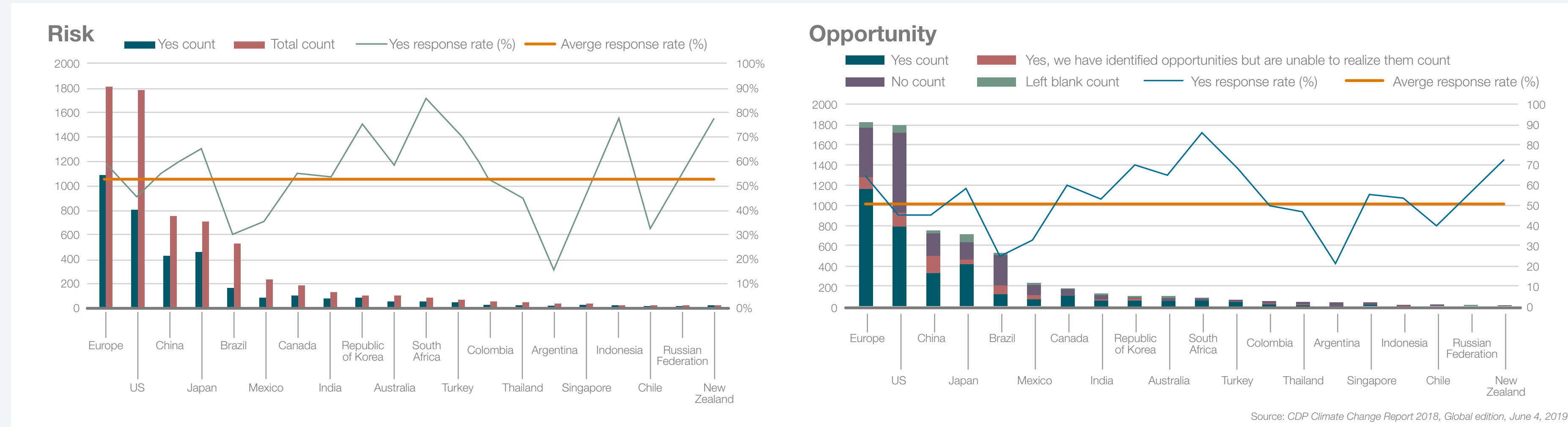


# THE INFLUENCE OF TCFD

The Financial Quantification of Risk and Opportunity



## SOUTH AFRICAN COMPANIES IDENTIFY THE HIGHEST PROPORTION OF BOTH SUBSTANTIVE RISK AND OPPORTUNITY IN THE WORLD



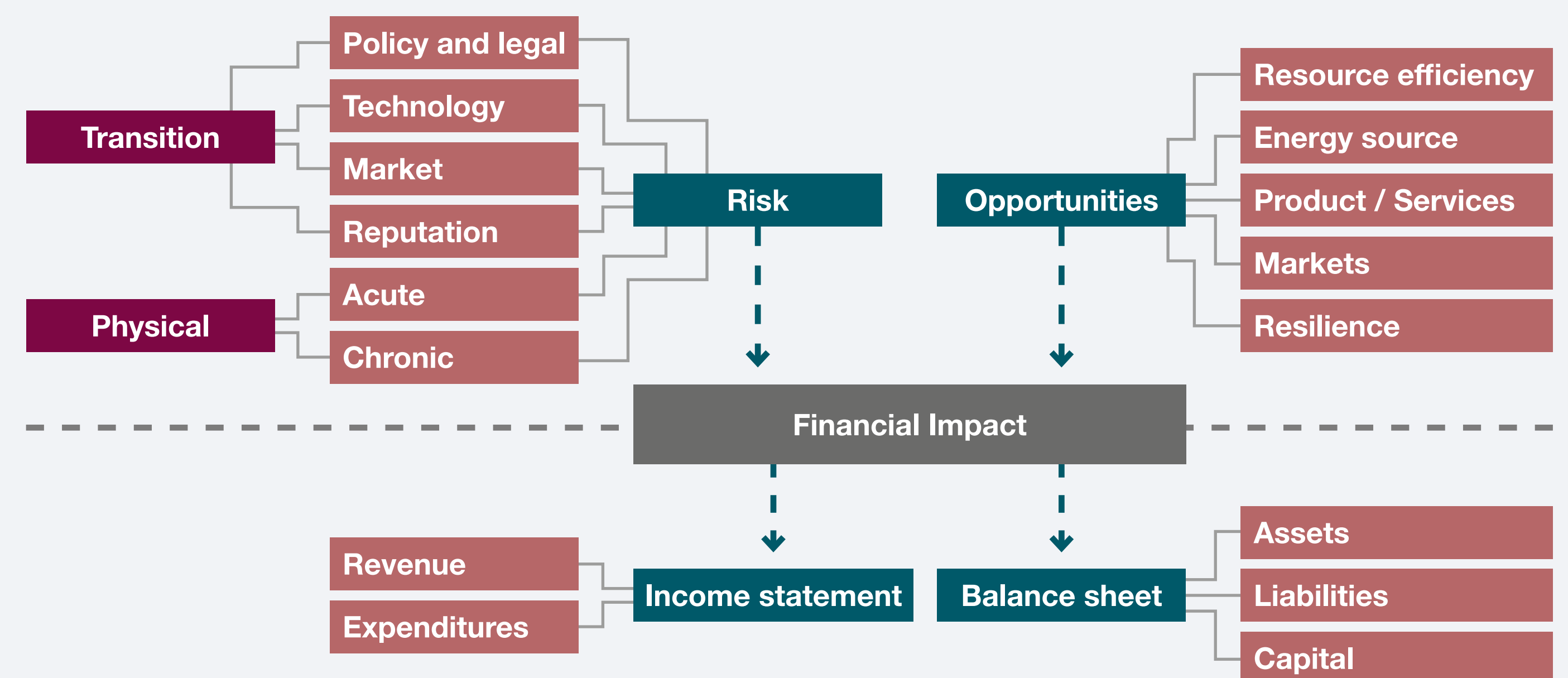
## TCFD REQUIRES COMPANIES TO CALCULATE THE FINANCIAL IMPACT OF BOTH PHYSICAL AND TRANSITION RISKS AND OPPORTUNITIES:

