

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Georgia



© International Finance Corporation [2019], as the Secretariat of the Sustainable Banking Network (SBN). All rights reserved. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433 Internet: www.ifc.org. The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC and SBN encourage dissemination of their work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC and SBN do not guarantee the accuracy, reliability, or completeness of the content included in this work, or the conclusions or judgments described herein, and accept no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

This work was prepared in consultation with SBN members. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank Group, IFC, or the governments they represent. The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties named herein.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433. International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

Table of Contents

1. Country progress summary	1
2. Overview of policy coverage by indicators	3
3. Policy coverage developed	4
4. Policy coverage to be developed	7

1. Country progress summary – Georgia



SBN Member: [National Bank of Georgia \(NBG\)](#) (member since 2017)

SBN Working Group: Measurement Working Group, Green Bond Working Group

Key policy documents:

- Corporate Governance Code for Commercial Banks (NBG, 2018)
- Roadmap for Sustainable Finance in Georgia (NBG, 2019)

Key milestones since 2018 SBN Report:

- NBG integrated mandatory ESG requirements (including ESG disclosure) into the corporate governance code for commercial banks, branches, and subsidiaries of foreign banks operating in the country (2018).
- NBG published the Roadmap for Sustainable Finance in Georgia (2019).
- Georgia has therefore progressed two steps from “Commitment” under the “Preparation” stage to “Developing” under the “Implementation” stage, as indicated in the “Progression Matrix”.

Ambitions for next phase: NBG is committed to fully implement the 2019 “Sustainable Finance Roadmap”, which covers four pillars: awareness raising, sustainable finance flows, ESG risk management, and transparency and reporting.

SBN and IFC role: IFC has provided technical support and advisory services to NGB in relation to policy development, implementation, and capacity building. Through SBN, NBG has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

