

Case study

Building a climate-resilient portfolio: How a US private assets manager future-proofed investments

Requirement



A leading US-based private assets management firm wanted to identify and quantify climate-related risks across its 200+ portfolio companies.

Challenge



The existing region- and sector-wise public data sets were ineffective, as these lacked the depth required to capture nuanced climate risk of each asset. Also, the portfolio comprised largely private companies, and, hence, there was limited public data availability.

Our solution



- Our bespoke approach involved engaging with high-value portfolio companies to capture historical climate-related disruptions experienced by them in the past 5-10 years
- This was followed by desk-based screening of the assets to review historical disruptions and asset-level physical and water risks by utilizing various open-source tools.
- We subsequently built a quantitative scoring matrix based on four factors—likelihood, vulnerability, impact, and speed of onset as per the IPCC guidelines—utilizing information from site documentation shared by the portfolio company and secondary research from news articles, government databases, research papers, sectoral analyses, etc. We, thereafter, mapped the identified asset level exposure to various climate hazards, highlighting assets with highest expected annual loss
- We followed up with a second engagement with the portfolio companies to validate the findings and developed a robust asset-wise risk profiles. Furthermore, we created a strategic roadmap for mitigation and adaptation with phased action plans

Impact



Enabled the deal team and management to quickly identify and address asset vulnerabilities across 200+ companies, facilitating informed capital allocation decision-making



Improved the due diligence and post-investment monitoring process, and reduced the risk exposure by uncovering 30+ material, location-specific vulnerabilities across five regions



Protected long-term portfolio value by implementing phased mitigation plans for assets representing 80% of the total portfolio value to systematically reduce potential losses

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