

For delivering on climate commitments

Featuring:

Jorge Mina, Head of Analytics, MSCI

Linda-Eling Lee, Head of ESG and Climate Research, MSCI

Linda-Eling Lee:

The climate crisis poses an existential threat to our planet.

The world is behind in its efforts to address this problem and we are experiencing the consequences in real time, every day around the world.

At MSCI, we believe that climate change is the greatest challenge of our time.

and capital markets participants are critical to driving the systemic transformation that we really need to avert a climate catastrophe.

But the time to act is now.

Jorge Mina:

The financial industry is quickly accelerating its response to the climate crisis.

There are multiple factors that are working together to bring about this change.

The first one is that regulators are starting to mandate disclosures through regulations, such as SFDR and TCFD.

Second, the financial industry itself is forming alliances of like-minded organizations to address climate change organizations such as the Net-Zero Asset Owners Alliance, the Net-Zero Asset Managers Initiative and the Net-Zero Insurance Alliance that serve as vehicles for financial firms to not only make a Net-Zero pledge, but also to navigate the pathway to Net-Zero with interim goals and specific changes to the way they do business.

Lastly, stakeholders and investors are increasingly looking to make sure they are part of the solution.

All of these trends point towards a tremendous relocation of capital in the next few years.

Linda-Eling Lee:

Hundreds of investors managing trillions of dollars have joined the Glasgow Financial Alliance for Net-Zero, which entails making really big ambitious commitments to go net-zero.

So, the commitment is there, but now investors really have to find a way to actually deliver on that promise.

And it's a pretty big promise because in their portfolios today, 90% of the listed companies are on an emissions pathway that would put a global temperature rise above one and a half degrees.

That means nearly every company is going to need to retool its businesses, or it's going to have to be replaced by new businesses that are better adapted for net-zero economy.

Now we are seeing more companies making pledges to achieve net-zero and today investors really kind of just have to take companies, net-zero pledges at their word, but the proof is going to be in their missions' pathways going forward and investors have to hold these companies accountable.

Jorge Mina:

Climate risk is financial risk.

Any risk management process will be incomplete without incorporating the impact of climate on financial risk arising from both fiscal and transition risks.

Climate Lab Enterprise helps investors take that first step in understanding where they currently stand and how they may be able to better align their portfolios to net-zero to prepare for this dynamic investment environment.

Climate Lab Enterprise is one of the first solutions in the market to take climate data and scale it to enterprise portfolio levels.

This enables our clients to assess their net-zero commitment in a rigorous manner.

Understanding the enterprise emissions represented by their portfolios, how they are tracking towards their goals, which issuers they should engage with, how their investments fair in highly carbon intensive industries, and what is the risk embedded in their portfolios as a result of climate exposures.

Importantly, we have embedded intuitive forecasting tools like our implied temperature rise metrics, which can help clients assess their organization's alignment with net-zero goals.

This solution provides EC visualization of aggregated data across portfolios, quick identification of key investment strategies positively or negatively contributing to your net-zero goals, and on the fly trend analysis that allows you to track your success.

Linda-Eling Lee:

I believe that MSCI has a real responsibility to the world because we really provide the critical market infrastructure. That's the data, the metrics and the tools that investors are relying on to decide how to reallocate capital towards a net-zero world.

We have been at the forefront of innovation in providing climate data and climate models for over a decade. And frankly, we're really just getting started.

Jorge Mina:

Investors and companies know the time to act is now, and many have already made commitments to achieve net-zero.

That's the first step.

The next step is for them to understand how to deliver on those commitments.

This is exactly what Climate Lab Enterprise was built for to help investors understand their alignment to net-zero and measure, monitor, and manage those climate risks.

And that's where we're looking ahead and innovating to help clients embed climate risk throughout the portfolio management process.

Linda-Eling Lee:

We really don't know yet who the winners of the net-zero revolution will be.

But what we do know is that if we at MSCI really live up to our responsibility to provide the cutting-edge climate data and tools, that information set is going to be critical to how providers of capital in our markets can actually identify opportunities.

Jorge Mina:

Globally, institutional investors urgently need to measure and communicate on climate risk to meet TCFD and similar regulations and eventually build portfolios that meet those objectives.

About MSCI

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