

Introducing a pragmatic guide to climate risk for business leaders

Issued by [Trialogue](#)

8 Mar 2022

Although climate-related risks are among the top three global risks identified by the World Economic Forum over the next decade, many business leaders find it difficult to identify the information they need to help them mitigate this risk. There is a lot of theory to digest, but few practical guides to show companies where and how to start.



Taking climate action is not an impossible task, however, as is evident from a new paper published by the Institute of Directors in South Africa, Trialogue and The Sustainability Institute. 'Climate Change Risk & Responses: A Guide for Business Leaders' is a pragmatic primer on climate risk that provides clear recommendations for getting started on the journey to Net Zero – and beyond.

The February 2022 paper contextualises the issue and goes on to distil 10 things every business leader should know about the climate crisis. It then outlines ten questions every business leader should ask and provides ten freely available, credible resources to provide them with practical support.

These resources have been aggregated with directors and corporate leaders in mind and will play a meaningful role in educating them about both climate risk and their duty of care in a changing business landscape. The resources will

additionally help them to develop a clear strategy to address emerging climate risks.

Ensuring that companies ask the right questions

The paper underlines the urgency with which companies should make a just transition to a low-carbon economy. “The most significant climate-related risks to your business may not materialise until the medium to long term, at which point the cost of transition and the impacts of not having transitioned may be insurmountable,” it asserts. “It is essential that your business takes a long-term view and ensures that climate planning and action do not get overshadowed by what may seem like more pressing short-term risks.”

Companies should ensure that they are asking the right questions when approaching the daunting prospect of putting together a strategy for making a just transition. Some of these questions include ‘How will climate change issues – including climate impact and the broader transition to a low-carbon economy – effect our business?’, ‘Have we conducted a maturity assessment to develop a credible action plan?’ and ‘Do we understand the social issues that will be impacted in our direct and indirect operations from current climate risks as well as the transition?’

The paper asserts that knowing the correct questions to ask makes it easier to identify the solutions that companies are searching for. For this reason alone, the paper will prove useful to business leaders, who may not always know where they could potentially fall short. The authors have expanded on each question, providing information and guidance to give business leaders further food for thought.

Using the appropriate frameworks

It is vital that business leaders familiarise themselves with the relevant frameworks and guidelines, including the Task Force on Climate-Related Financial Disclosures (TCFD) framework and the International Corporate Governance Network’s (ICGN) Global Governance Principles.

TCFD is particularly important – National Treasury has indicated that financial institutions in South Africa align their corporate disclosure requirements with the recommendations thereof. The TCFD framework was created by the global Financial Stability Board and is a useful tool for identifying, analysing and communicating one’s understanding of the materiality of climate-related factors to one’s business.

“One of the TCFD framework’s main aims is to develop recommendations for more effective climate-related disclosures that will assist your organisation in its understanding of climate-related risks and to provide guidance on how organisations can implement measures to protect them from such risks,” the paper notes.

Other resources include the Institute of Directors’ 2021 King Committee Guidance Paper, which provides an overview of the responsibilities of governing bodies in responding to climate change, and the Science Based Targets initiative, which helps executives to develop emissions reduction goals based on the latest climate science.

‘Climate Change Risk & Responses: A Guide for Business Leaders’ is an enormously useful addition to the literature on understanding climate risk within the South African context. You can download a copy of the paper [here](#).

Further resources

The Institute of Directors in South Africa, Trialogue and the Sustainability Institute presented two webinars on the topic of climate change and South African business.

Watch a recording of webinar 1, “What climate change means for South African businesses”, [here](#):

Watch a recording of webinar 2, “Climate change and COP26”, here:

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