# The Cervest 2021 climate-related financial disclosure report: US and UK Enterprises

An in-depth look at corporate readiness to implement mandatory climate-related financial disclosure

cervest

# Introduction

Three events over the last year have brought climate-related financial disclosure to the forefront of board room agendas in the US and UK. First, the Task Force on Climate-related Financial Disclosures (TCFD) released recommendations for organizations to disclose their climate risk strategy, taking into account different climate scenarios. Second, the UK government announced its “intention to make TCFD-aligned disclosure **mandatory across the economy by 2025**, with a significant portion of mandatory requirements in place by 2025”. And finally, President Biden released an Executive Order “to advance consistent, clear, intelligible, comparable, and accurate disclosure of climate-related financial risk.”

These events, occurring against a backdrop of an increasingly volatile climate and extreme weather events are making it impossible for businesses to ignore the financial impact of climate change. To understand businesses’ current understanding of their climate risk and the disclosure regulations, Cervest conducted a survey of over 800 decision-makers. The results of this survey were broken down into two parts.

Our first report - the Climate Intelligence Outlook, looks at how leaders are shaping climate adaptation strategies. In this second report, released alongside COP26, we focus on how prepared businesses are to adapt with climate change and report on their climate-related risks.

The survey reveals that while the majority of companies understand the impacts of climate change and the pressing need to disclose their risks, they are not yet prepared to take action. Ninety percent of respondents believe their stakeholders are aware of pending disclosure requirements in the UK and US, but 80% report needing to invest in talent and software in order to successfully implement their climate disclosure strategy (figure 1).

# Key findings

## Disclosure is on nearly every decision-maker's radar

Ninety percent of those surveyed believe their company leaders are aware of the upcoming regulations concerning climate-related financial risk. Many companies are, in fact, already voluntarily reporting, with almost two-thirds (63%) planning to report on their climate risk in the next 12 months (figure 2).

Over three quarters of respondents (76%) believe current and potential stakeholders in their company are already embedding climate risk into their investment decision-making. Forty percent believe climate risk is the most important factor in these decisions (figure 3). Interestingly, in the construction and materials industry this statistic is even higher at 62%.

***Figure 1***
***Please indicate how strongly you agree with the statements below:***
***Note: The numbers in this report were rounded to the nearest whole number***

| | Strongly agree | Agree | Niether agree nor disagree | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| We are investing in new talent (internal or third party) to help us implement our climate disclosure strategy | 36% | 46% | 13% | 4% | 1% |
| We are investing in software & tools to help us implement our climate disclosure strategy | 40% | 44% | 12% | 4% | 1% |
| Our strategy emphasizes Net Zero emissions over mitigating physical risks | 37% | 43% | 15% | 4% | 2% |
| We believe carbon reduction will make our business more climate resilient | 42% | 43% | 12% | 2% | 1% |
| Climate disclosure will enable our board and leadership to manage climate adaptation more effectively | 39% | 48% | 10% | 2% | 1% |

*Figure 2*

***In which of the following ways (if any) is your company preparing to report on its exposure to climate change over the next 12 months?***