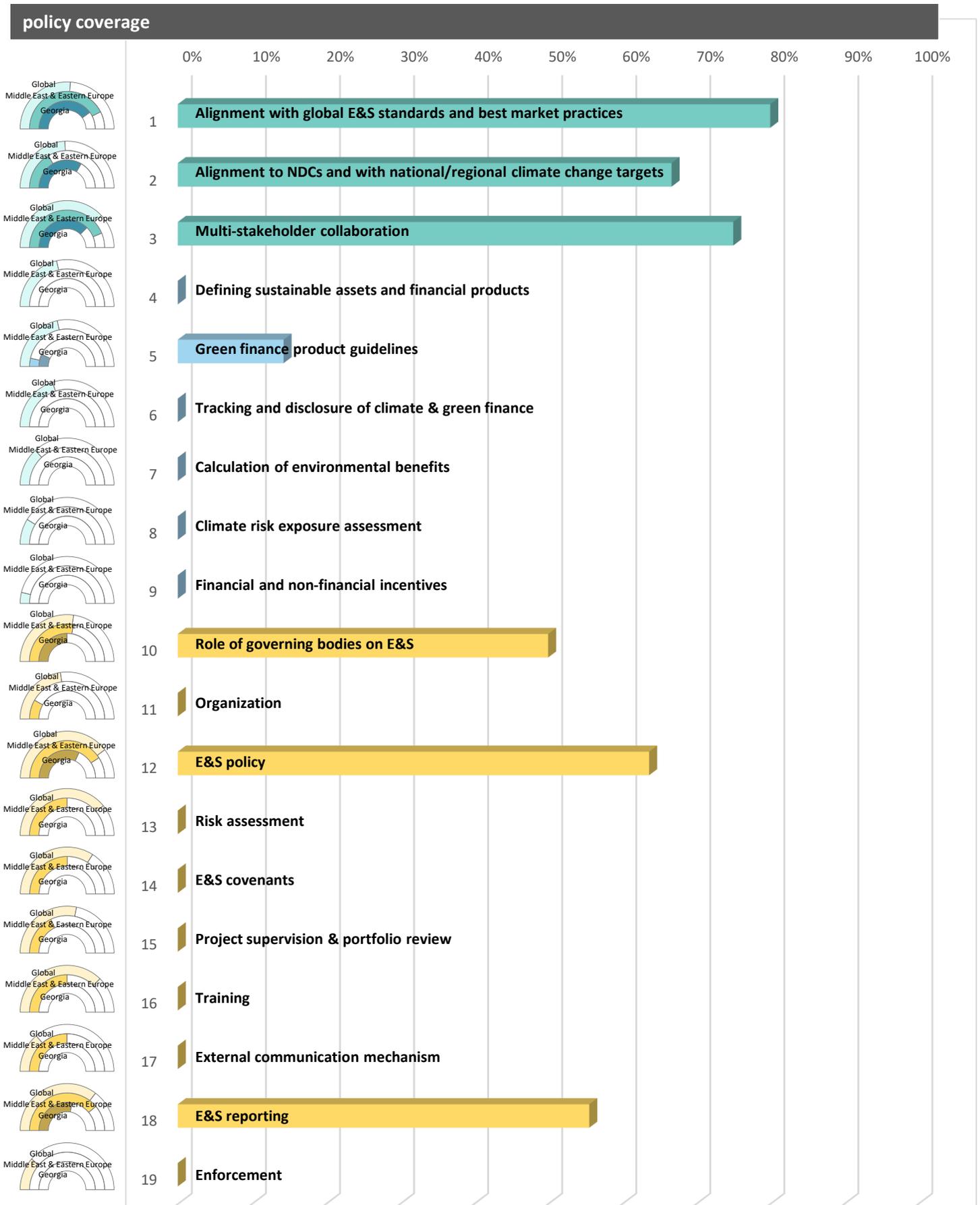


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

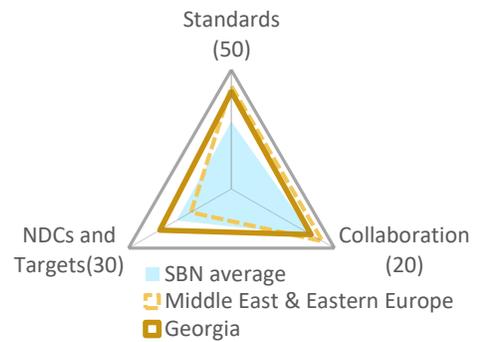
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



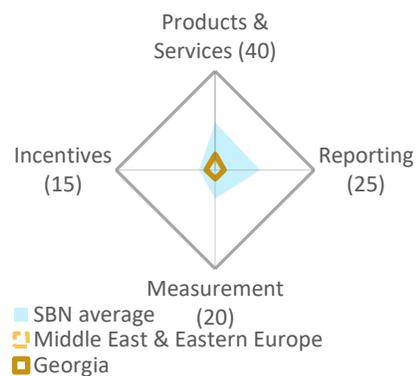
3. Policy coverage developed

Pillar I: Strategic Alignment



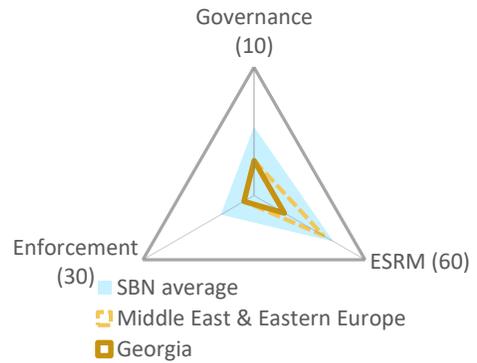
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	<p>The Roadmap for Sustainable Finance mentions international E&S risk management standards such as IFC’s Performance Standards and the Equator Principles.</p> <p>The NBG, with the support of the OECD, is engaged in creating ESG reporting and disclosure principles for commercial banks and other FIs. It is drawing on international green finance and climate finance reporting standards such as GRI, TCFD, SASB, and PRI.</p>	<p>Roadmap for Sustainable Finance in Georgia (NBG, 2019) – ESG Risk Management – p.10</p> <p>Roadmap for Sustainable Finance in Georgia (NBG, 2019) – Transparency and Market Discipline – p.11</p>
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	<p>The Roadmap refers to Georgia’s NDC and the ‘Georgia 2020’ Social-Economic Development Strategy.</p>	<p>Roadmap for Sustainable Finance in Georgia (NBG, 2019) – Objectives of the Roadmap – p.8</p>
Multi-stakeholder collaboration		
Indicator 3	<p>The Roadmap was developed with the input of several stakeholders, including regulators, FIs, and other government ministries.</p>	<p>Roadmap for Sustainable Finance in Georgia (NBG, 2019)</p>

