



# NBG's Sustainable Finance Framework

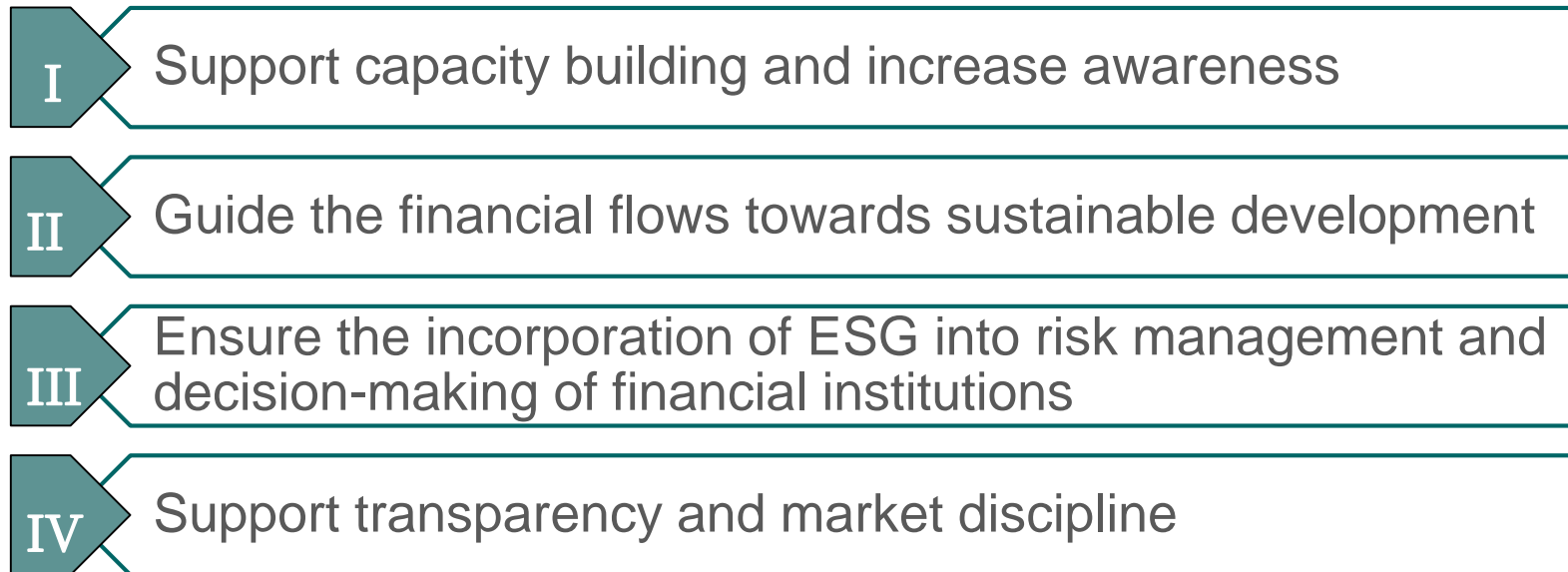
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Division, NBG

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Supervisory challenges and green transition  
in postpandemic environment  
Vienna, Austria

# NBG's Sustainable Finance Framework

- ❑ The NBG started developing Sustainable Finance Framework in 2017.
- ❑ In 2019, the NBG launched the [Roadmap for Sustainable Finance in Georgia](#):
  - ❑ 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.
- ❑ Pillars of the Roadmap:



