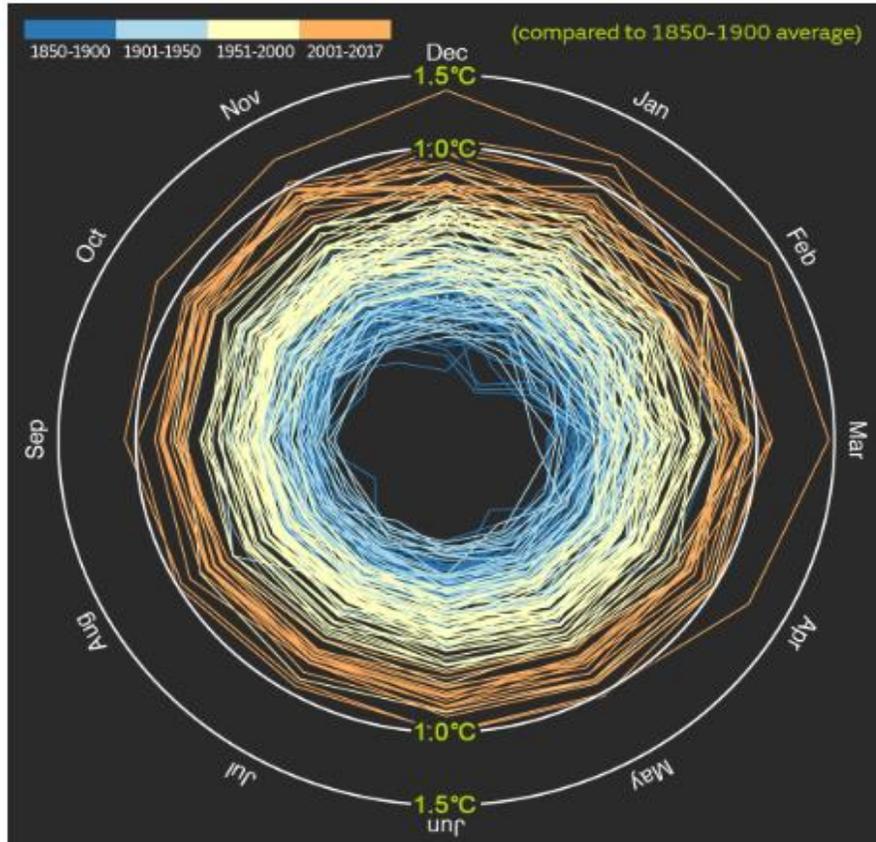


Managing financial risks from climate change

Bank Negara Malaysia –
Regional Conference

26 September 2019

Why are we concerned about climate change?



This graph shows the average global temperature for each month, from 1850 to 2017. The temperature increases as you move away from the centre of the circle.



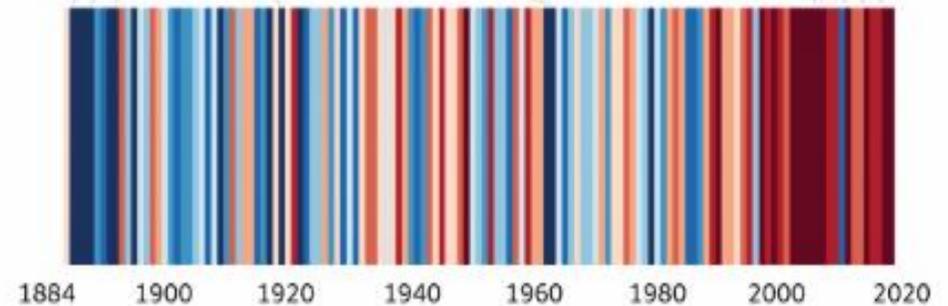
UK annual temperature

5 coolest years

1892, 1888, 1885, 1963, 1919

5 warmest years

2014, 2006, 2011, 2007, 2017



This image shows that the five warmest years have all occurred since 2006. Cooler years are blue, while warmer years are red.

This graph shows us that global temperatures are increasing. As of 2018, the 20 warmest years on record globally have been in the past 22 years. The Met Office's State of the UK Climate report for 2018 shows the ten hottest years in the UK since 1884 have all happened in the last 17 years.

