

# GLOBAL PROGRESS REPORT of the Sustainable Banking Network

Innovations in Policy and Industry Actions in  
Emerging Markets

October 2019

*SBN Measurement Framework subpillars,  
indicators, and questions*



# SBN Measurement Framework sub-pillars, indicators, and questions

Pillar I: Strategic Alignment		
Sub-pillar	Indicator	Question
Alignment with global E&S standards and best market practices	Alignment with global E&S standards and best market practices	Does the framework make reference to international E&S targets (SDGs, Paris Agreement, Global Compact)?
		Does the framework make reference to established international E&S risk management standards (IFC PSSs, EPs)?
		Does the framework make reference to established international sustainability reporting standards (GRI, SASB)?
		Does the framework make reference to established international climate finance reporting standards (TCFD)?
		Does the framework ask to make E&S policies, practices and results externally verified (assurance, independent review)?
Alignment to NDCs and with national/regional climate change targets	Alignment to NDCs and with national/regional climate change targets	Is the framework aligned with national NDCs or other national and regional policies on climate?
		Has the SBN member identified the main climate risks (transition/physical) for their local financial sector?
Multi-stakeholder collaboration	Multi-stakeholder collaboration	Does the framework involve interagency collaboration between financial supervisors/regulators, industry association, and FIs?
		Does this collaboration also include other public agencies (e.g., environmental agencies, ministries)?
		Does this collaboration also include representatives of civil society (e.g., NGOs, associations, media)?
Pillar II: Climate and Green Finance		
Sub-pillar	Indicator	Question
Products and services	Defining sustainable assets and financial products	Does the framework provide definitions and examples of green assets?
		Does the framework provide a comprehensive taxonomy of green assets?
		Does the framework provide definitions, examples, or a taxonomy of social and/or sustainable assets?
	Green finance product guidelines	Besides debt products (loans, bonds), does the framework provide definitions and examples of different types of sustainable finance products/services (e.g., saving accounts, means of payment, insurance, private equity, etc.)?
		Does the framework provide guidelines for green loan/green credit or other green financial assets (excluding green bonds)?
		Does the framework provide guidelines for issuance of green bonds?
		Does the framework refer to existing standards (e.g., ICMA's Green Bond Principles or CBI's Climate Bonds Standard)?
Climate and green investment reporting	Tracking and disclosure of climate & green finance	Does the framework recommend external party verification (e.g., second party opinion, assurance, certification)?
		Does the framework ask FIs to report on climate/green finance flows (quantitatively or qualitatively)?
		Does the framework ask FIs to report on climate risk exposure at portfolio level?
		Does the framework encourage FIs to report publicly on their green finance activities (i.e. not only to the regulator)?

Measurement	Calculation of environmental benefits	Does the framework ask FIs to calculate the environmental benefits of their investments? (e.g., CO <sub>2</sub> emission reduction, water saving, etc.)
		Does the framework provide a taxonomy of potential environmental impacts?
		Does the framework provide methodologies, tools, and/or templates to measure and report these impacts?
	Climate risk exposure assessment	Does the framework ask FIs to monitor climate risk exposure at portfolio level?
		Does the framework refer to specific climate risk exposure methodologies (e.g., climate scenario analysis, climate risk stress testing, calculation of carbon risk exposure, tracking of energy efficiency for real estate portfolio)?
		Does the framework encourage FIs to take mitigating steps on these risks?
Incentives	Financial and non-financial incentives	Does the framework provide any type of incentives for green financial products and services?
		More specifically, does the framework introduce financial incentives on green products and services?

### Pillar III: ESG Integration

Sub-pillar	Indicator	Question
Governance of E&S	Role of governing bodies on E&S	Does the country policy require one of the FI's governing bodies (e.g., Board of Directors, Executive Committee, Supervisory Board, etc.) to approve an E&S strategy?
		Does the policy require management to report on E&S strategy implementation to the governing bodies?
		Does the policy require FI operational bodies to report to the governing bodies (or specific Board committee) on implementation of the E&S strategy?
	Organization	Does the framework ask FIs to define E&S roles and responsibilities?
		Does the framework highlight the E&S roles of front office staff and second lines of defense (e.g. risk officers and/or compliance officers)?
		Does the framework ask FIs to define E&S competencies for each role?
E&S risk management	E&S policy	Does the framework ask FIs to formalize an E&S or ESG policy?
		Does the framework encourage FIs to go beyond E&S requirements of local laws and regulations?
		Does the framework ask FIs to set E&S objectives and targets?
		Does the framework ask FIs to publicly disclose their E&S policy and its governance?
	Risk assessment	Does the framework require FIs to carry out appropriate E&S due diligence at transaction level?
		Does the framework require FIs to carry out appropriate E&S due diligence at client level?
		Does the framework encourage FIs to categorize projects/clients according to their level of E&S risk?
		For high-risk transactions, does the framework encourage site visits to be organized?
		In case of negative E&S impacts, does the framework invite FIs to engage with clients to implement mitigation measures?
	E&S covenants	Does the framework ask FIs to incorporate E&S covenants and investment conditions into legal agreements with clients?
	Project supervision & portfolio review	Does the framework ask FIs to develop processes to manage E&S risks during supervision?
		Does the framework encourage a periodic review of E&S risks at aggregate portfolio level?
	Training	Does the framework ask FIs to develop and maintain E&S capacity through regular training?
		Does the framework highlight the training of (i) front office staff, (ii) second lines of defense (risk officers and/or compliance officers), and (iii) E&S experts?
	External communication mechanism	Does the policy require FIs to establish and maintain an inquiry/complaints/grievance mechanism in relation to E&S or ESG practices?
E&S reporting	Does the policy require FIs to report regularly on E&S or ESG performance, including publicly, to investors or to regulators?	
	Does the policy make E&S or ESG reporting and disclosure more consistent across financial institutions through principles, guidelines, or templates?	
Enforcement	Enforcement	Is the implementation of the framework regularly verified or is information regularly collected from FIs?
		Is there any financial and/or non-financial incentive for establishing ESRM systems?
		Are there sanctions/penalties/warnings in case of noncompliance with the framework?

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