ask FIs to develop and maintain the ESG expertise and capacity of staff commensurate with portfolio ESG risks through regular training and learning?
		18	Does the Framework require/ask FIs to create incentives for managers to reduce the ESG risk-level of the portfolio over a specified timeframe?
	Policies and procedures	19	Does the Framework require/ask FIs to develop policies and procedures to identify, classify, measure, monitor, and manage ESG risks and performance throughout the financing cycle at the client level and/or the transaction/project level?
		20	Does the Framework require/ask FIs to undertake a regular review and monitoring of ESG risk exposure at aggregate portfolio level?
		21	Does the Framework require/ask FIs to establish and maintain an external inquiry/complaints/grievance mechanism for interested and affected stakeholders in relation to ESG practices?
	Tracking, reporting, and disclosure	22	Does the Framework require/ask FIs to report ESG risks and performance to the regulator or industry association?
		23	Does the Framework require/ask FIs to report on ESG integration publicly?
		24	Does the Framework require/ask FIs to track credit risk (e.g. loan defaults) and/or financial returns in relation to ESG risk level?
Pillar 2: Climate Risk Management			
Strategic Alignment	National framework	25	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?
		26	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?
	Alignment with international goals and standards	27	Does the Framework make reference to international agreements or frameworks to address climate?
		28	Does the Framework recognize or align with established regional or international good practice for climate risk management and disclosure by FIs?
	Alignment with national goals and strategies	29	Has the regulator or industry association aligned the Framework with national goals to address climate change in line with the country's Nationally Determined Contributions (NDCs) to the Paris Agreement?
		30	Does any cooperation exist between agencies, or between government and industry association, with respect to policy design or implementation related to climate risk management?
		31	Does any inter-agency data sharing currently exist related to climate risk management by FIs?

¹ **National framework** refers to the collective set of policies, roadmaps, guidance, regulations, and/or voluntary principles issued by national regulators or industry associations in relation to each pillar of sustainable finance. SBFN recognizes that national frameworks for sustainable finance vary from country to country and are influenced by national priorities and characteristics. They are also often interdependent with other national roadmaps, policies, and regulations. Countries vary in their starting points and the types of documents to kickstart the enabling framework. For instance, initial frameworks could choose to focus on ESG risk management and/or sustainable finance opportunities such as green bonds. They could also focus on banking, capital markets, or institutional investors. The variety of SBFN frameworks provides a rich source of inspiration for peer learning and collaboration.

Regulatory and Industry Association Actions	Overall approach and strategy	32	Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?
		33	Does the Framework identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?
		34	Does the Framework incorporate the conservation/restoration of natural carbon sinks (such as oceans, forests, mangroves, grasslands, and soils) as an important part of reducing climate change risks (e.g., through guidelines, scenario analysis, targets, or incentives for FIs)?
		35	Has the regulator or industry association developed an internal strategy to address climate risk, and/or embedded climate risk management into its governance, organizational structures, and budget as part of the Framework?
		36	Has the regulator or industry association undertaken any activities to expand and deepen analytical understanding of national and/or cross-border physical and transition climate risks, and to raise awareness as to how these risks may transmit to, and impact, the financial sector?
Regulatory and Industry Association Actions	Technical guidance	37	Has the regulator or industry association developed risk assessment approaches, methodologies, or tools to understand and assess the financial sector's exposure to climate risk as part of the Framework?
	Supervisory activities and incentives	38	As part of the Framework, has the regulator clarified supervisory expectations with regard to climate risk management by FIs, including consideration of international good practices?
		39	Has the regulator started to explicitly embed climate-related risk in supervisory activities and review processes as part of the Framework?
		40	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
	41	Are there any financial or non-financial incentives to encourage FIs to establish climate risk management systems?	
Tracking and aggregated disclosure	42	Does the regulator or industry association regularly collect and/or report market-level and/or FI-level data on climate-related financial sector risks as part of the Framework?	
Expectations of FI Actions	Strategy and governance	43	Does the Framework require/ask FIs to establish a strategy for climate risk management with responsibility at the board of director level (or highest governing body)?
	Organizational structure and capacity	44	Does the Framework require/ask FIs to define the roles and responsibilities and related capacities of the FI's senior management and operational staff in identifying, assessing, and managing climate-related financial risks and opportunities?
	Policies and procedures	45	Does the Framework require/ask FIs to expand existing risk management processes to identify, measure, monitor, and manage/mitigate financial risks from climate change?
	Tracking, reporting, and disclosure	46	Does the Framework require/ask FIs to report on their overall approaches to climate risk management in line with international good practices (e.g. TCFD), or establish a timeline by which FIs should begin to align their reporting with such practices?
		47	Does the Framework require/ask FIs to identify, measure, and report on exposure to sectors which are vulnerable to transition risk and physical risk?
		48	Does the Framework require/ask FIs to adopt and report on performance targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?
		49	Does the Framework require/ask FIs to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?

