

SUSTAINABLE BANKING AND FINANCE NETWORK

GLOBAL PROGRESS BRIEF

2024



SUSTAINABLE
BANKING *and*
FINANCE NETWORK



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About the Sustainable Banking and Finance Network (SBFN)

Established in 2012, SBFN 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. IFC, part of the World Bank Group, is SBFN's Secretariat and knowledge partner, assisting members to share knowledge and access capacity building to support the design and implementation of national sustainable finance initiatives. As of April 2024, SBFN comprises 91 member institutions representing 70 countries and at least US\$68 trillion (92 percent) of the total banking assets in emerging markets. SBFN members are committed to moving their financial sectors towards sustainability, with the twin goals of improved environmental and social risk management (including disclosure of climate risks) and increased capital flows to activities with positive climate, environmental, and social impact. For more information, visit <https://www.sbfnetwork.org/>

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Abbreviations and Acronyms

ASEAN	Association of Southeast Asian Nations
BCBS	Basel Committee on Banking Supervision
DNSH	Do No Significant Harm
EHS	Environmental, Health, and Safety
EMDEs	Emerging Markets and Developing Economies
E&S	Environmental and Social
ESG	Environmental, Social, and Governance
ESMS	Environmental and Social Management System
ESRM	Environmental and Social Risk Management
FI	Financial Institution
FSB	Financial Stability Board
GBF	Global Biodiversity Framework
ICMA	International Capital Market Association
ISF	Inclusive Sustainable Finance
MRV	Measurement, Reporting, and Verification
NDCs	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
OECD	Organisation for Economic Co-operation and Development
PSs	Performance Standards
SBFN	Sustainable Banking and Finance Network
SDGs	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures

Foreword from the SBFN Chair

While global recovery from the COVID-19 pandemic and the cost-of-living crisis have proven resilient, the world continues to face overlapping challenges due to climate change impacts, conflicts with global implications, and food and energy shortages. In this context, emerging markets and developing economies (EMDEs) are hit the hardest. This translates into billions of dollars of unpriced losses and deepened inequality and hinders development progress. Between now and 2030, World Bank research estimates that developing countries will need an average of US\$2.4 trillion annually to address the global challenges of climate change, conflict, and pandemics.

The financial sector plays a critical role in turning our collective commitment to create a world free of poverty on a livable planet into action. Financial institutions can chart a path to achieve real progress toward fostering green, inclusive, and resilient economies. This holds greater significance than commitments. With this ambition, the Sustainable Banking and Finance Network (SBFN) was established in 2012 to accelerate action on sustainable finance in EMDEs, measure progress, and distill best practices to inform future pathways.

I am delighted to share our 2024 SBFN Global Progress Brief and announce the launch of the new SBFN Data Portal. Our findings confirm that, as a community, we walk our talk. The record growth of the network and tremendous member progress in policy actions and market impact over the past two years signal the immense potential to shape financial systems toward sustainability goals. SBFN members are demonstrating the importance of understanding climate and environmental risks as a source of financial system risk and the potential to turn these risks into opportunities to create new markets for sustainable finance.

The surge in the adoption of sustainable finance taxonomies and thematic bond guidelines by SBFN countries is driving the mobilization of financial flows towards activities that support global and national sustainable development objectives. The market size for thematic bonds has reached an impressive US\$759 billion across forty-five SBFN countries as of 2023, underlying the importance of these instruments to direct financial flows towards sustainability goals, and the active role of SBFN members in establishing an enabling environment.

Sustainable finance pioneers are emerging in the most challenging markets, affirming the equal determination of EMDEs to be at the forefront of the transition. This reminds us that it is critical for emerging economies to have a seat at the table and a strong voice in the global sustainable finance dialogue.

The experience of SBFN members confirms progress is best achieved through partnerships and knowledge sharing. Every action by the public and private sectors at national, regional, and global levels can create impact at scale. Coordination and collaboration ensure coherent policy development, implementation, and accountability.

¹ World Bank, Annual Report, 2023, <https://worldbank.org/en/about/annual-report>.

Moving forward, we will continue to learn from SBFN members' experiences in promoting holistic approaches that integrate the multiple dimensions of sustainability across the financial system. We also need to keep engaging each other in this ambitious journey and encourage more cross-learning and collaboration to avoid fragmentation and duplication of efforts.

As the Secretariat to SBFN, IFC is committed to innovating with new approaches, toolkits, and capacity building offerings to support SBFN members in their journeys. I want to extend my appreciation to all SBFN members and IFC teams for this remarkable 12-year partnership driving measurable change toward a sustainable future for all.



Alfonso Garcia Mora

Vice President for Europe and Latin America
& the Caribbean, IFC

Chair of the Secretariat of the Sustainable
Banking and Finance Network

Foreword from the Co-Chairs of the SBFN Measurement Working Group

As co-chairs of the SBFN Measurement Working Group, we are pleased to present SBFN's 2024 Global Progress Brief and introduce the new Data Portal, which provides a new platform for sharing how members deliver on our collective commitment to drive measurable change in sustainable finance.

Collective market and policy leadership and a process of continuous improvement are crucial to addressing the stark challenges people and the planet are facing at an accelerated pace. With the ever-evolving sustainable finance landscape, rapid advancements in technology, and shifting market dynamics, countries need to adapt to new challenges and opportunities rapidly.

The 2023 update of the SBFN Measurement Framework more comprehensively captures the breadth and depth of members' sustainable finance actions, including emerging trends such as nature-related risks, just transition, and social impact. The Measurement Framework is a powerful tool for ensuring policy alignment with the latest international trends and measuring policy impacts on the ground, including behavioral change by market players.

The new SBFN Data Portal is a dynamic, practical means to track sustainable finance initiatives among SBFN countries more regularly and consistently, enabling multidimensional benchmarking across countries, regions, and indicators. This important development will allow SBFN members to report their policy developments in real time, facilitating peer-to-peer learning, knowledge, and experience sharing.

We hope that SBFN members will benefit from the Global Progress Brief and the Data Portal to reflect on how much we have achieved as a network, but also as an instrument to inform their future direction of travel. The release of the Global Progress Brief and Data Portal will be followed by knowledge exchange, peer learning, and awareness-raising activities to provide members with practical insights, case studies, and lessons behind country developments.

As we are all navigating a challenging learning curve together, we need to have each other's backs. As a unique network that brings regulators and industry associations from EMDEs together, we are immensely proud of all members for their contributions, all of which have been instrumental in informing the Global Progress Brief and Data Portal. We would also like to thank the SBFN Secretariat and IFC for this outstanding work. We encourage you to seize the moment, lock in, and accelerate the tremendous progress outlined in this report.



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Key Data – Progress since the 2021 Global Progress Report

70

Member countries

63% ↑

91

Member institutions including 6 regional members

44% ↑

US\$68

Trillion (92%)

banking assets in emerging markets represented by SBFN membership.

48

Countries launched policies/principles

45% ↑

421

Sustainable finance frameworks issued in SBFN countries incl. 229 led by SBFN members

107% ↑

Comparison with SBFN membership data in 2021 Progress Report

OVERALL HIGHLIGHTS

All

Countries are making progress at the three stages and six sub-stages of sustainable finance development

39

Countries moved forward in the Overall Progression Matrix

13

Countries, including 11 new member countries, made rapid progress, leapfrogging 2 sub-stages

15

Countries have launched sustainable finance roadmaps, adopting holistic approaches to strategic reforms

PILLAR BENCHMARKING HIGHLIGHTS

Pillar 1: ESG Integration

39

Countries (59%) have launched ESG integration frameworks, of which the majority have reporting requirements.

33

Countries (50%) have developed technical guidance and tools for ESG integration frameworks implementation

12

Countries (18%) have undertaken assessments to identify systemic ESG risks in key lending sectors

Pillar 2: Climate and Nature-related Risk Management

35

Countries (53%) have adopted frameworks on climate risk management

28

Countries (42%) frameworks make reference to at least one international climate-related risk management and disclosure standard

9

Countries (14%) have undertaken preliminary assessments and policy actions to explore the interactions between nature-related risks and the financial sector

Pillar 3: Financing Sustainability

24

Countries (36%) have published or are developing taxonomies of eligible green or sustainability-focused projects, sectors, and activities.

28

SBFN countries (42%) have issued thematic bond guidelines

US\$ 759 billion

of thematic bonds have been issued across 45 SBFN countries

Introduction

Amid an increasingly complex global landscape, SBFN members continue to make progress at unprecedented scale to reshape the way financial systems operate, with the aims of managing environmental, social, and governance (ESG) and climate risks and unlocking larger volumes of finance to address climate change and support sustainability goals. Over the past two years the number of SBFN countries has grown to 70 (a 63 percent increase), representing 91 member institutions (a 44 percent increase) and 92 percent of total banking assets in EMDEs. Pursuing the trend toward regional integration and collaboration, two new regional members joined SBFN, representing 14 new countries.

SBFN's tenth anniversary in 2022 provided an opportunity to reflect on the pioneering work of members over the past decade and define an ambitious strategy to shift gears from sustainable finance policy development to implementation with measurable impacts. This inspired updates to SBFN's knowledge products and activities, including the updated SBFN Measurement Framework, which holistically measures country-level implementation; a series of tools such as the Toolkit on Developing Sustainable Finance Roadmaps and the Toolkit on Sustainable Finance Taxonomies; and **SBFN's new online Data Portal, the most comprehensive database capturing sustainable finance initiatives in EMDEs.**

The 2023 update of the SBFN Measurement Framework was informed by members' priorities and global trends in sustainable finance. It reflects the diversification of SBFN's membership by capturing developments across the financial sector ecosystem (including banking, capital markets, insurance, and pensions). It introduces emerging priorities such as nature-related risk, inclusive finance, and new indicators on climate risk aligned with international good practices and standards development. The updated Framework also aims to measure the implementation of sustainable finance through quantitative indicators.

