



Climate Risk Management Maturity Assessment Report for non-financial organizations in the Netherlands

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Executive summary



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Climate change is an undeniable reality. Events such as floods, heat waves, and wildfires are no longer distant threats, but substantial risks that all stakeholders, regardless of their geographic location, must acknowledge. The increasing severity of climate events requires an urgent transition towards a climate-friendly economy. This is fundamental to prevent our planet from spiraling into the "hot world" scenario and experiencing these risks in their most extreme forms. At the same time, organizations need to understand the uncertainties associated with both the transition context and physical climate hazards, and should be equipped to protect their assets and ensure sustainable development. In addition, the climate transition presents opportunities that should be identified early on to drive value creation for robust and sustainable development.

In this context, we conducted research to provide an overview of the current maturity level of climate risk management practices in the Dutch market. Our findings show that the majority of commercial organizations are still in the early stages of integrating climate risk analysis into their decision-making processes. However, we have identified a number of front-runners who are leading the way with exemplary practices. Clearly, these practices reveal significant opportunities for improvement, including enhanced coordination between different business functions and organizational levels, incorporation of qualitative risk analysis, and improvement of data quality.

We are confident that a mature approach to managing climate-related risks will bring tangible benefits to both society and businesses. Appropriate mitigation and adaptation strategies, based on a comprehensive understanding of climate-related risks and opportunities, not only support superior strategic decision-making but also ensure the resilience and efficiency of day-to-day operations.

As we navigate this era of unprecedented climate change, such strategic initiatives will be instrumental in driving sustainable growth and resilience. We hope that this research will stimulate further exploration and action in this critical area, leading to a safer and more sustainable future for all.

The research took place between May - September 2023 and incorporates the current climate risk management maturity level of non-financial organizations that operate in the Dutch market. Our insights deep dive into the current practices of climate risk management, highlighting trends, best practices and barriers.



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Governance and Policy

Risk identification

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Survey methodology

Climate RM maturity levels

Basic

Climate risk management does not exist / informal climate risk management process and its results are not documented

Responsible

Basic compliance and common climate risk management framework (policy / procedure) is defined in accordance to regulations. However, the management's efforts are not fully coordinated / does not cover all areas of business or climate risks, siloed risk management activities

Leading

Climate risk management defined in accordance to regulations and best practices. Process is coordinated, there is a full coverage with understanding of the climate risks, enterprise-wide risk monitoring, measuring, and reporting

Climate risk maturity model development

Deloitte developed its climate risk management maturity assessment framework with accompanying criteria and questions

Data collection

Deloitte collected and analysed data gathered from open-sources and conducted individual interviews to assess climate RM maturity for companies in the Netherlands

Report development

Deloitte aggregated and analysed the collected data to prepare this Report and highlighted key areas of improvement and excellence



01

Maturity level

There are 3 levels of climate RM maturity based on companies' processes, methodologies and tools

02

Assessment areas

The Deloitte maturity model focuses on 8 assessment areas based on which maturity levels were analysed

03

Questionnaire

To assess the maturity levels, 2 to 5 questions per each area were analysed



04

Benchmarking

Deloitte analysed publicly available information from 40 companies in 3 industries that operate in the Netherlands

05

Interviews

Individual interviews with companies' sustainability and risk management representatives were conducted to collect additional insights



06

Report preparation

Deloitte prepared this Climate RM maturity Report based on collected data that was anonymized, and provided expert opinion about key highlights

Companies based in the Netherlands are presented in this Survey



Consumer

16 companies



Technology, Media & Telecommunication

9 companies



Energy, Resources & Industrials

15 companies

Assessment areas



Governance and policy



Risk identification



Risk assessment



Risk adaptation and mitigation



Targets



Monitoring and reporting



Integration into business processes



Risk data and systems

Data input

Open sources

- Annual reports
- Sustainability reports
- CDP Climate change responses
- TCFD reports

Interviews with companies' representatives from risk management and sustainability departments

Terminology

RM – risk management

Maturity model – climate risk management maturity model

C – Consumer

TMT – Technology Media and Telecommunication

ER&I – Energy, Resources and Industrials

CDP – Carbon Disclosure Project

TCFD – Taskforce on Climate-Related Financial Disclosures

BoD – Board of Directors

ERM – Enterprise Risk Management

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Climate Risk Management Maturity at a glance 1/2




