



Our Ref.: B1/15C

9 April 2026

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Good practices on integrating climate-related risks into internal capital adequacy assessment process and capital planning

I am writing to share good industry practices of authorized institutions (AIs) on integrating climate-related risks into their internal capital adequacy assessment process (ICAAP) and capital planning.

The enhanced Supervisory Policy Manual module CA-G-5 on “Supervisory Review Process” laid down the expectation of the Hong Kong Monetary Authority (HKMA) for AIs to incorporate climate-related considerations into their ICAAP and capital planning by 1 January 2026. In this connection, a round of supervisory reviews was conducted on AIs’ implementation progress. The HKMA noted that many AIs have already begun integrating climate-related risks into their ICAAP and capital planning. This is encouraging, as it demonstrates that the Hong Kong banking industry has been proactively managing climate-related risks.

The HKMA also observed that AIs had adopted a range of approaches for meeting the supervisory expectation, with some focusing on qualitative analyses while other AIs making greater use of quantitative indicators in the process. While there is no “one-size-fits-all” approach to conducting the ICAAP and capital planning, the HKMA is sharing the good practices identified from the reviews with the industry, with a view to promote capacity building and further strengthening AIs’ climate risk management. Highlights of these good practices are as follows:

1. **Identification of material climate-related risks** – Adopting a coherent framework for identifying and assessing climate-related risks. Using a thorough and structured approach to identifying climate risk drivers, transmission channels and affected exposures, the AIs have built climate risk heatmaps showing clearly and holistically the potential impacts of physical and

transition risks on their businesses and operations. Insights gained from the processes have also informed enhancements to the AIs' ICAAP and capital planning framework.

2. **Assessment of capital adequacy and needs** – Augmenting ICAAP with quantitative assessment of climate-related risks, as well as qualitative evaluation of climate risk governance and management framework. Using climate risk stress testing scenarios tailored to their own risk profiles and adopting a systematic assessment approach, the AIs are able to evaluate their capital adequacy and needs more accurately in the light of the challenges and opportunities brought about by climate change.
3. **Use of ICAAP results** – Making good use of the ICAAP results to devise concrete action plans for achieving climate goals, such as capital reallocation, resource prioritisation, as well as lending and investment strategies.

Details of the good industry practices and key observations are summarised in the **Annex**. AIs should review respective ICAAP and capital planning frameworks, giving due consideration to good practices and observations as shared, and make enhancement as appropriate.

For any questions, please contact us at icaap_thematicreview@hkma.gov.hk.

Yours faithfully,

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Executive Director (Banking Supervision)

Encl.