

Sustainable Banking Network (SBN)

Briefing (June 2018)

1. What is the Sustainable Banking Network?

The Sustainable Banking Network (SBN) (www.ifc.org/sbn) is a voluntary community of financial regulators and banking associations from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening and stability. Their approaches draw on international good practices, reflecting national context and priorities.

SBN's main objectives are to: (a) provide technical assistance to support members in creating an enabling environment through developing and implementing national sustainable finance frameworks; (b) convene a global platform for practitioners to benefit from best practices and deepen collective learning; and (c) provide capacity building and knowledge sharing, with a focus on peer to peer exchanges among members.

SBN originated from banking regulators and associations' collective need for a global platform for knowledge and learning on sustainable banking. At the International Green Credit Forum co-hosted by IFC and the China Banking Regulatory Commission held in Beijing in 2012, banking regulators and associations from 10 countries requested that IFC facilitate a knowledge network for financial regulators and associations.

As the private sector arm of the World Bank Group, IFC provides technical assistance to SBN members based on its practical experience gained from Environmental, Social and Governance (ESG) sustainability standards setting and application, as well as from investing and advising the private sector in emerging markets on green/climate finance innovation. IFC also acts as Secretariat and knowledge partner for the Network and connects SBN with its global network of development partners. Over SBN's five-year journey, IFC has supported members in developing and implementing different types of sustainable finance frameworks suited to their national context, including regulatory banking guidance such as Environmental and Social Risk Management guidelines, high-level policy statements such as national roadmaps on sustainable finance, and voluntary industry standards such as sustainable finance principles. The SBN Annual Meeting has grown into SBN's flagship event not only for existing and potential members but also as a global forum of thought leaders on sustainable finance.

SBN membership now consists of 35 member countries.¹ These countries represent \$42.6 trillion in banking assets, accounting for over 85% of the total \$50 trillion² banking assets in emerging markets. The Latin American Banking Federation (FELABAN) is SBN's first regional partner representing 19 countries from Latin America. FELABAN and SBN committed to jointly promote

¹ Argentina, Bangladesh, Brazil, Cambodia, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, Fiji, Georgia, Ghana, Honduras, India, Indonesia, Jordan, Kenya, Kyrgyzstan, Lao PDR, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, South Africa, Sri Lanka, Thailand, Turkey and Vietnam.

² Data Source: International Monetary Fund – Financial Soundness Indicators, <http://data.imf.org/?sk=51B096FA-2CD2-40C2-8D09-0699CC1764DA>

regional integration on sustainable finance.

SBN member countries have taken different approaches toward sustainable finance. So far 17 countries have developed national policies or principles on sustainable finance. In developing and implementing these frameworks, there exists a positive dynamic of market-based actions and policy leadership to fully engage private sector players. To better define and capture this trend, SBN started its first working group on measurement this year to collectively identify commonalities across national initiatives through review of member progress to date.

2. What is sustainable banking?

Definitions of sustainable banking/finance can differ across communities of practice and based on national development priorities. The term is generally understood by SBN members to include part or all of the following dimensions: i) **integrating ESG considerations in investment and lending decision making**; ii) **lending and investment to green industries/projects for positive impact**; and iii) **corporate social responsibility initiatives including how banks manage their own E&S footprints**. The first two components directly affect banks' business operations, though weighted differently based on local context.

3. How does SBN support green growth?

Through working with financial regulators, SBN supports and contributes to the formulation of green finance strategy, with a focus on banking policy design in member countries. The majority of SBN members have cited their national green growth strategy, sustainable development strategy or climate strategy as drivers for their commitment to promoting sustainable finance and interest in developing guidelines or standards. Global drivers for national strategy include the United National Sustainable Development Goals and climate change commitments set forth in the Paris Agreement.