# NBG's Roadmap for Sustainable Finance in Georgia

Increasing Awareness and Capacity Building	Sustainable Finance Flows	ESG Risk Management	Transparency and Market Discipline
<ul style="list-style-type: none"><li>• Develop Policies and Guidance to Support Market Action;</li><li>• Provide and Facilitate Trainings and Workshops for Stakeholders;</li><li>• Conduct Research on Sustainable Finance Topics;</li><li>• Establish Sustainable Finance Working Group.</li></ul>	<ul style="list-style-type: none"><li>• Introduce Sustainable Finance Taxonomy;</li><li>• Develop Sustainable Finance Guidelines;</li><li>• Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows.</li></ul>	<ul style="list-style-type: none"><li>• Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks;</li><li>• Integrate ESG Considerations in CG Code for Capital Market;</li><li>• Develop ESG Risk Management Guidance and Tools.</li></ul>	<ul style="list-style-type: none"><li>• Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market;</li><li>• Provide Guidance on ESG Reporting and Disclosure;</li><li>• Develop Progress Measurement Tools;</li><li>• Create an Information Hub.</li></ul>

Already Implemented;  
Ongoing;  
Upcoming

# Pillar 1 - Increasing Awareness and Capacity Building

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## ❑ Past and ongoing actions

- ❑ Joining Sustainable Banking and Finance Network (SBFN) in September, 2017;
- ❑ Creating the **Sustainable Finance Working Group** in December, 2019;
- ❑ Joining the Network for Greening the Financial System (NGFS) in February, 2020;
- ❑ Organizing **Sustainable Finance Conferences** in cooperation with the SBFN/IFC in 2018, 2019 and 2021;
- ❑ Cooperating with various local and international stakeholders, signing cooperation agreements and participating in various workshops/seminars.

## ❑ Upcoming actions

- ❑ Organizing more workshops/conferences/trainings on sustainable finance;
- ❑ Conducting analytical work and research.

# Pillar 2 - Sustainable Finance Flows

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## ❑ Past and ongoing actions

### ❑ Developing Sustainable Finance Taxonomy:

- ❑ Green and Social Taxonomy;
- ❑ Regulation on Loan Classification and Reporting according to the SF Taxonomy for commercial banks;
- ❑ Screening and Reporting Tool for commercial banks;
- ❑ Trainings and capacity building for financial institutions.

## ❑ Upcoming actions

- ❑ Developing Sustainable Finance Guidelines – green, social, sustainable bond framework.

# Sustainable Finance Taxonomy

Green											Social				
Renewable Energy	Energy Efficiency	Waste Management	Sustainable Water	Pollution Prevention & Control	Green Transport	Sustainable Agriculture, Farming & Aquaculture	Biodiversity Conservation	Sustainable Buildings & Construction	Sustainable Production & Trade	Green Services	Affordable Basic Infrastructure	Healthcare and Related Social Services	Financing and Financial Services	Food Security	Education, Technology, Culture, Fitness
Solar	Energy Efficiency in Industrial Facilities	Preparation, Collection, Handling & Storage	Water Collection, Treatment and Distribution	Air Quality	Public Transport	Sustainable Agriculture and Farming	Species conservation	Construction of New Buildings	Manufacturing and Trading of Low Carbon and Energy Efficient Technologies and Products	Consultancy & Services	Water including clean drinking water	Medical care and sanitation services	Access to Financial products and services	Agricultural production and processing	Education
Hydropower	Energy Efficiency in Agriculture	Recycle & Reuse	Water Monitoring	Soil Quality	Private Transport	Fisheries & Aquaculture	Ecosystem Conservation	Renovation/ Improvement of Existing Buildings	Eco-friendly/Bio Products/ Production Technologies	Sustainable/ Eco-tourism	Affordable, accessible transportation	Technology innovation and promotion of health care	Finance for access to education	Agricultural product, logistics, trade and retail	Technology Mainstreaming
Wind	Energy Efficiency in Buildings	Wastewater Management	Water Management		Freight and Cargo Transportation		Forest	Built Environment			Access to basic utility services	Manufacturing for medical and sanitation industries	Basic financial literacy	Agricultural production inputs and facilities	Culture and Sports Industry
Bio-energy		Waste to Energy			Industrial and Agricultural Vehicles						Affordable/ Social Housing	Healthcare logistics services		Agricultural education and skills training	
Geothermal					Water Transport							Public health governance and services			
Transmission & Distribution					Infrastructure										
Storage					Smart Transport Systems										

