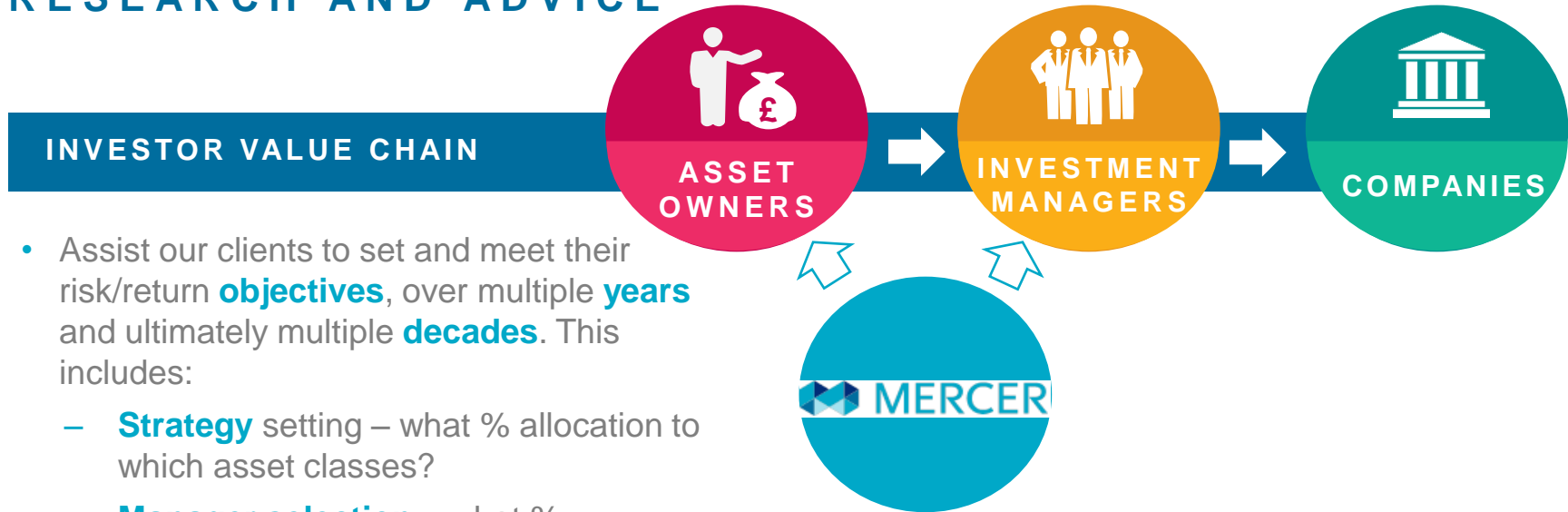


# THE FINANCIAL SECTOR AND CLIMATE SCENARIO ANALYSIS – ADVISING INSTITUTIONAL INVESTORS

OCTOBER 2017

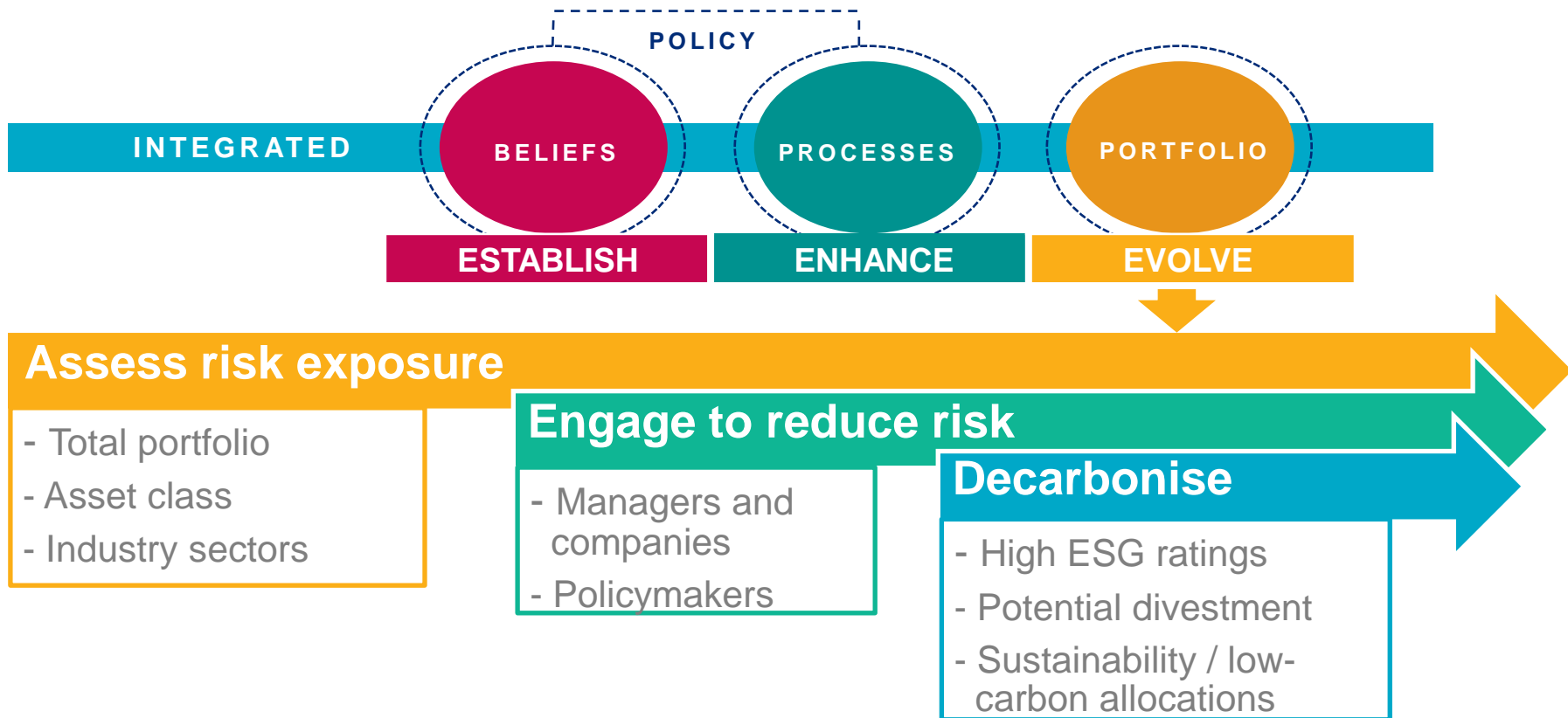
**Jillian Reid**, Principal  
Responsible Investment

# OUR PART TO PLAY RESEARCH AND ADVICE



- Assist our clients to set and meet their risk/return **objectives**, over multiple **years** and ultimately multiple **decades**. This includes:
  - **Strategy** setting – what % allocation to which asset classes?
  - **Manager selection** – what % allocation to which managers?
  - Ensuring **diversified company exposures**, in aggregate, by sector, geography, size and style characteristics

# INTEGRATING CLIMATE CHANGE INTO THE INVESTMENT PROCESS



# THREE KEY QUESTIONS COMPARED TO OTHER RISKS...



1

How big a portfolio risk / return impact could climate change have?

2

How does it compare to other risks currently being monitored?

