Climate Risk Management

#PositiveImpact

Chris Jaques
Head of Enterprise and Credit Risk Portfolio Management and Stress Testing

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## Challenges and opportunities linked to climate risk

### Key challenges

1. **Level of transparency, consistency and granularity in disclosures**

2. **Extensive scenario analysis and stress testing**

3. **Methodologies for assessing pathway alignment**

### Opportunities

- **Strong risk management as an enabler to support our clients’ transition**
- **Protect our capital and balance sheet as we rebalance exposures and reduce financed emissions**
- **Shaping and influencing standard-setting through active engagement**
Reducing our carbon intensive exposure

Fossil fuel lending and financing activity in 2020 (USD, bn)$^1$  

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<th>Country</th>
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Exposure management

18% reduction in loan exposure to carbon intensive corporates$^2$ since end of 2016

6% share of loan book to carbon intensive corporates$^2$ in 2020

0% new financing of oil and gas projects in the Arctic and oil sand projects since 2020

EUR 0.3bn residual exposure in thermal coal mining in 2020

1) Source: Bloomberg data for bond, equity and loan activity to Energy Companies (LEAG function)
2) Oil & Gas, Steel Metals & Mining, Utilities, Transportation, Chemical
Climate risk embedded into existing frameworks

Climate Risk Management - Toolkit

Risk framework
- Group Risk Appetite Statement accounting for ESG (currently qualitative)
- Climate risk embedded in industry / country concentration risk frameworks
- Fossil fuel policy and restrictions on high risk sectors (e.g. coal)
- Enhanced due diligence for carbon intensive clients

Risk identification
- Sustainable finance framework
- Climate risk taxonomy

Risk measurement and monitoring
- Management reporting on:
  - portfolio carbon intensity
  - financed emissions

Scenario analysis and stress testing
- Top down scenario analysis
- Pathway alignment target setting and modelling

External engagement
- Net Zero Banking Alliance
- Partnership for Carbon Accounting Financials
- Paris Agreement Capital Transition Assessment
- Science Based Target Initiative Expert Advisory Group
Pathway to Paris clearly defined

1) In line with the commitments of the Net Zero Banking Alliance
2) Timing to be aligned with final regulatory requirements
Key takeaways

- Strong risk management as enabler for business to support our portfolio and clients’ transformation

- Active management and substantial reduction of carbon intensive corporate exposures

- Pathway to Paris clearly defined. Reduction targets communicated by end-2022
Speaker biography – Chris Jaques

Chris is currently the Managing Director with global responsibility for the Enterprise Risk Portfolio, Group Stress Testing and Risk Research teams.

He is also responsible for Credit Risk Management Portfolio and Stress testing. He is based in London where he is Chief Risk Officer for Deutsche Bank London Branch. Chris has 30 years of financial industry experience. Chris has worked at Deutsche Bank for eight years and has held a range of responsibilities within the Risk Division. Prior to this he had responsibility for Deutsche Bank’s Global Market Risk Portfolio, Stress, Data and Analytics teams.

Before entering the financial industry Chris served as an officer in the British Army.

He holds an MBA from Cranfield School of Management.
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