



*Moving Forward with*  
**Environmental and  
Social Risk Management**

Findings from IFC Country Baseline Surveys



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# Abbreviations

ESRM	Environmental and Social Risk Management
ESMS	Environmental and Social Risk Management System
ERM Guidelines	Environmental Risk Management Guidelines
FI	Financial Institution
IFC	International Finance Corporation
E&S	Environmental & Social
NGO	Non-Governmental Organization
DFI	Donor Financial Institution
IFI	International Financing Institution
BB	Bangladesh Bank
CBRC	China Banking Regulatory Commission
CBN	Central Bank of Nigeria
n/a	Not applicable





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# Introduction

**F**inancial institutions (FIs) face a number of risks related to the activities of their clients. The impact of climate change, resource scarcity, environmental pollution and social issues such as involuntary resettlement are just some of the factors that might increase the risk incurred by FIs extending credit to clients. The potential impact can be substantial: FIs may face increased credit risk, reputational risk, or liability risk. In this context, IFC has observed a growing interest in Environmental and Social Risk Management (ESRM) from the financial sector in emerging markets. Furthermore, FIs are increasingly aware of the opportunities of environmentally and socially sustainable banking. This has resulted in concrete initiatives at three levels of the financial system:

- At the regulatory level, there have been various initiatives to introduce guidance on ESRM driven by banking regulators, other governmental institutions, or financial sector stakeholders, such as banking associations;
- Supporting institutions are starting to provide specialized services for ESRM, and industry associations are showing interest in promoting the topic; and

- FIs are adopting international standards, such as the Equator Principles, IFC Performance Standards and the Principles for Responsible Investment, and are starting to implement ESRM systems (ESMS).

IFC is supporting this space through ESRM advisory services provided to regulators, market capacity development institutions and FIs with the aim of fostering sustainable banking.

To provide an overview of the current state of ESRM, IFC has conducted a series of baseline surveys in Africa, Asia and Latin America. This paper provides a summary of the main findings of these market surveys and insights into the current practices of ESRM in emerging markets.

In this paper, the scope of the baseline surveys will be presented, followed by a detailed analysis of the survey results and a summary of the main survey findings. The last section of the paper provides an overview of current ESRM guidance<sup>1</sup> in the survey countries.

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1. Guidance on ESRM is issued by different actors (e.g. banking regulators, ministries, industry associations) and can be either mandatory or voluntary. As this publication is considering all of these different approaches, the general term “ESRM guidance” is applied. Chapter 5 gives a more detailed overview of the characteristics of existing ESRM guidance in five countries.





# Survey Methodology

IFC conducted surveys in nine countries to get an overview of FI awareness and perception of ESRM standards, and to learn their views on critical factors that incentivize or discourage the adoption of ESRM practices in emerging markets. The financial sectors in the countries where FIs were surveyed are at various stages of ESRM guidance and adoption. ESRM guidance for FIs is already in place in some markets and is being developed in other markets. In some countries, no actions have been initiated, but industry associations have shown substantial interest in exploring the topic. Table 1 gives an overview of the countries included in the survey and the number of institutions in each country that took part in the surveys.

In each country, the sample was selected using the following criteria:

- The sample of FIs should correspond to a minimum of 25% of commercial banks operating in the target country, representing at least 20% of loans in the market;
- The FI sample should represent a balance between IFC investment and advisory clients, as well as non-clients;
- At least three potential capacity building partners should be included in the supporting institutions sample; and
- The sample of regulatory institutions should include the central bank and at least one other regulatory body.

While the above general criteria were adhered to in the majority of surveys, participation varied considerably across markets. FI participation was especially high in those countries where ESRM initiatives had regulator support.

The surveys combined quantitative and qualitative methodologies<sup>2</sup>. This included the use of standardized questionnaires and in-person or phone interviews used to elaborate on the findings from the questionnaire responses.

**Table 1: Survey Participation by Country**

Country	No. of FIs
Bangladesh	16
Brazil	13
Colombia	9
Indonesia	6
Nigeria	7
Peru	7
Philippines	7
Thailand	4
Vietnam	54
<b>Total</b>	<b>123</b>

2. The surveys were administered by consulting firms in each country. Some of the questions were modified to fit the context. While this allowed more country-specific insights, it made the quantitative aggregation more challenging in some cases. If data presented in this report was available only for some countries, an explanation is provided.





