

# ESG & Climate Risks integration in Banking

## “Credit Risk Assessment : An Egyptian Perspective”

**Dr.Ahmed Fouad**  
Banque Misr, Egypt

The annual CROs Forum, 7th edition, UAB, 5 July 2025, Sharm Elsheikh

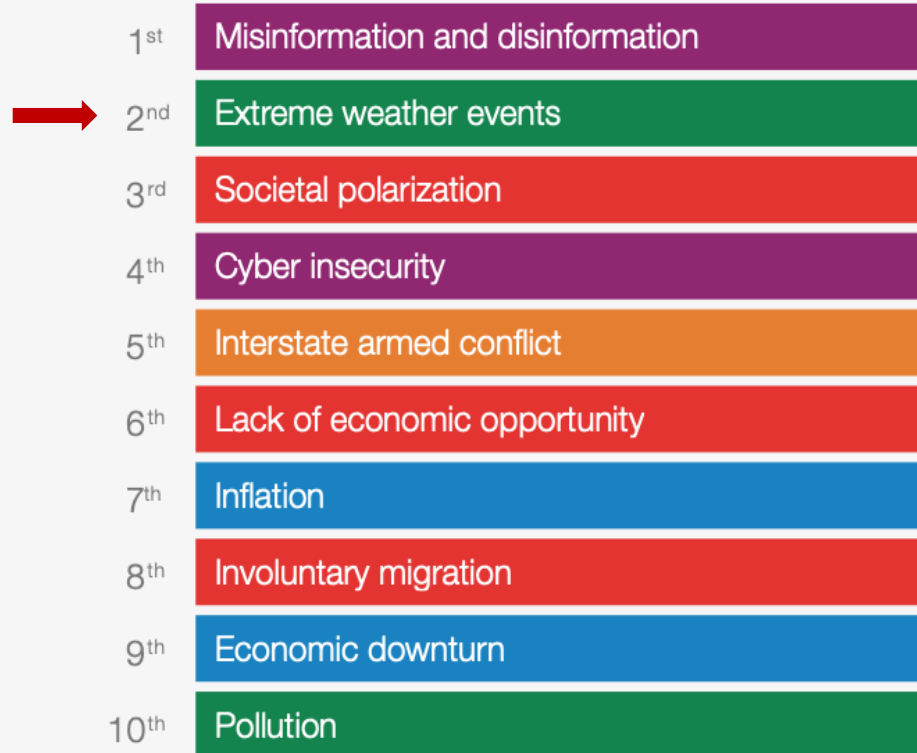


## Global risks ranked by severity over the short and long term

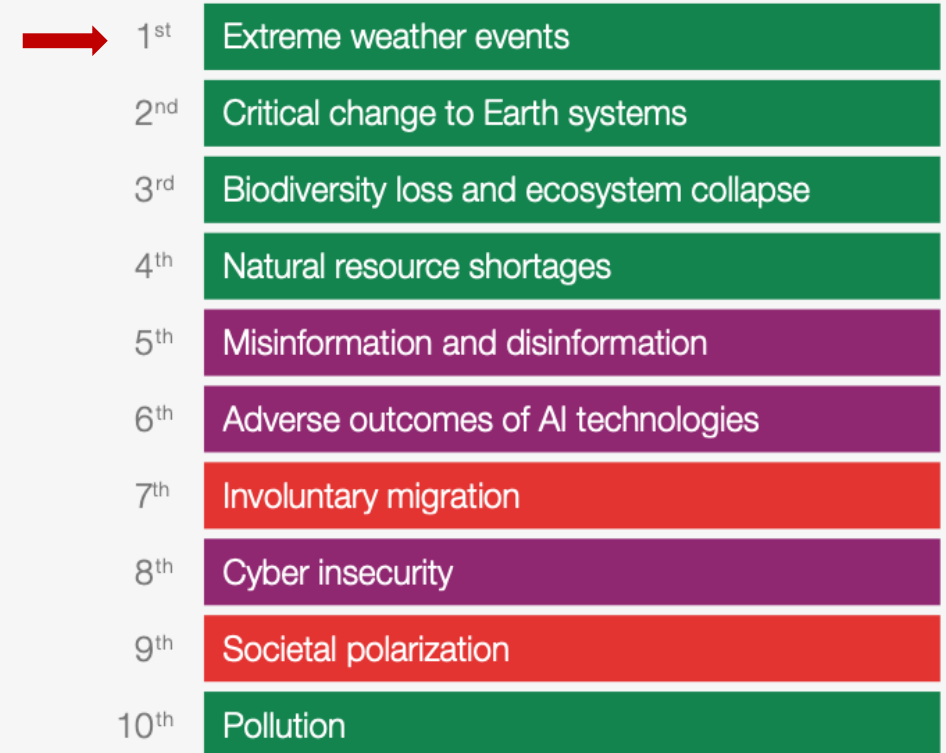
### Risk categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

