



Climate-related risk assessments and financial disclosures

How to answer the challenge of the
TCFD recommendations

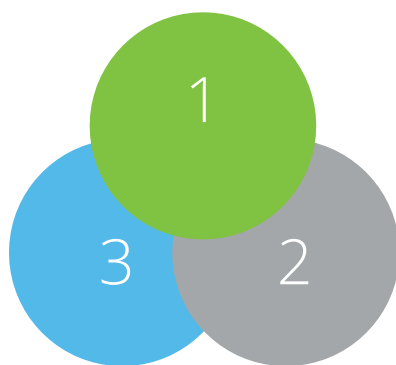
June 2018

Climate change is arguably the most severe challenge facing our planet during the 21st century. Human interference with the climate system - through the emission of greenhouse gases (GHG) and changes in land use - has increased the global and annual mean air temperature at the Earth's surface.

Climate change is a truly cross-cutting issue and a global challenge that affects many sectors and cannot be considered in isolation from other challenges.

Challenges and objectives

Identifying, assessing and managing climate risks to ensure the long term sustainability of your business



- 1**
AT STAKE
Positive and negative impacts of climate change risks on business activities
- 2**
SHORT-TERM OBJECTIVES
Identify key climate change risks, priority risks and mitigation actions
- 3**
LONG-TERM OBJECTIVES
Monitor and mitigate risks



Climate change risks can positively or negatively impact business activities and businesses have also an impact on climate change. A strategy supported by viable tools, is needed to address potential climate change risks and challenges for the company: policy regulation, availability of raw materials, geopolitical context, etc.



Understand “hot spots” and design framework for risks monitoring and potential communication to internal and external stakeholders, including shareholders, based on a **robust and transparent** risk framework.



Monitor and mitigate risks, ensure findings contribute to key business decisions, **communicate** to stakeholders using appropriate risk frameworks.

Four steps approach

A clear, step-by-step, cost-effective approach ensuring short to long term actions against climate change risks.

Deloitte helps organisations from start to finish or intervenes at specific steps of the approach.



IDENTIFICATION AND PRIORITIZATION OF YOUR KEY CLIMATE-RELATED RISKS AND OPPORTUNITIES

- Definition of the scope, parameters, main data needs, targets, indicators and objectives
- Data collection and stakeholder consultation
- Quantification and analysis of key climate-related risks and opportunities



ANALYSIS OF TAILOR-MADE CLIMATE SCENARIOS

- Definition of scenarios (including a 2°C scenario) taking into account: increase in global temperature, worldwide endorsement of policies to fight climate change, specific factors for each economic sector, potential disruptions
- Detailing risks and opportunities for each scenario



DEVELOPMENT OF ACTIONS TO MITIGATE RISKS

- Development and implementation of actions to address priority risks and opportunities
- Short, mid and long-term – feasible and flexible solutions
- Development of key performance indicators to measure and monitor progress

