

Dear members and friends of SBN,

Welcome to our latest newsletter on developments in the Sustainable Banking Network, the only global, member-driven, knowledge and capacity building network on sustainable finance for financial sector regulators and banking associations from emerging markets.

We are very pleased to welcome three new members in the last two months: the Association of Banks Cambodia, Bank of Ghana, and the Indian Banks' Association have joined our community. This brings the total number of countries represented to 24, and reflects the fast-growing momentum and interest across emerging markets.

It is also that time when we start looking forward to seeing you all in person at our annual meeting. This year's International Sustainable Finance Forum, co-hosted by OJK, the Indonesia Financial Services Authority, is confirmed to take place on December 1&2 in Bali, Indonesia. Watch this space for more details.

Of most immediate importance for SBN, has been the active engagement and recognition of the Network in the G20 Green Finance Study Group. The initiative is convened by the People's Bank of China and the Bank of England under China's presidency of the G20 2016. SBN contributed a research paper earlier this year, which informed a draft Synthesis Report that was discussed by G20 Finance and Central Bank Deputies at the 4th meeting of the Study Group on June 21 in Xiamen, China. The final report will be presented to Finance Ministers and Central Bank Governors in July. Thanks to the active input of SBN members who are also G20 members – Brazil, China, India, Indonesia, Mexico, and Turkey – SBN was once again acknowledged as being at the forefront of global efforts to promote green finance innovation by banking regulators and banking associations in emerging markets.

With implementation of the Paris Climate Change commitments and the UN Sustainable Development Goals (SDGs) now in full swing, this is a perfect time to scale up the deployment of financial tools that address environmental and social priorities while strengthening economies.

I want to congratulate our members on the innovative work being done. I look forward to the discussions in preparation for and during our next meeting.

Best Regards,

*Morgan Landy,
Director, Environment, Social and Governance
International Finance Corporation, World Bank Group*

NETWORK UPDATES

2016 International Sustainable Finance Forum - December 1 & 2 – Bali, Indonesia

Otoritas Jasa Keuangan (OJK), the Indonesia Financial Services Authority, will co-host the 4th Annual SBN meeting with IFC in Bali in December. OJK is a founding member of SBN and has pioneered an integrated approach to sustainable finance, including banks, capital markets, insurance, leasing, and pension funds.

Inspired by these efforts, the 2016 Forum takes the theme “Market Innovation for Sustainable Finance”. It will feature speakers and participants from over 30 countries, who are at the forefront of sustainable finance innovation at a market level, including policy makers, central banks, industry associations, and international organizations.

Formal invitations will follow. We look forward to seeing you there!

For more information, contact Ms. Rong Zhang, rzhang@ifc.org

New members

SBN welcomed three new members in the last two months: The Association of Banks Cambodia, Bank of Ghana, and the Indian Banks' Association. We look forward to introducing the new members during this year's International Sustainable Finance Forum and formally welcoming them to the Network.

The Network now represents 24 countries: Bangladesh, Brazil, Cambodia, China, Colombia, Ghana, Honduras, India, Indonesia, Lao PDR, Jordan, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Paraguay, Peru, the Philippines, Thailand, Turkey and Vietnam.

The Association of Banks Cambodia (ABC)

ABC recently committed to developing the Cambodian Sustainable Finance Principles. The Principles will be a local, industry-led initiative, aimed at creating enhanced social and environmental risk management, lending policies and standards for the Cambodian banking sector. Interested to learn from the Mongolia Sustainable Finance Initiative, ABC recently participated in an IFC-facilitated study tour to Mongolia as part of the South-South knowledge sharing among SBN members. IFC is pleased to be a strategic and technical partner to support ABC in the development of policies and guidance for member banks to manage environmental and social risks and opportunities.

Bank of Ghana (BOG)

Bank of Ghana, in collaboration with the Ghana Association of Bankers (GAB), has committed to support the development of guiding principles on sustainable banking. According to the Governor of the BOG, this is in line with the recent adoption of the Sustainable Development Goals (SDGs) as well as Ghana's commitment to the Paris Climate Change agreement. The sustainable banking initiative is led by the Sustainable Banking Committee, comprising the BOG, Environmental Protection Agency (EPA), and the GAB, which is represented by six member banks. IFC is providing technical support to the Committee, BOG and EPA.

