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Principles for
Responsible Banking

A Chief Risk Officer's Guide to the Principles for Responsible Banking

September 2026

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About this report

This Guide sets out how Chief Risk Officers can integrate the UN Principles for Responsible Banking (PRB) into existing risk management frameworks. Sustainability events and conditions drive and amplify other risk types: climate change, nature loss, pollution, resource scarcity and social inequality affect credit quality, market valuations, operational resilience and reputation. Supervisory expectations, signatory commitments and stakeholder pressure give banks reason to embed these risk drivers into their day-to-day risk management practices.

The Guide applies the UNEP FI Risk Centre's Conceptual Framework for Sustainability Risk Integration, which sets out seven core elements connecting the PRB to day-to-day risk management: risk strategy, governance, risk appetite, risk taxonomy and scope, risk identification and materiality assessment, risk management actions, and risk monitoring and reporting. It then addresses each of the six PRB Principles (Alignment, Impact & Target Setting, Clients & Customers, Stakeholders, Governance & Culture, and Transparency & Accountability), applying the Responsible Banking Journey's progression from foundational to leading practice and translating it into practical CRO Actions tagged to the relevant core risk element.

A closing set of practical steps sets out a progressive path for embedding the PRB into risk management, from establishing the mandate and mapping exposures, through aligning core risk elements, to using risk and impact analysis to inform capital allocation. The Guide positions the risk function as an enabling partner in delivering PRB commitments, working alongside the sustainability function rather than replacing it.



Acronyms and abbreviations

BCBS	Basel Committee on Banking Supervision
CEO	Chief Executive Officer
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CSRD	Corporate Sustainability Reporting Directive
E&S	Environmental and social
EBA	European Banking Authority
ECB	European Central Bank
Eps	Equator Principles
ERM	Enterprise risk management
ESG	Environmental, social and governance
ESRS	European Sustainability Reporting Standards
FSB	Financial Stability Board
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
IMF	International Monetary Fund
ISSB	International Sustainability Standards Board
KPI	Key performance indicator
NGFS	Network for Greening the Financial System
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PRB	Principles for Responsible Banking
SDGs	Sustainable Development Goals
TCFD	Taskforce on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UNEP FI	United Nations Environment Programme Finance Initiative

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Executive summary

Sustainability is a prudential risk issue: climate change, nature loss, pollution, resource scarcity and social inequality affect credit quality, market valuations, operational resilience and reputation, as section 1 sets out. For the risk function, implementing the Principles for Responsible Banking (PRB) means applying this discipline to sustainability-related risk drivers through the bank's existing risk management framework, rather than running a separate sustainability exercise.

The Principles reinforce what supervisors already expect from a modern risk function: a clear view of how sustainability issues drive financial risk, and disciplined integration of that risk into governance, appetite, controls and reporting. The CRO's contribution centres on independent assessment and challenge, across four areas: bringing risk analysis to sustainability topics to determine financial materiality; building sustainability risk drivers into core risk processes such as taxonomy, appetite and monitoring; providing the controls, data and assurance that let the business identify and manage material risks; and shaping a risk culture that treats sustainability as a driver of prudential soundness. This requires close cooperation between business, sustainability, risk and other control functions, with clear responsibilities across the three lines of defence.

The UNEP FI Risk Centre's Conceptual Framework for Sustainability Risk Integration sets out seven core elements connecting the PRB to day-to-day risk management, each mapping to one or more PRB Principles. Applying them means building sustainability risk drivers into the risk taxonomy and materiality assessment; reflecting relevant commitments in risk appetite; using scenario analysis and stress testing to examine impacts over different time horizons; informing credit assessment and portfolio monitoring; and, where material, feeding residual risks into capital planning and the ICAAP, alongside Board reporting and external disclosures.

- Sustainability risk integration is a risk mandate in its own right: supervisory expectations, signatory commitments and stakeholder pressure all give banks reason to act. Sustainability objectives and prudential considerations will not always align, and some actions create trade-offs involving concentration, risk and return, capital or execution capacity. The risk function's role is to make these trade-offs visible and support informed decision-making, working closely with the sustainability function.
- The Guide then addresses each of the six PRB Principles in turn: Alignment, Impact & Target Setting, Clients & Customers, Stakeholders, Governance & Culture, and Transparency & Accountability. For each, it applies the Responsible Banking Journey's progression from foundational to leading practice, translating that progression into practical implications for the CRO. Each CRO Action is tagged with the core risk element from Table 1 that it most directly affects.

- A closing set of practical steps sets out how to embed the PRB into risk management in three stages: getting started, by establishing the mandate, assessing material exposures and mapping supervisory expectations; aligning core risk elements, by building sustainability drivers into taxonomy, appetite, scenario analysis and reporting; and progressing towards leading practice, by using risk and impact analysis to inform capital allocation, strengthening data and embedding sustainability into risk culture and governance. Banks start from different points depending on their existing frameworks, capabilities and priorities, so the Guide sets out a progressive approach rather than a single implementation model. A hypothetical worked example closes the Guide, following a single issue, deforestation in an agribusiness lending portfolio, to show how the six Principles and the core elements of sustainability risk integration work together on one exposure.

Introduction

Sustainability is a prudential risk issue. Climate change, nature loss, pollution, resource scarcity and social inequality can affect credit quality, market valuations, operational resilience and reputation. Supervisors expect banks to identify these drivers, assess their financial materiality, and embed them into governance, risk appetite, controls, stress testing and reporting, as set out in UNEP FI's (2026) [The Landscape of Sustainability Risk Integration](#) report.

Launched in 2019, the UN Principles for Responsible Banking (PRB) are a globally recognised framework for responsible banking, with 360 signatory banks representing about half of global banking assets. The PRB gives banks a framework for aligning strategy and practice with society's goals while measuring, managing and reporting positive and negative impacts, with direct implications for how a bank identifies material impacts, sets targets, works with clients, engages stakeholders, strengthens governance and demonstrates accountability.

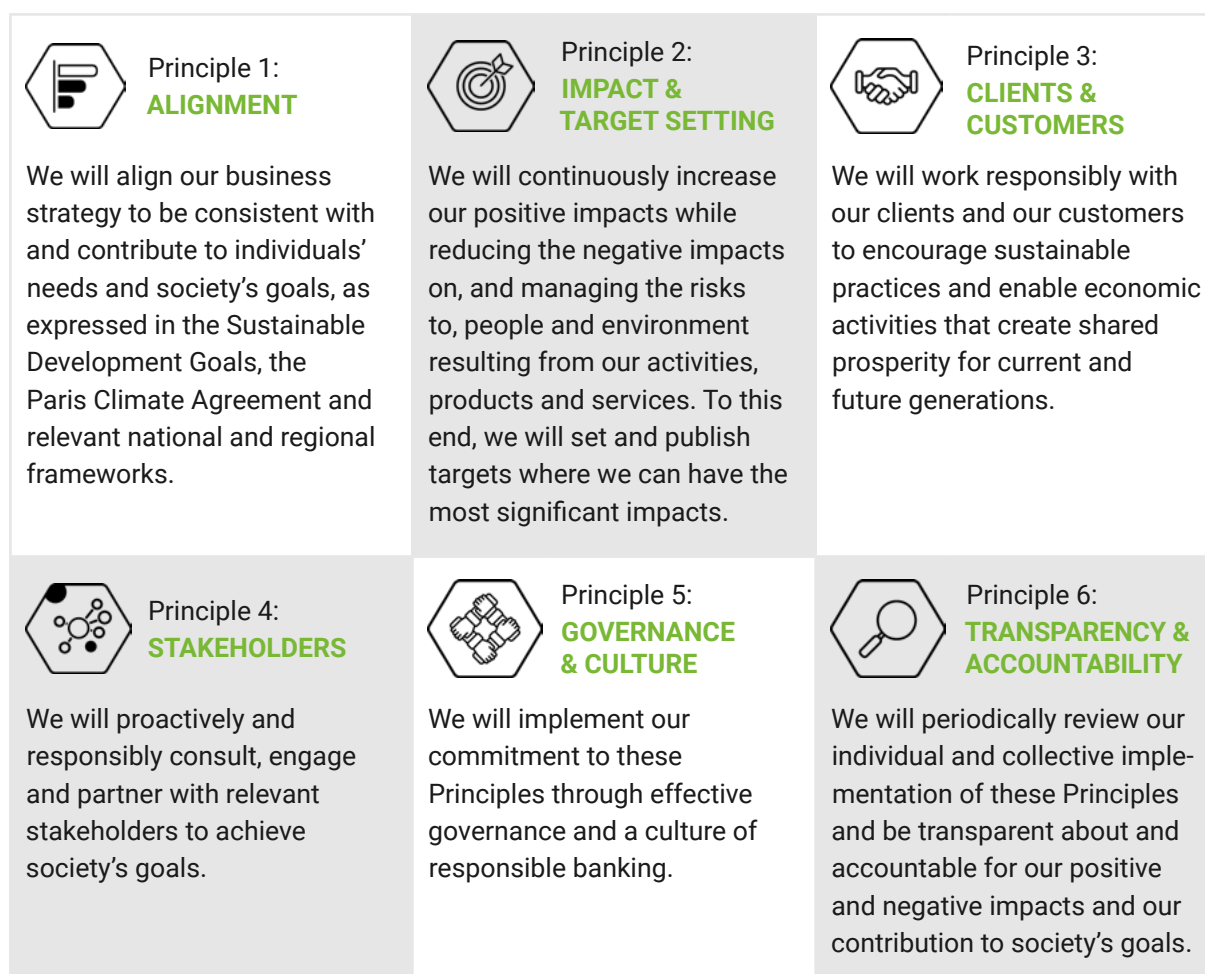


Figure 1: The Principles for Responsible Banking

The PRB is a voluntary framework for responsible banking. Nevertheless, many of its risk management implications overlap with supervisory expectations on material sustainability risks. Banks are responding to this expectation: 71 per cent of UNEP FI member banks consulted in 2026 already operate a sustainability risk integration framework,¹ a further 25 per cent plan to introduce one. PRB signatories are considerably more likely than non-signatories to have adopted sector-specific credit-risk policies for emissions-intensive sectors: 69 per cent of signatories examined had such a policy for power utilities, against 24 per cent of non-signatories, with a comparable gap for mining and oil and gas.² Supervisors report that foundational structures for sustainability risk integration are in place across much of the industry, but that integration into credit risk modelling, expected credit loss calculation, and market, liquidity and operational risk remains limited.

This Guide is a companion to the [Conceptual Framework for Sustainability Risk Integration](#), which sets out the core elements of an effective framework. It takes the PRB and the Responsible Banking Journey as its starting point and sets out the implications for the Chief Risk Officer: how each of the six Principles connects to core risk elements, and the practical contribution risk functions can make to credible implementation. Its purpose is to strengthen delivery of PRB commitments, not to narrow them, applying to impact and target-setting the same rigour the bank applies to its other material exposures. A bank that has fully integrated the PRB into its risk management framework can demonstrate that sustainability considerations and commitments are explicitly incorporated into each of those core elements. At that point, alignment with the PRB strengthens risk management itself, equipping the bank to anticipate change and protect its profitability and resilience over the long term.

