HONG KONG MONETARY AUTHORITY
香港金融管理局

# Common Assessment Framework on Green and Sustainable Banking

*For the position as at 31 December 2019*

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|---|---|
| **Name of Reporting Institution** | |
| **Contact Person** | |
| **Post Title** | |
| **Telephone Number** | |
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**Approved by**

**Signature**
**(on hard copy or electronically)** : _____
(Signature of Chief Executive or Alternate Chief Executive)

**Name** : _____

**Date** : _____

(version 20.01)

## Completion Instructions

1. The framework assesses an institution's readiness and preparedness in addressing climate (both physical and transition) and environment-related risks. It collects information surrounding 20 sub-elements grouped under six elements. These elements and sub-elements represent the major areas on which an institution would focus in addressing climate and environment-related risks, and are usually found in those standards / initiatives / recommendations of international bodies and regulators of other jurisdictions[1].

| Key elements | | Sub-elements | |
|---|---|---|---|
| 1 | Governance | 1 | Board and senior management oversight |
| | | 2 | Roles and responsibilities |
| 2 | Corporate planning and tools | 3 | Strategic plan |
| | | 4 | Business plan |
| | | 5 | Financial plan |
| | | 6 | Scenario analysis |
| | | 7 | Stress testing |
| 3 | Risk management process | 8 | Identification |
| | | 9 | Measurement |
| | | 10 | Monitoring |
| | | 11 | Reporting |
| | | 12 | Control and mitigation |
| 4 | Business policies, products and services | 13 | Lending |
| | | 14 | Investment |
| 5 | Performance and resources | 15 | Indicators |
| | | 16 | Targets |
| | | 17 | Staff capacity |
| | | 18 | Data collection and processing |
| 6 | Disclosure and communication | 19 | Disclosure |
| | | 20 | Communication |

2. The framework is a self-assessment to be conducted by the institution. Upon request, institutions should be able to provide evidence in support of their responses provided in the assessment. Meanwhile, institutions are encouraged to elaborate their approach in addressing climate and environment-related risks to facilitate the HKMA's understanding in that regard. In completing the assessment, institutions should not just respond from the perspective of reputational risk only, instead

[1] For example, "TCFD recommendations and implementation guidance" issued by the Task Force on Climate-related Financial Disclosures, "Green Credit Guidelines" issued by the China Banking and Insurance Regulatory Commission and Supervisory Statement 3/19 "Enhancing banks' and insurers' approaches to managing the financial risks from climate change" issued by the UK Prudential Regulation Authority.

they should focus on the financial risks (e.g. credit risk and market risk) associated with climate and environment-related issues. The completed self-assessment should be approved and signed by the Chief Executive or the Alternate Chief Executive.

3. The key terms used in the framework can be interpreted as follows, in line with the definitions provided by the Central Banks and Supervisors Network for Greening the Financial System ("NGFS")[2]:

   (a) Climate-related risks[3]: the risks posed by the exposure of financial firms and/or the financial sector to physical or transition risks caused by or related to climate change (such as damage caused by extreme weather events or a decline of asset value in carbon-intensive sectors);

   (b) Environmental risks: the risks posed by the exposure of financial firms and/or the financial sector to activities that may potentially cause or be affected by environmental degradation (such as air pollution, water pollution and scarcity of fresh water, land contamination, reduced biodiversity and deforestation);

   (c) Physical risk: it is categorized as acute when it arises from climate and weather-related events, such as droughts, floods, storms and sea-level rise and chronic when it arises from progressive shifts in climate and weather patterns such as increasing temperatures. It comprises impacts directly resulting from such events and shifts, such as damage to property or reduced productivity, and also those that may arise indirectly through subsequent events, such as the disruption of global supply chains; and

   (d) Transition risk: it is the financial risk which can result from the process of adjustment towards a lower-carbon economy prompted, for example, by changes in climate policy, technology or market sentiment.

4. Institutions should complete the assessment on a Hong Kong office basis. Except for the element "governance" where specific instruction is provided, for institutions which are foreign bank branches or locally incorporated subsidiaries of foreign banks, their responses could be based on their head office/parent bank/group level's policy/setup/practice, as long as such policy/setup/practice is also applicable to, and adopted in, the operation of the Hong Kong office[4].

5. The framework consists of two types of questions - assessment questions and additional questions. Institutions are required to answer all assessment questions and should provide their responses in accordance with the specific instructions for each question. The examples quoted in the specific instructions are for reference. Institutions should reply in line with the examples where applicable, or provide other examples as appropriate.

6. The additional questions are mainly to collect quantitative information when an institution's response to certain assessment questions is affirmative (i.e. it has made certain progress in respect of that sub-

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[2] Please refer to *First Comprehensive Report - A call for action - Climate change as a source of financial risk* (section 1.1) and *First Progress Report* of the NGFS.