### 2 years



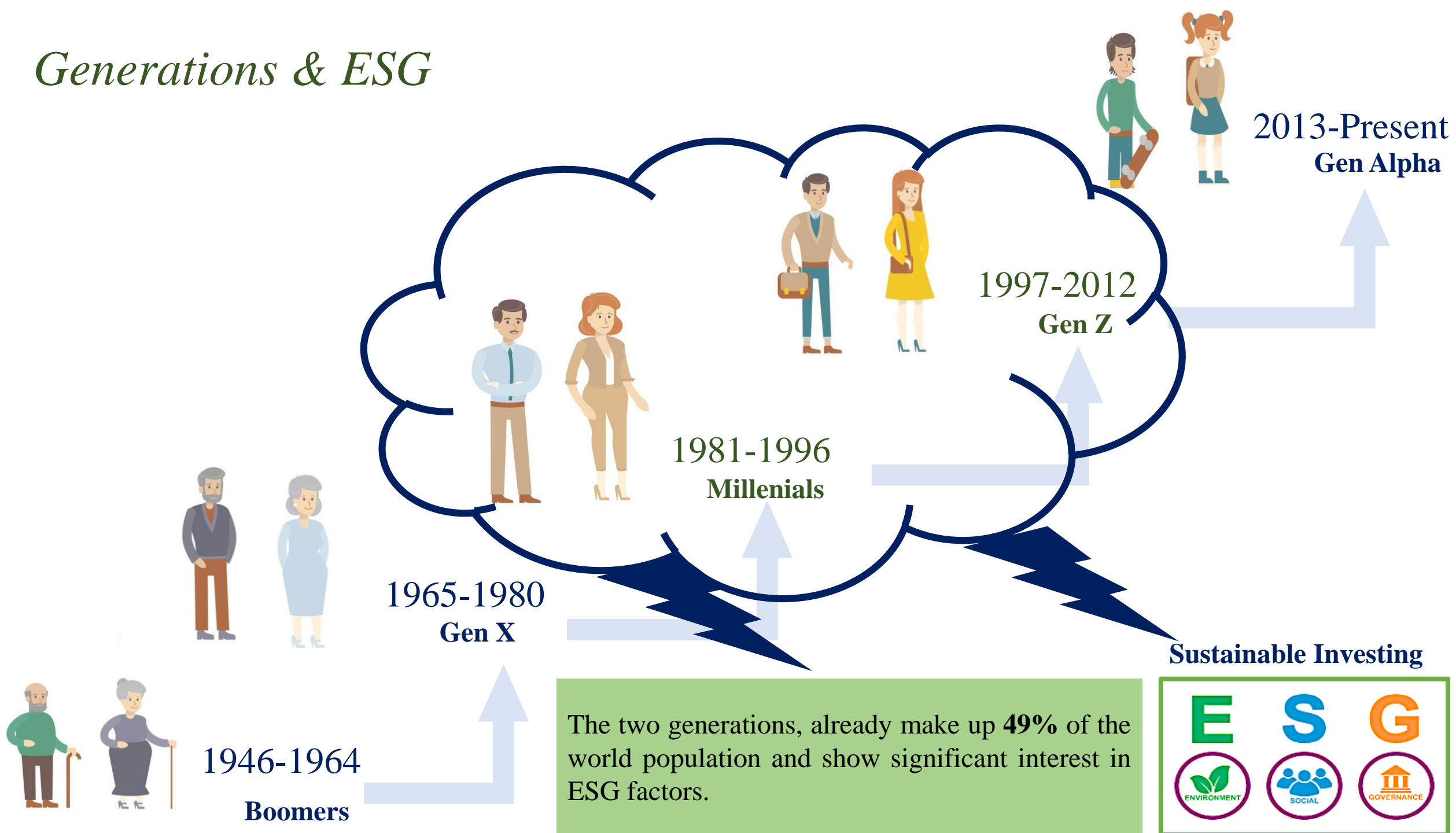
### 10 years



### Source

World Economic Forum Global Risks  
Perception Survey 2023-2024.

