



საქართველოს ეროვნული ბანკი
National Bank of Georgia

NBG's Sustainable Finance Framework – Experiences and Challenges

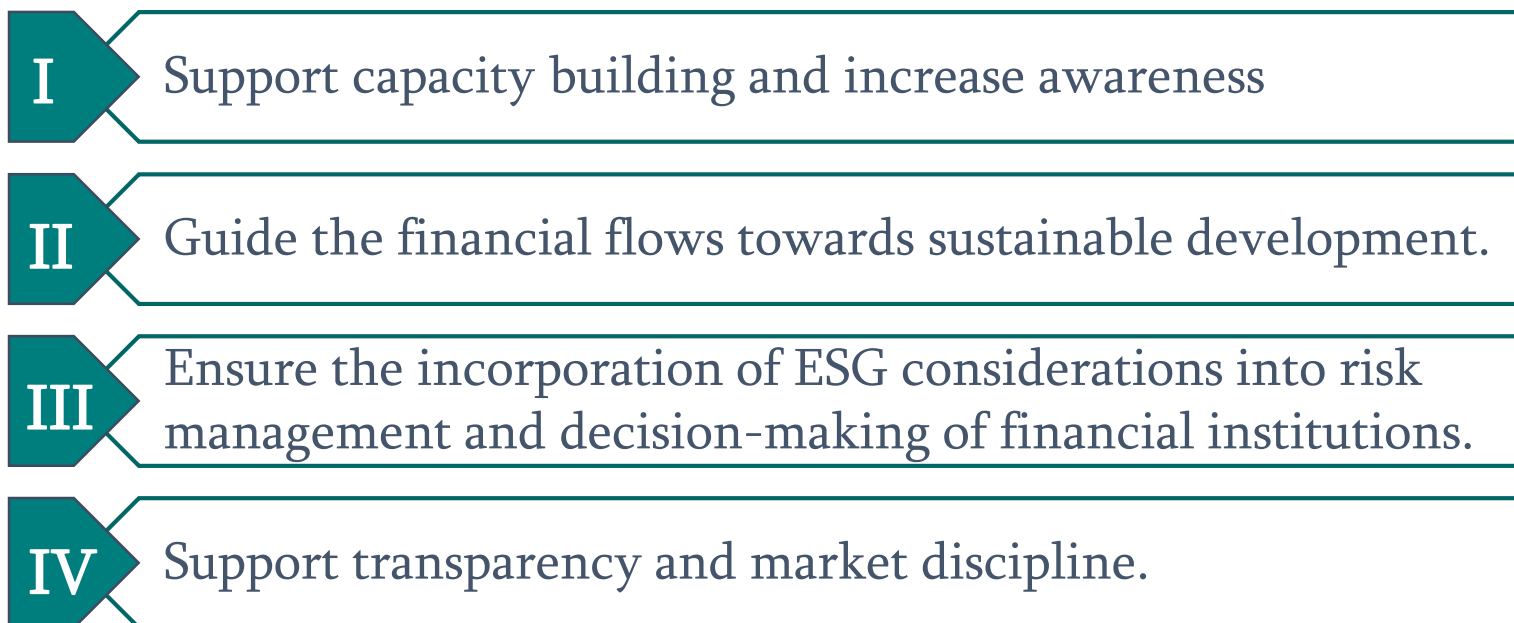
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- The NBG, as a central bank of Georgia, is committed to promoting the role of the financial sector in supporting the sustainable development of the country and for this purpose develops a sustainable finance framework.
- The NBG's sustainable finance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





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.

Already Implemented; Ongoing; Upcoming

- **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.

- **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.

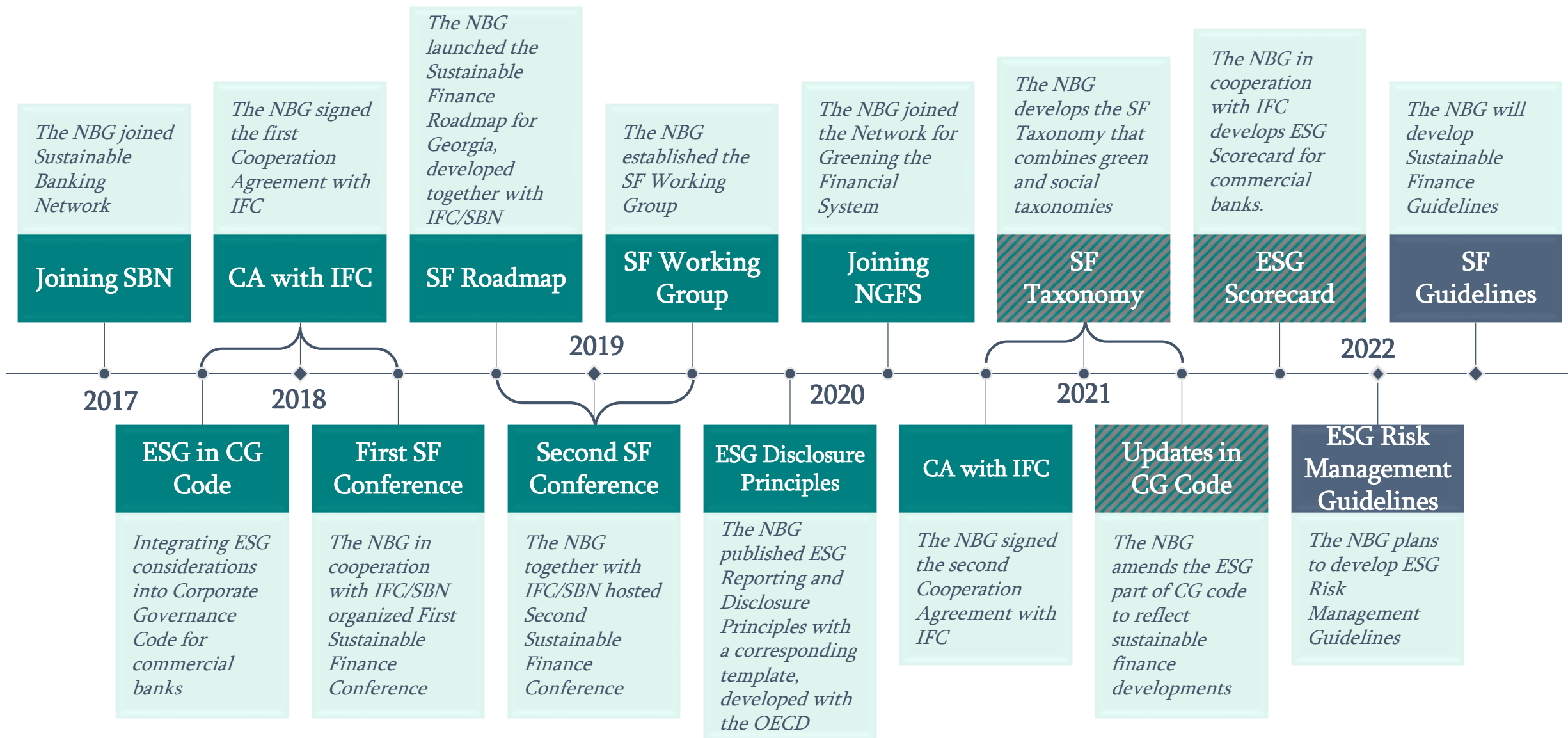
- Future Steps

- Developing ESG Risk Management Guidance and Tools.

- **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.

- 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.

NBG's Sustainable Finance Framework - implementation





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Thank You!

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