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# *Climate Risk Assessment Tool for Financial Institutions*

## *PROADAPT Program: Sertão Bahia State, Brazil*



*April 2017*



abril 2017

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(DC1) Uso Interno na PwC - Confidencial

## *Our scope: climate change risks affecting smallholder farmers in the semi-arid region of Sertão Bahia state, Brazil*

PROADAPTA Sertão: Building Climate Resilience in the Brazilian Sertão in 2014.

The objective of this project is to support climate resilient practices and technologies for smallholder farmers in the semi-arid region of Sertão, in the Brazilian state of Bahia.

“By climate resilience, we refer to the capacity of a socio-ecological system or organization to maintain function in the face of climate risks and stresses, and to adapt, reorganize and evolve in ways that better prepare it for future climate change impacts”



Source: PROADAPT Program/IDB

*The semi-arid region of Sertão Bahia state is located in the Northeast of Brazil (2.200 km from São Paulo)*



# Climate change impacts millions of lives and businesses in Brazil

**Reduction of 22% in rainfall in northeastern Brazil**

Source: IPCC

Potential effects of climate change in Northeastern Brazil suggest changes of

**2 – 4° C**

in surface temperature

Source: INPE

**Cocoa production in Bahia state might be affected due to likely temperature increase and rainfall decrease**

Source: G1. Ahnert, D. - Uesc

Severe climatic events in Brazil (from 2002 to 2012):

Costed

**355**

**billion BRL**  
to the country

Over

**13**

**thousands**  
occurrences

Affected

**46**

**million**  
people

Source: Observatório do Clima

# *Our objective: develop a Climate change Risk assessment Tool for Financial Institutions*

The ultimate goal of this tool is to promote climate resilient investments in the Brazilian agricultural sector

..to enable financial institutions to **identify and quantify their business exposure** to climate risks ...

...and implement **measures to reduce** this exposure.

Approach:

analyze the **correlation** between climatic indicators and both **agricultural production** and **financial indicators**

develop a **model** for the appraisal of investments with the capacity **to mitigate** the **exposure** in productive and financial terms.

The Tool can **lower uncertainties** and **increase trust** on credit risk assessment → **unlock opportunities to increase loans** released by financial institutions

# Multicompetencies team to deliver the Project estimated to last for 10 months



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*Thank you !*

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