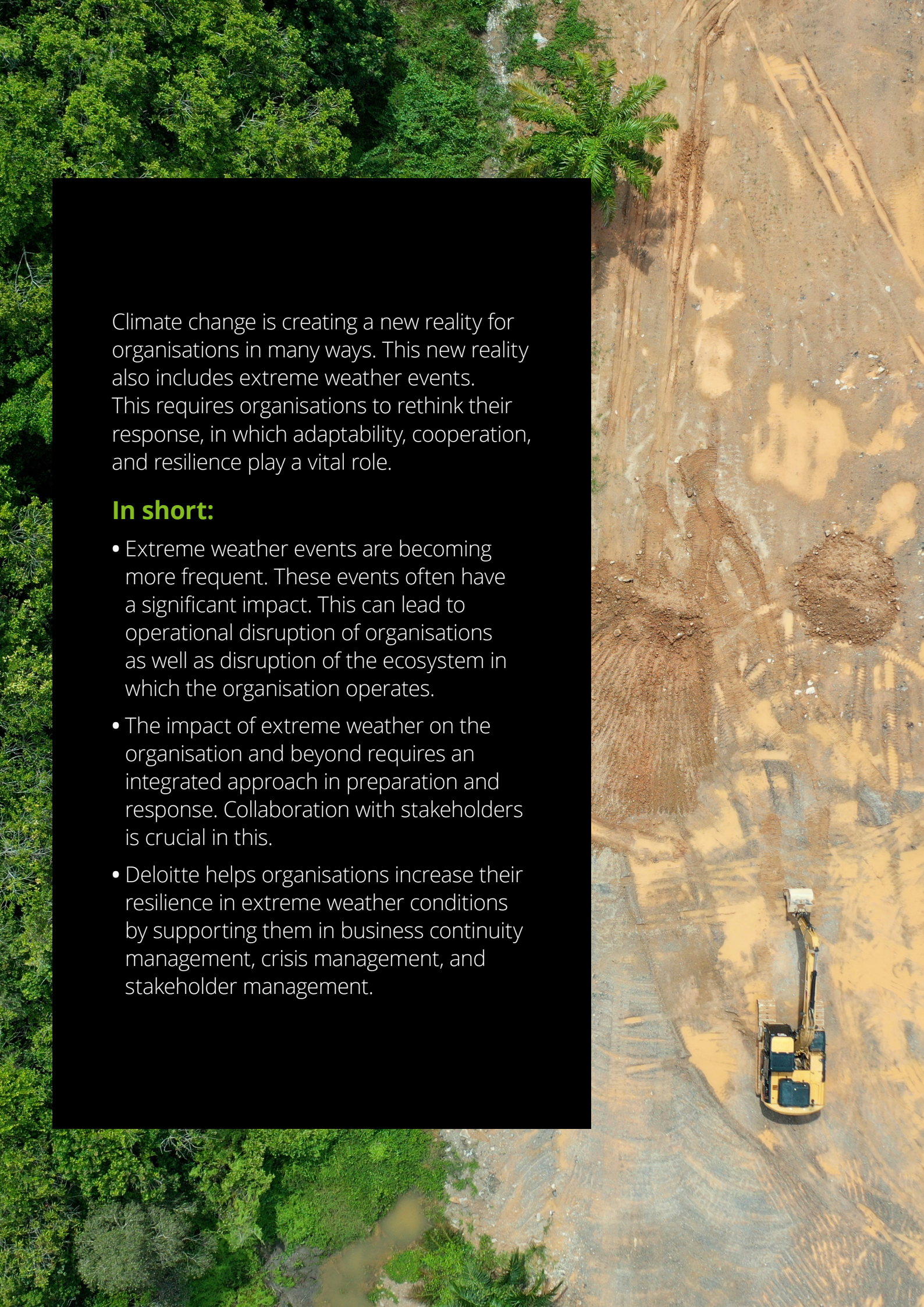




Organisational resilience: preparation and response to climate-related disruption

Why extreme weather conditions
require organisations to approach
their response differently



Climate change is creating a new reality for organisations in many ways. This new reality also includes extreme weather events. This requires organisations to rethink their response, in which adaptability, cooperation, and resilience play a vital role.

In short:

- Extreme weather events are becoming more frequent. These events often have a significant impact. This can lead to operational disruption of organisations as well as disruption of the ecosystem in which the organisation operates.
- The impact of extreme weather on the organisation and beyond requires an integrated approach in preparation and response. Collaboration with stakeholders is crucial in this.
- Deloitte helps organisations increase their resilience in extreme weather conditions by supporting them in business continuity management, crisis management, and stakeholder management.



