

External Case Study Evaluation 2020-2021  
**Climate-Related Risks and Opportunities:  
Portfolio Review & Case Studies**

BIO's Management Response  
January 2022

**I. Introduction**

The 2019-2024 management contract of BIO requires that each year a sample of BIO's interventions – ongoing as well as exited investments – must be selected for a detailed assessment of their relevance for local development. Beyond a purely accountability objective, BIO expects that evaluation findings and lessons guide improvements in BIO's processes and investment strategy.

The mission of BIO – the Belgian Development Finance Institution (DFI) – is to support a strong private sector in developing and/or emerging countries, to enable them to gain access to growth and sustainable development within the framework of the Sustainable Development Goals (SDGs). As climate change is one of the biggest threats to developing country prosperity, BIO, alongside with the Belgian Development Cooperation, seeks to contribute to the fight against climate change within the framework of the 2015 Paris Agreement. The objective is to help partners capture the opportunities and avoid the risk that climate change will bring.

BIO's contribution to the climate agenda is mainly through investments in renewable energy and energy-efficiency projects, in line with SDG7 – Affordable and clean energy. However, BIO more broadly contributes to SDG13 – Climate change through initiatives aimed at reducing GHG emissions, increasing resource efficiency, and supporting appropriate climate mitigation or adaptation measures. BIO more generally seeks to have a systematic look at climate risks related to its investments to reduce exposure to climate-related risks, to reduce the climate impact of investments projects and contribute to the transition to a low-carbon development. For that purpose, the assessment of climate risks and opportunities resulting from the effects of climate change as well as the adaptation measures that are taken to respond to these effects appear crucial.

While there is evidence of the climate benefits related to BIO's energy portfolio, the potential related to climate-related risks mitigation and support to climate-resilience is less obvious. The idea is to fill this gap by understanding the climate risks related to BIO investments and the role of BIO in addressing these risks. For a DFI like BIO, what are the main climate-related risks involved and their consequences? What are the opportunities to mitigate these risks and climate impacts?

The aim of this evaluation was to assess to what extent BIO's activities are tackling climate change risks and minimizing its effects. This included an analysis of climate-related risks, impacts and opportunities associated with BIO's portfolio and investment projects, in line with BIO's objectives to mitigate exposure to climate-related risks and to reduce climate impact of investment projects. As women are known to commonly face higher risk and suffer disproportionately more from the impacts of climate change compared to men, the study was also expected to adopt a gender lens in the assessment of climate change impacts and adaptation interventions.

Through a call for tender process, the proposal submitted by specialized consulting firm Atkins was selected and the evaluation team – composed by James Dunham, David Cox, Latina Percheva, Naomi Tan, Isa Tafida-Isa, Hayden Morgan, Francis Heil – carried out the research between March 2021 and September 2021. Consequently, the evaluation was partly executed during the COVID-19 pandemic, which influenced the process by avoiding physical meetings and fieldwork activities.

The material for this evaluation was collected through extensive review of available documentation, as well as in-depth interviews with BIO investment staff, funds, and companies, and other relevant external stakeholders e.g. peer institutions, etc.

As reported by evaluators themselves, the evaluation team was able to carry out a robust analysis with full cooperation of the BIO team and selected external stakeholders. The analysis of BIO's portfolio covers the whole 2019 portfolio, including fund's investees. In addition, evaluators executed a climate-risk assessment of 11 ongoing investments (see Table 1 for a quick overview).

**Table 1 – Case studies selected**

Project	Instrument Type	Region	Country	Sub Sector
Africa Renewable Energy Fund	Investment Fund	Africa	Africa	Renewable Energy
Agri-Vie Fund II	Investment Fund	Africa	Africa	Agribusiness
Fairtrade Access Fund	Investment Fund	World	World	Agribusiness
Omnivore Partners India Fund 2	Investment Fund	Asia	India	Venture Capital (agri-tech)
FINCA Malawi and Zambia	Financial institution	Africa	Malawi	Microfinance institution (MFI)
Bancop	Loan	LAC	Paraguay	Commercial Banks
Orabank Côte d'Ivoire	Financial institution	Africa	Cote D'Ivoire	Commercial Banks
SANASA Development Bank	Loan	Asia	Sri Lanka	Commercial Banks
Niche Cocoa Industry (FOI)	Loan	Africa	Ghana	Agribusiness
Geuther Vietnam Co., Ltd.	Loan	Asia	Vietnam	Manufacturing & Services
IHC S.A. (2016)	Project finance	LAC	Nicaragua	Energy

