

Sustainable Banking Network and Member Experience/IFC ESG Activities

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Sustainable/Green Finance Context

- **Sustainable banking** spans two important aspects of banks' business operations: (1) Integrating Environmental and Social risk management into business decision; (2) Supplying credit and raising capital for green investment. It is our view that ***“the optimal long-term business value creation is only possible through an effective management of both E&S risks and opportunities.”***

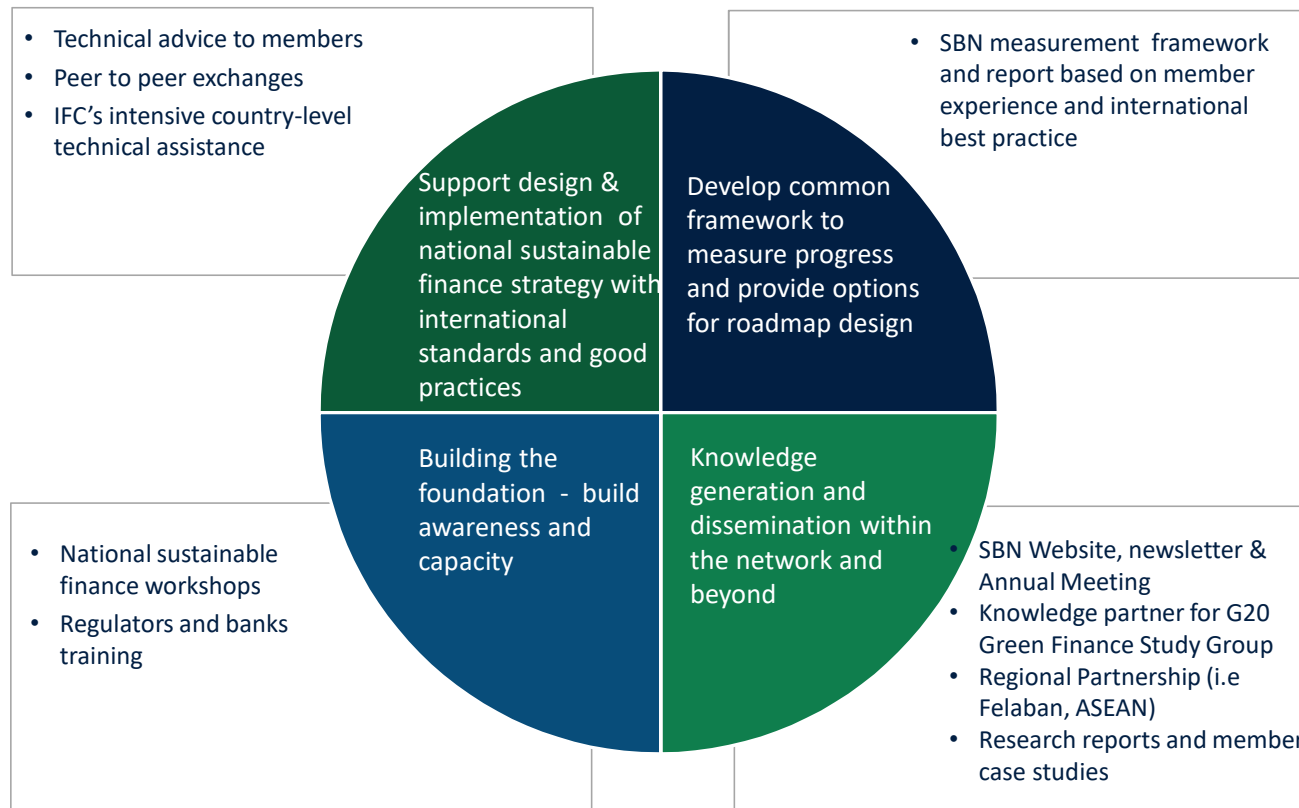
- IFC/SBN G20 GFSG Input Paper

About the Sustainable Banking Network (SBN)

- Initiated in 2012 by IFC and 10 emerging markets (EM) banking regulators
- Members are EM central banks, banking regulators, environmental regulators & banking associations from 39 countries.
- Shared objective to integrate E&S standards (e.g IFC Performance Standards, Equator Principles) into banking industry practices. Nature of environmental and social concerns and systemic risks differ by national market.
- Additional objective to promote green (EE/RE, Green Bonds) and inclusive financing with associated climate benefits.
- Focus on market-level impact – behavior change of EM banks through market-based actions with policy leadership, knowledge sharing & capacity building.