# Generations & ESG

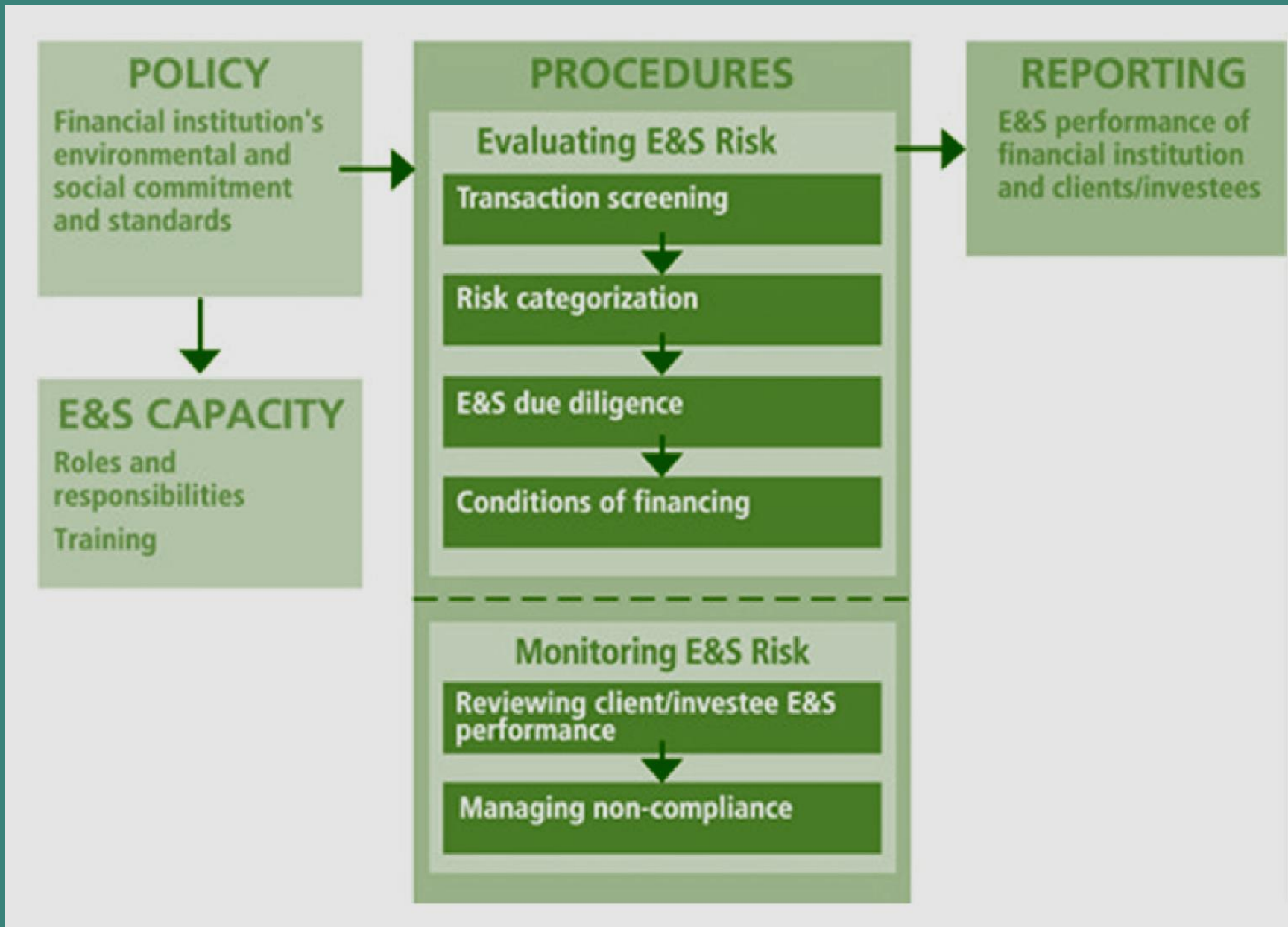


# ESG Risks

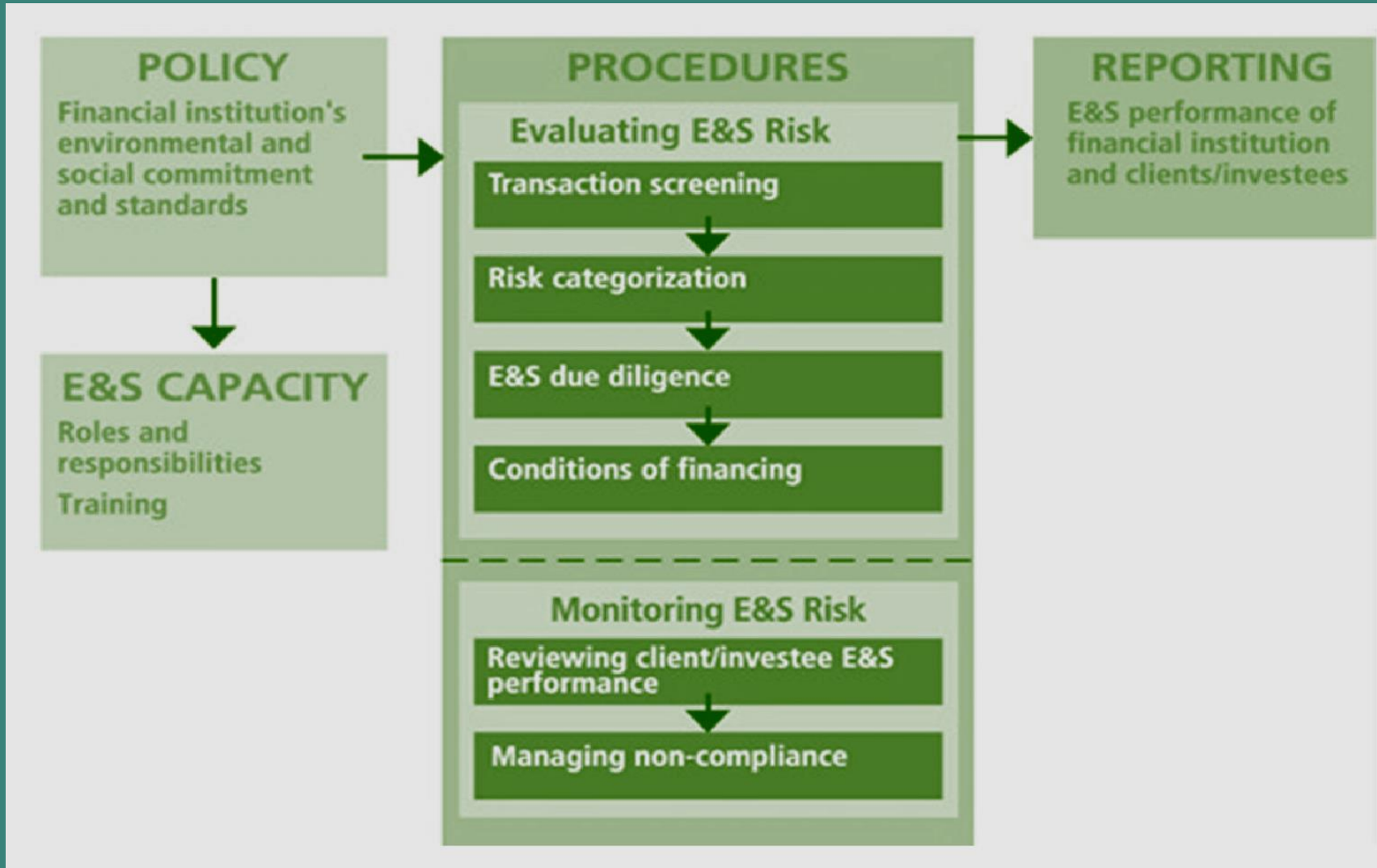




# ESMS



# ESRM



**NOW**

1. Credit Risk Assessment
2. ES Risk Assessment

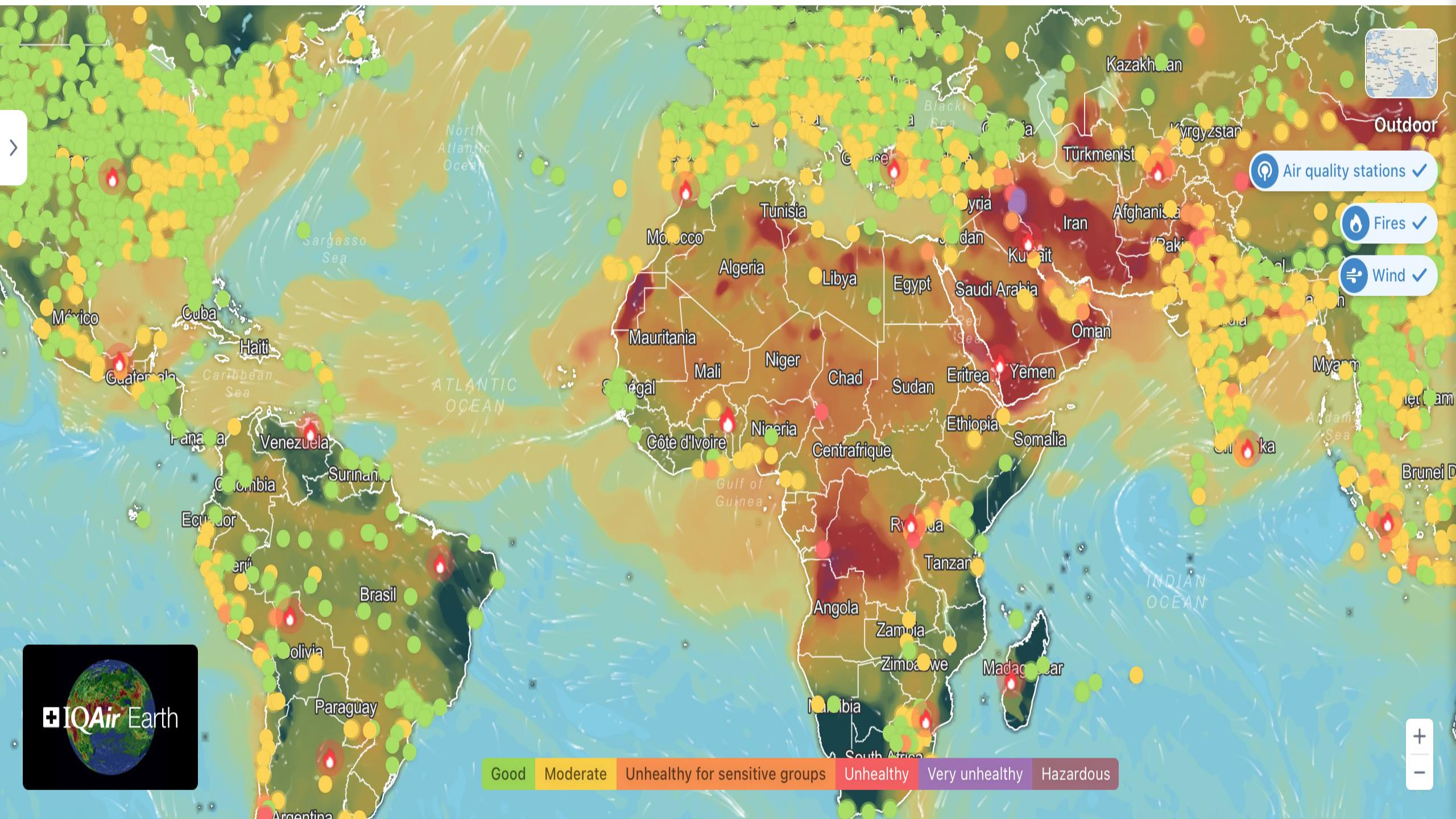
*What about credit decision-making?*

## Climate Risks

**13** CLIMATE  
ACTION







Outdoor

Air quality stations ✓

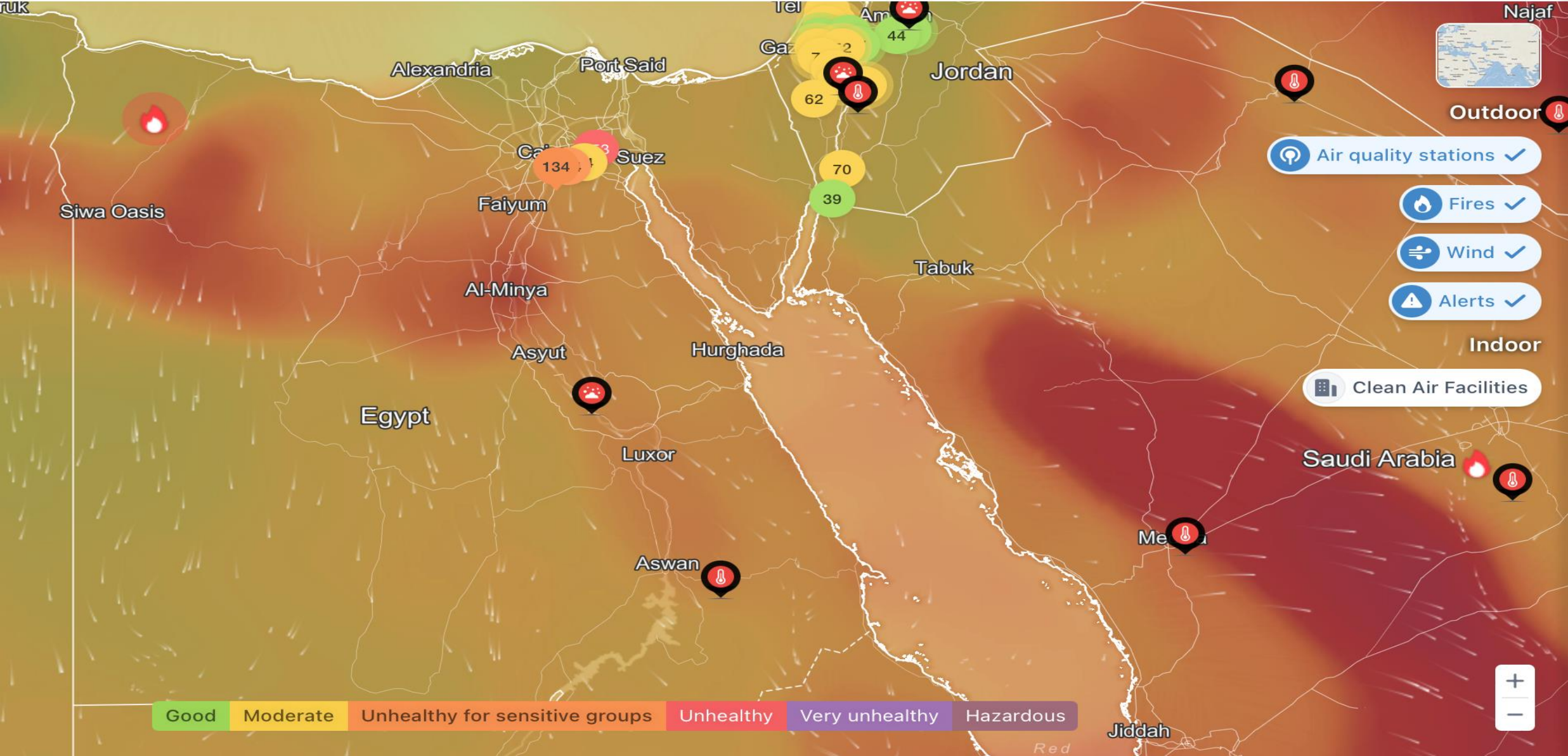
Fires ✓

Wind ✓