56/100%

general climate RM maturity level




82/100%

Top 5 respondents' climate RM maturity level

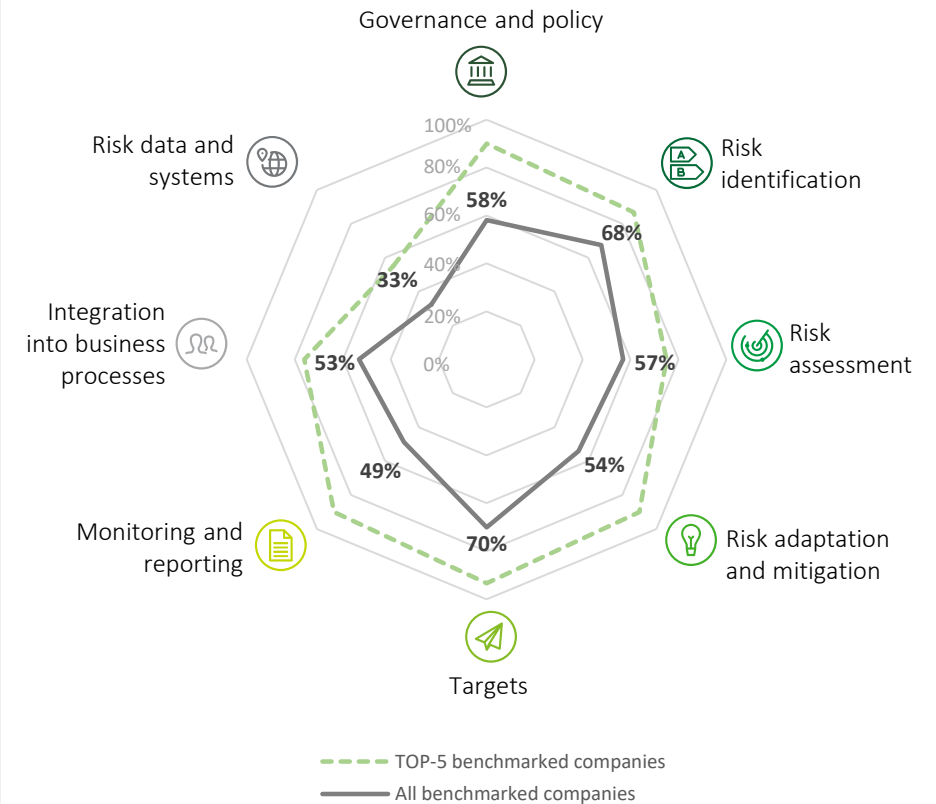
Highlights

-  Targets (70%)
-  Risk identification (68%)
-  Risk governance and policy (58%)

Gaps

-  Risk data and systems (33%)
-  Monitoring and reporting (49%)
-  Integration into business (53%)

Climate risk management maturity: aggregated results



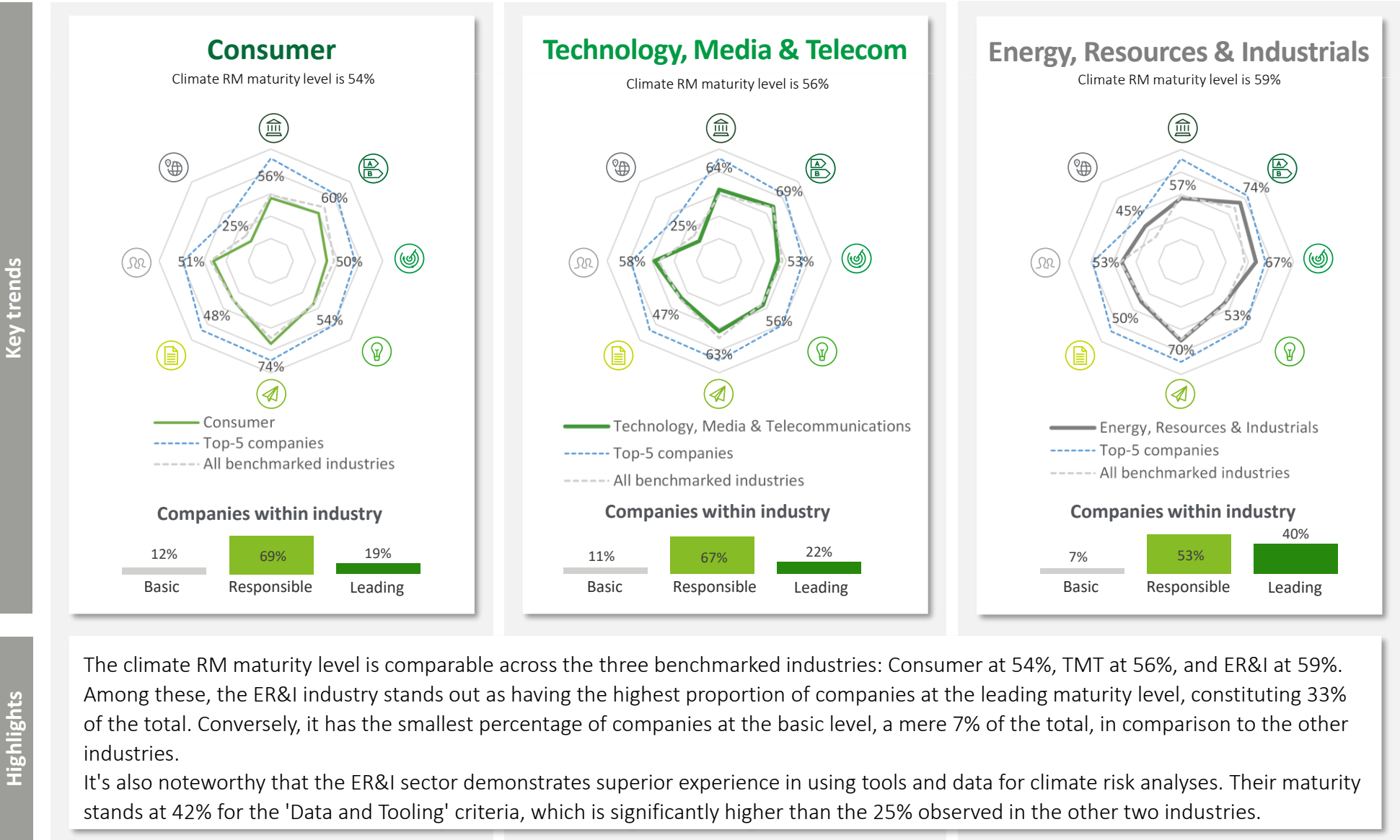
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Climate Risk Management Maturity at a glance 2/2