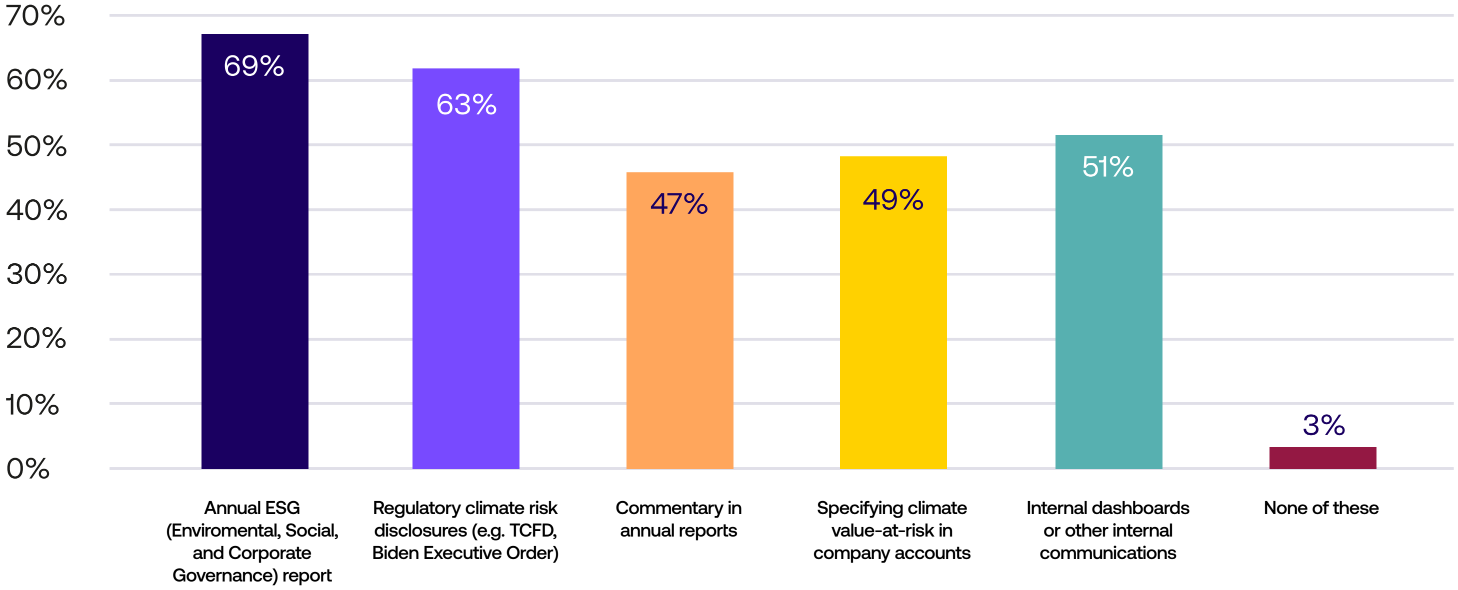
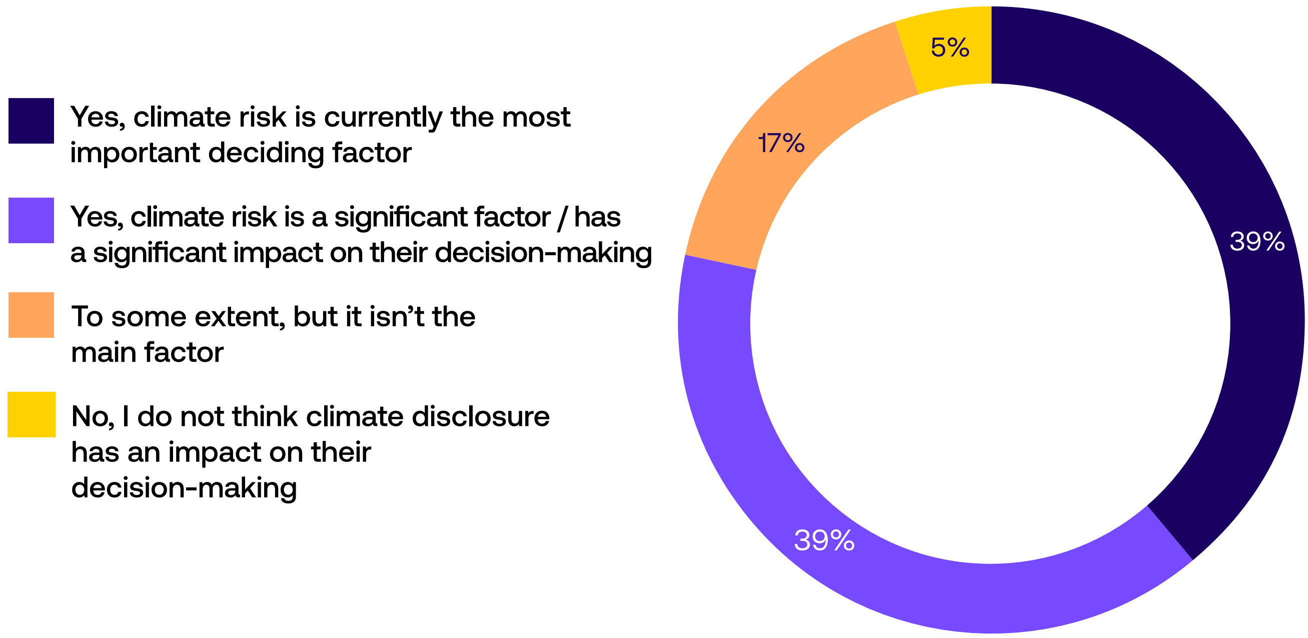



*Figure 3*

***Do you believe current and potential shareholders / investors in your company are factoring climate risk into their investment decision-making today?***



# Decision-makers are strongly in favor of disclosure regulation

As a whole, respondents express a positive attitude toward disclosure, with 87% believing that climate disclosure will enable their board and leadership to manage climate adaptation more effectively (figure 1). Ninety-four percent believe that disclosure is necessary (figure 4), and 83% believe it will have a positive financial impact on their organization (figure 5). There is, understandably, some concern (34%) around possible fines being issued for not disclosing their climate risks.