² Visit <https://www.sbfnetwork.org/measurement-and-framework-methodology/>

³ Visit <https://www.sbfnetwork.org/sbfn-toolkit-developing-sustainable-finance-roadmaps/>

⁴ Visit <https://data.sbfnetwork.org/>

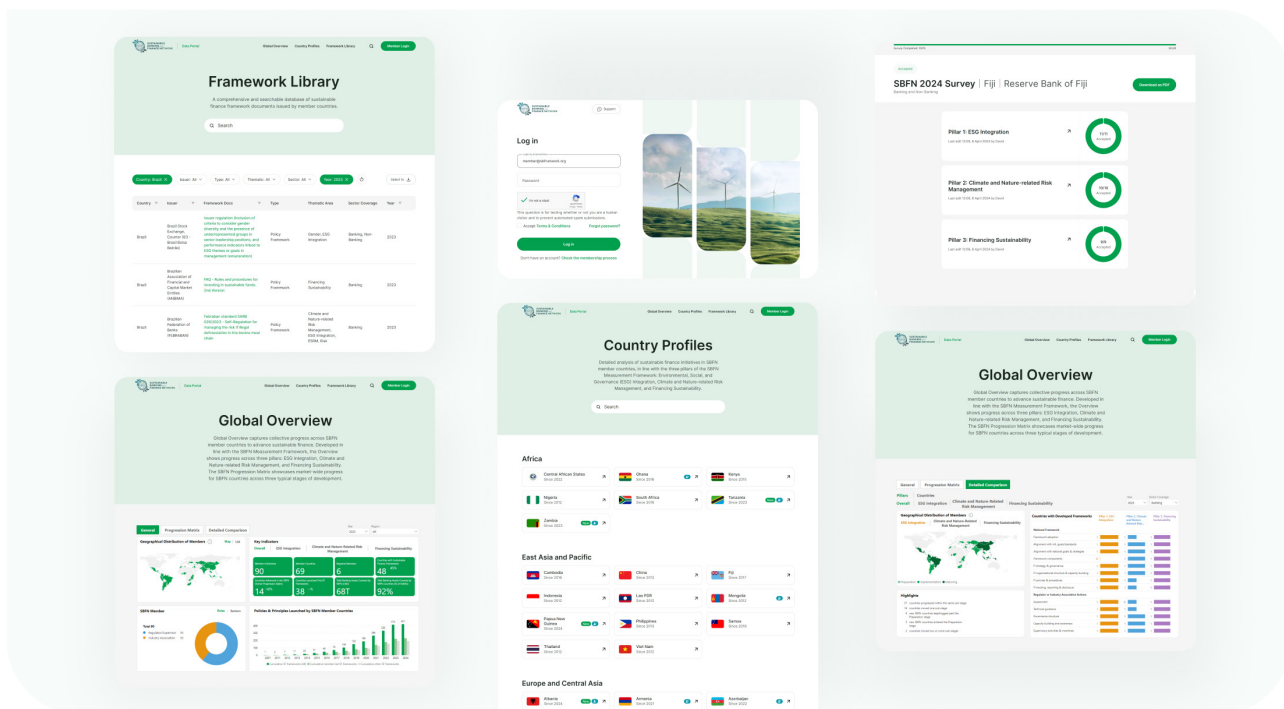
FIGURE 1: 2023 SBFN MEASUREMENT FRAMEWORK OVERVIEW:

3 PILLARS, 3 CROSS-CUTTING SUB-PILLARS, 11 CROSS-CUTTING INDICATORS, 111 DATAPOINTS



The SBFN Data Portal enables systematic and regular data collection, verification, and assessment in the rapidly evolving sustainable finance landscape across EMDEs. The Portal is a one-stop online platform offering a comprehensive overview of sustainable finance initiatives in SBFN member countries.

FIGURE 2: SBFN DATA PORTAL (DATA.SBFNETWORK.ORG)



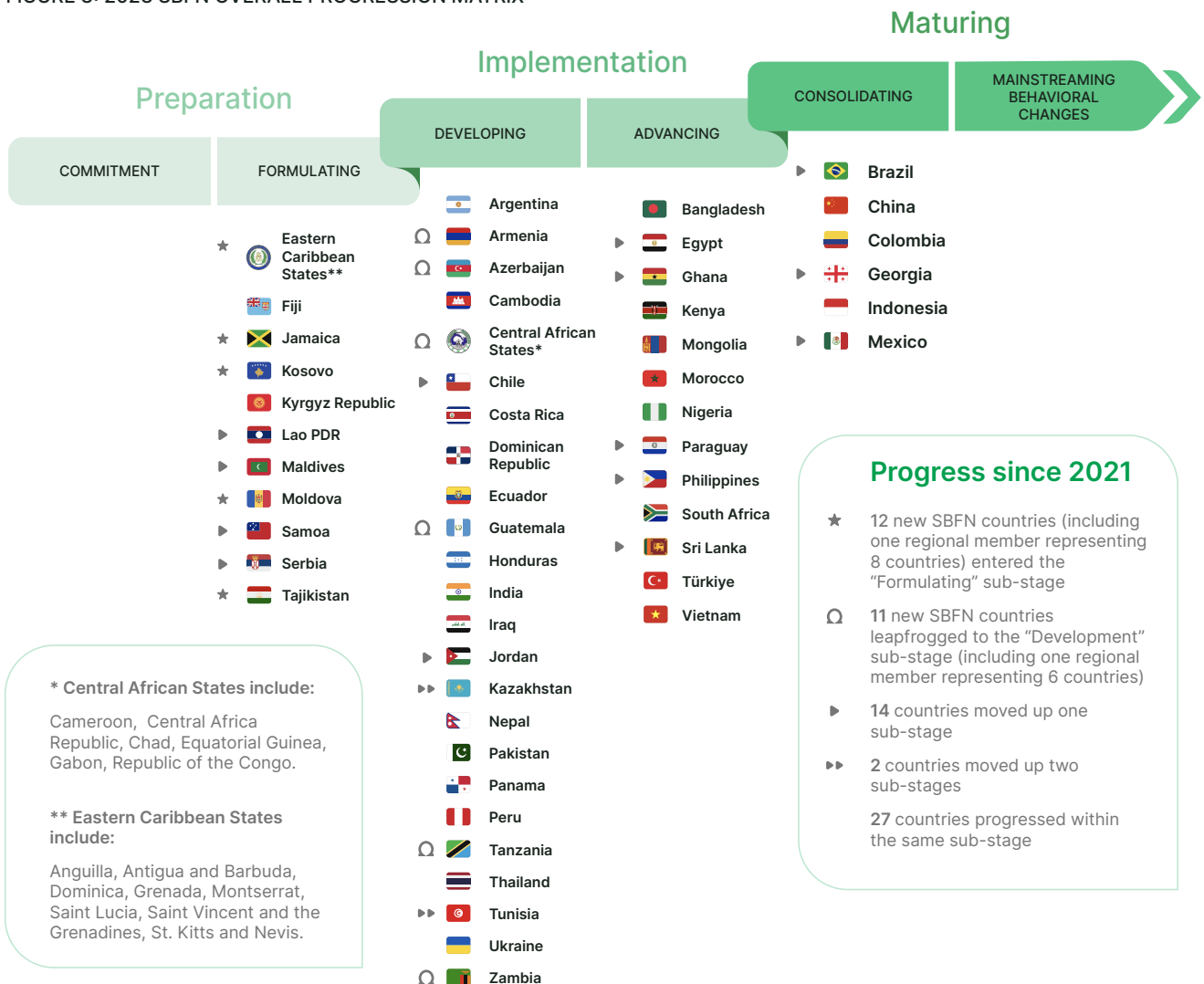
I. Overall Progress and Trends

The 2023 benchmarking of sustainable finance progress was conducted against the three pillars of the SBFN Measurement Framework: ESG Integration, Climate- and Nature-related Risk Management, and Financing Sustainability. This section summarizes the progress observed across SBFN countries and the trends identified from the information reported by members with supporting documentation and verified by the SBFN Secretariat.⁵

HIGHLIGHTS OF SBFN MEMBERS' PROGRESS

The 2023 SBFN Progression Matrix demonstrates rapid policy actions by SBFN members to expand and deepen national and regional sustainable finance framework development and implementation in line with international trends and good practices.

FIGURE 3: 2023 SBFN OVERALL PROGRESSION MATRIX



⁵ The indicators reported in the Global Progress Brief are based on the data reported by members up to February 2024. Any new developments that took place in or after February 2024, or that were not reported by members to the SBFN Secretariat as part of the data collection process, may not be accounted for. New countries that joined the network in or after February 2024 after the end of the SBFN member data collection process may not be included in this assessment. The findings of the Brief cover a total of 66 countries.

Preparation Stage

A formal commitment to achieve progress on sustainable finance has been announced, and steps to prepare for the development of a national sustainable finance framework(s) have been initiated.

- Amid a 60 percent increase in country membership, **all countries are quickly turning early commitment into actions, progressing beyond the Commitment sub-stage.**
- **18 countries (27 percent)⁶ are in the Formulating sub-stage**, taking concrete steps to prepare for the development of national sustainable finance frameworks.

Implementation Stage

A first national framework(s) has been formally launched, implementation tools and initiatives (e.g., capacity building) are in place or under development, reporting by market players is encouraged or required, and the framework expands to cover multiple parts of the financial system.

- **42 countries (64 percent) are in the Implementation stage**, having introduced sustainable finance frameworks.
- **29 countries (44 percent)⁷ are in the Developing sub-stage**, having issued their first framework(s) and focusing on developing guidance, additional frameworks, and building capacity at both regulator and market levels.
- **13 countries (20 percent) are in the Advancing sub-stage**, having introduced implementation tools and supervisory approaches to support the implementation of national and regional sustainable finance frameworks, covering multiple parts of the financial system.

Maturing Stage

A comprehensive set of national initiatives and frameworks aligned with international standards are in place, covering all parts of the financial system. Implementation is integrated into monitoring and supervision activities, and consistent and comparable data is available to measure implementation.

- **6 countries (9 percent) are in the Consolidating sub-stage of the Maturing stage**, indicating a comprehensive set of national and regional sustainable finance frameworks that cover all parts of the financial sector, and evidence of implementation through robust data reporting and disclosure.
- Evidence of implementation and behavior change is still limited. To reach the **Mainstreaming Behavioral Change sub-stage**, countries are expected to have a fully integrated set of sustainable finance initiatives and frameworks across all subsectors of the financial system, with widespread public disclosure requirements and multi-year data on implementation.

While positive improvements were noted with regard to data on implementation, with twenty-seven countries (41 percent) reporting some degree of quantitative data on sustainable finance, members are encouraged to take actions to make further progress in measuring financial sector implementation of sustainable finance frameworks.

⁶ Including eight countries represented by the Eastern Caribbean Central Bank (ECCB): Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher (St Kitts) and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

⁷ Including six countries represented by the Bank of Central African States (BEAC) and the Securities and Exchange Commission of Central Africa (COSUMAF): Cameroon, The Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.

SUMMARY OF KEY TRENDS

- **Sustainable finance framework development is expanding with the adoption of holistic approaches such as sustainable finance roadmaps.**

Forty-eight countries (73 percent) have issued **421** frameworks (+107 percent increase since 2021), including policies, guidelines, principles, and technical guidance, setting expectations for sustainable finance. **Fifteen** countries (23 percent) issued their first sustainable finance frameworks. **Fifteen** countries (23 percent) have launched sustainable finance roadmaps to date, while others are in the process of developing their own, benefiting from the SBFN Toolkit on Developing Sustainable Finance Roadmaps (2023).⁸ Sustainable finance roadmaps are recognized as a helpful tool to develop sustainable financial markets, as they offer a consolidated, multi-stakeholder approach to identifying opportunities and barriers and pave the way for strategic reforms. Advanced SBFN countries are also integrating existing frameworks into holistic approaches to amplify the inter-linkages between risk management, financing, and disclosure on ESG, climate, and nature-related risks and opportunities.

