

# Reporting Readiness: Conducting a Climate Scenario Analysis

Regulators, investors, and clients want to know if your business is prepared for the disruptions of the future. One established way to communicate your resiliency is through conducting and reporting on a climate scenario analysis (CSA).

The CSA is a comprehensive tool used by organizations to evaluate potential climate-related risks and opportunities on their operations, assets, and overall business strategy. The process involves simulating potential future climate conditions under different global warming pathways and socio-economic assumptions. By exploring different climate scenarios, organizations can assess risks and opportunities associated with a changing climate, enabling them to make informed strategic decisions and build resilience.

## Aligning with Global Standards: The Case for CSA

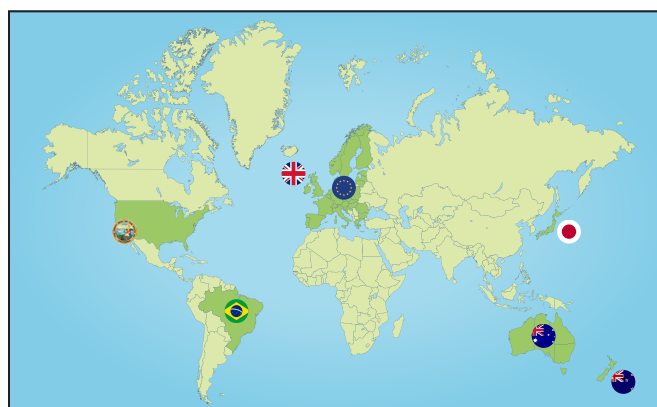
Beyond understanding your own business vulnerabilities and strengths as it pertains to climate risks associated with different climate scenarios, regulatory climate-related disclosures have recently been adopted globally. The countries\* highlighted in the map to the right have regulations that ask companies to align with the Task Force on Climate Financial Disclosures (TCFD) or the International Financial Reporting Standards (IFRS) S1 and/or S2 frameworks. Both the TCFD and IFRS frameworks discuss the use of CSA.

### California: Senate Bill (SB) 261

- Climate-related risks to be disclosed against recommended frameworks and standards like TCFD
- The TCFD Framework incorporates the recommendation to conduct a CSA as part of its 'strategy' pillar

### New York: SB S3697

- Climate-related financial risk to be disclosed in accordance with the recommended framework and disclosures contained in the final report of recommendations of the TCFD



**\*Disclaimer:** Other countries and jurisdictions may require climate-related reporting. This map should not be considered a complete nor a comprehensive list of countries with climate-related disclosure regulations.

- A climate-related financial risk report that includes information about greenhouse gas emissions or voluntary mitigation efforts that are verified by an independent third-party verifier

### CSRD ESRS E1

- Companies shall explain how they identified risk exposure by a climate-related scenario analysis, considering at least a scenario consistent with the Paris agreement
- When conducting a CSA, the company may consider the TCFD for guidance, which includes conducting a CSA

### Brazil: IFRS Sustainability Disclosure Standards

- IFRS Sustainability Disclosure Standards (S1 and S2) of the International Sustainability Standards Board is to be incorporated into the Brazilian regulatory structure
- IFRS S2 is broadly consistent with TCFD Recommended Disclosure, however, does not specify particular scenarios used when conducting a CSA

### Australia: Sustainability Reporting AASB S1 and AASB S2

- The Australian Accounting Standards Board (AASB S1 and S2) are founded on the IFRS S1 and S2 concepts, but includes modifications to the IFRS standards
- Scenario analysis is part of the sustainability reporting requirements

### New Zealand: Mandatory Climate-Related Disclosures

- The financial sector must publish climate-related disclosures
- Reporting is required against climate standards issued by the External Reporting Board (XRB). These climate standards are based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- The TCFD Framework incorporates the recommendation to conduct a CSA as part of its 'strategy' pillar

### Japan: Corporate Governance Code

- The Corporate Governance Code requires sustainability-related and climate-specific disclosures to align with the TCFD framework
- The TCFD Framework incorporates the recommendation to conduct a CSA as part of its 'strategy' pillar

### United Kingdom: Mandatory Climate Disclosures

- The TCFD framework is mandatory for companies to disclose climate-related risks and opportunities; the framework incorporates the recommendation to conduct a CSA as part of its 'strategy' pillar

### Strategic Implications: Why Conduct a CSA

The insights from a CSA allow companies to integrate climate risks and opportunities into their broader risk management framework and business planning. The analysis can inform:

**Regulatory mandates:** Remain in compliance with regulatory requirements.

**Resilience strategies:** Understanding potential climate risk resiliency gaps can influence future business strategies. This could include upgrading infrastructure, enhancing policies, diversifying supply chains, and improving disaster preparedness.

**Investment decisions:** Aligning with capital investment and market trends, understanding potential climate risks and opportunities associated with future climate conditions can help companies reduce exposure to high-risk areas and capitalize on emerging opportunities.

**Financial implications:** Insurers may assess the financial exposure to climate-risks, ensuring appropriate pricing of premiums and adjusting coverage for high-risk areas. Companies may also be financially impacted by the climate-risk itself.

### Apex Can Support Your Business

Our CSA service offers a data-driven, collaborative approach to help businesses gain a deep understanding of their climate risks and opportunities. By tailoring scenario models to your specific industry and region, we provide detailed insights into physical and transitional risks as well as uncover potential opportunities. With our expert guidance, you'll be able to prioritize risks, understand your resiliency, and discover growth opportunities.

### About Apex

Established in 1988, Apex Companies provides award-winning consulting and engineering services with a robust portfolio of capabilities in water, environmental, ESG, health and safety, construction management, transportation, compliance and assurance, and infrastructure. Clients turn to us for our technical expertise, innovative approaches, quick response time, and unparalleled performance.



If you have **questions about the CSA**, its benefits and implications, or want to understand how it is conducted, **[contact us!](#)**

[www.apexc.com](http://www.apexc.com)

info@apexc.com • (800) 733-2739

