



Uganda
Bankers'
Association

Promoting Partnerships. Transforming Banking.

ESG FRAMEWORK FOR UGANDA'S BANKING SECTOR

JANUARY

2024

Undertaken by



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List of Acronyms

ACRONYM	IN FULL
2DII	2 Degrees Investing Initiative
ABC	Anti-Bribery and Corruption
AFC	Anti-Financial Crime
AfDB	African Development Bank
AML	Anti-Money Laundering
APAC	Asia-Pacific region
API	Application Programming Interfaces
ATM	Automated Teller Machine
BAU	Business-as-Usual
BCBS	Basel Committee on Banking Supervision
BCP	Business Continuity Plan
CDE	Critical Data Element
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CERES	Coalition For Environmentally Responsible Economies
CFO	Chief Finance Officer
CRO	Chief Risk Officer
CSI	Corporate Social Investment
CSO	Chief Strategy Officer
D&I	Diversity and Inclusion
DE&I	Diversity, Equity and Inclusion
DJSI	Dow Jones Sustainability Indices
E&S	Environmental And Social
EBA	European Banking Authority
ECL	Expected Credit Loss
EDD	Enhanced Due Diligence
EHS	Environmental, Health, and Safety
EIB	European Investment Bank
EL	Expected Loss
EP	Equator Principle

EPFI	Equator Principles Financial Institution
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EU	European Union
EUC	End-User Computing Entities
EY	Ernst & Young
FI	Financial Institution
FLAG	Forests, Land, and Agriculture
FSB	Financial Stability Board
GBP	Green Bond Principles
GESIP	Green Economy Strategy and Implementation Plan
GHG	Greenhouse Gases
GJ/TJ	Gigajoule/ Terajoule
GRI	Global Reporting Initiative
GWh	Gigawatt hours
HFC	Hydrofluorocarbons
HQs	Headquarters
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
ICS	Information and Cyber Security
IEA	International Energy Agency
IFC	International Finance Corporation
IFC PS	International Finance Corporation Performance Standards
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
ISS	Institutional Shareholder Services
ISSB	International Sustainability Standards Board
IT	Information Technology
KPI	Key Performance Indicator
KYC	Know Your Customer
L&D	Learning and Development
LGD	Loss given default
LMA	Loan Market Association
LoC	Letter of Credit

LoD	Line of Defence
M&A	Mergers and acquisitions
MENA	Middle East/North Africa Region
MSCI	Morgan Stanley Capital International
MW	Megawatt
MWh	Megawatt-Hour
NDC	Nationally Determined Contribution
NFR	Non-Financial Risk
NGFS	Network For Greening the Financial System
NICE	Neptune Intelligence Computer Engineering
O&G	Oil and Gas
OCC	Office of the Comptroller of Currency
OHS	Occupational Health and Safety
OPEC	Organization of the Petroleum Exporting Countries
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership For Carbon Accounting Financials
PD	Probability of default
PFE	Potential Future Exposure
PPDA	Public Procurement and Disposal of Public Assets
PRB	Principles for Responsible Banking
R&D	Research And Development
RAS	Risk Appetite Statement
S&P	Standard & Poor's
SASB	Sustainability Accounting Standards Board
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
SBTi	Science Based Targets Initiative
SDG	Sustainable Development Goal
SDS	Sustainable Development Scenario
SFF	Sustainable Finance Framework
SLBP	Sustainability-Linked Bond Principles
SME	Small and Medium Enterprise
SOP	Standard Operating Procedure
SPO	Second Party Opinion
TCFD	Taskforce on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-Related Financial Disclosures

UBA	Uganda Bankers' Association
BoU	Bank of Uganda
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
VaR	Value at risk
WACI	Weighted-Average Carbon Intensity
wrt	with respect to
ZEV	Zero Emissions Vehicle

Foreword by the Executive Director, Uganda Bankers' Association (UBA)



It is with great pleasure that I present to you this Integrated Report on the Environmental, Social, and Governance (ESG) framework for Uganda's Banking Sector.

The banking industry in Uganda has undergone transformation and can no longer operate in isolation from the ESG challenges facing the world. Now is the time for the banking industry to act and its actions will greatly impact the shareholders, communities, and the planet.

In 2022, the Bank of Uganda (BOU) conducted a situational analysis purposed to establish what the banking industry was doing on 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 Environmental, Social and Governance 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.

Subsequently, a meeting was held between UBA and BOU in January 2023 regarding institutionalization of the ESG agenda in Uganda. UBA proposed a roadmap to BOU, presented it to the UBA member Chief Executive Officers, which was approved, and a technical committee was established to support the process. A consultancy firm, Ernst and Young (EY) was brought on board to provide technical assistance considering that ESG is a relatively new and complex subject matter.

The primary assignment to EY was to support the technical and project committees in building a framework, including support policies, procedures, and reporting frameworks that would enable the institutionalization of the ESG framework and agenda in the banking industry.

On 19th January 2024, the ESG framework was presented to the UBA member CEOs and was adopted and thereafter shared with BoU.

We express our sincere gratitude to aBi Finance Ltd for fully funding this ESG framework development. We greatly appreciate Ernst and Young for all the hard work they put into the development of this comprehensive framework. Special thanks also go to the technical committees, BoU and the UBA secretariat team for all their input and support.

It is planned that all stakeholders, especially the UBA members, work hand in hand with the UBA Secretariat and BoU to drive the institutionalization of the ESG Sustainability agenda of Uganda's banking industry.

Wilbrod Humphreys Owor,
Executive Director
Uganda Bankers' Association.



Executive Summary

A strong ESG framework is a growing necessity globally across sectors.

ESG is important for the financial services because the associated risks and impacts align with the evolving market expectations, regulatory scrutiny, and changing global needs. This has encouraged banks to be increasingly aware of the interconnectedness between financial performance, social and environmental impacts, and governance practices. Embracing ESG principles should be considered as not just a matter of compliance but instead as a strategic move towards long-term sustainability and resilience within a changing business landscape.

It is imperative for financial institutions to have a robust ESG framework which will support them to achieve their sustainability goals, assist their clients in transitioning towards low-carbon and resource efficient economies, while also supporting financial inclusivity and social welfare of the sovereign. We see industry peers adapting to this demand by embedding ESG related considerations into their governance, product strategy, operations, policies, and processes.

In line with the same, this integrated report contains recommendations for a robust ESG Framework around four significant components/workstreams:

- **Workstream 1** - ESG Governance
- **Workstream 2** - Sustainable Finance
- **Workstream 3** - ESG Risk Management
- **Workstream 4** - ESG Reporting and Disclosures

The aim of this document is to guide the member banks of Uganda Bankers' Association (UBA) in establishing a systematic approach towards managing risks and opportunities related to environmental, social, and governance criteria. In addition to the best practices of benchmarked peer banks, the report and its recommendations are also guided by some of the widely adopted and substantial regulatory guidelines such as Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), International Sustainability Standards Board (ISSB), guided by International Capital Market Associations' (ICMA) Green Bond Principles (GBP) and Social Bond Principles (SBP).

The recommendations have also been contextualized to suit the East African landscape by aligning them to regional standards such as Guidance on Climate-Related Risk Management by the Central Bank of Kenya, Policy Guidance Note on the issuance of Green Bonds in Kenya, Sustainable Finance Principles and Guidelines by Kenya Bankers Association, Green and Social Bond Principles by Africa Development Bank.

The regulators, central banking authorities and bankers' associations play a crucial role in bridging the gap between the policy makers and the industry. They not only enable seamless enforcement of the policies, but also play a major role in assessing the current and potential implementation capabilities within the industry to accommodate streamlined change management within the policy design. This ESG framework is designed to support these entities where they can draw upon the given recommendations to inform the development and implementation of regulations, policies, or guidelines that promote sustainable business practices.

Through aligning regulations with industry best practices, regulators can foster greater transparency and accountability in this domain across the business landscape. The adoption of the ESG framework will benefit the regulators and central banking authorities in the following ways:

1.

A global framework: The ESG Framework is built upon an initial assessment of up and coming global regulatory landscape, along with business practices of the market's top players. This can aid and guide Ugandan regulators and policy makers to understand the best practices across the globe before drafting policies and oversight mechanism accordingly.

2.

Designing ESG risk mitigation and adoption strategies: A comprehensive risk review and assessment would help the regulators in understanding the ESG-related risks which the market is susceptible to, and accordingly design and define targeted risk mitigation and adaptation strategies within its policy design.

3.

Improved regulatory oversight: The ESG framework can help enhance the oversight of the regulators ESG-related practices, processes and disclosure metrics/KPIs. This information will assist regulators in gaining an in-depth understanding of a company's ESG risks, opportunities, and performance, facilitating more effective regulatory oversight.



1.

**Ernst and Young's
Understanding of
UBA's requirements**

1.1 Ernst and Young's Understanding of UBA's requirements

UBA's objectives towards promotion of sustainability within the Ugandan banking sector and its member banks form the central core of this ESG framework. The framework is designed taking into consideration UBA's primary objective of aiding the member banks in strengthening their environmental, social and governance (ESG) related commitments while addressing the following supporting objectives:

- **Embedding ESG within member banks' core strategy and way of doing business, so as to establish a culture of sustainability and responsible banking practices within the banks.**
- Addressing the ESG and climate-related priorities which are most pertinent to Uganda and would promote sustainability in the long run within the country, organisations and the society.
- **Integrating financing strategies/products such as green loans, financing for businesses from marginalised communities, promoting sustainable practices, financial inclusivity, etc.**
- Strengthening banks' resilience against ESG-related risk events such as extreme weather events, financial crime, cybersecurity breaches, etc.
- **Ensuring a holistic risk and resilience approach and strengthening the banks' existing practices with the inclusion of ESG-specific impact variables**
- Promoting healthy and transparent disclosure and reporting practices within the banking industry with respect to ESG, so as to strengthen communication with internal and external stakeholders and boost investor confidence.



These are best achieved through a concrete ESG strategic framework which can guide the member banks on the areas of significance under the wider umbrella of ESG Risk Management and help UBA promote the agenda within the banking industry. The following table explains how EY's workstreams of this engagement were aligned to deliver UBA's requirements:

EY Workstreams	UBA's Requirements
ESG Governance and Framework	Understand ESG capabilities and opportunities and draft ESG governance framework in line with strategic objectives.
Sustainable Finance Framework (SFF)	Guidance on formulating a robust Sustainable Finance Framework for green, social and sustainable bonds covering all four core components: <ul style="list-style-type: none"> a) process for project evaluation and selection, b) use of proceeds, c) management of proceeds, and d) reporting
ESG Risk Management	Guidance on identification and management of potential sources of ESG and climate-related risks, their direct/indirect impacts on other risk sub-types over the short, medium, and long term.
ESG Reporting and Disclosures	Guidance on reporting the ESG metrics identified from the comprehensive ESG framework developed.

1.2 Quick Wins

We have listed below the 'quick win' recommendations which the banks may incorporate as a part of first year of their ESG journey (i.e., Timeline of Implementation < 12 months). The Level of Maturity of these recommendations are either 'Low' or 'Low-Medium,' thus enabling the banks across all groups to implement these recommendations seamlessly. It also includes recommendations which are made mandatory by various regulations currently applicable within Uganda, thus ensuring compliance of the banks with such legal requirements. Banks can initiate their ESG journey by incorporating the Quick Win recommendations prior to implementing the comprehensive ESG framework over an extended period of time.

(Please note: For detailed recommendations, please refer to **Section 4 Recommendations**)

Level of Maturity	
Low	Low-Medium

Workstream	Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation			
					0-3 months	3-6 months	6-9 months	9-12 months
Governance	1	Board Oversight	1.1	Ensure representation in the Board for ESG-related considerations including: <ul style="list-style-type: none"> - Delegation of oversight of ESG issues to an existing board committee - Oversight of ESG-related responsibilities by the head of other related functions, such as Chief Risk Officer, Strategy Officer, Compliance Head 			Group A	
					Group B	Group C		
Governance			1.2	Incorporate ESG-related considerations into their existing policies as a part of Board Oversight on guiding strategy, risk management policies, corporate governance guidelines and/or committee charters to reflect the allocation of these responsibilities. This should include (but not limited to): <ul style="list-style-type: none"> - Escalation mechanism in cases of incidents and breaches (such as lending limit breaches, risk control breaches, etc.) - Oversight of management/mitigation of environmental, social and governance risks and their impact on existing risk types (credit, market, etc.) 				Group A
								Group B
								Group C

Workstream	Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation			
					0-3 months	3-6 months	6-9 months	9-12 months
	2	Management level Committees/Steercos	2.1	<ul style="list-style-type: none"> • Establish a cross-functional, senior management team for the development and implementation of the company's ESG strategy • Include members from various departments such as Chief Risk Officer (CRO), Chief Finance Officer (CFO), etc., in the established management-level ESG committee • The management level ESG committee should report to the Board/Board Sustainability Committee and meet at least quarterly to discuss ESG related considerations 		Group A		
				2.2	<p>Design and implement a structured change management process so as to enable a cross-functional and inclusive approach including:</p> <ul style="list-style-type: none"> - Structural Change: to drive reporting structure and related job roles, skilling, compensation and performance reviews - Processes, Systems and Tools: designing/updating policies and SOPs and redefining BAU approaches - Shaping Culture: Embedding change within critical behaviours, attitude and mindset to communicate the benefits of change company-wide and drive employees' engagement with regards to ESG adoption 		Group B	Group A

Workstream	Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation			
					0-3 months	3-6 months	6-9 months	9-12 months
			2.3	<p>The management level committee must oversee ESG training and capacity building programs for all employees to build an understanding of sustainability practices. The programs should target, among others:</p> <ul style="list-style-type: none"> - Promoting knowledge on existing and upcoming regulations and standards surrounding ESG (e.g., GRI, ISSB, TCFD, TNFD, etc.) - Promoting risk awareness surrounding significant ESG risks such as climate-related risk, labour issues, human rights issues, cybersecurity, etc. - Upskilling in terms of risk management and mitigation practices and the latest tools/technologies available for the same 	Group A			
			3.1	<p>Incorporate responsible banking considerations in their Code of Conduct and align the same with the social and environmental priorities of Uganda and its NDCs, and any of the existing principles/standards like Paris Agreement, etc. The responsible banking considerations should include Whistleblowing, Occupational Health and Safety, etc.</p>			Group A	Group B Group C
			4.1	<p>Incorporate ESG trainings, as part of their underlying training framework, to upskill people and enhance their abilities to navigate the ESG space and increase their E&S risk awareness.</p> <p>These trainings should also include, among others:</p> <ul style="list-style-type: none"> - Mandatory Health, Safety & Security training for all employees, workers and non-workers, to prevent and mitigate work-related hazards arising out of negligence - Promoting risk awareness surrounding significant ESG risks such as climate-related risk, labor issues, human rights issues, cybersecurity, etc. 			Group A	Group B Group C

Workstream	Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation				
					0-3 months	3-6 months	6-9 months	9-12 months	
	5	IT and Cyber Security	5.1	<p>Integrate data privacy and IT/Cybersecurity considerations into:</p> <ul style="list-style-type: none"> Roles and responsibilities of existing Operational Risk Committee/Technology Committee/IT & Cybersecurity committee which will report to the Board. Existing operational risk policies, business continuity plans, etc. Training modules for all employees (data handling of client information, phishing, etc.) 			Group A		
							Group B		
							Group C		
			5.2	<p>Appoint a Data Protection Officer and establish procedures to handle data-related risk management and breaches, including implementation and oversight of robust data protection measures to safeguard customer and stakeholder information.</p>	Group A				
					Group B				
					Group C				
	6	Materiality Assessment	6.1	<ul style="list-style-type: none"> Identify material topics through: <ul style="list-style-type: none"> Engagement with internal and external stakeholders who are interested in or directly affected by banks' business (customers, investors, regulators, ESG rating agencies, etc) Review of local and international regulatory requirements to ensure compliance Assess the potential risks and impact posed by these identified material issues including: <ul style="list-style-type: none"> Environmental issues (e.g., climate-related risks, biodiversity loss, pollution and waste, etc.) Social issues (e.g., health and safety, human rights, etc.) Governance issues (e.g., business ethics, pay and remuneration, etc.) Design an ESG Materiality Assessment Map/Matrix according to their relative degree of importance/priority - High, Medium and Low. 	Group A				
					Group B				
					Group C				

Workstream	Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation			
					0-3 months	3-6 months	6-9 months	9-12 months
	7	ESG Risk Appetite	7.1	<p>Identify, assess, and define:</p> <ul style="list-style-type: none"> - The impact of ESG and climate-related risks on existing risk profiles (such as credit, market, liquidity risk) over short-term, medium-term, and long-term time horizons - The high-risk sectors that may have significant potential negative ESG impacts, while ensuring compliance with international standards, global and local regulations and guidelines. - The prohibited activities that are not aligned with the banks’ ESG values and principles, while ensuring compliance with international standards, global and local regulations and guidelines. 			Group A	
							Group B	
							Group C	
	8	ESG and Climate-risk Strategy	8.1	<p>Incorporate ESG-related considerations into existing Vision and Mission statements of the bank so as to establish a Risk Culture highlighting banks’ commitment to ESG.</p>	Group A			
					Group B			
					Group C			
			8.2	<p>Banks must set ESG strategy targets which are in line with Uganda Vision 2040. Banks should also implement processes to help monitor their progress against achieving these stipulated targets.</p>		Group A		
							Group B	
							Group C	
Sustainable Finance Framework	9	Use of Proceeds	9.1	<p>Identify and define the scope, eligible activities, and target population of a firm-wide Sustainable Finance Framework (SFF) for financing:</p> <ul style="list-style-type: none"> - <i>eligible environmental activities/projects</i> including (but not limited to) renewable energy projects, sustainable management of water, land and other natural resources, conservation of biodiversity, pollution prevention, etc. - <i>eligible social activities/projects including</i> (but not limited to) development of affordable basic infrastructure and housing, supporting employment generation, socioeconomic advancement of marginalised populations, communities, and gender, etc. 			Group A	
								Group B
								Group C

Workstream	Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation				
					0-3 months	3-6 months	6-9 months	9-12 months	
ESG Risk Management	10	Risk Identification and Measurement	10.1	<p>Perform:</p> <ul style="list-style-type: none"> - A preliminary Risk Review/Assessment exercise to assess the ESG-related risks and their impacts over short, medium, and long term - A periodic review of local and international regulatory requirements - A comprehensive board assessment and periodically assess the independence, competence, and diversity of board members 	Group A				
					Group B				
					Group C				
			10.2	<p>Identify and define the scope of a firm-wide ESG Risk Management Framework with respect to:</p> <ul style="list-style-type: none"> - The organisational boundaries covered by the framework (in case of multi-entity/geography) - Detailed list of products/activities/services which are included/excluded under the framework 		Group A			Group B Group C
			10.3	<p>Conduct sectoral concentration analysis using both qualitative and quantitative methods to identify exposure of portfolios/sub-portfolios to ESG-related risks and identify high-risk sectors/geographies</p>		Group A			Group B Group C
			11.1	<p>Determine and classify the specific KPIs and metrics that are important for measuring and tracking ESG performance, such as (but not limited to):</p> <ul style="list-style-type: none"> - Environmental metrics (e.g., GHG emissions, consumption of resources, waste disposal, etc.) - Social metrics (e.g., Number of cases of severe human rights issues and incidents, Engagement in employment opportunities programmes for economically less advantaged groups, etc.) - Governance metrics (e.g., diversity indicators, occupational hazard incidents, etc.) - Impact metrics (Value of Corporate Social Investment on health and education, number of clean vehicles financed/deployed, etc.) 		Group A			Group B Group C

Workstream	SI. No.	Module	SI. No.	Sub-Module	Timeline for Implementation				
					0-3 months	3-6 months	6-9 months	9-12 months	
	12	Mitigation Measures	12.1	Codify adequate measures to safeguard business continuity (in case of extreme weather events or cyber-related incidents) in a standalone ESG-related Business Continuity Plan (BCP) or an existing firm-wide BCP.					Group A Group B Group C
ESG Reporting & Disclosure	13	Reporting Requirements and Elements	13.1	As a part of reporting requirements:					
				- Identify the ESG reporting frameworks/standards that are mandatory/voluntary for banks and their reporting timelines, periodicity, disclosure channels					
				- Determine the periodicity/frequency of reporting exercise - Determine the channel of disclosure					
			13.2	Identify and classify the ESG metrics/key performance indicators (KPIs) to measure progress towards achieving their reporting objectives		Group A Group B Group C			
			13.3	Identify a comprehensive list or inventory of all the internal/external data sources needed to compute the ESG metrics/KPIs. These sources can include financial records, operational data, etc. <i>(Please refer to Illustrative Reporting Metrics under Appendix for illustrative metrics and classification)</i>		Group A		Group B Group C	
			13.4	Design a reporting template for ease of assessment and reporting					Group A Group B Group C
	14	Reporting Governance and Oversight	14.1	Delegate oversight of ESG reporting issues to an existing board or to executive level committees such as Finance Team, Risk Department, etc headed by their CRO, CFO, etc.		Group A Group B Group C			

1.3 Beyond Year 1

1.3.1 Governance

(Please note: For detailed recommendations, (please refer to Section 4 Recommendations)

Level of Maturity			
Low	Low-Medium	Medium	High
		Medium-High	

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation									
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months			
1	Board Oversight	1.1	Ensure representation in the Board for ESG-related considerations by establishing a stand alone Board level committee to oversee sustainability and ESG-related matters in the bank, including the ESG-related objectives, goals and targets, etc.				Group A						
		1.2	Establish a board-level Remuneration Committee, which would have direct oversight on the bank's remuneration-related matters.				Group A						
2	Management level Committees/ Steercos	2.1	Appoint a Chief Sustainability Officer/Director of Sustainability to chair the established committee.		Group A								
										Group B			
												Group C	

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation							
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months	
3	Ethics and Integrity	3.1	<p>For effective management of Ethics and Integrity related considerations, establish:</p> <ul style="list-style-type: none"> - An Ethics Office or a Conduct Risk Team to handle concerns / grievances of identified issues. - Ethics Hotline to raise and report concerns about unethical behavior - A whistleblowing channel on the organisation's intranet 				Group A				
										Group B	
4	Anti-Financial Crime	4.1	<p>Establish governance and oversight mechanism of Anti-Financial Crime aspects including:</p> <ul style="list-style-type: none"> - Adding oversight of the Anti-Financial Crime (AFC) related risks in the Board Risk/Audit Committee's responsibilities - Establishing a standalone team for Conduct, Financial Crime & Compliance related issues. 			Group A					
								Group B			Group C
		4.2	<p>Due Diligence:</p> <ul style="list-style-type: none"> - Establish core controls in place such as client due-diligence, screening and monitoring, and strengthening employees' understanding as to how to identify, manage and mitigate such risks - Perform Enhanced Due Diligence (EDD) on certain transactions (on case-by-case basis) in line with standards such as IFC Performance Standards (IFC PS) and Equator Principles (EP). 			Group A					
											Group B

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation							
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months	
5	Other Governance-related considerations including: <ul style="list-style-type: none"> - Whistleblowing - Diversity, Equity & Inclusion - Human Rights - Supplier Risk - IT and Cybersecurity 	5.1	Perform a review of the Whistleblowing, DE&I, and other considerations before drafting policy statements E.g. A human rights review to identify material human rights risks and impacts on different stakeholders	Group A		Group B					
						Group C					
		5.2.A	Incorporate considerations surrounding Diversity, Equity, & Inclusion (DE&I) principles, Human Rights Position Statement, Supplier Assessment, within the existing Code of Conduct OR	Group A	Group B						
		5.2.B	Establish standalone policies and position statements for: <ul style="list-style-type: none"> - Whistle Blowing - Diversity, Equity, & Inclusion (DE&I) - Human Rights Position Statement - Supplier Code of Conduct The policies and position statements must be revisited and reviewed periodically to include up and coming matters and to ensure alignment to any newer standards or regulations.	Group A	Group B						

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation							
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months	
		5.3.A	Include a governance and oversight mechanism surrounding DE&I issues, Human Rights issues, Supplier Assessment and IT and Cybersecurity within roles and responsibilities of existing Committees and departments such as Ethics, HR, IT/Technology, etc. OR			Group A	Group B	Group C			
		5.3.B	Establish Standalone council/committees/departments to oversee and champion matters related to governance such as DE&I council, Supplier Risk Committee, IT & Cybersecurity committee, etc.			Group A	Group B	Group C			
		5.4	Ensure <ul style="list-style-type: none"> - Incorporation of trainings around ESG issues and Refresher e-learning to reaffirm their commitment to the Code of Conduct - Implementation of Occupational Health and Safety Management System/ Framework for employees, workers and non-workers. - Transparency in reporting of work-related illnesses/injuries, selecting suppliers and vendors. - Conducting periodic risk assessment of suppliers surrounding legitimacy, Reputational risk matters, Regulatory compliance and any incidents/reports 	Group A	Group B	Group C					

SI. No.	Module	SI. No.	Sub-Module	Timeline for Implementation								
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months		
		5.5	Conduct periodic internal and independent audits and assessments of the bank's IT infrastructure, whistleblowing channels for reporting any misconduct in procurement transactions.			Group A		Group B Group C				
		5.6	To solidify commitment to ESG considerations, <ul style="list-style-type: none"> - Participate as signatories in various initiatives such as UN Women Empowerment Principles - Obtain certifications from international standards on information security, which ensures that right controls are in place to protect customer information. 		Group A		Group B Group C					
		5.7	Implement and enhance underlying infrastructure to support: <ul style="list-style-type: none"> - Incorporating AFC considerations into existing Enterprise Risk Management (ERM) Framework - Virtual training portals - Automated systems for customer and transaction screening, customer risk rating and transaction monitoring e.g., NICE Actimize, PEGA, etc. - Automated limiting of procurement to those suppliers not causing environmental harm - Sustainable IT practices, such as energy-efficient data centers and responsible e-waste disposal 					Group A		Group B Group C		

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation							
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months	
6	Materiality Assessment	6.1	Integrate the identified material ESG issues into the banks' overall business strategy, risk management, and decision-making processes.	Group A							
				Group B							
				Group C							
		6.2	Monitoring and Reporting: <ul style="list-style-type: none"> - Establish specific, measurable, and time-bound goals and targets for addressing the identified ESG issues - Periodically review and update materiality assessment to reflect changing stakeholder expectations and evolving ESG risks and opportunities. 	Group A							
				Group B							
				Group C							
7	ESG Risk Appetite	7.1	Formally define the Qualitative Climate and ESG-related Risk Appetite Statement by: <ul style="list-style-type: none"> - Sector-specific restrictions and policies - Defining assessment criteria, Exclusion lists, prohibitions/restrictions - Defining oversight mechanism, for supervising ESG risk appetite and escalating breaches - Incorporating the same into the overall Risk Appetite Statement (RAS), along with board approval for the proposed amendments 	Group A							
					Group B						
					Group C						

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation									
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months			
		7.2	<p>Perform review/assessment exercise and monitoring of ESG Risk Appetite by:</p> <ul style="list-style-type: none"> - Identifying key ESG risk indicators and Climate Risk Appetite metrics - Establishing quantitative targets for the percentage of bank's total investments that are directed towards green and sustainable projects - Design controls to periodically monitor the effectiveness to ensure they remain relevant and accurate. 		Group A	Group B	Group C						
		7.3	<p>Formally define the Quantitative Climate and ESG-related Risk Appetite Statement by:</p> <ul style="list-style-type: none"> - Limits/Thresholds at counterparty/ transaction-level or industries/sectors/ sub-sector level - Defining oversight mechanism for supervising ESG risk appetite and escalating breaches - Incorporation into overall Risk Appetite Statement (RAS), along with board approval 				Group A			Group B	Group C		
		7.4	<p>Incorporate advanced tools/methodologies/models for: Scenario analysis to understand and address climate risks and determine potential financial impacts of breaching ESG limits under different risk scenarios, etc.</p>								Group A	Group B	Group C

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation								
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months		
8	ESG and Climate-risk Strategy	8.1	In line with Uganda's NDC, banks must set interim and final GHG emission-reduction targets and implement processes to help monitor their progress against achieving these stipulated targets.			Group A						
							Group B					
							Group C					
		8.2	Establish a comprehensive Net Zero Transition Roadmap for achieving Net Zero from Own Operations, and Portfolio Emission/Financed Emissions, etc.							Group A		
											Group B	
												Group C
9	Roles and Responsibilities of three Lines of Defence (LoD)	9.1	Clearly define the responsibilities of the front office/credit, risk management and audit functions to identify and assess ESG risks associated with their activities	Group A								
					Group B							
						Group C						
		9.2	Develop and communicate ESG risk strategies and policies that guide the three LoDs while assessing ESG risks			Group A						
							Group B					
										Group C		
		9.3	Provide independent assurance to the Board and management regarding the overall effectiveness of ESG risk management efforts and provide suitable recommendations.			Group A						
							Group B					
										Group C		

1.3.2 Sustainable Finance Framework

(Please note: For detailed recommendations, please refer to **Section 4 Recommendations**)

Level of Maturity			
Low	Low-Medium	Medium	High

Sl. No.	Module	Sl. No.	Sub-Module	Timeline for Implementation							
				Year 1	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months	
1	Pillar 1: Use of Proceeds	1.1	<ul style="list-style-type: none"> Identify and define the use of proceeds i.e., eligible green and social categories/projects, target population, eligibility criteria Align identified use of proceeds with UN SDGs, local regulations, national sustainability objectives and commitments 		Group A						
							Group B				
								Group C			
2	Pillar 2: Project Evaluation and Section	1.2	Create an exclusion list to ensure mitigation of potential environmental and social risks		Group A						
						Group B					
							Group C				
		2.1.A	Include the role of oversight in the project evaluation and selection process in the responsibilities of the existing departments, working groups or committees OR		Group A						
					Group B						
					Group C						
		2.1.B	Establish a working group or committee comprising of representatives from relevant business units		Group A						
					Group B						
						Group C					
		2.2	Implement and document a project evaluation and selection process, which includes data collection, risk impact assessment, EDD or additional screening on case-by-case basis			Group A					
									Group B		
									Group C		

1.3.3 ESG Risk Management

(Please note: For detailed recommendations, please refer to Section 4 Recommendations)

		Level of Maturity								
		Low	Low-Medium	Medium	High					
SI. No.	Module	SI. No.	Sub-Module Year 1	Timeline for Implementation						
1	Risk Identification and Measurement	1.1	Assessment of the impacts of the identified risks and creation of a robust risk library integrated into the bank's risk management platform to monitor and manage all relevant risks	Group A	12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months
				Group B						
				Group C						
		1.2	Implement risk identification and assessment strategies including: <ul style="list-style-type: none"> - Developing ESG criteria and tailoring risk assessment for high-risk sectors in line with sector policies and guidelines - Identifying and conducting counterparty-level assessment for high-risk assets within the prioritized portfolios 		Group A	Group B				
		1.3	Develop methodologies for assessment of climate-related risks such as transition and physical risks by using sensitivity rating or scoring approaches for clients or exposures		Group A					
							Group B			
							Group C			

Sl. No.	Module	Sl. No.	Sub-Module Year 1	Timeline for Implementation								
				12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months			
4	Scenario Analysis and Stress Testing	3.2	Streamline data integration and management processes using: <ul style="list-style-type: none"> - Standardized templates and automated data capture tools - A centralized ESG data repository - Automation tools and technologies such API integration - Data Controls for monitoring the availability and quality of data for the identified KPIs and metrics 							Group A		
											Group B	
												Group C
												Group C
4	Scenario Analysis and Stress Testing	4.1	Conduct Scenario Planning and Design by identifying and defining the objectives, time horizon and scope of Scenario Analysis before proceeding for design (OR) Engage with external third parties and consultants for scenario design, peer analysis and other general data and modelling issues.									
4	Scenario Analysis and Stress Testing	4.2	Develop in-house scenarios based on firm-specific vulnerabilities tailored to incorporate Risk Drivers/Overlays along with disclosure of methodology									
4	Scenario Analysis and Stress Testing	4.3	Build sufficient capacity and expertise to conduct climate scenario analysis and establish clear governance and working groups for sign-off of the model design, maintenance of the models, etc.									
4	Scenario Analysis and Stress Testing	4.4	Engage with external third party for comprehensive validation and periodic audit of the scenario analysis models									

Sl. No.	Module	Sl. No.	Sub-Module Year 1	Timeline for Implementation					
				12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months
5	Risk Monitoring and Control	5.1	Incorporate ESG and climate-related financial risks and ESG targets into the bank's underlying risk appetite and Enterprise Risk Management framework along with the internal control frameworks.				Group A		
							Group B		
							Group C		

Sl. No.	Module	Sl. No.	Sub-Module Year 1	Timeline for Implementation							
				12-15 months	15-18 months	18-21 months	21-24 months	Beyond 24 months	Beyond 36 months		
8	Strategic Tools and Templates	8.1	Integrate a one-point data management solution such as a data access layer with Data Virtualization for Risk and regulatory reporting, by using standardized templates and automated data capture tools							Group A	
										Group B	
										Group C	
		8.2	Engage with external third parties and consultants to design and develop an effective reporting framework around data aggregation and integration, data collection templates, reporting templates, etc.	Group A							
		8.3	Utilize existing tools and methodologies available to support banks with their ESG-related assessment and reporting	Group B			Group A				
										Group B	
										Group C	

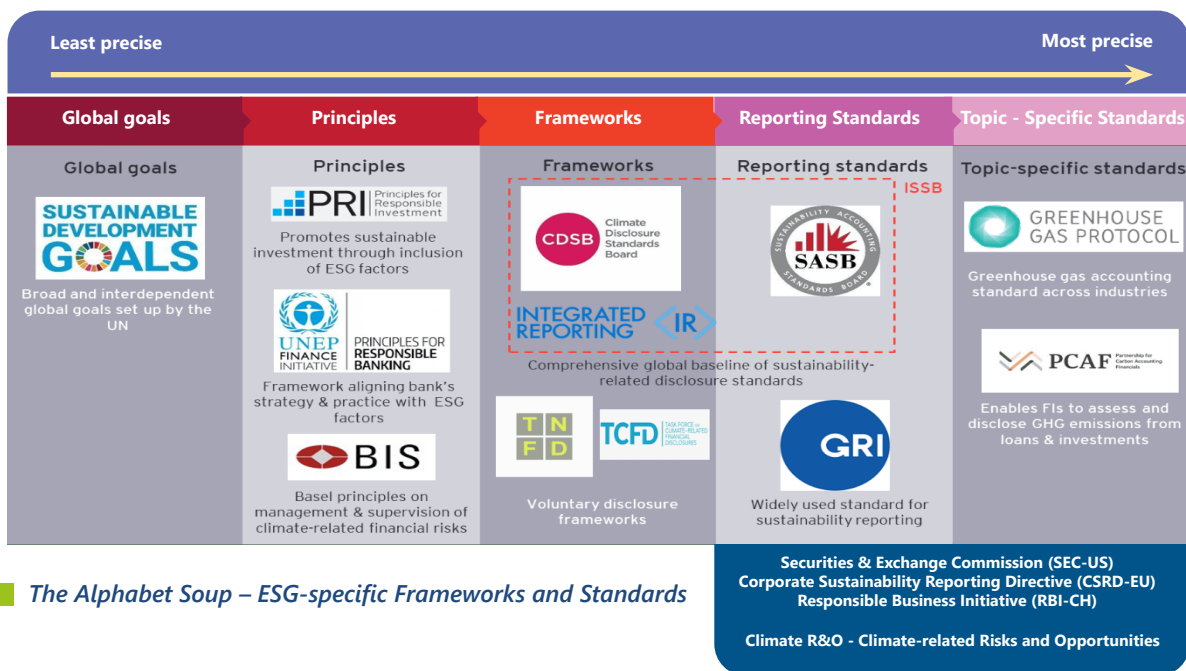
RELATIONS

2.

ESG
Regulatory
Landscape

2.0 ESG Regulatory Landscape

The ESG regulatory landscape is rapidly evolving to support the accelerated shift towards a sustainable future and the challenges which may arise in the process. In addition, ESG regulations provide a guiding framework for businesses to address sustainability challenges effectively, while promoting sustainable and responsible business practices. Thus, the Financial Institutions need to proactively monitor and embed action plans which can help them to navigate the complexities of the advancing regulatory agendas.



The Alphabet Soup – ESG-specific Frameworks and Standards

In order to assist with the same, the recommendations are designed keeping in mind the global and regional standards which may best suit member banks. A brief of the specific frameworks and standards considered for this recommendation exercise is given below.

2.1 UN Sustainable Development Goals (SDGs)

The United Nations' Sustainable Development Goals (SDGs) are a comprehensive set of global objectives aimed at creating a more sustainable and equitable world by 2030. Consisting of 17 goals and 169 targets, the SDGs cover a wide range of interconnected issues including poverty,

hunger, education, health, gender equality, clean energy, climate action, and more.

The primary objective of these goals is to tackle pressing global challenges, promoting economic, social, and environmental sustainability. The goals address critical areas such as eradicating poverty and hunger, ensuring quality education and healthcare, promoting clean energy and

sustainable economic growth, combating climate change, fostering peaceful and inclusive societies, and protecting the planet's biodiversity and ecosystems.

To achieve these goals, the SDGs emphasize the importance of global partnerships and collaboration among governments, civil society, businesses, and individuals. Governments play a crucial role in implementing policies and creating an enabling environment, while businesses are encouraged to adopt sustainable practices and contribute to inclusive growth.

The SDGs recognize the interconnected nature of development challenges and promote an integrated approach. They highlight the need to address systemic issues such as inequality, gender discrimination, and unsustainable consumption and production patterns. Achieving one goal often depends on progress in other areas, emphasizing the importance of a holistic approach.

The SDGs act as a roadmap for a more sustainable and inclusive future. They provide a common framework for action, encouraging governments, organizations, and individuals to work together to build a better world for present and future generations.



UN Sustainable Development Goals

2.2 Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) with a goal of developing a set of voluntary climate-related financial risk disclosures. Its primary objective is to assist companies in disclosing information that enables investors, lenders, and insurance underwriters to assess climate-related risks accurately. The TCFD focuses on enhancing transparency regarding an organization's impact on the global climate and seeks to standardize and improve the comparability of climate-related disclosures.



