



**Deloitte.**

# Deloitte TCFD Report

DELOITTE REPORT FOLLOWING THE  
RECOMMENDATIONS OF THE  
TASK FORCE ON CLIMATE-RELATED  
FINANCIAL DISCLOSURES

OCTOBER 2023

MAKING AN  
IMPACT THAT  
MATTERS

*since 1845*

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# Letter from the Deloitte Global CEO and Deloitte Global Board Chair

We are pleased to share Deloitte's latest report following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Established in 2015 by the Financial Stability Board, the TCFD developed recommendations on the information organizations should disclose to support stakeholders in assessing climate-related risks. Recommendations are categorized across four key areas of organizational operation: governance, strategy, risk management, and metrics and targets.

Since Deloitte's first TCFD report released in 2021, we have continued our commitment to do our part in helping lead the transition to a low-carbon economy and mitigate the human and financial impacts of climate change.

With the increase of extreme weather events around the globe, there is a more palpable urgency to the conversation around climate and sustainability. Leaders across sectors are embracing the growing need to gain global alignment around

climate action. And the very real near-term worries about energy security and energy affordability in an uncertain environment have further forced critical decisions that could impact future outcomes.

At Deloitte, we believe the global business community has the resources and capabilities to help navigate the challenges and accelerate the move to a more sustainable future for all of us. To that end, Deloitte has initiated actions to decarbonize our own footprint through our *WorldClimate* commitment to help achieve science-based net-zero targets, and has made a multi-billion-dollar investment in building Deloitte's Sustainability & Climate practices around the world to help our clients achieve their own sustainability agendas.

As the world's leading professional services organization, we continue to use our voice to advance the conversation on climate-related issues and champion the use of universal Environmental, Social and Governance (ESG) reporting standards. Deloitte, along with many other organizations around the world, is already reporting against the framework of [stakeholder capitalism metrics](#) that we developed in collaboration with the World Economic Forum in 2021. This has enabled us to chart our progress with greater clarity and transparency.

Since our 2021 TCFD report, we have made some significant changes to the way we report on Deloitte's climate-related actions. This includes expanding the number of scenarios we use to explore the resilience of our strategy under different and more nuanced climate outcomes. The three

scenarios are underpinned by deeper financial modeling of the potential impacts. While these scenarios are not predictions, they do describe plausible futures that we believe are important to consider as we forge ahead in our climate journey.

This report also includes additional details on our governance structure as well as on metrics and targets. And we have provided more information around our global Enterprise Risk Management framework with climate change now elevated from an emerging risk to a priority risk in the framework.

While we are proud of the progress Deloitte's climate efforts have made to date, we know there is much work still to do. We continue to assess the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies, and believe there is good reason to be optimistic about what lies ahead – particularly with regards to climate technology. From green hydrogen and carbon capture methods, to wind, solar, and the battery technologies that are critical to storing energy produced by these renewable sources, the solutions are tangible and coming quickly. Now it's about aligning and focusing on how we use those technologies and leading the way with integrity and purpose.

With aligned objectives across the public and private sectors, along with accountability through disclosure of key climate metrics, there is a path to avoiding some of the worst impacts of climate change and laying the foundation to pass down a far healthier planet to future generations.

**Joe Ucuzoglu**  
Deloitte Global CEO

**Anna Marks**  
Deloitte Global Board Chair



# Introduction

This Deloitte Global report presents disclosure of the key impacts of climate change across Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and its and their respective related entities (collectively, the “Deloitte organization”) aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Deloitte recognizes climate change as a systemic issue that threatens lives, livelihoods, and habitats, and requires global, collective action to avert disaster. We are committed to doing our part, both through the work Deloitte firms do with clients and through our *WorldClimate* strategy which centers on reducing our greenhouse gas emissions consistent with a 1.5°C pathway, empowering our people, and engaging the broader ecosystem to create solutions that help facilitate the transition to a low-carbon economy. Doing our part also includes reporting transparently and following recognized frameworks.

Deloitte Global has a long history of reporting on sustainability performance through the annual release of our Deloitte Global Impact Report in accordance with the Global Reporting Initiative (GRI) standards, reporting annually to CDP, and more recently reporting against the World Economic Forum’s (WEF) Stakeholder Capitalism Metrics. In 2021, we published our inaugural TCFD report to assess the climate-related risks and opportunities relevant to our business and provide

insights to Deloitte leadership and other stakeholders. This second TCFD report refreshes our scenario analysis and provides a deeper level of reporting and transparency on the potential impacts climate change may have on Deloitte. Deloitte Global continues as a public supporter of TCFD and Deloitte practitioners have served as members of the Task Force since its inception with Catherine Saire of Deloitte France currently serving in that role.

This report describes how Deloitte assessed climate-related risks and opportunities and embedded climate considerations into governance, strategy, and risk management practices during FY2022 and FY2023. It also references metrics used to manage those risks and associated targets. Because of the timing of this report relative to our fiscal year results, the emissions data reported and the financial data used in analysis is based on FY2022. This report covers all four pillars and 11 disclosures as outlined in Figure 6 in the October 2021 publication by the TCFD entitled *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* (2021 Annex). It does so from the perspective of Deloitte Global and its global network of Deloitte firms following the all-sector guidance from the 2021 Annex. Risk, opportunities, and metrics as laid out in Tables A1.1, A1.2, and A2.1 of the 2021 Annex, respectively, were referenced and given consideration in formulating the report. See the final page of this report for a more detailed description of the Deloitte structure. This report is being issued voluntarily and is not intended to meet a statutory requirement in any jurisdiction.

# Climate governance

Oversight and management of climate-related risks and opportunities is conducted at two levels within Deloitte — at Deloitte Global and at the Deloitte firm level. The following describes the governance practices in place during FY2022 and FY2023.

## Board oversight

The Deloitte Global Board addresses climate-related governance issues including reviewing and agreeing on the global strategy and major commitments, as well as providing oversight on risks. Deloitte's global climate strategy is critically reviewed at least annually with the Deloitte Global Board.

Growth plans and significant investments in climate-related services are also presented to the Deloitte Global Board for review and approval. For example, the launch of Deloitte's internal-facing strategy, *WorldClimate*, was both presented and discussed at the Deloitte Global Board. The Deloitte Global Board is also updated, at least annually, on the progress towards the *WorldClimate* goals. Deloitte's commitment to invest US\$1 billion in sustainability and climate services was also presented and discussed at the Deloitte Global Board. The Deloitte Global Sustainability & Climate practice leader also updates the Deloitte Global Board at least annually, but typically several times a year, on progress in the marketplace, and the practice leader meets monthly with the Deloitte Global Board Chair.

As the leader of the Deloitte Global Board, the Deloitte Global Chair has significant input on and influence over the agenda items and ensures that the network's climate activities and commitments are appropriately considered throughout agenda setting for the Deloitte Global Board and in the boardroom discussions. Information on the current Deloitte Global Board members including their biographies, capabilities, and experience, can be found [here](#).

The Deloitte Global Board plays a direct role in the oversight of Deloitte Global's Enterprise Risk Management program through the activities of the Risk and Ethics Committee (REC) of the Deloitte Global Board. The REC is tasked with oversight of Deloitte Global risk management activities. As part of the Deloitte Global Enterprise Risk Framework (ERF), climate change was first identified as a priority risk in FY2022 and continues to be actively managed. The REC reviews the various risks in the ERF throughout the year and the steps that management is undertaking to actively manage those risks, including an annual refresh of the ERF that is presented by the Deloitte Global Chief Risk Officer to both the REC and the Deloitte Global Board. The REC Chair also provides regular updates regarding these risks to the full Deloitte Global Board covering each risk at least once annually.

Both the REC and the Finance and Audit Committee of the Deloitte Global Board have reviewed and discussed the content of this report.

## Management oversight

The Deloitte Global CEO plays a key leadership role in driving climate change action across Deloitte and beyond. The Deloitte Global CEO leads the Deloitte Global Executive which sets the global

sustainability strategy and agrees on major commitments, including client service growth plans and investments. The Deloitte Global Executive discusses, at least annually, the progress towards the *WorldClimate* carbon reduction goals and client service plans.

