CONSULTATION PAPER

FOR DISCUSSION PURPOSES ONLY

Proposed ESG Guidelines for the Non-Bank Financial Services Sector

FINANCIAL SERVICES COMMISSION

Event: 15th Anniversary Industry Stakeholder Consultation on Legislative Reform Project

Focus: Proposed ESG Guidelines for the Non-Bank Financial Services Sector

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Contents

EXECUTIVE SUMMARY

The Financial Services Commission (the "Commission") is proposing the introduction of Environmental, Social, and Governance (ESG) Guidelines for the non-bank financial services sector in Barbados.

This initiative reflects Barbados' commitment to strengthening the relevance, resilience, integrity, and inclusiveness of its financial system through the integration of ESG considerations into its legislative and regulatory framework.

Global developments—including guidance from the Financial Stability Board (FSB) and the United Nations Environment Programme Finance Initiative—underscore the increasing importance of incorporating climate-related and broader sustainability risks into financial decision-making, governance, and supervisory practices. Barbados seeks to align with these developments in a manner that is proportionate, practical, and tailored to the domestic context.

The proposed ESG Guidelines aim to:

- Strengthen the identification and management of climate-related and long-term risks;
- Promote financial inclusion and fair treatment of consumers;
- Enhance governance, transparency, and accountability; and
- Support the mobilization of capital toward sustainable and climate-resilient activities.

The Commission proposes a phased and principles-based approach, recognizing the diversity of institutions across the non-bank financial sector. ESG integration will initially focus on governance, risk identification, and qualitative disclosures, with scope for gradual enhancement over time.

Stakeholder feedback is critical to ensuring that the proposed framework is effective, proportionate, and operationally feasible.

INTRODUCTION

Background

ESG considerations are increasingly central to financial sector development globally. Regulatory and standard-setting bodies are emphasizing:

- Integration of ESG risks into financial decision-making
- Enhanced disclosure and transparency
- Consideration of long-term and systemic risks, particularly climate change

For Barbados, ESG is both a regulatory priority and a strategic national imperative, given:

- Its vulnerability to climate-related risks
- Its commitment to sustainable and inclusive growth

- The need to maintain international credibility and competitiveness

Purpose of this Consultation

This Consultation Paper seeks stakeholder views on the proposed ESG Guidelines, including:

- The overall framework and principles
- The proportional and phased approach
- Sector-specific considerations
- Implementation timelines and capacity constraints

Scope

The proposed Guidelines apply to current and prospective regulated non-bank financial institutions, including:

- Insurance companies
- Pension plans and administrators
- Credit unions
- Microfinance institutions and non-bank lenders
- Virtual Asset Service Providers (VASPs)
- Investment funds and securities market participants.

POLICY OBJECTIVES

The proposed ESG framework is designed to support:

Financial Stability

Improving identification and management of long-term and systemic risks, particularly climate-related risks.

International Alignment

Ensuring consistency with evolving global regulatory expectations.

Inclusive Growth

Promoting access to financial services and fair treatment of consumers.

Climate Resilience

Facilitating the mobilization of capital toward climate adaptation and mitigation.

PROPOSED FRAMEWORK

Core Principles

The Commission proposes that ESG integration be guided by three overarching principles:

Proportionality

Requirements should reflect the size, complexity, and risk profile of entities.

Phased Implementation

Entities should progressively enhance ESG practices over time.

Alignment with National Priorities

ESG frameworks should support:

- Climate resilience
- Financial inclusion
- Sustainable economic development

Governance Expectations

Entities would be expected to:

- Incorporate ESG into board and senior management oversight
- Assign clear accountability for ESG matters
- Ensure appropriate expertise and training
- Develop or integrate ESG policies and procedures

Risk Management

Entities would be encouraged to:

- Identify environmental, social, and governance risks
- Integrate ESG into existing risk management frameworks
- Incorporate ESG into:
    - Underwriting
    - Credit assessment
    - Investment decision-making

Larger entities may, over time, consider scenario analysis, particularly for climate risks.

