

GLOBAL PROGRESS REPORT of the Sustainable Banking Network

Innovations in Policy and Industry Actions in
Emerging Markets

October 2019

Foreword from IFC Chief Executive Officer



Foreword from IFC, as the SBN Secretariat



Philippe Le Houérou
Chief Executive Officer,
International Finance
Corporation (IFC)

CREATING MARKETS FOR SUSTAINABLE FINANCE: DRIVING MEASURABLE CHANGE

Seven years since its establishment, the Sustainable Banking Network (SBN) has grown into a force for sustainable finance. The network's members now come from 38 countries and represent \$43 trillion, or 86 percent, of the banking assets in emerging markets.

The commitment of SBN members to manage environmental, social, and governance (ESG) risk and increase capital flows to activities that have a positive impact on the world's climate sets an example for banks and regulators everywhere to follow.

At a time when climate change threatens to send 100 million more people into poverty over the next decade, the SBN's mission is more urgent than ever—especially in emerging markets. The time is now to manage ESG risk and drive sustainable finance reforms.

The network's members do this in two ways. They advocate for sustainable finance as a global priority and they transform their national financial sectors by learning from each other. Peer-to-peer knowledge sharing is a hallmark of the network—it lets members apply what's worked in other countries to their own landscape.

This report details the progress of SBN members in adopting sustainable finance policies, including efforts to convert policy into practical implementation and behavioral change.

A key tenet of the SBN is its partnership across sectors, demonstrating what can be achieved when regulators, policymakers, banking associations, banks, and development institutions collaborate to advance sustainable finance.

Sustainable finance needs to be core to financial regulation. We need to embed ESG risk management and green and climate-finance targets into the day-to-day activities of regulators. Robust reporting and monitoring frameworks also need to be established. Commitments to disclosure and transparency on ESG factors strengthen financial institutions and help create natural checks and balances. Standardized data are also necessary to home in on indicators that are good proxies for the risks that banks are trying to manage.

IFC is proud to serve as the Secretariat and technical advisor to the SBN. Standard setting is in our DNA. We helped create the Equator Principles 16 years ago, giving banks new tools to reduce environmental and social risks in their project finance operations. At the time, commercial banks didn't prioritize these risks in their lending. Today, 97 banks in 37 countries adhere to the Equator Principles, covering more than 80 percent of project finance transactions in emerging markets.

IFC also helped shape the Green Bond Principles in 2014 to promote transparency and integrity in the growing green bond market. Since then, the market has exploded—from \$10 billion in 2013 to \$171 billion in 2018, and an estimated \$250 billion in 2019.

And most recently, in April 2019, we helped design and launch the Operating Principles for Impact Management to bring impact investing further into the mainstream and ease concerns about "impact washing." Already, nearly 80 financial institutions have adopted the Principles.

The SBN is part of that tradition of standard setting and working with partners collectively to drive measurable change. IFC looks forward to working alongside the network's members, learning from each other's achievements, and creating new markets for sustainable finance.