



# Climate trends and finance webinar

What organizations need to know today

Tuesday, July 28, 2020 - 2 pm



# Today's speakers



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**Host:**



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# Agenda

- 1. Climate risk and global financial stability**
- 2. Regulators and policy signals**
- 3. Market responses**

We'll be answering questions throughout the webinar. Please submit them at any time with the Q&A button.



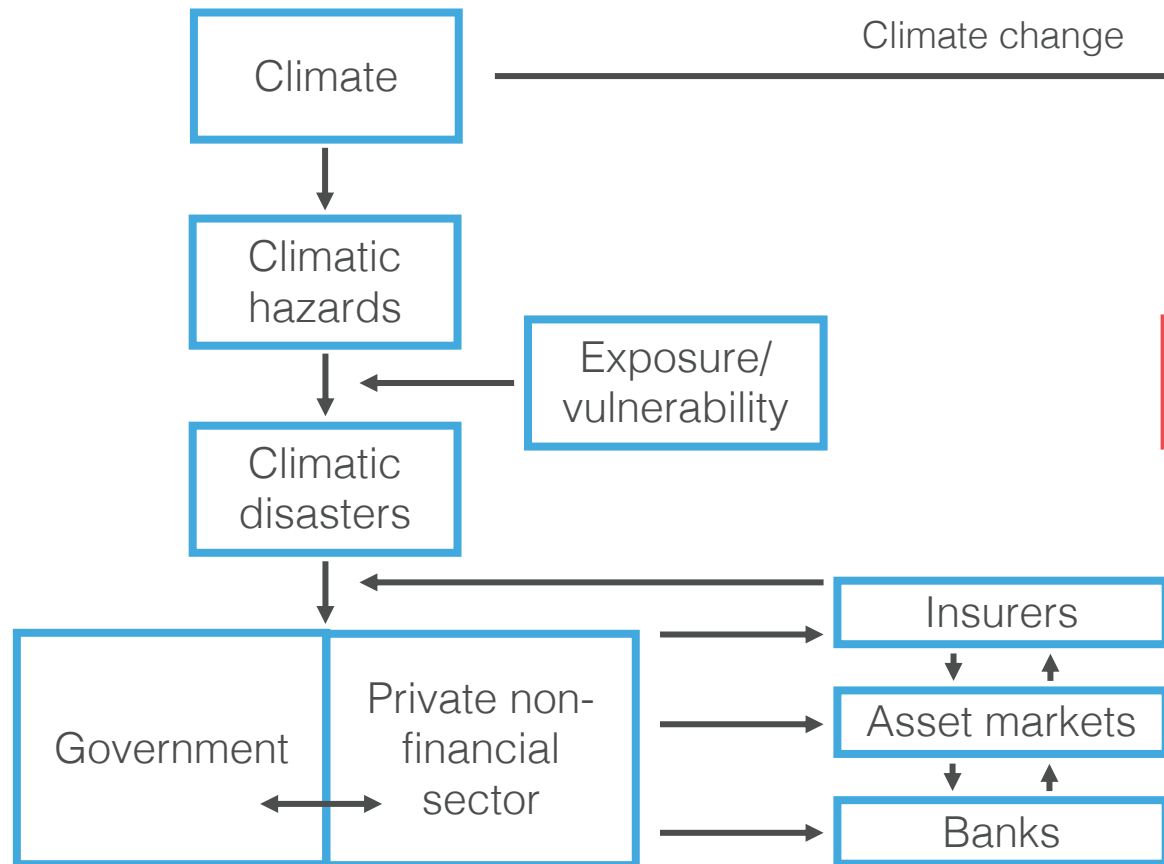
# Climate risk and global financial stability



# How climate change physical risk impacts financial stability

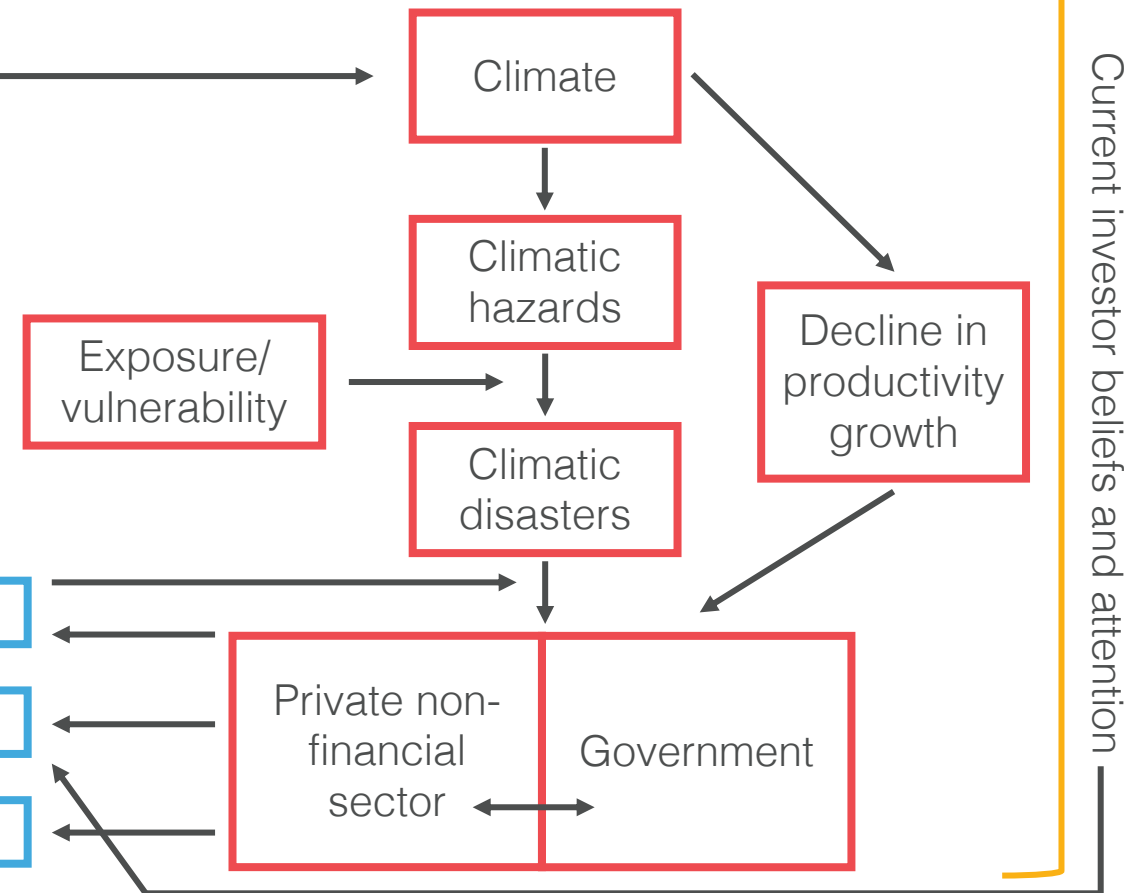
The financial sector is exposed to climate disasters through two channels: First, current climatic disasters affect credit, underwriting, market, operational and liquidity risks

## Channel 1: Current climatic disasters



Second, the shifts in expectations and attention about future climatic disasters can affect asset values today

