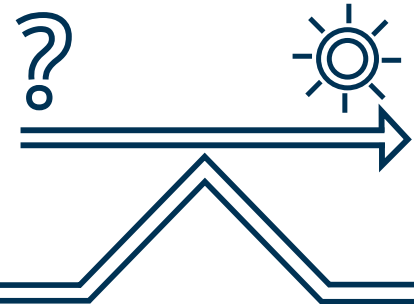

Getting Started: Assessing your climate-related risks, opportunities and current position



In collaboration with the Carbon Trust, the first module in our Transition Planning series explores the role of the non-executive director (NED) in ensuring organisations follow best practices in assessing climate-related risks and opportunities, the scenario analysis methodology to support such assessment, and practical insights of key levers for organisations to develop a transition plan.

“We are talking about something that is fundamentally not novel [transition/strategic planning]. What is novel is the speed and the nature of getting emissions down by changing the business model.”

David Carlin
Chapter Zero Fellow and Head of Risk at UNEP FI

Key takeaways for non-executive directors

1 →

Transition planning is strategic business planning. It helps future proof the business by not only mitigating physical and transition risks, but by building financial resilience and seizing business opportunities derived from the transition to net zero.

2 →

NEDs bring an external perspective and expansive thinking that is crucial for developing transition plans that are credible, dynamic and actionable.

3 →

Transition plans should be based on real numbers, have targets across all operations and the value chain, and be ambitious in the short and long term. The most comprehensive transition plans explain the routes to mitigate risks, or even match climate target progress to risk reduction.

4 →

Transition planning demands engagement throughout the business' value chain, and with other stakeholders such as NGO's, financial institutions, government and policy-makers. Engagement and partnerships can lead to reduction of Scope 3 emissions, the most difficult to tackle yet the most prevalent for many sectors.

5 →

Scenario analysis is a useful tool for assessing climate-related risks and opportunities. NEDs can present the results of the assessment in the boardroom to support the business case for a strategy shift to net zero.

How to assess climate-related risks and opportunities

Assessing the climate derived risks and opportunities that an organisation face is an essential first step for transition planning. The process involves three main steps:



Identification

Understanding the unique characteristics of the organisation and the external environment, including sectoral developments, climate science, and policy. This in turn helps to identify and prioritise climate risks and opportunities.



Quantification

Using scenario analysis to evaluate how different hypothetical futures could impact the organisation financially. This includes:

Current Policies scenario: Evaluating risks under the assumption that current policies are fully implemented, leading to a mix of physical and transition risks and opportunities.

Stress scenarios: These are extreme scenarios to examine the potential magnitude of risks. For transition risks, a net zero emissions scenario is used, whilst for physical risks, a climate breakdown scenario is considered.



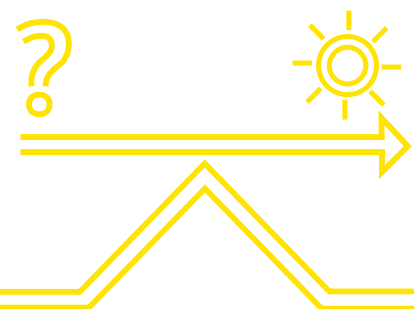
Response strategy

Developing a strategy to manage the identified risks and taking advantage of opportunities. It can involve implementing straightforward actions such as reducing the energy sources and consumption, or deeper transformations such as shifting products and services, or investing in climate adaptation in geographies where the business could be affected.

The role of the NED in assessing climate-related risks and opportunities

Non-executive directors play a pivotal role in guiding companies through the complexities of climate risk and opportunity assessment. They can help ensure their organisations are conducting a rigorous assessment, for example using scenario analysis where each scenario is specific and relevant to the sector and location. Their support is also key for incorporating the assessment results into the business strategy, beyond a mere climate compliance strategy.

NEDs can leverage their relationships across multiple boards and institutions to enable shared learning and collaboration for their response strategy.



Additional resources

[Watch the webinar recording](#)

[Find out more about embedding risk into decision-making](#)

[Use the Chapter Zero Transition Planning Toolkit](#)

[Visit the Carbon Trust website](#)