The Deloitte Global Deputy CEO and Chief People and Purpose Officer (Deloitte Global Deputy CEO) has executive accountability for setting Deloitte's internal global climate strategy. The Deloitte Global Deputy CEO reports to the Deloitte Global CEO, is a member of the Deloitte Global Executive, and reports regularly to the Deloitte Global Executive and the Deloitte Global Board on climate-related matters, including, at least annually, on *WorldClimate*-related performance metrics. The Deloitte Global Deputy CEO also connects regularly with the Deloitte Global Sustainability & Climate practice leader who leads on the development and deployment of climate-change offerings.

The Deloitte Global Chief Sustainability Officer (Deloitte Global CSO) is responsible for the development and advancement of Deloitte's *WorldClimate* strategy and overall environmental objectives. The Deloitte Global CSO drives adoption of sustainability programs, policies, and initiatives across the Deloitte network and is responsible for Deloitte's greenhouse gas inventory, development and tracking of carbon reduction goals, and for external reporting on sustainability. The Deloitte Global CSO reports up to the Deloitte Global Deputy CEO.

Each Deloitte firm generally has people assigned to manage internal sustainability matters, including monitoring emissions and supporting action. The reporting structure for these roles varies depending on factors such as the size of the Deloitte firm, but typically involves reporting to a senior leader.

The Deloitte Global Board Chair and the Deloitte Global Deputy CEO jointly chair the World Impact Council (WIC). The WIC meets quarterly to align on actions, agree on major commitments, and share leading practices on ESG matters, with climate-related issues on each agenda. WIC membership is drawn from the Deloitte Global Board, the Deloitte Global Executive, and also includes the Deloitte Global Sustainability & Climate practice leader, the Deloitte Global CSO, the Deloitte Global Regulatory and Public Policy leader, the Deloitte Global Clients & Industry leader, the Deloitte Global Communications leader, and other senior Deloitte leaders from across the organization. The WIC also operates with a climate subcommittee which includes subject matter specialists in sustainability and leaders from operational areas across Deloitte. The climate subcommittee is chaired by the Deloitte Global CSO. This subcommittee brings recommendations to the WIC based on analysis and input from subcommittee members. The adoption of Deloitte's greenhouse gas emissions-reduction goals was formulated by the WIC and agreed to by the Deloitte Global Executive and the Deloitte Global Board in 2020.



# Strategy

Deloitte's global climate change strategy is founded on two complementary elements: *WorldClimate* which is Deloitte's strategy to address climate change within our operations and across our value chain, and the services provided to Deloitte clients — Deloitte Marketplace Strategy.

## WorldClimate — Deloitte's internal-facing strategy

Deloitte recognizes that how we manage our own operations and processes is an important foundational element in what we do to address climate change. The *WorldClimate* strategy was developed to do just that and is built on the following four pillars.

### Net-zero with 2030 goals

Deloitte's near-term (2030) greenhouse gas (GHG) reduction goals have been validated by the Science Based Targets initiative (SBTi) as 1.5°C-aligned, science-based targets. Deloitte has also committed to set long-term emissions reduction targets using the SBTi's Net-Zero Standard. Deloitte's target for engaging with our suppliers meets the SBTi's criteria for ambitious value-chain goals, meaning it is in line with the current best practice.

Specific goals include:

- Reducing Scope 1 & 2 emissions 70% from FY2019 levels by FY2030 through:
  - Sourcing 100% renewable energy for our buildings by FY2030
  - Converting 100% of our fleet to hybrid and electric vehicles by FY2030

- Reducing business travel emissions by 50% per full time equivalent (FTE) from FY2019 levels by FY2030
- Engaging with Deloitte's suppliers and having two-thirds of them (by emissions) adopt science-based targets by 2025
- Investing in meaningful market solutions for emissions we cannot eliminate

Action items in place to advance towards those goals including increasing exploration of virtual power purchase agreements for renewable energy, incentives and policies supporting electric vehicle adoption, evolving travel policies and increasing communication to suppliers on expectations for science-based targets. While Deloitte is actively working to achieve these goals, we also recognize that the Scope 3 goals, particularly the goal around suppliers, are ones where Deloitte does not have direct control and their achievement has significant dependencies on actions of third parties.

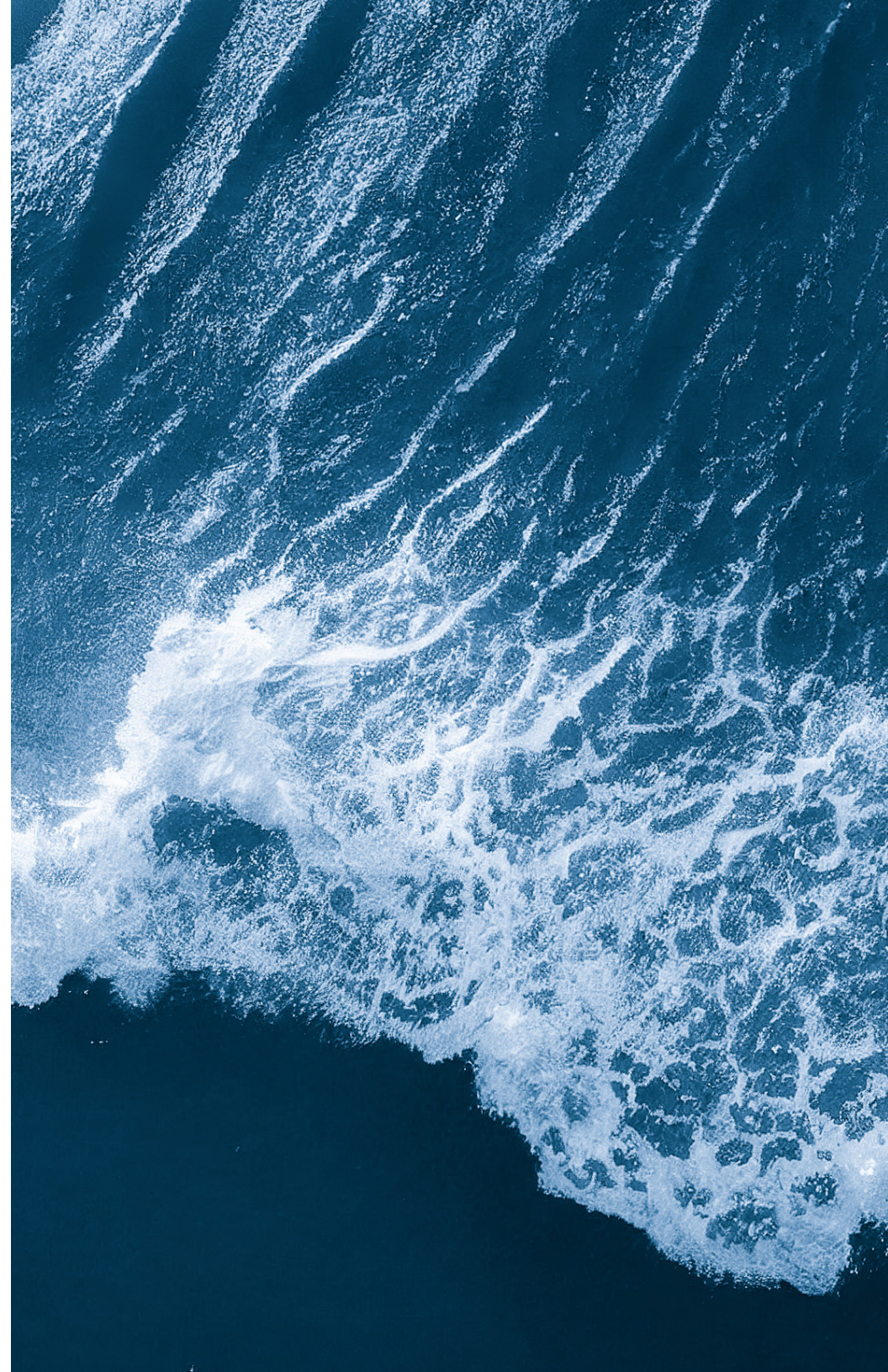
### Embed sustainability

Deloitte recognizes we must align climate policies, practices, and actions across the organization. Our actions include:

- Having a senior leader in each Deloitte firm be responsible for delivering the *WorldClimate* strategy
- Prioritizing discussion of climate change on executive agendas
- Embedding climate-smart considerations (including low-carbon considerations) into decisions made in office operations, real estate, technology, and other enabling areas

### Empower individuals

By engaging and educating Deloitte people on climate change and the impact of their decisions — decisions about



what they consume, use, and buy — we can help enable them to make positive climate choices at home and at work and to amplify these choices through their personal networks. Starting in 2021, all Deloitte people were provided with a climate change learning module to help them better understand climate change, Deloitte's climate and sustainability goals, and how they can make responsible climate choices. To date, more than 380,000 Deloitte people have taken the learning module. This learning is one of many ways Deloitte people can engage on this topic. Other opportunities include livestream events, commitments to action on social media, a dedicated climate website with activation videos, and a learning channel that connects them to resources on specific topics. Many Deloitte firms also support green teams who typically play a role in advancing actions to address sustainability and climate change in their local offices or communities.

