



HOW BANKS ARE RESPONDING TO THE FINANCIAL RISKS OF CLIMATE CHANGE

Leila Kamdem-Fotso, Partner, Financial Services, Mazars

10 July 2020

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1. BACKGROUND TO OUR REPORT

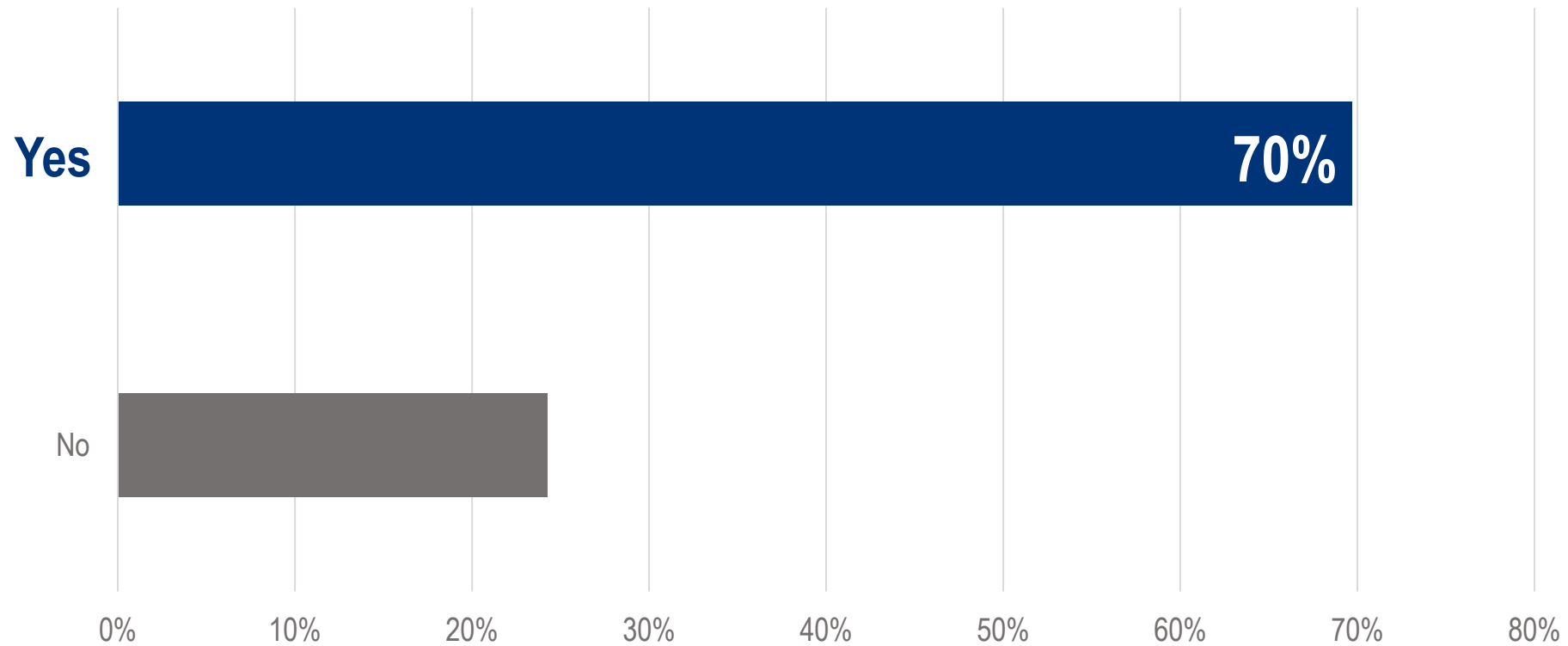
2. KEY FINDINGS

3. HOW IS THE AFRICAN BANKING SECTOR
PREPARING FOR THE ENERGY TRANSITION?



MAJORITY OF CENTRAL BANKS NOW SEE CLIMATE CHANGE AS MAJOR THREAT TO FINANCIAL STABILITY

Does your institution view climate change as a major risk to financial stability?



