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Step 2

Develop a climate strategy

Discover how to move from ambition to action

Assess the strategic impacts of climate change on your business and the opportunities for value creation that can come from transformation.

Cover image:

Hallasan National Park is located on Jeju Island off the southern coastline of South Korea. It is a UNESCO World Heritage Site and is home to the tallest mountain in South Korea, Hallasan Mountain. Of the 4,000 species that live in the park, 10% are considered endangered.

Cheonggyecheon is a 5.8 km long stream that flows through downtown Seoul, the capital city of South Korea. It was once a neglected waterway that was heavily polluted and covered by an overpass in the 1950s. However, in 2005, the Seoul Metropolitan Government led a restoration project that removed the overpass, restored the stream, and created a public park along its banks.

The restoration of Cheonggyecheon is also seen as a symbol of Seoul's commitment to urban renewal, environmental sustainability, and cultural preservation.

Contents

Dive deeper into the practical guides for each step to move from ambition to action

The 5-Step Climate-led Transformation Framework

Understand your organization's current state, identify and prioritize the material climate-related issues facing your business, and define and commit to a climate aspiration/target that suits your business.

Step 1 will allow your organization to understand how to set ambitious yet achievable climate targets for your organization.

Read Step 1:
Commit to a climate aspiration

Assess the strategic impacts of the climate on your organization, the importance of engaging key stakeholders, identifying the best response options and opportunities, and create a detailed climate implementation roadmap.

Step 2 will help to ensure your organization has an integrated strategy to reduce your carbon footprint and climate risks and create value through climate-related opportunities.

Read Step 2:
Develop a climate strategy

Identify the operating model changes required to realize your climate aspirations and execute your climate strategy.

Step 3 will support your organization to reflect on its current state, design the future state operating model and determine the steps needed to achieve success.

Read Step 3:
Align the operating model

Identify capability gaps and barriers in your organization, understand your capability requirements, and implement initiatives, tools and metrics to increase your capabilities to deliver your climate strategy.

Step 4 will empower your organization to help achieve your climate goals through targeted and effective capability development.

Read Step 4:
Enhance organizational capability

Identify what your organization needs to monitor and report and the capabilities and operational changes required.

Step 5 will help enable your organization to disclose according to stakeholder needs, ensure your management has the information needed to adjust strategy over time, identify savings and costs and be accountable for performance.

Read Step 5:
Regularly monitor and report

Step 2

Develop a climate strategy

The Climate-led Transformation Framework can help your organization begin, progress or advance its journey to implement its climate strategy, orchestrating change to positively impact business outcomes.

The application of this framework is not necessarily linear or singular and Step 2 'Develop a climate strategy' refers to the various considerations needed to develop a comprehensive climate strategy that will serve as the essential guide for your organization's climate change response.

Regardless if your organization is taking a fresh look at your efforts or framing a strategy for the first time, this five-step climate-led transformation framework can help your organization to reduce climate-related risks, identify opportunities, and orchestrate positive change in the broader business ecosystem.

Step 2 outlines how to develop an integrated climate strategy to help create value, reduce your organization's carbon emissions and mitigate climate-related risks.

As outlined in Step 1 'Commit to a climate aspiration', your organization's climate-led transformation journey starts with establishing ambitious yet achievable goals that can act as a lighthouse for your strategic options.

Beyond your organization's ambitions and targets, a climate strategy will help you to identify where you are going to focus and how you are going to achieve your targets. Your organization will then be able to begin investing in pragmatic, actionable initiatives and partnerships with the appropriate allocation of capital aligned with the objectives.

As a climate strategy is informed by factors such as industry and sector trends, regulatory drivers, and new business opportunities, every strategy can look different.

There are established practices for creating a strategy rooted in governance, data and cross-functional collaboration and Step 2 outlines these approaches to help:

1. **Identify how to leverage the climate-related opportunities**
   and competitive advantages that may come from the emergence of the green economy
2. **Assess potential climate risks**
   and strategic impacts on your organization
3. **Establish carbon emission reduction targets**
   that will enable your organization to deliver on your climate aspiration
4. **Evaluate the strategic options**
   available to reduce your emissions and climate-related risks
5. **Design the plan to make actionable changes**
   while ensuring your climate strategy is aligned to your business goals
6. **Develop programs and tactics**
   to help achieve your targets

A climate strategy requires an all-of-business approach

The low-carbon future is full of uncertainty. Although countries in Asia Pacific have set net-zero targets[1], the actions required to deliver this promise need to be accelerated.

This fundamental and systemic transformation will require deep collaboration between governments, civil society and businesses.

In your organization, realizing the commitments and targets in your climate strategy may require significant transformation to existing operational structures. For this reason, alignment, inclusion and shared accountability between the overall business strategy and the climate strategy is critical to success; for a climate-led transformation, one cannot exist, operate or succeed without the other.

