Guidance 3c: Developing materiality thresholds

Examples of materiality indicators	*Example thresholds*	*Recommended scope and application*	*Time horizon and action plan implications*
Exposure to highly flood-prone assets	▪ < 5% of total loan portfolio	▪ Set maximum tolerated exposure to high physical risk areas ▪ Apply at portfolio level to manage concentration risk ▪ Used for lending policies, credit approval and ongoing monitoring	▪ Short (<1 year) – exposure monitoring and annual reviews ▪ Medium (3-5 years) – strategic planning or repricing ▪ Long (5+ years) – portfolio rebalancing and adaptation planning
Portfolio carbon intensity	▪ < 200 tCO2e/ MM$ revenue	▪ Set decarbonisation targets for portfolio or at sector-level ▪ Track performance against climate commitments ▪ Inform capital allocation or client engagement strategies	▪ Annual – monitor progress, disclose results, steer strategy ▪ Interim – review during major sectoral shifts
Sectoral concentration (e.g. coal)	▪ < 1% of total exposure	▪ Limit exposures to sectors with heightened transition risk ▪ Apply at sector/sub-sector level to ensure diversification ▪ Feed into risk appetite and sector lending limits	▪ Ongoing – continuous monitoring and reporting ▪ Review with periodic updates to risk strategy
Annual scenario-based climate losses	▪ > 10% increase in non-performing loans (NPLs)	▪ Define loss tolerance for climate-related stress events ▪ Used in enterprise-level scenario analysis and stress testing ▪ Guide capital and contingency planning	▪ Stress testing cycles ▪ Periodic – align with compliance cycles or internal audits
Clients in high-emitted sectors w/o credible transition plan	▪ < 10% of large exposures	▪ Set risk tolerance for clients not aligned with transition pathways ▪ Apply at client relationship level ▪ Used for enhanced due diligence or engagement prioritisation	▪ Annual – review as part of client risk assessment or portfolio review ▪ Update as transition plans or regulations evolve