# Deloitte.

Potential difficulties in complying ISSB S1 & S2 and how we can help?

Climate Scenario Analysis -Financial Impact Modelling

Develop qualitative and quantitative narrative for each scenario Refresh
strategy
responses
to the
prioritised
key risks &
opportunities

Financial implication assessment on strategy response (ISSB S2)









Map climate

related

risks and

opportunities to

operational data to GL/

Sub GL

ledgers

In-house model	Quantify Physical Risk	Refreshed Risk
Data Acquisition Workshop	Quantify Transition Risk	Key estimates narrations
Modelling Team Workshop	Financial Implication Outcome	Climate Assumption

# Transition Risk Modelling Methodology

### Our Methodology: Bottom-Up Approach Stress-Testing Methodology

Considering Financial and ESG data as well as Management overlays of your organisation, our methodology can offer a visual view of the Transition impacts on the yearly forecasted Balance sheet, Income Statement and Risk outcomes out to 2050.

**Proxy and Scenarios Simulation** 

# **Modelling Inputs**

### Obtain the following information:

- ☐ Financial information, e.g., P&L, balance sheet.
- ESG data, including consumption of energy and current carbon emissions across different regions.
- Management overlays, such as the decarbonization strategy and its corresponding technology deployment and investment plan.

☐ Obtain the scenario data based on climate

**Scenario Data** 

scenarios established by the scientific community.

- ☐ For any data gaps, provide your organisation with guidance on suitable data proxies.
- □ Appropriate assumption need to be made in order to project the company's full balance sheet.
- Projections of the company's future business activity should be aligned with climate scenarios.

# **Modelling Outcomes**

Deloitte's modelling consultants will advise your organisation on how to achieve the following metrics\*:

### ☐ Financial Metrics

Model the full P&L and B/S using the projected business activities forecasted out to 2050.

#### ☐ ESG Metrics

Project the future carbon emissions of your organisation across various climate scenarios.

#### **□** Other Metrics

E.g. project out the changes in the default probability of your organisation under different climate scenario information by re-computing them with the projected P&L and B/S numbers. This will ultimately drive the cost of borrowing for your organsiation.

# Physical Risk Modelling Methodology

## Our Methodology:

A probabilistic model to quantify the physical risk for your real estate assets, including data centres and warehouses