- **Successful implementation is underpinned by regulatory and industry actions to enhance enforcement, incentivize adoption, build capacity, and foster collaboration.**

Members have adopted various mechanisms to support framework implementation, such as: (i) public-private governance structures to provide oversight; (ii) technical guidance and tools to support framework implementation by the financial sector; (iii) systematic capacity building and awareness programs to ensure the continuous enhancement of sustainable finance knowledge and capacity; and (iv) supervisory measures and policy incentives to manage risks, scale up capital flows, and encourage early adoption. Nineteen countries (29 percent) have introduced incentives ranging from green capital requirements, credit enhancements, and financial subsidies, to lending facilities and performance rewards. However, most countries are still in the early stages of piloting incentive options.

- **ESG Integration frameworks have been mainstreamed among SBFN countries as a foundation to enable sustainable finance and prevent greenwashing.**

ESG Integration regulations and guidelines are often the first step in policy action, providing a strong basis for financial institutions to manage the environmental and social (E&S) risks and impacts of their activities. Thirty-six countries (55 percent) have adopted such frameworks, closely aligning with international standards such as the IFC Performance Standards. SBFN countries are leveraging and refining their ESG Integration frameworks to support the implementation of safeguard requirements for issuing sustainable finance instruments, such as thematic bonds and loans, and to demonstrate alignment with taxonomies. By requiring good governance and the management of E&S risks, in addition to achieving positive environmental and social impacts, these frameworks help prevent greenwashing and support positive development outcomes.

⁸ Visit <https://www.sbfnetwork.org/sbfnet-toolkit-developing-sustainable-finance-roadmaps/>.

- **Significant and rapid progress has been made by SBFN countries in developing frameworks to address climate risks in the financial sector, reflecting international trends and standards.**

Thirty-five countries (53 percent) have adopted frameworks on climate risk management. These actions are mainly driven by regulators, demonstrating major contributions from global networks and platforms linking climate change issues to financial stability. Twenty-six countries (39 percent) refer to at least one established international climate-related risk management and disclosure standard in their climate risk frameworks. Nine countries (14 percent) have undertaken preliminary assessments and policy actions to explore the interactions between nature-related risks and financial sector activities, and members are committed to continue building knowledge and awareness. Recognizing the implications of climate- and nature-related risks across the financial sector beyond banking, sixteen countries (24 percent) have reported frameworks covering the non-banking financial sector, in particular the pensions and insurance sectors.

- **The surge in the issuance of sustainable finance taxonomies and thematic bond guidelines by SBFN countries is driving the mobilization of financial flows toward activities that support global and national sustainable development objectives.**

Thirteen countries (20 percent) have sustainable finance taxonomies issued by a financial sector regulator or banking association, and eleven countries (17 percent) are currently developing one. The majority of taxonomies cover green assets, but some emerging taxonomies also cover activities with social benefits and broader Sustainable Development Goals (SDGs) impact. Other critical frameworks that help unlock sustainable investments include thematic loan and bond guidelines. Thematic bonds issuance has reached US\$610 billion across thirty-five SBFN countries, underlying the crucial role of thematic instruments to direct financial flows towards sustainability objectives. SBFN members are increasingly illustrating how integrating inclusion goals with sustainable finance measures can help yield positive social outcomes, including through inclusive green finance, gender equality, and sustainable digital finance: twenty-seven countries (41 percent) have integrated such approaches into their sustainable finance frameworks.

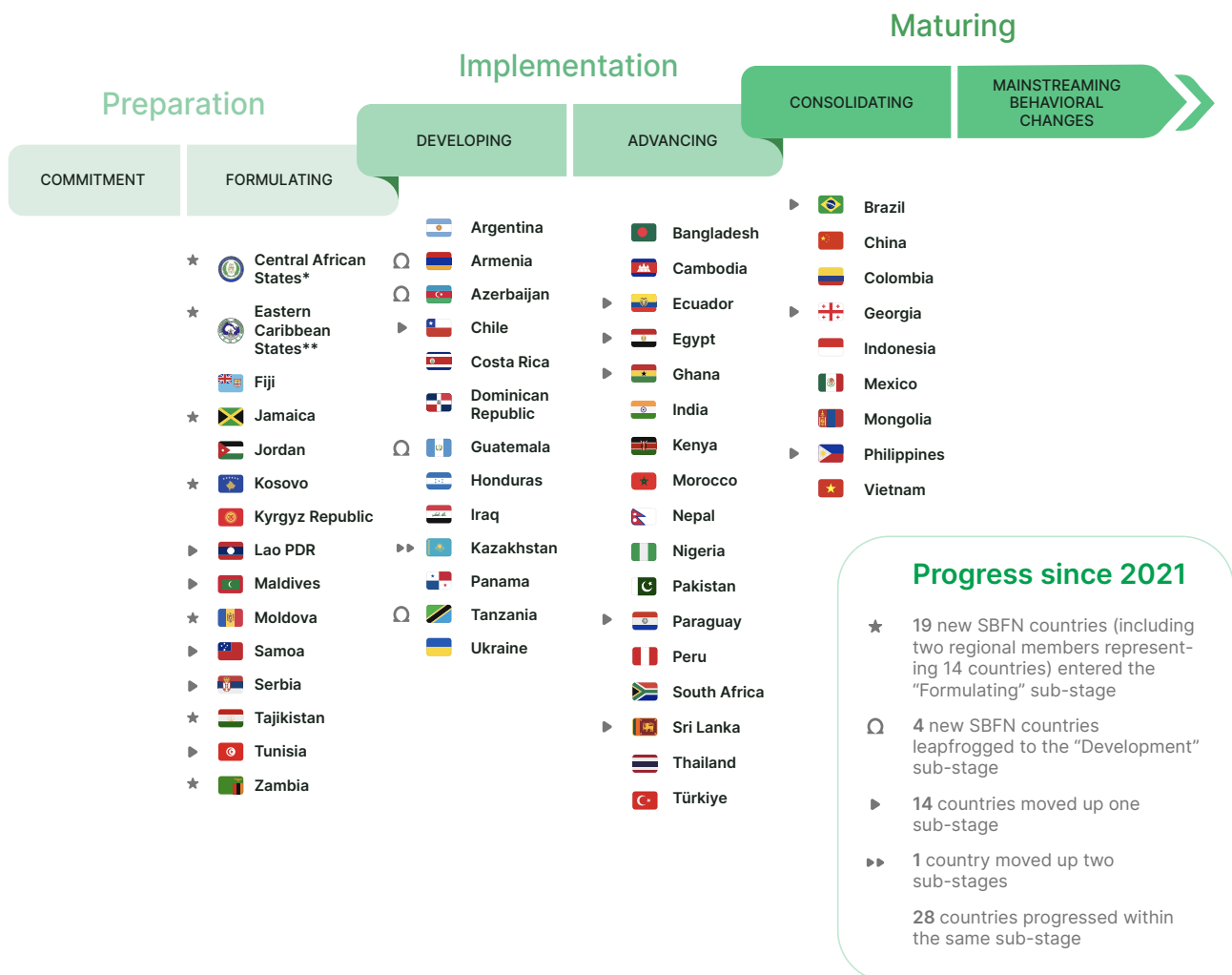
- **Sustainable finance frameworks reported by SBFN members for the banking sector are notably more advanced than those covering non-banking sectors, but SBFN countries are broadening their coverage.** The banking sector has historically been an early adopter of sustainable finance frameworks and practices within SBFN's membership. However, the non-banking sector, including pension funds, microfinance institutions, insurance companies, investment funds, and others, is catching up with efforts to incorporate sustainable finance principles into their operations. Although reporting of progress in the non-banking sectors by SBFN members remains limited, twenty countries (30 percent) have provided information on their frameworks covering non-banking sectors, expanding policy coverage across the financial ecosystem. Information availability is expected to grow in the coming years in line with SBFN's membership expansion into non-banking regulators and industry associations.

II. Results of Pillar-Level Benchmarking

1 PILLAR 1: ESG INTEGRATION

The ESG Integration Pillar evaluates national and regional frameworks and practices to manage ESG risks in the financial sector. In the 2023 update of the Measurement Framework, ESG Integration indicators continue to focus primarily on efforts by the financial sector to integrate E&S risks and impacts considerations into investment decision-making. In particular, these practices include the assessment and management of E&S impacts in financing operations (i.e., at client, transaction, and/or project levels), and associated corporate governance and disclosure considerations.

FIGURE 4: PROGRESSION MATRIX RESULTS FOR PILLAR 1: ESG INTEGRATION



* Central African States include:

Cameroon, Central Africa Republic, Chad, Equatorial Guinea, Gabon, Republic of the Congo.

** Eastern Caribbean States include:

Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, St. Kitts and Nevis.

The SBFN Progression Matrix for Pillar 1 highlights the steady advancement of SBFN countries in establishing ESG Integration frameworks. The most advanced Pillar across SBFN members, **ESG Integration underscores the foundational importance of ESG risk management in a country's sustainable finance journey**. Thirty-nine percent of SBFN countries are in the Advancing or Consolidating sub-stages, indicating the comprehensive adoption of ESG Integration frameworks with supporting tools, capacity building, and governance structures for implementation.

Pillar-level Progress

ESG Integration frameworks have been widely mainstreamed among SBFN countries as a foundational element to manage E&S risks in investment decision-making. ESG Integration regulations and guidelines are often the first step in policy action, creating a level-playing field for sustainable finance. Thirty-nine countries (59 percent) have adopted such frameworks, closely aligning with international standards such as the IFC Performance Standards. A core feature of ESG Integration frameworks is the expectation for financial institutions to develop a strategy, policies, and operational systems for Environmental and Social Risk Management (ESRM), with associated implementation responsibilities for senior management and oversight by the board of directors (or equivalent). Thirty-seven countries (56 percent) have introduced such requirements.

SBFN countries are leveraging ESG Integration frameworks as a tool to prevent greenwashing and manage risks in sustainable finance instruments. Sustainable finance taxonomies issued by members increasingly include specific requirements to apply E&S safeguards. This includes “Do No Significant Harm” (DNSH) and minimum social safeguard criteria, as well as explicit requirements to adhere to national E&S regulations or specific risk management guidelines contained in other frameworks. This trend reinforces the role of ESRM as a critical element across all parts of the sustainable finance architecture, including established standards for project finance and thematic bond guidelines. Of the thirteen SBFN countries with taxonomies, eight include the DNSH principle and minimum social safeguards. The remaining five require compliance with separate ESRM guidelines or principles, or explicitly with national environmental and social regulations.

Research: IFC releases report exploring the alignment and interoperability of ‘Do No Significant Harm’ requirements of the European Union (EU) Taxonomy and the IFC Performance Standards

In May 2023, IFC and the Equator Principles Association released the publication *Promoting Interoperability Across Environmental and Social Risk Management Frameworks*,⁹ which explores the linkages and provides practical comparisons between the EU Taxonomy’s DNSH and minimum safeguards requirements, and the IFC Performance Standards (PSs) and World Bank Group Environmental, Health, and Safety (EHS) Guidelines. The report concludes that the PSs and EHS Guidelines are credible reference frameworks to assess the alignment of a business activity with the EU Taxonomy’s DNSH and minimum safeguards criteria. In particular, the PSs and EHS Guidelines constitute a useful framework to satisfy the requirements of the EU Taxonomy for activities in non-EU countries.