The survey results indicate considerable contention about whether regulatory disclosure should be universal or vary by industry. Fifty-six percent of respondents feel the regulations should be uniform, while 38% believe it is more appropriate to adopt industry-specific regulations in order to account for the different levels of risk across various industries (figure 4).

Those in favor of universal regulations cited accountability, transparency and trustworthiness as key factors, as well as enabling cross-industry comparisons. One universal set of rules would also benefit those with multinational assets, or those that work across several industries.

***Figure 4***
***Do you believe mandated climate-based financial disclosures should be universal or varied based on the industry?***

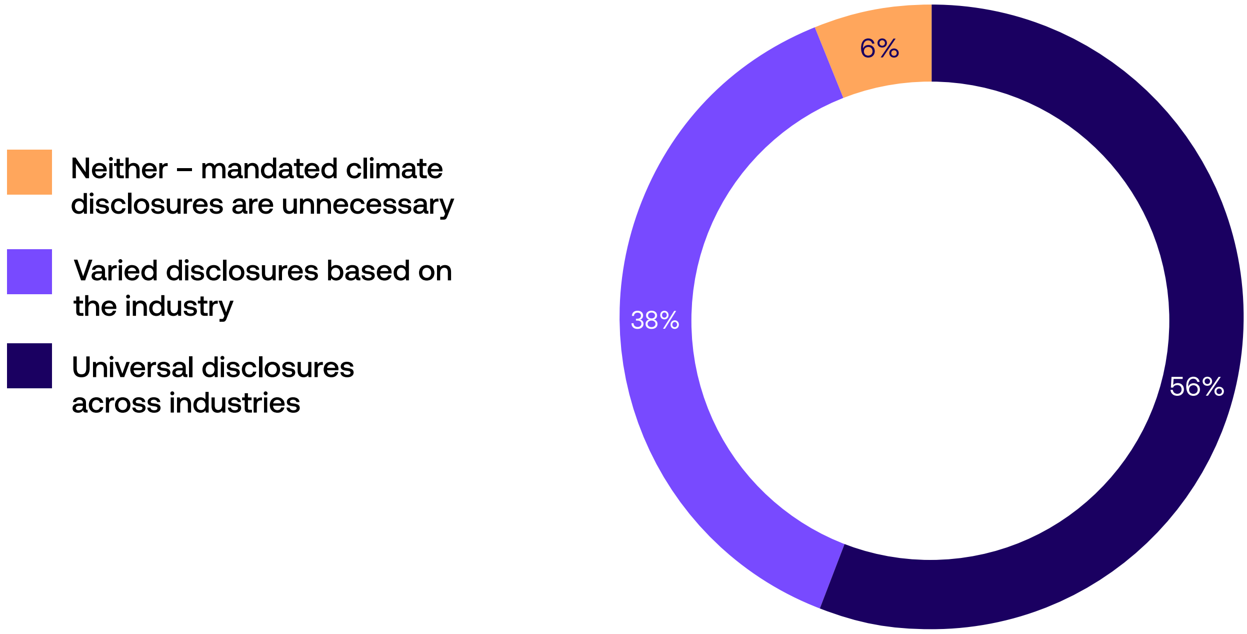
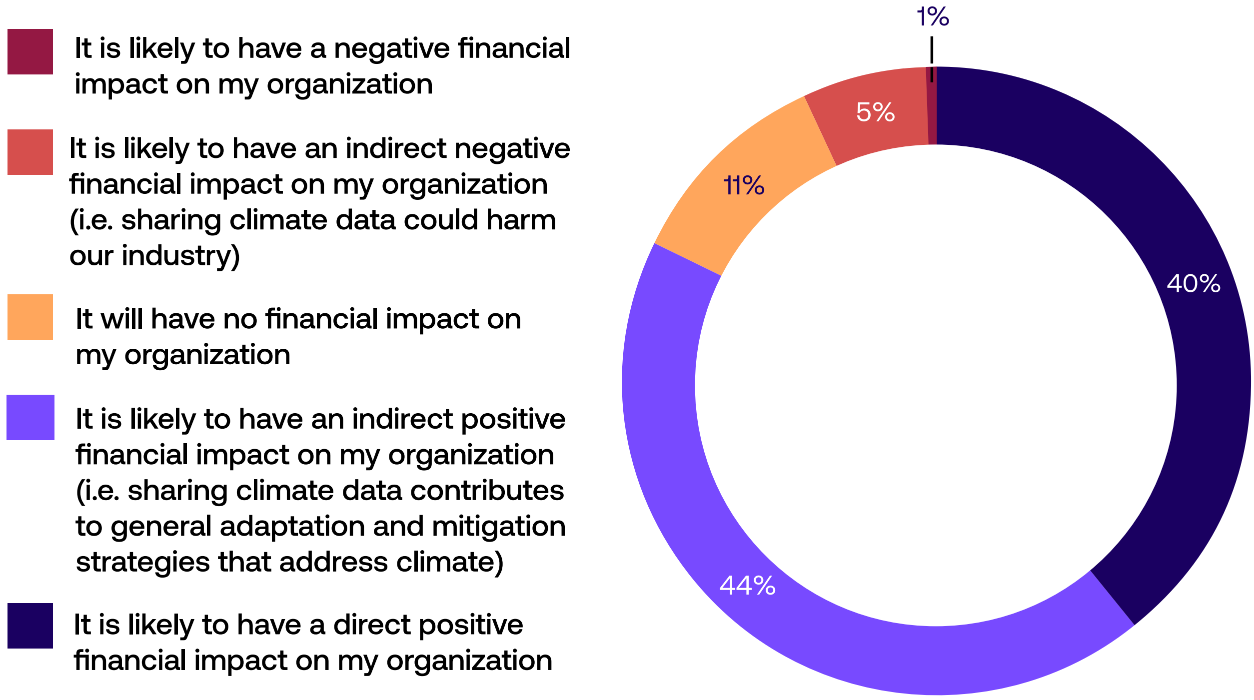