Disclosure and Transparency

A progressive disclosure approach is proposed:

- Initial focus on qualitative disclosures
- Gradual movement toward quantitative metrics

Entities may consider alignment with international frameworks (e.g. TCFD), where appropriate.

The Commission also proposes to address greenwashing risks through expectations around:

- Accuracy of ESG claims
- Transparency of methodologies

Market Conduct and Consumer Protection

Entities would be expected to:

- Promote fair access to financial services
- Ensure clear and transparent disclosures
- Apply responsible lending practices
- Support financial education and literacy

SECTOR-SPECIFIC CONSIDERATION

The Commission recognizes that ESG risks and opportunities vary across sectors:

- **Insurance:** Focus on climate risk, underwriting, and resilience-building
- **Pensions:** Long-term investment stewardship and fiduciary duty
- **Credit Unions:** Financial inclusion and community impact
- **Microfinance:** Responsible lending and consumer protection
- **VASPs:** Governance, transparency, and emerging ESG risks
- **Investment Funds:** ESG disclosures and product governance

SUPERVISORY APPROACH

The Commission proposes a progressive and engagement-based approach, including:

- Ongoing industry dialogue
- Issuance of additional guidance over time
- Gradual integration of ESG into supervisory processes

Initial supervisory emphasis would be on:

- Governance and awareness
- Risk identification
- Basic disclosures

IMPLEMENTATION ROADMAP (INDICATIVE)

Phase 1 (Short-Term):

- ESG awareness and governance structures
- High-level policies
- Qualitative disclosures

Phase 2 (Medium-Term):

- Integration into risk management
- Enhanced disclosures
- Initial metrics

Phase 3 (Long-Term):

- Advanced risk tools (e.g. scenario analysis)
- Quantitative reporting
- Greater international alignment

CAPACITY BUILDING

The Commission acknowledges varying levels of readiness and proposes to:

- Support industry training and workshops
- Encourage knowledge-sharing initiatives
- Provide clarifying guidance where needed

CONSULTATION QUESTIONS

Stakeholders are invited to provide feedback on the following:

General Framework

1. Do you agree with the proposed principles-based and proportionate approach to ESG integration?
2. Are the objectives of the ESG framework clearly defined and appropriate?
3. Do the proposed guidelines make the link between ESG integration, financial resilience and long-term financial stability clear?

Scope and Application

3. Is the scope of application appropriate across the non-bank financial sector?
4. Are there specific sectors or entities that may require tailored treatment?

Governance

5. Are the proposed governance expectations practical and achievable?
6. What challenges do entities foresee in building ESG expertise at the board and management levels?

Risk Management

7. Which ESG risks are most likely to have a material financial impact on your institution/sector?
8. How feasible is the integration of ESG risks into existing risk management frameworks?
9. How effectively can ESG risks be incorporated into existing risk management, credit or investment frameworks without creating parallel systems?
10. What support would be required to implement climate risk assessment or scenario analysis?

Disclosure

9. Do your financial statement currently include ESG disclosures?
10. Is the proposed phased approach to ESG disclosures appropriate?
11. What challenges might entities face in aligning with international disclosure frameworks?

Market Conduct and Consumer Protection

11. Are the proposed expectations for responsible lending and consumer protection sufficient?
12. How can ESG considerations best support financial inclusion in Barbados?

Sector-Specific Issues

13. Are the sector-specific considerations adequately calibrated?
14. What additional guidance would be useful for your sector?

Implementation

15. Is the proposed phased implementation timeline realistic?
16. What are the key capacity constraints that should be considered?

Supervision and Guidance

17. How can the Commission best support industry through guidance and engagement?
18. What form of capacity-building initiatives would be most beneficial?

Additional Feedback

19. Are there any unintended consequences or risks associated with the proposed framework?
20. Do you have any additional recommendations for strengthening ESG integration in Barbados?