The evaluation process has been supervised by a Steering Committee (SC) - made up of representatives of the Belgian Ministry of Development Cooperation (Cécilia De Decker, Head of the Special Evaluation Unit – S4 ; Fabio Pompetti, Member of the Results Unit – D0.1 ; Jean-Jacques Bastien and Anne Van Malderghem, Private Sector Development unit – D2.4 ; Jonas de Meyer, Unit Environment and Climate – MD8), a member of BIO's Board of Directors (Annuschka Vandewalle), BIO Manager and Senior Portfolio Officer (Eric Suttor), BIO Manager of Development and Sustainability Unit (Pierre Harkay), BIO Manager and Senior Investment Officer Infrastructure (Camille Fronville) and BIO Senior Development Officer (Jérémy Gross) who has coordinated the whole assignment.

## II. Report findings

The report summarizes the findings of a systematic evaluation of BIO's activities and projects/portfolio to better understand material climate-related risks and opportunities for BIO, the extent BIO currently manages climate related risks, opportunities and impacts and the opportunity for BIO to better manage climate-related risks and realize opportunities. This process is informed by an evaluation of:

- BIO's investment portfolio (2018 to 2020).
- An evaluation of a representative sample of project case studies.
- Engagement with stakeholders.

This evaluation is structured in line with the four pillars of the Task Force on Climate-related Financial Disclosure (TCFD) to provide an independent view on:

- Strategy – The extent to which BIO's strategic planning responds to material risks and opportunities, based on an understanding of actual and potential impacts of climate risks on the organization's activities and the opportunity to invest in climate action.
- Governance – BIO's governance of climate risk and investment in climate action in the context of international principles, standards, and guidance.
- Risk and opportunity management – BIO's approaches, processes, and procedures for identifying, assessing, and managing climate-related risks and opportunities to invest in climate action.
- Metrics and targets – The metrics and targets used by BIO to assess and manage material climate-related risks and opportunities, and BIO's performance against these targets.

## Strategy

BIO's investment priorities focus on mobilizing private capital and catalyzing enterprises in developing countries to invest in sustainable economic growth. 'Climate change' has been identified as one of five focus areas ('climate change' in this context is used by BIO primarily to mean renewable energy and energy efficiency projects) and climate-related risks and opportunities are relevant across all focus areas (financial inclusion, energy, agribusiness, health & education, digital economy). BIO's Investment Strategy 2019-2023 identifies the goals and priorities of BIO within an evolving ecosystem – specifically highlighting climate change as one of three key challenges. Table 2 summarizes an assessment of BIO's progress against key strategic goals.