*Figure 5*
***In your opinion, how will publicly sharing climate risk data impact your organization financially?***




# There is a significant gap between awareness and preparedness

More than 60% of respondents say their companies plan to disclose their climate risk over the next 12 months. Those without reporting and disclosure plans are likely to be among the 42% of respondents who lack the real-time actionable insights necessary to do so (figure 6). In fact, the survey identified several data-related barriers to disclosure reporting, which is preventing many companies from understanding their own climate risk.

To make informed climate decisions, respondents feel they need better climate data / analytics and software, plus access to actionable insights and intelligence (figure 7). The results further suggest that even where data is available, 46% find it difficult to aggregate different sources and turn it into meaningful and reportable insights (figure 6). Those companies who invest in climate-risk related software and training will gain a huge competitive advantage.

*Figure 6*

***For your organization, what are the biggest barriers to quantifying climate risk in order to make accurate climate-related financial disclosures? Please select all that apply.***

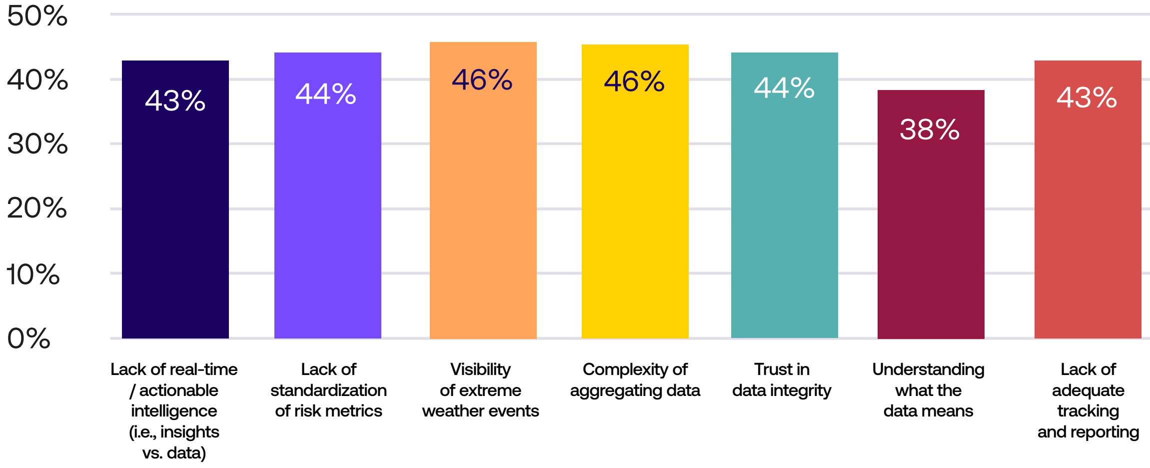
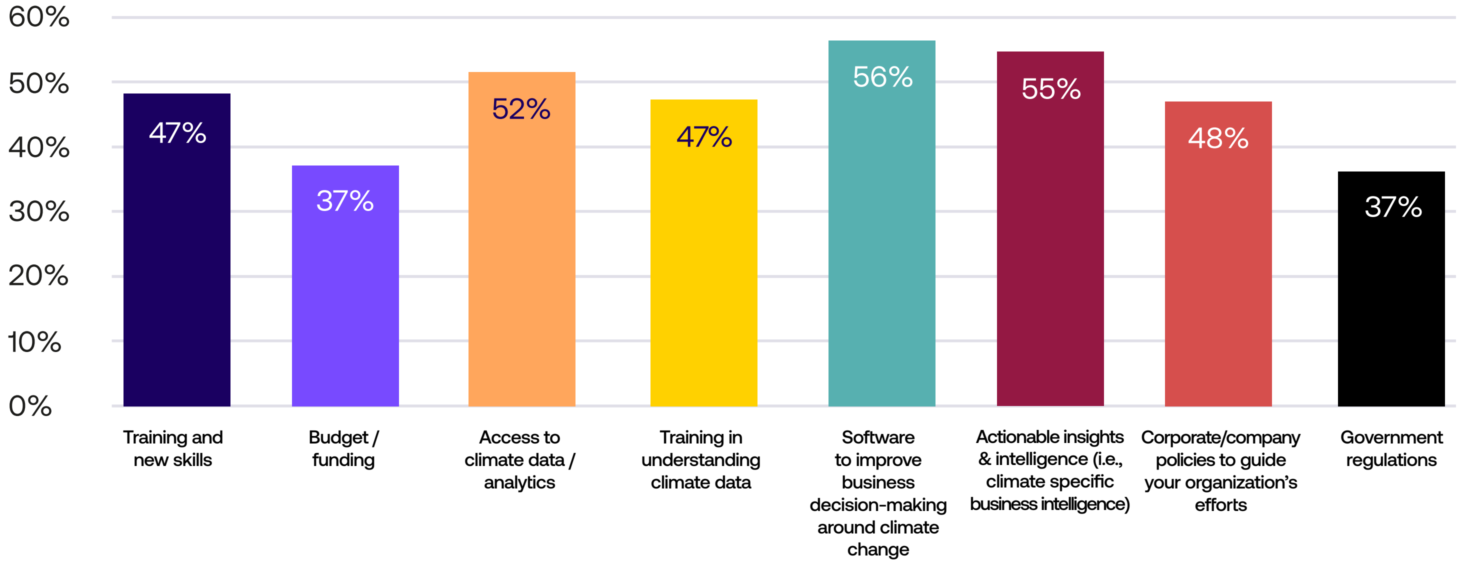