21. What challenges do entities face in identifying, assessing or managing climate-related financial risks?
22. What role can non-bank financial institutions plan in financing climate adaptation, disaster resilience or green transition activities in Barbados?
23. What regulatory, supervisory or market barriers currently limit the development of climate-resilience or green financial products?
24. Are there any good practices, case studies or international experiences that could inform the proposed approach to ESG integration?
25. What guidance or supervisory support would be most helpful in strengthening the integration of ESG factors into risk appetite and risk decision-making?

SUBMISSION OF RESPONSES

Stakeholders are invited to submit written comments to the Commission by or before **April 30, 2026** via email at legislativereform@fsc.gov.bb. Submissions should include:

- Name of entity/organization (optional for confidentiality)

- Contact information
- Responses to the consultation questions
- Any supporting materials

CONCLUSION

The Commission seeks to develop an ESG framework that is practical, proportionate, and aligned with national priorities, while positioning Barbados to respond effectively to evolving global standards.

Stakeholder engagement is essential to ensuring that the final Guidelines are both effective and implementable.

APPENDIX: Draft ESG Guidelines

1. Introduction and Purpose

These Guidelines are issued by the Financial Services Commission (the "Commission") to support the integration of Environmental, Social, and Governance (ESG) considerations across the non-bank financial services sector in Barbados.

They are intended to:

- Provide a **principles-based framework** for ESG integration
- Promote **consistency in approach across sectors**, while allowing for proportional application
- Support **industry preparedness** for evolving domestic and international expectations
- Facilitate **dialogue and feedback** through the consultation process

These Guidelines should be read in conjunction with existing legislative and regulatory requirements and are not intended, at this stage, to impose prescriptive or binding obligations unless otherwise specified.

2. Scope of Application

These Guidelines apply to non-bank financial institutions supervised and/or regulated by the Commission, including:

- Insurance companies
- Pension plans and administrators
- Credit unions
- Microfinance institutions and other non-bank lenders
- Virtual Asset Service Providers (VASPs)
- Investment funds and securities market participants

Application is **proportionate**, taking into account:

- Size, complexity, and systemic importance
- Nature of activities and risk exposure
- Operational capacity and maturity

3. Core Principles for ESG Integration

3.1 Proportionality

Entities should adopt ESG practices that are commensurate with their:

- Risk profile
- Business model
- Resources and governance structures

3.2 Phased Implementation

ESG integration is expected to evolve over time, beginning with:

- Awareness and governance structures
- Basic risk identification and qualitative disclosures
- Progressive enhancement toward quantitative metrics and scenario analysis

3.3 Alignment with National Priorities

Entities are encouraged to align ESG practices with Barbados' priorities, including:

- Climate resilience and adaptation
- Financial inclusion
- Sustainable economic development

4. Governance Expectations

The Commission expects regulated entities to incorporate ESG considerations into governance frameworks in a manner appropriate to their size and complexity.

4.1 Board and Senior Management Responsibilities

Entities should:

- Recognize ESG risks and opportunities as part of enterprise risk management
- Assign clear accountability for ESG oversight
- Ensure appropriate expertise or training at the Board and management levels

4.2 Policies and Procedures

Entities are encouraged to:

- Develop internal ESG policies or integrate ESG into existing frameworks
- Define risk appetite where ESG risks are material
- Establish procedures for monitoring and reporting ESG-related risks

5. Risk Management

5.1 Identification of ESG Risks

Entities should consider, where relevant:

- Environmental risks (e.g. climate-related physical and transition risks)
- Social risks (e.g. customer outcomes, financial inclusion, conduct)
- Governance risks (e.g. transparency, internal controls, ethical practices)

5.2 Integration into Existing Frameworks

Rather than creating parallel systems, ESG risks should be integrated into:

- Risk management frameworks

- Underwriting (insurance)
- Credit assessment (lending institutions)
- Investment decision-making (pensions, funds)