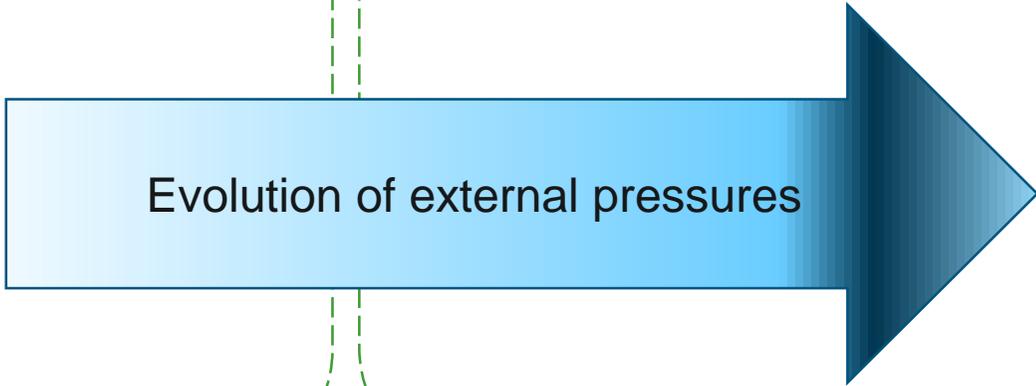
Climate change and climate risk

- **Climate change** = significant long-term human induced changes in climate patterns
- **Climate risk** = potential for financial loss arising from climate change and society's response to it

- Reputational risk and corporate social responsibility driven actions
- External pressure from civil society and investors

- Business risks and opportunities through our clients and own operations
- External pressure from regulators and investors

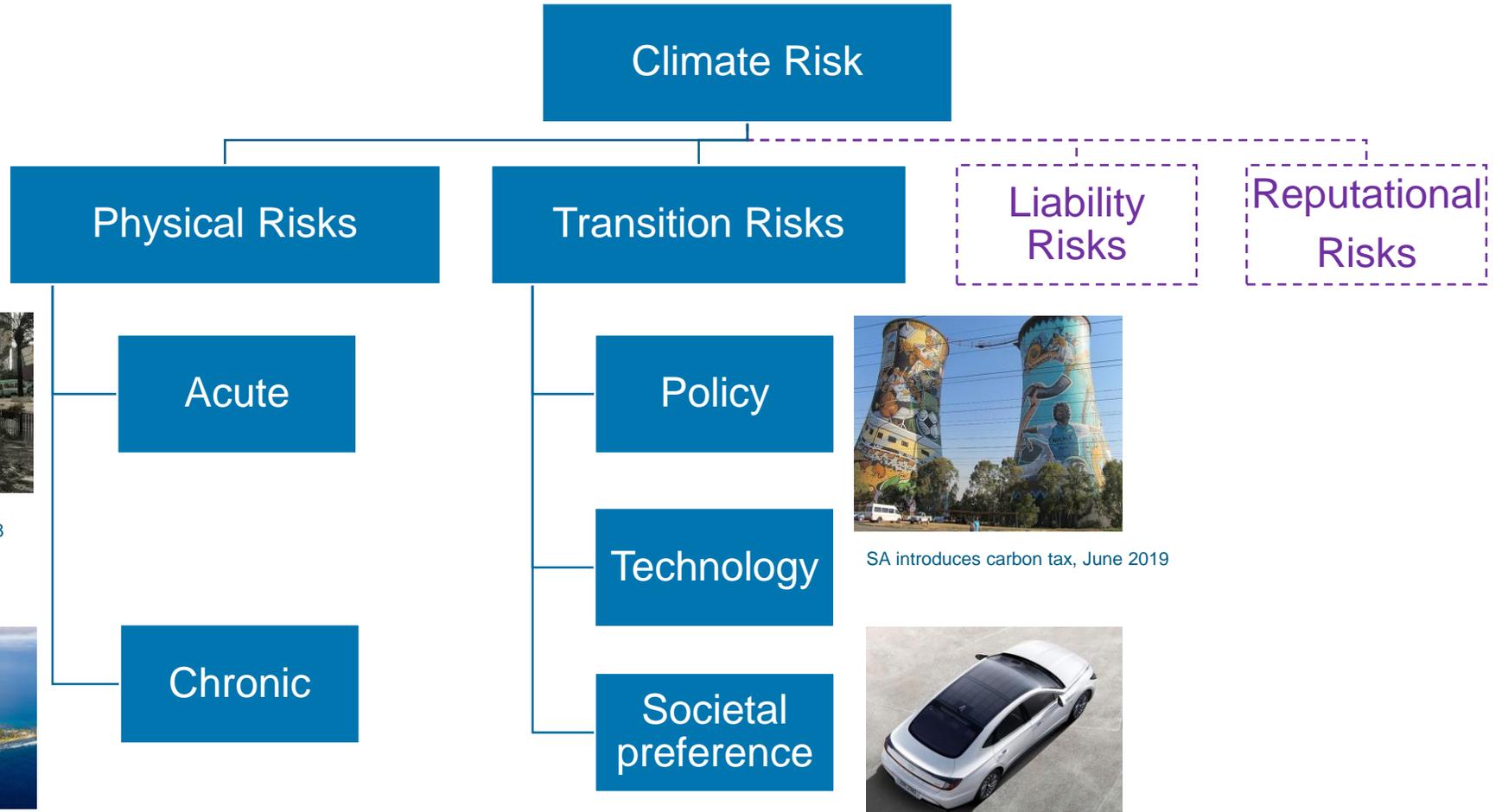
Evolution of external pressures



Standard Chartered Bank's approach to climate change



* Includes restrictive policies on carbon intensive industries, plus doing more green and sustainable products. See [Appendix 1](#) for our progress on Sustainable Finance