Good Moderate Unhealthy for sensitive groups Unhealthy Very unhealthy Hazardous





12  Egypt

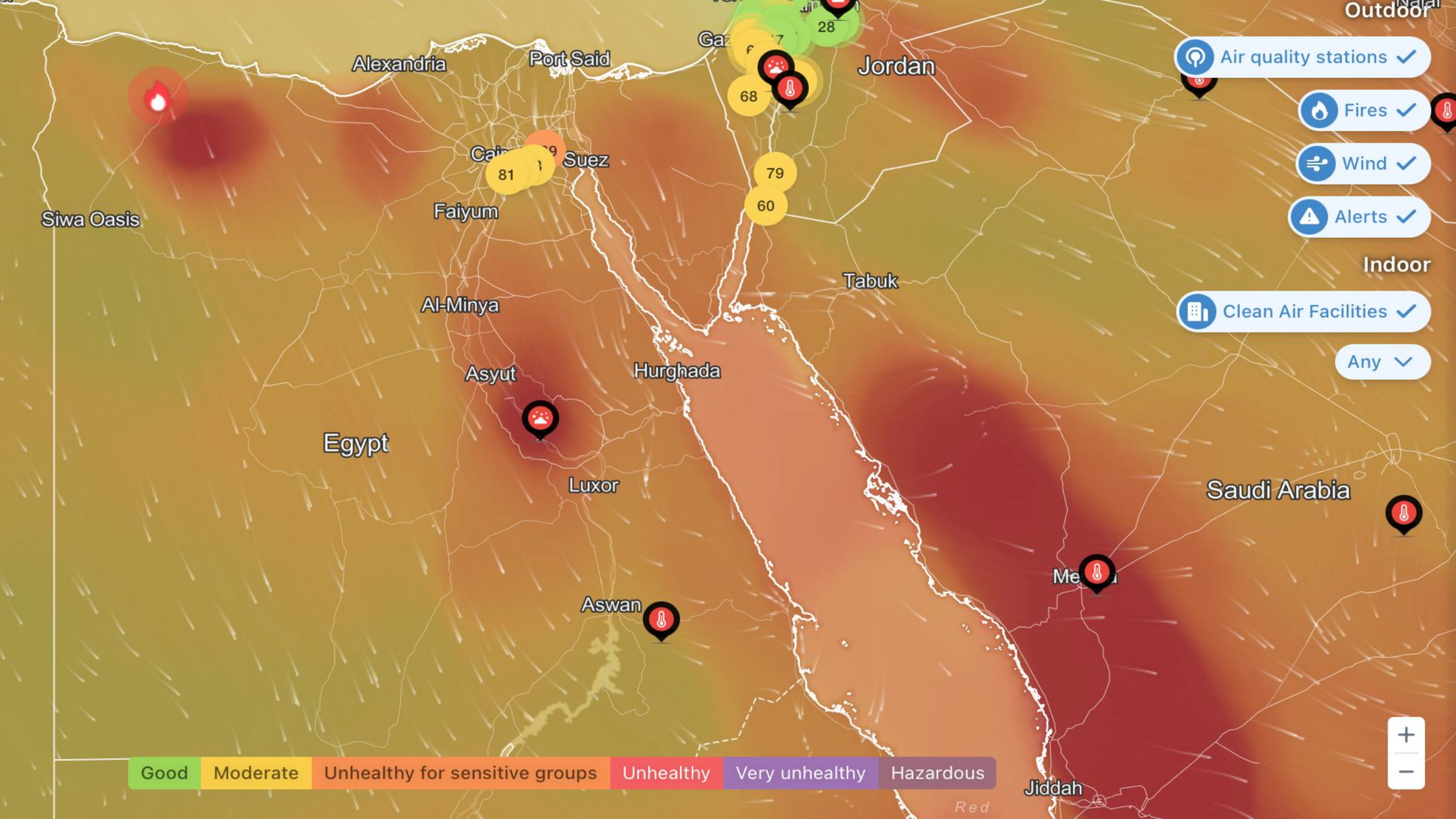
109,262,178

112

2024 Egypt global rank in air pollution

12/138





# Climate Change Risks



**“The temperature increases by 0.2°C every decade”**





## Physical Risks

*More frequent and severe adverse natural events*

**Droughts**

**Heat waves and wildfires**

**Floods (inland and coastal)**



## Risk Exposure

**Economic losses**  
*(e.g., cost of damaged infrastructure)*

**Stranded assets**  
*(e.g., devaluation of carbon holdings)*

**Inaccurate valuation**  
*(e.g., asset not reflecting cost of carbon)*



## Transition Risk

*Changes made in response to climate change issues*

**New technology**

**Climate policy shifts**

**Consumer preferences**

## Climate Risks

### Transition Risk

- Policy & regulation (e.g., carbon tax)
- Technological development (e.g., electric vehicles)
- Consumer preferences

