Dear Members and Friends of SBN,

Welcome to our latest newsletter on developments in the Sustainable Banking Network (SBN), covering the final quarter of 2016. Last year was a groundbreaking year for SBN, with highlights including involvement in the G20 Green Finance Study Group and the 4th Annual Meeting in Indonesia. The year saw an increase in global momentum for sustainable finance, formally prioritized by the G20 and progressed at COP 22 in Morocco and through the ongoing work of the Financial Stability Board’s Task Force on climate-related financial risks.

SBN continues to expand. Our membership has now reached 31 countries, including 12 members that joined SBN in 2016, with three (Egypt, Sri Lanka, and Panama) joining in the last quarter. These member countries represent over 85% of the banking assets across emerging markets.

In the meantime, members are continuing to make strong progress towards developing guidance for sustainable finance. Fifteen countries have launched national policies, guidelines, principles, or roadmaps on sustainable finance. During the last quarter of 2016, three SBN members introduced innovative sustainable finance frameworks: Morocco’s Central Bank launched a Sustainable Finance Roadmap, the Banking Association of Ecuador launched the Sustainability Protocol, and the Banking Association of Colombia released its environmental and social guidelines. These developments highlight a positive dynamic of market-based actions and policy leadership to advance sustainable finance globally.

We would like to thank Indonesia’s OJK again for co-hosting the 4th SBN Annual Meeting and International Sustainable Finance Forum. I would like to highlight the following outcomes agreed at the meeting, which will guide SBN’s future strategy and action plan:

The next phase of SBN’s evolution should focus on the deepening of technical work and member-driven collaboration. The newly launched "Sustainable Finance Measurement Working Group” is a good example of this. The Working Group will focus on developing
indicators and tools on benchmarking best practice and measuring outcomes. This will help all members assess their progress and learn from others. Other working groups on selected topics will follow.

A target area for the future is to support regional integration and collaboration by expanding and enhancing SBN’s regional partnerships. The Federation of Latin American Banking Associations, Felaban, a member partner, has laid the groundwork for a regional model; at the SBN Annual Meeting, the ASEAN Community representing 10 countries from Southeast Asia met to discuss next steps for a regional sustainable finance initiative.

SBN members have reiterated interest to extend the scope of SBN beyond banking. Indonesia, China and Morocco have already introduced umbrella approaches that call on all parts of the financial sector to implement sustainable finance. Application of ESG standards cuts across different parts of the financial sector, as do innovative products, such as green bonds. Four SBN countries (China, India, Brazil and Morocco) have launched Green Bond Guidelines referencing international standards and good practices. This interdependence offers opportunities for synergies between various parts of the financial sector.

As SBN continues to look ahead, expand, deepen and innovate, we look forward to receiving your input on the way forward.

As always, IFC is privileged to support such a vibrant network and we look forward to helping you continue to achieve great progress.

Best Regards,

Morgan Landy,
Director, Environment, Social and Governance
International Finance Corporation, World Bank Group
4th SBN Annual Meeting and 2016 International Sustainable Finance Forum - December 1-2, Bali, Indonesia

Otoritas Jasa Keuangan (OJK), the Indonesia Financial Services Authority, co-hosted SBN's Annual Meeting with IFC in Bali, with the theme “Market Innovation for Sustainable Finance.” OJK is a founding member of SBN and has pioneered an integrated approach to sustainable finance, including banks, capital markets, insurance and pension funds.

With more than 300 participants from approximately 30 countries, this year’s event brought together banking and financial regulators, banks, and international organizations active in the space of sustainability and climate finance. The Forum focused on global sustainable finance trends and new developments, as well as national experiences in mobilizing private sector financing to promote sustainable development.

Read the Summary of Highlights.

*EBook and Video to come.

We encourage all participants to provide feedback on the SBN Annual Meeting.

Please take a few minutes to take the survey here. (accessible from mobile devices)

It includes only 5 questions and can help us to better prepare for the next annual meeting.

