

Global Credit Data

by banks for banks

UNEP FI

United Nation Environment Programme Finance Initiative

Catalysing action across the financial system
to support the transition to more sustainable
and inclusive economies worldwide

David Carlin – TCFD and Climate Risk Program Lead



AGENDA

Anti Trust Warning: Participants are warned not to provide sensitive information about their bank or to engage in discussions which might encourage or lead to collusive behaviour. If in doubt then please seek guidance from your own bank's policies or legal counsel.

Disclaimer: Any views expressed in this presentation are those of the presenter and do not necessarily represent the views of Global Credit Data or its members.

- UNEP FI overview: goals, achievements to date

UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE

The UN-convened network of banks, insurers and investors accelerating sustainable development

Catalysing action across the financial system to support the transition to more sustainable and inclusive economies worldwide



NEWS

600-plus investors call on governments to radically raise their climate ambition at COP27

[Read more →](#)



NEWS

UNEP FI Global Roundtable 2022: Event Summary and Recordings

[Read more →](#)



NEWS

New game-changing academy to train bankers on climate emergency and sustainability

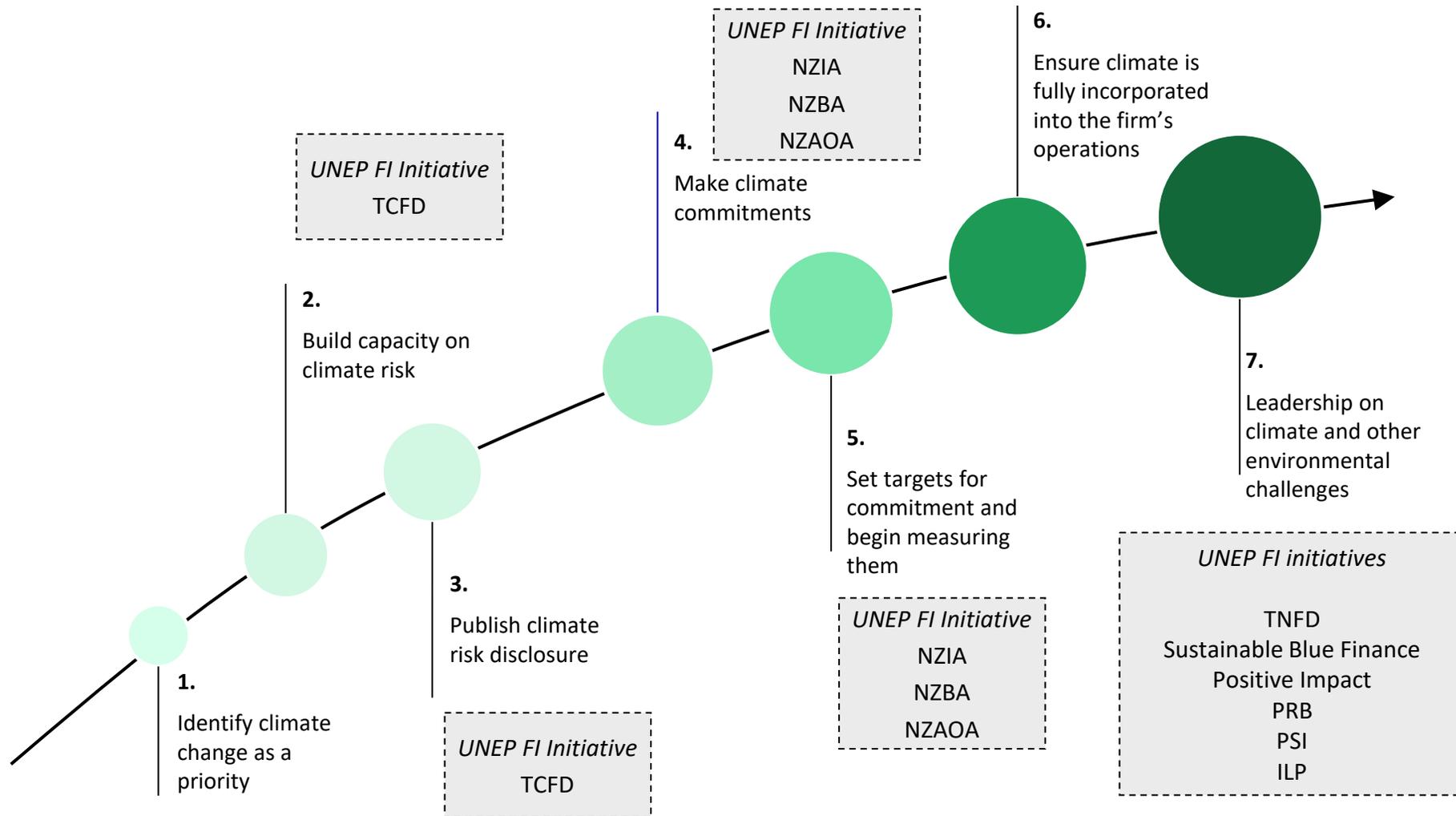
[Read more →](#)