Ambitious-yet-achievable targets can help lay the groundwork for a comprehensive climate strategy. See Step 1 for guidance on establishing your baselines and targets, quantifying climate-related risks and identifying climate-related opportunities.

Strategy is about making choices on what opportunities your organization should pursue and how to capture them, as well as what risks are most critical and how to mitigate them effectively. The opportunities presented to the business by delivering on its climate aspiration should inform the business strategy, as much as the climate-related risks and impacts to business success from pursuing a climate-led transformation should inform your climate strategy.

Building these in tandem, with shared ownership across leadership, can help ensure alignment. This is the lens you and your teams can apply as you craft and design your organization's climate strategy.

Components and considerations when developing a climate strategy

Ambitions and plans

What are the appropriate commitments and targets for your organization to reach its climate ambition, reduce risk and create value? How can you develop a realistic plan to achieve them?

Governance, management and measurement

How can your organization manage risk and performance with the right accountability structure? How can you provide confidence in the accuracy of your organization's reporting?

Impact assessment

What issues should your organization pay attention to and why? How can climate change affect your business operations, financial value and reporting requirements?

Value creation

What new and emerging opportunities can generate value for your organization's stakeholders? How can you turn your organization's climate-led transformation into a competitive advantage?

Mitigation and adaptation

How can you reduce the negative impacts of climate change over activities which your organization has influence? How can you reinforce your organization's value chain to make it more resilient?

Implementation roadmap

What incremental actions may be required to deliver your organization's climate strategy? What indicators can be used to assess your organization's progress? How can the implementation plan and progress be communicated across the business and to your organization's key stakeholders?

Is this strategy adaptive to change?

A robust strategy can help prepare your organization for future uncertainties. As such, it will likely need to be continuously reviewed and updated as the business, regulatory, and market landscape shift and as your targets and risks evolve. As new information becomes available and market shifts emerge, the climate strategy should be supported by an updated implementation roadmap.

Is this strategy rooted in governance and accountability?

A structured approach to governance ensures visibility and commitment to the strategy. This can help enable leadership to drive organization-wide efforts to successfully deliver the strategy and ultimately, achieve the climate targets outlined in your organization's climate aspiration.

How can you overcome, and learn from, roadblocks to the strategy?

It is not uncommon for organizations to have inherent tension between operational requirements and climate-related needs and targets. For example, tension might be caused by competing objectives between driving efficiency and lowering costs by utilizing traditional practices and implementing new, higher-cost green methods and technologies. Different resources or operating units within your organization may need more support than others throughout your transformation journey. Some challenges may arise due to a misalignment with the overall business strategy.

An in-depth consideration of these issues while creating your climate strategy can enable you to better manage these during implementation.

Step 2 aims to create an actionable strategic plan that is supported by an implementation roadmap.

It can prepare your organization to respond to the risks and opportunities climate change may present to your organization. Each action in this step of the climate-led transformation journey is an investment in the foundation of your organization's strategic plan to help achieve your climate aspirations.

Assessing the impacts of climate, regulatory and resource risks on your organization

The framework outlined in this section can help your organization:

- Identify the factors that will inform your organization's strategic options
- Prioritize potential impacts and opportunities
- Consider the key components and steps to create a robust strategic plan

At the heart of a strong climate strategy is a science-based assessment of the organization's activities that contribute to climate change, and the associated regulatory or market-driven requirements with which each sector must comply. Bearing in mind that an organization's footprint encompasses greenhouse gas (GHG) emissions from the entire production, transportation, use, and lifecycle of its products or services, and collecting this data may require engagement with external stakeholders.

As operational-level risks and requirements vary widely between sectors, your organization will likely have different obligations and mitigation options than those in other sectors. Sectors with significant Scope 1 or 2 emissions, such as mining, pharmaceuticals, and power generation, for example, may be required to report their GHG emissions to government agencies. On the other hand, although many financial services organizations' GHG emissions are not currently regulated, they face increasing pressure to consider and disclose climate-related risks in their capital allocation decisions.[2]

A holistic evaluation of your organization's regulatory requirements, climate-related resource constraints and other climate impacts on your sector can give your organization the foundation for an impactful climate strategy.

Case study

A leading bank in the Republic of Korea sought guidance from Deloitte Korea to develop a strategic plan to help realize its aspiration of becoming carbon-neutral by 2040 (summarized in Step 2 in action). To do so, the Korean bank had to address two unique challenges:

- The difference in perceived urgency and expectations between various departments: the environmental, social and governance (ESG) department, responsible for reducing financed emissions, recognized the need for establishing processes and standards to manage debtors and target investment companies with high carbon emissions. However, the front office, which handles financial products, were not supportive, fearing that it may limit their business activities. As a result, the executive management team was divided and this required the building of consensus among internal stakeholders.
- The contribution of each department to organization-wide aspirations and targets: It was important to ensure that all departments were aware of the organization-wide climate targets and had a clear understanding of how they could work collaboratively to deliver on them.