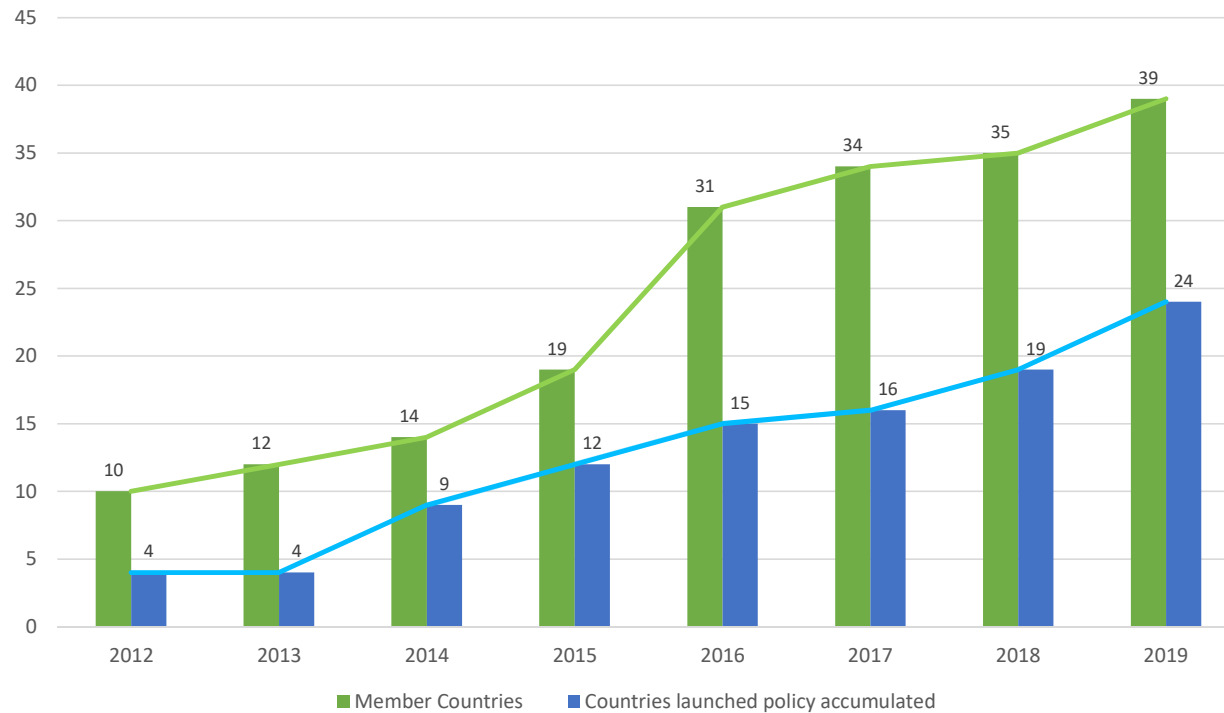


SBN -moving the needle in sustainable finance across emerging markets



SBN Growth during 2012-2019

SBN Growth during 2012-2019



SBN Support for Members

For Members That Have Launched Policies/Principles (24 countries)

- Connect with other members/international good practices
- Develop implementation guidance documents (due diligence, supervision)
- Develop new policy guidance (i.e. Green Bonds Guidelines)
- Build capacity: for regulators, banking associations, banks
- Develop M&E: reporting template, checklist/KPIs, statistics mechanism

For Members Working on Policies/Principles (4 countries to launch in 2020-2021)

- Peer-to-Peer knowledge sharing/cooperation
- Analysis of global/regional/local trends, practical experiences and lessons learned
- Build capacity and help cross-agency dialogue/consultation
- Review the policy/principles and quality control

For New Members (11 countries)