Overview of UNEP FI's climate risk programs

A financial institution's climate journey

A range of programs at UNEP FI have been designed to help firms in their climate journey

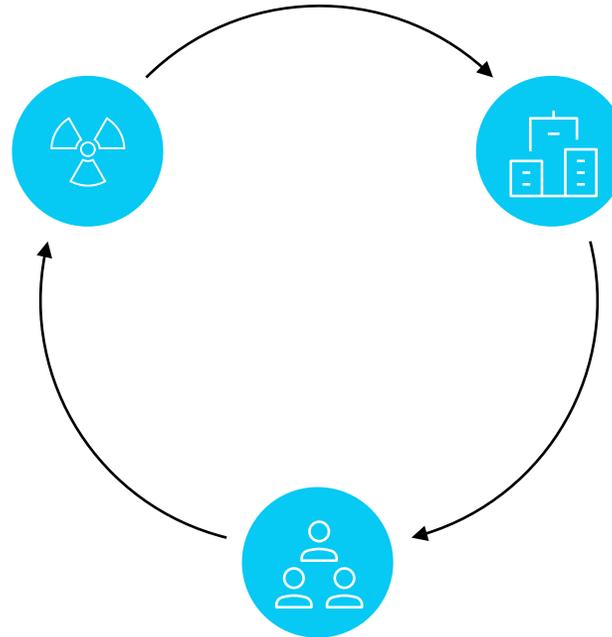


An integrated theory of change: three critical roles for finance

Finance must manage the emerging risks of climate change, align its financial assets to net zero, and provide needed mitigation and adaptation finance to drive the transition and promote resiliency

Risk Management

- Physical risk management
- Transition risk management
- Legal risk management
- Ensuring financial stability



Climate finance

- Adaptation finance
- Mitigation finance
- Support for community resiliency
- Support for development and deployment of climate positive technologies

Net-zero alignment

- Near-term actionable targets
- Policies to phase out emitting assets
- Responsible retirement of emitting assets
- 2050 net-zero ambition