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- 1 United Nations Environment Programme Finance Initiative (2026). *The Landscape of Sustainability Risk Integration*. A further 25 per cent of banks consulted plan to introduce a framework, and over 90 per cent indicated that a structured reference framework would benefit their integration efforts.
 - 2 Lee, L-E. and de Melo Silva, G. (2025). *Do commitments matter?* MSCI Sustainability Institute, August 2025. Comparison of 153 PRB signatories with 515 non-signatories assessed on sector-specific credit-risk policies for emissions-intensive sectors, as of July 2025. Cited in United Nations Environment Programme Finance Initiative (2025). Principles for Responsible Banking 2025 Progress Report.



1. Understanding sustainability as a risk driver

Sustainability risks can be understood as environmental, social and governance conditions or events that, if they occur, have negative consequences for a bank and its counterparties. These conditions and events include those induced by the bank and its counterparties as well as those arising independently of them. These conditions and events can emerge gradually or abruptly and can drive and amplify financial risks across short-, medium- and long-term horizons. Time horizons are not fixed periods but depend on how sustainability-related factors develop and translate into financial risk over time.

Sustainability can be understood as a transversal driver and amplifier of existing risk types. As such many banks choose to treat it as a cross-cutting risk in their risk taxonomies, while others define sustainability as a stand-alone risk category in their enterprise risk management frameworks. Whichever approach a bank takes, what matters is that sustainability considerations are integrated into day-to-day risk management, and that the transmission into established risk types is made explicit. Sustainability factors also transmit through risk types that many banks classify as non-financial: strategic risk, where transition or policy shifts undermine a business model; conduct risk, where products are mis-sold against sustainability claims; legal risk, where disclosure or duty-of-care obligations are breached; operational risk, where physical hazards disrupt operations or supply chains; and reputational risk, where lost stakeholder confidence affects funding and client retention. The non-financial label describes where these risks originate, not how severe they are: each can crystallise into credit, market, liquidity or capital consequences. These are prudential risks bearing on the bank's safety and soundness, not risks outside the prudential perimeter.

These effects are already visible in bank and portfolio data. In Pakistan, the 2022 floods drove rural food inflation from 13 to 37 per cent and led to an 825-basis-point rise in the policy interest rate; with only 1 per cent of damages insured, the floods affected both asset quality and the sovereign credit rating (NGFS, 2026). In Brazil, 46 per cent of banks' corporate loan portfolios are concentrated in sectors dependent on ecosystem services from the Amazon, and a collapse in those services could add 9 percentage points to corporate non-performing loans (Calice, Kalan & Miguel, 2021). After the 2021 floods in Germany, banks recorded a contraction in collateral values in affected regions, while values in unaffected regions held steady or improved (NGFS, 2026). Following the 2016 wildfires in Canada, mortgage delinquencies in the affected area rose from 0.59 per cent to over 0.90 per cent within a year, before reverting to pre-event levels over the following 12 to 18 months (NGFS, 2026). In Zambia, the 2023–24 droughts hit agriculture and electricity generation, and food inflation led households to cut health spending by 27 per cent (NGFS, 2026).

Sustainability-related risk drivers, conditions and events are deeply interconnected and mutually reinforcing. Climate change accelerates nature loss through rising temperatures and more frequent extreme weather; nature loss and pollution in turn undermine climate resilience by degrading the ecosystems that absorb carbon and buffer communities against physical impacts, while inefficient use of water, energy and materials accelerates both. These conditions can drive social disruption: displaced populations, food insecurity, lost livelihoods and eroded decent work, all of which can increase losses for banks.

Sustainability changes the severity, timing and distribution of familiar risks. Climate transition can drive credit risk through impairment of carbon-intensive assets, or market risk through repricing. Nature degradation, such as biodiversity loss, can affect collateral values and operational resilience: declining soil health lowers farmland prices, and water stress disrupts business operations. Pollution can drive operational and legal risk through remediation liabilities and tightening discharge limits, while poor resource efficiency raises input costs and exposes borrowers to energy and materials price volatility.

This framing has two implications: it shapes where sustainability considerations are embedded, into existing risk strategy, governance, materiality assessment, appetite and reporting processes rather than parallel structures, and it aligns with supervisory frameworks, which also treat sustainability as a driver of existing risk categories.

Box 1: PRB and the Equator Principles: complementary roles

The Principles for Responsible Banking (PRB) and the Equator Principles (EPs) serve different but complementary purposes. The PRB provides a whole-bank framework for aligning strategy and practice with society's goals, with guidance at strategic, portfolio and transaction levels. The Equator Principles provide a common framework for identifying, assessing and managing environmental and social risks in specified project-related transactions.

For risk professionals, the distinction is important. The PRB provides strategic direction and a broader framework for understanding sustainability-related impacts, risks and opportunities across the bank. The EPs are one of the established mechanisms that can support the management of environmental and social risks at transaction level. They do not, by themselves, provide a framework for integrating sustainability risk across the bank's overall risk management architecture.

UNEP FI and the Equator Principles have co-developed guidance on conducting nature-based risk assessments at the corporate, portfolio and project levels, illustrating how the two frameworks operate together in practice (unepfi.org/publications/nature-based-risk-assessment-integrating-project-related-finance/).



2. The CRO's role in the Principles for Responsible Banking and the Responsible Banking Journey

2.1 Risk's role in the Principles for Responsible Banking

The PRB is a framework for aligning a bank's strategy with society's goals as expressed in the Sustainable Development Goals and the Paris Agreement. Banks pursue that alignment through impact: identifying where they have the most significant positive and negative impacts and setting targets to address them.

PRB alignment matters to the CRO in both directions: risk management supports PRB alignment, and PRB alignment strengthens existing risk management practice, consistent with supervisory expectations that increasingly require sustainability to be integrated into prudential risk management. The Basel Committee's principles on climate-related financial risks.³ The [UNEP FI Landscape of Sustainability Risk Integration](#) shows the increasing expectation of sustainability risk integration across regulatory jurisdictions.

For the CRO, aligning with the PRB means embedding sustainability considerations into the core elements of the bank's risk management framework. It also gives the risk and sustainability teams a basis for working together: translating the bank's PRB impact objectives into the language of risk, capital and resilience. This alignment is particularly valuable when it changes how the bank makes risk decisions. The CRO can consider three effects of sustainability objectives on the portfolio: changes in concentration as exposures are reduced or reallocated; the risk and return profile of sustainable and transition finance; and implications for capital planning where sustainability drivers enter scenario analysis, stress testing or internal capital assessment. These considerations help ensure that sustainability objectives are tested against the bank's existing risk appetite, capital and execution capacity, rather than treated as commitments separate from risk management. Applying the PRB through the existing risk framework can also strengthen risk identification, reveal correlations across sectors and geographies, provide forward-looking inputs to capital planning, and give the bank a more defensible basis for portfolio decisions and public sustainability goals.

3 Climate-related financial risk is currently the most developed example of sustainability risk integration in banking, reflected in the maturity of the regulatory guidance, scenario tools and bank practice referenced throughout this Guide. Nevertheless, the risk-management architecture described here applies across the wider range of sustainability risk drivers the PRB covers, including nature, human rights, pollution, resource efficiency and decent work, though the tools and data available for each are at different stages of development.

The objective of alignment is not to create a parallel sustainability risk process, but to use existing prudential disciplines to make sustainability-related exposures, dependencies and decisions more visible and consistently managed.

2.2 The Principles for Responsible Banking and Responsible Banking Journey

The Responsible Banking Journey translates the six Principles into a practical and progressive pathway for implementation (Figure 2). It includes elements relevant to core risk management: it treats the analysis of impact, risks and opportunities as essential to responsible banking, expects banks to embed sustainability objectives in their management systems and controls, and names risk management among the functions responsible for delivery.

Four sustainability priorities determine where risk attention is concentrated: climate change, nature and biodiversity, healthy and inclusive economies, and human rights. Identified with signatory banks and informed by civil society recommendations, they indicate where ambition matters most and sit at the core of leading responsible banks' strategies, policies and practices.

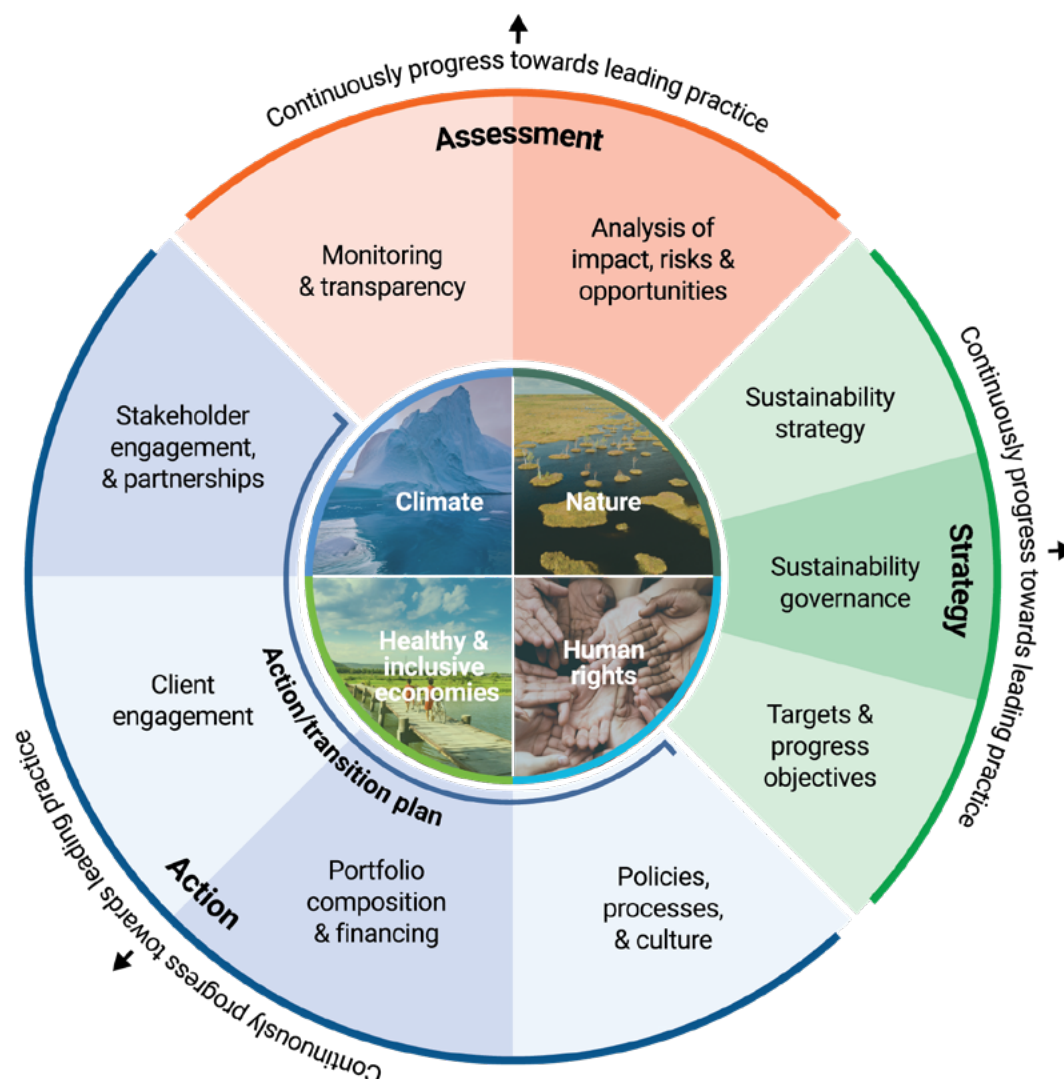


Figure 2: The UNEP FI Responsible Banking Journey'

2.3 How the CRO implements the Principles for Responsible Banking

The CRO's contribution spans four areas, outlined in Figure 3 and detailed Principle by Principle in section 5.