**Table 2 – BIO's strategic response to climate risk and opportunities**

Theme	Target	Assessment of progress > <b>Commenced, but insufficient</b>
<b>Climate finance</b>	<p>BIO's central goal is to deploy €1 billion in 150 new 'high impact' and sustainable projects by 2024, doubling BIO's portfolio.</p> <p>Expanding investment in sectors combating climate change, including:</p> <ul style="list-style-type: none"> <li>• Off-grid renewable energy (including hydro, solar, wind, geothermal based energy)</li> <li>• Sustainable forestry</li> <li>• Investments to improve the use of natural resources as well as smart technology.</li> </ul> <p>Engage with clients to go beyond IFC performance standards to identify solutions for increased efficiency in the use of natural resources.</p>	<p>Over the last two years climate change mitigation<sup>1</sup> accounted for 35.2% (€179.8m 2018) and 30.5% (€189m 2019) of the total portfolio. Its actual climate finance performance is also comparable with peers' commitments.</p> <p>It is noted there is a lack of project type and geographical diversification in BIO's climate finance portfolio. This highlights the need for BIO to better understand and respond to strategic opportunities to invest in climate action. No investment in adaptation was recorded over the last two years, BIO's mitigation finance was almost wholly concentrated in the energy sector and only five countries account for more than 50% of BIO's climate finance.</p> <p>For the case studies evaluated, BIO acted more as a 'project taker' rather than proactively engaging with to identify opportunities to invest in climate action.</p>
<b>Climate risk management</b>	<p>BIO's Investment Strategy includes the objective for BIO to develop its assessment of risks and vulnerabilities associated with climate change and how they can be best mitigated through appropriate mitigation or adaptation measures.</p>	<p>Implementation of this objective is underway; however, it appears that implementation is behind the planned schedule and the Investment Strategy is no longer fit for purpose. BIO currently has limited insight into the actual and potential impacts of material transitional and physical climate risk exposure to the organisation and portfolio.</p> <p>BIO's management of transitional climate risk is currently limited to the use of exclusion criteria. As a result, BIO is potentially exposed to policy and legal and reputational transitional climate risks.</p> <p>A significant proportion of BIO's operations are potentially exposed to physical climate risk, but no action is currently taken to identify and manage physical climate risks.</p> <p>BIO has funds to support clients to develop their businesses, reduce risks, and undertake additional work to ensure investments meet BIO's requirements (e.g. E&amp;S risk management) and deliver sustainable outcomes. There are few examples of these funds being used in a climate change context.</p>

Regarding transitional risks within BIO's portfolio, case study projects show examples of BIO being potentially exposed to high transitional climate risks in relation to policy and legal and reputational risks that can be summarized as below:

<sup>1</sup> OECD-DAC RIO Markers 1 and 2

- Policy and legal - BIO consistently invests in countries categorized as challenging environments for investment in climate change mitigation. BIO invests in 52 countries within Africa, Asia and Latin America and Caribbean, with additional consideration for increasing the financial stability of the Middle East & North Africa (MENA) region. Most of these countries (73%) are considered to have low climate change mitigation ambition highlighting the challenging environment for financing private sector investment in climate change mitigation and BIO realizing its climate action ambitions. In terms of the evolving sustainable finance standards and regulation landscape, BIO's climate finance is almost fully aligned (99%) with the EU Taxonomy in terms of providing a substantial contribution to climate change mitigation, with only some manufacturing & services and microfinance institutions projects providing insufficient information towards demonstrating alignment.
- Reputational risk (stakeholder expectations) – Most projects took no consideration for the management of climate risk and there were many examples of missed opportunities to invest in climate action.

Regarding physical climate risks, the analysis shows that they are consistently not considered by BIO's clients and counterparties, while a significant proportion of BIO's operations are potentially exposed to physical climate risk:

- Funds and financial institutions – Financial intermediaries are indirectly exposed to physical climate risks, through their financial relationships (both lending and investments) with a wide range of economic actors that are directly exposed to physical climate risk. This can impact their ability to repay loans and reduce asset values. Physical climate risks are consistently not considered by financial institutions and fund managers. Portfolio diversification and support of sustainable agriculture practices, for example, may have some effect but alone are insufficient.
- Corporate and project finance – The capacity within most corporations in developing countries to identify and manage climate risk and invest in climate action is still developing at best. As a result, physical climate risks are consistently not considered. This is even the case for projects where the financial and economic impact of physical climate risks are potentially high, such as hydropower schemes.

Analysis of BIO's 2019 portfolio shows that a significant proportion of BIO's operations are potentially exposed to physical climate risk, as evidenced by the climate sensitivity of sectors and the climate vulnerability and adaptation readiness of countries:

- Many of BIO's projects are in climate sensitive sectors, including sectors (such as agriculture and energy) where the financial and/or economic impact of climate change is potentially high. In 2019, 52% of BIO's projects and 49% of the value of its investments were in sectors which have a high climate sensitivity.
- A large proportion of BIO's countries of operation (63%) have a relatively high vulnerability to climate change. In 2019, 55% of BIO's projects and 49% of the value of its investments were in countries with high climate change vulnerability. A large proportion of BIO's countries of operation (69%) have a low readiness to leverage investment in adaptation. In 2019, 49% of BIO's projects and 49% of the value of its investments were in countries with low adaptation readiness.