### Ecosystem plays

We are collaborating with Deloitte clients, alliances, non-governmental organizations, industry groups, suppliers, and others to help address climate change and work on initiatives where, collectively, we can accomplish significant change.

## Deloitte's marketplace strategy

Deloitte's Purpose is to make an impact that matters. One way we do this is through serving clients with distinction. We recognize climate change will require large-scale transformation for many clients and Deloitte is committed to helping them along their journeys.

In 2022, Deloitte announced a significant expansion and investment in their [Deloitte Sustainability & Climate Practices](#) —

globally coordinated practices designed to help clients redefine their climate strategies, embed sustainability into their operations, meet disclosure and regulatory requirements, and transform their organizations and value chains. Services include Sustainability Strategy, Equitable Transformation, Risk and Resiliency Management, Sustainable Supply Chain Transformation, Carbon Trading Markets, ESG Readiness & Assurance, and other areas targeted to each client's needs. Deloitte is assembling one of the largest global networks of sustainability experience, with over 4,000 dedicated Sustainability & Climate practitioners in over 52 countries. To enable us to make a greater impact in helping clients to transition and adapt, Deloitte is investing US\$1 billion in client-related services, data-driven research, and other assets and capabilities. Key investments include:

- Launching the Deloitte Center for Sustainable Progress, Deloitte's global collaboration with leading academic, policy, business, and governmental organizations to focus on holistic, results-oriented thought leadership, data-driven analysis, and accountability reporting
- Integrating ESG/Sustainability services and solutions with Deloitte's other key solution areas, including artificial intelligence, machine learning, operations outsourcing, cloud services, and broader digital transformation, allowing for new solutions to tackle some of clients' largest challenges
- Offering a robust curriculum of sustainability training courses to Deloitte people, clients, and suppliers, both virtually and at multiple Deloitte University locations
- Introducing [GreenSpace Tech by Deloitte](#), an innovative play that identifies, develops, and scales

emerging technologies to help clients solve their toughest climate challenges

- Development of [GreenLight Solution](#) by Deloitte, an end-to-end solution to assist clients on their decarbonization journey

And while the aforementioned services are specific to sustainability and climate change, most engagements have potential climate change considerations given inherent physical and transition risks.

In addition to client service, Deloitte's marketplace strategy also includes offering perspectives to relevant external bodies on matters pertaining to climate change and climate change reporting. For example, the Deloitte Global Board Chair also takes a leadership role in the area of climate governance, working with the World Economic Forum to advocate for and advance governance around climate. The Deloitte Global CEO participates actively in the WEF [Alliance of CEO Climate Leaders](#) and was signatory to their [open letter on climate policy](#) issued to world leaders in advance of the 2022 United Nations climate talks. Deloitte professionals participate in committees and working groups of major organizations addressing climate change in the marketplace including the First Mover's Coalition, the World Business Council for Sustainable Development, and the Global Reporting Initiative.

With adoption of mitigation measures, actions, and continued incorporation of climate change considerations in strategy, Deloitte Global believes Deloitte will continue to be resilient in a 2°C or lower scenario.



## What is climate-related scenario analysis?

Scenarios are hypothetical constructs of what the future may be like, created through a structured process to stretch thinking, challenge conventional wisdom, and drive better decisions today. In the context of the TCFD recommendations, climate scenarios can describe projections and pathways for future socioeconomic development, emissions concentrations, energy mix, climate mitigation, and adaptation pathways. They are not predictions about what will happen and are not intended to be forecasts of the most likely future outcomes. Instead, they aim to explore how varying conditions could impact the organization from a socio-economic development standpoint and from the physical impacts of climate change. They are also intended to help assess the resilience of business models and strategy over the short-, medium-, and long-term.

# Assessing the impacts of and resilience to climate-related scenarios

Central to TCFD recommendations is describing a company's strategy in relation to climate-related risks and opportunities across future time horizons and climate scenarios. In Deloitte Global's last TCFD report we chose two scenarios — "Aggressive Mitigation" and "No Climate Action". To deepen our understanding of potential climate impacts, we refreshed our climate scenario analysis from the previous report. In what follows, we describe the climate scenarios leveraged, the risks and opportunities identified and assessed, and Deloitte's response and resiliency.

## Climate scenarios

Deloitte Global selected three<sup>1</sup> climate scenarios — Current Policies, Orderly Net-Zero, and Divergent Net-Zero — to assess the impacts of climate-related risks and opportunities to Deloitte across short-, medium-, and long-term time horizons. These scenarios, described further in what follows, leverage underlying reference scenarios developed by external

institutions, such as the Network for Greening the Financial System (NGFS) climate scenarios, and Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) set out by the Intergovernmental Panel on Climate Change (IPCC). Two of the three scenarios assume global warming is limited to 1.5°C. We are including these scenarios not under the lens of probability given that the most recent report by the Intergovernmental Panel on Climate Change finds it likely that warming will exceed 1.5°C in the 21st century<sup>2</sup>, but as a way to better assess transition risks to Deloitte.

### Current Policies scenario

The Current Policies scenario assumes current government policies regarding climate and energy are maintained, with no additional new climate-related regulation. The world relies on fossil fuels as the engine of economic growth, resulting in significant global warming that fuels changes in the frequency and/or severity of extreme weather events, which result in extensive business disruption. Governments quietly drop their climate commitments and instead intervene to build resilience to the worst impacts of climate change. Emissions grow until 2080 leading to about 3°C of warming by the end of the 21st century with severe physical risks. Consumption-led growth during a new Roaring '20s leads to a boom for the manufacturing and construction sectors.

### Orderly Net-Zero scenario

This scenario assumes a high level of decarbonization is achieved through robust climate policies and innovation in a steady, orderly fashion. This scenario also assumes an immediate introduction of ambitious climate policies. Carbon removal technologies are used to accelerate global decarbonization efforts but are kept to a minimum. Global emissions reach net-zero

by 2050, which limits warming to 1.5°C by the end of the 21st century. Physical risks are relatively low, but transition risks are moderate to high. This scenario allows slightly greater use of fossil fuels than the Divergent Net-Zero scenario due to the increased deployment of carbon removal technology, thereby mitigating some of the transition risk attributed to the sharp move away from fossil fuels.

### Divergent Net-Zero scenario

In the Divergent Net-Zero scenario, global emissions also reach net-zero by 2050, which similarly limits warming to 1.5°C by the end of the 21st century. However, this scenario is associated with higher transition costs due to varying policies introduced across sectors and governments, as well as a quicker phasing out of fossil fuels. Compared to the Orderly Net-Zero scenario, the Divergent Net-Zero scenario assumes climate policies are more stringent in the transportation and building sectors. This scenario also assumes the failure to coordinate policy across sectors, which results in a higher burden on consumers. In addition, the availability of carbon dioxide removal technologies is assumed to be lower than in the Orderly Net-Zero scenario. Carbon prices increase abruptly after 2030. Of the considered scenarios, the Divergent Net-Zero scenario is the most financially disruptive, with high transition risks and volatility.

Table 1 summarizes and compares the three scenarios across key elements.

<sup>1</sup> Deloitte Global has revised and expanded upon the two climate scenarios selected and leveraged in [The 2021 Deloitte TCFD Report](#), to remain aligned with leading practices and relevance to our business. This newer set of diverse scenarios allows Deloitte to deepen insights on context and differences in the face of uncertain futures. Note that these new scenarios, while having many common elements to the scenarios used in 2021, do not precisely map to either.