More extreme weather conditions due to a changing climate

Climate scientists predict that weather extremes with significant impact will occur more often. Examples are the consequences of the floods in Limburg or the heavy hailstorms that have repeatedly affected the greenhouse industry in recent years. Droughts and heat have also caused problems. Think about how the low water level caused by drought have made inland water transport more difficult and

how heatwaves pose health risks and put pressure on vital infrastructure. Climate change is increasingly causing situations that are difficult to predict. The result: a greater chance of (prolonged) disruption of business operations with an impact on a large number of stakeholders.

This is why Deloitte's Resilience, Crisis & Reputation is specialized in the theme of

"climate resilience", so that we can help organisations, businesses, and government agencies prepare for and respond to such extreme weather conditions. We are focused on how extreme weather can affect operational continuity and its stakeholders. An important aspect of this is the physical disruption caused by climate change, its implications, and raising awareness about it.



Why does extreme weather require a different approach to preparation and response?

The impact of extreme weather never affects just one company or organisation. Heavy rainfall, a heatwave, prolonged drought, or a severe storm affect entire areas, and therefore the ecosystem and community around an organisation. The consequences of this are still often underestimated by many companies.

It is not just about the locations and operations of the organisation, but extreme weather can also affect the supply chain and even the living conditions and well-being of employees and customers. As we saw during the floods in Limburg in 2021, it can happen that not only a business location suffers severe damage, but also employees may be trapped in their own homes and roads may become

impassable. The impact of such an event is significant and puts the recovery of organisations under pressure.

The operations of government organisations can also be greatly affected by extreme weather. Think, for example, of the risks to municipalities. If a flood damages data servers that are underground or damages the electricity supply, long-term service interruptions may occur, with significant consequences for citizens and businesses. This could include not being able to pay social benefits to residents.

If service delivery delays or stops, the Municipality needs resources to recover operations, while the demand for support

from society is also growing. This can have significant consequences because of the increasing pressure on the organisation. Furthermore, the number of organisations and stakeholders involved when an extreme weather scenario occurs (such as during a flood) is large and complex. Think, for example, of the various emergency services, water boards, local, provincial and national governments, and cooperation with neighboring countries.

Such situations require a different way of preparing, responding, and recovering than for problems that "only" affect the organisation. Transparent communication and cooperation are crucial in this regard.



Call for resilience from legal and financial institutions

The physical impact of climate changes makes organisation rethink their modus operandi. In addition to the physical impact, there are also laws and regulations to take into account. There already exist various guidelines for organisations to report on their impact on the climate, and on financial climate risks.

Currently, there is no law that requires companies to be responsible for their employees, customers, and other stakeholders with regard to the implications of extreme weather. However, the question is how long this will be the case. Consider the recently ratified Digital Operational Resilience Act (**DORA**) in the cyber security domain. This law assumes that, in the event of a serious operational disruption such as a hack or cyber-attack, a company has taken all necessary precautions to restore business continuity as quickly as possible, minimising the impact on consumers.



Knowing that extreme weather conditions will also become a structural part of the context in which businesses operate, it is expected that we will also have a "Climate Operational Resilience Act" in the future.

In addition to laws and regulations, the insurability of organisations is also under pressure due to extreme weather events. When the frequency and severity of certain risks, such as flood risk of business

locations, increase, these assets become less and less insurable. It is also not unthinkable that financial institutions will increasingly impose stricter requirements on their customers on how to deal with these risks. As a result, companies are being challenged from various sides to take steps to minimise the impact of possible extreme weather situations and to increase their knowledge in this area.



Integrated approach of Deloitte

Deloitte has relevant expertise to prepare for, respond to, and recover from disruptions and crises caused by extreme weather. Due to the multidimensional nature of this issue, our service is characterised by an integrated approach. This enables us to help businesses be well prepared for the consequences that extreme weather may bring.

Our **Strategic Business Impact Analysis** and **Business Continuity Management** services can help identify critical business processes that may be disrupted due to changing weather conditions.

We can help develop a **Crisis Management Plan** that emphasizes communication and stakeholder management. This is important to have in place so that an organisation can respond quickly and effectively in case of a crisis, getting at the forefront of the response. Proactive and clear communication is key to maintaining, strengthening or restoring **trust** in the organisation, from both internal and external **stakeholders**.

If a company wants to train and/or assess its preparedness for a crisis, such as an extreme weather disaster, and its ability to recover within a certain period, we offer **Crisis Management Simulations**. These are customised to the client's needs to create the most realistic scenario possible. With this, leadership teams can practice how they would react in a crisis situation and assess how well-prepared the organisation is.

When organisations take a strategic approach on climate resilience, their ability to manage this ever-changing context grows. We believe that risks can translate into opportunities that contribute to the organisation's overall resilience for the future.

Climate resilience is about more than just preparing for and responding to extreme weather. It's also about the role your organisation takes in combating climate change and making both the organisation and the world more resilient for the future. For this, have a look at our [other services on sustainability](#).



If you would like to learn more, feel free to contact us at...

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