How exposed is your organisation to climate change **risk?**

Protecting and enhancing the *value* of your organisation

"Once climate change becomes a defining issue for financial stability, it may already be too late. While there is still time to act, the window of opportunity is finite and shrinking."

Mark Carney
Former Governor of the Bank of England

One of the most significant and perhaps least understood sets of risks that property owners and lenders face today relates to climate change.

What risks and opportunities does this pose to the future of your organisation?

In response to an increasing need to better understand the financial impacts of climate change, the **Taskforce on Climate-related Financial Disclosures (TCFD)** has developed a first of a kind reporting framework. It has already been endorsed by several governments, financial authorities and market leaders.

The Bank of England originally proposed climate stress testing to take place using the June 2020 balance sheet of both large banks and insurers. However, in light of the current COVID-19 situation, this has been postponed and is now expected to take place mid-2021.

With climate change no longer possible to ignore, now is the time to take action.

"Society is demanding companies, to serve a social purpose. To prosper, every company must not only deliver financial performance, but also show how it makes a positive contribution to society." Larry Fink, CEO, Blackrock

Change from the top

Investors are expressing concern over the lack of focus on environmental and social risks in boardrooms and the need for 'long term value creation'.

Financial debate on climate change has significantly increased with a number of climate change regulations coming into effect.

Increasing legislation and disclosure

The recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) are gaining momentum with an increasing number of organisations disclosing financial impacts of climate change on their organisation annually.

68% of asset managers view climate change as "a material risk or opportunity across their entire investment portfolio"

Access to capital

The Bank of England announced plans to stress test large banks, insurers and the UK's financial system's resilience to the financial risks from climate change as part of the 2021 biennial exploratory scenario exercise ('BES' or climate stress test).

Extreme weather is expected to have a significant impact on the UK real estate market. 5.4 million homes in the UK are at risk from sea and river flooding or flash floods.

Risks to buildings

Storms Desmond, Eva and Frank caused December 2015 to be the wettest month ever recorded. Winter 2015 to 2016 brought widespread flooding to 17,000 properties across the north of England.

Private investors are at risk of losing $4.2 trillion between now and the turn of the next century because of climate change.

Loss of value

HSBC calculated that share price of fossil fuel companies could fall by 40-60% in a low emissions scenario.

An approach that brings *value* to your organisation

Gap analysis of policies, processes and reporting
Review of existing ESG strategy, the identified material issues within the strategy, as well as governance and risk management processes.

Climate change scenario modelling and materiality review of key climate change risks
Identifying key physical and transitional risk as a result of climate change.

Risk assessment and management plans
In-depth assessment of your business wide and property specific risk including value at risk.

Impacts on and resilience of your Business Strategy.

Asset Specific Impacts and cost of mitigating, absorbing or transferring risk.

Monitoring and reporting
Disclosing in line with Task force on Climate-related Financial Disclosure recommendations and stakeholder expectations.

Our team

JLL has the largest sustainability team focused on the property sector in Europe...
enabling us to provide an unrivaled depth of expertise across the breadth of sustainability issues.

In-house risk, compliance and disclosure professionals...
identifying risk and opportunities presented throughout your whole portfolio.

Unrivalled understanding of financial institutions...
combining expertise across our organisation to deliver sustainability programmes.

Established connections...
providing partnerships with external experts in insurance and climate change modelling.

Helping our clients build **resilience**

Our Upstream climate risk service was established over 15 years ago and in January 2018 we fully aligned our services with the best practice recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD). The service aims not only to support disclosure but to protect and enhance the value of your organisation by identifying and understanding the climate risk impacts. We support our clients in identifying and understanding climate risks while also leveraging opportunities. Unlike the majority of other climate risk services and capabilities our results and assessments are done at both the business and asset level – with asset level assessments presenting the value at risk.

Gap analysis of climate related policies, processes and reporting

- Enhancing your approach to identifying, managing and reporting on climate related risk
- Understanding the current climate risk governance and risk management procedures in place and making recommendations for improvement e.g. boards oversight of climate related risk, informing lending criteria.

Climate change scenario modelling and materiality review of key climate related risks

Business level risk assessment and management plans:

- Understanding the impact on your business and the resilience of your strategy. Identifying key climate related business level risks and opportunities
- Assessing likelihood and impact of these risks materialising
- Development of recommendations and risk management plans to build business resilience to climate change.

Asset level risk assessment – climate risk scenario modelling and management plans:

- Advanced asset and portfolio level climate risk scenario modelling of physical and transitional risks and opportunities
- Ability to explore two climate change scenarios e.g. 2 degree or 4 degree of warming any timeframe up to 2100 and present results representing value at risk
- Development of portfolio recommendations for improving resilience e.g. informing lending criteria, locations risks etc.

Supporting disclosure in line with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD):

Development of comprehensive TCFD disclosures including powerful visualisation and charts. Supporting disclosure and reporting for future PRA/BoE requirements.

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