<sup>2</sup> [AR6 Synthesis Report: Climate Change 2023 — IPCC](#)

**Table 1: Scenario elements**

	<b>Current policies</b>	<b>Orderly Net-Zero</b>	<b>Divergent Net-Zero</b>
<b>Political</b>	<ul style="list-style-type: none"> <li>• Global climate diplomacy fails</li> <li>• Nations give up climate targets to focus on economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Global climate diplomacy is a success</li> <li>• Nations cooperate to create ambitious climate policy</li> </ul>	<ul style="list-style-type: none"> <li>• Global climate diplomacy fails</li> <li>• Nations issue their own climate policies at varying levels of ambition and lack coordination</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Consumption-led economic growth is achieved through the 2020s</li> <li>• By the 2040s, physical climate impacts start dragging on economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• A global carbon price is established early, gradually reaching US\$200 per metric ton of carbon dioxide equivalents by 2030</li> <li>• The financial system includes climate risk as a core consideration</li> </ul>	<ul style="list-style-type: none"> <li>• A global carbon price is put in place late, reaching US\$300 per metric ton of carbon dioxide equivalents by 2030</li> <li>• Carbon prices for the transportation and building sectors are three times the carbon price in services and industry sectors</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Quality of life improves during the 2020s</li> <li>• Later, climate-related migration and inequality harm social cohesion</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental awareness grows</li> <li>• Society looks for a just transition and expanded corporate responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental awareness grows</li> <li>• Societal expectations for a just transition and expanded corporate responsibility vary geographically due to varied policy responses and ambition</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Trust is placed in technology to help society adapt to climate change</li> <li>• As physical impacts worsen, governments invest in adaptation measures</li> </ul>	<ul style="list-style-type: none"> <li>• Low-carbon technology focuses on ultra-efficiency in processes</li> <li>• High research and development spend leads to technological breakthroughs in the 2030s</li> </ul>	<ul style="list-style-type: none"> <li>• Low-carbon technology focuses on ultra-efficiency in processes but lower use of carbon dioxide removal technology than the Orderly Net-Zero scenario</li> <li>• High research and development spend lead to technological breakthroughs in the 2030s</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Strong increases in the frequency and/or severity of extreme weather events, causing major disruptions or damages</li> <li>• Health impacts and humanitarian crises occur in all countries</li> </ul>	<ul style="list-style-type: none"> <li>• The worst physical impacts are avoided, but the climate continues to warm, resulting in disruptions and damage</li> <li>• Nature-based solutions are pursued or adopted</li> </ul>	<ul style="list-style-type: none"> <li>• The worst physical impacts are avoided, but the climate continues to warm, resulting in disruptions and damage</li> <li>• Nature-based solutions are pursued, but to varying degrees across jurisdictions</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>• Climate-related laws and litigation have little impact in the 2020s</li> <li>• Cases against corporations shift the regulatory environment in the 2030s</li> </ul>	<ul style="list-style-type: none"> <li>• Swathes of stiff climate-related environmental regulation are introduced in the 2020s</li> </ul>	<ul style="list-style-type: none"> <li>• Climate-related laws and litigation have little impact in the early 2020s. More extensive litigation occurs in the 2030s but it varies across jurisdictions</li> <li>• Swathes of stiff climate-related environmental regulation are introduced in the late 2020s and early 2030s</li> </ul>

## Climate-related risks and opportunities

Table 2 summarizes what Deloitte Global currently has assessed to be the most significant climate-related transition and physical risks and the opportunities relevant to Deloitte’s businesses under the three scenarios. The impacts are not listed in order of significance and are not intended to be exhaustive. We assessed the impact over

three time horizons: short-term (two to five years), medium-term (five to ten years), and long-term (ten to thirty years). We have used appropriate assumptions to estimate the potential financial impact under different scenarios and, where possible, based these on available data. In some cases, we used pre-COVID-19 pandemic base assumptions,

which may prove to be erroneous post-pandemic. While the financial implications are not precise predictions, they are intended to provide insights on the order-of-magnitude of impacts.

**Table 2: Climate risks and opportunities**

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Physical	<b>Acute</b> Increased severity of extreme weather events such as cyclones and floods	<b>Increases in real estate and operational costs due to severe weather events</b> Increases in the severity and/or frequency of extreme weather events may damage Deloitte offices and data centers and cause disruption to the organization’s workforce, suppliers, communities, and clients.  This, in turn, increases direct and indirect costs, including increased costs for improving office resilience, damaged assets/real estate, and higher insurance premiums.	<b>Changes in real estate costs including insurance availability or premiums</b> The direct financial impact of severe weather events on Deloitte offices and data centers is limited because Deloitte leases most offices and insurance is in place to reduce the financial losses from physical impacts. However, insurance costs will not remain static in this environment and there may be indirect costs related to property fortification and/or building code modifications as well.	The Current Policies scenario will see higher frequency and severity of physical risk events such as severe storms, hurricanes, or tropical cyclones compared to the Net-Zero scenarios. Impacts may go beyond local areas and impact entire regions, as was the case in Pakistan in 2022 when one third of the country experienced flooding and millions were displaced. Insurance premiums and deductibles may escalate more rapidly compared to the Net-Zero scenarios.  Differences between the two Net-Zero scenarios is minimal by 2050 as both will still see increases in physical risk events. Greater awareness of climate change risk leads to higher spend on adaptation.	When natural disasters or other devastating physical events occur, business continuity is essential to avoid potential financial and productivity losses.  Business continuity planning, a key component of the Deloitte Global Security Policy and Standards, is critical to help address disruptions caused by hurricanes, typhoons, floods, fires, and other physical hazards. The Deloitte Global Security Office (GSO) works with Deloitte firms worldwide to formulate and implement effective business-continuity programs to keep Deloitte people safe, particularly during emergencies. All Deloitte firms are working towards achieving certification with the international business continuity standard, ISO 22301.  The GSO’s regional security managers help enhance Deloitte’s security and crisis-response capabilities through on-site assessments, meetings with Deloitte firm managing partners, and through coordination with a Global Security Council comprised of security officers from Deloitte firms.  Examples of business-continuity program components include a global emergency communications system used to help account for the safety and well-being of Deloitte people and provide critical guidance when emergencies strike, a global travel tracker which quickly accounts for the safety of Deloitte people traveling, and 24-hour emergency medical and security resources that can be deployed in the event of severe weather, fires, or other acute physical impacts.
			Insurance availability and pricing is in fact already changing due to the increasing frequency and/or severity of extreme weather events, particularly in high-risk geographies or even in low-risk areas following a significant physical risk event. Premiums may significantly increase due to private insurance companies’ need to fund increasingly frequent and severe loss events. In some cases, availability of insurance may be limited as insurers pull out of high-risk markets with public entities stepping in to become “the insurer of last resort.”  <b>Increase in operational costs</b> Wages or recruiting costs may increase as a result of fewer individuals being willing to live or move to certain areas where Deloitte wants to maintain a market presence. Deloitte people may choose to avoid living in locations they perceive are likely to be impacted by severe weather, experience severe water shortages or flooding, or where homeowner’s insurance is unavailable or unaffordable.		

