



# Climate Stress Testing

*Assess the resilience of your portfolios throughout transition scenarios*

A fresh take on risk and valuation

Are your existing frameworks prepared for the challenges of climate stress testing?

CLIMATE STRESS TESTING

2022 ECB CLIMATE STRESS TEST

RISK MANAGEMENT

CLIMATE CHANGE

SCENARIO ANALYSIS

ESG

With the effects of climate change being more visible than ever in our daily lives and the way business is conducted, financial institutions are more inclined to incorporate climate-related targets into their strategy and risk management frameworks.

However, the effective measurement of climate risk exposures in portfolios remains challenging. Past experience in the industry related to scenario analysis and stress testing provides the financial industry with the opportunity to get a quantitative view of their exposure to the transition towards a carbon-neutral economy. Moreover, an increasing number of regulators, such as the ECB and the Bank of England, are forcing banks to conduct internal climate risk stress tests on their portfolios while taking into account the most prominent transition scenarios.

As climate stress testing entails a significantly longer timeframe and different impact methodology compared to past regulatory stress tests, many financial institutions will have to redesign their existing stress testing frameworks.



For more information, visit

[www.finalyse.com/climate-stress-testing](http://www.finalyse.com/climate-stress-testing)

## Benefits

- Benefit from Finalyse's extensive experience and expertise in the area of risk management for financial institutions.
- Ensure compliance with the methodology from the 2022 ECB stress test.
- Understand and measure the transition and physical risk exposures in the portfolios.

## Motivation

Finalyse's risk management team consists of talented professionals who will help you implement the requirements of the ECB climate stress test:

- Organisation of workshops to build an internal knowledge base on climate stress testing and complete the Module 1 Questionnaire.
- Ensuring the quality of the data collection process using data governance and control mechanisms.
- Translation of stress testing requirements into interpretable action points.
  - » Pragmatic methodology which leverages on existing models and frameworks.
  - » Creation of dynamic climate stress testing framework that allows for increased complexity.
- Analysis and aggregation of results on the portfolio and disclosure of relevant metrics used for strategy and risk management decisions.

AMSTERDAM

BRUSSELS

BUDAPEST

DUBLIN

LUXEMBOURG

WARSAW