



Climate Risk Analysis in a Corporate Context

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1. Definition and Core Concepts

With the help of a climate risk analysis, you systematically evaluate the extent to which your company is exposed to climate risks. These risks can be physical (e.g., due to extreme weather events) or transition-related — such as new legislation or changing markets in the wake of climate change. Part of the analysis also includes assessing vulnerability, i.e., the susceptibility to these risks, which depends, for example, on location or the company's adaptability.

2. Regulatory Requirements

As part of its efforts to achieve climate neutrality by 2050, the EU developed a series of legislative initiatives known as the Green Deal. The most relevant for climate risk analysis are the **EU Taxonomy** and the **European Sustainability Reporting Standards (ESRS)** as part of the **Corporate Sustainability Reporting Directive (CSRD)**.

2.1 EU Taxonomy

The EU Taxonomy classifies the sustainability of economic activities and is relevant for all companies subject to reporting under the CSRD¹. To comply with the EU Taxonomy, a company must conduct a climate risk analysis encompassing all economic activities covered by the Taxonomy.

The EU Taxonomy divides sustainability into six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

To comply with the EU Taxonomy, a company must make a substantial contribution to at least one of these objectives and must not significantly harm the others ("Do No Significant Harm", DNSH). The company must also comply with minimum social safeguards.

Technical Screening Criteria (TSC) are used to determine a company's impact regarding each of the environmental objectives.

2.2 European Sustainability Reporting Standards (ESRS)

In accordance with the CSRD, companies must report comprehensively and transparently in accordance with the European Sustainability Reporting Standards.

Companies must demonstrate how their activities impact the climate ("inside-out perspective") and also prove how climate risks have been incorporated into strategic planning ("outside-in perspective").

Particularly vulnerable areas must be identified and corresponding adaptation strategies described.

¹ From 2025: All large corporations (>250 employees, >€40m turnover, >€20m balance sheet total).

2.3 Comparison of Climate Risk Analysis Requirements

Requirement	EU Taxonomy	European Sustainability Reporting Standards
Objective	Risk minimisation: Ensure investments cause no significant harm even under the worst-case climate conditions	Comprehensive reporting on potential financial impacts of climate change
Report Contents	Risks and contribution to environmental objectives, particularly climate change adaptation	Impacts, opportunities, and risks as well as adaptation strategies
Disclosure Requirements	Proof of compliance with Technical Screening Criteria (TSC)	Detailed qualitative and quantitative information
Climate Risk Analysis Focus	Stronger focus on physical climate risks and their adaptation plans	Comprehensive analysis of physical and transition risks
Scenario Approach	Risks (1.5°C + high temp. scenario)	Climate risks & opportunities (1.5°C + high temp. scenario)
Regular Updates	Regular updates recommended (every 3 years for acute and every 5 years for chronic risks)	Annual review recommended to adapt to new data and developments

3. Climate Risk Analysis

3.1 Climate Risk Analysis Process

The execution of a climate risk analysis can be divided into seven steps:

1. Team Composition & Objective Setting	• Formation of an interdisciplinary project team • Clarification of roles and responsibilities • Definition of objectives and scope
2. Inventory & Stocktaking	• Stocktaking and preparation for the analysis • Definition of key guiding questions for orientation
3. Identification of Climate Hazards	• Compilation of a list of relevant climate hazards for the company based on spatial occurrence and potential for significant harm
4. Data Collection & Analysis	• Collection of data on climatic conditions and events • Use of scientific sources and climate models (e.g., IPCC reports) • Analysis of potential physical and transition risks
5. Risk Assessment	• Assessment of the likelihood and impacts of identified risks
6. Development of an Adaptation Plan	• Derivation of concrete risk mitigation measures • Definition of priorities and timeframes for implementation
7. Documentation & Communication	• Preparation of a report on the findings • Communication of results to relevant stakeholders and integration into the management report

To properly assess the significance of climate risks, a thorough understanding of how they affect a company is required. Both short-term (<10 years) and long-term climate risks (>10 years) should be taken into account.

3.2 Opportunities and Added Value of a Comprehensive Climate Risk Analysis

Strategic Advantages

- Future-proofing: Foundation for sustainable decision-making.
- Competitive advantage: Build trust through proactive risk management.
- Market positioning: Capitalise on opportunities in the low-carbon economy.

Regulatory Compliance

- Fulfilment of EU Taxonomy and CSRD requirements.
- Support for sustainability reporting.

Financial Resilience

- Reduction of potential economic losses.
- Efficient resource and risk management.

Long-Term Planning

- Development of robust adaptation strategies.
- Promotion of corporate-level climate resilience.

Access to Green Capital and Investments

- Easier access to sustainable financing through increased confidence from investors and lenders.

Fostering Innovation

- Development of new products and services for a low-carbon economy and entry into new markets.

Further information on this topic can be found on the [website](#) of the Foundation Development and Climate Alliance.