The impact of climate change on the stability of individual financial institutions and the financial system in general is growing. It influences the types of activities that financial institutions will fund and the cost of finance.

For example, the increased frequency and intensity of floods, storms and droughts is complicating the insurance industry s ability to assess insurable risks. It is also driving up insurance premiums.

It is affecting the ability of pension funds to plan their investment strategies. Banks are facing increased reputational and financial risks from financing activities that contribute to climate change. These activities include coal mining and cattle farming.

Globally, financial institutions and their clients are facing an increased risk of litigation for their failure to manage risks associated with climate change. For example, the Commonwealth Bank of Australia was sued for misleading investors by failing to disclose climate related risks in its 2016 annual report.

Financial regulatory authorities are beginning to respond to these developments. The central bank of Brazil requires banks to explain how they treat environmental risks when determining their capital requirements. The central bank of China incorporates environmental factors into its monetary policy framework and financial stability assessments.

If banks don t adjust to climate change they will fail to exist .