SUSTAINABLE FINANCE ACROSS BANKING

MAY 2021
CONVENED BY THE UN THE FC4S NETWORK IS A GROWING COLLECTIVE OF THE WORLD’S FINANCIAL CENTRES WORKING TOGETHER TO REALIZE THE PARIS AGREEMENT AND THE UN SUSTAINABLE DEVELOPMENT GOALS.
Sustainable finance is one of the fastest-growing development fields in finance and is quickly becoming mainstream.

Sustainable green factors are increasingly gaining recognition as being materially relevant for financial products’ performance.

ANALYSED MARKET SEGMENTS:
- Institutional investors
- Banking
- Capital markets
- Insurance

AREAS OF RESEARCH:
- Capital mobilization
- Reporting and disclosure
- Risk management

An output of the UN-convened Financial Centres for Sustainability (FC4S) 35 member Network, this work aims to provide:
» A review of the main market developments to mobilize green and sustainable finance, and
» Examples of supporting national and international regulatory developments

THIS WORK INCLUDES INSIGHTS FROM:
- Financial Centres for Sustainability (FC4S) analysis
- Experts from international organizations, and
- Group consultations and workshops with relevant stakeholders
SERIES STRUCTURE

1. Market infrastructure supporting sustainable finance
2. Sustainable finance across institutional investors
3. Sustainable finance across banking
4. Sustainable finance across capital markets
5. Sustainable finance across insurance providers
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The banking industry is increasingly integrating ESG factors into its strategies. Most ESG reporting and disclosure from banks has been voluntary and mainly driven by the increasing interest in sustainable products from institutional investors, shareholders and other stakeholders.

Banks continue to work with a range of organizations to support further convergence of ESG and climate-related impact reporting standards. Reporting frameworks specifically focused on the banking sector were launched in 2019.

The banking industry has continued to adhere to and implement risk management frameworks. Banks are facing increasing demands to engage in ESG risk management and reporting by investors, customers and civil society, while reacting to increasing concerns about the magnitude of physical and transition risks posed by climate change.

Banks have started to undertake scenario analysis to assess physical and transition risks. Data availability and granularity continue to be key challenges for banks.

The banking industry is beginning to mobilize capital to meet global sustainability goals. The increase in social, sustainable and green-labelled finance, and the development of specific tools has allowed banks to better align portfolios with the SDGs and the Paris Agreement.

Two major banking industry trends related to capital mobilization are:

1. Increased public commitment of banks to align their portfolios with the SDGs and the Paris Climate Agreement.
2. Growth in green, sustainable and social-labelled finance.

According to BloombergNEF, the global volume of green and sustainability-linked loans increased from US$36 billion in 2016 to US$200 billion in 2020.

Several banking authorities have incorporated E&S risk reporting into their supervisory activities and recommendations.

Banking regulators have been integrating climate change into stress tests and developing various forms of sustainability taxonomies.
THE BANKING SECTOR IS INCREASINGLY INTEGRATING ESG FACTORS INTO REPORTING

- Banks recognize that ESG issues pose real financial risks and are starting to take into account these considerations in their governance and strategy:
  
  In a *global survey by KPMG International* (2019), 73% of banks CEOs answered that the industry’s future growth “will be largely determined by their ability to anticipate and navigate the shift to a low-carbon, clean-technology economy”.

  The *OECD’s interview* to 17 of the largest banks reveals that all have an ESG policy, which outlines the framework and governance of E&S risk management. Banks also noted that their policies reference international standards or frameworks.

- In terms of reporting and disclosure, most banks have been responsive to the increasing interest in green and sustainable assets by institutional investors, shareholders and other stakeholders.

  *Deloitte’s Better Banking Survey* sought the views of more than 1 000 UK banking customers and found that 71% are more likely to choose a bank with a positive social and environmental impact.

  - A *benchmark study of Mazars (2020)* that examines 30 UNEP Finance Initiative (UNEP FI) member banks reveals that:
    
    63% of the assessed banks follow GRI standards. However, due to the lack of harmonized ESG disclosure standards, banks tend to consider a range of frameworks and select those most relevant to their business model, stakeholder needs and internal capabilities.

    Two-thirds of the banks with high ESG scores in this benchmark study disclose to more than one reporting standard.

