

Climate Resilience

Helping organizations
assess, mitigate, and
report climate risks





The **Task Force on Climate-Related Financial Disclosures (TCFD)** is a framework that enables organizations to report, quantify and monitor their sustainability initiatives.

The reporting process will involve diverse resources and stakeholders from within an organization.

Zurich's Climate Resilience proposition can support organizations with their TCFD reporting, as outlined in this document, which focuses on three specific areas, namely how:

Authors:



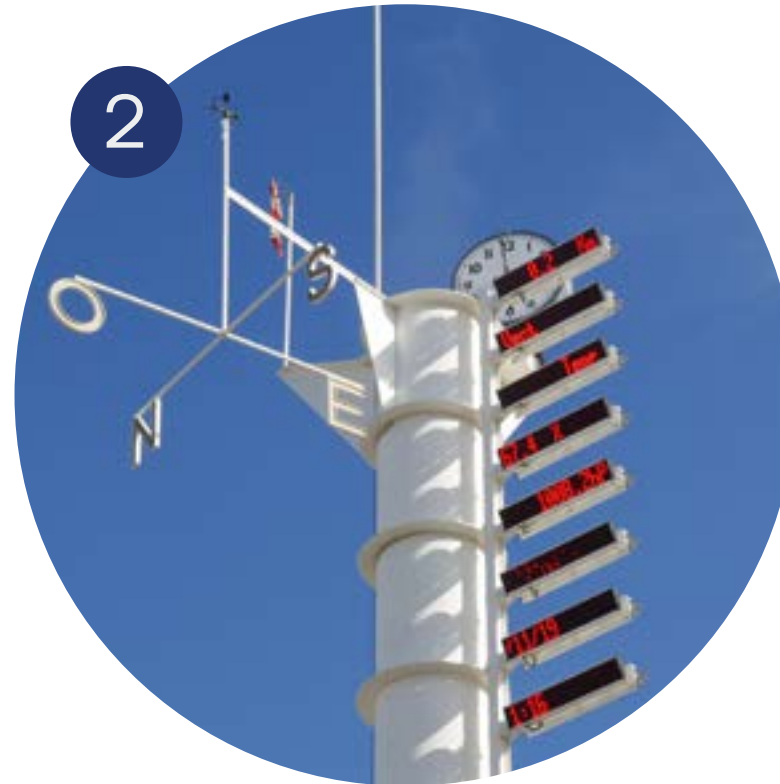
Amar Rahman
amar.rahman@zurich.com
Global Head Climate Resilience
Zurich Resilience Solutions
Commercial Insurance
Zurich Insurance Group



Belinda Bates
belinda.bates@zurich.com
Expert Climate Data & Analytics
Climate Resilience
Zurich Resilience Solutions
Commercial Insurance
Zurich Insurance Group



We help to address specific TCFD recommendations. >



We can support reporting of climate-related physical risks for annual reports. >



We provide financial impact analyses, and corresponding solutions, to help improve the organization's climate-related physical risk profile. >



Taking a phased approach

Our solution is delivered in three phases, each of which can be performed independently, or in combination, for current (natural hazards) or future (climate change) risks:

Phase 1: an account analysis, across multiple locations

This includes two necessary initial steps:

1. Data quality review
2. Definition of scope with customer stakeholders

These steps are followed by:

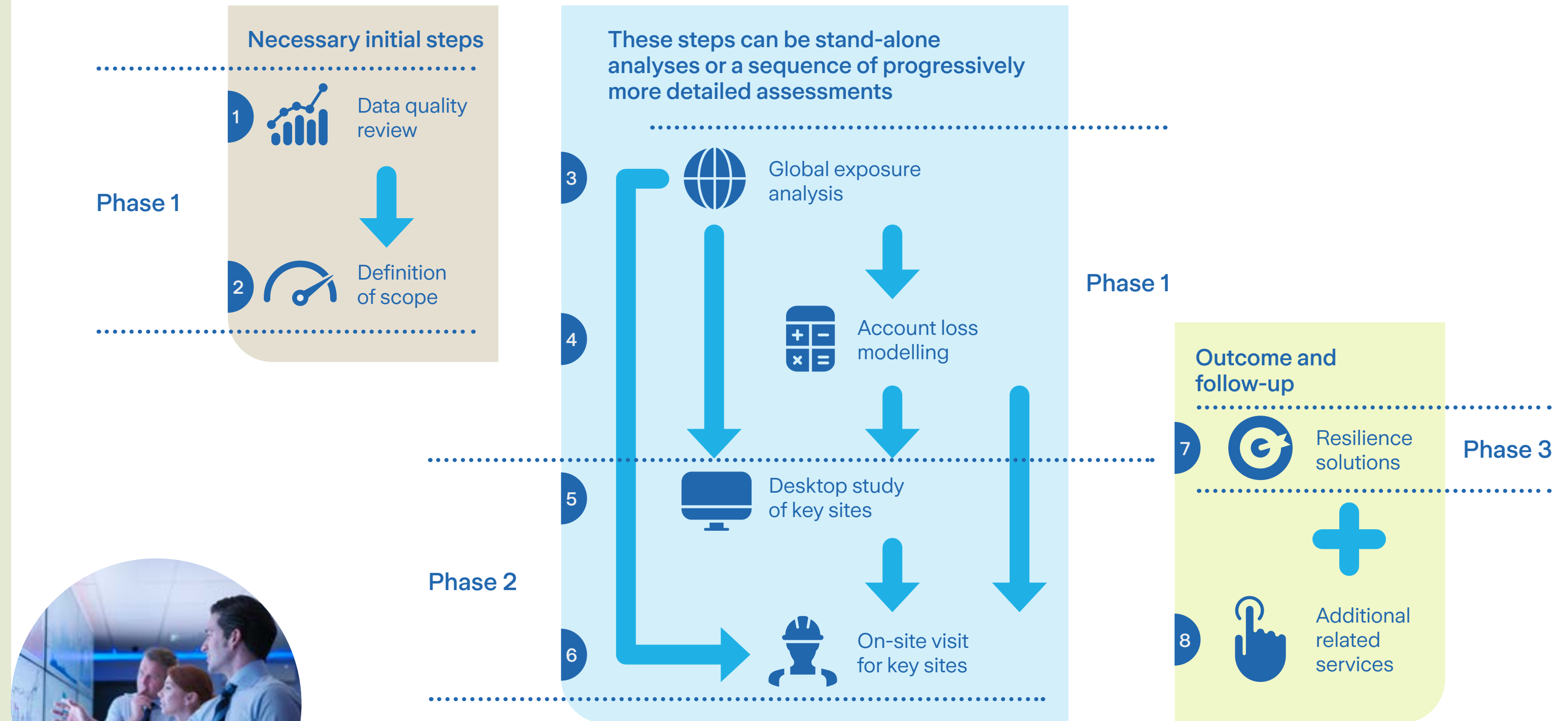
- Global exposure analysis, or
- Account loss modelling

Phase 2: assessment of key sites

- Desktop study, or
- On-site visit

Phase 3: development of risk adaptation solutions

- Planning and implementation of resilience solutions



Details on how your organization can benefit from an expert climate risk assessment can be found at our Climate Resilience landing page and factsheet. [>](#)



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How the Climate Resilience can help organizations formulate responses to the TCFD's recommendations

To answer this, we're going to look at some of the TCFD's core elements and show how the CCRS can help organizations respond to them.

We'll look at the following components of the TCFD framework:





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We'll look at the following components of the TCFD framework:

a. How does an organization describe the climate-related risks and opportunities they have identified over the short, medium and long term?

Zurich suggests to begin with a global exposure analysis (risk screening) as a first step, which gives an overview of the physical perils that a portfolio of sites or supplier sites is exposed to, as well as the specific hazard levels for individual locations or suppliers. This can be used to identify the most important perils and potential high-risk sites.

The hazard levels are shown qualitatively – from very high to low, defined based on the physical parameters of each peril – to enable organizations to compare more easily between different perils at different time frames and for different climate scenarios.

b. What impact can climate-related risks and opportunities have on an organization's businesses, strategy and financial planning?

To answer this question, it can be useful to carry out a financial impact and loss estimate for important or high-risk sites. Generally this is performed in a second step, after a global exposure analysis.

This could also include an outline of scenarios showing any potential implications, for example, the impact that climate change might have on the workforce or cost of operations.

c. How resilient is the organization's strategy, taking into account different climate scenarios, including a 2°C or lower temperature rise?

Zurich looks at the impact of a number of climate change scenarios (defined by the Intergovernmental Panel on Climate Change – Summary for Policymakers, IPCC-SPM):

- SSP1-2.6 with low greenhouse gas emissions (best estimate of temperature rise of 1.8°C by 2100)
- SSP2-4.5 with intermediate greenhouse gas emissions (best estimate of temperature rise of 2.7°C by 2100)
- SSP5-8.5 with very high greenhouse gas emissions (best estimate of temperature rise of 4.4°C by 2100).

Although we are currently focused on the physical impacts of climate change, we can apply our assessment approach for harder-to-quantify risks, called the Zurich Hazard Analysis, which can prioritize transition risks and outline potential ways to adapt and mitigate them.



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We'll look at the following components of the TCFD framework:



a. How does an organization identify and assess climate-related risks?

As part of our reporting, we will provide a detailed description of the methodology applied in our analysis of the organization's climate-related physical risks.

Our report will include a description of the:

- Business-specific criticalities of the organization
- Business-specific criticalities of their suppliers
- Potential vulnerabilities related to the perils included in the analysis
- Ranking of the locations to climate risks based on multiple metrics provided by the customer
- Impact scenarios for the highest-ranking locations.

b. What risk management processes could organizations implement to manage climate related risks?

In Phase 3 of our analysis we develop a catalogue of options for managing physical climate-related risks. The risk adaptation plan prioritizes the implementation of the selected measures.



