



The Reserve Bank of India (RBI) unveiled a Draft Disclosure Framework on Climate-related Financial Risks on February 28th, 2024. This framework aims to mandate disclosure of climate-related financial risks for entities regulated by the RBI, aligning with the four thematic pillars recommended by the Task Force on Climate-related Financial Disclosures (TCFD Recommendations): Governance, Strategy, Risk Management, and Metrics and Targets.

Applicability

Type of Regulated Entity	Applicability	
	Governance, Strategy, and Risk Management	Metrics and Targets
All Scheduled Commercial Banks (excluding Local Area Banks, Payments Banks, and Regional Rural Banks)	FY 2025-26 onwards	FY 2027-28 onwards
All Tier-IV Primary (Urban) Co-operative Banks (UCBs)	FY 2026-27 onwards	FY 2028-29 onwards
All All-India Financial Institutions (viz. EXIM Bank, NABARD, NaBFID, NHB and SIDBI)	FY 2025-26 onwards	FY 2027-28 onwards
All Top and Upper Layer Non-Banking Financial Companies (NBFCs)	FY 2025-26 onwards	FY 2027-28 onwards

For other entities, adoption of the Disclosure Framework may be voluntary initially, with mandatory applicability to be

Manner of Disclosure

Disclosures under the framework should be made on a standalone basis and form part of the financial statements/results published on the entity's website. Boards of directors or relevant committees are responsible for reviewing these disclosures.

Thematic Pillars of Disclosure

The Disclosure Framework focuses on four thematic areas:

- **Governance-** Details governance processes, controls, and procedures for managing climate-related financial risks and opportunities. Key disclosures include governance structure, roles and responsibilities, and consideration of climate-related issues in decision-making.
- **Strategy-** Describes the entity's strategy for managing climate-related risks and opportunities, including their potential impact on business prospects and the business model. Enhanced disclosures cover effects on financial position and performance, adaptation/mitigation efforts, and climate scenario analysis.
- **Risk Management-** Outlines processes to identify, assess, prioritize, and monitor climate-related risks and their integration into overall risk management. Key disclosures include methodologies for assessing risks and their incorporation into internal control frameworks.
- **Metrics and Targets-** Details performance concerning climate-related risks and opportunities, including progress towards set targets. Enhanced disclosures cover GHG emissions, asset vulnerability, and integration of climate considerations into remuneration policies.

Actionable for Reporting Entities

Entities need to take various actions to ensure compliance and positive reporting:

- Adopting a climate-related risk management policy
- Setting metrics and targets for climate-related performance
- Modifying internal capital and liquidity adequacy assessment processes
- Including climate-related considerations in remuneration policies

Overall, the regulated entities need to ensure that consideration of climate-related issues is imbibed in the overall organizational policies of the entity.

The Disclosure Framework is a step towards bringing the climate risk reporting requirements under mainstream compliance framework, for financial sector entities in India. Currently, the only form of mandatory disclosure requirement concerning non-financial reporting is through the Business Responsibility and Sustainability Report (BRSR), which is required to be given by the top 1000 listed entities based on market capitalization.