

# What's the risk?

The climate resilience card game



## Context

The effects of the climate crisis on global markets are complex and unpredictable. But the scale of these future risks will ultimately be determined by the actions taken today by governments, companies and individuals—you! The disruption caused by the transition to a low-carbon economy and the physical damage caused by the changing climate (and their financial effects) have and will continue to lead to a variety of risks and opportunities.

*Note: Refer to Appendix A of IFRS S2 for definitions of climate-related physical and transition risks.*

Companies must assess all these effects by incorporating climate change into their governance, strategy and risk management processes. This addition will enable companies to respond quickly and appropriately to ensure their businesses are more resilient to current and future effects of climate change. Companies must also disclose material information about their climate-related risks and opportunities in their investor-focused disclosures, such as annual reports.

This game is designed to help players understand the range of potential risks and opportunities associated with climate change, and how to integrate climate related risks and opportunities into business decision-making processes.

*Disclaimer: This game is not designed to support implementation of the ISSB Standards, but it might be useful for those considering the linkages between how a company manages climate-related risks and opportunities and how it prepares to disclose information about them in its annual report.*

## Objective

Players form a Board of Directors (Board) that takes actions to help manage your company's climate impact, address climate-related risks and opportunities, improve resilience and prepare for disclosure in accordance with IFRS S1 and IFRS S2. The Board cannot predict the future and doesn't know what events your company will face.

Your company has many stakeholders, for example, customers, suppliers, employees and investors. The IFRS Standards focus on ensuring decision-useful information is disclosed to investors. Typically, the Board will also seek to meet the expectations of other stakeholders on these issues.

For the purpose of this game, scoring is based on the number of risks reduced.

## What you need

This game can be played with the official set of cards or by printing / viewing the Risk, Opportunity, Action and Event cards available on the IFRS knowledge hub website. This game is also available in other languages on the website.

- Pen, paper and laptop / mobile phone.
- Approximately 60 minutes to play the game and complete the reflection activity.

## How to succeed

Your company faces several interconnected challenges. Your Board must prioritise actions that help your company to achieve its objectives, but you have a limited budget and your actions will be tested when you face random events. At the end of the game, your company will have earned a score based on how successful you have been against the objective. You should use all of your budget to minimise the number of risks you face.

## How to play

### Step ①

#### Assemble your Board (2-6 people).

- From your group select a CEO.
- The CEO will lead the Board through the game, including facilitating discussions and ensuring decisions are timely. They can make decisions on behalf of the Board if consensus cannot be reached.
- The CEO should ensure the Board advance at the same time through the steps.
- Select a Chief Risk Officer to keep track of scoring (and to select events in the absence of a facilitator).

### Step ②

#### Choose your industry

- Select the industry (from cards 1-3) that describes the industry in which your company operates.
- The 11 industries correspond to the industries in the Sustainable Industry Classification System®.
- You can choose an individual sub-industry from those listed on the industry cards.
- Your facilitator may help you to select an industry from the list. Assume your company is publicly listed.
- Based on your company's industry and its products and services, the Board must identify, assess and prioritise its climate-related risks and opportunities.
- For this game, assume that climate-related risks and opportunities could reasonably be expected to affect your company's cash flows, access to finance or cost of capital.

*For information about future prospects in the IFRS Sustainability Disclosure Standards, refer to paragraphs B1–B5 of IFRS S1.*

### Step ③

#### Identify climate risks

- Select all physical and transition risks that apply to your company (cards 4-8) and retain them.
- Discard the remaining risk cards.
- For the purpose of this game, generic risks have been listed. However, in real life it is important for companies to provide information about material climate related risks that relate to their circumstances.
- The types of risks that impact a company's prospects might vary by industry. The ISSB Standards require companies to consider the applicability of industry-based disclosure topics—refer to the Industry-based Guidance on Implementing IFRS S2 Climate-related Disclosures.

*For definitions of key terms in the IFRS Sustainability Disclosure Standards, refer to Appendix B of IFRS S2.*

### Step ④

#### Identify climate opportunities

- Select all opportunities that are relevant to your company (cards 9-13) and retain them.
- Discard the remaining opportunity cards.
- For the purposes of this game, generic opportunities have been listed. However, in real life it is important for companies to provide information about material climate-related opportunities as it relates to the companies circumstances. The types of opportunities that impact a company's prospects might vary by industry. The IFRS Sustainability Disclosure Standards require companies to consider the applicability of industry-based disclosure topics—refer to the Industry-based Guidance on Implementing IFRS S2.