    The *Task Force on Climate-related Financial Disclosures (TCFD)* framework is emerging as the preferred reporting framework among banks with respect to climate change.
MARKET DEVELOPMENT: REPORTING AND DISCLOSURE

TCFD REPORTING FRAMEWORK IN THE BANKING INDUSTRY

- The TCFD recommendations have brought climate issues to banks’ and other financial institutions’ boards of directors as well as to their risk analysis departments.

- According to the TCFD 2020 Status Report:

  The number of banks supporting the adoption of the TCFD framework has increased from 13 in June 2017 to 120 in December 2020, coming primarily from Europe (38%) and Asia (35%) followed by North, Latin and South America (20%) and others, accounting for more than 50% of global banking assets.

  An AI technology review of reports from 289 banks, which ranged in size from about US$10 billion to US$4.4 trillion in assets, shows that although disclosures of banks have increased along all 11 recommendations, on average the percentage of banks that disclose information aligned with the TCFD recommended disclosures is still below 30%.

- UNEP FI, together with world’s leading banks, announced the “TCFD Banking Pilot Projects” with the aim of working toward TCFD-aligned climate-related disclosures in the banking sector:

  **PHASE I**
  **2017-2018**
  Helped 16 global leading banks to develop scenarios, models and metrics to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities.

  **PHASE II**
  **2019-2020**
  Helped 39 global banks to enhance their climate risk toolkits and improve their climate risk disclosures.

  **PHASE III**
  **2021**
  This pilot will more fully explore climate stress testing, the integration of physical and transition risk assessments, and sector-specific risks and opportunities.
The Principles for Responsible Banking (PRB) are an initiative of UNEP FI and 30 founding banks. To date, 220 banks have joined the PRB.

The PRB provide a general framework for signatory banks to align their business strategies with the SDGs and the Paris Climate Agreement. Signatory banks are required to report on their self-assessment within 18 months and they are held to account against their commitments through an annual review of their individual progress.

Within a maximum of four years, banks are expected to have implemented their self-determined targets.

The PRB are organized according to a six-principle framework:

1. **Alignment**: Align business strategy to be consistent with and contribute to individuals’ needs and society’s goals.
2. **Impact & Target Setting**: Increase positive impacts and reduce negative impacts while managing risks on people and environment. Banks are to set and publish targets and self-assess.
3. **Clients & Customers**: Work with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
4. **Stakeholders**: Proactively consult, engage and partner with relevant stakeholders to achieve society’s goals.
5. **Governance & Culture**: Implement commitment to these Principles through effective governance and a culture of responsible banking.
6. **Transparency & Accountability**: Periodically review individual and collective implementation of the PRB. Commitment to transparency and accountability for positive and negative impacts.
LACK OF ESG REPORTING CONTINUES TO BE A CHALLENGE IN THE BANKING INDUSTRY

- A KPMG study of sustainability reporting in the banking sector found that banking is one of the sectors least likely to set targets for material ESG issues in public disclosures.  
  - 27% of banks do not set any targets at all, compared to the global average of 17%.
  - 47% of banks report in detail on the social and environmental impacts of their products and services.
  - 23% currently report on the financial impacts associated with ESG risks related to their products or services.

- A European Commission study (2020) reveals that although most interviewed European banks publish their ESG strategy and commitments, detailed disclosures and quantitative data on banks’ ESG-related activities are still an exception.

- A study on sustainable banking regulations in 5 ASEAN countries found that disclosure practices of banks are uneven within and across ASEAN countries.  
  - In this respect, only 5 out of 29 banks assessed disclose statistics on the implementation of their E&S policies (e.g. number of transactions assessed or declined based on E&S considerations).
THE BANKING INDUSTRY FACES INCREASING PRESSURE TO IMPROVE MANAGEMENT OF ESG AND CLIMATE RISKS

- Banks’ assessment of ESG risks has been mostly qualitative, usually triggered by reputational concerns. However, as more evidence of the financial materiality becomes available, some banks are starting to develop quantitative tools to integrate these risks in their risk’s assessment models.

- Deloitte’s Global Risk Management Survey (2020) found that over the next two years the relevance of ESG risks is expected to grow the most among bank executives' concerns. Second and third place were cybersecurity and credit risk, respectively.

