

# Sustainable Banking Network (SBN) 5<sup>th</sup> Annual Meeting

16-17 October 2017, Washington, D.C.

## Summary of Highlights

### About the event:

The 5<sup>th</sup> Annual Meeting of the Sustainable Banking Network (SBN) took place at the headquarters of IFC, part of the World Bank Group, in Washington D.C. on October 16<sup>th</sup> and 17<sup>th</sup>, 2017. The meeting brought together approximately 100 participants representing financial sector regulators, industry associations, and leading global experts from 30 countries.

The IFC-supported SBN is the global knowledge and capacity building platform for emerging market financial sector regulators and banking associations to learn and exchange experiences in designing and implementing national frameworks for sustainable finance.

Launched in 2012, the Network has grown rapidly from 10 to 34 countries in five years. It now covers an estimated US\$42.5 trillion in banking assets and approximately 85% of emerging market banking assets. IFC acts as secretariat for SBN and contributes its expertise in environmental, social and governance (ESG) standards and practices that have become the global benchmark for finance across emerging markets.

### Highlights:

The 2017 Annual Meeting celebrated a number of key milestones in efforts to deepen impact and sharpen commitment by the Network.

- 1) The event featured extensive participation by financial sector leaders who defined the path forward.** The 2017 SBN Annual Meeting was held alongside the Annual Meetings of the World Bank Group and IMF. This facilitated participation of central bank governors and deputy governors from 10 SBN member countries. These financial sector leaders confirmed the importance of sustainable finance as a tool to achieve stability, soundness and growth in the financial system in emerging markets. They called on SBN to continue building capacity and driving innovation in emerging markets.
- 2) SBN members reported unprecedented progress in the past year with introducing and strengthening national frameworks for sustainable finance.** As of 2016, 15 countries had introduced national policies or voluntary principles to promote sustainable finance. In 2017 alone, five additional countries announced or plan to launch sustainable finance roadmaps and regulations (Fiji, Ghana, Nepal, Pakistan, and Sri Lanka). Five members have also launched, or are about to launch, updated sustainable finance policies and roadmaps (Bangladesh, Brazil, China, Indonesia and South Africa). In some cases they have extended the scope to include all parts of the financial sector, such as insurance, pension funds, and capital markets (China, Indonesia, South Africa). Timely announcements during the SBN meeting included the Green Banking Guidelines launched by Pakistan Central Bank one week ahead of the SBN event, and Fiji's plans to issue a sovereign green bond during their hosting of COP23 in November 2017.
- 3) Members welcomed the first SBN Measurement Framework and Global Progress Report .** During the course of 2017, a member-led Working Group, supported by the SBN Secretariat, developed a draft measurement framework to assess national

initiatives to promote sustainable finance. The methodology for the first time provides practical indicators for countries to assess and benchmark efforts in their domestic markets. These are based on SBN members' experiences to date. 15 country reports were developed and the global aggregate report presents a holistic view. The results showed that progress is being made at a rapid pace regardless of countries' size or stage of development. Members confirmed the value of the measurement tool and the country case studies to identify gaps and learn efficiently from other countries' experiences. Members also agreed to strengthen the measurement work over the coming year, including more systematic collection of country updates and case studies, increased focus on the impact of national frameworks in directing capital to sustainable projects and industries, and behavior change among financial institutions to embed ESG in decision making. The final Global Progress Report will be published at the end of 2017.

**4) A new Green Bond Working Group responds to member appetite for tools and common definitions to unlock business opportunities through sustainable finance.**

The global green bond market is growing rapidly. From 2013 to 2016, the total issuance of international green bonds reached \$95.1 billion. Green bond issuance for the first half of 2017 reached US\$55.8 billion. China has led the field in green bond issuance in recent years thanks to green bond guidelines and a green bond catalogue introduced by Peoples' Bank of China in 2015. In 2016, SBN members Brazil (led by the banking association, Febraban), Morocco (by Moroccan Capital Markets Authority) and India (by the Securities and Exchange Board) also introduced guidelines which have catalyzed issuance. South Africa's Johannesburg Stock Exchange included a green bond segment in 2017. Kenya Bankers Association, supported by the Climate Bonds Initiative (CBI), is developing guidelines, and Nigeria plans to issue a sovereign green bond. Recognizing the significant potential for green bond growth, the working group will help members to develop and deepen their green bond markets through technical advice, capacity building, and knowledge support, drawing on IFC's technical expertise as a leading green bond issuer. The Working Group will also support integration of best practices across national and international green bond standards to facilitate increased international investment in emerging market green bond markets.

**5) Members refreshed their commitment to deepen impact and leverage the power of the Network and related initiatives.**

Peer-to-peer knowledge exchange has been a driver and a hallmark of the success of SBN. It has resulted in some countries rapidly adapting successful models from other jurisdictions. The second day of the SBN Annual Meeting focused on capturing the wide range of new initiatives and harvesting member feedback on the future direction of the Network. Members committed to continue supporting each other through peer-to-peer knowledge exchange and to driving their markets forward to achieve the necessary global transition to a sustainable financial system. To do so, members identified the following priorities for the work of the Network:

- i. Leverage alliances with other international initiatives, both within and beyond the immediate scope of sustainable finance (e.g. financial inclusion).
- ii. Extend participation to other key financial sector stakeholders to facilitate collaboration, including regulators and industry associations from capital markets, insurance and pension funds.
- iii. Scale up peer-to-peer knowledge exchanges through a member directory, webinars, and more study tours.

- iv. Provide orientation to bring new members up to speed quickly.
- v. Deepen technical support to ensure successful transitions from strategy to implementation of national frameworks.
- vi. Develop common definitions of sustainable finance to drive innovation and the business case.
- vii. Scale up knowledge sharing through a comprehensive database of country case studies and research developed since the launch of SBN.
- viii. Take the work of the Measurement Working Group to the next level by reporting on sustainable finance impacts and progress by financial institutions.
- ix. Bring the SBN agenda to regional summits.

**Conclusion:**

As SBN has reached a critical mass, the focus has shifted to deepening the impact of the Network by providing tools and sharpening members' commitment to developing policy-led or industry-led frameworks.

"In just five years the Sustainable Banking Network has emerged as a global player in sustainable finance," said Ethiopis Tafara, IFC Vice President and General Counsel, Legal, Compliance Risk and Sustainability. "By drawing on international standards and practices, sustainable finance frameworks supported by SBN are playing a powerful role to transform the financial sector toward sustainability."

Keynote speaker Dr. Wimboh Santoso, Chairman, Indonesia Financial Service Authority (OJK) remarked: "It is very important to strike a balance between strengthening the global system, on the one hand, and supporting the development agenda through the sustainable development goals (SDGs) and climate change on the other hand. This requires incentives and consistency in implementation."