



BRAZILIAN FEDERATION OF BANKS

TCFD and beyond: the art of assessing, disclosing, and managing climate-related risks and opportunities

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Vision

A healthy, ethical and efficient financial system is an essential condition for the sustainable development of Brazil

Mission

Contribute to the sustainable development of the country, acting on behalf of its associates and seeking continuous improvement of the financial system and its relations with society

Representativeness

97% of total assets and 93% net equity

FEBRABAN's Committees addressing sustainability issues

29 Banks

Social Responsibility and
Sustainability
Committee

Financial Sector
Sustainability
Committee

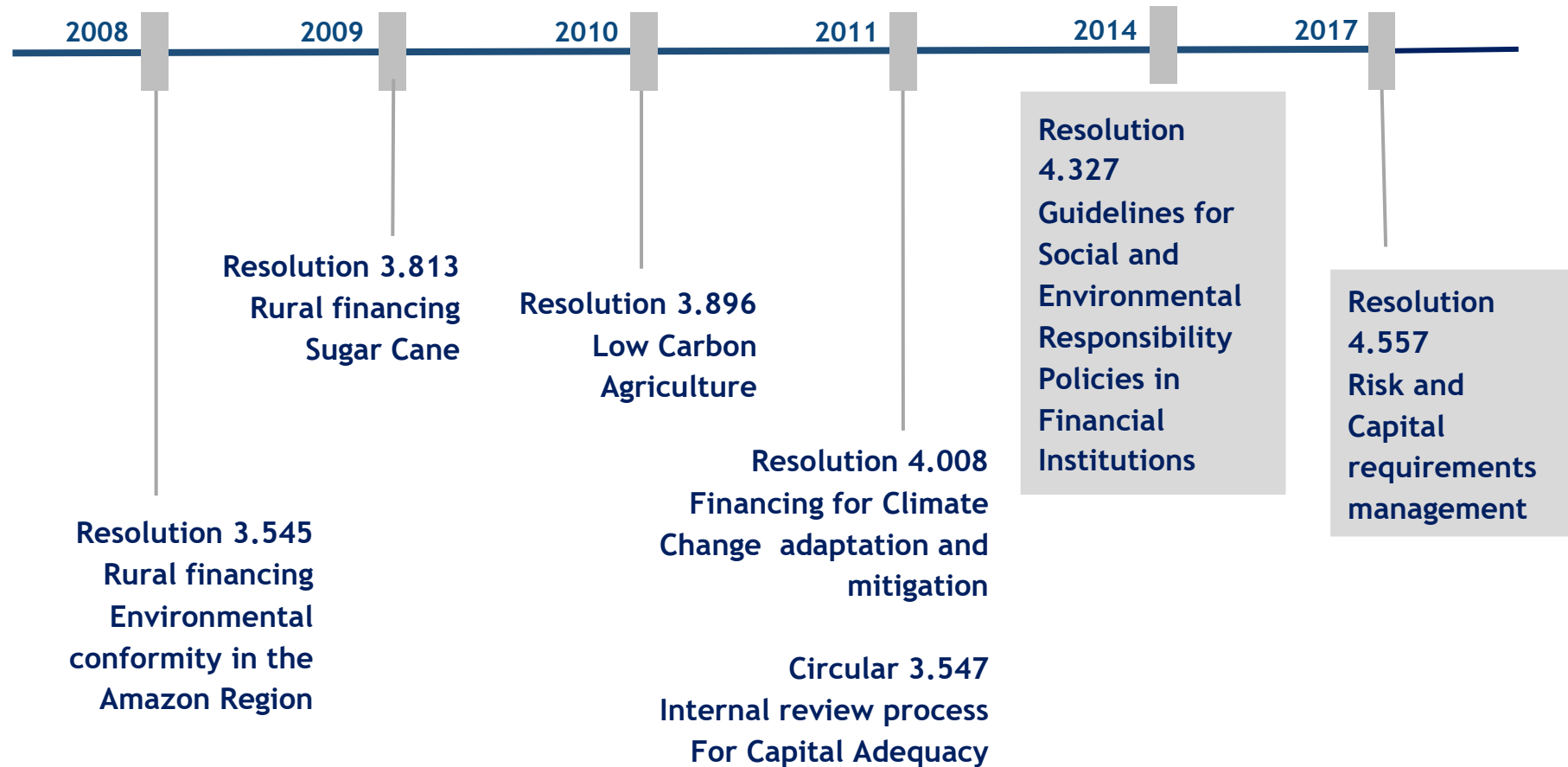


ANBIMA



FEBRABAN

Brazil's Central Bank regulation on environmental issues



Mainstreaming sustainable finance into financial markets

Ongoing initiatives



Publications available at: www.febraban.org.br

Mainstreaming climate-related risks (and opportunities) into decision making process

FEBRABAN's role

Establish a Task Force with representatives from banks to

- ☐ **Assess and discuss TCFD's Recommendations**
- ☐ **Identify existing market practices related to climate risk management in the Financial Sector**
- ☐ **Compare existing practices with the Recommendations and identify gaps**
- ☐ **Define an Action Plan to eliminate those gaps**
- ☐ **Support the banks in their implementing process**
- ☐ **Promote the exchange of information among members of the financial system**

Mainstreaming climate-related risks (and opportunities) into decision making process

Main challenges

- ☐ Availability of an official and technical climate change database
- ☐ Quality of the information and frequency of update
- ☐ Existing knowledge in the companies and banks to deal with the climate change information
- ☐ Existing knowledge, metrics and modeling tools to simulate and analyze financial impacts arising from climate change on business
- ☐ Mitigating vulnerabilities: forward-looking strategies rather than strategies based on past performance

Mainstreaming climate-related risks (and opportunities) into decision making process

Complementary guidance for financial sector

- ❑ Include climate related risks into traditional risks such as credit risks, liquidity, operational and reputational risks
- ❑ Describe risks considering their relevance and identify the biggest ones and the emerging ones