## Channel 2: Future climatic disasters



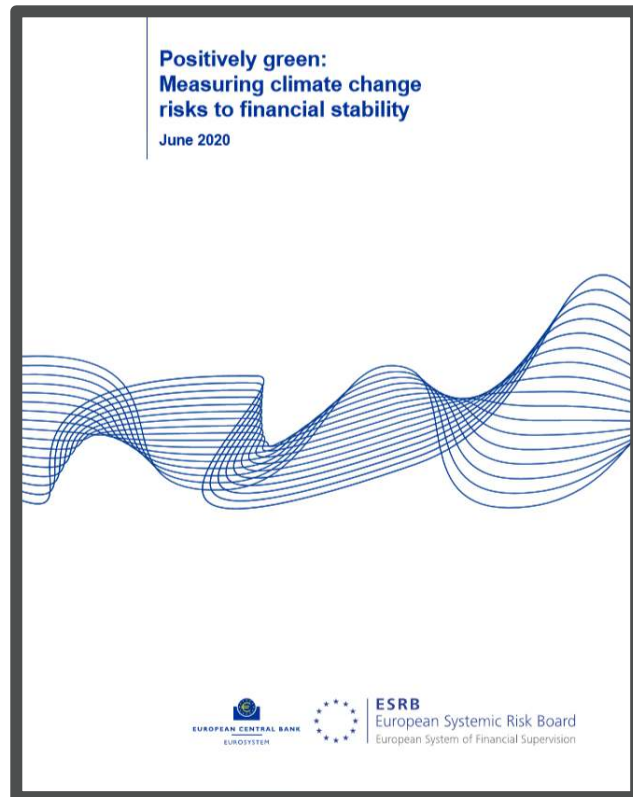
Current investor beliefs and attention

Source: IMF

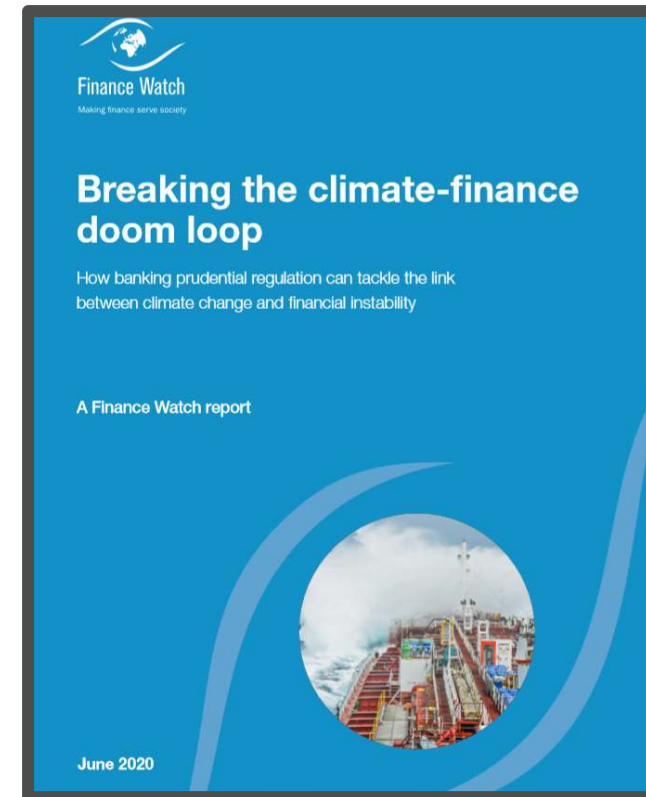
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# Financial stability concerns

