

**Address by UBA Chairman at the launch of the  
industry ESG framework  
4<sup>th</sup> June 2024**

**Protocol**

- The Deputy Governor, Bank of Uganda.
- Representatives from the Ministry of Finance & all other Government Ministries, Departments & Agencies.
- Members of the Parliamentary Committee on Climate Change.
- The CEO aBi Finance Mrs. Mona Ssebuliba Muguma.
- Member CEOs of all financial Institutions under the UBA umbrella.
- Development partners here present.
- All champions & members of our UBA ESG Technical Committees.
- The media fraternity.
- Distinguished invited guests, ladies and gentlemen.



Good Morning to you!

## Welcome.....

On behalf of the Uganda Bankers Association, I welcome you all and thank you for accepting our invitation and joining us this morning for the launch of the Industry ESG Framework.

## Background.....setting the scene.

I do believe that in the recent past, many of you have heard this buzz word ESG all over the place, almost fashionable to mention.

The acronym '**ESG**' refers to **Environment, Social and Governance** factors that affect businesses and the communities that we serve.

Whereas in the past investors, shareholders and potential investors have focused on the financial performance of the companies in which they invest, hold stakes in or anticipate investing in and the return on investment earned, recent trends have revealed a change in expectations.

Stakeholders including shareholders, employees, regulators, and the wider communities are becoming aware that non-financial factors such as the impact of the company's activities on the environment, equitable treatment of employees, the ethical culture of the business and its stand on matters such as bribery and tax evasion have an effect on the longevity of the company's business.

These non-financial factors are what are termed as 'ESG'.

Increasingly customers, especially the younger generations, are also putting ESG considerations in mind before making purchasing decisions. Their decisions are based on among others, the social and environmental impact of products and services that they consume.

It is for this reason that businesses are looking into sustainable models and how these can make the world a better place.

Another common terminology around the market is **sustainability**.



While ESG and sustainability are quite often used interchangeably, it is important to note that ESG represents the lenses/ pillars through which actions to deliver a sustainable business are viewed.

## **ESG in the Banking & Financial Services Sector.**

Market dynamics, policy changes, and shifting customer preferences have prompted banks & financial institutions to consider how to identify and mitigate environmental, social, and governance (ESG) risks in their strategies and operations. Industry frontrunners in other jurisdictions have gone beyond risk management to identify competitive business advantages linked to ESG and impact.

Financial institutions occupy a pivotal position in addressing ESG risks because they can direct capital towards transformative investments and projects that are sustainable.

### **Gist**

The regulatory landscape is rapidly evolving to support the accelerated shift towards a sustainable future and manage the challenges this presents.

Our regulator, Bank of Uganda has been championing the process of integrating ESG principles and sustainability into the operations of supervised financial institutions.

In 2022, BoU conducted a situational analysis to establish what the banking industry was doing regarding ESG sustainability and to inform the need for industry wide guidelines/regulations and their potential scope in the following areas:

- i. Types of financial products or services on offer, which integrate ESG criteria into the business decisions.

- ii. Level of integration of Environment and Social (E&S) risk issues including through strategic objectives at the SFIs' strategic level (Board of Directors) in the areas of corporate governance and risk management.
- iii. Organizational structures in place to support attainment of sustainability objectives, and their integration in performance appraisal systems.
- iv. Tools available for monitoring E&S risks including details on stress testing.
- v. Disclosure and publication in respective reports including annual reports on ESG sustainability issues.

The findings clearly indicated that the different member financial institutions were at different levels, with some having walked a bit of the journey while others literally had very little if any idea about this concept.

In March 2023, the Bank of Uganda (BoU) officially launched its sustainability certification process under the Sustainability Standards and Certification Initiative (SSCI) by the European Organization for Sustainable Development.

Subsequently, a meeting was held between Uganda Bankers' Association (UBA) and BOU later in the year regarding the findings from the situational analysis report & the need for institutionalization of the ESG agenda and a roadmap was adopted that among others included developing an industry framework to support & guide member financial institutions through the process.

