



Bridging Climate Risks and Financial Stability: Analyzing Economic Disruptions and Corporate Resilience

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Climate change poses significant risks to economic systems and corporate financial performance, yet a critical gap remains in understanding how these risks evolve into economic disruptions and financial stability challenges. This study investigates the pathways through which physical risks, such as extreme weather events and rising global temperatures, and transition risks, including policy shifts, regulatory changes, and technological advancements, disrupt key economic elements like supply chains, resource availability, and market dynamics. It also examines how these disruptions propagate into financial risks increasingly reflected in corporate financial statements and disclosures. A central focus is the integration of standardized frameworks, particularly the Task Force on Climate-related Financial Disclosures (TCFD) and the International Financial Reporting Standards (IFRS) S2, to assess their role in addressing climate-related risks. The TCFD framework provides a structured approach for companies to disclose climate risks and opportunities, focusing on governance, strategy, risk management, and metrics. At the same time, IFRS S2 builds on these principles to establish a global baseline for sustainability-related financial disclosures, enhancing transparency and comparability across industries and regions. By mapping how climate risks impact economic and financial systems, the study evaluates the effectiveness of these frameworks in helping organizations identify vulnerabilities, improve corporate reporting consistency, and enhance resilience against disruptions. The findings provide actionable insights into how climate-related risks challenge economic stability and corporate performance while offering strategies for policymakers, businesses, and investors to mitigate risks, promote sustainability, and safeguard financial stability in an increasingly climate-vulnerable world.