NBG’s Sustainable Finance Framework – Experiences and Challenges

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The NBG, as a central bank of Georgia, is committed to promoting the role of the financial sector in supporting the sustainable development of the country and for this purpose develops a sustainable finance framework.

The NBG’s sustainable finance journey started in 2017 when we joined the Sustainable Banking Network, SBN.

The NBG adopts a broad approach to sustainable finance: “Sustainable Finance incorporates climate, green and social finance while also adding wider considerations concerning the longer-term economic sustainability of the organizations that are being funded, as well as the role and stability of the overall financial system in which they operate” – ICMA.
• The key milestone was the launch of the Sustainable Finance Roadmap for Georgia:

✓ The Roadmap summarizes all possible actions that the NBG intends to implement regarding sustainable finance in the near future with the corresponding timeframe.

✓ The ultimate goal of this roadmap is to provide a credible, predictable, and stable regulatory framework and prepare the market for transitioning to sustainable finance.

• The Sustainable Finance Roadmap consists of four main pillars:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Support capacity building and increase awareness</td>
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<tr>
<td>II</td>
<td>Guide the financial flows towards sustainable development.</td>
</tr>
<tr>
<td>III</td>
<td>Ensure the incorporation of ESG considerations into risk management and decision-making of financial institutions.</td>
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<tr>
<td>IV</td>
<td>Support transparency and market discipline.</td>
</tr>
</tbody>
</table>
# NBG’s Sustainable Finance Roadmap for 2019-2022

## 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 Risk 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.

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**Already Implemented; Ongoing; Upcoming**
Pillar 1 - Increasing Awareness and Capacity Building

• **Motivation/ Challenges**
  • Lack of understanding of risks stemming from sustainability issues and the benefits of developing sustainable finance;
  • Need for capacity building among different stakeholders.

• **Actions taken:**
  • Translation of ICMA Green, Social and Sustainable Bond Principles in Georgian language;
  • Organizing Sustainable Finance Conferences in cooperation with the SBN/IFC in 2018 and 2019;
  • Creation of the Sustainable Finance Working Group;
  • Cooperation with international organizations and participation in various workshops/seminars;
  • Joining the Network for Greening the Financial System (NGFS) in February, 2020.

• **Future Steps**
  • Organizing more workshops/conferences on sustainable finance;
  • Conducting analytical work and research;
  • Developing policies and guidance to support market action.
Pillar 2 - Sustainable Finance Flows

• **Motivation/ Challenges**
  • Lack of common definitions/taxonomy;
  • Less developed capital market;
  • Small market.

• **Actions taken:**
  • Developing the **Sustainable Finance Taxonomy** in collaboration with the SBN/IFC.

• **Future Steps**
  • Developing Sustainable Finance Guidelines;
  • Exploring options for incentives and regulations to support sustainable finance flows.
• Motivation/ Challenges
  • Ensuring proper ESG risk management practices by financial institutions and capital market participants.

• Actions taken:
  • Integration of ESG consideration in Corporate Governance (CG) Codes for commercial banks and capital market:
    ▪ ESG considerations must be the part of the entity’s strategy;
    ▪ ESG risks should be incorporated in risk management system;
    ▪ CG code also requires entities to disclose ESG related information.

• Future Steps
  • Developing ESG Risk Management Guidance and Tools.
Pillar 4 - Transparency and Market Discipline

• Motivation/ Challenges
  • Lack of transparency regarding sustainable finance;
  • Monitoring and evaluating sustainable finance performance of financial institutions and overall system.

• Actions taken:
  • Setting minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market;
  • Developing the ESG Reporting and Disclosure Principles and the corresponding template in cooperation with OECD;
  • Creating a Sustainable Finance Information Hub - a special section on the NBG’s website.

• Future Steps
  • Developing progress measurement tools.
Concluding Remarks

• **Highlights from our experience**
  • Setting the foundation – basic but necessary steps;
  • Specifics of the Georgian financial system;
  • Limited resources;
  • Early stage of sustainable finance development.

• **Going forward**
  • Successful completion of the actions listed in the current roadmap;
  • More advanced actions for the next roadmap.
Joining SBN
CA with IFC
SF Roadmap
SF Working Group
Joining NGFS
SF Taxonomy
ESG Scorecard
SF Guidelines

2017
2018
2019
2020
2021
2022

The NBG joined Sustainable Banking Network
The NBG signed the first Cooperation Agreement with IFC
The NBG launched the Sustainable Finance Roadmap for Georgia, developed together with IFC/SBN
The NBG established the SF Working Group
The NBG joined the Network for Greening the Financial System
The NBG develops the SF Taxonomy that combines green and social taxonomies
The NBG in cooperation with IFC develops ESG Scorecard for commercial banks.
The NBG will develop Sustainable Finance Guidelines

ESG in CG Code
First SF Conference
Second SF Conference
ESG Disclosure Principles
CA with IFC
Updates in CG Code
ESG Risk Management Guidelines

Integrating ESG considerations into Corporate Governance Code for commercial banks
The NBG in cooperation with IFC/SBN organized First Sustainable Finance Conference
The NBG together with IFC/SBN hosted Second Sustainable Finance Conference
The NBG published ESG Reporting and Disclosure Principles with a corresponding template, developed with the OECD
The NBG signed the second Cooperation Agreement with IFC
The NBG amends the ESG part of CG code to reflect sustainable finance developments
The NBG plans to develop ESG Risk Management Guidelines
Thank You!

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