# Key Findings

The results from the surveys provide insight into three essential facets of ESRM in emerging markets. First, the results, discussed in Section 3.1, highlight what FIs consider the main barriers to adopting ESRM as well as the main drivers that encourage ESRM adoption. Second, Section 3.2 describes the different levels of ESRM that have been adopted by the FIs surveyed, including the standards and tools they use, the level of development of ESMS, and when they consider ESRM in the credit application, decision-making and monitoring process. Lastly, Section 3.3 discusses what FIs expect from regulators and donors, such as IFC.

## 3.1 Barriers to and drivers for adopting Environmental and Social Risk Management

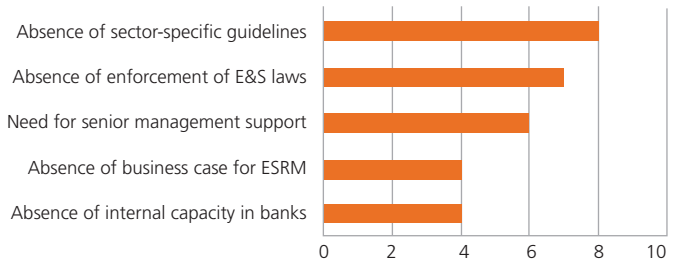
### Barriers to ESRM adoption

Most FIs surveyed agreed on the top three barriers to the adoption of ESRM. The absence of enforcement of Environmental and Social (E&S) legislation was identified as a top barrier (recognized by eight out of nine countries, and listed as the top barrier in four countries). The absence of sector-specific guidelines on ESRM was identified as the second-most important barrier (recognized by seven out of nine countries, and listed as the top barrier in two countries). The need for senior bank management support for ESRM was also consistently ranked in the top three (recognized by six out of nine countries).

The perceived absence of a business case for ESRM and a lack of FI capacity and qualified staff were also deemed significant barriers, although to a lesser extent (in each case, just four out of nine countries recognized these barriers).

Figure 1 provides a summary of the barriers rated most important by FIs and indicates the number of countries in which FIs cited the barrier as most important.

**Figure 1: Number of countries in which following barriers were identified as most important by FIs**



### Drivers for ESRM adoption

Two drivers were identified by most FIs in most countries as primary for adopting ESRM. These include banking regulation on ESRM, and the benefits of improved credibility and reputation (recognized as first, second, or third in importance in six out of nine countries).

There was no consensus on other important drivers. Instead, different drivers were considered important by smaller numbers of FIs in different countries, including:

- Improved credit risk (four out of nine countries);
- National legislation, including labor, health, safety and environmental laws that address the most relevant E&S issues for clients (three out of nine countries);
- Shareholder interest and pressure was rated as one of the main drivers in Colombia, Indonesia, and the Philippines.



Interestingly, FIs only in Brazil, Colombia and Peru considered the creation of new business opportunities as one of the most important drivers for adopting ESRM.

In some countries, certain drivers were considered especially significant:

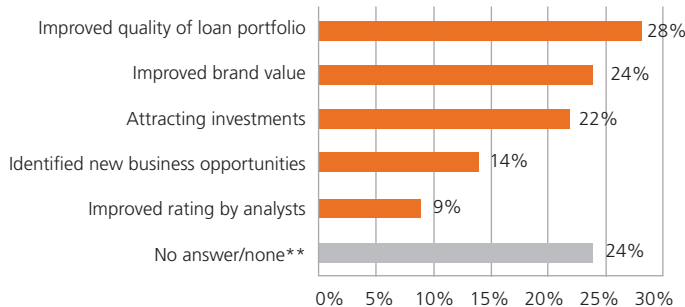
- In Nigeria, access to funding from investors or international financing institutions (IFIs) was identified as most important;
- In Bangladesh, banking regulation on E&S risks was identified as most important;
- In Colombia, the most important drivers were internal to the FIs, including improved credit risk, new business opportunities and improved reputation, while external drivers such as legislation were considered less important.

Other drivers rated less important by most FIs included pressure from the public, NGOs, or customers, the potential loss of clients, and the threat of losing market valuation.

### Benefits expected from implementing ESRM

FIs provided useful feedback about the potential benefits of ESRM, as summarized in Figure 2. More than one in four of those surveyed (28%) said they expect an improvement of loan portfolio quality as a result of adopting ESRM, and nearly a quarter (24%) said they expect improved brand

Figure 2: Potential benefits of ESRM (% of FIs)\*



\* Data not available for Brazil, Colombia and Peru due to different survey methodologies

\*\* Excluding Nigeria

value. More than one in five (22%) said they expect easier access to funding sources.