- Access to global trends, knowledge, practical experiences and lessons learned
- Awareness raising
- Research, mapping and strategy development
- Internal and external consultation

Roadmap for Sustainable Finance in Georgia (NBG, 2019)

Planned Actions		2019	2020	2021	2022
Increasing Awareness and Capacity Building	Develop Policies and Guidance to Support Market Action				
	Provide and Facilitate Trainings and Workshops for Stakeholders				
	Conduct Research on Sustainable Finance Topics				
	Establish Sustainable Finance Working Group				
Sustainable Finance Flows	Introduce Sustainable Finance Taxonomy				
	Develop Sustainable Finance Guidelines				
	Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows				
ESG Risks Management	Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks				
	Integrate ESG Considerations in CG Code for Capital Market				
	Develop ESG Risk Management Guidance and Tools				
Transparency and Market Discipline	Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market				
	Provide Guidance on ESG Reporting and Disclosure				
	Develop Progress Measurement Tools				
	Create an Information Hub				



Green Bond Working Group - Objective

1

Enhance collective knowledge and develop technical resources to support members in i) developing green bond markets and ii) facilitating increased flow of international and domestic investment to these markets.

2

Support the integration of ESG factors into all stages of green bond issuance and reporting.

3

Support SBN members to develop and deepen green bond markets through awareness raising, capacity building and knowledge sharing.

IFC CORPORATE GOVERNANCE METHODOLOGY – UPDATED IN 2018

IFC CG Methodology Parameters

The development of the updated Methodology includes the assessment of six key CG parameters:

- 1. Commitment to Environmental, Social, and Governance (Leadership and Culture):** The company and its shareholders have demonstrated a commitment to implementing high-quality corporate governance, including the governance of key environmental and social policies and procedures.
- 2. Structure and Functioning of the Board of Directors:** The board of directors is qualified and adequately structured to oversee the strategy, management, and performance of the company.
- 3. Control Environment:** The company's internal control system, internal audit function, risk management system (including an environmental and social management system), and compliance function are sufficient to ensure sound stewardship of the company's assets, effectiveness of operations, accuracy in reporting, and compliance with policies, procedures, laws, and regulations.
- 4. Disclosure and Transparency:** The company's financial and nonfinancial disclosures are a relevant, faithful, and timely representation of material events to shareholders and other stakeholders.
- 5. Treatment of Minority Shareholders:** The company's minority shareholders' rights are not inadequate or abused, and other stakeholders are treated equitably.
- 6. Governance of Stakeholder Engagement:** The company's governance of stakeholder engagement is inadequate, particularly oversight over stakeholder mapping, stakeholder engagement policy and grievance mechanisms.¹