In 2019, 22% of BIO's projects and 17% of the value of its investments were in countries with both high vulnerability to climate change and low adaptation readiness, as well as in sectors which have a high climate sensitivity.

Finally, the climate-related risks capacity within most corporations, fund managers and financial institutions is still developing. Outside of nascent individual initiatives and the mandate of dedicated instruments, climate risk and investment in climate action are not considered.

## Governance

The management of the climate risk and opportunities requires an integrated internal control process that is fully aligned from BIO's strategy to its policies, investment processes and portfolio management. Although BIO has a clear legal mandate under BIO's Establishment Act and Management Contract there is an opportunity to better integrate and align interest with Strategy, E&S Policy and E&S Processes and build institutional capacity.

## Risk and opportunity management

Internal stakeholder engagement and a review of operational policies and procedures have shown that BIO generally considers climate-related risks (transitional and physical) as a subset of E&S risk – including as 'contextual risks' relating to the environment in which an investment is taking place. Climate risks are not specifically referenced within BIO's E&S Policy or BIO's E&S Manual, and the only reference in BIO's Investment Manual is as an activity listed as a responsibility of the Development and Sustainability Department. Investment papers do include a section on climate change, and there are areas of good practice noted in due diligence and related references in some case studies, however, the application of risk and opportunity assessment and management is noted to be ad hoc and inconsistent. These factors, when combined with low internal capacity to assess climate risk to projects and to assess the capacity of counterparties to manage climate risk, means that the identification, assessment, and management of climate risk are considered insufficiently robust.

## Metrics and targets

A robust understanding and disclosure of a project's performance is a central principle of sustainable finance, the recommendations of the TCFD and the EU SFDR. Investors and partners are also typically seeking more than financial returns on their investments including demonstratable positive impact and outcomes. Existing frameworks need to be augmented and indicators developed to allow for the robust and transparent measurement of a project's sustainability (including climate-related) performance to offer confidence and reassurance to shareholders, regulators, and project stakeholders. Guidance provided in TCFD and SFDR related to indicators (including Principal Adverse Indicators for SFDR), should be considered and integrated within operational processes.

### III. Management response

First, the management would like to thank the Steering Committee for supervising the whole assignment. It also acknowledges the overall good appreciation of the evaluation by its members. They really appreciated the fact that the study provides a detailed appraisal of BIO's current practices, a clear overview of the climate risks associated with BIO's portfolio and a systematic analysis of the gaps for better taking these into consideration. In addition, the complementarity of the evaluation with the SES evaluation on climate finance is considered as relevant and interesting.

On BIO side, the management considers that not all expectations have been completely met. In particular, the portfolio review as well as case studies could have been further substantiated. In addition, the management had strong initial expectations towards better understanding the relationship between climate and gender, and regrets that there has not been any real gender lens applied and that gender considerations appear somehow ad hoc and superficial.

Despite these reservations, the management really appreciated that the evaluation team used the TCFD clear and relevant framework for the analysis and took the initiative to provide BIO with a full-fledge TCFD gap analysis. The 11 case studies also provide a good illustration of the climate-risk assessment that BIO could systematically implement at transaction level. On this basis and despite the above limitations, BIO's management is satisfied by the evaluation and accept the report, its main conclusions, and recommendations.

Based on findings, evaluators draw a total of 20 recommendations, for each of the TCFD pillars – Strategy (5 recommendations), Governance (4), Risk Management (4) and Metric and Targets (7) (see Annex 1 for the exhaustive list of recommendations). According to the evaluation team, the recommendations are taking into consideration BIO's current technical capacity and capabilities, as a relatively smaller DFI, to prioritize actions where BIO has more direct influence.