Results by key risk management areas

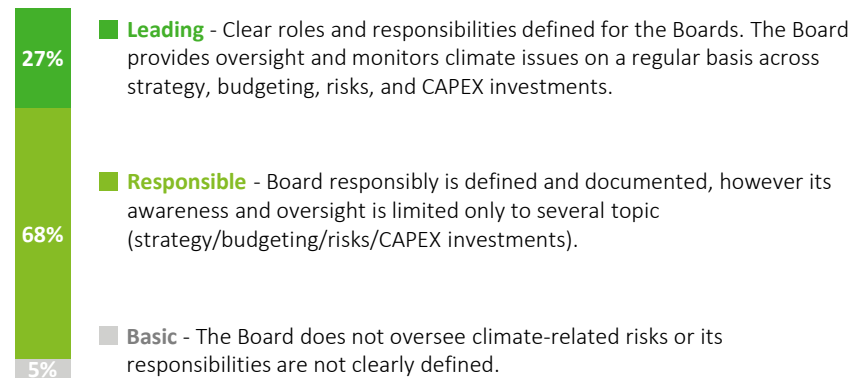


Topical Results – Governance and Policy

Board responsibility – maturity across industries

60% 63% 61%

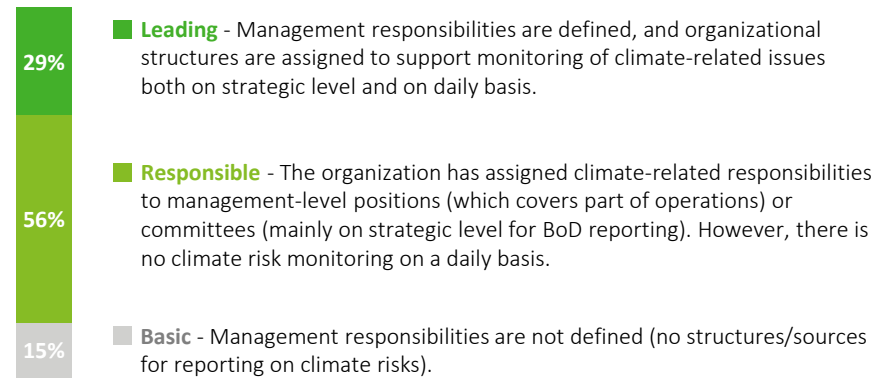
What is the Board's responsibility on climate risk management?



Management responsibility – maturity across industries

53% 50% 67%

What are the management responsibilities that relate to climate risk?



Total Governance and policy maturity level



95% of respondents have defined board responsibilities relating to climate issues. This figure is markedly higher than the 82% of respondents who have defined responsibilities at the management level. Based on the assessed industries, TMT, with a maturity level around 64%, is at the forefront in terms of integrating climate-related issues into both board and management governance practices.

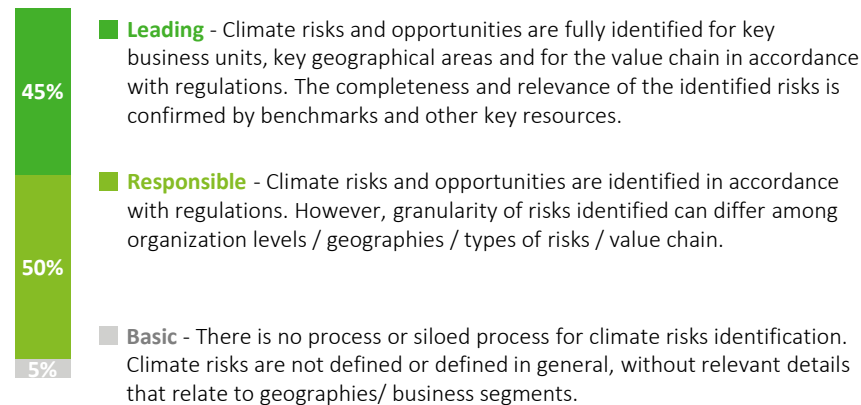
We note many companies currently prefer to define and document responsibilities on climate RM for only selected topics. Such responsibilities are often not integrated into daily operations or at the operational decision-making level.