⁹ Visit <https://www.ifc.org/ifceutaxonomy>

ESG Integration frameworks are getting more sophisticated to address implementation challenges and become better integrated into broader sustainable finance efforts. Twelve countries (18 percent) have undertaken assessments to identify systemic ESG risks in key lending/investment sectors. These assessments can help elaborate and strengthen ESRM frameworks, including the development of sector-specific guidelines, which are particularly relevant for high E&S risks and hard-to-abate sectors in the context of ensuring a just transition to low-carbon economies. Such approaches are further helping countries articulate the linkages between ESG Integration through ESRM and climate- and nature-related risk management by providing implementation tools and guidance. Thirty-three countries (50 percent) have developed technical guidance and tools to strengthen the implementation of ESG Integration frameworks.

Country example: Georgia pursues sustainable finance integration with ESG Guidelines addressing double materiality

The National Bank of Georgia's *ESG Guidelines Through Double Materiality Perspective*¹⁰ (2023) provides financial institutions with a holistic approach to ESG integration and risk management. This work includes guidance on the integration of ESG and climate risks in transaction-level due diligence and monitoring processes, and approaches to assess and manage climate- and nature-related financial risks at the portfolio level. The ESG Guidelines aims to provide a policy tool for effective management of ESG risks by financial institutions, identifying opportunities and driving markets toward more environmentally and socially friendly behavior.

¹⁰ National Bank of Georgia, *ESG Guidelines Through Double Materiality Perspective*, 2023, <https://nbg.gov.ge/en/page/esg-guidelines>.

Recommendations for SBFN Members

While ESG Integration is largely mainstreamed across SBFN countries, members should focus their efforts on the following key considerations:

- **Deepening of ESG frameworks:** While the foundational requirement for financial institutions to develop ESRM policies and systems – including the establishment of an ESMS – is widespread, members should develop further guidance and tools to support implementation. These include but are not limited to ESRM implementation manuals, sectoral checklists, due diligence tools, ESG performances reporting and monitoring requirements, and regular standardized trainings.
 - **Reporting and disclosure standards for financial institutions:** Standardized and comparable reporting and disclosure by financial institutions on their ESG risk management policies, systems, due diligence practices, and portfolio performance is needed to measure effective implementation of ESG Integration frameworks by the financial sector and promote transparency and accountability.
- Leveraging ESG frameworks for wider sustainable finance efforts:** Acknowledging the linkages
- between transaction-level ESG risks and climate- and nature-related financial risks, and enabling capital flows toward sustainable activities, members should strive to further sophisticate their ESG Integration frameworks to support sustainable investment opportunities more effectively while preventing greenwashing.

2

PILLAR 2: CLIMATE AND NATURE-RELATED RISK MANAGEMENT

The Climate- and Nature-related Risk Management Pillar measures the adoption and implementation of frameworks by the financial sector to contribute to national and international efforts to manage climate- and nature-related risks, and to support the commitments made under the Paris Agreement. Updates to this Pillar in 2023 reflect international trends, with additional indicators to assess frameworks addressing climate risks and new indicators to assess how countries address risks to the financial sector stemming from biodiversity loss and ecosystems degradation.

While Pillar 1 on ESG Integration focuses primarily on the assessment and management of E&S risks and impacts in financing operations (i.e., at client, transaction, and/or project-levels) and associated governance structures, the emphasis of Pillar 2 is on the assessment and management of medium- to long-term financial risks to the financial sector that arise from climate change and nature degradation, with a greater focus on portfolio-level considerations. SBFN recognizes the inter-linkages and need for further integration to address the issues covered under Pillar 1 and 2 in a coherent manner.

FIGURE 5: PROGRESSION MATRIX RESULTS FOR PILLAR 2: CLIMATE AND NATURE-RELATED RISK MANAGEMENT



* Central African States include:

Cameroon, Central Africa Republic, Chad, Equatorial Guinea, Gabon, Republic of the Congo.

** Eastern Caribbean States include:

Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, St. Kitts and Nevis.

As illustrated by the SBFN Progression Matrix for Pillar 2, regulators and industry associations are actively driving national and international efforts to manage climate and nature-related risks. Rapid progress by SBFN countries since 2021 in developing climate risk management frameworks is evident. To a large extent, this reflects the translation of national commitments made under the Paris Agreement into regulatory action, as well as the rapid development of internationally recognized approaches and standards.

Pillar-level Progress

Significant progress has been made by SBFN countries in developing frameworks to address climate risks in the financial sector, reflecting the rapid development of international strategies, standards, and initiatives to support net zero and Paris Alignment commitments.

- **35** countries (53 percent) have adopted climate risk management frameworks – a sharp increase compared to four countries in 2021.
- **26** countries' (39 percent) frameworks refer to at least one established international climate-related risk management and disclosure standard, consolidating a trend among members to align their frameworks with globally recognized standards.
- **26** countries (39 percent) reported climate risk management frameworks issued by regulators, versus **14** countries (21 percent) reporting frameworks issued by industry associations.¹¹ Regulators are increasingly taking the lead on developing assessments, regulatory requirements, and guidance for the financial sector, demonstrating the major contribution of international networks and standard-setting bodies in linking climate change issues and financial stability.¹²
- **11** countries (17 percent) have started embedding requirements or guidance for financial institutions to develop and disclose transition plans, including goals, actions, and accountability mechanisms to align their business activities with a net-zero pathway.

¹¹Several countries have reported a set of frameworks issued by both regulators and industry associations.

¹²Including work by the Network for Greening the Financial System (NGFS), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), and the G20 Sustainable Finance Working Group (SFWG); as well as the recognition of TCFD as a standard of reference for climate-related financial disclosures, and its merger with the ISSB disclosure standards issued in June 2023.

Country example: Colombia's comprehensive climate and nature-related risk management framework

Over the years, Colombia has issued a comprehensive set of regulations, guidance, and technical assessments to support the financial sector in addressing climate- and nature-related risks in an integrated manner. The Financial Superintendency of Colombia (SFC) has developed its Roadmap *Towards the greening of the Colombian financial system*¹³, which contains action plans along five dimensions: green taxonomy; financial innovation; data, metrics, and information; incorporation of ESG issues; and tools for measuring and supervising climate and nature-related risks. The Roadmap complements mandatory regulation (External Circular 031/2021¹⁴) requiring issuers to disclose information on their material E&S issues; as well as technical guidance on the incorporation of climate risks into governance, strategy, risk management and disclosure practices of the banking and insurance sectors.¹⁵ The Colombian banking association (Asobancaria) has also published voluntary guidance documents for the industry to integrate climate-related risks into financial institutions' ESG risk management approaches.¹⁶

SBFN countries continue to integrate climate risk considerations and ESRM approaches.

SBFN members are not only leveraging ESRM frameworks to include climate-related considerations but are also integrating them more comprehensively with climate risk management approaches. Twenty-six countries (39 percent) reported that their climate risk framework is integrated into a broader ESG risk management framework. Members operationalize this integration in multiple ways:

- Integrating climate change considerations into ESRM regulations and guidelines for lending activities
- Integrating climate risk and E&S impacts assessment and management into the DNSH criteria of green and sustainable taxonomies and/or thematic bonds guidelines
- Comprehensively integrating ESG and climate risk management frameworks for financial institutions through a double-materiality lens, addressing both the management of E&S impacts at transaction level and considerations of climate-related financial risks at portfolio level into investment decision-making. Fourteen countries (21 percent) have reported frameworks that recognize the concept of double materiality,¹⁷ with varying levels of ESG risk management frameworks integration.

¹³ Superintendencia Financiera de Colombia (SFC), *Hacia el enverdecimiento del sistema financiero colombiano*, 2023, <https://bit.ly/sfcstrategy>.

¹⁴ Superintendencia Financiera de Colombia (SFC), External Circular 031 of 2021, https://bit.ly/sfcce031_2021.

¹⁵ Superintendencia Financiera de Colombia (SFC), *Climate risk and opportunity management for credit institutions - Technical paper*, 2022, <https://bit.ly/3USNKnZ>; and Superintendencia Financiera de Colombia (SFC), *Climate risk and opportunity management for insurers - Technical paper*, 2023, <https://bit.ly/3TsQWZQ>.

¹⁶ Asobancaria, *General Guidelines for the Management of Environmental and Social Risks (ARAS)*, 2021 (<https://www.asobancaria.com/wp-content/uploads/2022/05/Guia-ARAS-Asobancaria-2021.pdf>); and *Guide for the Implementation of TCFD Recommendations by Financial Institutions in Colombia*, 2022 (<https://www.asobancaria.com/wp-content/uploads/2022/05/Guia-TCFD-para-entidades-financieras-en-Colombia.pdf>).

¹⁷ As defined in the SBFN Measurement Framework, the concept of double materiality recognizes that financial institutions can be impacted by, and/or have an impact on factors including environmental and social issues, climate change, and nature.

Country example: Moroccan regulators take action to integrate climate risks in financial sector supervision

The Central Bank of Morocco (BAM) and the World Bank conducted a vulnerability assessment of the exposure of the Moroccan financial sector to climate-related physical and transition risks in 2022. The assessment suggests that the materialization of these risks could have considerable – but manageable – impacts on the Moroccan banking system, and a solid regulatory and supervisory framework could help mitigate those risks.¹⁸ BAM has identified climate risk management as a key priority and is working to fully integrate climate risks into its supervisory practices. A directive has been issued on the management of climate and environmental financial risks, and BAM is considering climate risk management and governance assessment under its Supervisory Review and Evaluation Process (SREP), for which a pilot exercise was completed in 2023. Nevertheless, the limited amount of data available to monitor financial risk exposures remains a key challenge for effective implementation of the directive.

Preliminary assessments and policy actions are being taken by SBFN countries to explore the interactions between nature-related risks and financial sector activities.

Recognizing the need to address broader nature-related risks, regulators and industry seek to deepen both knowledge and experience, following the landmark agreement of the Conference of the Parties to the Convention on Biological Diversity (COP 15) and the adoption of the Kunming-Montréal Global Biodiversity Framework (GBF), which moved nature up the global agenda. Recommendations and guidance from the Taskforce on Nature-related Financial Disclosures (TNFD) further establish a framework for businesses to assess, report, and act on their nature-related dependencies, impacts, risks, and opportunities.¹⁹ As a nascent topic where countries are yet to develop further knowledge, nine countries (14 percent) have reported frameworks on nature-related financial risks, which are typically integrated into broader ESG and/or climate-related risk management frameworks.