For example, in Indonesia, OJK, the financial market regulator, sees sustainable finance as a means to realize Indonesia's commitment to both global and national sustainable development goals and climate change targets. OJK issued the 10-year Sustainable Finance Roadmap as a medium to long term work plan in 2014, followed by an Umbrella sustainable finance policy in 2017 to green the whole finance system including banking, capacity market, insurance and pension funds. Another example is Mongolia. Mongolia's national Green Development Strategy is a key driver for the Mongolia Sustainable Finance Initiative (MSFI), under which Mongolia Bankers Association launched the Mongolian Sustainable Finance Principles and industry-sector guidelines in 2014. Bank of Mongolia (BoM), the central bank, is a founding member of SBN, and has introduced supervision approach to review banks' implementation of the Principles. The Ministry of Environment, Green Development and Tourism is also a member of SBN, actively supporting the initiative for national green development targets.

4. What is unique about SBN?

SBN is a unique global initiative focusing on creating an **open and practical collaborative environment** for sustainable finance practitioners, i.e. financial regulators and banking associations in emerging markets, to draw on international good practices and peer examples to

inform strategy design at the national level.

SBN members are currently from emerging markets countries. They are at the forefront of the global sustainable finance trend, creating an enabling environment in financial markets for active private sector participation. Combining IFC global and local expertise and resources, SBN supports members to apply international ESG standards in the context of national priorities.

SBN facilitates peer to peer learning and partnership. The greatest value for members is in learning from the experiences of their peers and being able to benchmark their progress. **Members have mentioned in interviews that many of the steps they have taken were enabled by the Network.**

Add leapfrogging point – from progress report

5. What kinds of activities does the Network engage in?

- **Providing input or technical assistance to members in developing and implementing national frameworks on sustainable finance.**

SBN works directly with regulators and banking associations, providing support to members on developing regulatory guidelines, industry standards and tools for banks or other financial intermediaries such as pension funds, insurance companies or non-banking financial intermediaries where applicable. SBN also conducts awareness raising and capacity building workshops and training sessions for regulators and industry associations on the ground.

- **Peer to peer learning and knowledge sharing on latest trends, innovations and challenges in the field of sustainable finance.**

A core activity of the SBN is generating and sharing case studies and lessons learned from member countries. This is done via the Annual Forum, eBooks, videos, newsletters and peer-peer study tours. There is consensus to promote more consistent knowledge sharing among members, particularly in sharing best practices that demonstrate the business case for sustainable finance and strategic links to national objectives such as financing for green growth.

The newly launched **SBN Global Green Finance Leadership Program** provides a platform for knowledge sharing on best practices of, and inspiring innovations for, scaling up green and sustainable finance. This initiative reflects SBN's transition to offering a wider variety and deepening of learning opportunities, covering the full spectrum of green finance topics including green banking, green capital markets, green bond and green institutional investors. The inaugural program was successfully launched in May 2018 in China, in partnership with the Center for Finance and Development of Tsinghua University. Future plans include launching a series of similar leadership programs in other regions.

- **Thematic working groups**

1. Member-led Measurement Working Group: Established in December 2016 and chaired by China and Indonesia and supported by IFC as the SBN Secretariat, the Measurement Working Group includes 14 members from 11 countries, including Bangladesh, Brazil, China, Colombia, Indonesia, Kenya, Mongolia, Nigeria, Pakistan, South Africa, Vietnam and FELABAN, the Federation of Latin American Banks. The Working Group developed a

Measurement Framework and tools for benchmarking country progress and strategies in sustainable finance. The SBN Measurement Framework is comprised of 3 Pillars – E&S risk management, green finance flows, and enabling environment - and a Progression Matrix of 5 development stages. The Global Progress Report and 10 country reports were launched in February 2018. The reports can be found at www.ifc.org/sbnreport.

