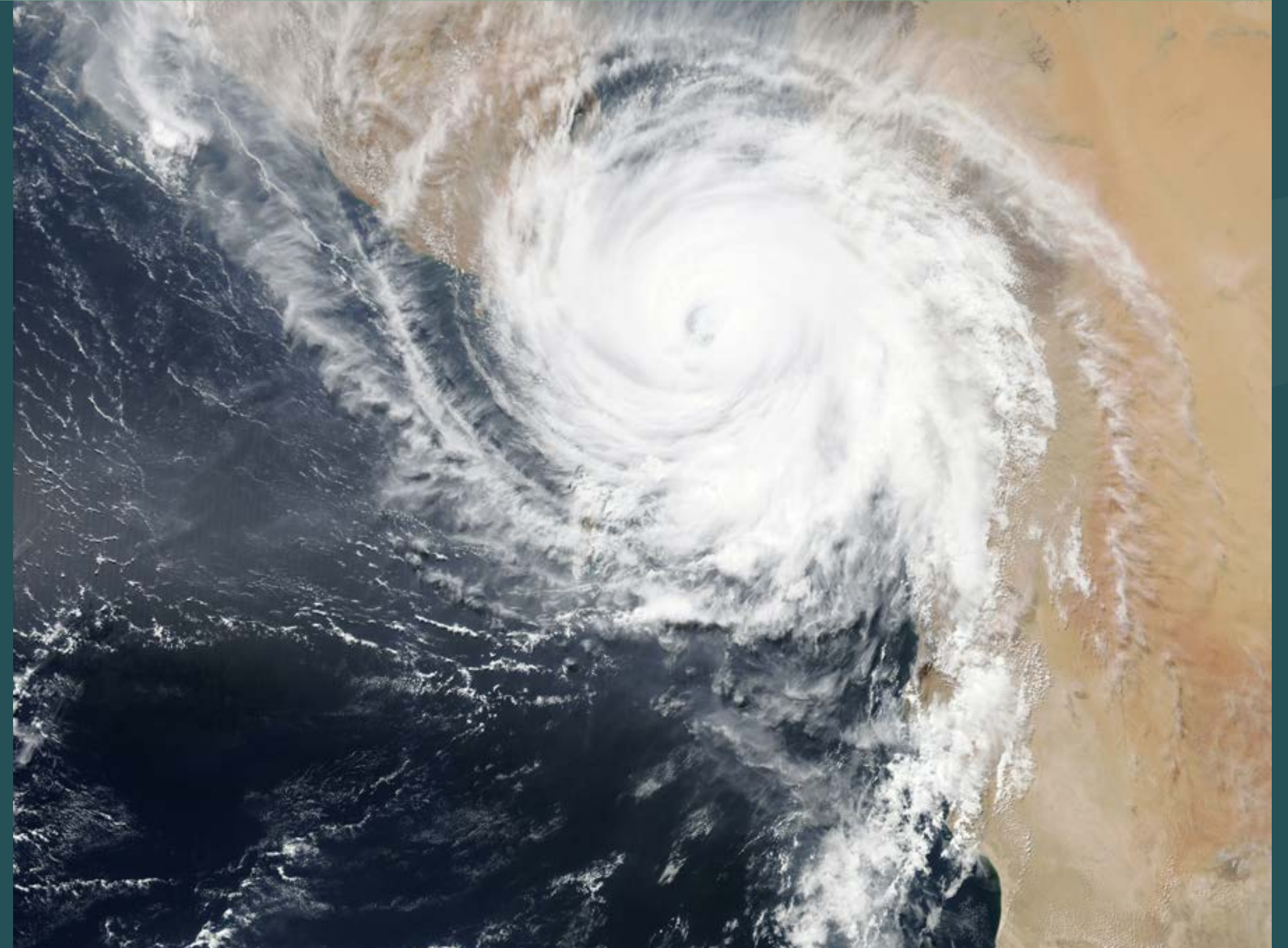


Physical Climate Risk

Navigate climate hazards for
sustainable investments

V1.0



[evoraglobal.com](https://www.evoraglobal.com)



Physical Climate Risk and Why It Matters

Physical climate risk is a financial risk. It results from the physical impacts of a changing climate. For instance, extreme weather events, rising sea levels, and intensifying temperatures represent physical climate hazards that can directly disrupt operations, inflate costs, and erode the value of your real assets. Understanding this climate-related risk is crucial to protecting your investments.

As climate change visibly accelerates and impacts become more frequent, the urgency to address physical climate risk grows. In addition to considering direct physical hazards, impacts and risks, a progressively stringent regulatory environment for investments further emphasises the importance of addressing these threats.

For example, one of the goals of the **EU Taxonomy** is to establish a fully climate-adapted EU society by 2050, capable of coping with the unavoidable impacts of climate change.

Several countries, including the UK, New Zealand, Switzerland, and China, have either made climate-related disclosures mandatory or are in the process of doing so. The G7 nations, including Canada, France, Germany, Italy, Japan, and the USA, along with other countries, are also planning to implement similar measures.





Physical Climate Risk Assessments for Resilient Decisions

Our **Climate Resilience team** specialises in crafting decision-useful information to help you understand and tackle physical climate risk, boosting your resilience in an uncertain future. We achieve this through three fundamental phases.

1

Identifying your **exposure** to physical climate hazards

2

Analysing the **risk** for your valuable real assets

3

Recommending **adaptation** strategies and measures

These not only reduce your energy and carbon consumption but also enhance your sustainability performance.

Our **Physical Climate Risk Assessments** meet regulatory and disclosure standards, including compliance with the **EU Taxonomy, IFRS S2/ TCFD**, and credit requirements for certifications such as BREEAM, GRESB, and DGNB.

