

# Guidelines on Environmental Risk Management

Co-created with Financial Institutions and Industry Associations



## Objectives



Financial institutions that are resilient to environmental risk



Financial sector that supports the transition to an environmentally sustainable economy



## Entities Covered

- Banks and finance companies
- Insurers
- Asset managers



### Effective governance

- Establish **Board and senior management oversight** of environmental risk management policies and practices
- Incorporate environmental considerations into **strategies, business plans and product offerings**
- Set **clear roles and responsibilities**, with adequate resources allocated to managing environmental risk



### Robust risk management

- Conduct **environmental risk assessment** of customers and investments, with enhanced due diligence for higher risk transactions
- Develop **tools and metrics to assess environmental risk exposures**, including capabilities in scenario analysis and stress testing
- **Improve customers'/investees' environmental risk profile** and shape positive behaviour



### Meaningful disclosure

- **Disclose approach to managing environmental risk**, and impact of material environmental risk
- **Take reference from international reporting frameworks**, including Taskforce on Climate-related Financial Disclosures (TCFD) recommendations
- **Review disclosures regularly** to improve comprehensiveness, clarity and relevance

For more information, refer to press release