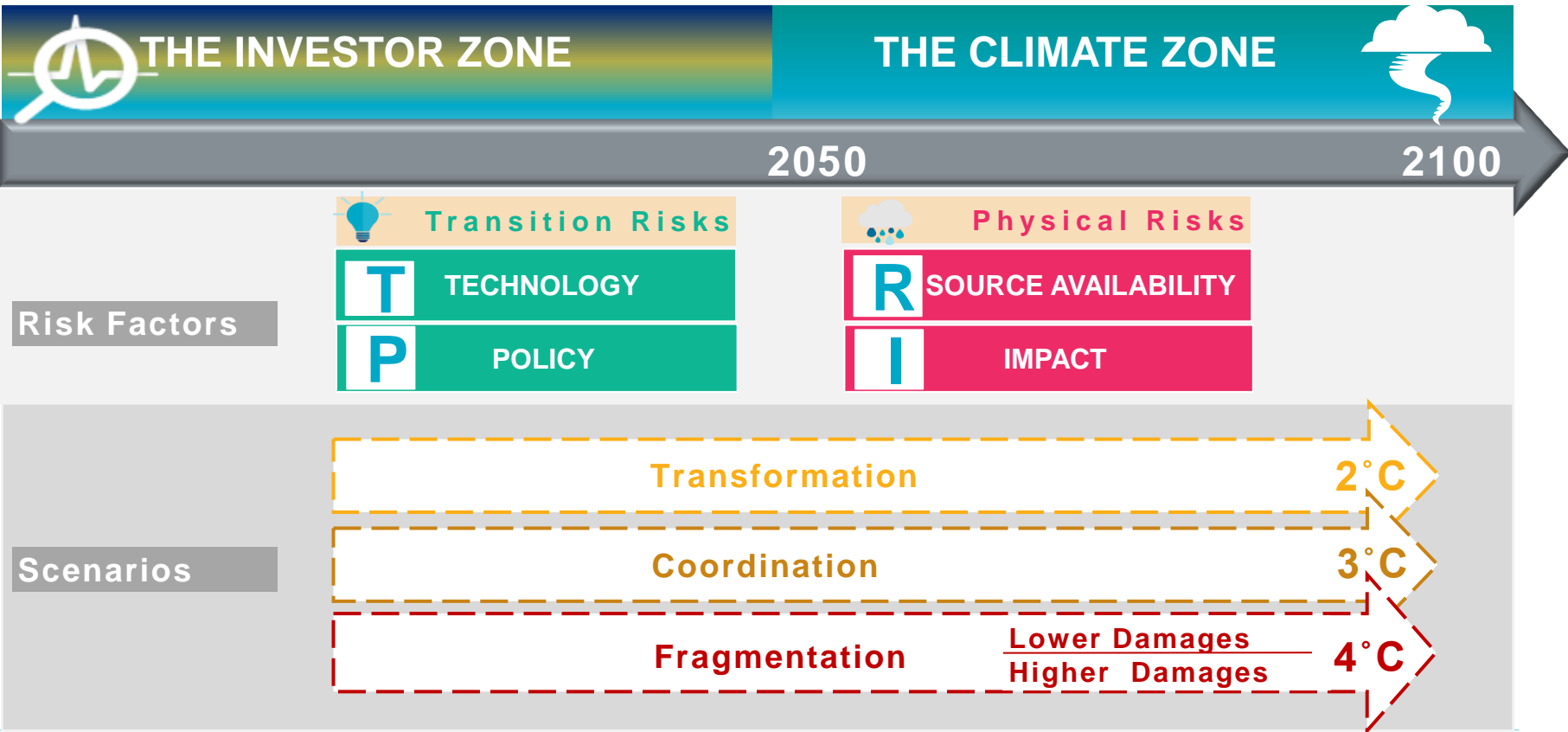
3

What action could we take?

This research is consistent with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)<sup>1</sup>.

