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RBI's Climate Data Repository

Key to climate risk assessment in banking

ICRA ESG Comments

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RBI's proposal

- Formation of a climate data repository as a pivotal step toward integrating climate risk into India's financial system.
- The Reserve Bank Climate Risk Information System also called RB-CRIS will host data in following ways
 - *Data from renowned and widely accepted data platforms*
 - *Processed data offering reliable inputs*

Proposed users

- Regulated entities or REs would be the primary users of data available in RB-CRIS. The platform will enable them to effectively implement climate related disclosures norms on asset portfolios.

Current scenario for climate data

Limited proportion of India Inc making disclosures

Inconsistent data collection methods

Low ESG (particularly Climate Change Risk) readiness amongst small lending institutions and and borrowers

Absence of a country specific taxonomy

No centralised climate database to access physical risk and overall impacts

REs will have access to climate data at RB-CRIS which will enable the following

- **Support in risk management** : With access to comprehensive climate data, banks and financial institutions will be able to assess the climate-related risks of their investments and portfolios, minimizing potential losses.
- **Data-driven decision-Making**: Not just lending decisions, climate risks can be effectively incorporated in long term strategies.
- **Supporting sustainable finance**: The initiative is in line with the RBI's broader efforts to promote sustainable finance by making climate data more accessible.

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The climate data repository will be a crucial tool for the regulator enabling it to gauge and address systemic risks through the use of reliable climate data.

Depending on the information RB-CRIS would offer, businesses may be expected to also supply some disclosures to the platform. This could thus influence and support borrowers in the following ways

- **Evaluation of material climate and ESG risks:**– better assessment of climate risk
- **Proactive climate action:** help to align with country’s climate goals
- **Enhancing climate transparency:** better disclosures to support responsible business conduct
- **Informed strategic planning:** can plan for the long term
- **Regulatory compliance:** better alignment with existing and emerging regulations across the world

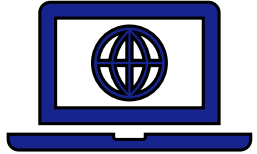
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RB-CRIS will enhance transparency and enable the borrowers to identify and mitigate the climate risk associated with their operations helping them with better access to finance; especially in exploring sustainable finance

A step in the right direction

- **Transforming India's business landscape:** Over time, this initiative will drive systemic changes in business practices, encouraging industries to adopt more sustainable models and reduce their environmental impact.
- **Encouraging innovation:** Access to climate data will incentivize innovation in clean technologies, renewable energy, and climate-resilient infrastructure, pushing businesses to become leaders in sustainability.
- **Risk mitigation:** By using climate data, investors can avoid companies that are highly exposed to climate risks reducing the risk of stranded assets.
- **Driving green finance:** The repository will support the growth of green and sustainable related instruments and climate-aligned investments.
- **Climate resilient economy:** Ultimately, the repository will support the creation of a climate-resilient economy where businesses and investors make informed decisions based on data, safeguarding both financial stability and environmental sustainability.

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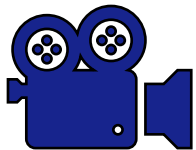
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