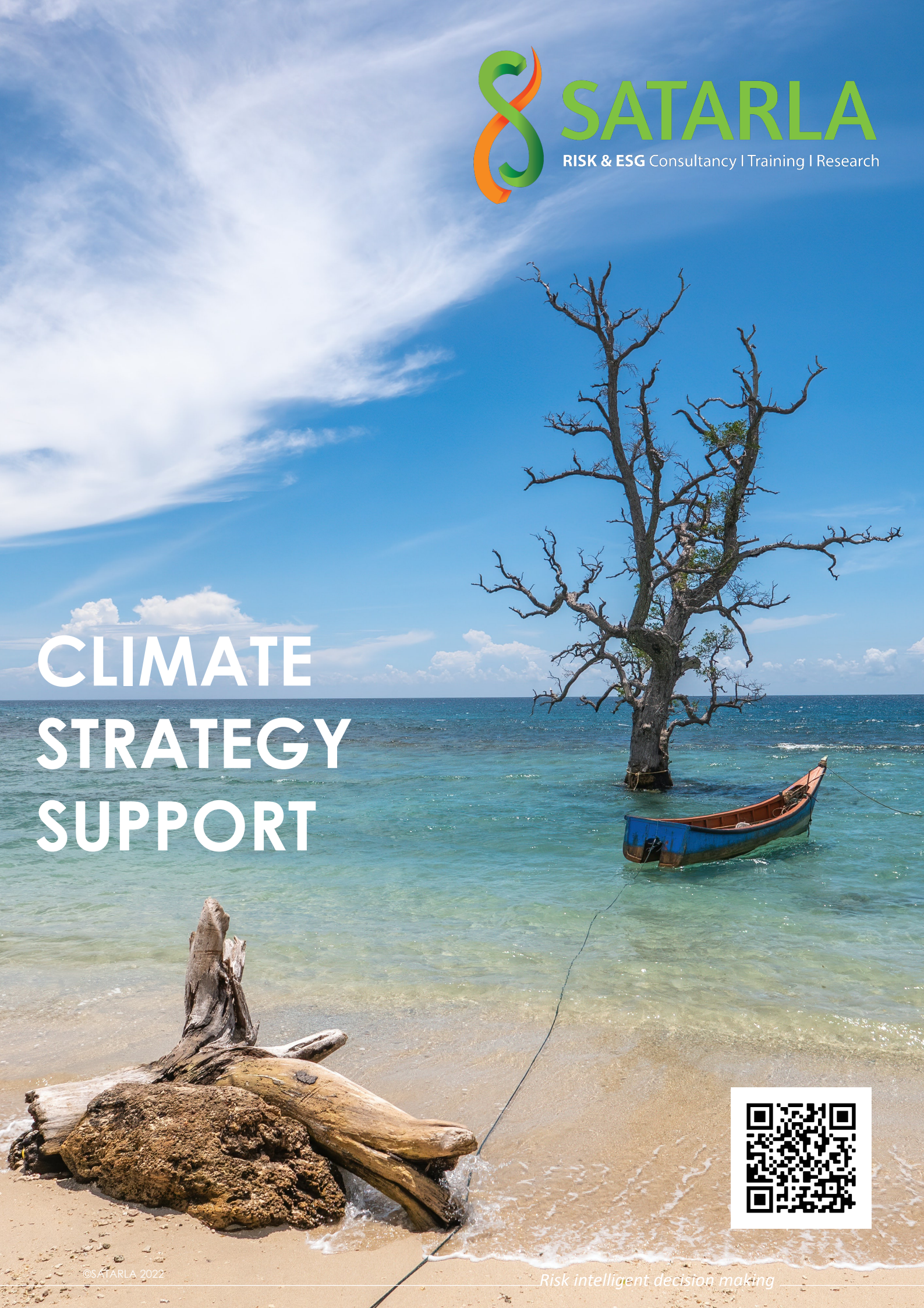
SATARLA

RISK & ESG Consultancy I Training I Research



CLIMATE STRATEGY SUPPORT

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Risk intelligent decision making

Satarla

Satarla is recognised as a world-leading expert consultancy in enterprise risk management and environment, social, and governance (ESG).