**TCFD** | TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

# FOUR RISK FACTORS AND FOUR SCENARIOS



# QUANTIFYING CLIMATE IMPACT ON RETURNS

**CLIMATE  
CHANGE RISK  
FACTORS**

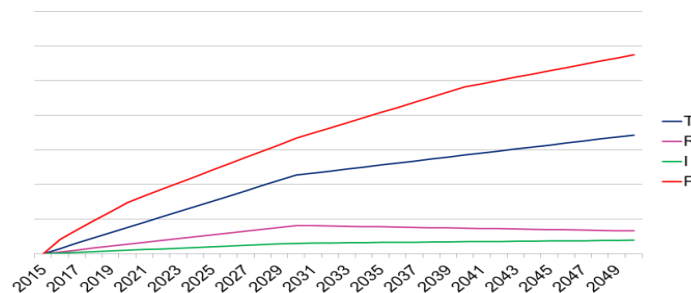
X

**CLIMATE  
CHANGE  
SCENARIOS**

=

**INVESTMENT  
IMPACTS**

T	R	I	P
-0.25	-0.75	-0.75	-0.75
-0.50	-0.75	-0.75	-0.75
<0.25	-0.50	-0.75	<0.25
-0.50	-0.75	-0.75	-1.00
0.50	-0.25	-0.25	1.00
0.50	-0.75	-0.25	0.50