Topical Results – Risk identification

Identification process – maturity across industries



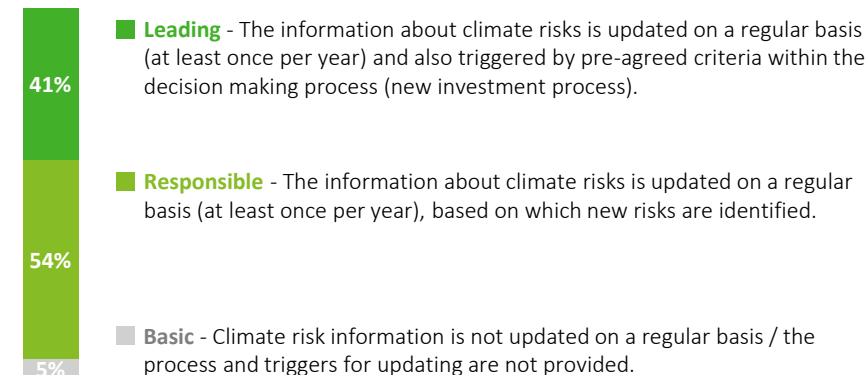
How are climate risks and opportunities identified?



Risk update – maturity across industries



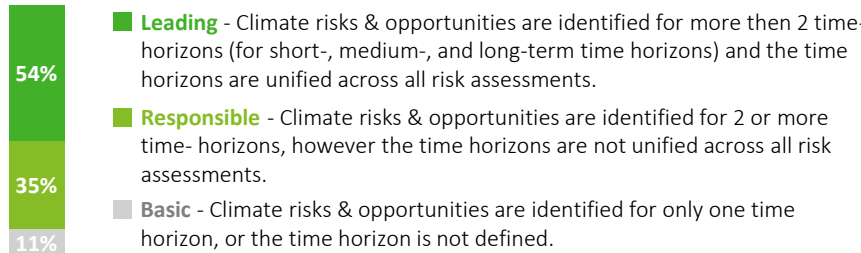
How is the information about climate risk updated?



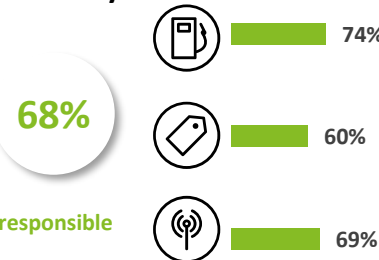
Time horizons – maturity across industries



What time-horizons are used for work analysis?



Total Risk identification maturity level



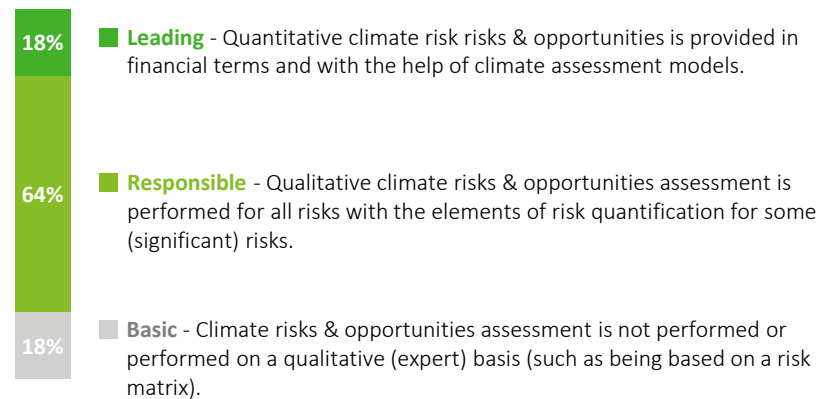
Climate risk identification is a relatively mature part of the RM process, amounting 68% of average maturity across all respondents. ER&I is leading with 74% maturity.

Topical Results – Risk assessment

Risk assessment – maturity across industries



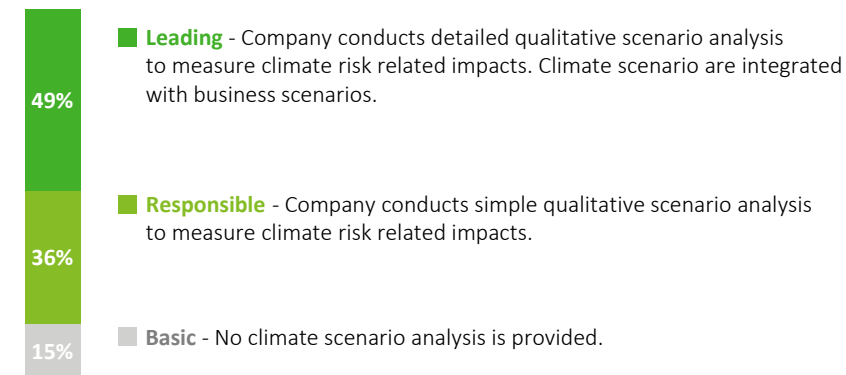
How does your company carry out climate risk assessment?



Scenario analysis – maturity across industries



How does your company use scenario analysis for climate risk analysis?



Total Risk assessment maturity level



64% of respondents rely on solely qualitative methods to assess climate-related risks and opportunities. In contrast, only 18% utilize quantitative methods to present their findings in financial terms. Transitioning to this quantitative approach, particularly by tying the financial impact of climate risks to company KPIs, might be the next step for many businesses aiming to reach a more mature level of assessment.