- Banks are facing increasing demands by investors to engage in ESG risk management and reporting:
  - The S&P Global Market Intelligence ESG Survey (2019), to 194 credit risk professionals of financial services firms, found that 86% of them agreed that growing investor demand is a key influencer in the integration of ESG factors in credit risk analysis.
  - Banks have started to apply forward-looking scenario analysis and stress tests in their credit decisions and portfolio management.

- Civil society organizations and other stakeholders are also putting growing pressure on banks to integrate ESG factors into their risk management (Banktrack 2020 Annual Report).
EXAMPLES OF ESG RISK MANAGEMENT FRAMEWORKS ADOPTED BY BANKS

- **IFC’s Performance Standards** are a comprehensive and practical approach to managing environmental and social risks for private investments, and have become a globally recognized benchmark.

- In the financial markets worldwide, the **Performance Standards** have been speeding up the convergence of standards for project finance and have been adopted by most development banks and many commercial banks.

- To meet IFC’s Performance Standards, **IFC’s Environmental, Health, and Safety (EHS) Guidelines** provide technical reference documents with general and industry-specific examples of good international industry practice.

- To date, **116 banks and financial institutions** have voluntarily adopted the **Equator Principles**, which are based on IFC’s Performance Standards and EHS Guidelines.

- The **Equator Principles** (EPs) are an industry-developed standard for managing environmental and social risks associated with project finance transactions for banks.

- They require banks to effectively identify and assess key environmental and social risks and impacts associated with project finance above a minimum threshold. Also, banks have to assure compliance with the environmental and social laws of the country in which they operate.

- These principles apply globally, to all industry sectors and to five financial products: Project Finance Advisory Services, Project Finance, Project-related Corporate Loans, Bridge Loans, and Project-related Refinance and Project-related Acquisition Finance.
MARKET DEVELOPMENT: RISK MANAGEMENT

EXAMPLES OF ESG RISK MANAGEMENT FRAMEWORKS ADOPTED BY BANKS

● A 2020 update to the principles requires an assessment of risks related to physical and transition impacts of climate change for projects with significant adverse environmental risk. All projects that exceed carbon emissions thresholds need to assess transition risks.

● However, there is significant room for improvement. According to Banktrack (2020), the application of the Principles has been unsatisfactory and there is further need for transparency on the part of banks.

● In 2020, the Equator Principles Association and IFC announced that they were joining forces to build capacity of banks on environmental and social risk management in line with IFC’s Environmental and Social Performance Standards, which define clients’ responsibilities for managing their risks along eight topics.

1. ENVIRONMENTAL AND SOCIAL ASSESSMENT AND MANAGEMENT SYSTEM;
2. LABOUR AND WORKING CONDITIONS;
3. POLLUTION PREVENTION AND ABATEMENT;
4. COMMUNITY HEALTH, SAFETY AND SECURITY;
5. LAND ACQUISITION AND INVOLUNTARY RESettleMENT;
6. BIODIVERSITY CONSERVATION AND SUSTAINABLE NATURAL RESOURCE MANAGEMENT;
7. INDIGENous PEOPLEs; and
8. CULTURAL HERITAGE.
Examples of ESG Risk Management Frameworks

- In 2019, the OECD published the *Due Diligence for Responsible Corporate Lending and Securities Underwriting* of the Guidelines for Multinational Enterprises.

- The extension of the Guidelines outlines a framework for banks to carry out a due diligence process to identify, respond and publicly communicate environmental and social risks and impacts associated with the activities of clients or prospective clients.

- It clarifies the expectations of responsible business conduct (RBC) of banks to: (i) foster positive contribution to economic, environmental, and social progress with a view to achieving sustainable development; and (ii) avoid and mitigate adverse impacts.

- The framework was developed in close consultation with leading global banks, governments and expert stakeholders in 2019.

- The guidance is organized according to a six-step framework:
BANKS ARE INCREASINGLY EXPLORING THE USE OF NEW FORWARD-LOOKING METHODOLOGIES AND TOOLS SUCH AS SCENARIO ANALYSIS

- Different models support scenario analysis and stress tests to assess the financial impact of climate/environmental risks. These include:
  
  **Physical risks models**, which assess the impact on companies’ future financial performance associated with different climate scenarios. Climate events can cause property and other damages and have multiple impacts on companies and supply chains.
  