- ❑ Calculate the relevance and the proportionality of carbon-related assets in the financial institution vis a vis the total assets and define an action plan to reduce the exposure to impacts of climate change risks

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Complementary guidance for financial sector

- ❑ Provide metrics to evaluate both physical and the transition risks related to climate change in the credit, bonds and equities portfolios in the short, medium and long term
- ❑ The metrics should consider economic activities, geography, rating, credit scoring and maturity of the operation

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Project on Carbon Pricing

- ❑ Increased pricing of GHG Emissions: transition risk likely to impact companies through higher compliance costs, early retirement of assets due to policy/legal changes, variations in demand for products and in companies' financial positions.
- ❑ The project takes TCFD's recommendations into account and aims to answer the following questions:
 - How to identify and measure those impacts?
 - What strategic and management decisions can be taken at the company level to manage the risk? What are businesses currently doing?
 - What are the potential indirect effects of those climate-related impacts on the financial system?
 - How financial institutions can incorporate the 'risk of carbon' in their analysis of risk and return in financing and investment decision making?

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Project on Carbon Pricing - methods

- ❑ Analysis of corporate actions adopted by 71 companies to mitigate climate-related risks: CDP Climate Change Program used as reference
- ❑ In person interviews with companies and banks to complement the analysis
- ❑ Simulations to look at the impact of carbon pricing systems (carbon tax and trading schemes) on the earnings and EBITDA margins of 21 companies.

Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forest Products
<ul style="list-style-type: none">– Oil and Gas– Coal– Electric Utilities	<ul style="list-style-type: none">– Air Freight– Passenger Air Transportation– Maritime Transportation– Rail Transportation– Trucking Services– Automobiles and Components	<ul style="list-style-type: none">– Metals and Mining– Chemicals– Construction Materials– Capital Goods– Real Estate Management and Development	<ul style="list-style-type: none">– Beverages– Agriculture– Packaged Foods and Meats– Paper and Forest Products

Selected industries followed TCFD classification



Thank you!

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