Strengthening the business and financial basis for decision-making The CRO, through the risk team, brings risk analysis to sustainability topics, determining which impacts and exposures are financially material and how they are likely to evolve. That analysis informs the bank's actions, targets and commitments; identification of the bank's most significant impacts remains with the impact analysis carried out under Principle 2 and precedes financial materiality assessment.	Integrating sustainability into core risk elements of risk management The CRO ensures sustainability risks are reflected in the core elements of day-to-day risk management, including risk strategy, governance, risk appetite, risk taxonomy and scope, risk identification, measurement and monitoring, risk management actions and risk monitoring and reporting.
Ensuring resilience and accountability through controls, monitoring and assurance The CRO, through the risk team, ensures the bank has the data, data lineage and data governance to implement sustainability objectives consistently, from monitoring exposures and stress testing through to disclosures that meet supervisory expectations. Ownership of the underlying systems may sit centrally or with the business units.	Cultivating a sustainability-aware risk culture The CRO is the custodian of the bank's risk culture and sets the tone from the top. Embedding sustainability awareness in risk culture lets sustainability ambition and prudential soundness reinforce, rather than compete with, each other.

Figure 3: The CRO's contribution to alignment with the PRB

2.4 PRB-aligned risk management framework

The UNEP FI Risk Centre's⁴ [Conceptual Framework for Sustainability Risk Integration](#) defines the seven core elements through which banks integrate sustainability considerations into day-to-day risk management. Each element maps to one or more PRB Principles, as Table 1 sets out and section 4 develops Principle by Principle. These are the same components banks use to manage other prudential risks, and the PRB asks banks to treat sustainability risks with the same discipline.

Table 1: Mapping Core Risk Elements to the PRB

Core risk element	Relevant PRB Principle(s)
Risk strategy Explicitly addresses how sustainability risk drivers may alter the bank's long-term risk profile and affect the viability of its business model over different time horizons, informed by sustainability stress tests and scenario analysis. Principle 1 asks the bank to align its business strategy with the Sustainable Development Goals and the Paris Agreement, and the risk strategy is where that alignment is tested against the bank's risk profile.	Principle 1: Alignment
Governance Specifies clear ownership, defined decision roles and responsibilities, and appropriate oversight of sustainability risks across committees and the three-lines-of-defence, operationalised through a robust set of policies and an effective control framework. Principle 1 requires alignment to be owned at Board level, Principle 3 requires clear accountability for client-facing decisions, and Principle 5 sets the governance and culture expectations.	Principle 1: Alignment Principle 3: Clients & Customers Principle 5: Governance & Culture
Risk appetite Includes sustainability risk, with quantitative limits and thresholds, such as exposures to high impact sectors and vulnerable geographies, and qualitative statements such as human rights exclusions. Principle 1 alignment informs new business once expressed as limits and thresholds in risk appetite, which is also how Principle 2 targets shape the portfolio over time.	Principle 1: Alignment Principle 2: Impact & Target Setting

⁴ The UNEP FI Risk Centre a UN centre-of-expertise that provides financial institutions with a coherent and practical approach to systematically integrate sustainability considerations into their existing risk management frameworks and practices. The Risk Centre undertakes research and develops knowledge resources to inform various aspects of sustainability risks. The Risk Centre develops tools, methodologies and guidance to help financial institutions understand how sustainability factors affect prudential risk and provides practical support irrespective where they are on their sustainability risk integration journey. More information about the Risk Centre can be found here: <https://www.unepfi.org/risk-centre/>.

Core risk element	Relevant PRB Principle(s)
Risk taxonomy & scope Translates broad sustainability risk drivers into concrete risk categories, clarifies boundaries of application, and provides the common language needed for consistent identification and management of sustainability risk across the bank. Principle 1 alignment depends on a common understanding of which sustainability risks and risk drivers the bank manages and which parts of the business the taxonomy applies to.	Principle 1: Alignment
Risk identification, measurement and materiality assessment Identifies sustainability risk drivers, measures their potential financial impacts, including through measures such as value at risk where methodologies allow, and prioritises those that are material to the bank in defining its risk appetite, control framework and monitoring. The primary prudential lens is financial materiality, informed by impact materiality. Principle 2 portfolio impact analysis identifies where the bank's most significant impacts sit, and Principle 4 brings stakeholder signals into the same assessment.	Principle 2: Impact & Target Setting Principle 4: Stakeholders
Risk management actions Translate materiality findings and risk appetite boundaries into concrete controls, including sector exposure limits, enhanced due diligence, pricing adjustments, covenants, provisioning and client engagement, with material sustainability risks reflected in ICAAP. Principle 2 targets take effect in the portfolio through Principle 3 client engagement, escalation and possible exit, as do Principle 4 stakeholder findings.	Principle 2: Impact & Target Setting Principle 3: Clients & Customers Principle 4: Stakeholders
Risk monitoring and reporting Includes sustainability risk metrics underpinned by the appropriate governance of sustainability risk data, models and analytics. Principle 6 accountability rests on disclosed metrics the risk function can trace to the data and methodology behind its internal risk reporting.	Principle 6: Transparency & Accountability

2.5 The risk case for the PRB

There is a risk case for implementing the PRB. The PRB framework runs through practices and processes that the risk function already owns, and the PRB's expectations in respect of impact analysis, sustainability targets, sector policies and client transition assessments all reshape the portfolio for which the risk function is accountable. Implementation therefore falls, at least partly, within the risk function's remit, and doing it well strengthens the bank's own risk management.

The PRB is relevant to the risk function because its implementation affects core risk processes. Sustainability objectives, impact analysis and client transition assessments provide inputs to risk identification, while risk appetite, credit policies, scenario analysis, capital planning and reporting provide mechanisms for PRB implementation. Supervisory expectations increasingly require material sustainability risks to be managed through these same processes.

Implementation also strengthens risk management. Impact analysis shows where sustainability risk drivers concentrate, sustainability targets give a forward-looking view of portfolio change, and client and stakeholder information signals emerging risks. Alongside existing risk tools, these inputs sharpen risk identification and forward-looking assessment. Box 2 sets out how the impact analysis conducted for Principle 2 feeds the bank’s assessment of financial materiality.

The risk function also tests the financial consequences of sustainability objectives. Portfolio targets change concentration and risk profiles. A reduction in aggregate exposure or financed emissions can leave the remaining portfolio more concentrated in fewer relationships or common transition dependencies. For example, transition finance can introduce new credit, market, operational and execution risks, and changes both how the bank prices exposures and the risk-adjusted return it earns on them. Material sustainability risks can affect capital requirements and capital planning, and Box 2 sets out how the materiality assessment drives those decisions. Testing these effects before targets are adopted and published is what keeps sustainability objectives inside risk appetite.

These considerations recur through the six Principles and shape the CRO actions that follow. Figure 4 sets out the Conceptual Framework for Sustainability Risk Integration on which those actions rest.



Figure 4: Conceptual Framework for Sustainability Risk Integration

Box 2: Materiality assessment

Principle 2 expects signatory banks to undertake an impact analysis of their portfolios to identify their most significant positive and negative impacts on people, society and the environment. Impact materiality refers to the bank's impacts on people, society and the natural environment, while financial materiality refers to the risks that sustainability conditions and events pose to the bank's financial performance, cash flow and cost of capital. Prudential risk management is concerned primarily with the latter. The UNEP FI Impact Centre notes that impact and risk are inextricably linked, and that managing one is essential to managing the other. In sustainability reporting frameworks, notably the European Sustainability Reporting Standards, the combination of the two directions is termed double materiality, and the connection is a real one: a bank's own impacts, and those of its counterparties, can create exposures that return to the bank as credit, market, operational and strategic risk.

The impact analysis conducted for Principle 2 produces a view of where the portfolio is concentrated in activities with significant sustainability impacts, which is also a map of where sustainability risk drivers are most likely to be present. That view is an input to risk identification, indicating which sectors, geographies and activities warrant closer examination when the bank assesses which sustainability risks are material to it. Impact materiality assessment therefore precedes and informs financial materiality assessment, rather than duplicating it.

Sustainability risks do not have a fixed profile. Factors that appear immaterial today, such as physical climate risks in a particular geography, liability risks from biodiversity loss, or social risks in a supply chain, can become financially material, whether gradually or abruptly, as physical systems, policy environments, market dynamics, technology and stakeholder expectations shift. This is dynamic materiality, and it is why a static assessment calibrated only to current conditions may underestimate emerging risks, and why the choice of time horizon and the use of forward-looking tools such as scenario analysis matter.

The materiality assessment carries direct consequences for the risk function, since it determines what enters the risk taxonomy, where risk appetite thresholds are set, and whether the bank needs to hold additional capital. These are decisions the CRO owns and must be able to defend to the board and to supervisors.

3. Principle by Principle: A deeper dive into the CRO's contribution

The PRB gives banks a structured framework for responsible banking. The Responsible Banking Journey described above shows how banks progress from Foundational to Leading Practice against that framework. The following sections translate both into practical implications for the CRO and the risk function, showing how risk discipline turns each Principle from commitment into measurable delivery.

3.1 Principle 1: Alignment

Principle 1

Align business strategy with individuals' needs and societal goals (SDGs, Paris Agreement, etc.)

Strategy decisions carry sustainability risk consequences that unfold beyond the typical short-term planning cycle. Risk contributes to the independent, evidence-based challenge needed to keep those consequences visible to the Board.

CRO actions

- Test the **resilience of the bank's business strategy and business model against sustainability risks** over different time horizons, including through sustainability stress testing and scenario analysis. (Risk Strategy)
- Provide independent advice to the Board on the **risk implications of sustainability objectives** and of the business strategy and model. (Governance)
- Incorporate the bank's strategic **sustainability objectives into the risk strategy**. (Risk Strategy)
- Ensure that sustainability objectives, and any targets, are **integrated into quantitative and qualitative Risk Appetite Statements**. (Risk Appetite)
- Ensure that relevant **sustainability risk drivers are defined in the bank's risk taxonomy**, risk type owners assigned, and the scope of application established across business units, client segments and geographies. (Risk Taxonomy and Scope)
- Ensure that sustainability risk drivers are assessed throughout the bank's **core prudential risk processes**. (Risk Identification, Measurement and Materiality Assessment)

Questions for the CRO

- Which sustainability objectives have been tested against risk appetite and capital plans, and which have not?
- How will the bank's sustainability objectives change portfolio concentration, and has that change been tested against risk appetite and capital plans?
- Where does the business strategy assume outcomes, such as a transition pathway or market shift, that risk has not independently assessed?
- What would a stress scenario that is built around the bank's own sustainability objectives show about the business model's resilience?