[3] In this framework, "climate-related risks" and "climate risks" are used interchangeably.

[4] For example, if any head office / parent bank-level climate and environmental risks management policy is implemented in the Hong Kong branch or the locally incorporated subsidiary of foreign bank, the institution may complete in this assessment based on such policy, or those parts of the policy which apply to Hong Kong operation as appropriate.

element). Institutions should provide relevant breakdown or figures on the basis of climate risks (both physical and transition risks) and broader environmental risks respectively. Otherwise, please specify in the response (e.g. only physical risks are covered).

7. For those institutions which have made disclosures in accordance with frameworks or standards such as TCFD about the requested information in this assessment framework, they may rely on the disclosed information, provided that the position date of the disclosed information is not older than nine months of the date requested by this framework. In such case, the institution should indicate clearly in the response the adopted position date.

8. Apart from answering the assessment and additional questions, institutions are also required to report its stage of development with respect to each sub-element, in a scale from 0 to 3, for climate risks and broader environmental risk separately. For climate risks, the stages "1" to "3" should only be assigned when the institution has factored in or planned to factor in **both** physical risk and transition risk for that sub-element[5]. The general meaning of each stage is as follows. Institutions should refer to the framework for a detailed specific description for each stage of for each sub-element:

| General meaning of each stage[6] | |
|---|---|
| 0 | Not yet started |
| 1 | Concrete plan |
| 2 | Acting in progress as planned |
| 3 | Monitoring the progress with ongoing enhancement |

9. Please submit the completed template in word format (i.e. docx) by email to gsf@hkma.iclnet.hk. For template signed in hardcopy, please mail to: Banking Policy Division (Attn: Mr Leo Lai), Hong Kong Monetary Authority, 55/F Two International Finance Centre, Central, Hong Kong.

[5] This does not apply to environmental risks.

[6] The framework has not ruled out the possibility that an institution may have assessed climate and environmental risks to have no material impact, having regard to its business model. If this is the case, the institution should indicate this in the response and provide the supporting analysis.

## Assessment Questions

### A. Governance[7]

**A1. Board and senior management oversight**

**Question: Do the board and senior management exercise oversight on how the institution manages climate risks and broader environmental risks?**

| **Stage** | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | Board and senior management have not yet exercised oversight on the respective climate and environmental risks (hereafter referred to as "respective risks"). | | | |
| | 1 | Board and senior management have planned (with concrete timeline) to carry out measures for exercising oversight on the respective risks. | | | |
| | 2 | Board and senior management are overseeing the respective risks in accordance with established framework. | | | |
| | 3 | Board and senior management have been overseeing the respective risks. In exercising such oversight, the board and senior management have made impact to the institution in various aspects such as the six key elements of this assessment framework. The effectiveness of such oversight has been reviewed, and enhanced as appropriate, having regard to the institution's achievement and progress. | | | |

***Response:*** *[if yes (i.e. for a stage of "2" to "3"), please also respond to A3.1 to A3.3]*

**[Instructions:**

- If yes (i.e. for stage "2" to "3"), please explain the practice. Explanation can be provided in context of the following:
  - the process for the board and senior management to enhance their understanding and to assess the climate and environmental risks faced by the institution
  - establishment of any dedicated committee / functions at board or senior management level to facilitate such oversight and its composition
  - the related work in relation to setting strategies or targets?
  - the process for informing the board and senior management?
- If no (i.e. for a stage of "0" or "1"), is there any reason? Is there any plan within the coming 3 years?**]**

[7] The questions on governance are intended to collected information about the governance for the Hong Kong office. For institutions which are foreign bank branches, they should refer to the head office (rather than holding company) to the extent that operation of the Hong Kong office is covered (e.g. where the senior management of its head office is responsible for such areas of the Hong Kong office). If considered appropriate and as supplementary information, they may also provide information pertaining to the holding company. For institutions which are locally incorporated subsidiaries of foreign banks, they should refer to the local board and senior management. If considered appropriate and as supplementary information, they may also provide information pertaining to the parent banks or holding company.

## A. Governance

| A2. Roles and responsibilities | | | | | | |
|---|---|---|---|---|---|---|
| **Question: Do the roles and responsibilities of the institution's board and senior management explicitly cover climate risks and broader environmental risks?** | | | | | | |
| **Stage** | | Climate risks | | Environmental risks | | |
| **Stage description** | 0 | Roles and responsibilities of the board and senior management do not explicitly cover the respective risks. | | | | |
| | 1 | Roles and responsibilities are planned (with concrete timeline) to explicitly cover the respective risks. | | | | |
| | 2 | Roles and responsibilities explicitly cover the respective risks. The board and senior management are now performing such roles. | | | | |
| | 3 | Roles and responsibilities explicitly cover the respective risks. Experience has been accumulated for assessing the adequacy of such roles and responsibilities for effective oversight on the institution's management of the respective risks. Enhancements have been considered. | | | | |

***Response:*** *[if yes, please also respond to A3.1 to A3.3]*

**[Instructions:**

- If yes, please explain (i) how this is evidenced, e.g. as specified in any relevant mandate / terms of reference / job descriptions or board minutes; and (ii) the relevant roles and responsibilities in detail. For senior management, please specify the seniority of those senior management staff members with such roles and responsibilities.
- If no, is there any reason? Is there any plan within the coming 3 years?]