Pillar 3: Financing Sustainability

Strategic Alignment	National framework	50	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
		51	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?
	Alignment with international goals and standards	52	Has the regulator or industry association developed a strategy, regulations, or set of frameworks for stimulating the allocation of capital to sustainable assets, projects, and related sectors in line with global goals, such as the Sustainable Development Goals (SDGs)?
		53	Does the Framework recognize and/or align with existing standards, voluntary principles, or market good practices related to sustainable finance instruments?
	Alignment with national goals and strategies	54	Does the Framework enable the achievement of stated national objectives by guiding capital to sectors, assets, and projects that have environmental and social benefits in line with national sustainable development priorities, strategies, targets, and the size of sustainable investment needs, and taking into account the local barriers to scaling-up sustainable finance?
		55	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design or implementation related to sustainable finance flows?
56		Does any inter-agency data sharing currently exist related to stimulating and monitoring sustainable finance flows?	
Regulatory and Industry Association Actions	Overall approach and strategy	57	Does the Framework require/ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects?
	Technical guidance	58	Does the Framework provide definitions, examples, and/or a taxonomy (catalogue and guidelines) of sustainable finance assets?
		59	Does the Framework provide guidelines for extending green, social, or sustainability-focused loans (excluding bonds)?
		60	Does the Framework provide guidelines for issuance of green, social, or sustainability bonds?
		61	Does the Framework require/ask for external party verification to ensure the credibility of sustainability instruments?
	Supervisory activities and incentives	62	Does the regulator or industry association monitor information reported by FIs related to green/social/sustainability investment, lending, and other instruments to prevent greenwashing and social-washing?
		63	Are there any financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments?
	Tracking and aggregated disclosure	64	Does the regulator or industry association collect and/or publish data from FIs or other sources about allocation of capital to green/social/sustainability assets, projects, or sectors?

Expectations of FI Actions	Strategy and governance	65	Does the Framework require/ask FIs to establish a strategy, governance, or high-level targets, including at the Board of Directors level, for capital allocation to sustainable assets, projects, or sectors?
	Organizational structure and capacity building	66	Does the Framework require/ask FIs to define internal staff roles and responsibilities to encourage finance flows to green, social, and/or sustainability-focused investments?
		67	Does the Framework require/ask FIs to develop and maintain internal staff capacity on green, social, or sustainability products through regular training and learning?
	Policies and procedures	68	Does the Framework require/ask FIs to put in place policies and procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products?
		69	Does the Framework require/ask FIs to appoint an independent external reviewer to confirm that the FI's internal framework meets the requirements of the recognized national framework and regulations, or aligns to international standards?
		70	Does the Framework require/ask that FIs create incentives for managers to increase sustainable loans or investments in the portfolio?
	Tracking, reporting, and disclosure	71	Does the Framework require/ask FIs to publish annual updates on the performance and impacts of the sustainability instruments in compliance with relevant national and/or international standards?
		72	Does the Framework require/ask FIs to obtain and disclose independent review of metrics reported annually in relation to the social and environmental outcomes and impacts achieved through the sustainability instruments?
		73	Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on allocation and/or outcomes of green, social, and/or sustainability loans?
		74	Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on green, social, and/or sustainability bonds or other positive impact investments?
75		Does the Framework require/ask FIs to report publicly on their green, social, and sustainability-focused finance activities and positive outcomes or impacts (i.e. not only to the regulator or shareholders)?	

