Emerging markets face greater exposure to both physical and transition risks, due to higher vulnerability to climate hazards, weaker infrastructure and less predictable regulatory environments. Regulators, international investors, MDBs and DFIs and leading corporates are increasingly requiring evidence of robust climate risk controls as a precondition for capital, partnership or meeting regulatory requirements.

Climate risk affects institutional business models and cuts across existing risk drivers. It is therefore essential to set out a coherent approach to climate change, highlighting how it is managed across the organisation and how it may influence financial performance.

A formal climate risk policy helps ensure that climate risks are not handled informally or confined to siloes of subject-matter experts. Instead, it embeds climate considerations across all business lines through shared processes and responsibilities. The policy should define roles, escalation procedures and decision pathways, reducing uncertainty and ensuring coordinated action whenever a climate-related risk emerges at any point in the transaction cycle.

It is important to distinguish between climate risk governance and climate risk management policy, while recognising how they are connected.

- Governance (see Module 3) defines the who and how of climate risk oversight.
  - Who is accountable for decisions and their outcomes?
  - How does climate risk fit within existing governance structures?
  - How is information escalated and how are decisions made in light of climate-related considerations?

- Policy defines what needs to be done and when.
  - What is the institution’s position on climate risk?

- What rules, procedures and controls must be consistently applied?
- How are processes and decisions documented to ensure auditability?
- What are the minimum standards for risk assessment, approval and reporting, approved by senior management and applied as standard operating practice? What are the acceptable boundaries of risk, defined through risk appetite and materiality thresholds?

Climate Risk Governance	Climate Risk Management Policy
Who is accountable for decisions and their outcomes?	What is the institution's position on climate risk?
How does climate risk fit within existing governance structures?	What rules, procedures and controls must be consistently applied?
How is information escalated and how are decisions made in light of climate-related considerations?	How are processes and decisions documented to ensure auditability?
	What are the minimum standards for risk assessment, approval and reporting, approved by senior management and applied as standard operating practice? What are the acceptable boundaries of risk, defined through risk appetite and materiality thresholds?

Guidance 1 & 2: Climate risk management policy ToC

Guidance 1 provides an illustrative table of contents (ToC) for a climate risk management policy, designed to guide FIs in structuring and drafting their own policy documents. It serves as both a practical checklist for developing institutions—ensuring minimum standards are met—and as a referenced for more advanced organisations seeking alignment with international best practice. Guidance 2 can be used flexibly, either for self-assessment or as a drafting aid, to help embed climate considerations consistently across governance, strategy, risk management and disclosure processes.

CLICK TO DOWNLOAD GUIDANCE 1: CLIMATE RISK MANAGEMENT POLICY TOC

(WORD).

CLICK TO DOWNLOAD GUIDANCE 2: CLIMATE RISK MANAGEMENT POLICY TOC (EXCEL).

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