

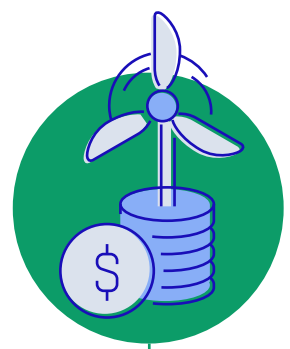


EXPLORING THE EFFECT OF CLIMATE CHANGE ON INVESTMENTS

Natural disasters, policy changes, and technological shifts related to climate change could impact your clients' portfolios. But to what extent?

One way to assess this is through Climate Value-at-Risk (VaR)

→ A (%) measure of the potential financial losses that could result from climate change, so investors may be better prepared to weather the storm.



Transition Climate VaR

Measures potential financial losses that arise from the transition to a low-carbon economy. It has two main types:



Physical Climate VaR

Measures potential financial losses due to the physical impacts of climate change, such as heat waves, tsunamis, and crop destruction.



Policy risk arises due to potential policy and regulatory changes affecting companies, including penalties, reputational damage, or loss of investor confidence.



Technological opportunities arise due to shifts to new and better environment-friendly technologies, such as solar energy, electric vehicles, and smart grids.

MSCI Climate VaR Index is a forward-looking climate metric which assesses both these dimensions of climate change.

SOURCE: MSCI ESG Research, 2022

Transition and Physical Climate VaR (%) by Region

● Transition Climate VaR ● Physical Climate VaR



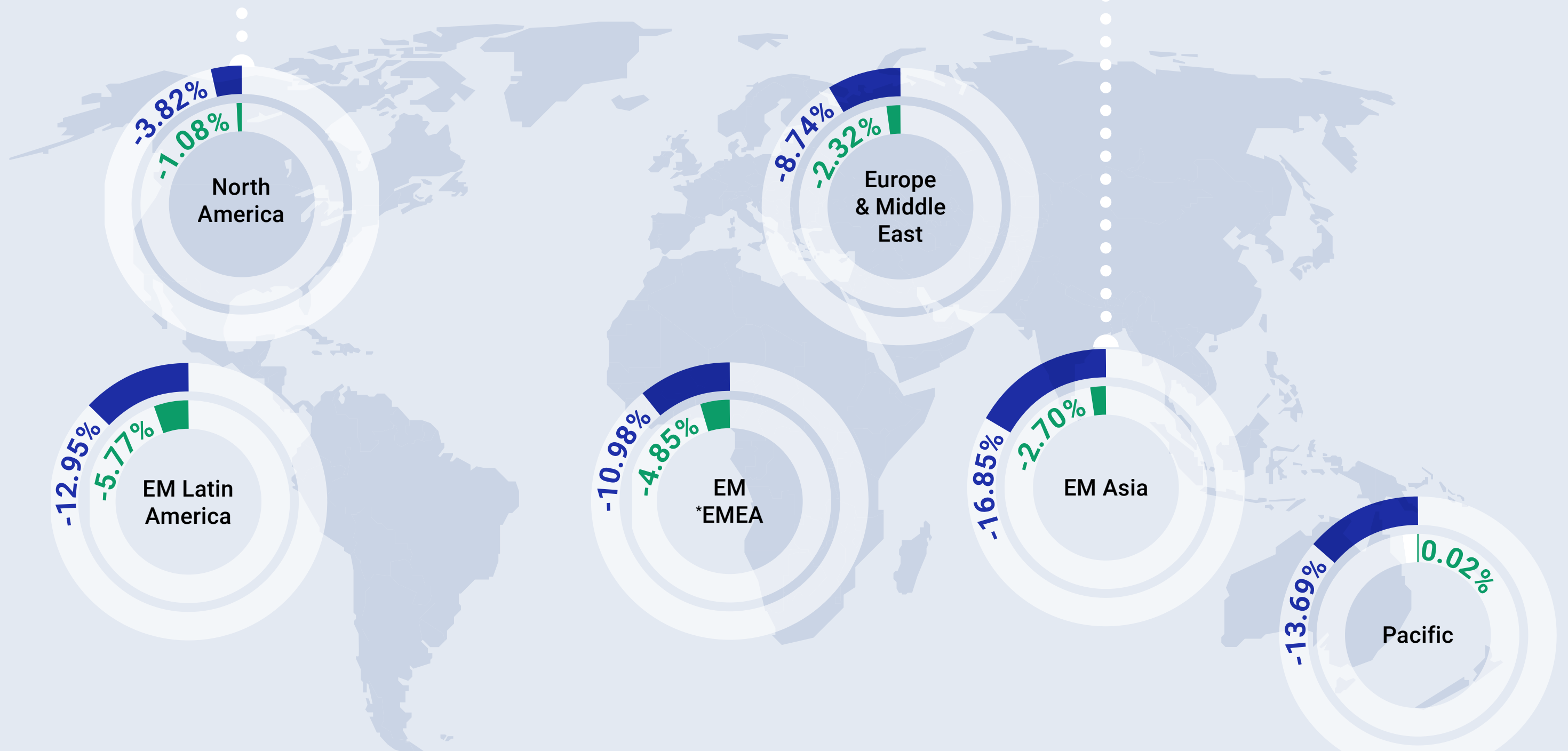
U.S. companies in **North America** are not required to disclose climate-related financial risks, but investors are urging the U.S. Securities and Exchange Commission (SEC) to mandate climate disclosures to foster an efficient market.

SOURCES: Carbon Disclosure Project, 2022, Brookings, 2022



Many developing nations in **Asia** depend on climate finance to tackle change caused mainly by industrialized countries, but the promised funding of \$100 billion annually from rich nations has not materialized yet.

SOURCE: OECD 2022



* EMEA = Europe, Middle East, and Africa. EM = Emerging markets.

SOURCE: MSCI ESG Research, 2022



The Pacific Region is vulnerable to climate change due to low-lying areas and work is being done to promote sustainable, resilient infrastructure.

SOURCE: United Nations, 2021



The MSCI Climate VaR assesses how a company's valuation could be impacted by climate-policy and physical climate risks, as well as how it could benefit from a low-carbon technology transition.



Explore MSCI's paper on [Understanding Climate Metrics](#)

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