  **Transition risk models**, which assess the risks associated with existing assets related to changes in climate policies (e.g. increasing carbon prices), technological changes (e.g. the reduction in cost of solar photovoltaic and wind energy) and changes in the preferences of consumers. These models utilize sector-specific models, macroeconomic models or **Integrated Assessment Models (IAM)** to quantify these changes on carbon intensive firms’ revenues and costs.

- Some banks have started to develop scenario analysis and pilot stress tests to assess physical and transition risks. Examples include the assessment of physical risks on agriculture and energy sectors, for different temperature scenarios (1.5, 2°C and higher) and their impact on the probability of default of sectoral borrowers or portfolios (**Navigating a New Climate UNEP FI 2018 Report**).

- The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) published a set of transition and physical risks scenarios that explore the impacts of climate change and climate policy, under different assumptions of temperature (ranging from below 2°C to above 3°C) and different scenarios of policy action (ranging from orderly to disorderly transition). The scenarios were developed primarily to be used by central banks and supervisors. However, they are increasingly being utilized by financial institutions.
Central banks have been integrating climate change in their stress tests to assess financial systems’ stability

- The Bank of England (BoE) has extended its stress testing horizon to 30 years through the Biennial Exploratory Scenario (BES), which requires financial firms to run scenarios against their balance sheet exposure and set out management responses. Climate risk scenarios will be included in the sector-wide stress tests as part of the 2021 exploratory scenario.

- The Netherlands’ Central Bank’s (DNB) energy transition stress test in 2018 showed that the Common Equity Tier 1 (CET1) ratio could drop by over 4 percentage points in a severe but plausible transition scenario.

- The French central bank’s regulatory authority (ACPR) has developed stress testing based on the NGFS scenarios, and drilling down to explore national macroeconomic, sector and firm level risks using in-house models.

- Strengthening the finance sector’s resilience to climate risk is one of the four pillars of the Monetary Authority of Singapore’s (MAS) green finance action plan. The MAS will include climate-related scenarios in its annual financial stress test by 2022.

- Pilot stress tests by national central banks have paved the way for the European Central Bank to integrate climate-related stress tests, including macroeconomic factors such as sudden transition risks. Most recently, the ECB has identified “a major source of systemic risk” in the preliminary results of its economic stress test to measure the impact of climate change on four million companies and 2,000 banks over 30 years.
DATA GAPS STILL CHALLENGE BANKS’ CAPACITY TO MEASURE AND MANAGE ESG AND CLIMATE RELATED RISKS

- The lack of historical data related to ESG issues makes it difficult to assess and quantify ESG risks.

- A European Commission study (2020) reports that 91% of interviewed banks considered data gaps to be the main challenge for defining, identifying, assessing and managing ESG risks. Also, 87% of banks pointed to the complexity and lack of standardized approaches and methodologies as an impediment to ESG risk management.

Given the lack of data and the challenges associated with new forward-looking methodologies, sector exclusion policies have been widely used as a tool to mitigate climate risk (73% of the surveyed banks have used them to reduce their exposure to carbon-intensive sectors).

- The “Climate and environmental risks and opportunities in Mexico’s financial system. From diagnosis to action” report shows that 76% of Mexican credit institutions find the available environmental-related insufficient when lending to a private non-listed company.

The previously mentioned Financial Services Industry survey of climate risk awareness from Oliver Wyman across 45 banks revealed that 34 claimed not to have enough internal data to include climate-related issues in their credit assessments. 20 banks collect data from borrowers and only 14 leverage external data.
In 2018, the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA) launched the **Green Loan Principles**, a set of standards and guidelines that provide a consistent methodology for use across the green loan market.

The **Green Loan Principles** and **Social Loan Principles** are based on ICMA’s Green Bond and Social Bond Principles, thus facilitating the securitization of green and social loans into green and social bonds.

A key element of a green or social loan or revolving green or social credit facility is how the proceeds are used, based on a list of categories set out in the principles.

The launch of the **Green Loan Principles** and the **Sustainability Linked Loan Principles** provided much-needed frameworks for a global market for loan products.

**LOANS DEFINITIONS**

**GREEN LOANS**: funds are used to finance or re-finance new and/or existing eligible green projects, such as energy efficiency or clean transportation.