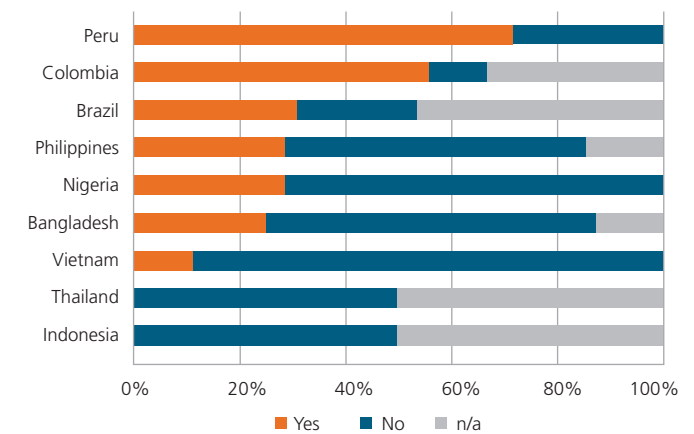
While the majority of FIs surveyed listed one or more potential benefits of ESRM, 24% indicated that they did not expect any potential benefits, or did not answer the question.

### Correlation between clients' financial performance and management of E&S risks

The majority of FIs did not see a correlation between the financial performance of clients and the way in which clients manage their E&S risks. Only 26% indicated a correlation, in many cases stating that clients that managed their E&S risks were in general more likely to better manage their business.

Figure 3 shows substantial regional differences in perceptions of a correlation between financial performance and management of E&S risks. FIs in Latin American countries were more likely to perceive a correlation than FIs in other regions, with more than 70% of the FIs in Peru observing a correlation.

Figure 3: Correlation between clients' E&S and financial performance (% of FIs)



3. Data available only for Brazil, Colombia, Indonesia, Peru, the Philippines and Thailand



Additionally, only FIs in Latin America stated that they had been negatively affected by clients who badly managed their E&S risks.<sup>3</sup> FIs in Indonesia, the Philippines and Thailand stated that they had not been negatively affected by such clients, or did not answer the question.

### 3.2 Levels of Implementation of Environmental and Social Risk Management Systems within FIs

The previous section illustrates how FIs understand the benefits of ESRM and the barriers that hamper the adoption of ESRM. This section examines the level of implementation of Environmental and Social Risk Management Systems (ESMS) within the FIs surveyed to understand the main strengths and weaknesses of those systems.

The surveys examined the following areas, which are described in detail below:

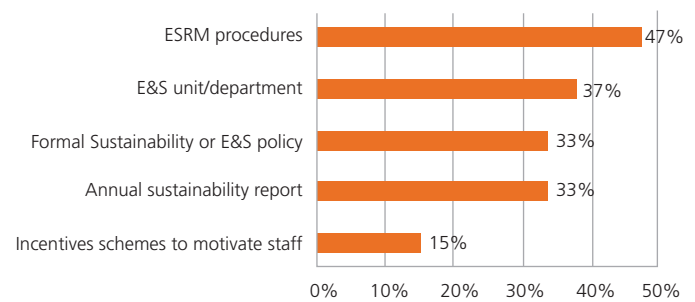
- The main elements that constitute an ESMS (policy, procedures)
- The ESRM standards used by the FIs (IFC Performance Standards, Equator Principles)
- The resources made available for ESRM in the FIs (technical, financial, dedicated staff)
- Application of ESRM in credit appraisals, credit decision-making and monitoring

In general, the qualitative findings of the surveys suggest that local banks working with development finance institutions (DFIs) as well as international banks are more advanced in ESRM implementation, while local banks without DFI involvement tend to have less advanced ESMS.

- Almost half of the FIs surveyed had implemented ESRM procedures, as indicated in Figure 4. Yet only one third of them stated that they had a formal sustainability or E&S

policy in place. The discrepancy might be due to the fact that the E&S policy was understood to be part of the procedures, and therefore wasn't identified as a separate element. It may also indicate that some FIs implement ESRM without clear institutional commitment and strategic guidance from management.

Figure 4: ESMS elements implemented by FIs (% of FIs)



A large number of FIs had established ESRM units within the institution and indicated that they produced annual sustainability reports. Incentive mechanisms to motivate credit and investment officers to integrate E&S considerations into their work are implemented only by a small percentage (15%) of the FIs surveyed. Qualitative interviews indicate that conventional incentive mechanisms for credit and investment officers prevail, which usually focus on sales and can be adverse to E&S issues.