View a short policy brief [here](#):

2. **Member-led Green Bond Working Group:** The SBN Green Bond Working Group was established in October 2017 to assess and track green bond market developments among SBN countries and to design tools, guidance and capacity building to support members in their efforts. Currently, the Working Group is represented by 16 member countries. The work program and activities of the Working Group will be divided into two phases. The first phase is a mapping of the current status and lessons learned from national, regional and global green bond guidance, standards and practices. The mapping report will be launched in 2018. The second phase will focus on the development of practical technical tools to support green bond market development.
- **Strengthening regional knowledge exchange**
Regional communities of practice are emerging as a powerful tool to accelerate learning among members facing similar challenges and opportunities. SBN entered into an MOU in 2016 with the Latin American Banking Federation (FELABAN), which represents over 600 bank members from 19 countries, to jointly promote sustainable banking in Latin America. Further regional partnerships are being explored with the Association of Southeast Asian Nations (ASEAN), the FSB Regional Consultative Group for Sub-Saharan Africa, and the Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA) of southern Africa.
 - **Contributing to global dialogue**
There is strong interest among members to play a global role and increase the international profile of the Network. SBN has become increasingly active in advancing dialogue on sustainable finance at the global level. As a key knowledge partner for the G20 Sustainable Finance Study Group since 2016, SBN has been providing technical inputs on developments in emerging markets, using member experiences to inform a report with recommendations on the future of green finance.
 - **SBN Annual Meetings – a key forum for knowledge sharing and generation**
Cohosted by IFC and member countries, the **annual SBN meetings** are the principal space for dialogue, networking and knowledge generation. These meetings provide SBN members with a platform to present national initiatives in the sustainable banking/finance space, to discuss current issues, and jointly develop new approaches to sustainable banking/finance.

SBN Annual meetings hosted to date:

Event	Location	Date
1 st International Green Credit Forum co-hosted with China Banking Regulatory Commission (CBRC) – 1 st SBN Annual Meeting	Beijing, China	May 2012
2 nd International Sustainability Finance Forum cohosted with Central Bank of Nigeria	Lagos, Nigeria	Mar 2014

International Sustainable Finance Forum, cohosted with Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru (SBS)– 3 rd SBN Annual Meeting	Lima, Peru	Sep 2015
International Sustainable Finance Forum, co-hosted with Indonesia Financial Service Authority (OJK) – 4 th SBN Annual Meeting	Bali, Indonesia	Dec 1 & 2, 2016
International Sustainable Finance Forum & Governors’ Reception, concurrently with the WBG/IMF Annual Meeting	Washington DC, USA	Oct. 16 & 17, 2017

6. What has been learned to date through SBN?

1. Approaches to sustainable finance:

- Influenced by country context and culture, **three general approaches to sustainable finance** have emerged among members:
 - a. **Regulatory approach**, led by financial or banking regulators, such as in Bangladesh, China, Indonesia, Morocco, Peru and Vietnam;
 - b. **Industry-led Voluntary approach**, led by banking associations such as in Colombia, Ecuador, Kenya, Mexico, Mongolia, Turkey and South Africa;
 - c. **Collaborative approach combining industry-led initiatives and policy leadership**: starting with voluntary principles led by the banking association, then reinforced through regulatory actions led by regulators such as Brazil and Nigeria.
- **International E&S sustainability standards have proven useful when designing country-specific sustainable finance policies** (e.g. IFC Performance Standards, Equator Principles, WBG Sector-Specific Environmental Health and Safety Guidelines). Many countries have used international standards as a starting point or benchmark when designing policies and guidance that fit with country-level legislation and institutional systems. Implementation, compliance and enforcement mechanisms are significantly stronger when standards are country-specific. When consistent with international standards, such country-specific policies are also likely to have more significant system-wide impact (rather than only project-specific impact), and make more efficient use of resources of governments and development partners.

2. How knowledge sharing and capacity building support members on their sustainable finance journey:

- **Peer to peer knowledge sharing and partnership** among SBN members are effective ways to shorten the learning curve. These exchanges are demand-driven, member-driven cooperation aimed at concrete action and outcomes that go beyond information sharing.
- **Capacity building** is critical for banks and for regulators. SBN benefits from IFC technical support and environmental and social experts on the ground in the regions it works in to help build capacity through concrete environmental and social risk management training and

training-of-trainers.

