

Climate Risk Capacity Building Series APAC

Session 1: Understanding Climate Governance and Risk Management

8 February 2024





Housekeeping and Introduction

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- 1. Governance and risk** (8th February)
- 2. Strategies and scenarios** (29th February)
- 3. Metrics and targets** (7th March)
- 4. Net zero initiatives and implementation** (20th March)
- 5. Net zero transition plans** (17th April)

Speakers



James Robertson

Head of Asia (ex-China & Japan),
PRI



Daniel Gallagher

Head, Climate Risk and
Net Zero Implementation,
PRI



Mark Fulton

Founding Partner,
Energy Transition Advisors



Emily Simso

Manager, Sustainability &
Impact,
New Forests Pty. Ltd.



Tomoaki Fujii

Co-CIO and Head of ESG
Investment,
Nissay Asset Management
Corporation

Agenda

- Housekeeping & Introductions
- Part 1: Overview of Climate Risk
 - Why is climate risk a financial issue?
 - Transition policy risk from accelerated policy response on climate
- Part 2: Climate Governance & Risk Management
 - How are investors adapting governance & risk management to address climate change?
 - Signatory Sharing: Nissay Asset Management Corporation
 - Signatory Sharing: New Forests
- Conclusion and Q&A



Why is climate risk a financial issue?

Figure 1

Climate-Related Risks, Opportunities, and Financial Impact



In the TCFD recommendations, climate risk is **identified** and **assessed** in several ways. The TCFD uses two categories:

Transition Risks

- Policy and legal
- Technology
- Market
- Reputation



A matter of time:

A few years ago, people talked about transition risk as more immediate, and physical risk as longer-term. But that is changing.

Physical Risks

- Acute
- Chronic



While climate change is a global issue, the Asia-Pacific region is of central importance to the global economy



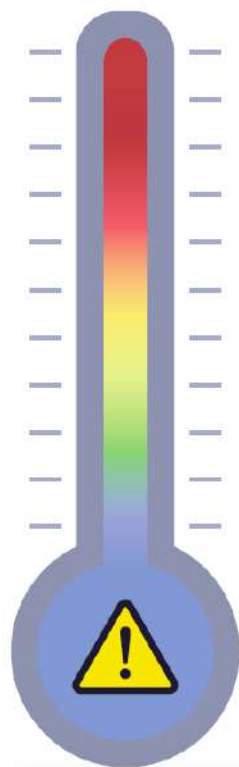
>50% of global:

- Population
- Manufacturing capacity
- GHG emissions

Physical impacts of climate change are now hitting harder and sooner than leading climate scientists anticipated

Climate peril hits APAC

Extreme weather arrived in many parts of APAC in 2023, as climate change becomes a reality for more than 4bn people in the region



China

Beijing boils in summer heatwave

Temperatures in the Chinese capital exceeded 35C every day for almost a month in the summer of 2023, with the city recording its highest-ever June temperature of 41.1C. Authorities issued a 'red alert' warning, advising residents to limit time outdoors.