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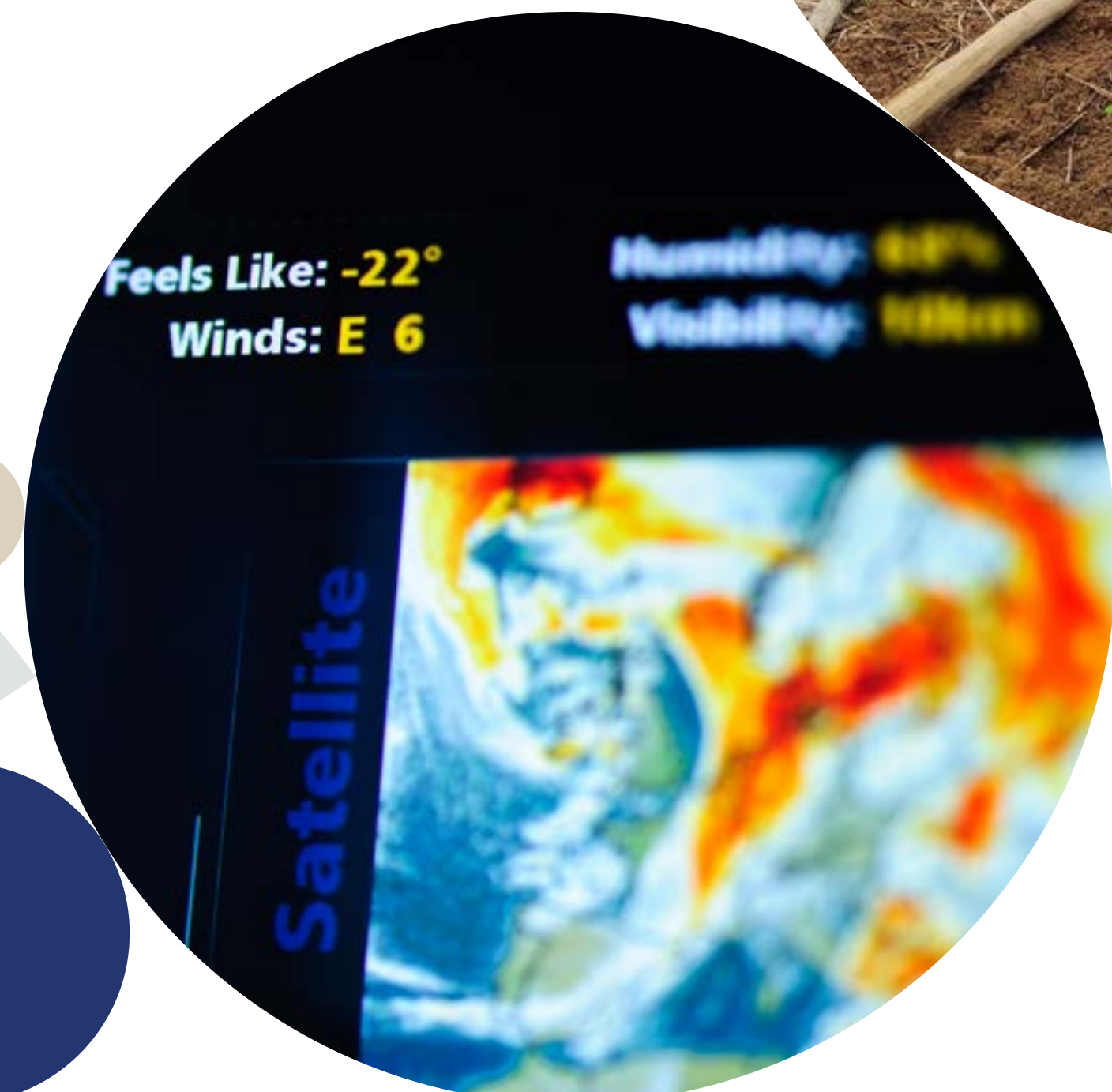


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We'll look at the following components of the TCFD framework:

The climate change analysis of Phase 1 suggests implementing a number of climate scenarios to assess a range of possible outcomes. We look at plausible future risk scenarios of climate-related events to assess how extreme events might affect business operations and the supply chain.



How can organizations use Climate Resilience output to report their climate-related physical risk assessments in their annual report

For physical risks, our work can support the following disclosure points from the TCFD.

a. Underlying data

We provide a summary of the data sources used in our analyses and show how we have used it in our report.

b. Key assumptions

We outline our key assumptions in our documentation for each phase of the analysis.

c. Assessment process

Our reports describe the assessment process, which is based on open discussions and engagement of multiple stakeholders in our customers' organizations, as the analysis progresses to be as transparent as possible and to include multiple perspectives in the scenarios.

d. Findings

We provide an overview of the materiality of physical climate hazards. This covers the percentage of sites and the corresponding values exposed to each hazard under different climate change scenarios and future timelines.

Outputs also show the impact of climate-related hazards under plausible future conditions at a selection of critical sites, along with an estimate of the financial impact.



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How Climate Resilience can help organizations assess the impact of the perils included in the analysis

The climate change impact assessments at the critical locations (Phase 2 of the analysis) may be performed either through an onsite visit or remotely (desktop). For the latter, the information required to understand the value chains, and associated criticalities and vulnerabilities at the individual locations may be extracted from fire insurance (so-called “property”) assessment reports. Open-source information is also used, where available.





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