

# An introduction to climate-related risks for finance professionals



**IBF STS Accredited:** [Climate Change Management TSC](#) | Proficiency level 3 | [1.5 CPD hour]

**Course Description:** *Climate change has begun to affect every corner of our planet - from the poles to the tropics, and from the mountains to the oceans; it has also begun to affect every sector of the global economy - from energy, to agriculture, to real estate and finance.*

*In recent years, financial institutions (FIs) have demonstrated an increasingly urgent drive to identify and understand climate-related financial risks to their portfolios. As of late 2022, more than [1,500 FIs](#) with US \$217 trillion AUM had publicly expressed their support for the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#), and more than [500 FIs](#) had joined the GFANZ Alliance, committing to achieve net-zero GHG emissions by 2050.*

*But many challenges remain as banks and investors strive to meet commitments to decarbonize their portfolios and support the transition to a net-zero economy.*

*This course aims to equip bankers and investors with answers to key questions, such as:*

- *“How might climate change impact my clients and my organisation?”*
- *“How do businesses and financial institutions impact the climate and the environment?”*
- *“What steps can I take to better manage climate-related risks to my portfolio?”*
- *“How can I use or create quality climate-related financial disclosures to support risk management?”*

*\*Note: this course serves as an introduction to climate risk management and high-level recommendations of the [Task Force on Climate-related Financial Disclosures](#). Detailed implementation best practices related to climate-related financial disclosure will be covered in a separate course.*

**Target audience:** Financial professionals across banking, asset management, risk, credit, product, compliance, and ESG/sustainability teams.

**Learning outcomes:** After completing this course you will:

- Have a basic understanding of climate science, how businesses and financial institutions impact the climate and the environment and the related risks and opportunities for your clients and your organisation.
- Be aware of recent international agreements and frameworks related to climate change, in particular the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#).
- Understand strategies for assessing actual and potential impacts of climate-related risks - and opportunities - on a company’s business, strategy, and financial planning (e.g., via scenario analysis).
- Understand how quality climate-related financial disclosures - and the internal structures that underpin them (i.e., governance, strategy, risk management, and metrics & targets) - are critical to effective climate risk management.
- Be able to identify the appropriate climate-related disclosures aligned to the TCFD recommendations and steward quality climate-risk disclosure adoption across investments and borrowers to support holistic risk management that effectively incorporates climate risks and opportunities.

**Duration:** Self-guided, approximately one (1) to one and ½ hours, plus 30 minutes for assessment.

**Assessment:** 10 question assessment consisting of multiple choice, matching, fill in the blank and true false questions. 80% score required to pass. Assessment can be taken up to three times.

## Course Outline:

### Lesson 1: Climate science and climate change

#### Key takeaways

- Climate change is long-term and large-scale, and it works in complex, dynamic and interrelated ways with the economy. In the past, making economic or financial decisions that account for climate change has been a challenge for bankers, investors and regulators; however recent methodologies that incorporate climate-related risks into decision making have emerged to integrate this dynamic risk into pricing and risk models.
- An understanding of basic climate science is paramount to understanding how company performance and operations are impacted by different climate scenarios *and* how company operations impact long-term climate-related risks and opportunities.

#### By the end of this lesson you will:

- Have a basic understanding of climate science.
- Be able to explain the basic science of climate change, how businesses and financial institutions can impact climate change, and the related risks and opportunities for your clients and your organisation.
- Be able to identify key sources of climate risk and potential transmission channels relevant to your clients and your organisation.

#### Topics covered:

- *Climate science in a nutshell*
- *Impacts of climate change on society and the economy*
- *What future climate scenarios might look like*
- *The potential climate-related financial risks to banks and investors*
- *How we collectively move forward*

### Lesson 2: International climate agreements and frameworks: Spotlight on the Task Force on Climate-related Financial Disclosures (TCFD)

#### Key takeaways

- As financial institutions and companies begin to internalise climate-related risks & opportunities into pricing & capital allocation decisions, markets will, by nature, turn towards more sustainable outcomes for both the environment and the markets. Because we haven't been able to appropriately determine and embed future-looking climate risks, we haven't yet seen this movement at the systems level.
- As managers and administrators of capital, **financial institutions have a fiduciary responsibility to their clients and shareholders to manage risk exposure.** Increasingly, this has begun to mean understanding and embedding climate-related risk strategies into capital allocation and investment decisions.
- Banks and asset managers are also the backbone and infrastructure that allow smooth capital flow and deployment across our economy. **Given this position, they play a central role in reducing the real economy's exposure to climate-related risks and in promoting stability and consistency at the systems level.** This includes how assets are priced and capital allocated, and the systems and data that support effective decision making related to these assets and investments.
- The TCFD recommendations provide a holistic approach to integrating climate-related risks and opportunities into existing decision making and governance practices. They account for the interrelated nature of how firm governance, climate-risk strategy development, risk management practices, and metrics & target setting impact each other at the firm- and client-level.

## ASFI Academy Level 1: Thematic Courses

### By the end of this lesson you will:

- Have a better understanding of the rapidly changing policy and regulatory landscape - both internationally and regionally - and how this impacts banks' (and their clients') strategies as they prepare for a 1.5 degree world.
- Be aware of recent international agreements and frameworks related to climate change, in particular the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#).
- Understand how quality climate-related financial disclosures and the internal institutional structures that underpin them (i.e. governance, strategy, risk management and metrics & targets) are critical to effective climate risk management and mitigation.
- Understand how scenario analysis is a key tool for assessing the actual and potential impacts of forward-looking climate-related risks on an organisation's business, strategy and financial planning.
- Be able to identify and communicate to relevant stakeholders what the constituent elements of quality climate-related financial disclosures are.

### Topics covered:

- *Introduction to key international agreements, coalitions and frameworks*
- *Implementation of climate policies; policy, regulation and private sector leadership*
- *The role of climate-related disclosures*
- *TCFD and its core elements, including forward-looking assessments of climate-related risks*
- *Corporate and FI case studies*

### Lesson 3: Climate risk management in practice: How to identify and steward effective climate-related risk disclosures

#### Key takeaways

- **Despite current challenges, in order for investors, lenders and underwriters to accurately price climate risk into valuations, they must ensure that their clients are measuring and disclosing the most relevant climate metrics & data.**
- **Given the interconnected nature of financial institution scenario analysis and corporate climate-related risk disclosures, consistent engagement and stewardship across various industry types at the client/borrower level is important to enable standardised and meaningful scenario analysis.**

### By the end of this lesson you will:

- Be able to identify appropriate climate-related disclosures aligned with the TCFD recommendations to support a company's business, strategy, and financial planning.
- Be able to steward effective climate-risk disclosure adoption across investments and borrowers to support risk management.

### Topics covered:

- *The current status of climate-related financial disclosures*
- *The anatomy of effective climate-related financial disclosures*
- *Climate disclosures stewardship: guidance and best practices*