Country example: The Central Bank of the Philippines explores linkages between nature and the banking sector

The Bangko Sentral ng Pilipinas (BSP, the Central Bank of the Philippines) has released the study *The Impact of Biodiversity Loss on the Philippine Banking System: A Preliminary Analysis* (2023) to support future policy developments. While initial results suggest that the potential direct impact of biodiversity loss on bank solvency appears to be modest, the paper underscores the need to estimate the indirect dependencies on ecosystem services and the impact of biodiversity loss on credit and, consequently, bank solvency.

¹⁸ See World Bank, Morocco Country Climate and Development Report, 2022, <https://www.worldbank.org/en/country/morocco/publication/morocco-country-climate-and-development-report>.

¹⁹ See <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/>

²⁰ Bangko Sentral ng Pilipinas (BSP). The Impact of Biodiversity Loss on the Philippine Banking System: A Preliminary Analysis. 2023, <https://www.bsp.gov.ph/Pages/MediaAndResearch/PublicationsAndReports/Discussion%20Papers/DP202303.pdf>.

Climate- and nature-related risk frameworks are being introduced in the non-banking financial sector. Sixteen countries (24 percent) have reported frameworks on climate- and/or nature-related risk management for the non-banking sector. Frameworks reported cover mostly the pensions, asset management, and insurance sectors in their capacity as investors, including sectoral risk assessments undertaken and guidelines for climate risk integration specifically focused on these sectors. For example, Mexico and Colombia issued detailed guidance on the integration of ESG factors – including climate risks – in the investment policies of the asset management, pensions, and insurance sectors. Moreover, climate disclosure frameworks with reference to international standards such as TCFD have been reported for capital markets participants in fourteen countries (21 percent).

Recommendations for SBFN Members

Moving forward, members should continue to enhance their understanding of climate- and nature-related risk implications for their countries' or regions' financial sectors, and should pursue their efforts to adopt and strengthen their frameworks with the following considerations:

- **Designing transition plans:** With the urgency to meet the objectives of the Paris Agreement, members are encouraged to consider transition plans as a helpful implementation tool for financial institutions to elaborate clear and credible approaches to align their business activities with decarbonization pathways within a defined timeframe. By providing detailed forward-looking strategies, goals, actions, and accountability mechanisms to align business activities with a net-zero end goal, transition plans complement current regulatory tools to enable the real economy's transition. SBFN members, however, are encouraged to follow ongoing international dialogue on the topic, as ensuring the credibility and effectiveness of transition plans remains a challenging issue, and the role of regulators in overseeing their development is yet to be clarified.
- **Strengthening data and reporting:** Limited data availability remains a challenge to ensure the actual implementation of climate- and nature-related risk management frameworks. Members should ensure that data collection mechanisms are established to monitor implementation across the financial sector, as well as disclosure requirements to guarantee transparency and accountability.
- **Integrating nature-related risks:** Members should continue to assess implications of nature-related risks for the financial sector and their integration with climate-related risk considerations. Ongoing work by international platforms such as the NGFS to support the financial sector in improving knowledge on nature-related financial risks²¹ can provide helpful resources, in addition to recognized international standards such as the TNFD recommendations.

²¹ The NGFS released *Addressing Nature-related Financial Risks: a Conceptual Framework to guide Action by Central Banks and Supervisors* (Sep. 2023) in an initial attempt to provide guidance to regulators to consider the relevant elements of nature-related financial risks. Pursuing these efforts to mainstream the consideration of nature-related risks, NGFS issued a Technical Document providing Recommendations toward the development of scenarios for assessing nature-related economic and financial risks (Dec. 2023), laying the groundwork for future development of nature-related scenarios.

3

PILLAR 3: FINANCING SUSTAINABILITY

The Financing Sustainability Pillar evaluates policies and tools in place from regulatory and voluntary efforts to promote capital flows toward climate, social, green economy, and sustainability goals. Specifically, this Pillar captures national and regional progress in developing and implementing sustainable finance frameworks, guidelines, taxonomies, monitoring tools, and incentives related to these objectives. The updates introduced to this Pillar in 2023 reflect SBFN members’ priorities to integrate social, inclusion, and accessibility objectives, as well as capture innovative mechanisms to mobilize capital toward sustainability goals.

FIGURE 6: PROGRESSION MATRIX RESULTS FOR PILLAR 3: FINANCING SUSTAINABILITY



*** Central African States include:**

Cameroon, Central Africa Republic, Chad, Equatorial Guinea, Gabon, Republic of the Congo.

**** Eastern Caribbean States include:**

Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, Saint Vincent and the Grenadines, St. Kitts and Nevis.

Progress since 2021

- ★ 12 new SBFN countries (including two regional members representing 8 countries) entered the “Formulating” sub-stage
 - ◉ 11 new SBFN countries leapfrogged to the “Development” sub-stage (including a regional member representing 6 countries)
 - ▶ 12 countries moved up one sub-stage
 - ▶▶ 3 countries moved up two sub-stages
- 28 countries progressed within the same sub-stage

The SBFN Progression Matrix for Pillar 3 reveals that forty-one countries (62 percent) are in the Implementation stage. While most countries have introduced frameworks for Financing Sustainability (such as thematic bond guidelines and, to a lesser extent, taxonomies), they are still working on operationalizing their implementation across the financial sector. Six countries at the Consolidating sub-stage of the Maturing stage are spearheading members' efforts in Financing Sustainability, with a comprehensive set of frameworks covering all parts of the financial system to promote financial flows to green, social, or sustainability-focused activities, and consistent and comparable data becoming available.

Pillar-level Progress

The surge in the issuance of sustainable finance taxonomies by members encourages an acceleration of financial flows toward activities with environmental and social benefits, including climate change mitigation and adaptation.

- **13** SBFN countries have adopted a sustainable finance taxonomy, out of approximately 47 taxonomies or lists of sustainable activities issued globally to date.
- **11** countries reported that they are currently developing a taxonomy.

Taxonomies have emerged as a key building block of national sustainable finance ecosystems. While there is still a great deal of variation across taxonomies, good examples of interoperability in the absence of a single global framework are emerging, including in taxonomies issued by SBFN countries:

- **8** countries refer in some way to the EU Taxonomy in their framework(s) for financing sustainability, of which Colombia and South Africa formally adopted and adapted the EU model for their national taxonomies.
- **4** countries (Cambodia, Indonesia, the Philippines, and Thailand) are part of ASEAN and have aligned their taxonomies with key elements of the ASEAN Taxonomy.
- **1** country (Sri Lanka) incorporates elements of the EU Taxonomy and the Common Ground Taxonomy.

All sustainable finance taxonomies issued by SBFN countries cover activities that contribute to climate mitigation, and most either cover or plan to include activities for objectives such as climate adaptation, pollution prevention, circular economy, protection of water resources, and ecosystems. There is strong interest and an emerging trend to address

- Social objectives (e.g., poverty reduction, healthcare, food security, financial inclusion, education, and gender), e.g., in Georgia, Indonesia, and Mexico
- Blue economy (water and oceans), e.g., in Sri Lanka
- The Sustainable Development Goals (SDGs), e.g., in Indonesia and Mongolia

Transition is also a growing priority across jurisdictions, with different mechanisms being introduced. These include taxonomy traffic light systems, which indicate fully aligned activities (“green”) versus those that are not fully green but meet transition criteria (“amber”), and non-aligned (“red”); as well as the application of transition principles, plans, or remedial measures to encourage more parts of the economy to move to low-carbon, environmentally friendly and inclusive practices.

Country example: Mongolia expands its Green Taxonomy to an SDG Taxonomy covering both environmental and social development goals

In collaboration with the Mongolian Sustainable Finance Association, the Financial Stability Council of Mongolia approved an SDG Taxonomy²² in 2023 by expanding its existing green taxonomy (2018) and adding social impact sectors and activities such as health, education, communications, and affordable infrastructure. Mongolia’s taxonomy also proposes key social and environmental impact indicators aligned with the SDGs to assist investors in the impact measurement, reporting, and verification of sustainable instruments and transactions.

Frameworks for issuing thematic bonds continue to expand, and forty-five SBFN countries have issued \$759 billion in thematic bonds as of 2023,²³ underlying the crucial role of these instruments to direct financial flows toward sustainable goals. To support the issuance of sustainable finance instruments, twenty-eight countries (42 percent) have issued thematic bond guidelines. An expansion of these frameworks from pure green bond guidelines to broader categories is notable: for example, Colombia expanded its guidelines to include social, sustainable, and orange bonds,²⁴ and Brazil expanded from Green Bond Guidelines to Guidelines for Sustainable Debt. Across SBFN countries, China is leading thematic bond issuance in absolute numbers, followed by Chile, Mexico, India, Brazil, and Thailand. As a percentage of GDP, thematic bonds rank first in Türkiye (19 percent), followed by Chile (15 percent), Peru (5 percent), Georgia (3 percent), Mexico (3 percent), and Thailand (3 percent). Green bonds account for 63 percent of issuance in SBFN countries, while social and sustainability bonds represent a limited 18 percent and 13 percent of the thematic bond market in SBFN countries respectively, though their issuance is growing. Countries like Chile and Mexico are notable for their balanced approach toward green and social bonds. These bonds support a wide array of projects, from renewable energy to social housing, demonstrating the versatile potential of thematic bonds in promoting broader sustainability goals. The smaller segment of sustainability-linked bonds (6.5 percent), which ties financial returns to sustainability performance targets, underscores an innovative approach to finance.

²² Mongolian Financial Stability Council, National SDG Finance Taxonomy (Mongolian), 2023, https://drive.google.com/file/d/1VzZR_P5sN7NfFYhvm8puXKb6GY1v9faS/view?usp=sharing.

²³ Source: World Bank.

²⁴ According to Colombia’s Green Bond Guidelines (2020), orange bonds are bonds that finance totally or partially orange projects, understood as projects that directly seek to promote the creative economy based on talent, intellectual property, connectivity, and cultural heritage.

SBFN Members are increasingly illustrating how integrating inclusion objectives with sustainable finance measures can help drive economic growth and yield positive social outcomes.

- **24** countries (39 percent) reported setting expectations to enhance access to finance for low-income households, small businesses, and vulnerable groups, focusing on supporting climate change adaptation and/or resilience. Two-thirds of these countries have incorporated this topic into broader sustainable finance frameworks.
- **22** countries (33 percent) support gender equality through policy development integrated into taxonomies, bond guidelines, or reporting requirements.
- **13** countries (20 percent) are promoting sustainable digital finance initiatives with the aim of making sustainable financing more accessible, such as Mongolia's initiative to develop a centralized ESG data platform and Sri Lanka's roadmap supporting fintech companies in developing digital tools for financial inclusion.