BIO's management found most of these recommendations interesting and assessed their relevance also taking into consideration BIO's specificities, constraints, and resources. When relevant, key follow-up actions were also identified. This process results in an overall acceptance of the most structural recommendations related to the four TCFD pillars. The 5 high priority / high impact recommendations as identified by the evaluation team are the following:

- **Strategy** - Realign Strategy with ambition, commitments, and other good practice
- **Strategy** Realign E&S Policy with strategy, commitments
- **Governance** - Assigning senior management responsibility / risk appetite
- **Governance** - Update the E&S Manual with new processes, tools, and templates
- **Risk management** - Establish a BIO climate risk management function

Below is the specific management response to these as well as other relevant recommendations for each specific TCFD pillar (see Annex 1 for the detailed management response with the suggested action plan):

### Strategy

BIO acknowledges that that the current BIO's Investment Strategy needs to be complemented and/or updated to be aligned with recent global good practice, and stakeholder expectations on climate change ambitions (e.g. Net Zero, TCFD, G7 statements) and especially with regards to commitments of the 'EDFI Statement on Climate and Energy Finance'.

BIO recognizes that the development of a climate strategy to integrate climate impact and risks considerations, as well as a description of BIO's overall climate ambition, commitments, and targets, is an institutional priority. This should provide a top-down institutional level guidance to update the investment strategy and Theory of Change, and should lead to adapt other BIO's internal process and policy, e.g. Investment Strategy, Theory of Change, E&S policy, E&S Manual, etc. However, it is recognized that this strategic update will be challenging and will take time to realize. It is also clear that additional resource, institutional capacity building, and personnel training at the level of BIO staff will be required.

More operationally, BIO will rely on EDFI ongoing effort to develop harmonized approach and methodologies to assess Paris-alignment at project level. The assessment should inform on whether a specific investment can be considered aligned or misaligned with the 1.5° temperature goal and whether there is acceptable level of transition risks. EDFIs should also adopt approaches at portfolio level to gradually decrease aggregated GHG emissions to net zero by 2050 at the latest.

### Governance

BIO agrees that establishing effective institutional governance on climate risk would ensure maximum board level understanding, oversight and accountability for financial risks arising from climate change and the transition to a low carbon and climate resilient economy. Within this perspective, BIO will define roles and responsibilities with respect to climate risk management and investment in climate action by assigning board member, senior manager and/or board committee clear responsibility on the climate topic.

Regarding the E&S Manual update, this will be done once a climate strategy and E&S Policy are adapted. The consultancy assignment also revealed that IFC is planning on releasing significantly enhanced sustainability E&S Performance Standards understood to include more stringent requirements around climate risk, risk-mitigation, adaptation, resilience, and alignment with the transition pathways set out in the Paris Agreement (including Net Zero). Combined with the EDFI



climate harmonization Group ongoing work, BIO would use both upcoming updates to adapt BIO's E&S requirements.

As this study includes a gap analysis against TCFD recommendations, it is a first step for BIO towards the adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures. At EDFI level, a working group on TCFD voluntary guidance work on specific and practical guidance materials to support members in addressing gaps. This will be necessary to ensure harmonized approach towards climate-related financial disclosures consistent with TCFD recommendations. Based on the upcoming EDFI conclusion, and as part of the climate strategy reflection, BIO will consider TCFD adoption.

### **Risk management**

Up to now, BIO generally considers climate-related risks (transitional and physical) as a subset of E&S risk. But the opportunity of the establishment of a BIO climate-risk management function will be discussed more broadly in relation with the ongoing work on the overall risk management at BIO, for which an internal taskforce has been put in place in 2021.

BIO recognizes that climate risk management has not yet been embedded into the organization's overall risk management and that planned objectives relating to climate risk has not been fully implemented. However, and as evidenced by the evaluation team, there has been some first improvements in climate-related risk identification through the development and systematic use of the E&S 'contextual risk' tool which includes some considerations related to climate risks.

In any case, the current climate risk assessment is insufficient and must be completed and transformed into a proper Climate risk Management Framework. This will be a key step to systematically identify, assess, and manage climate risks, including counterparty risk management capacity (for funds and financial institutions). To avoid any ad-hoc and non-integrated approach, this will be realized in relation to the strategic update.

### **Metrics and Targets**

As recognized by the evaluation team, BIO has started making steps towards satisfying TCFD's metrics and targets requirements including internal climate risk indicator, climate finance indicator or scoring related to ex-ante assessment of project contribution to BIO's development goals. However, BIO is not yet publicly reporting on climate risk metrics but will do so as part of the strategic update and related identification of clear targets and metrics.