*Figure 7*

***Which of the following would enable your organization to more accurately quantify / manage climate risk?***

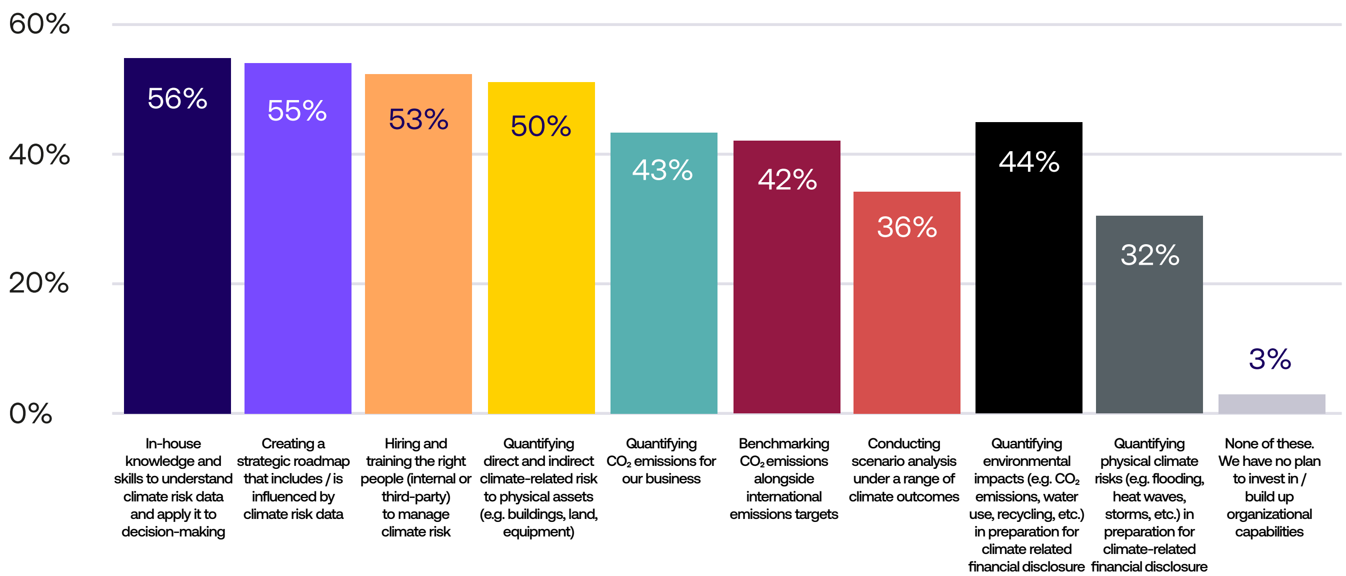


# Companies are building capacity on climate risk

The survey results show a clear inclination from businesses to improve on the areas preventing them from making accurate climate-related financial disclosure. Ninety-seven percent have plans to invest or build up climate-related skills, tools or knowledge over the coming year. Eighty-two percent are investing in new talent (internal or third party) and 84% are seeking software and tools to help them implement their climate disclosure strategy (figure 8).

With an increasingly volatile climate, a greater frequency of extreme weather events, and mandatory disclosure rapidly approaching, it comes as no surprise that companies are pursuing a number of different activities to improve their climate literacy and build capacity for climate intelligent decision-making.

***Figure 8***
***Which of the following capabilities is your organization planning to invest in / build up over the next 6-12 months?***



# Companies must prioritize disclosure and Net Zero

Accurately quantifying climate risk and carbon footprint is a complex accounting challenge for many companies, requiring significant upskilling, monitoring and resourcing. When it comes to choosing where to place these resources, respondents selected calculating climate risk from extreme weather events as their highest priority (figure 10). This is to be expected, given that over half (52%) of survey respondents have had multiple assets affected by extreme weather events over the last five years (figure 11). In some cases, extreme weather events had affected all assets across the respondents' portfolio.

Despite experiencing significant financial impact from extreme weather events, 80% feel that their organizational strategy prioritizes transitional over physical risk (figure 2). As revealed in part one of the Cervest Climate Intelligence Outlook, only 37% of respondents have plans in place to adapt with climate change. Disclosure frameworks such as those from TCFD place their reporting focusing on mitigation and transitional risk, which explains why companies are potentially lagging behind on integrating physical risk and adaptation strategies into their disclosure planning.

The vast majority (88%) of respondents' organizations are setting carbon emissions targets that are Paris Aligned (Net Zero by 2050), with 25% setting 2030 Net Zero targets (figure 11). While decarbonization efforts are essential, alone they are not sufficient to build resilience. Companies must also be prepared to face the already locked-in effects of our changing climate. The survey results highlight that integrating physical risk and adaptation into their climate risk strategies will strengthen organizational climate resilience and enable more coherent disclosure reporting.

