Guidance 17: Typical metrics for portfolio-level climate risk monitoring

British International Investment

Metrics should generally be decision-useful, reliable, comparable and accompanied by clear caveats regarding methodology and data quality.

Use case	*Baseline metrics (for Developing-stage FIs)*	*Forward-looking metrics (for Advanced-stage FIs)*
Physical risk assessment	▪ % assets exposed to critical hazards (breakdown by sector, geography) ▪ List of top clients hitting / exceeding risk limits	▪ Scenario-based probable maximum loss (PML) or climate-adjusted Value at Risk (CVaR) ▪ Climate-adjusted probability of default (PD)
Transition risk assessment	▪ % assets in high-emitting and/or hard-to-abate sectors (breakdown by sector, geography) ▪ Financed emissions profile (both absolute emissions relative emissions intensity)	▪ Scenario-based Value at Risk (CVaR) ▪ Implied temperature rise (ITR)
Portfolio alignment to Paris goals	▪ Weighted Average Carbon Intensity (WACI) of portfolio ▪ % of portfolio covered by validated science-based targets (SBTs)	▪ Portfolio alignment score ▪ # clients in high-emitting sectors not aligned to expected sectoral decarbonisation trajectories
Transition/adaptation finance	▪ % of portfolio linked to “green” assets ▪ Climate solutions investment ratio	▪ Avoided emissions per revenue / CAPEX ▪ Forward-looking green CAPEX ratio
Engagement	▪ # of clients engaged on climate issues ▪ # of business lines with soft / hard climate-related performance targets	▪ # of successful transition-related engagements (breakdown by sector / geography / business line)