CLIMATE **AIR** TOOLBOX

Climate Risk Analyzer™

Organization
Conning

Summary

The Conning Climate Risk Analyzer™ utilizes climate stress testing to enable financial institutions to explore the impact of climate change on future portfolio returns for strategic planning and regulatory reporting. The Climate Risk Analyzer combines stochastic projections of financial market returns from the GEMS® Economic Scenario Generator with the latest thinking on climate change effects within financial markets.

The outputs of these projections can be used to explore the impact of different climate scenarios on a given asset allocation strategy. The Climate Risk Analyzer is intended to offer a cost-effective alternative to large consulting engagements for midsize to large institutions needing to satisfy regulatory requirements, including those for ORSA reporting.

Climate Focus

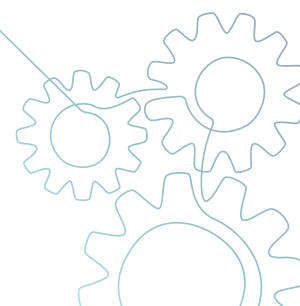| Alignment	Impact	**Risk**

Resource Type

Data & Metrics	**Pathways & Scenarios**	**Assessment Tools**	Methodology	Target Setting Guidelines & Verification	Reporting Frameworks & Guidelines	Collaborative Initiatives

Intended Users

Banks	**Investors**	**Insurers**	Central Banks	**Regulators**

Backward-looking · Current Snapshot · **Forward-looking**

RMI · Center for Climate Aligned Finance

Climate Risk Analyzer™

WHO	Insurers, pension funds, asset managers, and other investors who are interested in exploring the impact of future climate scenarios on their portfolios for strategic planning and regulatory reporting
WHAT	• The product allows institutions to analyze, quantify, and report on the market risk of a portfolio of assets under scenarios of varying severity, including an orderly transition scenario, a disorderly transition scenario, and many others • The product provides a rich set of portfolio risk analytics, including VaR and excess climate risk, graphical representations of the risk through time, different possible timings of market impacts that a scenario may cause, and attribution between transition, physical, and other climate-related risks • The system is able to model a wide range of global economies and asset classes, including government bonds of different durations, corporate bonds of different ratings and durations, US municipal bonds of different ratings and durations, global equity and equity environmental social governance indices, real estate, inflation-linked bonds, US mortgage-backed securities, and multiple alternative asset classes • The system can also be used for performing and reporting on typical regulatory stress testing exercises
WHEN	Any time that there is a requirement to perform stress testing on the asset side of the balance sheet
WHERE	The system can incorporate the results of any existing market risk model and stress the results. It can be used to model any holding from any sector where a risk model is available
WHY	• The tool aids regulatory reporting (in particular the ORSA requirements within the insurance sector) • The tool has also been used for general risk management purposes and to illustrate the potential impact of climate scenarios on portfolio market risk and return at the board level
HOW	Interested users can **visit Conning's website** for more information or contact Conning directly

RMI   Center for Climate Aligned Finance