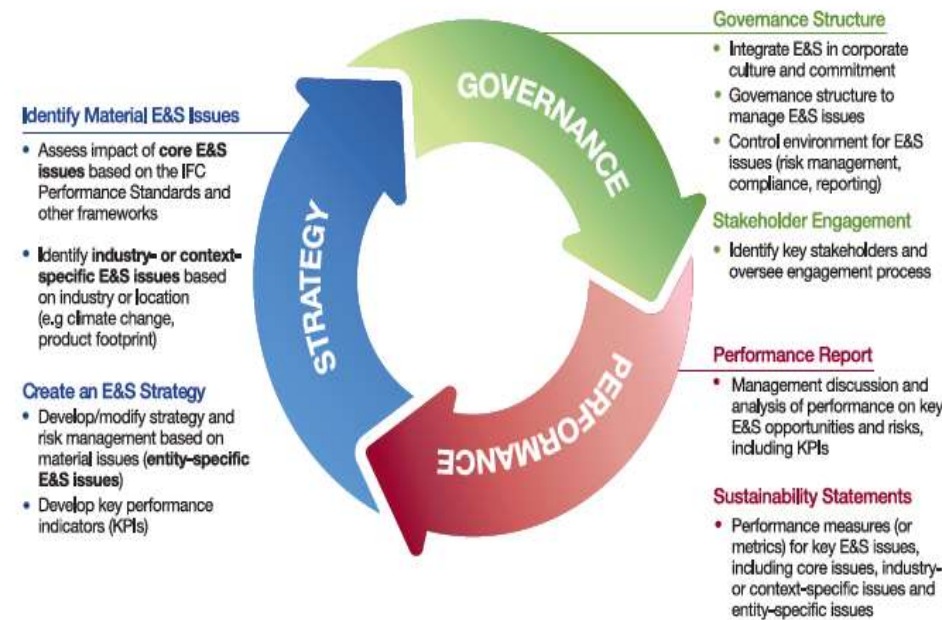
IFC ESG DISCLOSURE TOOLKIT

Beyond the Balance Sheet
IFC Toolkit for Disclosure
and Transparency

Contents

Foreword	ix
Acknowledgments	x
Executive Summary	xi
o. Introduction	1
o.1. Benefits of Disclosure and Transparency	1
o.2. Comprehensive and Integrated Approach to Corporate Reporting	3
Part I: Disclosure Framework	11
1. Strategy	14
1.1. Business Model and Environment	14
1.2. Strategic Objectives	17
1.3. Risk Analysis and Response	18
1.4. Sustainability Opportunities and Risks	19
1.5. Introducing Key Performance Indicators	33
2. Corporate Governance	37
2.1. Leadership and Culture: Commitment to ESG	37
2.2. Structure and Functioning of the Board of Directors	39
2.3. Control Environment	49
2.4. Treatment of Minority Shareholders	59
2.5. Governance of Stakeholder Engagement	69
3. Financial Position and Performance	75
3.1. Performance Report	75
3.2. Financial Statements	79
3.3. Sustainability Statements	85
Part II: Reporting Guidance	97
Materiality	97
Information Quality	98
Scope of Disclosure	98
Disclosure Requirements	98
Reporting Formats	99
Technology	99

Figure 0.1: Roadmap for Integration of Environmental and Social Issues



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances



International
Finance Corporation
Creating Markets. Creating Opportunities

SECO-Funded ECA ESG Program FY20-24: Promoting Investment Through Integrated ESG

Challenge: poor ESG practices of firms reduce investment attractiveness, increase risk and cause harm to stakeholders and the environment. Ineffectual regulatory incentives and weak market infrastructure delay improvements.

Aim: create market opportunities through improved ESG practices, with long-term impact from better market



IFC ESG Advisory:

Investors & FIs: support financial intermediaries (banks, private equity funds, bilateral investors) to identify and manage ESG risk in their investees.

Regulation: strengthen the regulatory environment for ESG: update CG codes for oversight of E&S risks; sustainable finance regulation.

Market Capacity: build capacity of local intermediaries to promote, train and advise on ESG Standards: focus on governance for sustainability.

Awareness: promote the adoption and implementation of ESG standards, and demonstrate the business case for sustainability to build demand.

Firms: provide ESG assessments and support to firms to implement better governance for sustainability. This includes oversight of Environmental and Social risks, and improved reporting and disclosure of ESG issues.



MOBILIZE INVESTORS

Able to apply ESG standards into investment operations and manage ESG in portfolio.



BETTER REGULATION

Enhanced capacity to set and enforce ESG standards for private sector, levelling the playing field.



STRENGTHEN MARKET INTERMEDIARIES

Enhanced capacity to raise awareness, train and support adoption of ESG standards.



MORE SUSTAINABLE FIRMS

Adopt robust ESG practices, centered around Governance for Sustainability, demonstrating ESG Leadership in the market.



SUSTAINABLE PRIVATE SECTOR

Enhanced ability to identify and address ESG risks.

Enhanced ESG Management capacity.

Enhanced ability to meet ESG Standards.

\$5 million for 5 years (FY20-24)

7 priority target countries:

1. **Bosnia and Herzegovina**
2. **Georgia**
3. **Kosovo**
4. **Kyrgyz Republic**
5. **Serbia**
6. **Tajikistan**
7. **Ukraine**

POTENTIAL IMPACT

Enhanced transparency, integrity and reputation.

Improved, safer working conditions.

Reduced emissions.

Enhanced natural resource and land use.

Improved engagement with communities and other key stakeholders.

Enhanced access to global markets and investment.

Long term business growth.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

THANK YOU!

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