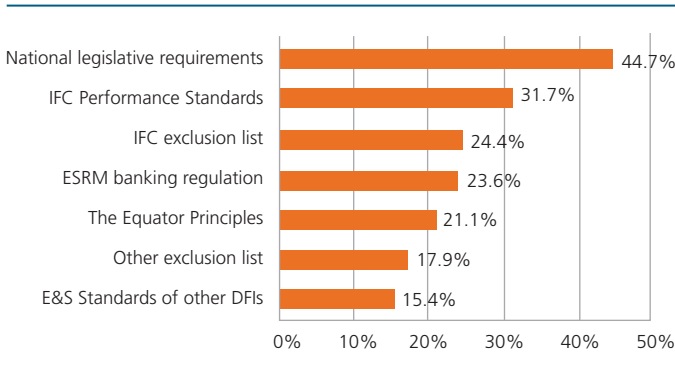
- Figure 5 shows that most FIs surveyed (almost 45%) said that they applied national legislative requirements when implementing ESRM. FIs applying ESRM as a result of banking regulations<sup>4</sup> was more limited. FIs mainly from Bangladesh and Brazil fell into this category because these countries were the only ones that had ESRM banking regulation in place at the time of the surveys.

Just under one third of the FIs surveyed signaled that they applied the IFC Performance Standards, and about one in four indicated that they applied the IFC Exclusion List.

4. The term “ESRM banking regulation” was used in several surveys. It refers to ESRM guidance that was introduced by banking regulators or other regulatory bodies and is mandatory.



**Figure 5: Use of E&S Standards (% of FIs)**

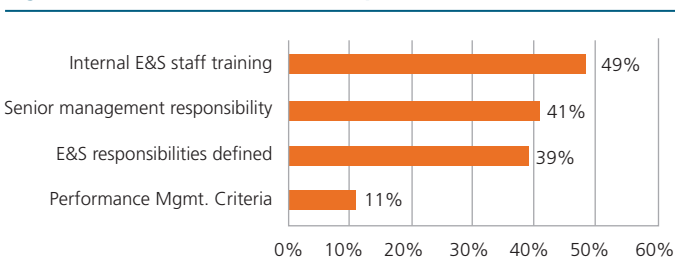


About 18% said they developed and applied their own exclusion lists. Overall, these findings demonstrate that the IFC Performance Standards are widely applied, as are the Equator Principles, which are based on the IFC Performance Standards.

c. A limited number of FIs allocate resources to their ESMS. Only 28% of FIs provided technical and financial resources, while 24% provided resources to IT systems. The survey did not measure the quality of these resources at the individual FI level, and no conclusions can be made about their appropriateness.

The findings are different for staff resources, with 41% of FIs stating that responsibility for ESRM is assigned to a senior staff member. Almost half of the FIs surveyed indicated that they had implemented some sort of training on ESRM, but in most cases, only for a small number of staff. The quality of these trainings was not assessed. Selected results are shown in Figure 6.

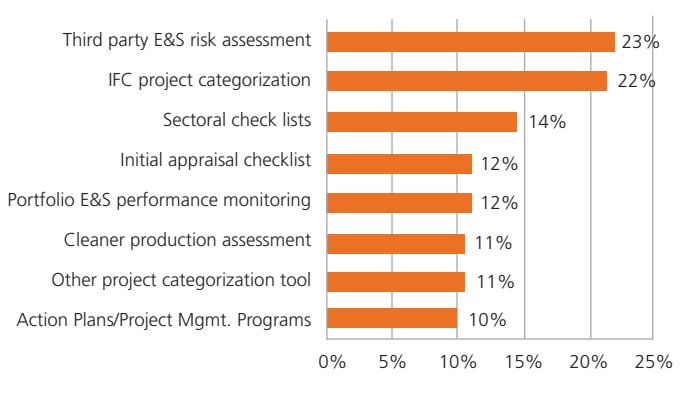
**Figure 6: Staff resources and responsibilities (% of FIs)**



Many FIs said that responsibility for ESRM is not clearly assigned to a specific department and the roles are not clearly defined. Responsibility was in many cases shared between two or more departments. In most cases, responsibility lay with the risk and/or credit departments. Other departments mentioned included legal, compliance, investment, investor relations, sustainability and environment.

d. Application of ESRM in credit appraisal, decision-making and monitoring. A majority of FIs (57%) used site visits to support the implementation of ESRM. But qualitative interviews indicated that FIs might have mentioned site visits because they implement them already and not only for ESRM purposes. Figure 7 lists other tools that FIs applied in credit appraisal. The top two were E&S risk assessments by third parties and IFC project categorization. Other tools are used by less than 15% of the FIs.