Deloitte Korea thus designed a systematic and organization-wide strategic plan that addressed the key drivers and impacts influencing the Korean bank and its sector. The proposed strategy was also well-aligned with the:

- National ambitions of several countries in the region, including achieving net-zero by 2050;
- Influence and incentives of the Green New Deal and national policy agenda; and
- Market expectation that financial institutions should play a critical role in reducing GHG emissions by applying various financing methods.[3,4]

Prioritizing the risks and impacts on your organization

Once your organization understands the various drivers influencing your sector and business, the next step is to prioritize the impacts.

The following are key considerations to guide you through the risk and impact evaluation process:

- How could each risk or impact prevent your organization from achieving its climate targets and its broader strategic plans?
- How severe can the relative risk or impact be, and how much of your strategy should focus on it?
- Which risk and impact (that will prevent you from achieving your climate target) should you be particularly aware of under each scenario?

Organizations should establish a combination of short- and long-term climate targets, and consequently, may need to consider short- and long-term risks and impacts to those targets.

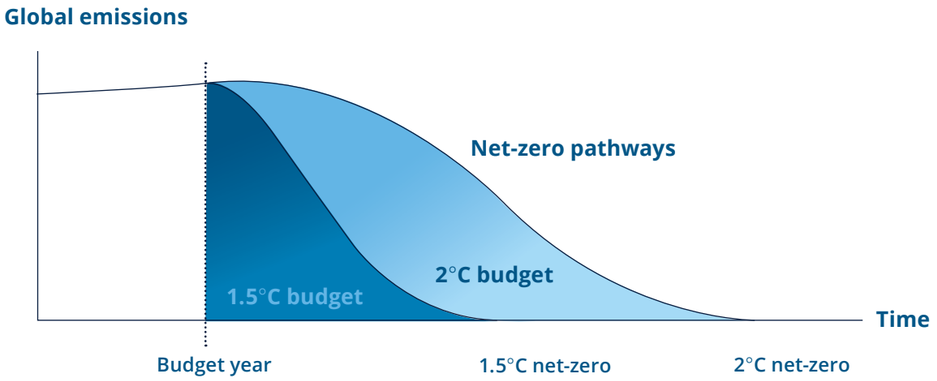
> ***The impact of physical and transition risks on your organization can be material and consequently play an integral role in shaping your climate transition strategy. Read Step 1 to better understand your carbon footprint and identify and assess relevant risks.***

As more aggressive climate targets are typically associated with higher transition risks, your organization may need to consider how your climate strategy and implementation roadmap can help reduce your carbon footprint more or less rapidly, and the scaled risks that come from different scenarios.

A more rapid reduction in GHG emissions will likely mean a faster pace of climate-led transformation for your business. This increased pace of transformation might support your organization to deliver on your climate targets but might also result in a larger number or higher level of risk for your organization.

To evaluate these transition risks, you may need to consider various scenarios of GHG emissions reduction over time, and how they intersect, complement, or compete with the other goals of the business strategy. This assessment is an important step in managing the realistic implementation of the climate strategy.

Figure 1: Global decarbonization pathways and remaining emissions budgets[6]



As shown in Figure 1, the targeted temperature of limiting warming to 1.5°C or 2°C and the shape of the decarbonization pathways will determine the forecasts for when the world achieves net-zero emissions, along with the remaining emissions budget. To maximize the likelihood of achieving the Paris Agreement ambition to keep warming well below 2°C, the world needs to reach net-zero by 2050 at the very latest and remain within its emissions budget.[5]

Following the graph in Figure 1, if the ultimate target was to limit warming to 1.5°C before 2050 and achieve net-zero at the same point in time, a much steeper and accelerated decarbonization pathway is necessary–pace and trajectory of GHG emissions reduction of the economy to stay within a carbon budget, assuming policy, technology, and market shifts, among other factors, support this scenario. While if the ultimate target was to limit warming to 2°C at 2050 and achieve net-zero then, the decarbonization pathway spread across the time horizon can be more gradual.

This approach to determining your decarbonization pathway can help reveal hidden climate-related challenges and potential conflicts between various parts of your organization. Specifically, the climate-related risks and impacts along with potential stakeholder and organization conflict can impede your organization's climate-led transformation journey, preventing you from achieving your climate targets.

These challenges can be resolved through a structured two-step approach:

- Conduct an in-depth analysis of the varying risks and challenges that might impact your organization and sector and prevent your organization from achieving its climate targets.
- Formulate appropriate mitigation actions and strategies that can be incorporated into your climate strategy while ensuring that any decisions made are aligned with, and supported by your broader business strategy and values.

Once your organization understands how the different climate impacts may pose risks to your climate targets and their relative severity and urgency for a given climate scenario, you can then assess your organization's strategic options. These options can vary by organization and by sector, however, it is important to ensure that your organization is assigning proportionate controls and efforts to address each of the identified impacts.