### Physical Risk

- Chronic (e.g., temperature changes, sea level rise)
- Acute/catastrophic (e.g., heatwaves, floods)

## Transmission Channels

### Microeconomic

- Financial impact on individual households and businesses
- Business disruption
- Property damage & liabilities

### Macroeconomic

- Unemployment
- GDP changes
- Capital depreciation

## Business Risks

### Financial Risk

- Credit
- Market
- Liquidity

### Non-Financial Risk

- Operational
- Reputational
- Strategic
- Physical Security
- Model
- Compliance & Regulatory



# 2050

## **Egypt National Climate Change Strategy**

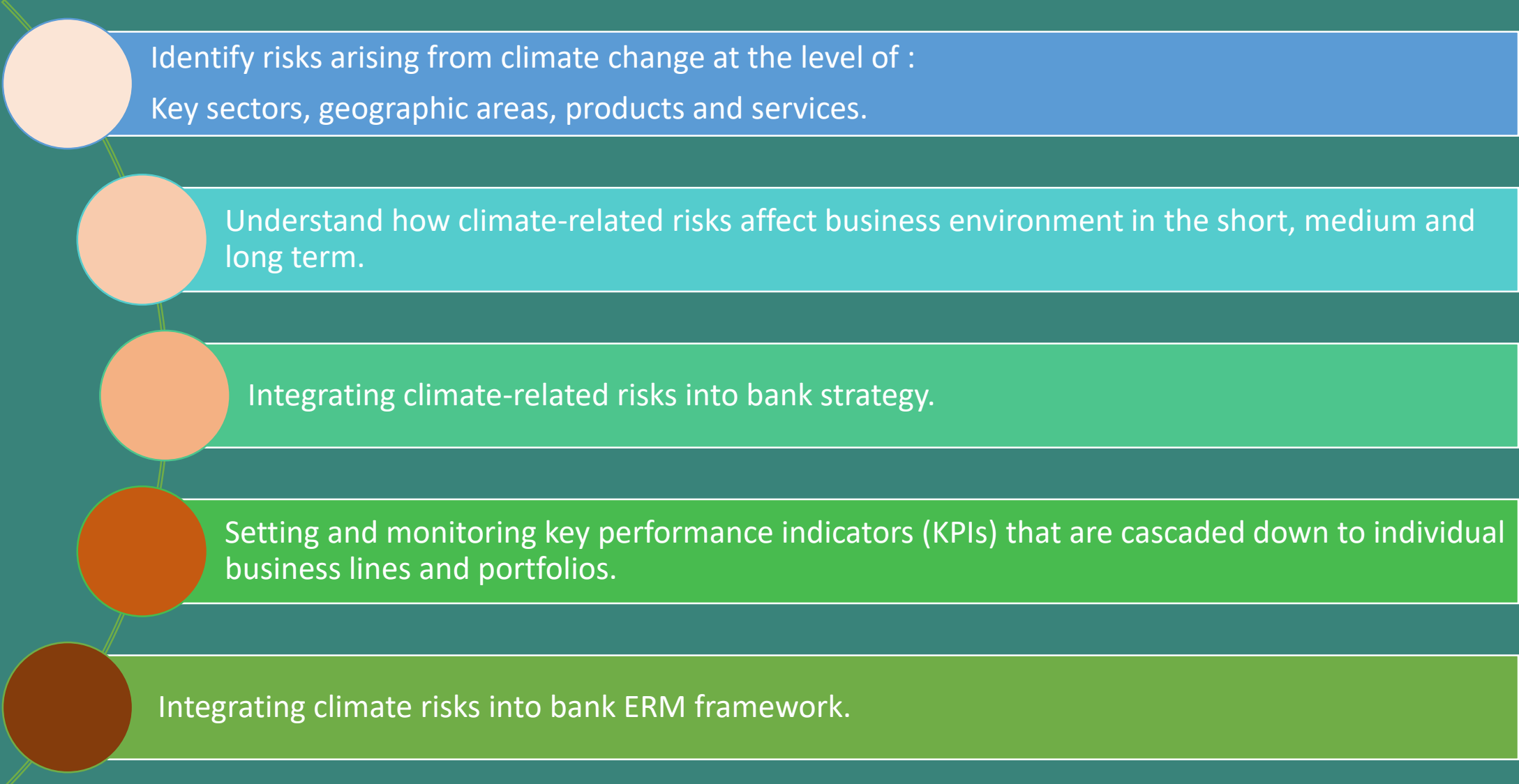
---

**Climate Change**

**Climate Change  
How to counter  
its consequences  
EGYPT**



## Integration of Climate Risks in Banking



Identify risks arising from climate change at the level of :  
Key sectors, geographic areas, products and services.

Understand how climate-related risks affect business environment in the short, medium and long term.

Integrating climate-related risks into bank strategy.

Setting and monitoring key performance indicators (KPIs) that are cascaded down to individual business lines and portfolios.

Integrating climate risks into bank ERM framework.