With deep experience in the mining sector, we work with many operators, financiers, regulators and other stakeholders to ensure climate change threats and opportunities are assessed and managed in a practical and pragmatic manner.

This is supported by our ongoing work with those drafting sustainability policy and guidance such as the Taskforce on Climate-related Financial Disclosure.

RISK | ESG

CONSULTANCY

TRAINING

RESEARCH

CIR Risk Management AWARDS 2020
WINNER, Specialist Risk Management Company of the Year
SHORTLIST, ESG Risks Initiative of the Year

CIR Risk Management AWARDS 2021
ESG Award – Shortlisted

SATARLA
RISK & ESG Consultancy | Training | Research

Are you...

- Looking for investment or listing and need to prove and showcase your true climate credentials?
- Integrating climate change and ESG into your vision and strategy for your company?
- Required to complete a climate / ESG disclosure?
- Reviewing your risk management or systems approach for ESG to ensure it is fit-for-purpose?
- Optimising your approach so that it looks beyond climate change to the full breadth of sustainability?

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Mandatory Climate Change

The Taskforce on Climate-related Financial Disclosure is now mandatory in the UK. Europe, USA, Canada and many other countries are following suit.

Finance led teams.

Materiality refers to potential financial cost to the business.

Need to incorporate into annual accounts and reporting.

Integrated

management disclosures

These financial disclosures require accountants and environmental experts to work together. Where possible engineers, geologists, social experts as well as many other disciplines also need to get involved.

Approach

Environmental led teams.

Materiality refers to potential environmental damage (or improvement).

Need to comply with environmental standards and ESG expectations.

How we help

OUR APPROACH

Our team comprises of environmental, accountancy, engineering, social, as well as many other experts. Our specialisation is helping different teams work together in an integrated manner.

The TCFD guidelines require organisations to scrutinise their response to climate change. Yet, they also leave a degree of freedom for organisations to choose the depth and level of complexity they are ready to embrace in the process. Satarla offers a selection of services designed to complement this approach.

Tailored | Flexible | Evolving

Our **Menu of Services** enables a fully tailored approach to Climate Strategy, best aligned with your organisational ambitions and preparedness, and best suited to help your organisation grow in its climate change response (or to wider ESG factors).

Based on our experience with clients of varying levels of sophistication and ambition, we have developed four **Service Pathways** to simplify our offering, but clients have full flexibility to customise their service package based on the full Menu of Services.

1. GAP ANALYSIS

What? In this context, a Gap Analysis is an exercise to identify 'gaps' between your current working practices, your stated climate/ESG ambitions, and best practice when it comes to climate and ESG risk management.

Why? A Gap Analysis lays the foundation for the development of an organisation's climate/ESG strategy, identifying the starting point, and helping to prioritise next steps.

How? Satarla can:

- Review your workflows, processes, and policies; assess current activities with respect to strategy, risk management, and reporting on environmental goals
- Compare the above with to your stated ambitions, and map current practice against best practice
- Provide recommendations regarding the necessary initiatives required to deliver TCFD disclosure (and/or any other identified targets) corresponding to the level of stated ambition

2. DEFINING AMBITIONS

What? Defining Ambitions is the process of identifying what you want to achieve regarding climate and ESG, and what is realistic considering the organisation's starting point and available resources. This process builds on the gap analysis exercise and will help identify the route with which you will build your response to climate change.

Why? Defining Ambitions will enable you to structure, prioritise, measure and resource your approach to Climate Strategy.

How? Satarla can:

- Support in the development of key objectives
- Facilitate workshops to debate and refine such objectives across your oranisation;
- Work with your team to define goals and targets over the short, medium, and long-term.

3. SCENARIO ANALYSIS

What? Climate Scenario Analysis is the cornerstone of the analytical component of an organisation's response to climate change, and the strongest, most consistent recommendation in the TCFD approach. It identifies factors affecting the short- and long-term ability of a company to generate value and can highlight how climate-related influences interact with those factors (and each other) to either undermine a company's ambitions and/or to present unique opportunities.