3. Emerging trends in green finance:

- **Sustainable finance is evolving rapidly to include the wider financial ecosystem**, such as capital markets, insurance providers and pension funds, as these sectors become increasingly aware of the necessity for effective risk management and the resulting business opportunities. This trend offers opportunities for synergies between various parts of the financial sector. Consequently, there is growing interest among SBN members to expand the discussions to include sustainable finance across the wider financial ecosystem.
- **Public-private collaboration helps open up green markets.** SBN is witnessing an increased trend of banking regulators and associations collaborating in their support of sustainable finance, strengthening country-level partnership between the public sector and private sector.

4. Key mechanisms for effective implementation of sustainable finance policies:

- **Embedding sustainable banking in banks' core business is crucial.** Banks surveyed by IFC in 25 emerging markets emphasize that senior management support is critical to ensuring company-wide buy-in and reinforcing structures for E&S risk management and sustainable banking. While there is growing interest to increase green lending portfolios, most banks are still struggling with instituting an E&S risk management culture and approach. Some SBN member countries have successfully regulated the embedding of E&S risk management for all banks.
- **Monitoring and reporting mechanisms help establish supervision of banks' implementation of sustainable finance policies.** Some members have introduced indicators and mechanisms to capture this information. With many SBN member countries still being in the early stages of adoption, four key indicators appear to be useful to track progress: (1) ESG standards and risk management: the adoption and implementation of ESG standards and risk management practices by banks. (2) Green Financing Flows: the volume and distribution of bank assets to green investment priorities; (3) Financial risk: the impacts on the quality of financial assets from integrating environmental and social factors (e.g. non-performing loans); (4) Environmental and social outcomes: avoidance of negative E&S impacts and achievement of positive impacts in core financing activities.
- **Incentives:** Market incentives have been introduced by a number of SBN members to drive banks to faster and more strategic implementation of sustainable finance. Incentives may focus on i) positive recognition for good performers, such as through preferential considerations and recognition during supervision, ii) increased lending to specific green sectors or market segments, such as through dedicated funds or credit lines, or iii) appropriate pricing of the currently externalized E&S costs of doing business, such as through taxes on carbon emissions. Fiscal subsidies are treated with caution, both to avoid subsidies for green industries that artificially create and, when withdrawn, destroy business cases, and to address subsidies that maintain incentives for non-renewable industries like fossil fuels.
- **Multi-stakeholder consultation and inter-agency collaboration:** Extensive multi-stakeholder consultation has been an effective strategy in a number of SBN countries to build a solid foundation of industry alignment and buy-in before launching national framework on