Figure 5: Overall Progression Matrix Milestones

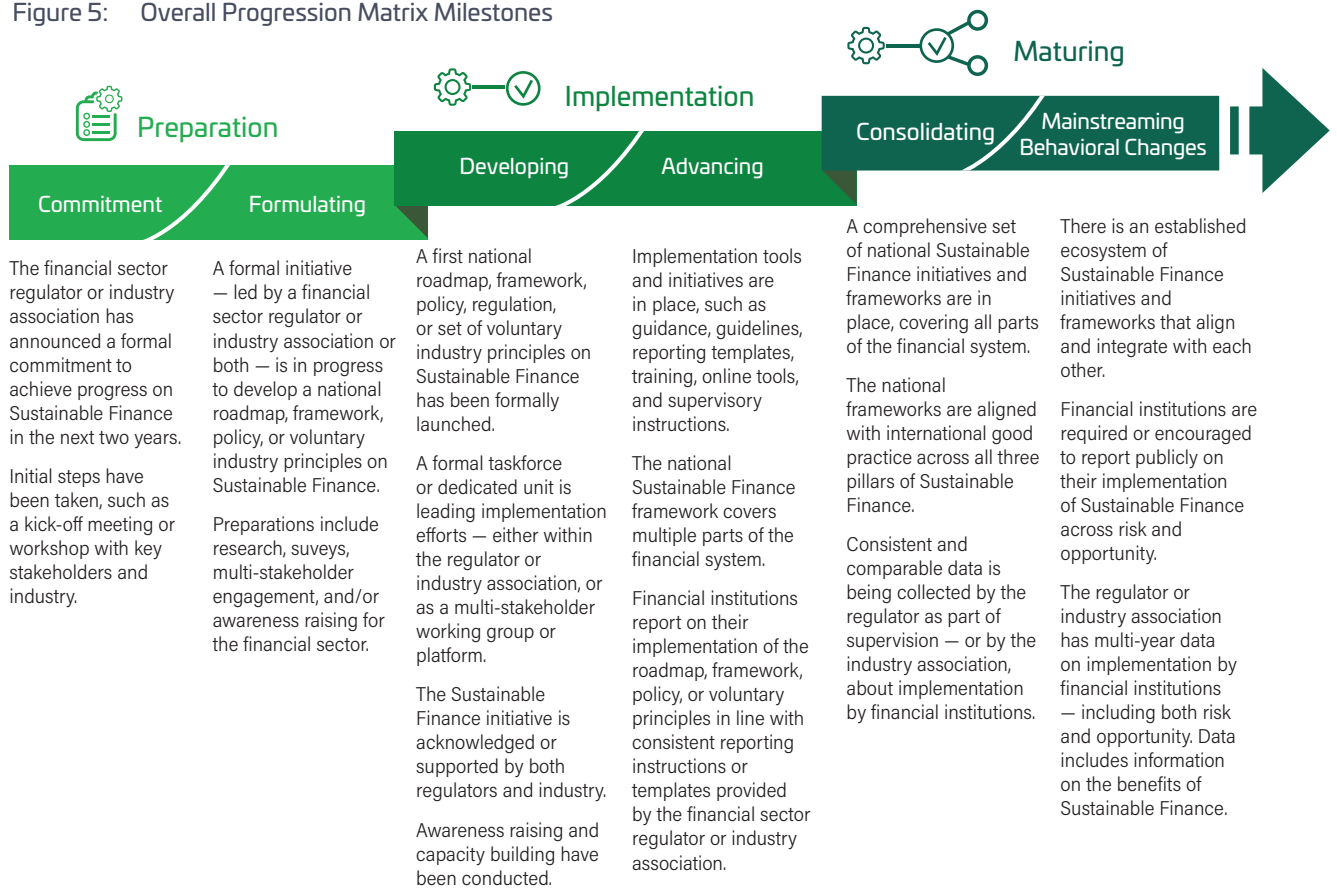


Figure 6: Progression Matrix Milestones – Pillar 1: ESG Integration

