



Climate-related financial disclosure

Climate change and the transition to net-zero present major risks for organisations in all sectors, but they also present opportunities.

There are new and emerging disclosure requirements, driven by legislation and rapidly evolving stakeholder expectations for disclosure.

Yet good quality disclosure aligned to standards such as TCFD, the IFRS’s S1 and S2 or CSRD, takes time.

These require a full examination of risks and opportunities under a range of climate scenarios to be conducted and making visible the strategy that has been designed to manage the related risks and opportunities.

The quality of an organisation’s disclosures will impact its reputation and attractiveness to investors in the short-term because doing the groundwork to produce good quality disclosures helps to protect value and drive growth in the longer term.

Early action is typically the most effective mitigation against climate risk.

BDO can help in many ways, drawing on the combined expertise of specialists in corporate and financial reporting, carbon accounting, decarbonisation, strategy, risk, assurance and audit, as well as deep sector knowledge.

Contact one of our team to find out more.



“Financial actors are already using the disclosures to inform investment decisions. Knowing what they are looking for can help protect value.”

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“Regulatory requirements and stakeholder expectations are changing rapidly. A third-party opinion on your disclosure processes can be invaluable by providing both internal and external confidence.”

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“Climate-related financial disclosure is now a strong driver for effective corporate climate action, helping to connect ambition to delivery.”

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“Users of financial reporting increasingly depend on the quality and comparability of sustainability information to understand how a company creates, erodes, or protects value over time.”

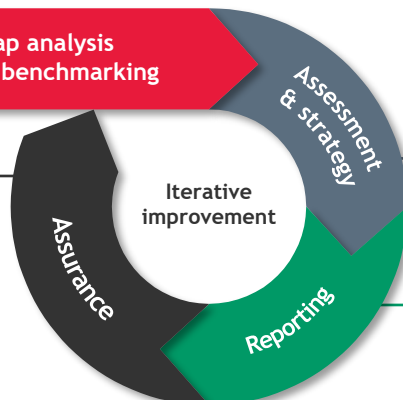
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Iterative pathway to effective climate-related disclosure

- ▶ Understand the work that needs to be done.

Gap analysis & benchmarking

- ▶ Assess your readiness for assurance
- ▶ Gain independent expert opinion
- ▶ Demonstrate the robustness of your approach through third party assurance.



- ▶ Evaluate physical and transition risks and opportunities
- ▶ Perform scenario analysis
- ▶ Develop climate-resilient business strategy and transition plan.

- ▶ Deliver clear and robust disclosures.

Climate risk & opportunity

Helping you succeed in a climate changed world

Climate change is a major strategic risk and opportunity for economic systems. Investors and financial markets need robust information on the financial implications of these risks and opportunities.

This need has led to mandatory disclosure for listed and large companies, aligned to the Taskforce on Climate-related Financial Disclosure (TCFD).

We can help you:

- ▶ Understand whether mandatory disclosure applies to your business and the timeline for compliance, and prepare for emerging disclosure requirements
- ▶ Develop roadmaps to compliance (and excellence)
- ▶ Conduct risk and opportunity scenario analysis, including quantification of the potential financial impacts.
- ▶ Incorporate climate-related risk and opportunity into business strategy
- ▶ Identify effective governance and enterprise risk management measures
- ▶ Manage and improve your climate-related data
- ▶ Test the robustness of your business strategies under a range of climate and net-zero transition scenarios
- ▶ Integrate TCFD aligned disclosures within wider environmental, social and governance (ESG) reporting.

Effective analysis and disclosure can deliver significant benefits, enabling an informed approach to navigating the net-zero transition, addressing longer-term risks and conveying confidence to stakeholders, positively impacting company valuation.

BDO blends deep technical climate and greenhouse gas (GHG) knowledge with commercial and financial expertise. The result is robust advice expressed in business language and placed in a rounded commercial context.

How can I achieve compliance (and excellence)?

Disclosures must include:

- ▶ Governance arrangements for assessing and managing climate-related risks and opportunities
- ▶ How the business identifies, assesses and manages the risks/opportunities
- ▶ How climate is integrated into the business' overall risk management process
- ▶ The principal climate-related risks and opportunities and the time periods over which they have been assessed
- ▶ Impacts of the principal risks/opportunities on the business model and strategy
- ▶ An assessment of the resilience of the business model and strategy under a range of climate scenarios
- ▶ Climate-related targets used by the business and the metrics used to assess progress towards those targets.

Understanding how climate-related risks and opportunities affect your business requires a thorough understanding of your assets, locations, products and services, business model and strategy.

Conducting this analysis for the first time can be time consuming, so many businesses will aim for basic compliance in year 1 followed by a gradual improvement in disclosure quality in future years as market expectations increase.

Scenario analysis

Understanding your exposure to climate-related risk and opportunity, and the robustness of your strategy, requires analysis under a range of scenarios. Best practice is to use recognised scenarios, backed by transition pathways, physical impacts and economic indicators.

Physical risks/opportunities arise from changes in the physical environment like increased temperatures, sea levels and severe weather.

Transition risks/opportunities arise from changes in the market, social or political context associated with climate change and the net-zero transition.