**Figure 7: ESRM tools applied in credit appraisal (% of FIs)**

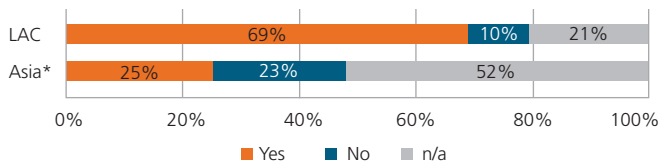


An average of 48% of FIs surveyed said they use E&S tools in credit appraisal. However, Figure 8 demonstrates that there are regional differences. The application of ESRM tools is much higher among FIs in Latin America than in Asia, where only 25% of the FIs stated that they applied ESRM tools in credit appraisal.





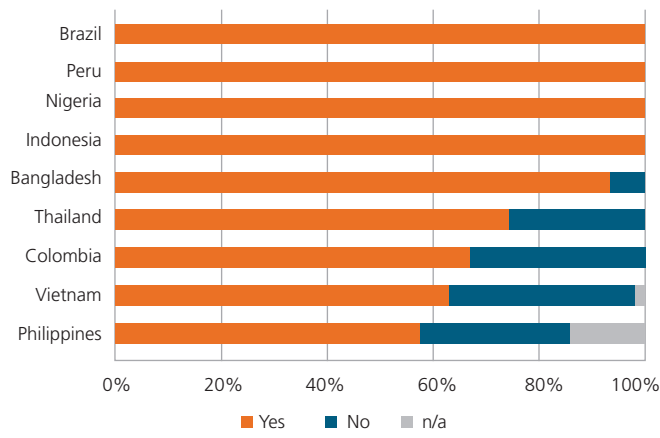
**Figure 8: ESRM tools used in credit appraisal (% of FIs)**



\* Excluding Bangladesh

Almost 77% of FIs surveyed indicated that they consider E&S risks in credit decision-making. In Brazil, Indonesia, Nigeria and Peru, all of the FIs surveyed stated that they consider E&S risks in credit decision-making (see Figure 9). In the other countries surveyed, between 57% and 75% of FIs stated that they consider E&S risks. The surveys did not assess the effectiveness of considering E&S risks.

**Figure 9: Consideration of E&S risks in credit decision making (% of FIs)**



Countries where ESRM banking regulation or national legislation already exists had a high percentage of FIs reporting that they consider E&S risks in credit decision-making (Bangladesh, Brazil and Indonesia)<sup>5</sup>. In Nigeria, a possible explanation for the high number of FIs considering E&S risks might be that the majority of the participating FIs had already received funding from IFC (five out of

seven), and were therefore required to implement ESRM. Another reason might be that leading FIs had issued a joint statement agreeing to commit to sustainable banking.

As noted earlier, Peruvian banks saw a clear link between ESRM and financial performance, which may explain why such a high number of FIs in the country consider E&S risks in credit decision-making.

While many FIs consider E&S risks in their credit decision-making, fewer employ E&S tools in credit appraisal (see Figure 7 and Figure 8). It is unclear to what extent FIs are able to integrate E&S risks into decision-making if they do not use E&S tools in the appraisal. This fact, as well as qualitative interviews, suggests that it is possible that fewer FIs consider E&S risks in credit decision-making than the quantitative data suggest.

One third of the FIs indicated that they monitor E&S risks. The majority of them are in Latin America.

Only one FI provided figures on overdue loans due to E&S issues. This suggests that reporting on repayment delay and losses caused by E&S issues are not widely implemented by FIs.

### 3.3 What FIs expect from regulators and supporting institutions

Many regulators, supporting institutions and DFIs support and promote the adoption of ESRM guidance. The surveys assessed the effectiveness of ESRM guidance from the FI point of view, as well as the expectation of the FIs towards donors.

#### Effectiveness of ESRM guidance

The surveys provide limited insight into the FIs perceived benefits of ESRM guidance because such guidance had been adopted only in Bangladesh (2011), Brazil (2008 - 2011) and Colombia (2012)<sup>6</sup> at the time the surveys were conducted.

5. For Brazil: Resolution on Amazonas Biome, Sugar Cane and Slave Labor, Circular on ICAAP (2008 – 2011). For Bangladesh: Bangladesh Environmental Conservation Act (1995). For Indonesia: Program for Pollution Control, Evaluation and Rating (PROPER 1995), AMDAL Process (1982).

6. Bangladesh and Brazil had mandatory regulation on ESRM in place, and Brazil and Colombia had voluntary guidelines in place. As the guidance in Colombia was very recent at the time of the surveys, its potential impact on the data presented in the report is not considered significant.