Further refinements of the ex-ante development tool and of the list of impact metrics can be expected as part of the harmonization effort at EDFI level. This includes some environment and climate impact indicators but also a new EDFI standards to track GHG emissions at portfolio level. More specifically, this workstream should result in the adoption of the PCAF Global Standard as a harmonized approach for portfolio emissions tracking and reporting, and in the use of the Joint Impact Model (JIM) tool to support the implementation of GHG emissions. As part of this effort, BIO should be able to report on portfolio level emissions - scope 1, 2 and 3 - based on the adopted PCAF aligned approach as from 2022.

In conclusion, BIO management would like to thank the evaluators for their very structured and concise report which directly contributes to the clarity of the study results. It is worth also noting the excellent collaboration with the team of evaluators who proved to be open and flexible all throughout the assignment.

### **Key proposed management response follow-up**

1. Update and concretize climate strategy, taking into account BIO's and clients' opportunities, resources (restrictions), and reality check on what can realistically (not) be achieved by 2030.
2. Rely on EDFI cooperation to scope and implement updated BIO's climate strategy

3. Ensure gender sensitivity in climate strategy reflections and activities
4. In line with EDFI Energy and climate statement's implementation progress evolve towards the Integration of full Paris alignment for all new investments, initially only for all direct investments as of 2022, develop for indirect progressively
5. Consider adopting TCFD
6. ensure sufficient climate financing expertise for BIO's development of strategy, sculpting of investment projects and their monitoring
7. In line with EDFI Energy and climate statement, gradually decrease aggregated GHG emissions at portfolio level to net zero by 2050 at the latest



