GUIDELINES ON CLIMATE-RELATED FINANCIAL RISKS MANAGEMENT AND DISCLOSURES, 2025

BANK OF TANZANIA

TABLE OF CONTENTS

	PART I **PRELIMINARY PROVISIONS**
Citation	1. These guidelines shall be cited as the Guidelines on Climate-Related Financial Risks Management and disclosures, 2025.
Authorization	2. These guidelines are issued under Section 71 of the Banking and Financial Institutions Act, 2006.
Application	3. These guidelines shall apply to all banks and financial institutions.
Interpretation	4. In these guidelines, unless the context otherwise requires: "Act" means the Banking and Financial Institutions Act, 2006; "Bank" means the Bank of Tanzania; "bank" has the same meaning ascribed to it in the Act; "Board" means the Board of Directors of a bank or financial institution; "climate-related financial risk" means the potential risks that may arise from climate change or from efforts to mitigate climate change, their related impacts and their economic and financial consequences; "climate-related financial opportunities" means the potential positive effects that may arise from climate change or from efforts to mitigate and adapt to climate change; "financial institution" has the same meaning ascribed to it in the Act; "financed emission" refers to the portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by a bank or financial institution to the investee or counterparty; "greenhouse gases" refers to the seven greenhouse gases listed in the Kyoto Protocol which are carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF3), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6); "physical risks" means economic costs and financial losses resulting from the increasing severity and frequency of extreme climate change-related weather events, and longer-term gradual shifts of the climate; "scope 1 greenhouse gas emissions" refers to direct greenhouse gas emissions that occur from sources that are owned or controlled by a bank or financial institution; "scope 2 greenhouse gas emissions" refers to indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by a bank or financial institution;

	"scope 3 greenhouse gas emissions" refers toindirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions; "stake holders" refers to primary users, policy makers, capital markets, civil societies and other general public; "transition risks" means risks related to the process of adjustment towards a low-carbon economy including; changes in Government policies, legislation and regulation, changes in technology and changes in market and customer sentiment;
Introduction	5. Climate change poses significant risks to economic stability. It can lead to both physical and transition risks that may affect the safety and soundness of banks and financial institutions, ultimately impacting broader financial stability within the banking system. Recognizing the serious threat climate change poses to the economy, the Government of Tanzania has initiated several measures to establish a robust legal and policy framework aimed at addressing climate change and the loss of biodiversity, as well as enhancing adaptation and mitigation capacities. Consequently, Tanzania has developed the National Climate Change Response Strategy and National Adaptation Plan and has revised the National Environmental Policy. These initiatives align with the Nationally Determined Contribution (NDC) goals that contribute to global climate efforts to limit the rise in global surface temperatures to below 2 °C above pre-industrial levels, and to pursue efforts to further limit the temperature increase to 1.5 °C, as stated in the Paris Agreement. In this context, the Bank has issued these guidelines to address climate-related financial risks and opportunities within the banking sector. The guidelines incorporate the "Principles for Effective Management and Supervision of Climate-related Financial Risks, 2022," issued by the Basel Committee on Banking Supervision (BCBS), along with guidance from other standard-setting bodies, including the International Sustainability Standards Board (ISSB). These guidelines outline the Bank's expectations for a prudent approach to managing climate-related financial risks and opportunities, thereby enhancing the resilience of the banking sector.
Objectives	6. (1) These Guidelines are intended to assist banks and financial institutions in incorporating sound governance and risk management frameworks for climate-related financial risks within their existing risk management frameworks. This will enable them to better understand, identify, assess, monitor and mitigate these risks. (2)These Guidelines are further intended to require and guide banks and financial institutions to disclose information about its climate-related risks and opportunities that is useful to stakeholders of general-purpose financial reports in making decisions in line with IFRS S2 which requires disclosure of information about climate-related risks and opportunities that could reasonably