The TCFD's core framework, released in 2017, comprises four thematic areas: governance, strategy, risk management, and metrics and targets. These recommendations are interrelated and supported by 11 disclosure requirements designed to help stakeholders understand how companies perceive and address climate-related risks and opportunities.

In the area of governance, companies must outline the board's oversight of climate-related issues and management's role in evaluating and handling these risks and opportunities. Under strategy, organizations are expected to identify climate-related risks and opportunities over the short, medium, and long term, along with their impact on business operations, strategy, and financial planning. Additionally, they should assess their strategy's resilience to various climate-related scenarios, including a 2°C or lower scenario.

In risk management, companies must detail their processes for identifying, assessing, and managing climate-related risks and explain how these processes integrate into their overall risk management approach. Finally, in metrics and targets, organizations should disclose the metrics used to assess climate-related risks and opportunities, disclose greenhouse gas emissions (Scope 1, Scope 2, and, if relevant, Scope 3), and describe the targets set for managing climate-related risks and opportunities, along with their performance against these targets.

The TCFD's recommendations are designed to provide a comprehensive framework for companies to disclose critical climate-related information, enabling stakeholders to make informed decisions regarding capital allocation and investments categories.

2.3 IFRS Sustainability Disclosure Standards – IFRS S1 and IFRS S2

On 26 June 2023, the International Sustainability Standards Board (ISSB) launched its inaugural sustainability disclosure standards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, which are effective for annual reporting periods beginning on or after 1 January 2024.

Based on existing standards and frameworks (such as TCFD and SASB), the two Standards are designed to be used in conjunction, assisting companies in identifying and disclosing information that investors require for informed decision making. IFRS S1 provides a framework for entities to disclose information on material sustainability-related subjects encompassing the four pillars of TCFD. IFRS S2 supports the general standard by providing detailed guidance on how companies can provide information about its exposure to climate-related risks and opportunities.

2.1.1 IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

- IFRS S1 requires an organisation to disclose material sustainability-related risks and opportunities, that may affect its cash flows, access to finance or cost of capital over the short, medium or long term.
- It prescribes how entities should prepare and report their sustainability-related financial disclosures and provides general requirements for the content and presentation of those disclosures.

- IFRS S1 requires entities to disclose information on the four pillars of the TCFD Recommendations – governance, strategy, risk management, and metrics and targets.

An entity may apply IFRS Sustainability Disclosure Standards irrespective of whether the entity's financial statements are prepared in accordance with IFRS Accounting Standards or other generally accepted accounting principles/practices.

2.1.2 IFRS S2 Climate-related Disclosures

- IFRS S2 is the ISSB's first topic-based Standard, which requires an entity to provide information about its exposure to climate-related risks (both physical and transition risks) and opportunities that may affect its cash flows, access to finance or cost of capital over the short, medium or long term.
- It requires an entity to refer to and consider the applicability of the industry-based disclosure topics defined in the [Industry-based Guidance on Implementing Climate-related Disclosures](#).
- IFRS S2 puts forth the disclosure requirements on governance, strategy, risk management, and metrics and targets, supported by additional guidance on climate-related transition plans, GHG emissions, climate-related scenario analysis, etc.

Though IFRS S2 may be published standalone in the first year of adoption, it is recommended to be applied along with IFRS S1, which houses key reporting concepts that entities must understand while applying IFRS S2.

2.4 Global Reporting Initiative (GRI) Standards

The Global Reporting Initiative (GRI) is a globally recognized, independent, nonprofit organization dedicated to facilitating responsible reporting on the impacts of businesses and organizations worldwide. Established in 1997, GRI emerged through a collaboration between the United Nations Environment Programme (UNEP) and the Coalition for Environmentally Responsible Economies (CERES), with a mission to provide a universal language for communicating organizational impacts.

One of GRI's defining features is its inclusivity. It extends its applicability to any organization, irrespective of size, ownership (public or private), sector, or geographical location. This inclusivity allows businesses and entities from diverse backgrounds to use the GRI Standards effectively.

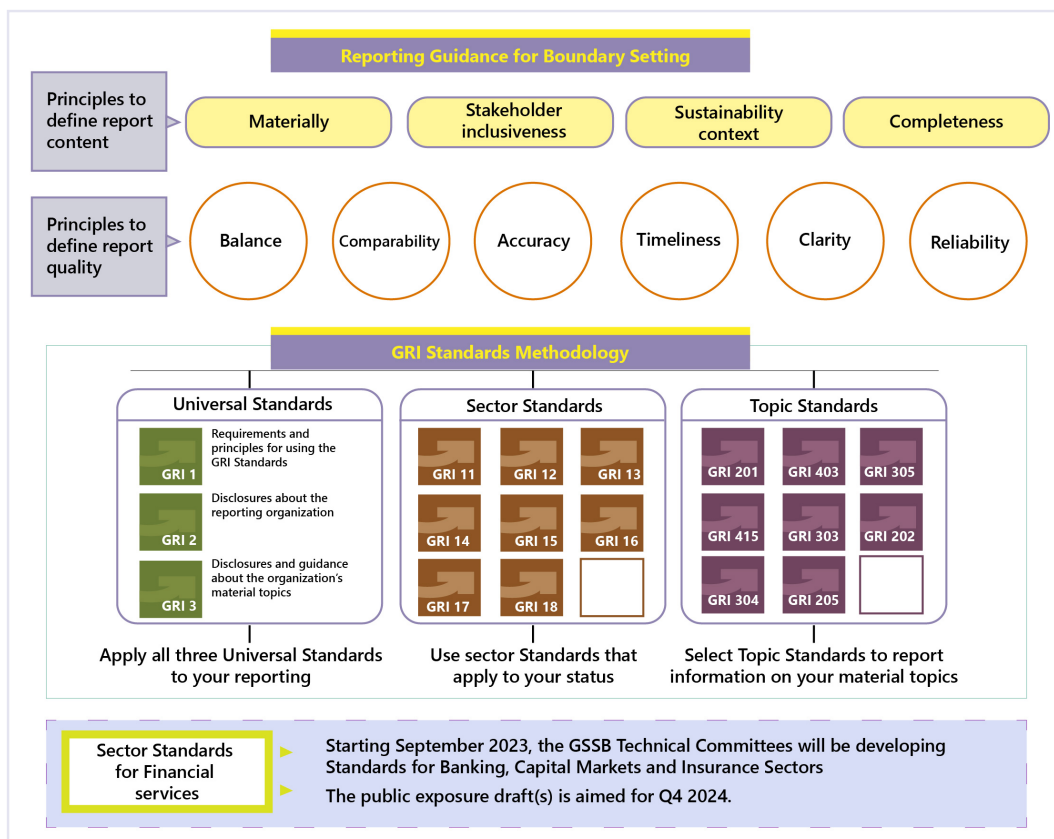
The GRI Standards are structured as a modular, interconnected system, facilitating adaptable and context-specific reporting. Organizations are encouraged to follow three core sets of standards:



1. **Universal Standards:** These are the foundational building blocks of GRI reporting and are designed to help organizations and their stakeholders understand the broader context of the report, thereby highlighting the significance of the impacts being reported.
2. **Sector Standards:** Organizations can choose sector-specific standards that align with their industry, ensuring that reporting is tailored to their unique challenges and opportunities.
3. **Topic Standards:** These standards delve into specific aspects of organizational impacts and are organized into three key categories:

A central feature of the GRI Standards is the specification of indicators known as disclosures. These disclosures provide organizations with a structured framework for transparent reporting on their operations and their impact on society and the environment. Each topic standard includes both general management approach disclosures and topic-specific disclosures, ensuring comprehensive and in-depth reporting.

In an era where stakeholders increasingly demand transparency and accountability, the GRI Standards offer organizations a clear path to responsible reporting. By utilizing this globally recognized framework, organizations can effectively communicate their efforts, achievements, and impacts, fostering trust among stakeholders and contributing to a more sustainable and responsible business ecosystem.



2.5 CDP Standards

CDP, formerly known as the Carbon Disclosure Project, is a not-for-profit charity that runs the global disclosures for investors, companies, cities, and regions to manage their environmental impacts.

Organizations use the CDP's annual questionnaire for disclosing environmental data regarding their greenhouse gas emissions, create a low carbon economy, evaluate climate change risks, protect natural resources, forest impact, water resource use, and overall corporate awareness.



What are CDP's Reporting Timescales?

- ▶ Numerous business report on a calendar year basis, from 1st January to 31st December.
- ▶ Annually, the CDP's submission deadline for score is the end of July, and they usually disclose the exact date at the beginning of the year.
- ▶ As a result, companies will have about seven months from the end of the reporting year to complete their carbon emissions, complete the questionnaire, and evaluate sign off on their submissions internally.



What Information do you need to disclose?

Companies self-report data using the CDP questionnaire, responding to questions that address issues material to their business activities.

Climate change Questionnaire:	<ul style="list-style-type: none"> ▶ Focuses on the measurement of your GHG emissions and your company's energy consumption. It also asks you to disclose your internal carbon pricing if you have this in place. ▶ Also aligns with another investor - focused environmental reporting initiative, the Task Force on Climate-related Financial Disclosures (TCFD)
Water Security Questionnaire:	▶ This asks about your company's water use and the methods that you've put in place for managing your water dependence
Forests Questionnaire:	▶ This relates to your company's reliance on raw materials which contribute to deforestation in biodiverse areas

Climate Change Questionnaire: The climate change questionnaire requests measurement on GHG emissions, energy use, and internal carbon pricing (if any is available). It also aligns with another investor-focused environmental reporting initiative, the Task Force on Climate-related Financial Disclosures (TCFD). This part of the questionnaire focuses on forward-looking projections for financial impacts from climate risks to business assets and operations.

Water questionnaire: Signatories should report their water use, accounting methods, risks, and key strategies for managing water dependence both internally and across their value chains.

Forests questionnaire: Companies are asked to report their reliance on commodities known to drive deforestation in biodiverse regions of the world.

The aim of CDP is to improve environmental impact data transparency and support sustainable business by helping companies measure, track, and reduce damage to the environment. Therefore, the Carbon Disclosure Project can help the world to protect natural resources and prevent dangerous climate change by reducing carbon emissions in cities, states, and regions around the world. Through a data-driven problem-solving approach, CDP encourages key economic stakeholders to

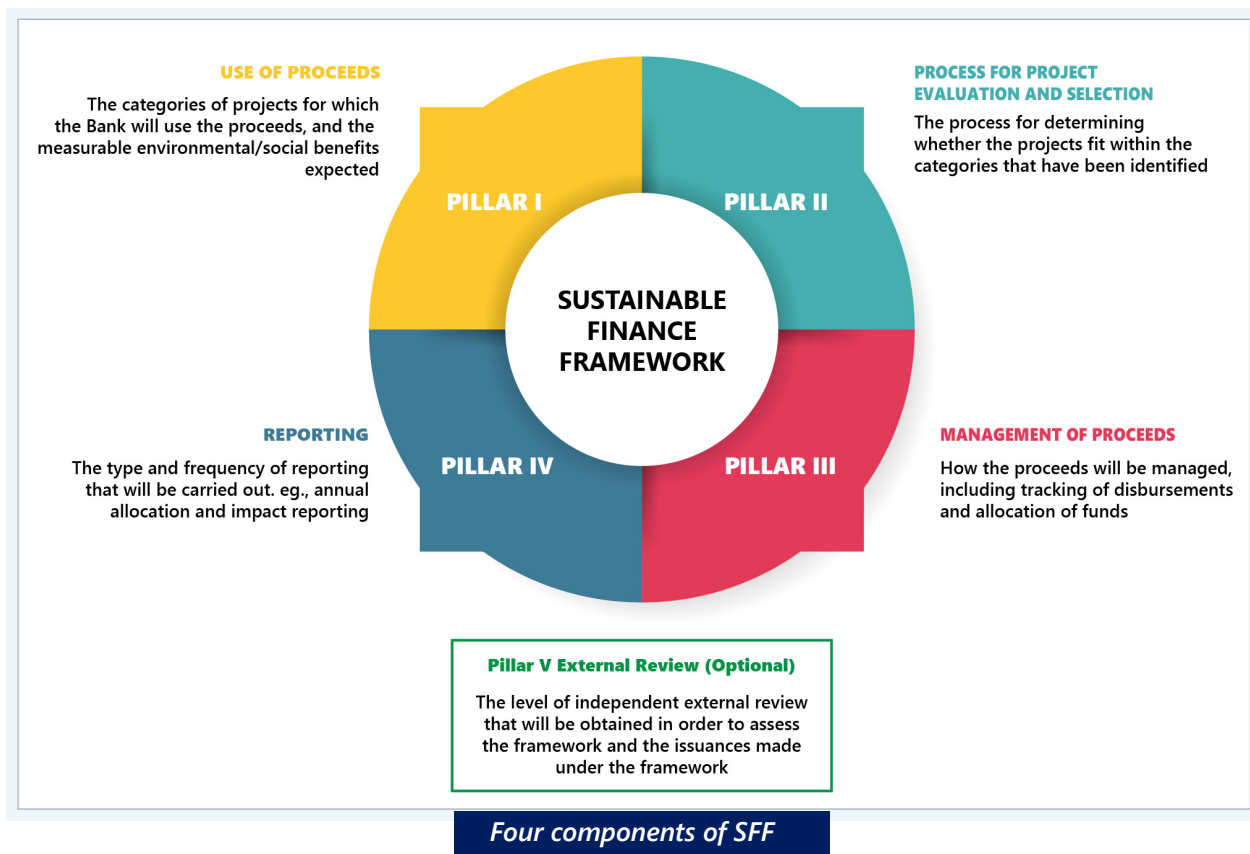
gain awareness of their contribution to key issues, so they can effectively prevent environmental damage.

The methodology offers a higher score to companies that achieve low-impact operations, ongoing improvement, and transparent disclosure, though its exact methodology changes each year. Companies are scored on a scale of A to F. The highest achieving companies are recognized on CDP's prestigious A-List, published each year in December. Companies can review the exact scoring methodology on the CDP website in these core criteria, which is updated each year to follow the latest international updates on environmental impact.

2.6 International Capital Market Association (ICMA) Bond Principles and Guidelines

The International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG) and Sustainability-Linked Bond Principles (SLBP) provide voluntary process guidelines to promote transparency, disclosure and integrity in the bond market by simplifying the bond issuance approach. Hence, these principles/standards guide issuers on the key components involved in launching a credible green, social, sustainability and sustainability-linked bond.

Green Bonds	The funds or proceeds from green bonds will be exclusively utilised to finance or re-finance activities/projects with distinct environmental benefits
Social Bonds	Social bonds finance those projects which aim to address and mitigate social issues and seek to attain positive social results, particularly, though not solely, for a target population
Sustainability Bond	The proceeds from sustainability bonds are used to finance or re-finance a combination of both green and social projects
Sustainability-Linked Bond	These bonds aim to support the issuer's efforts to promote sustainable development and/or motivate the issuer to achieve their pre-defined, time-bound sustainability performance targets



The four core components of a Sustainable Finance Framework (SFF) as per ICMA's principles and guidelines are –

- **Use of Proceeds:** The bond issuer must identify the categories of eligible green and/or social projects to which its proceeds will be allocated. An eligible project should address specific environmental and/or social issues and lead to measurable environmental and/or social outcomes.
- **Process for Project Evaluation and Selection:** The bond issuer must communicate the environmental and/or social objectives of the eligible projects, along with highlighting the process by which the projects fit within the eligible project categories, and the process by which the social and environmental risks associated with the projects are identified and managed.

- **Management of Proceeds:** The issuer must disclose how the proceeds will be managed, including tracking of disbursements and allocation of funds.
- **Reporting:** To ensure transparency, issuers must disclose in their annual report – the projects to which bond proceeds have been allocated, the amounts allocated, expected and/or achieved impacts of the projects, their performance against qualitative/quantitative indicators, etc.

ICMA also recommends appointing an external auditor or third party to carry out an external review of the alignment of the bond framework with the four core components, verify the tracking and allocation of funds, etc.



2.7 Kenya Green Bond Framework

The country's ambitions for sustainable development are outlined in the Vision 2030, the GESIP and the National Policy on Climate Finance. These policies constitute the Government's efforts to advance the sustainable development agenda focused on addressing key challenges such as poverty, unemployment, environmental degradation, climate change and variability, infrastructure gaps and food security.

The Kenya Green Bond Programme is brought together by the Kenya Bankers' Association, Nairobi Securities Exchange, Climate Bonds Initiative, Financial Sector Deepening Africa and the Dutch development bank FMO. The Kenya green bond guidelines are issued by the Nairobi Securities Exchange and approved by the Capital Markets Authority. The development of the Kenya Green Bond Guidelines has been done using the four pillars of the Green Bond Principles and the guidance of the Climate Bonds Standard:

- 1) Use of proceeds:** Proceeds are used for the financing or re-financing of green projects (and their related expenditures, such as R&D). Eligible projects fall under the categories identified in the international Climate Bonds Taxonomy and the National Policy on Climate Finance
- 2) Process for project evaluation and selection:** The issuer establishes, documents and maintains a decision-making process to determine the eligibility of the assets as part of their Green Bond Framework.
- 3) Management of proceeds:** The systems, policies and processes to be used for the management of the bond funds and investments are documented and disclosed by the issuers as part of its Green Bond Framework, including arrangements for tracking of proceeds and managing unallocated proceeds.
- 4) Reporting:** how often and what information the issuer will disclose to investors. The issuer provides to bondholders, at least annually, a Green Bond Report containing the list of the projects and assets to which proceeds have been allocated, for the duration of the bond. The reporting process and authority shall be documented and maintained as part of the issuer's Green Bond Framework.
- 5) External review:** An external review, such as a second party opinion or third-party certification, is mandatory.

2.8 International Finance Corporation (IFC) Performance Standards

The International Finance Corporation (IFC) Performance Standards are a set of environmental and social guidelines developed by the International Finance Corporation, a member of the World Bank Group. These standards are designed to help businesses and financial institutions manage and mitigate environmental and social risks associated with their projects and investments. They consist of eight performance standards which are:

- (i) **Social and Environmental Assessment and Management:** This standard requires clients to identify and assess potential project impacts on the environment and local communities before initiating a project. It emphasizes stakeholder engagement and the importance of informed decision-making.
- (ii) **Labor and Working Conditions:** It focuses on ensuring fair and safe working conditions for employees. It covers issues like child labor, forced labor, discrimination, and worker health and safety.
- (iii) **Resource Efficiency and Pollution Prevention:** This standard promotes resource efficiency and pollution reduction throughout a project's lifecycle. It encourages the adoption of cleaner technologies and practices to minimize negative environmental impacts.
- (iv) **Community Health, Safety, and Security:** It addresses the protection of communities and individuals affected by a project, emphasizing measures to prevent accidents, ensure emergency preparedness, and manage potential security risks.

- (v) **Land Acquisition and Involuntary Resettlement:** When a project necessitates land acquisition and resettlement of communities, it provides guidance on how to minimize disruption, provide adequate compensation, and facilitate the restoration of affected livelihoods.
- (vi) **Biodiversity Conservation and Sustainable Management of Living Natural Resources:** This standard focuses on the conservation of biodiversity and the sustainable management of ecosystems and natural resources impacted by a project.
- (vii) **Indigenous Peoples:** It highlights the importance of respecting the rights and culture of indigenous peoples who may be affected by a project. It requires meaningful consultation and participation in decision-making.
- (viii) **Cultural Heritage:** It deals with the preservation of cultural heritage sites and practices. It encourages clients to identify, assess, and manage potential impacts on cultural heritage.

The IFC Performance Standards are widely recognized as a benchmark for responsible business practices.

2.9 Equator Principles

Large infrastructure and industrial Projects can have adverse impacts on people and on the environment. The Equator Principles (EP) are intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing Projects.

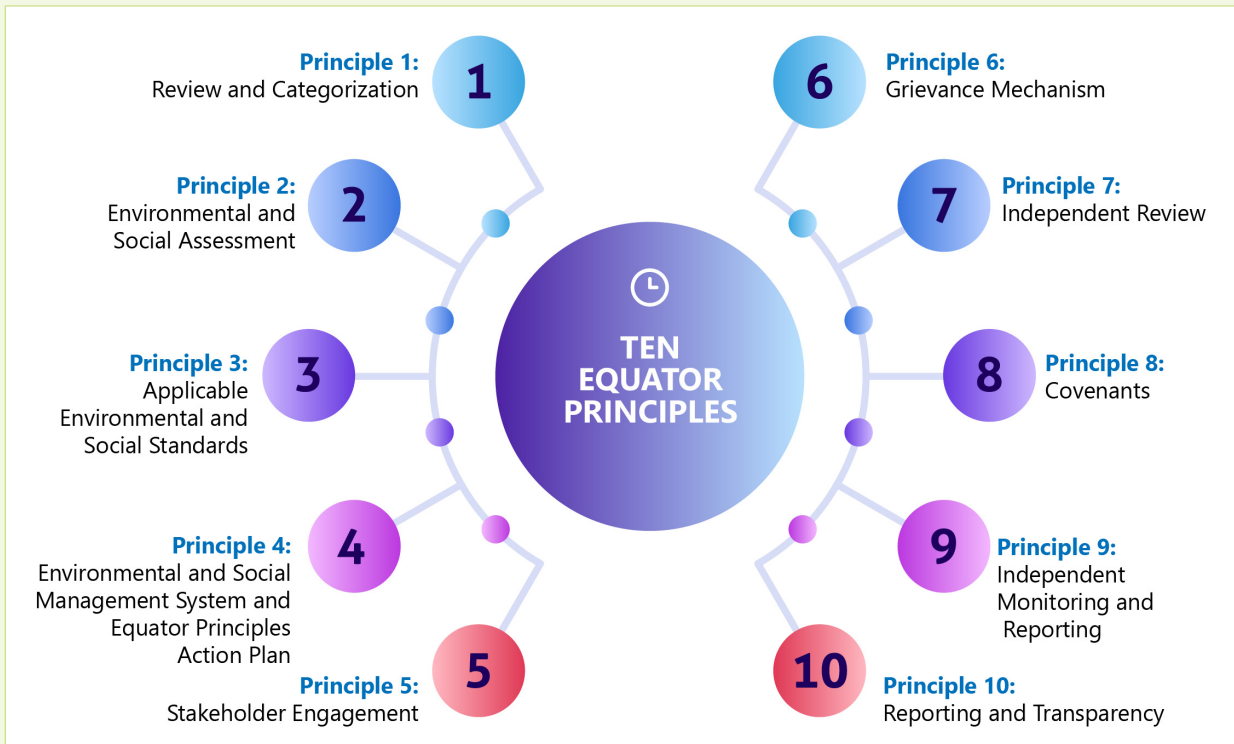
The EP apply globally to all industry sectors and to five financial products: 1) project finance advisory services, 2) project finance, 3) project-related corporate loans, 4) bridge loans and 5) project-related refinance and project-related acquisition finance.

The EPs are adopted and applied voluntarily by what is known as 'Equator Principles Financial Institutions', or EPFIs. Currently, 116 EPFIs in 37

countries have officially adopted the EPs, covering the majority of international project finance debt within developed and emerging markets.

The Equator Principles (EP) have become the financial industry standard for environmental and social risk management in projects. Financial institutions adopt the EP to ensure that the projects they finance are developed in a socially responsible manner and reflect sound environmental management practices. By doing so, negative impacts on project-affected ecosystems and communities should be avoided where possible. If unavoidable, negative impacts should be reduced, mitigated and/or compensated for appropriately.

The 10 Equator Principles are:



2.10 European Investment Bank

The European Investment Bank (EIB) is a preeminent financial institution, established in 1958. Promoting sustainable and inclusive development is at the heart of the EIB’s objectives and its lending strategy.

The EIB has established a comprehensive policy framework called the EIB Group Environmental and Social Sustainability Framework. This framework focuses on sustainable and inclusive development, aiming to support economies and communities that are climate and disaster resilient, low carbon, environmentally sound, and more resource efficient. It consists of a Group-wide Environmental and Social Policy and a revised set of EIB Environmental and Social Standards. The standards include a new Standard 11 on Intermediated finance. These standards describe the requirements that all EIB-financed projects must meet.

The EIB standards include:



The EIB’s commitment to the E&S Standards extends across all regions where it operates. The institution adopts a risk-based approach during due diligence and project monitoring, allowing for the tailored application of these standards. This approach ensures that projects are evaluated and managed in accordance with their unique environmental and social profiles.

While the EIB is primarily focused on the EU, its influence extends worldwide through its global partnerships and initiatives. The EIB Standards, reflecting its commitment to international development and sustainability, facilitate responsible investment in various regions, advancing the EU’s values on a global scale.

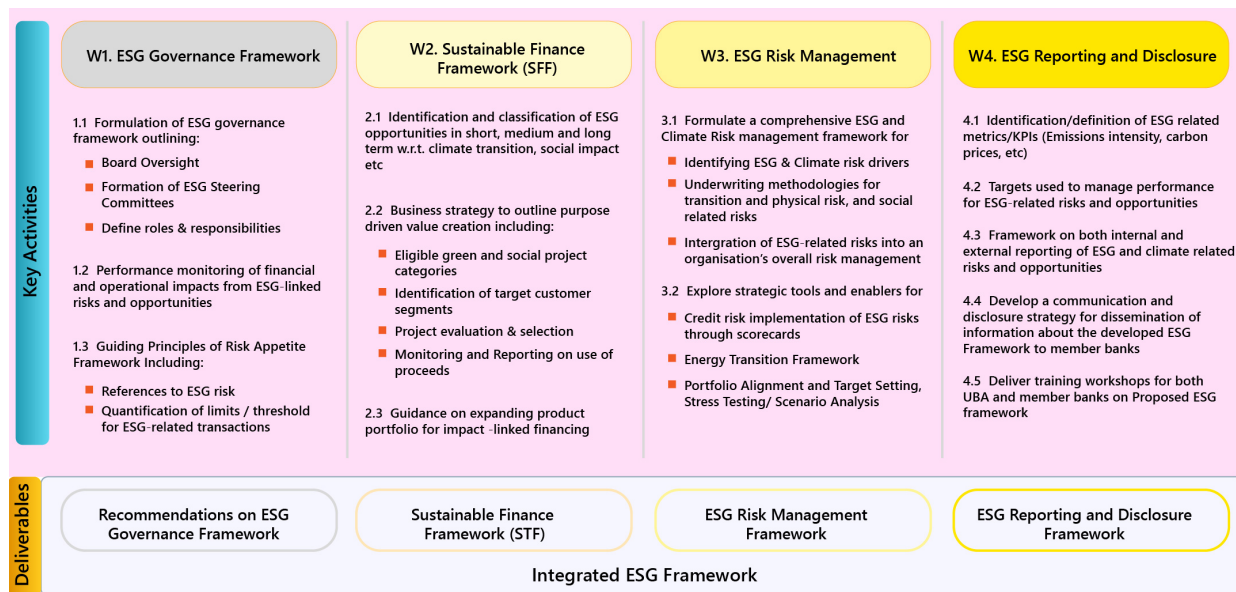
A young man with dark skin and short hair, wearing a white button-down shirt, is looking slightly to the right with a thoughtful expression. The background is a light gray wall covered with several colorful sticky notes in shades of blue, yellow, and pink. A large, dark blue diamond-shaped graphic is overlaid on the left side of the image, containing the text. In the bottom left corner, there is a decorative pattern of white and blue geometric lines.

3.

Approach and Methodology

3.1 High Level Approach

For an effective ESG Framework, Banks need to embed the E and S considerations into all four major components of governance, product and strategy, risk management and reporting and disclosure.



3.2 Workstream 1: ESG Governance

Embedding ESG-related considerations into the Bank's governance framework allows the Bank to set the tone at the top, while ensuring accountability and transparency of the framework. As a result of the same, Banks should:

- Define an oversight mechanism, which includes governing committees and personnel alike, for strategizing and supervising the integration of ESG within the various facets such as strategy, policies, and processes
- Develop/enhance policies and processes across various ESG-related aspects such as Ethics and Integrity, Cybersecurity risks, Supplier Effectiveness

- Identifying material ESG issues and setting the qualitative and quantitative risk appetite and tolerances
- Define the roles and responsibilities of the stakeholders involved with respect to managing ESG-related risks and impacts

To ensure a granularity of the Governance approach, we have structured our methodology into ten specific key pillars, drawing inspiration from global and regional standards, as well as best practices from leading financial institutions.

Pillars	Sub-Modules
Board Oversight of ESG-related issues	Oversight over: <ul style="list-style-type: none"> - Guiding strategy, major plans of action, risk management policies - Setting the organization's performance objectives - Monitoring and Reporting
	Representation in the Board for ESG-related considerations
	Oversight over progress against goals and targets
	Process for determining remuneration (remuneration policy overseen by independent board members/remuneration committees and is tied to sustainability performance)
	Procedures and frequency of notification for ESG-related considerations
Management level committees/steercos	Management-level positions or committees and their reporting structure
	Description of organisational structure for ESG-related matters
	Monitoring and Reporting of ESG-related matters
Ethics and Integrity	Inclusion of sustainability/responsible business in Code of Conduct
	Whistle-blower Management
	Anti-Financial Crime (Anti-corruption, Anti-bribery)
	Anti-competitive Behaviour
Human Capital	Equal Opportunities and Diversity & Inclusion
	Training and Education
	Occupational Health and Safety
	Human Rights Assessment (Child Labour, Forced Labour, Rights of Indigenous People and Local Communities)
Contract Management	Procurement Practices
	Supplier Environmental and Social Assessment
IT Security and Cybersecurity	Data transparency and accountability/Customer Privacy
	Cyber, cloud services and operational resilience
Sustainability Materiality Assessment	Identifying and assessing potential environmental, social and governance issues that could affect the business and stakeholders
Risk Appetite	ESG-related Risk Appetite: Qualitative <ul style="list-style-type: none"> - Prohibited Transactions - Sector Policies - Exclusion List
	ESG-related Risk Appetite: Quantitative Limits/Tolerances
ESG and Climate Risk Strategy	ESG-related Objectives, Vision, and Mission
	ESG Strategy Targets
	Net Zero Transition
Roles and Responsibilities of three LoDs	ESG-related considerations in all three LoD: <ul style="list-style-type: none"> - Front Office/Credit - Risk Management - Audit and Assurance

3.3 Workstream 2: Sustainable Finance Framework

A sustainable finance framework is vital for banks as it fosters responsible investments, mitigates risks, meets regulatory standards, and supports global sustainability goals. It helps banks thrive in a changing financial landscape while contributing positively to the environment and society.

Given the prevalence of ICMA and LMA Green and Social bond/loan frameworks, and adoption of the same by regional frameworks (such as AfDB Green and Social Bond Framework), we have based the classification of the Sustainable Finance Framework recommendations on the four major pillars of the ICMA and LMA Green and Social bond/loan frameworks. In addition to these four modules, a fifth module, 'Sustainable Finance Products', is also provided to help banks with expanding their sustainable finance products portfolio.

Modules	Sub-Modules
Pillar 1: Use of Proceeds	Scope of the Framework
	Eligible Green and Social Categories
	Eligible Projects/Activities and Eligibility Criteria
Pillar 2: Project Evaluation	Governance Structure
	Evaluation and Selection Process
Pillar 3: Management of Proceeds	Tracking of Allocated/Unallocated Proceeds
	Control Framework
	External Review
Pillar 4: Reporting	Allocation Reporting
	Impact Reporting
	Oversight and Sign-off
Pillar 5: Sustainable Finance Products and Services	Product Strategy

Global Standards under consideration	Regional Standards under consideration
<ul style="list-style-type: none"> • ICMA Green and Social Bond Principles • Climate Bonds Initiative • Loan Market Association (LMA) Framework • IFC Performance Standards • European Investment Bank (E&S Standards) • SA Green Finance Taxonomy 	<ul style="list-style-type: none"> • Policy Guidance Note on the issuance of Green Bonds in Kenya • Sustainable Finance Principles and Guidelines by Kenya Bankers Association • Green and Social Bond Principles by Africa Development Bank • Uganda's Sustainability Goals (NDC)

1.



Pillar 1: Use of Proceeds -The initial pillar focuses on identifying eligible Green and Social categories, such as Renewable Energy, Affordable Housing, and Sustainable Water Management, while establishing specific criteria to determine project eligibility within these categories. This foundational step lays the groundwork for how funds will be directed towards sustainable initiatives.

2.



Pillar 2: Project Evaluation - Pillar 2 centres on the rigorous evaluation and selection process for projects falling within the identified categories. Stringent assessment criteria are employed to ensure that selected projects align with sustainability objectives, thereby promoting impactful investments that contribute to positive change.

3.



Pillar 3: Management of Proceeds - It addresses the prudent management of proceeds generated from sustainable investments. It encompasses processes for monitoring the allocation of net proceeds to eligible projects and outlines measures to prevent funds from idling through temporary placements, ensuring continued engagement in sustainable endeavors.

4.



Pillar 4: Reporting - It emphasizes transparency and accountability by identifying both qualitative and quantitative performance indicators for each category. These indicators enable stakeholders to track and assess the progress and impact of sustainable investments, providing essential information to investors and the wider public.

5.



Pillar 5: Sustainable Finance Products - The final pillar promotes the development and adoption of sustainable finance products like Green Mortgages, Car Loans, and Sustainability-linked trade finance. Additionally, it considers global standards to harmonize sustainable finance practices worldwide, expanding the availability and alignment of sustainable finance options.

3.4 Workstream 3: ESG Risk Management Framework

The development of a robust Environmental, Social, and Governance (ESG) Risk Management Framework is a critical endeavor for banks in today's global landscape. To ensure a comprehensive and effective approach, we have structured our methodology into five key modules, drawing inspiration from global and regional standards, as well as best practices from leading financial institutions.

Modules	Sub-Modules
Risk Identification and Measurement	Risk Reviews
	Scope and Materiality Assessment
	Portfolio Alignment
	Counterparty-level Assessment
	Environmental Risk Assessment - Transition Risk
	Environmental Risk Assessment - Physical Risk
Embedding ESG and Climate risk into Traditional risks	Credit Risk
	Market Risk
	Liquidity and Funding Risk
	Operational Risk
	Legal/Compliance Risk and Reputational risk
Data and methodology (Data sources, Data Gaps, Data proxies)	Data Aggregation and Inventory
	Data Mapping and Data Gaps
	Data Quality
Scenario Analysis and Stress Testing	Scenario Planning and Design
	Execution and Governance
	Documentation and Reporting
ESG Risk Monitoring, Control and Mitigation	Monitoring and Control Framework
	Mitigation Measures

a. Risk Identification and Measurement:

This module focuses on the early detection and quantification of ESG risks. It involves a thorough assessment of potential risks associated with environmental, social, and governance factors.

b. Embedding ESG and Climate Risk into Traditional Risks:

Here, the integration of ESG and climate risks into conventional risk management processes is emphasized. This ensures a holistic understanding of risk profiles.

- c. **Data and Methodology:** The availability and quality of data are critical in ESG risk management. This module delves into data sources, identifies data gaps, and explores the use of data proxies.
- d. **Scenario Analysis and Stress Testing:** Scenario analysis and stress testing are vital tools for assessing the resilience of financial institutions to ESG risks. This module provides guidance on conducting these analyses effectively.
- e. **ESG Risk Monitoring, Control, and Mitigation:** Ongoing monitoring, control measures, and mitigation strategies are essential components of ESG risk management. This module outlines best practices for maintaining vigilance and taking proactive steps.

Our recommendations are rooted in internationally recognized standards and best practices, ensuring alignment with global and regional benchmarks. The sources of these standards include:

Global Standards under consideration
<ul style="list-style-type: none"> • Principles for the effective management and supervision of climate-related financial risks (2022) by Basel Committee on Banking Supervision (BCBS) • Principles for Climate-Related Financial Risk Management for Large Financial Institutions by the Office of the Comptroller of the Currency (OCC - United States) • Management and supervision of ESG risks for credit institutions and investment firms by the European Banking Authority • Hong Kong Monetary Authority guidelines on Climate risk management.
Regional Standards under consideration
<ul style="list-style-type: none"> • Guidance on Climate-Related Risk Management by the Central Bank of Kenya.

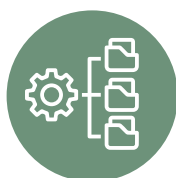
This framework serves as a valuable resource for banks seeking to fortify their ESG risk management strategies and align themselves with the evolving landscape of responsible banking.

3.5 Workstream 4: ESG Reporting and Disclosure

ESG reporting and disclosure are integral for banks, enabling them to manage risks, attract investment, comply with regulations, enhance their reputation, and build a sustainable future. We have structured the ESG Reporting and Disclosures framework into four comprehensive modules, with each module further subdivided to provide a higher level of detail.

Modules	Sub-Modules
Planning	Reporting Requirements
	Reporting Elements
Reporting Governance	Governance and Oversight
	ESG Assurance
Data Management	Data Aggregation and Control
Tools and Templates	Strategic Tools, Templates, Methodologies

Global Standards under consideration	Alliances under consideration
<ul style="list-style-type: none"> • Global Reporting Initiative (GRI) • International Sustainability Standards Board (ISSB) • Task Force for Climate-related Financial Disclosures (TCFD) • Sustainability Accounting Standards Board (SASB) • Carbon Disclosure Project (CDP) 	<ul style="list-style-type: none"> • UN Sustainable Development Goals (SDGs) • Science Based Targets Initiative (SBTi) • Net Zero Banking Alliance



- 1. Planning:** This initial pillar addresses the crucial aspects of reporting, encompassing Reporting Requirements and Reporting Elements. It lays the groundwork for understanding what needs to be reported and what specific elements should be included.
- 2. Reporting Governance:** The second pillar revolves around the governance of ESG reporting. It consists of Governance and Oversight, ensuring that the reporting process is overseen by the appropriate authorities, and ESG Assurance, which focuses on ensuring the integrity and reliability of reported information.
- 3. Data Management:** The third pillar delves into the nitty-gritty of data handling. It involves Data Aggregation and Control, emphasizing the importance of collecting and managing ESG data effectively and securely.
- 4. Tools and Templates:** The final pillar deals with the practical tools and resources necessary for successful ESG reporting. This includes Strategic Tools, Templates, and Methodologies, which aid organizations in streamlining the reporting process.

