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The 8Cs of Effective Climate Risk Management

Climate Risk is the defining risk management challenge and strategic opportunity for the EU Financial Sector for the generation to come. The Sector has the responsibility to play a leadership role in supporting the transition to the low carbon economy and society by 2050. This will require that the boards, executives, regulators and investors in financial sector firms are effective at the 8Cs of Climate Risk – **Clients; Communities; Culture and Capabilities; Calculations; Controls; Conduct; Contracts; and Communication**.

Clients must be central and supported along the entire journey to the Net Zero world, through advice in building credible transition pathway plans and via the provision of financing to enable them to be executed;

Communities of all stakeholders, in particular the vulnerable and marginalised should be engaged, consulted and considered to ensure the Sector plays its role in a just transition so that the Green New Deal works for all;

Culture and capabilities need to be nurtured and enhanced to build financial sector firms with the right climate skills and mind-sets essential to ensuring that economies are built back better for a sustainable future and that green jobs of worth and dignity are created in support of the low carbon economy;

Calculations underpinning climate measurement must be robust. Climate is the ultimate big data area and the calculations for scenarios, climate risk models and warming potential must be developed with rigour to inform data-driven decisions;

Controls need to strong around climate data, disclosures and risk identification. Given all that is at stake, decisions must be evidence based and strong controls must underpin all the processes generating them to ensure that this is the case;

Conduct and treating all customers fairly must be a top priority for EU Financial Sector firms. Climate conduct programmes must be in place from the outset with the overarching goal to protect the climate vulnerable and prevent "green-lining" exclusion in credit decisions;

Contracts need to fully capture and comply with the legal requirements of climate change now enshrined in legislation across the EU. As Nationally Determined Contributions get encoded into laws and regulations, they need to be embedded into contractual relationships.

Finally, **Communication** must be transparent and ongoing to all stakeholders - the Board, investors, regulators, employees, NGOs, civil society. As financial sector firms across the EU make real their climate commitments, the context in which they execute them will evolve and it is essential to be communicating transparently and constructively at all stages to all interested parties. The ultimate goal of addressing climate change is to keep average global warming to no more than 1.5 °C by 2050. To achieve that, many of the necessary foundational actions need to be put in place and commenced over the decade which has just started, through to 2030. To be successful, we must get The 8Cs of Climate Risk right.