Surveys of FIs in Bangladesh indicate a need for additional advice to implement the Environmental Risk Management Guidelines (ERM Guidelines)<sup>7</sup> and to develop sector-specific guidelines. In fact, the absence of sector-specific guidelines was rated as the most important barrier to ESRM adoption in Bangladesh. Additionally, when asked for services that IFC or other DFIs could provide, the most requested were the development of E&S policies and sector-specific guidelines. The results from qualitative interviews also indicated that the FIs in Bangladesh do not have a common understanding of the ERM Guidelines and apply different standards in the assessment of E&S risks. Furthermore, FIs in Bangladesh have difficulties in preparing sector-specific policies and in complying with internationally acceptable reporting standards, which are both requirements of the ERM Guidelines.

### Expectations regarding ESRM guidance

FIs in some markets indicated that input from regulators was necessary for effective action. For example, several FIs in Vietnam have urged the State Bank of Vietnam to develop ESRM guidance. In Indonesia and Nigeria, where ESRM guidance was anticipated, FIs indicated that they would not adopt ESRM before the guidance was defined.

Some FIs, especially international banks and banks working with DFIs, are already implementing ESMS. Some of these FIs expressed concerns about having to change their current ESRM practices should national ESRM guidance become mandatory, and stated that they would prefer voluntary guidance instead of mandatory guidance.

Some FIs expressed concern that mandatory guidance would set unreasonably high standards, making it difficult for them to comply.

### Services offered by DFIs and supporting institutions

FIs<sup>8</sup> were most interested in awareness-raising workshops, training events, conferences and seminars for bank

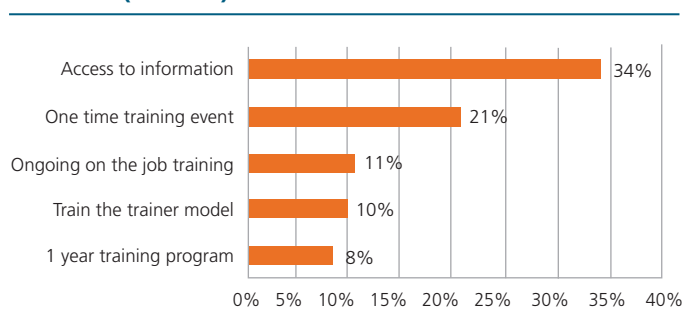
management and staff. Of these, awareness-raising events for bank management and staff were rated as most important in Bangladesh, Brazil, Nigeria and Peru.

FIs in Bangladesh<sup>9</sup> and Vietnam considered it very important for DFIs to engage with central banks, environmental authorities, or industry experts to help develop relevant E&S guidance. The demand for ESRM guidance in Bangladesh was ranked very high, despite having the ERM Guidelines in place when the survey was implemented.

The FIs surveyed listed access to information about ESRM and one-time training events as the most important training models, at 34% and 21% respectively. On-the-job training, train-the-trainer and long-term training were considered important by fewer FIs (see Figure 10). This suggests that FIs are interested in building basic knowledge about ESRM among all staff, rather than investing in long-term intensive training for select staff.

The surveys found that the capacity of local consulting firms to implement ESRM was limited because few consulting firms had developed the ability to target banks' ESRM needs. The use of consulting firms by FIs has also been limited, even though in general, FIs are interested in using consulting firms to support them in the development and implementation of ESRM.

**Figure 10: Training model considered most important (% of FIs)**



7. Environmental Risk Management Guidelines, issued by the Bank of Bangladesh. Refer to chapter 5 for more information.

8. Data for all countries except Indonesia, the Philippines and Thailand.

9. "Awareness-raising" and "Engagement to develop ESRM guidance" were clearly rated highest and received an equal number of scores in Bangladesh.

# Conclusions



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**The absence of regulatory guidance was identified by FIs as one of the key barriers to the adoption of ESRM.** There is a broad consensus among FIs in the countries surveyed that the absence of E&S law enforcement and of sector-specific guidance are among the key barriers to adopting ESRM. Additionally, ESRM guidance was rated by FIs as one of the main drivers for adoption of ESRM.

**Reputational benefits are one of the main drivers for the adoption of ESRM.** In addition to reputational benefits, the majority of FIs identified improved loan portfolio quality, enhanced brand value and easier access to funding as additional potential benefits of adopting ESRM. Conversely, fewer FIs saw a direct correlation between poor E&S performance and loan performance of clients.