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Physical			Given the complexity of the insurance market and the number of countries in which Deloitte has a presence, we have not modeled financial estimates for this risk.		As part of Deloitte's WorldClimate strategy, we have committed to embedding climate-smart considerations into office operations and real estate decisions. In the longer term, as severe weather events and impacts become better understood, real estate strategies will need to increasingly consider physical climate-related risks. Additionally, work is also underway to understand the physical risks to data centers, particularly due to regional, climate-related, system-wide infrastructure impacts.  The move towards more hybrid work models is also reducing real estate needs over pre-pandemic levels on a per person basis. This also helps mitigate the risk associated with increasing real estate and operational costs.
Physical	<p><b>Acute</b> Increased severity of extreme weather events such as cyclones and floods</p> <p><b>Chronic</b> Rising mean temperatures, changes in precipitation patterns and extreme variability in weather patterns</p>	<p><b>Reduced revenue due to productivity loss and higher costs from negative impacts on workforce</b> Exposure to higher temperatures and extreme weather events, such as droughts, floods, fires, and heat waves, may increase health risks to Deloitte people, including heat-induced illnesses, respiratory issues, physical injuries, and infectious diseases. These physical and health impacts could impact well-being by leading to trauma or increased stress, thereby hindering productivity.</p> <p>As a global organization, Deloitte uses data centers and hosts delivery centers in multiple regions. This means that extreme weather in one region could impact the delivery of services in another. Region-wide impacts such as extensive flooding or loss of power coupled with disruptions to fuel delivery</p>	<p><b>Loss in revenue due to productivity decline</b> Both severe weather events and climate-related health impacts may reduce employee productivity, thereby affecting revenue.</p> <p><b>Service delivery interruption due to local disruptions</b> Practitioners could be prevented from working in Deloitte facilities or from their own homes in the aftermath of a severe weather event, leading to a potential loss of revenue due to failed or delayed client service delivery.</p> <p>Under a simplified analysis, severe flooding from a hurricane in a major city is projected to result in as much as US\$2.5 million per week in reduced revenue for Deloitte due to productivity loss. This range assumes that 200 to 500 Deloitte practitioners are unable to work for one week. Disruptions impacting more people or lasting longer would likely increase revenue losses.</p> <p>Globally, workplace disruption as a result of increases in severe flooding is projected to result in more than US\$70 million of additional costs in 2030 if as little as 5% of Deloitte's workforce across three major regions experienced a week's worth of work disruption.</p> <p>Heat stress and other climatic conditions could impact Deloitte but may vary depending</p>	<p>Across all three scenarios, productivity loss and additional costs are projected to be similar before 2030. By 2050, however, impacts are projected to diverge across scenarios, with the Current Policies scenario likely to experience greater changes in the frequency and/or severity of physical risks, such as severe storms, hurricanes, tropical cyclones and heat waves, and chronic risks, such as average temperature increases. Additional costs to Deloitte under the Current Policies scenario are projected to rise above US\$1 billion in the year 2050 due to lost productivity from heat stress.</p>	<p>The shift toward more remote work has created a more geographically distributed workforce, thereby reducing the risks associated with localized acute weather events.</p> <p>Longer-lived physical risks, such as heat waves, may be the most severe physical risk to Deloitte operations given the impact heat waves can have both on interrupting power supplies and decreasing productivity. Increasingly, a portfolio approach may be needed to evaluate key delivery and data center location risks to increase redundancy across (in addition to within) regions. Strategies should consider diversifying capabilities across locations. Deloitte's WorldClimate strategy includes the goal of reducing business travel emissions by 50% per FTE from FY2019 levels by FY2030. Working toward this goal may also help mitigate productivity losses and weather-related travel expenses and may reduce turnover of Deloitte people if travel is increasingly seen as an irritant.</p> <p>Longer-term chronic risk impacts will require continued engagement from governments, municipal and local authorities, and other stakeholders in order to put climate adaptation and resiliency measures in place. Deloitte is an active member in a number of external organizations that seek engagement with stakeholders on climate policies. Additionally, Deloitte regularly publishes thoughtware and position papers on these topics.</p>

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Physical		<p>could also impact more than one data facility.</p> <p>Acute weather events may also cause flight delays and cancellations. These could reduce productivity and could increase expenses for Deloitte.</p>	<p>on scenario and region. In hotter and more humid climates, more heat stress may be experienced which could lead to lower labor productivity and could negatively impact Deloitte firm revenues and profits. Annual costs to Deloitte due to heat stress alone is estimated to be in the order of US\$600 million under all three scenarios by 2030.</p> <p>Financial impacts may be greater in regions with higher chronic physical risk exposure. Deloitte firms in lower-risk regions, however, may experience indirect financial impacts due to reliance on data or delivery centers in higher-risk regions. Using a simplified assumption, costs may rise by an additional 10% from cross-geographic impacts. For example, labor productivity loss due to heatwaves in India may impact the delivery of service to Deloitte clients in the US.</p> <p><b>Loss of productivity due to travel disruptions</b> If all Deloitte practitioners lose one day of billable time due to travel disruptions, the annual loss in revenue to Deloitte is estimated to be US\$350 million to US\$450 million.</p>		
Physical	<p><b>Chronic</b> Rising mean temperatures, changes in precipitation patterns and extreme variability in weather patterns</p>	<p><b>Reduced revenue from disruption to clients (either through loss of business or productivity)</b> In addition to the direct impacts of physical risk, Deloitte also faces indirect risks when Deloitte clients' operations and value chains are impacted. Climate-related physical risks experienced by Deloitte clients — such as water stress, sea level rise, fires, extreme temperatures, and weather events — may result in supply chain disruptions, physical facility closures, financial losses, and in some cases, cessation of business for clients.</p>	<p><b>Reduced revenue from disruption to clients and productivity loss</b> Physical risks that impact Deloitte clients may prevent Deloitte firms from delivering services, resulting in productivity declines and revenue loss.</p> <p><b>Revenue reduction due to decreased client demand</b> Similarly, physical risks that inhibit the ability of Deloitte clients to operate (e.g., supply chain disruptions, physical facility closures and resulting financial losses), may result in clients terminating, postponing, or reducing Deloitte client engagements.</p> <p>The annual loss of revenue of these disruptions to Deloitte is estimated to be US\$100 million to US\$200 million under the Net-Zero scenarios, and in the early years of the Current Policies scenario.</p> <p>Scenarios with high physical risks may lead to heightened political instability and, in extreme</p>	<p>Differences in physical risk events between scenarios are minimal by 2030. Greater awareness of climate change risk may lead to higher spend on adaptation.</p> <p>Under the Current Policies scenario, the frequency and/or severity of acute physical risks, such as severe convective storms, hurricanes, tropical storms, and cyclones, are projected to increase by 2050. This may result in greater disruptions in service delivery. The decrease in Deloitte revenue of this is estimated to be US\$200 million to US\$300 million greater for the Current Policies scenario than for the Net-Zero scenarios by 2050.</p> <p>Under the Current Policies scenario, the humanitarian costs will be significant, including displacement, conflict, famines, and death. It is not possible nor appropriate to translate suffering or loss of life into financial terms, but the immensity and tragedy of circumstances resulting on humanity, particularly under</p>	<p>When the physical impacts of climate change risk materialize, Deloitte's ability to continue to provide services with as little disruption as possible will be essential to avoid financial losses.</p> <p>Deloitte's client-service offerings, which include assisting clients in understanding their physical climate-related risks and establishing mitigation strategies, is one way in which we address impacts of potential physical risk.</p> <p>Future mitigation measures for Deloitte could include evaluating our revenue risk resulting from the climate vulnerabilities of key clients. This risk is somewhat mitigated for Deloitte given the diversification of clients across geographies and sectors.</p>

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Physical			<p>cases, societal breakdown. Under these conditions, attention may be focused on more pressing needs such as food and energy security, and demand for traditional Deloitte services may diminish.</p> <p><b>Increased operational and real estate costs due to relocation</b> Clients may also move locations due to physical risks, which may increase operational costs as a result of Deloitte closing or reducing the number of Deloitte people in certain offices, while expanding in others.</p>	the Current Policies scenario, should be acknowledged.	
Transition	<p><b>Market</b> Changing customer behavior and uncertainty in market signals</p>	<p><b>Revenue reduction due to decreased demand from clients in highly-exposed sectors or those with inadequate transition plans</b> Deloitte clients include organizations that are subject to policy, market, and technology changes brought by the transition to a low-carbon economy. Some Deloitte clients may not have the ability to transition or adapt and, as such, could incur financial losses leading them to terminate or curtail Deloitte services.</p> <p>A key risk underpinning the energy transition is the interdependence of different industries that rely on fossil fuels, including construction, steel, agriculture, and consumer industries.</p> <p>The impact of decarbonization in these industries on Deloitte is not yet well understood. There is potential for highly exposed sectors to negatively impact</p>	<p>Outlining transition risks for each industry sector and modelling impact on appetite for Deloitte services, and therefore revenue, is a highly complex exercise. For this report, Deloitte Global has selected three industries to explore potential impacts - Energy, Resources, and Industrials (ER&amp;I), Government and Public Services (GPS), and Consumer. In FY2022, these industries covered over 50% of aggregate Deloitte firm revenue and offer insights that may be applied to other Deloitte industries and sectors. Other industries and sectors will be considered for modeling in future iterations of our TCFD report.</p> <p><b>Energy, resources, and industrials</b> This industry is expected to be the most impacted in the Orderly Net-Zero and Divergent Net-Zero scenarios. This is notable for Deloitte as ER&amp;I comprised US\$8.6 billion of aggregate Deloitte firm revenue in FY2022, 15% of total FY2022 revenue. Stranded assets, transition risks, and other financial challenges for ER&amp;I clients could reduce demand for Deloitte's services. Even a 10% reduction in revenue would amount to a US\$860 million loss.</p> <p><b>Government and public services</b> While all governments are exposed to some amount of risk, the degree will depend greatly on the government's ability to implement mitigation measures and their physical geography. Countries with weaker economies or regions with lower climate</p>	<p><b>Energy, resources, and industrials</b> Of all major industries, ER&amp;I is the most likely to be impacted, particularly under the two Net-Zero scenarios, Orderly and Divergent.</p> <p>The Current Policies scenario may see a relatively high and growing share of fossil fuel as a percentage of total energy use, while both Net-Zero transition scenarios will see fossil fuel energy use decline, but on differing timelines. A Divergent Net-Zero transition will see a steep decline in fossil fuel dependency from 2040 onwards, while the Orderly Net-Zero scenario will experience a more gradual decline due to a higher use of carbon removal technologies.</p> <p><b>Government and public services</b> Demand for services from GPS clients will be determined by region and the different transition speeds and scales of the Net-Zero scenarios. For example, there may be demand in the short- to medium-term for consulting services in regions that have made early net-zero commitments.</p> <p>In Current Policies or Divergent Net-Zero scenarios, continuing to work with governments that are deemed "climate pariahs" for failing to adopt rigorous climate action policies may result in increased reputational risk. As a global organization, Deloitte may need to balance the desire to work with governments in certain regions with the negative opinions about doing so in other regions. These differences in opinion could result in some clients choosing not to</p>	<p>Deloitte firms have a client base that is geographically and industrially diverse. This imparts some resilience as not all sectors and service offerings are impacted in the same way at the same time. For example, while fossil fuel related engagements could decrease, renewable energy related engagements could simultaneously increase.</p> <p>Deloitte also invests heavily in training and developing our practitioners. As market shifts play out under the different scenarios, the skills we help practitioners develop will likely be transferrable to other sectors.</p> <p>As the various scenarios unfold, Deloitte expects to continue to send subject matter specialists and senior leaders as observers to United Nations climate conferences to stay informed on where global climate negotiations are headed.</p> <p>Deloitte has articulated responsible business decision-making through our <a href="#">Commitment to responsible business practices statement</a>. This helps inform the types of clients and engagements Deloitte will consider. Continued responsible business dialogue and consensus may help navigate conflicting regulations or client positions, particularly under the Divergent Net-Zero scenario.</p> <p>This risk is also partially mitigated by the potential to increase certain types of services as described in the next section.</p>