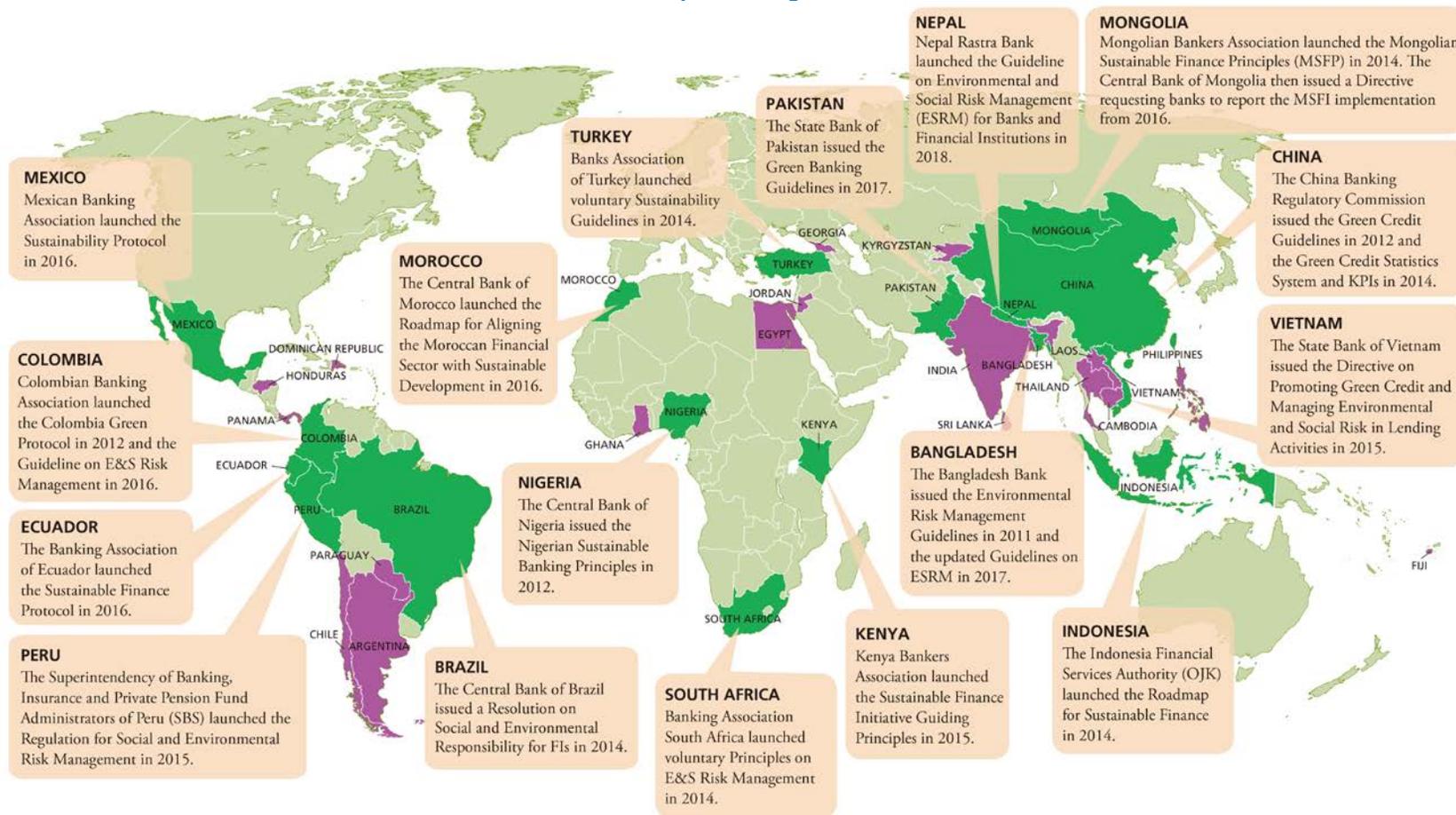
sustainable finance. In addition, a characteristic approach of SBN members is to engage with other regulatory agencies and industry stakeholders in both the design and implementation of national green finance frameworks. Initially a way of overcoming pre-existing regulatory or industry barriers, inter-agency collaboration has proved a fruitful avenue for building capacity of banks, developing sector and thematic technical guidance, and designing market incentives.

7. How does SBN engage with global and regional partners?

SBN and IFC have been building partnerships with global and regional organizations and initiatives to jointly promote sustainable finance and support SBN members. These include:

- a. **G20 Green Finance Study Group (GFSG):** The GFSG was launched in January 2016 under China's G20 Presidency, aiming to enhance mobilization of private green investment through financial markets. SBN/IFC was invited to be a key knowledge partner for GFSG and contributed an Input Paper with case studies of SBN member experiences, providing an emerging markets perspective to inform the global agenda. The GFSG Synthesis report and its recommendations were endorsed by the G20 Leaders. One of the recommendations calls for scaling up SBN as a global learning platform, with G20 support. Read the SBN G20 input paper [here](#) or access under "Key Resources" on www.ifc.org/sbn.
- b. **Latin American Banking Federation (FELABAN):** IFC and FELABAN signed a MoU in 2016 to jointly promote sustainable banking through FELABAN's network of 19 banking associations and over 600 banks in Latin America with a focus on capacity building.
- c. **Association of Southeast Asian Nations (ASEAN):** Partnering with Indonesia's Financial Services Authority (OJK), SBN hosted the first ASEAN Roundtable for Sustainable Finance during SBN's 4th Annual Meeting in Indonesia in 2016. Representatives from ASEAN countries discussed a joint approach to advance sustainable finance for the region, leveraging SBN global experience and actions already taken by ASEAN countries. Delegates also agreed to explore regional capacity building for banking regulators, associations and banks, including through the ASEAN Bankers' Association.