- CBI
- China (2015, 2021)
- EU SF Taxonomy
- ICMA (GBP, SBP, SBG)
- China SDG Taxonomy
- Local Practice

# Pillar 3 - ESG Risk Management

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## ❑ Past and ongoing actions

- ❑ Integrating ESG considerations in Corporate Governance (CG) Codes for commercial banks (2018, 2021) and issuers of public securities (2021):
  - ❑ ESG considerations must be the part of the entity's strategy;
  - ❑ ESG risks should be incorporated in risk management framework;
  - ❑ ESG related information should be disclosed by the entity.
- ❑ Developing ESG Risk Management Guidelines.

## ❑ Climate-related Risks

- ❑ Assessing climate-related risks for the Georgian economic sectors;
- ❑ Climate risk assessment, scenario analysis and climate stress testing for the financial sector.

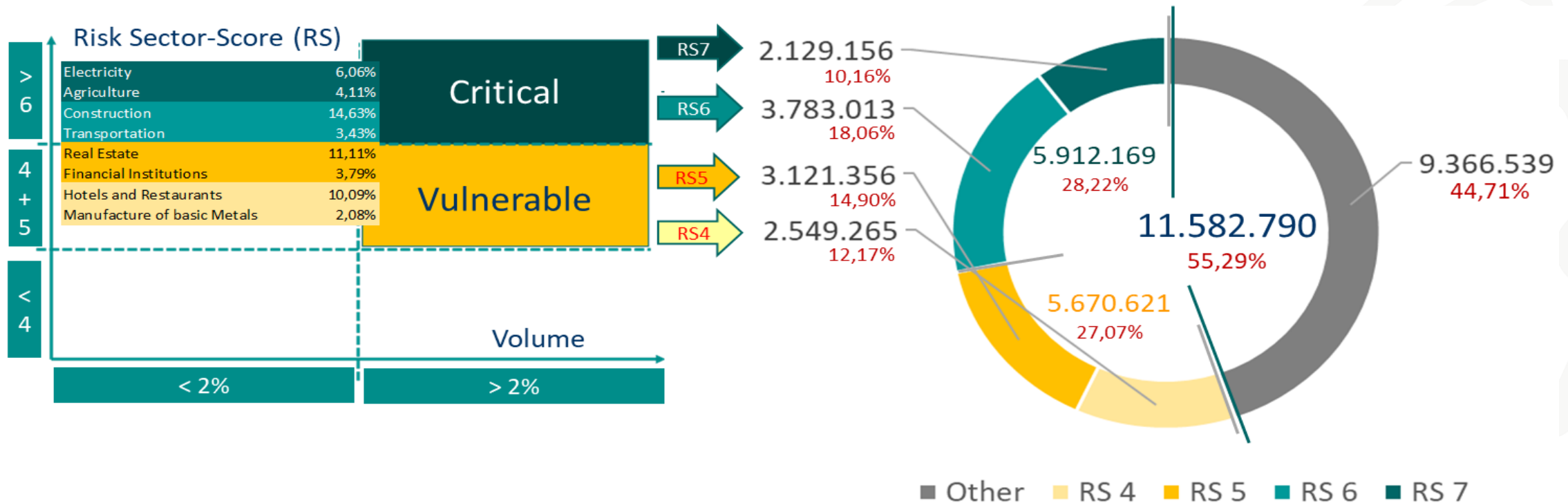
# Climate-related Risks - Risk Radar for Georgian Economic Sectors

