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# BSR's Value Chain Risk to Resilience Initiative

Managing Risks to Build Value Chain Resilience

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# Agenda

## 1. Background and Context (~10-15 min)

- Climate Risk
- The Value Chain Risk to Resilience Initiative
- Assessing, Integrating and Managing Climate Risk

## 2. Q&A Panel (~30 min)

## 3. Q&A with Participants (~15-20 min)

# Q&A Panel with Member Companies

Please submit questions via the chat function on Zoom.



## **Moderator**

Samantha Harris  
Associate Director,  
Climate + People  
**BSR**



## **Panelist**

Noora Singh  
Director,  
Global Sustainability  
**PepsiCo, Inc.**



## **Panelist**

Virginia Covo  
Global Director,  
Sustainability Supply Chain  
**AB InBev**



## **Panelist**

Ben Jordan  
Senior Director,  
Environmental Policy  
**The Coca-Cola Company**

# Context: Climate Risk

# Climate Change is a Material Risk to Business

“Failure of climate change mitigation and adaptation” was 2020’s #1 risk by impact and #2 by likelihood in the WEF Global Risks Report 2020.

The following risks may threaten your bottom-line:

1. Increasing severity and frequency of **extreme weather** events
2. Systemic impacts of **increasing temperatures**, precipitation patterns, and biodiversity loss
3. Increased **regulatory and legal** actions by governments to mitigate GHG emissions and adapt to climate impacts
4. Technological **developments** that disrupt incumbent systems and business models
5. Shifts in the **market supply and demand** of certain commodities, products, and services

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**Stakeholder expectations for companies to measure, manage, and disclose exposure to climate risks are rapidly increasing.**

# The Taskforce on Climate-Related Financial Disclosures

Convened under the G20 and chaired by Michael Bloomberg and Mark Carney, in 2017 the TCFD published recommendations on how companies should disclose on climate risks and opportunities.

## What are the recommendations?

- Intended to provide decision-useful information to lenders, insurers and investors.
- Intended for disclosures in mainstream financial filings (e.g., 10-K); disclosures typically occur in the sustainability / climate report, or annual report(s).

## Why implement them?

- [Publicly supported by 1,440 organizations](#) representing market capitalization of over USD 12.6 trillion, roughly half investors and half disclosing companies.
- Other voluntary disclosure frameworks are coalescing around the TCFD (e.g., SASB, GRI, and CDP).
- Impending mandatory regulations aligning with the TCFD, for example,
  - France's Energy Transition Law Article 173
  - EU Non-Financial Reporting Directive.
  - UK and New Zealand also have mandatory disclosure regulations aligned with the TCFD.



**A NEW NORM**

**Widespread adoption has made the TCFD recommendations a new norm for the disclosures and management of climate risks and opportunities.**

# Climate Impacts have Cascading Effects Across Corporate Value Chains

Many of which are  
unforeseen by risk  
management and business  
continuity professionals

**Why do companies struggle to identify and manage climate risks across the value chain?**

- Climate risks are not integrated into existing enterprise risk management processes
- Climate risks are not effectively governed
- Global supply chains are complex, making it difficult to identify climate-related vulnerabilities across the value chain – including the exposure of its suppliers, employees, customers, and local communities

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**To manage climate risks effectively, risk assessments and adaptation strategies must extend beyond the four walls of a company to include critical stakeholders and sustain the business**

# Value Chain Risk to Resilience

Company value chains and communities that sustain each other thrive in the face of climate change.



## Our Mission

To build climate resilience for communities, farmers and workers along value chains by:

- Assessing climate risks and integrating them into business processes
- Developing standard approaches, methodologies and metrics for business action on resilience
- Taking action and promoting collaboration among businesses

## Why Join?

Participating companies will be able to:

- Assess climate risks along their value chains
- Use output, outcome, and impact metrics to measure climate resilience
- Implement the TCFD recommendations on governance and enterprise risk management
- Develop programmatic work to address climate risks with other companies

## Sample Members



## Who Can Join?

- **Companies** interested in addressing climate resilience across their value chain.
- **Technical Partners** that support the advancement of the Initiative through subject matter expertise and promotion and outreach to networks.