Evaluating opportunities and strategic options

Informed by a comprehensive understanding of your operating environment, the next phase entails evaluating each of the available strategies through the lens of risks and opportunities.

Your organization may need to consider–and plan for–a mix of risks, including those that apply to your sector as well as those that are unique to your organization. To adopt a balanced approach, your organization's climate strategy should account for the spectrum of climate-related risks and opportunities and include proportionate initiatives and plans to address them.

Identifying sector-specific strategic options

It is important to gather a deeper understanding of the available sector-specific options that can support your organization's cliamte-led transformation and ability to achieve its climate targets.

Organizations in the financial services industry, for example, may need to measure financed emissions, prepare asset portfolio adjustments, and introduce a climate risk management system to respond to the external expectation of reducing financed emissions. The guidance released by the Partnership for Carbon Accounting Financials (PCAF) is one of the global standards that can be referenced when measuring financed emissions.[7]

Organizations in the heavy-emitting industry, as another example, may want to assess the portfolio choices needed to achieve an advantaged portfolio. This includes identifying from the portfolio of assets and/or businesses that an organization owns, which helps create a distinct advantage in the market, such as:

- those that are or are forecasted to devalue significantly and should be considered for divestment or reconfigured to maximize value; and
- new assets, businesses or ventures that can be highly valued or drive value uplift in the future, and should be invested in today, either in part, via an acquisition, equity investment, Joint Venture or other partnership arrangements to help gain access to opportunities to create an advantaged portfolio.[8]

These are just some examples of the options that are available to help your organization assess and address sector-specific challenges.

The guidance and options that your organization can leverage will likely be a combination of standardized (for wide adoption) and fit-for-purpose levers suited to your organization. This includes tools that can be implemented immediately and others that may require a phased or staggered implementation.

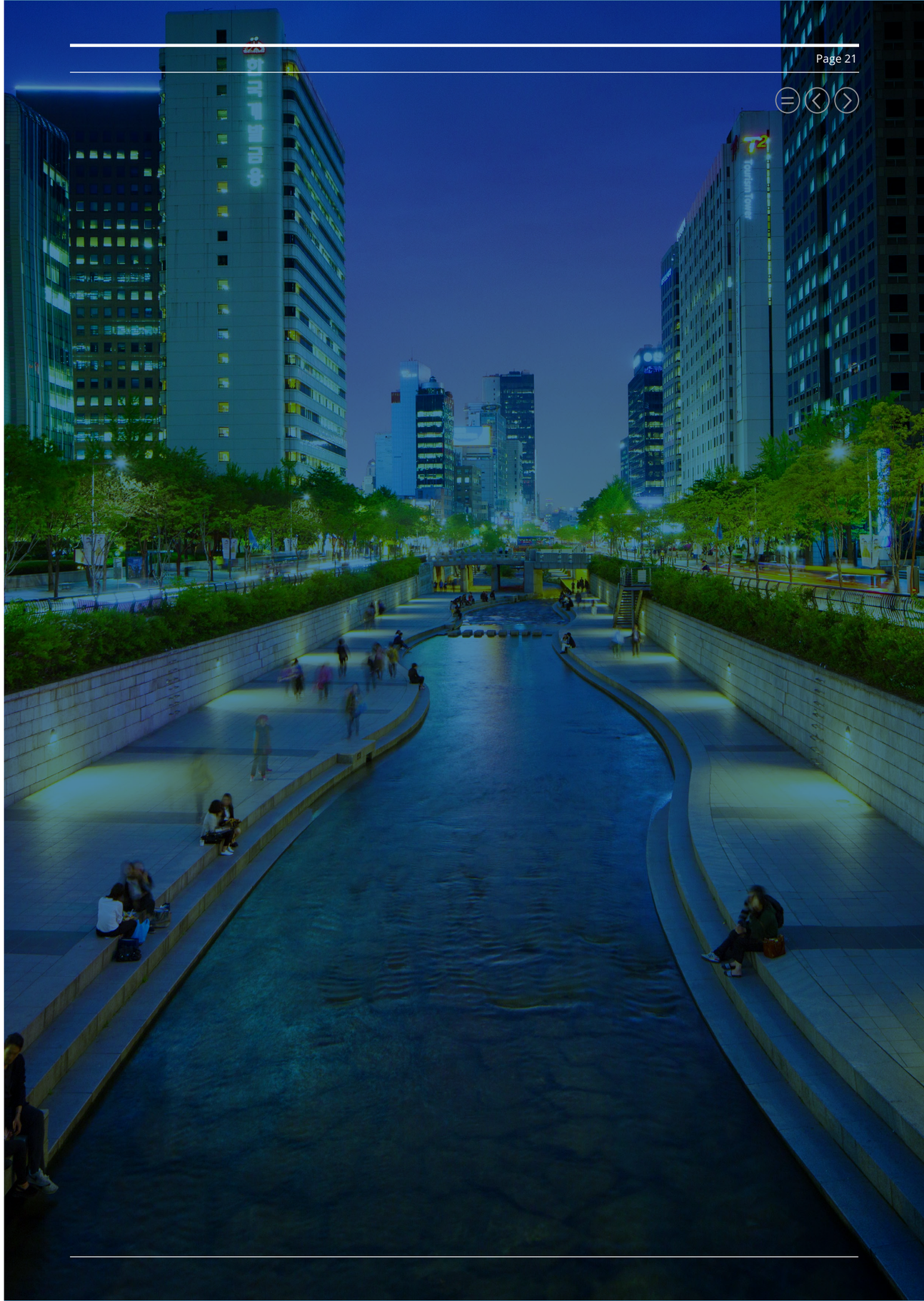
Developing a balanced approach to evaluating options