5.3 Scenario Analysis (Longer-Term Expectation)

Larger or more complex entities are encouraged, over time, to:

- Explore scenario analysis, particularly for climate-related risks
- Consider long-term and systemic risk exposures

6. Disclosure and Transparency

6.1 General Approach

Entities are encouraged to adopt progressive disclosure practices, starting with:

- Qualitative descriptions of ESG policies and risks
- Governance structures related to ESG
- Material ESG considerations affecting operations

6.2 Alignment with International Frameworks

Where feasible, entities may consider alignment with globally recognized frameworks such as:

- Task Force on Climate-related Financial Disclosures (TCFD)
- Emerging sustainability reporting standards

However, adoption should remain proportionate and practical.

6.3 Avoidance of Greenwashing

Entities offering ESG-related products or making ESG claims should ensure:

- Claims are accurate, substantiated, and not misleading
- Clear disclosure of methodologies and limitations

7. Market Conduct and Consumer Protection

ESG considerations should reinforce fair and responsible treatment of customers.

Entities should:

- Promote fair access to financial services
- Ensure transparent pricing and disclosures
- Avoid practices that may contribute to over-indebtedness
- Support financial literacy and education, where appropriate

8. Sector-Specific Guidance

8.1 Insurance Sector

Entities are encouraged to:

- Integrate climate risk into underwriting and pricing
- Consider ESG factors in asset allocation
- Explore products supporting resilience (e.g. catastrophe and parametric solutions)

8.2 Pensions Sector

Plan administrators and trustees should:

- Consider ESG factors in investment decision-making
- Strengthen governance and fiduciary oversight
- Facilitate member education and retirement planning

8.3 Credit Unions

Credit unions are encouraged to:

- Support inclusive and community-based financing
- Explore green lending initiatives
- Strengthen governance and member engagement

8.4 Microfinance and Non-Bank Lenders

Entities should:

- Apply responsible lending practices
- Ensure affordability and transparency
- Promote financial education and borrower protection

8.5 Virtual Asset Service Providers (VASPs)

VASPs are expected to prioritize:

- Strong governance and internal controls
- Transparency and disclosure
- Consumer and investor protection

Environmental considerations may be incorporated as practices evolve.

8.6 Investment Funds and Securities

Entities should:

- Enhance ESG-related disclosures to investors
- Ensure product governance frameworks address ESG risks
- Avoid misleading ESG claims

9. Supervisory Approach

The Commission proposes a progressive and engagement-based supervisory approach, including:

- Industry consultations and feedback loops
- Issuance of additional guidance over time
- Integration of ESG into supervisory reviews, where appropriate

Initial supervisory focus will prioritize:

- Governance and awareness
- Risk identification
- Basic disclosures

10. Capacity Building and Industry Engagement

Recognizing varying levels of readiness, the Commission will:

- Engage with stakeholders through consultations and workshops
- Support capacity-building initiatives
- Encourage industry collaboration and knowledge-sharing

11. Implementation Roadmap (Indicative)

Phase 1 (Short-Term):

- Awareness and governance structures
- High-level ESG policies
- Qualitative disclosures

Phase 2 (Medium-Term):

- Integration into risk management and decision-making
- Enhanced disclosures
- Initial metrics and indicators

Phase 3 (Long-Term):

- Advanced risk assessment (e.g. scenario analysis)
- Quantitative reporting
- Greater alignment with international standards

12. Request for Feedback

Stakeholders are invited to provide feedback on:

- Practicality and proportionality of the proposed approach
- Sector-specific challenges and opportunities
- Appropriate timelines for implementation
- Capacity-building needs

Conclusion

These draft Guidelines aim to support a balanced and pragmatic approach to ESG integration within Barbados' non-bank financial sector. By embedding ESG as a cross-cutting principle, the Commission seeks to enhance financial stability, promote inclusion, and position Barbados as a resilient and forward-looking financial jurisdiction.