Indian Banks' Association (IBA)

IBA is the newest member of the SBN family. IBA has been leading in developing the Responsible Banking Principles, a voluntary set of eight principles for the Indian financial sector. The Responsible Banking Principles will be launched this year. Once launched, IFC will work with IBA to support banks in implementing the principles, as well as raising awareness among key stakeholders in India.

Global and regional engagement

Update on the G20 Green Finance Study Group

Convened by the People's Bank of China and the Bank of England under China's presidency of the G20 2016, the Green Finance Study Group recently held its 4th meeting on June 21 in Xiamen, China, including guest countries and international organizations.

Delegates discussed the G20 Green Finance Synthesis Report, which was submitted to the June G20 Finance and Central Bank Deputies Meeting in Xiamen. The final Synthesis Report will be submitted to the G20 Finance Ministers and Central Bank Governors Meeting in Chengdu in July.

The SBN Secretariat has been represented by IFC and member countries under the theme "Greening the Banking Sector". SBN submitted a background paper earlier this year on case studies, barriers and opportunities for green banking. SBN members who are also G20 members – Brazil, China, Indonesia, Mexico and Turkey – have had strong voices in the discussions to share the innovative work being done in emerging markets.

The 3rd meeting of the G20 Green Finance Study Group took place in Washington, D.C., on April 12, during the World Bank Group/IMF Spring Meeting. IFC, UNEP Inquiry, and SBN organized a session on “Green Finance for Developing Countries: Needs, Concerns and Innovations” as well as a IFC-hosted reception to welcome G20 GFSG and SBN members and partners.



Global study of sustainable finance in 28 emerging markets

IFC has completed a 28-country “Global Survey on Factors Affecting the Environmental and Social Risk Management of Financial Institutions in Emerging Markets”. The results will inform efforts by IFC and its partners to support the financial sector to implement sustainable finance practices with the greatest potential for value creation for financial institutions and their clients. The study identifies the factors that promote or discourage the adoption of Environmental and Social Risk Management (ESRM) practices and offers insights for advancing sustainable finance and green lending practices.

The first stage of the survey was conducted in 2013-2014, covered nine (9) countries: Bangladesh, Brazil, Colombia, Indonesia, Nigeria, Peru, Philippines, Thailand, and Vietnam. The second stage was initiated in 2015 and included sixteen (19) countries: Armenia, Bhutan, Chile, Côte d'Ivoire, Dominican Republic, Georgia, Ghana, Honduras, India, Kenya, Lebanon, Mexico, Morocco, Pakistan, Paraguay, Romania, Senegal, South Africa and Turkey. The global findings will be released in the coming months and country-level workshops are planned to share the results with local partners and stakeholders.

Convening regional initiatives in LAC and ASEAN

Earlier this year, IFC/SBN entered into a collaboration with the Latin American Banking Federation (Felaban), which represents banking associations in 19 countries and brings together more than 623 banks and financial institutions in Latin America. The partnership will promote sustainable finance in the region. To date, Felaban has been promoting sustainable banking practices through its network and a number of events that included IFC’s Climate Business Forum, which took place in Bogota, Colombia in June, as well as the Regional Risk Management Symposium to take place in Panama in September. As part of the collaboration Felaban and IFC will host a Sustainable Finance Panel during the next Felaban Annual Assembly in Argentina in November. During the Assembly, Felaban will

launch the 2017 Sustainable Banking Annual report, which will recognize banks and/or associations that have implemented sustainable banking practices.

Building on this regional approach, SBN, led by founding member Indonesia, is convening a dialogue within the Association of Southeast Asian Nations (ASEAN), to explore a potential role for ASEAN in fostering cooperation on sustainable finance. Of the 10 members of ASEAN, 6 are SBN member countries: Cambodia, Indonesia, Lao PDR, the Philippines, Thailand and Vietnam. Indonesia's Financial Services Authority (OJK) held the first forum on an ASEAN sustainable finance initiative on November 23rd, 2015, and subsequent discussions in Manila in May 2016. A next high-level dialogue is planned to take place between ASEAN central bank governors at the Annual SBN meeting in Bali in December.

Country Initiatives

SBN member countries continue to advance a combination of market-based and policy-led approaches to sustainable finance across different parts of the financial sector.

Bangladesh Guideline Update

The existing mandatory Environmental and Social Risk Management (ESRM) Guideline, which was rolled out in 2011, is being updated this year. It will be complimented by a quantitative E&S risk scoring model, ten sector specific guidance notes, and a monitoring and evaluation tool for the Central Bank. The Central Bank of Bangladesh has a Sustainable Finance Department and looks at sustainability in the financial sector in a holistic way by monitoring sustainability performance of banks. Parameters include E&S risks in lending, green finance portfolio, reducing the carbon footprint of a bank's own operations, and CSR activities related to the environment.

