



# Climate risk management for financial institutions

## Key guidance by the regulators

### Disclosure framework on Climate-related Financial Risks, 2024 (Reserve Bank of India [RBI])

To implement robust climate-related risk management policies and a standardised disclosure framework for FIs to effectively counter climate-related financial risks

01

### Framework for acceptance of Green Deposits, 2023 (RBI)

Provides framework for FIs to accept green deposits and the utilisation thereof in green lending to advance the green finance sector in India

02

### Corporate Governance Regulations, 2024 (IRDAI)

To lay the foundation for assisting Indian insurance companies in integrating climate risk into their risk management processes

03



# Our approach to managing climate-related risks

## Five-step approach

Our comprehensive five-step framework is aligned with requirements of the RBI and leading global practices. This approach empowers institutions to effectively measure, enhance and transparently report their climate risk posture.





## Key offerings in managing climate risk



**Climate strategy:** Formulate the climate-related objectives, including establishing transition plans and assessment of business model and value chain.



**Current state assessment:** Understand an organisation's current status in relation to the requirements of local regulators and global practices to identify areas necessitating action.



**Risk measurement:** Identify sectors and geographies exposed to transition and physical risks and carry out facility-level climate risk assessment to enable credit decisions.



**Measure financed emissions:** Estimate greenhouse gas (GHG) emissions in the loan and investment portfolios of the FI across various sectors in accordance with Global GHG Accounting and Reporting Standard.



**Scenario analysis and impact quantification:** Select the appropriate climate scenario pathways for assessment, devise methodology to model risk parameters, and compute stress test impact to assess portfolio and capital losses.

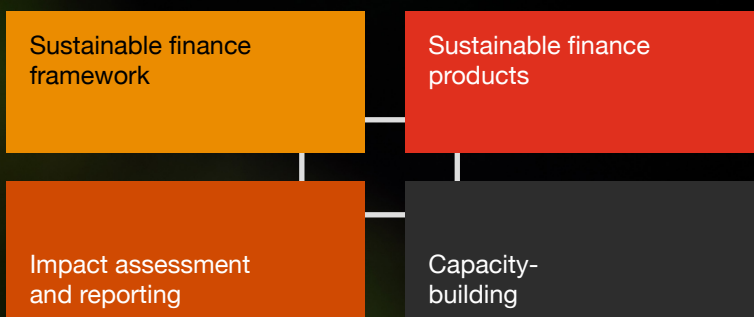


**Dashboard and monitoring:** Define climate-related key risk indicators (KRIs) and develop a dashboard to monitor adoption of climate risk initiatives and outline portfolio sensitivities.



**Climate risk reporting:** Develop a reporting framework for internal and external stakeholders, which is aligned with regulatory and leading global reporting standards to detail the FI's climate risk profile, strategy and adoption.

## Our approach to unlocking your climate-related opportunities



Climate change not only poses risks but also presents opportunities in the form of sustainable finance. It is one of the key opportunity areas for FIs towards enhancing their long-term resilience, meeting regulatory requirements and capturing new market opportunities.

### 01 Sustainable finance framework

Development of the sustainable finance framework to enable the receipt of green deposits and the deployment of funds towards sustainable lending opportunities

### 02 Sustainable finance products

Identifying key areas, sectors and geographies for sustainable finance, setting sector-wide targets and developing suitable financial products based on industry best practices like International Capital Market Association (ICMA) and Loan Market Association (LMA).

### 03 Impact assessment and reporting

Assessing the impact associated with the funds lent for or invested in green finance activities/projects and developing an appropriate reporting mechanism for the same

### 04 Capacity-building

Dissemination of sustainable finance framework to enhance the knowledge, skills and competencies of front office and control teams to effectively integrate sustainability considerations into decision-making

## We work with

Commercial banks

Non-banking financial companies

Asset management companies

Insurance companies

All India financial institutions

## Advantages of working with PwC

### Proven expertise

Delivered 10+ projects in the area across geographies like India, the UAE, Mauritius etc. Our clientele includes some of the largest banks and banking federations.

### Qualified and experienced team

Experienced team of risk professionals who are sustainability and climate risk certified, and have worked with multiple FIs to develop climate risk and sustainable finance practices.

### Ready-to-use templates

Developed readily usable templates for policies, scorecards, sensitivity assessment and scenario analysis for quick implementation.

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