Country example: Egypt issues a national framework to promote green inclusive finance

Egypt recognizes the significance of implementing strategies and policies to advance Inclusive Sustainable Finance (ISF) practices. Spearheaded by the Central Bank of Egypt (CBE), ISF initiatives, particularly in green finance, have been prioritized. In 2021, the Guiding Principles on Sustainable Finance were introduced to establish a foundation for sustainable finance within the banking sector. Subsequently, in November 2022, the issuance of Bidding Regulations, following a gap analysis conducted by the CBE, aimed to propel the banking sector toward more inclusive and sustainable practices. Collaboration among Egypt's financial regulatory bodies underscores the country's commitment to promoting sustainability and fostering a more sustainable economy, aligning with national strategies such as Egypt Vision 2030, Sustainable Energy Strategy 2035, National Climate Change Strategy 2050, and its Nationally Determined Contributions (NDCs). Additionally, the issuance of the Sovereign Sustainable Finance Framework and Sovereign Green Bonds by the Ministry of Finance further demonstrates Egypt's dedication to ISF efforts. Collectively, these measures and policy advocacies in ISF aim to alleviate poverty and secure prosperity for future generations.

Recommendations for SBFN Members

With the rapid adoption of national and regional frameworks to support the mobilization of capital toward activities with climate and sustainable development benefits, SBFN members can further advance their efforts in the following ways:

- **Continued harmonization and deepening of frameworks:** As more countries issue taxonomies, alignment and interoperability are needed to facilitate investment and avoid unnecessary costs for financial institutions operating across jurisdictions. This requires coordination and dialogue at the global level, such as through the G20, International Platform on Sustainable Finance (IPSF), SBFN, and NGFS, to support convergence around core elements and activities, while recognizing and supporting the need for countries to tailor activities and ambition of their taxonomies to local priorities and market maturity.
- **Strengthening governance of sustainable finance architecture at national, regional, and global levels:** SBFN research confirms the need for strong governance structures in the development, implementation, and maintenance of frameworks for financing sustainability. Permanent regulator-led, industry-led, or multistakeholder structures with appropriate mandates, resources, and leadership are important to ensure timely and effective maintenance of these frameworks in line with global and regional developments and considering domestic needs. The SBFN Toolkits on Sustainable Finance Roadmaps²⁵ and Sustainable Finance Taxonomies²⁶ include examples of such governance structures. The need for ongoing governance is reinforced by market demand for integrating wider sustainability goals, such as transition, gender, inclusion, climate adaptation, and social impact. Taxonomies and thematic financing guidelines also need to be complemented by reporting and disclosure requirements to track overall capital mobilization alignment with sustainability goals.
- **Increasing access to sustainable finance:** While scaling up the volume of sustainable financing is critical, it is equally important to ensure that vulnerable communities, women, youth, and micro, small, and medium enterprises (MSMEs) also benefit from emerging opportunities. The new SBFN Taskforce on Inclusive Sustainable Finance aims to provide standard definitions and options for SBFN members to better align future policies and actions with inclusion and just transition principles.
- **Exploring the role of incentives:** Incentives remain a key tool to increase capital flows. A limited number of SBFN countries introduced incentives related to sustainable financial instruments. Incentives provided by regulators or other industry actors in line with their mandates range from green capital requirements, credit enhancements, and financial subsidies, to performance awards. To better promote incentives as a tool to scale up sustainable finance, further research, exploration, and sharing of lessons is required to assess the impact, cost-effectiveness, and feasibility of incentive options.

²⁵ Visit <https://www.sbfnetwork.org/sbfn-toolkit-developing-sustainable-finance-roadmaps/>.

²⁶ Visit <https://www.sbfnetwork.org/sbfn-toolkit-sustainable-finance-taxonomies/>

III. Outlook and Recommendations

Collective action is now critical, considering the recognition that the climate crisis, once deemed distant, is now tangible. Addressing its effects largely depends on the speed and scale of the financial system's response as an enabler of the whole-economy transition. It is essential that SBFN members and the global community bolster their commitments and accelerate actions to deliver sustainable impacts.

Key recommendations for SBFN members include:

- 1. Enhancing the integration and harmonization of sustainable finance frameworks, with a strategic and holistic approach.** Member experiences confirm the benefits of integrating sustainable finance frameworks such as ESG integration and climate risk guidelines, taxonomies, and disclosure requirements to prevent greenwashing and scale up sustainable financing flows. Similarly, countries need to carefully consider the risks of fragmentation of national frameworks. With the ongoing wave of new regulations and guidance being issued globally, harmonization is particularly important to ensure coherence between sets of mandatory and voluntary national frameworks covering various financial subsectors, and consistency of these frameworks with international standards and guidance. This calls for strategic approaches and governance structures that bring the entire financial sector together with a common vision for sustainable financial systems. The SBFN Toolkit on Developing Sustainable Finance Roadmaps²⁷ provides a practical and easy-to-use set of tools to design and operationalize sustainable finance roadmaps. Members may also leverage international platforms such as SBFN to exchange and address interoperability challenges at global and regional levels.
- 2. Deepening the implementation of frameworks with technical guidance and capacity building.** While various sustainable finance frameworks are issued by SBFN members, laying a solid foundation for overall sustainable finance development, the uptake and implementation of the frameworks by market players need to be complemented by the issuance of supporting technical guidance and tools. For example, ESG integration guidelines can benefit from complementary implementation manuals, sector guidelines, and monitoring templates, while climate risk management and disclosure frameworks can be further supported by technical and thematic guidelines on topics such as portfolio foot-printing, transition planning, internal carbon price setting, and climate adaptation. Thematic bond and loan frameworks can be enhanced by impact measurement, reporting, and verification (MRV) standards, pipeline identification guidance, and capacity-building programs. The SBFN Framework Library²⁸ offers a comprehensive, searchable database of national frameworks, supporting guidelines, and tools issued by SBFN members.

²⁷ Visit <https://www.sbfnetwork.org/sbfn-toolkit-developing-sustainable-finance-roadmaps/>.

²⁸ Visit <https://data.sbfnetwork.org/framework-library>.

- 3. Expanding frameworks to better align with social, inclusion, and accessibility goals.** Market data provided by members indicate a trend of increasing allocation of sustainable capital toward social impact activities, recognizing the close linkages between climate resilience and social development. In addition, the risks of sustainable finance exclusion can create a critical threat to financial stability and the wider economy by preventing vulnerable population segments from investing in climate resilience. Members should continue expanding existing frameworks such as taxonomies and thematic bond and loan guidelines to integrate these objectives, such as by supporting the participation of MSMEs and vulnerable groups in the green economy. Challenges remain with the lack of common definitions of social impact investment and the qualitative nature of many social indicators, creating risks of “social washing.” Digital innovation can also assist in simplifying and streamlining social impact reporting. The new SBFN Taskforce on Inclusive Sustainable Finance aims to support SBFN members by developing common definitions and approaches.

- 4. Strengthening monitoring, reporting and disclosure requirements to systematically track financial institutions’ behavior change and measure impact.** Comparable and credible data on frameworks implementation at the market level, alongside the change in financing flows and impact, is still limited. SBFN members are encouraged to develop stronger monitoring, reporting, and disclosure requirements for financial institutions to allow for benchmarking performance and measuring progress. To support members, SBFN is developing a Reporting and Disclosure Toolkit, which will include guidance, case studies, and a comprehensive catalogue of proposed indicators.

SBFN is committed to continue supporting members’ efforts by collating country experiences and insights, developing common approaches and tools on priority sustainable finance topics, facilitating peer exchange and collaboration, and representing the voice of EMDEs in global fora. SBFN will continue leveraging IFC and World Bank teams’ expertise and regional technical assistance programs to guide and support members in their ongoing sustainable finance journeys.

Annex 1:

SBFN Activities and Milestones 2021-2024

KEY EVENTS

APRIL 2022 SBFN 7th Global Meeting & 10-year Anniversary	Country Global (virtual)	Region Global	Co-host(s) SBFN/IFC
NOVEMBER 2022 2022 International Sustainable Finance Forum	Country Georgia	Region Europe and Central Asia	Co-host(s) National Bank of Georgia, SBFN/IFC
MAY 2023 2023 International Forum of the Sustainable Banking and Finance Network	Country Cameroon	Region Africa	Co-host(s) Bank of Central African States (BEAC), SBFN/IFC
JUNE 2023 Sustainable Finance Week 2023	Country Mongolia	Region Asia & Pacific	Co-host(s) Office of the President of Mongolia, Mongolian Sustainable Finance Association, SBFN/IFC
OCTOBER 2023 Sustainable Finance Forum	Country Kosovo	Region Europe and Central Asia	Co-host(s) Central Bank of the Republic of Kosovo (CBK), Kosovo Banking Association (KBA), SBFN/IFC
NOVEMBER 2023 Africa Climate Business Forum	Country Kenya	Region Africa	Co-host(s) Central Bank of Kenya (CBK), IFC/SBFN
MARCH 2024 2024 International Sustainable Finance Forum	Country Georgia	Region Europe and Central Asia	Co-host(s) National Bank of Georgia, SBFN/IFC
APRIL 2024 Launch of the 2024 SBFN Global Progress Brief and Data Portal (during WBG/IMF Spring Meetings)	Country USA (IFC Headquarters and Virtual)	Region Global	Co-host(s) SBFN/IFC
SEPTEMBER 2024 (Upcoming) SBFN Global Meeting	Country Brazil (Global Event)	Region Latin America and Caribbean	Co-host(s) SBFN/IFC, Ministry of Finance of Brazil

SBFN WORKING GROUPS AND KNOWLEDGE PRODUCTS

Measurement Working Group (MWG)

Established in 2016, the MWG responds to SBFN member demand for a systematic approach to assess and benchmark country progress in developing national sustainable finance frameworks. The MWG has developed and refined a Measurement Framework²⁹ that was approved by all members and continues to evolve to keep pace with country-level and global developments. The Measurement Framework guides the development of SBFN's Global Progress Brief and updates to the SBFN Data Portal, providing the most comprehensive benchmarking of sustainable finance initiatives across EMDEs and helping members make informed strategic decisions about their national and regional sustainable finance journeys. The MWG supported the 2023 update process of the SBFN Measurement Framework, providing strategic guidance and technical input. Currently the MWG is co-chaired by the Financial Superintendency of Colombia (SFC) and the Moroccan Capital Markets Authority (AMMC).

SBFN Toolkit for Developing Sustainable Finance Roadmaps

In 2023, SBFN launched the [Toolkit on Developing Sustainable Finance Roadmaps](#) based on the updated Measurement Framework and the associated [Developing Sustainable Finance Roadmaps E-Learning](#) to help regulators and industry associations design and operationalize sustainable finance national and regional roadmaps.

Sustainable finance roadmaps are often the first step in the systematic development of sustainable financial markets, as they offer a holistic and consolidated approach. This Toolkit, which was developed in alignment with the SBFN Measurement Framework, combines existing sources, emerging trends, and lessons from SBFN members into a practical guide to help regulators and industry associations design and operationalize sustainable finance national and regional roadmaps.

