Dear Sir / Madam,

**Common Assessment Framework on Green and Sustainable Banking**

I am writing to update you on the latest developments in our promotion of green and sustainable banking.

As announced on 7 May 2019 and in the circular of 28 June 2019, a key part of our Phase I measures to promote green and sustainable banking is to develop a common framework to assess the “greenness baseline” of individual authorized institutions (AIs). We have recently developed a self-assessment framework (which is enclosed in the Annex) with the support of a working group consisting of 22 AIs, and have incorporated comments received from the industry. We would like to highlight certain key aspects of the assessment framework:

- **Objective**: The assessment is not a pass or fail test. We fully recognise that AIs can be at different stages of development in green and sustainable banking. Through the assessment, we intend to facilitate AIs in reviewing readiness and preparedness in addressing climate and environmental risks, help AIs formulate strategies and approaches, and inform the design of supervisory expectation and requirements under Phase II of our three-phased approach.

- **Design**: The framework will collect information about the stage of development with respect to climate risks and environmental risks under six key elements, including (i) governance, (ii) corporate planning and tools, (iii) risk management process, (iv) business policies, products and services, (v) performance and resources, and (vi) disclosure and communication.

- **Scope of AIs and timeline**: Currently, we intend to implement the assessment on around 50 AIs based predominantly on their asset sizes and business activities. Selected AIs will have 12 weeks to complete this initial round of assessment,
taking into account the current COVID-19 situation.

We will write separately to the selected AIs about the detail arrangement of assessment. For AIs not covered in this round of exercise, they are also encouraged to take this opportunity to reflect on their readiness and preparedness in addressing climate and environmental risks.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

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