**POSITIVELY GREEN: MEASURING CLIMATE CHANGE RISKS TO FINANCIAL STABILITY** –  
Report by European Systemic Risk Board



**BREAKING THE CLIMATE-FINANCE DOOM LOOP** – Report by Finance Watch

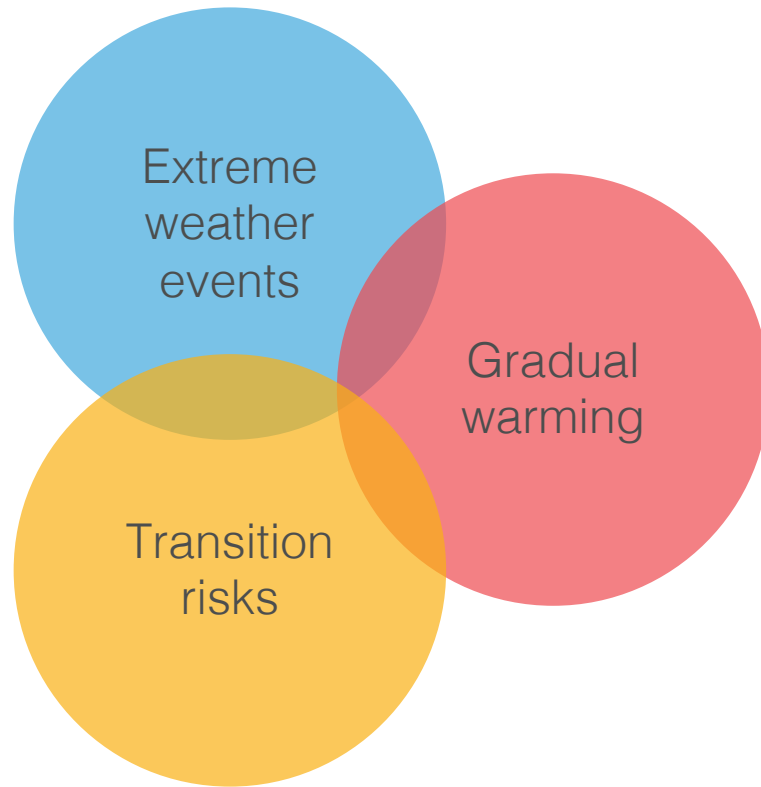


# Regulators and policy signals

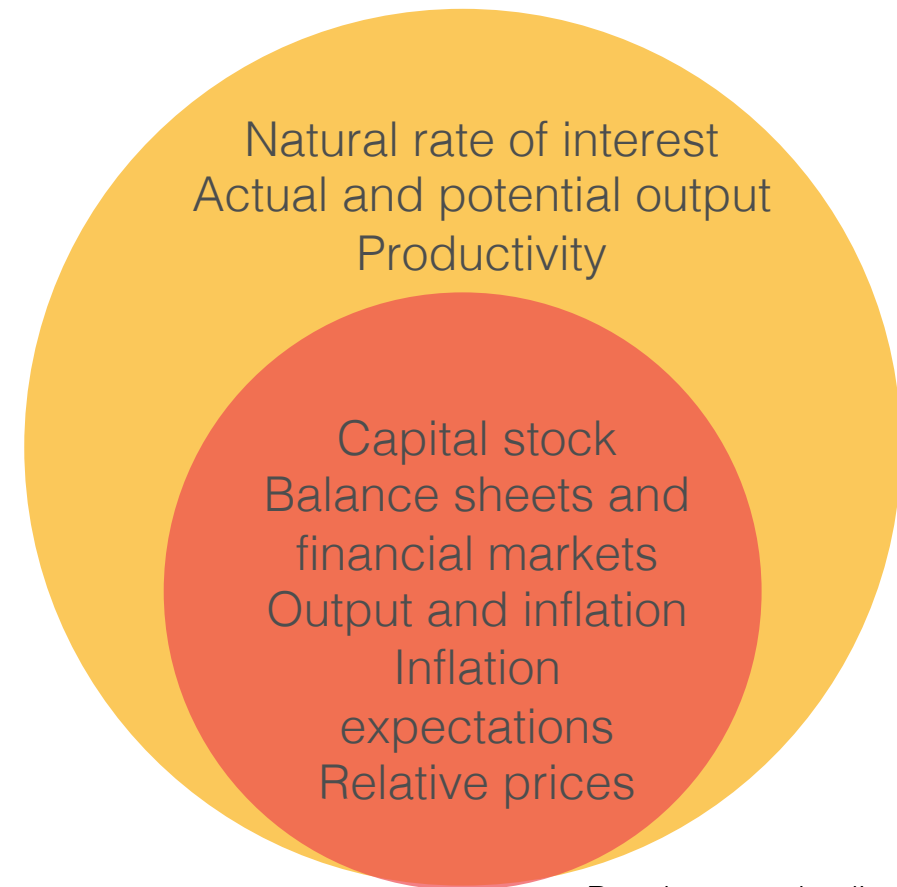


# Climate risk and monetary policy - NGFS

Climate risks



Impacted variables



Source: Report from NGFS

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Regulators and policy signals

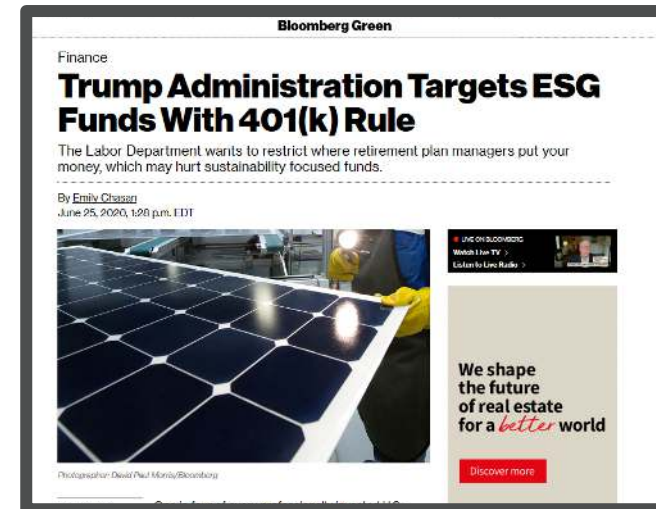
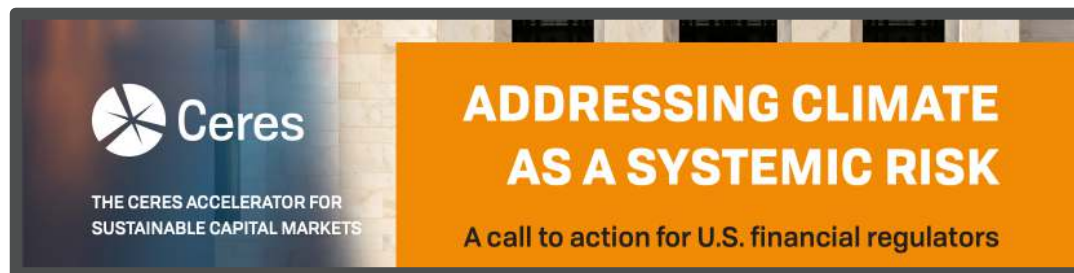


# Stress tests and scenario analysis



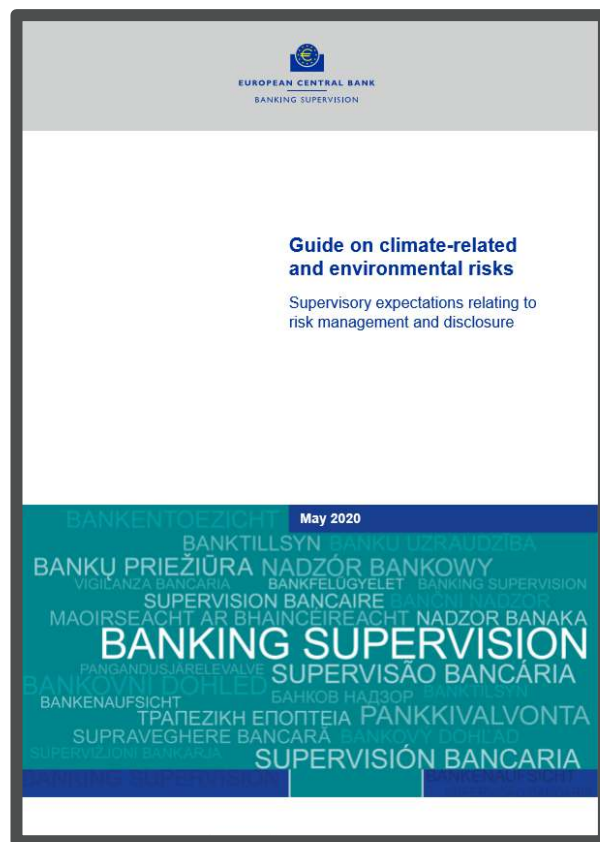
# Regulation and disclosure – United States

- Department of Labor (DOL) proposed amendment to Employee Retirement Income Security Act (ERISA)
- Climate-Related Market Risk Subcommittee
- Ceres makes recommendations to financial regulators
- SEC Investor Advisory Committee supports ESG disclosures

