



საქართველოს ეროვნული ბანკი
National Bank of Georgia

In Conversation with

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1. When and why did your institution join the NGFS?

Sustainable finance has been on the National Bank of Georgia's (NBG) agenda since 2017. We started by joining the Sustainable Banking and Finance Network in September 2017 and since then have been developing the Sustainable Finance Framework in close collaboration with various stakeholders. This regulatory framework plays an important role in preparing the financial market for transitioning to sustainable finance.

In 2019, the NBG launched the [Roadmap for Sustainable Finance in Georgia](#) as the main policy document that sets priorities and outlines the action plan. Since then, we have been in the process of implementing these actions. I want to emphasize that learning from others and sharing our experience have been a big part of our sustainable finance journey. Global cooperation and coordination are extremely important in this process, as no single country can make a difference acting alone. We have been closely following international developments and initiatives on sustainable finance, including the NGFS's work since its establishment. To advance our involvement in global initiatives, we decided to join the NGFS in February 2020. The NGFS is a network of like-minded and committed central banks and supervisors who are determined to make a change. Being a part of this group is incredibly valuable, as the NGFS creates a space where member institutions can share their experience and knowledge on climate-related topics and thus contribute to a greener and more stable future.

2. Can you share with us the key elements of the National Bank of Georgia's climate strategy and how it fits into the broader national strategy in your jurisdiction?

Let me start by clarifying that, at the NBG, we adopt a broad definition of sustainable finance, which considers both environmental and social dimensions. Climate-related topics are part of this broad agenda. A detailed description of our strategy and action plan regarding sustainable finance, including climate change, is presented in our Roadmap for Sustainable Finance. The Roadmap has four main pillars, each of them serving different goals.

Pillar 1 focuses on increasing awareness and capacity building. Conducting analysis on sustainable finance-related topics is part of this pillar. Currently, we are actively working on climate scenario analysis for the Georgian financial sector. The first step is the identification of economic sectors most vulnerable to climate-related physical and transition risks. This will be followed by the assessment of the exposure of the Georgian banking system to these vulnerable sectors. After that, the NBG plans to use the NGFS Climate Scenarios as a reference to perform scenario analysis and assess climate risk in the Georgian financial sector. The next steps will involve performing the climate stress testing exercise.

Pillar 2 concentrates on supporting sustainable finance flows. To align capital flows with sustainable development goals and climate change targets, it is very important to have a common definition of what constitutes green and/or sustainable finance products. This was also one of the six recommendations outlined in the [First NGFS Comprehensive report "A call for action"](#) published in April 2019. For that purpose, the NBG has been developing the Sustainable Finance Taxonomy with the active engagement of various national and international stakeholders and experts. It is consistent with local regulations and definitions, as well as the best international practice. Incorporating a broad definition of sustainable finance, the Taxonomy consists of green and social taxonomies. The green part of the Taxonomy provides a list of activities that contribute to environmental objectives and the development of the green economy in Georgia. Currently, the Taxonomy is at the final stage of review and will become available in the near future.

Pillar 3 relates to ESG (Environmental, Social and Governance) risk management. Good governance is crucial to ensure the proper integration of ESG and climate-related issues into decision-making processes and risk management practices. With that aim, the NBG incorporated ESG considerations into the Corporate Governance Codes for Commercial Banks and Capital Market Participants. In particular, Corporate Governance requires the entities to integrate ESG considerations, including climate-related issues, into the entity's strategy, and overall risk management framework, and disclose non-financial information.

The main objective of the Pillar 4 is to increase transparency and support market discipline. For this purpose and to ensure consistent and comparable implementation of disclosure requirements set by the CG Code, the NBG developed [ESG Reporting and Disclosure Principles](#) with a corresponding template. Developing progress measurement tools is also a part of our agenda.

In 2021, the NBG issued an [individual pledge](#) as a part of the NGFS contribution to COP26. This document emphasizes our commitments to address climate-related issues, including greening NBG's own activities.

The NBG's sustainable finance agenda is also consistent with other national strategies and initiatives. Georgia has been committed to global efforts to mitigate, adapt and build resilience to climate change. The country adopted both UN Agenda for Sustainable Development and the Paris Agreement on Climate Change. Under the Paris agreement, Georgia submitted its Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC), which

means that the country must take steps to reduce GHG emissions and other environmental risks. In 2021, Georgia submitted the updated NDC and published the 2030 Climate Change Strategy and Action Plan, which set sectoral targets and mitigation measures and reiterate Georgia's commitment to addressing climate change. These international commitments related to climate change are consistent with the national policies and are incorporated into the NBG's Sustainable Finance Framework. Moreover, we actively communicate with the relevant ministries in the country and coordinate with them on various projects.

3. To which extent did the National Bank of Georgia leverage the work of the NGFS in its own domestic journey? Any concrete examples?

First and foremost, it is important to note that, when it comes to addressing global problems like climate change that cannot be tackled by a single country, there is a need for global coordination. Regardless of recent advancements in policies and regulations to address climate-related issues by central banks and financial regulators, this topic is still relatively new and the need for common approaches and standards is evident. Therefore, a centralized platform that will take leadership and bring together various players is essential, and the NGFS has taken this role successfully. Through its various publications, the NGFS has set a standard for analyzing and addressing climate-related issues. The guidelines and management strategies described in various publications are invaluable for central banks and supervisors.

At the National Bank, we have closely followed the NGFS guidelines and recommendations and benefit from other members' experiences. Let me mention a few concrete examples. As I noted before, we are currently in the process of conducting climate scenario analysis, for which we will be actively deploying the [NGFS Guide to climate scenario analysis for central banks and supervisors](#) published in June 2020 and the [NGFS Climate Scenarios](#). These documents inform central banks about the best international practices and allow them to produce consistent and reliable results that can be compared across the countries.

Another seminal document by the NGFS was its First Comprehensive report "A Call for action", which provided recommendations for greening the financial system and managing the environment and climate-related risks. Finally yet importantly, in addition to the individual pledge we released during the COP26, we, as member of the NGFS, also fully support the [NGFS Glasgow Declaration](#) published by the NGFS on this occasion. These recommendations include and go beyond the actions listed in the NBG's existing Sustainable Finance Roadmap and provide guidance regarding the activities that the NBG could incorporate in its action plan.

4. One last word?

To summarize and better communicate all the actions taken by the NBG, we started publishing our annual [Sustainable Finance Status Report](#) in 2021. The report presents an overview of current trends, policies, and plans regarding sustainable finance in Georgia. It provides an analysis of the steps taken by the NBG, a description of current and upcoming projects, and a summary of information disclosed by commercial banks about ESG practices and sustainability issues. The report also highlights the trends regarding the issuance of green and sustainable bonds and the related dynamics of the capital market in Georgia.

There is an increasing understanding and agreement about the importance of addressing climate change and environmental issues. These problems have to be tackled globally, in a coordinated fashion. As Koba Gvenetadze, Governor of the National Bank of Georgia, noted in his welcoming speech during our first annual Sustainable Finance Workshop back in 2018, the central banks have an important role to play in supporting financial stability and sustainable finance by incorporating environmental and social issues into their policies; he then expressed our willingness and readiness to join leading central banks in this process. I would like to once again reiterate NBG's commitment to facilitating and supporting the transition to sustainable finance and greening the economy. This includes redirecting the private capital to more sustainable investment projects. This is necessary if we want to develop more sustainable economic growth, ensure the stability of the financial system and foster more transparency and long-termism in the economy.

I hope our collective efforts will be fruitful in achieving a common goal – a safer, greener, and more inclusive world for all.