

# Climate Diagnostic for the real estate industry

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Climate Diagnostic can advance your journey to effective climate risk management. For real estate this platform is particularly suited as it provides mid-term (several decades from now) and longer-term (end of century) views on how your portfolio could be affected by physical climate change hazards for a range of climate scenarios, which are also used by financial investors to gain better insight on sustainable financial investments.

With momentum building for The Task Force for Climate-related Financial Disclosures (TCFD) given the upcoming requirements for mandatory disclosures by 2022 for some UK listed companies<sup>(1)</sup>, it will be more important than ever for corporates to have a view on how climate change might impact their business. Our Climate Diagnostic platform provides a strategic view that lends itself to support these disclosure reports.

## What do we mean when we talk about climate risk?

It can be difficult to conceptualise climate change as a specific risk to your organisation – 2100 or even 2050 can feel far off. Talk of sea levels rising by inches can sound insignificant, and the global effects are broad and complex.

This tool shows changes in acute hazards such as extreme wind and flood, as well as chronic stress factors like sea level rise and heat stress under multiple combinations of climate scenarios and timelines. It shows how those changes could affect your specific properties.

Climate Diagnostic can advance your journey to effective climate risk management.

The Climate Diagnostics model:

- Connects with our core and broader analytic platform and is part of our Climate Quantified™ offering. You can combine this risk assessment with quantification and extended climate risk analysis aligning with TCFD or other climate disclosure frameworks
- Features a climate change atlas of climatic and exposure maps with options to view high risk areas, locate individual assets and identify relative impact of each hazard. Adapt your climate view by preferred time projection and by climate scenario to explore relative risk over time and alternate climate conditions
- Generates reporting summaries at an aggregate level and broken out by region, time projection and by acute and chronic climate risks
- Uses industry recognised data to project exposure for Representative Concentration Pathways (RCP) 2.6 - 8.5, scientific standard climate projection scenarios based on greenhouse gas concentration

## Why should you use Climate Diagnostic?

- Climate Diagnostic provides flexibility to visualise assets, risks and potential opportunities at a glance, whether at a portfolio or asset level
- Climate Diagnostic uses industry recognised data and the gold standard in scientific projections to measure the medium and longer term acute physical climate hazard exposures to your property portfolio. For example, measuring coastal property exposure and drilling down into the highest exposures to acute weather perils in current and future scenarios.
- Use Climate Diagnostic's dashboard to tailor your analytics journey and navigate to interactive reporting, risk matrices and climate themed geo-visualisation
- Climate diagnostic can stress test hypothetical physical risk profiles of assets in the wake of short term transition , and by doing so also stress test transition strategies
- Use in preparation for TCFD, Carbon Disclosure Project (CDP) or other climate related analysis disclosure
- Climate Diagnostic is a great entry point to our broader Climate Quantified™ offerings



**The Climate Diagnostics model is designed for organisations with any number of locations anywhere in the world. It is suited for clients with diverse property portfolios and locations on multiple continents and also provides valuable information for our national or regional clients.**

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/933783/FINAL\\_TCFD\\_ROADMAP.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933783/FINAL_TCFD_ROADMAP.pdf)

## Case study: Climate change resilience - UK real estate

Willis Towers Watson led a project researching the possible effects of climate change on a large UK real estate business from 2017 to 2100 to improve their operational resilience and investment strategy across the business.

### Client requirements

- Understand and quantify the impact of a changing climate on the business and property portfolio in the short and long term
- Assess and advise on physical and financial climate change risks and opportunities that are critical across the portfolio
- To prepare for a TCFD disclosure
- Raise awareness regarding necessary climate change adaptation and resilience within the company, its customers and supply chain partners.
- Remain on the cutting edge of sector leadership

### Key benefits

- Gain a better understanding of which risks are material in the context of climate change
- Forecast and quantify the physical climate risks for strategically relevant time horizons
- Assessing the change in operational costs and future energy consumption
- Tailored recommendations in the context of strategic, operational, investment and insurance resilience

### Short-term recommendations



Adapt building design to respond to lower heating and higher cooling needs



Utilise favourable market conditions to renew insurance terms



Avoid acquisition of coastal properties without adequate sea defences

### Long-term recommendations



Future developments will need to be designed with hazards in mind



Hardening of insurance markets could mean retaining the cost of risk rather than transferring



Divesting coastal properties without adequate sea defences



Shift from buying insurance and re-insurance to risk retention and self-insurance



For any questions or guidance, please get in contact with:



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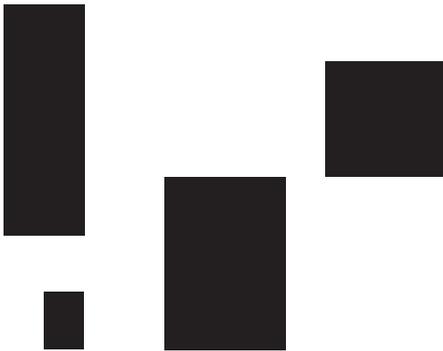


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