Why? Scenario Analysis helps build an understanding of how climate change may affect your organisation. It demonstrates how different climate change scenarios will affect the commercial viability of your organisation and enables informed decisions.

How? Satarla can:

- Assist with the formulation of appropriate scenarios, which make use of all relevant data and are consistent with the latest TCFD guidance.
- Facilitate workshops to gain buy-in to scenarios
- Assist with the identification of scenario-related risks across different aspects of your organisation and highlight the actions required to manage appropriate risks.

4. SHADOW CARBON PRICING

What? Shadow Carbon Pricing refers to the exercise of incorporating an estimated future price(s) for carbon within investment proposal analyses and asset operation projections to assess the sensitivity to potential future increases in carbon price.

Why? Taxes and tariffs on carbon are the primary mechanism through which to bring pressure to reduce GHG emissions. Potentially extreme increases in carbon price are strongly anticipated, but there is a large amount of uncertainty as to exactly when and how extreme these increases will be. Incorporating a "shadow carbon price" allows organisations to understand their sensitivities to the cost of carbon.

How? Satarla can:

- Support with establishing shadow carbon prices based on our experience and insights into the evolution of the associated mechanisms.
- Undertake sophisticated analysis that take account of the impact of carbon prices on prices in general and the ongoing impact on demand in highly sensitive industries.
- Develop simple models – recognising the large uncertainty in the evolution of both prices and demand – that can provide substantial insight into the fundamental value mechanisms and help align portfolio management with climate goals.

5. METRICS AND TARGETS

What? Metrics and targets are data points required to demonstrate an organisation is fulfilling its requirements / achieving its goals when it comes to climate and ESG.

Why? The development of climate aligned metrics and targets is a cornerstone of the TCFD approach. Metrics by which the evolution of both physical and transition risks can be monitored should be carefully chosen (to align with ambitions) and regularly monitored in order to demonstrate progress and identify key points for development.

How? Satarla can:

- Support you to develop informed and appropriate metrics to locate, track, and manage climate change (and/or ESG) variables on a long-term basis, using the models and scenarios developed in the steps mentioned above.
- Assist with the development of quantifiable targets in line with what is realistically achievable, and in line with the expectations of relevant stakeholders (e.g., investors and regulators).

6. REPORT WRTITING & GUIDANCE

What? In order to demonstrate alignment with the TCFD and other relevant regulations, reporting initiatives and standards, organisations are required to produce written disclosures and reports.

Why? Whether this is your first foray into climate reporting, or you are targeting a report which illustrates industry-leading practice, you will need to demonstrate alignment with the TCFD and other relevant reporting initiatives and standards, and ensure that your organisational development with respect to climate and ESG is properly communicated to the relevant stakeholders, and to the public.

How? Satarla can:

- Provide guidance with respect to the structure and format of a TCFD disclosure, based on our own experience engaging with the stakeholders who read them and best-in-class exemplars.
- Assist with the consolidation of information required for disclosure
- Assist with the drafting and production of disclosures and reports.

7. GOVERNANCE INTEGRATION

What? Governance Integration is the integration of climate and/or ESG accountability mechanisms within your organisational governance structures and processes.

Why? Governance is one of the cornerstones of TCFD. These disclosure requirements are a great starting point for considering how effective your organisational governance is in assessing and managing climate related risks. To fully integrate climate and/or broader ESG considerations throughout your organisation, robust governance structures and processes may need developing, that fully integrate these considerations within decision making and management.

How? Satarla can:

- Provide advice on actioning any governance related recommendations the Gap Analysis provides, e.g., changes and updates to organisational governance including decision making processes and procedures, Board committees, and terms of reference.
- Advise upon changes that are i. required now; ii. are likely to be required in the future; iii. reflect 'best practice', and; iv. are likely to reflect best practice in the future.
- Provide example terms of reference for Board committees
- Share 'best-in-class' case studies of the type of activities typically undertaken by a Board to satisfy ESG requirements, in order to help inform your approach.