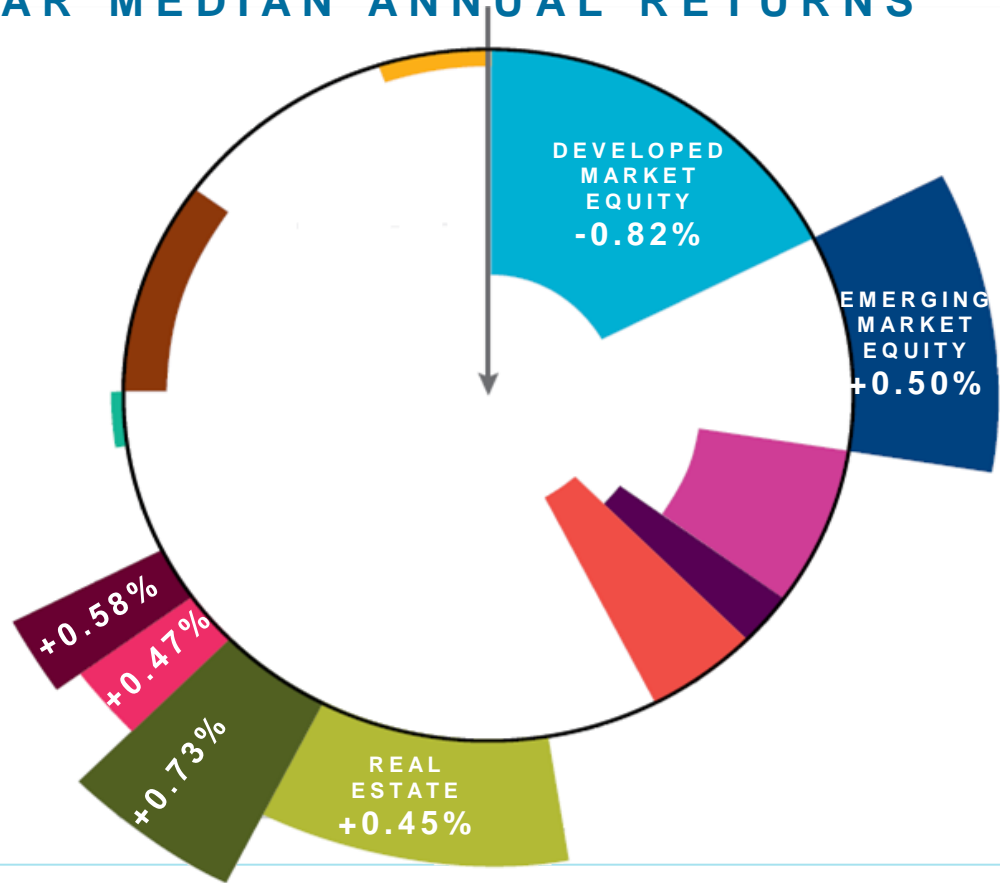


- Total portfolio
- Asset classes
- Industry sectors

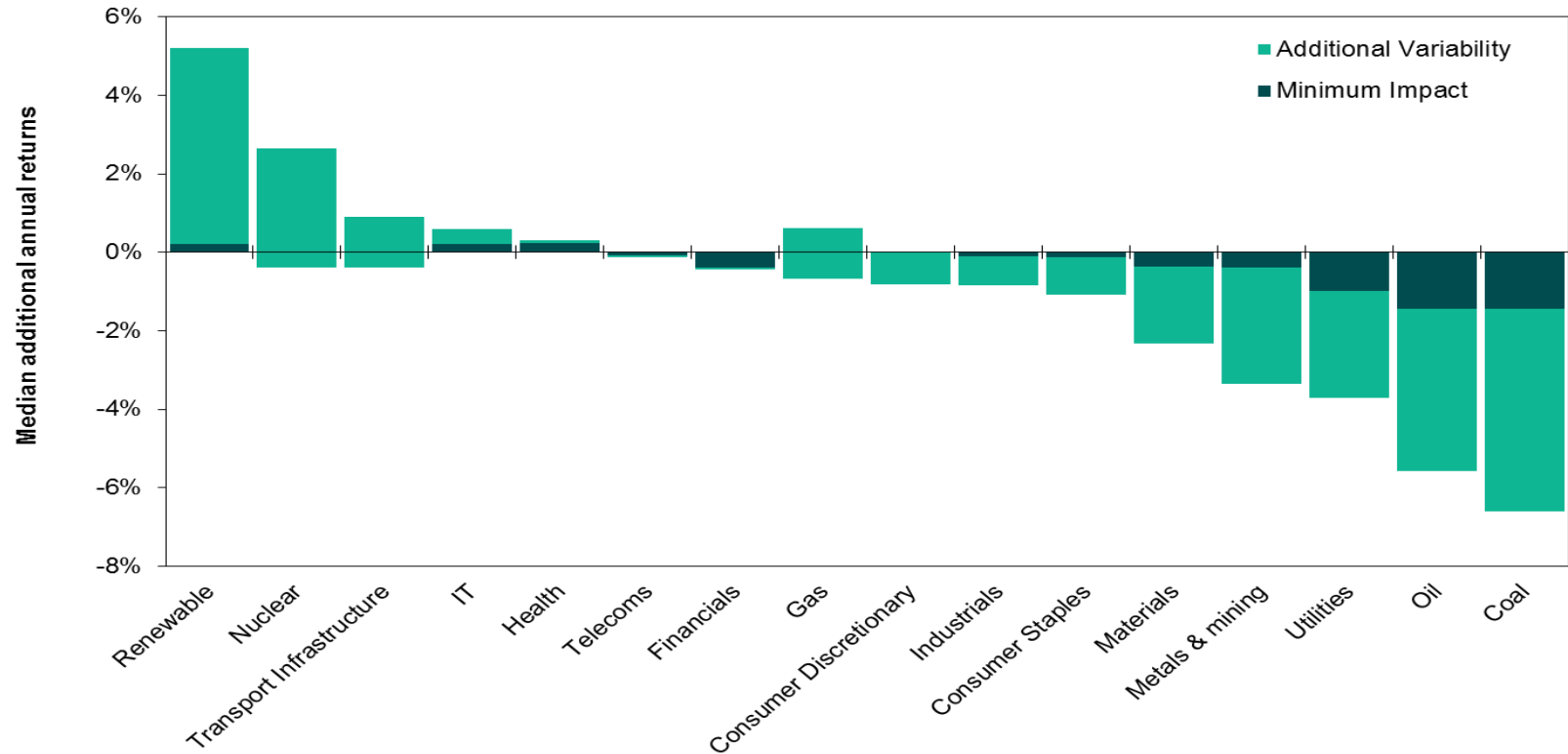
# ASSET CLASSES - CLIMATE IMPACT

## 2° SCENARIO, 10 YEAR MEDIAN ANNUAL RETURNS

- Developed Market Global Equity
- Emerging Market Global Equity
- Low Volatility Equity
- Small Cap Equity
- Private Equity
- Hedge Funds
- Real Estate
- Infrastructure
- Timber
- Agriculture
- Private Debt
- Emerging Market Debt
- Multi-Asset Credit
- Developed Government Bonds
- Corporate Bonds