The core elements of recommended climate-related financial disclosures mirror the structure of the CDP questionnaire



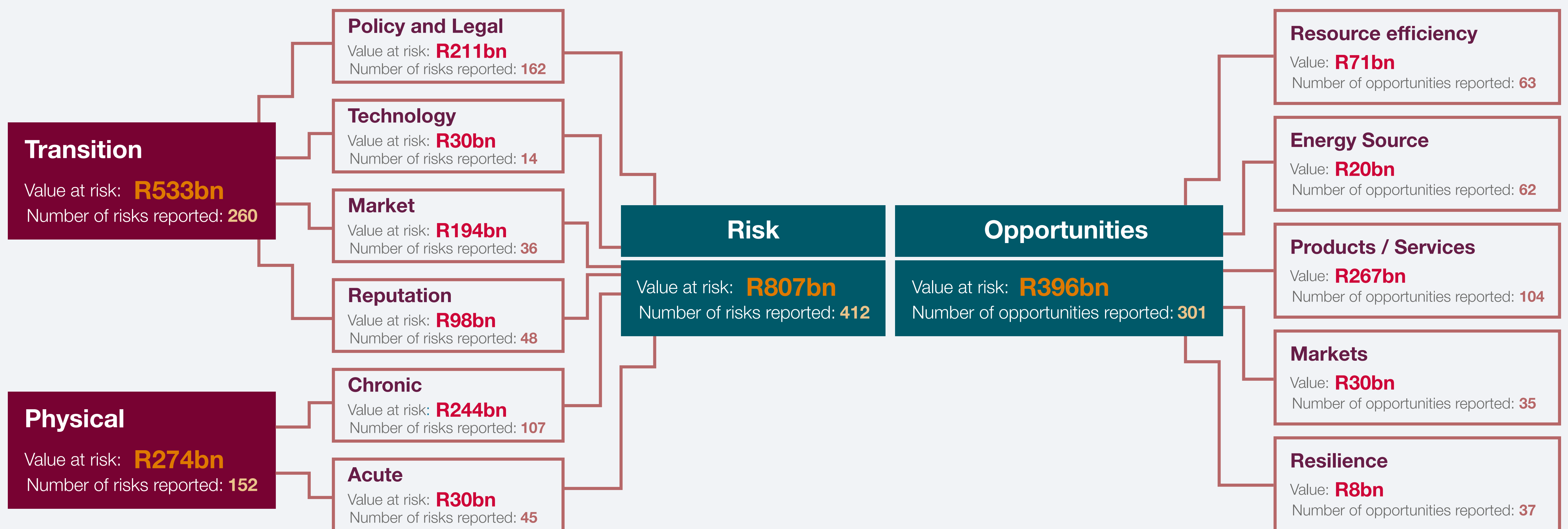
- Governance**  
The organisation's governance climate-related risks and opportunities
- Strategy**  
The actual and potential impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
- Risk Management**  
The processes used by the organisation to identify, assess, and manage climate-related risks
- Metrics and targets**  
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Climate-related risks, opportunities, and financial impact



## SOME SOUTH AFRICAN COMPANIES HAVE RESPONDED THOROUGHLY. THE ESTIMATED VALUE AT RISK IS R807BN; WHILE THE TOTAL OPPORTUNITY IS ESTIMATED AT R396BN