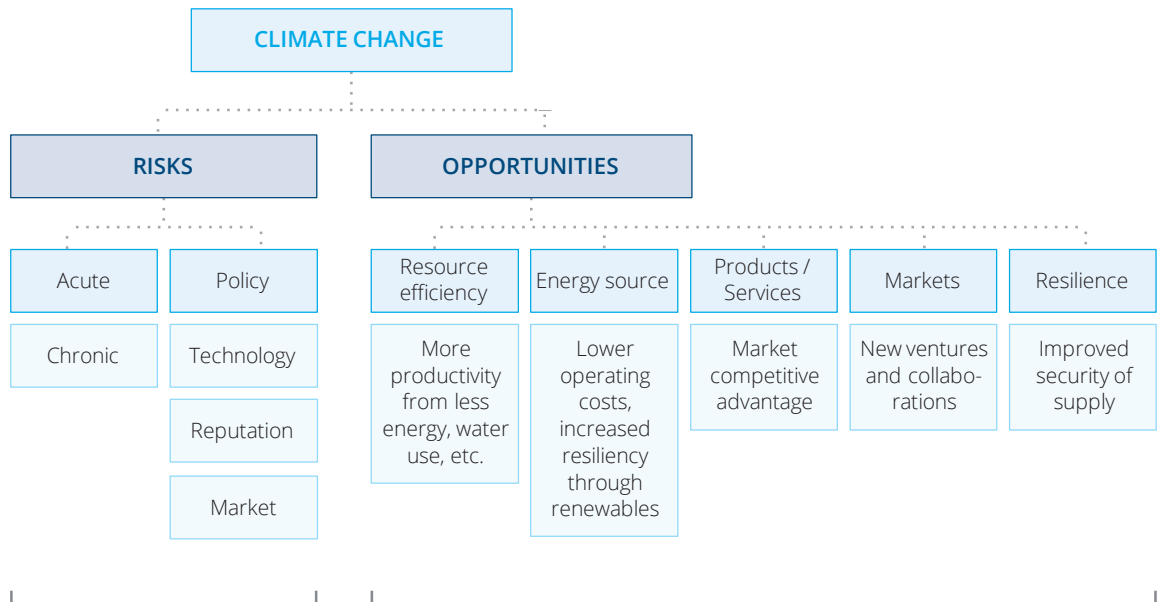


COMMUNICATION AND DISCLOSURE OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

- Climate disclosure report according to TCFD recommendations
- Summary of key findings and the way forward, including any uncertainties and/or areas for further investigation

STEP
1

IDENTIFICATION AND PRIORITIZATION OF KEY CLIMATE-RELATED RISKS AND OPPORTUNITIES



Prioritisation of climate-related risks:

- Magnitude of risk: scope
- Likelihood of risk
- Potential impacts and consequences e.g. financial impacts include impacts on revenue statements, cash flow and balance sheet, etc.

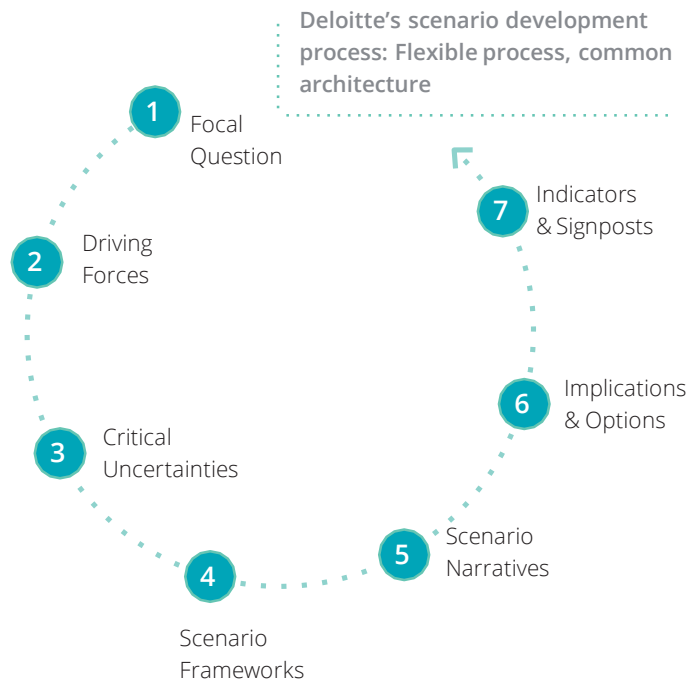
Build upon promising opportunities:

- Opportunities could offset potential risks e.g. new investments, reduced operating costs, access to new markets
- Opportunities focused on climate change mitigation and adaptation solutions and a transition to a lower-carboneconomy

STEP
2

ANALYSIS OF TAILOR-MADE CLIMATE SCENARIOS

- Scenario analysis allows to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect your businesses, strategies, and financial performance over time.
- Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. Instead, scenarios provide a way for organizations to consider how the future might look if certain trends continue or certain conditions are met.
- The TCFD provides in-depth step by step guidance, including a specific technical supplement on scenario analysis on how to carry out scenario analysis, including recognition of key issues and challenges to consider.
- Our approach goes one step further, enabling a progressive analysis and leveraging on your understanding of your business.



Scenario analysis improves judgment and decision-making in the face of radical uncertainty

STEP
3

DEVELOPMENT OF ACTIONS TO MITIGATE RISKS

- Actions to mitigate and adapt to the identified climate change risks for your company will be developed based on findings from internal consultation and external benchmark. The actions should be coherent with both your current actions as well as relevant international initiatives.