# INDUSTRY SECTORS – CLIMATE IMPACT ACROSS SCENARIOS, 10 YEAR MEDIAN ANNUAL RETURNS

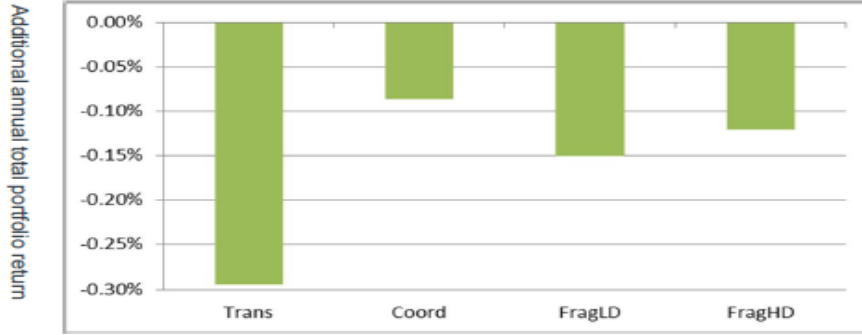




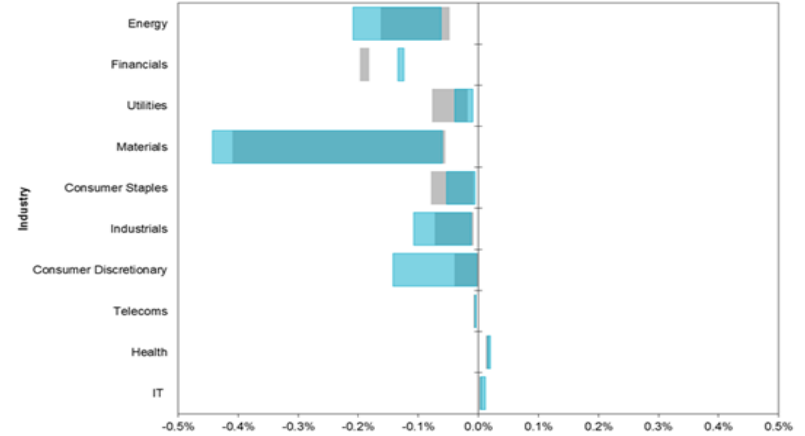
# TOTAL PORTFOLIO RISK ASSESSMENT

## CLIMATE IMPACT ON RETURN

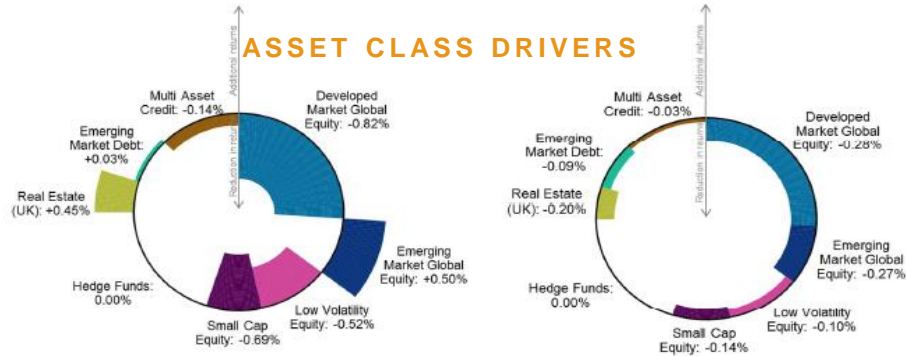