**SOCIAL LOANS**: funds are committed to social impact projects, such as training people with disabilities to improve employability.

**SUSTAINABILITY LOANS**: funds are committed to green and social impact projects, such as providing people with disabilities employment opportunities in a plant that recycles plastic.
In 2019, the Sustainability Linked Loan Principles were launched to facilitate and support sustainable economic activity and growth. They have been developed by representatives from leading financial institutions active in the global syndicated loan markets.

A key element of a sustainability-linked loan (SSL) is the alignment of loan terms to predetermined sustainability performance targets (SPTs).

In 2020, the Guidance on Green Loan Principles and the Guidance on Sustainability Linked Loan Principles were also published to offer more clarity to facilitate the mobilization of such products.

**SUSTAINABILITY-LINKED LOANS DEFINITION**

- Loan instruments or contingent facilities (such as bonding lines, guarantee lines or letters of credit) priced according to the borrower’s achievement of predetermined sustainability performance objectives.
- The aggregate borrower’s sustainability performance is measured using sustainability performance targets (SPTs).
- Instead of determining specific uses of proceeds, these loans look to improve the borrower’s sustainability profile by aligning loan terms to the borrower’s performance against the relevant predetermined SPTs.
- The use of proceeds is not a determinant in the loan’s categorization since, in most instances, they will be used for general corporate purposes.
MARKET DEVELOPMENT: CAPITAL MOBILIZATION

GREEN AND SUSTAINABILITY-LINKED LOANS ARE GROWING

- While the global volume of green loans increased from US$38 billion in 2016 to US$80 billion in 2020, sustainability-linked loans' volume reached US$120 billion in 2020. The total amount of green and sustainability linked-loans in 2020 (US$200 billion) represented approximately 0.14% of total banking assets (BloombergNEF and Statista).
- The increase in issuance of SLLs since 2018 has been driven by a wider pool of borrowers seeking a more flexible instrument than for instance, a green loan.

- Both green and sustainability-linked loans decreased in 2020 relative to 2019 (BloombergNEF).
- From 2015 to 2020, Europe has taken the lead of issuance with 61% of the volume, followed by Asia-Pacific (20%), North-America (15%), Latin-America (3%), and Africa (1%).

Source: BloombergNEF, Bloomberg LP. Note: See BNEF's Sustainable Debt Tool (web) for most up-to-date data. Issuance in the tool is updated as information is released, including historical changes.
AN INCREASING NUMBER OF BANKS AND BANKING ASSOCIATIONS ARE JOINING SUSTAINABILITY AND DECARBONIZATION INITIATIVES

- The **Sustainable Banking Network** (SBN) is an IFC-supported network of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice.

- The membership of SBN has increased from less than 20 emerging countries in 2016 to 38 in 2020, representing US$43 trillion, 86% of total banking assets in those markets.

- Also, tools have been developed to support banks in achieving Paris alignment of their portfolios, including temperature ratings, PCAF’s recently launched **Global Carbon Accounting Standard** and the **Science Based Targets Initiative**, which is being applied by 25 banks, among many others. For a description of ESG tools, see Chapter 1 of this series.

- The **Net Zero Banking Alliance** is an industry-led initiative which brings together 43 banks from 23 countries with US$28.5 trillion in assets that are committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

- To enter the Alliance, banks signed a **commitment** to:
  1. Transition the GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.
  2. Set 2030 and 2050 targets, with intermediary targets to be set every 5 years from 2030 onwards, using the bank-led UNEP FI Guidelines for Climate Target Setting for Banks.
  3. Annually publish absolute emissions and emissions intensity and disclose progress against a board-level reviewed transition strategy, setting out proposed actions and sectoral policies.
ENVIRONMENTAL AND CLIMATE-RELATED SUPERVISORY ACTIVITY IN THE BANKING SECTOR HAS SEEN A STEADY INCREASE

- The Green Finance Measures Database (GFMD), built jointly by the UNEP Inquiry and Green Growth Knowledge Partnership, shows that the number of green banking regulations, guidance notes, and consultations have increased by 218% in developed countries, but only by 48% in emerging countries in 2020 relative to 2016.

- There are few regulations on environmental and climate-related reporting and disclosure.
- Environmental and climate risk management measures in the banking sector grew from 7 in 2016 to 17 in 2020.
- Measures looking to increase capital mobilization in the banking sector grew from 18 in 2016 to 29 in 2020.