## Climate Risk Assessment Roadmap

Data gathering about climate change risks in Egypt “Key economic sectors, Geographic regions, Time horizons for each risk

Review existing credit portfolios and categorize exposures using the collected climate data

Insert climate risk factors to customer profile

Design climate risk assessment model & climate scenarios

Select and Develop PD,LGD adjustment techniques

Align climate risk management with business strategy

# Proposed Climate Risk Assessment Model

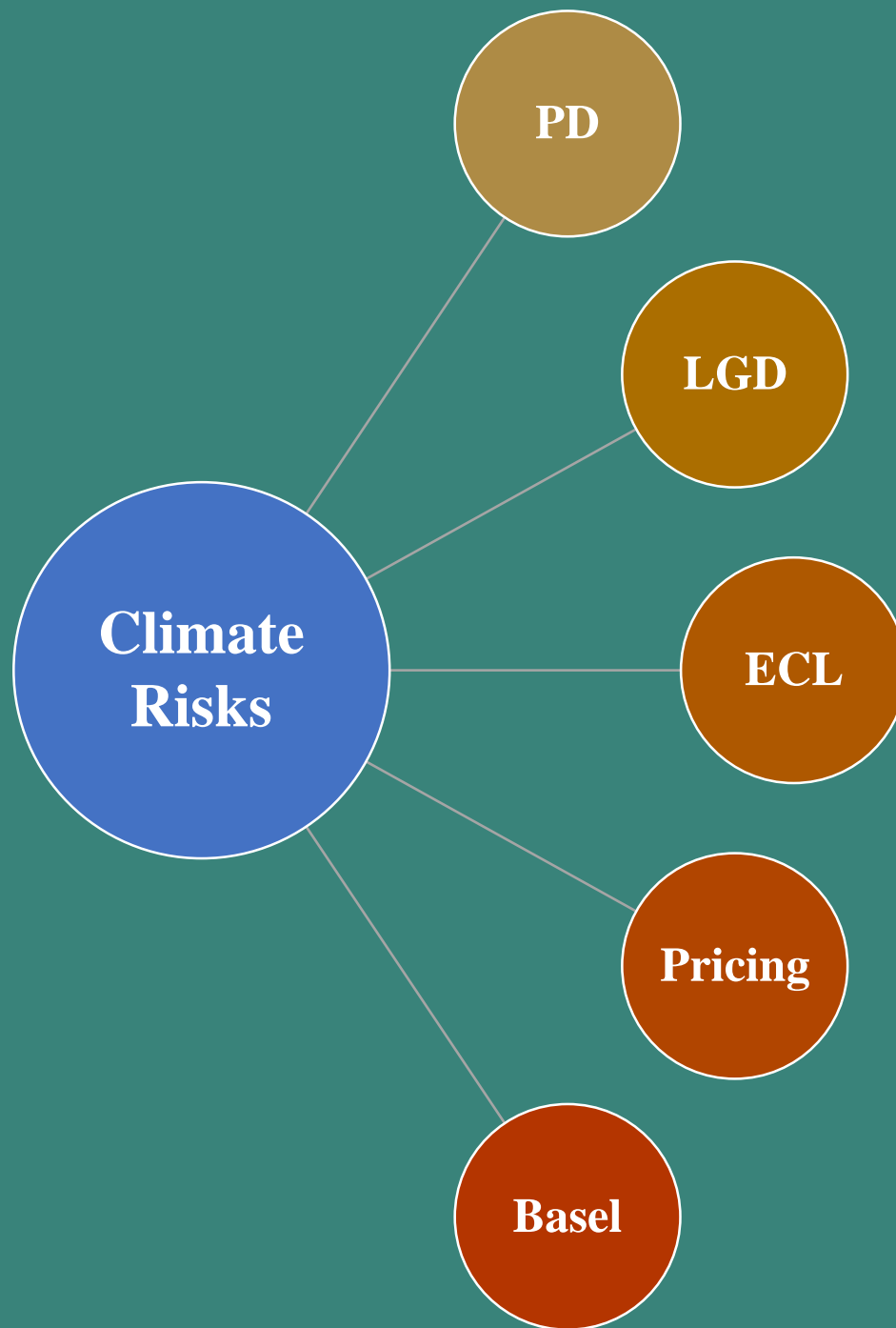
Factors
(1) Sector
(2) Geographic area
(3) Tenor
(4) Climate adaptation action

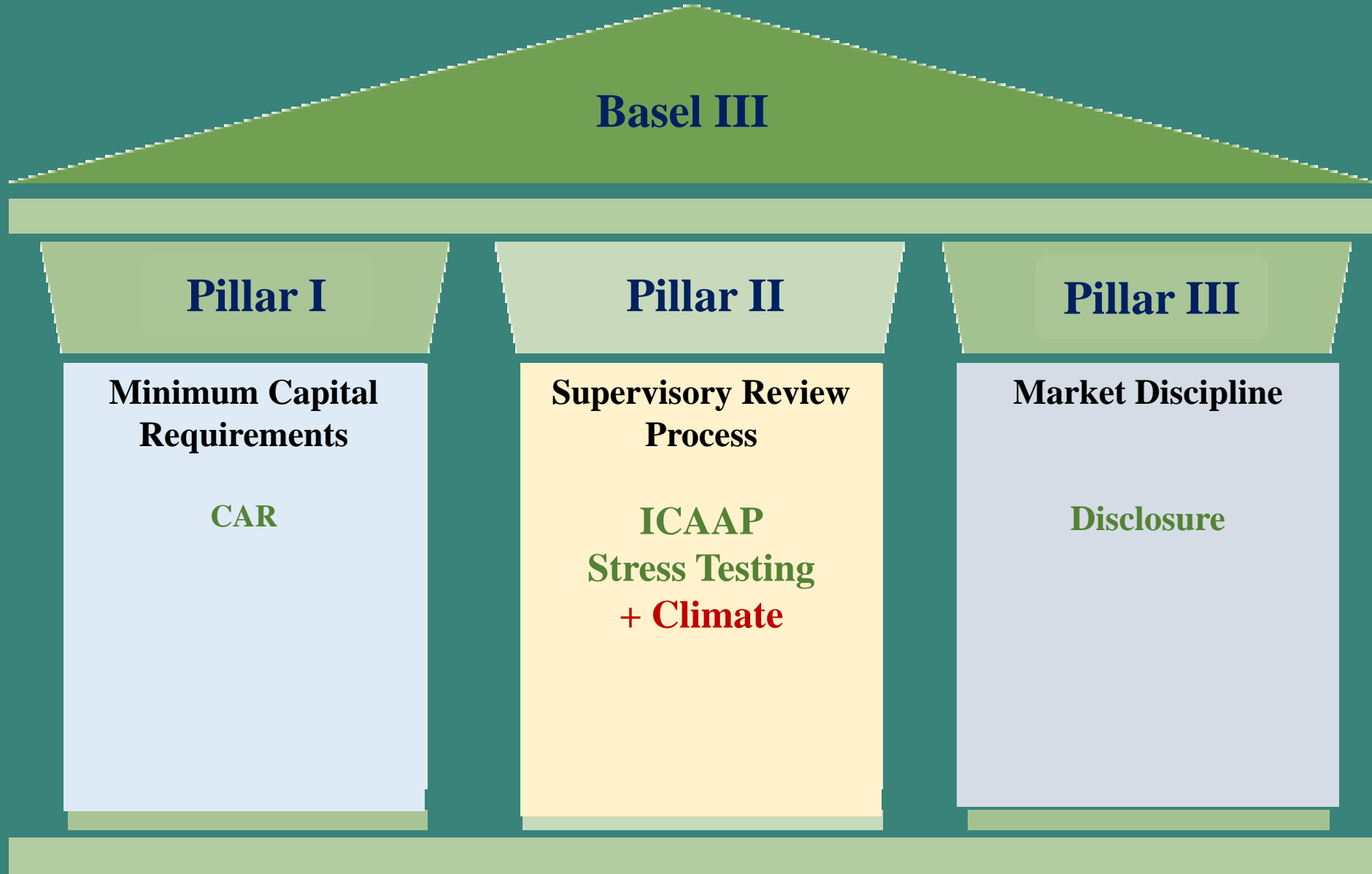
Time horizon	Short			Medium			Long		
Physical Risk	Low	Medium	High	Low	Medium	High	Low	Medium	High
Sea level rise									
Tempreature rise									
Floods									
Heatwaves									
Wildfires									

