



Financial Institutions Intensify Focus on Climate Change Risk

2020 Global Benchmarking Survey Reveals Growing Prioritization of Climate Risk Management

JERSEY CITY, NJ, May 18, 2020 – Banks and other financial institutions are intensifying their focus on climate risk management according to a new global [survey](#) conducted by the Global Association of Risk Professionals (GARP). GARP found that 90% of firms have board-level governance of climate-related risks and opportunities, up from 81% in 2019, but only 30% feel their firm’s strategies are resilient against climate change beyond 5 years.

GARP conducted its second annual Global Benchmarking Survey, featuring participation from 71 leading financial institutions around the world — almost triple the number in 2019 — including banks, asset managers, insurers, and other firms with a total market capitalization of \$3.8 trillion.

The survey found that several barriers and challenges exist to addressing climate risk within financial services. In the short term, the biggest concern for most firms is the lack of reliable models for climate risk, followed by regulatory uncertainty, as regulators have begun to set formal expectations for firms’ practices in this area.

Scenario analysis is an important and valuable tool firms can utilize in developing climate-change strategies, but only a small fraction (14%) of the firms surveyed are using scenario analysis regularly, and of those who have used it at all, only 54% have acted based on the results of the analysis.

“Banks and other financial institutions are recognizing the potential impact of climate change on their balance sheets and operations, which will lead to both risks and opportunities,” said Jo Paisley, Co-President of the GARP Risk Institute. “Firms are evolving their climate risk management capabilities as they are concerned about the long-term resilience of their business strategies to climate change.”

Other key findings include:

- **Climate risk is widely seen as improperly priced.** The overwhelming majority of respondents think that climate risk has only been either partially priced or totally omitted from the market’s pricing of products. Pricing difficulties cited include the complexity of climate-change forecasting and the lack of robust and reliable climate risk data.
- **Most (93%) firms do not have a dedicated team for managing climate risk.** This is probably because most firms view climate risk as a transverse risk that cuts across risk types such as credit, market and operational, as opposed to a principal risk, and so are managing climate risk within existing risk teams.
- **Firms recognize that there are opportunities arising from climate change and are modifying product lines.** Three quarters of firms have already introduced new products or services due to climate change, and a similar proportion (76%) plan to change existing products or services or launch new ones in the future.

As with last year, the 2020 survey focused on key themes of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD), with an enhanced maturity model that scored firms' climate risk capabilities across six dimensions: (1) governance, (2) strategy, (3) risk management, (4) use of metrics, targets, and limits, (5) the use of scenario analysis and (6) climate risk disclosures.

The full survey report, "[Mapping Out the Continuing Journey](#)," is accessible via GARP's website: [garp.org](#) and at GARP's microsite on climate risk, "[Shifting Landscapes](#)."

About the Global Association of Risk Professionals

The Global Association of Risk Professionals is a non-partisan, not-for-profit membership organization focused on elevating the practice of risk management. GARP offers role-based risk certification — the Financial Risk Manager (FRM®) and Energy Risk Professional (ERP®) — as well as the Sustainability and Climate Risk (SCR™) certificate and on-going educational opportunities through Continuing Professional Development. Through the GARP Benchmarking Initiative and GARP Risk Institute, GARP sponsors research in risk management and promotes collaboration among practitioners, academics and regulators. Founded in 1996, governed by a Board of Trustees, GARP is headquartered in Jersey City, NJ, with offices in London, Washington, D.C., Beijing, and Hong Kong. Find more information on [garp.org](#) or follow GARP on [LinkedIn](#), [Facebook](#), and [Twitter](#).

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