Figure 3: Evolution of green measures in banking, consisting of both mandatory and voluntary regulations, guidance notes, and consultations (2016-2020) [Source: GFMD]
### Examples of Regulations and Recommendations Related to Sustainable Finance in the Banking Sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Authority</th>
<th>Year</th>
<th>Description</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Australian Prudential Regulation Authority</td>
<td>2020</td>
<td>Banks are encouraged to consider climate within their risk-management frameworks. There will be a <a href="#">2021 Climate Risk Vulnerability Assessment</a> for major Banks.</td>
</tr>
<tr>
<td>Brazil</td>
<td>Bank of Brazil</td>
<td>2020</td>
<td><strong>Announced plans to disclose in line with the TCFD recommendations</strong> and issue regulation for banks to disclose in line with these recommendations. Since 2014, it has been mandatory for all regulated financial institutions to have E&amp;S risk management.</td>
</tr>
<tr>
<td>Canada</td>
<td>The Bank of Canada</td>
<td>2020</td>
<td>Climate change risk was included in the analysis of the Canadian financial system and an <a href="#">exploratory paper</a> on scenario analysis was published. Companies receiving emergency funding during the pandemic were required to publish an annual report based on TCFD standards.</td>
</tr>
<tr>
<td>Georgia</td>
<td>National Bank of Georgia</td>
<td>2020</td>
<td>Launched the <a href="#">ESG Reporting and Disclosure Principles</a>, which guide the Georgian Commercial banks in ESG reporting and disclosure aligned with international good practices.</td>
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</tbody>
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## EXAMPLES OF REGULATIONS AND RECOMMENDATIONS RELATED TO SUSTAINABLE FINANCE IN THE BANKING SECTOR

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>AUTHORITY</th>
<th>YEAR</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>INDONESIA</td>
<td>Financial Services Authority of Indonesia (OJK)</td>
<td>2019</td>
<td>The largest banks and foreign banks are <strong>required to report on their annual action plans to implement the sustainable finance initiative</strong>.</td>
</tr>
<tr>
<td>NEW ZEALAND</td>
<td>Ministry for the Environment</td>
<td>2020</td>
<td>Announced that it will introduce a <strong>mandatory climate-related financial disclosure</strong> regime based on the TCFD framework.</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>The Prudential Regulation Authority (Bank of England)</td>
<td>2019</td>
<td>Issued a <strong>Supervisory Statement</strong> that sets expectations for banks and insurers regarding their consideration of climate risk across four areas. Also, climate risk was incorporated into prudential supervisory framework.</td>
</tr>
</tbody>
</table>
REGULATORY DEVELOPMENTS

EXAMPLES OF REGULATIONS AND RECOMMENDATIONS RELATED TO SUSTAINABLE FINANCE IN THE BANKING SECTOR


- The International Monetary Fund’s spring edition of the *2020 Global Financial Stability Report* called for stress testing and better disclosure of exposures to climatic hazards.

- In 2020, the NGFS developed *technical guidelines to help its members integrate climate-related and environmental risks into prudential supervision* and issued a *guide to climate scenario analysis* targeted at central banks and supervisors.

- The European Central Bank (ECB) published in 2020 the *final guide on climate-related and environmental risks for banks*. The guide explains how the ECB expects banks to prudently manage and transparently disclose such risks under current prudential rules.

- Banco de México presented in 2020 a *report* that provides a first in-depth diagnosis how prepared financial institutions in Mexico are to address environmental risks. It includes recommendations to promote and develop disclosure of physical and transition risk analysis for regulators and banks.

- In 2020, the U.S. securities and Exchange Commission released a *report* recommending financial regulators to “move urgently and decisively to measure, understand, and address climate risks” and suggesting that banks should incorporate climate risks into their internal risk management frameworks.

- The National Treasury of South Africa published in 2020 a *technical paper* that recommended regulators and the banking sector to establish standards on identifying, monitoring, and reporting climate-related risks.

- In 2020, the German Federal Financial Supervisory Authority (BaFin) published a *Guidance Notice on Dealing with Sustainability Risks*, a compendium of good practices that supervised entities should apply where risk management is the central focus.
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