**About half of the FIs surveyed have adopted certain elements of an ESMS.** Most FIs have developed ESRM procedures, though some of these FIs do not have an ESRM policy in place. The ESRM standards most frequently used by FIs are national laws and ESRM banking regulation, as well as IFC Performance Standards and Equator Principles.

**The quality of the ESMS varies broadly.** The technical and financial resources made available for ESRM are limited. While staff resources are allocated to ESRM, including staff training and staff mandates, the lack of senior staff commitment was assessed as a major barrier to the adoption of ESRM.

**Results on implementation of ESRM practices are mixed.** 77% of the FIs surveyed stated that they consider E&S risks in credit decision-making, however only half use E&S tools in credit appraisal. Monitoring of E&S risks in the credit portfolio takes place only to a limited extent. Missing portfolio monitoring and reporting impedes the evaluation of the impact of E&S risks on FI portfolios.

**Regional differences in the implementation of ESRM are significant.** In general, the FIs in Latin America seem to be more aware of and have more developed ESMS in place than the FIs in Asia.

**Regulation and ESRM guidance have an impact.** Countries that have adopted ESRM guidance or national legislation have a high percentage of FIs that consider E&S risks in credit decision-making (Brazil, Bangladesh, and Indonesia).

**The FIs expect guidance from regulators.** An unclear regulatory environment was cited as an obstacle to adopting ESRM. FIs expressed a need for timely regulatory guidance that is appropriate to the national situation and reasonable to adopt.

**FIs are primarily interested in awareness-raising and in developing ESRM guidance.** FIs cited awareness-raising and the development of guidelines as the two most important areas of support they would like to receive from DFIs. In terms of training, FIs have a preference for short-term awareness-raising events for a large number of staff, rather than intensive training for a select group of staff.



# Characteristics of Guidance on Environmental and Social Risk Management



Guidance on ESRM can have several different characteristics. Banking regulators may make ESRM mandatory, or other market players, such as banking associations, might develop voluntary principles. In some cases, ESRM might be one topic included among broader guidance on, for example, risk management for the financial sector. This section deals with types of guidance that are relevant to the banking sector. The more general

term “ESRM guidance” is used when referring to these types of guidance.

Of the surveyed countries, Bangladesh, Brazil, Colombia and Nigeria have established ESRM guidance. Indonesia, Mongolia, Peru and Vietnam are in the process of developing ESRM guidance. Table 2 provides an overview of ESRM guidance established in these four countries and in China.<sup>10</sup>

**Table 2: Overview of ESRM guidance established in these four countries and in China**

Country	ESRM guidance documents	Year of issuance	Main stakeholders involved in development of guidance	Responsibility for implementation	Scope	Coverage
<b>Bangladesh</b>	- Environmental Risk Management Guidelines for banks and FIs	2011	- Bangladesh Bank (BB) - Commercial banks	- Supervision department of BB - Since 2013: newly established Green Banking and CSR Department of BB	Mandatory regulation	Banks and Financial Organizations under the Financial Institutions Act (former Non-Bank FIs)
<b>Brazil</b>	- Green Protocol (Protocolo de intenções) for Public Banks - Green Protocol for Private Banks	2008 2009	- Ministry of Environment - Public Banks - Banking Association (Febraban) and Private Banks	n/a	Voluntary guidelines	Public and private banks who are signatories to the protocols
	- Resolution 3545 on the Amazon Biome - Resolution 3813 on Sugar Cane - Resolution 3876 on Slave Labor - Circular 3547 on ICAAP	2008 2009 2010 2011	- Central Bank of Brazil	n/a	Mandatory regulation	Regulated FIs and FIs integrated in the National Rural Credit System

10. Even though China was not part of the baseline surveys, it is included in this analysis because IFC has cooperated closely with the CBRC on the establishment of the Green Credit Guidelines and has implemented a similar review of China’s ESRM guidance.