Case studies: Risk management aspects of Principle 1—Alignment

Case Study 1: NatWest—Recalibrating targets and underwriting together

During 2025 NatWest reviewed its climate ambitions and targets in light of the advice issued by the UK Climate Change Committee to the UK Government on setting the Seventh Carbon Budget. Following the review, the bank retained its ambition to at least halve the climate impact of its financing activity by 2030 against a 2019 baseline, while refining its climate transition plan to focus on the most material activities across a range of sectors.

Recognising the complexity of the energy transition, NatWest also conducted an energy system review to ensure its strategy reflected the interconnected risks and opportunities across the energy value chain as the economy transitions towards net zero. Reflecting the outcome of this review, the bank published a new 'Environmental and Social Energy Supply Sectors Risk Acceptance Criteria'.

Alongside this, during 2025, NatWest set a new target to provide GBP 200 billion in climate and transition finance between 1 July 2025 and the end of 2030. NatWest's climate and transition finance framework replaced the climate and sustainable funding and financing inclusion criteria that underpinned its previous GBP100 billion target, which was exceeded in Q1 2025. This evolution recognises that supporting the alignment and transition of the real economy towards net zero needs significant investment across a broader spectrum of industries, including hard-to-abate and emission intensive sectors, alongside those delivering climate solutions.

Source:

NatWest Group. (2026). *2025 Climate Transition Plan Report*. investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/13022026/nwg-climate-transition-plan-report-2025.pdf

NatWest Group. *Climate and transition finance*. natwestgroup.com/sustainability/environment-and-climate/climate-and-transition-finance.html

NatWest Group. *Sustainability downloads. PRB self-assessment reporting within the Sustainability Datasheet*. natwestgroup.com/sustainability/downloads.html

CRO takeaway: Strategy and risk approaches were revised together, so the recalibrated targets came with new underwriting criteria rather than following as a separate exercise.

Case Study 2: Standard Bank—Climate inside the risk appetite framework

Standard Bank Group's risk appetite framework includes a climate risk appetite statement alongside statements relating to capital position, funding and liquidity, earnings volatility, reputation and conduct, articulating the Group's appetite for climate-related risks and opportunities, and supporting the integration of climate considerations into risk management and decision-making processes.

The statement reflects the group's limited appetite for unmanaged climate-related risks and its expectations that climate risks are appropriately assessed and managed in line with the group's climate commitments, regulatory requirements and risk management practices.

Climate-related risk considerations are integrated into the Group's broader risk management framework, governance structures and risk management processes, and the group risk and capital management committee reviews and approves the statement annually.

Environmental, social and governance risk is one of seventeen named non-financial risk types, defined as the risk to the group's ability to achieve its strategy arising from how it manages those risks. The strategy is then tested against the risks it drives. Climate-related risks are explicitly considered within the Group's stress testing and scenario analysis programme, and during 2025 Standard Bank extended internal climate stress testing and scenario analysis into internal capital adequacy and risk assessment processes across a wider set of African jurisdictions.

This work supported the measurement of climate-adjusted credit metrics and valuation parameters. The group issued an updated climate policy in 2025 integrating climate considerations into existing risk type standards.

Source:

Standard Bank Group. (2026). *Risk and Capital Management Report 2025*. standardbank.com/static_file/StandardBankGroup/filedownloads/RTS/2025/SBG_RiskandCapitalManagementReport2025.pdf

Standard Bank Group. (2026). *Climate Related Financial Disclosures Report 2025*. standardbank.com/static_file/StandardBankGroup/filedownloads/RTS/2025/SBG_ClimateRelatedFinancialDisclosuresReport2025.pdf

Standard Bank Group. (2026). *Sustainability Disclosures Report 2025*. standardbank.com/static_file/StandardBankGroup/filedownloads/RTS/2025/SBG_SustainabilityDisclosuresReport2025.pdf

CRO takeaway: Climate sits inside the same risk appetite architecture as the bank's other top risks, tested through the same stress testing and capital process.

3.2 Principle 2: Impact & Target Setting

Principle 2	Increase positive impacts, reduce negative ones, and manage risks to people and the environment
Responsible Banking Journey Practices and Processes A responsible bank should have sustainability risk management structures and processes in place to address impacts, including those related to the four priorities (climate change, nature, healthy and inclusive economies, human rights)	

Principle 2 requires signatory banks to analyse the positive and negative sustainability impacts of their business, set targets to increase positive and reduce negative impacts, and put in place risk management practices that address them. The UNEP FI Risk Centre's [Conceptual Framework for Sustainability Risk Integration](#) provides a basis for such a risk management approach.

The Conceptual Framework highlights the concept of dynamic materiality.⁵ Box 2 sets out how impact materiality and financial materiality relate. For the risk function, the significance is temporal: impacts that appear immaterial today, such as exposure to water-stressed agriculture, to pollution liabilities, or to weak decent work practices in a supply chain, can become financially material later, gradually or abruptly, as regulation tightens, litigation follows, or physical conditions cross a tipping point. Impact analysis therefore forms part of the risk function's forward-looking work.

Impact data can show where harm to people and the environment is accumulating. Managing that harm is a commitment the bank has made as a signatory, independent of whether it becomes a material financial risk, which happens where a transmission channel exists, such as tightening regulation, litigation, supply-chain disruption or reputational consequences. Risk teams that track impact pathways alongside financial materiality widen the set of exposures, sectors and counterparties under forward-looking review, and are better placed to identify risks before they crystallise, which makes the choice of time-horizon and forward-looking tools such as scenario analysis particularly important.

CRO actions

- Ensure that **sustainability is progressively integrated into the core elements of risk management** so the framework addresses sustainability impacts and appropriately manages material risks to people and the environment arising from its business. (Risk Strategy)
- Partner with the bank's **sustainability team on materiality assessment to ensure that sustainability impacts are reflected in risk identification, measurement and assessment** of material risks. (Risk Identification, Measurement and Materiality Assessment)
- Introduce a '**dynamic materiality**' perspective to assess how today's sustainability impacts may become tomorrow's financial risks. (Risk Identification, Measurement and Materiality Assessment)
- Embed **impact targets into risk appetite** through portfolio limits and thresholds. (Risk Appetite)
- Test the **portfolio implications of sustainability objectives**, including concentration, risk-adjusted return and capital impacts. (Risk Identification, Measurement and Materiality Assessment)
- Incorporate sustainability and transition assumptions into **underwriting, pricing, scenario analysis and capital planning**. (Risk Management Actions)

5 The interaction of impact and financial materiality over time is described by the Impact Management Platform: impactmanagementplatform.org

Questions for the CRO

- Which PRB targets have been tested against portfolio composition, concentration and capital plans before adoption and publication?
- Where does a dynamic materiality assessment suggest a currently immaterial impact could become financially material, and over what horizon?
- What data gaps would prevent the risk function from defending a published target if challenged?
- Which risk appetite thresholds need to be calibrated differently to support clients through the investment phase of their transition?

Case studies: Risk management aspects of Principle 2—Impact & Target Setting

Case Study 3: BBVA—Client transition ratings in credit decisions

BBVA illustrates how impact analysis and target setting become operational through underwriting, portfolio classification and executive accountability. The bank has set interim 2030 decarbonisation targets across ten carbon-intensive sectors: oil and gas, electricity, automobiles, steel, cement, coal, aviation, maritime transport, aluminium and commercial and residential real estate in Spain.

The decarbonisation strategy for aligning the loan portfolio in those sectors is based on three elements. First, sector alignment plans that define a sector decarbonisation path and a business strategy that guides selective growth considering risks and opportunities associated with the transition. Assessment of customers' transition plans using specific tools with the aim of quantifying the risk of potential misalignment of customers with expected commitments. Third, climate risk is built into underwriting through the Transition Risk Indicator, which classifies clients as Advanced, Robust or Moderate according to their emissions reduction objectives, the levers available to manage those emissions, and their committed investment to execute a transition plan. Classification is regularly updated and used directly in business and risk decisions such as triggering client engagement actions, not held as a static score. These three elements form the basis for managing transition risk as it was identified as material in BBVA's annual risk assessment exercise. Furthermore, sector exclusions run through the Environmental and Social Framework, under which BBVA will stop financing coal-related activities by 2030 in developed countries and by 2040 globally.

Target delivery is owned, not just published. The Sustainability Alignment Steering Group, comprising the global heads of Sustainability and Corporate & Investment Banking, Risk, Strategy and Finance, approves sector decarbonisation objectives, evaluates compliance and supervises delivery plans, reporting to the executive level and corporate bodies at least twice a year. Variable remuneration for executive directors, senior management and risk takers has been linked to decarbonisation targets since 2021.

BBVA reached its EUR 300 billion sustainable business target for 2018 to 2025 in December 2024, a year ahead of schedule, and set a new EUR 700 billion target for 2025 to 2029, having channeled EUR 134 billion in 2025.

Source:

BBVA. (2024). *BBVA publishes its clients' progress toward decarbonization for the first time*. bbva.com/en/sustainability/bbva-publishes-its-clients-progress-toward-decarbonization-for-the-first-time/

BBVA. (2025). *Towards 2029: BBVA's Strategy for Sustainable Growth & Decarbonization*. bbva.com/en/sustainability/sustainability-bbvas-commitment-to-a-greener-and-more-inclusive-world/

BBVA. (2025). *Sustainability: BBVA's commitment to a greener and more inclusive world*. bbva.com/en/sustainability/sustainability-bbvas-commitment-to-a-greener-and-more-inclusive-world/

BBVA. (2026). *Environmental and Social Framework*. shareholdersandinvestors.bbva.com/wp-content/uploads/2025/03/Environmental-and-Social-Framework-BBVA_ENG.pdf

BBVA. *Management of climate risks*. shareholdersandinvestors.bbva.com/sustainability-and-responsible-banking/strategy-sustainability/management-of-climate-risks/

CRO takeaway: A published classification system, reviewed regularly and tied to executive pay, keeps sustainability positioning connected to underwriting decisions rather than static disclosure.

Case Study 4: The Norinchukin Bank—Scenario analysis that produces bounded loss estimates

The Norinchukin Bank shows target setting and impact analysis quantified against a common baseline, not expressed as ambition. The Board's Risk Management Policy defines the categories through which environmental and social risks, including climate and nature-related risks, are managed, and the Bank named climate change, biodiversity and related sustainability issues a top risk under its Risk Appetite Framework (as of FY2024). The Risk Management Committee, chaired by the Chief Risk Officer, owns both the selection of top risks and revisions to the Policy on Environmental and Social Considerations in Financing and Investment Activities.