The **action plan** can be adapted to reflect evolutions such as technologic developments, policy context, etc. The action plan also highlights the areas of highest risk and vulnerability, what can be done, by who and by when, etc.

STEP

4

COMMUNICATION AND DISCLOSURE OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

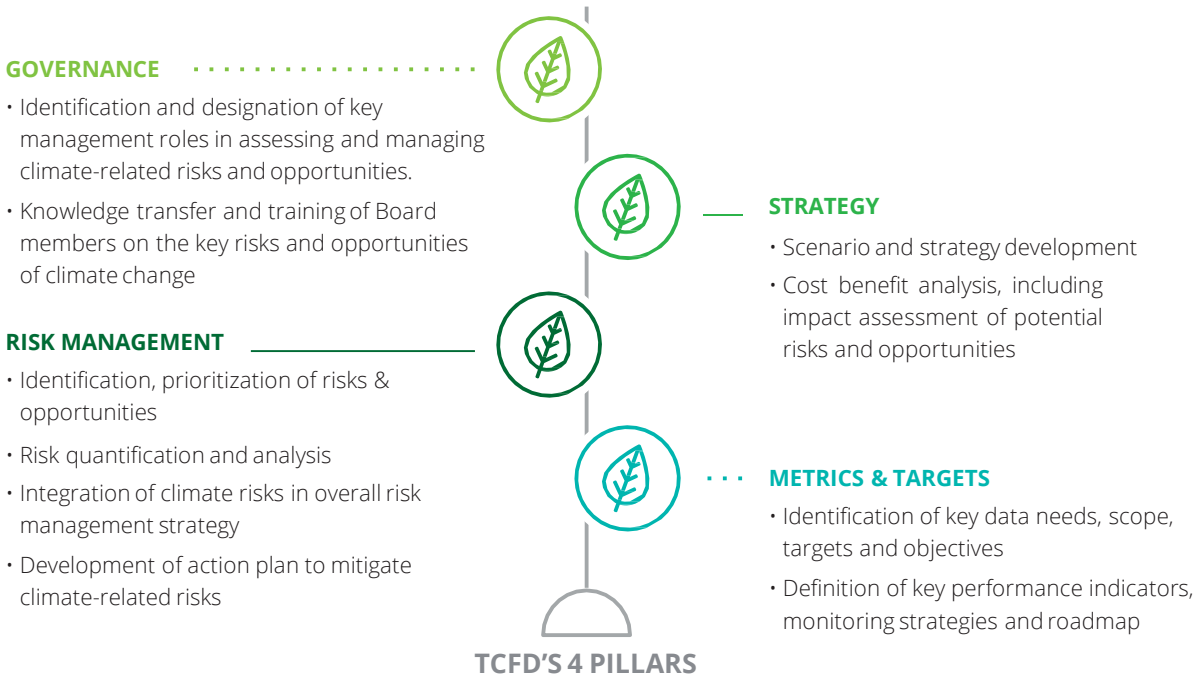
- The TCFD's recommendations include detailed guidance on the structure and contents of the **climate disclosures**. There is also supplemental guidance for the financial and non-financial sectors, highlighting important sector-specific considerations.
- Certain elements from the climate disclosures reported may be adapted to reflect more specifically the scope and interests of your organisation. They can be used as a strategic communication tool for internal purposes and for external stakeholders. Further, the disclosures can be included in **financial filings** and for **investors**.



Our experience and capabilities

Deloitte Sustainability offers **tailor-made** and **comprehensive** solutions for managing **climate risk and reporting**.

In particular, Deloitte helps organisations assess and disclose their climate-related risks and opportunities. Our expertise is based on transparent and robust methodologies aligned with the Task Force on Climate-related Financial Disclosures' (TCFD) Recommendations and Guidance, published in 2017. The TCFD's recommendations address four key pillars: **governance, strategy, risk management and metrics & targets**. They aim at promoting consistent **"disclosures that will help financial market participants understand their climate-related risks."**



Our experts bring the strategic, economic, technical, risk management and sustainability skills required to provide a comprehensive service offering.



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