Guidance 4a: Rapid climate risk screening matrix (first-pass)

Primary funnel for climate risk screening	***Example (sub)questions in this category***	***Type of response expected***	***Examples of how responses translate into Red/Amber/Green flags (automated if possible)***
Core business context *Understanding what the client does and where it operates*	1. What is the company's core business activity? 2. What is the primary location of the company's main operations (ideally at asset-level)?	i. Dropdown – sector classification ii. Dropdown – city, county, province, state	▪ If the primary location is in a known hazard risk zone → **Red** (depending on sector sensitivity to hazard) ▪ If business activity is in known high-emitting sector → **Red** (depends on severity level)

LEGEND

Green

- No foreseeable risk or good level of awareness/mitigation already in place
- The transaction can proceed with standard processing

Red

- Potential material risk present
- Requires clarification via selective due diligence
- 2LoD to be alerted

Unknown

- Responses should default to Red to avoid false negatives

* FIs can use public resources such as ThinkHazard and PACTA sectors to shortlist critical hazards and transition-relevant sectors for rapid screening.

1. If client scores **Green**, proceed with normal credit cycle activities.
2. If client scores **Red** in any field, proceed to questions in Tool 6b.

Guidance 4b: Rapid climate risk screening matrix (second-pass)

Categorical data gathering for prospective clients flagged Red	*Example (sub)questions in this category*	*Type of response expected*	*Examples of how responses translate into Red/Green flags (automated if possible)*
Physical risk awareness *Establish whether the client has already experienced physical risk impacts*	1. Has the company's location experienced any disruptions from extreme weather in the past five years? 2. Are any core assets located near rivers, coasts, wildland or steep terrain? 3. Does the company have basic insurance for weather-related damages?	i. MCQ – yes / no / unknown ii. MCQ – yes / no / unknown iii. MCQ – yes / no / unknown	▪ If 'yes' to recent disruptions from extreme weather → **Red** ▪ If 'unknown' but the asset is in a known high-risk area → **Red**
Transition readiness *Establish sector and business model-specific transition risk exposure*	1. Does the company operate in a sector that might be impacted by climate policies? 2. Is the company's main product/service highly energy/emission-intensive? 3. Is the company aware of any planned local or international regulations that might impact their business model?	i. MCQ – yes / no / unknown (with sector-level guidance provided for front-line lending officer) ii. MCQ – yes / no / unknown iii. MCQ – yes / no / unknown	▪ If sector is on 'transition risk watchlist' → **Red** ▪ If 'unknown' on policy awareness for a known high-risk sector → **Red**
Governance & strategy *Establish client level of awareness and willingness to adapt*	1. Does the company consider climate change a business risk? 2. Is someone at the company responsible for overseeing climate/environmental issues? 3. Has the company taken any steps to adapt to or reduce its climate impacts?	i. MCQ – yes / no / unknown ii. MCQ – yes / no / unknown iii. MCQ – yes / no / unknown	▪ If 'no' to all questions but positive for physical/transition risks → **Red** ▪ If 'yes' for basic adaptation efforts → **Green**
Risk management *Establish level of operationalisation of climate risk*	1. Does the company track losses or disruptions caused by extreme weather events? 2. Are climate risks discussed in regular business planning or risk management meetings?	i. MCQ – yes / no / unknown ii. MCQ – yes / no / unknown	▪ If 'no' or 'unknown' but working in a known high-risk sector → **Red** ▪ If 'yes' with supporting documentation → **Green**