



# CLIMATE CHANGE











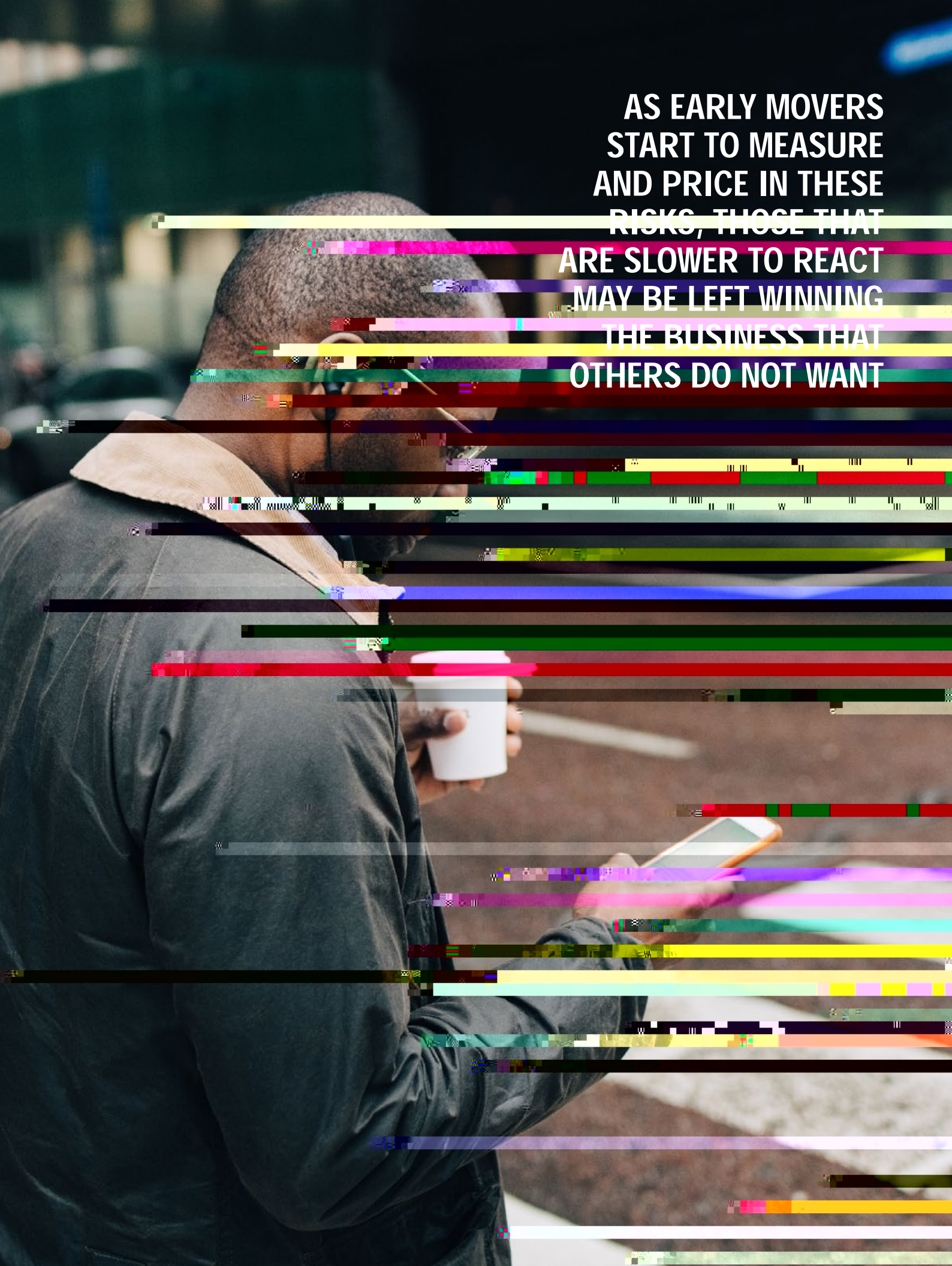
# How should climate risk be reflected in decision making?

- **Physical risk**
  - **Acute** (e.g. hurricanes, droughts, floods)
  - **Chronic** (e.g. sea level rise, temperature rise)
- **Transition risk**
  - **Policy** (e.g. carbon pricing, emissions trading)
  - **Technology** (e.g. renewable energy, energy efficiency)
  - **Market** (e.g. carbon footprint, greenwashing)
  - **Reputation** (e.g. ESG ratings, public opinion)
- **Liability risk**
  - **Climate change litigation** (e.g. lawsuits against fossil fuel companies)
  - **Climate change disclosure** (e.g. TCFD, NDCs)









**AS EARLY MOVERS  
START TO MEASURE  
AND PRICE IN THESE  
RISKS, THOSE THAT  
ARE SLOWER TO REACT  
MAY BE LEFT WINNING  
THE BUSINESS THAT  
OTHERS DO NOT WANT**