Furthermore, we have supplemented these pillars with additional information concerning widely adopted Disclosure standards and Alliances, providing insights into the broader landscape of ESG reporting standards. Additionally, we have curated an assortment of illustrative metrics and Key Performance Indicators (KPIs), classified based on their broader categories, allowing organizations to select the most relevant indicators for their specific reporting needs.

A man with a beard and short dark hair, wearing a dark suit jacket over a light blue shirt, is looking at a laptop screen. He is smiling and pointing at a white card he is holding in his right hand. The background is a blurred office setting with windows. There are decorative elements: a blue and green curved shape in the top left corner, a blue and white geometric pattern in the bottom left corner, and a large green diamond shape overlaid on the image containing the text.

4.

Recommendations

4.0 Recommendations

For ease of analysis, we have divided the workstream-wise recommendations into comprehensive pillars/modules. Each such pillar represents the major aspects of an effective ESG framework mechanism which the member banks must consider while setting up their ESG framework. Each such pillar is further divided into multiple sub-modules or components, under which are drafted multiple corresponding recommendations.

All recommendations are drafted keeping in mind the diversity of the member banks under UBA. Hence, the member banks have been classified into three distinctive groups (Group A, B and C) on basis of their operational scale (total assets) and type as provided in the sheet *Member Bank Grouping*.

Based on the defined group, the timeline for implementation of the recommendations and maturity levels have been considered to ensure fair applicability of the recommendations for all member banks.

In addition, the following additional details are provided:

Components	Description
Level of Maturity	<p>This denotes the level of complexity of the suggested recommendation based on the actions to be taken to successfully implement the same, the efforts and resources that may be required, and in some case, the challenges faced by specific/all member banks while implementing the recommendation. Based on the same, each recommendation is assigned a maturity level of either 'Low', 'Medium' or 'High'. The level of maturity assigned to each recommendation is accompanied by an appropriate supporting justification.</p> <p>E.g., Recommendations which have been assigned a 'High' Level of Maturity are expected to take greater effort and likely to be more complex to implement than those recommendations which are tagged as 'Medium' or 'Low' maturity.</p>
Timeline for Implementation	<p>This will guide member banks to identify the point in their ESG journey in which they can look at implementing the suggested recommendation. The timeline for implementation is specified considering the readiness of the member banks together with level of maturity of the suggested recommendations.</p> <p>The timeline is provided specific for each of the three groups (as defined in Member Bank Grouping sheet)</p>
Applicability	<p>For ease of implementation, the applicability of each recommendation is provided, which is assigned depending upon:</p> <ul style="list-style-type: none"> - Applicable group of a member bank - Uganda's local regulations - Assigned maturity level - Timeline for implementation

4.1 Workstream 1: ESG Governance

G.1 Board Oversight

G.1.1 Representation in the Board for ESG-related considerations

S.No.	Recommendation				
G.1.1.1.A	The member banks may follow any of the approaches below: 1.1.1.A OR 1.1.1.B Delegate oversight of ESG issues to an existing board committee (e.g., Board Strategy Committee, Board Risk Committee). The ESG committee could sit within the existing board committee, but with clear ESG related Terms of Reference.				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Level of Maturity	Timeline			
	Low	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months			
Applicability					
<p>It is recommended that the member banks, regardless of size and scale of operation, may first aspire to incorporate G.1.1.1.A as a first step before proceeding to implementing a standalone committee (as recommended in G.1.1.1.B) over a slightly extended period.</p> <p>Delegating oversight to existing committee may be considered a more efficient approach for Group B & C banks, before beginning their journey to establishing a standalone committee (recommendation G.1.1.1.B). However, the Group B & C banks may be challenged by resource constraints while implementing the same.</p> <p>For Group A banks however, the implementation of this recommendation may depend upon:</p> <ul style="list-style-type: none"> - The scale of operation and the geographical expanse, thus necessitating a more intricate oversight structure - The complexity of the organisational structure of group and subsidiary entities (if exist), especially for banks with Group HQs outside of Uganda. <p>While there might not be explicit provisions within the current Uganda local laws and regulations recommending banks to implement this recommendation, it is highly encouraged that the member banks establish clearly defined roles and responsibilities surrounding ESG-related matters, so as to guarantee the efficiency of their ESG-related processes and procedures, while also working towards achieving their ESG-related objectives.</p> <p>OR</p>					
G.1.1.1.B	<p>Establish a standalone Board level committee to oversee sustainability and ESG-related matters in the bank, including the ESG-related objectives, goals and targets, policies and procedures, strategy considerations, and reporting and disclosure mechanisms.</p> <p>It is recommended that:</p> <ul style="list-style-type: none"> • The committees may be cross-functional in nature and include chairs or representatives from the audit, compensation, risk and other Board committees. • The mandate of the committee should be formalised in a comprehensive Terms of Reference, detailing the committee's purpose, composition, appointment procedure, authority & power, duties & responsibilities. • The established ESG/sustainability Board committee should formulate a committee charter, hold regular meetings, note meeting minutes, and provide periodic reports to the Board. • The established committee shall assist in alignment of ESG-related considerations with the company's long-term business strategy. <p>Member banks may also align the structure and practices to global guidelines such as <i>IFC Corporate Governance ESG Progression Matrix for Listed Companies</i>.</p>				

S.No.	Recommendation	
	Level of Maturity	Timeline
	Medium	Group A: 18-24 months Group B: > 24 months Group C: > 36 months
	Applicability	
	<p>It is recommended that the member banks, regardless of size and scale of operation, may first aspire to incorporate G.1.1.1.A as a first step before proceeding to implementing a standalone committee (as recommended in G.1.1.1.B) over a slightly extended period.</p> <p>However, for Group A Banks which are better positioned and more likely to have the necessary capabilities and resources, it is highly encouraged to set up standalone committees to solidify their ESG-related efforts through effective oversight, while also demonstrating to investors, shareholders and customers their commitment to ESG-related causes.</p>	
G.1.1.2.A	The Board must ensure that the ESG-related responsibilities are overseen and championed by the head of other related functions, such as Chief Risk Officer, Strategy Officer, Compliance Head, etc.	
	Level of Maturity	Timeline
	Low	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Applicability	
	<p>While there might not be explicit provisions within the current Uganda local laws and regulations recommending banks to implement this recommendation, having CSOs or Sustainability Directors who have sufficient access to the board would be better positioned to influence and shape the sustainability efforts and transformation of the bank.</p> <p>OR</p>	
G.1.1.2.B	The Board must initiate the appointment process for a Chief Sustainability Officer/Director of Sustainability, who will be responsible for leading the ESG reporting process and other operations of the management committee on ESG.	
	Level of Maturity	Timeline
	Low	Group A: 18-24 months Group B: > 24 months Group C: 18-24 months
	Applicability	
	<p>The implementation of this recommendation would require</p> <ul style="list-style-type: none"> - Retraining of appointed officials. For example, an official from a non-governmental organisation or policy background needs to be re-trained to operate in complex multinational groups. <p>This may result in increased restructuring and re-training efforts in the form of time and money.</p>	

G.1.2 Oversight on:

- ✓ *Guiding strategy, major plans of action, risk management policies*
- ✓ *Setting the organisation's performance objectives*
- ✓ *Monitoring and reporting*

S.No.	Recommendation	
G.1.2.1	Incorporate ESG-related considerations into their existing policies (such as risk management policies, credit policies, etc.), corporate governance guidelines and/or committee charters to reflect the allocation of these responsibilities. It is also recommended that the oversight over successful implementation of the same should be performed by the Board.	
	Level of Maturity	Timeline
	Low	Group A: 9 -12 months Group B: 9 -12 months Group C: 9 -12 months
	Applicability	
It is recommended that all the member banks, regardless of size and scale of operation, should aspire to incorporate this recommendation as it would prove to be a significant step in integrating ESG-related matters into existing policies and processes across the departments. This may prove to be beneficial for banks in propagating their commitment to sustainability across all functions of the organisation, while ensuring alignment between the said functions and eliminating any gaps and inconsistencies arising out of the same.		

G.1.3 Process for determining remuneration (remuneration policy overseen by independent board members/remuneration committees and its ties to sustainability performance)

S.No.	Recommendation	
G.1.3.1	Establish a board-level Remuneration Committee, which would have direct oversight on the bank's remuneration-related matters, including having a remuneration and/or incentive policy linked with pre-determined climate and sustainability metrics, periodic revision of the policy with changing sustainability priorities, etc.	
	Level of Maturity	Timeline
	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
As per the quoted legal mandate, "the Compensation Committee shall provide oversight on the remuneration of senior management and other key personnel and ensure that compensation is consistent with the institution's culture, objectives, strategy and control environment."		
Accordingly, if the bank has incorporated ESG related considerations an integral part of the their objectives and strategy, then the bank will have to incorporate a remuneration and/or incentive policy linked with sustainability performance, regardless of their category.		
The Group A banks may establish a Board Remuneration Committee for better oversight and effective implementation of the same, whereas Group B and C banks may delegate the oversight of sustainability performance-linked remuneration policies with existing Human Resources-related Committees.		

G.2 Management level Committees/Steercos

G.2.1 Management-level positions or committees and their reporting structure and Description of organisational structure for ESG-related matters

S.No.	Recommendation	
G.2.1.1	Establish a cross-functional, senior management team, i.e., a management-level ESG committee for the development and implementation of the company's ESG strategy.	
	Level of Maturity	Timeline
	Low	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Applicability	
<p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, an ESG-specific committee is imperative for banks of all groups so as to ensure effective oversight and management of ESG-related matters, in addition to safeguarding the banks from:</p> <ul style="list-style-type: none"> - any regulatory/compliance risks due to evolving regulatory landscape - any reputational risks, given the increasing ESG focus of investors and customers alike - any form of legal risks arising from avoidable occupational hazard incidents <p>However, banks with resource limitations may find it challenging to establish cross-functional senior management teams. They may do so over extended periods of time.</p>		
G.2.1.1.A	This established management-level ESG committee should include members from various departments such as Chief Risk Officer (CRO), Compliance Officer, Chief Finance Officer (CFO), Chief Strategy Officer (CSO), etc.	
	Level of Maturity	Timeline
	Low	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Applicability	
<p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, such a cross-functional committee would be imperative for the banks to achieve a healthy cross-functional collaboration along with alignment of their functions with the banks' overall sustainability goals.</p> <p>However, for banks with limited resources, they may face challenges around:</p> <ul style="list-style-type: none"> - Restructuring of existing governance structure and roles & responsibilities - Talent acquisition through external hiring of candidates with suitable expertise in the field of ESG 		

S.No.	Recommendation				
G.2.1.1.B	<p>Appoint a Chief Sustainability Officer/Director of Sustainability to chair the established committee. The roles and responsibilities of such an officer may include (but not limited to):</p> <ul style="list-style-type: none"> Defining ESG strategy while ensuring strategic alignment, i.e., align sustainability goals with overall business strategy Overseeing the review and assessment of ESG-related matters, risks, processes, and policies in place programs Oversight and direction while setting sustainability goals and monitoring the progress against such goals Coordinating activities with different departments to achieve sustainable development at all levels within the bank 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium - High</td> <td> Group A: 12-18 months Group B: 18-24 months Group C: > 24 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium - High	Group A: 12-18 months Group B: 18-24 months Group C: > 24 months
	Level of Maturity	Timeline			
	Medium - High	Group A: 12-18 months Group B: 18-24 months Group C: > 24 months			
<p>Applicability</p> <p>The implementation of this recommendation would require</p> <ul style="list-style-type: none"> Retraining of appointed official. For example, an official from a non-governmental organisation or policy background, needs to be re-trained to operate in complex multinational groups. <p>This may result in increased restructuring and re-training efforts in the form of time and money.</p>					

G.2.2 Monitoring and reporting of ESG-related matters

S.No.	Recommendation				
G.2.2.1	<p>The management level ESG committee should report to the Board/Board Sustainability Committee. The management level ESG Committee should meet at least once quarterly to report/discuss on ESG-related considerations including:</p> <ul style="list-style-type: none"> ESG related objectives, milestones and goals, progress on targets ESG performance indicators 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low - Medium</td> <td> Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low - Medium	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Level of Maturity	Timeline			
	Low - Medium	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months			
<p>Applicability</p> <p>It is recommended that all banks, regardless of their groups, implement this recommendation as it is necessary for proactive identification of any potential concerns/escalations and come up with suitable response plan for mitigating the same.</p>					

G.2.2.2	<p>Banks should design and implement a structured change management process so as to enable a multidisciplinary and inclusive approach including:</p> <ul style="list-style-type: none"> Structural Change: to drive reporting structure and related job roles, skilling, compensation and performance reviews Processes, Systems and Tools: designing/updating policies and SOPs and redefining BAU approaches Shaping Culture: Embedding change within critical behaviours, attitude and mindset to communicate the benefits of change company-wide and drive employees' engagement with regards to ESG adoption
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S.No.	Recommendation	
	Level of Maturity	Timeline
	Low	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Applicability	
	<p>Ensuring a structured change management approach would provide banks with the agility to easily adopt ESG and derive valuable outcomes in line with their sustainability objectives. ESG-related change is also multidisciplinary, and extends across governance, processes and people. Hence, it is imperative for the banks to have a healthy change management process to achieve a smooth transformation with respect to ESG integration.</p> <p>However, banks with complex organisational structures and a large employee base, such as those under Group A and B, may find it tedious to implement such a holistic change management process at once. In such cases, banks can attempt to implement change entity, division, or process-wise, i.e., prioritising those divisions and processes which have direct impact of ESG integration before moving ahead with others over an extended period of time.</p>	

G.2.3 Management-level positions or committees must ensure training & development of employees on ESG matters

S.No.	Recommendation	
G.2.3.1	<p>The management level committee must oversee ESG training and capability building programs for all employees to build an understanding of sustainability practices.</p> <p>The trainings may cover:</p> <ul style="list-style-type: none"> • E&S Risk Management, E&S screening tools, understanding of supply chain sustainability aspirations of the Bank, etc. • Bank's ESG-related goals, targets, and aspirations. • Their code of conduct and other existing policies such as Information and Cyber Security (ICS) training programmes, Anti-Bribery and Corruption, D&I, Health, and Safety, etc. • Health and Safety training for workers engaged in specific projects, project-specific risks, etc. • Relevant environmental and social guidelines, standards, and requirements. 	
	Level of Maturity	Timeline
	Low-Medium	Group A: < 12 months Group B: < 12 months Group C: 6 - 12 months
	Applicability	
	<p>Regardless of their Group, it is beneficial for banks to have a comprehensive training programme designed around the ESG space for all employees involved, so as to safeguard the banks from:</p> <ul style="list-style-type: none"> - any regulatory/compliance risks due to the evolving regulatory landscape - any reputational risks, given the increasing ESG focus of investors and customers alike - any form of legal risks arising from avoidable occupational hazard incidents <p>However, banks with resource limitations may find it mildly challenging to design the necessary training modules and documentation and engage in suitable training of staff. In such cases, banks may engage with consulting stakeholders for the same.</p>	

G.3 Ethics and Integrity

G.3.1 Inclusion of sustainability/responsible business in Code of Conduct

S.No.	Recommendation				
G.3.1.1	Incorporate responsible banking considerations in their Code of Conduct and align the same with: <ul style="list-style-type: none"> • The social and environmental priorities of Uganda and its NDCs • Any of the existing standards/principles like UN Principles for Responsible Banking (PRB), Paris Agreement, UN Sustainable Development Goals (SDGs), etc. 				
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	Level of Maturity	Timeline			
	Low	Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months			
Applicability					
Incorporating responsible banking considerations into the Code of Conduct and aligning them with global standards is essential for all groups to promote ethical and sustainable practices. While the commitment to responsible banking is crucial, Group C banks may face fewer external pressures due to their size and influence.					
G.3.1.2	Incorporate the amended Code of Conduct (with the responsible banking considerations) into the employee learning & development programmes and conduct refresher e-learning to reaffirm their commitment to the updated Code of Conduct.				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: < 12 months Group B: < 12 months Group C: 12 - 18 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium	Group A: < 12 months Group B: < 12 months Group C: 12 - 18 months
	Level of Maturity	Timeline			
	Medium	Group A: < 12 months Group B: < 12 months Group C: 12 - 18 months			
Applicability					
This recommendation involves modifying existing training programs, integrating new content, and ensuring comprehensive understanding and commitment among employees. The timeline varies among groups to consider the organizational complexity, resources, and readiness of each bank.					

G.3.2 Whistleblowing

S.No.	Recommendation				
G.3.2.1	Banks must include oversight of the whistleblowing arrangements in the Board Audit Committee's responsibilities, where the chair of the committee can act as the whistle-blowers' champion.				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium - High</td> <td>Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium - High	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months
	Level of Maturity	Timeline			
Medium - High	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months				

S.No.	Recommendation				
	<p>Applicability</p> <p>Group A & B banks may be subject to regulatory scrutiny and may be required to demonstrate strong governance and whistleblowing mechanisms. The banks may have adequate resources to ensure proper oversight.</p> <p>The existing legal framework emphasizes the need for proper handling of whistleblowing disclosures and protection against victimization, making it imperative for banks, irrespective of their groups, to align their internal governance structures accordingly.</p>				
G.3.2.2	<p>Incorporate considerations of whistleblowing into their existing Code of Conduct, detailing:</p> <ul style="list-style-type: none"> • The nature of concerns to be raised (breaches of regulatory requirements, breaches of Group policy or standards, etc.) • The escalation channels and authority structure of such issues • Protection and remedies for whistle blowers • Dispute resolution mechanisms 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low	Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months
	Level of Maturity	Timeline			
	Low	Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months			
<p>Applicability</p> <p>Any bank, irrespective of its Group, should make considerations of incorporating whistleblowing within its existing Code of Conduct and the existence of THE WHISTLEBLOWERS PROTECTION ACT, 2010, which indicates a broader societal and legislative push towards promoting whistleblowing practices.</p> <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, the fact that the government of Uganda has established a legal framework for whistleblowing indicates a growing emphasis on transparency and accountability.</p>					
G.3.2.3	<p>The scope of the Whistleblowing Policy/Code of Conduct must include both employees and third-party vendors alike for a more inclusive approach towards whistleblowing.</p>				
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	Level of Maturity	Timeline			
	Low	Group A: 6 - 12 months Group B: 12 - 15 months Group C: 12 - 15 months			
<p>Applicability</p> <p>Any bank irrespective of their level of maturity should establish a culture of transparency and accountability, extending the benefits of whistleblowing protections to all stakeholders involved.</p> <p>Group A & B banks are reliant on third-party relationships, making it necessary to have a clear and inclusive whistleblowing policy.</p> <p>While third-party relationships might not be as complex, Group C banks are also exposed to supplier-related risks, justifying the need for an inclusive whistleblowing policy.</p>					

S.No.	Recommendation	
G.3.2.4	Establish an Ethics Office or a Conduct Risk Team to handle concerns / grievances of identified issues.	
	Level of Maturity	Timeline
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Banks that do not have a functioning Ethics Office will be required to secure necessary resources and budget to support the establishment of an office, team or representative and communicate its or their purpose to employees and begin operations.		
Group A and Group B banks recognize the growing importance of managing conduct risk. Group C banks may require extended time due to limited resources and a lower level of conduct risk management maturity.		
G.3.2.5	Banks may also establish: <ul style="list-style-type: none"> • Ethics Hotline to raise and report concerns about unethical behaviour • A whistleblowing channel on the organisation's intranet which allows colleagues and other stakeholders to raise concerns confidentially and, if preferred, anonymously 	
	Level of Maturity	Timeline
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Given the legal framework surrounding whistleblowing in Uganda and the importance of transparency, establishing Ethics Hotlines and whistleblowing channels is a significant practice across all groups.		

G.3.3 Anti-Financial Crime (AFC)

S.No.	Recommendation	
G.3.3.1	Include oversight of the Anti-Financial Crime (AFC) related risks in the Board Risk/Audit Committee's responsibilities, where the chair of the committee can act as champion of AFC-related matters.	
	Level of Maturity	Timeline
	Medium	Group A: 6 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Applicability	
This recommendation involves modifying the governance structure and roles of key board members. The process will require review of the current governance structure, stakeholder consultation and identification of AFC related gaps. The proposals made towards the inclusion of AFC related risks in the Board Risk/ Audit Committees may go through necessary approvals and transition the oversight to the selected Committee.		
Group A and Group B banks are better equipped to handle such structural changes within a reasonable timeframe.		

S.No.	Recommendation				
G.3.3.2	<p>Incorporate Anti-financial Crime considerations into the existing Enterprise Risk Management (ERM) Framework.</p> <p>The Anti-financial Crime considerations should include:</p> <ul style="list-style-type: none"> • Anti-Bribery and Corruption (ABC) [not allowing charitable donations, sponsorships and direct or indirect contributions to political parties or organisations as subterfuge to bribery] • Anti-Money Laundering (AML) • Fraud Management 				
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	Level of Maturity	Timeline			
	High	Group A: 6 - 12 months Group B: 12 - 18 months Group C: 12 - 18 months			
<p>Applicability</p> <p>This recommendation might prove to be beneficial for those Group A and B banks to safeguard themselves from fraud or similar risks, given their scale, expanse and nature (e.g., project finance activities, high-value transactions, etc.) of their operations. However, banks with localised geography of service and facilitating low value transactions might not receive benefits similar to the others.</p>					
G.3.3.3	<p>Incorporate learning modules on Anti-Financial Crime into the employee L&D programmes and conduct refresher e-learning to reaffirm their commitment to the Code of Conduct.</p>				
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	Medium	Group A: < 12 months Group B: < 12 months Group C: 12 - 18 months			
<p>Applicability</p> <p>This recommendation requires coordination across departments, content creation and technology integration. A medium level of maturity is selected because L&D program enhancements are moderately complex but attainable for banks with established training structures.</p> <p>Incorporating AFC learning modules into L&D programs is essential for all groups to ensure employees understand financial crime risks and their role in prevention.</p>					
G.3.3.4	<p>There should be core controls in place such as client due-diligence, screening and monitoring, and strengthening employees' understanding as to how to identify, manage and mitigate such risks.</p>				
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	Level of Maturity	Timeline			
	Medium	Group A: 15 - 18 months Group B: > 24 months Group C: > 24 months			
<p>Applicability</p> <p>Group A and Group B banks are more likely to have established control frameworks around Anti-Financial Crime risk, which may include a robust KYC and due diligence structure, in addition to transaction monitoring processes. While Group C Banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.</p> <p>Since the recommendation has been emphasized by the Anti-Money Laundering Act 2013, it is imperative for all the banks to implement a Control Framework to manage and mitigate Anti-Financial Risks, regardless of the group of the banks.</p>					

S.No.	Recommendation	
G.3.3.5	Perform Enhanced Due Diligence (EDD) on certain transactions (on case-by-case basis) in line with standards such as IFC Performance Standards (IFC PS) and Equator Principles (EP). The banks may include a criterion for selection of transactions/cases, along with a reporting structure for EDD sign offs.	
	Level of Maturity	Timeline
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Group A and Group B banks are more likely to have established risk management processes and the capacity to perform EDD effectively within a reasonable timeframe. Group C banks, while possessing fewer resources, can still work towards implementing EDD over a slightly extended period.		
Since the recommendation has been emphasized by the Anti-Money Laundering Act 2013, it is imperative for all the banks to implement an Enhanced Due Diligence on case-by-case basis to manage and mitigate Anti-Financial Risks, regardless of the group of the banks.		
G.3.3.6	Establish a standalone team for Conduct, Financial Crime & Compliance related issues.	
	Level of Maturity	Timeline
	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Group A and Group B banks are better positioned to handle the level of organizational change and talent acquisition costs which arise from implementation of this recommendation within a reasonable timeframe.		
G.3.3.7	Incorporate automated systems for customer and transaction screening, customer risk rating and transaction monitoring e.g., NICE Actimize, PEGA, etc.	
	Level of Maturity	Timeline
	High	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Applicability	
A high level of maturity is selected because automated systems integration demands a well-established risk management foundation and significant resources. Group A banks are more likely to have the capabilities and infrastructure to swiftly adopt and deploy such sophisticated systems, as compared to Group B and C banks.		
Group A banks may aspire to incorporate automated systems for customer and transaction screening due to their existing risk management foundation and significant resources.		

G.4 Human Capital

G.4.1 Equal opportunities and Diversity Equity & Inclusion (DE&I)

S.No.	Recommendation	
G.4.1.1.A	Banks may implement any of the following two recommendations: Incorporate Diversity, Equity, & Inclusion (DE&I) principles in the existing Code of Conduct/HR Policy including no tolerance approach to bias, bullying, harassment, etc.	
	Level of Maturity	Timeline
	Low	Group A: 6 - 12 months Group B: 12- 18 months Group C: 12 -18 months
	Applicability	
<p>Given that Banks, irrespective of the groups, would already have a code of conduct/HR policy and their corresponding oversight and monitoring processes in place, implementing this recommendation would be less tedious a process for the member banks.</p> <p>All the member banks, regardless of size and scale of operation, may aspire to incorporate G.4.1.1.A as a first step in the process towards a more diverse and inclusive environment for the workforce, before proceeding to implement a standalone policy statement (G.4.1.1.B) over a slightly extended period.</p> <p>OR</p>		
G.4.1.1.B	Design a DE&I policy statement demonstrating banks' commitment to DE&I, which defines the scope of the policy, governance, and reporting of DE&I issues.	
	Level of Maturity	Timeline
	Medium	Group A: 12 - 15 months Group B: 12 - 18 months Group C: 12 - 18 months
	Applicability	
<p>It is recommended that the member banks, regardless of size and scale of operation, may aspire to incorporate G.4.1.1.A as a first step in the process towards a more diverse and inclusive environment for the workforce, before proceeding to implement a standalone policy statement (G.4.1.1.B) over a slightly extended period.</p> <p>Banks with adequate resources such as Group A and B banks may try to adopt the recommendation by designing the policy in-house or through consulting services for effective implementation of the DE&I initiatives.</p>		

S.No.	Recommendation				
G.4.1.2.A	Banks may implement any of the following two recommendations: Integrate oversight on DE&I issues within the roles and responsibilities of the existing Ethics/HR department.				
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	Level of Maturity	Timeline			
	Low	Group A: 15 - 18 months Group B: 18 - 21 months Group C: 18 - 24 months			
Applicability					
<p>It is recommended that the member banks, regardless of size and scale of operation, may aspire to incorporate G.4.1.2.A as a first step before proceeding to implementing a standalone policy statement (G.4.1.2.B) over a slightly extended period.</p> <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is recommended that the member banks have clearly defined roles and responsibilities surrounding DE&I as they might be beneficial for all the banks, regardless of the group, to promote and incorporate diversity and inclusion initiatives with ease.</p> <p>OR</p>					
G.4.1.2.B	Establish a standalone council to oversee matters related to DE&I including setting and approving targets, monitoring of progress and escalation of matters, and appointing DE&I advocates to champion and monitor the initiatives within the bank.				
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	Level of Maturity	Timeline			
	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months			
Applicability					
<p>It is recommended that the member banks, regardless of size and scale of operation, may aspire to incorporate G.4.1.2.A as a first step before proceeding to implementing a standalone policy statement (G.4.1.2.B) over a slightly extended period.</p> <p>Banks with larger scale of operations such as Group A banks may try to adopt the recommendation over a slightly extended period than the Group B and Group C banks. However, Group B and C banks may face a limitation of resources when it comes to implementation of this recommendation</p>					
G.4.1.3	Set targets w.r.t. representation of diverse groups based on gender, age, minority, disability, etc. in both their governance bodies (board, management committees) and staff and actively monitor and disclose performance against these targets, in addition to measuring and addressing pay equity. For example, Banks may aspire to achieve 40% of female representation on their board by 2025.				
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	Medium	Group A: 12 - 18 months Group B: 12- 18 months Group C: 12- 18 months			
Applicability					
Group A and Group B banks are better positioned to handle the level of organizational change and talent acquisition costs which arise from implementation of this recommendation within a reasonable timeframe.					

S.No.	Recommendation				
G.4.1.4	Participate as signatories in various initiatives such as UN Women Empowerment Principles, etc. for solidifying commitment to DE&I.				
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	Level of Maturity	Timeline			
	High	Group A: 12 - 18 months Group B: 18 - 24 months Group C: > 24 months			
Applicability					
Adoption of this recommendation would be beneficial for any bank, regardless of the group, which aspires to mitigate any reputational risks arising out of DE&I matters. In addition, Group A banks are better positioned to handle the level of operational amendments that would arise as a result of these recommendations.					

G.4.2 Training and development

S.No.	Recommendation				
G.4.2.1	<p>Incorporate trainings, as part of their underlying training framework, to upskill people and enhance their abilities to navigate the ESG space and increase their E&S risk awareness.</p> <p>The trainings may cover:</p> <ul style="list-style-type: none"> • E&S Risk Management, E&S screening tools, internal understanding of supply chain sustainability aspirations of the Bank, etc. • Bank's ESG-related goals, targets, and aspirations. • Their code of conduct and other existing policies such as Information and Cyber Security (ICS) training programmes, Anti-Bribery and Corruption, DE&I, Health, and Safety, etc. • Health and Safety Training for workers engaged in specific projects, project-specific risks, etc. • Relevant environmental and social guidelines, standards, and requirements. 				
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	Level of Maturity	Timeline			
	Low-Medium	Group A: < 12 months Group B: < 12 months Group C: 6 - 18 months			
Applicability					
<p>Regardless of their Group, it is beneficial for banks to have a comprehensive training programme designed around the ESG space so as to safeguard the banks from:</p> <ul style="list-style-type: none"> - any regulatory/compliance risks due to the evolving regulatory landscape - any reputational risks, given the increasing ESG focus of investors and customers alike - any form of legal risks arising from avoidable occupational hazard incidents <p>However, banks with resource limitations may find it mildly challenging to design the necessary training modules and documentation and engage in suitable training of staff. In such cases, banks may engage with consulting stakeholders for the same.</p>					

S.No.	Recommendation	
G.4.2.2	Establish standalone ESG-related training/learning channels through virtual training programmes and/or through a network of training centres.	
	Level of Maturity	Timeline
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
<p>For banks with limitations around resources and training staff, it is recommended that they incorporate ESG-related modules into their existing online/offline training channels before establishing a standalone channel over an extended period of time.</p> <p>This recommendation may be more beneficial to banks with large scale and reach, a larger employee base, and more non-employee workers and contractors such as Group A and B.</p>		
G.4.2.3	Standalone ESG-committee/Ethics committee/Human Resources committee may conduct periodic review and recommend appropriate policies regarding training & development.	
	Level of Maturity	Timeline
	Low	Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18- 24 months
	Applicability	
<p>This recommendation is imperative for all banks, regardless of their group so as to:</p> <ul style="list-style-type: none"> - Identify and address any gaps in the existing training programme - keep up with the evolving ESG regulatory landscape 		

G.4.3 Occupational Health and Safety

S.No.	Recommendation	
G.4.3.1	Implement Occupational Health and Safety Management System/Framework for employees, workers, and non-workers, including processes used to identify and assess work-related hazards and risks, corresponding mitigating controls and protection against reprisals.	
	Level of Maturity	Timeline
	Medium	Group A: 9 - 15 months Group B: 12 - 18 months Group C: 12 - 18 months
	Applicability	
<p>As mandated by the local regulation, this recommendation is imperative for banks, regardless of their group. Further, it would be beneficial for banks which are involved in financing projects backed by IFC, EIB, and other financing groups. Implementing this recommendation would ensure welfare of the workforce, while safeguarding the banks against legal risks arising out of injuries and incidents.</p>		

S.No.	Recommendation				
G.4.3.2	Establish Health, Safety, and Security Policy, including a comprehensive Health, Safety and Wellbeing programme, covering both mental and physical health and wellbeing. In addition, it is encouraged that the banks sponsor medical and healthcare services for all employees.				
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	Level of Maturity	Timeline			
	Low	Group A: 6 - 12 months Group B: 9 - 15 months Group C: 9 - 15 months			
Applicability					
As mandated by the local regulation, this recommendation is imperative for banks, regardless of their group. Further, it would be beneficial for banks which are involved in financing projects backed by IFC, EIB, and other financing groups. Implementing this recommendation would ensure welfare of the workforce, while safeguarding the banks against legal risks arising out of injuries and incidents.					
G.4.3.3	Ensure transparency in reporting of all work-related illnesses and injuries, including sub-contractors, visitors, and clients.				
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	Level of Maturity	Timeline			
	Low	Group A: 12 - 15 months Group B: 12 - 18 months Group C: 12 - 18 months			
Applicability					
Implementing this recommendation would help the bank in designing effective mitigation controls to prevent such work-related incidents / injuries, while safeguarding the banks against legal risks arising out of work-related injuries and incidents.					
G.4.3.4	Conduct mandatory Health, Safety & Security training for all employees, workers and non-workers, to prevent and mitigate work-related hazards arising out of negligence.				
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	Level of Maturity	Timeline			
	Low	Group A: < 12 months Group B: < 12 months Group C: 3 - 12 months			
Applicability					
As mandated by the local regulation, this recommendation is imperative for banks, regardless of their group. Further, it would be beneficial for banks which are involved in financing projects backed by IFC, EIB, and other financing groups. Implementing this recommendation would ensure welfare of the workforce, while safeguarding the banks against legal risks arising out of injuries and incidents.					

G.4.4 Human rights assessment

S.No.	Recommendation				
G.4.4.1	Perform a human rights review, before drafting the Human Rights Position Statement, to identify material human rights risks and impacts in respect of employees, clients, supply chain and the communities impacted by services.				
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	Level of Maturity	Timeline			
	Medium	Group A: 12 - 15 months Group B: 15 - 18 months Group C: 15 - 18 months			
	<p>Applicability</p> <p>As this is a fundamental right as per the Constitution of Uganda, it is recommended that the banks implement this recommendation, regardless of their group.</p> <p>Post identification of such issues, the bank may proceed to codify the prevention and addressal mechanisms into a Human Rights Position Statement (G.4.4.2)</p>				
G.4.4.2	Draft a Human Rights Position Statement approved by the Board, which demonstrates the banks' commitment towards human rights.				
	<p>The statement may be aligned to any (but not limited to) of the following standards:</p> <ul style="list-style-type: none"> • UN Universal Declaration of Human Rights • ILO Declaration on Fundamental Principles and Rights at Work • ILO Conventions 138 (Minimum Age) and 182 (Worst Forms of Child Labour) • UN Guiding Principles on Business and Human Rights (the 'Ruggie Principles') • IFC Performance Standards <p>The statement may include the following Human Rights related issues:</p> <ul style="list-style-type: none"> • Child Labour, Forced Labour • Rights of Indigenous People and Local Communities • Modern Slavery 				
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	Level of Maturity	Timeline			
	Medium	Group A: 15 - 18 months Group B: 18 - 21 months Group C: 18 - 21 months			
<p>Applicability</p> <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is highly encouraged that banks, regardless of their group, include a Human Rights Position Statement to prevent any adverse human rights impacts through their own activities.</p> <p>In addition, this recommendation is imperative for banks, regardless of their group, which are involved in financing projects backed by IFC, EIB, and other financing groups.</p>					

S.No.	Recommendation	
G.4.4.3	The Position Statement must be revisited and reviewed at least every two years, to include up and coming matters of concern surrounding Human Rights and also to ensure alignment to any newer standards or regulations. Also, establish a reporting structure around compliance with the Position Statement.	
	Level of Maturity	Timeline
	Medium - High	Group A: > 36 months Group B: > 36 months Group C: > 36 months
	Applicability	
Banks must ensure compliance with the evolving regulatory landscape through periodic review and enhancement of the position statements. This would safeguard the banks against compliance and regulatory risks, and hence, it is encouraged that all banks, regardless of their group, implement this recommendation.		

G.5 Contract Management

G.5.1 Procurement practices

S.No.	Recommendation	
G.5.1.1	Emphasis on adopting procurement practices which guarantee transparency, integrity and fairness, while ensuring that equal opportunities are given to prospective suppliers and vendors.	
	The same can be achieved through incorporating: <ul style="list-style-type: none"> • A comprehensive policy statement (standalone or integrated with existing code of conduct) detailing procurement processes • A fair reporting and oversight mechanism surrounding procurement practices. <p>Have practices in place and a basis with which banks can select locally based suppliers (to effectively implement the same, banks must first define the term 'local' in their Supplier Code of Conduct or any other supplementary policies).</p>	
	Level of Maturity	Timeline
	Low	Group A: 6 - 12 months Group B: 18 - 24 months Group C: 18 - 24 months
Applicability		
The implementation of this recommendation depends upon the scale and expanse of operation of banks. For example, Group A banks often have complex vendor relationships, necessitating a comprehensive process, whereas the other banks have moderately complex vendor arrangement and would require a slightly streamlined assessment process.		
As this recommendation is mandated by local regulation, it is imperative for all member banks, regardless of their group, to implement this recommendation to ensure compliance with the Public Procurement and Disposal of Public Assets (PPDA) Act 2003 of Uganda.		