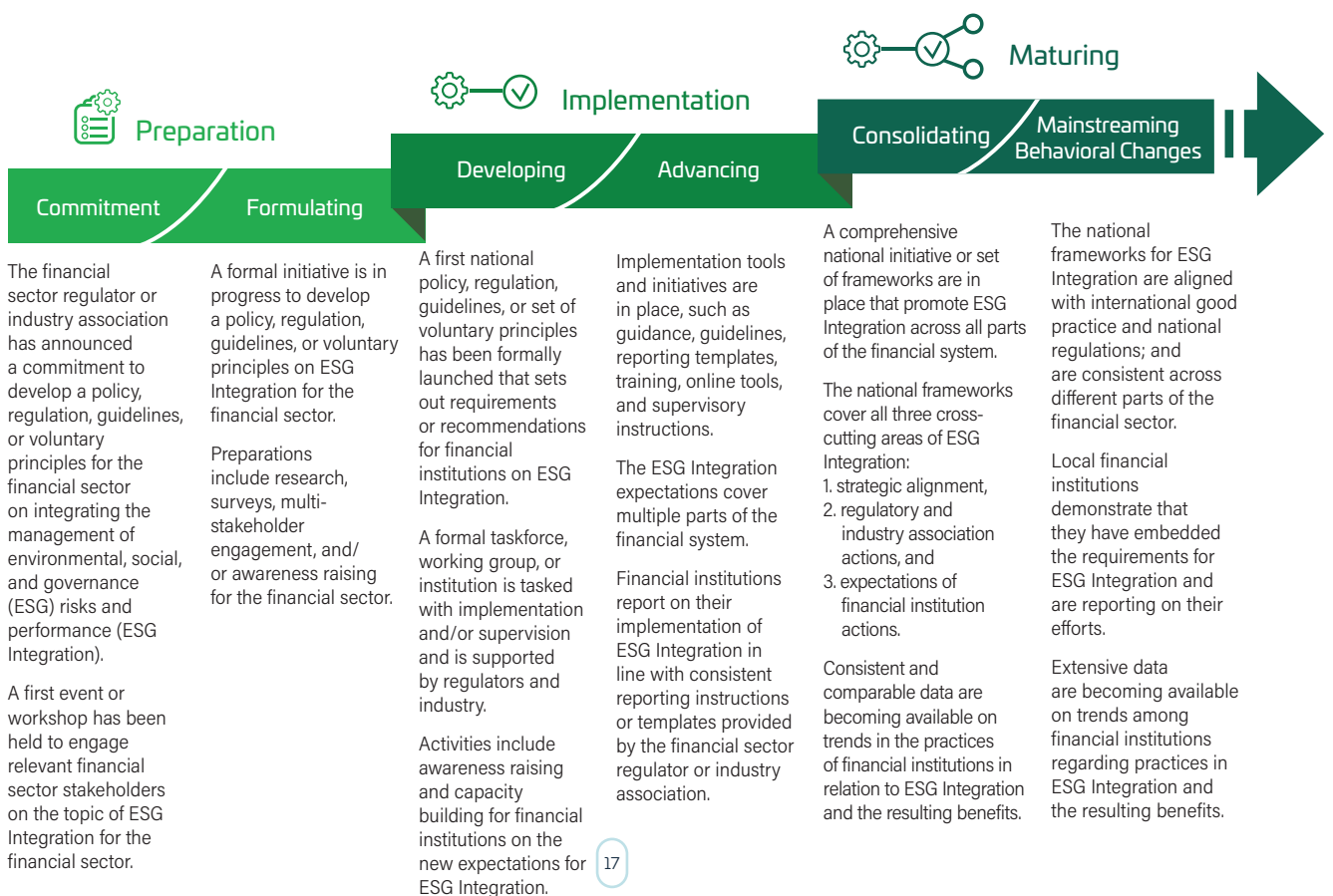


Figure 7: Progression Matrix Milestones – Pillar 2: Climate Risk Management

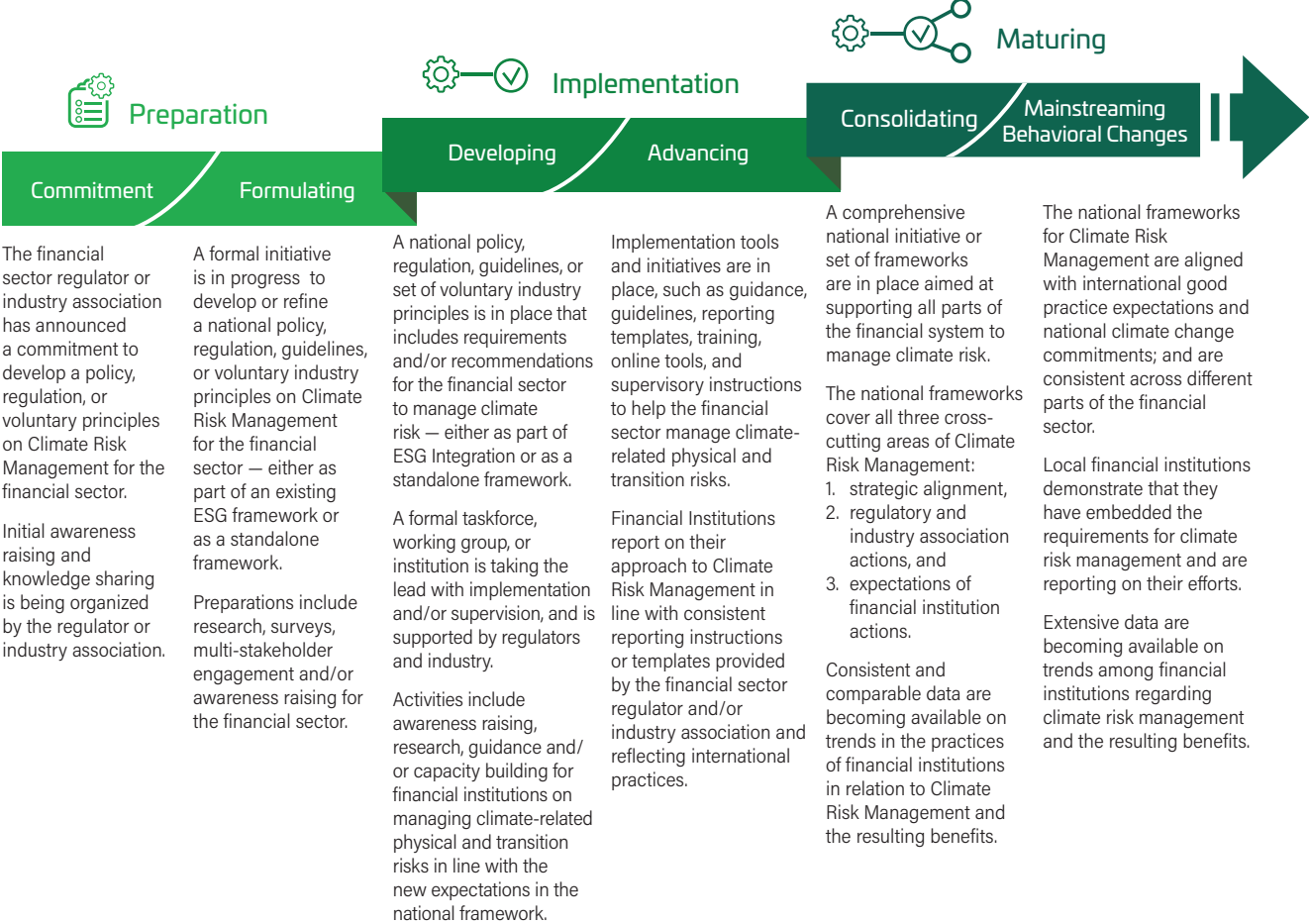