8. CLIMATE RISK ASSESSMENT

What? A Climate Risk Assessment identifies and analyses the transition and physical risks of climate change specific to your organisation, site, asset and/or portfolio to enable a full understanding of impacts and inform decisions about business strategy.

Why? Climate Risk Assessments include Scenario Analysis, to highlight transition risks and physical risks. For organisations with physical assets and infrastructure, one of the key climate-related risks is how those assets can withstand direct physical impacts of climate change. Transition risks, on the other hand, have the ability to impact all organisations, as they include variables such as changing social & economic trends, changes to technology & legislation, and the cost of adapting to prosper in a sustainable world. The key to understanding how these factors will impact your organisation is through an in-depth climate risk assessment.

How? Satarla can:

- Draw on a team of risk and climate experts to conduct an in-depth risk assessment of transition and physical risks relevant to your organisation at an organisational, site, asset and/or portfolio level.
- Develop a cost/benefit analysis of risk mitigation strategies.
- Provide an assessment of severity of each risk.

9. QUANTITATIVE MODELLING

What? Quantitative Modelling leverages publicly available research to produce models which allow you to explore the interaction between the physical and transition risks of climate change and their impacts on your organisation.

Why? Quantitative Modelling allows you to explore how multiple factors (from carbon to full ESG) may impact on financial models, and update strategies to incorporate these factors. This allows your organisation to take a sophisticated approach to risk and will ensure you are prepared to respond to evolving climate and ESG disclosure requirements.

How? Satarla can:

- Integrate the outcomes of your climate risk assessment within a scenario analysis framework to produce models tailored to the realities of your organisation.
- Go beyond the modelling of carbon price, to include the financial implications of other ESG factors.
- Support you in integrating relevant findings into financial models already being used within an organisation.

10. CLIMATE STRATEGY

What? Developing an aligned Climate Strategy involves taking learnings from other stages described and consolidating them into a unified climate strategy, taking account of risks, opportunities, and ambitions. This sets the course for your organisation's development and growth towards climate/ESG impact goals.

Why? Climate Strategy is where climate risk management and impact management converge, and is the point at which you develop a route to achieving your organisational ambitions regarding people and planet. Developing your climate strategy should get your organisation on course to answer questions such as:

- What impact does your organisation have on society and the planet?
- What impact do you want it to have?
- How do you manage the risks of climate change to your organisation whilst ensuring your achieve your impact goals?

How? Satarla can:

- Assist in the development of an your Climate Strategy.
- Conduct an Impact Assessment for your organisation.
- Ensure your Climate Strategy is well-embedded within your organisation through appropriate governance structures.
- Support in the development of frameworks and processes which can be used to gather information and monitor, manage, and report on climate change internally or through formal external reporting (in accordance with TCFD and/or against other reporting standards relevant in other operating regions).

11. ENTERPRISE RISK MANAGEMENT, ERM, REVIEW (+ IMPLEMENTATION)

What? Simple, integrated, enterprise-wide risk management provides the mechanism through which all risks can be understood and balanced. In this context, the purpose of an ERM review is to ensure that climate risk is or can be integrated within an organisation's ERM system.

Why? Much of the machinery that Satarla helps organisations develop to identify and manage their climate risks, both physical and transitional, derives from ERM practice. Many companies now manage their climate risks through their existing ERM workflows, and integrating climate risks within ERM frameworks and processes is considered best practice in risk management.

How? Satarla can:

- Assess the status of existing ERM processes and policies in the context of climate risks and analyse their suitability for dealing with the specific characteristics of those risks.
- Provide guidance and training to ensure that any further modifications or new ERM processes required/introduced to account for climate risks are appropriate for those risks, and for the wider goals of an ERM function, including ESG risk management and future integrated risk management for the organisation.
- Support in upgrading your risk management approach so that it is practical, focused on controls and actions, and delivers value rather than "ticking boxes".