S.No.	Recommendation	
G.5.1.2	Ensure that the suppliers or contractors are legitimate and lawfully operating enterprises, prior to contracting. The contracts must define the terms and conditions of the engagement, including the scope of work, adherence to labour laws and regulations, health and safety, sustainability, confidentiality agreements, etc.	
	Level of Maturity	Timeline
	Low	Group A: > 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is recommended that all banks, regardless of their group, implement this assessment so as to safeguard themselves from further legal/supplier risks arising out of conduct of such contractors. Legally binding contracts which set the banks' expectations from the suppliers/contractors may also help in preventing conflict of interests.		
G.5.1.3	Have systems and verification practices/processes in place that will limit procurement to those suppliers that can demonstrate that they are not causing environmental harm.	
	Level of Maturity	Timeline
	High	Group A: > 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Group A and Group B banks may implement such systems effectively, within a relatively shorter period of time. However, Group C banks, while having fewer resources, may work towards establishing such practices / processes over a greater time period.		
Also, Group A & B banks may have a greater supplier base (as compared to Group C banks) which would provide more options to the banks when selecting environmentally conscious suppliers.		
While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is recommended that all banks, regardless of their group, implement this assessment so as to safeguard themselves from further legal/supplier risks arising out of conduct of such contractors, while also mitigating any reputational risks arising out of the environmentally harmful actions performed by such contractors.		
G.5.1.4	Conduct periodic independent audits and establish whistleblowing channels for reporting any misconduct in procurement transactions.	
	Level of Maturity	Timeline
	Medium	Group A: 12 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months

S.No.	Recommendation				
	<p>Applicability</p> <p>Since the recommendation has been emphasized by Public Procurement and Disposal of Public Assets (PPDA) Act 2003 of Uganda, it is imperative for all the banks, regardless of the Group, to conduct periodic independent audits and establish whistleblowing channels for reporting any misconduct in procurement transactions.</p> <p>Group A & B banks may already have necessary resources to carry out independent audits and have existing whistleblowing channels/hotlines in place. Group C banks may also work towards the same for a slightly extended period.</p>				
G.5.1.5	<p>Provide comprehensive training to employees responsible for procurement related activities, such as environmental & social assessment of suppliers, balancing social, environmental & economic considerations in procurement decisions, etc.</p> <p>This will ensure selecting suppliers/vendors/contractors best suited to meet the banks' needs and establish a successful business relationship.</p> <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 12 - 24 months Group B: 12 - 24 months Group C: 18 - 24 months </td> </tr> </tbody> </table> <p>Applicability</p> <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is recommended that all banks, regardless of their group, implement training so as to safeguard themselves from further legal/supplier risks arising out of conduct of such contractors, while also mitigating any reputational risks arising out of the environmentally harmful actions performed by such contractors.</p> <p>Banks must establish a comprehensive program to train their employees on sustainable procurement practices.</p> <p>This recommendation requires coordination across different departments, content development and technology integration.</p>	Level of Maturity	Timeline	Low	Group A: 12 - 24 months Group B: 12 - 24 months Group C: 18 - 24 months
Level of Maturity	Timeline				
Low	Group A: 12 - 24 months Group B: 12 - 24 months Group C: 18 - 24 months				

G.5.2 Supplier environmental and social assessment

S.No.	Recommendation				
G.5.2.1	<p>Perform periodic assessment of suppliers for:</p> <ul style="list-style-type: none"> • Reputational risk matters • Regulatory compliance (with applicable laws, regulations, and standards in the geography) • Any incidents/reports on financial crimes, human rights violations, child labour, forced labour, environmental issues, adverse media coverage, etc. <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 12 - 18 months Group B: 18 - 21 months Group C: 18 - 21 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low	Group A: 12 - 18 months Group B: 18 - 21 months Group C: 18 - 21 months
Level of Maturity	Timeline				
Low	Group A: 12 - 18 months Group B: 18 - 21 months Group C: 18 - 21 months				

S.No.	Recommendation	
	Applicability	
	<p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is highly encouraged that banks, regardless of their category, perform periodic Supplier Assessment with regard to ESG-related practices due to:</p> <ul style="list-style-type: none"> - Alignment of all operations of the banks to their sustainability goals and objectives - Increasing focus of investors, customers and other stakeholders on ESG-related matters - Increasing adoption of outsourcing of operational activities to third parties <p>Banks may also try to incorporate such assessments with their existing tender/bidding processes for easier implementation of this recommendation.</p>	
G.5.2.2	Draft a Supplier Code of Conduct which would state the banks' expectations from their suppliers and may include guidance on environmental management, ethics, human rights, anti-bribery and corruption, labour, occupational health & safety, etc.	
	Level of Maturity	Timeline
	Medium	Group A: 18 - 21 months Group B: 21 - 24 months Group C: 21 - 24 months
	Applicability	
As Group A banks with larger supplier base are more susceptible to ESG-risks arising out of supplier conduct, it is highly encouraged that they implement this recommendation, given that they may be better positioned to perform the same.		
G.5.2.3	Conduct enhanced E&S risk assessment for suppliers considered to be sensitive to high ESG risk. A higher risk score would imply that the banks must carry out further reviews before onboarding that supplier.	
	Level of Maturity	Timeline
	Medium	Group A: 21 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
As Group A banks with larger supplier base are more susceptible to ESG-risks arising out of supplier conduct, it is highly encouraged that they implement this recommendation, given that they may be better positioned to perform the same.		
Banks may also try to incorporate such assessments with their existing tender/bidding processes for easier implementation of this recommendation.		
G.5.2.4	Establish a Supplier Risk Committee which would be responsible for examining and screening suppliers, primarily during new supplier on-boarding and renewal of contracts.	
	Level of Maturity	Timeline
	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months

S.No.	Recommendation
	<p>Applicability</p> <p>It is recommended that the member banks, regardless of size and scale of operation, may aspire to integrate Supplier Risk roles and responsibilities into existing Board committee responsibilities as a first step before proceeding to implementing a standalone committee over a slightly extended period.</p> <p>Banks with larger scale of operations and a larger supplier base such as Group A banks are more susceptible to ESG-risks arising out of supplier conduct. They may try to adopt the recommendation over a slightly extended period than the Group B and Group C banks. However, Group B and Group C banks may face a limitation of resources when it comes to implementation of this recommendation.</p>

G.6 IT and Cyber Security

G.6.1 Data transparency & accountability and customer privacy

S.No.	Recommendation				
G.6.1.1	<p>Integrate data privacy and transparency considerations into:</p> <ul style="list-style-type: none"> • Roles and responsibilities of existing Operational Risk Committee/IT & Cybersecurity committee which will report to the Board to ensure that threats are identified early and timely mitigation measures are taken. • Existing operational risk policies, business continuity plans, etc. 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low - Medium</td> <td> Group A: 6 - 12 months Group B: 6 - 9 months Group C: 6 - 9 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low - Medium	Group A: 6 - 12 months Group B: 6 - 9 months Group C: 6 - 9 months
	Level of Maturity	Timeline			
	Low - Medium	Group A: 6 - 12 months Group B: 6 - 9 months Group C: 6 - 9 months			
<p>Applicability</p> <p>The oversight and reporting of the management/mitigation of IT and Cybersecurity matters may vary depending upon the complexity of the underlying IT architecture of the bank. Hence, Group A banks may need an extended timeline of implementation as compared to Group B and C banks due to the larger scale of operations and intricate and varied IT system framework.</p> <p>However, Group A banks would be more susceptible to risks arising from IT and Cybersecurity incidents given the larger scale of their operations and higher value of transactions, a standalone committee for oversight of such issues would be necessary for Group A banks.</p>					
G.6.1.2	<p>Appoint a Data Protection Officer and establish procedures to handle data-related risk management and breaches, including implementation and oversight of robust data protection measures to safeguard customer and stakeholder information.</p> <p>Such measures may include:</p> <ul style="list-style-type: none"> • Data masking • Restricting blanket access to the data • Limitation/rotation/periodic renewal of access, etc. <p>The Data Protection Officer is also tasked with ensuring transparency around reporting of data breach incidents, trends and actions taken to enhance data security and privacy.</p>				

S.No.	Recommendation	
	Level of Maturity	Timeline
	Low	Group A: 0 - 6 months Group B: 0 - 9 months Group C: 0 - 9 months
	Applicability	
	<p>The appointment of a Data Officer may be through internal re-appointment or external hiring. However, due to the complexity of data handling requirements, banks may need highly skilled candidates with necessary qualifications, to comply with relevant regulations. Further, implementing this recommendation would entail defining protocols for identifying, reporting and mitigating breaches.</p> <p>As the recommendation is mandated by the mentioned local regulation, it is imperative for banks, regardless of their group, to appoint a Data Protection Officer to oversee Data Management related risks and ensure transparency of the related operations.</p>	
G.6.1.3	Establish a dedicated Data Privacy team which will ensure that customer data is safe and complies with the country's data management regulations.	
	Level of Maturity	Timeline
	Low - Medium	Group A: 6 - 12 months Group B: 9 - 15 months Group C: 9 - 15 months
	Applicability	
	<p>Due to the complexity of data handling requirements, banks may need highly skilled candidates with necessary qualifications, to comply with relevant regulations. This may also result in increased talent acquisition and restructuring costs.</p> <p>Though a dedicated privacy team is not a mandatory requirement for banks, it is a matter of increasing focus due to growing concern surrounding data privacy and regulatory requirements.</p>	
G.6.1.4	Provide data handling trainings to all employees on how to properly maintain the security and privacy of client information, as well as conduct trainings on phishing for the employees	
	Level of Maturity	Timeline
	Low	Group A: 3 - 6 months Group B: 6 - 12 months Group C: 6 - 12 months
	Applicability	
	It is encouraged that all member banks, regardless of their group, implement this recommendation as it would prevent data breaches due to employees' negligence.	
G.6.1.5	Assess and ensure that the handling of customer data by third party vendors is aligned with stringent data protection standards through contract audits and due diligence.	
	Level of Maturity	Timeline
	High	Group A: 15 - 21 months Group B: 15 - 21 months Group C: 18 - 24 months

S.No.	Recommendation	
	Applicability	
	<p>With increasing adoption of outsourcing of operational activities to third parties, it is imperative for all banks, regardless of their group, to adopt this recommendation to prevent any intentional/unintentional data-related incidents.</p> <p>Group A banks often have complex vendor relationships, necessitating a thorough assessment and negotiation process, while the other banks have moderately complex vendor arrangements and would require a comprehensive but slightly streamlined assessment process.</p>	
G.6.1.6	Obtain certifications from international standards on information security, which ensures that right controls are in place to protect customer information.	
	Level of Maturity	Timeline
	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
	<p>Getting certification involves comprehensive preparation and rigorous audits. Banks' existing security practices, complexity and readiness for certification can vary.</p> <p>For Group C, banks getting certified is not a strict requirement, it can still be relevant and beneficial depending on the bank's specific circumstances and objectives.</p>	

G.6.2 Cyber, cloud services and operational resilience

S.No.	Recommendation	
G.6.2.1.A	Banks may implement any of the following two recommendations:	
	<p>Include oversight of IT & Cybersecurity issues within the roles and responsibilities of existing Technology Committee or Risk Management Committees (Operational Risk Management, etc.) to safeguard the bank against possible breaches, malware attacks, etc.</p>	
	Level of Maturity	Timeline
	Low	Group A: 3 - 9 months Group B: 6 - 12 months Group C: 6 -12 months
	Applicability	
	<p>The oversight and reporting of the management/mitigation of IT and Cybersecurity matters may vary depending upon the complexity of the underlying IT architecture of the bank. Hence, Group A banks may need an extended timeline of implementation as compared to Group B and C banks, due to the larger scale of operations and intricate IT system frameworks.</p> <p>It is recommended that the member banks, regardless of size and scale of operation, may aspire to incorporate G.6.2.1.A as a first step before proceeding to implementing a standalone committee (G.6.2.1.B) over a slightly extended period.</p> <p>Banks with larger scale of operations such as Group A banks may try to adopt the recommendation over a slightly extended period than the Group B and Group C banks. However, Group B and C banks may face a limitation of resources when it comes to implementation of this recommendation</p> <p>Group A banks are more susceptible to risks arising from IT and Cybersecurity incidents given the larger scale of their operations and higher value of transactions, and thus a standalone committee for oversight of such issues would be imperative for such banks.</p>	
	OR	

S.No.	Recommendation				
G.6.2.1.B	Establish a standalone IT & Cybersecurity committee, which will report to the Board to ensure that threats are identified early and timely mitigation measures are taken.				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Level of Maturity	Timeline			
	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months			
Applicability					
<p>The oversight and reporting of the management/mitigation of IT and Cybersecurity matters may vary depending upon the complexity of the underlying IT architecture of the bank. Hence, Group A banks may need an extended timeline of implementation as compared to Group B and C banks, due to the larger scale of operations and intricate IT system frameworks.</p> <p>It is recommended that the member banks, regardless of size and scale of operation, may aspire to incorporate G.6.2.1.A as a first step before proceeding to implementing a standalone committee (G.6.2.1.B) over a slightly extended period.</p> <p>Banks with larger scale of operations such as Group A banks may try to adopt the recommendation over a slightly extended period than the Group B and Group C banks. However, Group B and C banks may face a limitation of resources when it comes to implementation of this recommendation.</p> <p>Group A banks are more susceptible to risks arising from IT and Cybersecurity incidents given the larger scale of their operations and higher value of transactions, and thus a standalone committee for oversight of such issues would be imperative for such banks.</p>					
G.6.2.2.A	Incorporate Information Security and Cybersecurity considerations into existing Operational Risk policies/Business Continuity Plans, etc.				
	<p>The considerations may relate to:</p> <ul style="list-style-type: none"> • Identification, definition, and management of different Cybersecurity risks • Policy statements surrounding different aspects of Cybersecurity such Virus and Spyware Protection, Firewall Policy, Application and Device Control, etc. • Comprehensive cyber incident response plan under an overarching Business Continuity Plan 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low	Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months
	Level of Maturity	Timeline			
Low	Group A: 6 - 12 months Group B: 9 - 12 months Group C: 9 - 12 months				
Applicability					
	<p>Banks may approach this recommendation through a two-phased approach:</p> <ol style="list-style-type: none"> 1) Integrating Cybersecurity considerations within existing operational risk policies/BCP 2) Evolving into a specific IT & Cybersecurity over an extended period of time. <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is highly encouraged that the member banks, regardless of their group, have a comprehensive IT & Cybersecurity policy statement to safeguard themselves against increasing incidents of Cybersecurity incidents.</p>				

S.No.	Recommendation				
G.6.2.2.B	<p>Establish a standalone IT and Cybersecurity policy and system designed to ensure that the IT and cyber, and related issues are well managed, with oversight and control.</p> <p>The policy may include:</p> <ul style="list-style-type: none"> • Identification, definition, and management of different Cybersecurity risks • Policy statements surrounding different aspects of Cybersecurity such Virus and Spyware Protection, Firewall Policy, Application and Device Control, etc. • Comprehensive cyber incident response plan under an overarching Business Continuity Plan 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Level of Maturity	Timeline			
	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months			
<p>Applicability</p> <p>Banks may approach this recommendation through a two-phased approach:</p> <ol style="list-style-type: none"> 1) Integrating Cybersecurity considerations within existing operational risk policies/BCP 2) Evolving into a specific IT & Cybersecurity over an extended period of time. <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is highly encouraged that the member banks, regardless of their group, have a comprehensive IT & Cybersecurity policy statement to safeguard themselves against increasing incidents of Cybersecurity incidents.</p>					
G.6.2.3	<p>Perform regular internal audits and assessments of the bank's IT infrastructure including:</p> <ul style="list-style-type: none"> • Internal assurance policies and frameworks, along with periodic reporting • Internal controls testing, vulnerability assessments and penetration testing 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium - High</td> <td> Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium - High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months
	Level of Maturity	Timeline			
	Medium - High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months			
<p>Applicability</p> <p>While it is not mandated by the local regulations, it is also recommended that all member banks incorporate adequate internal assurance monitoring and reporting frameworks for investigations and evaluations of IT systems, infrastructure, policies, and operations. This would assist the banks with their external independent ICT audits (G.6.2.4) mandated by the local regulation.</p>					
G.6.2.4	<p>Engage external cybersecurity experts/agencies to conduct independent assessments and audits quarterly or semi-annually and take suitable corrective actions.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low - Medium</td> <td> Group A: 9 - 12 months Group B: 9 - 15 months Group C: 9 - 15 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low - Medium	Group A: 9 - 12 months Group B: 9 - 15 months Group C: 9 - 15 months
	Level of Maturity	Timeline			
Low - Medium	Group A: 9 - 12 months Group B: 9 - 15 months Group C: 9 - 15 months				

S.No.	Recommendation	
	Applicability	
	As mandated by the mentioned circular issued by the Bank of Uganda, it is imperative for banks, regardless of their group, to have periodic independent Information and Technology audits. For banks to effectively comply with this mandate, it is also recommended that all member banks incorporate adequate internal assurance monitoring and reporting frameworks for investigations and evaluations of IT systems, infrastructure, policies, and operations.	
G.6.2.5	Implement sustainable IT practices, such as energy-efficient data centres and responsible e-waste disposal.	
	Level of Maturity	Timeline
	High	Group A: > 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
	Group A and B banks with complex IT systems and multiple data centres might require more time for planning, and implementing sustainable practices across various departments.	
	This recommendation might prove beneficial to Group A and B banks with extensive IT infrastructure to align their operations to their sustainability goals.	

G.7 Materiality Assessment

G.7.1 Identification of priority ESG-related issues and designing a matrix for assessing their impact on internal and external stakeholders

S.No.	Recommendation	
G.7.1.1	Identification of Material Issues:	
	Conduct research and gather information from customers, investors and other stakeholders (G.7.1.1.A), local and international regulatory requirements (G.7.1.1.B), ESG ratings agencies, etc. to identify material topics.	
	Level of Maturity	Timeline
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
	Applicability	
	Banks may incorporate this recommendation by including the Materiality Assessment process into their underlying policy review processes, risk identification frameworks, investor-related communication processes, etc.	
	A Materiality Assessment would greatly help banks to identify the ESG topics of importance which need to be included in scope for the proposed ESG-related framework. This can ensure efficiency of the resultant ESG Framework and would help the banks in achieving their ESG-related objectives successfully.	
	As conducting an ESG Materiality Review is the first and significant step in Banks' ESG Journey, it is imperative that the banks, regardless of their Group, incorporate this recommendation.	

S.No.	Recommendation				
G.7.1.1.A	<p>Engage with internal and external stakeholders who are interested in or directly affected by banks' business to identify priorities and significant topics across business lines. Banks may also design a comprehensive Stakeholder Engagement Plan for the same.</p> <p>The stakeholders in scope must include:</p> <ul style="list-style-type: none"> - Bank's executives and Senior Management - Clients - Investors and Shareholders - Employees <table border="1" data-bbox="363 629 1425 801"> <thead> <tr> <th data-bbox="363 629 874 674">Level of Maturity</th> <th data-bbox="874 629 1425 674">Timeline</th> </tr> </thead> <tbody> <tr> <td data-bbox="363 674 874 801">Low</td> <td data-bbox="874 674 1425 801"> Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months </td> </tr> </tbody> </table> <p>Applicability</p> <p>Stakeholder Engagement may prove to be cumbersome for Group A banks with a wider reach of operations and a larger base of customer/investors base. In addition, banks with a complex group holding structure may face challenges in engaging with all the material personnel (including executives and senior management).</p> <p>A Materiality Assessment would greatly help banks to identify the ESG topics of importance which need to be included in scope for the proposed ESG-related framework. This can ensure efficiency of the resultant ESG Framework and would help the banks in achieving their ESG-related objectives successfully.</p> <p>As conducting an ESG Materiality Review is the first and significant step in Banks' ESG Journey, it is imperative that the banks, regardless of their Group, incorporate this recommendation.</p>	Level of Maturity	Timeline	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
Level of Maturity	Timeline				
Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months				
G.7.1.1.B	<p>Review local and international regulatory requirements related to ESG materiality assessment to ensure compliance. Utilise ESG frameworks such as: GRI, SASB, TCFD, CDP to guide banks' disclosures.</p> <table border="1" data-bbox="363 1339 1425 1512"> <thead> <tr> <th data-bbox="363 1339 874 1384">Level of Maturity</th> <th data-bbox="874 1339 1425 1384">Timeline</th> </tr> </thead> <tbody> <tr> <td data-bbox="363 1384 874 1512">Low</td> <td data-bbox="874 1384 1425 1512"> Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months </td> </tr> </tbody> </table> <p>Applicability</p> <p>Banks can incorporate this recommendation by including it as a part of existing legal/compliance review frameworks.</p> <p>A Materiality Assessment would greatly help the banks to identify the ESG topics of importance which need to be included in scope for the proposed ESG-related framework. This can ensure efficiency of the resultant ESG Framework and would help the banks in achieving their ESG-related objectives successfully.</p> <p>As conducting an ESG Materiality Review is the first and significant step in Banks' ESG Journey, it is imperative that the banks, regardless of their Group, incorporate this recommendation.</p>	Level of Maturity	Timeline	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
Level of Maturity	Timeline				
Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months				

S.No.	Recommendation				
G.7.1.2	<p>Assessment of Risk and Impact or Material ESG Issues:</p> <p>After identification of material issues, banks must assess the potential risks and impact posed by these identified material ESG issues. The risk/impact may be classified as:</p> <ul style="list-style-type: none"> - Prioritisation based on regulatory requirements - Associated stakeholder classes (such as internal/external, economy/environment/society) - Periods of time (impact on short-, medium-, and long-term) <p>For effective assessment of the same, banks must design an ESG Materiality Assessment Map/ Matrix according to their relative degree of importance/priority - High, Medium and Low.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
	Level of Maturity	Timeline			
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months			
<p>Applicability</p> <p>The prioritisation of material ESG issues, in addition to understanding the risk and impact they pose would help the bank to design appropriate risk management and mitigation strategies around the same. As conducting an ESG Materiality Review is the first and significant step in Banks' ESG Journey, it is imperative that the banks, regardless of their Group, incorporate this recommendation.</p>					
G.7.1.3	<p>Integrate the identified material ESG issues into the banks' overall business strategy, risk management, and decision-making processes.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 3 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium	Group A: 3 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months
	Level of Maturity	Timeline			
	Medium	Group A: 3 - 9 months Group B: 3 - 6 months Group C: 3 - 6 months			
<p>Applicability</p> <p>Incorporating this recommendation would be imperative for the banks to achieve alignment of the bank's strategy with that of their overall sustainability goals. This will also foster healthy cross-functional collaboration across various departments and eliminate gaps of communication between the departments involved.</p> <p>Though the integration efforts might prove tedious to banks with a wide scale of operation and customer base, it is encouraged that all banks, regardless of their Groups, incorporate this recommendation so as to achieve a seamless cross-functional collaboration with respect to ESG-related responsibilities.</p>					
G.7.1.4	<p>Monitoring and Reporting:</p> <ol style="list-style-type: none"> a. Establish specific, measurable, and time-bound goals and targets for addressing the identified ESG issues. b. The banks' ESG reporting and disclosures must include the results of ESG Materiality Assessment to ensure transparency. 				

S.No.	Recommendation	
	Level of Maturity	Timeline
	Low	Group A: > 12 months Group B: > 12 months Group C: > 12 months
	Applicability	
	<p>Implementing this recommendation would help the banks in re-aligning their pathway towards achieving sustainability-related objectives, if the need arises.</p> <p>Further, ensuring transparency in the reporting process would solidify and demonstrate the bank's commitment to ESG and sustainability-related goals and objectives.</p> <p>Thus, it is encouraged that all banks, regardless of their Groups, incorporate this recommendation.</p>	
G.7.1.5	Periodic Review and Updates:	
	<p>Highest governance body or Group of senior executives should periodically review and update their materiality assessment to reflect changing stakeholder expectations and evolving ESG risks and opportunities.</p>	
	Level of Maturity	Timeline
	Low	Group A: > 12 months Group B: > 12 months Group C: > 12 months
	Applicability	
	<p>Given the highly evolving nature of ESG and Climate-related risks, it is highly critical for the banks to stay updated on the up and coming topics of interest in the ESG space. This would help them to re-align their goals, assessment, and mitigation efforts. Thus, it is encouraged that all banks, regardless of their Groups, incorporate this recommendation.</p>	

G.8 ESG Risk Appetite

G.8.1 ESG-related Risk Appetite: Qualitative

- ✓ *Prohibited Transactions*
- ✓ *Sector Policies*
- ✓ *Exclusion List*

S.No.	Recommendation	
G.8.1.1	Identify, assess, and define the impact of ESG and climate-related risks (such as transition and physical risks) on existing risk profiles (such as credit, market, operational, etc.) over short-term, medium-term, and long-term time horizons	
	Level of Maturity	Timeline
	Low-Medium	Group A: 6 - 9 months Group B: 6 - 9 months Group C: 9 - 12 months
	Applicability	
<p>Implementing this recommendation would help banks to identify and understand the impacts of the most material transition and physical risks on their risk profiles that they are facing currently or may face in the near future. Accordingly, the banks may undertake actions to address the risks in a timely manner.</p> <p>Thus, all the banks, regardless of their Group, are encouraged to implement this recommendation.</p>		
G.8.1.2.A	Identify high-risk sectors that may have significant potential negative ESG impacts, while ensuring compliance with international standards, global and local regulations and guidelines.	
	The Banks may also consider developing specific ESG criteria that companies within high-risk sectors must meet to be eligible for financing, which must be included in existing credit policies/ standalone sector policies and guidelines.	
	Level of Maturity	Timeline
	Low-Medium	Group A: 6 - 9 months Group B: 9- 12 months Group C: 9-12 months
Applicability		
<p>Implementing this recommendation would:</p> <ul style="list-style-type: none"> - Safeguard the banks from legal risks and associated penalties - Enable the banks to align their financing in line with their sustainability and ESG-related objectives. <p>Thus, all the banks, regardless of their Group, are encouraged to implement this recommendation.</p>		

S.No.	Recommendation				
G.8.1.2.B	<p>Identify prohibited activities that are not aligned with the banks' ESG values and principles, while ensuring compliance with international standards, global and local regulations and guidelines. This must be included in existing credit policies/standalone sector policies and guidelines.</p> <p>The Banks may also consider:</p> <ul style="list-style-type: none"> - providing a clear and concise explanation for each prohibited activity - the severity of risks associated with each prohibited activity - establishing mechanisms to monitor and ensure compliance with prohibited transactions 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low - Medium</td> <td> Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 -12 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low - Medium	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 -12 months
	Level of Maturity	Timeline			
	Low - Medium	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 -12 months			
<p>Applicability</p> <p>Implementing this recommendation would:</p> <ul style="list-style-type: none"> - Safeguard the banks from legal risks and associated penalties - Enable the banks to align their financing in line with their sustainability and ESG-related objectives. <p>Thus, all the banks, regardless of their Group, are encouraged to implement this recommendation.</p> <p>Implementing the recommendation would require identification of acceptable ESG practices and set goals and thereafter, identifying prohibited activities not aligned with the banks' values, principles and goals.</p>					
G.8.1.3	<p>Define assessment criteria to identify clients falling under exclusion lists, thus enabling compliance with the prohibitions/restrictions as outlined in national and international regulations.</p> <p>For example, Exclusion of clients engaging in forced labour for compliance with Article 25 of the Constitution of Uganda (prohibition of forced labour)</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 12 - 15 months Group B: 12 - 15 months Group C: 15 - 18 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Low	Group A: 12 - 15 months Group B: 12 - 15 months Group C: 15 - 18 months
	Level of Maturity	Timeline			
	Low	Group A: 12 - 15 months Group B: 12 - 15 months Group C: 15 - 18 months			
<p>Applicability</p> <p>Implementing this recommendation would safeguard the banks from legal risks and associated penalties. Thus, all the banks, regardless of their Group, are encouraged to implement this recommendation.</p>					

S.No.	Recommendation	
G.8.1.4	Formally define the Climate and ESG-related Risk Appetite Statement containing the exclusion lists and related criteria, while incorporating the same into the overall Risk Appetite Statement (RAS), including board approval for the proposed amendments.	
	Level of Maturity	Timeline
	Medium	Group A: 12 - 18 months Group B: 15 - 21 months Group C: 15 - 21 months
	Applicability	
<p>This recommendation has dependencies on the implementation of Recommendations G.8.1.1 and G.8.1.2.</p> <p>A Climate and ESG-related Risk Appetite Statement is crucial to set the Risk Culture of Framework with respect to management of Climate and ESG-related considerations and would serve as the guiding document for banks' underlying lending/investment strategies. Thus, it is highly encouraged that all banks, regardless of their Group, incorporate this recommendation.</p>		
G.8.1.5	Establish robust governance and oversight mechanism, outlining distinct roles and responsibilities for governance bodies and management teams, to effectively formulate and supervise the ESG risk appetite.	
	Level of Maturity	Timeline
	High	Group A: 12 - 18 months Group B: 15 - 21 months Group C: 15 - 21 months
	Applicability	
<p>Implementing this recommendation would help the banks in re-aligning their pathway towards achieving sustainability-related objectives, if the need arises.</p> <p>Further, ensuring accountability by way of oversight would solidify the bank's commitment to ESG and sustainability-related goals and objectives.</p> <p>Thus, it is encouraged that all banks, regardless of their Group, incorporate this recommendation.</p>		

G.8.2 ESG-related Risk Appetite: Quantitative Limits/Tolerances

S.No.	Recommendation
G.8.2.1.A	<p>Based on the materiality of ESG risks to the bank's operations, reputation, and stakeholders, establish limits/Thresholds at Portfolio-level: Identify and set Risk Appetite thresholds based on transition and physical risk assessments of specific portfolios</p> <p>For example,</p> <p>Wholesale Banking portfolios: For the high-risk sectors identified as per recommendation 8.1.1.A, identify thresholds which limit growth of subsectors with a higher exposure to climate-related and environmental risks (e.g. O&G) while allowing for growth for sustainable subsectors (e.g. renewable energy) within the overall limit of the sector (Energy)</p> <p>Mortgage portfolios: The limit setting for climate-related and environmental risks can be determined based on Physical Risk Assessment of the collateral assets.</p>

S.No.	Recommendation	
	Level of Maturity High	Timeline Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
	<p>In order to set such portfolio-level thresholds, banks may have to first implement a robust Climate and ESG-related Risk Management Framework.</p> <p>In addition, implementing this recommendation may have an impact on the asset book of the banks, and such losses of business may not be affordable for banks of certain nature/scale of operations.</p> <p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks, depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these thresholds. In such cases, the bank may opt to incorporate the qualitative risk thresholds in place, while aspiring to include the quantitative thresholds over an extended period of time.</p>	
G.8.2.1.B	Limits/Thresholds at counterparty/transaction-level: <ul style="list-style-type: none"> - Identify counterparties/transactions which are assessed as high-risk through ESG Risk Assessment Frameworks - Perform Enhanced Due Diligence (EDD) of such high-risk accounts/transactions or those falling under high-risk sectors - Identify the impact of account-level of transition and physical risks over short-term and long-term time horizons, which can then be quantified as measurable limits and thresholds 	
	Level of Maturity High	Timeline Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
	<p>In order to set such account-level thresholds, banks may have to first implement a robust Climate and ESG-related Risk Assessment and Management Framework.</p> <p>In addition, EDDs may also entail implementation of complex assessments, data needs, detailed quantitative evaluation for the identified accounts and transactions, thus warranting:</p> <ul style="list-style-type: none"> - change/addition to existing roles and responsibilities of the concerned team - hiring/re-training of resources so as to cover the increased quantity of transactions and accounts <p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks, depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these thresholds. In such cases, the bank may opt to incorporate the qualitative risk thresholds in place, while aspiring to include the quantitative thresholds over an extended period of time.</p>	

S.No.	Recommendation				
G.8.2.1.C	<p>Define an exclusionary list which prescribes thresholds/ceilings on exposure limits for certain industries/sectors/sub-sectors, credit accounts, transactions and other financing activities. Subsequently, banks must embed:</p> <ul style="list-style-type: none"> - such exclusionary lists pertaining to certain industries/sectors/sub-sectors into their sector policies and Risk Appetite Statements (RAS) - such exclusionary lists pertaining to certain credit accounts, transactions and other financing activities under their existing KYC and Due Diligence databases 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>High</td> <td> Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Level of Maturity	Timeline			
	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months			
<p>Applicability</p> <p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks, depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these thresholds. In such cases, the bank may opt to incorporate the qualitative risk thresholds in place, while aspiring to include the quantitative thresholds over an extended period of time.</p>					
G.8.2.2	<p>Monitoring and Control Framework:</p> <ul style="list-style-type: none"> - Identify key ESG risk indicators and Climate Risk Appetite metrics such as carbon emissions, social impact metrics, and governance practices, exposure concentrations (e.g., Concentration of consumer mortgage exposure with high physical (flood) risk, net nominal exposure concentration to clients with High Temperature Alignment) - Design controls to monitor the effectiveness of governance for clients/transactions which carry a higher environmental and social risk 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months </td> </tr> </tbody> </table>	Level of Maturity	Timeline	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Level of Maturity	Timeline			
	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months			
<p>Applicability</p> <p>Group A and Group B banks are more likely to have established control framework around existing Quantitative Risk Appetite Limits and tolerances. Hence, such banks may easily incorporate ESG-related risk appetite tolerances within the same framework.</p> <p>While Group C Banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.</p>					

S.No.	Recommendation	
G.8.2.3	Set a quantitative target for the percentage of banks' total investments that are directed towards green and sustainable projects, such as renewable energy, clean transportation, climate change adaptation, etc.	
	Level of Maturity	Timeline
	Medium	Group A: 12 - 15 months Group B: 15 - 18 months Group C: 18 - 24 months
	Applicability	
For setting a quantitative target, banks have to make significant adjustments to their investment strategies, risk assessments and portfolio management.		
Banks should clearly define what qualifies as green and sustainable projects within their context and should determine the percentage of total investments to allocate to these projects, based on their risk appetite and SDGs.		
G.8.2.4	Periodically validate and review the effectiveness of ESG quantitative limits to ensure they remain relevant and accurate.	
	Level of Maturity	Timeline
	Medium	Group A: 12 - 18 months Group B: 12 - 15 months Group C: 12 - 15 months
	Applicability	
Periodic review and validation will require data monitoring, analysis and adapting to evolving ESG landscape.		
Periodic validation and review will ensure that the limits set are aligned to the evolving ESG risk landscape, regulatory changes, banks' risk appetite and sustainability objectives. As the banks' business model and risk profiles evolve, ESG limits may need adjustment.		
G.8.2.5	Develop reporting/oversight mechanism and protocols for escalating breaches of ESG quantitative limits to appropriate levels of management and the board.	
	Level of Maturity	Timeline
	Medium	Group A: 18 - 24 months Group B: 18 - 24 months Group C: 18 - 24 months
	Applicability	
Developing and implementing protocol will require advanced analytical tools, clear procedures, staff training and coordination among different levels of management.		
Banks must define specific trigger points or thresholds that indicate a breach and set up reporting structure for different levels of management and the board to ensure breaches are promptly communicated. Banks should also formulate a response plan detailing actions to be taken when breaches occur.		

S.No.	Recommendation	
G.8.2.6	Incorporate advanced tools/methodologies/models for: <ul style="list-style-type: none"> - Scenario analysis to understand and address climate risks and determine potential financial impacts of breaching ESG limits under different risk scenarios - Assessing how borrowers' performance is linked to climate-related risk management and use these models in pricing credit risk and in calculating expected credit losses (ECL) 	
	Level of Maturity	Timeline
	High	Group A: > 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Implementing Scenario Analysis tools will entail: <ul style="list-style-type: none"> - Subscription to ESG-related datasets and dealing with complex data - Requirement of advanced analytical tools, which may, in some cases, need subscription - Rigorous process of selection of suitable climate scenarios and risk model complexity - Hiring workforce with specialised skills - Coordination across various departments. <p>Incorporating this recommendation would enable banks to integrate forward-looking estimates to their existing quantitative risk appetite frameworks, thus predicting, with reasonable accuracy, the capital buffer requirements specially for risks arising out of ESG and Climate-related risks.</p> <p>However, given the complexity of implementing this recommendation, Group A and Group B banks may be better positioned to handle the level of organizational change and talent acquisition costs which arise from implementation of this recommendation within a reasonable timeframe.</p>		

G.9 ESG and Climate Risk Strategy

G.9.1 ESG-related Objectives, Vision, and Mission

S.No.	Recommendation	
G.9.1.1	Incorporate ESG-related considerations into the existing vision and mission statement of the bank to establish a risk culture highlighting the bank's commitment to ESG.	
	Level of Maturity:	Timeline:
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
	Applicability	
<p>This recommendation would serve as the first significant step in a bank's ESG journey as it would allow the banks to:</p> <ul style="list-style-type: none"> - Set the tone of their ESG-related objectives, while highlighting the importance of ESG-related aspects within the bank's risk culture - Solidify and demonstrate the bank's commitment to ESG and sustainability-related goals and objectives - Foster healthy cross-functional collaboration across various departments and eliminate communication gaps between the departments involved <p>Thus, it is highly encouraged that banks, regardless of their Group, incorporate this recommendation.</p>		

G.9.2 ESG Strategy Targets

S.No.	Recommendation				
G.9.2.1	<p>Banks must set ESG strategy targets which are in line with Uganda Vision 2040. These targets should cover various E & S aspects as mentioned in the vision document, such as:</p> <ul style="list-style-type: none"> - Labour force distribution and share of national labour force employed - Consumption of resources (electricity, water, etc.) - Access to essential services (electricity, water, infrastructure) <p>Banks should also implement processes to help monitor their progress against achieving these stipulated targets.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 3 - 9 months Group B: 6 - 9 months Group C: 6 - 9 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low	Group A: 3 - 9 months Group B: 6 - 9 months Group C: 6 - 9 months
	Level of Maturity:	Timeline:			
	Low	Group A: 3 - 9 months Group B: 6 - 9 months Group C: 6 - 9 months			
<p>Applicability</p> <p>Implementing this recommendation would enable the banks to quantify their sustainability aspirations into measurable goals and targets.</p> <p>It would also enable banks to:</p> <ul style="list-style-type: none"> - Solidify and demonstrate the bank's commitment to ESG and sustainability-related goals and objectives - Aid Uganda in achieving her sovereign's targets <p>Further, tracking progress would help the banks in re-aligning their pathway towards achieving sustainability-related objectives, if the need arises.</p> <p>Thus, it is highly encouraged that banks, regardless of their Group, incorporate this recommendation.</p>					
G.9.2.2	<p>As per her NDC, Uganda has committed to reduce her economy-wide GHG emissions by 24.7% in 2030 below the BAU baseline, for the three identified IPCC gases - Carbon dioxide (CO₂), Methane (CH₄) and Nitrous oxide (N₂O).</p> <p>In line with the same, banks must set interim and final GHG emission reduction targets which will enable Uganda in achieving her sovereign sustainability goals. Banks should also implement processes to help monitor their progress against achieving these stipulated targets.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months			
<p>Applicability</p> <p>Setting emission reduction targets is a crucial step in any ESG journey and is often considered an imperative measure to implement, mitigate transition risks and achieve sustainability goals. Further, regulators across the globe are increasingly demanding FI industry players to manage and mitigate their carbon footprint to curb global warming in line with Paris Agreement goals.</p> <p>Thus, it is highly encouraged that banks, regardless of their Group, incorporate this recommendation.</p> <p>Group A and Group B banks are more likely to have the necessary resources to implement this recommendation. However, they may face challenges due to their larger scale of operation, along with their expanse of operations.</p> <p>While Group C banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.</p>					

G.9.3 Net Zero Transition

S.No.	Recommendation	
G.9.3.1	Establish a comprehensive Net Zero Transition Roadmap and set targets to focussing on: <ul style="list-style-type: none"> - Achieving net zero from own operations - Achieving net zero of portfolio emissions - financed emissions - Growing green, social and sustainability lending/investments portfolio 	
	Level of Maturity:	Timeline:
	High	Group A: >24 months Group B: >24 months Group C: >24 months
	Applicability	
<p>Group A and Group B banks are more likely to have the necessary resources to implement this recommendation. However, they may face challenges due to their larger scale of operation, along with their expanse of operations.</p> <p>While Group C banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.</p>		

G.10 Roles and Responsibilities of Three Lines of Defence (LoD)

G.10.1 ESG-related Considerations in all Three LoD: Front Office/Credit

S.No.	Recommendation	
G.10.1.1	Clearly define the responsibilities of the front office/credit to identify and assess ESG risks associated with their activities.	
	Level of Maturity:	Timeline:
	Medium	Group A: 9 - 12 months Group B: 12- 15 months Group C: 15 - 18 months
	Applicability	
Banks have begun to recognize the growing importance of ESG risk assessment, and it is inherent that they establish and maintain the necessary organizational structure that will support identification and assessment of ESG risks.		
G.10.1.2	Establish mechanisms for reporting ESG-related risks to the Risk Management function.	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Establishing reporting structures for ESG -related risks is important especially for Group A and Group B banks that are exposed to high-risk activities.		