**Table 2: Overview of ESRM guidance established in these four countries and in China (Continued)**

Country	ESRM guidance documents	Year of issuance	Main stakeholders involved in development of guidance	Responsibility for implementation	Scope	Coverage
<b>China</b>	- Green Credit Policy	2007	- Ministry of Environmental Protection - China Banking Regulatory Commission (CBRC) - People's Bank of China	Statistics and Research Departments of the CBRC	Mandatory regulation	Policy banks, state-owned commercial banks, joint-stock commercial banks, financial assets management companies, Postal Savings Bank of China, provincial rural credit unions; all trust firms, enterprise group finance companies and financial leasing firms directly regulated by the CBRC
	- Green Credit Guidelines	2012	- China Banking Regulatory Commission			
<b>Colombia</b>	- Green Protocol	2012	- Ministry of Environment and Sustainable Development - Banking Association (Asobancaria) - Commercial banks - Public banks	n/a	Voluntary guidelines	The financial sector in general, signatories are public and private banks
<b>Nigeria</b>	Nigerian Sustainable Banking Principles and Guidance Note, including three Sector-Specific Guidelines	2012	- Central Bank of Nigeria (CBN) - Nigeria Bankers Committee - Commercial banks	- Adviser on Sustainability at CBN - Deputy Director of the Policy and Regulation Department of the CBN - Sustainability Committee comprising members of 13 departments of the CBN	Quasi-mandatory regulation <sup>11</sup>	Banks, discount houses and development finance institutions

11. In Nigeria, the members of the Nigeria Banking Committee officially launched the Nigeria Sustainable Banking Guidelines in July 2012, and committed themselves to implement the guidelines. Consequently, in September 2012, the Central Bank of Nigeria issued a circular directing FIs to adopt the guidelines, thereby making the guidelines quasi-mandatory.



## Content of ESRM guidance

ESRM guidance in each country has different features and areas of focus. Table 3 provides an overview of these different approaches. The overview does not provide any information about the quality, strengths, or weaknesses of the summarized guidance.

The main categories that have been included in the overview are:

- Characteristics of mandatory guidance
- Characteristics of voluntary guidance
- Main elements of the guidance that refer to ESRM
- Main elements that refer to sustainable banking opportunities
- Elements that refer to the implementation of the ESRM guidance

Three countries have implemented ESRM guidance with a specific focus or have emphasized certain topics that are relevant to these countries in particular. Some elements worth highlighting are:

- Bangladesh: specific guidelines have a strong focus on environmental risk management and there are plans to focus on social issues in subsequent updates;

- Brazil: mandatory guidance covers specific areas relevant to Brazil, including on financing of activities related to the Amazon biome, slave labor and sugar cane plantations (related to the protection of biodiversity and indigenous people); and
- Nigeria: in addition to focusing on ESRM issues, the guidance has specific focus areas, including human rights, financial inclusion, corporate governance and women's economic empowerment.

The coverage of national ESRM regulation is generally limited to the domestic business activities and operations of the FIs, although in China, the Green Credit Guidelines also apply to overseas activities of FIs.

ESRM guidance does not expire in any country surveyed except Brazil, where the Green Protocol for Private Banks was issued for five years.

## Overview of existing elements of ESRM guidance

Table 3 provides a list of elements that may be contained in ESRM guidance. The table matches these elements to the ESRM documents described in table 2, in Bangladesh, Brazil, China, Colombia and Nigeria.

**Table 3: Overview of existing elements of ESRM guidance**

	Bangladesh	Brazil	China	Colombia	Nigeria
Mandatory regulatory framework (supervision by banking regulator)	✓	✓	✓		✓
Monitoring mechanisms by regulators	✓		✓		planned
Reporting to regulator required	✓		✓		✓
Public disclosure required			✓		planned
Incentives for FIs	✓		✓		
<b>Voluntary principles / guidelines</b>	n/a	✓	n/a	✓	✓
Voluntary guidelines are unlimited in time	n/a		n/a	✓	✓
<b>Elements referring to the adoption of ESRM (both voluntary or mandatory)</b>					
Integrate ESRM in the FIs' business activities	✓	✓	✓	✓	✓
– Establishment of an ESRM policy	✓	✓	✓	✓	✓
– Establishment of ESRM procedures	✓	✓	✓	✓	✓
– Implementation of E&S risk due diligence	✓	✓	✓	✓	✓
– Definition of ESRM roles and responsibilities	✓		✓		✓
– Implementation of E&S risk portfolio supervision and monitoring	✓		✓		✓
– Reporting on E&S risks	✓		✓		✓
<b>Elements referring to the sustainable business opportunities</b>					
Promote financing of sustainable investments		✓	✓	✓	✓
Manage the environmental footprint of FIs operations		✓	✓	✓	✓
<b>Elements referring to the implementation of the guidance</b>					
Build capacity of FIs' staff to implement the guidance	✓	✓	✓	✓	✓
Monitor and report on the implementation of the guidance	✓	✓	✓	✓	✓
Inform and involve stakeholders and interested parties	✓	✓	✓	✓	✓
<b>Additional tools and information provided with guidance</b>					
Implementation notes	✓				✓
Sector specific guidelines or checklists	10				3
Implementation plan and time schedule				✓	✓



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