Sector targets are set against a FY2019 baseline and tracked with published interim results across power, oil and gas, steel, real estate and automobiles, with outstanding coal-fired power generation investment, ¥36.7 billion as of FY2024, targeted at zero by FY2040.

Scenario analysis produces bounded figures rather than narrative. Transition risk analysis across four carbon-intensive and food-value-chain sectors estimated credit costs could rise by 1 billion to 25 billion yen per year through 2050. Acute physical risk analysis, covering borrower locations, pledged collateral and the Bank's own assets, estimated cumulative losses of approximately 23 billion yen through 2100. Chronic risk analysis on the Bank's own core exposure (rice, dairy, beef cattle and ocean fisheries) found adaptive measures could offset most projected income declines, turning a 5.0% loss in rice income under a 4°C scenario into a 3.5% gain.

Source:

The Norinchukin Bank. (2025). *Climate & Nature Report 2025. Governance*, p. 15; *Risk Management (Risk and Impact Management)*, p. 76; *Metrics and Targets*, p. 5, 83. nochubank.or.jp/en/sustainability/backnumber/pdf/2025/climate_nature.pdf

The Norinchukin Bank. *Climate-Related Risk Assessment and Scenario Analysis*. nochubank.or.jp/en/sustainability/environment/tcfd/strategy.html

CRO takeaway: Scenario analysis produced bounded credit cost estimates that the risk function can defend, not a qualitative narrative.

UNEP FI tools for Principle 2—Impact and Target Setting

UNEP FI's Impact Centre provides banks with a structured suite of tools and guidance designed to help banks understand the scale and nature of their sustainability impacts. **For CROs, these tools offer a direct mechanism to embed Principle 2 into the risk management framework, integrating impact analysis outputs into the bank's risk taxonomy, materiality assessments, and sector risk policies and risk appetite statements.**

- [Sector Impact Matrix and User Guide](#)
- How to Think About Banks' Contribution to Sustainability and Sustainable Development? [unepfi.org/publications/how-to-think-about-banks-contribution-to-sustainability-and-sustainable-development/](https://www.unepfi.org/publications/how-to-think-about-banks-contribution-to-sustainability-and-sustainable-development/)
- Impact Protocol [unepfi.org/impact/impact-protocol/](https://www.unepfi.org/impact/impact-protocol/)
- Portfolio Impact Analysis Tool [unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool/](https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool/)

These tools help banks set targets grounded in real portfolio exposures, with methodologies CROs can embed directly into the risk taxonomy, appetite, credit policies and scenario analysis.

Climate change

- Guidance for Climate Target Setting for Banks (v4) [unepfi.org/publications/guidance-for-climate-target-setting-for-banks/](https://www.unepfi.org/publications/guidance-for-climate-target-setting-for-banks/)
- Practical Guidance on Implementing Adaptation and Resilience for Banks—UNEPFI Initiative <https://www.unepfi.org/industries/banking/adaptation-resilience-guidance/>
- Navigating Climate Physical Risk [unepfi.org/publications/navigating-physical-climate-risk/](https://www.unepfi.org/publications/navigating-physical-climate-risk/)

Nature, pollution and circular economy

- PRB Nature TargetSetting Guidance [unepfi.org/publications/nature-target-setting-guidance/](https://www.unepfi.org/publications/nature-target-setting-guidance/)
- Navigating Pollution: A Blueprint for the Banking Sector [unepfi.org/industries/banking/navigating-pollution-a-blueprint-for-the-banking-sector/](https://www.unepfi.org/industries/banking/navigating-pollution-a-blueprint-for-the-banking-sector/)
- PRB Guidance on Resource Efficiency and Circular Economy Target Setting [unepfi.org/industries/banking/guidance-on-resource-efficiency-and-circular-economy-target-setting-version-2/](https://www.unepfi.org/industries/banking/guidance-on-resource-efficiency-and-circular-economy-target-setting-version-2/)
- Circular Economy as an Enabler for Responsible Banking [unepfi.org/industries/banking/circular-economy-enabling-responsible-banking/](https://www.unepfi.org/industries/banking/circular-economy-enabling-responsible-banking/)

Healthy and inclusive economies

- Advancing Gender Equality and Women's Empowerment: Target-Setting Guidance for Banks [unepfi.org/industries/banking/gender-equality-guidance/](https://www.unepfi.org/industries/banking/gender-equality-guidance/)
- Banking for Decent Work: A Pathway to Impact [unepfi.org/industries/banking/banking-for-decent-work-a-pathway-to-impact/](https://www.unepfi.org/industries/banking/banking-for-decent-work-a-pathway-to-impact/)
- Driving Impact on Financial Health and Inclusion: From Setting Targets to Implementation [unepfi.org/industries/banking/guidance-on-financial-inclusion-and-financial-health-target-setting/](https://www.unepfi.org/industries/banking/guidance-on-financial-inclusion-and-financial-health-target-setting/)

Human rights

- Human Rights toolkit [unepfi.org/humanrightstoolkit/](https://www.unepfi.org/humanrightstoolkit/)

3.3 Principle 3: Clients & Customers

Principle 3

Work responsibly with clients to encourage sustainable practices

Responsible Banking Journey Practices and Processes

Should gather and analyse data (e.g. via questionnaires used by client-facing roles) in the sustainability risk assessment processes and support clients in improving risk management processes and reducing their negative impacts.

Leading practices laid out in the Responsible Banking Journey, a leading responsible bank:

- Has defined strategies and action or transition plans to support clients with their sustainability needs, which are implemented by relevant units as per the banks operating model, such as commercial teams, risk units, planning, financial functions and technology units.
- Engages with clients to explain the implications of the bank's risk appetite frameworks for the client, and to discuss transition plans; new client relationships are compatible with the bank's risk appetite, in relation to key sustainability themes, such as climate, nature, pollution, resource efficiency, human rights, decent work and social policies/commitments.

Principle 3 recognizes that banks' material sustainability impacts arise through the assets and activities they finance in the real economy: their clients' and customers' sustainability impacts. PRB signatories are expected to encourage clients and customers to adopt more sustainable practices, and the CRO has a leading role in bringing sustainability risk into these engagements, ensuring the risk management framework incorporates due diligence, including know-your-customer and sustainability-specific checks, covering pollution, resource efficiency and circular economy, human rights and decent work alongside climate and nature; applying sustainability risk factors to credit pricing; and attaching sustainability-linked covenants to financing. A growing number of supervisors ask banks to demonstrate how sustainability risks are assessed and managed at client level, not just portfolio level.

A sustainability strategy can change what exposures the bank is willing to assume and how it prices them. Transition finance is where that shows up most clearly. A client part-way through transition can look weaker for a time, as old revenues fall away before the new business is proven. New technologies and infrastructure carry their own risks: the assets may not be built, the output may not find a buyer, policy support may shift, and revenue may take longer to arrive than planned. These are credit and market risks, and they belong in underwriting, pricing, monitoring and escalation rather than in a separate sustainability assessment.

CRO actions

- Ensure risk processes and policies **assess sustainability risks at origination and throughout the client lifecycle**, including due diligence, credit scoring, and transaction approvals and monitoring. (Risk Management Actions)
- Ensure risk policies set out that when **engagement fails to deliver required improvements** within a defined time frame, escalation follows through the bank's standard credit governance process, to relationship review, limit reduction or, as a last resort, client exit. (Risk Management Actions)
- Provide independent **challenge** where client behaviour or transition plans may be inconsistent with risk appetite. (Risk Appetite)
- Ensure that client **engagement frameworks are aligned** with sustainability risk policies. (Governance)
- Ensure that the risk management frameworks **incorporate client-level sustainability information** to inform risk ratings, early-warning indicators, and portfolio steering. (Risk Monitoring and Reporting)

Client engagement under Principle 3 also carries conduct risk. Overstating the sustainability credentials of a product, or the rigour of a transition plan a bank has agreed with a client, exposes the bank to greenwashing and mis-selling claims, and the CRO has a role in overseeing it. A conduct risk management framework should control sustainability-related claims made to clients and commitments a bank asks clients to make in return for financing terms, both accurate, substantiated, and applied consistently across similar clients.

Questions for the CRO

- Which client segments or transactions carry sustainability-related conduct risk, and are the controls proportionate to that risk?
- At what point does an unresponsive client's transition plan trigger escalation, limit reduction or exit under existing credit governance?
- Are sustainability-related claims made to clients and customers as rigorously controlled as other product claims?

Case studies: Risk Management aspects of Principle 3—Clients & Customers

Case Study 5: CIMB Group—Sustainability as a condition of financing

CIMB Group illustrates how sustainability requirements become a condition of credit, not adjacent. CIMB's Sustainability Risk Management Framework integrates risk appetite into sectoral policies and transaction assessments, identifies and assesses environmental, social, economic and ethical risk components, and is applied through the three lines of defence.

The Group Sustainable Financing Policy governs the management of sustainability-related risks in non-retail financing and capital-raising transactions, is approved by the Board, and is reviewed together with its exclusion lists and sustainability sensitive sector lists at least once every two years. All companies CIMB does business with are subject to basic sustainability due diligence. Clients in sustainability sensitive sectors, or facing escalated risks indicated by that screening, are subject to enhanced sustainability due diligence involving internal analysis by CIMB's Sustainability team with input from risk, compliance and other support functions. Position statements and sector guides cover palm oil, forestry including rubber, oil and gas, construction and infrastructure, coal, mining and quarrying, and manufacturing.

CIMB has specified minimum industry-specific requirements for financing clients, and where clients do not meet those criteria at the point of new financing approval or review, a time-bound action plan with reasonable targets for completion is agreed with the client. Permitted exemptions are approved by the relevant credit approving authority.

CIMB established climate risk appetite thresholds for Malaysia, Indonesia, Singapore and Thailand.

Source:

CIMB. (2025). *Sustainable Finance Framework*, Version 2.2. cimb.com/content/dam/cimb/group/documents/sustainability/our-publication/sustainable-finance-framework-v2.2.pdf

CIMB. (2026). *Sustainability Report 2025*. cimb.com/en/sustainability/our-latest-sustainability-report-2025.html

CRO takeaway: Sustainability requirements sit inside the credit approval process itself, with a defined path for clients who do not yet meet them.

Case Study 6: CaixaBank—Sustainability screening at onboarding and credit approval

CaixaBank illustrates how sustainability assessment can be built into origination and start of a client relationship. The Corporate Sustainability/ESG Risk Management Policy applies to customer onboarding, the approval of corporate and project finance transactions, and own-account investment in fixed income and equities. It sets general exclusions covering human rights, the transition to a carbon-neutral economy and impacts on nature, and sector exclusions for energy, mining, transport and infrastructure, agriculture, fishing, livestock and forestry, and defence and security. Sustainability analysis forms part of both the onboarding process and the financing acceptance process for every customer and transaction in scope, covering the client's sustainability control framework, any existing sustainability issues, its decarbonisation strategy and, where applicable, compliance with the Equator Principles. The assessment can produce a determining sanction on whether the client is onboarded and on whether financing is granted, and centralised teams of full-time specialist analysts carry out the evaluations.

