MOODY'S

Banque Internationale à Luxembourg

Moody's Physical Climate Risk Capabilities for Regulatory Compliance

Meeting European Banking Needs for Transparent, Flexible, and Robust Physical Risk Analytics

Moody's meets the needs of banks with accessible and meaningful insights and scalable analytics designed for flexible integration in a changing regulatory landscape. Banque Internationale à Luxembourg (BIL) is leveraging our physical risk analytics for compliance with emerging European and global regulations.

Banque Internationale à Luxembourg – a background of commitments

BIL offers retail, private, corporate and financial market services to local and international clients. As a major player in Luxembourg's finance industry, Banque Internationale à Luxembourg is committed to building a sustainable and balanced economy. The bank has designed its organisational structure to address ESG challenges. Ensuring compliance with regulatory requirements is a priority:

- Sustainable Finance Disclosure Regulation, governing the development of financial products
- the European taxonomy, listing its environmentally sustainable activities
- The Corporate Sustainability Reporting Directive (CSRD), outlining requirements on sustainability reports and transparency on climate actions
- In addition BIL is a signatory to the UNEP FI (United Nations Environment Programme Finance Initiative) Principles for Responsible Banking and to the principles of the UN Global Compact.

Regulatory requirements and analytics needs

BIL identified its requirements to select a physical risk solution applicable to its lending portfolio with the aim to comply with the evolving ESG regulations::

1. Comprehensive view of categories of physical risk
2. Multidimensional analytics from individual real assets to global portfolio
3. High-resolution analytics with multiple time horizons and scenarios

4. Multiple options for integration
5. Accessible and transparent documentation

BIL is leveraging Moody's physical risk analytics to meet all the above needs.

Translating Climate Science into Risk Metrics with Financial Context

Moody's climate risk capabilities deliver analytics and tools that provide context and understanding for navigating emerging regulation, evolving stakeholder expectations, and shifting market competition and opportunities. Moody's offers this compass of understanding through developed solutions at the intersection of financial intelligence and climate science. We offer global context with **comprehensive and consistent models of integrated risk.** We enable deeper perspective with insight on business relevance of physical and transition risks at the **individual asset, regional, and portfolio-level**. We then support better decisions with asset-level details of potential **financial implications** from future climate risk on business as usual.

Forward-Looking Risk Defined by Regulator-Validated Approach

Our climate risk insights help banks unlock opportunity, advance business, and act decisively. Our climate modeling expertise steps from **over 30 years of collaborative solution development on physical risk validated through regulatory oversight processes.** Our financial intelligence is informed by the **115+ year foundation of Moody's data and information solutions, plus the world's largest database on companies (450m+) and credit**.

Physical climate risks including floods, heat stress, hurricanes and typhoons, sea level rise, water stress, and wildfires translate into complications for business-as-usual risk management that require new insight for regulatory reporting and compliance.

Our approach to delivering robust, transparent, and actionable insight includes evaluation of:

1. Climate science and **likelihood of events** – combining bottom-up weather simulations to calculate the expected frequency and severity of chronic and acute climate events both now and in the future.
2. Asset characteristics and **likelihood of damage** – factoring individual property characteristics with on-the-ground post-event damage reconnaissance surveys and machine learning techniques to evaluate influence of building type, industry, and regional building codes on potential damage and financial losses.
3. Geography and **likelihood of business interruption** – evaluating location specific factors such as terrain, geology, land-use, and building codes to model risk considering historical hazard data scarcity and mitigation efforts.

Moody's climate risk analytics translate this evaluation into meaningful decision metrics:

- Hazard scores – communicating the **relative threat**
- Impact scores – deepening perspective with estimates of **potential damage and business disruption**
- Financial metrics - refining insight with **financial estimates** that help inform business decisions and regulatory reporting

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https://www.moodys.com/web/en/us/capabilities/climate-risk.html