

OVERVIEW

The **Investor Leadership Network (ILN)** has established its Climate Change Advisory Group to facilitate collaboration among global investors, build on existing guidance and best practices, and expand the adoption of uniform and comparable climate-related disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

This **ILN Climate Change Physical Risk Toolkit** is designed to provide practical guidance for investors to better understand the potential physical impacts of climate change on their investments and the corresponding financial implications. The toolkit comprises four resources:



The **Scientific and Macroeconomic Context** for understanding physical climate change risks;



A step-by-step **Scoping Methodology** to identify potentially material physical climate risks and opportunities at the individual investment level, supported by an illustrative case study;



A **Disclosure Guide** with criteria for assessing physical risk disclosures and metrics, supported by examples of better corporate practices; and



A **Resource Guide** of credible third party sources to assist investment professionals in researching and analyzing physical climate risks and opportunities in specific detail.

While evidence of a changing climate continues to grow, the potential effects of its associated physical risks on a company's operations and future prospects remain difficult to incorporate into traditional investment analysis. The TCFD in its 2021 Status Report noted that it has found limited descriptions of the potential financial impacts of climate change in corporate reporting, despite this being critical decision-useful information that investors seek to understand.¹

Investors are therefore encouraged to use this guidance to identify and analyze the unique physical risks that climate change poses to current and target investments, based on the geographies, sectors and value chains associated with each investment.