Sustainable Finance Instruments Working Group (SFIWG) (formerly the Green Bond Working Group)

Established in 2017, the SFIWG responds to members' continued interest in the rapidly evolving landscape for sustainable finance instruments. The SFIWG launched a new phase of work in December 2021 to explore the diversifying trend in sustainability-focused instruments, including green, social, and sustainability bonds, sustainability-linked loans, transition finance, and more. The SFIWG initiated a benchmarking exercise to capture lessons from global, regional, and national sustainable finance taxonomies that aim to prevent greenwashing and support a common language for financing activities with environmental and social benefits. Findings from this research informed SBFN's input to the 2023

²⁹ Visit www.sbfnetwork.org/measurement-and-framework-methodology/

paper on “Activating Alignment: Applying the G-20 Principles for Sustainable Finance Alignment with a Focus on Climate Change Mitigation” by the IMF, the World Bank (including SBFN and IFC), the OECD, and the BIS, which consolidated emerging lessons and practical considerations for designing effective alignment approaches for climate finance, particularly in emerging markets and developing economies (EMDEs). Through SBFN's collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the findings also contributed to the development of a free e-learning, [Introduction to Sustainable Finance Taxonomies](#), launched by GIZ in 2023 in English, French, and Spanish, in cooperation with SBFN. Finally, the research and case studies have been presented for use by members and other stakeholders in the SBFN Toolkit on Sustainable Finance Taxonomies, published in April 2024. Currently the SFIWG is co-chaired by the Indonesia Financial Services Authority (OJK), the National Treasury of South Africa, and the Latin American Banking Federation (FELABAN).

SBFN Toolkit on Sustainable Finance Taxonomies

Through research and engagement with members, as well as cooperation with IMF, World Bank Group, and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), SBFN recently published a [Toolkit on Sustainable Finance Taxonomies](#). The Toolkit is designed for financial sector regulators and banking associations in EMDEs that are in the process of developing regional or national taxonomies or have already done so and would like to update their taxonomies to leverage international good practices and lessons learned from other jurisdictions.

The Toolkit features detailed benchmarking of twelve SBFN countries that have issued taxonomies, as well as comparison with regional taxonomies by the Association for South-East Asian Nations (ASEAN) and the European Union. It identifies common emerging features, innovations, and levels of interoperability that can support convergence. It consists of a slide deck with findings and case studies, and a spreadsheet with detailed comparisons of the 12 national taxonomies, ASEAN, and the EU. It will be a living document that evolves over time.

Data and Disclosure Working Group (DDWG)

Established in 2020, the DDWG addresses the consistent gap identified by SBFN members: the lack of sufficient reporting and data from the financial sector on ESG risk, opportunities, climate risk management, and capital flows to investments and projects with positive environmental and social impacts. This working group has mapped the latest country-level developments in sustainable finance data and disclosure across the SBFN community and internationally, and will facilitate the development of tools and practical guidance on developing effective national frameworks. Currently the DDWG is co-chaired by the National Bank of Georgia (NBG) and the China Banking and Insurance Regulatory Commission (CBIRC).

Taskforce on Inclusive Sustainable Finance (ISF) (Replacing and building on the work undertaken by the current SBFN Task Force for Low-Income Countries)

Newly established in 2024, the ISF Taskforce addresses key priorities for EMDE policymakers, focusing on Financial Inclusion and Social Resilience. The ISF Taskforce aims to help deepen understanding of how policymakers, regulators, supervisors, industry associations, and financial institutions can design and implement inclusive sustainable finance frameworks. The Taskforce aims to complement the work of existing policy platforms including the Alliance for Financial Inclusion, CGAP, the G20 and the United Nations. By analyzing member policy innovations and sharing their own experiences with the development of inclusive financial risk management and financing sustainability measures, the Taskforce will explore how SBFN Members promote inclusivity through their sustainable finance frameworks, and thereby enhance sustainable finance policy design. In so doing, the Taskforce will present Members with a set of policy alternatives and strategic choices to enable them to achieve their desired sustainability outcomes. The Taskforce is co-chaired by Bangko Sentral ng Pilipinas (BSP, Central Bank of the Philippines), the Federation of Brazilian Banks (FEBRABAN) and the Kenya Bankers Association (KBA).

SBFN collaborates with partners to develop conceptual frameworks on the intersections between sustainable finance and financial inclusion.

Between May 2022 and April 2023, SBFN, Center for Financial Inclusion, and the Alliance for Financial Inclusion participated in a working group on Inclusive Green Finance (IGF), spearheaded by H.M. Queen Máxima of the Netherlands in her capacity as United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA). A key objective was to elevate the interdependent and amplifying role of financial inclusion in global sustainability efforts and strengthen climate considerations in national financial inclusion plans and strategies. The working group produced a [technical note](#) presenting a policy and advocacy framework for IGF, emphasizing action by public and private stakeholders in three broad areas:

- Integration of IGF at the country level, including in defined national strategies or plans;
- Investment in information and data, including
 - a research and evidence agenda,
 - IGF consideration in emerging tools such as green taxonomies, and
 - deepening IGF products/use cases.
- Integrating IGF in the international regulatory enabling environment for climate finance, including examining unintended consequences of climate finance policy on financial inclusion.

Annex II:

List of SBFN Members as of April 2024

91 MEMBER INSTITUTIONS REPRESENTING 70 COUNTRIES
ACROSS EMERGING MARKETS AND DEVELOPING ECONOMIES

AFRICA	
Bank of Central African States (BEAC)	Securities and Exchange Commission of Central Africa (COSUMAF)
Bank of Ghana (BOG)	South Africa Prudential Authority (operates within the administration of the South African Reserve Bank)
Bankers Association of Zambia	South African National Treasury
Banking Association South Africa (BASA)	Tanzania Bankers Association
Central Bank of Nigeria (CBN)	The Securities and Exchange Commission Ghana
Ghana Association of Banks (GAB)	The Securities and Exchange Commission of Zambia
Kenya Bankers Association (KBA)	

EAST ASIA AND PACIFIC	
Association of Banks in Cambodia (ABC)	Ministry of Ecology and Environment of People's Republic of China
Bangko Sentral ng Pilipinas (BSP, Central Bank of the Philippines)	Mongolia Bankers Association
Bank of Mongolia	Mongolia Ministry of Environment and Green Development
Bank of Papua New Guinea	Mongolian Sustainable Finance Association (MSFA)
Bank of the Lao PDR	Otoritas Jasa Keuangan (OJK, Indonesia Financial Services Authority)
Central Bank of Samoa (CBS)	Reserve Bank of Fiji
China Banking and Insurance Regulatory Commission (CBIRC)	State Bank of Vietnam (SBV)

China Banking Association (CBA)	Thai Bankers Association (TBA)
Department of Environment and Natural Resources of the Philippines (DENR)	Vietnam Ministry of Natural Resources and Environment
Financial Regulatory Commission of Mongolia (FRC)	

SOUTH ASIA

Bangladesh Bank	Maldives Monetary Authority (MMA, Central Bank of Maldives)
Central Bank of Sri Lanka (CBSL)	Nepal Rastra Bank
Indian Banks Association (IBA)	State Bank of Pakistan (SBP)

EUROPE AND CENTRAL ASIA

Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market	Kosovo Banking Association (KBA)
Association of Serbian Banks (ASB)	Macedonian Banking Association (MBA)
Azerbaijan Banks Association (ABA)	National Bank of Georgia (NBG)
Azerbaijan Micro-finance Association (AMFA)	National Bank of Moldova
Bank of Albania	National Bank of Tajikistan
Banking Association of Georgia	National Bank of Ukraine (NBU)
Banking Regulation and Supervision Agency of Türkiye (BRSA)	National Securities and Stock Market Commission of Ukraine (NSSMC)
Central Bank of Armenia	Union of Banks of Armenia
Central Bank of Kosovo (CBK)	Union of Banks of Kyrgyzstan
Central Bank of the Republic of Azerbaijan (CBA)	Association of Montenegrin Banks

LATIN AMERICA AND CARIBBEAN:

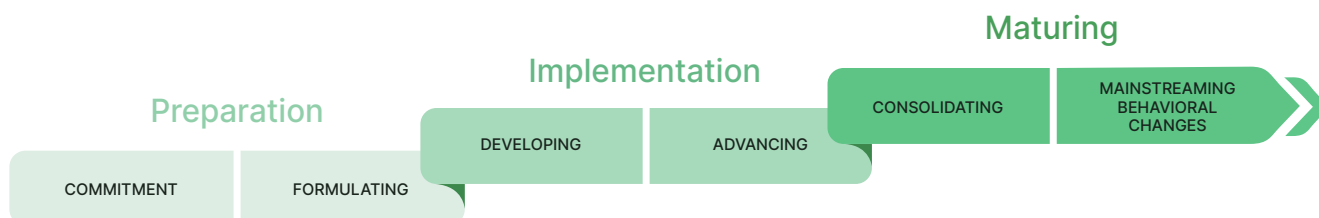
Association of Argentine Banks (ADEBA)	Central Bank of Paraguay (BCP)
Association of Banks and Financial Institutions of Chile (ABIF)	Eastern Caribbean Central Bank (ECCB)
Association of Banks and Financial Institutions of Colombia (Asobancaria)	Federation of Latin American Banks (FELABAN)
Association of Commercial Banks of the Dominican Republic (ABA)	Financial Market Commission of Chile (CMF)
Association of Mexican Banks (ABM)	Financial Superintendence of Colombia (SFC)
Association of Supervisors of Banks of the Americas (ASBA)	General Superintendency of Financial Institutions of Costa Rica (SUGEF)
Banco Central do Brasil (BCB)	Honduran Banking Association (AHIBA)
Bank of Jamaica (BOJ)	National Banking and Insurance Commission (CNBS)
Banking Association of Ecuador (ASOBANCA)	Panama Banking Association (ABP)
Banking Association of Guatemala (ABG)	Semarnat (Secretariat of Environment and Natural Resources)
Brazilian Federation of Banks (FEBRABAN)	Superintendence of Banking, Insurance, and Private Pension Funds of Peru (SBS)
Central American Council of Superintendents of Banks, Insurance and of Other Financial Institutions (CCSBSO)	Sustainable Finance Roundtable of Paraguay
Central Bank of Ecuador (BCE)	

MIDDLE EAST AND NORTH AFRICA:

Association of Banks in Jordan (ABJ)	Central Bank of Jordan (CBJ)
Bank Al-Maghrib (BAM, Central Bank of Morocco)	Central Bank of Tunisia (CBT)
Central Bank of Egypt (CBE)	Federation of Egyptian Banks (FEB)
Central Bank of Iraq (CBI)	Moroccan Capital Market Authority (AMMC)

Annex III: SBFN Progression Matrix Milestones (Overall and by Pillar)

OVERALL PROGRESSION MATRIX MILESTONES



COMMITMENT

The financial sector regulator or industry association has announced a formal commitment to achieve progress on sustainable finance in the next two years. Initial steps have been taken, such as a kick-off meeting or workshop with key stakeholders and industry.

FORMULATING

A formal initiative - led by a financial sector regulator or industry association or both - is in progress to develop a national roadmap, framework, policy, or voluntary industry principles on sustainable finance. Preparations include research, surveys, multi-stakeholder engagement, and/or awareness raising for the financial sector.

