This page gathers the key findings and expected actions distributed throughout the report.

### Key Findings

**Banking Supervision**

- In 33% of the countries assessed (13 out of 38), banking supervisors or guidelines have been issued, banks are expected to incorporate climate considerations in their strategy. Of these 24 jurisdictions, only five are limited to climate aspects, while 15 extend to the whole range of climate, environmental and social (E&S) aspects. While this is encouraging, it also shows significant room for improvement, particularly as 14 countries have no expectations in place.

- On average and across all geographies, regulations and guidelines documentation issued by supervisors or guidelines issued by banking associations. As such, they are associated with higher expectations, in addition to being an integral part of the supervisory dialogue with banks.

- In most jurisdictions, banks are expected to disclose information on their E&S strategy and its implementation, although in varying levels of detail. Expectations for banks to disclose their exposure to E&S risks or their E&S impacts are generally limited or high level, although recently issued regulations and guidelines are more specific, with increasing reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

- Existing rule-based microprudential supervisory tools, such as those set out under the Basel regulatory framework, are not yet being fully utilized by banking supervisors and supervisors to proactively mitigate, ex-ante, the financial risks derived from E&S risks.

- Regulations and supervisors should require banks to disclose their portfolio level exposure to, and management of, material E&S risks. In line with double materiality considerations, banks should similarly be expected to disclose their adverse E&S impacts and the associated mitigation measures.

- Regulators and supervisors should systematically require banks to factor E&S risks in their capital adequacy assessment and liquidity risk management processes. While risk quantification methodologies are being refined, prudential supervisors should adopt a precautionary approach and use existing supervisory and regulatory tools to set minimum capital and liquidity requirements.

- Bankers should be expected to minimize the negative impacts associated with their business relationships, to progressively set science-based targets in line with existing and upcoming international climate and biodiversity frameworks, and to align with broader sustainable development goals.

- Central banks should lead by example by fully integrating E&S considerations in the management of their foreign reserves as well as across all their portfolios, and disclosing their approach. Central banks should progressively set targets to align their portfolios with science-based targets, starting with climate.

- Harmonized sustainable finance regulations and guidelines should be issued to ensure a meaningful shift of financial flows away from harmful and towards sustainable activities that are aligned with national and international sustainable development goals.

- The development of multi-stakeholder initiatives, capacity building efforts, as well as regulations and standards on financial products all point to the gradual strengthening of macro-prudential measures being taken to limit the exposure of banks to certain activities and prevent the build-up of systemic risks in the financial system, particularly with regard to climate and environmental risks.

- A majority of banking supervisors have conducted studies to assess the exposure of banks to certain E&S risks, although a risk on defining and focusing on climate-related risks. These studies are often complemented by surveys to understand how banks are managing these risks. Only a few supervisors are monitoring these risks on a regular basis.

- Central banks should ensure that banks develop and strengthen their expectations for banks.

- Regulators should ensure that banks set the appropriate incentives for the management of E&S risks. They should also use existing and new methodologies to start quantifying banks’ exposure to broader E&S risks. These results should be published and, combined with a better comprehension of how banks are managing these risks, should inform regulatory and supervisory action.

### Actions Expected by WWF

- While an increasing number of banking supervisors are conducting or have announced climate-related stress-tests and are monitoring risk exposures, there is a distinct lack of macro-prudential measures being taken to limit the exposure of banks to certain activities and prevent the build-up of systemic risks in the financial system, particularly with regard to climate and environmental risks.

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- In addition to macro-prudential supervisory tools, central banks and banking supervisors should make full use of macro-prudential measures to limit the exposure of banks to activities that are inconsistent with national or international sustainable development objectives and therefore subject to higher risks. While scenario-based stress-tests provide useful insights, they should not replace or delay the use of measures to address systemic risks ex-ante.

- Banking supervisors should deepen their understanding of banks’ exposure to climate-related physical and transition risks. They should also use existing and new methodologies to start quantifying banks’ exposure to broader E&S risks. These results should be published and, combined with a better comprehension of how banks are managing these risks, should inform regulatory and supervisory action.

- Central banks should make full use of their monetary policy toolkit, both to reflect the risks derived from E&S issues and to ensure that their actions do not impair the transition to a low-carbon and more sustainable economy.

- Central banks and supervisors should further strengthen their strategies and roadmaps, and notably go beyond climate-related risks to incorporate broader E&S considerations. These institutions, especially the larger ones, should also build their own capacity and develop robust governance structures to fully embed E&S aspects in their activities.