		ESG-Risk Sector-Score														
NACE-Code	Sectors	Physical Climate Risk			Transition Climate Risk						Other ESG-Risks				Σ	
		Acute	Chronic	Σ	GHG-Emission Contribution	Transitional Intensity				Σ	Loss of Biodiversity	Other Environmental Risks	Possible Violation of Human Rights	Other Social Risks		Σ
						Probability of regulatory Change	Economic Impact of regulatory Change	Techno-logy Squeeze-out	Customer/ Consumer Behavior							
A	Agriculture, Forestry and Fishing	2.5	3.0	2.75	4.0	3.0	2.0	1.0	1.0	2.88	0.5	0.5	0.0	0.25	1.3	7
B	Mining and Quarrying	1.5	0.0	0.75	3.0	1.0	1.0	0.0	0.0	1.75	0.5	0.5	0.5	0.5	2.0	5
C	Manufacturing	1.5	1.5	1.50	3.5	3.0	1.5	1.0	0.5	2.50	0.5	0.5	0.0	0.5	1.5	6
D	Electricity, Gas, Steam and Air Conditioning Supply	1.5	2.5	2.00	4.0	4.0	2.5	2.5	1.5	3.31	0.5	0.5	0.0	0.5	1.5	7
E	Water Supply, Sewerage, Waste Management and Remediation Activities	2.0	2.5	2.25	4.0	3.0	2.0	1.0	0.0	2.75	0.5	0.5	0.0	0.5	1.5	7
F	Construction	1.5	1.5	1.50	3.0	3.0	2.5	1.0	1.0	2.44	0.5	0.5	0.5	0.5	2.0	6
G	Wholesale and Retail Trade	1.5	0.0	0.75	1.0	0.0	0.0	0.0	0.0	0.50	0.0	0.0	0.0	0.5	0.5	2
H	Transportation and Storage	2.0	1.0	1.50	3.5	3.0	2.0	1.0	0.0	2.50	0.5	0.5	0.5	0.5	2.0	6
I	Accommodation and Food Service Activities	1.5	2.0	1.75	1.0	0.0	0.0	1.0	1.0	0.75	0.5	0.5	0.0	0.5	1.5	4
J	Information and Communication	1.5	0.0	0.75	2.0	0.0	0.0	0.0	0.0	1.00	0.0	0.0	0.0	0.0	0.0	2
K	Financial and Insurance Activities	2.5	2.5	2.50	1.0	2.0	2.0	0.0	0.0	1.00	0.0	0.5	0.0	0.5	1.0	5
L	Real Estate Activities	2.0	2.0	2.00	3.0	3.0	2.0	1.0	1.0	2.38	0.5	0.0	0.0	0.25	0.8	5
M	Professional, Scientific and Technical Activities	1.5	0.0	0.75	2.0	0.0	0.0	0.0	0.0	1.00	0.0	0.0	0.0	0.0	0.0	2
R	Arts, Entertainment and Recreation	1.5	0.0	0.75	1.0	0.0	0.0	0.0	0.0	0.50	0.0	0.5	0.0	0.5	1.0	2
	Others	1.5	0.0	0.75	1.0	0.0	0.0	0.0	0.0	0.50	0.0	0.0	0.0	0.0	0.0	1



# Climate-related Risks - Heat Map for Georgian Financial Sector

- Exposure assessment was done on the basis of the stock of corporate loans in Georgia as of December, 2021 (presented results are preliminary; all figures are given in K Georgian Lari).
- The vulnerable area of the risk quadrant includes the sectors with a medium risk level (4 and 5) and a portfolio volume >2.0%. The critical area includes the sectors with highest risk levels (6 and 7) and a portfolio volume >2.0%.