## Additional Questions[8]

*A3.1 to A3.3 should be completed only if the answer to A1 or A2 is affirmative]*

| A. Governance | | |
|---|---|---|
| A3.1 | Frequency of board meetings in the past 12 months where members discussed and were informed about the respective risks<br>*[e.g. regularly at least quarterly / semi-annually / annually or as needed]* | *(please add rows as appropriate)* |
| A3.2 | Number or percentage of board members received training[9] in the respective risks as in the past 12 months | |
| A3.3 | Number or percentage of senior management received training in the respective risks in the past 12 months | |

[8] For additional questions, the responses should cover both climate risks (both physical risk and transition risk) and environmental risks. Otherwise, please indicate in the response (e.g. only climate risks are covered).

[9] Training is not restricted to instructor-led classroom training, but also includes seminars, workshops, or roundtables organized by internal or external parties (e.g. regulators, consultants, etc).

## Assessment Questions

| B. Corporate planning and tools | | | | | |
|---|---|---|---|---|---|
| **B1. Strategic plan** | | | | | ***Response:*** |
| **Question: Does the institution incorporate climate risks and broader environmental risks into its strategic planning process[10]?** | | | | | **[Instructions:**<br>➢ If yes, please explain how they are integrated and provide examples. The explanation may cover, for instance, in the formulation of strategy, target or risk appetite (e.g. strategic alliances, mergers and acquisitions), whether consideration has been given to climate risks and broader environmental risks, and if so, the issues considered and their impact.<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Stage** | | Climate risks | | Environmental risks | |
| **Stage description** | 0 | The institution does not yet have a plan to incorporate the respective risks into its strategic planning process. | | | |
| | 1 | The institution has planned (with concrete timeline) to incorporate the respective risks into the institution's strategic planning process. | | | |
| | 2 | The institution has incorporated the respective risks into its strategic planning process through which the institution is driving behaviour changes across the institution. | | | |
| | 3 | The institution has incorporated the respective risks into its strategic planning process. The institution has been monitoring the implementation of the relevant strategy and evaluating whether the evolving impacts of the respective risks warrant any revision to the strategy. | | | |

[10] In this question, strategic plan refers to the institution's "corporate strategy", which, as explained in SPM module SR-1, concerns a bank's overall purpose and development, and the approach to its strategic intent or vision.

## B. Corporate planning and tools

**B2. Business plan**

**Question: Does the institution incorporate climate risks and broader environmental risks into its business plans[11]?**

| **Stage** | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | The institution does not yet have a plan to take into account the respective risks in its business planning process. | | | |
| | 1 | The institution has planned (with concrete timeline) to take into account the respective risks in its business planning process. | | | |
| | 2 | The institution has taken into account the respective risks in its business plans. Business units are implementing such plans. | | | |
| | 3 | The institution has taken into account the respective risks in its business plans. The institution has been monitoring the implementation of the relevant plan and evaluating whether the evolving impacts of the respective risks warrant any revision to the plan. | | | |

***Response:***

**[Instructions:**

- If yes, please explain how they are integrated and provide examples. The explanation may cover (i) the areas which are considered to be impacted by climate and environmental risks and (ii) how business plans are formulated to address the relevant risks, in terms of the following
  - Business lines
  - Sector or activities
  - Products or services
- If no, is there any reason? Is there any plan within the coming 3 years?]

[11] In this question, business plan refers to the institution's "business strategy", which, as explained in SPM module SR-1, is concerned with how a bank can gain competitive business advantage, which products or services the institution should offer to customers, or which markets the institution should operate in. This level of strategy relates more to the affairs of particular business units than to the bank as a whole.