It was critical for the industry to have a common appreciation & understanding of what ESG meant and be able to link it to the core of the



business & benefits therein, the standard definitions or taxonomy, the whole process of embedding it from a governance to operations point of view, right from the top to bottom including dimensioning the risk appetite, policies to products, to measuring, to reporting & to communicating and the standards required therein.

The Standards aim to provide a consistent framework for reporting metrics, thereby enhancing the comparability and reliability of ESG information.

On 19<sup>th</sup> January 2024, the ESG framework was presented to the UBA member CEOs who adopted it. The same was subsequently shared with BoU for additional review & input was received leading to its formal launch today.

An ESG framework is vital for banks & financial institutions because it fosters responsible investments, mitigates risks, meets regulatory standards and helps financial institutions thrive in a changing financial landscape while contributing positively to the environment and society.

The purpose of this framework, which you will hear more about shortly, is therefore to help guide UBA members through the process including,

- Getting buy-in across all institutional levels.
- Securing & allocating resources (human, financial, technical etc).
- Building capacity to implement ESG activities (Policies, the existence of processes and procedures, training/skilling, configuring systems, measuring, reporting, creating awareness).
- Risk avoidance or mitigation (operational, reputational or other).

The above coupled with regulations, guidelines & other oversight will help supervised financial institutions in effectively addressing sustainability issues and promoting environmentally responsible practices.

I even see artificial intelligence (AI) playing a pivotal role as we travel the ESG journey, since traditional methods of assessing ESG indicators face several challenges such as high data volume demands, complex and poor



data sets, and the need for real-time analysis. By leveraging AI algorithms and ML capabilities, supervised financial institutions can overcome these challenges and effectively analyse large volumes of data and derive valuable insights in real time.

Today is therefore the beginning of an important milestone in the ESG journey and the real progress will be measured by how much we put it into action collectively. We are most grateful to you all for joining us this morning and for the DG to launch the framework.

## Gratitude

Before I conclude, I wish to convey the gratitude of the entire industry & fraternity of UBA members to the following parties.

- Firstly, to Bank of Uganda for its stewardship in this area.
- **Secondly to aBi Finance represented here by the CEO, not only for the technical & financial support throughout this process, but for being very deeply intertwined in the whole plan from development to capacity building to products.... really the entire journey as we march onwards. We salute you aBi!**
- I also recognise ACELI and thank you for our current partnership that speaks to ESG and the work you are doing with 14 of our members.
- To Ernst and Young (EY), who have been our consultants & technical lead in the development of this Industry ESG framework considering that this is a relatively new and complex subject matter.
- I say thank you to the technical committees & champions from across all our members who have been at it with E&Y as well as our own Institute of Banking & Financial Services that is undertaking the training.



- Thank you, UBA Secretariat who anchor all these initiatives on behalf of the industry. Special thanks to Wilbrod, Eva, Patricia and indeed the entire team at the secretariat.
- I cannot forget the previous Central Executive Committee Chaired by Sarah Arapta who commenced this process we are launching today.

Thank you all for your support this far.

Building a robust ESG framework is a strategic, multi-year endeavour. It will require continued collaboration across all levels for the UBA Secretariat and member financial institutions and looking ahead, we anticipate that integration of ESG will progressively become a mainstream practice in Uganda over the next 2-5 years.

We call upon partners (*Universities, research institutions, policymakers (including governmental bodies and regulators, development partners and stakeholders from various sectors)*) to continue supporting the process through activities that enhance knowledge in ESG and Sustainability.

Call for UBA members: Encourage them to embrace this opportunity, consult and support the process of institutionalization of ESG.

## **Finally**

Finally, I wish to notify you that our flagship Annual Bankers Conference now in the 7<sup>th</sup> series will this year focus on this same subject matter. We will hold a session with the media to share more details. The theme of this conference once again emphasizes the weight we are according to this matter.

I thank you all for listening.

Julius Kakeeto.  
**Chairman.**