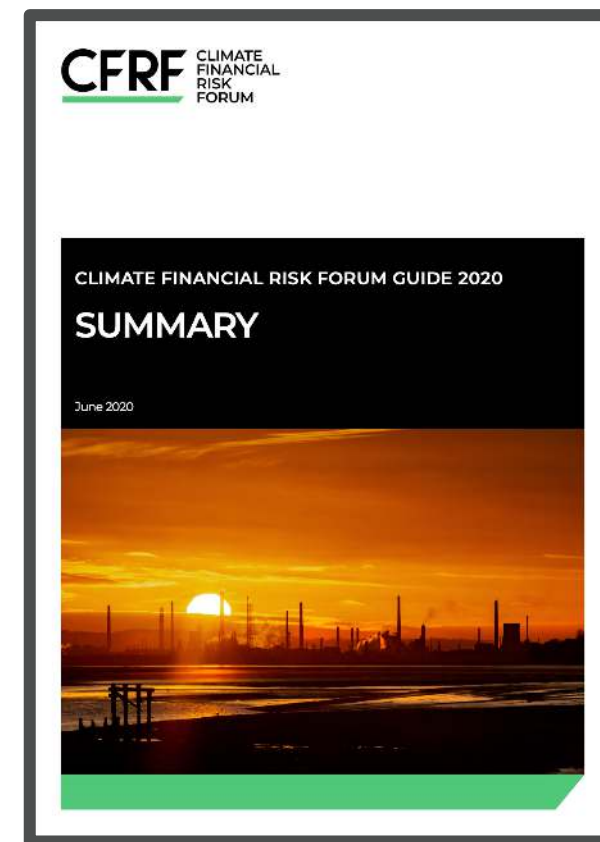


# Guidance for financial institutions – Europe

**GUIDE ON CLIMATE-RELATED AND ENVIRONMENTAL RISKS** – Report by European Central Bank (ECB)



**CLIMATE FINANCIAL RISK FORUM GUIDE 2020** – Report by UK Climate Financial Risk Forum



# EU sustainable finance regulation

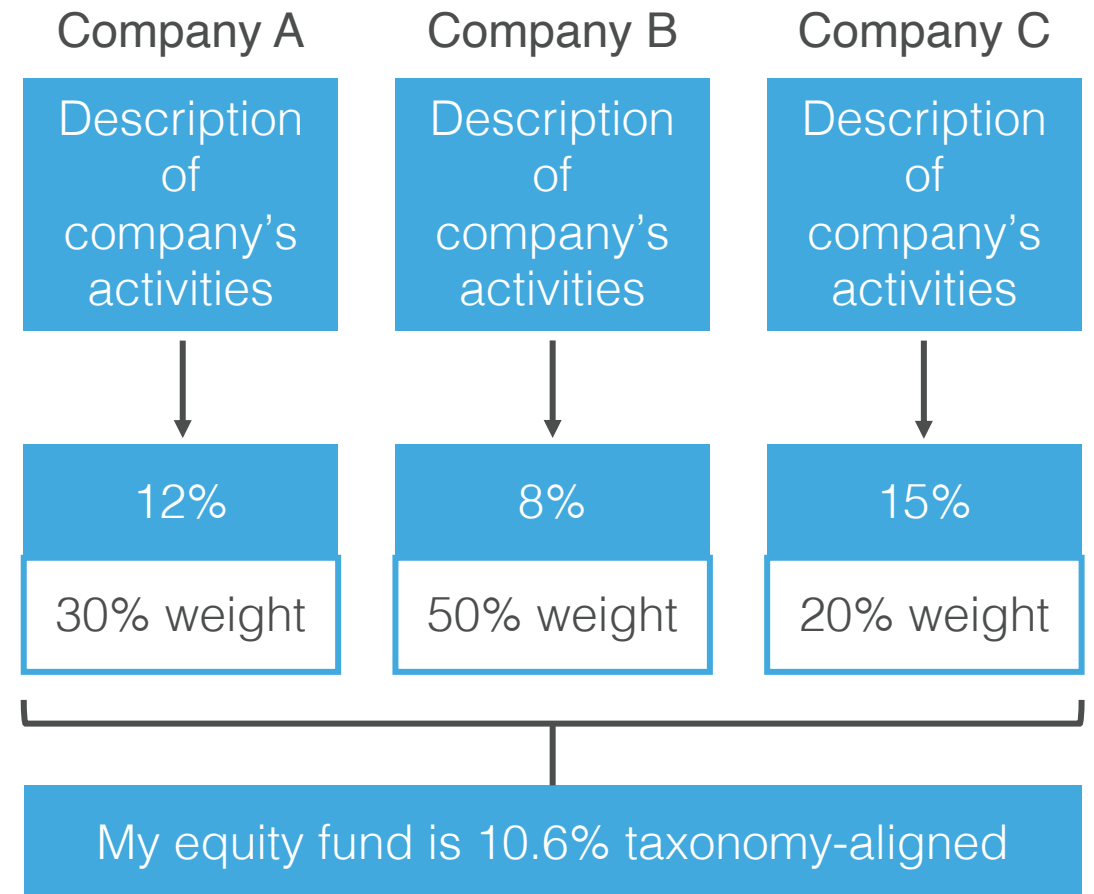
## EU action plan on financing sustainable growth

- Taxonomy regulation
- Sustainable finance disclosure regulations
- Standards for low carbon and Paris-aligned benchmarks
- Standards and labels for green bonds and ecolabel (retail investment products)
- Sustainability in investor duties

## Renewed sustainable finance strategy

- Brown taxonomy
- Green loan standards

## How to apply the Taxonomy to an equity portfolio

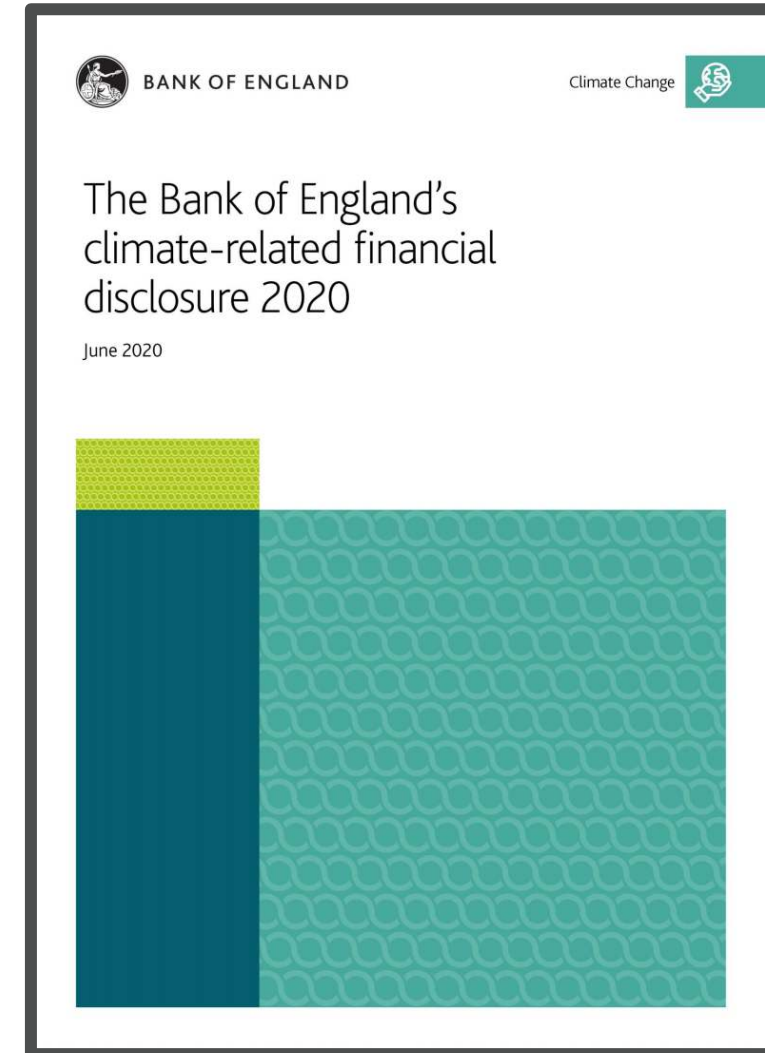


Source: [EU Technical Expert Group](#)

# TCFD and disclosures - regulatory

*“For the first time, the Bank of England is publishing this report on climate-related financial disclosure, setting out its approach to managing the risks from climate change across its entire operations, and the steps taken to improve the Bank’s understanding of these risks.”*