## B. Corporate planning and tools

| B3. Financial plan | | | | | | Response: |
|---|---|---|---|---|---|---|
| **Question: Does the institution incorporate climate risks and broader environmental risks into its financial planning?** | | | | | | **[Instructions:**<br>➢ If yes, please explain (i) how climate risks and broader environmental risks are considered in the financial planning process; (ii) how they are reflected in the financial plan? For instance, explanation may be provided in respect of the impact on financial planning in the following areas:<br>✧ operating costs and revenues<br>✧ capital expenditures and capital allocation<br>✧ acquisitions or divestments<br>✧ expenditures in research or development<br>✧ access to capital or funding<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Stage** | | Climate risk | | Environmental risks | | |
| **Stage description** | 0 | The institution does not yet have a plan to incorporate climate and environmental risks into its financial planning process. | | | | |
| | 1 | The institution has planned (with concrete timeline) to incorporate climate risks into its financial planning process. | | | | |
| | 2 | The institution has incorporated climate risks into its financial planning process and is implementing relevant plans. | | | | |
| | 3 | The institution has incorporated both climate risks and broader environmental risks into its financing planning process. The institution has been monitoring the implementation of the relevant plan and evaluating whether the evolving impacts of the respective risks warrant any revisions to the plan. | | | | |

## B. Corporate planning and tools

**B4. Scenario analysis**

**Question: Does the institution conduct scenario analysis to assess the impact of climate risks (physical risks and transition risks) and broader environmental risks?**

| **Stage** | | Climate risk | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | The institution does not yet have a plan to conduct scenario analysis in context of the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to conduct scenario analysis in context of the respective risks. | | | |
| | 2 | The institution has conducted scenario analysis to understand the potential impact of the respective risks. | | | |
| | 3 | The institution conducts scenario analysis which incorporates the respective risks. The methodology of the analysis has been reviewed from time to time to ensure the adequacy (e.g. in terms of the adequacy of assumptions, comprehensiveness of scenarios, or whether new and emerging issues have been properly taken into account). | | | |

***Response:*** *[if yes, please also respond to B6.1 to B6.5]*

**[Instructions:**

- If yes, please explain (i) the relevant process and details of the analysis (including the number of scenarios or pathways, basic description of each scenario or pathway, time horizon, scope (e.g. sector, loans portfolio, investment portfolio, business operation, etc.) and the assessed impact) and (ii) how the results are used in the planning process of the institution?
- If no, is there any reason? Is there any plan to incorporate relevant risks into the scenario analysis within the coming 3 years?]

## B. Corporate planning and tools

| B5. Stress testing | | | | | | Response: *[if yes, please also respond to B6.1 to B6.5]* |
|---|---|---|---|---|---|---|
| **Question: Apart from scenario analysis, does the institution incorporate climate risks and broader environmental risks in its stress testing exercise[12]?** | | | | | | **[Instructions:**<br>➢ If yes, please (i) provide details, such as how they are incorporated and briefly describe the most recent stress testing results; and (ii) explain how the results are used in the planning process of the institution<br>➢ If no, is there any reason? Is there any plan to incorporate relevant risks and issues into the stress testing exercise within the coming 3 years?] |
| **Stage** | | Climate risk | | Environmental risks | | |
| **Stage description** | 0 | The institution does not yet have a plan to the respective risks into its stress testing exercise. | | | | |
| | 1 | The institution has planned (with concrete timeline) to incorporate the respective risks into its stress testing exercise. | | | | |
| | 2 | The institution has incorporated the respective risks into its stress testing exercise. | | | | |
| | 3 | The institution conducts stress tests which incorporate the respective risks. The stress testing programmes are reviewed from time to time to ensure that the methodologies and assumptions therein are adequate with respect to the respective risks. | | | | |

[12] This framework is intended to capture all types of tests for resilience to climate and environmental risks. Scenario analysis can be broadly considered as a type of test for the resilience of an institution to stressful situation, albeit the stress would manifest over a long time horizon. On the other hand, traditional stress testing methodology focuses on a shorter period of stress.

## Additional Questions

*[B6.1 to B6.5 should be completed only if the answer to B4 or B5 is affirmative]*

| B. Corporate planning and tools[13] | | |
|---|---|---|
| B6.1 | Time horizon (forecast period) of scenario analyses and stress tests | *(please add rows as appropriate)* |
| | ✧ For loan portfolio | |
| | ✧ For investment portfolio | |
| B6.2 | Number of scenarios used in scenario analyses and stress tests | |
| B6.3 | Business lines / portfolios covered in scenario analyses and stress tests | |
| B6.4 | Number of scenario analyses conducted in the past 3 years | |
| B6.5 | Number and scale of stress tests conducted in the past 3 years *[e.g. institution-wide, selected portfolio, business lines or asset classes]* | |

[13] In the following, scenario analyses and stress tests refer to those that have incorporated climate and environmental risk factors.