G.10.2 ESG-related Considerations in all Three LoD: Risk Management

S.No.	Recommendation	
G.10.2.1	Clearly define the role of Risk Management in providing oversight of ESG related risks.	
	Level of Maturity:	Timeline:
	Medium	Group A: 9 - 12 months Group B: 12- 15 months Group C: 15 - 18 months
	Applicability	
This recommendation involves organizational changes, resource allocation, and process adjustments. Group A and Group B banks recognize the growing importance of ESG risk oversight and need for independent risk management Medium units.		
G.10.2.2	Develop and communicate ESG risk strategies and policies that guide the Front Office in addressing ESG risks.	
	Level of Maturity:	Timeline:
	Medium	Group A: 9 - 12 months Group B: 9 -12 months Group C: 9 -12 months
	Applicability	
Updating policies requires extensive collaboration and coordination across multiple functions/ departments, which may result in higher consumption of resources. Communicating policy changes through training and other channels while ensuring their effective implementation across the bank may prove to be challenging.		
G.10.2.3	Establish mechanisms to monitor ESG risk management efforts and establish status reporting timelines to management and relevant governance bodies.	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Group A and Group B banks are more likely to have established controls within their operations and can align their systems to monitor ESG-related risks and reporting structures.		

G.10.3 ESG-related Considerations in all Three LoD: Audit and Assurance

S.No.	Recommendation	
G.10.3.1	Clearly define the role of Internal Audit in conducting independent reviews of the ESG risk management efforts of the Front Office and the effectiveness of Risk Management's oversight.	
	Level of Maturity:	Timeline:
	High	Group A: 9 - 12 months Group B: 12- 15 months Group C: 15 - 18 months
	Applicability	
Group A banks are more likely to have internal audit controls in place. They can ensure ESG-related risks are incorporated within the unit.		
Group B and Group C banks may need more time to set up the internal audit and define the roles and responsibilities of the unit.		
G.10.3.2	For compliance and alignment purposes, evaluate the extent to which the risk management process is effectively addressing ESG risks.	
	Level of Maturity:	Timeline:
	High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Group A banks can efficiently conduct evaluations and align their risk management processes with ESG considerations.		
Group B and C may require additional time for planning and alignment of their risk management processes with ESG criteria.		
G.10.3.3	Provide independent assurance to the Board and management regarding the overall effectiveness of ESG risk management efforts and provide suitable recommendations.	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Banks are accountable to a wide range of stakeholders who expect transparency and responsible conduct. Independent assurance demonstrates a commitment to ESG alignment and enhances stakeholder confidence. It is crucial for all banks to therefore consider providing independent assurance.		

4.2 Workstream 2: Sustainable Finance Framework

S.1 Use of Proceeds

S.1.1 Scope of the Framework

S.No.	Recommendation				
S.1.1.1	<p>Identify and define the scope of a firm-wide Sustainable Finance Framework (SFF), i.e., Detailed list of financing/re-financing activities which are included/excluded under the framework.e.g.,</p> <p><i>The proposed framework covers financing activities including debt and equity capital markets, corporate lending, trade finance and consumer lending.</i></p> <p><i>It does not include advisory services such as M&A advisory to acquirers or targets, sustainability-linked derivatives or assets under management.</i></p>				
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Level of Maturity:	Timeline:				
Low	Group A: 6 – 12 months Group B: 9 - 12 months Group C: 9 – 12 months				
	<p>Applicability</p> <p>The first crucial step towards formulating a Sustainable Finance Framework is to identify and define the scope of the framework, which must be in line with the bank’s overall sustainability objectives and will act as the necessary foundation to determine which activities would be financed/re-financed by the banks, which activities would be excluded from sustainable financing, what the funding sources would be, the various guiding principles considered, etc. Hence, it is recommended that all banks, regardless of their Group implement this crucial first step.</p>				

S.1.2 Eligible Green and Social Categories

S.No.	Recommendation				
S.1.2.1	<p>Identify the categories of eligible Green and Social Projects for allocation of proceeds from Green, Social, or Sustainability Bond/Loans.</p> <p>In the absence of an appropriate local regulation to this regard, identification of eligible green and social categories may be aligned with any of the below mentioned Green and Social Lending/Bond Principles and taxonomies:</p> <ul style="list-style-type: none"> - ICMA Green/Social/Sustainability Bond Guidelines - ICMA Sustainability Linked Bond Principles - Climate Bonds Standard and Climate Bonds Taxonomy - LMA Green/Social/Sustainability Loan Principles - LMA Sustainability Linked Loan Principles - EU Sustainable Finance Taxonomy - South African Green Finance Taxonomy <p>It is to be noted that the Banks may expand the types of projects and activities under defined categories over time.</p>				
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Level of Maturity:	Timeline:				
Low	Group A: 12 - 18 months Group B: 18 - 24 months Group C: 18 - 24 months				
	<p>Applicability</p> <p>Identification of eligible Green and Social project categories is an important aspect of Sustainable Finance Framework, recommended by all the global and regional Sustainable Finance Standards. This also helps in defining their very crucial step upon which their Sustainable Finance Framework shall be largely built. Given the high nature of importance of this recommendation, coupled with lower complexity of implementation, it is highly encouraged that banks, regardless of their Group, must implement this recommendation.</p>				

S.No.	Recommendation				
S.1.2.2	Align the use of proceeds for their Green, Social, or Sustainability Bond/Loan framework with the United Nations Sustainable Development Goals (SDGs). Identify the UN SDGs to which each of their identified green/social categories would contribute to. For example, <ul style="list-style-type: none"> - The Green category of Energy Efficiency may be aligned to SDG 7- Affordable and Clean Energy, and SDG 9 - Industry, Innovation and Infrastructure - The Social category of Access to Essential Services may be aligned to SDG 1 - No Poverty, SDG 3 - Good Health and Well-being, SDG 4 - Quality Education, SDG 10 - Reduced Inequalities 				
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Applicability	<p>This recommendation is highly encouraged by ICMA and LMA Green and Social bond/loan Principles as a part of their Sustainable Finance Framework guidelines. Implementing this recommendation would also help banks to identify and benchmark their financing activities (via green and social project categories) to a globally acceptable goal framework of UN SDGs, and thus giving the bank a chance to align their sustainability efforts with the UN's Sustainable Development Agenda. This would in turn aid banks in fulfilling their sustainability targets, while strengthening their commitment towards championing ESG issues.</p> <p>Given the high nature of importance of this recommendation, it is highly encouraged that banks, regardless of their Group, must implement this recommendation.</p>				

S.1.3 Eligible Projects/Activities and Eligibility Criteria

S.No.	Recommendation				
S.1.3.1	<ul style="list-style-type: none"> - In the absence of an appropriate local regulation to this regard, for each of the selected green and social category, define: - The list of eligible projects and activities to be financed, which addresses specific environmental/social issues and lead to measurable environmental/social outcomes. - Eligibility criteria to identify projects, in line with Climate Bond Standard, EU Green Bond Standard, etc. 				
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Applicability	<p>Banks must have an eligibility criterion in place which will help to determine which projects/activities are to be selected and which are to be eliminated. The selected projects/activities must lead to quantifiable environmental and/or social benefits and help the banks achieve their sustainability goals.</p> <p>Given that this recommendation is a crucial step of a Sustainable Finance Framework as advised by ICMA and LMA Green and Social bond/loan Principles, all banks, regardless of their Group, must implement this recommendation</p>				

S.No.	Recommendation				
S.1.3.2	<p>Identify and define the ‘target population’ for some of the activities it intends to finance, such as education for minorities and women, micro and small business financing, etc.</p> <p>Examples of Target Population:</p> <ul style="list-style-type: none"> - Living below the poverty line - Excluded and/or marginalised populations and/or communities - People with disabilities - Migrants and/or displaced persons - Underserved, owing to a lack of quality access to essential goods and services - Unemployed - Undereducated - Women and/or sexual and gender minorities - Aging populations and vulnerable youth - Other vulnerable groups, including as a result of natural disasters 				
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<p>Applicability</p> <p>While it is not mandatory for a bank to have a target population defined as a part of their sustainable finance framework, it is highly encouraged that banks perform the same, especially for social projects/activities. This will help banks to identify certain vulnerable sections of the society towards which the positive impacts from the projects will be directed.</p>					
S.1.3.3	<p>Align the eligible green and social project categories and activities with:</p> <ul style="list-style-type: none"> - National sustainability objectives and commitments for example, Uganda’s NDC and Uganda Vision 2040 - National priorities, actions against climate/physical risk hazards for example, countering deforestation and promoting biodiversity conservation, disaster risk mitigation aimed at Flood Control and Flood Risk Management - Initiatives targeted at regional development for example, United Nations Development Programme (UNDP) initiatives such as UNDP Initiatives for Youth in Uganda, AfDB’s Light Up and Power Africa and Feed Africa Initiatives. 				
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<p>Applicability</p> <p>In addition to alignment with global standards/guidelines, it is recommended that banks consider national and/or regional initiatives, guidelines, objectives, and commitments as well. This will ensure that the selected green and/or social projects/activities are specific and relevant to the country and/or region, which will help advance not only the banks’ sustainability targets, but also further the nation’s and/or region’s objectives.</p>					

S.No.	Recommendation				
S.1.3.4	Align the eligibility criteria for social project categories with: <ul style="list-style-type: none"> - Local laws and regulations for example, Uganda’s Occupational Safety and Health Act, 2006 - Recommendations of government agencies for example, Directorate of Housing, Ministry of Trade, Industry and Cooperatives, etc. 				
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Applicability					
Implementing the same would prevent any misuse of marked funds to activities deemed illegal or prohibited by the regional and international regulations, thus safeguarding the banks against any compliance risks or legal repercussions. In addition, this recommendation may also help banks in safeguarding themselves against risks which are reputational in nature.					
S.1.3.5	Align the activities under eligible green and social categories with guidelines from local government/ regional agencies and applicable global/regional standards or certifications. For example, under the category Green Buildings, banks may consider projects/activities aligned to existing/upcoming standards and certifications such as International Green Construction Code, potential Green Building requirements as a part of Uganda Building Codes, etc. or of organisations such as Green Building Council Uganda.				
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Applicability					
Alignment of eligible green and social project categories with global/regional standards or certifications and recommendations of government/regional agencies will help ensure that the project categories are in line with regional requirements. The projects/activities and the corresponding eligibility criteria may be customised according to the global/regional standards or certifications and recommendations of government/regional agencies to successfully address and generate positive outcomes for localised issues.					
S.1.3.6	Give due significance to limitations/restrictions for some of the sub-themes of renewable energy categories (e.g., hydropower, geothermal, etc.) w.r.t their social and environmental impacts.				
	For example, despite Bioenergy/biomass being widely considered under the umbrella of renewable energy, it is observed that combustion of bioenergy assets emits CO2 as much as coal.				
	In absence of an appropriate local regulation to this regard, it is encouraged to apply certain carbon footprint threshold to avoid any adverse impacts and to benchmark the thresholds with performance standards like Climate Bonds Standards Criteria				
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Applicability					
Implementing this recommendation would help banks to ensure adherence and compliance to the standards referenced. In addition, it would also enable banks to safeguard themselves from any misuse of marked funds to activities deemed illegal or prohibited by the regional and international regulations					

S.No.	Recommendation				
S.1.3.7	In case of refinancing, identify the projects which are to be refinanced and disclose the expected look-back period i.e., the number of previous years that the issuer will look back to for these refinanced projects.				
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Applicability					
This recommendation is applicable only in cases when refinancing of eligible projects and activities is involved. Through our benchmarking analysis, we have not seen references to look-back period by most banks involved.					
S.1.3.8	Evaluate creation of an exclusion list to ensure mitigation of potential environmental and social risks associated with eligibility criteria and to ensure that the financing will have a net positive impact.				
	In the absence of an appropriate local regulation to this regard, the exclusion list may be derived based on existing standards and frameworks (such as AfDB's Green and Social Bond framework) and any regional and international regulations surrounding prohibition of certain activities.				
	For example, excluding economic activities involving harmful or exploitative forms of forced labour as defined by international conventions and/or national regulations, which are also deemed illegal under the Article 25 of the Constitution of Uganda (prohibition of forced labour).				
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Level of Maturity:	Timeline:				
Medium	Group A: 12 - 15 months Group B: 15- 18 months Group C: 18 - 21 months				
Applicability					
Banks must specify a detailed exclusion list, comprising of activities towards which funds will not be utilised. Such activities have no positive contributions to the bank's sustainability agenda and do not generate positive impacts for the environment and the society.					
Implementing the same would prevent any misuse of marked funds to activities deemed illegal or prohibited by the regional and international regulations, thus safeguarding the banks against any compliance risks or legal repercussions. In addition, this recommendation may also help banks in safeguarding themselves against risks which are reputational in nature.					

S.2 Process for Project Evaluation and Selection

S.2.1 Governance Structure

S.No.	Recommendation		
S.2.1.1	<ul style="list-style-type: none"> - Have a robust governance and oversight mechanism in place for the project evaluation and selection process. The responsibilities include: <ul style="list-style-type: none"> - Identifying/screening, qualifying, evaluating potential projects against environmental and/or social project criteria, in accordance with its sustainable finance framework - Recommendation and sign off - For the same, the bank may evaluate either of the below mentioned recommendations (S.2.1.1.A and S.2.1.1.B): 		
	<table border="1"> <tr> <td>Level of Maturity:</td> <td>Timeline:</td> </tr> </table>	Level of Maturity:	Timeline:
Level of Maturity:	Timeline:		
S.2.1.1.A	<p>Include the role of oversight in the project evaluation and selection process in the responsibilities of the existing departments, working groups or committees, such as (but not limited to):</p> <ul style="list-style-type: none"> - Sustainability Committee/Corporate Sustainability Team, etc. - Risk Management Teams (NFR Risk/Reputational Risk/Environmental and Social Risk Management) <p>OR</p> <p>refer 2.1.1.B below</p>		
	<table border="1"> <tr> <td>Level of Maturity:</td> <td>Timeline:</td> </tr> </table>	Level of Maturity:	Timeline:
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Medium	Group A: 12 - 18 months Group B: 12 - 15 months Group C: 12 - 15 months		
<p>Applicability</p> <p>It is recommended that the member banks, regardless of size and scale of operation, may first aspire to incorporate 2.1.1.A as a first step before proceeding to implementing a working group or committee (as recommended in 2.1.1.B) over a slightly extended period.</p> <p>Delegating oversight responsibilities to existing departments, working groups or committees may be considered a more efficient approach for Group A and B banks, before beginning their journey to establishing a working group or committee (recommendation 2.1.1.B).</p> <p>For Group A banks, however, the implementation of this recommendation may depend upon:</p> <ul style="list-style-type: none"> - The scale of operation and the geographical expanse, thus necessitating a more intricate oversight structure - The complexity of the organisational structure of group and subsidiary entities (if they exist) - Differing national sustainability priorities, especially for banks with Group HQs outside of Uganda. 			
S.2.1.1.B	<p>Establish a working group or committee (such as Sustainable Finance Working Group, Sustainable Finance Governance Committee, Green Bond Asset Working Group, Green Bond Committee) comprising of representatives from relevant business units responsible for originating the eligible projects as well as members from the Bank's sustainability governance team, Asset and Liability Committee or equivalent, treasury team, credit risk management and lending units, etc.</p>		

S.No.	Recommendation	
	Level of Maturity:	Timeline:
	Medium	Group A: 12 - 24 months Group B: 12 - 24 months Group C: 18 - 24 months
	Applicability	
	<p>Banks may first aspire to incorporate 2.1.1.A as a first step before proceeding to implement a working group or committee (as recommended in 2.1.1.B) over a slightly extended period.</p> <p>However, for Group A banks which are better positioned and more likely to have the necessary capabilities and resources, it is highly encouraged to set up a working group or committee to strengthen their sustainable finance-related efforts through effective oversight, while also demonstrating to investors, shareholders and customers their commitment to sustainability-related issues.</p>	

S.2.2 Evaluation and Selection Process

S.No.	Recommendation	
S.2.2.1	<ul style="list-style-type: none"> - Implement a comprehensive project evaluation and selection process which includes: - Data collection (including due diligence, risk identification, collation of attributes for estimation of impact metrics) - Assessment of sustainable finance framework's eligibility criteria and exclusion list - Risk-Impact assessment, including consideration of net environmental/social benefits of the proposed project 	
	Level of Maturity:	Timeline:
	Medium	Group A: 15 - 18 months Group B: 15 - 18 months Group C: 15 - 18 months
	Applicability	
	<p>Having a comprehensive project evaluation and selection process in place will help banks, irrespective of their Group, to ensure transparency in the process, while strengthening the sustainable finance framework, along with communicating the process to the investors, shareholders and customers and maintaining their trust as well.</p> <p>A comprehensive and thorough project evaluation and selection process ensures that eligible projects have been selected after carrying out all due assessments and ensuring that they generate positive and quantifiable environmental/social impacts.</p> <p>Hence, it is recommended that banks, regardless of their Group, must implement this recommendation for guaranteeing an effective Sustainable Finance Framework.</p>	

S.No.	Recommendation				
S.2.2.2	<p>Perform Enhanced Due Diligence (EDD) or additional screening on eligible transactions (on case-by-case basis) to screen for any environmental, social or reputational risks associated with the transaction.</p> <p>In the absence of an appropriate local regulation to this regard, the EDDs may be designed based on IFC Performance Standards (IFC PS) and Equator Principles (EP).</p> <p>For example, The banks may categorize the magnitude of potential impacts associated with a transaction using criteria defined by IFC into Categories A, B, C, GR, wherein:</p> <p>Category A — use of proceeds is likely to have potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;</p> <p>Category B — use of proceeds is likely to have potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;</p> <p>Category C — use of proceeds is expected to have minimal or no social or environmental impacts;</p> <p>Category GR — “general review” use of proceeds are directed to multiple projects with varying risk levels.</p>				
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	Level of Maturity:	Timeline:			
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months			
	<p>Applicability</p> <p>This recommendation might prove to be beneficial for those Group A and B banks to safeguard themselves from Fraud or similar risks, given their scale, expanse and nature (e.g., project finance activities, high-value transactions, etc.) of their operations.</p> <p>While it would be beneficial for banks of all Groups to include an EDD or an additional screening process, we are cognizant of the fact that some Group B and C banks may not have the adequate resources, monetary and manpower alike, to do the same.</p>				
S.2.2.3	<p>Ensure documentation of approval of eligible Green/Social projects in the relevant committee minutes.</p>				
<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: > 24 months Group B: > 36 months Group C: > 36 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>Proper documentation helps to keep a record of discussions and decisions undertaken with respect to processes related to the approval of green and/or social projects. This ensures transparency in the sustainable financing process and prevents malpractices.</p>	Level of Maturity:	Timeline:	Low	Group A: > 24 months Group B: > 36 months Group C: > 36 months	
Level of Maturity:	Timeline:				
Low	Group A: > 24 months Group B: > 36 months Group C: > 36 months				

S.3 Management of Proceeds

S.3.1 Tracking of Allocated/Unallocated Proceeds

S.No.	Recommendation	
S.3.1.1	<p>Establish a proper formal internal process to ensure and track the net proceeds on per bond/loan or on an aggregated basis for multiple bonds (portfolio approach) which are credited into pools, sub-accounts, moved to a sub-portfolio.</p> <p>For the same, the bank may evaluate either of the below mentioned recommendations (S.3.1.1.A and S.3.1.1.B):</p>	
	Level of Maturity: -	Timeline: -
S.3.1.1.A	<p>Integrate tracking of eligible green/social assets through existing monitoring systems such as internal information systems, portfolio monitoring systems, global credit management systems, etc.</p> <p>OR refer 3.1.1.B below</p>	
	Level of Maturity:	Timeline:
	Low	Group A: 15 - 18 months Group B: 15 - 18 months Group C: 15 - 18 months
	Applicability	
	<p>Group A banks are more likely to have the capabilities and infrastructure to swiftly adopt and deploy such sophisticated systems compared to Group B and C banks. While Group C banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.</p> <p>However, it is recommended that the banks, regardless of size and scale of operation, may first aspire to incorporate 3.1.1.A as a first step before proceeding to establishing standalone systems/EUCs for the same (as recommended in 3.1.1.B) over a slightly extended period.</p>	
S.3.1.1.B	<p>Establish a standalone green/social finance monitoring system or any End-User Computing entities (EUCs) in the form of a master spreadsheet or a Power BI dashboard.</p>	
	Level of Maturity:	Timeline:
	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Applicability	
	<p>Group A banks are more likely to have the capabilities and infrastructure to swiftly adopt and deploy such sophisticated systems compared to Group B and C banks. While Group C banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.</p> <p>However, it is recommended that the member banks, regardless of size and scale of operation, may first aspire to incorporate 3.1.1.A as a first step before proceeding to establishing standalone systems/EUCs for the same (as recommended in 3.1.1.B) over a slightly extended period.</p>	

S.No.	Recommendation	
S.3.1.2	<p>In case of green/social bond assets, maintain a single pool for eligible green/social assets i.e., an amount corresponding to the net proceeds from any Green/Social Financing Instrument issued under the Framework shall be used to finance the Asset Pool.</p> <p>The pool may be composed of both loans to and investments in corporations, assets, or projects that are identified as eligible activities/projects under Use of Proceeds.</p>	
	Level of Maturity:	Timeline:
	Low	Group A: 15 - 18 months Group B: 15 - 18 months Group C: 15 - 18 months
	Applicability	
<p>While best practices may dictate crediting net proceeds into sub-accounts or moved to a sub-portfolio, maintaining a pool of assets serves as a simpler way for a bank to keep track of their assets.</p> <p>Hence, this recommendation may be adopted by banks, regardless of their Group, that would like to streamline their tracking process, while ensuring that the proceeds from Green/Social financing instruments are not being misallocated/misused.</p>		
S.3.1.3	<p>For ease of tracking, set up a centralised database to keep track of all concerned transactions including:</p> <ul style="list-style-type: none"> - Details of bonds and loans outstanding: outstanding amount, interest rate, issue/ disbursement and maturity date - Project/Company-related identifiers, project categorisation details and status details - Project-wise/Portfolio-wise amounts allocated, amounts pending allocation, amounts in new assets and assets refinanced, etc. 	
	Level of Maturity:	Timeline:
	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Applicability	
<p>Despite the complexity of the recommendation, it is highly encouraged that the banks implement this recommendation for ease of monitoring (Module 3) and reporting (Module 4) purposes.</p> <p>The complex IT infrastructure of Group A banks, coupled with their expanse and scale of operations might pose as a challenge for such banks to implement this recommendation. However, they are more likely to have an established data lake/staging architecture and associated capabilities, enabling them to implement this recommendation. While Group B and C Banks may have fewer resources to implement and operate a comprehensive data architecture specific to Sustainable Finance monitoring, the banks may work towards implementing the same over a slightly extended period.</p>		

S.No.	Recommendation	
S.3.1.4	Define the periodicity of the monitoring activity, i.e., either quarterly, biannually, annually, etc.	
	Level of Maturity:	Timeline:
	Low - Medium	Group A: 15 - 18 months Group B: 15 - 18 months Group C: 15 - 18 months
	Applicability	
Monitoring and tracking of proceeds is an important aspect of Sustainable Finance Framework and is also recommended by all the global and regional Sustainable Finance Standards. Group A and B banks are more likely to have established monitoring capabilities which may enable them to monitor more frequently (such as quarterly, biannually), while Group C banks may perform the monitoring annually.		

S.3.2 Control Framework

S.No.	Recommendation	
S.3.2.1	Establish an internal control framework to identify flags/triggers with respect to miscategorization of proceeds, misuse of unallocated proceeds, double counting errors, data accuracy/quality issues, etc.	
	Level of Maturity:	Timeline:
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Group A and B banks are more likely to have an established control framework, to which they may easily incorporate monitoring of miscategorization/misallocation of proceeds as well as collateral flagging within the same framework.		
While Group C banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.		
S.3.2.2	As a part of this control framework, monitor and ensure that any eligible assets under the Sustainable Finance Framework are not used as collateral in any existing or future external funding transaction. In circumstances where the eligible assets under the Sustainable Finance Framework are used as collateral, the same can trigger a flag.	
	Level of Maturity:	Timeline:
	High	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Applicability	
Group A and B banks are more likely to have established control frameworks, to which they may easily incorporate monitoring of miscategorization/misallocation of proceeds as well as collateral flagging within the same framework.		
While Group C banks may have fewer resources to implement and operate a comprehensive control framework, the banks may work towards implementing the same over a slightly extended period.		

4.3 Reporting

S.4.1 Allocation & Use of Proceeds Reporting

S.No.	Recommendation				
S.4.1.1	<p>i) Maintain latest information on the use of proceeds to be renewed periodically until full allocation, and on a timely basis in case of material developments.</p> <p>ii) Define the periodicity of such reporting practices i.e., either quarterly, biannually, annually, etc.</p> <p>iii) These can be captured in the Bank's Allocation Report/Periodic Progress report, where the outstanding green/social/sustainability bonds issued under its Sustainable Finance Framework are reported, including:</p> <ul style="list-style-type: none"> - Total amount of Eligible Assets - List of Green, Social or Sustainability Bonds issued with their outstanding amount - Amount of net proceeds raised - Balance of unallocated net proceeds - Total amount of net proceeds allocated per Eligible Expenditure - Details of the split between financing and refinancing. 				
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	Level of Maturity:	Timeline:			
	Low	Group A: > 12 months Group B: > 12 months Group C: > 12 months			
<p>Applicability</p> <p>Allocation reporting is an important aspect of Sustainable Finance Framework and is also recommended by all the global and regional Sustainable Finance Standards.</p> <p>In addition, allocation reporting also ensures transparency of the bank's Sustainable Finance activities, thus resulting in establishing and gaining trust with investors and other stakeholders alike. Implementing this recommendation can be initiated from the first year itself as it will help banks to safeguard themselves against any greenwashing claims and other risks which are reputational in nature.</p>					
<p>Level of Maturity:</p> <p>Low</p>					
S.4.1.2	<p>Ensure documentation/communication to investors on:</p> <ul style="list-style-type: none"> - The environmental and social objectives of the eligible Green and Social Projects - Information on the alignment of projects with taxonomies, related eligibility criteria, exclusion criteria - Disclose any green/social standards or certifications referenced in project selection - Complementary information on the processes used to identify and manage perceived social and environmental risks associated with the projects - The approach to identify mitigants to known material risks of negative environmental/social impacts from relevant project 				
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	Level of Maturity:	Timeline:			
	Medium	Group A: > 12 months Group B: > 12 months Group C: > 12 months			
<p>Applicability</p> <p>Implementing this recommendation can be initiated from the first year itself as it will help banks, irrespective of their Group, to ensure transparency in the process to gain investors' confidence and customer trust with respect to sustainable finance practices. In addition, banks may also be able to safeguard themselves from greenwashing risks and other risks which are reputational in nature.</p>					
<p>Level of Maturity:</p> <p>Medium</p>					

S.4.2 Impact Reporting

S.No.	Recommendation				
S.4.2.1	<p>Design an Impact Reporting template for ease of quantitative environmental impact assessment based on:</p> <ul style="list-style-type: none"> - The eligible green and social project category and sub-category - Specific project/portfolio - The data attributes required for calculating the core indicators and other sustainability indicators <p>Banks can utilise pre-defined reporting templates provided by standards, e.g., Green and Social Impact Reporting Template by ICMA</p> <p>https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Green-and-Social-Impact-reporting-templates_2023-06-15-220623.xlsx</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months			
	<p>Applicability</p> <p>Given the importance of Impact Reporting, Banks can leverage their own employees to implement this recommendation effectively by assigning dedicated teams or individuals with expertise in sustainability reporting and data management. These teams should work closely with project managers and data analysts within the bank to identify relevant project attributes and data sources. Training programs can be conducted internally to upskill staff on using the reporting template and understanding sustainability indicators. Regular communication and feedback channels should be established to ensure ongoing improvement and alignment with industry standards.</p>				
S.4.2.2	<p>Provide a quantitative environmental impact assessment report on all eligible assets that are financed/refinanced by the Sustainable Finance Framework. The report must cover the performance of the financed projects against certain KPIs or quantitative performance measure.</p>				
<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: > 12 months Group B: > 12 months Group C: > 12 months </td> </tr> </tbody> </table> <p>Applicability</p> <p>Despite the complexity of the recommendation, it is imperative for banks to perform and disclose an assessment of impact of their sustainable financing activities. This would help the banks in:</p> <ul style="list-style-type: none"> - Aligning their financing activities with their sustainability goals and objectives - Demonstrating their commitment towards championing ESG related causes - Ensuring transparency and catering to investors' preference for enhanced information - Safeguarding themselves against any greenwashing claims and other risks which are reputational in nature. 	Level of Maturity:	Timeline:	Medium	Group A: > 12 months Group B: > 12 months Group C: > 12 months	
Level of Maturity:	Timeline:				
Medium	Group A: > 12 months Group B: > 12 months Group C: > 12 months				

S.No.	Recommendation
S.4.2.3	<p>As a part of the Impact Report, disclose:</p> <ul style="list-style-type: none"> - The mapping of the green and/or social project categories with the UN SDGs - The key underlying methodology used in the quantitative determination - Data sources (internal/external) used to estimate the KPIs, if available - Any assumptions, baseline data, data proxies which have been used in the quantitative determination - Standards or certifications to which the Bank is seeking to conform, if available.
Level of Maturity:	Timeline:
Medium	Group A: > 12 months Group B: > 12 months Group C: > 12 months
Applicability	
<p>Despite the complexity of the recommendation, it is imperative for banks to perform and disclose an assessment of impact of their sustainable financing activities. This would help the banks in:</p> <ul style="list-style-type: none"> - Aligning their financing activities with their sustainability goals and objectives - Demonstrating their commitment towards championing ESG related causes - Ensuring transparency and catering to investors' preference for enhanced information - Safeguarding themselves against any greenwashing claims and other risks which are reputational in nature. 	

S.4.3 Oversight and Sign-off

S.No.	Recommendation
S.4.3.1	<p>The corresponding Working Group or Committee (as mentioned in recommendation 2.1.1) should periodically review and provide a final sign-off of both the Allocation and Impact Reports before publishing. In cases deemed necessary, the sign-off may also be obtained from Board-level committees in charge of Sustainable Finance considerations.</p>
Level of Maturity:	Timeline:
Low - Medium	Group A: > 12 months Group B: > 12 months Group C: > 12 months
Applicability	
<p>Oversight/concurrence of the working groups or committees over the allocation and impact monitoring is imperative to set the tone at the top for any sustainable finance-related activities that a bank may undertake. This would also enable banks to identify and escalate mishandling/misallocation of funds, thus ensuring transparency in the sustainable financing process.</p>	

S.4.4 External Review

S.No.	Recommendation				
S.4.4.1	Engage a third party/independent external reviewer for: <ul style="list-style-type: none"> - A periodic review of the allocation of the proceeds of financing issued under the framework to Eligible Projects, including ensuring periodic audit and verification of the asset pool - Second Party Opinion (SPO) on conformity of the allocation processes with the established Sustainable Framework. 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: > 24 months Group B: > 36 months Group C: > 36 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Level of Maturity:	Timeline:			
	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months			
<p>Applicability</p> <p>Given that this recommendation is optional as per ICMA and LMA principles, banks with limited resources and capabilities such as those under Group B and C may choose not to implement the same. However, this recommendation is highly encouraged for banks which would like to safeguard themselves against any potential legal risks and associated penalties, along with greenwashing and other risks which are reputational in nature.</p>					
S.4.4.2	Ensure that the findings are documented in an external review report, which will be made available to the investors through their Investor Relations channel, website, etc.				
S.4.4.2	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: > 24 months Group B: > 36 months Group C: > 36 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Level of Maturity:	Timeline:			
	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months			
<p>Applicability</p> <p>Given that this recommendation is optional as per ICMA and LMA principles, banks with limited resources and capabilities such as those under Group B and C may choose not to implement the same. However, this recommendation is highly encouraged for banks which would like to safeguard themselves against any potential legal risks and associated penalties, along with greenwashing and other risks which are reputational in nature.</p>					

S.5 Sustainable Finance Products and Services

S.5.1 Product Strategy

S.No.	Recommendation				
S.5.1.1	<p>Evaluate expansion of product portfolio based on Sustainable Finance Framework across various business segments such as:</p> <ol style="list-style-type: none"> 1) Retail Banking 2) Corporate/Investment Banking and Project Finance 3) Capital/Equity Facilitation 4) Asset Management 5) Risk Sharing Mechanism 6) Trade Finance 7) Insurance <p>Please refer to sheet on Illustrative Products & Services for more information on the types of products and services that a bank may incorporate within their product portfolio.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months
Level of Maturity:	Timeline:				
Medium	Group A: 18 - 24 months Group B: > 24 months Group C: > 24 months				
	<p>Applicability</p> <p>It is recommended that the banks, regardless of size and scale of operation, implement this recommendation.</p> <p>However, the number of new product categories and new products to be introduced depends upon the size and capabilities of the banks, in addition to their nature of operation and target customer base.</p> <p>For example,</p> <ol style="list-style-type: none"> i) A bank catering to a larger retail base may incorporate related sustainable finance products such as green mortgages or green deposits ii) A bank with larger commercial/business banking portfolio may incorporate sustainable-lined trade finance products such as sustainability-linked LoCs or guarantees. <p>In addition, to pre-emptively overcome any resource/capability challenges, it is recommended that the banks in lower Group(s) may first attempt to integrate sustainable products within their project finance, retail, corporate banking portfolios, before integrating the same into other portfolios such as Trade Finance, Insurance, etc.</p>				

4.4 Workstream 3: Risk Management

R.1 Risk Identification and Measurement

R.1.1 Risk Reviews

S.No.	Recommendation	
R.1.1.1	Perform a preliminary Risk Review/Assessment exercise to understand and assess ESG-related risks including: <ul style="list-style-type: none"> - Identifying the type of Risk (Climate Risk, Financial Crime Risk, Technology Risk) and Sub-types (Physical and Transition Risks) - Identifying Primary Risk Drivers - Whether the risk is external/internal - Whether quantifiable/non-quantifiable 	
	Level of Maturity:	Timeline:
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
	Applicability	
	Performing a risk review exercise would greatly help the banks to identify the ESG risks and topics of importance (basis nature of the banks' operations, locations, etc.) which need to be included in scope for the proposed ESG-related framework. This can ensure efficiency of the resultant ESG Framework and would help the banks in achieving their ESG-related objectives successfully.	
	This, coupled with the fact that conducting an ESG Risk Review is the first and significant step in a Bank's ESG Journey, is why it is imperative for the banks, regardless of their Group, to incorporate this recommendation.	
R.1.1.2	Assess the impacts of the identified risks: <ul style="list-style-type: none"> - Impact on traditional risk types (e.g., Credit Risk, Market Risk, Operational Risk) - Time period of impact (short-, medium-, long- term) - Materiality (e.g., Expected Credit Loss, Compliance-related loss etc.) - Economic impact - Process/business aspect affected by the identified risk (credit process, reputation/brand/good will, etc.) - Critical portfolios affected (e.g., Mortgages, Oil & Gas) (See Recommendation 1.3) - Counterparty-level assessment (See Recommendation 1.4) - Geographical concentrations 	
	Level of Maturity:	Timeline:
	Low- Medium	Group A: 3 - 12 months Group B: 3 - 15 months Group C: 3 - 15 months

S.No.	Recommendation				
	<p>Applicability</p> <p>Despite the complexity of implementing this recommendation, this would prove to be the most critical step in any risk management framework, upon which the management, mitigation and modelling processes are built upon.</p> <p>In addition, the results of the assessment would also be used for:</p> <ul style="list-style-type: none"> - Setting the tone at the top regarding ESG-related objectives, goals and targets - Identifying and defining material topics and portfolios - Designing policy guidelines and prohibitions/exclusions - Setting up limits and tolerances <p>Hence, it is imperative for the banks, regardless of their Group, to incorporate this recommendation.</p>				
R.1.1.3	<p>Perform comprehensive board assessments and periodically assess the independence, competence, and diversity of board members to ensure effective oversight and governance. This includes evaluating their qualifications and potential conflict of interest.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months
	Level of Maturity:	Timeline:			
	Low	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months			
<p>Applicability</p> <p>Ensuring proper oversight personnel would be crucial for the success of implementation of an ESG Risk Management Framework. By implementing this recommendation, the bank eliminates any conflicts of interests which may hinder a transparency in the management and mitigation processes.</p>					
R.1.1.4	<p>Create a robust risk library integrated into the bank's risk management platform to monitor and manage all relevant risks.</p> <p>In addition, establish a standardized risk categorization framework and utilize a digital risk management platform to systematically input, track, and update identified risks, ensuring consistent documentation and easy access for risk reviews and audit assessments.</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 9-12 months Group B: 9-15 months Group C: 9-15 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 9-12 months Group B: 9-15 months Group C: 9-15 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 9-12 months Group B: 9-15 months Group C: 9-15 months			
<p>Applicability</p> <p>Implementing this recommendation would be serve as the foundation for proactively tracking and monitoring the identified and upcoming risks successfully. This recommendation is also crucial to enable the banks keep up with the evolving nature of ESG and Climate-related risks.</p> <p>While Group A banks are more likely to have established Risk Libraries, Group B and C banks may aspire to implement the same over an extended period.</p>					

R 1.2 Scope and Materiality Assessment

S.No.	Recommendation				
R.1.2.1	Identify and define the scope of a firm wide ESG Risk Management Framework with respect to:				
R.1.2.1 A	<p>The organisational boundaries covered by the framework, if the bank has a multi-entity structure and is operating in various geographies/sectors. The boundaries may be operational, financial, or geographical.</p> <table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>It is crucial for any bank to define the organisational scope of the ESG Risk Management framework to be applied. This is due to the fact that risk management processes may differ for an operational entity such as Wealth/Asset Management entity, as compared to an insurance entity. Similarly, the process may differ among various geographical entities such as MENA entity, APAC entity, etc. Hence, banks, regardless of their Group, need to take such diversity into concern before designing a robust framework.</p> <p>However, Group A banks with a complex reporting structure may find it challenging to implement the recommendation with ease, as compared to the others.</p>	Level of Maturity:	Timeline:	Low	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months
Level of Maturity:	Timeline:				
Low	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months				
R.1.2.1. B	<p>Detailed list of products/activities/services which are included/excluded under the framework.</p> <p>The proposed framework covers financing activities including debt and equity capital markets, corporate lending, trade finance and consumer lending, M&A advisory to acquirers or targets, sustainability-linked derivatives, or assets under management.</p> <table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>As with recommendation 1.2.1.A, implementation of recommendation of 1.2.1.B is also crucial, given the fact that the diversity of products and services of the banks need to be accounted. However, banks, especially Group A banks with a complex reporting structure, need to implement this recommendation to eliminate any gaps or misalignment.</p>	Level of Maturity:	Timeline:	Low	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months
Level of Maturity:	Timeline:				
Low	Group A: 6 - 9 months Group B: 9 - 12 months Group C: 9 - 12 months				
R.1.2.2	<p>Utilize SASB Materiality Map and identify financially material ESG issues for 11 sectors and 77 industries.</p> <p>Banks can use the list of standardised ESG issues across industries and sectors provided by SASB for ESG assessments of counterparties and portfolios. This would enable evaluate the performance of individual counterparties and individual exposures and classify exposures according to their specific ESG attributes.</p> <table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months
Level of Maturity:	Timeline:				
Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months				

S.No.	Recommendation
	<p>Applicability</p> <p>While Group A banks may be better poised to implement this recommendation, banks with resource limitations (such as Group B and C banks) may rely on in-house materiality mapping processes, customised as per their ESG-related objectives, their material sectors and sub-sectors, and their nature of operations, before aspiring to implement a SASB-aligned Materiality Map over an extended period of time.</p>

R 1.3 Portfolio Alignment

S.No.	Recommendation				
R.1.3.1	<p>Conduct sectoral concentration analysis using both qualitative and quantitative methods to identify exposure of portfolios/sub-portfolios to ESG-related risks and identify high-risk sectors/geographies that may have significant potential negative ESG impacts, while ensuring compliance with international standards, global and local regulations, and guidelines.</p> <p>The portfolios may include:</p> <ul style="list-style-type: none"> - Sector-wise portfolio (Fuel & Energy, Forests, Land and Agriculture (FLAG)) - Sovereign portfolios - Collateral portfolios (e.g., physical collateral assets vs. financial collateral assets) 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low-Medium</td> <td>Group A: 6 - 12 months Group B: 9- 12 months Group C: 9 - 12 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low-Medium	Group A: 6 - 12 months Group B: 9- 12 months Group C: 9 - 12 months
Level of Maturity:	Timeline:				
Low-Medium	Group A: 6 - 12 months Group B: 9- 12 months Group C: 9 - 12 months				
	<p>Applicability</p> <p>Sectoral concentration analysis would help in identifying material sectors, which would help banks in customising assessment processes and mitigation measures taking into consideration the sector-specific considerations such as scenarios and scenario variables, draft sector-related guidelines and policies, while complying with regulations targeted at the specific sector.</p> <p>For example, Banks may use International Energy Agency (IEA) scenarios for Power generation and Energy portfolios, while considering variables such as Oil Prices, Carbon tax, etc.</p> <p>While Group A banks may have existing capabilities to implement this recommendation over a wide range of portfolios, it is recommended that banks with resource constraints such as Group B and C may implement this recommendation for initial set of material portfolios (Oil and Gas, PowerGen, Mortgages, etc.), before expanding to other portfolios (Shipping, Metals, Cement, etc.)</p>				
R.1.3.2	<p>Portfolio Alignment Assessment:</p> <p>Utilise alignment approaches to understand whether portfolios, or sub-portfolios (eg sectors), are in line with specific climate targets and to what extent a bank would need to change the composition of its portfolios and activities to align with such targets.</p> <ul style="list-style-type: none"> - Utilise UNEP FI Principles for Responsible Banking Framework to align banks' business strategies with the goals expressed in the SDGs and the Paris Agreement. By mapping banks' exposures (by type, country and sector) to the different impact areas defined by UNEP FI, banks can analyse how far its exposures are positively or negatively affecting each impact area. - Utilise Paris Agreement Capital Transition Assessment (PACTA) tool developed by the 2 Degrees Investing Initiative (2DII), which looks at alignment in terms of climate change goals to understand how far portfolios are aligned with globally agreed (climate) targets. 				

