

CLIMATE CHANGE PHYSICAL RISKS ASSESSMENT OF INVESTMENTS

A first step towards the identification of hotspots within investment portfolios

In a nutshell

Investors gain an initial understanding on how and to what degree physical risks from climate change can impact on their investments relying on South Pole Group's methodology.

Across the financial industry, there is growing awareness that physical risks arising from climate change – such as extreme weather events, rising sea levels, droughts, and flooding – will likely distress assets and disturb daily business operations. South Pole Group's unique metrics can assess how and to what extent investment portfolios are exposed to such threats.

Added value for investors:

Draws a heatmap of the exposure of investment portfolios to climate change physical risks along two key dimensions - i.e. geography and sector of activity

Allows for a deep dive into activity sectors that are more exposed to climate change - namely: utility, energy and materials sectors

Represents, overall, a sound first step that identifies hotspots in investment portfolios that are highly exposed to physical risks. This, in turn, highlights the need for more thorough analyses and for the integration of adaptation components at the holding-level

Climate impact of investments on the radar

While measuring the climate impact of investments (e.g., investment carbon footprint) is becoming a standard practice among investors, the burden of physical risks arising from climate change has so far been marginal in the climate change discourse within the financial industry. However, with the growing emphasis placed on climate change nowadays, investors urgently need and demand for robust methodologies that can assess the climate change-related physical risks of their investments.

Assessing portfolio climate risk

South Pole Group's unique approach provides investors with a solid methodology for assessing the exposure of their investment portfolios to physical risks arising from climate change — i.e., long-term, chronic climate change and extreme events. Our methodology combines a physical risk analysis based on location with a sector perspective in order to provide a comprehensive overall risk assessment.