***Figure 9***
***What are your organization's priorities in terms of calculating / quantifying climate-related risk?***

| | Overall Rank |
|---|---|
| Cimate-related risk to physical assets through extreme weather events (e.g. flooding, wildfire, extreme precipitation) | 1 |
| Location specific impacts on livability and workability conditions (e.g. extreme heat conditions, changing patterns in precipitation) | 2 |
| Risks of disruption or increasing costs within supply chain and logistics | 3 |
| Adapting/transitioning our business processes to meet carbon-related targets | 4 |
| Infrastructure and services dependancies (e.g. sea-level rise in coastal cities) | 5 |

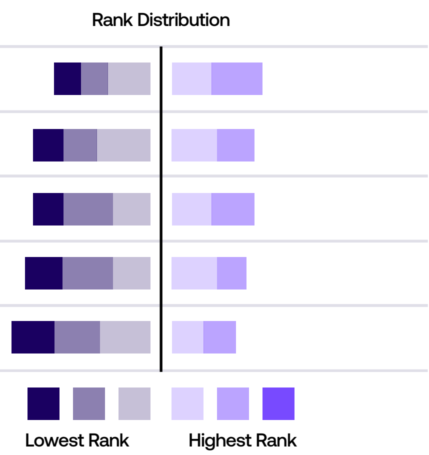


*Figure 10*
***Have any physical assets either owned or controlled by your company (such as corporate real estate), been impacted by extreme weather events over the last five years (e.g., flooding, drought, wildfire damage, etc.)?***

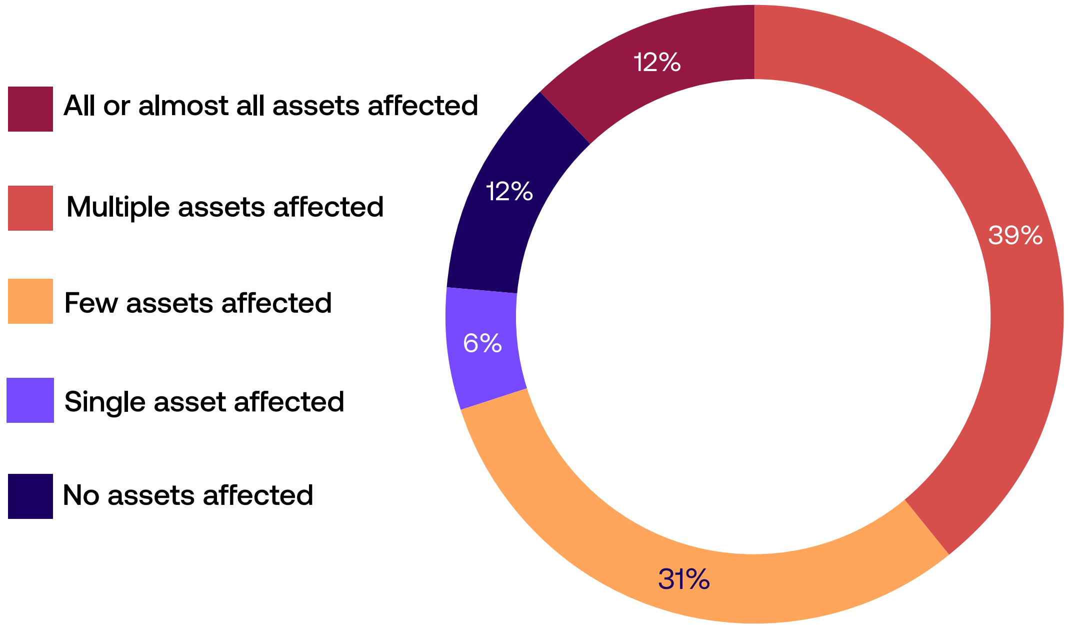
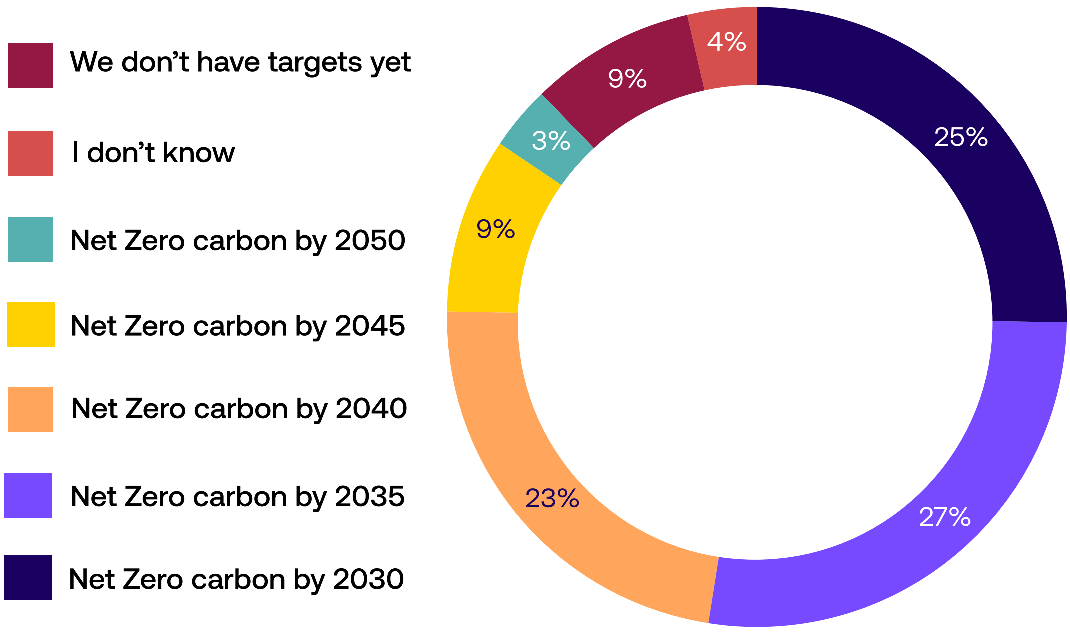