Mexico Sustainability Protocol

The Mexican Bankers Association (ABM) joined the SBN in January 2016 and launched a voluntary industry approach to sustainable banking in April. The "Sustainability Protocol" was signed by 19 Mexican banks and aligns with national priorities, such as the government's climate change targets for the next 15 years. Endorsed by Mexican government agencies, the Protocol provides guidance on both risk management and sustainable lending, coupled with a plan to provide capacity building and tools for implementation. Mexico is also advancing the green capital markets trend. The Mexican Stock Exchange this March cohosted Bonos Verdes México 2016, an event to promote innovation in green bonds.

Mongolia Central Bank Directive

Central Bank of Mongolia recently issued a directive requesting all commercial banks to report on the implementation of the Mongolia Sustainable Finance Principles in their Annual Reports starting from 2016. This was an important first step showing the path to market-policy collaboration and innovation.

Nepal Guideline Development

IFC initiated a project in 2014 to support environmental and social risk management (ESRM) by banks in Nepal. However, the initiative was put on hold due to the devastating earthquake. This year the project resumed in partnership with Nepal Rashtra Bank (NRB). IFC will support NRB in developing an ESRM Guideline which will be made mandatory for the financial sector of Nepal through a phased approach.

India Conference on Delivering a Sustainable Financial System

Supported by the Reserve Bank of India (RBI), the India Chamber of Commerce (FICCI) co-hosted a conference with UNEP Inquiry on April 29 in Mumbai on *Delivering a Sustainable Financial System in India*. Participants included business executives from the financial and real sectors, government officials, and SBN representatives. The RBI Deputy Governor, Mr R Gandhi, launched the FICCI-UNEP Inquiry report which highlights six recommendations to create a sustainable financial system. In June, the India Banking Association (IBA) became the newest member of SBN.

Philippines Forum on Sustainable Finance

On May 30-31, Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, supported a “[Forum on Sustainable Finance: Environmental and Social Interventions in Financial Institutions Operations](#)” in Manila. The event was hosted by IFC, the World Bank and the University of the Philippines National Engineering Center (UP-NEC). BSP Director Pia Roman-Tayag gave the opening remarks. The keynote address was given by Edi Setijawan of the Indonesia Financial Services Authority (OJK), who shared lessons from Indonesia’s pioneering work integrating sustainable finance across the financial sector. He also represented SBN as a founding member and shared experiences of SBN members. The event demonstrated the valuable South-South knowledge sharing enabled by SBN and contributed to discussions for an ASEAN initiative on sustainable finance.



New Publications and Announcements

SBN input paper on “Greening the Banking System”

As a lead knowledge partner to the G20 Green Finance Study Group (GFSG) workstream on greening the banking sector, the SBN Secretariat tapped member experiences and insights to prepare a background paper which shares lessons and approaches of member countries in green finance over the past decade. Thank you to all who provided valuable input and comments. We encourage you to share the paper with your colleagues.

[CLICK HERE TO DOWNLOAD](#)

UNEP Inquiry releases “Green Finance for Developing Countries” with the Support of SBN and IFC

UNEP Inquiry’s paper "Green Finance for Developing Countries – Needs, Concerns and Innovations", was launched on the occasion of the United Nations Environment Assembly in Nairobi on 25th May, 2016. Undertaken in the context of the G20 Green Finance Study Group, the paper seeks to ensure that G20 members are aware of the specific circumstances of developing countries and associated needs. The paper reflects SBN’s collective experience and has received input from SBN members and IFC.

[CLICK HERE TO DOWNLOAD](#)

New research and capacity building program on E&S risk

In partnership with SBN and IFC, UNEP FI has introduced a research & capacity building program on addressing environmental and social (E&S) drivers of systemic risk in the financial system. The program will consist of research, outreach and capacity building. The program will clarify the relevance of E&S factors at the transaction and portfolio level to broader, systemic risk and, consequently, how banks and supervisors/regulators might most effectively enhance the safety and soundness of the financial system (and reduce systemic risk).

A call has been issued for independent consultants to deliver the Program.