The results connect to risk appetite. CaixaBank treats sustainability risk as a transversal factor affecting credit, operational, business profitability and reputational risk within its risk catalogue, and manages its credit portfolio to align the indirect climate impact with risk appetite. It has used qualitative climate heat maps since 2020 and, since 2023, a quantitative framework for forecasting and monitoring the effect of climate risk on credit risk. CaixaBank treats sustainability risks as cross-cutting factors of credit, operational, business profitability and reputational risks within its risk catalogue. To assess the impact of climate risks on credit risk, the Group combines qualitative heatmaps with quantitative scenario analysis across different time horizons and NGFS scenarios, estimating their impact on credit risk parameters for corporate and mortgage portfolios.

In 2025 the bank approved a Prudential Transition Plan setting out how it identifies, assesses, manages and monitors material sustainability risks and aligns its sustainability objectives with its business model, corporate strategy and risk appetite, in line with regulation. In 2025, CaixaBank approved its Prudential Transition Plan as a strategic tool for managing material risks arising from ESG factors. The Plan sets out how the Group identifies, assesses, manages and monitors these risks and integrates them across its overall risk management framework, ensuring consistency between its ESG objectives, business model, corporate strategy and risk appetite over the short, medium and long term. It also supports the integration of ESG risks into financial planning and capital management and incorporates CaixaBank's climate objectives, including its commitment to carbon neutrality by 2050, in line with regulatory and supervisory expectations

Source:

CaixaBank. *ESG risk management*. caixabank.com/en/sustainability/sustainable-transition/esg-risk-management.html

CaixaBank. (2026). *Consolidated Management Report 2025*, Sustainability information. multimedia.caixabank.es/lacaixa/ondemand/criteria/cuentasanuales2025/html/eng/06_Informacion_sostenibilidad.html

CaixaBank. *Operating principles of the Corporate Policy for managing sustainability/ESG risks*. caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Sostenibilidad/Principles-ESG-Risks-Managing.pdf

CaixaBank. (2026). *Consolidated Management Report 2025, Other reporting frameworks* (Responsible Banking Progress Statement). multimedia.caixabank.es/lacaixa/ondemand/criteria/cuentasanuales2025/pdf/eng/09_Marcos_reporting.pdf

CRO takeaway: Sustainability assessment can determine whether onboarding and financing proceed, placing it inside the underwriting decision rather than alongside it.

UNEP FI tools for Principle 3—Clients & Customers

PRB Guidance on Client Engagement unepfi.org/wordpress/wp-content/uploads/2024/09/PRB_Guidance-on-client-engagement.pdf

Client Engagement on Nature: Prototype Tool unepfi.org/industries/banking/client-engagement-on-nature-prototype-tool/

3.4 Principle 4: Stakeholders

Principle 4

Engage with stakeholders to achieve society's goals

Responsible Banking Journey Practices and Processes

Leading practice: Has implemented a grievance mechanism for affected stakeholders. Considers stakeholders' opinions (such as of those affected by projects, or groups that advocate for indigenous rights) to establish sectoral policies that are based on the results of sustainability risk assessments.

CROs do not usually lead stakeholder engagement, but what stakeholders raise often ends up on the risk function's desk. Regulatory change, concerns raised by civil society, NGO campaigns, investor activism and community consultation surface risks that have not yet appeared in a credit file or a loss event. Under Principle 4, the risk function's task is to bring those signals into a defined process: horizon scanning identifies the signal, risk assessment tests whether it is material, escalation routes it to the appropriate committee, and risk appetite or policy is updated where the assessment supports a change. Controls then carry the decision through underwriting, monitoring and reporting, so that stakeholder engagement functions as an early-warning input to risk management rather than a communications activity running alongside it.

CRO actions

- Conduct **horizon scanning** to identify emerging stakeholder-driven risks (e.g., regulatory changes, NGO campaigns, investor activism), many of which act as transition risk drivers. (Risk Identification, Measurement and Materiality Assessment)
- Integrate stakeholder-driven risks into **risk identification and scenario analysis**. (Risk Identification, Measurement and Materiality Assessment)
- Define escalation routes so that **material stakeholder-driven signals** reach the appropriate risk committee and inform risk appetite or policy. (Governance)
- Assess whether policy engagement and industry association memberships create **greenwashing and reputational risks**. (Risk Management Actions)
- Support transparent reporting on how **stakeholder expectations influence risk decisions**. (Risk Monitoring and Reporting)

Participation in industry groups, policy engagement and regulatory advocacy must mirror the bank's sustainability commitments, building stakeholder trust and resilience against reputational threats. A CRO can check that policy engagement is aligned with the bank's strategy, risk appetite and sustainability commitments, while managing the reputational, conduct and regulatory risks that advocacy can create.

A CRO can also champion stakeholder grievance mechanisms within project finance risk management: treating grievances as early risk signals, overseeing clear escalation and accountability, challenging the adequacy of responses, and ensuring that project-level mechanisms meet relevant standards and are monitored throughout the asset's lifecycle.

Questions for the CRO

- Which external signals, regulatory, NGO, investor, currently reach risk committees, and through what process?
- Where has stakeholder pressure created a binding requirement rather than a voluntary commitment, and is that reflected in risk appetite?
- Does the bank's policy engagement expose it to reputational or greenwashing risk inconsistent with its public sustainability goals?

UNEP FI tools

Guidance on Responsible Policy Engagement [unepfi.org/industries/banking/guidance-on-responsible-policy-engagement/](https://www.unepfi.org/industries/banking/guidance-on-responsible-policy-engagement/)

Guidance on Stakeholder Engagement [unepfi.org/humanrightstoolkit/stakeholder-engagement-investment-and-lending-operations/](https://www.unepfi.org/humanrightstoolkit/stakeholder-engagement-investment-and-lending-operations/)

Guidance on Grievance Mechanisms [unepfi.org/humanrightstoolkit/grievance-mechanisms/](https://www.unepfi.org/humanrightstoolkit/grievance-mechanisms/)

3.5 Principle 5: Governance & Culture

Principle 5

Implement the Principles through effective governance and a culture of responsible banking.

Responsible Banking Journey Practices and Processes

A responsible bank should have internal policies and processes (including sustainability risk management) in place that incorporate social and environmental concerns and commitments as part of the bank's daily operations, with roles and responsibilities clearly defined.

A leading responsible bank also has:

- integrated sustainability impacts when reviewing and guiding strategy development, major plans of action, risk management policies, budgets, business plans, organisational objectives, capital expenditures and corporate strategy actions.
- integrated sustainability objectives in remuneration and performance reviews of senior management level as well as relevant business and control function roles and risk functions.
- sustainability training rolled out to all teams in the bank, with advanced training for client-facing roles and risk functions.
- risk committees dealing with sustainability risk in place (linked to the executive leadership level), has adapted risk appetite frameworks and integrated sustainability into the systemic risk framework and processes; has embedded the impact of clients and transactions in the approval processes of the overall risk appetite or of specific transactions, as part of client analysis.

Governance and culture are core elements of the *Conceptual Framework for Sustainability Risk Integration*, and the CRO is accountable for embedding sustainability within risk governance, control frameworks and risk culture initiatives.

Risk culture determines whether sustainability considerations are addressed consistently across the bank or left to specialist teams and periodic reporting cycles. The CRO sets the 'tone from the top', namely how sustainability risks are discussed at executive- and Board-level shapes how they are treated at every level below. Where the CRO raises sustainability risk drivers as a standing feature of risk reporting and decision-making, the rest of the organisation follows. Where it is treated as a compliance exercise or delegated entirely to the sustainability function, risk awareness stays confined to specialists and does not reach frontline and business decisions. Inculcating a sustainability-aware risk culture means extending the same challenge, escalation, and accountability that apply to other material risks, so that sustainability considerations inform day-to-day decisions rather than sitting apart from them.

CRO actions

- Integrate **sustainability into risk governance** structures, policies, controls, and the ‘three-lines-of-defence’. (Governance)
- Ensure the Board and senior management receive **decision-useful sustainability risk metrics** and analysis. (Risk Monitoring and Reporting)
- Define sustainability risk metrics that influence performance measures and remuneration, so that incentives **promote prudent behaviour**. (Governance)
- Set the **‘tone from the top’ on sustainability risk**, and extend the same challenge, escalation, and accountability expected for other material risks to frontline and business decisions. (Governance)

Questions for the CRO

- Are sustainability risks challenged with the same rigour, escalation and accountability as other material risks, or treated as a specialist topic?
- Where does remuneration link to sustainability objectives, and has that link been tested for the incentive it creates?
- What would tell the CRO that sustainability risk culture had weakened rather than strengthened?

UNEP FI tool

Guidance on Effective Governance unepfi.org/industries/banking/guidance-on-effective-governance/

Human Rights Policy unepfi.org/humanrightstoolkit/policy-commitments-and-human-rights/

3.6 Principle 6: Transparency & Accountability

Principle 6

Be transparent about impacts and accountable for contributions to society's goals.

Responsible Banking Journey Practices and Processes

Should report on sustainability-related risks and opportunities, should disclose risk heat maps. Reports on environmental risks according to relevant disclosure frameworks (e.g. Taskforce on Climate-related Financial Disclosures (TCFD), Taskforce on Nature-related Financial Disclosures (TNFD), International Sustainability Standards Board (ISSB)), and social risks (e.g. in alignment with the UN Guiding Principles on Business and Human Rights).

Principle 6 commits signatories to review their implementation of the principles and to be transparent and accountable for their impacts. Disclosure is where that commitment becomes visible, and for the risk function it is the last step in a longer chain: risk data becomes risk information, risk information becomes management information for committees, management information becomes Board reporting, and Board reporting becomes the basis for regulatory reporting and external disclosure. Errors introduced early in that chain surface externally, and as the bank's senior risk leader, the CRO is accountable for the accuracy of the whole chain, not only the disclosures at the end of it, including what the risk function itself reports to the Board and external regulators.

CRO actions

- **Integrate sustainability risk metrics**, including heat maps, into risk dashboards, Board reporting, and management information, working towards capturing sustainability drivers within existing risk metrics rather than reporting them only as standalone measures. (Risk Monitoring and Reporting)
- **Strengthen data quality controls**, validation processes, and assurance frameworks for sustainability-related disclosures. (Risk Monitoring and Reporting)
- Ensure disclosures **align with supervisory expectations and relevant disclosure frameworks**, including TCFD, TNFD, ISSB and GRI. Track identified gaps to remediation. (Risk Monitoring and Reporting)
- Report on **how sustainability risks influence risk appetite**, portfolio decisions, and capital planning. (Risk Monitoring and Reporting)
- Own the accuracy of the risk function's sustainability reporting and be prepared to account for it directly to the Board and external regulators, seeking **external assurance** where necessary or prudent. (Governance)

Questions for the CRO

- Where in the chain from risk data to external disclosure is the CRO's assurance weakest?
- Are disclosed sustainability metrics traceable to the same data and methodology used internally for risk decisions?
- What would the bank need to defend a sustainability disclosure under supervisory or legal challenge?