## Assessment Questions

### C. Risk Management Process

**C1. Risk identification**

**Question: Does the institution carry out measures to understand and identify its exposures to climate risks and broader environmental risks?**

| **Stage** | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | The institution does not yet have a plan to understand and identify the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to carry out measures to understand and identify its exposures to the respective risks. | | | |
| | 2 | The institution has carried out measures to understand and identify the respective risks that may impact the institution. | | | |
| | 3 | The institution has carried out measures to understand and identify the respective risks that may impact the institution. Such measures have been integrated with the institution's existing risk management framework and reviewed from time to time as regards their effectiveness for identifying new and emerging issues which may affect its exposures to the respective risks. | | | |

***Response:*** *[if yes, please also respond to C6.1 to C6.6]*

**[Instructions:**

- If yes, please explain the measures taken for identifying the relevant risks and issues, describe the process in determining the materiality or significance of them to the institution and provide information about any dedicated team that covers the respective risks. If appropriate, the explanation may cover how the institution characterises such risks in the context of traditional risk categories (e.g. credit risk, market risk, etc.)
- If no, is there any reason? Is there any plan within the coming 3 years?]

## C. Risk Management Process

| C2. Risk measurement | | | | | | Response: *[if yes, please also respond to C6.1 to C6.6]* |
|---|---|---|---|---|---|---|
| **Question: Does the institution adopt specific methods[14] or techniques to measure climate risks and broader environmental risks?** | | | | | | **[Instructions:**<br>➢ If yes, please explain (i) the methods or techniques being used (excluding any scenario analysis and stress testing provided in B4 and B5 above), (ii) the relevant model and / or metrics, (iii) the size of the institution's exposures to the relevant risks (e.g. amount or percentage of loan exposures prone to such risks) and (iv) the assessed impacts on the institution's financial position and risk profile.<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Stage** | | Climate risks | | Environmental risks | | |
| **Stage description** | 0 | The institution does not yet have a plan to measure the respective risks. | | | | |
| | 1 | The institution has planned (with concrete timeline) to measure its exposures to the respective risks. | | | | |
| | 2 | The institution has adopted some methods or techniques to measure its exposures to the respective risks. | | | | |
| | 3 | The institution has adopted some methods or techniques to measure its exposures to the respective risks. Such practices have been integrated with the institution's existing risk management framework and reviewed from time to time as regards their effectiveness for measuring the actual and potential impacts of the respective risks to the institution. | | | | |

[14] The methods can be quantitative and / or qualitative by nature.

| C. Risk Management Process | | | | | |
|---|---|---|---|---|---|
| **C3. Risk monitoring** | | | | | ***Response:*** *[if yes, please also respond to C6.1 to C6.6]*<br><br>**[Instructions:**<br>➢ If yes, please elaborate the measures taken for such monitoring (excluding any scenario analysis and stress testing provided in B4 and B5 above), for example, process and party involved, any criteria/threshold used, such as adherence to risk appetite statement and concentration of carbon-related assets in portfolio[15], and frequency.<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Question: Does the institution carry out measures to monitor its exposures to climate risks and broader environmental risks[16]?** | | | | | |
| **Stage** | | Climate risks | | Environmental risks | |
| **Stage description** | 0 | The institution does not yet have a plan to monitor the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to set out measures to monitor its exposures to the respective risks. | | | |
| | 2 | The institution is carrying out measures to monitor its exposures to the respective risks, including established processes to ensure that its exposures to the respective risks are acceptable. | | | |
| | 3 | The institution has been monitoring its exposures the respective risks. Relevant processes have been integrated with the institution's existing risk management framework and reviewed from time to time as regards their effectiveness. | | | |

[15] "Carbon-related assets" is generally considered to refer to assets or organizations with relatively high direct or indirect greenhouse gas emissions.

[16] "Exposures" refer to financial risk exposures associated with climate and environmental issues.

## C. Risk Management Process

**C4. Risk reporting**

**Question: Does the institution's board and senior management regularly receive management information concerning the institution's exposures to climate risks and broader environmental risks?**

| **Stage** | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | The institution does not yet have a plan to report the respective risks to the board or senior management. | | | |
| | 1 | The institution has planned (with concrete timeline) to develop management information reports covering the respective risks to facilitate oversight of the board and senior management. | | | |
| | 2 | The board and senior management regularly receive management information in relation to the institution's exposures to the respective risks. | | | |
| | 3 | The board and senior management regularly receive management information in relation to the institution's exposures to the respective risks. Relevant system has been integrated with the institution's existing risk management framework and reviewed from time to time as regards its effectiveness for capturing, aggregating and reporting the institution's exposures to the respective risks to facilitate oversight of the board and senior management. | | | |

***Response:*** *[if yes, please also respond to C6.1 to C6.6]*

**[Instructions:**

- If yes, please briefly explain what information is covered in the report, for instance:-
  - result from scenarios analysis, or stress testing
  - risk exposures and mitigating actions, if any
- If no, is there any reason? Is there any plan within the coming 3 years?]