Feedback received so far calls for 1) small focus group discussion involving subject matter experts and facilitating member exchanges; 2) more working groups to be set up based on member priorities. We look forward to hearing from you.
Launch of SBN’s first Sustainable Finance Measurement Working Group

SBN members are all at different stages of the journey towards market transformation, but all members are looking for metrics to demonstrate their progress. The first SBN working group was launched at the SBN Annual Forum in December, focusing on a key question raised by members: “How to measure implementation and impact of national policies and voluntary principles for sustainable finance.” Regulators from China, Indonesia and Nigeria shared their experiences and agreed to lead the working group efforts with the SBN Secretariat. The objectives of the working group will be to i) analyze the approaches and indicators currently used to measure sustainable finance adoption and impact; ii) provide options to members in designing nationally appropriate measurement frameworks; and iii) design benchmarking tools to assist members to track progress and compare outcomes. IFC is also exploring how it can support this need by providing independent assessments and metrics for member progress.

Thank you very much for the input provided by members on the ToR of the working group. A revised version will be shared in coming days. If you would like to get involved in and contribute to the Working Group, please email Ms. Rong Zhang, rzhang@ifc.org.

New members

We are very pleased to welcome three new members that joined in the last quarter of 2016: the Federation of Egyptian Banks, the Central Bank of Sri Lanka, and Panama Banking Association.

SBN has members from 31 countries: Argentina, Bangladesh, Brazil, Cambodia, Chile, China, Colombia, Ecuador, Egypt, Ghana, Honduras, India, Indonesia, Lao PDR, Jordan, Kenya, Mexico, Mongolia, Morocco, Nepal, Nigeria, Panama, Pakistan, Paraguay, Peru, the Philippines, South Africa, Sri Lanka, Thailand, Turkey and Vietnam. SBN also includes one regional partner member, the Federation of Latin American Banking Associations (Felaban).

Egypt

The Federation of Egyptian Banks (FEB) joined SBN in November 2016. Representing 38 member banks, FEB is affiliated with the Central Bank of Egypt. The chair of the FEB Sustainability Committee represented Egypt in the Green Finance Study Group at the G20. The Sustainability Committee plans to expand the discussion and development of sustainable finance in Egypt and the region.
Panama Banking Association (ABP as per its acronym in Spanish), founded in 1962, includes 91 local and international banking institutions, with international institutions representing circa 80% of the banking sector assets. The ABP has recently created a sustainability commission, which is led by Colombian bank subsidiary Banistmo and Banco General of Panama. One of the main objectives of the committee after joining SBN is to develop and launch a sustainable banking protocol to promote three pillars: environmental and social risk management, green financial products and services and eco-efficiency.

Sri Lanka

The Central Bank of Sri Lanka (CBSL) joined SBN in November 2016. The Sri Lankan Bankers Association (SLBA) launched a set of voluntary Sustainable Banking Principles in 2015. 18 banks have signed up, committing to mainstream environmental and social consideration into operation. CBSL plans to organize a “Sustainable Finance Workshop” in partnership with IFC in February/March 2017 to discuss the sustainable finance roadmap for Sri Lanka.

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.

NEW GUIDANCE FROM MEMBER COUNTRIES

Morocco

Morocco’s Central Bank, Bank Al-Maghrib (BKAM), together with the banking association and 5 other financial regulators, launched its “Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development” in November 2016 during COP22. This roadmap has capitalized on the best international practices and revolves around five major themes: Extending risk-based governance to socio-environmental risks; Developing sustainable financial instruments and products; Promoting financial inclusion as a driving force for sustainable development; Capacity-building; Ensuring market transparency and discipline. Each of these axes is broken down by sector: banking, insurance, capital markets and the Casablanca Financial Center (CFC). To strengthen the African regional cooperation, Morocco also launched “Roadmap of the Moroccan financial sector for the emergence of sustainable finance in
Africa. Also during COP22, the Moroccan Capital Market Authority launched the “Green Bond Guide”. BKAM launched the first Corporate Social Responsibility Report which documented the first Sustainable Finance Event organized in partnership with IFC/SBN and UNEP FI in 2015.