India

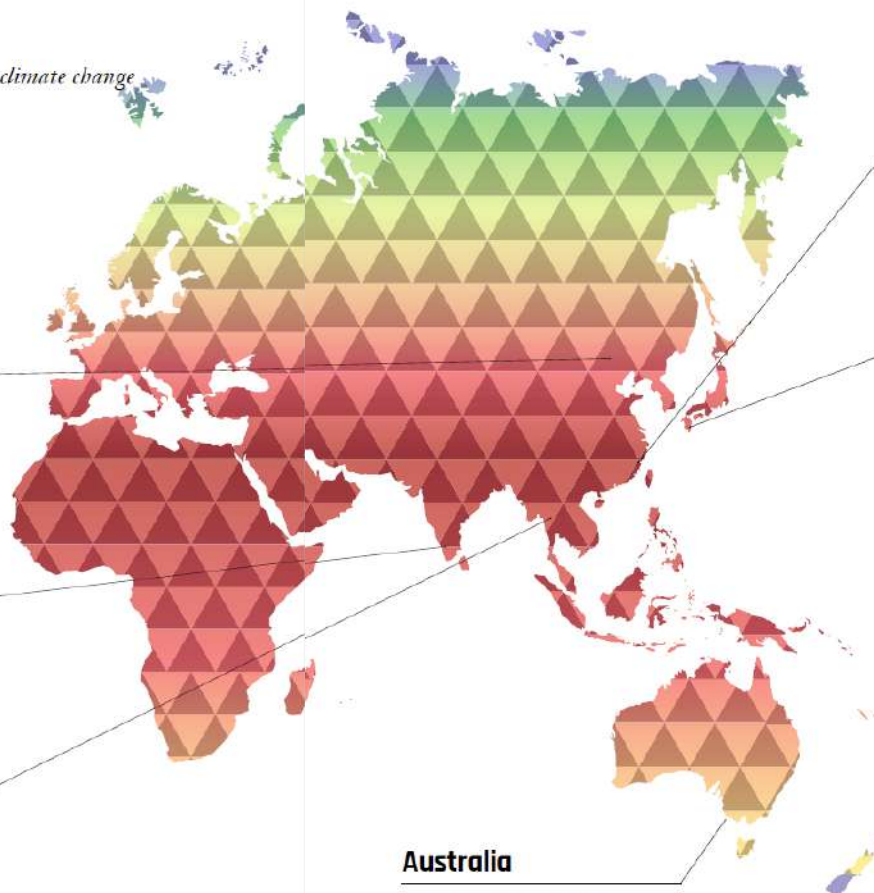
India sees driest-ever August

August 2023 rainfall levels in India were the lowest since records began, reflecting the influence of the El Niño weather pattern. Weaker than usual monsoon rains are a threat to the production of key crops, including rice.

Southeast Asia

Temperature records tumble

Thailand recorded its highest ever temperature in April 2023, with the mercury reaching 45.4C in the northern city of Tak. Vietnam and Laos also recorded record highs the following month as a severe heatwave gripped the region.



Philippines, Taiwan and China

Typhoon Doksuri leaves trail of destruction

One of the strongest typhoons on record, Doksuri, caused widespread damage in the Philippines and Taiwan in July 2023, before slamming into China's Fujian province. The storm caused more than \$15 billion's worth of damage and claimed an estimated 137 lives.

Japan

Record rain brings floods and landslides to Japan

The Japanese island of Kyushu suffered severe flooding and landslides in early July 2023, after the heaviest rainfall ever to hit the region. Six people were killed in the disaster.

Tuvalu

Pacific Islanders offered refuge as sea levels rise

Australia and Tuvalu signed a treaty in November that would offer refuge to the 11,000 inhabitants of the Pacific archipelago. Tuvalu's nine islands sit just two metres above sea level on average, meaning they are forecast to disappear by 2100.

New Zealand

Auckland suffers worst-ever flooding

Once-in-200-year floods were widespread across Auckland in January 2023, with New Zealand's largest city receiving an entire summer's worth of rain in just 24 hours. Less than a month later, Cyclone Gabrielle arrived in the country, causing unprecedented property damage.

