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1. Country progress summary – Peru

**SBN Member:** Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) (member since 2013)

**SBN Working Group:** none

**Key policy documents:**
- Regulation for Social and Environmental Risk Management (SBS, 2015)
- The role of enhanced due diligence in the regulation of socioenvironmental risk management for financial firms (SBS, 2015)
- Green Bond Guide for Peru (Bolsa de Valores de Lima, 2018)

**Key milestones since 2018 SBN Report:**
- Its capital market has seen a trend of financing green projects and green growth, in line with the Government’s environmental policies.
- Peru led several sustainability activities in 2018, such as capacity building around sustainable finance for regulators, associations, financial institutions, and stock exchanges.

**SBN and IFC role:** IFC has provided advisory services to SBS in relation to policy development, implementation, and capacity building, in partnership with Canada. Through SBN, SBS has shared its experience with other SBN members, including hosting the 2015 SBN Annual Meeting, and has benefited from the collective SBN knowledge base.
Figure 1: SBN Progression Matrix with Assessment Results
Assessment based on progress up to and as of June 2019

Note:
1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.
2. Overview of policy coverage by indicators

1. Alignment with global E&S standards and best market practices
2. Alignment to NDCs and with national/regional climate change targets
3. Multi-stakeholder collaboration
4. Defining sustainable assets and financial products
5. Green finance product guidelines
6. Tracking and disclosure of climate & green finance
7. Calculation of environmental benefits
8. Climate risk exposure assessment
9. Financial and non-financial incentives
10. Role of governing bodies on E&S
11. Organization
12. E&S policy
13. Risk assessment
14. E&S covenants
15. Project supervision & portfolio review
16. Training
17. External communication mechanism
18. E&S reporting
19. Enforcement
3. Policy coverage developed

Pillar I: Strategic Alignment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
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</thead>
<tbody>
<tr>
<td><strong>Indicator 1</strong></td>
<td>The additional document on the Role of Enhanced Due Diligence refers to international best practice on E&amp;S risk management, including the Equator Principles, IFC Performance Standards, and UN Principles for Responsible Investment.</td>
<td>The role of enhanced due diligence in the regulation of socioenvironmental risk management for financial firms (SBS, 2015) - Page 6 - Regulatory Scope &amp; Page 10 to 13 - Annex 1</td>
</tr>
<tr>
<td></td>
<td>In terms of green finance, while there are no requirements in terms of reporting following international standards, the green bond guide published in 2018 provides guidance that is aligned with best practice.</td>
<td>Green Bond Guide for Peru (Bolsa de Valores de Lima, 2018)</td>
</tr>
<tr>
<td><strong>Indicator 2</strong></td>
<td>The green bond guide published by the Lima Stock Exchange in 2018 is well aligned with Peru’s national commitments.</td>
<td>Green Bond Guide for Peru (Bolsa de Valores de Lima, 2018) – page 9</td>
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<tr>
<td><strong>Indicator 3</strong></td>
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Alignment with global E&S standards and best market practices

Alignment to NDCs and with national/regional climate change targets

Multi-stakeholder collaboration
Pillar II: Climate and Green Finance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
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<tbody>
<tr>
<td><strong>Products and services</strong></td>
<td></td>
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<tr>
<td>Indicator 4, 5</td>
<td>Defining sustainable assets and financial products. The environmental policies approved by the Peruvian Government in 2016 address the financing of ecosystem services (to secure their preservation), and of watershed conservation. The green bonds guide published by BVL provides a list of green sectors and clearly defines the green bond mechanism, referring to international standards. <strong>Green finance product guidelines</strong> The framework refers to existing standards and recommends external party verification. It also provides guidelines for green bond issuance.</td>
<td>Green Bond Guide for Peru (Bolsa de Valores de Lima, 2018) - page 11 -12</td>
</tr>
<tr>
<td><strong>Climate and green investment reporting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td></td>
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</tr>
<tr>
<td>Indicator 7, 8</td>
<td>Calculation of environmental benefits Although reporting on the environmental benefits of investments is not currently required, BVL’s green bonds guide highlights the importance of measuring environmental impacts when issuing green bonds.</td>
<td>Green Bond Guide for Peru (Bolsa de Valores de Lima, 2018) - page 16</td>
</tr>
<tr>
<td><strong>Incentives</strong></td>
<td></td>
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<tr>
<td>Indicator 9</td>
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</table>
Pillar III: ESG Integration