UNEP FI has run climate risk programs since 2017

They have helped dozens of FIs to implement the TCFD's recommendations



The pilots have been supported by over a dozen technical partners

Previous partners include climate modelers and climate risk experts

ETH zürich

 **OLIVER
WYMAN**

 **CDP™**

 **CRREM**

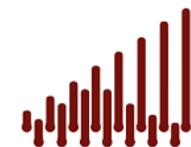
:vivid**economics**

CARBON DELTA


**UNIVERSITY OF
CAMBRIDGE**
INSTITUTE FOR
SUSTAINABILITY LEADERSHIP

 **IIF** INSTITUTE OF
INTERNATIONAL
FINANCE

 **GARP**
Global Association
of Risk Professionals

 National
Institute of
Economic and
Social Research

 **ACCLIMATISE**
building climate resilience

°CICERO
Center for International
Climate Research

2021-2022 TCFD program

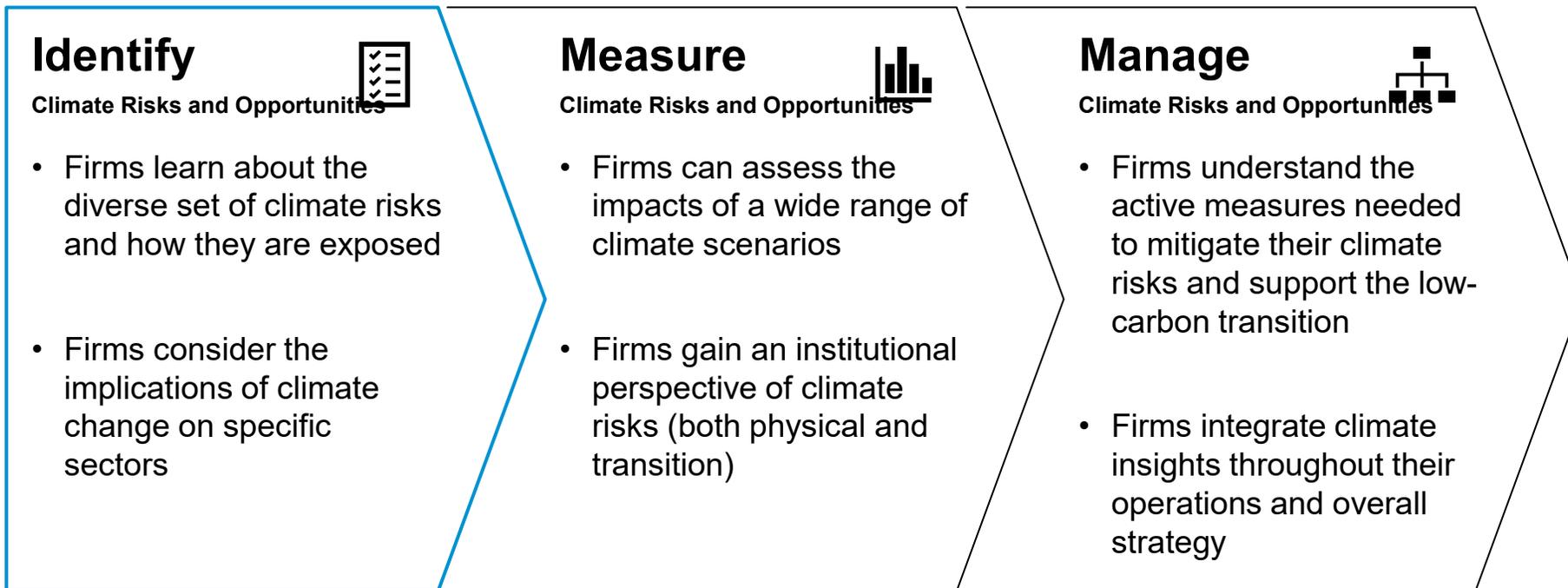
Forty-nine global banks and investors participated



Participants followed a TCFD roadmap and selecting specific topics to explore with expert partners

Climate risk program objectives

Providing financial institutions with industry-leading approaches for assessing climate risks and opportunities



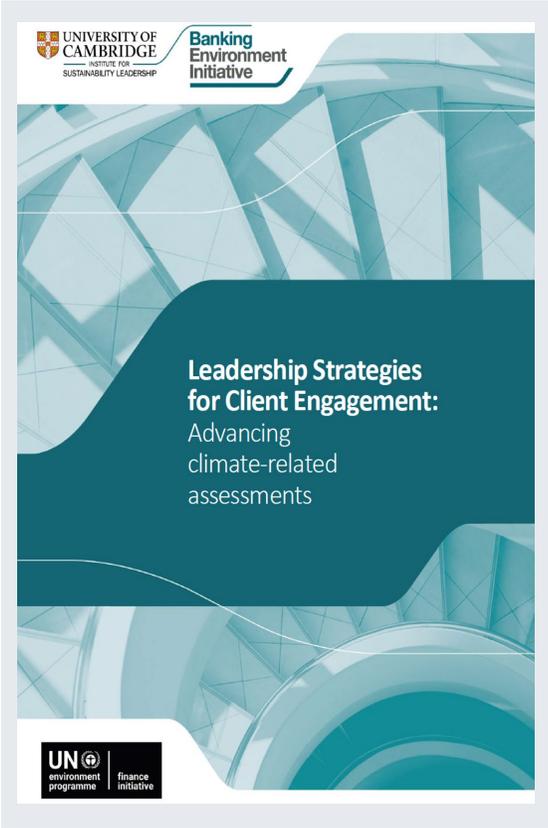
Recent climate risk program outputs

These reports provide actionable guidance on climate risk

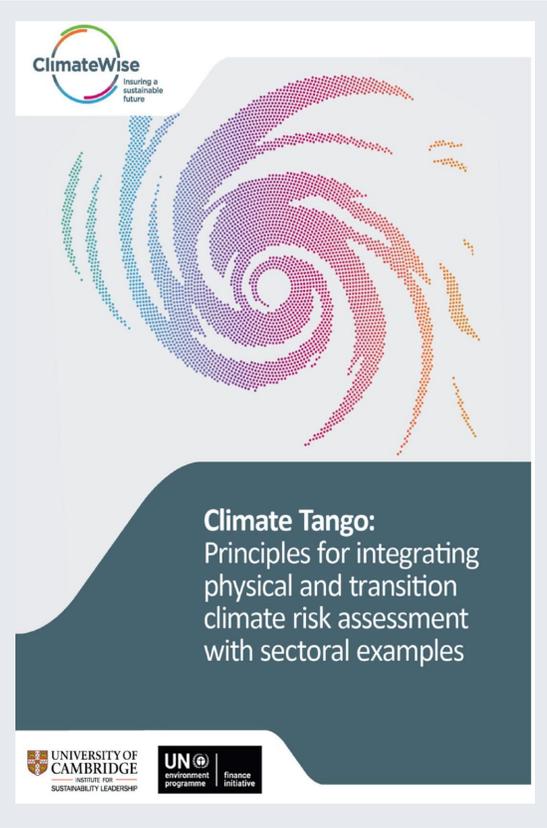
UNEP FI's Comprehensive Good Practice Guide to Climate Stress Testing