DEVELOPING

A first national roadmap, framework, policy, regulation, or set of voluntary industry principles on sustainable finance has been formally launched. A formal taskforce or dedicated unit is leading implementation efforts - either within the regulator or industry association, or as a multi-stakeholder working group or platform. Assessment, awareness raising and/or capacity building have been conducted.

ADVANCING

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions. The national framework(s) cover(s) multiple parts of the financial system and encompass(es) key components and expectations from the financial sector, in line with international standards and best practices. Financial institutions are required or encouraged to report on their implementation. Financial institutions started reporting on their implementation of the roadmap, framework, policy, or voluntary principles in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

CONSOLIDATING

A comprehensive set of national initiatives and frameworks on sustainable finance are in place, covering all parts of the financial system. The national frameworks are aligned with international good practice across all three pillars of sustainable finance as defined by the SBFN Measurement Framework. Actions are undertaken to supervise or monitor the implementation of the frameworks. Consistent and comparable data is being collected by the regulator as part of supervision - or by the industry association, about implementation by financial institutions.

MAINSTREAMING BEHAVIORAL CHANGES

There is an established ecosystem of sustainable finance initiatives and frameworks in all parts of the financial system that align and integrate with each other. Financial institutions are required or encouraged to report publicly on their implementation of sustainable finance across risk and opportunity. The regulator or industry association has multi-year data on implementation by financial institutions - including both risk and opportunity.

PROGRESSION MATRIX MILESTONES – PILLAR 1: ESG INTEGRATION



COMMITMENT

The financial sector regulator or industry association has announced a formal commitment to develop a policy, regulation, guidelines, or voluntary principles for the financial sector on ESG Integration.

A first event or workshop has been held to engage relevant financial sector stakeholders on the topic of ESG Integration for the financial sector.



FORMULATING

A formal initiative is in progress to develop a policy, regulation, guidelines, or voluntary principles on ESG Integration in the financial sector.

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

DEVELOPING

A first national policy, regulation, guidelines, or set of voluntary principles has been formally launched that sets out requirements or recommendations for financial institutions on ESG Integration.

A formal taskforce, working group, or institution is tasked with implementation and/or supervision and is supported by regulators and industry.

Assessments, awareness raising, and/or capacity building for financial institutions on the new expectations for ESG Integration have been conducted.



ADVANCING

Implementation tools and initiatives are in place, such as guidance, guidelines, reporting templates, training, online tools, and supervisory instructions.

The framework(s) on ESG Integration cover(s) multiple parts of the financial system and encompass(es) key components and expectations from the financial sector, in line with international standards and best practices.

Financial institutions are required or encouraged to report on their implementation.

Financial institutions started reporting on their implementation of ESG Integration expectations in line with consistent reporting instructions or templates provided by the financial sector regulator or industry association.

CONSOLIDATING

A comprehensive set of national initiatives and frameworks on ESG Integration are in place, covering all parts of the financial system.

The national frameworks are aligned with international good practice and cover all three crosscutting areas of ESG Integration:

1. National framework (incl. national and international alignment, and expectations from FIs),
2. Regulatory and industry association actions, and
3. Data on financial sector implementation.

Actions are undertaken to supervise or monitor the implementation of ESG Integration frameworks.

Consistent and comparable data is being collected by the regulator as part of supervision - or by the industry association, about the implementation of ESG Integration expectations by financial institutions.



MAINSTREAMING BEHAVIORAL CHANGES

There is an established ecosystem of ESG Integration initiatives and frameworks that are consistent across all parts of the financial system, and that align and integrate with each other. Financial institutions are required or encouraged to report on their implementation of ESG Integration, and the information collected is disclosed publicly.

The regulator or industry association has multi-year data on implementation by financial institutions on ESG Integration.

PROGRESSION MATRIX MILESTONES – PILLAR 2: CLIMATE AND NATURE-RELATED RISK MANAGEMENT



PROGRESSION MATRIX MILESTONES – PILLAR 3: FINANCING SUSTAINABILITY



Acknowledgments and Contributors

The SBFN Secretariat is grateful to all members who participated in the 2023 SBFN Member Data Collection Survey and data verification process and reviewed and provided comments to the Measurement Framework and the Global Progress Brief.

Overall guidance for the update of the SBFN Measurement Framework and development of the 2024 SBFN Global Progress Brief and new Data Portal was provided by Yasser Mounsif (Moroccan Capital Market Authority) and Laura María Santa Zuluaga (Financial Superintendency of Colombia) as co-chairs of the SBFN Measurement Working Group.

Preparation of the Global Progress Brief was led by the SBFN Global Secretariat team, including Rong Zhang (SBFN Global Coordinator), Vincent Darcy, Nomindari Enkhtur, Louise Gardiner, Ling Mei, Jana Mudronova, Nuru Mugambi, Sothea Nguon, Eleni Petri, Inna Remizova, and Yi Yang, under the general direction of Tania Kaddeche (IFC ESG Director) and Martine Valcin (IFC ESG Manager). The team is grateful for valuable input by Rashanikka Hayley-Fowler.

Special thanks go to Alfonso Garcia Mora (IFC Vice President for Latin America & Caribbean and Europe) for his strategic leadership as Chair of the SBFN Secretariat, and Emmanuel Nyirinkindi (IFC Vice President for Cross-Cutting Solutions) as hosting Vice President of the SBFN Global Secretariat. The following SBFN Regional and Country Coordinators provided critical input and coordination to the Measurement Framework, the data collection process, and the Global Progress Brief: Adalyat Abdu-manapova, Ragia Afifi, Amira El Saeed Agag, Mouhanad Atta, Batmunkh Batbold, Jorge Echeandia, Anjali Garg, Yuliya Holodkova, Vladimir Hrle, Boris Janjalia, Aibek Kadyraliev, Isabel Mantilla, Nivanne Mortagy, Huong Thien Nguyen, Sekar Askarini Noersyachbana, Mujgan Oladi, Marcela Ponce, Francisco Javier Prada, Rahajeng Pratiwi, Afifa Raihana, Roshika Singh, Damilola Sobo, and Wei Yuan.

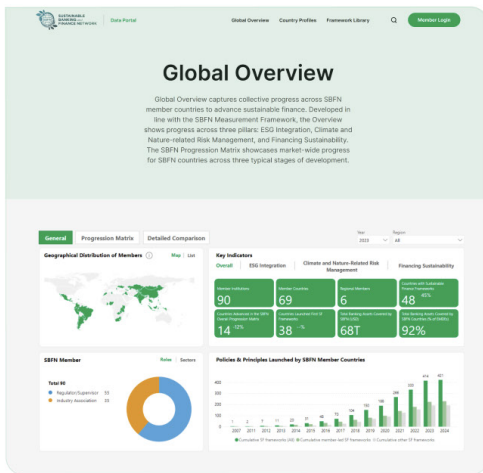
The Measurement Framework and Global Progress Brief benefited from review and comments by the following colleagues from across the World Bank and IFC: Francisco Avendano, Felipe Albertani, Sabin Basnyat, William Beloe, Sarah Cuttaree, Emma Dalhuijsen, Ortenca Destani, Jamie Fergusson, Ralitza Germanova, Aaron Levine, Irina Likhachova, Piotr Mazurkiewicz, Ilona Morar, Quyen Thuc Nguyen, Veronica Nyhan Jones, Martijn Regelink, Fiona Stewart, and Elizabeth White.

Outreach and communications were managed by Linda Herda and Gonzalo Lanfranco. Editing was provided by Matthew Benjamin and design was provided by Civitta/Mediapark.

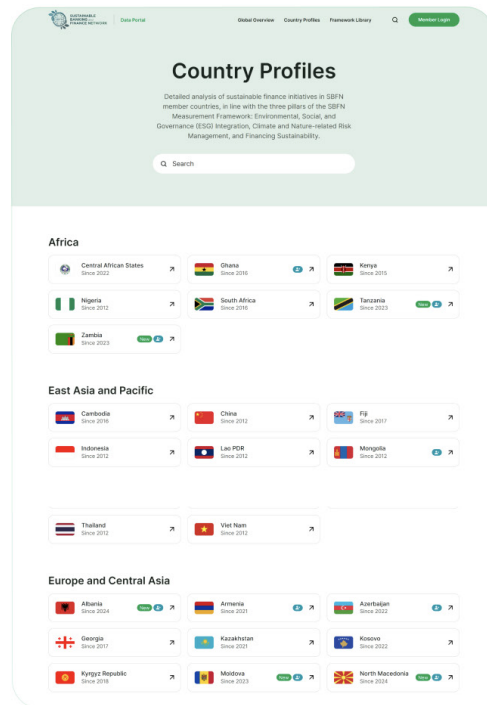
ACCESS THE SBFN DATA PORTAL AT:

DATA.SBFNETWORK.ORG ↗

Dashboards with overview of global trends and comparison functions.



Country Profiles featuring sustainable finance initiatives in SBFN member countries.



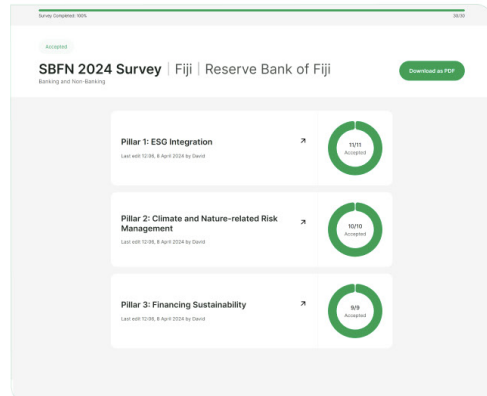
Library of sustainable finance frameworks issued in SBFN member countries.

Framework Library

A comprehensive and searchable database of sustainable finance framework documents issued by member countries.

Country	Issuer	Framework Docs	Type	Thematic Area	Sector Coverage	Year
Brazil	Brazil Stock Exchange, CVM (B3) - Brazil Bolsa Brasil	Issuer regulation (inclusion of criteria to consider gender diversity and the presence of underrepresented groups in senior leadership positions, and performance indicators linked to ESG themes as goals in management remuneration)	Policy Framework	Gender, ESG Integration	Banking, Non-Banking	2023
Brazil	Brazilian Association of Financial and Capital Market Entities (ANBIMA)	FAQ - Rules and procedures for investing in sustainable funds. 2nd Version	Policy Framework	Financing Sustainability	Banking	2023
Brazil	Brazilian Federation of Banks (FEBRABANQ)	Federated standard SABB 020(2023) - Self-Regulation for managing the risk of fossil dependence in the private asset chain	Policy Framework	Climate and Nature-related Risk Management, ESG Integration, ESGM, Risk	Banking	2023

Integrated data collection system for SBFN members to report progress.



ACCESS THE SBFN DATA PORTAL AT:

[DATA.SBFNETWORK.ORG](https://data.sbfnetwork.org) ↗

The most comprehensive database of sustainable finance initiatives in emerging markets and developing economies.



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