# Pillar 4 - Transparency and Market Discipline

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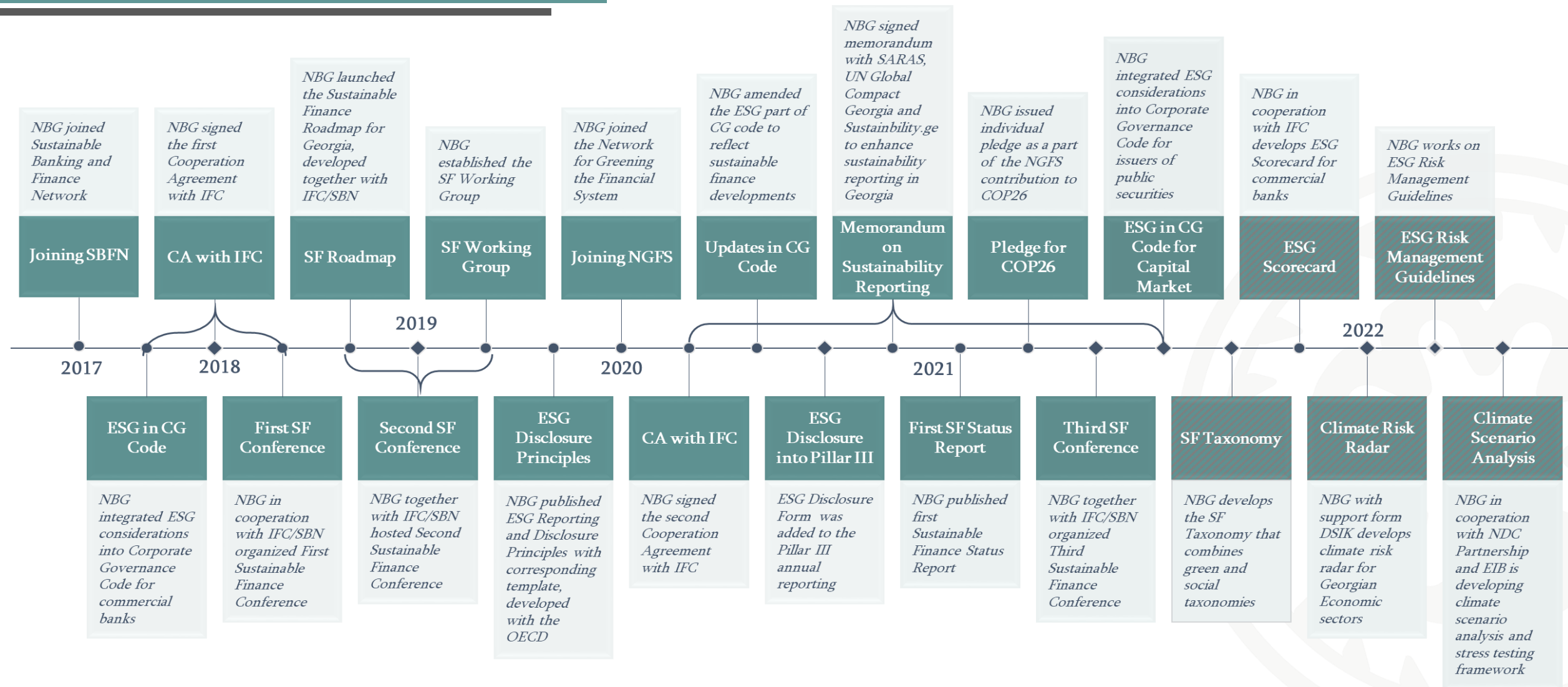
## ❑ Past and ongoing actions

- ❑ Setting minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market;
- ❑ Developing the [ESG Reporting and Disclosure Principles](#) and the corresponding ESG reporting form;
- ❑ Adding the ESG reporting to the Pillar 3 Annual Reporting;
- ❑ Creating a Sustainable Finance Information Hub - a special section on the NBG's website;
- ❑ Issuing [NBG's individual pledge](#) as a part of the NGFS contribution to COP26;
- ❑ Publishing [Sustainable Finance Status Report](#);
- ❑ Developing progress measurement tools – ESG Scorecard.

## ❑ Upcoming actions

- ❑ Keep publishing Sustainable Finance Status Report;

# Sustainable Finance Framework - implementation





საქართველოს ეროვნული ბანკი  
National Bank of Georgia

# Thank You!

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