### 10 years TOTAL PORTFOLIO



### SECTOR EXPOSURES



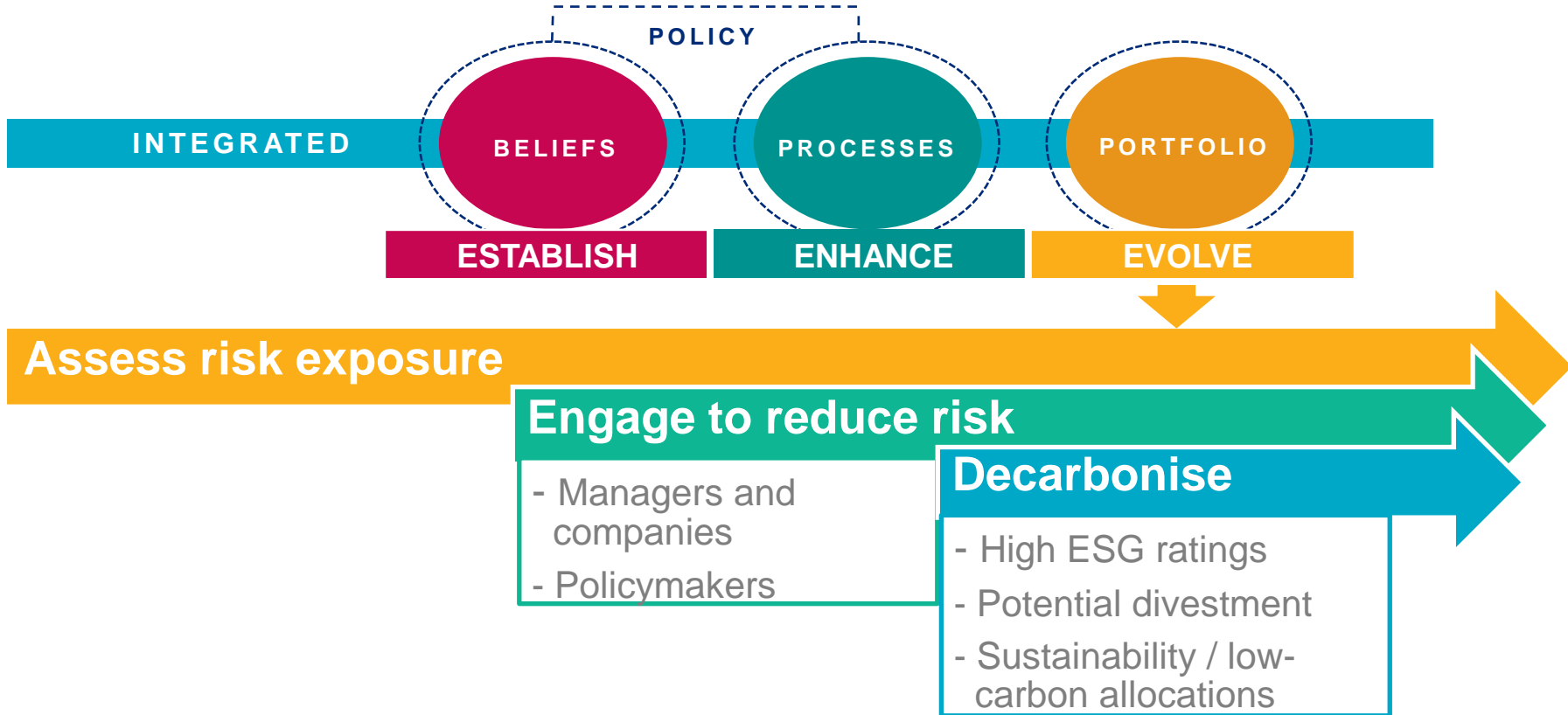
### ASSET CLASS DRIVERS



### RECOMMENDED ACTIONS – GAP ANALYSIS



# IN SUMMARY



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**MAKE**



**TOMORROW,  
TODAY**