S.No.	Recommendation	
	Level of Maturity:	Timeline:
	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
	Applicability	
	<p>Implementing readily available Portfolio Alignment approaches such as UNEP FI's PRB and PACTA tool may help greatly Group B and C banks with their portfolio alignment requirements without the need to expend resources to design the approaches in-house.</p> <p>However, Group A banks with complex portfolio structures, geographical extent and diverse nature of operations may try to customise these approaches with considerations aligned to their requirements. They may also design a customised approach in-house for a better applicability fit, as well.</p>	
R.1.3.3	Develop specific ESG criteria that companies within high-risk sectors must meet to be eligible for financing, which must be included in existing credit policies/standalone sector policies and guidelines.	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 12-18 months Group B: 18-24 months Group C: 15-24 months
	Applicability	
	<p>Implementing this recommendation would mitigate the impact of any adverse risks posed by such sectors (such as Oil and Gas) while safeguarding the banks from associated legal risks and associated penalties.</p> <p>In addition, this would also enable banks to support the counterparties under such sectors with their low carbon transition efforts and achieve their sustainability goals and objectives.</p> <p>Thus, all the banks, regardless of their Group, are encouraged to implement this recommendation.</p>	
R.1.3.4	Identify list of counterparties (e.g., large corporates) to pinpoint specific high-risk assets within the prioritized sectors and locations.	
	Level of Maturity:	Timeline:
	Medium	Group A: 12-15 months Group B: 15-18 months Group C: 15-18 months
	Applicability	
	Counterparty-level assessments enable the banks to prioritise their ESG and climate risk efforts towards a crucial few accounts, thus helping them to optimise their resources. In addition, this would also enable banks to support the identified counterparties with their low carbon transition efforts and achieve their sustainability goals and objectives.	
R.1.3.5	Tailor risk assessments to the specific industries clients operate in. This includes evaluating environmental and social impacts, labour practices and human rights issues relevant to those sectors.	

S.No.	Recommendation	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
	It is imperative for banks to also view risk from a social perspective. This would safeguard the banks from compliance and legal risks and associated penalties. Thus, all the banks, regardless of their Group, are encouraged to implement this recommendation.	

R 1.4 Counterparty-level Assessment

S.No.	Recommendation	
R.1.4.1	<p>On a periodic basis (preferably annually), identify the high exposure counterparties/key accounts on:</p> <ul style="list-style-type: none"> - Group level or entity-level (e.g., Top 100 counterparties exposure-wise) - Portfolio-level (e.g., Top 50 Oil & Gas counterparties) - Geography-wise (e.g., Top 50 East African counterparties) <p>The counterparties may be identified based on various indicators such as:</p> <ul style="list-style-type: none"> - Their principal amount, their drawn/outstanding amount, their Potential Future Exposure (PFE), depending upon the bank's risk tolerance and appetite - Indicators such as Sectoral WACI (Weighted-Average Carbon Intensity) 	
	Level of Maturity:	Timeline:
	Low-Medium	Group A: 12-15 months Group B: 12-18 months Group C: 12-18 months
	Applicability	
	<p>Counterparty-level assessments enable the banks to prioritise their ESG and climate risk efforts towards a crucial few account, thus helping them to optimise their resources. In addition, this would also enable banks to support the identified counterparties with their low carbon transition efforts and achieve their sustainability goals and objectives.</p> <p>While Group B and C banks may face challenges in resource allocation, they may start with a smaller set of counterparties, before expanding their coverage.</p>	
R.1.4.2	<p>Conduct counterparty-level assessment on a periodic basis to assess concentration risk, particularly for those high-risk sectors or portfolios determined during the portfolio level review.</p> <p>For example, for assessment of climate-related risks, banks must analyse the climate-related opportunities and risks for companies that the bank finances or is considering financing (e.g., considering the company's carbon footprint, strategic positioning) to inform the credit decision.</p>	
	Level of Maturity:	Timeline:
	Medium	Group A: 15-18 months Group B: 18-21 months Group C: 21-24 months

S.No.	Recommendation	
	<p>Applicability</p> <p>Counterparty-level assessments enable the banks to prioritise their ESG and climate risk efforts towards a crucial few account, thus helping them to optimise their resources. In addition, this would also enable banks to support the identified counterparties with their low carbon transition efforts and achieve their sustainability goals and objectives.</p> <p>While Group B and C banks may face challenges in resource allocation, they may start with a smaller set of counterparties, before expanding their coverage.</p>	
R.1.4.3	<p>Conduct thorough customer due diligence and implement robust KYC (Know Your Customer) procedures to assess the social risks associated with customers, including their backgrounds, affiliations, and potential involvement in controversial activities.</p>	
	Level of Maturity:	Timeline:
	Low-Medium	Group A: 12-15 months Group B: 15-18 months Group C: 15-18 months
	<p>Applicability</p> <p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these prohibitions. In such cases, the bank may opt to factor the risk component within the pricing, while aspiring to design prohibitions over an extended period of time.</p>	
R.1.4.4	<p>Design an ESG-risk assessment questionnaire to understand the counterparties' current risks and vulnerabilities, efforts in managing such risks, and to gather data points which may be used in other facets of ESG Risk Management such as monitoring and controls.</p> <p>E.g.,</p> <ul style="list-style-type: none"> - Questionnaires to be filled by clients/counterparties on their physical/operational assets in high physical risk areas - Questionnaires to be filled by Credit Officers on any negative news coverage of the specific counterparty 	
	Level of Maturity:	Timeline:
	Low-Medium	Group A: 15-18 months Group B: 15-21 months Group C: 15-21 months
	<p>Applicability</p> <p>Banks may undertake a phased approach with the questionnaires such that they may:</p> <ul style="list-style-type: none"> - Expand the coverage of clients/portfolios over an extended period of time (for e.g., questionnaires for material portfolios like O&G and Power Gen, before focussing on Shipping, Aviation, etc.) - Expand the process touchpoints based on materiality and ease of application (for example, implementing in credit office such as sanction notes process might prove to be less tedious than implementing in a loan/credit application) 	

R.1.5 Environmental Risk Assessment - Transition Risk

S.No.	Recommendation	
R.1.5.1	Assess climate-related risks such as transition risks separately by using rating or scoring approaches for clients or exposures. They can assign a climate risk rating for each client comprising all transition risks to which the client is exposed or developing a materiality matrix to apply a climate-related risk rating for existing and new clients.	
	Level of Maturity:	Timeline:
	High	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
While implementing this recommendation is complex, banks with limited resources may try to first rely on external ratings (such as Sustainalytics, MSCI) or sector-based heatmaps (Moody's ESG Heatmap) as a temporary rating mechanism, before designing their in-house ESG rating methodology.		
R.1.5.2	Assess transition risk by analysing sectors that may be affected by the shift to a low-carbon economy. This analysis should encompass potential shocks and transmission mechanisms, with specific consideration for sectors such as oil and gas, utilities, transportation, car manufacturing, metals and mining, and construction	
	Level of Maturity:	Timeline:
	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months
	Applicability	
Given the higher scrutiny and regulations aimed at curbing transition risks, Transition Risk Assessment has become a significant part of Environmental risk assessment. Considering potential shocks because of such regulations may provide valuable insights into potential threats and risks specific to such sectors, while allowing banks to design appropriate mitigation measures to counter such risks.		
While Group B and C banks may find it difficult to engage subject matter resources concerning such sectors, they may rely on industry reports by market research companies and international bodies such as OPEC, IEA, etc.		
R.1.5.3	Calculate their carbon footprint as a measure of transition risk, which involves granular assessments of financed emissions associated with lending and investments. This combines sectoral or firm exposures with carbon emissions data.	
	Focus carbon footprint assessments on sectors sensitive to transition risk. Furthermore, banks should evaluate portfolio sensitivity to various carbon prices using methods like shadow carbon prices and scenario analyses.	
	Banks may rely on methodologies such as Partnership for Carbon Accounting Financials (PCAF) for accurate estimation of carbon footprint.	
	Level of Maturity:	Timeline:
High	Group A: 12- 18 months Group B: 18-24 months Group C: >21 months	

S.No.	Recommendation
	<p>Applicability</p> <p>Given the prevalence of regulations and frameworks aimed at emission reduction (such as TCFD, CDP, etc.), it is imperative for banks to incorporate a carbon footprint measurement approach as a part of their Transition Risk efforts.</p> <p>However, incorporating such measurement methodologies/approaches may prove to be tedious for companies. In such cases, banks with limited resources such as Group B and C banks may rely on</p> <ul style="list-style-type: none"> - Company disclosures such as TCFD reports, sustainability reports, etc. - ESG-related databases such as Sustainalytics, MSCI etc.

R.1.6 Environmental Risk Assessment - Physical Risk

S.No.	Recommendation				
	Develop a physical risk assessment methodology which includes:				
R.1.6.1	<p>Utilize geospatial mapping to identify the location of:</p> <ul style="list-style-type: none"> - Bank's own operational assets such as branches, ATMs, data centres, etc. - Counterparties'/portfolios' physical assets such as manufacturing facilities, warehouses, data centres, customer service areas - Physical Collateral of portfolios such as Mortgages 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months
Level of Maturity:	Timeline:				
Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months				
	<p>Applicability</p> <p>Banks with limited resources may try to rely on data sources such as CDP reports and Google Maps to obtain such geospatial information necessary for a comprehensive analysis of physical risk.</p> <p>Alternatively, banks may also try to incorporate gathering such information through their credit application questionnaires, or as a part of their annual review processes.</p> <p>Banks with a wider and diverse customer base may subscribe to databases such as Bloomberg for accurate geospatial information of their counterparties'/customers' assets.</p>				
R.1.6.2	<p>Develop risk scores or metrics to estimate sensitivity to various physical risks such as flood or water stress, tornados, wildfires, etc. The assessment must also include evaluation of additional factors such as potential physical disruption to the client's supply chain and potential implication of these disruptions on collateral valuations.</p> <p>For effective assessment of the same, banks can use physical risk hazard tools/disaster risk screening tools such as</p> <ol style="list-style-type: none"> 1) Catnet by Swiss Re 2) Physical Risk Toolkit Methodology by Centre for Climate and Energy Solutions 3) Climate and Disaster Risk Screening tools provided by World Bank 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 12-18 months Group B: 18-24 months Group C: 18-24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: 12-18 months Group B: 18-24 months Group C: 18-24 months
Level of Maturity:	Timeline:				
High	Group A: 12-18 months Group B: 18-24 months Group C: 18-24 months				

S.No.	Recommendation
	Applicability
	<p>Developing methodologies and frameworks for physical risk scoring is imperative for banks to design mitigation measures surrounding their portfolio's vulnerabilities (e.g., reducing exposure to high physical risk assets, disaster risk insurances, etc.).</p> <p>For banks facing resource limitations, they may substitute such in-house frameworks with physical risk assessment reports and ESG Rating reports by Sustainalytics, etc., until they can establish in-house frameworks over an extended period.</p>

R.2 Embedding ESG and Climate risk into Traditional risks

R.2.1 Credit Risk

S.No.	Recommendation				
R.2.1.1	<p>Identify and map the impacts of ESG Related risks on Credit Risks</p> <p>For example, Mapping Transition Risk's impact on</p> <ul style="list-style-type: none"> - The firms' cash flows (e.g., increased R&D expenditures in new and alternative technologies, Reduced demand for carbon-intensive products and services) - The firm's capital and collateral (e.g., changes in real estate valuations, potential re-pricing of fossil fuel assets) 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 12-15 months Group B: 15-18 months Group C: 18-24 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low	Group A: 12-15 months Group B: 15-18 months Group C: 18-24 months
Level of Maturity:	Timeline:				
Low	Group A: 12-15 months Group B: 15-18 months Group C: 18-24 months				
	Applicability				
	<p>Given that most UBA member banks are commercial banks with a large retail/corporate banking portfolio, credit risk plays a significant role among their traditional risk types. Hence, mapping impacts of ESG-related risks with their credit risks is a significant step based on which decisioning and mitigation processes can be designed. Hence, all banks, regardless of their Group, should implement this recommendation.</p>				
R.2.1.2	<p>Origination and Onboarding:</p> <p>Design ESG-risk assessment questionnaire to understand the counterparties' current risks and vulnerabilities, efforts in managing such risks, and also to gather data points which may be used in other facets of ESG Risk Management such as monitoring and controls.</p> <p>E.g.,</p> <ul style="list-style-type: none"> - Questionnaires to be filled by clients/counterparties on their physical/operational assets in high physical risk areas - Questionnaires to be filled by Credit Officers on any negative news coverage of the specific counterparty - Client Transition Framework i.e., Questionnaires to assess readiness and progress of clients to transition to low-carbon and climate resilient business activities 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A: 12-18 months Group B: 18-24 months Group C: >24 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
Level of Maturity:	Timeline:				
Medium	Group A: 12-18 months Group B: 18-24 months Group C: >24 months				

S.No.	Recommendation				
	<p>Applicability</p> <p>While incorporating ESG risk assessment questionnaires at origination/onboarding level might be challenging for Group B and C banks, they may rely on Company disclosures such as TCFD reports, sustainability reports, etc., and ESG-related databases such as Sustainalytics, MSCI etc., for the same before implementing such questionnaires over an extended period.</p> <p>Whereas for Group A banks, wider and diverse customer base and larger scale of operations are more susceptible to ESG-related risks. They may incorporate ESG Risk assessment questionnaires as a part of their credit application process or their annual review processes.</p>				
R.2.1.3	<p>Enhanced Due Diligence (EDD): Perform enhanced screening/due diligence for Environmental and social risks to check for compliance with national laws and standards, exceptions list and ESG standard and policy</p> <p>For higher risk transactions, banks can engage independent environmental and social Consultants to review documentation and review compliance with the bank's risk management Policy, including the Equator Principles, IFC Performance Standards and IFC EHS Guidelines, as relevant to individual transactions.</p> <table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 18-24 months Group B: >24 months Group C: >24 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks, depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these prohibitions. In such cases, the bank may opt to factor the risk component within the pricing, while aspiring to design prohibitions over an extended period</p>	Level of Maturity:	Timeline:	Medium	Group A: 18-24 months Group B: >24 months Group C: >24 months
Level of Maturity:	Timeline:				
Medium	Group A: 18-24 months Group B: >24 months Group C: >24 months				
R.2.1.4	<p>ESG Risk Scoring:</p> <p>A) Use ESG ratings provided by specialised rating agencies and credit rating agencies (e.g. Sustainalytics, MSCI, ISS ESG, Robeco Sam, S&P ESG evaluation) for ESG assessments of counterparties and portfolios</p> <p>OR</p> <p>B) Set up an in-house ESG scoring system/scorecard to assess borrowers and modify credit conditions for borrowers included in an exclusion list, on the basis of their ESG score.</p> <table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 12-18 months Group B: 18-24 months Group C: >24 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>Developing ESG scorecards is imperative for banks to embed ESG-related risk considerations into their credit decisioning process, while ensuring proper mitigation measures are surrounding their portfolio's vulnerabilities (e.g., reducing exposure to high physical risk assets, disaster risk insurances, etc.) are implemented .</p> <p>For banks facing resource limitations, they may substitute such in-house frameworks with physical risk assessment reports and ESG Rating reports by Sustainalytics, etc., until they can establish in-house frameworks over an extended period.</p>	Level of Maturity:	Timeline:	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
Level of Maturity:	Timeline:				
High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months				

S.No.	Recommendation				
R.2.1.5	<p>Credit Risk Assessment and Decisioning:</p> <ol style="list-style-type: none"> 1) Align the Bank's credit assessment criteria with ESG risk appetite and limits, sector policies and restrictions, exclusion lists, etc. 2) Integrate ESG screening as a part of credit underwriting process E.g., Including Negative news coverage within Credit sanction notes 3) Integrate ESG-related performance/rating to arrive at an ESG-Adjusted Credit Rating E.g., Incorporating Transition and Physical Risk assessment results into a Climate-adjusted credit rating 4) Integrate ESG-related considerations into existing Credit Risk models such as Expected Loss (EL) estimations. E.g., Transition risk-impacted cash-flows, using Climate-adjusted credit rating for PD estimation 5) Integrate ESG and climate risk-related considerations into Loan pricing models 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 12-18 months Group B: 18-24 months Group C: >24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
	Level of Maturity:	Timeline:			
	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months			
<p>Applicability</p> <p>Given that most UBA member banks are commercial banks with a large retail/corporate banking portfolio, credit risk plays a significant role among their traditional risk types. Hence, all banks, regardless of their Group, should implement this recommendation.</p> <p>However, banks with limited resources may undertake a phased approach with the questionnaires such that they may:</p> <ul style="list-style-type: none"> - Include ESG-related risk considerations in simpler underwriting processes <p>E.g., credit selection criteria based on ESG rating score, transition risk-impacted revenue drivers, analysis of ESG performance and progress towards targets/goals,</p> <ul style="list-style-type: none"> - Integrate ESG-related risk considerations in existing credit risk models and risk-based pricing models over an extended period 					
R.2.1.6	<p>Collections and Recovery:</p> <ol style="list-style-type: none"> 1) Integrate assessment of impact of stranded assets and collateral assets affected by disasters and physical risk events on final recovery / LGD values 2) Subscribe to adequate catastrophe insurance services for assets/collateral which are in high-risk geographies. 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 12-15 months Group B: 15-21 months Group C: 15-21 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 12-15 months Group B: 15-21 months Group C: 15-21 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 12-15 months Group B: 15-21 months Group C: 15-21 months			
<p>Applicability</p> <p>ESG and climate-risk adjusted valuation of collateral assets would help banks in allocating adequate capital in the event of disasters and physical risk events. Subscribing to catastrophe insurance would also safeguard banks from any unmitigated/unavoidable losses as a result of physical risk events.</p>					

R.2.1 Market Risk

S.No.	Recommendation	
R.2.2.1	<p>Identify and comprehend the impact of qualitative and quantitative climate-related risk factors on the value of their financial instruments in portfolios, evaluate impact of ESG risks on VaR and the potential risk of losses on and increased volatility of their portfolio, and establish effective processes to control or mitigate the associated impacts.</p> <p>Some of the illustrative considerations include percentage of revenues from green (environmentally safer) & brown (environmentally harmful) activities, Carbon footprint thresholds, Negative news coverage</p>	
	Level of Maturity:	Timeline:
	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
	Applicability	
<p>Incorporating this recommendation would enable banks to integrate both ESG considerations and forward-looking estimates to their market risk framework, thus predicting, with reasonable accuracy, the capital buffer requirements especially for risks arising out of ESG and Climate-related risks.</p> <p>However, given the complexity of implementing this recommendation, banks may find it easier to leverage existing regulatory or public scenarios for their scenario analysis before proceeding to develop them in-house. Group A banks with complex operations and large scale may also benefit from developing in-house scenarios customised to their requirements.</p>		
R.2.2.2	<p>Trading Book Scenario Analysis:</p> <p>Map climate drivers to market risk factors and carry out analysis of a sudden shock scenario to understand and assess the impact of climate-related financial risks on the bank's trading book.</p> <ul style="list-style-type: none"> - Banks can introduce scenario analysis to certain products and later expand the product portfolio over an extended period. - Banks can use any of the Regulatory/Public Scenarios (eg, developed by IPCC/NGFS/IEA) or can develop their own scenarios 	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
	Applicability	
	<p>Incorporating this recommendation would enable banks to integrate both ESG considerations and forward-looking estimates to their market risk framework, thus predicting, with reasonable accuracy, the capital buffer requirements especially for risks arising out of ESG and Climate-related risks.</p> <p>However, given the complexity of implementing this recommendation, banks may find it easier to leverage existing regulatory or public scenarios for their scenario analysis before proceeding to develop them in-house. Group A banks with complex operations and large scale may also benefit from developing in-house scenarios customised to their requirements.</p>	

S.No.	Recommendation				
R.2.2.3	Formulate methodology for consideration/valuation of stranded assets, i.e., fossil fuel dependent assets that suffer from unanticipated or premature write-downs, devaluations, or conversion to liabilities.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 12-15 months Group B: 15-18 months Group C: 18- 21 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: 12-15 months Group B: 15-18 months Group C: 18- 21 months
	Level of Maturity:	Timeline:			
	High	Group A: 12-15 months Group B: 15-18 months Group C: 18- 21 months			
Applicability					
<p>Implementing this recommendation would help banks in allocating adequate capital in the event of any unanticipated write-downs. However, Group A banks are highly encouraged to implement this recommendation because of:</p> <ul style="list-style-type: none"> - Increased vulnerabilities and exposure to such assets, given their large scale of operation - Complexity of identifying and valuation of stranded assets 					

R.2.3 Liquidity and Funding Risk

S.No.	Recommendation				
R.2.3.1	Integration of ESG Risk Appetite with underlying Firm-wide Risk Appetite:				
	Include in ICAAP and ILAAP frameworks a description of the risk appetite/tolerance levels, thresholds and limits set for the identified material risks, as well as the time horizons, and the process applied to keeping such thresholds and limits up to date				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 12-125 months Group B: 15-18 months Group C: 18-21 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 12-125 months Group B: 15-18 months Group C: 18-21 months
	Level of Maturity:	Timeline:			
Medium	Group A: 12-125 months Group B: 15-18 months Group C: 18-21 months				
Applicability					
	<p>Incorporating ESG and climate-risk considerations in liquidity and funding related components would help banks in allocating adequate capital in the event of:</p> <ul style="list-style-type: none"> - Impact to bank's cash flows (interest/principal repayments) due to client's revenue losses as a result of transition risks (e.g., demand shift in Oil & Gas products, carbon tax prices) and physical risks (disasters and extreme weather events) - Impact to bank's own assets and their valuation due to disasters and physical risk events 				
R.2.3.2	Incorporate the material climate and environmental related financial risks impacts into their calibration of liquidity buffers and into their liquidity risk management frameworks.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 12-18 months Group B: 18-24 months Group C: >24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
Level of Maturity:	Timeline:				
High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months				

S.No.	Recommendation				
	<p>Applicability</p> <p>Incorporating ESG and climate-risk considerations in liquidity and funding related components would help banks in allocating adequate capital in the event of:</p> <ul style="list-style-type: none"> - Impact to bank's cash flows (interest/principal repayments) due to client's revenue losses as a result of transition risks (e.g., demand shift in Oil & Gas products, carbon tax prices) and physical risks (disasters and extreme weather events) - Impact to bank's own assets and their valuation due to disasters and physical risk events 				
R.2.3.3	Assess the impacts of climate-related financial risks on net cash outflows (e.g. increased drawdowns of credit lines, accelerated deposit withdrawals) or the value of assets comprising their liquidity buffers.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months			
<p>Applicability</p> <p>Incorporating ESG and climate-risk considerations in liquidity and funding related components would help banks in allocating adequate capital in the event of:</p> <ul style="list-style-type: none"> - Impact to bank's cash flows (interest/principal repayments) due to client's revenue losses as a result of transition risks (e.g., demand shift in Oil & Gas products, carbon tax prices) and physical risks (disasters and extreme weather events) - Impact to bank's own assets and their valuation due to disasters and physical risk events 					
R.2.3.4	Design Readiness frameworks for compliance with up-and-coming regulatory requirements such as EBA Inclusion of ESG Risk in the Pillar 1 Capital Requirements				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 18-24 months Group B: >24 months Group C: >24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: 18-24 months Group B: >24 months Group C: >24 months
	Level of Maturity:	Timeline:			
	High	Group A: 18-24 months Group B: >24 months Group C: >24 months			
<p>Applicability</p> <p>Given the evolving nature of the ESG regulatory landscape, banks must establish readiness frameworks to accommodate up and coming regulations. This would safeguard banks against:</p> <ul style="list-style-type: none"> - any regulatory/compliance risks due to evolving regulatory landscape - any reputational risks, given the increasing ESG focus of investors and customers alike 					

R.2.4 Operational Risk

S.No.	Recommendation				
R.2.4.1	Identify physical risk drivers and assess the physical risk sensitivity of bank's own operational assets such as branches, ATMs, data centres, etc.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 12-15 months Group B: 15-18 months Group C: 18- 21 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 12-15 months Group B: 15-18 months Group C: 18- 21 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 12-15 months Group B: 15-18 months Group C: 18- 21 months			
Applicability					
Implementing this recommendation would safeguard the banks against increased operational risks, while ensuring business continuity and reducing loss from operational interruptions. This recommendation would also ensure mitigating fluctuations in asset valuations of bank's own physical assets as well.					
R.2.4.2	Business Continuity: Evaluate how the identified physical risk drivers can impact their business continuity and should take material climate-related risks into account when developing business continuity plans.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: 12-18 months Group B: 18-24 months Group C: >24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months
	Level of Maturity:	Timeline:			
	High	Group A: 12-18 months Group B: 18-24 months Group C: >24 months			
Applicability					
Implementing this recommendation would safeguard the banks against increased operational risks, while ensuring business continuity and reducing loss from operational interruptions. This recommendation would also ensure mitigating fluctuations in asset valuations of bank's own physical assets as well.					
R.2.4.3	Training should be given to employees and staff to: <ul style="list-style-type: none"> - Identify, assess, and manage ESG risk in case of extreme weather events and other disasters - Information and Cyber Security (ICS)-related aspects to detect and mitigate data breaches, cyber-attacks such as malware, phishing, etc. 				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months
	Level of Maturity:	Timeline:			
	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months			
Applicability					
Regardless of their Group, it is beneficial for banks to have a comprehensive training programme designed around the Operational Risk space so as to safeguard the banks from: <ul style="list-style-type: none"> - any regulatory/compliance risks due to evolving regulatory landscape - any reputational risks, given the increasing ESG focus of investors and customers alike <p>However, banks with resource limitations may find it mildly challenging to design the necessary training modules and documentation and engage in suitable training of staff. In such cases, banks may engage with consulting stakeholders for the same.</p>					

S.No.	Recommendation	
R.2.4.4	<p>Incorporate Information Security and Cybersecurity considerations into existing Operational Risk policies/Business Continuity Plans, etc.</p> <p>OR</p> <p>Establish a standalone IT and Cybersecurity policy and systems designed to ensure that the IT, cyber, and related issues are well managed, with oversight and control.</p> <p>The considerations may relate to:</p> <ul style="list-style-type: none"> • Identification, definition, and management of different Cybersecurity risks • Policy statements surrounding different aspects of Cybersecurity such as Virus and Spyware Protection, Firewall Policy, Application and Device Control, etc. • Comprehensive cyber incident response plan under an overarching Business Continuity Plan 	
	Level of Maturity:	Timeline:
	Low	Group A: 6-12 months Group B: 6- 15 months Group C: 6-15 months
	Applicability	
	<p>Banks may approach this recommendation through a two-phased approach:</p> <ol style="list-style-type: none"> 1) Integrating Cybersecurity considerations within existing operational risk policies/BCP 2) Evolving into a specific IT & Cybersecurity function over an extended period of time. <p>While there might not be explicit provisions within the current Uganda local laws and regulations specifically recommending banks to do so, it is highly encouraged that the banks regardless of their Group, have a comprehensive IT & Cybersecurity policy statement to safeguard themselves against increasing incidents of Cybersecurity incidents.</p>	

R.2.5 Legal/Compliance Risk and Reputational risk

S.No.	Recommendation	
R.2.5.1	<p>Perform periodic review of local and international regulatory requirements related to ESG materiality assessment to ensure compliance. Utilise ESG frameworks such as: GRI, SASB, TCFD, CDP to guide banks' disclosures.</p>	
	Level of Maturity:	Timeline:
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
	Applicability	
	<p>Given the evolving nature of the ESG regulatory landscape, banks must establish readiness frameworks to accommodate up and coming regulations. This would safeguard banks against:</p> <ul style="list-style-type: none"> - any regulatory/compliance risks due to the evolving regulatory landscape - any reputational risks, given the increasing ESG focus of investors and customers alike 	

R.3 Data and methodology (Data sources, Data Gaps, Data proxies)

R.3.1 Data Aggregation and Inventory

S.No.	Recommendation				
R.3.1.1	<p>Determine and classify the specific KPIs and metrics that are important for measuring and tracking ESG performance. This involves identifying the data points that are most relevant to the bank's ESG strategy.</p> <p>E.g., GHG emissions, social impact metrics, and governance practices, exposure concentrations (e.g., Concentration of consumer mortgage exposure with high physical (flood) risk, net nominal exposure concentration to clients with High Temperature Alignment)</p>				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 3 - 9 months Group B: 3 - 9 months Group C: 3 - 9 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low	Group A: 3 - 9 months Group B: 3 - 9 months Group C: 3 - 9 months
	Level of Maturity:	Timeline:			
	Low	Group A: 3 - 9 months Group B: 3 - 9 months Group C: 3 - 9 months			
<p>Applicability</p> <p>Identifying specific KPIs and metrics are crucial for a bank's risk management and monitoring framework. Prior identification of such KPIs and metrics would also enable banks to perform subsequent steps such as data mapping and aggregation, and for identifying data gaps.</p> <p>Given the high importance and low level of complexity, banks regardless of their Group, should implement this recommendation.</p>					
R.3.1.2	<p>Identify and develop a comprehensive list or inventory of all the internal data sources that already exist within the bank related to ESG factors. These sources can include financial records, operational data, sustainability reports, employee data, etc.</p> <p>Consider actively engaging clients and counterparties and collecting additional data in order to develop a better understanding of their transition strategies and risk profiles.</p>				
R.3.1.2	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td> Group A: 6-12 months Group B: 6-12 months Group C: 6-12 months </td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low	Group A: 6-12 months Group B: 6-12 months Group C: 6-12 months
	Level of Maturity:	Timeline:			
Low	Group A: 6-12 months Group B: 6-12 months Group C: 6-12 months				
<p>Applicability</p> <p>Leveraging internally available data and data collection mechanisms (such as credit application questionnaires, etc.) will enable banks to eliminate data-related subscription costs. In addition, since internally available data is already cleaned and validated, it helps banks in avoiding redundancy of processes.</p> <p>However, it is to be noted that a standardization process is necessary as the data has to be sourced from various internal data sources with varying formats. To overcome the same, a data model should be developed defining clear relationships between master data tables and other tables through key identifiers.</p>					
R.3.1.3	<p>Incorporate the evaluation of ESG factors into loan origination processes to gather data and assess ESG risks. Also undertake targeted due diligence assessment in form of qualitative questionnaires of the counter party's ESG risk profile.</p> <p>For social and governance risk, banks should focus on qualitative information due to limited availability of data and undertake thorough due diligence processes to establish a risk profile of the different counterparties and prohibit social and governance practices that are inconsistent with the bank's risk tolerance.</p>				

S.No.	Recommendation	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 18-24 months Group B: >24 months Group C: >24 months
	Applicability	
	Leveraging internally available data and data collection mechanisms (such as credit application questionnaires, etc.) will enable banks to eliminate data-related subscription costs.	
	Banks may undertake a phased approach with the questionnaires such that they may: <ul style="list-style-type: none"> - Expand the coverage of clients/portfolios over an extended period of time (for example, questionnaires for material portfolios like O&G and Power Gen, before focussing on Shipping, Aviation, etc.) - Expand the process touchpoints based on materiality and ease of application (for example, implementing in credit office such as sanction notes process might prove to be less tedious than implementing in a loan/credit application) 	
	However, banks with a large scale of operation and wider customer base may rely on external data sources for some of their data needs (Recommendation 3.1.4)	
R.3.1.4	Map external data from sources like CDP, MSCI, S&P Trucost, etc. to internal data like exposure, counterparty etc. ESG data integration strategy also should align with Enterprise Data Management policy of the bank.	
	Level of Maturity:	Timeline:
	Low-Medium	Group A: 12-18 months Group B: 12-18 months Group C: 18-24 months
	Applicability	
	Often, a comprehensive risk management process requires a hybrid data model of internal and external data. Mapping external data sources with internal databases would help banks in defining relationships between master data tables and other tables (such as Emissions Data sets, etc.) through key identifiers.	
R.3.1.5	For the identified data sources, perform periodic audits to assess data quality, completeness, data ownership, data collection methods, data documentation and relevance.	
	Banks can also use data control mechanisms to ensure the same. For such data controls, banks must define aspects such as accountability/oversight of the control, frequency/periodicity of the controls (annual/quarterly/half-yearly), etc.	
	Level of Maturity:	Timeline:
	Medium	Group A: 18 - 24 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
	Data-related audits are imperative for banks to assess and ensure quality and completeness of datasets. While Group A and B banks may undertake data audits at a higher frequency (monthly, quarterly), banks with limited resources may undertake the same annually.	