Australia

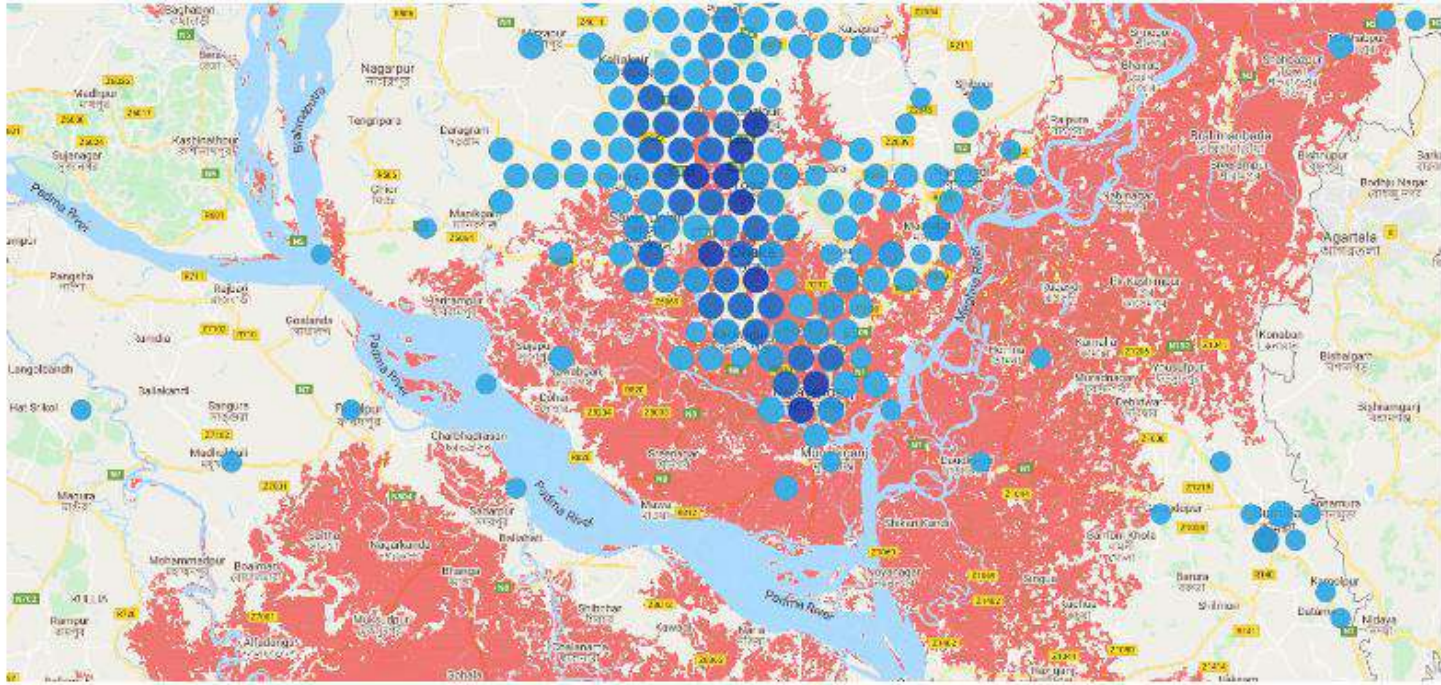
Warmest-ever winter in Australia

Average temperatures during the winter of 2023 in Australia were the highest since records began in 1910. The average daily temperature between June and August was 1.5C above the long-term winter average.

Source: Responsible Investor

Sector-specific research on the consequences of physical climate impacts point to widespread negative impacts

Figure 8: Apparel and Footwear Manufacturing Sites and 2030 Projected Sea Level Rise in the Dhaka, Bangladesh region.



50% of global apparel factories threatened by sea level rise by 2030

- International Labor Organization (ILO)

Sources: Open Apparel Registry, Climate Central Sea Level Rise Map

Transition Risk is also accelerating across the APAC region



New taxonomies under development from jurisdictions including:

- India
- Hong Kong
- Singapore
- Australia
- ASEAN

Various countries have also announced plans for coal phase-out or phase down, as well as net zero targets

Local policy and regulatory landscapes are the key driver of investor climate action for AIGCC members.



Question with responses from 56 investors who responded to the AIGCC 2023 State of Net Zero Investment survey:
What have been the top drivers to consider climate considerations and net zero investing for your organisation?



*Investor net zero progress
An update for policy-makers in Asia*
Preliminary findings from the State of Net Zero
Investment in Asia Report



**How are investors
adapting governance
and risk management
to address climate
change?**

The TCFD Governance and Risk Management recommendations are now widely adopted practices to manage climate risk