Time horizon	Short			Medium			Long		
Transition Risk	Low	Medium	High	Low	Medium	High	Low	Medium	High
Policy & Regulations									
“Carbon Tax, CBAM”									
Consumer preferences									
Technological development									

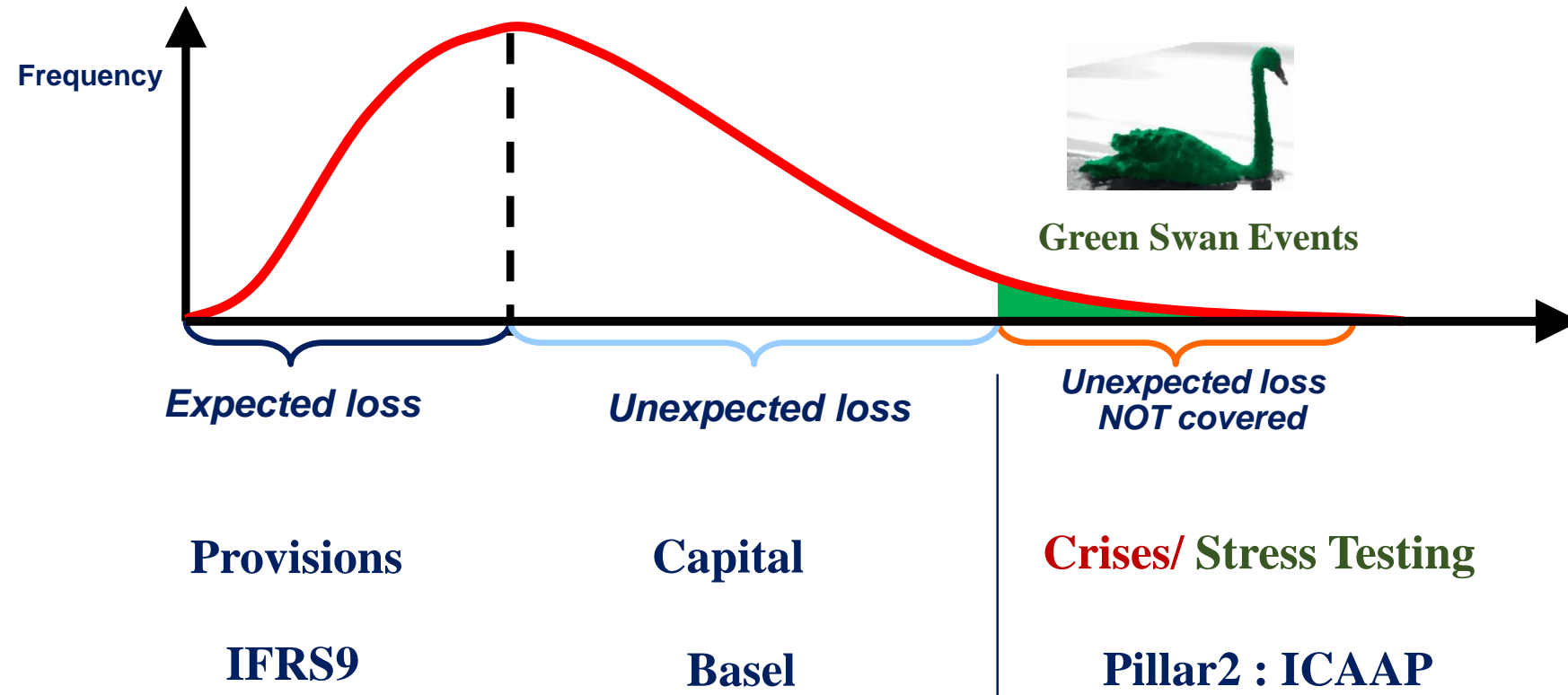
Climate Risk Assessment	H – M – L
-------------------------	-----------







# Climate Change Risks





Thank You