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4, 5	<p><u>Green finance product guidelines</u></p> <p>In line with its objective to raise awareness of sustainable finance and support the development of a green bond market in Georgia, the NBG has translated the ICMA Green, Social, and Sustainability Bond Principles and Guidelines, which have been published on the ICMA website.</p>	Roadmap for Sustainable Finance in Georgia (NBG, 2019) – Increasing Awareness and Capacity Building – p.9
Climate and green investment reporting		
Indicator 6	The Roadmap for Sustainable Finance, issued in 2019, identifies sustainable finance flows as one of its four pillars.	Roadmap for Sustainable Finance in Georgia (NBG, 2019)
Measurement		
Indicator 7, 8	-	-
Incentives		
Indicator 9	-	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10, 11	<p><u>Role of governing bodies</u></p> <p>The Corporate Governance (CG) code for commercial banks indicates that ESG considerations must be the part of the entity’s strategy. The code states that the board should consider both financial and nonfinancial risks, including environmental and social risks. The bank should also have an ongoing development program to ensure that board members have adequate knowledge of ESG matters.</p>	Corporate Governance Code for Commercial Banks (NBG, 2018) - Art 3. Core Principles of Corporate Governance & Art 17. Risk Management
E&S risk management		
Indicator 12 - 18	<p><u>E&S policy</u></p> <p>The CG code for commercial banks requires banks to develop an adapted E&S policy related to their financial activities and services. It also requires FIs to publicly report on the E&S strategy and performance.</p> <p><u>E&S risk assessment</u></p> <p>The code states that the board should consider non-financial risks, including environmental and social risks, and ensure that environmental and social risks are fully integrated into the risk management framework based on the best international practices.</p> <p><u>E&S reporting</u></p> <p>The requirements defined by the CG Code, including ESG disclosure and other related requirements, are mandatory for commercial banks, branches, and subsidiaries of foreign banks operating in Georgia.</p>	<p>Corporate Governance Code for Commercial Banks (NBG, 2018) - Art 3. Core Principles of Corporate Governance & Article 20; Roadmap for Sustainable Finance in Georgia (NBG, 2019) – Transparency and Market Discipline – p.10 & 11</p> <p>Corporate Governance Code for Commercial Banks (NBG, 2018) - Art 17. Risk Management</p> <p>Corporate Governance Code for Commercial Banks (NBG, 2018) - CG code, Art 20. Information disclosure and transparency</p>
Enforcement		
Indicator 19	-	-

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	20%	➤ Requirement to seek external verification for E&S policies, practices, and results
	Alignment to NDCs and with national/regional climate change targets	33%	➤ Defined main climate risks for their local financial sector
	Multi-stakeholder collaboration	25%	➤ Collaboration with representatives of civil society
Pillar II: Climate and Green Finance	Products & services	93%	<ul style="list-style-type: none"> ➤ Definitions and examples for green assets ➤ A comprehensive taxonomy for green assets ➤ Definitions/examples for social/sustainable assets ➤ Guidelines for green financial assets (excluding green bond) ➤ Guidelines for issuance of green bonds ➤ Recommend external party verification
	Climate & green investment reporting	100%	<ul style="list-style-type: none"> ➤ Requirement for FIs to report on climate/green finance flows ➤ Requirement for FIs to report on climate risk exposure at portfolio level ➤ Encouragement for FIs to report publicly on their green finance activities
	Measurement	100%	<ul style="list-style-type: none"> ➤ Requirement for FIs to calculate the environment benefits of their investments ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, and/or templates to measure and report environmental impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	80%	<ul style="list-style-type: none"> ➤ Requirement of FIs' management to report on the E&S strategy implementation to the governing bodies ➤ Requirement of FI operational bodies to report to the governing bodies on implementation of the E&S strategy ➤ Requirement for FIs to define role competencies ➤ Highlight the roles of front officers and second lines of defense (risk officers and/or compliance officers) ➤ Requirement for FIs to define competencies for each role

4. Policy coverage to be developed (cont.)

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar III: ESG Integration (cont.)	E&S risk management	80%	<ul style="list-style-type: none"> ➤ Encouragement to go beyond E&S requirements of local laws and regulations ➤ Requirement for FIs to set E&S or ESG objectives and targets ➤ Requirement for FIs to carry out appropriate E&S due diligence at transaction level ➤ Requirement for FIs to carry out appropriate E&S due diligence at client level ➤ Encouragement for FIs to categorize projects/clients according to their level of E&S risk ➤ Encourage site visits for high-risk transactions ➤ Invitation to engage with clients to implement mitigation measures in case of negative impacts ➤ Requirement for FIs to incorporate E&S covenants and investment conditions into legal agreements with clients ➤ Requirement for FIs to develop processes to manage E&S risks during supervision ➤ Encourage a periodic review of E&S risks at aggregate portfolio level ➤ Requirement for FIs to develop and maintain E&S capacity through regular training ➤ Highlight the training of (i) front officers, (ii) second lines of defense, and (iii) E&S experts ➤ Requirement of FIs to establish and maintain any inquiry/complaints/grievance mechanism in relation to E&S or ESG practices ➤ Requirement of E&S or ESG reporting and disclosure to be more consistent across financial institutions through introducing principles, guidelines, or templates
	Enforcement	100%	<ul style="list-style-type: none"> ➤ Implementation of the framework regularly verified or information regularly collected from FIs ➤ Financial and non-financial incentives for establishing ESRM systems ➤ Sanctions/penalties/warnings in case of noncompliance with the framework

Access the SBN Global Progress
Report and Country Reports at:
www.ifc.org/SBN2019Report



Sustainable
Banking
Network



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities