

# ESG Risk Management



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# Environmental, Social and Governance Risks



# Climate-related Financial Risks

Climate-related financial risks refer to **the set of potential risks** that may result from climate change and that could potentially **impact the safety and soundness of individual financial institutions** and have **broader financial stability implications for the banking system.**

# Physical and Transition Risks

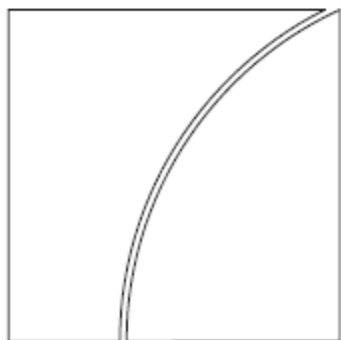
- **Physical impacts** include the potential economic costs and financial losses resulting from **the increasing severity and frequency of extreme climate-change related events**, and longer-term progressive shifts in the climate.
- **Transition impacts** relate to the process of adjusting to a low-carbon economy.

# **HL Task Force on Climate-related Financial Risks, 2020**

- Existing regulatory and supervisory initiatives on climate-related financial risks.
- A set of analytical reports on climate-related financial risks.
- The development of effective supervisory practices in order to mitigate climate-related financial risks.

**Integration of Sustainability Risks indicators within Risk  
Management process is the challenge for Banks**

Basel Committee  
on Banking Supervision



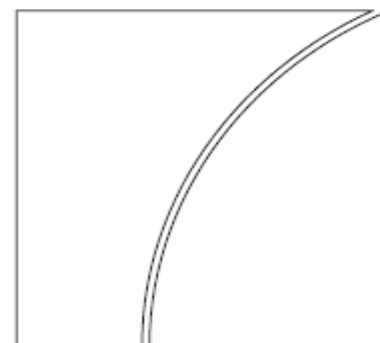
Climate-related financial  
risks – measurement  
methodologies