Once your organization has identified the strategic options, you can begin developing a balanced approach to addressing specific climate-related opportunities and risks using a mix of short-, medium-, and long-term options.

Additionally, your organization might triage your strategic plan to address transitional and physical risks separately. The following are some of the key considerations when assessing the strategic options available to your organization:

- How does the available option align with your organization's climate target?
- Does the option enhance your organization's competitive positioning and advantage in the market?
- Does the option help position your organization to capture emerging opportunities and potentially increase financial and non-financial returns?
- Does the option directly assist with GHG emissions reductions or does it mitigate risk that could prevent your organization from reaching its climate targets?
- Is the option proportionate to the climate target or climate-related impact?
- What is the implementation timeframe of the option?
- Will implementing the option reduce available capital or resources, or limit the availability of other options?
- Does the option under consideration exclude other options in the future?

Once your organization has evaluated its strategic options, it can be in a better position to incorporate the plans to realize these options into action. To execute this in a structured way, a comprehensive list should be created articulating the options, the expected timelines and efforts, and the required capital or resource commitment.



Identifying opportunities for your climate strategy to unlock new value creation

Responding to climate change is not just about risk mitigation or complying with regulatory requirements. It is an opportunity for your organization to assess your operations in the context of a decarbonizing world, to help improve resilience by embedding ESG principles into the core of the business strategy, and to unlock new sources of value creation.

Historically, some organizations have engaged with environmental and social themes in response to regulatory pressures, or as part of branding and marketing exercises. However, over the past decade, organizations are increasingly pursuing the co-creation of commercial and societal value by embedding climate change response in their business strategy and core operations.

It is time for all organizations to associate effective climate change responses with the creation of competitive advantage and enduring business performance via:

- More resilient supply chains;
- More efficient business practices;
- Enhanced stakeholder interactions;
- Improved governance; and
- Better long-term financial performance creation.

Organizations are often faced with a sustainability paradox, where the minimal resources dedicated to addressing climate-related challenges are at odds with the existential threat that they pose to businesses and society. However, the strategic choices leaders take to address environmental and socioeconomic impacts remain critical to their business and operational performance over the next decade, and beyond.

Examples of large organizations reinventing themselves as better, healthier, and more sustainable versions of themselves to secure new competitive advantage are fast emerging by creating new markets, harnessing skills and technology to lead and innovate, and leveraging emerging economies of scale to establish long-term gain from investments made today.

Many organizations are progressively maturing their climate change response and developing innovative initiatives to link financial and societal outcomes–some examples include.[9]

- An Australian insurer is investing a share of customer insurance premiums into investments that have both positive social and environmental impacts, while also delivering adequate financial returns.
- A large grocery retailer is issuing Green Bonds certified by the Climate Bonds Initiative (CBI) to finance projects, assets or expenditures that will help reduce the company's environmental impact.
- A diversified group's subscription to a sustainability-linked AU$400 million loan with a leading Australian bank is tying environmental and social performance to more favorable financial outcomes.
- An office and stationery retailer is enabling customers to shop more sustainably by planting two trees for every one used based on the weight of paper products purchased and driving sustainability impact (reduced waste, and increased recycling) alongside improved staff engagement by using balanced performance scorecards that track non-financial, sustainability targets, alongside financial metrics.

Despite many compelling stories of commercial success and anticipated market creation, many executives may still associate climate change response with compliance, cost and constraints. This is largely due to the elevated cost of growing reporting and compliance requirements, mitigating risks and responding to external and internal pressures such as stakeholder scrutiny and defensive positions to media, consumers and shareholders.

Climate-led value-creation opportunities could stem from:

- New sources of growth and innovation;
- Brand differentiation and customer loyalty;
- Cost efficiencies achieved from reduced waste and resource consumption; and
- Talent attraction and retention.