Equipped with this essential information, you can make informed decisions to fortify your real assets against the tangible threats posed by physical climate change.





Decoding Climate Resilience EU Taxonomy and IFRS Frameworks

The **EU Taxonomy** is a regulatory framework with clear guidelines and a standardised classification system. It helps investors understand and tackle the direct and indirect impacts of physical climate risk on real assets and promotes a unified industry approach to sustainability. The **IFRS** (International Financial Reporting Standards) provides **global standards** for sustainability disclosures.

The **IFRS S1** framework promotes communication on sustainability risks and opportunities across different timeframes in large enterprises. The **IFRS S2** framework, which replaces the **TCFD** (Task Force on Climate-related Financial Disclosures), focuses on identifying, measuring, and disclosing information about climate-related risks and opportunities.

Collectively, they establish a universal language to assess the impact of physical climate-related factors, build trust in sustainability disclosures, and steer informed global investment decisions. At EVORA, our Climate Resilience Team recommends a three-phase approach to protect your real assets.





Phase 1 Exposure Screening

Our **Exposure Screening** leverages downscaled global climate model data from our service providers. This forms the basis for identifying potential physical climate hazards and assessing the vulnerability of your most at-risk assets.

In a subsequent step, we systematically compare the modelled results with local context and on-the-ground site data. This ensures an appropriate assessment of relevant physical climate hazards at both the asset and fund levels. This is necessary given the current limitations of most climate models to fully inform site-specific investment decisions.

We identify your most exposed assets under future climate scenarios and make recommendations for next steps.

In the event of identified risks, this may include our **Vulnerability and Risk Assessment** at the asset level.

Our approach aligns with the climate adaptation criteria outlined by the **EU Taxonomy** and **IFRS S2**, ensuring robust regulatory readiness and effective risk management.

This process concludes with the delivery of an **Exposure Screening Report**.





Phase 2 Vulnerability and Risk Assessment

Our **Vulnerability and Risk Assessment** identifies asset-level risk crucial for crafting a detailed **Adaptation Plan** in phase 3. This plan serves as a prerequisite for complying with the **EU Taxonomy** and meeting **IFRS S2** disclosure requirements.

The Vulnerability and Risk Assessment thoroughly examines the vulnerability of your asset(s) to the previously identified physical climate hazards, such as flooding, heat stress, or wildfire risks.

By assessing an asset's sensitivity and adaptivity – and the consequences of climate-related impacts – we can provide a more realistic estimate of the value at risk. This enables our team to identify specific adaptation measures and/or investment strategies to mitigate potential risks.

This process concludes with the delivery of a comprehensive **Vulnerability and Risk Assessment Report**.





Phase 3 Adaptation Planning

Our **Adaptation Planning** goes beyond identification to evaluate your asset-level adaptations, ensuring effective management of physical climate risk. By determining necessary financial investments and potential benefits, our approach aims to optimise fiscal management through a cost/benefit analysis.

Our strategic planning guides actionable steps for resilient and sustainable outcomes, facilitating readiness for **EU Taxonomy** criteria and disclosure under **IFRS S2** for enhanced compliance and transparency.

At EVORA, we analyse recommended interventions, evaluating their scale, ease, and expense of implementation. We identify potential gains for physical climate resilience, building on insights from your **Vulnerability and Risk Assessment Report**. Our process incorporates identified challenges, proposed solutions, costs, and actionable next steps.

This process concludes with the delivery of an **Adaptation Planning Report**.





Future-Ready Your Assets and Portfolio

Initiative-taking management of physical climate risk is essential to protect your valuable real asset investments. Our three-phase process stretches beyond mere regulatory compliance, aiming to furnish you with decision-useful information that fortifies your investment strategy in an uncertain future.

This approach not only shields your real assets from disruptions but also uncovers opportunities for sustainable growth. It's more than risk mitigation; it's recognising the potential for enduring resilience and sustained investment value in your real assets.





EVORA: Your Partner for Physical Climate Risk

Our dedicated **Climate Resilience team** combines expertise, innovation, and a commitment to sustainability and resilience to guide you through robust physical climate risk assessments, compliance measures, and strategic planning.

Together, we ready your real assets and portfolio against climate challenges – for resilience and long-term financial value.

To learn more about our strategic frameworks and disclosure support, please read our Product Brochure on **CLIMATE STRATEGY & DISCLOSURE**.





Trust EVORA Global for Sustainable Assets

We go beyond consultancy, serving as your trusted partner for sustainable real asset investments.

With our unparalleled **Collaborative Expertise**, we provide actionable insights that empower your real asset community to thrive in sustainable investment.

Our proven expertise in strategic consulting, climate resilience, net zero, sustainable finance, infrastructure, reporting, and social wellbeing ensure your investments are aligned with environmental, social, and governance goals for a secure ROI.

Driven by Collaborative Expertise

STRATEGY

Driving value and impact with sustainable ESG strategies

TECHNOLOGY

Streamlining operations and insights with advanced real asset technology, **SIERA**



ADVISORY

Navigating sustainable solutions with expert real asset advice



Our Mission

To establish sustainability and carbon as foundational factors for investment decisions.

Our Purpose

To accelerate the adoption of real asset sustainability and enhance the wellbeing of the planet and its people.

Our Clients

250+
CLIENTS

45,000
ASSETS

\$880 billion
AUM

“

EVORA delivered a forward-looking strategy which clearly aligned and integrated the value proposition of ESG to our investment strategy. We look forward to working with EVORA on the next stage of our strategy.”

Andy Rofe

Managing Director, Head of Europe
Invesco Real Estate

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