Physical Risks & Resilience Commitment
Join a group of financial institutions committing to climate-related physical risk disclosure

Risk disclosure is an important step in building greater market and investor awareness of the impacts of climate change and driving adaptation finance. This is why five leading global institutions from across the financial sector have come together to commit to public disclosure of their climate-related physical risks within two years, with the support of UNEP FI and the Global Center on Adaptation, Managing Partner of the Global Commission on Adaptation. The group is encouraging more financial institutions to join them and commit to physical risk disclosure in the lead up to the Climate Adaptation Summit and COP26.

“The right investments will deliver a “triple dividend” by averting future losses, spurring economic gains through innovation, and delivering social and environmental benefits to everyone, but particularly to those currently affected and most at risk”

Kristalina Georgieva
Managing Director
IMF

Why disclosure is crucial to adapting to a changing climate

Physical impacts of climate change are increasingly material
This is the stark warning from the Global Commission on Adaptation’s flagship report which launched its Year of Action in September 2019. Awareness of climate adaptation is increasing, but our efforts need to be redoubled if we are not to see devastating impacts on people, the environment and the economy.

Taskforce on Climate-related Financial Disclosure (TCFD) is well-established but public disclosures are still too few
Five years on from the foundation of the Task Force on Climate-related Financial Disclosures in 2015, its recommendations to develop consistent climate risk disclosures have been piloted and adopted by an increasing number of companies, banks and investors. However, despite numerous initiatives such as UNEP FI led pilot projects, public disclosure of climate-related risk has remained limited and those disclosures that are made are insufficient for investors to make informed decisions.

Importance of risk measurement and disclosure to finance sector resilience
UNEP FI’s report for the Global Commission on Adaptation, ‘Driving Finance Today for the Climate Resilient Society of Tomorrow’ (UNEP FI 2019), identifies climate-related risk disclosure as a key step to scaling up finance for adaptation. As the practice is more widely adopted, and as regulators and supervisors increasingly explore enhanced reporting requirements, “companies’ and investors’ understanding of the financial implications associated with climate change will grow, information will become more useful for decision making, and risks and opportunities will be more accurately priced, allowing for the more efficient allocation of capital and contributing to a more orderly transition to a low-carbon economy.
Economic and social benefits of adapting to climate change

Investment in adaptation could boost the global economy: the GCA finds that investing US$ 1.8tn globally between 2020 and 2030 could generate US$ 7.1tn in total net benefits. Investing in resilient supply chains and assets is increasingly seen as good business, while the demand for climate resilient products and services will grow. A 2019 CDP report reveals more than half the world’s top companies believe that climate adaptation solutions could result in US$ 236bn increased revenue.

Commitment

In order to accelerate and mainstream the disclosure of climate-related financial risks and opportunities, financial institutions that sign the commitment will:

Disclose climate-related physical risk on their client/investee portfolios within two years of signature...

in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Disclosures will be based on leading risk assessment methodologies consistent with forward-looking 'business-as-usual' scenarios, in line with IPCC recommendations.

Vision

The wider goal is to:

Build a climate resilient finance sector...

to support the real economy in adapting to the physical impacts of climate change.

Mission

The principle aim is to:

Mainstream the disclosure of risks and opportunities...

resulting from the physical impacts of climate change, through a strategic outreach and communications campaign.

“Given the scale of the climate challenge and the rising expectations of our citizens, 2020 must be a year of climate action where everybody’s in [...]. To identify the largest opportunities and to manage the associated risks, disclosures of climate risk must become comprehensive.” – Mark Carney

UN Special Envoy for Climate Action and Finance
Benefits of joining commitment

1. High level visibility at key global conferences including:
   • Green Horizon Summit, November 2020;
   • Climate Adaptation Summit, January 2021, and;
   • COP26, November 2021.
2. Delivering a key statement to policy makers and regulators at the Climate Adaptation Summit, as guidance and standardisation becomes increasingly normalised.
3. Helping to shape UNEP FI engagement on climate adaptation, through a key physical risk survey to be delivered at the Climate Adaptation Summit, as well as webinars, studies on liability risk and climate data, blogs, etc.

What do we expect from financial institutions?

1. Commit to disclosing on physical risk within 2 years of signature.
2. Contribute to drafting and signature of a statement on physical risk disclosures to convey the urgency and importance of improving and scaling up physical risk disclosure across the finance sector.
3. Opportunities to amplify your contribution, to climate adaptation at key summits

For more information and to join the commitment:

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