CLIMATE RISK ASSESSMENT

IDB Invest

WHY ASSESS CLIMATE RISK

Climate change is one of the top global risks[1] and has financial implications for the private sector. From increased operational costs to disrupted production, economic and social losses as a result of extreme weather events or natural disasters can be tremendous. As society transitions to a low carbon economy, some business models will also need adjusting. Demand for transparency and climate risk disclosure is growing, depicting the importance of assessing climate risks for sustainable business growth and long-term success.

HOW WE CAN HELP

At IDB Invest, we consider climate change mitigation and adaptation as priorities for all investments in the region. Building on decades of experience in Latin America and the Caribbean as the IDB Group, we are uniquely positioned to foster best practices. We help clients identify tangible risks and/or opportunities and assist in building resilience to current and future climate hazards. Involving us early means we can add the most value.

HOW IT WORKS

The Climate Risk Assessment is a methodology to identify, analyze and manage these risks and address them with our clients. The process forms part of the Environmental and Social Due Diligence, conducted for all direct investments in accordance with our **Environmental and Social Sustainability Policy.** As IDB Invest seeks a project portfolio aligned with the Paris Agreement, the process reaffirms our commitment to combat climate change and to promote a sustainable low carbon future in our region.

PHYSICAL AND TRANSITION CLIMATE-RELATED RISKS

Physical risks are event-driven (acute) or longer-term shifts (chronic) in climate patterns. Acute risks include extreme weather events, such as hurricanes or floods, while chronic risks refer to issues such as sea level rise or heat waves.

Transition risks relate to the financial and reputational risks associated with society transitioning to a low-carbon economy. They refer to policy, legal, technology and market changes resulting from climate change mitigation and adaptation requirements. Carbon pricing regulations or changing consumer preferences are examples of such risks.

Source: TCFD Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures. June 2017.

[1] Respondents to the World Economic Forum's Global Risks Perception Survey rank climate change and related environmental issues as the top five risks in terms of likelihood and impact (WEF Global Risks Report 2020).

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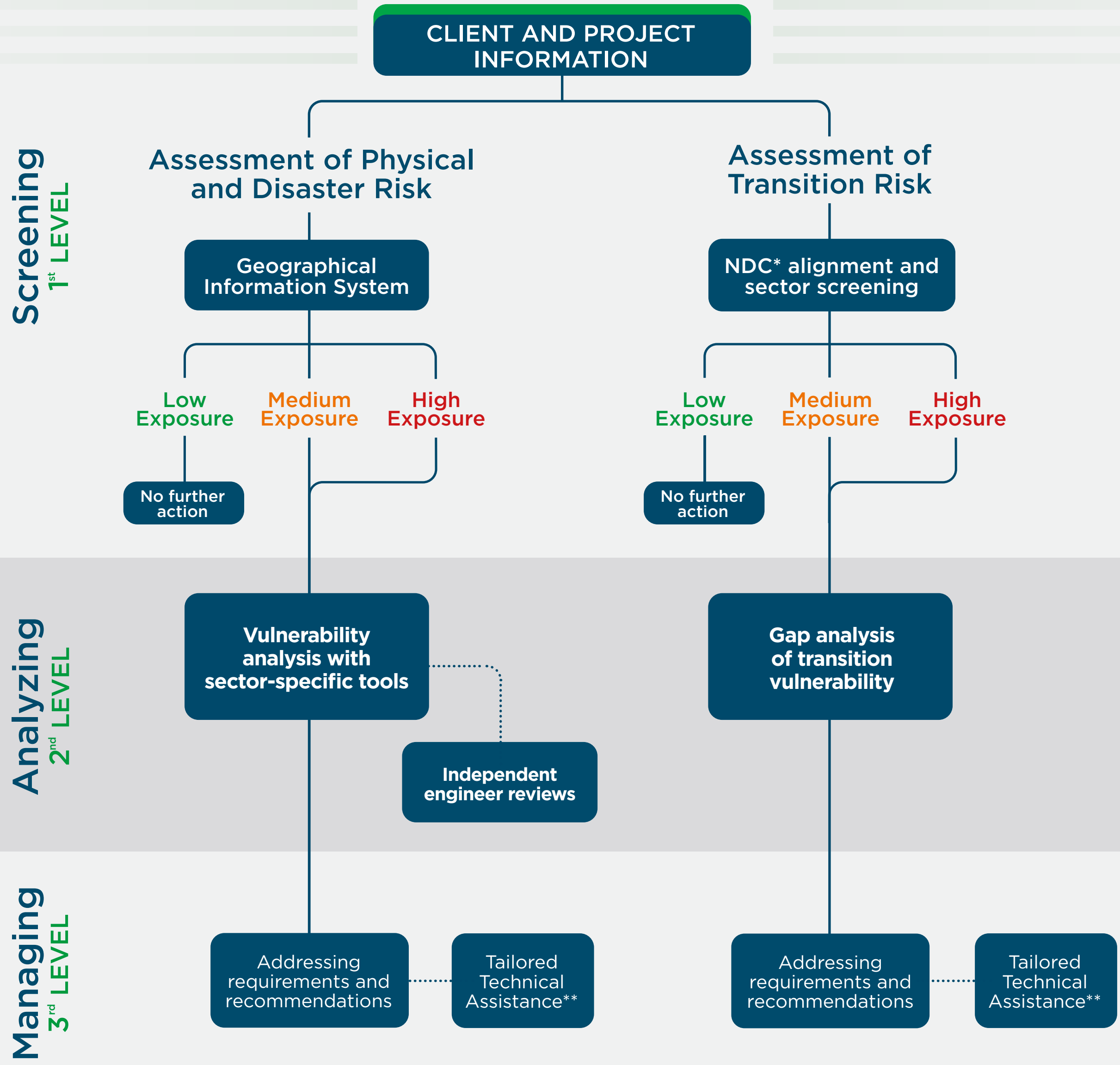

Physical Hazard Exposure Classification
Low: No significant direct (acute or chronic) geographical exposure
Medium: Moderate exposure to respective hazards
High: High exposure to respective hazards

Transition Hazard Exposure Classification
Low: No significant exposure (Country, sector or asset life span)
Medium: Moderate exposure in two or more areas
High: High exposure in two or more areas

Let's continue the conversation

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* Nationally Determined Contributions.
** Provide advisory services to develop solutions and make recommendations on reducing GHG emissions and adapting to climate change. Products include but are not limited to trainings, market and feasibility studies, energy audits, certifications and standards, and differentiation strategies.

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