## C. Risk Management Process

| C5. Risk control and mitigation | | | | | | Response: *[if yes, please also respond to C6.1 to C6.6]* |
|---|---|---|---|---|---|---|
| **Question: Does the institution carry out measures to control or mitigate the impacts of climate and environmental risks?** | | | | | | **[Instructions:**<br>➢ If yes, please explain such measures.<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Stage** | | Climate risks | | Environmental risks | | |
| **Stage description** | 0 | The institution does not have a plan to control or mitigate the respective risks. | | | | |
| | 1 | The institution has planned (with concrete timeline) to develop measures to control or mitigate the respective risks. | | | | |
| | 2 | The institution has measures to control or mitigate the respective risks. | | | | |
| | 3 | The institution has been carrying out measures to control or mitigate the respective risks. Such practices have been integrated with the institution's existing risk management framework and their adequacy and effectiveness have been reviewed from time to time. The institution is also aware of the potential effects of these control and mitigating measures (such as the enforceability), and have in place appropriate measures to manage the respective risks associated with these measures. | | | | |

**Additional Questions**

*[C6.1 to C6.6 should be completed only if the answer to any questions of C1 to C5 is affirmative.]*

| **C. Risk Management Process** | | |
|---|---|---|
| C6.1 | Risk limits related to climate and environmental risks *[please describe with three examples]* | *(please add rows as appropriate)* |
| C6.2 | Exposures to climate and environmental risks (breakdown in total loans and total investments if available) *[e.g. amount of loans to/investments in carbon-intensive industry]* | |
| C6.3 | Risk models and methodologies *[name of models / methodologies]* | |
| C6.4 | Management information reports *[please give three examples by providing the name and recipient of the reports]* | |
| C6.5 | Loans classified as "green" or "brown" by the reporting institution *[please specify the relevant amount and provide the institution's classification as appropriate]* | |
| C6.6 | Investments held and classified as "green" or "brown" by the reporting institution *[please specify the relevant amount and provide the institution's classification as appropriate]* | |

## Assessment Questions

| D. Business policies, products and services | | | | | |
|---|---|---|---|---|---|
| **D1. Lending policy**[17] | | | | | ***Response:*** *[if yes, please also respond to D4.1 to D4.3]*<br><br>**[Instructions:**<br>➢ If yes, please describe the relevant policy and process, for instance, in what aspect the policy:-<br>✧ governs the credit assessment process by taking into account climate risks and broader environmental risks<br>✧ set any limits or restriction in lending to any sectors or activities that are prone to climate and environmental risks<br>✧ seeks to develop sustainable product for offering<br>➢ If no, is there any reason (e.g. concerning the materiality of the lending portfolio)? Is there any plan within the coming 3 years?] |
| **Question: Does the institution's lending policy have any specific reference to the climate risk and broader environmental risks?** | | | | | |
| **Stage** | | Climate risks | | Environmental risks | |
| **Stage description** | 0 | The institution does not yet have a plan to have, in its lending policy, specific reference to the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to have, in its lending policy, specific reference to the respective risks. | | | |
| | 2 | The institution has revised its lending policy to specifically address the respective risks. Relevant units will act accordingly. | | | |
| | 3 | The institution's lending policy has specific reference to the respective risks. The institution has been monitoring whether the policy properly addresses the evolving impacts of the respective risks, and evaluating the conditions warranting a revision of the policy. | | | |

[17] For the avoidance of doubt, this question is not restricted to any standalone "lending policy" of an institution but also covers any policies concerning the institution's lending businesses.

## D. Business policies, products and services

**D2. Investment policy**[18]

**Question: Does the institution's investment policy have any specific reference to climate risks and broader environmental risks?**

| **Stage** | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | The institution does not yet have a plan to have, in its investment policy, any specific reference to climate and environmental risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to have, in its investment policy, specific reference to climate risks. | | | |
| | 2 | The institution has revised its investment policy to specifically address climate risks. Relevant units will act accordingly. | | | |
| | 3 | The institution's investment policy has specific reference to the respective risks. The institution has been monitoring whether the policy properly addresses the evolving impacts of the respective risks, and evaluating the conditions warranting a revision of the policy. | | | |

***Response:*** *[if yes, please also respond to D4.1 and D4.3]*

**[Instructions:**

- If yes, please describe the relevant policy and process, for instance, in what aspect the policy:-
  - governs the investment selection / decision making process by taking into account climate risks and broader environmental risks
  - set any limits or restriction in investing in any sectors or activities that are prone to climate risks and broader environmental risks
- If no, is there any reason (e.g. concerning the materiality of the investment portfolio)? Is there any plan within the coming 3 years?]

[18] For the purpose of this framework, "investment" refers to the institution's own investment and proprietary trading.