8. Annex 1- SBN Member Countries and Policies/Principles Issued



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- **Existing guidance:** Bangladesh, Brazil, China, Colombia, Ecuador, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Peru, South Africa, Turkey, Vietnam
- **In dialogue:** Argentina, Cambodia, Chile, Dominican Republic, Egypt, Fiji, Georgia, Ghana, Honduras, India, Jordan, Kyrgyzstan, Laos, Panama, Paraguay, Philippines, Sri Lanka, Thailand

9. Annex 2- SBN Member list

No.	Institution	Country	Year of Joining
Asia			
1	Bank of Bangladesh	Bangladesh	2012
2	Bank of Lao PDR	Lao PDR	2012
3	Bank of Mongolia	Mongolia	2012
4	China Banking Regulatory Commission	China	2012
5	China Ministry of Environmental Protection	China	2012
6	Otoritas Jasa Keuangan (Indonesia Financial Services Authority)	Indonesia	2012
7	State Bank of Vietnam	Vietnam	2012
8	Thai Bankers Association	Thailand	2012
9	Vietnam Ministry of Natural Resources & Environment	Vietnam	2012
10	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)	Philippines	2013
11	Department of Environmental and Natural Resources of the Philippines (DENR)	Philippines	2013
12	Mongolia Bankers Association	Mongolia	2013
13	Mongolia Ministry of Environment and Green Development	Mongolia	2013
14	China Banking Association	China	2014
15	Nepal Rastra Bank	Nepal	2014
16	State Bank of Pakistan	Pakistan	2015
17	Association of Banks in Cambodia	Cambodia	2016
18	Central Bank of Sri Lanka NEW	Sri Lanka	2016
19	Indian Banks Association	India	2016
20	Union of Banks of Kyrgyzstan	Kyrgyzstan	2018
Latin America			
21	Asobancaria (Banking Association of Colombia)	Colombia	2012
22	Central Bank of Brazil	Brazil	2012
23	Superintendence of Banks, Insurers, and Private Pension Funds of Peru (SBS)	Peru	2013
24	Honduran Banking Association (Ahiba)	Honduras	2015
25	National Commission on Banking and Insurance (CNBS)	Honduras	2015
26	Sustainable Finance Round Table	Paraguay	2015
27	ADEBA – Asociacion de Bancos Argentinos (Banking Association of Argentina)	Argentina	2016
28	Asobancos – Asociacion de Bancos del Ecuador (Banking Association of Ecuador)	Ecuador	2016
29	Central Bank of Paraguay	Paraguay	2016
30	Mexican Bankers Association (ABM) NEW	Mexico	2016

No.	Institution	Country	Year of Joining
31	Semarnat (Secretariat of Environment and Natural Resources) of Mexico	Mexico	2016
32	Superintendence of Banks and Financial Institutions of Chile (SBIF) NEW	Chile	2016
33	Brazilian Federation of Banks (FEBRABAN) NEW	Brazil	2017
34	Commercial Banks Association of the Dominican Republic (ABA)	Dominican Republic	2017
35	Panama Banking Association (ABP as per its acronym in Spanish) NEW	Panama	2017
36	Federation of Latin American Banks (FELABAN)	Latin America	2016
Africa			
37	Central Bank of Nigeria	Nigeria	2012
38	Kenya Bankers Association	Kenya	2015
39	Bank of Ghana	Ghana	2016
40	Banking Association South Africa (BASA)	South Africa	2016
41	Ghana Association of Bankers NEW	Ghana	2016
EMENA			
42	Central Bank of Morocco	Morocco	2014
43	Banking Regulation and Supervision Agency of Turkey (BRSA)	Turkey	2015
44	Central Bank of Jordan	Hashemite Kingdom of Jordan	2016
45	Federation of Egyptian Banks (FEB) NEW	Egypt	2016
46	National Bank of Georgia	Georgia	2017
Pacific			
47	Reserve Bank of Fiji NEW	Fiji	2017

