

AIMA APAC webinar: ESG for APAC Asset Managers - Navigating Climate-related Financial Risks

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Ogier Global Director, Head of ESG and Impact Services Leonie Kelly, recently co-hosted an AIMA APAC panel titled "ESG for APAC managers – navigating climate-related financial risks". The Ogier Global ESG team were invited by AIMA to lead the discussion on recent factors driving ESG growth in APAC, how to manage ESG risks and why climate-related financial risks are taking centre stage locally and globally. Leonie Kelly presented a playbook for managers to navigate the "why, what and how" of climate-related financial risk and was joined by Entela Benz of Intensel who presented data analytical tools to monitor physical climate risks and Michael Bugel as moderator.

Set out below is a brief summary of some of the discussion on the topic. For the full webinar recording and slides please get in touch with the Ogier Global ESG team, whose contacts can be found on the right.

- The Paris Agreement signed in 2015 strengthened the international recognition of the key role of finance for the ecological transition, by establishing that “financial flows be made consistent with a pathway towards low GHG and climate-resilient developments”
- Over time financial markets have shifted gears from thinking about Corporate Social Responsibility towards climate risk
- The science has shown how global temperatures are rising at an accelerating rate with global average temperatures in 2010 about 1.0°C higher than pre-industrial levels
- Although the science is clear on the long-term risks of climate change, the financial markets are struggling to incorporate these risks into processes, especially risk assessment analysis – due in part to the "Tragedy of the Horizon"
- The value of global financial assets at risk from climate change has been estimated at US\$2.5t by Dietz et al., and US\$4.2t by the Economist Intelligence Unit

- The drivers for climate risk management include increased regulatory requirements, growing investor demand, recognition of long-term risk impact, impacts on asset valuation etc. Several APAC regulatory developments have been issued across Hong Kong, Singapore, mainland China etc.
- The measurement of climate-related risks for investors is still an emerging field however to assist with this, the Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015
- Climate risk builds upon, but is distinct from ESG investing
- Climate risk is systematic risk and implies significant dollar losses
- Growing legal and regulatory consensus that material climate-related factors must be considered and managed by managers
- For asset managers to take action towards climate-related risk, we need to enable solutions by building out processes, investment strategies and systems to navigate the climate journey – and design your portfolio playbook (Strategy & Policy | Governance | Investment & Risk Management | Report).

Get in touch today to learn more about Ogier Global ESG Services such as our regulatory fund manager assessment tool.

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