Press Release
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New Guide Helps Investors Close Climate Risk Blind Spot

Leading investors publish guidance to help the sector step up efforts to act on climate risk through scenario analyses

- TCFD recommendations highlight scenario analysis as a tool to identify climate-related risks and opportunities, and their potential financial implications.
- Dedicated investor-led guidance on scenario analysis published by IIGCC to help investors fill the 'scenario gap' and put TCFD findings into practice.

A new guide published today by the Institutional Investors Group on Climate Change (IIGCC) will help steer investors through the process of climate scenario analysis[1]. Asking investors and companies to undertake scenario analysis is one of the key recommendations made last year by the Task Force on Climate-related Financial Disclosures (TCFD), led by Michael Bloomberg and supported by Mark Carney as Chair of the Financial Stability Board[2].

Published by IIGCC – the European investor group on climate change with more than 160 members representing over €21 trillion assets – the guide helps to close the knowledge gap on scenario analysis. Titled '*Navigating climate scenario analysis',* it sets out a five-step framework to help asset owners and managers use scenario analysis, to understand how climate changes drives financial impact across their portfolios.

The significance of climate change as a consideration for investors is now clearly understood[3]. Scenario analysis provides a well-established tool in investment risk analysis, but its application to climate change is relatively recent, and increasingly needs to become a key part of investors' risk management armoury. The guide aims to support investors in using scenario analysis to understand how different climate scenarios could affect future returns and identify new investment opportunities.

Stephanie Pfeifer, CEO, IIGCC, explains: *"Perhaps the most important conclusion of the guide we've published is that the journey is often the destination. Many benefits of scenario analysis for investors come through undertaking the process, experimenting with methodologies and learning about the ways in which climate change drives financial impacts. For some investors the exercise can affect strategic asset allocation, for others it is about evolving their understanding of risk and opportunity for parts of their portfolio".*

Despite over 280 financial firms backing the initiative, the TCFD reported that no asset managers surveyed have yet described how their strategies might change under different climate-related scenarios[4]. Nonetheless, several investors are emerging as 'early adopters' of scenario analysis, as case studies throughout the guide demonstrate.

Vicki Bakhshi, Director, Responsible Investment at BMO Global Asset Management adds**:** *"Since the publication of the TCFD recommendations, the pace of innovation in the area of climate scenario analysis has been rapid and we have seen growing support among the investment community. But turning intentions into action has sometimes been challenging as this is such a new area of research. The guide aims to provide practical* *guidance on how to make climate scenario analysis a key part of an investor's risk management armoury."*

With the physical impacts of climate change already becoming increasingly clear, there is an added urgency to ensure that investors are mainstreaming climate change as part of their risk management processes.

Christina Olivecrona, Sustainability Analyst, AP2 said: *"The publication of the IPCC's 1.5°C report last month was a powerful reminder that the physical impacts of climate change are not a distant and theoretical risk, but a present one. Investor methodologies in this area lag the corporate sector and we believe this area will need more attention from investors going forward."*

Contributors to the guide include AP2, APG, BMO Global Asset Management, HSBC Global Asset Management, UBS Asset Management, Allianz, PGGM and AXA, among notable others.

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Notes to editor
1. 'Navigating climate scenario analysis: a guide for institutional investors' to be published at following URL when it goes live: http://www.iigcc.org/publications/publication/navigating-climate-scenario-analysis1.
2. See 'Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)', link.
3. See 'A Transition in Thinking and Action' (April 2018), link – a Bank of England speech by Mark Carney on the issue as just one of many examples.
4. p24, TCFD: 2018 Status Report (September 2018), link.

About IIGCC
The Institutional Investors Group on Climate Change (IIGCC) is the European forum for investor collaboration on climate change and the voice of investors taking action for a prosperous, low-carbon future. IIGCC has more than 160 members, mainly pension funds and asset managers, across 11 countries, with over €21 trillion assets under management.

IIGCC's mission is to mobilise capital for the low-carbon transition by collaborating with business, policymakers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. Members consider it a fiduciary duty to ensure stranded asset risk or other losses from climate change are minimised and that opportunities presented by the transition to a low carbon economy – such as renewable energy, new technologies and energy efficiency – are maximised. For more information visit www.iigcc.org and @iigccnews.