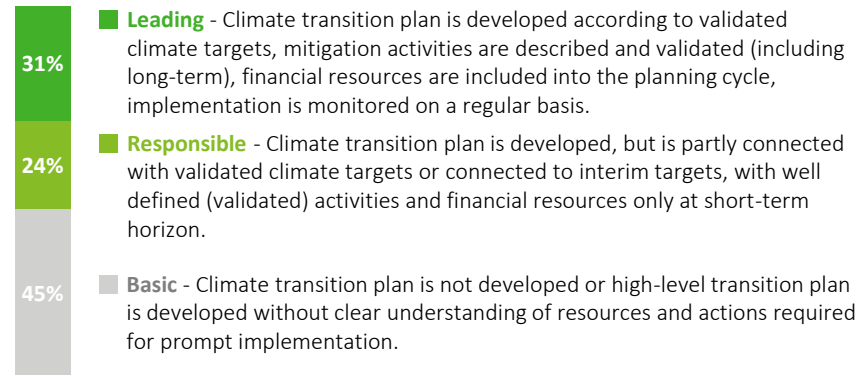
A significant majority of companies (85%) undertake some form of scenario analysis to evaluate broader scale impacts. Impressively, 49% integrate this scenario assessment directly into their business strategies. For the total risk assessment maturity - ER&I stands out (67%), compared to other industries which hover around the 50% mark.

Topical Results – Risk adaptation and mitigation

Climate transition plan – maturity across industries



Does the organization have a Climate transition plan?

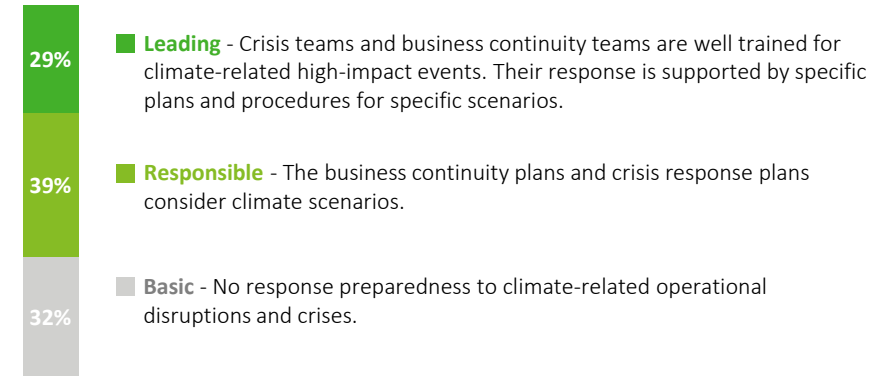


- Leading** - Climate transition plan is developed according to validated climate targets, mitigation activities are described and validated (including long-term), financial resources are included into the planning cycle, implementation is monitored on a regular basis.
- Responsible** - Climate transition plan is developed, but is partly connected with validated climate targets or connected to interim targets, with well defined (validated) activities and financial resources only at short-term horizon.
- Basic** - Climate transition plan is not developed or high-level transition plan is developed without clear understanding of resources and actions required for prompt implementation.

Business continuity & crisis response – maturity across industries



How does your company prepare for sudden high-impact events related to climate change and sustainability? (e.g., greenwashing, litigation issues or natural disasters)

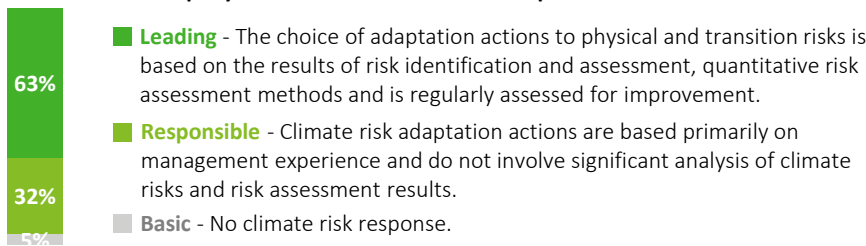


- Leading** - Crisis teams and business continuity teams are well trained for climate-related high-impact events. Their response is supported by specific plans and procedures for specific scenarios.
- Responsible** - The business continuity plans and crisis response plans consider climate scenarios.
- Basic** - No response preparedness to climate-related operational disruptions and crises.

Risk adaptation – maturity across industries

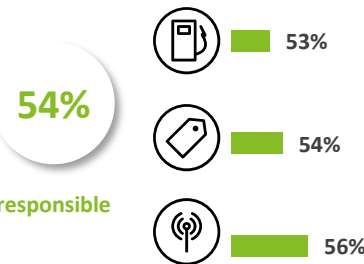


How does the company make decision on the risk adaptation actions?



- Leading** - The choice of adaptation actions to physical and transition risks is based on the results of risk identification and assessment, quantitative risk assessment methods and is regularly assessed for improvement.
- Responsible** - Climate risk adaptation actions are based primarily on management experience and do not involve significant analysis of climate risks and risk assessment results.
- Basic** - No climate risk response.

