

# Leading tool for evaluating the impact of climate on financial and credit risk

Introducing **Climate Credit Analytics**, from S&P Global Market Intelligence and Oliver Wyman



The five hottest weather years on record have all occurred since 2015<sup>1</sup>. A report from the World Meteorological Organization in May 2022 published details on how climate change broke new records in 2021 alone.<sup>2</sup> This included sea levels globally that reached a new record high and rain was recorded for the first time at Greenland's highest point. Carbon emissions from fossil fuels hit a new record high in 2019, and in the same year, California utility PG&E filed for Chapter 11 protection in what The Wall Street Journal dubbed "the first climate-change bankruptcy".

As the effects of climate change and the importance of mitigation become more widely known, the financial risks and implications of inaction have come to the forefront. From the Task Force on Climate-related Financial Disclosures (TCFD) to Climate Action 100+<sup>3</sup>, investors, lenders, regulators, and other stakeholders are calling for greater assessment and disclosure of climate change impacts and financial risks. To support these efforts, S&P Global Market Intelligence and Oliver Wyman have designed Climate Credit Analytics, a climate scenario analysis and credit analytics model suite. These tools combine S&P Global Market Intelligence's data resources and credit analytics capabilities with Oliver Wyman's<sup>4</sup> climate scenario and stress-testing expertise.

Via a highly dynamic, sector-specific approach, Climate Credit Analytics enables counterparty- and portfolio-level analysis of climate-related financial and credit risks for thousands of public and private companies across multiple sectors globally. The capability is designed for **risk managers, investment professionals, sustainability teams**, and others to assess the financial impact on a corporation due to climate change, as a result of both transition risks associated with moving to a low-carbon economy and physical risks associated with chronic climate hazards.

## A comprehensive, tailored approach to assess financial and credit risks under multiple climate scenarios.

**Industry leading methodology** based on a framework developed in collaboration with the United Nations Environment Programme Finance Initiative, tailored to provide comprehensive sector coverage.

**Road tested solution** with broad market adoption, including use by major financial institutions participating in regulatory climate scenario analysis and stress testing exercises in multiple jurisdictions spanning Europe, Asia, and the Americas. Also leveraged and referenced in industry research.

**Flexible scenario analysis** with pre-loaded scenarios from the Network for Greening the Financial System (NGFS) and major regulators globally. In addition, users have the option to run customized scenarios or assess near-term exposure to climate transition risks, such as the implementation of a global carbon tax.

**Comprehensive portfolio analysis** via six bottom-up models which cover 140+ industries under the GICS (Global Industry Classification Standard) code via a product specific approach for high carbon emitting sectors, such as oil and gas, power generation, metals and mining, automotive and airlines, plus an emissions-based approach for the remaining non-financial sectors, and a top-down approach for name-based extrapolation.

**Coverage of private and public companies** utilizing S&P Global Market Intelligence's company fundamental information and a waterfall approach to data enabling full portfolio analysis, even in cases where granular data is not readily available. The offering enables **automated bottom-up analysis for 2.2 million companies**. Where users have the requisite information, a proprietary analysis capability is also available.

**Differentiated data-sets** including industry and asset-specific data, emissions data, and physical risk data from Sustainable 1, all of which enrich the analysis and provide granularity to the approach.

**Validated model suite** supported by a detailed methodology guide (200+ pages), that has been successfully accepted and approved for use by Model Risk Management teams at multiple banks.

**High degree of flexibility** enabling users to perform sensitivity analysis on many parameters and tailor key assumptions (e.g., counterparty transition planning) for decision-useful insights.

**Easy Implementation** via a selection of delivery methods (e.g., Excel and API) to enable smooth integration into existing processes and workflows.

**Sophisticated quantitative credit scoring methodologies** that translate the risk into credit scores and default probabilities, using either CreditModel™ or Probability of Default Model Fundamentals model ("Credit Analytics models"), a statistical suite of credit models by S&P Global Market Intelligence.<sup>5</sup>

## Assess the climate exposure of your portfolios with Climate Credit Analytics, a one-stop solution for climate risk assessment.

<sup>1</sup>"Global Temperature Change", Bloomberg, [www.bloomberg.com/graphics/climate-change-data-green/temperature.html](http://www.bloomberg.com/graphics/climate-change-data-green/temperature.html)

<sup>2</sup>"State of the Global Climate 2021", World Meteorological Organization (WMO), [https://library.wmo.int/index.php?lvl=notice\\_display&id=22080#.YoTvhvPMK3I](https://library.wmo.int/index.php?lvl=notice_display&id=22080#.YoTvhvPMK3I)

<sup>3</sup>An investor initiative launched in 2017 to engage the world's largest corporate carbon emitters in taking necessary action on climate change.

<sup>4</sup>Oliver Wyman is a global management consulting firm and is not an affiliate of S&P Global, or any of its divisions.

<sup>5</sup>S&P Global Ratings does not contribute to or participate in the creation of credit scores generated by S&P Global Market Intelligence. Lowercase nomenclature is used to differentiate S&P Global Market Intelligence PD credit model scores from the credit ratings issued by S&P Global Ratings.

## About S&P Global Market Intelligence

At S&P Global Market Intelligence, we understand the importance of accurate, deep, and insightful information. Our team of experts delivers unrivaled insights and leading data and technology solutions, partnering with customers to expand their perspective, operate with confidence, and make decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI). S&P Global is the world's foremost provider of credit ratings, benchmarks, analytics, and workflow solutions in the global capital, commodity, and automotive markets. With every one of our offerings, we help many of the world's leading organizations navigate the economic landscape so they can plan for tomorrow, today. For more information, visit [www.spglobal.com/marketintelligence](http://www.spglobal.com/marketintelligence).

## About Oliver Wyman

Oliver Wyman is a global leader in management consulting. With offices in 60 cities across 29 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

The firm has more than 5,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a business of Marsh McLennan Companies [NYSE: MMC].

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