Case studies: Risk management aspects of Principle 6—Transparency & Accountability

Case Study 7: Westpac—Publishing the measurement basis behind each target

Westpac Banking Corporation shows the principle of transparency through its disclosures.

Westpac's Climate Transition Plan carries a named owner, the Chief Sustainability Officer, an effective date of 3 November 2025 and a version number. The plan defines four categories of statement and separates them by whether delivery sits within the bank's control. Targets are outcomes with an identified pathway and a set date. Aspirations are outcomes for which no pathway has yet been identified. Commitments are actions within Westpac's direct control. Aims are actions requiring collaboration or influence.

The measurement basis is published alongside the figures. Westpac's financed emissions sector targets table records, for each of thirteen sectors, the 2030 target and measure, the baseline and baseline year, whether the target is absolute or intensity, and the temperature alignment. Financed emissions account for more than 99 per cent of Westpac's total greenhouse gas emissions. The bank reports Financed Emissions one year in arrears because of data availability, uses third-party proxy data where customer data is unavailable, and states that the sector definitions in its financed emissions analysis differ from those used for its sector targets and for its reporting of group exposure by sector.

KPMG provided limited assurance under ASAE 3000 over selected ESG information in the 2025 Annual Report, 2025 Sustainability Report and 2025 Sustainability Index and Datasheet. The scope covers Westpac's assertions that its GRI index and materiality assessment meet the GRI Universal Standards 2021. That list includes 1,060 alleged and 988 substantiated code of conduct breaches, 134 terminations and 106 resignations arising from them, and exposure to TNFD reference sectors for financial institutions at 14.2 per cent of group total committed exposure.

Source:

Westpac Banking Corporation. (2025). Westpac's Climate Transition Plan, version 1.0, effective 3 November 2025. westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-climate-transition-plan.pdf

KPMG. (2025). Independent Limited Assurance Report to the Directors of Westpac Banking Corporation. westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/wbc-kpmg-sustainability-assurance-statement-2025.pdf

Westpac Banking Corporation. (2025). Sustainability Market Update, 2 December 2025. westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/wbc-Sustainability-Update-2025.pdf

Westpac Banking Corporation. Performance reports. westpac.com.au/about-westpac/sustainability/performance-reports/

CRO takeaway: Assurance and a defined measurement basis let an external reader test the disclosed figures against their own assumptions rather than take them on trust.

Case Study 8: Nordea—Published methodology behind the metrics

Nordea shows transparency delivered through a disclosure architecture with methodology and assurance attached to it. Nordea's disclosure framework includes sustainability reporting, methodology documents and external assurance. Since 2024 Nordea has prepared a Sustainability Statement under the European Sustainability Reporting Standards and the Finnish Accounting Act, Chapter 7, implementing CSRD, and PWC provides assurance over that statement, with the assurance report published inside the annual report.

Nordea supplements it with a climate change methodology document, separate methodology documents for its lending and investment climate targets, a green asset ratio methodology, enhanced disclosures for its oil and gas portfolio, and a standalone Human Rights Report covering its human rights due diligence. The methodology documents are what let an outside reader check the metrics against Nordea's own assumptions, not just take the headline figure on trust. The methodology documents provide additional information on assumptions, methodologies and metrics used in Nordea's disclosures

Accountability is anchored in governance and in pay in remuneration. The Board of Directors approves the Group strategy and holds ESG oversight responsibilities covering governance, strategy, target setting and operationalisation. The Board Operations and Sustainability Committee receives quarterly updates on the implementation of sustainability measures supporting the business strategy, semi-annual updates on progress against strategic sustainability priorities and targets, and annual updates covering sustainability opportunities, risks and progress. Sustainability-related KPIs are built into the short and long term incentive plans for the CEO, the Group Leadership Team and selected senior leaders, the Group Variable Pay Pool mechanism, and the Profit-Sharing Plan.

Source:

Nordea. (2026). *Nordea Principles for Responsible Banking 2025*. nordea.com/en/doc/nordea-principles-for-responsible-banking-2025.pdf

Nordea. (2026). *Nordea Principles for Responsible Banking 2025*. nordea.com/en/doc/nordea-principles-for-responsible-banking-2025.pdf

Nordea. (2026). *Annual Report 2025*. Sustainability governance, pp. 88–90; approach to assurance, p. 98; assurance report, pp. 374–375. nordea.com/en/sustainability/reports

CRO takeaway: Methodology documents alongside the headline figures let readers check the metrics against a bank's own assumptions, not just the external disclosure.

UNEP FI tools

Principles for Responsible Banking—Assurance Guideline unepfi.org/wordpress/wp-content/uploads/2021/06/PRB-Assurance-Guidelines.pdf

ESRS Interoperability Package unepfi.org/impact/interoperability/european-sustainability-reporting-standards-esrs/

4. Practical steps for embedding the PRB into risk management

The PRB asks banks to use their existing risk management framework to identify, assess, govern and monitor sustainability issues with the same discipline as other material risks. The steps below suit CROs and risk teams at any stage, from early in the Responsible Banking Journey to advanced capability-building.

The list is not exhaustive; it highlights quick wins and high-impact steps for building momentum in day-to-day risk management.

Banks begin this work from different starting points, depending on their capabilities, priorities and operating models. Some expand their existing environmental and social risk frameworks into broader sustainability risk frameworks. Others start with climate-related financial risk, leveraging established tools such as scenario analysis, portfolio heat maps or TCFD-related work. Banks with strong data and analytics capabilities may prioritise sustainability data governance, controls and metrics as their entry point, while those with decentralised business models may begin with sector strategies and client engagement, embedding sustainability into frontline decision-making first.

Table 2: Practical steps for meeting the risk management elements of the PRB

Step 1—Getting started: establish the foundations

These actions correspond to the foundational phase of the Responsible Banking Journey. They sit within the CRO's direct authority, require no change to risk systems, and establish the mandate, the baseline and the working relationship with the sustainability function.

- Review the bank's PRB impact analysis, targets and latest Responsible Banking Progress Statement to establish where risk management already contributes to implementation and where it does not.
- Agree a division of responsibilities with the sustainability function, covering ownership of impact analysis, materiality assessment, risk identification, data and reporting, and how the two functions resolve disagreement, regardless of whether the sustainability function sits alongside risk or reports into it.
- Confirm that each of the three 'lines-of-defence' understands its responsibilities for sustainability risks.
- Map prudential obligations and supervisory expectations for sustainability risk against current practice and record where gaps remain.

- Assess sustainability risk drivers across sectors, client segments, portfolios and geographies, prioritising material exposures and the four PRB priorities: climate, nature, human rights, and healthy and inclusive economies, including pollution, resource efficiency and decent work impacts that sit within them.
- Present the findings to the executive committee and Board risk committee to secure a mandate and resources for the work that follows.
- Deliver one or two visible early results, such as adding sustainability risk drivers to an existing risk report or committee paper, to build momentum before larger changes.

Step 2—Align core risk elements with the PRB

These actions correspond to the responsible practice phase, in which sustainability moves from ad hoc activity into the bank's systematic risk processes. The UNEP FI Risk Centre's Conceptual Framework for Sustainability Risk Integration sets out what each element of the risk management framework requires; the actions below connect that framework to the bank's own PRB commitments, using instruments the CRO controls.

- Add sustainability risk drivers to the risk taxonomy and define how they transmit into credit, market, operational and other established risk categories.
- Align risk appetite with the bank's PRB targets and strategic commitments, including limits and thresholds for the sectors those targets cover.
- Reflect the bank's PRB sustainability topics and priority themes in scenario analysis and stress testing, so that results speak to the commitments the bank has made.
- Apply the concept of dynamic materiality to test whether sustainability topics are becoming financial risks.
- Update credit policies, underwriting standards and due diligence where PRB targets create binding constraints.
- Add sustainability risk metrics to risk dashboards and Board risk reporting and track exposures against appetite in the sectors and client segments material to PRB targets. Capture sustainability drivers within existing risk metrics, including credit parameters such as probability of default and loss given default, where methodologies allow; standalone sustainability metrics are an interim step while data and models mature.
- Build the risk team's capability through training and by writing sustainability risk responsibilities into role objectives.

Step 3—Progress towards leading practice

These actions correspond to the leading practice phase of the Responsible Banking Journey, in which sustainability is fully embedded in governance, strategy and decision-making and managed as a driver of value creation and protection.

- Use scenario analysis results, alongside the bank's impact analysis and sustainability targets, to inform capital allocation, portfolio composition and transition planning.
- Reflect material sustainability risks in the ICAAP and capital planning, consistent with supervisory expectations.
- Improve the quality, granularity and coverage of sustainability risk data, and develop models or overlays that incorporate sustainability assumptions.
- Make sustainability risk a standing item at risk committees rather than a periodic topic.
- Embed sustainability into the risk function's culture, incentives, remuneration and leadership messaging.
- Strengthen second-line validation of sustainability data, models and disclosures, and coordinate with internal audit on its coverage of sustainability risks.
- Demonstrate to the Board how sustainability risks influence risk appetite, strategy and decision-making.
- Update risk taxonomies, recalibrate risk appetite and risk management actions, and expand disclosures as the bank refreshes its impact analysis and risk identification assessments. Exposures that sit outside the perimeter today may sit inside it at the next review.



5. How PRB implementation strengthens risk management

This example is illustrative. It does not represent regulatory or supervisory expectations, nor the practice of any specific institution or jurisdiction. It shows how a sustainability issue identified through impact analysis becomes a financial risk driver, and how the six Principles for Responsible Banking and the core elements of sustainability risk integration work together to manage it.

5.1 The setting

Bank A is a PRB signatory with substantial corporate and commercial lending exposure to the agribusiness sector, including palm oil production and trade. Palm oil financing sits within mainstream corporate lending rather than a discrete portfolio, spanning trade finance, working capital and term lending across the supply chain. The bank falls within the scope of emerging supervisory expectations on climate and nature risks and is building its sustainability risk framework. A small sustainability risk function in the second line works alongside credit risk to embed sustainability considerations into existing processes.

The example follows one issue, deforestation linked to agribusiness expansion, chosen because it engages nature, climate, pollution and social dimensions within a single counterparty relationship. Nature risk arises through biodiversity loss and degradation of ecosystem services. Climate risk arises through loss of carbon sinks and, in peatland areas, direct emissions from land conversion. Pollution arises through waterway contamination from processing effluent and air pollution from land burning. Social risk arises through community and indigenous land rights.

As a signatory, Bank A updates the impact analysis required under Principle 2. An updated analysis flags agribusiness as a source of material negative impact through financed deforestation and identifies Firm B, one of the bank's largest palm oil borrowers, which holds significant outstanding facilities. Around the same time, an environmental organisation publishes allegations linking Firm B to peatland deforestation, waterway contamination, air pollution from land burning, and unresolved land rights disputes, and several international buyers announce reviews of supplier relationships. Firm B continues to meet its financial obligations, but reduced market access, higher costs, litigation and reputational damage could weaken future cash flows and creditworthiness. The impact analysis update is the impetus for the sequence that follows.