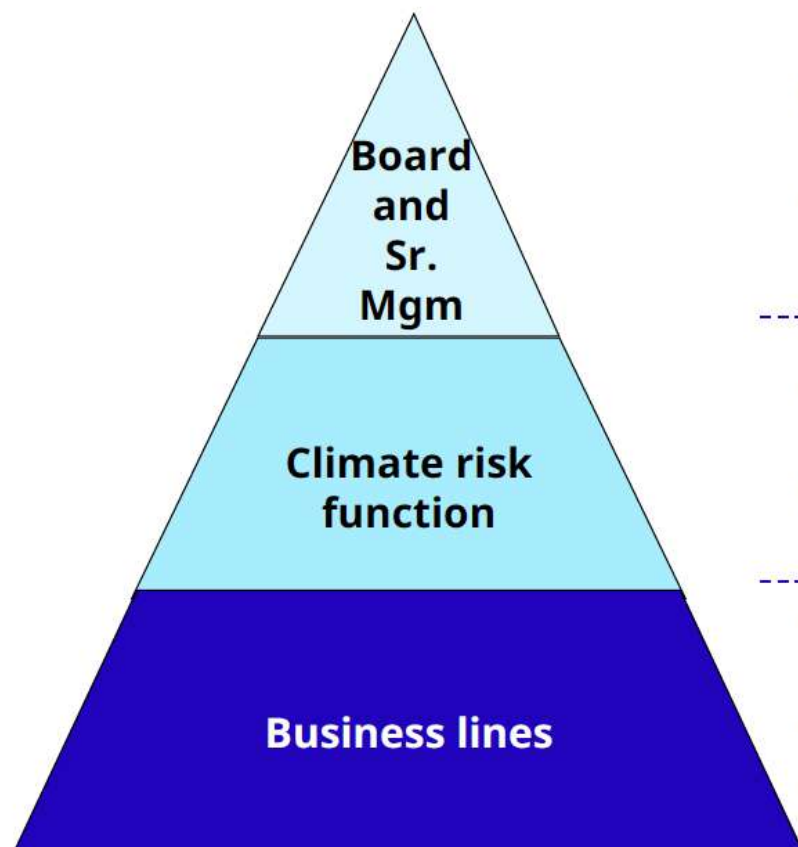
Figure 4

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

GOVERNANCE AND RISK MANAGEMENT INTEGRATION

APPLICATION OF CLIMATE RISK INSIGHTS CAN TAKE PLACE AT ALL LEVELS

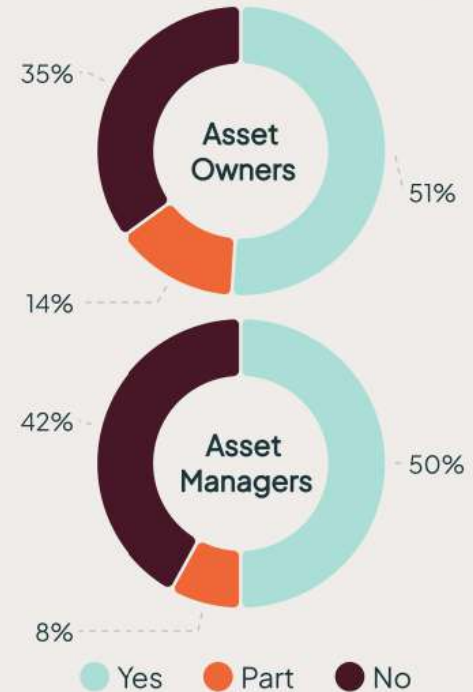


- Overall firm climate goals (net-zero, divestment, financing commitments)
- Incorporation of climate risk into risk appetite
- Board level climate risk metrics (limits, thresholds)
- Climate scenario analysis (for both physical and transition risk)
- Climate risk reporting (TCFD, annual report, internal)
- Climate risk governance for individual businesses
- Enhanced data collection on climate risks
- Updated specific business strategies (new underwriting guidelines, new screening lists)

\$21 trillion (63%)
of total investor
AUM have set a
climate policy
(n=90).

Criteria: Investors who have included climate change into investment policies

Inclusion of climate change into investment policies (investors by AUM)



Common climate governance and risk measures

For all organizations:

- board committee charter changed to add climate oversight responsibility
- management job description changed to add climate oversight responsibility
- board or management training/education on climate as financial risk
- Incorporation of climate into enterprise risk management systems

For investors:

- statement of investment philosophy or principles changed to add provision regarding climate as a financial risk
- Investment committee review processes altered to include climate-related evaluation of investments
- fundamental research protocols expanded to include climate due diligence
- climate data incorporated into portfolio management systems

Thank you for your attention

daniel.gallagher@unpri.org

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