## REPORT BY THE BANK OF ENGLAND

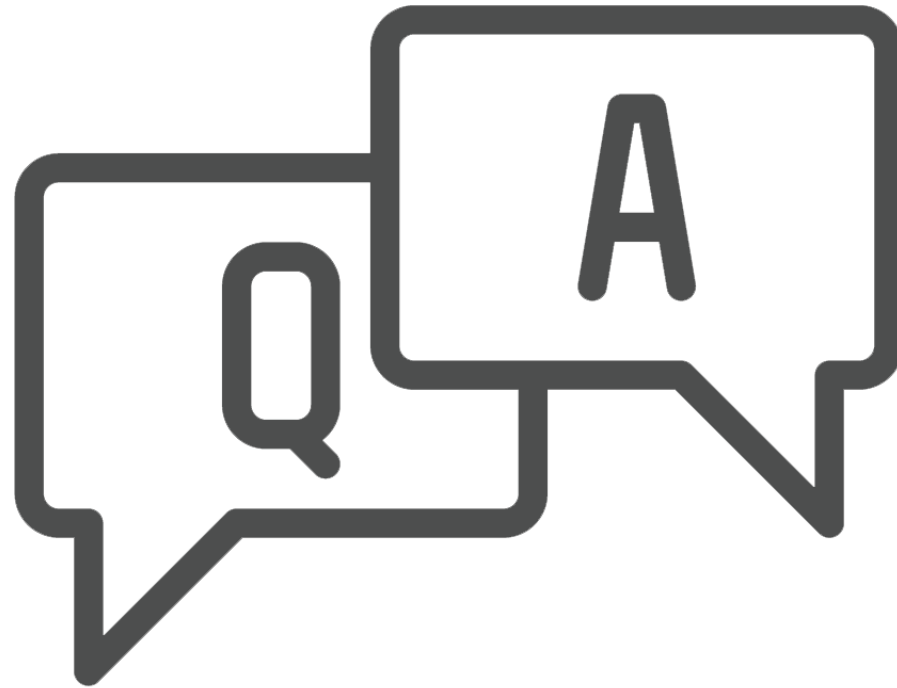


# TCFD and disclosures - regulatory

*“The Taskforce proposes to mandate disclosure of material ESG information which is compliant with either the TCFD or SASB recommendations for issuers through regulatory filing requirements of the OSC. Where feasible, the proposed enhanced disclosure will align with the global reporting standards of both TCFD and SASB.”*

## **ONTARIO CAPITAL MARKETS MODERNIZATION TASKFORCE REPORT**





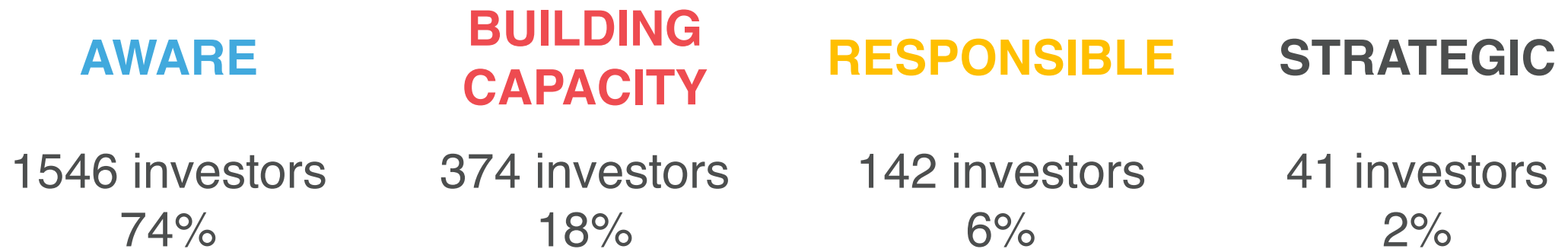
# Market responses





# TCFD reporting through PRI

PRI says they've had a 3.5x increase in signatories (total of 2,097 with 410 publishing publicly) doing some form of TCFD reporting using their new indicators grouping signatories across four categories:



Source: [PRI](#)

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# Climate scenarios and TCFD

## Signatory category

- ☐ Asset owners
- ☐ Investment managers

## Region, Country

All

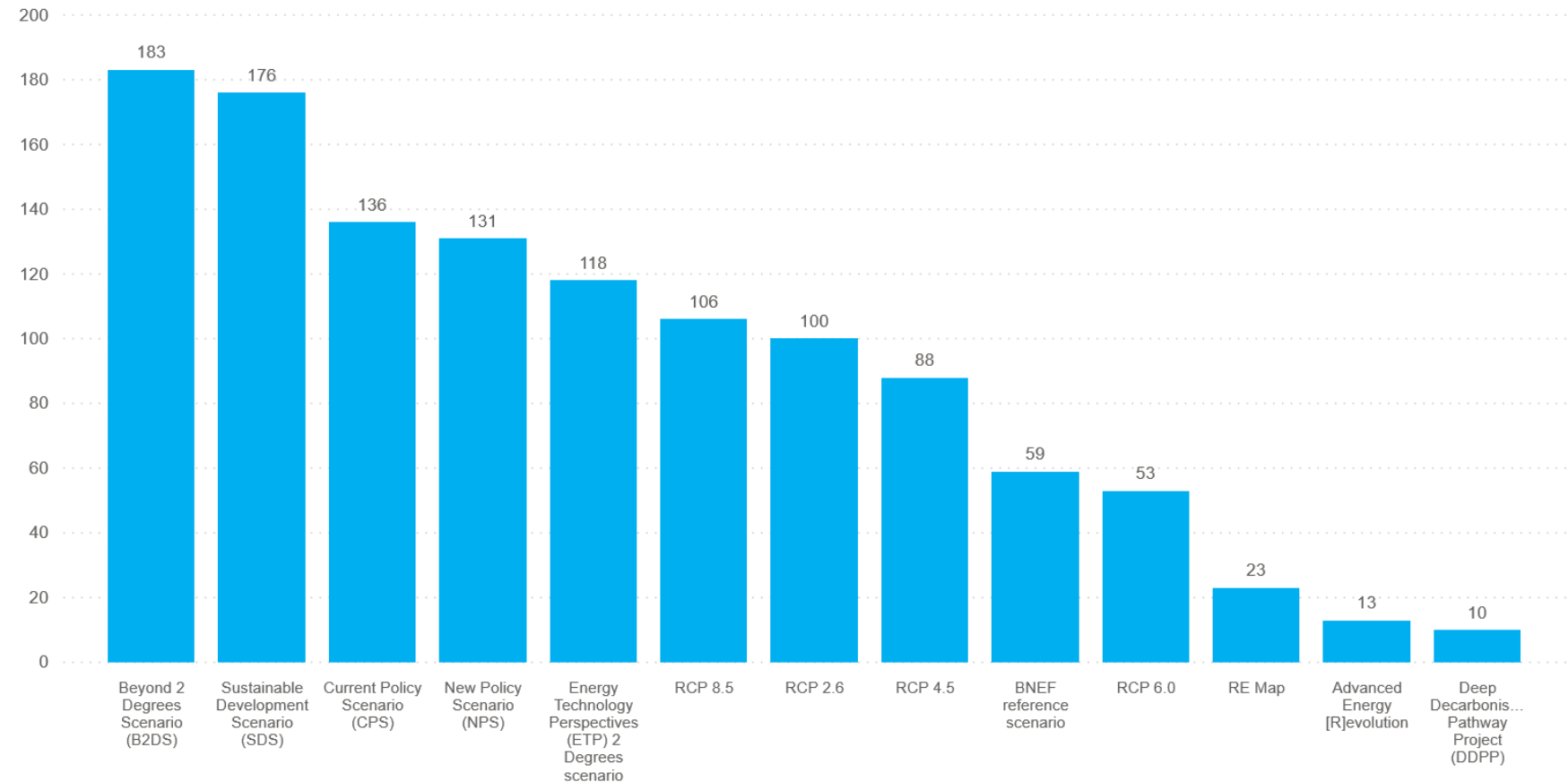
## Size (US\$ billions)

- ☐ 0 - 0.99
- ☐ 1 - 9.99
- ☐ 10 - 49.99
- ☐ 50 - 249.99
- ☐ 250+

## Main asset class

All

Number of signatories using each climate scenario (2020)



This question was made mandatory in 2020, therefore a comparison to 2019 is not possible.

