



# CLIMATE RISK

## And Its Cross-roads with Other Risks at the Bank

**Changes as noted in this color.**

### Background

Sustainability Studies are now front and centre. In this battle for a better earth, banks face a new kind of risk that challenges conventional wisdom and models in the management of risk.

Understanding Climate Risk and its impact on the various Risks that a bank typically faces is now critical. Stakeholders look into a bank's Annual Reports to see how these risks are considered, measured and reported.

A bank that fails to recognise this new risk and its impact is at risk!

**Duration:** 1 day (4 sessions)

### Course Coverage

#### 1. Climate Risks and Interest in Climate Risk

- ☑ Climate Risk defined
- ☑ Impact on Portfolios: (including notable public examples of risk-impact)
  - ☑ In Funds
    - ☑ In Index-based Funds
    - ☑ In ETFs
    - ☑ In 401Ks
  - ☑ In lending portfolios
    - ☑ Conventional portfolios

- ✓ Green / Sustainable and SLB portfolios

## 2. Physical Risks from Climate Change

- ✓ What is physical risk
- ✓ Manifestations of Physical Risk
- ✓ Do these affect a bank's portfolio uniformly?
- ✓ Portfolio Assessment of Impact



## 3. Transition Risks

- ✓ Financial Risks
- ✓ Economic Risks
- ✓ Industry Analysis of Transition
- ✓ Green Industries (and the EU Taxonomy in the context)
- ✓ Gray Industries
- ✓ 'Hard-to-Abate' Industries
- ✓ 'Stranded Assets'

## 4. Manifestation of Climate Risks in other forms

- ✓ Carbon pricing
- ✓ Regulatory changes
- ✓ Consumer preferences
- ✓ Technological disruption,
- ✓ Political instability and geopolitical tensions
- ✓ Legal and reputational risks for companies
- ✓ Loss of social license

## 5. Bank Risk Typologies and Climate Risk

- ✓ Credit & Market risk (very briefly)
- ✓ Operational Risk
- ✓ Reputational Risk
- ✓ Measures of Climate Risk & its Reporting

## 15 things to remember at the end of the day!