	be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.
	PART II **GOVERNANCE STRUCTURE AND OVERSIGHT**
Governance	7. Banks and financial institutions shall establish robust governance arrangements to enable effective identification, management, monitoring and reporting of the climate-related financial risks that could materialize over different time horizons.
Responsibilities of the Board	8. The Board of a bank or financial institution shall: (i) ensure an appropriate collective understanding of climate-related financial risks at both Board and senior management level; (ii) approve and periodically review the strategies, policies, procedures and risk management frameworks for climate-related financial risks; (iii) clearly set the roles and responsibilities of senior management, internal organizational structures as well as Board member, as applicable, for the management of climate-related financial risks; (iv) ensure adequate and timely reporting to the Board on climate-related financial risks; (v) ensure relevant capacity development and training programs on climate-related financial risks; and (vi) consider whether the incorporation of climate risk in the bank's strategy and risk management framework might warrant changes to the compensation policies.
Responsibilities of senior management	9. Senior management of Banks and financial institutions shall; (i) develop and implement climate-related financial risks management strategies, policies and frameworks; (ii) regularly review the effectiveness of the strategies, policies frameworks, tools and controls; (iii) provide periodic reports to the Board on climate-related financial risks issues; (iv) ensure that the internal structures responsible for managing climate-related financial risks are clearly defined and have adequate resources, skills and expertise; (v) ensure that staff have sufficient awareness and understanding to identify potential climate-related financial risks through periodic training and capacity development; and (vi) ensure that material climate-related financial risk issues are addressed in a timely manner.

	PART III **INTERNAL CONTROL FRAMEWORK**
Internal control	10. -(1) Banks and financial institutions shall put in place an adequate and appropriate internal control framework, across the three lines of defence, to ensure sound, comprehensive and effective identification, measurement, monitoring, mitigation and management of material climate-related financial risks. (2) Banks and financial institutions shall clearly define and communicate the roles and responsibilities of business lines and three lines of defense in relation to climate-related financial risks in the manner stipulated below: (i) in the first line of defense, frontline staff shall undertake climate related financial risks assessment for instance during client onboarding, credit application and credit review process; (ii) in the second line of defense, the risk function shall conduct independent climate-related financial risks assessment and monitoring. The compliance function shall ensure adherence to applicable rules and regulations; and (iii) in the third line of defense, internal audit shall perform regular reviews of the adequacy, appropriateness and effectiveness of the risk management and internal control framework for climate-related financial risks.
Policies and procedures	11. -(1) Banks and financial institutions shall establish a climate-related financial risks management policy, which at minimum shall include: (i) roles and responsibilities of the Board and senior management in climate-related financial risks management; (ii) roles and responsibilities of frontline staff, risk management, compliance and internal audit functions in climate-related financial risks management; (iii) a framework for identification, measurement, monitoring, and control of climate-related financial risks; (iv) lines of authority and responsibility for managing climate-related financial risks; and (v) contents and frequency of management reports to the Board on climate-related financial risks management. (2) Banks and financial institutions shall ensure that management of material climate-related financial risks is embedded in policies, processes and controls across all relevant functions and business units.

	PART IV RISK MANAGEMENT PROCESS
Risk management process	12. Banks and financial institution shall identify, measure, monitor and manage all climate-related financial risks that could materially impair its financial condition, including capital and liquidity positions.
Risk identification	13. Banks and financial institution shall put in place a framework for identifying climate-related financial risks which shall at minimum: (i) comprise a process for the identification of climate-related financial risks deemed as material, at the level of counterparty, business lines, industry, economic sectors and geographical locations; (ii) include clear Board-approved criteria and thresholds for determining materiality of climate-related financial risks; (iii) consider the potential impact of such material risks in the short, medium and long term time horizons; (iv) incorporate results of climate-related financial risks stress testing and scenario analysis; (v) consider the impact of material climate-related financial risks in its internal capital and liquidity adequacy assessment processes; and (vi) ensure that material climate-related financial risks are duly assessed; for instance, under credit, at loan origination stage and at subsequent reviews.
Risk measurement and monitoring	14. Banks and financial institution shall put in place a framework for measuring and monitoring material climate-related financial risks which shall at minimum: (i) include the development of relevant risk indicators to categorize counterparties, industry, economic sectors and geographical locations based on the extent of climate-related financial risks; (ii) comprise an adequate risk monitoring process which include the use of qualitative and quantitative analytic tools and metrics to monitor relevant risk indicators and climate-related financial risk exposures against the overall strategy and risk appetite for climate-related financial risks to support decision making; (iii) ensure that the risk appetite framework incorporates relevant risk exposure limits and thresholds for the risks; (iv) encompass measures to encourage counterparties to provide relevant disclosures on climate-related financial risks; and (v) consider processes and procedures to enhance risk data aggregation and reporting, including by investing in data infrastructure and enhancing existing systems. A bank or financial institution shall ensure that data are reliable, accurate and comparable.