**Additional Questions**

*[D3.1 to D3.3 should be completed only if the answer to any of D1 to D2 is affirmative respectively.]*

| **D. Business policies, products and services** | | |
|---|---|---|
| **D3. Business policies** | | |
| D3.1 | Business policies related to lending and investment which have specific reference to the respective risks *[name of policies]* | |
| D3.2 | Business policies for activities other than lending and investment (e.g. green deposit), which have specific reference to the respective risks *[name of policies]* | |
| D3.3 | Policies which set out restrictions in certain businesses owing to concern in the respective risks *[name of policies]* | |

## Assessment Questions

| E. Performance and resources | | | | | |
|---|---|---|---|---|---|
| **E1. Indicators** | | | | | ***Response:*** *[if yes, please also respond to E5.1]* |
| **Question: Does the institution use any indicators to measure its performance in managing climate risks and broader environmental risks?** | | | | | **[Instructions:**<br>➢ If yes, please (i) list out all the indicators, (ii) explain how they are determined and (iii) describe the methodology used to calculate or estimate the indicators.<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Stage** | | Climate risks | | Environmental risks | |
| **Stage description** | 0 | The institution does not yet have a plan to use or develop indicators to measure its performance in managing the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to use or develop indicators to measure its performance in managing the respective risks. | | | |
| | 2 | The institution has adopted or developed indicators to measure its performance in managing the respective risks. | | | |
| | 3 | The institution has been using indicators to measure its performance in managing the respective risks. The institution has gathered sufficient data for time series analysis, and has considered enhancing these indicators, e.g. in terms of scope, coverage and methodology. | | | |

## E. Performance and resources

### E2. Targets

**Question: Does the institution set any targets in managing climate risks and broader environmental risks?**

| **Stage** | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| **Stage description** | 0 | The institution does not yet have a plan to set targets in managing the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to set certain targets to manage the respective risks. | | | |
| | 2 | The institution has developed certain targets to manage the respective risks. Achievement remains to be seen. | | | |
| | 3 | The institution has been using targets in respect of the respective risks. Some previous targets have been achieved. The institution has regularly reviewed the appropriateness and coverage of the targets. | | | |

***Response:*** *[if yes, please also respond to E5.2]*

[**Instructions:**

- If yes, please (i) list out all the targets, separately under different categories such as lending (or reduction in lending), investment, operation, etc., (ii) explain how they are determined and (iii) describe the methodology used to calculate the target.
- If no, is there any reason? Is there any plan within the coming 3 years?]

## E. Performance and resources

| E3. Staff capacity | | | | | | Response: *[if yes, please also respond to E5.3]* |
|---|---|---|---|---|---|---|
| **Question: Does the institution enhance staff capacity with respect to climate risks and broader environmental risks?** | | | | | | **[Instructions:**<br>➢ If yes, what is the institution's plan or actions taken?<br>➢ If no, is there any reason? Is there any plan within the coming 3 years?] |
| **Stage** | | Climate risks | | Environmental risks | | |
| **Stage description** | 0 | The institution does not yet have a plan to enhance staff capacity with respect to the respective risks. | | | | |
| | 1 | The institution has planned (with concrete timeline) to provide trainings to its staff for capacity building with respect to the respective risks. | | | | |
| | 2 | The institution has arranged capacity building programmes for its staff having regard to the respective risks. | | | | |
| | 3 | The institution has incorporated the respective risks into its on-going capacity building programmes. These programmes have been reviewed from time to time as regards its effectiveness as well as adequacy/sufficiency with respect to new and emerging issues related to the respective risks. | | | | |

## E. Performance and resources

### E4. Data collection and processing

**Question: Does the data management framework of the institution (including data collection and processing) support it to identify, measure, monitor, report, control, or mitigate climate risks and broader environmental risks?**

| **Stage** | Climate risks | | Environmental risks | |
|---|---|---|---|---|

| **Stage description** | | |
|---|---|---|
| | 0 | The institution does not yet have a plan to review/enhance its data management framework to support it to identify, measure, monitor, report, control, or mitigate the respective risks. |
| | 1 | The institution has planned (with concrete timeline) to review/enhance its data management framework to enable it to identify, measure, monitor, report, control, or mitigate the respective risks. |
| | 2 | The institution's data management framework supports it to identify, measure, monitor, report, control, or mitigate the respective risks. Relevant units will rely on such framework in performing risk management functions regarding the respective risks. |
| | 3 | The institution's data management framework supports it to identify, measure, monitor, report, control, or mitigate the respective risks. Taking into account the experience accumulated in relying on such framework in performing risk management functions regarding the respective risks, the framework has been enhanced from time to time to facilitate the institution's evolving approach to such risks. |

***Response:***

**[Instructions:**

- If yes, please
  - explain how the current data management framework supports the institution to identify, measure, monitor, report, or control & mitigate the respective risks
  - if there is any enhancement or relevant plan, provide details of the enhancement, explain what additional data are collected/processed by the framework, and how the enhancement supports the institution approaches to managing the respective risks
  - describe any measures taken to address any potential data gap
- Any challenges encountered with respect to potential data gap, including those where collective action is required? What specific data are needed?
- If no, is there any reason? Is there any plan within the coming 3 years?]

