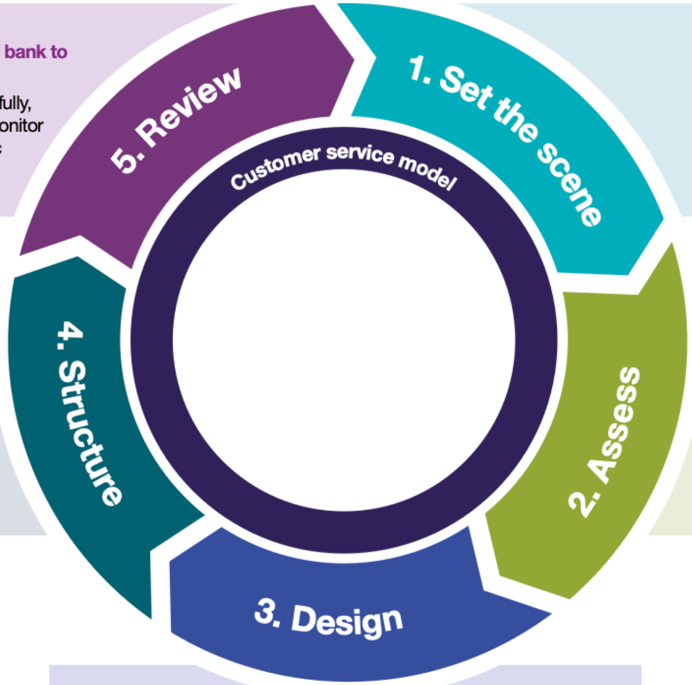
Guidance 14a: Illustrative phases of FI-client engagement

The infographic below illustrates a 5-phase approach for bank-client engagment on climate risk, specifically for use by relationship managers and client-facing staff. The framework is also useful for sustainability strategy teams, business lines and L&D teams preparing materials for relevant staff.

For the purposes of client-engagement, the framework is also valid for FIs more broadly.



Phase 1 - Set the scene
Establish your client's starting point, position the bank and open up the dialogue.
Target outcomes: Deeper understanding of climate-related risks and opportunities. Clarity about how your bank can support your client in their net zero transition journey.

Phase 2 - Assess
Assess your client's current position and ambitions for the future.
Target outcomes: Both you and your client understand their baseline position, the level of targeted decarbonisation. Map forward-looking strategic and operational implications, alongside financing opportunities.

Phase 3 - Design
Support your client to design a clear transition finance plan.
Target outcomes: Client develops a robust, science-based net zero decarbonisation plan with the appropriate reporting metrics and targets. Associated financing requirements have been identified and prioritised over the short, medium and longer term.

Phase 4 - Structure
Structure financing solutions to support your client's transition.
Target outcomes: Financial solutions for your client's current financing needs are structured, taking into account longer term strategy. Your client and bank agree on financing structure, pricing and a deal is signed.

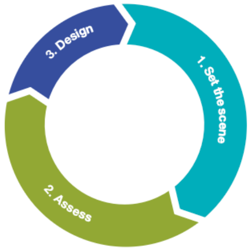
Phase 5 - Review
Monitor progress and support your client and bank to further advance the net zero agenda.
Target outcomes: Finance is deployed successfully, and client invests to deliver agreed outcomes. Monitor progress and measure impact. Support systemic change of low-carbon business models.

Source: CISL

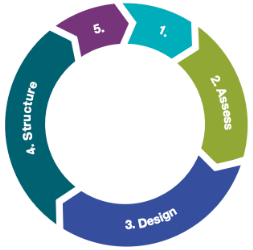
British International Investment

How FI-client engagements change over time

At the outset



As the client develops their sustainability strategy and transition plans



Monitor your client's progress and accelerate their transition

Guidance 14b: Illustrative client engagement opportunities for MFIs

Products/services MFIs can offer	*Opportunity description*	*Examples of processes MFIs need to implement to deliver such products/services*
Weather-indexed micro-insurance	▪ Protects against crop / livestock losses from extreme weather	▪ Simple claims process ▪ Automatic payouts triggered by weather data
Resilience/adaptation micro-loans	▪ Funds climate-resilient investments (e.g. water tanks, drought-resistant seeds)	▪ Low collateral ▪ Flexible terms ▪ Technical assistance bundled-in
Flexible repayment schedules	▪ Supports clients to recover from extreme weather shocks	▪ Grace periods or payment holidays automatically activated after a declared climate event
Clean energy microfinance	▪ Expands access to reliable, affordable energy	▪ Loans for solar lanterns ▪ Efficient pumps and stoves ▪ Pay-as-you-go optionality