Total Risk adaptation and mitigation maturity level



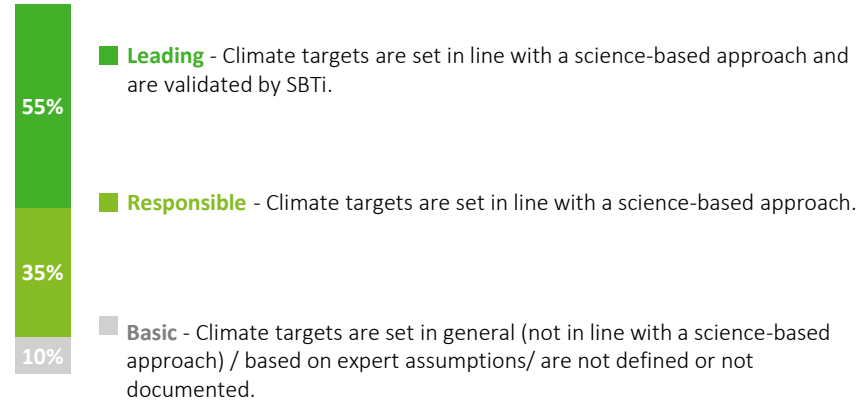
45% of companies have yet to develop a climate-transition plan, or they have a high-level transition plan in place. However, a notable 95% of these companies have implemented risk adaptation measures.

Topical Results – Targets

Climate targets – maturity across industries



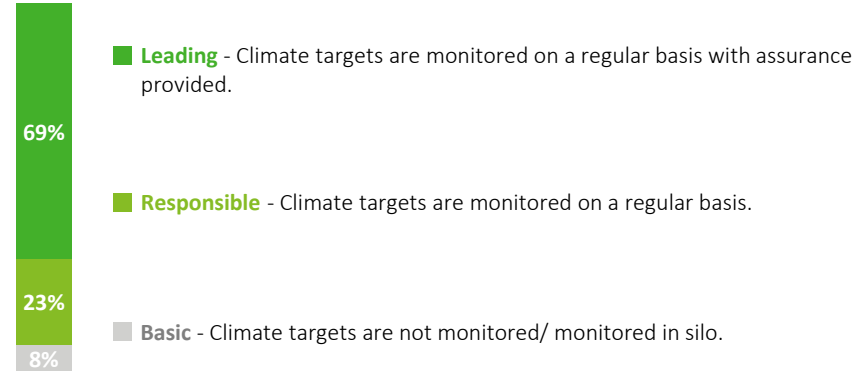
Are there climate targets in place?



Climate targets monitoring maturity across industries



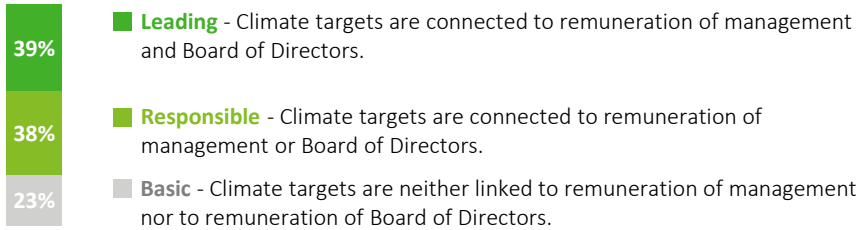
How does the company monitor climate targets?



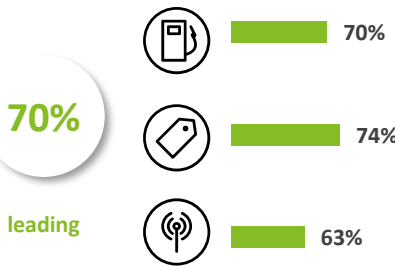
Remuneration – maturity across industries



Is the management remuneration connected with climate target?



Total Targets



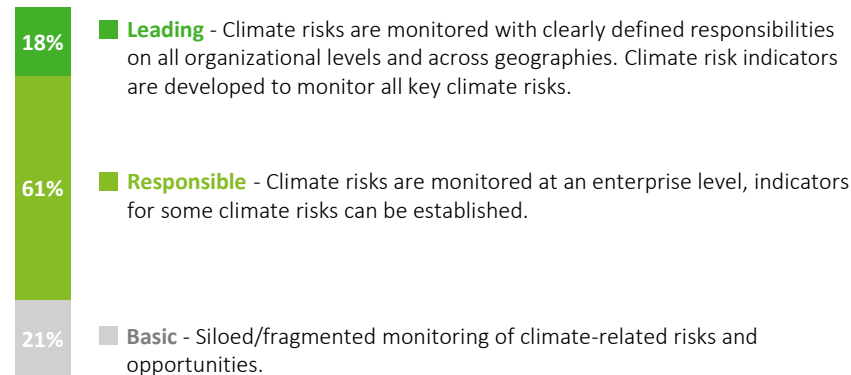
Climate targets represent the most mature aspect of the climate risk management process, with an approx. maturity of 70% among respondents. About 90% of them have established climate targets.