S.No.	Recommendation				
R.3.1.6	Streamline data collection processes and reporting formats by using standardized templates and automated data capture tools, reducing manual errors, ensuring consistency, and saving time				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>Group A: > 24 months Group B: > 36 months Group C: > 36 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	High	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Level of Maturity:	Timeline:			
	High	Group A: > 24 months Group B: > 36 months Group C: > 36 months			
Applicability					
<p>Group A banks can aspire to incorporate automated data capture tools due to their existing risk management foundation and significant resources; Group B and C banks can rely on manual methods of data collection. For ease of such processes, it is recommended that Group B and C banks develop standardized templates in-house or leverage readily available data collection templates (for example, pre-defined reporting templates provided by ICMA)</p> <p>https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Green-and-Social-Impact-reporting-templates_2023-06-15-220623.xlsx</p>					
R.3.1.7	Develop a strategy for integrating data from various sources and build a centralized ESG data repository to streamline data management. This may involve combining internal data with external data from third-party providers.				
	Banks with adequate resources may also try to establish a comprehensive ESG Data Architecture consisting of Data Lakes, Stages, etc.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: > 24 months Group B: > 36 months Group C: > 36 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Level of Maturity:	Timeline:			
Medium	Group A: > 24 months Group B: > 36 months Group C: > 36 months				
Applicability					
<p>Despite the complexity of the recommendation, it is highly encouraged that the banks implement this recommendation for ease of monitoring and reporting purposes.</p> <p>The complex IT infrastructure of Group A banks, coupled with their expanse and scale of operations might pose as a challenge for such banks to implement this recommendation. However, they are more likely to have an established data lake/staging architecture and associated capabilities, enabling them to implement this recommendation. While Group B and C Banks may have fewer resources to implement and operate a comprehensive data architecture, the banks may work towards implementing the same over a slightly extended period.</p>					

S.No.	Recommendation				
R.3.1.8	Utilize automation tools and technologies such API integration to streamline data collection processes and reduce manual errors. Banks can utilize cloud tech and machine learning to enhance ESG investing workflows by integrating various datasets, such as satellite imagery and local reports. E.g., MSCI ESG Manager has an API extension which could be used for periodic download of necessary data.				
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	High	Group A: > 24 months Group B: > 36 months Group C: > 36 months			
Applicability					
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R.3.2 Data Mapping, Data Gaps and Data Quality

S.No.	Recommendation				
R.3.2.1	For the identified KPIs and metrics, perform a systematic mapping of each data source to the corresponding ESG KPIs and metrics. This mapping will help banks understand which sources contribute to which ESG attributes. Alternatively, banks can also establish Data models defining relationships between master data tables and other tables (such as Emissions Data sets, etc.) through key identifiers.				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low-Medium</td> <td>Group A: 12-18 months Group B: 12-18 months Group C: 18-24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Low-Medium	Group A: 12-18 months Group B: 12-18 months Group C: 18-24 months
	Level of Maturity:	Timeline:			
	Low-Medium	Group A: 12-18 months Group B: 12-18 months Group C: 18-24 months			
Applicability					
Often, a comprehensive risk management process requires a hybrid data model of internal and external data. Group A banks are more likely to have an established data lake/staging architecture and associated capabilities, enabling them to implement this recommendation. While Group B and C Banks may have fewer resources to implement and operate a comprehensive data architecture, the banks may work towards implementing the same over a slightly extended period.					
R.3.2.2	Analyse data maps to identify gaps in ESG data coverage. Determine which categories of KPIs or metrics have insufficient data. For metrics with data gaps, identify suitable data proxies. These are alternative data sources or indicators that can approximate the desired ESG metric. For example, using energy consumption data as a proxy for carbon emissions. Banks can leverage established Data Scoring methodologies (e.g. PCAF Data pecking order) for rating the data proxies used for satisfying the gaps				

S.No.	Recommendation	
	Level of Maturity:	Timeline:
	Low-Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
	One of the foremost challenges which hinder ESG-related data analysis is the lack of historical ESG-related data, in addition, to less data coverage of their identified portfolios. To effectively overcome the same, banks need to identify, leverage and justify data proxy methodologies. Hence, it is recommended that banks, regardless of their Group, implement this recommendation.	

R.4 Scenario Analysis and Stress Testing

R.4.1 Scenario Planning and Design

S.No.	Recommendation	
R.4.1.1	Define the objectives of the scenario analysis. Banks' climate scenario analysis objectives should reflect the bank's overall climate risk management objectives as set out by its board and senior management.	
	Level of Maturity:	Timeline:
	Low-Medium	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
	Aligning scenario objectives with the bank's strategic objectives will ensure minimal gaps and increased coordination between the bank's sustainability goals and its ESG-risk management process. Hence, all banks, regardless of their Group, should implement this recommendation.	
R.4.1.2	Identify and define a time horizon for the scenario analysis. Scenario analysis should employ a range of time horizons, from short- to long-term, in order to address different risk management objectives. This is based on various factors such as: <ul style="list-style-type: none"> - Type of risk (e.g., long-term models for chronic physical risks) - Tenor of the product (e.g., tenor of vehicle loans portfolio vs. tenor of mortgages portfolios) - Data availability (overcoming historical data challenges) 	
	Level of Maturity:	Timeline:
	Low - Medium	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
	Defining such time horizon will enable banks in adeptly capturing the uncertainties and impact of the different types of risks with their models. This will also help banks plan for uncertain future circumstances by developing different stories/narratives about possible future events. Hence, all banks, regardless of their Group, should implement this recommendation as a part of their Scenario planning process.	

S.No.	Recommendation				
R.4.1.3	Identify the scope of the scenario analysis. The scope can be determined basis portfolios included (corporate lending, trading book, etc.), risk type (e.g., Physical Risks, Transition Risks, or both), and other factors.				
	Scope of the analysis should also include the coverage of selected portfolios and risk types, backed by justifications for the same (data availability, etc.). Banks should also aspire to increase the coverage of models over an extended period of time.				
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	Level of Maturity:	Timeline:			
Low-Medium	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months				
<p>Applicability</p> <p>While Group A banks may have existing capabilities to implement this scenario analysis and stress tests over a wide range of portfolios, it is recommended that banks with resource constraints such as Group B and C may implement this recommendation for an initial set of material portfolios (Oil and Gas, PowerGen, Mortgages, etc.), before expanding to other portfolios (Shipping, Metals, Cement, etc.)</p>					
R.4.1.4	The bank may implement any of the two recommendations below:				
R.4.1.4 A	Leverage existing regulatory or public scenarios. Some commonly used scenarios include: <ul style="list-style-type: none"> - Network of Central Banks and Supervisors for Greening the Financial System (NGFS) - International Energy Agency (IEA) SDS scenario and Net Zero Emissions Scenario - Intergovernmental Panel on Climate Change (IPCC) scenarios 				
	OR				
	<table border="1"> <thead> <tr> <th>Level of Maturity:</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months</td> </tr> </tbody> </table>	Level of Maturity:	Timeline:	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Level of Maturity:	Timeline:			
Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months				
<p>Applicability</p> <p>Incorporating this recommendation would enable banks to integrate forward-looking estimates to their ESG risk management frameworks, thus predicting, with reasonable accuracy, the capital buffer requirements specially for risks arising out of ESG and Climate-related risks.</p> <p>However, given the complexity of implementing this recommendation, banks may find it easier to leverage existing regulatory or public scenarios for their scenario analysis before proceeding to develop them in-house. Group A banks with complex operations and large scale may also benefit from developing in-house scenarios customised to their requirements.</p>					
R.4.1.4 B	Develop in-house scenarios based on firm-specific vulnerabilities and tailored to incorporate Risk Drivers/Overlays				
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High	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months				

S.No.	Recommendation	
	Applicability	
	<p>Incorporating this recommendation would enable banks to integrate forward-looking estimates to their ESG risk management frameworks, thus predicting, with reasonable accuracy, the capital buffer requirements specially for risks arising out of ESG and Climate-related risks.</p> <p>However, given the complexity of implementing this recommendation, banks may find it easier to leverage existing regulatory or public scenarios for their scenario analysis before proceeding to develop them in-house. Group A banks with complex operations and large scale may also benefit from developing in-house scenarios customised to their requirements</p>	
R.4.1.5	Disclose any assumptions and limitations employed in the model design to ensure transparency and accountability of the analysis. In addition, banks should perform annual limit reviews for the set climate metrics.	
	Level of Maturity:	Timeline:
	Low	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
	It is recommended that banks, regardless of their Group, should implement this recommendation as it would ensure transparency of their processes and would help them in identifying areas of improvement and keep up with the evolving nature of ESG risks.	
R.4.1.6	Disclose any assumptions and limitations employed in the model design to ensure transparency and accountability of the analysis	
	Level of Maturity:	Timeline:
	High	High
	Applicability	
	This recommendation would be beneficial for banks with limited skilled resources and underlying IT infrastructure to support design and development of complex scenarios, a peer analysis and other general data and modelling issues.	
R.4.1.7	Engage with external third parties and consultants for scenario design, peer analysis and other general data and modelling issues.	
	Level of Maturity:	Timeline:
	Low-Medium	Group A:12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
	This recommendation would be beneficial for banks with limited skilled resources and underlying IT infrastructure to support design and development of complex scenarios, a peer analysis and other general data and modelling issues.	

R.4.2 Execution and Governance

S.No.	Recommendation	
R.4.2.1	Establish a climate stress testing-focused working group to coordinate the implementation of climate stress testing and support the delivery of internal climate scenario analysis.	
	Level of Maturity:	Timeline:
	Medium-High	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
	<p>It is recommended that the banks, regardless of size and scale of operation, may first aspire to incorporate the stress testing-related considerations in the roles and responsibilities of existing risk management teams before establishing a working group or committee over a slightly extended period.</p> <p>Further, delegating oversight responsibilities to existing risk management personnel may be considered a more efficient approach for Group B & C banks, before beginning their journey to establishing a working group or committee.</p> <p>For Group A banks however, the significance and implementation of this recommendation may depend upon:</p> <ul style="list-style-type: none"> - The scale of operation and the geographical expanse, thus necessitating a more intricate oversight structure - The complexity of the organisational structure of group and subsidiary entities (if they exist) - Differing national sustainability priorities, especially for banks with Group HQs outside of Uganda. 	
R.4.2.2	Establish clear governance and oversight mechanism for sign-off of the model design, variables and assumptions to ensure accountability of the same, in addition to performing periodic review and maintenance of the models.	
	Level of Maturity:	Timeline:
	Medium	Group A: 12-15 months Group B: 15-18 months Group C: 18-21 months
	Applicability	
	<p>It is recommended that the banks, regardless of size and scale of operation, may first aspire to incorporate the stress testing-related considerations in the roles and responsibilities of existing risk management teams before establishing a working group or committee over a slightly extended period.</p> <p>Further, delegating oversight responsibilities to existing risk management personnel may be considered a more efficient approach for Group B & C banks, before beginning their journey to establishing a working group or committee.</p> <p>For Group A banks however, the significance and implementation of this recommendation may depend upon:</p> <ul style="list-style-type: none"> - The scale of operation and the geographical expanse, thus necessitating a more intricate oversight structure - The complexity of the organisational structure of group and subsidiary entities (if they exist) - Differing national sustainability priorities, especially for banks with Group HQs outside of Uganda. 	

S.No.	Recommendation	
R.4.2.3	Engage with external third party for comprehensive validation and periodic audit of the scenario analysis models	
	Level of Maturity:	Timeline:
	Medium-High	Group A: > 24 months Group B: > 36 months Group C: > 36 months
	Applicability	
	This recommendation is highly encouraged by standards such as OCC Model Risk Management Guidelines to ensure accuracy and transparency of the scenario analysis processes.	
R.4.2.4	Build sufficient capacity and expertise to conduct climate scenario analysis that is proportionate to size, business model and complexity. This includes skilling resources, implementation of necessary tools and IT infrastructure, etc.	
	Level of Maturity:	Timeline:
	Medium	Group A: 9-12 months Group B: 12-15 months Group C: 15-18 months
	Applicability	
	Implementing this recommendation is imperative for banks, regardless of their Group, for an effective design and execution of scenario analysis responsibilities.	
R.4.2.5	Integrate the scenario analysis with the underlying risk appetite and Enterprise Risk Management framework	
	Level of Maturity:	Timeline:
	Medium	Group A: 18-21 months Group B: 21-36 months Group C: 21-36 months
	Applicability	
	<p>Incorporating this recommendation would be imperative for the banks to achieve alignment of the bank's strategy with that of its overall sustainability goals. This will also foster healthy cross-functional collaboration across various departments and eliminate gaps of communication between the departments involved.</p> <p>Though the integration efforts might prove tedious to banks with a wide scale of operation and customer base, it is encouraged that all banks, regardless of their Group, incorporate this recommendation so as to achieve a seamless cross-functional collaboration with respect to ESG-related responsibilities.</p>	

R.4.3 Documentation and Reporting

S.No.	Recommendation	
R.4.3.1	Define and document model-specific aspects including: <ul style="list-style-type: none"> - Model Methodology and usage - Scenarios and key variables - Assumptions, limitations, and overrides - Model governance 	
	Level of Maturity:	Timeline:
	Low	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Proper documentation reduces key person risk, decreases a new modeler’s learning curve, provides a consistent standardized companywide process, and helps perform corporate audits, deep dive validations and model conversions.		
R.4.3.2	Perform periodic reporting and monitoring of the model results and performance. Banks should also define the periodicity of the monitoring activity, i.e., either quarterly, biannually, annually, etc.	
	Level of Maturity:	Timeline:
	Medium	Group A: 18 - 24 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
Implementing this recommendation is imperative for banks, regardless of their Group, for ensuring transparency and accountability by way of oversight and further solidify the bank’s ESG-related risk management efforts		

R.5 ESG Risk Monitoring, Control and Mitigation

R.5.1 Monitoring and Control Framework

S.No.	Recommendation	
R.5.1.1	Incorporate ESG and climate-related financial risks into internal control frameworks across the three lines of defence to ensure sound, comprehensive and effective identification, measurement, and mitigation of material ESG-related financial risks	
	Depending upon the nature of the ESG-related risk, the control framework must define and document: <ul style="list-style-type: none"> - Control Process - The owner/team responsible for oversight of the control - Frequency/periodicity of the controls (annual/quarterly/half-yearly) - The policy to which the defined control shall adhere to - Sign-off authority 	

S.No.	Recommendation	
	Level of Maturity:	Timeline:
	Medium	Group A: 15 - 18 months Group B: 18 - 24 months Group C: > 24 months
	Applicability	
	<p>A robust, automated control framework is required to monitor the effectiveness of risk management and mitigation measures, while also ensuring data quality and control. Group A and Group B banks are more likely to have established risk control frameworks, wherein they can easily incorporate ESG-related risk considerations within the same framework.</p> <p>In cases where limitation of resource or a control infrastructure exists, as with Group C banks, they may tentatively rely on manual control processes, before an automated process can be implemented over an extended period.</p>	
R.5.1.2	Link the specific ESG risk targets they set in their risk appetite with their pricing strategies. They should ensure that their pricing frameworks reflect, together with other drivers and characteristics, the risks driven by ESG factors.	
	Level of Maturity:	Timeline:
	Medium	Group A: >18 months Group B: >18 months Group C: >18 months
	Applicability	
	<p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks, depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these thresholds. In such cases, the bank may opt to incorporate the qualitative risk thresholds in place, while aspiring to include the quantitative thresholds over an extended period.</p>	
R.5.1.3	Take control measures for sectors which do not align with banks' climate strategy or risk appetite, such as imposing limitations, setting lending thresholds.	
	The "Exclusion List" should be periodically reviewed, updated and communicated internally and relevant controls should be put in place to ensure compliance.	
	Level of Maturity:	Timeline:
	Medium-High	Group A: >18 months Group B: >18 months Group C: >18 months
	Applicability	
	<p>Implementing this recommendation would safeguard the banks against increased business risks, reputational risks, and legal & compliance risks, in addition to helping the banks in achieving their overall sustainability goals.</p> <p>However, some banks, depending upon their nature and scale of operation, might not be able to afford the loss of business arising out of these thresholds. In such cases, the bank may opt to incorporate the qualitative risk thresholds in place, while aspiring to include the quantitative thresholds over an extended period.</p>	

R.5.2 Mitigation Measures

S.No.	Recommendation				
R.5.2.1	Codify adequate measures to safeguard business continuity (in case of extreme weather events causing disruptions to their own facilities, operations, and major outsourced arrangements or cyber-related incidents) in a standalone ESG-related Business Continuity Plan (BCP) or an existing firm-wide BCP.				
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	Level of Maturity:	Timeline:			
	Low	Group A: 9 -12 months Group B: 9 -12 months Group C: 9 -12 months			
Applicability					
Due to the increasing frequency and severity of extreme weather events associated with climate change and their potential impacts on banking operations, all member banks are recommended to codify safeguard measures in a standalone ESG-related BCP or in an existing firm-wide BCP to enhance business continuity and resilience.					
R.5.2.2	Consider the significance of ESG related impacts on their business lines when formulating scenarios for recovery planning processes, particularly because these impacts can be highly susceptible to climate change and environmental deterioration.				
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	Level of Maturity:	Timeline:			
	Medium	Group A: 12-15 months Group B: 12-15 months Group C: 15-18 months			
Applicability					
Given the growing importance of ESG related considerations and their potential to affect a bank's long-term sustainability, all banks irrespective of their Group, are recommended to implement this recommendation to enhance their risk management and recovery planning processes.					

4.5 Workstream 4: Reporting and Disclosure

D.1 Planning

D.1.1 Reporting Requirements

S.No.	Recommendation				
D.1.1.1	<p>Identify the ESG reporting frameworks/standards that are mandatory/voluntary for banks' disclosure aspirations in line with the bank's sustainability objectives.</p> <p>These frameworks and standards can be global or regional, broad (e.g., GRI) or targeted (e.g. TCFD for Climate-related Disclosures, PCAF for financed emissions), etc.</p> <p>Banks can also adhere to an initial set of reporting frameworks before expanding them over an extended period of time.</p> <p>The global frameworks available include (but not limited to):</p> <ol style="list-style-type: none"> 1) Task Force on Climate-related Financial Disclosures (TCFD) 2) ISSB Standards – IFRS S1 and IFRS S2 3) Global Reporting Initiative (GRI) Standards 4) Sustainability Accounting Standards Board (SASB) 5) CDP Standards 6) Task Force on Nature-related Financial Disclosures (TNFD) 				
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	Level of Maturity	Timeline:			
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months			
<p>Applicability</p> <p>Implementing this recommendation would be the first foundational step in the bank's ESG Reporting and Disclosure journey. This would help the banks in identifying the frameworks and alliances which would better suit and support their sustainability and ESG goals and ambitions. Further, this would also help banks to keep up with the evolving nature of ESG-related disclosure landscape</p> <p>Hence, all banks, regardless of their Group, should implement this recommendation.</p>					
D.1.1.2	<p>For the shortlisted ESG reporting frameworks/standards, identify:</p> <ul style="list-style-type: none"> - Reporting timelines - Reporting periodicity - Disclosure channels - Any additional requirements (such as audit/third party review, etc.) <p>(Please refer to Disclosure Summary for more information on the same)</p>				
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	Level of Maturity	Timeline:			
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months			
<p>Applicability</p> <p>Implementing this recommendation would be the first foundational step in the bank's ESG Reporting and Disclosure journey. This would help the banks in structuring the key elements of their reporting and disclosure frameworks, including the data required, the metrics to be identified, and the channels of disclosure.</p> <p>Hence, all banks, regardless of their Group, should implement this recommendation.</p>					

S.No.	Recommendation				
D.1.1.3	Determine the periodicity/frequency of reporting exercise, based on which the timeline for the internal processes/procedures may be structured. For example, If the CDP submission date is on July 31st, then the bank can commence the process four months earlier, i.e., April.				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline:	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months
	Level of Maturity	Timeline:			
	Low	Group A: 0 - 3 months Group B: 0 - 3 months Group C: 0 - 3 months			
Applicability					
<p>Implementing this recommendation would be the first foundational step in the bank's ESG Reporting and Disclosure journey. This would help the banks in structuring the key elements of their reporting and disclosure frameworks, including the data required, the metrics to be identified, and the channels of disclosure.</p> <p>Hence, all banks, regardless of their Group, should implement this recommendation.</p>					
D.1.1.4	Determine the channel of disclosure based on the standards/framework's requirements. The channel of disclosure can be: <ol style="list-style-type: none"> 1) Integrated report/Annual Report 2) Sustainability or CSR report 3) Sustainability website 4) Investor relations website 5) Proxy statement 6) Earnings presentations 7) Investor day presentations 				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low - Medium</td> <td>Group A : 3 - 9 months Group B : 3 - 6 months Group C : 3 - 6 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline:	Low - Medium	Group A : 3 - 9 months Group B : 3 - 6 months Group C : 3 - 6 months
	Level of Maturity	Timeline:			
	Low - Medium	Group A : 3 - 9 months Group B : 3 - 6 months Group C : 3 - 6 months			
Applicability					
<p>Implementing this recommendation is crucial as the banks would need to tailor the channel based upon the reporting requirement of the framework/standard that the bank may adhere to, the existing capabilities of the bank, and the scale of operations of the bank. Hence, all banks, regardless of their Group, should implement this recommendation.</p> <p>In addition, banks with limited capabilities and resources can disclose on existing channels (such as Annual Report, IR website, etc.), before adopting other sustainability and ESG-focused channels (such as Sustainability website, standalone sustainability reports, etc.) over an extended period.</p>					
D.1.1.5	Design Readiness frameworks for compliance with up-and-coming regulatory requirements such as ISSB/TNFD				
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A : 18 - 24 months Group B : > 24 months Group C : > 24 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline:	Medium	Group A : 18 - 24 months Group B : > 24 months Group C : > 24 months
	Level of Maturity	Timeline:			
Medium	Group A : 18 - 24 months Group B : > 24 months Group C : > 24 months				

S.No.	Recommendation
	Applicability
	For designing readiness frameworks, banks must understand the requirements of these regulations and their applicability to the overall sustainability agenda and business operations. Accordingly, banks must collect, analyse, and integrate relevant data, which is both resource and time consuming. Banks would also need to track updates/modifications made to the standards/frameworks to ensure that the related readiness frameworks are up to date.

D.1.2 Reporting Elements

S.No.	Recommendation				
D.1.2.1	<p>Identify the ESG metrics/key performance indicators (KPIs) that will help the bank to measure progress towards achieving their reporting objectives.</p> <p>Banks can also choose to categorize/classify the metrics based on the broader categories (Environmental, Social or Governance), portfolio of impact (e.g., corporate lending, mortgages, etc.)</p> <p>(Please refer to Illustrative Reporting Metrics under Appendix for illustrative metrics and classification)</p> <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A : 3 - 6 months Group B : 3 - 6 months Group C : 3 - 6 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>Identifying specific KPIs and metrics are crucial for a bank's risk management and monitoring framework. Prior identification of such KPIs and metrics would also enable banks to perform subsequent steps such as data mapping and aggregation, and for identifying data gaps.</p> <p>Given the high importance and low level of complexity, banks regardless of their Group, should implement this recommendation.</p>	Level of Maturity	Timeline:	Low	Group A : 3 - 6 months Group B : 3 - 6 months Group C : 3 - 6 months
Level of Maturity	Timeline:				
Low	Group A : 3 - 6 months Group B : 3 - 6 months Group C : 3 - 6 months				
D.1.2.2	<p>Identify a comprehensive list or inventory of all the internal/external data sources needed to compute the ESG metrics/KPIs. These sources can include financial records, operational data, sustainability reports, employee data, etc.</p> <p>Consider actively engaging clients and counterparties and collecting additional data in order to develop a better understanding of their transition strategies and risk profiles.</p> <p>(Please Refer to 3. Data and methodology (Data sources, Data Gaps, Data proxies) for more information)</p> <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A : 6-9 months Group B : 9-12 months Group C : 9-12 months</td> </tr> </tbody> </table>	Level of Maturity	Timeline:	Low	Group A : 6-9 months Group B : 9-12 months Group C : 9-12 months
Level of Maturity	Timeline:				
Low	Group A : 6-9 months Group B : 9-12 months Group C : 9-12 months				

S.No.	Recommendation				
	<p>Applicability</p> <p>Leveraging internally available data and data collection mechanisms (such as credit application questionnaires, etc.) and external readily available reports (such as CDP reports, TCFD, reports, etc.) will enable banks to eliminate data-related subscription costs. In addition, since internally available data is already cleaned and validated, it helps banks in avoiding redundancy of processes.</p> <p>However, it is to be noted that a standardization process is necessary as the data has to be sourced from various internal and external data sources with varying formats. To overcome the same, a data model should be developed, defining clear relationships between master data tables and other tables through key identifiers.</p>				
D.1.2.3	<p>Design a Reporting template for ease of assessment and reporting. The template should define:</p> <ul style="list-style-type: none"> - The category of the specified metric - The portfolio of impact - Data attributes required for calculating the metric - Unit of measurement <p>Banks can utilise pre-defined reporting templates provided by standards, e.g., Green and Social Impact Reporting Template by ICMA</p> <p>https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Green-and-Social-Impact-reporting-templates_2023-06-15-220623.xlsx</p> <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low-Medium</td> <td>Group A : 9 - 12 months Group B : 9 - 12 months Group C : 9 - 12 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>Developing reporting templates can help the banks in streamlining their data collection and metric computation, while ensuring accuracy of the metrics calculated. Hence, all banks must implement this recommendation.</p> <p>Banks can also undertake a phased approach with the templates such that they may:</p> <ul style="list-style-type: none"> - Utilize existing templates provided by other standards and frameworks - Expand the coverage of clients/portfolios by the templates over an extended period (for example, questionnaires for material portfolios like O&G and Power Gen, before focusing on Shipping, Aviation, etc.) - Expand the process touchpoints based on materiality and ease of application 	Level of Maturity	Timeline:	Low-Medium	Group A : 9 - 12 months Group B : 9 - 12 months Group C : 9 - 12 months
Level of Maturity	Timeline:				
Low-Medium	Group A : 9 - 12 months Group B : 9 - 12 months Group C : 9 - 12 months				

S.No.	Recommendation
D.2.1.1	<p>Identify and map the stakeholders that are driving ESG reporting requirements, such as:</p> <ul style="list-style-type: none"> - Internal Stakeholders (e.g., Board & Executive Committee Reporting, Risk Management Team, Line of Business Reporting) - Regulators (For regulatory submissions – stress testing, questionnaires, etc.) - Ratings (For rating agency submissions (e.g., DJSI, MSCI, etc.) - Investors

S.No.	Recommendation	
	Level of Maturity	Timeline:
	Medium	Group A : 3 - 6 months Group B : 3 - 6 months Group C : 3 - 6 months
	Applicability	
	Mapping the stakeholders involved would enable the banks to integrate the needs and considerations specific to the corresponding stakeholders into their reporting framework. In addition, implementing this recommendation would also allow banks to obtain necessary feedback regarding their reporting practices, which can be factored in to enhance the preliminary framework.	

D.2 Reporting Governance

D.2.1 Governance and Oversight

D.2.1.2	To ensure oversight and accountability of the reporting process, banks can:	
D.2.1.2.A	Delegate oversight of ESG reporting issues to an existing board or executive level committees such as Finance Team, Risk Department, etc. headed by their respective Chief Risk Officer (CRO), Compliance Officer, Chief Finance Officer (CFO), etc. (OR)	
	Level of Maturity	Timeline:
	Low	Group A : 3 - 9 months Group B : 3 - 6 months Group C : 3 - 6 months
	Applicability	
	<p>It is recommended that the banks, regardless of size and scale of operation, may first aspire to incorporate 2.1.2.A as a first step before proceeding to implementing a standalone reporting committee (as recommended in 2.1.2.B) over a slightly extended period.</p> <p>Delegating oversight responsibilities to existing departments, working groups or committees may be considered a more efficient approach for Group B & C banks, before beginning their journey to establishing a working group or committee (recommendation 2.1.2.B).</p> <p>For Group A banks however, the implementation of this recommendation may depend upon:</p> <ul style="list-style-type: none"> - The scale of operation and the geographical expanse, thus necessitating a more intricate oversight structure - The complexity of the organisational structure of group and subsidiary entities (if they exist) - Differing national sustainability priorities, especially for banks with Group HQs outside of Uganda. 	
D.2.1.2.B	Establish a standalone ESG Reporting committee to oversee the reporting and disclosure mechanisms with representatives from risk, finance, and compliance functions.	
	It is to be noted that the mandate of the committee should be formalised in comprehensive Terms of Reference, detailing the committee's purpose, composition, appointment procedure, authority & power, duties & responsibilities.	

	Level of Maturity	Timeline:
	Medium	Group A : < 12 months Group B : < 12 months Group C : 12 - 18 months
Applicability		
<p>It is recommended that the banks, regardless of size and scale of operation, may first aspire to incorporate 2.1.2.A as a first step before proceeding to implementing a standalone reporting committee (as recommended in 2.1.2.B) over a slightly extended period.</p> <p>Delegating oversight responsibilities to existing departments, working groups or committees may be considered a more efficient approach for Group B & C banks, before beginning their journey to establishing a working group or committee (recommendation 2.1.2.B).</p> <p>For Group A banks however, the implementation of this recommendation may depend upon:</p> <ul style="list-style-type: none"> - The scale of operation and the geographical expanse, thus necessitating a more intricate oversight structure - The complexity of the organisational structure of group and subsidiary entities (if they exist) - Differing national sustainability priorities, especially for banks with Group HQs outside of Uganda. 		

D.2.2 ESG Assurance

S.No.	Recommendation	
D.2.2.1	Engage a third party/external reviewer for providing an independent ESG assurance report verifying and validating a company's environmental, social, and governance (ESG) performance data and disclosures to ensure accuracy, reliability, and completeness	
	Level of Maturity	Timeline:
	Medium	Group A : > 24 months Group B : > 24 months Group C : > 24 months
	Applicability	
While ESG assurance is not mandatory in Uganda, it is highly encouraged that banks implement to safeguard themselves against any potential legal risks and associated penalties, along with greenwashing and other risks which are reputational in nature.		

D.3 Data Management

D.3.1 Data Aggregation and Control

S.No.	Recommendation	
D.3.1.1	<p>Identify and develop a comprehensive list or inventory of all the internal data sources that already exist within the bank related to ESG factors. These sources can include financial records, operational data, sustainability reports, employee data etc.</p> <p>Consider actively engaging clients and counterparties and collecting additional data to develop a better understanding of their transition strategies and risk profiles.</p>	
	Level of Maturity	Timeline:
	Low	Group A : 9-12 months Group B : 12-15 months Group C : 15-18 months
	Applicability	
<p>Leveraging internally available data and data collection mechanisms (such as credit application questionnaires, etc.) will enable banks to eliminate data-related subscription costs. In addition, since internally available data is already cleaned and validated, it helps banks in avoiding redundancy of processes.</p> <p>However, it is to be noted that a standardization process is necessary as the data has to be sourced from various internal data sources with varying formats. To overcome the same, a data model should be developed defining clear relationships between master data tables and other tables through key identifiers.</p>		
D.3.1.2	<p>Map external data from sources like CDP, MSCI, S&P Trucost, etc. to internal data like exposure, counterparty etc. ESG data integration strategy should also align with the Enterprise Data Management policy of the bank.</p>	
	Level of Maturity	Timeline:
	Low	Group A : 15-18 months Group B : 15-18 months Group C : 15-18 months
	Applicability	
<p>This recommendation can be implemented as part of the bank's underlying data management framework. Often, a comprehensive risk management process requires a hybrid data model of internal and external data. Mapping external data sources with internal databases would help banks define relationships between master data tables and other tables (such as Emissions Data sets, etc.) through key identifiers.</p>		
D.3.1.3	<p>Streamline data collection processes and reporting formats by using standardized templates and automated data capture tools, reducing manual errors, ensuring consistency, and saving time.</p>	
	Level of Maturity	Timeline:
	High	Group A : > 24 months Group B : > 36 months Group C : > 36 months
	Applicability	

S.No.	Recommendation				
	<p>Applicability</p> <p>Group A banks can aspire to incorporate automated data capture tools due to their existing risk management foundation and significant resources; Group B and C banks can rely on manual methods of data collection. For ease of such processes, it is recommended that Group B and C banks develop standardized templates in-house or leverage readily available data collection templates (for example, pre-defined reporting templates provided by ICMA)</p>				
D.3.1.4	<p>For the identified KPIs and metrics, perform a systematic mapping of each data source to the corresponding ESG KPIs and metrics. This mapping will help banks understand which sources contribute to which ESG attributes.</p> <p>Alternatively, banks can also establish Data models defining relationships between master data tables and other tables (such as Emissions Data sets, etc.) through key identifiers.</p> <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Group A : 15-18 months Group B : 15-18 months Group C : 15-18 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>Often, a comprehensive risk management process requires a hybrid data model of internal and external data. Group A banks are more likely to have an established data lake/staging architecture and associated capabilities, enabling them to implement this recommendation. While Group B and C Banks may have fewer resources to implement and operate a comprehensive data architecture, the banks may work towards implementing the same over a slightly extended period</p>	Level of Maturity	Timeline:	Low	Group A : 15-18 months Group B : 15-18 months Group C : 15-18 months
Level of Maturity	Timeline:				
Low	Group A : 15-18 months Group B : 15-18 months Group C : 15-18 months				
D.3.1.5	<p>Analyse data maps to identify gaps in ESG data coverage. Determine which categories of KPIs or metrics have insufficient data.</p> <p>For metrics with data gaps, identify suitable data proxies. These are alternative data sources or indicators that can approximate the desired ESG metric. For example, using energy consumption data as a proxy for carbon emissions.</p> <p>Banks can leverage established Data Scoring methodologies (e.g., PCAF Data pecking order) for rating the data proxies used for satisfying the gaps</p> <table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Group A : 15 - 18 months Group B : 18 - 24 months Group C : > 24 months</td> </tr> </tbody> </table> <p>Applicability</p> <p>One of the foremost challenges which hinder ESG-related data analysis is the lack of historical ESG-related data, in addition, to less data coverage of their identified portfolios. To effectively overcome the same, banks need to identify, leverage and justify data proxy methodologies. Hence, it is recommended that banks, regardless of their Group, implement this recommendation.</p>	Level of Maturity	Timeline:	Medium	Group A : 15 - 18 months Group B : 18 - 24 months Group C : > 24 months
Level of Maturity	Timeline:				
Medium	Group A : 15 - 18 months Group B : 18 - 24 months Group C : > 24 months				

S.No.	Recommendation	
D.3.1.6	Implement Data Controls for monitoring the availability and quality of data for the identified KPIs and metrics. Update the databases as new data becomes available. Also establish a feedback mechanism to collect input from stakeholders, incorporating their suggestions for improving data quality and reporting.	
	Ensure Critical data elements (CDEs) are identified, validated, and aggregated into suitable data ontologies	
	For such data controls, banks must define aspects such as accountability/oversight of the control, frequency/periodicity of the controls (annual/quarterly/half-yearly), etc.	
	Level of Maturity	Timeline:
	Low - Medium	Group A : 15 - 18 months Group B : 18 - 24 months Group C : > 24 months
Applicability		
Data-related audits are imperative for banks to assess and ensure quality and completeness of datasets. While Group A and B banks may undertake data audits at a higher frequency (monthly, quarterly), banks with limited resources may undertake the same annually.		

D.4 Tools and Templates

D.4.1 Strategic Tools, Templates, Methodologies

S.No.	Recommendation	
D.4.1.1	Utilize Visualization and Business Intelligence tools and templates for effective reporting of ESG related metrics and KPIs.	
	Such tools can also ensure transparency of reporting processes, thus enabling the reporting authority of the banks to verify and authorize the final reports.	
	Level of Maturity	Timeline:
	Medium - High	Group A : 9-12 months Group B : 12-15 months Group C : 15-18 months
	Applicability	
Incorporating this recommendation would enable banks to ensure accuracy of their reporting framework, while eliminating any manual errors which can arise.		
However, given the complexity of implementing this recommendation, Group A and Group B banks may be better positioned to handle the level of organizational change and talent acquisition costs which arise from implementation of this recommendation within a reasonable timeframe.		

S.No.	Recommendation								
D.4.1.2	<p>Integrate a one-point data management solution such as:</p> <ul style="list-style-type: none"> - A data access layer with Data Virtualization for Risk and regulatory reporting - A scalable data mart solution implemented to address and solve data management challenges - A data delivery platform which would act as the one source of all the ESG data aggregated across data vendors, and performs data validation and checks 								
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>High</td> <td> Group A : > 24 months Group B : > 36 months Group C : > 36 months </td> </tr> <tr> <th colspan="2">Applicability</th> </tr> <tr> <td colspan="2"> This recommendation would be beneficial to banks, as they can streamline operations, save costs, and maintain data accuracy, thereby improving risk management, decision-making, and regulatory compliance, all while being able to scale seamlessly as their data needs grow. </td> </tr> </tbody> </table>	Level of Maturity	Timeline:	High	Group A : > 24 months Group B : > 36 months Group C : > 36 months	Applicability		This recommendation would be beneficial to banks, as they can streamline operations, save costs, and maintain data accuracy, thereby improving risk management, decision-making, and regulatory compliance, all while being able to scale seamlessly as their data needs grow.	
Level of Maturity	Timeline:								
High	Group A : > 24 months Group B : > 36 months Group C : > 36 months								
Applicability									
This recommendation would be beneficial to banks, as they can streamline operations, save costs, and maintain data accuracy, thereby improving risk management, decision-making, and regulatory compliance, all while being able to scale seamlessly as their data needs grow.									
D.4.1.3	<p>Engage with external third parties and consultants to design and develop an effective reporting framework around Data Aggregation and Integration, data collection templates, reporting templates, visualization tools and technologies, etc.</p>								
	<table border="1"> <thead> <tr> <th>Level of Maturity</th> <th>Timeline:</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td> Group A : 9-12 months Group B : 12-15 months Group C : 15-18 months </td> </tr> <tr> <th colspan="2">Applicability</th> </tr> <tr> <td colspan="2"> Implementing this recommendation would entail: <ul style="list-style-type: none"> - Creation of business/vendor requirement documents - Tender/Bidding processes - Shortlisting the right third party/consultant that meets all criteria. This recommendation would be beneficial for banks with limited skilled resources and underlying IT infrastructure to support design and development of complex scenarios, a peer analysis and other general data and modelling issues. </td> </tr> </tbody> </table>	Level of Maturity	Timeline:	Medium	Group A : 9-12 months Group B : 12-15 months Group C : 15-18 months	Applicability		Implementing this recommendation would entail: <ul style="list-style-type: none"> - Creation of business/vendor requirement documents - Tender/Bidding processes - Shortlisting the right third party/consultant that meets all criteria. This recommendation would be beneficial for banks with limited skilled resources and underlying IT infrastructure to support design and development of complex scenarios, a peer analysis and other general data and modelling issues.	
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Medium	Group A : 9-12 months Group B : 12-15 months Group C : 15-18 months								
Applicability									
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D.4.1.4	<p>Utilize existing tools and methodologies available to support banks with their ESG-related assessment and reporting:</p> <ul style="list-style-type: none"> - Paris Agreement Capital Transition Assessment (PACTA) tool - SBTi Target Setting Tool and Net Zero Tool - Partnership for Carbon Accounting Financials (PCAF) for Financed Emissions Calculation - SASB Materiality Map - Catnet by Swiss Re - ICMA Green and Social Bonds Reporting Template - MSCI ESG Rating Methodology - EY ESG Compass - BlackRock Aladdin Foresight - Eco Vadis methodology - Physical Risk Toolkit Methodology by Centre for Climate and Energy Solutions - Climate and Disaster Risk Screening tools provided by World Bank 								

S.No.	Recommendation	
	Level of Maturity	Timeline:
	Medium	Group A: > 24 months Group B : > 36 months Group C : > 36 months
	Applicability	
	Implementing this recommendation would entail: <ul style="list-style-type: none"> - Creation of business/vendor requirement documents, along with Tender/Bidding processes - Shortlisting the right tool/vendor for bank's needs - Provide extensive training to the employees on how to operate the suggested tools/ methodologies 	



5.