Climate-led protection and resilience measures could stem from:

- Reduced reputation risks and loss of social license resulting from non-compliance or lack of sustainability considerations in operating models; and
- Operational risks of a degraded and disrupted macro-economic, social and environmental context via the physical risks of climate change.

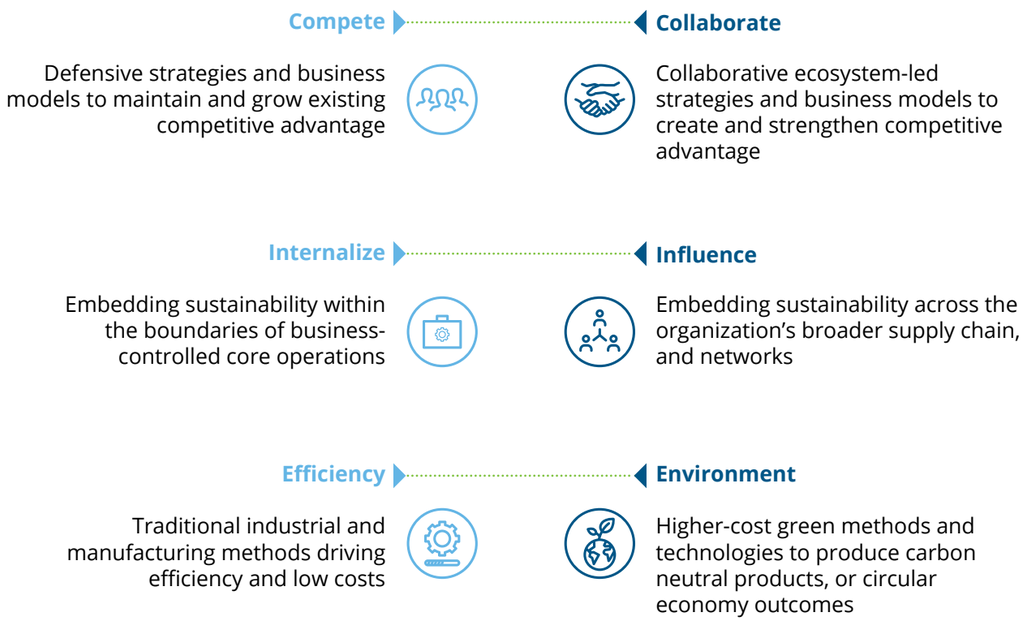
A strategy that looks at both value creation opportunities, coupled with protective models and measures in response to current and emerging pressures can contribute to long-term financial performance and business resilience.

Managing competing tensions

Realizing benefits from an embedded climate strategy may require the management of inevitable tensions across stakeholder groups and operating units from the competing priorities related to short-term financial performance and laying the foundations for longer-term value creation and resilience.

The onus in managing these tensions will likely rest with business leaders to find a balanced approach between short- and long-term priorities and make strategic choices to help inform an actionable implementation roadmap.

Figure 2:
Managing competing priorities in embedding a climate strategy within an organization[10]



Creating an actionable climate strategy

Once your organization has understood the material climate-related risks and opportunities and identified strategic options, it can be better positioned to create an actionable climate strategy.

A successful climate strategy is comprehensive, engages key stakeholders, has built-in review and checkpoint triggers, and includes a clear governance structure.

In addition to the plan itself, your organization may also need an implementation roadmap that includes key performance indicators, externally reported metrics, target dates, and impact goals, all of which require participation from across the organization.

Also, regardless of the initiatives established to deliver on your organization's climate ambition and targets, the governance and implementation roadmap should be embedded and incorporated into the business transformation governance and execution framework. This is to help ensure that the initiatives and climate implementation roadmap can be delivered on, and will not simply be established in isolation from the business strategy.

Developing the climate implementation roadmap

To help your organization execute your climate strategy, you may need to develop a detailed implementation roadmap.

This roadmap could include the actions your organization has committed to, a detailed implementation plan for each action, a performance tracking system to ensure you are measuring its impact and success, and the channels of communication.

Key components to consider include:

- What actions and changes may be required, in what order of priority, and when can their implementation support the targets set in the climate and business strategy?
- What measures and indicators can be used to track impact and progress?
- How can the roadmap be communicated to the business and various stakeholders?

The climate implementation roadmap can be a valuable tool that your organization can use to ensure that the relevant stakeholders across your organization's value chain collaborate to achieve your climate aspirations and targets in a well-governed way. This can result in organizational readiness and a clear view of the processes and systems required to deliver the climate strategy.

Case study

The Korean bank's implementation plan required each department to create its own strategies or roadmaps for how it would deliver on the organization-wide strategy.

This allowed the Korean bank to effectively manage the expectations and demands of its departments, and help ensure the effective utilization of resources and efforts, as teams worked together to achieve the common goals.