**Additional Questions**

*E5.1, E5.2 and E5.3 should be completed only if the answer to E1, E2 and E3 is affirmative respectively.*

| **E5. Performance and resources** | | |
|---|---|---|
| E5.1 | Indicators for measuring the institution's performance in managing the respective risks *[please give an example for each of the following by providing a short description of the indicators and relevant number / amount]* | *(please add rows as appropriate)* |
| | ✧ With respect to loans | |
| | ✧ With respect to investment (of the reporting institution) | |
| | ✧ General operation *(e.g. scope 1/2/3 emission, consumption of energy, water, paper)* | |
| E5.2 | Targets set by the institution in managing climate risks and broader environmental risks *[please give an example for each of the following by providing a short description of the targets and relevant number / amount]* | |
| | ✧ With respect to loans | |
| | ✧ With respect to investment (of the reporting institution) | |
| | ✧ General operation *(e.g. scope 1/2/3 emission, consumption of energy, water, paper)* | |
| E5.3 | Number and percentage of staff received training[19] to enhance knowledge in respect of climate and environmental risks in the past 12 months | |

[19] See Footnote 14.

## Assessment Questions

| F. Disclosure and communication | | | | | |
|---|---|---|---|---|---|
| **F1. Disclosure** | | | | | ***Response:*** *[regardless of the response, please also respond to F3.1 to F3.2]*<br><br>**[Instructions:**<br>➢ If yes, please describe what information the institution discloses and provide the link to such disclosure for reference<br>➢ If no, is there any reason? Is there any plan to make such disclosure in the coming 3 years (e.g. follow other disclosure requirements on sustainability e.g. Global Reporting Initiative or HKEx ESG reporting requirements?)] |
| **Question: Does the institution disclose information following recommendations and supplementary guidance published by the FSB Task Force on Climate-related Financial Disclosure (TCFD)?** | | | | | |
| **Stage** | | Climate risks | | Environmental risks | |
| **Stage description** | 0 | The institution does not yet have a plan to disclose information in accordance with TCFD recommendations. | | | |
| | 1 | The institution has planned (with concrete timeline) to become a supporter of TCFD or to disclose information in accordance with TCFD recommendations. | | | |
| | 2 | The institution is taking steps to implement certain TCFD recommendations and has made relevant disclosures accordingly. | | | |
| | 3 | The institution has implemented all applicable TCFD recommendations and made relevant disclosures. The institution has regularly reviewed or enhanced its disclosures. | | | |

## F. Disclosure and communication

### F2. Communication

**Question: Apart from disclosure, does the institution communicate, both internally and externally, its approach to managing climate risks and broader environmental risks?**

| Stage | | Climate risks | | Environmental risks | |
|---|---|---|---|---|---|
| Stage description | 0 | The institution does not yet have a plan to communicate its approach in managing the respective risks. | | | |
| | 1 | The institution has planned (with concrete timeline) to communicate, both internally and externally, its approach in managing the respective risks. | | | |
| | 2 | The institution is taking steps to communicate, both internally and externally, its approach in managing the respective risks. | | | |
| | 3 | There have been on-going communications, both internal and external, as regards the institution's approach to managing the respective risks. Such communications, including their content, channel and frequency, have been reviewed and enhanced from time to time. | | | |

***Response:*** *[if yes, please also respond to F3.3 and F3.4]*

**[Instructions:**

- If yes, please specify the channel, frequency, topic of such communication, both internal and external.
  - Internal parties may include employee and investors, etc.
  - External parties may include customers, borrowers, suppliers, public, academics, non-government organisation, regulator, etc.
- If no, is there any reason? Is there any plan within the coming 3 years?]

**Additional Questions**

*[F3.1 and F3.2 should be completed. F3.3 and F3.4 should be completed only if the answer to F2 is affirmative.]*

| **F. Disclosure and communication** | | |
|---|---|---|
| **Disclosure** | | *(please add rows as appropriate)* |
| F3.1 | Adoption of disclosure standards in relation to climate and environmental risks<br>*[if applicable, please specify the standards adopted (e.g. TCFD, or any other standards with respect to the disclosure for environmental risks) and the year of first adoption]* | |
| F3.2 | Additional information planned to be disclosed in relation to climate and environmental risks in the coming three years *[if applicable]* | |
| **Communication** | | |
| F3.3 | Number of key events held in the past 12 months to raise awareness of the respective risks | |
| F3.4 | Event format, audience and scale in respect of the top three as reported in F3.3 above):<br>*[format (e.g. seminar / workshops) and audience (e.g. internal staff / clients / regulator / media)]* | |

**Optional Question**

| **G.** Any other information that the institution would like to provide for the HKMA's consideration, e.g. the institution's efforts and performance in dealing with sustainability issues in general. |
| --- |
| |

**- End -**