Appendix

5.1 ESG Glossary

S.No.	Term	Definition
1	1.5°C Scenario and Well below 2°C Scenario	The 2015 Paris Agreement commits countries to limit the global average temperature rise to well below 2°C above pre-industrial levels, and to aim for 1.5°C.
2	Absolute Emissions	Absolute emissions metrics indicate the total amount of greenhouse gases (GHGs) emitted into the atmosphere over a specific period.
3	Avoided Emissions	The GHG Protocol identifies avoided emissions as emission reductions which occur outside of a product's lifecycle or value chain, but as a result of the use of the product.
4	Baseline Emissions	An emissions baseline is the reference point against which a business or country's greenhouse gas (GHG) emissions will be measured going forward. Baseline emissions are calculated by looking at a 'baseline emissions period', usually the past 1 - 5 years of an organisation's activity. If no action is taken to reduce emissions, this is the level at which they can be expected to remain.
5	Biodiversity	Biodiversity or biological diversity is the variety and variability of life on Earth. Biodiversity is a measure of variation at the genetic, species, and ecosystem level.
6	Business Continuity Plan (BCP)	A business continuity plan (BCP) is a document that outlines how a business will continue operating during an unplanned disruption in service.
7	Carbon Capture and Storage	Carbon capture and storage (CCS) is a way of reducing carbon emissions, which could be key to helping to tackle global warming. CCS involves the capture of carbon dioxide (CO ₂) emissions from industrial processes, such as steel and cement production, or from the burning of fossil fuels in power generation. This carbon is then transported from where it was produced, via ship or in a pipeline, and stored deep underground in geological formations.
8	Carbon Credit	When companies create carbon offsetting initiatives, they receive a transferable or tradeable carbon credit, or token. A credit represents the right to emit greenhouse gas and make up for it elsewhere. A credit represents one ton of carbondioxide reduced or removed from the atmosphere.
9	Carbon Footprint	A measure of an individual's, group's or company's total greenhouse gas emissions. It is measured in equivalent tons of carbondioxide emitted per year. It covers both direct emissions, such as those produced when fossil fuels are used in manufacturing, heating and transportation, in addition to indirect emissions resulting from the production of electricity used to power services and goods.
10	Carbon Intensive	Describing any process/portfolio/sector that has a high carbon footprint in relation to its economic importance.
11	Carbon Negative	The reduction of an entity's carbon footprint to less than neutral, so that the entity has a net effect of removing carbon dioxide from the atmosphere rather than adding it.
12	Carbon Neutral	When a person, company or country says they are "carbon neutral," it means they have reduced the amount of carbon dioxide they emit through operations or via carbon credits that finance someone else to reduce their carbon emissions, essentially removing that carbon from the earth's atmosphere.

S.No.	Term	Definition
13	Carbon Offset	A carbon offset is an activity or purchase that is intended to compensate for carbon emissions produced by individuals and organizations. Carbon storage through tree planting or land restoration is a common example. Businesses that create carbon offset programs receive carbon tokens.
14	Carbon Pricing	Assigning value to greenhouse gas emissions as a way to account for and quantify these emissions and their impact on the environment.
15	Carbon Sink	A digital asset governed by a smart contract on a blockchain that represents a real-world reduction in one metric ton of carbondioxide emissions. The asset exists to verify ownership and to simplify the carbon credit trading process.
16	Carbon Tax	A carbon tax is a tax levied on the carbon emissions required to produce goods and services. They are designed to reduce greenhouse gas emissions by increasing prices of the fossil fuels that emit them when burned. This both decreases demand for goods and services that produce high emissions and incentivizes making them less carbon-intensive
17	Carbon Token	Tokenization of carbon credits means that the carbon credits' information and functionality are moved onto a blockchain, where the carbon credit is represented as a token.
18	CDP	Formerly the Carbon Disclosure Project. CDP solicits primarily climate-related information from companies annually by sending Climate Change, Water, and Forest Questionnaires. Companies that disclose information to CDP are assigned grades and are regularly benchmarked against their peers.
19	Circular Economy	Circular economy refers to a framework for systems solutions that address issues including pollution, waste, the loss of biodiversity, and other major global crises. It is built on three design-driven tenets: eradicating waste and pollution, distributing goods and resources at their best value, and regenerating the natural world.
20	Climate Bonds Taxonomy (CBT)	The Climate Bonds Taxonomy is a guide to climate aligned assets and projects. It is a tool for issuers, investors, governments and municipalities to help them understand what the key investments are that will deliver a low carbon economy. The Taxonomy aims to encourage and be an important resource for common green definitions across global markets, in a way that supports the growth of a cohesive thematic bond market that delivers a low carbon economy.
21	Climate Change	The shifts over time in the average temperature and weather patterns that define specific locations. In particular, climate change has come to mean the rise in global temperatures from heat-trapping gases resulting from mining and using oil, coal and other fossil fuels. Climate change indicators include rising sea levels; increase and severity of extreme weather, such as hurricanes, droughts and floods; and ice loss at the Earth's poles.
22	Climate change mitigation	Climate Change Mitigation refers to efforts to reduce or prevent the emission of greenhouse gases. Mitigation can mean using new technologies and renewable energies, making older equipment more energy efficient, or changing management practices or consumer behaviour
23	Climate Mitigation	The process of decreasing the flow of heat-trapping pollution. For example, reducing fossil fuel burning by using renewable energy sources may help.

S.No.	Term	Definition
24	Climate Resilience	The ability to support a community, company or the natural environment before, during and after a climate event in a timely, efficient manner. Climate resilience differs from climate adaptation, but the two are often used synonymously.
25	Climate-related opportunity	In line with the TCFD, this refers to the potential positive impacts on an organization resulting from efforts to mitigate and adapt to climate change, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.
26	Climate-related risk	In line with the TCFD, this refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation, temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.
27	Conference of the Parties (COP)	COP is an annual conference attended by countries that signed the United Nations Framework Convention on Climate Change (UNFCCC) treaty in 1994.
28	Corporate Social Responsibility (CSR)	Corporate Social Responsibility (CSR) is generally used to describe the intersection between a company's governance and its ethical obligations to the communities with which it interacts.
29	Decarbonisation	Decarbonisation refers to all measures through which a business sector, or an entity – a government, an organisation – reduces its carbon footprint, primarily its greenhouse gas emissions, carbon dioxide (CO ₂) and methane (CH ₄), in order to reduce its impact on the climate.
30	Diversity, Equity, and Inclusion	Diversity in an organization involves recruiting a variety of people from different ethnicities, abilities and perspectives, including women and minorities. It also involves respect and appreciation for these differences. Equity involves creating fair access, opportunity and advancement for all people within an organization. Inclusion involves valuing and respecting everyone within a diverse workforce and actively promoting a sense of belonging.
31	Emissions Intensity	An emission intensity (also carbon intensity or C.I.) is the emission rate of a given pollutant relative to the intensity of a specific activity, or an industrial production process. E.g., tonnes of carbon dioxide released per megajoule of energy produced, or the ratio of greenhouse gas emissions produced to gross domestic product (GDP).

S.No.	Term	Definition
32	Emission Scenarios	Emission scenarios are possible pathways that society might take in the the emission of greenhouse gases in the future. Scenarios are alternative images of how the future might unfold and are an appropriate tool with which to analyse how driving forces may influence future emission outcomes and to assess the associated uncertainties.
33	Emission Pathways or Emission Trajectories	The modelled trajectories of global anthropogenic emissions over the 21st century are termed emission pathways or emission trajectories
34	Energy Efficiency	The same task or result is achieved with less energy. For example, heating, cooling and operating appliances and electronics are less energy-intensive in energy-efficient homes and buildings.
35	Environmental	Environmental criteria include a company's use of renewable energy sources, its waste management program, how it handles potential problems of air or water pollution arising from its operations, deforestation issues (if applicable), and its attitude and actions around climate change issues. Other possible environmental issues include raw material sourcing (e.g., does the company use fair trade suppliers and organic ingredients?) and whether a company follows biodiversity practices on land it owns or controls.
36	Environmental, Social, and Governance (ESG)	These terms refer to the three central factors typically used in evaluating the sustainability and ethical impact of a company or an investment.
37	Equator Principle (EP)	The Equator Principles (EP) is a voluntary financial industry benchmark for determining, assessing and managing environmental and social risk (ESG Risks) in Project Finance.
38	Equator Principles Financial Institutions (EPFIs)	Financial Institutions who have adopted the Equator Principles. Currently, there are 140 EPFIs, the details of which can be found here. https://equator-principles.com/members-reporting/epfi-reporting-database/
39	ESG Engagement	The engagement specialists maintain frequent touch with corporate representatives and track success against engagement targets over a period that usually lasts for three years. They frequently work together with other institutional investors on joint engagement projects. Analysts, portfolio managers, and clients receive the results of the engagement initiatives, which they may use to inform their investment decisions.
40	ESG Integration	In sustainable/green finance "ESG integration" refers to the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions. ESG Integration alone does not prohibit any investments. Such strategies could invest in any business, sector or geography as long as the ESG risks of such investments are identified and taken into account.
41	ESG rating	These ratings are provided by agencies that collate data based on public information, third party research, company reports and direct engagement.
42	Exclusionary or Negative Screening	The process of excluding certain companies and/or sectors from an investment portfolio. Investors might decide to do this for a variety of reasons, including ethical considerations, ESG performance relative to their peers, or based on specific ESG criteria
43	Financed Emissions	Financed emissions are the greenhouse gas (GHG) emissions linked to the investment and lending activities of financial institutions like investment managers, banks and insurers. They are accounted within Category 15 of Scope 3 emissions.

S.No.	Term	Definition
44	Gender Equity	The creation of equal and/or equitable opportunities, treatment and pay in the workplace regardless of gender.
45	Gender Lens Investing	Making investments that benefit women and girls by improving their access to opportunities, contributing to their wellbeing, enhancing their personal safety and security, and/or promoting a better life.
46	GHG inventory	A GHG Inventory is the quantification of an entity's contributions to Greenhouse Gas Emissions. Other terms used in the same context are: GHG Accounting and Carbon Footprint
47	Global Reporting Initiative (GRI)	An independent international organization that has been involved in sustainability reporting since 1997. GRI Standards is the most widely used and most extensive voluntary reporting framework for ESG and sustainability topics.
48	Global Warming	Global warming refers to Earth's heating from trapped greenhouse gases resulting from human activities such as transportation, agriculture, overfishing, fossil fuel energy production and overconsumption. Unless companies, governments and consumers make major shifts, global warming and climate change will heat the planet so much that it will be unlivable in the near future.
49	Governance	The "G" in ESG. Governance factors relate to how a company is managed, which includes, but is not limited to, management structure, executive compensation, internal controls and accountability policies, auditor independence, and shareholder rights.
50	Green Bond	Bonds whose proceeds fund new or existing environmental or climate projects
51	Greenhouse Gas Protocol	A globally recognized set of reporting and accounting frameworks for managing greenhouse gas emissions from private and public sector operations, value chains and mitigation actions.
52	Greenhouse gases (GHG)	In line with Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) and amendment issued by the Greenhouse Gas Protocol on May 2013 the basket of greenhouse gases (GHGs) consists of: <ul style="list-style-type: none"> - Carbon dioxide (CO₂) - Methane (CH₄) - Nitrous oxide (N₂O) - Hydrofluorocarbon family of gases (HFCs) - Perfluorocarbon family of gases (PFCs) - Sulfur hexafluoride (SF₆) - Nitrogen trifluoride (NF₃)
53	Greenwashing	Greenwashing in the context of Sustainable Finance is any form of marketing or other communication / disclosure that uses deceptive means to persuade investors, regulators or the public that an organization's products, aims and policies or financial instruments are environment friendly.
54	Impact investing	Impact investing is the conscious act of making investments with the intent of making a good impact on the environment or society while also generating a profit. Selecting businesses that can support the UN's Sustainable Development Goals (SDGs) is one of the most common types of impact investing.

S.No.	Term	Definition
55	Intergovernmental Panel on Climate Change (IPCC)	The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. The IPCC provides regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation.
56	International Energy Agency (IEA)	The IEA is a global energy authority, that provides data, analysis and solutions on all fuels and all technologies. The IEA works with governments and industry to shape a secure and sustainable energy future for all.
57	International Sustainability Standards Board (ISSB)	The International Financial Reporting Standards (IFRS) Foundation has established a standard-setting board with the goal of delivering a wide-ranging baseline of sustainability-related disclosure standards that advise investors and other capital market players about the sustainability-related risks and opportunities faced by companies and assist them in making educated choices.
58	Kyoto Protocol	The Kyoto Protocol was an international treaty which extended the 1992 United Nations Framework Convention on Climate Change that commits state parties to reduce greenhouse gas emissions, based on the scientific consensus that global warming is occurring and that human-made CO ₂ emissions are driving it.
59	Low Carbon Economy or Decarbonised Economy	A low-carbon economy or decarbonised economy is an economy based on energy sources that produce low levels of greenhouse gas emissions.
60	Materiality	Materiality is a measure of the importance of specific topics and information during the investment analysis process. In ESG investing, materiality helps identify the most important or relevant ESG information to consider when screening and selecting an investment.
61	Nationally Determined Contributions (NDCs)	Nationally Determined Contributions, or NDCs, are countries' self-defined national climate pledges under the Paris Agreement, detailing what they will do to help meet the global goal to pursue 1.5°C, adapt to climate impacts and ensure sufficient finance to support these efforts.
62	Net Zero	A State of completely negating the amount of greenhouse gases produced by human activity. This can be achieved by reducing greenhouse gas (GHG) emissions and implementing methods of absorbing carbon dioxide from the atmosphere.
63	Network for Greening the Financial System (NGFS)	<p>The Network for Greening the Financial System is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change.</p> <p>The NGFS partnered with an expert group of climate scientists and economists to design a set of hypothetical scenarios:</p> <ul style="list-style-type: none"> - Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued. - Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome - Hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise. - Too little, too late scenarios would assume that a late transition fails to limit physical risks. While no scenarios have been specifically designed for this purpose, this space can be explored by assuming higher physical risk outcomes for the disorderly scenarios.

S.No.	Term	Definition
64	Net Zero Banking Alliance (NZBA)	Net Zero Banking Alliance (NZBA) is a group of leading global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050. NZBA's framework, guidance, and peer learning opportunities support members to design, set, and achieve credible science-based net zero targets for 2030 or sooner that deliver value for their investors, clients, and customers.
65	Paris Agreement Capital Transition Assessment (PACTA)	A tool developed by 2DII to allow investors and financial institutions to assess the extent to which their portfolios' attributable GHG emissions are aligned with certain climate scenarios and allow such institutions to stress test their portfolios.
66	Partnership for Carbon Accounting Financials (PCAF)	A partnership within the financial sector to develop and implement a consistent approach for the accounting and disclosure of GHG emissions associated with financial institutions' loans and investments.
67	Physical Risk or Physical Climate Risk	Climate change-related risks, such as floods, droughts and severe storms, that affect our society directly and have the potential to do material economic harm.
68	Poseidon Principles	A global framework for assessment and disclosure of the climate alignment of ship finance portfolios. The framework was designed to be consistent with the policies and goals of the International Maritime Organization, including the ambition to reduce annual GHG emissions from the shipping sector by at least 50% by 2050.
69	Positive Screening	Investing in companies or governmental bond issuers that demonstrate leadership in environmental, social and governance issues. It involves the use of filters to identify and assess the most positive or promising potential investments based on assessing ESG performance.
70	Principles for Responsible Banking (PRB)	The set of guidelines developed in coordination with the United Nations for banks to incorporate ESG and sustainability issues in their decision-making
71	Principles for Responsible Investment (PRI)	The organization that established a set of guidelines in coordination with the United Nations for investors to incorporate ESG and sustainability issues in their decision-making and to seek disclosure from companies in which they invest
72	Recycling	The process of collecting and processing waste materials, ideally to make new products.
73	Renewable energy certificates (RECs)	Renewable Energy Certificates (RECs) are a market-based instrument that certifies the bearer owns one megawatt-hour (MWh) of electricity generated from a renewable energy resource.
74	Renewable Energy/Clean Energy	Perpetual energy sources—including solar, wind, geothermal, hydroelectric and biomass—that are not derived from fossil fuels.
75	Resiliency	A term broadly used to describe a company's ability to withstand certain changes in the marketplace and environment
76	Responsible Investment	The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.
77	Scenario Analysis	Scenario analysis is the process of forecasting the expected value of a performance indicator, given a time period, occurrence of different situations, and related changes in the values of system parameters under an uncertain environment.

S.No.	Term	Definition
78	Science Based Targets Initiative (SBTi)	The collaboration between CDP, the UNGC, World Resources Institute, and the World Wide Fund for Nature that requests for companies to create and publish targets to reduce greenhouse gas emissions in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures
79	Science-Based Target	<p>Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.</p> <p>Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.</p>
80	Scope 1 GHG Emissions (Under GHG Protocol) - Direct Emissions	From the activities of an organization or under its control. This includes fuel combustion on site, such as gas boilers, fleet vehicles and air-conditioning leaks.
81	Scope 2 GHG Emissions (Under GHG Protocol) - Indirect Emissions	From electricity purchased and used by an organization. Emissions are created during the production of the energy and eventually used by the organization.
82	Scope 3 GHG Emissions (Under GHG Protocol) - All other Indirect Emissions	From activities of an organization, occurring from sources that it does not own or control. These usually make up the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.
83	Social	The "S" in ESG. Social factors relate to how a company treats its employees and the community. These include such issues as employee diversity and inclusion, employee engagement programs, human rights policies, health and well-being initiatives, labor relations, and consumer protection
84	Social Bonds	Social bonds raise funds for new and existing projects with positive social outcomes. For example, bond proceeds might finance access to essential health, education or financial services, affordable housing, or microfinance for small business.
85	Stakeholder Engagement	An engagement process that, while similar to issuer engagement, expands beyond security holders to include other members of communities that may be affected by the policies and practices of a security issuer.
86	Stranded Assets	Assets that experience premature or unanticipated devaluations, write-downs, or conversion to liabilities, or that are no longer economically viable to exploit. In the fossil fuel context, this could be used to describe resources that would not be extracted and consumed, but that would remain stranded in the ground.
87	Sustainability	A term broadly used to describe the ability to balance between meeting a given set of current needs without compromising the ability of future generations to meet their own needs.
88	Sustainability Accounting Standards Board (SASB)	The SASB finalized industry-specific voluntary reporting frameworks for "material" ESG and sustainability topics in late 2018. The SASB encourages companies to disclose "material" ESG and sustainability information on identified topics in annual financial reports.

S.No.	Term	Definition
89	Sustainability Report	The report produced by an organization to inform stakeholders about its policies, programs, and performance regarding ESG and other matters. Sustainability reports, sometimes referred to as corporate citizenship reports, or CSR reports, are usually voluntary, and are sometimes independently audited and/or integrated into financial reports.
90	Sustainability-linked Bonds	Bonds issued with financial and/or structural characteristics that may vary depending on whether the issuer achieves predefined sustainability or ESG goals. For example, issuers might have to make additional payments to bondholders if they fall short of their sustainability or ESG goals
91	Sustainable Bonds	Proceeds of sustainability bonds will be exclusively applied to finance or re-finance a combination of green and social projects.
92	Sustainable finance	<p>Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects.</p> <p>Sustainable finance is defined in the policy context of the EU as financial support for economic growth while lowering environmental constraints and taking into account social and governance factors. Transparency on the risks associated with ESG elements that could have an influence on the financial system is a component of sustainable finance, as is the mitigation of such risks through responsible corporate and financial governance.</p>
93	Taskforce on Climate-related Financial Disclosures (TCFD)	The TCFD published international recommendations for companies to disclose climate-related financial and physical risks and opportunities in 2017, which call for companies to undertake climate scenario analysis and report on their findings. The TCFD recommendations have been integrated into many of the other ESG and sustainability reporting frameworks, but companies have also published standalone TCFD reports
94	Taxonomy	The taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate.
95	The Paris Agreement	Stated by the UNFCCC, the Paris agreement is a “legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels”.
96	Transition Risk	Financial risks that could arise from changes to policies, laws, technology, and capital markets as we transition to a lower-carbon economy and climateresilient future
97	United Nations Framework Convention on Climate Change (UNFCCC)	The UNFCCC secretariat (UN Climate Change) is the United Nations entity tasked with supporting the global response to the threat of climate change. UNFCCC stands for United Nations Framework Convention on Climate Change. The Convention has near universal membership (197 Parties) and is the parent treaty of the 2015 Paris Agreement. The main aim of the Paris Agreement is to keep the global average temperature rise this century as close as possible to 1.5 degrees Celsius above pre-industrial levels. The UNFCCC is also the parent treaty of the 1997 Kyoto Protocol.
98	United Nations Global Compact (UNGC)	A non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

S.No.	Term	Definition
99	United Nations Sustainable Development goals (UNSDGs or SDGs)	<p>A set of 17 goals adopted by the United Nations in 2015 to end poverty, protect the planet, and ensure prosperity for all, as part of the 2030 Agenda for Sustainable Development.</p> <p>The goals are aimed at resolving complex economic, social and environmental issues at a global level. The concept of sustainable development integrates and addresses three distinct yet overlapping aspects: economic, social and environmental sustainability</p>

5.2 Illustrative Reporting Metrics

The table below represents an illustrative list of reporting metrics that the member banks may refer to while disclosing against various reporting categories, such as Governance, Environment, Social, carbon Footprint, etc.

Category	Factor	Indicator/ Illustrative Metric	Frameworks/ Standards
Governance	Board Composition	<ul style="list-style-type: none"> • Number of board members • Percentage of women on the board • Percentage of ethnically diverse members on the board • Number of independent directors with ESG expertise • Number of board members • Independent non-executive directors (in % and Number) • Executive and Non-executive directors (in % and Number) • Independent Board Chairman 	GRI, EBA, Best Practices
	Ethics and Compliance	<ul style="list-style-type: none"> • Alignment with the Local regulations and UN Guiding Principles on Business and Human Rights • Identification of insufficient actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery • Number of reported ethical violations and their resolution. • Percentage of employees completing ethics training. • Transparency in disclosing ethical guidelines and whistleblower protection. • Existence of a clear code of conduct addressing ESG issues. • Convictions and violations of anti-corruption and anti-bribery laws (number of cases and amount of fines) • Presence/lack of anti-corruption and anti-bribery policies 	
	Executive Compensation	<ul style="list-style-type: none"> • The proportion of executive compensation tied to ESG performance targets • Weighting of climate goals on long-term incentive scorecards for Executive Directors 	
Strategy and risk management	<ul style="list-style-type: none"> • Alignment with the Local regulations/guidelines and UN Guiding Principles on Business and Human Rights 		

Diversity & Inclusiveness	<ul style="list-style-type: none"> Representation of females in boards Lack of a diversity strategy in place (e.g. age, gender, minority groups) Percentage of employees and individuals in governance bodies as per the diversity categories defined in GRI standard 405-1. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation as defined in GRI 405-2 	
Conduct	<p>Conduct Training</p> <ul style="list-style-type: none"> Number of employees who completed Conduct training Conduct training completion rate <p>Ombudsman resolutions</p> <ul style="list-style-type: none"> Percentage Ombud's resolutions found in favour of the bank Percentage Ombud's resolutions found in favour of the complainant 	Best Practice
Board Meetings	<ul style="list-style-type: none"> Board meeting attendance (%) Total number of board meetings Total number of board committee meetings 	
Transparency	<ul style="list-style-type: none"> Reliance on high quality, broadly recognised national, international frameworks when preparing non-financial statements, including disclosure of the framework chosen. 	
Occupational Health and Safety	<ul style="list-style-type: none"> Number and percentage of all employees and workers covered by OHS system Description of the scope of workers, activities, and workplaces covered by the OHS system Number of employees and worker training on occupational health and safety Number and rate of fatalities as a result of work-related injury Number and rate of high-consequence work-related injury Number of fatalities as a result of work-related ill health Main types of work-related ill health and related injuries (excluding fatalities) Types of work-related injury 	GRI
Employee turnover	<ul style="list-style-type: none"> Number & % of voluntary employee turnover by gender, age-group Total involuntary employee turnover 	Best Practice
New hires	<ul style="list-style-type: none"> Number & % of new hires by gender, age-group 	

Environment	GHG Emissions Absolute Scope 1, Scope 2, and Scope 3; emissions intensity	<ul style="list-style-type: none"> • Absolute Scope 1, Scope 2, Scope 3 GHG emissions • Financed emissions by asset class • Weighted average carbon intensity • GHG emissions per MWh of electricity produced • Gross global Scope 1 GHG emissions covered under emissions-limiting regulations 	TCFD, Best practice
	Transition Risks Amount and extent of assets or business activities vulnerable to transition risks	<ul style="list-style-type: none"> • Volume of real estate collaterals highly exposed to transition risk • Concentration of credit exposure to carbon-related assets • Percent of revenue from coal mining • Exposure to high transition risk sectors (such as oil & gas, metals & mining, power & utilities, etc.) as a % of total wholesale loans and advances • Value of exposure to high transition risk sectors (in currency unit) 	
	Physical Risks Amount and extent of assets or business activities vulnerable to physical risks	<ul style="list-style-type: none"> • Number and value of mortgage loans in 100-year flood zones • Wastewater treatment capacity located in 100-year flood zones • Revenue associated with water withdrawn and consumed in regions of high or extremely high baseline water stress • Proportion of property, infrastructure, or other alternative asset portfolios in an area subject to flooding, heat stress, or water stress • Proportion of real assets exposed to 1:100 or 1:200 climate-related hazards 	
	Climate-Related Opportunities Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	<ul style="list-style-type: none"> • Revenues from products or services that support the transition to a low-carbon economy • Net premiums written related to energy efficiency and low-carbon technology • Number of (1) zero-emissions vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid vehicles financed 	
	Energy	<ul style="list-style-type: none"> • Consumption in MWh • Total non-renewable energy consumption • Energy produced through banks' renewable energy systems 	

	<ul style="list-style-type: none"> Percentage of annual revenue invested in R&D of low-carbon products/services Investment in climate adaptation measures to help communities build capacity to better prepare for and respond to extreme weather and climate-related events 	
	<ul style="list-style-type: none"> Internal carbon price Shadow carbon price, by geography 	
Capital Deployment Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	<ul style="list-style-type: none"> Internal carbon price Shadow carbon price, by geography 	
Internal Carbon Prices Price on each ton of GHG emissions used internally by an organization	<ul style="list-style-type: none"> Internal carbon price Shadow carbon price, by geography 	
Material consumption and waste	<p>Paper</p> <ul style="list-style-type: none"> Paper (tonnes) Paper carbon emissions in kg CO₂e (ton CO₂e) Paper recycled (tonnes) Water Total water consumption (kl) Reduction target (%) <p>Waste</p> <ul style="list-style-type: none"> General waste (tonnes) Hazardous waste (tonnes) Waste to landfill (tonnes) Recyclable waste (tonnes) Total waste 	Best Practice
Remuneration Proportion of executive management remuneration linked to climate considerations	<ul style="list-style-type: none"> Portion of employee's annual discretionary bonus linked to investments in climate-related products Weighting of climate goals on long-term incentive scorecards for Executive Directors The proportion of executive compensation tied to ESG performance targets Weighting of performance against operational emissions' targets for remuneration scorecard 	TCFD
Impact of climate-related risks or opportunities on financial position	<ul style="list-style-type: none"> Changes to the carrying amount of assets due to exposure to physical and transition risks Changes to the expected portfolio given climate-related risks and opportunities Changes in liability and equity due to increases or decreases in assets (e.g., due to low-carbon capital investments or to sale or write-offs of stranded assets) 	

Social	Community/society	<ul style="list-style-type: none"> Establishment of business in rural and economically and socially underdeveloped areas Products' potential to reach rural areas and groups of society where development gaps exist 	EBA, Best Practices
	Human Capital/ Employee relationships/ labour standards	<ul style="list-style-type: none"> Observation and implementation of due diligence policies on issues related to forced labour and child labour Average ratio of female to male board members Average ratio of females to males in total workforce % of Women in management (Top, Senior, Middle, Junior) Average gender pay gap Share of employees attending training courses in a given year Total number of employees by region Frequency of performance assessment per employee Rate of accidents Number of workdays lost to injuries, accidents, fatalities and illness 	
	Customer relationships	<ul style="list-style-type: none"> Extent to which products are monitored once introduced on the market Lack/presence of a supplier code of conduct Number/rate of data security incidents in which personally identifiable information (PH) was at risk Explanation/disclosure of policies and practices relating to user privacy Degree of transparency on management's approach to identifying and addressing data security risks Publication of information on ESG performance (in the form of stand-alone reports or by integration into Annual Reports Number of customer complaint incidents 	
	Human Rights	<ul style="list-style-type: none"> Engagement in social projects aimed at supporting and advancing human rights issues in regions of concern Number of cases of severe human rights issues and incidents Presence/lack of human rights due diligence Presence/lack of a human rights policy 	

	Corporate Social Investment	<ul style="list-style-type: none"> Total CSI spend-Region wise Value of CSI spend on education Value of CSI on health Value of CSI spend on SMEs and entrepreneurs Value of CSI spend on infrastructure development Engagement in poverty reduction/aid programmes Employment opportunities for economically less advantaged groups 	Best Practice
	Poverty/famine		
Environmental and Social Risk Management	E&S Risk Training	<ul style="list-style-type: none"> Number of employees who received environmental and social risk training- Classroom/Online Percentage of targeted employees who received environmental & social risk training- Classroom/online 	Best Practice
	Equator Principles	<p>Finance assessed under Equator Principles (Total number of EP projects financed)</p> <p>EP projects financed – Category A</p> <p>EP projects financed – Category B</p> <p>EP projects financed – Category C</p> <p>No of EP deals terminated due to E&S non-compliance</p>	
	E&S Transaction Screening	<ul style="list-style-type: none"> Total number of transactions screened in line with internal E&S screening process Total number of transactions declined due to E&S risk 	
Carbon Footprint	Operational footprint – Global GHG emissions (tonnes CO2e)	<ul style="list-style-type: none"> Scope 1: direct GHG emissions from natural gas, fuel oil, company cars and HFC refrigerants etc Scope 2: indirect GHG emissions from purchased electricity and purchased steam and chilled water Scope 3: operational emissions including the following: Purchased goods and services, Fuel and energy related activities (not included in scope 1 and scope 2), Includes upstream emissions of purchased electricity and transmission and distribution losses, Waste generated in operations: Includes emissions from third-party disposal and treatment of waste generated through banks' operations, Business travel, Upstream leased assets. 	Best Practice
Net Zero Transition	Financed emissions	<ul style="list-style-type: none"> Energy portfolio Scope 1, 2, 3 absolute emissions reduction (MtCO₂e) Power portfolio Scope 1 physical intensity reduction (KgCO₂e/MWh) Cement portfolio Scope 1,2 physical intensity reduction (tCO₂e/t) Steel portfolio Scope 1,2 physical intensity reduction (tCO₂e/t) Automotive Manufacturing (Light Duty Vehicles) portfolio Scope 1, 2, 3 downstream physical intensity reduction (gCO₂e/km) Residential Mortgages portfolio emissions Scope 1,2 physical intensity (KgCO₂e/m²) 	Best Practice

SFF - Environmental Impact metrics	Renewable Energy	ICMA, Best Practice
	Energy Efficiency	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Additional capacity of renewable energy plant(s) constructed or rehabilitated in MW • Number of households served with clean energy • Additional capacity of renewable energy plant(s) to be served by transmission systems (MW) • Decrease in the carbon intensity factor (tCO2e/MWh)
	Green Building	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent • Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings) • Number of households served with clean energy • Number of households served with energy efficiency solutions such as smart meters • Type of scheme, certification level • % of carbon emissions reduced/avoided vs local baseline/baseline certification level. • Use of materials with lower environmental footprint • Water Efficiency and waste management for both new buildings and retrofitted buildings • No of Units financed
	Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m3/a, reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m3/a and as % • Number of people with access to clean drinking water (or annual volume of clean drinking water in m3/a supplied for human consumption) through infrastructure supporting sustainable and efficient water use • Number of people with access to improved sanitation facilities under the project • Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and drought. • Total population served by the system • Number of water meters installed
	Waste Management and Resource Efficiency	<ul style="list-style-type: none"> • Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. • Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy) • Number of people or % of population with access to waste collection under the project • Tons of waste reduced • Products changed to increase waste reduction

Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Increase of area under certified land management in km² or m² and in % • Reduction in net GHG emissions, GHG intensity (e.g. tCO₂e/unit of output) or energy intensity (e.g. GJ/unit of output) • Water savings from improved irrigation, stormwater and rainwater capture, groundwater recharge and/or the reuse of highly treated wastewater (e.g. m³/year) • Number of inefficient agricultural water pumps replaced with more efficient models • Reduction of methane and nitrous oxide emissions from livestock • Increase in cold storage facilities in absolute number and/or in installed capacity (metric tonnes) 	
Clean Transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent • Number of clean vehicles deployed (e.g. electric) • Estimated reduction in fuel consumption • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) 	
Biodiversity	<ul style="list-style-type: none"> • Maintenance/safeguarding/increase of protected area/OECM/habitat in km² and in % for increase • Maintenance/safeguarding/increase of natural landscape area (including forest) in km² and in % for increase • Maintenance/safeguarding/increase of natural landscape area in urban areas in km² and in % for increase • Increase of area under certified land management³⁵ in km² or m² and in % (in buffer zones of protected areas) • Absolute number of indigenous species, flora or fauna (trees, shrubs and grasses, etc.) restored through the project • Number of forestry personnel trained in biodiversity conservation • Number of farmers trained in sustainable farming and biodiversity • Improvement of income of local populations in percentage 	
Climate Change Adaptation	<ul style="list-style-type: none"> • Additional water availability and/or increased water catchment in m³/year • Reduced/avoided water loss (in reservoirs/waterways/natural habitats etc.) in m³ 	
Eco-efficient and/or circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> • Waste that is prevented, minimised, reused or recycled as a % of total waste and/or as absolute amount in tonnes p.a. • % increase in materials, components and products that are reusable, recyclable, and/or certified compostable and/or in absolute amount in tonnes p.a. • Reduction in lifecycle GHG emissions of materials through reuse, recycling or composting 	

SFF-Social Impact metrics	Employment Generation / SME Financing	<ul style="list-style-type: none"> • Number of loans to SMEs in low-income areas and/or microenterprises • Regions in which Micro and Smaller Businesses were financed • Number of people provided with access to financial services • Number of low-income people provided with access to affordable microcredit/microfinance • Number of low-income people provided with access to micro insurance and savings products • Number of jobs created/retained • Number of local SME suppliers and smallholder farmers in supply chain • Number of new accounts opened in underserved areas • Number of products aimed at financial inclusion • Number of beneficiaries/participants of financial literacy initiatives 	ICMA, Best Practice
	Women Empowerment	<ul style="list-style-type: none"> • Number of loans made to SMEs with majority women in senior management or ownership positions • Number/value of loans made to SMEs with majority women in workforce or supply chain • Number of women integrated into formal workforce or provided with sustainable livelihood opportunities 	
	Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of people with access to electricity • Number of people with access to affordable, clean drinking water and equitable sanitation • Number of people with access to sustainable transportation • Number of water treatment facilities built or upgraded • Households supported with access to safe energy • People with access to rural telecom services • Sanitation products provided • Number of households connected to water infrastructure and /or waste water discharge infrastructure • Number of people provided with adequate and equitable sanitation • Number of loans granted to low-income households for installations of improvement technologies 	
	Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)	<ul style="list-style-type: none"> • Number of public hospitals, clinics and health care centres financed • Number of schools and universities financed • Number of Campus for public schools and universities financed • Number of health-related R&D programs funded • Number of products and services serving lowincome groups • Number of students supported 	

	Affordable Housing	<ul style="list-style-type: none"> • Housing loans supported • Number of dwellings • Number of individual/families benefitting from subsidised housing 	
	Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)	<ul style="list-style-type: none"> • Number of water infrastructure projects built / upgraded • Number of people with access to sustainable transport systems • Number of new household power connections 	
	Food security and sustainable food systems	<ul style="list-style-type: none"> • Number of people provided with access to affordable, safe, nutritious, and sufficient food • Farmers provided with access to agricultural inputs, training • Number of people benefitting from agricultural projects and using improved farming technology 	

Contact Us

 Plot 2702 Block 244 Nyangweso Road off Kironde Road
Tankhill Muyenga, P.O. Box 8002, Kampala

 **Tel:** +256 312 343 400

 **Email:** secretariat@ugandabankers.org

 www.ugandabankers.org