



PRESS RELEASE

GUIDANCE ON CLIMATE-RELATED RISK MANAGEMENT

The Central Bank of Kenya (CBK) announces the issuance of *Guidance on Climate-Related Risk Management* (*Guidance*) to commercial banks and mortgage finance companies. The *Guidance* is intended to enable banks integrate the opportunities and risks arising from climate change in their governance structure, strategy and risk management frameworks. Further, it will guide these institutions in disclosing climate-related information to their stakeholders.

Kenya and other African countries do not contribute significantly to the greenhouse gas emissions (mainly carbon) responsible for the adverse global consequences of climate change. However, they have borne the brunt of climate change, including through droughts, floods and wildfires. The resultant socio-economic consequences ranging from loss of livelihoods, displacement, physical destruction of property, forced migration also pose significant challenges to the vision of global shared prosperity by 2030. Recent estimates indicate that the ravages of climate change exacerbated by the coronavirus (COVID-19) pandemic threaten to push over 100 million people globally into extreme poverty by 2030, if urgent action is not taken.

Kenya's banking sector has been on a journey towards *working for and with Kenyans* since the issuance of the *Kenya Banking Sector Charter* (the *Charter*) in 2019. The *Charter* is anchored on four pillars of *customer centricity, risk-based credit pricing, transparency* and *ethical banking*. Under the ethical banking pillar, banks have been integrating environmental, social and governance considerations in their operations. The issuance of the *Guidance* will accelerate the path towards integrating environmental considerations in banks' business models. In preparing this *Guidance*, CBK has also benefitted from related guidance issued by global standard-setting bodies as well as by supervisory authorities in other jurisdictions, and policy statements in Kenya.

As the world builds back from the pandemic, green resilient economies will be imperative. The transition to a low carbon economy will require significant financing both from the public and private sectors. There will be opportunities for banks to fund the transition to renewable energy, resilient infrastructure, appropriate housing and innovative agricultural practices. In addition, banks will need to build their capacity to identify and mitigate the risks arising from climate change. It is for these reasons that the issuance of the *Guidance* is timely.

The banking sector is a key enabler of the economy and its embracing of climate risk management will be a key signal to the financial and other sectors. This will be a key contribution in scaling up Kenya's climate ambitions as the world gears up for the [*Conference of Parties \(COP-26\)*](#) in Glasgow, Scotland at the end of October, 2021. *COP-26* will seek to accelerate global actions to address the increasingly dire consequences of climate change.

CENTRAL BANK OF KENYA

October 15, 2021