## The Initiative | Priorities

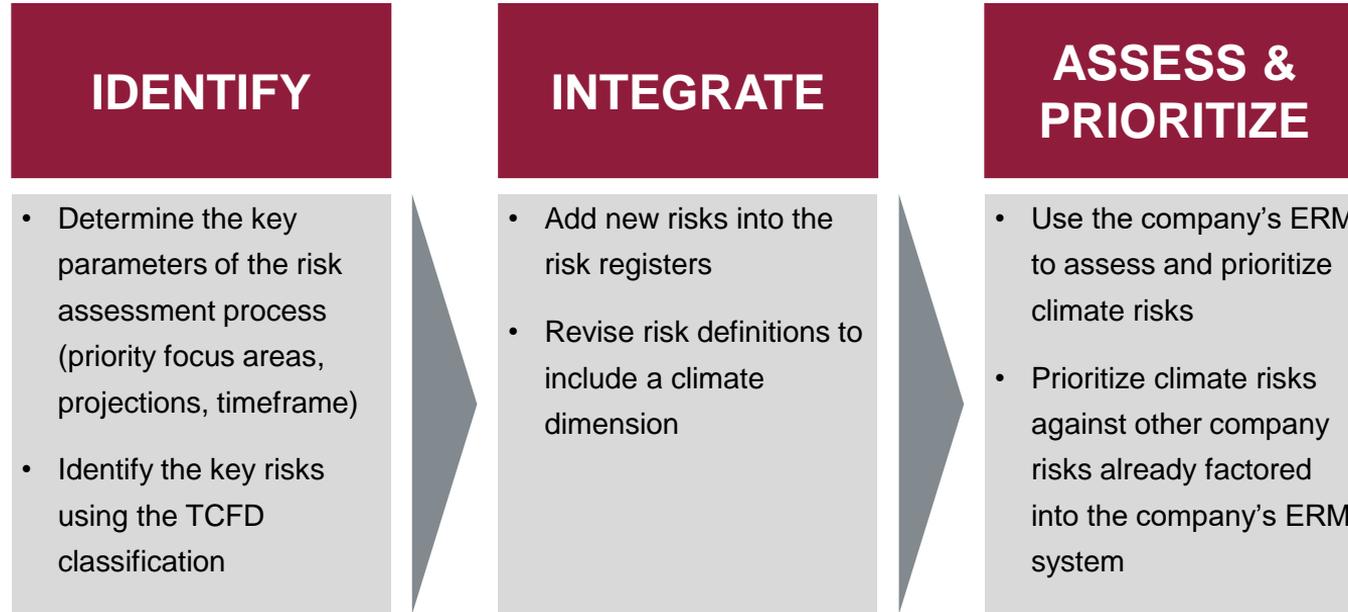
The Initiative has already completed the **red** pillars and are actively working on the **blue** pillars of work.

### From Risk to Resilience



# Assessing, Integrating and Managing Climate Risk

# Climate Risk Integration Framework | Overview



## Build & Strengthen Climate Governance

**BSR recommends companies align climate risks with the ERM prior to the risk assessment. Alternatively, companies can integrate climate risks into the ERM system after assessing and prioritizing them, understanding that this will require further work on ERM integration.**

# Resilience Metrics Framework | Overview

The Value Chain Risk to Resilience Platform developed a resilience metrics framework to measure the outcomes of corporate climate resilience-related projects / actions at the business, community, and system levels.

## IDENTIFY

- Establish an understanding of the intended resilience outcome(s) of the project / activity
- Leverage the **Resilience Metrics Index** to identify existing metrics that align with your specific project activities and outcomes

## CUSTOMIZE

- Customize the metric to reflect the project / activity outputs and outcomes
- Consider additional outcomes that benefit the company's own resilience and integrate them into company reporting

**Resilience Metrics Index** Start by sorting by Resilience Theme, then Category to identify the appropriate metric to reference. Embedded links provide more information about metric application and units of measurement.

| Theme     | Category     | Sub-category / SDG Target      | Metric  | Source   |
|-----------|--------------|--------------------------------|---|--|
| Ecosystem | Animals      | 15.7 Take urgent action to end | 15.7.1 Proportion of traded wildlife that was poached or illicitly trafficked   | <a href="#">SDG Indicators</a>   |
| Ecosystem | Biodiversity | Rarity                         | Percentage endemic or endangered species  | <a href="#">San Francisco Planning and Urban Renewal Association Bay Area Regional Collaborative</a> |
| Ecosystem | Biodiversity | Resilience to disturbances     | Percentage of important species that can move/shelter or have adaptive survival mechanisms in severe weather or fire                    | <a href="#">San Francisco Planning and Urban Renewal Association Bay Area Regional Collaborative</a> |
| Ecosystem | Biodiversity | Projected migration corridors  | Acres of protected land in ecologically rich areas; acres of protected land upland of existing wetlands for them to migrate             | <a href="#">San Francisco Planning and Urban Renewal Association Bay Area Regional Collaborative</a> |
| Ecosystem | Land         | 15.1 By 2020, ensure the con:  | 15.1.1 Forest area as a proportion of total land area   | <a href="#">SDG Indicators</a>   |
| Ecosystem | Land         | 15.1.2                         | 15.1.2 Proportion of important sites for terrestrial and freshwater biodiversity that are covered by protected areas, by ecosystem type | <a href="#">SDG Indicators</a>   |
| Ecosystem | Land         | 15.2 By 2020, promote the im:  | 15.2.1 Progress towards sustainable forest management   | <a href="#">SDG Indicators</a>   |
| Ecosystem | Land         | 15.3 By 2030, combat desertif  | 15.3.1 Proportion of land that is degraded over total land area   | <a href="#">SDG Indicators</a>   |

# Building Resilience | Key Insights and Next Steps

The following key insights surfaced during the development of the Climate Risk Integration Framework and will inform / are informing our next steps:

## Measure and Build Resilience

- In addition to risk, companies need to start measuring and building climate resilience for the business AND the stakeholders / assets that sustain the business
- At a high-level, this involves contributing to the resilience of the surrounding ecosystems, infrastructure, and livelihoods of people and communities

## Risk Mitigation

- To effectively manage cascading climate risks, business must identify and pursue risk mitigation actions that build resilience across the entire value chain

## Collaboration

- Building value chain resilience requires collaboration with supply chain partners, local governments and NGOs, and even peer companies up and down the value chain

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# Q&A with Participants

Please type your comments / questions into the  
“Q&A chat”

# Thank You

BSR™ is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR™ develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

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