Establishing climate action governance with clear boundaries

The success of your organization's climate-led transformation journey will likely be guided by having a robust strategic plan that clearly outlines the:

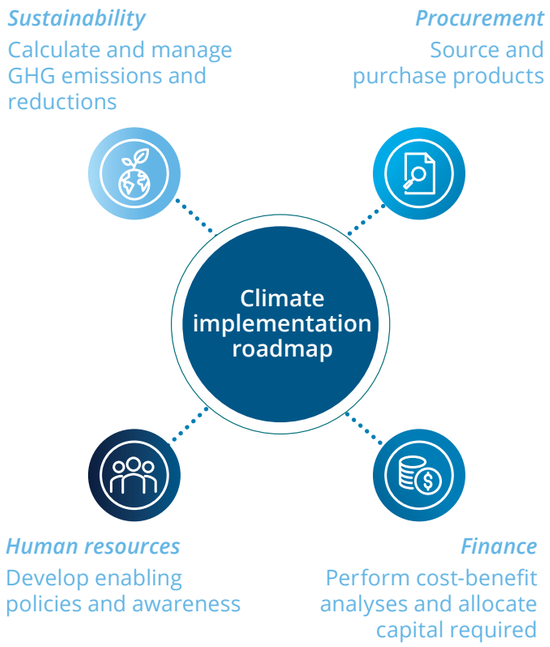
- Resources required to implement the options;
- Expected timeframes;
- Key stakeholders and the corresponding aspects of the plan that they are driving; and
- Built-in internal reviews and checkpoints triggers.

Key stakeholders should endorse and be supportive of the strategic plans and key contributors to the plan should be aware of their mandate as well as the actions they need to take to support its implementation. Moreover, strategic plans will likely require active management and review and should include built-in review and approval processes, such as decision-making participation from the organization's board of directors.[11]

For example, one aspect of your organization's plan might be to convert the company fleet into electric vehicles to reduce company travel emissions. Although this may seem like a straightforward strategy, this effort will likely require input from multiple departments (see Figure 3). A siloed approach will likely not work.

This is why the process of collaborating on the climate strategy itself can be an opportunity to create alignment between the stakeholders across your organization, on whom the organization's future success relies. By providing visibility of your organization's climate targets, potential climate-related risks and impacts, and accountabilities, the resulting climate implementation roadmap can act as a climate strategy control center that directs and guides various stakeholders to deliver their pieces of the strategy in a supported and structured manner.

Figure 3: Example of a collaborative approach between departments



Step 2

Summary

The climate-led transformation journey can present your organization with opportunities, but also with challenges.

It will require alignment with the broader business strategy and collaboration from across levels to achieve the organization's aspirations. As the strategy is continuously monitored and reviewed and as market, regulatory or internal forces shift and develop, the strategy can set the core benchmarks and principles to be guided by.

The systemic, and often long-term nature of environmental and social issues, combined with the difficulty in quantifying the impact of strategies focused on these areas, can be significant hurdles to your efforts.

Developing a comprehensive climate strategy a nd embedding it within the organization with a detailed and measurable implementation roadmap ensures not only business continuity but the future success that can come through creating value in the low-carbon economy of the future.

Step 2 in action

Korean Bank case study

Case study

This case study is based on a government-run bank in charge of the government of the Republic of Korea's public finance.

This Korean bank plays a central role in supporting Korea’s economic transition to a low-carbon future. To achieve its goals, the Korean bank’s climate strategy had to account for external forces within the financial services industry, banking and capital markets sector, as well as national climate pledges across Asia Pacific.

It also needed to establish a financial emission reduction and climate risk management system that was in line with its 2050 carbon-neutral goal, Green New Deal, and the 'Korean Green Taxonomy (K-Taxonomy)' declared by the government, and at the same time suitable for the era of transformation. The K-Taxonomy refers to the classification of green economic activities contributing to six environmental goals: GHG reduction, adaptation to climate change, sustainable water conservation, recycling, pollution prevention and management, and biodiversity.[12]

Step 2	*Korean bank’s actions and commitments*
Assessing the impacts of climate, regulatory and resource risks on your organization	The Korean bank started by establishing a set of climate targets and ambitions. For direct and indirect emissions, a step-by-step reduction plan was established with the aim of 2040 carbon neutrality. The Korean bank then considered which sector risks and climate impacts they would need to address in the climate strategy including public perception and reputational risk, nations setting net-zero ambitions in the region, and the impact of financing emission-intensive activities.
Evaluating opportunities and strategic options	The Korean bank evaluated how it could operate in a way that delivers on its climate targets. The organization decided it needed to offer green and low-carbon products and services to the market, including advising companies to create green financial products and programs based on environmental performance, establishing a support system to assist with identifying companies in the carbon-intensive sectors, and aiding those companies into low-carbon activities. To establish a company-wide systematic climate strategy, the Korean bank established mid to long-term goals and identified implementation tasks to prioritize to help achieve those goals. Additionally, roles and responsibilities were assigned to each department, and a phase-based roadmap was developed to guide the implementation process. The strategy also outlined a system for measuring and managing financed emissions, the roles each department would play, and a roadmap for improving emission measurement and introducing the K-Taxonomy. By advising companies to create green financial products and programs based on environmental performance, a support system was established to help companies in the carbon-intensive sector achieve carbon emission reduction through the transition to low-carbon companies.
Creating an actionable climate strategy	To ensure the Korean bank delivers on its climate targets, an organizational strategy was created, with a large focus on articulating the roles and responsibilities of each department. This was aimed at addressing confusion within the organization regarding what each department’s role and focus would be within the strategy. To further clarify the purpose of each department, and to foster a culture of stakeholder engagement, each department then developed its own strategy and roadmap documents. This helped ensure that each department aligned with the organization’s climate targets. The Korean bank then established clear monitoring and reporting requirements to ensure effective implementation and to monitor the progress of those strategies.