Topical Results – Monitoring and reporting

Monitoring – maturity across industries



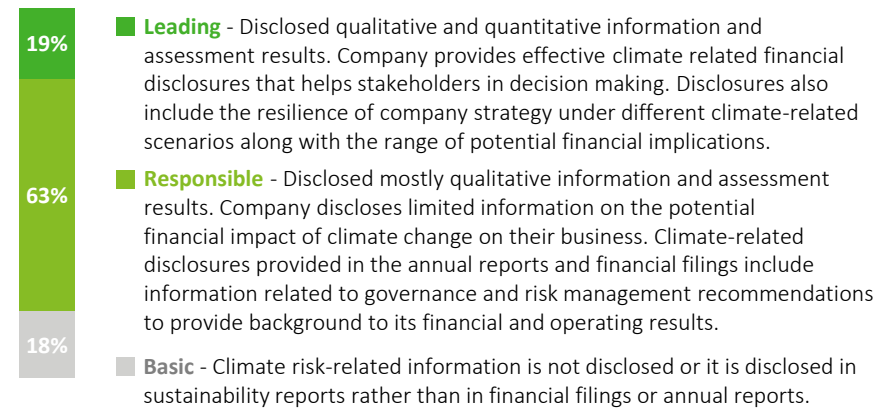
How does the company monitor climate risks?



Reporting maturity across industries



How your company disclose climate-related information?



Total Monitoring and reporting maturity level



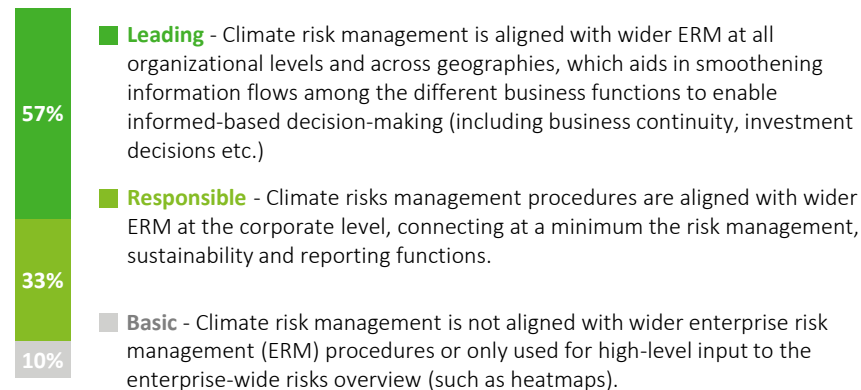
The majority of respondents (61%) currently monitor climate risks at the enterprise level. Yet only 18% utilize monitoring indicators across all organizational levels and geographies. A significant portion of respondents (82%) discloses both quantitative and qualitative information related to climate risks in their financial and non-financial reports. However, 18% do not include sustainability information in their financial filings or annual reports.

Topical Results – Integration into business processes 1/2

Enterprise risk management – maturity across industries

70% 75% 67%

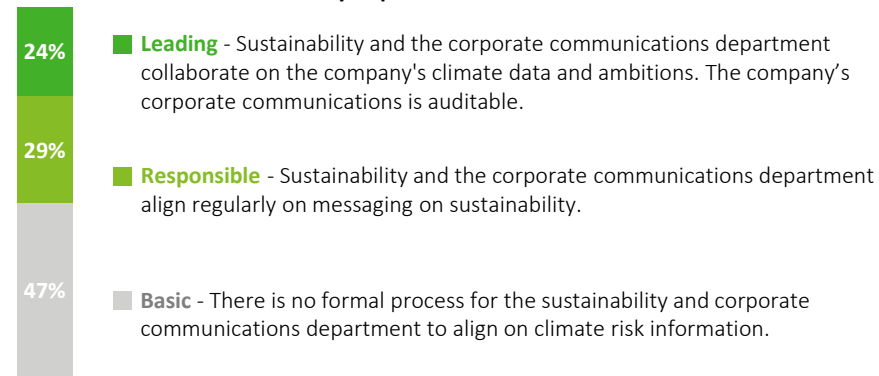
How does your organization integrate climate risk and enterprise risk management?



Corporate communications – maturity across industries

20% 31% 56%

How is climate risk information communicated between the corporate communications and sustainability department?



A vast majority of companies (90%) align their climate risks with ERM. Notably, 57% demonstrate leading practices by ensuring that climate risk management is synchronized with wider ERM across all organizational levels and geographies. This alignment guarantees robust information flow among various business functions, facilitating informed decision-making processes, including those for business continuity and investment decisions.

Furthermore, 90% of respondents incorporate key climate risks during strategy planning. 82% embed a climate mitigation plan within budgeting, investment planning, or strategy planning. The aspect of internal controls over climate risks appears to be the least mature - 44% of companies lack documented controls in this area.

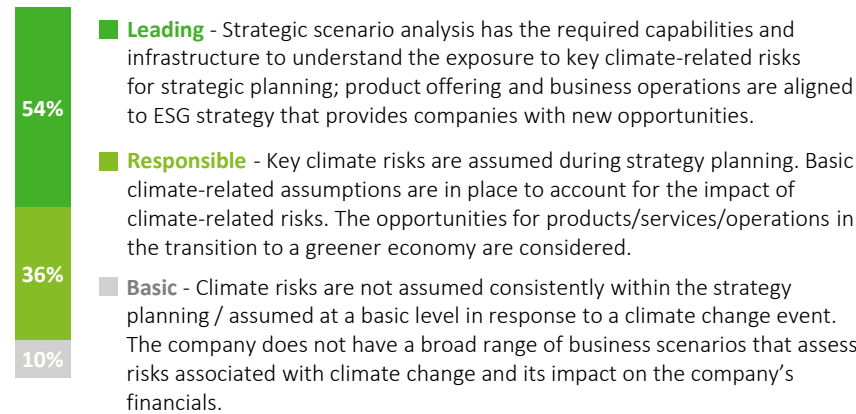
Additionally, for 47% of companies, there isn't a consolidated process for corporate communications to align with internally available data on sustainability.