5.2 Principle 1: Alignment

The impact analysis has surfaced a strategic question. Agribusiness is an important lending sector for Bank A, and the bank's strategy assumes continued growth in it. The CRO's task under Principle 1 is to keep the sustainability consequences of that strategic position visible to the Board over horizons longer than the standard planning cycle.

The bank's Risk Strategy recognises that deforestation-related activity can increase credit, market, operational, legal, reputational and strategic risks at both counterparty and portfolio levels. Through Governance, the CRO independently challenges the assumption that agribusiness growth does not compound sustainability exposure. The bank incorporates its objective to reduce financed deforestation into the Risk Appetite framework, defines the driver in the Risk Taxonomy and Scope, and assigns a risk owner. This connects the PRB commitment to the bank's risk framework: Principle 1 alignment becomes an appetite boundary and taxonomy entry on which the risk function can act.

5.3 Principle 2: Impact & Target Setting

The impact analysis update is where the chain begins. Firm B's deforestation is, in the first instance, an impact on people and the environment. Managing it is a commitment Bank A has made as a signatory, and it stands whether or not it becomes a financial risk to the bank.

Under Principle 2 the CRO applies a dynamic materiality perspective through Risk Identification, Measurement and Materiality Assessment. Deforestation that looks immaterial in credit terms today becomes financially material as certification is withdrawn, buyers withdraw, regulation tightens and litigation follows. The bank assesses Firm B using satellite imagery, client disclosures and third-party data, finding that around 18% of plantation operations is associated with recently cleared land. Internal modelling of an adverse transition scenario, in which certification is lost and major buyers cease purchasing, reduces Firm B's EBITDA by around 25% and raises its Probability of Default from 1.7% to 3.4%. At portfolio level, similar characteristics appear across about US\$1.4 billion of exposures, roughly 22% of the agribusiness portfolio. Impact targets on financed deforestation are embedded into Risk Appetite as portfolio thresholds, so the target set under Principle 2 is testable against portfolio composition and capital plans before it is published.

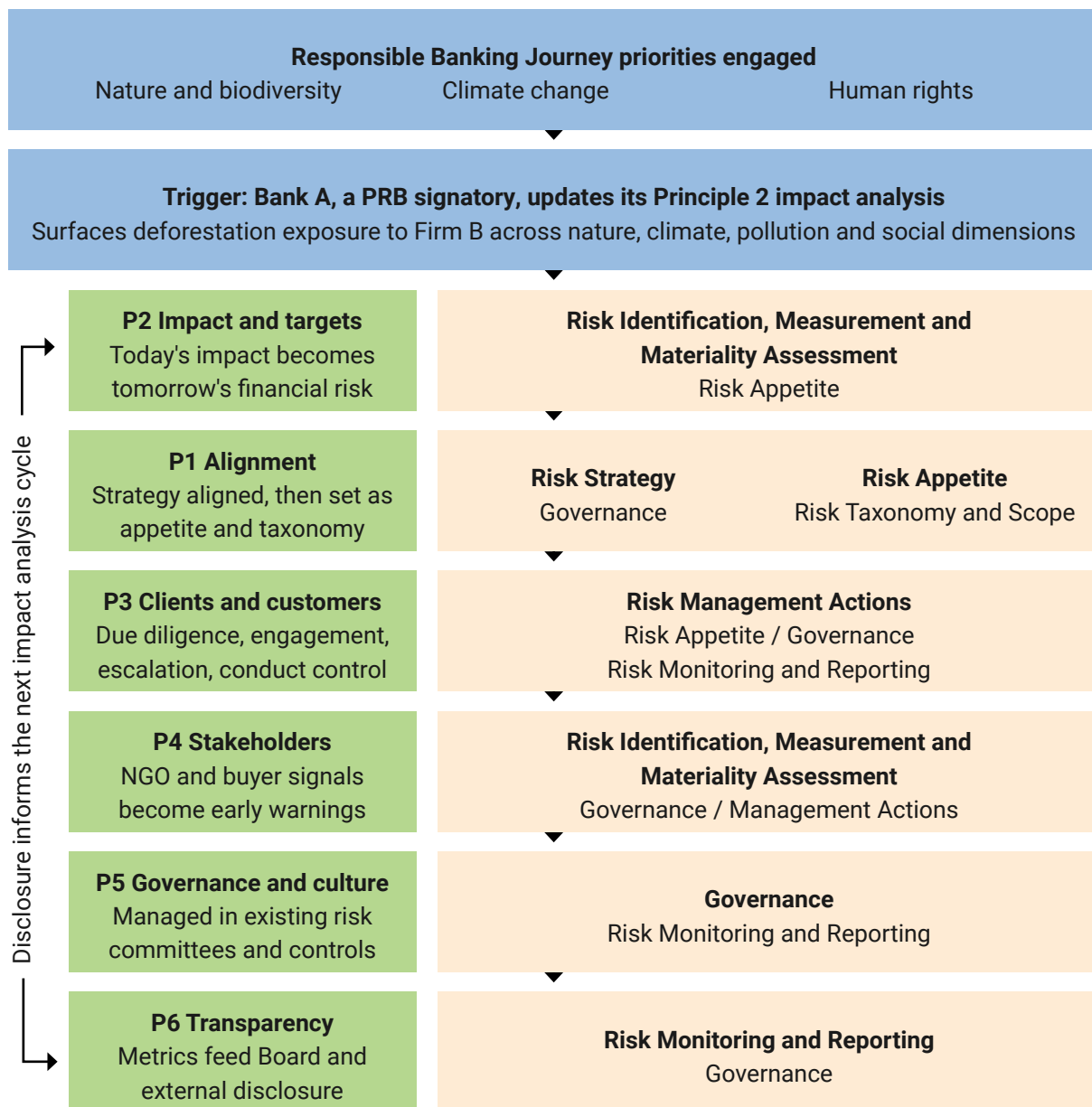


Figure 5: From impact analysis to risk decision across the six Principles

5.4 Principle 3: Clients & Customers

Bank A's material deforestation impact arises through what it finances, so the counterparty relationship with Firm B is where Principle 3 operates.

The response runs through Risk Management Actions. The bank undertakes enhanced due diligence, requests additional environmental and social information, and agrees on a remediation plan covering certification, land management, waterway and air quality mitigation, and community engagement. Revised covenants require periodic reporting on progress. The risk function provides independent challenge where Firm B's transition plan is inconsistent with Risk Appetite, and the escalation path is defined in advance: where engagement does not deliver the required improvements within the agreed timeframe, escalation to relationship review, limit reduction or, as a last resort, client exit follows the bank's standard credit governance process. Through Governance, the client engagement framework is aligned with the bank's sustainability risk policies, and through Risk Monitoring and Reporting client-level information feeds Firm B's risk rating and early-warning indicators.

Principle 3 also carries conduct risk. If Bank A describes the remediation plan to the market as more rigorous than it is, or applies it inconsistently across similar borrowers, it exposes itself to greenwashing and mis-selling claims. The CRO oversees this through the conduct risk framework, which controls both the claims the bank makes and the commitments it asks Firm B to make in return for financing terms.

5.5 Principle 4: Stakeholders

The NGO allegations and the buyers' supplier reviews are stakeholder signals that reached the risk function alongside the impact analysis, before they appeared in a credit file or a loss event.

Under Principle 4 the CRO brings these signals into a defined process. Horizon scanning through Risk Identification, Measurement and Materiality Assessment identifies the NGO campaign and the shifting buyer requirements as transition risk drivers and integrates them into scenario analysis for the agribusiness portfolio. Governance defines the escalation route, so the material signal reaches the appropriate risk committee and informs whether Risk Appetite or sector policy is updated. Where the bank's own industry association memberships create reputational exposure, that is assessed through Risk Management Actions. Risk Monitoring and Reporting then records how the stakeholder signal changed the bank's risk decisions. Treated this way, the stakeholder engagement Principle 4 requires functions as an early-warning input to risk management rather than a communications exercise running alongside it.

5.6 Principle 5: Governance & Culture

The deforestation exposure at Firm B is managed through Bank A's existing risk governance, not a parallel sustainability structure.

The relationship manager escalates through established credit risk processes. The sustainability risk function and the credit risk function jointly review and challenge assumptions on certification loss, supply chain disruption and changing market requirements, and the exposure is considered through existing credit and risk committees. Under Governance, sustainability is integrated into the three 'lines of defence' and into the committees that already own credit and concentration risk. The same challenge, escalation and accountability the bank applies to its other material risks extend to this one. Through Risk Monitoring and Reporting, the Board Risk Committee receives the agribusiness deforestation exposure as part of its regular reporting on sector concentrations and emerging risk themes, giving it the decision-useful metrics it needs to set the tone from the top.

5.7 Principle 6: Transparency & Accountability

Principle 6 is the last step in a longer chain. Risk data on Firm B and the wider agribusiness portfolio becomes risk information, then management information for committees, then Board reporting, then the basis for regulatory and external disclosure.

The CRO is accountable for the accuracy of that chain at every stage. Through Risk Monitoring and Reporting, aggregate exposure to borrowers with elevated deforestation risk characteristics is integrated into risk dashboards and Board reporting, working towards capturing the driver within existing risk metrics rather than reporting it only as a standalone measure. Data quality controls and validation processes support the sustainability information that feeds disclosure, and identified gaps are tracked to remediation. Reporting sets out how the deforestation driver influenced risk appetite, the Firm B decision and portfolio steering. Under Governance, the CRO owns the accuracy of what the risk function itself reports and is prepared to account for it directly to the Board and to external regulators.

5.8 What the example shows

Each Principle activates a different combination of core risk elements: Principle 2 assesses materiality over time; Principle 1 defines the strategic position and risk appetite; Principle 3 addresses the counterparty; Principle 4 channels external signals into risk management; Principle 5 embeds the issue in standard governance; and Principle 6 carries it through to disclosure. Principle 6 disclosures then inform the next impact analysis, allowing the cycle to repeat as the bank progresses along the Responsible Banking Journey.

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UNEP Finance Initiative brings together a large network of banks, insurers and investors that catalyzes action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. We've established the world's foremost sustainability frameworks, helping the finance industry achieve sustainability goals, address sustainability risks and identify the business opportunities in taking a responsible approach to banking and insurance.

Convened by a Geneva, Switzerland-based secretariat, more than 550 banks and insurers are individually implementing UNEP FI's Principles for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply these industry frameworks and

develop practical guidance and tools that drive institutional change, shaping the future of sustainable finance and positioning their businesses for the transition to a sustainable and inclusive economy. In parallel, UNEP FI also drives systems change and fosters enabling conditions in service of the broader mission to mobilize and align private finance to help achieve the UN Sustainable Development Goals.

Founded in 1992, UNEP FI was the first organization to engage the finance sector on sustainability and incubated the Principles for Responsible Investment, now the world's leading proponent of responsible investment.

Today, we cultivate leadership and advance sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean, and North America.

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