# TCFD disclosure in corporate Canada

Results from climate-related risks and opportunities disclosures



TCFD recommended disclosures		Most disclosed risks and opportunities	% of companies that disclosed
Risks and opportunities	Risks	1. Transition: policy risk	70% disclosed policy risks
		2. Physical risks	58% disclosed physical risks
			48% disclosed chronic physical risks 45% disclosed acute physical risks

Source: CPA

# Falling short? – Report by Climate Disclosure Standards Board (CDSB)



## Governance

**72%** disclosure board-level responsibility for environment and climate change and **76%** disclosure management level

## Strategy

Just **14%** of companies disclose their strategic resilience to different climate scenarios

## Risk management

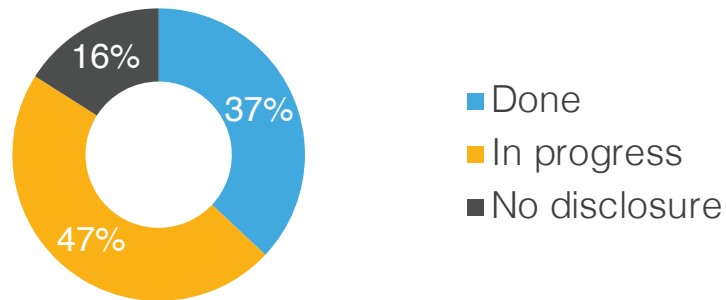
**72%** clarify how environmental and climate-related matters are integrated into wider risk management process

## Metrics and targets

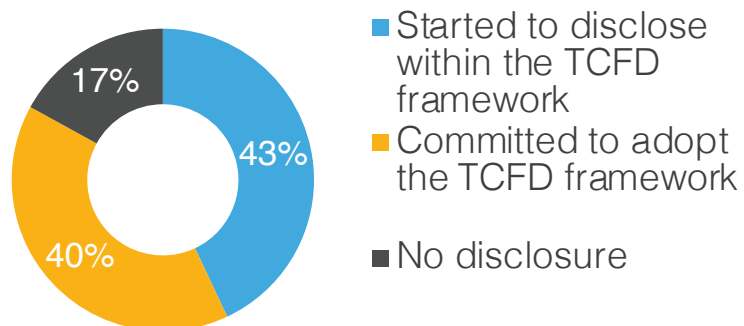
**30%** include an environmental or climate-related target in leadership remuneration

# How banks are responding to the financial risks of climate change – Report by Mazars Group

Do the banks analyzed address climate risks through their risk management framework?



