



Partner:



Drought Stress Testing: Making Financial Institutions more Resilient to Environmental Risks

14 March 2017

Venue: Treasury I, Hotel Westin Beijing Financial Street, 9B Financial Street, Xicheng District, Beijing

Background:

Water scarcity has been highlighted as one of the top three most impactful risks by the World Economic Forum. Drought events are expected to become more frequent and increase in intensity in many regions due to physical climate change impacts. Recent droughts in the South East of Brazil and California have demonstrated the profound implications of water-related shocks for economic productivity. Water insecurity can reduce the productivity of various sectors, with potential spillover effects across national and regional economies. Improving the availability and quality of respective methodologies to adequately price and manage environmental and climate change-related risks is crucial to make financial decision-making more prudent, markets more efficient and economies more resilient.

In a pilot project on Environmental Stress Testing, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Natural Capital Finance Alliance (NCFA), developed an analytical framework and tool that allows banks to quantify and assess the potential impact of drought events on the performance of their corporate loan portfolio. The Environmental Stress Testing Tool, which has already been successfully tested by partnering banks from Brazil, China, Mexico and the United States, will be launched on 14 March 2017 in Beijing. We cordially invite you to join us for this event held at Westin Hotel in Financial District of Beijing.

AGENDA

Language: Chinese-English Simultaneous Interpretation

Moderator: : *QI Lan, Co-Director, Emerging Markets Dialogue on Finance, GIZ*

08:30 – 09:00 **Registration**

09:00 – 09:15 **Keynote**

Opening Remarks

- Welcome and Introduction

Dr. YIN Hong, Deputy Secretary General, Green Finance Committee of China Society for Finance and Banking / Deputy Director of the Urban Finance Research Institute of Industrial and Commercial Bank of China (ICBC)

09:15 – 09:30 *Session 1:*

Piloting Drought Stress Testing – Project Overview

- What are the motivations and driving factors of the drought stress testing pilot project?
- What are the objectives and aspired/desired outcome of this project?
- What makes the approach of this project novel and unique?

Marie MORICE, Director, Natural Capital Finance Alliance (NCFA)

09:30 – 10:15 *Session 2:*

Introduction to the Tool and its Application

- What are the gaps in financial risk analysis addressed by the tool?
- What is the methodological framework of the tool?
- What are the underlying assumptions and limitations of the tool?
- How can the tool be applied // integrated into standard models by a financial institution // financial risk analysts?

Stephen MOSS, Director Capital Markets Solutions, Risk Management Solution (RMS)

10:15 – 10:35 **Application of the Tool by ICBC**

- Overview of participation in the project , tool development, benefits of such tools, next steps

Dr. YIN Hong, Deputy Director of the Urban Finance Research Institute of Industrial and Commercial Bank of China (ICBC)

10:35 – 10:55 Coffee Break

10:55 – 11:45 *Session 3:*

Panel Discussion

- **Environmental Risks in Practice – How will Drought Stress Testing affect Risk Management and Decision-Making Processes of Financial Institutions?**
- LE Yu, *Director, Risk Management Department, ICBC*
- Stephen MOSS, *Director, Capital Markets Solutions, Risk Management Solution (RMS)*
- Cindy ZHANG , *Head Property Treaty Underwriting China, Swiss Reinsurance Co. Ltd, Beijing Branch*
- Sabrina ZHANG, *China Country Director, CDP*

Moderator: *Dr. GUO Peiyuan, Chairman of SynTao Green Finance*

Q&A (15 minutes)

11:45 – 12:00 **Wrap-up & Closing Remarks**

Jonathan Gheysens, UNEP FI Expert for Ecosystem Service & Sustainable Land Use