# SEIZE THE OPPORTUNITIES



Where are the key growth areas in



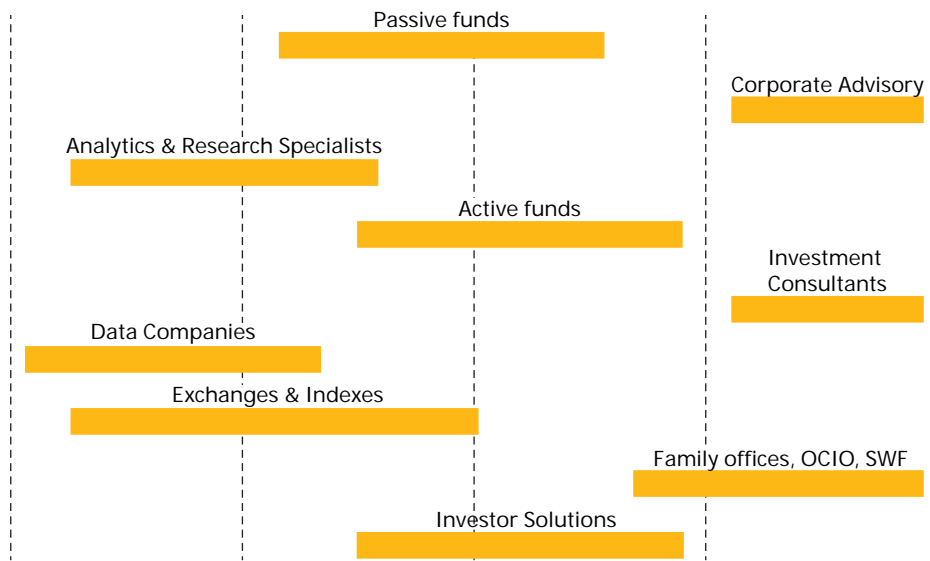






THOSE FIRMS ABLE TO  
LEAD THE CHARGE IN  
SHAPING THE MARKET  
WITH NEW PRODUCTS AND  
STRUCTURES WILL BE WELL  
PLACED TO CAPTURE THE  
GROWING PIPE POOL





SOURCE: Oliver Wyman analysis

The diagram illustrates the ecosystem of investment industry players, organized into two main vertical sections defined by dashed lines. The left section contains five entities: Analytics & Research Specialists, Data Companies, Exchanges & Indexes, Passive funds, and Active funds. The right section contains three entities: Corporate Advisory, Investment Consultants, and Family offices, OCIO, SWF. Investor Solutions is positioned at the bottom, overlapping both sections.

# STEER TOP-DOWN

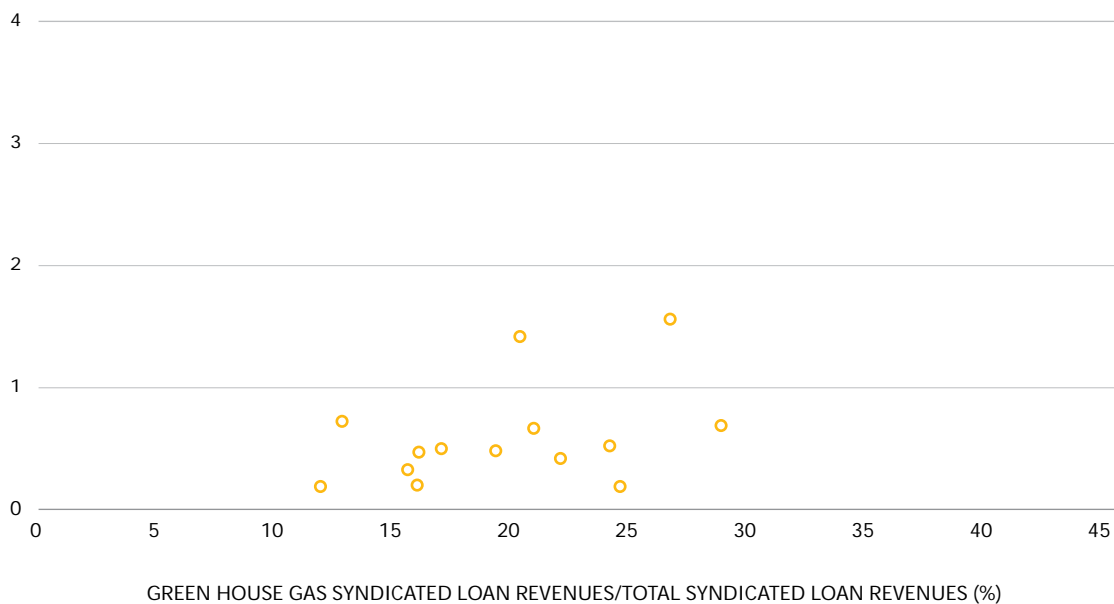


# What should be done to take a proactive stance?



Many of the leaders in green finance are also lending heavily to the highest greenhouse gas emitting sectors