Risk Mitigation	15. A bank or financial institution shall put in place a framework for mitigating material climate-related financial risks which shall at minimum: (i) require appropriate risk mitigation plan where the risks are assessed as being material; and (ii) include regular engagement with counterparties representing material risk to understand and monitor its risk mitigating plans. A bank or financial institution shall strive to understand companies transition targets, emission intensity, carbon footprint, and sensitivity to climate policies of their counterparties.
Risk management	16. -(1) A bank or financial institution shall understand the impact of climate-related financial risk drivers on its prudential risk profiles and ensure that risk management systems and processes for prudential risks consider material climate-related financial risks. (2) A bank or financial institution shall, at a minimum, consider the following risk management approaches for prudential risks: (i) Credit risk (a) A bank or financial institution shall have clearly articulated credit policies and processes to address material climate-related credit risks; (b) A bank or financial institution shall consider material climate-related financial risks into the entire credit life cycle, including client due diligence as part of the onboarding process, contractual covenants, pricing and ongoing monitoring of clients' risk profiles; and (c) A bank or financial institution shall identify, measure, evaluate, monitor, report and manage the concentrations within risk types associated with climate-related financial risks such as exposure to geographies and sectors with higher climate-related financial risks. (ii) Liquidity risk A bank or financial institution shall assess the impact of climate-related financial risks on net cash outflows (e.g. increased drawdowns of credit lines, accelerated deposit withdrawals) or the value of assets comprising its liquidity buffers. (iii) Market risk A bank or financial institution shall understand how climate-related financial risk drivers could affect the value of financial instruments in its portfolios, evaluate the potential risk of losses from increased volatility

	of its portfolio, and establish effective processes to control or mitigate the associated impact. (iv) Operational risk (a) A bank or financial institution shall assess the impact of climate-related risk drivers on its operations in general and its ability to continue providing critical operations. A bank or financial institution shall analyze how physical risk drivers can impact its business continuity and take material climate-related risks into account when developing business continuity plans; and (b) A bank or financial institution shall assess the impact of climate-related risk drivers on other risks, such as strategic, reputational, compliance and liability risk, and take such risks, where material, into account as part of its risk management and strategy-setting processes.
	PART V **SCENARIO ANALYSIS AND STRESS TESTING**
Scenario analysis and stress testing	17. -(1) A bank or financial institution shall regularly use scenario analysis and stress testing to determine the size and potential impact of climate-related financial risks and to assess the resilience and vulnerabilities of its business model to such events. (2) In carrying out scenario analysis and stress testing, a bank or financial institution shall at minimum: (i) consider a range of outcomes relating to different transition channels including physical and transition risks; (ii) cover short, medium and long term time horizons related to climate change; (iii) consider forward-looking information, in addition to historic data; and (iv) assess the impact of scenarios on its revenues, assets, significant counterparties, liquidity and capital positions.
	PART VI **CLIMATE RELATED DISCLOSURES**
Disclosures	18. A bank or financial institution shall make disclosures on climate-related financial risks and opportunities on four core contents namely Governance, strategy, risk management and metrics and targets.
Disclosures on Governance	19. (1) A bank or financial institution shall disclose its governance process regarding climate-related financial risks and opportunities including roles and responsibilities of the Board and senior management.