Example Service Pathways

TCFD-Lite	This pathway is best suited to organisations just starting out on their Climate Strategy journey. This route is streamlined to include the steps necessary to produce a first TCFD-aligned disclosure. The scope can be expanded to include guidance on report writing and improving governance structures, and should evolve with time to incorporate the services of the 'Climate Leader' pathway.
Climate Leader	This pathway includes a comprehensive suite of services to ensure that a robust TCFD-aligned disclosure can be effectively produced and the appropriate steps are taken within an organisation to allow for true progress to be made. The services provided will ensure that the organisation operates at a level consistent with 'best-in-class' examples, and is set up to continue onto more competitive ESG goals.
ESG Leader	This pathway goes above and beyond the requirements of TCFD and similar climate-focused disclosures, and ensures that organisations are setting (and are on course to achieving) broader ESG goals. In this route we include scenario analyses that cover an ESG-wide risk assessment, quantitative modelling which includes complex social considerations, and an organisational strategy that enables organisations to go beyond typical climate goals and become truly sustainable.
ERM Advanced	This pathway enables companies to use enterprise-wide risk management strategies to effectively address climate, ESG, and broader risks. This route includes a comprehensive assessment of risk management within the organisation, and updates it in an easy to use, effective manner. Governance and strategy is also updated to ensure that an organisation is truly sustainable, at every level.

Service Pathway Breakdown

Service	TCFD-Lite	Climate Leader	ESG Leader	ERM Advanced
Gap Analysis **Defining Ambitions**	**Your organisation may have already defined its climate/ESG ambitions or may require Satarla's assistance in doing so. In ether case, a gap analysis and definition of ambitions allows us to structure, prioritise, measure, and resource your organisation's approach to climate strategy, and determine the appropriate pathway**			
Scenario Analysis	Appropriate development & analysis of scenarios	As per TCFD-Lite **AND**: integration into internal strategic models	As per Climate Leader, **AND**: analysis inclusive of broader ESG considerations	As per ESG Leader, **AND**: integration into ERM across organisation
Shadow Carbon Pricing	Development of appropriate internal C price	As per TCFD-Lite **AND**: integration into internal models	As per Climate Leader	As per Climate Leader,
Metrics & Targets	Appropriate metrics & targets enable TCFD disclosure.	As per TCFD-Lite, **AND**: enable detailed climate ambitions.	As per Climate Leader, **AND**: enable performance against ESG ambitions.	As per ESG Leader, **AND**: enable alignment to all controls identified.
Report Writing & Guidance	*Optional*	*Optional*: Service aligned with detail dictated by Climate Leader ambitions.	*Optional:* Service aligned with detail dictated by ESG Leader ambitions.	*Optional:* Service aligned with detail dictated by ERM Advanced ambitions.
Governance Integration	*Optional*	Governance structure & practices ensure alignment with Climate Strategy.	As per Climate Leader, **AND**: holistic alignment with other ESG requirements (incl. Climate).	As per ESG Leader, **AND**: fully integrated and agile ERM across your organisation.
Climate Risk Assessment	Identification of transition & physical across organisation.	As per TCFD-Lite, **AND**: identification of controls which may be utilised to address risks.	As per Climate Leader, **AND**: assessment of ESG risks, interactions, and considerations.	As per ESG Leader, **AND**: integration and management through ERM processes, incl. documentation.
Quantitative Modelling	Basic models of carbon price through scenarios.	More developed models of carbon price & other climate factors.	Complex models of ESG factors, incl. more detailed social assumptions.	Integration of more complex modelling within internal strategic models.
Aligned Climate Strategy	*Optional*	Climate Strategy to enable climate ambitions to be met across organisation.	As per Climate Leader, **AND**: integration within ESG strategy.	As per ESG Leader, **AND**: climate and ESG strategies aligned with ERM approach.
ERM Review	N/A	*Optional:* assess whether ERM 'fit for purpose' to enable ambitions	Assess whether ERM 'fit for purpose' to enable your climate and ESG ambitions	As per ESG Leader, **AND**: implementation of fully-integrated ERM across organisation

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