



Quick Brief

A news update from the NBI on its programmes, business leadership and issues on sustainable development.

5 July 2017

The Business of Adaptation

The World Economic Forum's 2016 Global Risk Assessment Report ranks failure of climate change mitigation and adaptation as the highest impact risk facing business and yet there is a danger that business and investors may be misdiagnosing climate risk.

The impacts of climate change amplify risks across categories and business seems unfortunately positioned to be an early casualty if adaptation is not prioritised. Climate risks can have multiple impacts within a company, across sectors, along value chains and throughout vulnerable communities.

Climate risk assessments are commonly limited to a consideration of specific hazards and the company's exposure to these. However, this ignores the underlying socio-economic and ecological weaknesses that exacerbate risk.

For example, a company might be successful in securing their physical assets, such as factories, against flooding. But if local communities are not similarly protected, the flood will still have a significant impact on the business. Factories are likely to remain shut for extended periods when workers are personally affected or are unable to get to work due to disruptions to transport infrastructure. These vulnerabilities also tend to disproportionately affect marginalised communities, including women, when inequalities in societies intersect. Floods in Bangladesh, for instance, have been shown to have a far higher impact on women.

Ignoring these vulnerabilities when assessing climate risk can lead to misdiagnoses and maladaptation, which in turn lead to elevated risk across a range of categories.

The NBI's latest report, [*A New Climate of Risk: How South African Businesses are Adapting to Climate Change*](#), discusses how South African companies are being impacted by climate change, the barriers they experience in

implementing adaptation planning and the positive progress they are making.

The report also offers several key insights around climate change adaptation. The first of these is the importance of convincing senior leaders of the business case for addressing climate change. This is made easier when it can be demonstrated how adaptation efforts build business resilience and maintain long-term value, while at the same time unlocking new opportunities.

Establishing a clear understanding of the vulnerability of operations, the value chain, communities and the surrounding environment is an essential first step. Where this is framed as a business resilience exercise and leverages existing risk management frameworks, it supports consistent interpretation and reduces the impact of climate sceptics.

Adaptation should also be integrated into core strategic business planning and management processes – the uptake in companies will increase where climate risks and opportunities are translated into traditional business language, including their impact on growth and costs.

While every company needs to play its part, an effective adaptation response is only possible through broader engagement, collaboration and partnerships between government, business and civil society.

It is critical that the climate change conversation is broadened beyond the obvious weather effects to emphasise the concept of rising systemic risks. Climate change will have profound social impacts, particularly relevant in the South African context, as climate change has the potential to make unequal societies more unequal. Business is and must therefore remain at the forefront of adaptation planning, including the financing and implementation of solutions to address a rapidly changing climate.

To download the full NBI report, *A New Climate of Risk*, click [here](#).

Should you have any further questions, please do not hesitate to contact [Alex McNamara](#).

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