

# Climate Scenario Analysis



A climate scenario analysis can help organizations make better strategic decisions to increase resiliency both on a property level, and enterprise wide.

When making business decisions in the face of a myriad of future possibilities, a climate scenario analysis aims to offer guidance and insight for understanding the impact of potential future outcomes, both favorable and unfavorable, and helps to assess areas of weakness and opportunity to adapt both present and future actions to yield the most desirable results.

## Climate Scenario Analysis at Apex Quick Points

- Utilizes globally recognized United Nations (UN) Intergovernmental Panel on Climate Change scenarios;
- Analyzes changes in temperature, precipitation, solar irradiance, flood zones, sea level rise, growing degree days, plant hardiness zones, heat zones, and more;
- Identifies transition and physical risks and their corresponding business impacts;
- Identifies business opportunities to increase operating efficiency, reduce costs, and increase revenues in the long-term;
- Provides a comprehensive and understandable report and guidance with clear opportunities to take action and make positive change;
- Meets the Task Force on Climate-Related Financial Disclosures (TCFD) criteria for conducting a climate scenario analysis;
- Improves investor, client, and customer relations as the demand and pressure for climate-related disclosures continues to grow.



## Why Choose Apex?

- Apex enjoys a long-standing history of performing related work, and employs environmental and climate professionals who understand the interconnectedness of science with businesses risks and needs;
- Apex employs recognized ESG and climate experts in consulting and verification/assurance;
- We offer national presence with global experience;
- We provide in-depth knowledge and experience across a wide range of sectors;
- We benefit from being recognized as an award-winning service provider ('Top 30 All-Environmental Firm' since 2013, 'Top 200 Environmental Firm' since 1996)

## A Process for Applying Scenario Analysis to Climate-Related Risks and Opportunities

**1** **Ensure governance is in place:** Integrate scenario analysis into strategic planning and/or enterprise risk management processes. Assign oversight to relevant board committees/sub-committees. Identify which internal (and external) stakeholders to involve and how.

**2** **Assess materiality of climate-related risks**

|                              |                |
|------------------------------|----------------|
| Market and Technology Shifts | Reputation     |
| Policy and Legal             | Physical Risks |

What are the current and anticipated organizational exposures to climate-related risks and opportunities? Do these have the potential to be material in the future? Are organizational stakeholders concerned?

**3** **Identify and define range of scenarios**

Scenarios inclusive of a range of transition and physical risks relevant to the organization

What scenarios (and narratives) are appropriate, given the exposures? Consider input parameters, assumptions, and analytical choices. What reference scenario(s) should be used?

**4** **Evaluate business impacts**

- Impact on:
- Input costs
  - Operating costs
  - Revenues
  - Supply chain
  - Business interruption
  - Timing

Evaluate the potential effects on the organization's strategic and financial position under each of the defined scenarios. Identify key sensitivities.

**5** **Identify potential responses**

- Responses might include
- Changes to business model
  - Changes to portfolio mix
  - Investments in capabilities and technologies

Use the results to identify applicable, realistic decisions to manage the identified risks and opportunities. What adjustments to strategic/financial plans would be needed?

**6** **Document and disclose:** Document the process; communicate to relevant parties; be prepared to disclose key inputs, assumptions, analytical methods, outputs, and potential management responses.

Source: <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Technical-Supplement-062917.pdf>