Source: OMFIF Central Banks and Climate Change Survey 2019

CLIMATE-RELATED FINANCIAL RISKS ARE DRIVEN BY TWO MAIN FACTORS

Physical risks

arising from climate and weather-related events

Transition risks

arising from the adjustment towards a lower-carbon economy



BANK AL-MAGHRIB MOROCCAN CAPITAL MARKETS AUTHORITY (AMMC)

- Commitment to catalyse green finance capabilities
- Two policy roadmaps:
 1. Roadmap for aligning the Moroccan financial sector with sustainable development
 2. Roadmap for the alignment of the financial sector with climate change commitments
- Introduction of disclosure and stress test requirements for financial institutions on environmental topics
- Green bond guidelines updated in June 2018 to include social and sustainability bonds



CENTRAL BANK OF KENYA

- Strong advocate of green and sustainable finance
- Collaboration with public and private sector institutions to promote Nairobi as an African centre for green capital markets
- Launch of the Kenya Green Bonds Programme, providing capacity building and technical assistance to facilitate green bond issuances
- Regulatory framework for green bonds unveiled in February 2019
- Issuance of first green bond in October 2019, raising around \$41m for climate-resilient student housing

Source: Mazars OMFIF report, *Tackling climate change, The role of banking regulation and supervision*, February 2020

RECENT REPORT COVERS 30 BANKS, INCLUDING 25 LARGEST BANKS WORLDWIDE



UK BANKS

Barclays,
the Co-operative Bank,
HSBC, Lloyds, Metro Bank,
NatWest, RBS, Santander
UK, Standard Chartered,
Virgin Money.

EUROPEAN BANKS

BNP Paribas, BPCE, BBVA,
Crédit Agricole, Crédit
Suisse, Deutsche Bank,
ING, Rabobank, Santander,
Société Générale, UBS,
UniCredit.

OTHER BANKS

Bank of America, Citigroup,
Commonwealth bank,
Goldman Sachs, JPMorgan,
Mitsubishi UFJ Financial
Group, Morgan Stanley,
Royal Bank of Canada.

MOST BOARDS OF DIRECTORS MONITOR CLIMATE RISKS...

77% of banks have climate-related risks reviewed by the board of directors through their sub-committees

Source: Mazars report, How banks are responding to the financial risks of climate change, May 2020



**... BUT ONLY A MINORITY OF BANKS INTEGRATE CLIMATE IN RISK
MANAGEMENT FRAMEWORKS**

37% of banks address climate risks through
their risk management frameworks

Source: Mazars report, How banks are responding to the financial risks of climate change, May 2020

A VAST MAJORITY OF BANKS HAVE PUT IN PLACE EXCLUSION POLICIES

73%

of banks have put exclusion policies in place aimed at reducing their involvement in carbon-intensive sectors

MAJORITY OF BANKS IN FAVOUR OF TCFD REPORTING...

83%

of banks have either started disclosing or committed to follow TCFD recommendations

Source: Mazars report, How banks are responding to the financial risks of climate change, May 2020



GOVERNANCE

INVESTEC

- Climate change statement and policies on environmental and social risks
- Board oversight of climate-related risks and opportunities
- ESG risks to be considered by credit and investment committees when making lending or investment decisions

STRATEGY

NEDBANK

- First bank in South Africa to list a renewable-energy bond
- Growing proportion of funding to be directed to climate mitigation and adaptation, including clean water and climate-resilient infrastructure
- Exclusion of financing for new coal-fired power plants

RISK MANAGEMENT

STANDARD BANK

- Climate risk part of company-wide risk management programme
- E&S risk screening tool for client and transaction level
- Participation in the UNEP FI's TCFD pilot programme

METRICS AND TARGETS

INVESTEC

- Development of an environmental management system (EMS) reporting tool to calculate and track carbon footprint
- Disclosure of Scope 1, 2 and 3 GHG emissions
- Disclosure of fossil fuel exposures within lending portfolio

Sources: Investec Climate Related Financial Disclosures Report, 2020; Nedbank Addressing Climate Change, 2019; Standard Bank ESG Report, 2019

... HOWEVER, SCENARIO ANALYSIS IS CHALLENGING TO IMPLEMENT

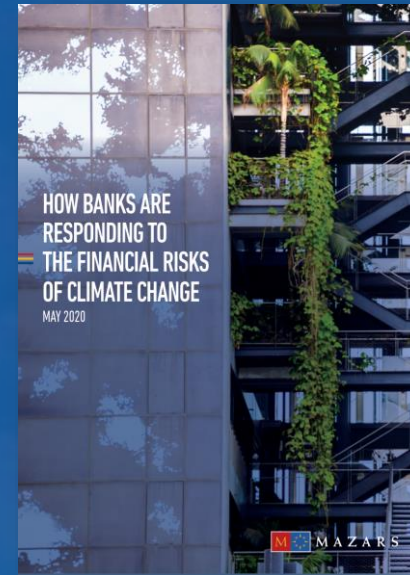
50% of banks declare using scenario analysis
but only in 'pilot' mode at this stage

Source: Mazars report, How banks are responding to the financial risks of climate change, May 2020

THANK YOU!



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