[CLICK HERE TO DOWNLOAD THE TOR](#)

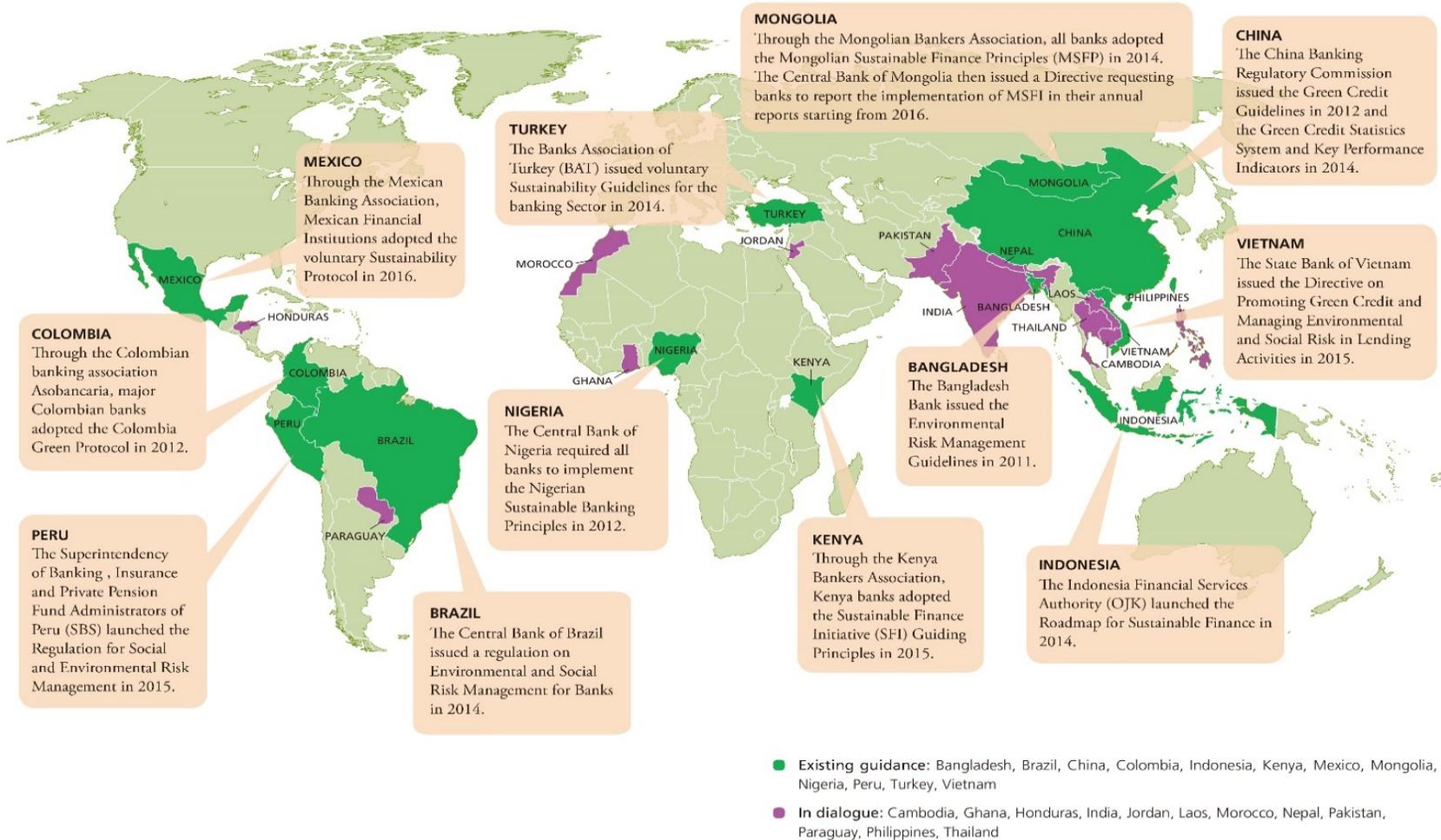
Send us your updates

We are here to help and share your stories. Don't hesitate to get in touch with any questions, ideas, country updates, or news stories. Email Ms. Rong Zhang, SBN Global Coordinator, at rzhang@ifc.org

About the SBN

Established in 2012, the Sustainable Banking Network (SBN) is a unique community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice. The Network facilitates the collective learning of members and supports them in policy development and related initiatives to create drivers for sustainable finance in their home countries.

SBN Membership Map as of July 2016



For more information, visit www.ifc.org/sbn