Endorsement of the TCFD framework



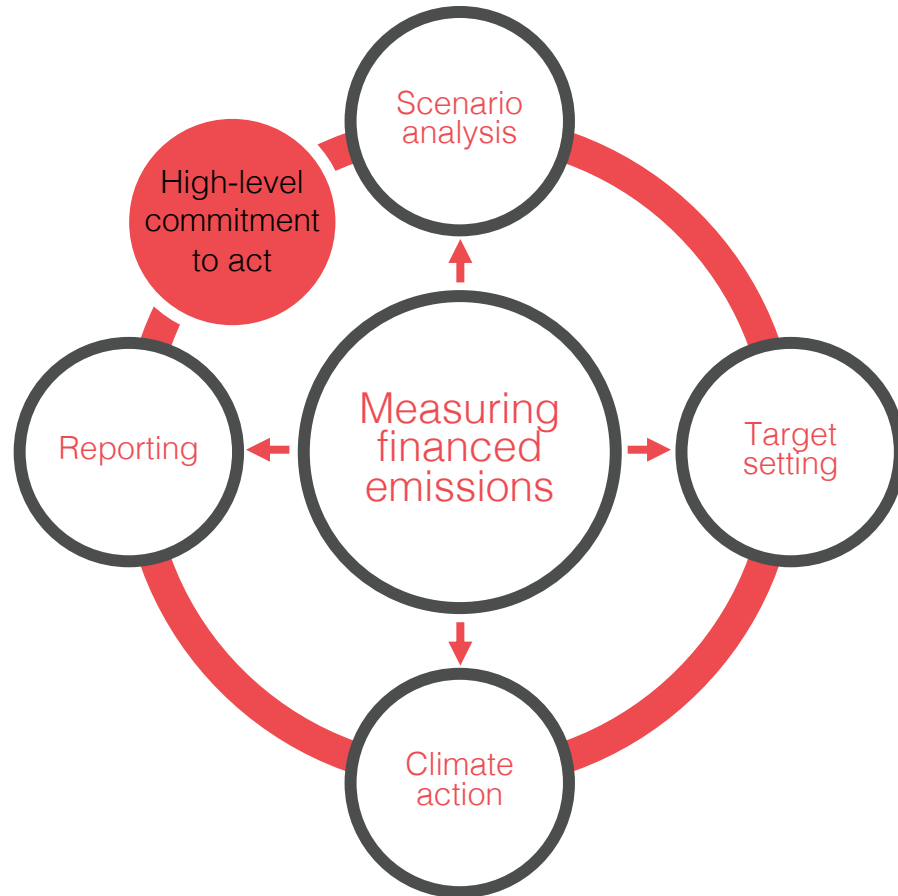
Global banks assessed





# Banks

## Measuring financed emissions



## Recent announcements

**MORGAN STANLEY JOINS LEADERSHIP OF PCAF**

**DANSKE BANKS JOINS PCAF**

**FINANCE FOR A CLIMATE-RESILIENT FUTURE** – Report by CITI Group

**16 GERMAN BANKS PLEDGE TO ALIGN WITH PARIS AGREEMENT**

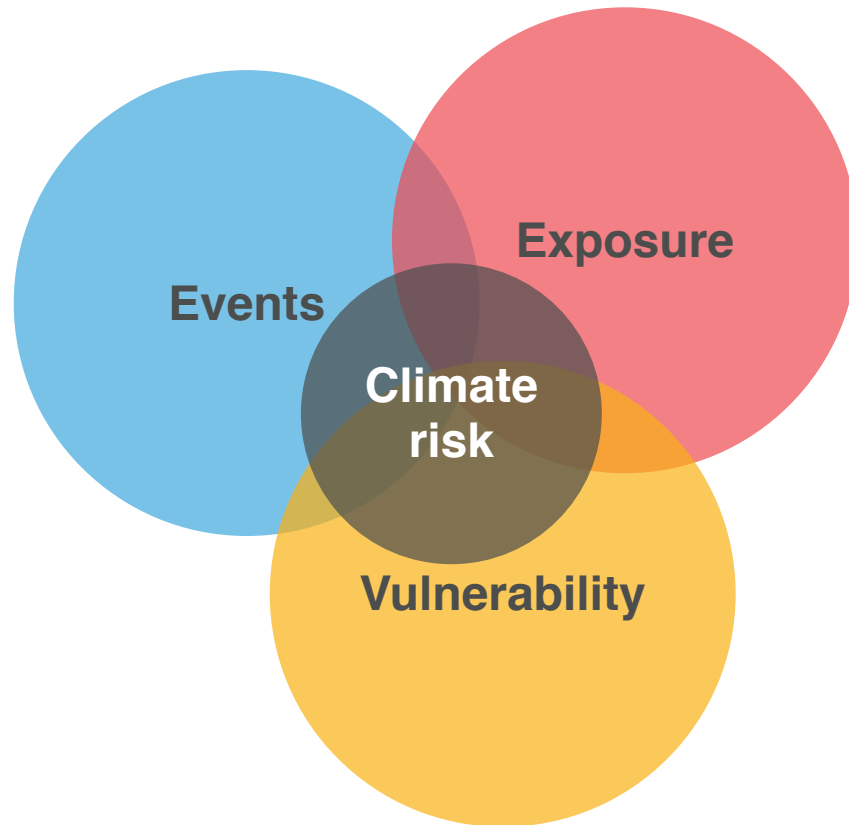
**NATWEST GROUP JOINS PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS**

Source: Carbon Accounting Financials

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# Investors

Morgan Stanley Institute of Sustainable Investing publishes climate risk framework



The Institutional Investors Group on Climate Change launches physical risk guidance



CDP launches temperature ratings for investors





# Asset owners and net zero

## Net zero asset owner alliance

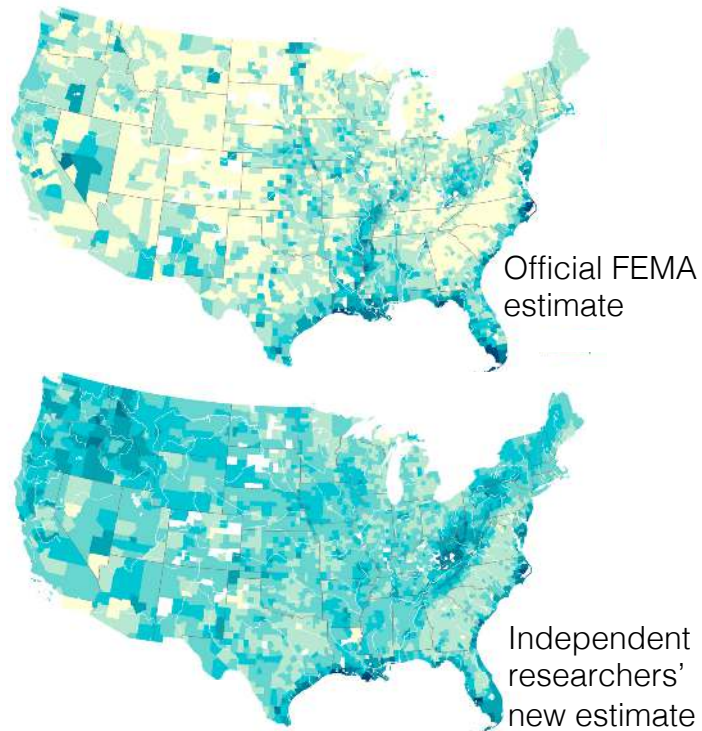


## Canadian universities sign responsible investment charter

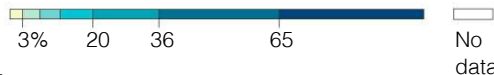


# Complexity of climate risk on insurance

## New data reveals hidden flood risk across America



Percentage of properties at risk of flooding during a major storm



Source: [New York Times](#)

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## Comparison of properties with known risk

8.7 million know they are at risk (FEMA identified)



14.6 million are actually at risk

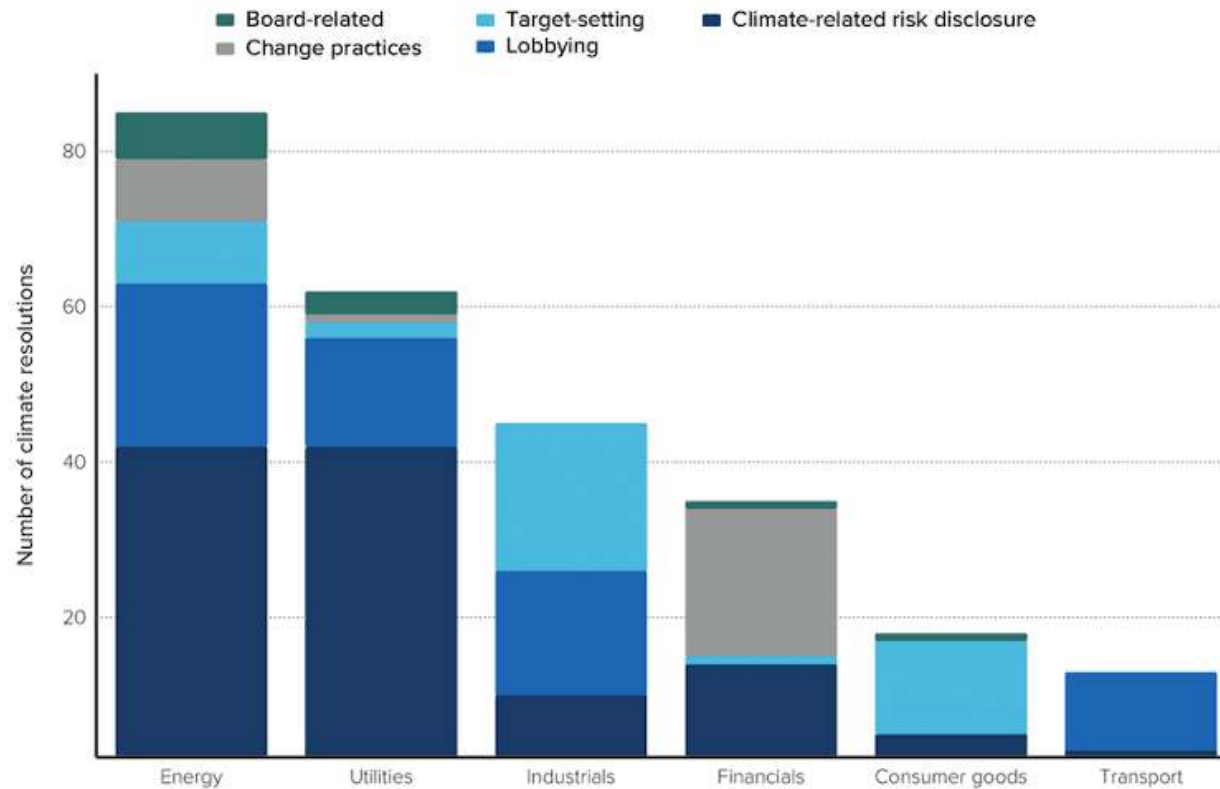


 x 250,000

Source: [Flood Factor](#)