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Transition		Deloitte's revenues. For example, continuing to work with certain clients in high-emitting industries could impact reputation and lead to challenges in attracting and retaining talent (see reputation risk for additional discussion).	<p>change risk will be less inclined or able to spend on mitigation or transition services. There may also be a growing risk to all Deloitte firms that elect to do business with governments of countries failing to adopt climate action policies, due to association and reputation risk. In FY2022, the GPS sector accounted for US\$10 billion, or 17% of aggregate Deloitte firm revenue.</p> <p><b>Consumer</b> While the consumer industry might not have the same levels of direct exposure as higher-carbon industries, it serves as a useful indicator of the indirect impacts climate change has on the broader economy. In FY2022, this industry accounted for US\$11.9 billion, or 20% of aggregate Deloitte firm revenue.</p> <p>Rising consumer pressure to take climate action will transform certain markets. Consider the automotive and agriculture markets where changing consumer preferences have altered current business processes.</p> <p>Similarly, changes in consumer sentiment will reduce demand for goods and services in certain sectors (e.g., meat consumption, plastics, petrol vehicles) and increase it for others (e.g., meat-substitutes, electric vehicles). This may, in turn, impact the mix in Deloitte's client base.</p>	<p>engage with Deloitte and could make it more difficult for Deloitte to attract and retain talent.</p> <p>In highly politically polarizing situations (e.g., where there is rising protectionist and nationalist sentiment as may occur under Divergent Net-Zero), global organizations like Deloitte may be prevented from working with competing governments. This, in turn, could force uncomfortable choices. In extreme scenarios, this could lead to a withdrawal of services from entire countries.</p> <p><b>Consumer</b> Changes in consumer incomes will vary under different scenarios, which, in turn, will impact revenue for consumer companies. Reduced revenues could decrease the appetite for Deloitte services.</p> <p>Declining revenues in this industry are most keenly felt in high-transition scenarios where government policies drive consumers toward low-carbon choices.</p>	
Transition	<b>Market</b> Access to new markets	<b>Changes in revenue mix from client base</b> Revenue increases due to new climate and sustainability services and growth in other services such as technology strategy and transformation needed by clients to navigate climate change.	<p>Deloitte has the opportunity to grow client services as a result of both transition and physical climate-related risks.</p> <p><b>Disclosure requirements</b> New regulatory reporting requirements on climate risk will create the need for data, controls, reporting and disclosure in all sectors. This can be a significant opportunity for Deloitte as the market for environmental and greenhouse gas disclosures and climate risk and opportunity reporting expands.</p>	All three scenarios provide opportunities to serve clients but differ in the timing or nature of client needs. Orderly Net-Zero provides steady and early growth opportunities as changes are phased in. In the Divergent Net-Zero scenario, the opportunities start later, but then accelerate and client opportunities may be strong in certain geographies or industries, but not in others. Under the Current Policies scenario, clients may need services around resilience, especially as the physical impacts of climate change increase.	Deloitte recognizes the market opportunities arising from climate change and is investing and expanding capabilities to serve clients in the climate and sustainability practice as described previously in this report. In 2022, Deloitte announced it will be investing US\$1 billion in client-related services, data-driven research, and other capabilities in the areas of sustainability and climate change. Deloitte estimates that growth from this practice area could result in revenues meeting or exceeding US\$3 billion by 2025.

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Transition			<p><b>Energy, resources, and industrials</b> Deloitte is already assisting companies in making the energy transition and is well positioned to help share leading practices and insights. Renewable energy-related work is also an expanding part of this sector as many companies consider alternative energy sources.</p> <p><b>Government and public services</b> As the effects of climate change increase, more developed economies and countries with high climate change risk are likely to require help and guidance to limit negative effects. Many governments may face the same challenges as organizations — collecting and reporting data, transitioning to clean energy, ensuring a just transition, etc., and could look to organizations such as Deloitte to help them on their journey. Governments may also reach out to organizations such as Deloitte, to assess the alignment of existing policies to achieve stated government ESG objectives.</p> <p><b>Consumer</b> Similar to the ER&amp;I sector, Deloitte is in a strong position to help consumer companies pave new paths and transition business operations.</p> <p>While these three sectors are highlighted here, all industries are expected to be affected in some way as they navigate transition and physical climate risk. For example, Health Care and Financial Services are sectors that are facing significant challenges as a result of climate change and societal expectations around how they address the issue.</p>		Many clients will need solutions that are underpinned by technology and Deloitte is working with alliance partners to scale existing technologies and deploy new advancements. Deloitte is also identifying market voids and will collaborate with startups to bring new solutions to clients to address these needs.
Transition	<b>Reputation</b> Increased stakeholder concern, negative stakeholder feedback	<b>Reduced/Increased revenue from increase/decrease in talent turnover</b> Internal or external activists could target Deloitte for the organization's response (or lack thereof) to climate change, the work (or perceived work) done with clients, direct or indirect	<b>Increased costs to attract and retain talent</b> Financial impacts from reputational risks could materialize via increased costs to attract talent or the inability to do so, increased turnover of staff, increased security costs for protecting Deloitte people, and increased management attention required to address activism.	Employment choices and attitudes toward climate change differ for different scenarios and geographies meaning that the financial impacts also vary.  An Orderly Net-Zero transition sees increasing concerns over climate change, resulting in more individuals leading environmental or climate conscious lifestyles that impact employment choices. The impacts are less profound in the	Deloitte believes that its GHG emissions-reduction goals and other WorldClimate commitments support positive brand recognition from clients, talent, and other key stakeholders concerned about climate change. These commitments may also make Deloitte more attractive as an employer, increasing our ability to recruit and retain a skilled workforce. Finally, Deloitte's travel emissions-reduction goals may increase productivity and could give Deloitte access to a larger talent pool due to more flexible travel requirements.



Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Transition		<p>advocacy (e.g., through trade associations), assets in investment portfolios, or Deloitte's progress in addressing its own emissions.</p> <p>This could negatively impact Deloitte's reputation, making it harder to attract and retain talent. This is particularly true when it comes to Millennial and Gen Z professionals who report strong views on the importance of employers acting on climate change<sup>3</sup>.</p> <p>Additionally, providing climate-related services to support clients as they navigate the challenges of the net-zero transition may heighten public scrutiny of Deloitte's own climate ambition and actions.</p>	<p>All these risks could lead to either increased expenses and/or decreased revenue. These events could also lead to a loss in competitive advantage. While difficult to determine the financial impact of these reputational issues, every 1% increase in talent turnover is estimated to cost Deloitte between US\$200 million and US\$400 million.</p>	<p>Divergent Net-Zero scenario where there is less alignment between climate consciousness and employment choices.</p> <p>High physical risk scenarios are projected to see smaller proportions of the population leading a climate-conscious lifestyle and aligning their employment choices accordingly. This may be due to a lack of societal reinforcement of the need to change behavior patterns.</p> <p>Nevertheless, an increase in the frequency or severity of physical risk, particularly in high-vulnerable regions, may result in an overall increase in climate-conscious behavior.</p>	<p>Deloitte also connects with external bodies such as the World Business Council for Sustainable Development, the World Wildlife Fund, and the World Resources Institute to challenge and stretch our approaches and actions around climate change issues.</p> <p>And, by providing ongoing learning and development opportunities for our people, we are deepening their understanding about climate change and what actions Deloitte is taking internally and with clients.</p>
Transition	<b>Reputation</b> Increased stakeholder concern, negative stakeholder feedback	<p><b>Reduced revenue from loss of client services and brand value</b></p> <p>Clients could choose to limit or not do business with Deloitte if they perceive Deloitte as not adequately addressing climate change within our own operations and services.</p> <p>Brand risk could also arise from being associated with companies who are themselves not taking appropriate climate action, do not have clearly articulated, credible</p>	<p><b>Reduced revenue from loss of client services and brand value</b></p> <p>Loss of revenue due to a negative reputational issue and loss of client confidence is difficult to gauge. However, based on FY2022 data, a 1% drop in annual revenue equates to US\$590 million.</p> <p>Brand Finance estimated Deloitte's total brand value in FY2022 to be US\$30 billion<sup>4</sup>. A one-point loss in Deloitte's Brand Strength Index<sup>5</sup> is estimated to drop Deloitte's brand value between US\$400 million to US\$500 million.</p>	<p>Demand for climate-related services varies across scenarios and geographies.</p> <p>The Net-Zero scenarios see greater climate awareness and demand for transition planning services, particularly in regions with clear net-zero targets and appetites for developing climate policy, as in the EU. Under the Current Policies scenario, working with clients that do not have credible transition plans could be viewed as contentious.</p> <p>Demand for client service varies depending on political ambition and policy responses. In the Divergent scenario, demand for transition services in Asia Pacific and the US does not significantly increase until 2035. Deloitte's climate strategy and response is critical here for reducing brand risk.</p>	<p>Deloitte's WorldClimate strategy addresses climate action in Deloitte operations, through our people, within ecosystems, and includes goals for carbon reduction. Progress against WorldClimate goals, as well as discussion about Deloitte's climate actions, are reported annually in the Deloitte Global Impact Report. It is likely the WorldClimate strategy will also evolve over time based on changing expectations for business regarding climate change and Deloitte's commitment to action.</p> <p>Deloitte's approach to responsible business considers the type of clients and engagements Deloitte will serve. One area that may generate certain responsible business factors is "Planet", which considers environmental and sustainability aspects. Consensus building will likely be important to maintain consistency,</p>

<sup>3</sup> The Deloitte Global 2023 Gen Z and Millennial Survey

<sup>4</sup> Global 500 2022 | Brand Value Ranking League Table | Brandirectory

<sup>5</sup> Based on information from Brand Finance, a leading brand valuation consultancy, Brand Strength Index is a composite score (1-100) that measures the strength of a brand in terms of ability to drive business value. It influences the royalty rate, forecast growth, and discount rate used in Brand Finance's valuation. Values shown are from the 2022 Brand Strength Index based on data from calendar year 2021.

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Transition		transition plans, or who are not transparent about their actions to address climate change.		Under the Current Policies scenario and the Divergent Net-Zero scenario, Deloitte firms, geographies, or industries could become polarized regarding climate change and the imperative for action.	particularly when international consensus on action is not reached as in the Current policies and Divergent Net-Zero scenarios.
Transition	<b>Market</b> Uncertainty in market signals	<p><b>Loss of value of Deloitte firm pension funds</b> Deloitte holds a variety of pension assets in investment funds and in some geographies also offers retirement investment programs that include a number of available options (e.g., a 401(k) plan in the US) for the benefit of Deloitte people.</p> <p>Deloitte pension fund holdings could be in sectors subject to increasing policy, market, and technology changes. As companies transition to a low-carbon future, they may lose value due to stranded assets or business model impacts. Pension fund holdings could lose value from exposure to underappreciated and/or unhedged risks due to activism risks or the physical effects of climate change.</p>	<p>Both defined benefit (DB) and defined contribution (DC) pension plans may be available to Deloitte people, depending on the Deloitte firm and location. DB plans may be exposed to financial risks from possible stranded plan assets, whereas DC programs do not carry the same risk to Deloitte. In general, pension funds and retirement programs are regulated at the country level and managed by Deloitte firms, therefore, aggregation of climate change risk exposure in pension funds across all geographies has not been undertaken at this time.</p> <p>There are also reputational risks associated with Deloitte's pension offerings. Failure to provide adequate sustainable investment options for Deloitte professionals could negatively impact Deloitte's ability to recruit and retain talent or lead to internal activism.</p>	<p>The Divergent Net-Zero scenario is likely to have the largest impact on Deloitte's pension plan investments. This is also the case for professional retirement investments when they are held in DC schemes.</p> <p>Under the Divergent Net-Zero scenario there is a heightened risk of stranded assets in pension plan portfolios. This could create funding gaps for DB schemes, which would have financial implications for the Deloitte firm involved.</p>	<p>In accordance with local regulatory frameworks, Deloitte US has been working with the chosen pension fund managers to make plan assets subject to such local regulatory frameworks more resilient to transition risks for DB plans.</p> <p>For DC schemes, some Deloitte firms are also increasing the sustainable pension scheme offerings for Deloitte professionals, in accordance with local regulatory frameworks, and are engaging directly with fund managers to ensure climate change is being considered in their investment decision making.</p> <p>To date, no aggregation of exposure to climate change risks in pension funds across all geographies has been undertaken. Increasingly, country regulators (including in the UK and EU) require or may soon require pension trustees to report the financial impact of climate risk on their pension schemes. Given the regulatory environments within which pension funds operate, climate risk will likely best be evaluated and managed at the country level.</p>

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Transition	<b>Policy and legal</b> Exposure to litigation	<b>Exposure to increased climate litigation and regulatory inquiries</b> Expanded climate risk reporting and disclosure requirements could increase the demand for related Deloitte services. It could also, however, increase the number of litigations, particularly since the practices and regulations around climate change are in the formative stages of development and can also vary across geographies.  Also, certain stakeholders, such as climate activists, may question whether auditors of client financial statements have appropriately considered climate risk under applicable legal and professional standards.	These risks could result in litigation costs or regulatory inquiries and require management time and attention. Litigation could further impact brand and reputation as described earlier, even if it is ultimately unsuccessful.  Professional indemnity insurance premiums could also increase, leading to a potential decrease in profits or increasing costs to Deloitte clients.	The Orderly Net-Zero scenario likely has the lowest risk of litigation given the agreement on collective action. Both the Divergent and Current Policies scenarios are likely to lead to polarization from which litigation activity is more likely to arise, particularly from activists under the Current Policies scenario.	Deloitte has been proactive in supporting consistent global sustainability standards, through contributing to the International Financial Reporting Standards Foundation's climate disclosure work, engaging with industry groups, and actively participating in various global platforms, to help enable consistent, high-quality reporting and auditing of climate-related matters, which are subject to scrutiny from climate activists and other stakeholders.  Deloitte also educates and trains its practitioners to understand the policies, practices, and standards to which they must adhere to while performing their work and conducts internal quality reviews of engagements.
Transition	<b>Policy and legal</b> Increased pricing of GHG emissions	<b>Rising energy costs</b> Government-mandated external carbon-pricing policies — such as taxes on aviation, energy, or the elimination of fuel subsidies — could increase Deloitte's expenses. These pricing mandates could affect Deloitte directly or indirectly if the costs are passed through by vendors.  Energy costs to Deloitte could also increase if suppliers facing carbon-pricing regulations, particularly utility providers, pass the financial impacts through to Deloitte.	Carbon-pricing policies vary across scenarios, geographies, and jurisdictions.  The magnitude of this risk is considered low because, historically, electricity costs are less than 5% of Deloitte operating costs.  Based on an assumed price of US\$200 per metric ton of carbon dioxide equivalents, Deloitte's potential increase in air-travel costs from carbon-price exposure could be in the range of US\$90 million to US\$110 million in 2030. These are the costs associated with non-client service travel and are based on pre-pandemic levels of travel. We estimate approximately half of these costs could be mitigated if Deloitte meets its 2030 travel emissions-reduction targets.	Both Net-Zero scenarios see significant increases in carbon-pricing policies and other disclosure costs, though these vary across regions and jurisdictions. The Orderly Net-Zero scenario sees gradual introduction of carbon policies from 2025 onwards, which are implemented in a smooth fashion, rising gradually. In the Divergent scenario, carbon-pricing policies are implemented from 2035 onwards and become more disruptive.	Improvements in battery storage, reduction in cost-per-unit of solar panels, and other technology innovations are expected to continue to drive down the cost of renewable energy. The marketplace for renewable energy is also growing, and in many jurisdictions, it is becoming cheaper while benefiting from more flexible regulations. With the opportunity to select more sustainable offices or renewable sources of power, Deloitte could benefit from energy efficiency cost savings, lower emissions, and boosted reputation from sustainable and smart buildings.  Most Deloitte offices are leased rather than owned. As leases expire, Deloitte can choose properties that are more efficient, thereby reducing energy consumption in the medium-to long-term. That said, competition for energy-efficient real estate is expected to increase in the future as other organizations look to reduce greenhouse gas emissions and costs. This could