Key terms

List of the key terms used in this publication and their definitions.

Key terms	*Definition*
The Paris Agreement	The Paris Agreement, or Paris Accord, is an international agreement which was ratified in 2015 by almost 200 nations. The agreement was a commitment by member nations to address the impacts of climate change and attempt to limit average surface temperature warming to below 2°C by the end of the century, and ideally below 1.5°C.
Net-zero	Net-zero refers to the balance between the amount of GHG produced and the amount removed from the atmosphere. Your organization reaches net-zero when the amount you add is no more than the amount taken away. SBTi defines it as setting corporate net-zero targets aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions (i.e., Scope 1, 2 and 3) reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO_2.[13]
GHG emissions categories	Scope 1: Direct organization-owned or controlled emissions occurring at the source. Scope 2: Emissions associated with the production of energy consumed by your organization. Scope 3: Indirect emissions associated with your organization's activities from sources not owned or controlled by your organization.
Carbon footprint	A carbon footprint, otherwise known as a carbon inventory, is the GHG emissions attributable to that organization. This may include the organization's Scope 1, 2, or 3 emissions for a given year.
Financed emissions	Financed emissions are attributable to an organization's investment in carbon-intensive activities, such as financing a new mining operation, for example. These would be categorized as part of an organization's Scope 3 emissions.
Green New Deal	A Green New Deal refers to government policies and initiatives involving a balance of economic, and sustainability-focused initiatives. These could involve social welfare, education, addressing climate change and more.
Physical risk	Physical risk refers to the resulting effect of climate change on organizations, including assets, services and people. This includes acute risks which are driven by events such as severe storms, hurricanes, or floods and chronic risks which emerge from longer-term shifts in climate patterns such as sustained higher temperatures causing chronic heat waves or sea level rise.
Transition risk	Transition risk accounts for all the risks associated with the transition to a low carbon economy. This includes, but is not limited to changing policy and legislation, disruptive technologies, market shifts, and reputational damage. An example of a transition risk that is fast emerging is carbon tax.

Endnotes

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Contacts

Asia Pacific
Will Symons
Partner, Sustainability & Climate Leader
Deloitte Asia Pacific
wsymons@deloitte.com.au

Australia
David McCarthy
Partner, Executive Sponsor, Climate & Sustainability
Deloitte Australia
damccarthy@deloitte.com.au

China
Lily Li
Partner, Sustainability & Climate Leader
Deloitte China
lilyxcli@deloitte.com.cn

Japan
Yotaro Akamine
Partner, Sustainability & Climate Leader
Deloitte Japan
yotaro.akamine@tohmatsu.co.jp

Korea (Republic of)
In Kyoo Baek
Partner, ESG Centre Leader and Board Chair
Deloitte Korea
inbaek@deloitte.com

New Zealand
Andrew Boivin
Partner, Sustainability & Climate Leader
Deloitte New Zealand
aboivin@deloitte.co.nz

South Asia
Viral Thakker
Partner, Sustainability & Climate Leader
Deloitte South Asia
vthakker@deloitte.com

Southeast Asia
Ei Leen Giam
Partner, Sustainability & Climate Leader
Deloitte Southeast Asia
eilgiam@deloitte.com

Taiwan (China)
Joe Chen
Partner, Sustainability & Climate Leader
Deloitte Taiwan
joechen4@deloitte.com.tw

Acknowledgments

Will Symons
Partner
Sustainability & Climate Leader
Deloitte Asia Pacific
wsymons@deloitte.com.au

Victoria Chantra
Partner
Climate & Sustainability
Deloitte Australia
vchantra@deloitte.com.au

A special thanks to the following individuals who provided the support to make this publication possible:

Deloitte.

Struan Buchanan
Janice Chiang
Libby Lang
Rik Nijhuis
Anna Shelton-Agar
Taylor Stewart
Jennifer Marie Wright
Stelios Zakkas
Ok Su Lee
Min Young Kim
Soo Jeong Chung

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