10. Annex 3 - Existing Guidance from SBN Members (Green Bond Principles marked in Green)

No.	Country	Guidelines/ Policy/ Principles	Year of Launch
Asia			
1	China	China Banking Regulatory Commission (CBRC), People's Bank of China, Ministry of Environmental Protection -Green Credit Policy	2007
2	Bangladesh	Bangladesh Bank-Environmental Risk Management (ERM) Policy	2011
3	China	China Banking Regulatory Commission (CBRC) -Green Credit Guidelines	2012
4	China	China Banking Regulatory Commission (CBRC) -Green Credit Guidelines	2014
5	Mongolia	Mongolia Banking Association-Mongolia Sustainable Finance Principles and 4 Sector Guidelines	2014
6	Indonesia	Sustainable Finance Roadmap	2014
7	Vietnam	The State Bank of Vietnam-the Directive on Promoting Green Credit and Managing Environmental and Social Risks and 10-sector checklists	2015
8	China	People's Bank of China launched Green Bond Guidelines and Catalogue	2015
9	Mongolia	The Central Bank of Mongolia issued a Directive requesting banks to report the implementation of MSFI in their annual reports starting from 2016.	2016
10	India	Disclosure Requirements for Issuance and Listing Green Bonds	2016
11	Bangladesh	Bangladesh Bank- updated Guidelines on ERSM	2017
12	Indonesia	Umbrella Policy on Sustainable Finance	2017
13	Pakistan	The State Bank of Pakistan - Green Banking Guidelines	2017
14	ASEAN	Green Bond qualifications and disclosure requirement	2017
15	Nepal	Nepal Rastra Bank - Guideline on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions	2018
Latin America			
16	Colombia	Banking Association (Asobancaria) -Green Protocol	2012
17	Brazil	Central Bank's Guidelines of Social Responsibility Policy for Fis	2014
18	Peru	The Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru (SBS) –the Regulation for Social and Environmental Risk Management	2015

No.	Country	Guidelines/ Policy/ Principles	Year of Launching
19	Mexico	Mexican Financial Institutions – Sustainability Protocol	2016
20	Ecuador	The Banking Association of Ecuador -Sustainable Finance Protocol	2016
21	Colombia	Banking Association (Asobancaria) -Guideline on E&S Risk Management	2016
22	Brazil	Brazilian Federation of Banks launched the “Guidelines for Issuing Green Bonds in Brazil”	2016
Africa			
23	Nigeria	Central Bank of Nigeria- Nigerian Sustainable Banking Principles & 3 Sector Guidelines	2012
24	South Africa	The Banking Association South Africa (BASA) -Voluntary Principles for Managing Environmental and Social Risk	2014
25	Kenya	The Kenya Bankers Association (KBA)-Sustainable Finance Guiding Principles	2015
26	Nigeria	Green Bond Guidelines	2016
27	Kenya	Launched “Green Bond Program” to develop Green Bond Principles	2017
28	South Africa	Green Segment / Amendment to JSE Debt Listings Requirements	2017
EMENA			
29	Turkey	The Banks Association of Turkey (BAT) – Sustainability Guidelines	2014
30	Morocco	The Central Bank of Morocco – Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development	2016
31	Morocco	Moroccan capital markets authority (the AMMC) launched Guidelines for the issuance of green bonds in Morocco	2016