However 6 companies represent 80% of the value at risk and 7 companies reported 88% of the opportunities (by financial value), suggesting the unknown risk across all companies is very large



## SOUTH AFRICAN COMPANIES FOCUS ON DIRECT RISKS; HOWEVER, MUCH OF THE OPPORTUNITY APPEARS TO LIE WITH THE CUSTOMER. COMPANIES THEREFORE NEED TO FOCUS MORE ON VALUE CHAINS AND ENABLING PARTNERS TO GENERATE GREATER VALUE

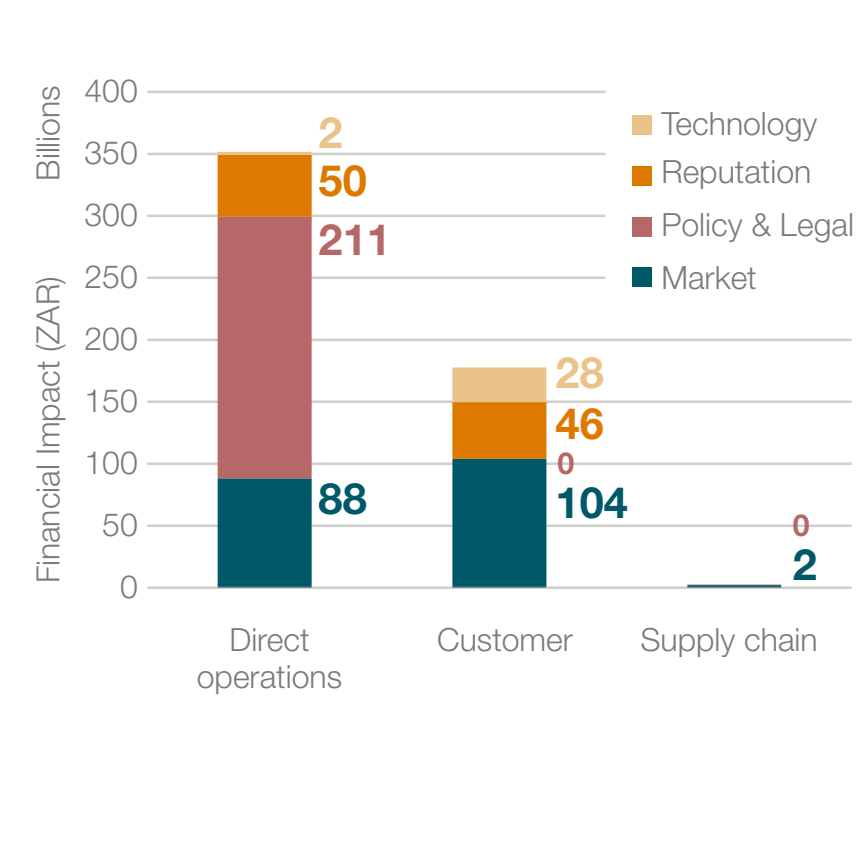
The top 5 most commonly disclosed risks are related to policy and legal as well as chronic climate change risks:

Policy and legal: Increased pricing of GHG emissions	75
Chronic: Changes in precipitation patterns and extreme variability in weather patterns	71
Acute: Increased severity of extreme weather events such as cyclones and floods	38
Policy and legal: Enhanced emissions reporting obligations	36
Policy and legal: Mandates on and regulation of existing products and services	34

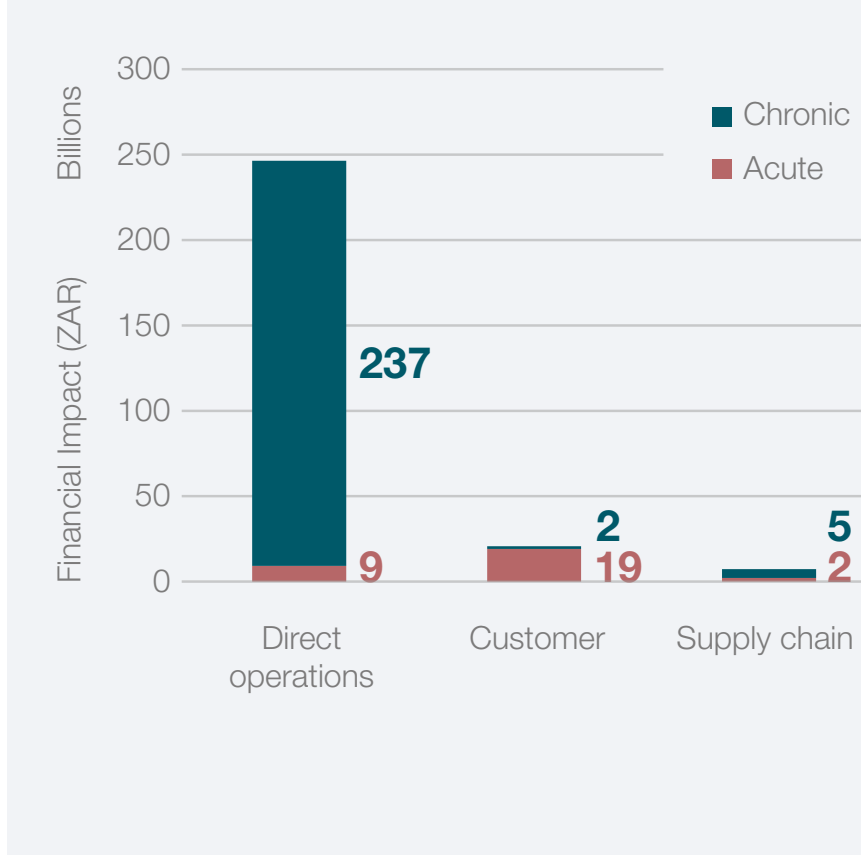
The top 5 most commonly reported opportunities are related to innovations in goods and services and to access new markets:

Development and/or expansion of low emission goods and services	38
Use of lower emission sources of energy	36
Shift in consumer preferences	30
Access to new markets	24
Development of new products or services through R&D and innovation	18

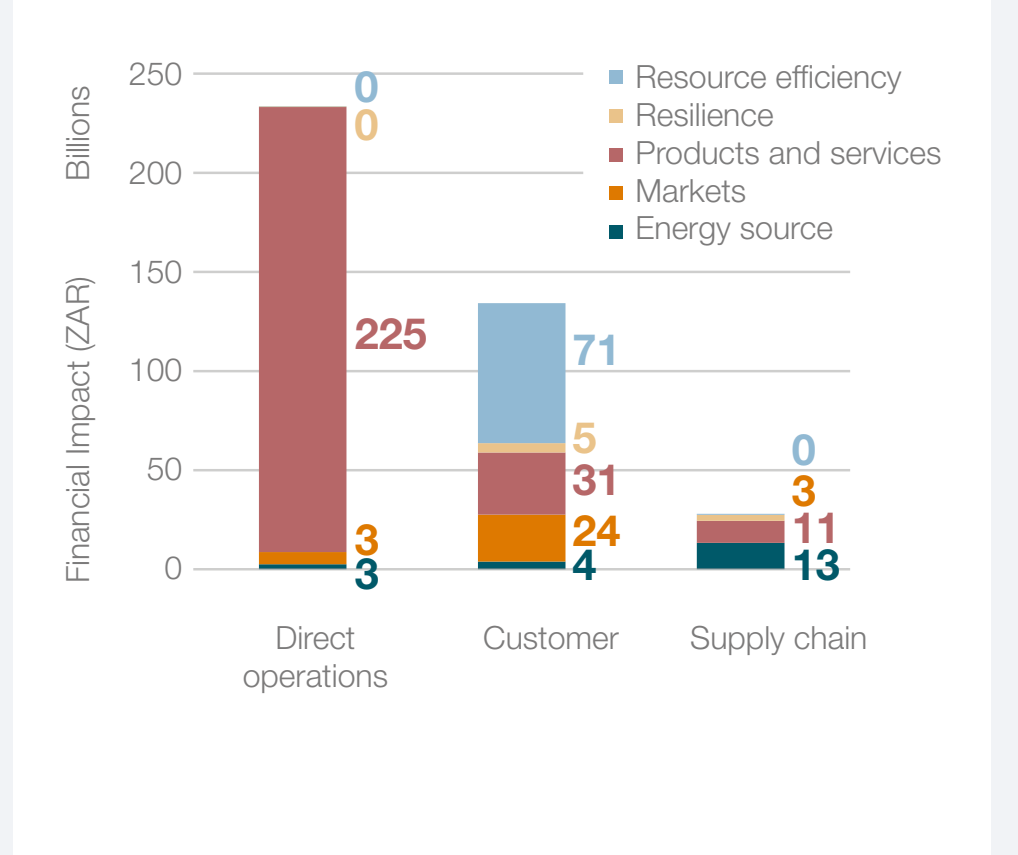
Location and impact of disclosed risk by type (transition risk)



Location and impact of disclosed risk by type (physical risk)



Location and impact of disclosed opportunity by type



Finally, South African companies would benefit from aligning their management spend with the potential financial impact of the risk to increase the benefits that can be derived from appropriate climate change risk management.

Although climate change risks were identified to have more than double the financial impact than opportunities, opportunity management costs are over a hundred fold higher than those related to risks management.