April 2021



BANK FOR INTERNATIONAL SETTLEMENTS

Basel Committee  
on Banking Supervision

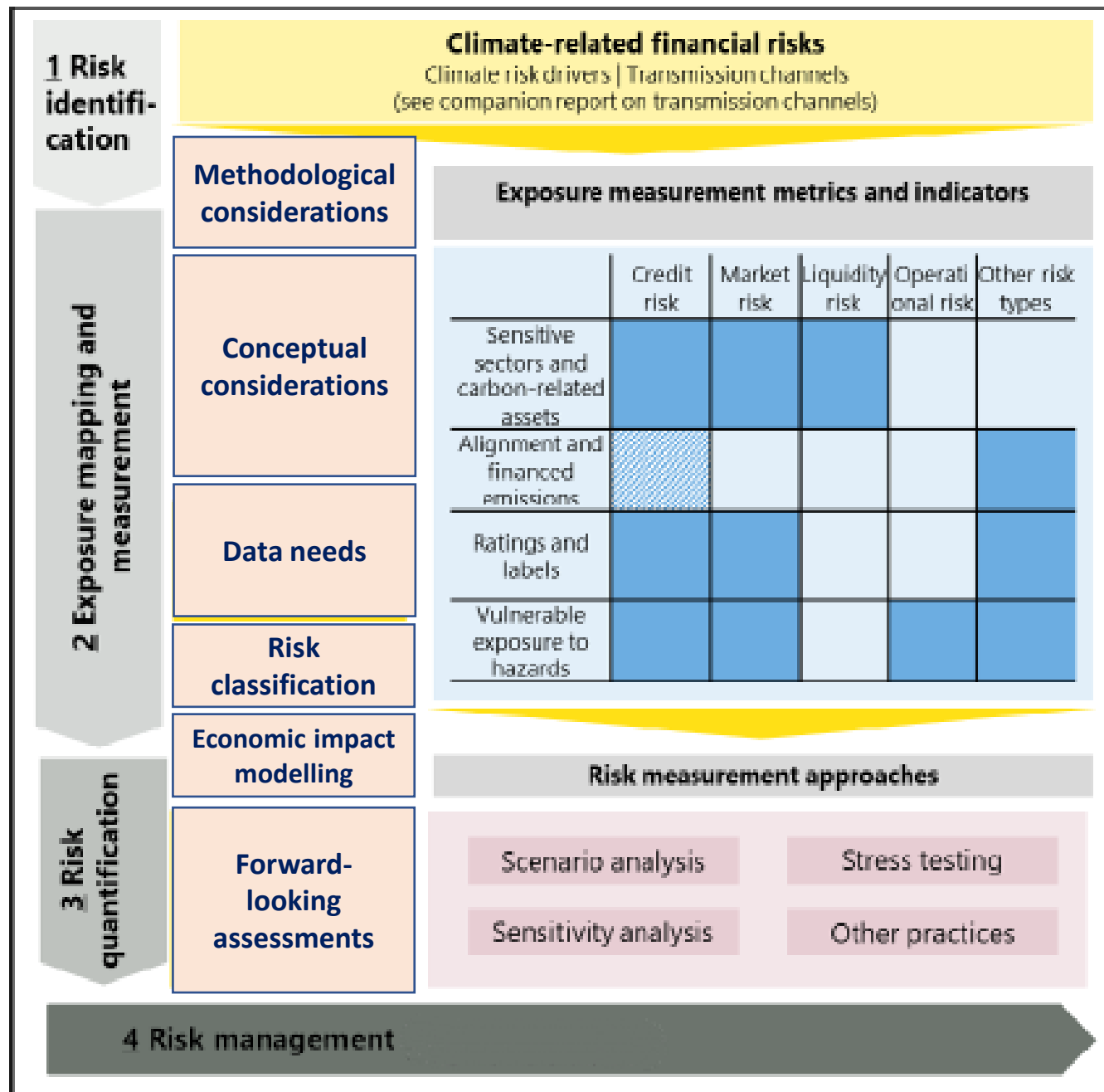


Climate-related risk  
drivers and their  
transmission channels

April 2021

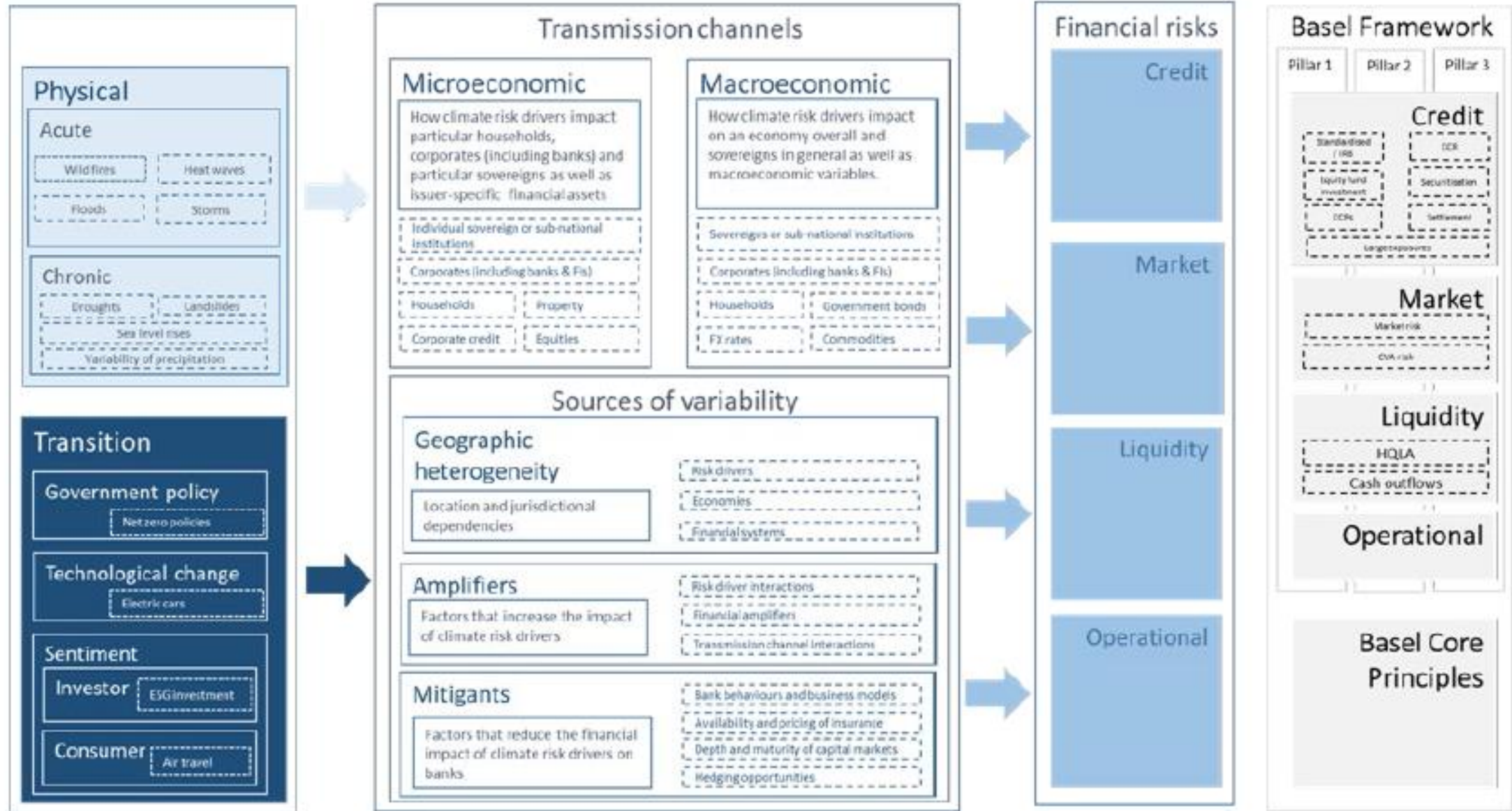


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## Financial risks from climate risk drivers



**Thank you**