

**Explainer:** How the risks from climate change affect the Bank's core objectives



There are unprecedented levels of carbon in the atmosphere. Global temperatures have increased

It requires a strategic approach, which considers how decisions today affect future financial risks



Climate change creates physical risks (eg floods), while the move to a carbon-neutral economy creates transition risks (eg policy and technology changes)



Finance sits at the heart of the global economy allocating capital and managing risk

An orderly transition minimises the financial risks associated with climate change



These physical and transition risks create financial risks manifesting as credit, market, underwriting and operational risks

The financial risks from climate change have distinctive elements, which present unique challenges

