

### Key guidance by the regulators

Disclosure framework on Climaterelated Financial Risks, 2024 (Reserve Bank of India [RBI])

To implement robust climaterelated 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.

01	02	03	04	05
Baselining	Strategy	Governance	Risk identification and management	Reporting and monitoring
Scoping	Climate strategy	Board and senior management	Climate risk sensitivity	KPI development
Identifying which portfolios, risks and	Defining your short-, medium- and	overview	assessment	Identifying the key metrics and targets
standards should be addressed	long-term climate objectives	Constitutes the governance structure	Assessing the exposure of your	commiserate with your strategy
Status quo assessment	Net zero baselining and target setting	and committees for effectively managing climate risks and	portfolio to physical and transition risks	Impact assessment and third-party
Knowing where your	Estimating the	opportunities	Climate risk rating model	review
existing policies and procedures are viz-à-viz current and	financed emissions of the portfolio and providing sector-	Roles and responsibilities	Incorporating	Estimating the impact your actions have had in limiting your
evolving external regulations	specific emission reduction roadmaps	Defining the terms of reference of the	assessment in evaluating your	carbon footprint
Benchmarking and	Sustainable finance framework	committees, teams and key personnel	prospective clients	Dashboarding and reporting
gap identification  Identifying gaps in	Developing	Capacity-building	Scenario analysis and stress testing	Interactive and intuitive reporting
the existing policies and providing	sustainable finance framework and	Developing climate risk management	Helps in quantifying the impact on the	mechanism to monitor portfolio and
recommendations for best practices	identifying financing opportunities aligned with your strategy	department within the Chief Risk Officer (CRO) function	portfolio across various climate pathways	adoption of climate risk measures



#### 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

Sustainable finance framework

Sustainable finance products

Impact assessment and reporting

Capacitybuilding 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 Fls 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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