Read the full documents here.

Ecuador

The Banking Association of Ecuador, Asobancos, launched the “Sustainable Banking Protocol” in November 2016, with 10 signatory banks that represent more than 80% of the market share and with the participation and support of IFC/SBN. The signatory banks voluntarily committed to work towards setting a sustainability governance, offering green financial services and products, implementing eco-efficiency programs and putting in place Environmental and Social Risk Management Systems.

Read the protocol here. (Spanish only)

Colombia

The Colombian Banking Association, Asobancaria, launched the “General Guidelines for the Implementation of Environmental and Social Risk Analysis” in November 2016. The guidelines, launched by Asobancaria and the Green Protocol, are the result of interdisciplinary work between public and private entities, interested in generating good practice standards for environmental and social risk management in the banking sector.

Read the guidelines here. (Spanish only)

Brazil

In October 2016, the Brazilian Federation of Banks (FEBRABAN) and the Brazilian Business Council for Sustainable Development (CEBDS) launched the “Guidelines for Issuing Green Bonds in Brazil”. The document provides recommendations to participants of the Brazilian fixed income securities market on the process of issuing Green Bonds and intends to contribute to the development of this market in the country. The Guide was developed taking into account international references such as the International Capital
Market Association (ICMA), responsible for the preparation of the Green Bond Principles, the World Bank, the International Finance Corporation (IFC) and the Climate Bonds Initiative.

Read the guidelines here.

**BANKS ACTING ON SUSTAINABLE FINANCE GUIDANCE**

**Indonesia**

OJK introduced its first **Sustainable Finance Award (SFA)** during the 4th SBN Annual Meeting on December 1-2, 2016. SFA is a biannual event to award companies and institutions that have been paying close attention to the social and environmental risks of their businesses. The awards are handed out to institutions in the banking sector, capital markets and non-bank financial industry. Criteria taken into account by the judges include long-term, sustainable performance; the strategy and corporate responsibility program; regular sustainability reporting; corporate governance; innovation and leadership support. State-owned Bank Rakyat Indonesia, Bank Negara Indonesia Syariah, Adira Dinamika Insurance and pawnbroker Pegadaian all received a Sustainable Finance Award. All winners have been implementing sustainable finance practices both in their businesses and operational strategy.

**Turkey**

“The Industrial Development Bank of Turkey” (TSKB) has been awarded with the “EMEA Green / SRI Bond Deal of the Year” within the scope of the Sustainable and Responsible Capital Markets Forum, organized by Euromoney and GlobalCapital. It also reached the final shortlist in the category of the “Most Innovative Green / SRI Bond Deal of the Year”.
**CAPACITY BUILDING**

**Indonesia**

**Training on Environmental & Social Risk Management (ESRM) Systems**

A training curriculum on E&S risk management systems for Indonesian financial institutions was finalized in November 2016, based on the Training Needs Assessment results analysis. IFC co-hosted the training for banking officers in December 2016 based on the new curriculum. The three-day event focused on learning materials covering identification and mitigation of environmental and social risk, sustainability reporting, as well as the development of green products. Participants are expected to start integrating ESRM in credit assessment and to formulate a sustainability report.

**Mongolia**

The Mongolian Bankers Association (MBA) and IFC successfully organized a manufacturing sector on-site capacity development workshop in November 2016. Approximately 50 representatives of the Mongolian Sustainable Finance Initiative (MSFI) attended the event. Participants of the workshop visited APU LLC, one of Mongolia’s oldest and largest beverage producers, to learn from their best practices in introducing internationally certified E&S management systems. Furthermore, participants of the event discussed and identified the priority activities to be included in the MSFI Work Plan for 2017.

