

# **To what extent do Sri Lankan financial institutions consider the environment?**

Environmental integration by financial institutions in Sri Lanka: An initial review

*What is the level of environmental integration of financial institutions in Sri Lanka?*

*Does the corporate leadership's ambition and intent match actual disclosure of environmental considerations?*

*Do they incorporate environmental considerations in their lending decisions and portfolio risk analysis?*

CSF set out on an initial review to unpack this more, using the most recently published Annual Reports of CSE-listed financial services institutions in Sri Lanka.

We used a bespoke framework anchored to global frameworks, covering three pillars: **Strategic Recognition, Internal Policies and Quantification of metrics and risk assessment.**

A total of 56 local financial institutions were reviewed, consisting of 12 Banks, 35 Non-Banking financial institutions and 9 insurance companies.

# OF THE 56 FIs ASSESSED:

PILLAR 1: STRATEGIC RECOGNITION



**22 firms'** demonstrated environmental integration intent.



Of the 22, **only 12** refer to adherence to national policy frameworks and guidelines



Out of the 12, **only 7** refer to international guidelines



**Only 4** FIs mention any environmental targets aligning with a strategy/regulations

# OF THE 56 FIs ASSESSED:

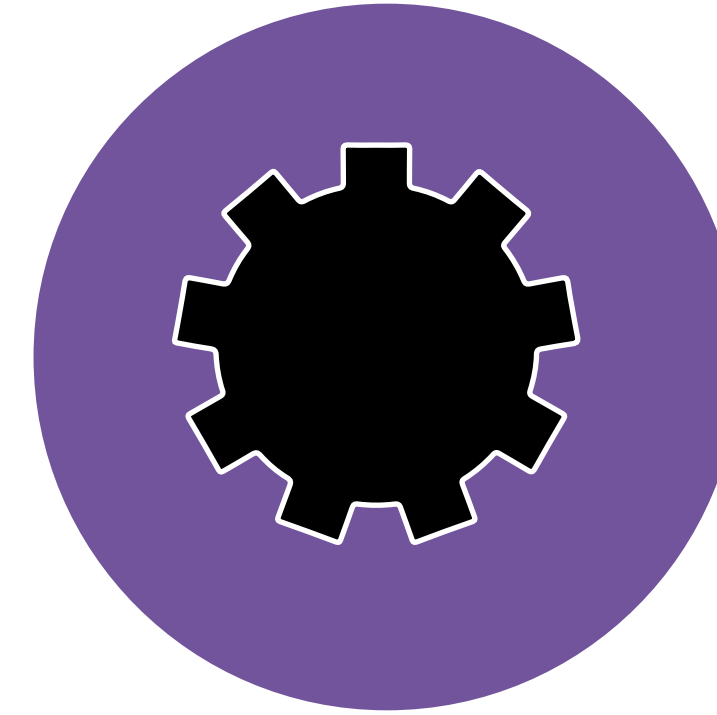
## PILLAR 2: INTERNAL POLICIES



**8 FIs** had adopted an internal policy or strategy focused on the environment



**12 reported** having dedicated internal resources (for instance, a climate task force or ESG team)



**12 FIs** reported taking steps to build staff capacity on integrating environment.

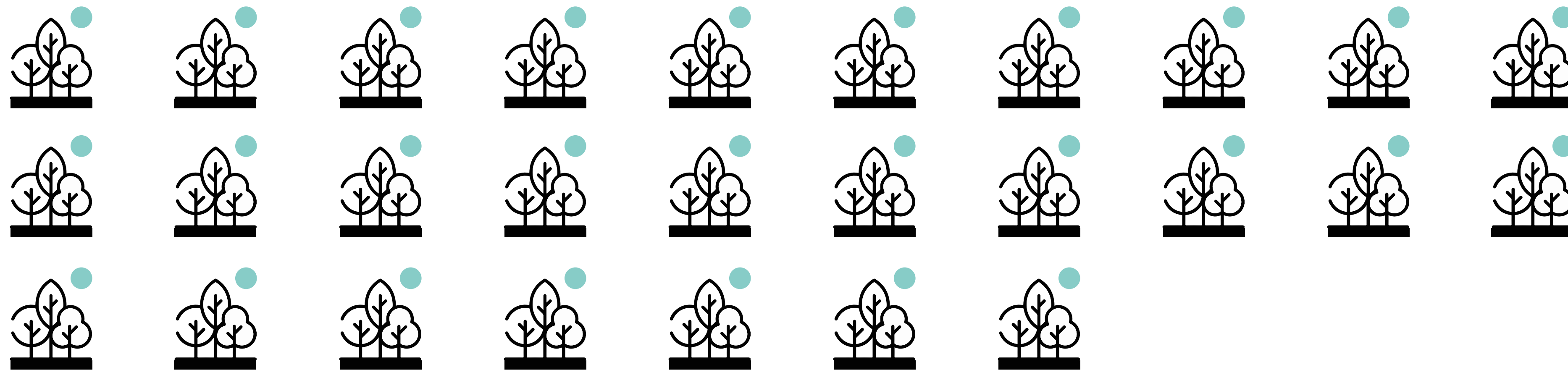


**0 FIs** mentioned having an external *inquiry/complaint/grievance* related to environmental practices

# OF THE 56 FIs ASSESSED:



## PILLAR 3: QUANTIFICATION OF METRICS AND RISK ASSESSMENT



**27 FIs** were explicitly reporting one or more of the following: *electricity consumption, water consumption, paper consumption, GHG emissions, carbon footprint, renewable energy produced, etc.*

# OUT OF 47 LENDING INSTITUTIONS:



PILLAR 3: QUANTIFICATION OF METRICS AND RISK ASSESSMENT

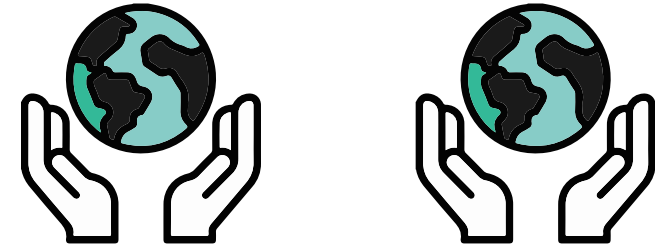


**Only 5** systematically assess environmental impacts and risks in granting loans.

# OF THE 56 FIs ASSESSED:



PILLAR 3: QUANTIFICATION OF METRICS AND RISK ASSESSMENT



**Just 2 FIs** indicate they categorize sectors most vulnerable to climate risk, **and 2 indicate** they review environmental risks such as 'Transition risk' and 'Physical risk' in their portfolio."