# Shareholder pressure on climate

## Climate-related shareholder resolutions by sector and type of resolution (2016-present)



Source: Data sourced from Bloomberg Terminal

## Noteworthy in 2020

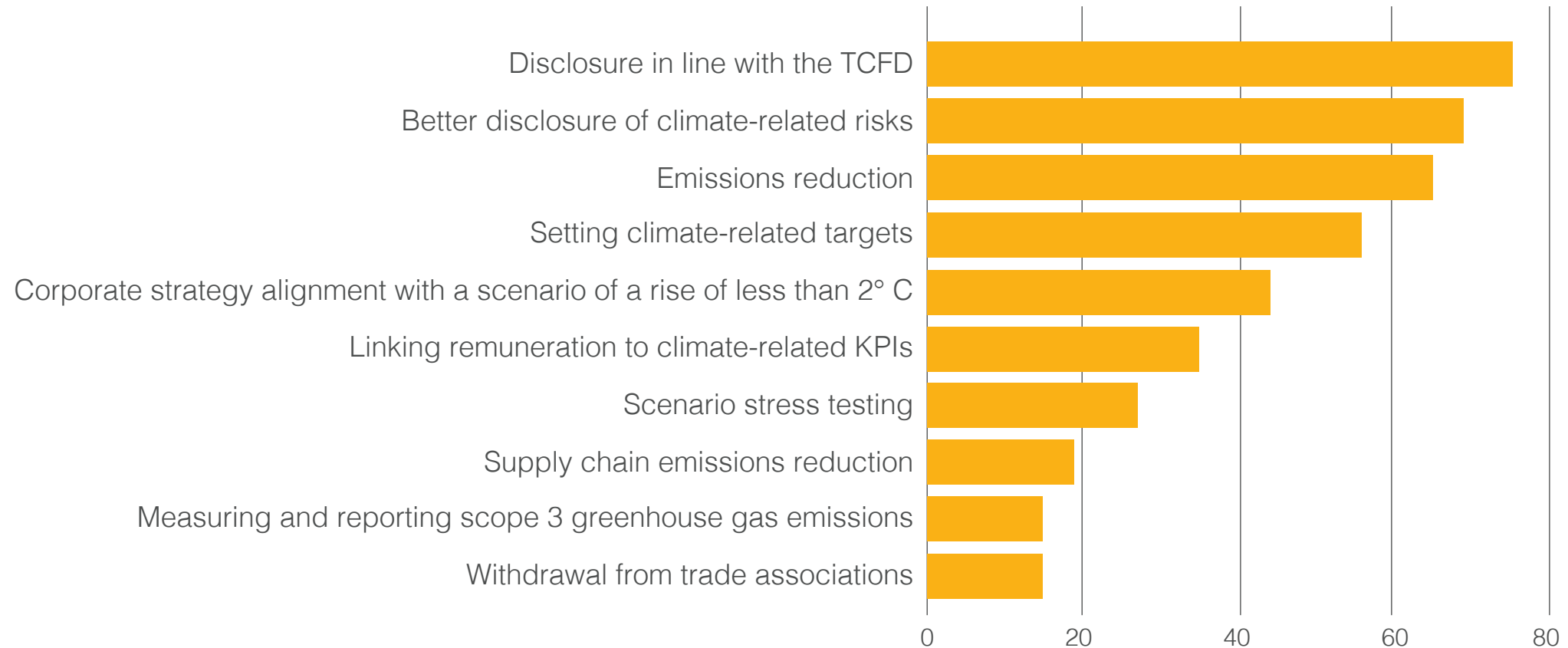


**BlackRock®**

J.P.Morgan

# Climate engagement priorities

Support for climate-related engagement priorities (% of asset managers)



Survey respondents could select a maximum of five key priorities

Source: [Financial Times](#) and ShareAction





# Upcoming events

Webinar August 20, 2020, 2 pm:

**[Reasonably prudent people & climate change: The evolving governance of corporate climate risk](#)** with [Laura Zizzo](#) & [Anton Tabuns](#)

Training September 10, 2020, 1 pm:

**[Learn how the Task Force on Climate-related Financial Disclosures \(TCFD\) is changing the reporting landscape](#)** with [Kevin Quinlan](#) & [Anton Tabuns](#), hosted by [Jeff Horlor](#)

Training September 15, 2020, 9 am:

**[Learn how embodied carbon will change the green building industry](#)** with [Ryan Zizzo](#) & [Larissa Sequeira](#)

[Responsible Investor Digital: Canada 2020, September 15, 2020](#)

**[Canadian leadership on ESG integration in global markets](#)** with [Joy Williams](#)  
**[Global banking sector alignment with climate targets and what it means for Canadian banks](#)** with [Laura Zizzo](#)

We look forward to helping your business gain a competitive advantage as we transition to a climate-resilient economy

**Email us at [info@mantle314.com](mailto:info@mantle314.com)**

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# Mantle314 is a dedicated climate change consultancy

## our services

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**Educate:** Deliver expert training and bring the latest developments and data to boards, executives and employees.



**Identify:** Discover climate-related risks and opportunities unique to your business.



**Strategize:** Provide solutions and strategies to build your corporate resilience.



**Equip:** Prepare your teams to make smart business decisions and seize climate-related opportunities!

## our focus

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- **Mission:** We shine a light on climate risks and opportunities to help organizations stay ahead of the curve, support the transition to a low-carbon economy and adapt to impacts.
- **Experience:** Our team has unparalleled climate-related business experience – a multi-disciplinary team of lawyers, business consultants, financial experts and engineers.
- **Value Proposition:** We translate climate change for businesses. We bridge the gap between law, engineering, technical innovation and real-world decision-making.
- **Growing Discipline:** We help train and work with companies to comply with climate reporting requirements, such as TCFD recommendations.



# Additional resources

**BARCLAYS SHAREHOLDERS VOTE TO SUPPORT CLIMATE PLAN** – Bloomberg Green

**BLACKROCK PUNISHES 53 COMPANIES OVER CLIMATE INACTION** – Financial Times

**CLIMATE CHANGE AND MONETARY POLICY: INITIAL TAKEAWAYS** – Report from NGFS

**GUIDE TO CLIMATE SCENARIO ANALYSIS FOR CENTRAL BANKS AND SUPERVISORS** – Report from NGFS

**JP MORGAN CHASE CLIMATE SHAREHOLDER RESOLUTION NARROWLY DEFEATED** – Business Green

**NGFS CLIMATE SCENARIOS FOR CENTRAL BANKS AND SUPERVISORS** – Report by NGFS

**SCENARIO ANALYSIS AND THE ECONOMIC AND FINANCIAL RISKS FROM CLIMATE CHANGE** – Report from Bank of Canada

**SHAREHOLDER CLIMATE REBELLIONS SURGE DESPITE CORONAVIRUS CRISIS** – Financial Times

**THE MACROECONOMIC AND FINANCIAL STABILITY IMPACTS FROM CLIMATE CHANGE** – Report from NGFS