	(2) A bank or financial institution shall disclose information about how the board: a) clearly reflects roles and responsibilities for climate-related risks and opportunities in the terms of reference, mandates, role descriptions and other related policies b) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate related risks and opportunities; c) is informed about climate-related risks and opportunities; d) takes into account climate-related risks and opportunities when overseeing a bank or financial institution's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the Board has considered trade-offs associated with those risks and opportunities; and e) oversees the setting of targets related to climate related risks and opportunities, and monitors progress towards targets and whether the performance metrics are included in remuneration policies. (3) The bank or financial institution shall disclose whether: a) the role related to management of climate related risks and opportunities has been assigned to a specific committee or management level and how the oversight is being implemented; and b) controls and procedures are in place to support the oversight of climate-related risks and opportunities and how these controls are integrated with other internal functions.
Disclosures on Strategy	20. Bank or financial institution disclosures on strategy shall at minimum include information about: (a) climate-related risks and opportunities in terms of short, medium and long-term time horizons; (b) current and anticipated effects of climate-related risks and opportunities on the business model and value chain including concentration levels; (c) how a bank or financial institution has responded or plan to respond to climate-related risks and opportunities in its strategy and decision making including trade-offs between climate-related risks and opportunities; (d) current and anticipated effects of climate-related risks and opportunities on a bank or financial institution's financial position, financial performance and cash flows over the short, medium and long term; and (e) the resilience of the deployed strategy and business model to climate-related changes.
Disclosures on risk management	21. Bank or financial institution disclosures on risk management processes, shall at minimum include information about: (1) the processes and related policies used to identify, assess, prioritize, and monitor climate-related risks by including: a) deployed parameters and inputs;

	b) the method such as scenario analysis used by a bank or financial institution to inform its identification of climate-related risks; c) assessment of the nature, likelihood and magnitude of the effects of those climate-related risks which may include qualitative factors and/or quantitative thresholds; d) how a bank or financial institution prioritizes climate-related risks in comparison to other types of risk; e) how a bank or financial institution monitors climate-related risks; and f) whether and how a bank or financial institution has changed the processes it uses compared with the previous reporting period. (2) the processes that a bank or financial institution uses to identify, assess, prioritize, and monitor climate-related opportunities; and (3) how climate-related financial risks are integrated in the overall risk management framework.
Metrics and targets	22. A bank or financial institution shall establish metrics and set targets used to measure performance and monitor climate related risks and opportunities including progress towards any climate-related targets it has set, and any targets it is required to meet by law or relevant standard.
Disclosures on metrics and targets	23. A bank or financial institution shall disclose information about: (1) the amount and percentage of assets or business activities vulnerable to climate-related transition risks; (2) the amount and percentage of assets or business activities vulnerable to climate-related physical risks; (3) the amount and percentage of assets or business activities aligned with climate-related opportunities; (4) the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities (5) internal carbon prices including: (i) whether and how a bank or financial institution is applying a carbon price in decision-making and (ii) the price for each metric tonne of greenhouse gas emissions the bank or financial institution uses to assess the costs of its greenhouse gas emissions; (6) financed emissions including: (i) absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3; (ii) gross exposure for each industry by asset class; (iii) percentage of gross exposure included in the financed emissions calculation; and (iv) description of the methodology used to calculate financed emissions. (7) remuneration to board and senior management including whether and how climate-related considerations are factored into their remuneration and the

	percentage of which such remuneration is recognised in the current period; and (8) reference methodologies, definitions and criteria associated with the metrics and targets included in its disclosure.
Timing and review of disclosures	24.(1) A bank or financial institution shall report climate-related financial disclosures for the same reporting period as its annual audited financial statements. (2) A bank or financial institution shall regularly review and reinforce its disclosures, with a view to making them as insightful as possible. The disclosures shall take into consideration the evolving needs of stakeholders regarding information on climate-related financial risks and reflect the bank or financial institutions' evolving understanding of these risks
	PART VII **GENERAL PROVISIONS**
Compliance	25. (1) The Bank through its supervisory tools shall ensure the compliance of banks and financial institutions to the provisions of these guidelines; and (2) Non-compliance with the provisions of these guidelines shall lead to supervisory corrective actions as stipulated in the Act and related Regulations.
Implementation	26. Banks and financial institutions shall implement these guidelines as outlined in Annex 1 of these guidelines.
Revocation	27. The Guidelines on Climate-Related Financial Risks Management, 2022 are hereby revoked.

EMMANUEL M. TUTUBA

GOVERNOR

LYSON LAW GROUP
P.O. BOX 79395
DAR ES SALAAM