

Sample Climate Risk Framework for Consumer Lending

Region:	Employment Sector:	Climate Scenario:	Other Segments:
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Transition Effects

Employment	<ul style="list-style-type: none"> What does the employment spectrum look like in the chosen segment? <ul style="list-style-type: none"> Sector breakdown? Job level (executive, full- or part-time, laborer, manager, professional, tradespeople, unemployed) breakdowns? Do the sectors stand to benefit or suffer during the transition to a net-zero economy? <ul style="list-style-type: none"> Do workers in the chosen segment become more employable as the economy transitions? What if a sector suffers as a whole, but a subsector will benefit? Will the speed of the transition affect the employment spectrum? Has increased unemployment in these sectors led to increased defaults in the past?
Assets	<ul style="list-style-type: none"> Have the customers in this segment taken concrete steps with respect to their assets to combat climate change? Ex: EV purchases, solar panel or other environmental property improvements, changes to investment portfolios toward ESG
Costs	<p>How will the segment be impacted by resource scarcity, carbon pricing, energy prices, upgrading grids, and supply channels?</p> <p>Does the segment rely heavily on commuting to work vs public transit or bicycle/walk?</p> <p>How is food availability, security and prices impacted in this segment?</p>
Collateral	Could house or other asset values which may be collateral lower in value?

Physical Effects

Likelihood	Are the defined regions particularly susceptible to physical climate events? Which types of events?
Employment	<p>Is the employment spectrum resilient or vulnerable to acute climate events?</p> <p>Could parts of the segments/ employment spectrum benefit with acute climate events happen?</p> <p>How much of the employment spectrum's output could be at risk due to heat waves or elevated pollution levels?</p> <p>How are crop-growing conditions expected to change?</p>
Assets	How might the value and liquidity of the customers' assets be affected over time?
Costs	<p>Should an acute climate event happen, can the segment's customers manage to repair damage and meet obligations with their FI?</p> <p>Can your segment's customers expect higher insurance premiums?</p>
Collateral	Have the chronic physical effects of climate change, like shoreline erosion, affected the value of assets that FIs holds as collateral?

Estimated Impact

Estimated Impact	Timing		1-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26+ years	
	Component Rating	PD							
		LGD							
		EAD							