

Michael Atingi-Ego: Launch of the ESG Framework for the Banking Industry

Remarks by Mr Michael Atingi-Ego, Deputy Governor of the Bank of Uganda, at the launch of the ESG Framework for the Banking Industry, Kampala, 4 June 2024.

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CEOs, esteemed guests, distinguished colleagues, ladies and gentlemen - good morning to you all.

It is an honour to address this esteemed gathering of leaders and bankers committed to shaping a sustainable future for Uganda's banking sector. Today, we witness a milestone as we launch the environmental, social, and governance (ESG) Framework for the Banking Industry. This pioneering initiative will transform our collective approach to promoting best practices in ESG matters.

The urgency of sustainability cannot be overstated. Our planet faces unprecedented challenges, from climate change to resource depletion and social inequalities. The financial sector, a cornerstone of our economy, must lead the charge in addressing these pressing issues. By integrating ESG considerations into our strategies and operations, we can mitigate risks, unlock new opportunities, and drive positive societal impact.

The Ugandan banking sector is uniquely positioned to catalyze sustainable economic activities and foster responsible business practices. Through lending decisions, investment strategies, and operational practices, you wield the power to redirect capital towards renewable energy, clean technologies, green infrastructure, and social impact initiatives. This contributes to long-term financial stability and fosters positive societal impacts.

Furthermore, by investing in research, development, and innovation, we can accelerate solutions to sustainability challenges. Leveraging cutting-edge technologies like artificial intelligence, blockchain, and big data can improve data collection, transparency, and risk management in sustainable finance.

At the Bank of Uganda, we recognize the vital role we play in promoting sustainability and addressing climate change. To demonstrate our unwavering commitment, we integrated sustainability, ESG, and climate change into our Strategic Plan (SP2022-2027).

Our mission statement now reads: "To promote price stability and a sound financial system in support of socio-economic transformation in Uganda." This change reflects our understanding that beyond price and financial stability, we must support socio-economic transformation, aligned with National Vision 2040.

In line with this commitment, we aim to become a Sustainability Certified and have enrolled in the Sustainability Standards and Certification Initiative (SSCI) by the European Organisation for Sustainable Development (EOSD).

Also, we collaborated with the Uganda Bankers' Association (UBA) to develop and establish the Industry ESG Framework for the banking sector, including an ESG reporting template and indicators we are launching today.

You may recall that in October 2022, we conducted a survey to understand the financial sector's approach to ESG sustainability. While a strong interest was evident - with nearly all institutions responding - a lack of consistency emerged. ESG's meaning varied, with a focus primarily on inclusivity and environmental issues.

This highlighted the need for clear direction. To achieve measurable progress and assess the industry's impact, a unified approach with policy guidance and capacity building is crucial.

The Industry ESG Framework directly addresses this need. It promotes a holistic and harmonized approach, ensuring measurable benefits for the sector and, ultimately, economic transformation. This framework signifies our commitment to embedding ESG principles within the financial sector, driving positive change.

The framework will guide our SFIs in embedding ESG principles into their governance structures, risk management processes, product offerings, and reporting practices. It will foster transparency, accountability, and a shared understanding of our sustainability commitments.

The framework offers a unified approach for ESG integration across the banking sector. However, individual institutions seeking international sustainability certification are strongly encouraged to do so. This pursuit strengthens sustainability efforts and enhances the resilience of SFIs.

As you are aware, this ESG Framework we are launching today is a culmination of extensive consultations and benchmarking against international standards and best practices. It has been contextualized to the Ugandan environment, laying a strong foundation for achieving the sustainability goals of the banking sector.

As we forge ahead on this transformative journey, successful implementation of the ESG Framework requires our collective commitment and collaboration. It is imperative that we:

- Develop an ESG taxonomy: Establish a credible and transparent common language defining sustainability in our sector, addressing the risk of greenwashing.
- Continuously review the ESG Framework: Ensure its relevance and alignment with the dynamic operating environment.
- Standardize ESG reporting: Create a reporting framework that sets clear requirements for institutions based on ESG maturity, aiming for standardization across all banks.

With the support of our partners, including aBi Finance, in developing comprehensive curricula and the Uganda Institute of Banking and Financial Services (UIBFS) in training, we can gain the momentum needed for successful implementation.

As I end my remarks, I must reiterate that it is imperative to recognize the critical role the financial sector plays in driving sustainable economic development.

His Excellency, The President, emphasized that "the financial sector is key to sustainable economic development through mobilizing and using domestic savings and investments. Unfortunately, it is not reaching its full potential and is far from bringing prosperity to all Ugandans."

We must address this challenge head-on. By embracing the ESG framework, the financial sector can unlock its true potential and drive national socio-economic transformation. This framework should not just be a guideline, but a call to action- a call to bridge the gap between where we are and where we can be.

Currently, the ratio of domestic credit to the private sector in Uganda stands at a mere 14% of GDP. In contrast, Kenya boasts 32%, and the sub-Saharan Africa average is around 30%. This disparity highlights a significant opportunity for us to improve.

I urge the UBA to take the lead in addressing this gap. By increasing financial deepening, we can ensure that our sector not only matches but exceeds our regional peers. Let us heed the President's vision of leveraging finance to spur economic prosperity for all Ugandans.

Together, through the diligent application of the ESG framework, we can transform our financial sector into a powerful engine for growth and inclusivity. Let us commit to this journey, unlocking the full potential of our domestic savings and investments, and driving Uganda towards a prosperous and sustainable future.

In the words of Luke 12:48b, "From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked." As stewards of the financial sector, we are entrusted with a significant responsibility to steer the sustainability agenda. Let us rise to this challenge with conviction, determination, and a shared vision for a more resilient and sustainable future.

It is now my honour to officially launch the ESG Framework for the banking industry today, 4 June 2024. Together, we can forge a path towards a prosperous, equitable, and sustainable future for Uganda and beyond.

Thank you for listening to me. God Bless!