**Publications**

*Measuring Bank Loan Flows to Green Finance*

The Brazilian Federation of Banks (FEBRABAN) is assisting the FIs in Brazil to assess and manage their green portfolio. FEBRABAN developed a methodology to measure the volume of financial resources allocated to sectors (i) of the Green Economy (GE) and (ii) sectors with potential to cause environmental impact. To classify economic activities as part of the GE or as having potential to cause environmental impact, definitions from UNEP and CONAMA (Brazil’s Council for the Environment) were adopted. The codes of the
National Classification of Economic Activities (CNAE), managed by the Brazilian Ministry of Finance, were used as the basis for gathering information from the banks.

Fourteen financial institutions, representing 87% of total credit loans from the banking sector, provided information for the measurement in 2016 (data from 2015). Results showed that 17% of total corporate loans of these 14 banks were allocated to the Green Economy in 2015. Resources allocated to activities with the potential to cause environmental impact represented 33% of total corporate loans.

Access to credible and comparable data on the flows of financial resources will allow the banking sector in Brazil to identify business opportunities relating to the transition to a low carbon economy as well as to develop mitigation strategies to deal with risks associated with this transition.

The English version of the report with results from 2016 (base year 2015) will be available on FEBRABAN’s website by mid-February.


**WBG EHS Guidelines for Petroleum Refining**

A revised WBG Environmental, Health and Safety (EHS) Guidelines for Petroleum Refining published in November 2016 will improve the performance of our projects by lowering emissions, increasing resource efficiency, and enhancing management of fugitive emissions of benzene, a carcinogen linked to blood cancers of workers and surrounding communities. Available at www.ifc.org/EHS guidelines.
Events and New Initiatives

Mongolian Sustainable Finance Forum 2016

The 4th annual Mongolian Sustainable Finance Forum, themed “Sustainable Development 2030: From Planning to Action”, took place on November 25, 2016 in Ulaanbaatar, Mongolia. The event, organized by the Mongolian Bankers Association (MBA) and IFC, brought together over 400 participants from government ministries, regulators, and financial institutions. As the MSFI is entering its 5th year of implementation, the event highlighted discussions around advancing the initiative to the next step by enhancing more engagement with regulators and policy makers and introducing sustainable financing to the wider financial sector. Furthermore, speakers and participants emphasized a collaborative approach to establishing a green credit fund as a potential incentive in financing the country’s green development.

Launch of Green Digital Finance Alliance

In January, 2017, the ‘Green Digital Finance Alliance’, a ground-breaking initiative to harness digital technologies in catalyzing financing that addresses global environmental challenges, was launched at the World Economic Forum Annual Meeting in Davos, Switzerland by its two founders, Ant Financial Services Group (Ant Financial), China’s leading online and mobile financial services provider, and UN Environment. The Alliance as a global partnership will include innovative digital finance businesses and active stakeholders in accelerating such innovations and scaling their international deployment.

For more information, please have a look at the Alliance’s website: www.greendigitalfinance.org

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 other news. Email Ms. Rong Zhang, SBN Global Coordinator, at rzhang@ifc.org
SBN Membership Map as of February 2017

**COLOMBIA**

**MEXICO**
Mexican Banking Association launched the Sustainability Protocol in 2016.

**ECUADOR**

**PERU**

**BRAZIL**
The Central Bank of Brazil issued a Resolution on Social and Environmental Responsibility for FIs in 2014.

**MOROCCO**

**NIGERIA**

**TURKEY**
The Banking Association of Turkey launched voluntary Sustainability Guidelines in 2014.

**SOUTH AFRICA**
The Banking Association of South Africa launched voluntary Principles on E&S Risk Management in 2014.

**MONGOLIA**

**BANGLADESH**
The Bangladesh Bank issued the Environmental Risk Management Guidelines in 2011.

**KENYA**

**INDONESIA**
The Indonesia Financial Services Authority (OJK) launched the Roadmap for Sustainable Finance in 2014.

**CHINA**

**VIETNAM**

---

**Disclaimer:**
This map was produced by Staff of the World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

For more information, visit [www.ifc.org/sbn](http://www.ifc.org/sbn)