Leadership Strategies for Client Engagement



Climate Tango Integrating physical and transition risks



Overview of the current climate risk program

The program is an ongoing effort to develop leading-edge content and offer extensive opportunities for peer and expert dialogue

Content webinars and trainings

- Bi-monthly webinars with climate risk experts
- Experts include climate scientists, modelers, regulators, and industry leaders
- Opportunity for peer dialogue and discussion of key issues
- Specific trainings on TCFD pillars and good disclosure practice

Regional programming

- Potential to establish regional working groups based on interest
- TCFD implementation in various regions with development banks
- Expansion of TCFD workshops in regions where UNEP FI worked in 2021 and collaboration with local regulators
- Updated TCFD and CC online course, and integration of content into PRB academy

Interactive working groups

- Small topic-focused groups
- Aim of establishing communication between participants, their peers, and experts
- Participants are able to undertake practical exercises and piloting
- Working groups will be used to develop tools and resources for practical use

Selected overviews of working groups (1/3)

Climate-Related Legal and Regulatory Risk working group

Overview

Duration: 6 months – July – December	Proposed frequency of meetings: 2-3 meetings a month, 1 hour - 1 hour ½ each
Context: With a range of experts from leading institutions including Oxford University, Linklaters, Allen & Overy and MinterEllison, this module aims to help financial institutions understand climate legal and regulatory risks.	TCFD pillar focus: <i>Risk Management, Governance, Metrics & Targets</i>
Objectives: <ul style="list-style-type: none">• Understand the different acts, omissions and failures that give rise to different kinds of climate-linked litigation/enforcement actions, together with the drivers for such actions.• Understand how to identify and assess climate-related legal risks in lending and investment portfolios, covering rapidly-evolving developments around methodologies and metrics in this area.• In relation to your firm's own climate-related legal & regulatory risks: understand the key risks that arise in the context of banking and capital markets product lines and how they can be managed effectively.• In relation to your firm's climate entity disclosures (including target setting): understand what the key legal and regulatory risks are/how to effectively manage these.	Outputs: to be discussed by the group <ul style="list-style-type: none">• A guide to managing climate conduct considerations for banks (legal and compliance).• A heatmap on climate litigation risks.• A legal primer on climate target setting.

Selected overviews of working groups (2/3)

Physical Risk Data working group

Overview

<p>Duration: 4 months <i>Kickoff in Sept-Oct</i></p>	<p>Proposed frequency of meetings: 2x per month with some analysis conducted outside sessions</p>
<p>Context: This working group will provide participants with an understanding of the diverse array of physical risks, commonly used tools for their quantification, and accessible data sources covering different regions. In a series of hands-on exercises, participants will work with each other to draw insights from these datasets that can inform their climate risk reporting and internal processes.</p>	<p>TCFD pillar focus: <i>Strategy, Risk Management, Metrics & Targets</i></p>
<p>Objectives:</p> <ul style="list-style-type: none">• Participants will understand the set of physical hazards and commonly used tools for assessing them• Participants will learn from the providers of open-source data sets how to make the most effective use of these resources• Participants will assess the implications of physical hazards on their portfolios under multiple climate scenarios	<p>Outputs:</p> <ul style="list-style-type: none">• Principles-based guide to open-source climate scenario analysis of physical risks• Recommendations of which physical risk analyses to include in climate risk reporting

Selected overviews of working groups (3/3)

Transition Risk Scenario Analysis working group

Overview

Duration: <i>6 months</i>	Proposed frequency of meetings: 2 meetings a month, 1 hour each
Context: The aim of this working group is to explore key 1.5° C scenario pathways and help institutions develop a working knowledge of their key assumptions, use cases, and tradeoffs.	TCFD pillar focus: <i>Strategy, Risk Management</i>
Objectives: <ul style="list-style-type: none">• Participants will understand commonly used 1.5° C scenario pathways, including their narratives, assumptions and limitations• Participants will learn about the applications of 1.5° C scenarios for climate risk management and target-setting and the considerations that come in selecting a scenario	Outputs: <ul style="list-style-type: none">• Guide on understanding how to use 1.5° C pathways for scenario analysis covering:<ul style="list-style-type: none">• A deep dive into the key variables that should be used for assessing scenarios• Principle based guidance for determining the usability of scenarios for target setting and climate risk analysis