

Nature & Climate Risk

From reporting exercise to business
decision-making



Climate and nature risk is not new, but IFRS S1 and S2 are changing the conversation.

Most organisations have undertaken climate-related scenario analysis, developed TCFD disclosures and identified climate-related risks and opportunities. However relatively few have embedded climate and nature considerations into the wider organisation in the way increasingly expected under IFRS Sustainability Disclosure Standards and consequently the UK's Sustainability Reporting Standards. These are effectively new, global reporting standards, akin to accounting standards, and companies must prepare accordingly.

Accounting and finance are embedded within most areas of an organisation. Sustainability must follow suit.



Strategy

Business model
resilience



Finance

Forecasting &
valuations



Risk

Enterprise risk
management



**Capital
allocation**

Investment
decisions



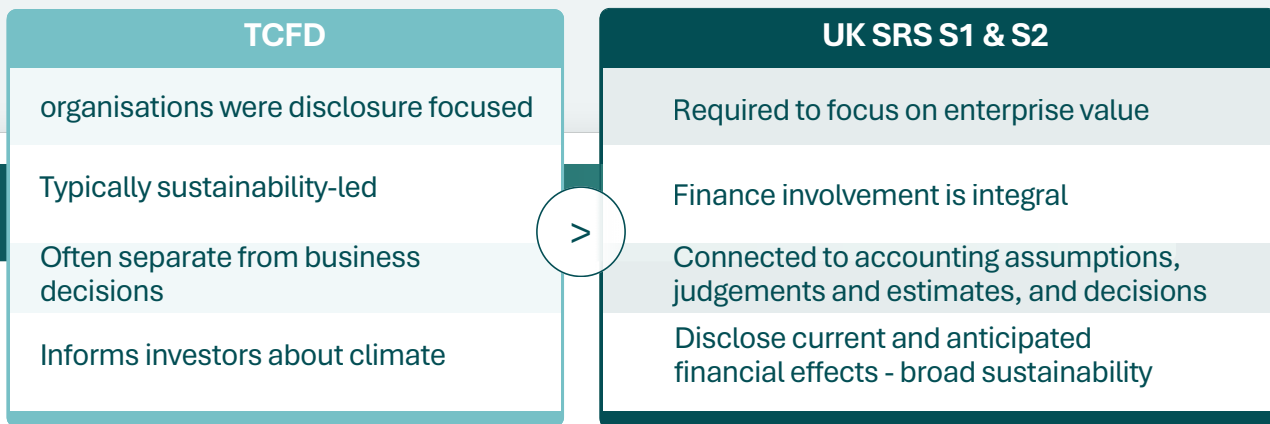
Operations

Adaptation &
resilience



WHY THIS MATTERS NOW

UK SRS S2 is expected to apply to many listed companies from 1 January 2027, with UK SRS S1 applying on a comply or explain basis (subject to FCA confirmation). At the same time, organisations are building on existing TCFD and climate work to broaden their sustainability reporting. Where material, nature-related risks and opportunities fall within the scope of UK SRS S1, contributing to a steadily rising benchmark for disclosure and increasing investor and stakeholder expectations.



Finance and sustainability teams need to be asking:

- How might future carbon prices affect asset valuations?
- How secure is our supply of natural materials?
- How might future water or energy costs affect cash flows?
- Should increased flood-risk affect impairment assumptions?
- How resilient are supplier assumptions embedded within budgets and forecasts?

EMBEDDING CLIMATE AND NATURE RISK INTO BUSINESS PROCESSES

Over time, climate and nature risk externalities will crystallise as real impacts for businesses. Management of them must become embedded within existing business processes and owned by the people best placed to manage those risks.

Climate and nature risk assessment should become a repeatable exercise aligned with enterprise risk management processes and strategic planning cycles.

However there is no one prescribed approach to climate and nature risk, and there are many platforms and options to identify, assess and manage both climate and nature risk. The key is to select an approach that gives you the insights that are important for your organization.

A TOP-DOWN AND BOTTOM-UP VIEW IS NEEDED

From IMS' perspective, organisations must consider sustainability from both a top-down and bottom-up view. They are complementary and both are essential. The top-down view identifies where risks may exist; the bottom-up view shapes the response.

TOP-DOWN (Macro Perspective)



Provides a strategic view of exposure across geographies and sectors.

Measures:

- Portfolio / sector exposure
- Regional /market impacts
- High level impacts
- System-level dependencies

Helps organisations:

- Identify material hotspots
- Prioritise deeper analysis
- Inform strategic planning
- Focus resources where they matter most

BOTTOM-UP (Micro Perspective)



Provides a detailed view of the effects on specific assets, operations, products

Measures:

- Asset-level exposure
- Operational impacts
- Supplier vulnerabilities
- Product-line resilience

Helps organisations:

- Quantify detailed impact
- Prioritise actions
- Inform operational decisions
- Justify resource allocation
- Build robust plans

IMS ACTS AS YOUR CRITICAL FRIEND

Organisations cannot become experts overnight.

UK SRS S1 and S2 are intended to be applied proportionately, using reasonable and supportable information available without undue cost or effort. The priority today is to establish strong foundations that can evolve over time. IMS can support organisations with:

- Gap analysis
- Data platform selection and use
- Scenario analysis
- IFRS S1 materiality assessments
- Leveraging climate data to support nature disclosure