Typhoon Mangkhut, HK, 2018



Sea-level rise, Tuvalu's sinking islands, current



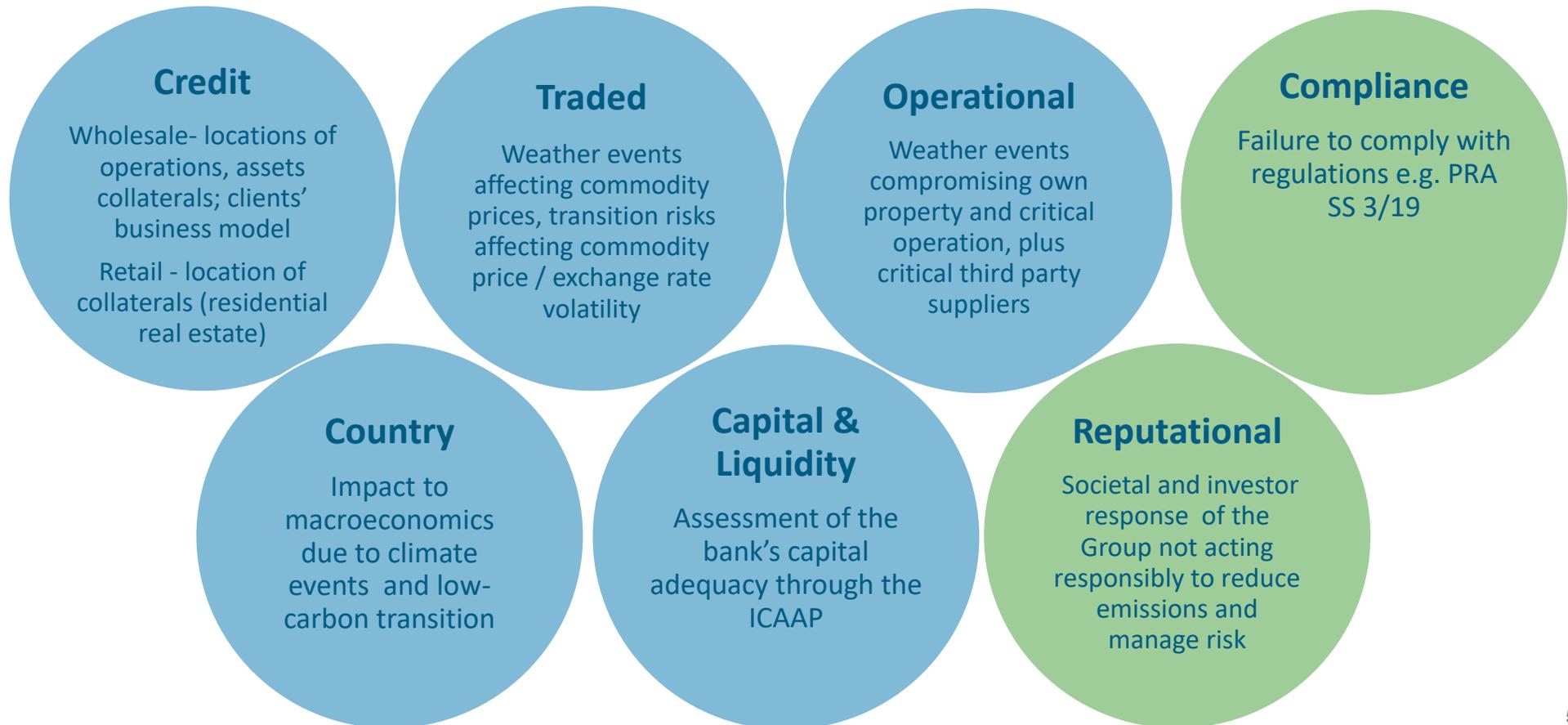
SA introduces carbon tax, June 2019



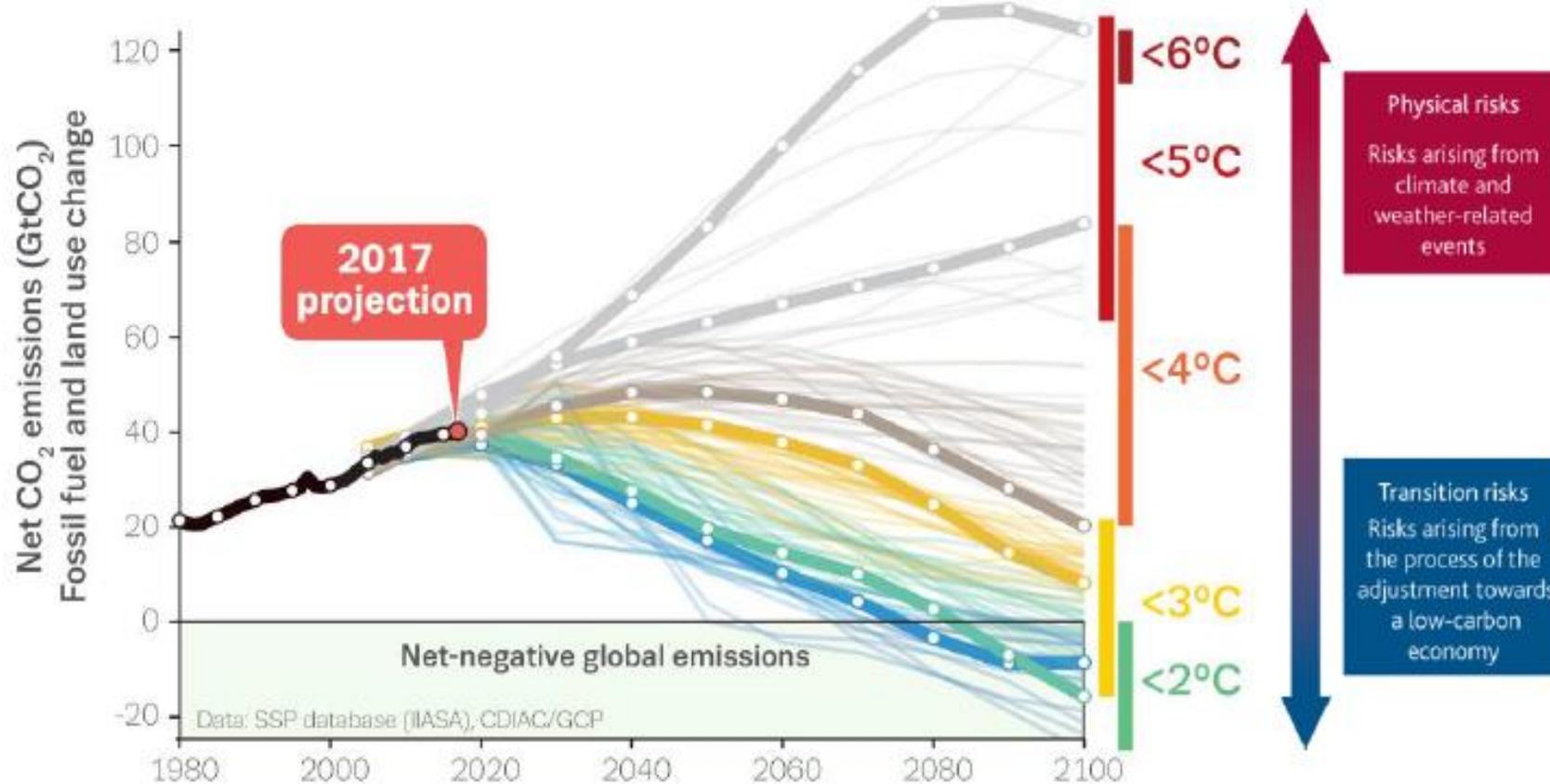
Hyundai launches roof solar car, 2019

How do climate risks manifest?

Climate risk manifests through existing risk types



Climate scenario analysis



Source: PRA report, 2018

Key Challenges and Roadmap to Success

Key challenges currently for the banking sector: for integrating climate risks

- New area of risk management
- Short to medium term business planning horizon vs long-term financial impact
- Tools, data and assumptions are still niche, not mainstream
- Lack of comparable verifiable disclosure from real economy across all jurisdictions
- Harmonised approach from the industry – remove first-mover advantage or disadvantage?
- Sustainable Finance is itself also exposed to climate risks – both physical and transition risks

Future roadmap to success

- “MAINSTREAMISE” climate risks into Business As Usual risk management processes and tools
- Build capability and expertise internally over the medium term, collaborate over the shorter term
- Start – knowing things are not perfect, uncertainty should not be an excuse to do nothing
- Direct capital to support transition in the key sectors; avoid unintended consequences
- Harmonised regulations, increased awareness – measures in place to recognise positives and correct negatives – both for banks and real economy actors

Appendix 1 – Our Sustainable Finance Progress