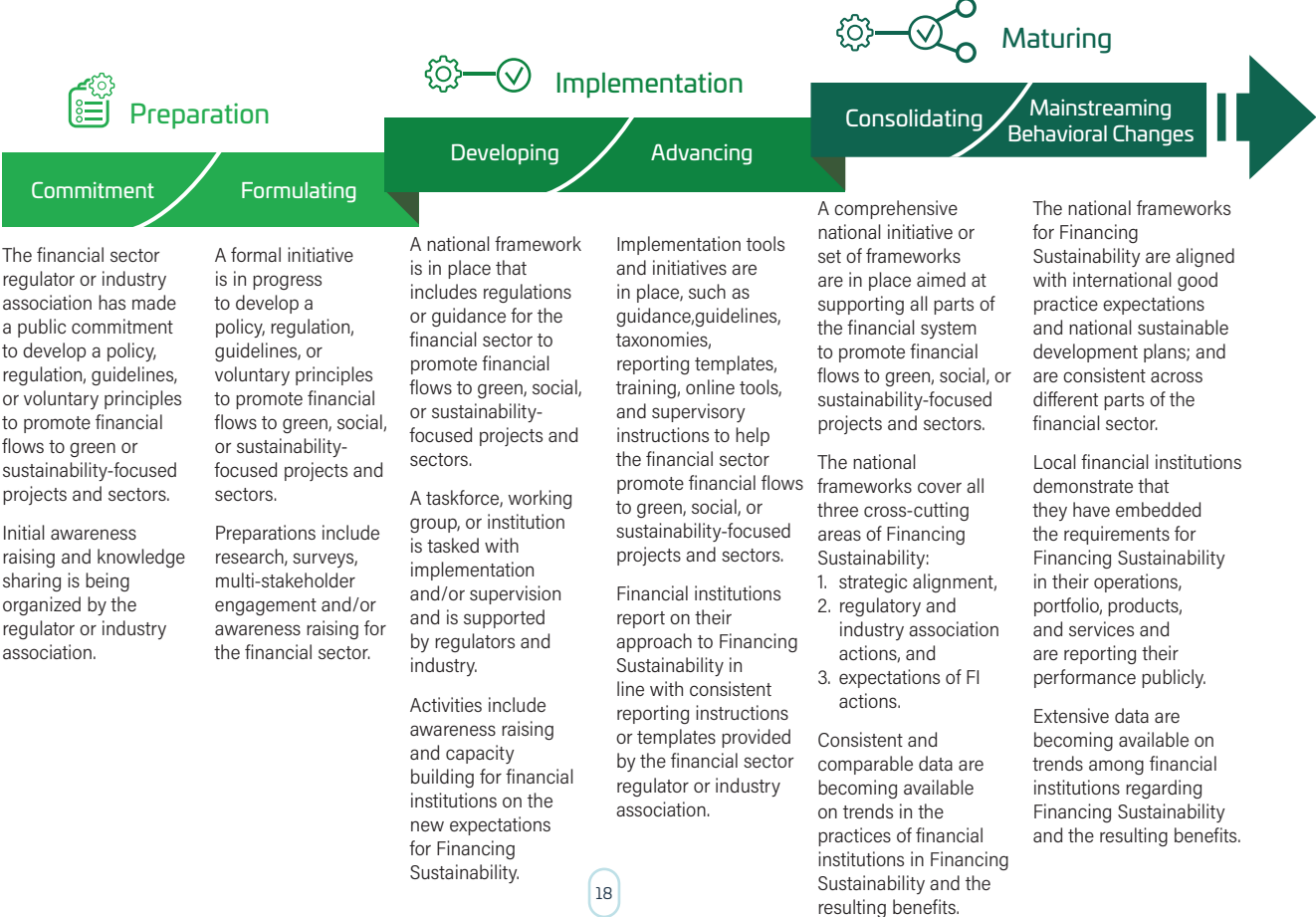


Figure 8: Progression Matrix Milestones – Pillar 3: Financing Sustainability



ACCESS THE SBFN GLOBAL PROGRESS
REPORT AND COUNTRY REPORTS AT:
WWW.SBFNETWORK.ORG



Sustainable
Banking and
Finance
Network



Creating Markets, Creating Opportunities