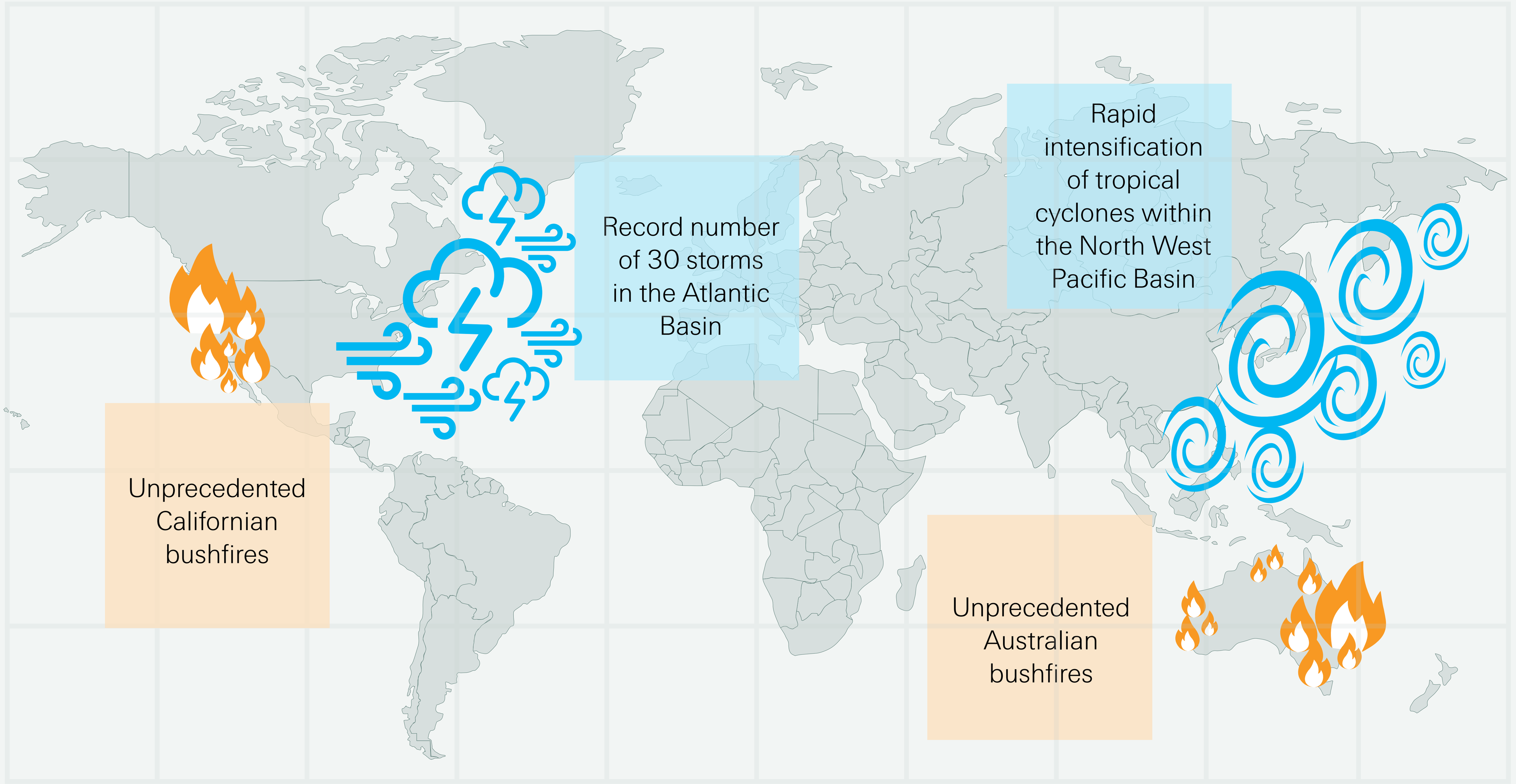
Swiss Re
Corporate Solutions

WILFUL BLINDNESS
How to debias perceptions and address climate risk NOW!

Unlike the COVID-19 pandemic, there will be no vaccine for full blown ecological collapse brought upon by unmitigated global warming. Historical observations of global surface temperature, as well as advances in climate science, including projections from the Intergovernmental Panel on Climate Change (IPCC) clearly show that **we are on the path for catastrophic climate change exceeding 2°C unless concerted and drastic actions are taken as soon as possible.**

Climate catastrophes of 2020 linked to climate change



Encouraging signs of climate policy progress

Mandatory climate disclosure announcements by the Reserve Bank of New Zealand and the Bank of England

Improved engagement from the regulatory and financial sectors (by way of transboundary collaborations)

Cause of biases

Research from the Wharton Risk Center has shown that biases hinder optimal decision-making on tail risk events an individual has not personally experienced or which has occurred in the distant past. The following are resulting attitudes towards climate risk:

Climate Risk Denialists

Those who dismiss the observations and science in its entirety

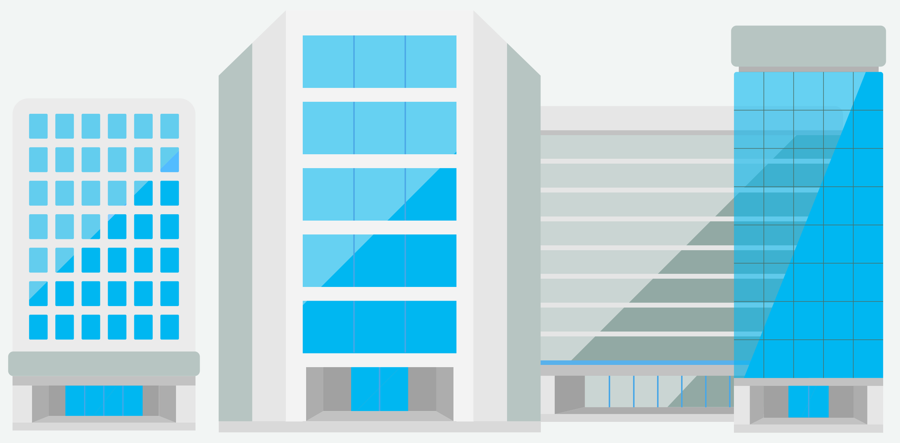
Climate Risk Optimists

Those who believe in climate change, but are resistant to climate change action

KEY BIASES		KEY BIASES	
Herding: Those who conform due to social pressure	**Simplification bias:** Those who oversimplify the issue	**Optimism bias:** Those who are lulled into a false sense of security	**Inertia bias:** Those with a paradoxical tendency to stick to the status quo

Improving risk communication and working around the biases

Individual level



Corporate level

Assure relevant communities that tackling the climate crisis could co-exist with their value systems

Find a shared common ground such as exploring climate adaptation

Engage climate optimists by removing subjectivity around risk assessments

Business leaders & individuals to close the gap between perceived/actual severity and threat likelihood

Deploy 'behavioral risk audits' and 'pre-mortems'

Economic incentives can compel firms to think longer term, and advance corporate engagement around climate risk

A natural starting point for corporates

For more information, please contact:

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