REVENUES FROM GREEN BOND ISSUANCE/TOTAL DCM REVENUES (%)

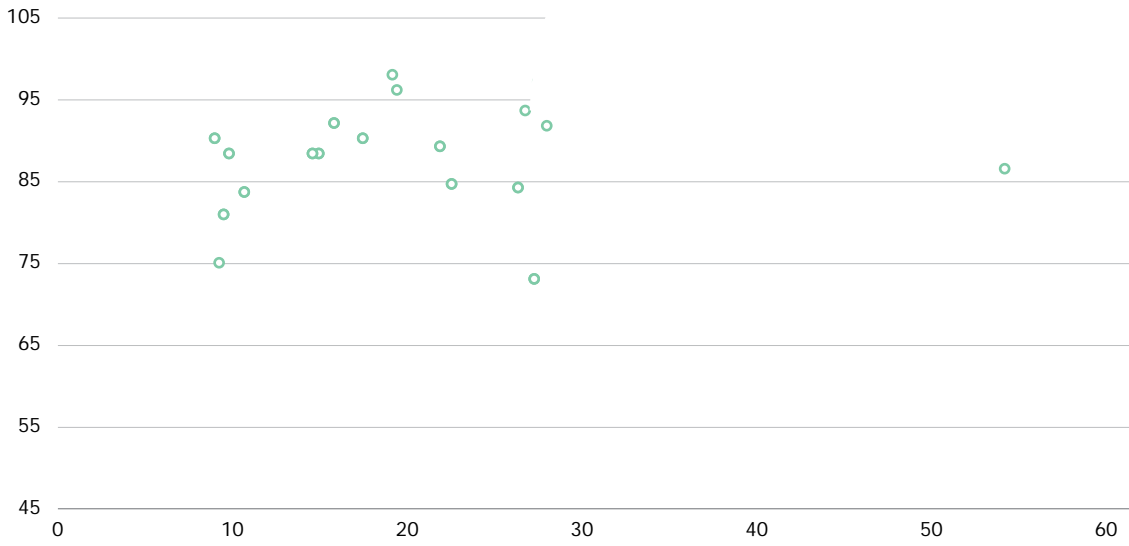


SOURCE: Dealogic, Oliver Wyman analysis



# Bank ESG ratings do not seem to reflect their high carbon lending activity

ESG RANKING

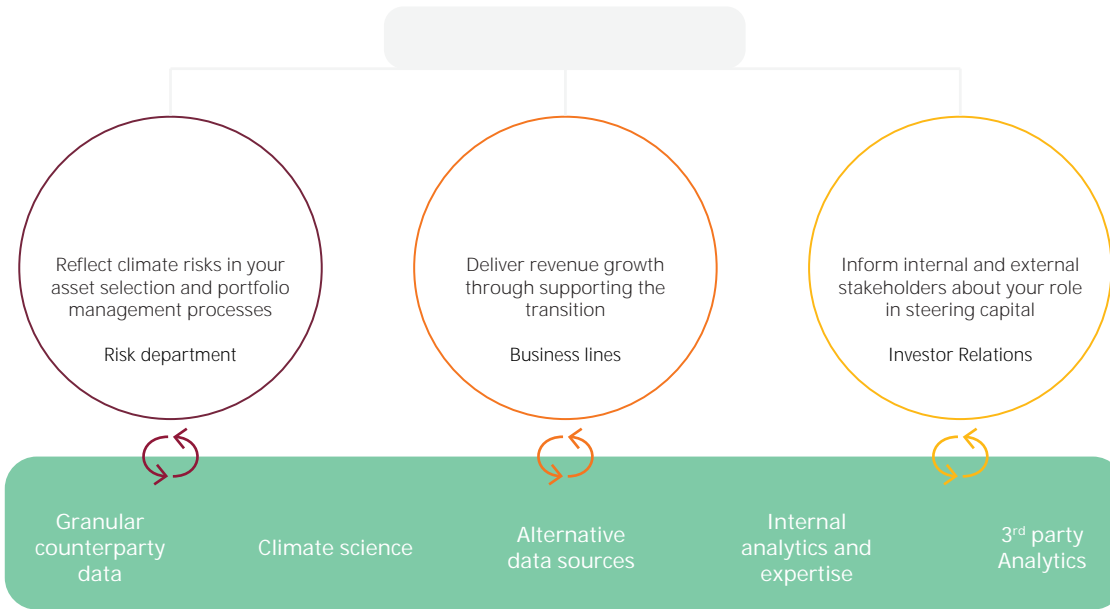


SOURCE: Dealogic, Oliver Wyman analysis





## Clear top-down targets and a common fact-base should drive action



SOURCE: Oliver Wyman

response to it is highly uncertain, yet its

boards must act to ensure that the risks are understood and properly reflected in decision making, and that the opportunities are addressed. Beyond this they must take a clear stance on what proactive measures will be taken and how this will be communicated.

The implementation of fundamental changes now will mean that the financial services industry can assume a leading role in the