*Figure 11*
***What is your company's current carbon emission target?***



# Conclusion

**The Cervest 2021 climate-related financial disclosure report: US and UK enterprises** provides compelling insights into how business leaders are preparing to adapt with climate change and face upcoming disclosure regulations. With regulators across the globe beginning to introduce mandated climate reporting into law, it is clear that companies have a huge task ahead of them in understanding and quantifying their climate risks before being required to publicly disclose them.

Companies planning to invest in the insights, software and training necessary to become climate literate stand to gain a significant competitive advantage within their industry sector. Not only will they meet reporting requirements and avoid possible fines that non-compliance may entail, but they will be able to make informed business decisions based on a reliable, shared source of truth.

Insights that allow businesses to adapt with climate change, take action to protect assets from increasingly volatile weather events, and find opportunities for future investment are fundamental to putting climate at the core of every decision. As more forward-looking companies take a climate intelligent approach to disclosing their climate risk, others will follow. The resulting global network of climate intelligent organizations will help drive transformative climate change action at scale.

# Methodology

In September 2021, Cervest surveyed more than **800 senior decision-makers** across ESG, financial risk, regulatory compliance, and business intelligence that are responsible for climate-related strategies at large organizations in the US and UK. Ninety-five percent of respondents work for organizations with more than **1,000 employees** and **66%** are part of companies with more than **$500M** in annual revenues. Additionally, these decision-makers were nearly evenly split between public **(47%)** and private companies **(53%)**. The research was conducted by **Propeller Insights** in September 2021 using an online questionnaire.

# About Propeller Insights

Propeller Insights is a full-service market research firm based in Los Angeles. We use quantitative and qualitative methodologies to measure and analyze marketplace opinions from both consumer and business-to-business perspectives. We work extensively across multiple industries including technology, brand intelligence, entertainment / media, retail, and consumer packaged goods. Our collective experience in all aspects of the research process, from sample management and data collection, to data processing and analysis, ensures that your research experience will be efficient and of the highest quality.

# About Cervest

Cervest is architecting a new era of **Climate Intelligence (CI)**, putting climate at the core of every decision. Its mission is to empower everyone to adapt with climate change and build a resilient future for our planet.

Strengthening our collective resilience in the face of accelerating climate change demands unprecedented decision-making clarity at the asset level — clarity that only on-demand Climate Intelligence built on irrefutable and evolving science, quantification for every asset, and open access for all, can deliver.

We developed **Earth Science AI**™ to deliver exactly this. Fusing peer-reviewed science and methodologies with machine learning, data modeling, data engineering, and scalable computing, Earth Science AI delivers Climate Intelligence on any asset, anywhere, through the company's cloud-based CI product suite.

By democratizing Climate Intelligence access, Cervest incentivizes everyone to share and integrate Climate Intelligence into everyday decisions — protecting the world's critical assets — including our greatest asset, the planet.

**Cervest is a Certified B Corporation.**

**For more information**
Download our ebook - **Navigating climate-related financial disclosure**
Visit - **www.cervest.earth/earthscan**
Contact us - **CIOutlook@cervest.earth**