## Annex 1 – Summary table of the management response

Consultants		BIO management			
Recommendation	Priority level	Response	Responsibility	Actions	Timing
<b>Strategy</b>					
1 Realign Strategy with ambition, commitments and other good practice	High				
2 Theory of Change (ToC) focus on climate risk as outcome and impact	Medium	BIO acknowledges that the current BIO's Investment Strategy needs to be complemented and/or updated to be aligned with recent global good practices, and stakeholder expectations on climate change ambitions (e.g. Net Zero, TCFD, G7 statements) and especially with regards to commitments of the 'EDFI Statement on Climate and Energy Finance'.		- Strengthening internal climate expertise through additional resources, capacity building and personnel trainings	
3 Realign E&S Policy with strategy, commitments	High	BIO recognizes that the development of a climate strategy to integrate climate impact and risks considerations, as well as a description of BIO's overall climate ambition, commitments, and targets, is an institutional priority. This should provide a top-down institutional level guidance to update the investment strategy and Theory of Change, and should lead to adapt other BIO's internal process and policy, e.g. Investment Strategy, Theory of Change, E&S policy, E&S Manual, etc. However, it is recognized that this strategic update will be challenging and will take time to realize. It is also clear that additional resource, institutional capacity building, and personnel training at the level of BIO staff will be required.	Investment department / D&S Unit	- Development of a climate strategy and realignment of the investment strategy - Update ToC, E&S policy with the new strategy, ambition and commitments	Within 2 years
4 Use of technical assistance to manage climate risk and invest in climate action	Medium	More operationally, BIO will rely on EDFI ongoing effort to develop harmonized approach and methodologies to assess Paris-alignment at project level. The assessment should inform on whether a specific investment can be considered aligned or misaligned with the 1.5° temperature goal and whether there is acceptable level of transition risks. EDFIs should also adopt approaches at portfolio level to gradually decrease aggregated GHG emissions to net zero by 2050 at the latest.		- Leverage client capacity to manage climate risk and invest in adaptation	
5 Resilience/adaptation financial products & services	Medium				
<b>Governance</b>					
6 Assigning senior management responsibility / risk appetite	High	BIO agrees that establishing effective institutional governance on climate risk would ensure maximum board level understanding, oversight and accountability for financial risks arising from climate change and the transition to a low carbon and climate resilient economy. Within this perspective, BIO will define roles and responsibilities with respect to climate risk management and investment in climate action by assigning board member, senior manager and/or board committee clear responsibility on the climate topic.			
7 Update the E&S Manual with new processes, tools, and templates	High	Regarding the E&S Manual update, this will be done once a climate strategy and E&S Policy are adapted. The consultancy assignment also revealed that IFC is planning on releasing significantly enhanced sustainability E&S Performance Standards understood to include more stringent requirements around climate risk, risk-mitigation, adaptation, resilience, and alignment with the transition pathways set out in the Paris Agreement (including Net Zero). Combined with the EDFI climate harmonization Group ongoing work, BIO would use both upcoming updates to adapt BIO's E&S requirements.	Executive Committee	- Defining role and responsibilities BIO's climate strategy, risk management and investment in climate action - Assigning Board and management level climate responsibility	Within 1 year
8 Register BIO as a supporter of the TCFD	Medium				
9 Review BIO's climate finance target	Medium	As this study includes a gap analysis against TCFD recommendations, it is a first step for BIO towards the adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures. At EDFI level, a working group on TCFD voluntary guidance work on specific and practical guidance materials to support members in addressing gaps. This will be necessary to ensure harmonized approach towards climate-related financial disclosures consistent with TCFD recommendations. Based on the upcoming EDFI conclusion, and as part of the climate strategy reflection, BIO will consider TCFD adoption.			
<b>Risk management</b>					
10 Establish a BIO climate risk management function	High	Up to now, BIO generally considers climate-related risks (transitional and physical) as a subset of E&S risk. But the opportunity of the establishment of a BIO climate-risk management function will be discussed more broadly in relation with the ongoing work on the overall risk management at BIO, for which an internal taskforce has been put in place in 2021.			
11 Stress test the financial model	Medium	BIO recognizes that climate risk management has not yet been embedded into the organization's overall risk management and that planned objectives relating to climate risk has not been fully implemented. However, and as evidenced by the evaluation team, there has been some first improvements in climate-related risk identification through the development and systematic use of the E&S 'contextual risk' tool which includes some considerations related to climate risks.	D&S Unit / Task force on risk	- Development of a Climate Risk Management Framework	Within 2 years
12 Sensitivity analysis of the credit rating/worthiness for debt investments	Medium	In any case, the current climate risk assessment is insufficient and must be completed and transformed into a proper Climate risk Management Framework. This will be a key step to systematically identify, assess, and manage climate risks, including counterparty risk management capacity (for funds and FIs). To avoid any ad-hoc and non-integrated approach, this will be realized in relation to the strategic update.			
13 Sensitivity analysis of fund manager and financial institution counterparties	Medium				
<b>Metrics and targets</b>					
14 Disclose metrics in line with its strategy and risk management process	Medium				
15 Describe the targets and performance against targets	Medium				
16 Develop impact metrics, KPIs and report to stakeholders	Medium	As recognized by the evaluation team, BIO has started making steps towards satisfying TCFD's metrics and targets requirements including internal climate risk indicator, climate finance indicator or scoring related to ex-ante assessment of project contribution to BIO's development goals. However, BIO is not yet publicly reporting on climate risk metrics but will do so as part of the strategic update and related identification of clear targets and metrics.		- Identify targets and metrics to be included in the strategic update	
17 Adapted activities - Set a target for all projects to be climate-resilient	Medium	Further refinements of the ex-ante development tool and of the list of impact metrics can be expected as part of the harmonization effort at EDFI level. This includes some environment and climate impact indicators but also a new EDFI standards to track GHG emissions at portfolio level. More specifically, this workstream should result in the adoption of the PCAF Global Standard as a harmonized approach for portfolio emissions tracking and reporting, and in the use of the Joint Impact Model (JIM) tool to support the implementation of GHG emissions. As part of this effort, BIO should be able to report on portfolio level emissions - scope 1, 2 and 3 - based on the adopted PCAF aligned approach as from 2022.	D&S Unit	- Upgrade of the ex-ante development tool and related metrics set - Report portfolio-level GHG emissions based on JIM estimates	Within 1 year
18 Develop processes for GHG reductions for climate change mitigation projects	Medium				
19 Aligning project GHG emissions metrics with EU taxonomy threshold	Medium				
20 Upgrade ex-ante development tool	Medium				