*For definitions of key terms in the IFRS Sustainability Disclosure Standards, refer to Appendix B of IFRS S2.*

## Step 5

### Review actions to take

- Your Board must now decide on the actions that are needed to manage your impact, address climate-related risks and opportunities, improve resilience and prepare for disclosure in accordance with IFRS S1 and IFRS S2.
- There are 20 possible actions to choose from and each has a different cost of implementation.
- You can spend between \$10-\$15 in total (look for the cost on individual action cards) as decided by the facilitator. For the purpose of this game scoring is based on the number of risks reduced.

*Note: the IFRS Sustainability Disclosure Standards (including the accompanying guidance) support companies in identifying sustainability-related risks and opportunities and disclosing decision-useful information for investors. Careful consideration of governance, strategy, risk management and metrics and targets might support in the identification and management of risks and opportunities.*

## Step 6

### Climate events disrupt your plans

- As you implement your plan, your company is exposed to several events. Your facilitator will confirm which random event cards apply, or if playing without a facilitator your Chief Risk Officer shall pick a random event card.
- Events are related to an opportunity becoming available, or to a risk materialising. Your company will experience a financial effect based on whether your Board has invested in appropriate actions. After selecting the random event card, the facilitator will explain which action cards mitigated the risk or allowed the company to pursue the opportunity.
- Several actions can mitigate individual risks, but only one bonus or penalty credit is awarded for each event.
- After each event, the Board must update their plan. If your Board has achieved a credit, it can invest in new actions. If your Board received a penalty, it must reduce its actions to match its revised budget.
- The facilitator may include additional random events in the game if time permits and your Board will need to update its action plan.

## Step 7

### Count your risk points

- For the purpose of this game, scoring is based on the number of risks reduced.
- After implementing the actions, gaining / loosing credits and updating your plan following the events, your Chief Risk Officer should count the final score – how many risk points did you achieve from your action cards?
- Use the table to check how each of your actions helped your risk points.

### Action and budget table

| Which actions did you pick and keep? | Cost of each action \$ | Notes |
|--------------------------------------|------------------------|-------|
| 1                                    | 3                      |       |
| 2                                    | 1                      |       |
| 3                                    | 1                      |       |
| 4                                    | 1                      |       |
| 5                                    | 1                      |       |
| 6                                    | 1                      |       |
| 7                                    | 2                      |       |
| 8                                    | 2                      |       |
| 9                                    | 2                      |       |
| 10                                   | 3                      |       |
| 11                                   | 2                      |       |
| 12                                   | 3                      |       |
| 13                                   | 2                      |       |
| 14                                   | 1                      |       |
| 15                                   | 2                      |       |
| 16                                   | 2                      |       |
| 17                                   | 2                      |       |
| 18                                   | 1                      |       |
| 19                                   | 2                      |       |
| 20                                   | 1                      |       |
| <b>Total</b>                         |                        |       |

### 0–9 improvement needed

Based on the actions you selected, your company was under-prepared for the events that occurred. Consider your company's strategy further to manage its impact, address climate-related risks and opportunities, improve resilience and to prepare for disclosure in accordance with IFRS S1 and IFRS S2.

### 10–19 partially successful

Based on the actions you selected, your company was able to respond to the events that occurred. However, your company is still vulnerable. What further actions could you take to improve management of your company's impact, address climate-related risks and opportunities, improve resilience and to prepare for disclosure in accordance with IFRS S1 and IFRS S2?

### 20–29 meets expectations

Most of your actions successfully responded to the events that occurred. While there is still room for improvement, your company is meeting the expectations of most of your stakeholders. Your company must consider the range of additional events that could occur and continue to focus on the strategy for managing its impact, addressing climate-related risks and opportunities, improving resilience and to prepare for disclosure in accordance with IFRS S1 and IFRS S2.

### 30–39 exceeds expectations

The actions your company took were comprehensive and robust, enabling you to successfully respond to most of the events. However you may have been a little lucky with the events you faced? Your company is well placed to manage its impact, address climate-related risks and opportunities, improve resilience and to prepare for disclosure in accordance with IFRS S1 and IFRS S2. You should continue to consider preparedness for future events, including green swan events.

### 40+ expert

Congratulations! You have demonstrated excellent judgement in pursuing your chosen actions, allowing you to expertly respond to the events and outperform your competitors. However you may just have been very lucky with the events that you faced? Consider sharing good practices with others. You are ready to facilitate this game with your colleagues!

## Step 8

### Reflection

- How can you apply the experience from playing this game to your own company?
- The objective of the IFRS Sustainability disclosure Standards is to require a company to disclose material information about its climate-related risks and opportunities in its annual report. What information would you consider disclosing after playing this game?

### Further information

See the IFRS Sustainability Disclosure Standards <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>