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
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</thead>
<tbody>
<tr>
<td>Governance of E&amp;S</td>
<td>Role of governing bodies&lt;br&gt;The framework states that FIs’ Boards are responsible for ensuring that necessary capacity is established and maintained, and that appropriate functions are defined, in order to manage E&amp;S risks.</td>
</tr>
<tr>
<td>E&amp;S policy</td>
<td>Organization&lt;br&gt;The unit in charge of E&amp;S risk management is responsible for identifying training needs, in order to ensure that the policy is implemented. The framework asks FIs to define roles and responsibilities, highlighting the roles of front officers and second lines of defense. It also requires FIs to define competencies for each role.</td>
</tr>
<tr>
<td>E&amp;S assessment</td>
<td>E&amp;S covenants&lt;br&gt;For all projects related to services defined in the Framework, FIs must include several commitments and obligations in their contracts, including E&amp;S clauses.</td>
</tr>
<tr>
<td>E&amp;S covenants</td>
<td>Project supervision &amp; portfolio review&lt;br&gt;Bank units dedicated to E&amp;S risk management are required to monitor operational risk once projects have been granted financing.</td>
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<tr>
<td></td>
<td>FIs are required to report regularly to SBS, and to the wider public, on their management of E&amp;S risks and their clients’ exposure to E&amp;S risks. FIs are expected to develop processes to manage E&amp;S risk during supervision.</td>
</tr>
<tr>
<td></td>
<td>Training&lt;br&gt;FIs should develop and maintain E&amp;S capacity through regular training.</td>
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### Pillar III: ESG Integration (cont.)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
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</thead>
<tbody>
<tr>
<td><strong>E&amp;S risk management (cont.)</strong></td>
<td></td>
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<tr>
<td><strong>Indicator 18</strong></td>
<td><strong>E&amp;S Reporting</strong>&lt;br&gt;The policy requires FIs to report regularly on their E&amp;S or ESG performance, including publicly, to investors or to regulators. It also makes E&amp;S or ESG reporting and disclosure more consistent across financial institutions by introducing principles, guidelines, or templates.</td>
<td>Regulation for Social and Environmental Risk Management (SBS, 2015) - page 9 - Article 18; The role of enhanced due diligence in the regulation of socioenvironmental risk management for financial firms (SBS, 2015)</td>
</tr>
<tr>
<td><strong>Enforcement</strong></td>
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<tr>
<td><strong>Indicator 19</strong></td>
<td>FIs are required to report regularly to the regulator regarding their ESG performance. The Regulation states that failure to comply will result in sanctions.</td>
<td>Regulation for Social and Environmental Risk Management (SBS, 2015) - Page 9</td>
</tr>
</tbody>
</table>
## 4. Policy coverage to be developed

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Sub Pillar</th>
<th>Gaps</th>
<th>Areas for improvement</th>
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</table>
| Pillar I: Strategic Alignment | Alignment with global E&S standards and best market practices | 80% | ➢ Reference to international E&S targets  
➤ Reference to established international green finance reporting standards  
➤ Reference to international climate finance reporting standards  
➤ Requirement to seek external verification for E&S policies, practices, and results |
| | Alignment to NDCs and with national/regional climate change targets | 33% | ➢ Define main climate risks for their local financial sector |
| | Multi-stakeholder collaboration | 100% | ➢ Inter-agency collaboration between financial supervisors/regulators, industry association and FIs  
➤ Collaboration with other public agencies  
➤ Collaboration with representatives of civil society |
| Pillar III: Climate and Green Finance | Products & services | 40% | ➢ Definition/examples for social/sustainable assets  
➤ Guidelines for green financial assets (excluding green bond)  
➤ Recommendation of external party verification |
| | Climate & green investment reporting | 40% | ➢ Requirement to report on climate risk exposure at portfolio level |
| | Measurement | 75% | ➢ Taxonomy of potential environmental impacts  
➤ Methodologies, tools, and/or templates to measure and report environmental impacts  
➤ Requirement to monitor climate risk exposure at portfolio level  
➤ Reference to specific climate exposure methodologies  
➤ Encouragement of mitigation steps |
| | Incentives | 100% | ➢ Incentives for green financial products/services  
➤ Financial incentives on green products/services |
| Pillar II: ESG risk management | Governance of E&S | 10% | ➢ Requirement of FI operational bodies to report to the governing bodies on implementation of the E&S strategy |
| | E&S risk management | 22% | ➢ Requirement for FIs to set E&S or ESG objectives and targets  
➤ Requirement for FIs to publicly disclose their E&S policy and its governance  
➤ Encourage a periodic review of E&S risks at aggregate portfolio level  
➤ Highlight the training of (i) front officers, (ii) second lines of defense, and (iii) E&S experts  
➤ Requirement of FIs to establish and maintain any inquiry/complaints/grievance mechanism in relation to E&S or ESG practices |
| | Enforcement | 33% | ➢ Financial and non-financial incentives for establishing ESRM systems |
Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report