Topical Results – Integration into business processes 2/2

Integration into strategy – maturity across industries



Does the company consider risk mitigation plans during strategy planning?



Integration into budgeting – maturity across industries



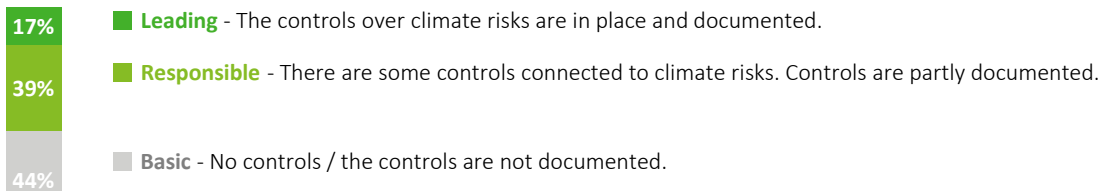
Does the company consider risk mitigation plans during budgeting planning?



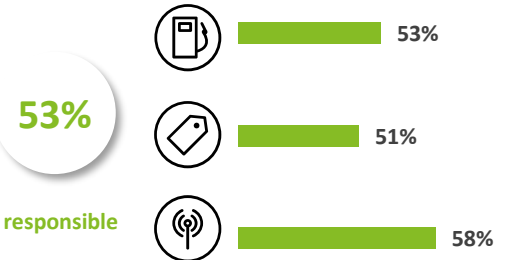
Internal controls – maturity across industries



Are there internal controls over the climate risks for the accurate and timely reporting?



Total Governance and policy maturity level

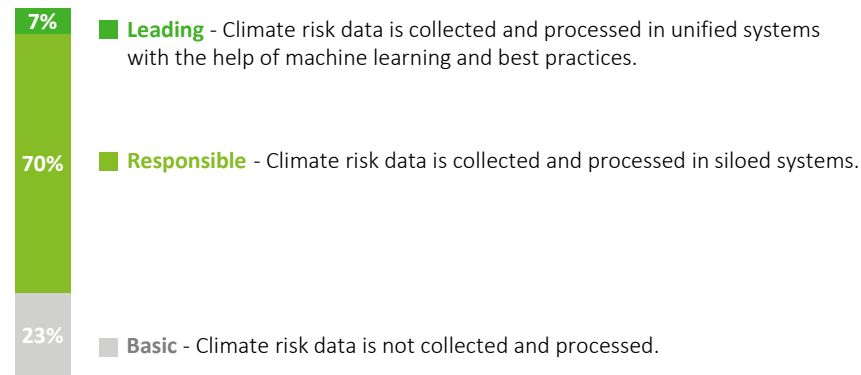


Topical Results – Risk data and systems

Climate risk data – maturity across industries*



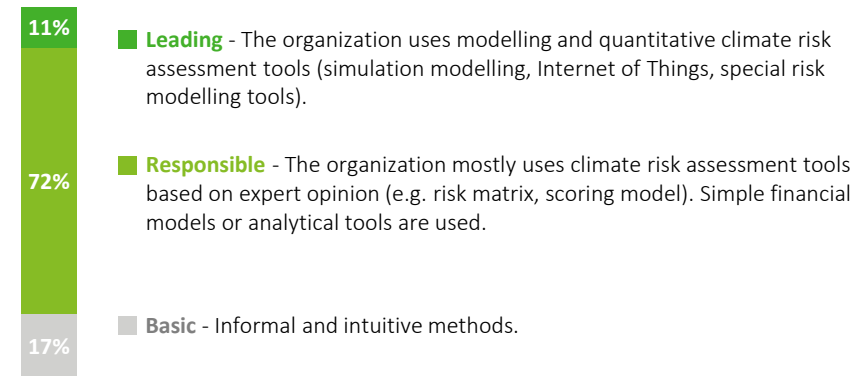
How does your company manage climate risk data?



Tools – maturity across industries*



What tools are used in your company for climate risk assessment?



Total Risk data and systems maturity level



The least mature component within organizations is "Risk Data and Systems". Approx. 23% of respondents did not disclose any information regarding their utilization of data and systems for climate data analysis. Of those who did, 70% collect and process climate risk data in siloed systems. Only 7% consolidate and analyze this data in unified systems, leveraging machine learning and best practices. A significant 72% of organizations primarily rely on climate risk assessment tools that are based on expert opinions like risk matrices or scoring models.

*For the current assessment on this topic, 10 out of 40 companies were not considered because of the lack of disclosed information.

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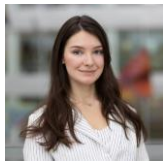
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