Table 2: Climate risks and opportunities (continued)

	TCFD risk categorization	Description of potential operations or business impacts	Potential financial impacts	Impacts under different scenarios	Management response and strategic approach
Transition		<p>Given the need to meet with Deloitte clients, business travel remains a significant and consistent source of greenhouse gas emissions for Deloitte.</p> <p>The cost of flights could increase as a result of carbon taxes on airline emissions or aviation fuels. Note that travel reductions may not occur uniformly across all Deloitte businesses as some businesses, such as Audit &amp; Assurance, may require more on-site presence to achieve expected standards of quality.</p>			<p>potentially increase future costs for Deloitte as we seek to achieve carbon-reduction goals. Deloitte firms are also exploring contractual options for longer-term renewable energy through virtual power purchase agreements which would lock in low-carbon energy sources.</p> <p>Deloitte also has the opportunity to reduce its overall real estate footprint as post-pandemic, return-to-work scenarios are developed and tested. This could change the overall real estate portfolio depending on which Deloitte office leases are terminated or not renewed.</p> <p>As part of Deloitte's <i>WorldClimate</i> strategy, Deloitte has committed to reducing business travel emissions 50% per FTE from FY2019 levels by FY2030, sourcing 100% renewable energy for our buildings by FY2030, and converting 100% of our fleet to hybrid and electric vehicles by FY2030. All these actions should help mitigate an increase in energy costs. For example, meeting Deloitte's emissions-reduction targets by reducing travel and increasing the use of videoconferencing technologies could reduce Deloitte travel costs by US\$500 million to US\$800 million in 2030 (assuming pre-pandemic levels of travel).</p> <p>Deloitte has also started to purchase sustainable aviation fuel, and if purchasing is expanded, this could also serve as a mitigation measure.</p>

# Materiality

Table 3 brings a qualitative financial materiality perspective to the relative impacts based on the assumptions and inputs previously detailed. Both likelihood and magnitude are considered when determining the overall materiality of an impact on a residual basis (i.e., with consideration to mitigation measures already in place). The scales used to

assess the likelihood and magnitude of risks are aligned with the Deloitte Global Enterprise Risk Management criteria. Risks and opportunities with the highest likelihood and largest financial magnitude are deemed the most material. Green circles represent risks while blue circles represent opportunities.







Key	LOWER	HIGHER	
Risk materiality			
Opportunity materiality			














































Table 3: Risk summary with qualitative materiality comparisons						
TCFD risk categorization	Risk description	Timeframe	Scenario	2030	2040	2050
<b>Physical — Acute</b> Increased severity and/or frequency of extreme weather events, such as cyclones and floods	Increases in real estate and operational costs due to property damage	Short, medium, and long term	Orderly			
			Divergent			
			Current Policies			
<b>Physical — Acute</b> Increased severity and/or frequency of extreme weather events such as cyclones and floods	Reduced revenue due to productivity loss and higher costs from negative impacts on workforce (including data and delivery centers)	Short, medium, and long term	Orderly			
			Divergent			
			Current Policies			
<b>Physical — Chronic</b> Rising mean temperatures, changes in precipitation patterns, and extreme variability in weather patterns	Reduced revenue from disruption to clients (either through loss of business or productivity)	Short, medium, and long term	Orderly			
			Divergent			
			Current Policies			
<b>Transition — Market</b> Changing customer behavior and uncertainty in market signals	Decreased revenues from highly-exposed sectors or those with inadequate transition plans, shifts of demand for services across different entities and sectors	Medium to long term (all sectors)	Orderly			
			Divergent			
			Current Policies			
<b>Transition — Market</b> Access to new markets	Changes in revenue mix from client base, with increased demand in certain geographies or sectors (e.g., government and public service)	Short to long term (all sectors)	Orderly			
			Divergent			
			Current Policies			

Table 3: Risk summary with qualitative materiality comparisons (continued)						
TCFD risk categorization	Risk description	Timeframe	Scenario	2030	2040	2050
<b>Transition — Reputation</b> Increased stakeholder concern or negative stakeholder feedback	Reduced/Increased revenue from an increase/decrease in talent turnover (e.g., employee attraction and retention)*	Medium to long term	Orderly			
			Divergent			
			Current Policies			
<b>Transition — Reputation</b> Increased stakeholder concern or negative stakeholder feedback	Reduced revenue from loss of client services and brand value	Medium to long term	Orderly			
			Divergent			
			Current Policies			
<b>Transition — Market</b> Uncertainty in market signals	Loss of value of Deloitte firm pension funds	Medium to long term	Not quantified			
<b>Transition — Policy and legal</b> Exposure to litigation	Exposure to increased climate litigation and greenwashing concerns	Short and medium term	Not quantified			
<b>Transition — Policy and legal</b> Increased pricing of GHG emissions	Rising energy costs	Medium to long term	Orderly			
			Divergent			
			Current Policies			

\*Circle indicators for reduced/increased revenue from an increase/decrease in talent turnover represent the materiality of both risks and opportunities

# Risk management

Climate risk is embedded into Deloitte's formal risk management processes. Deloitte has a robust process for identifying, assessing, managing, and monitoring all risks, both at the Deloitte Global and at the Deloitte firm level, through their respective Enterprise Risk Frameworks (ERFs). The Deloitte Global ERF sets out the Deloitte Global Executive's assessment of the priority risks and emerging risks facing Deloitte, specifically those that could impact the ability of Deloitte to achieve its strategic priorities, meet its public interest obligations, and protect its reputation and people. Deloitte firm ERFs are managed in coordination with the Deloitte Global ERF. Deloitte Global priority risks and emerging risks are assigned a risk owner drawn from senior-level leadership.

Climate change is a priority risk within the Deloitte Global ERF. The Deloitte Global Deputy CEO and the Deloitte Global CSO were assigned as the climate change risk owners during FY2022 and FY2023. Climate change risk is comprised of defined physical and transition risks, which have been assessed in line with the ERF and governance processes and informed by qualitative and quantitative scenario analysis. Deloitte's reputational risks associated with climate change is considered as part of Purpose risk another priority risk captured in the ERF. During FY2022 and FY2023 the Deloitte Global Deputy CEO was also the risk owner for Purpose risk together with the Deloitte Global Purpose & Social Impact Leader.

There is ongoing and frequent dialogue between the Deloitte Global Enterprise

Risk Management team, who facilitates the operation of the ERF, the risk owners, and other Deloitte Global teams to help ensure early identification and escalation of any matters requiring consideration by the risk owner or the Deloitte Global Chief Risk Officer (CRO). This is complemented by a regular cadence of meetings between the Deloitte Global CRO, the Deloitte Global Enterprise Risk Management team, and each risk owner, during which the exposure to each risk is discussed and assessed. During these meetings the internal and external drivers and trend of the risk are discussed as well as the key mitigation activities and their status. Key risk indicators used to monitor the risk are also identified or updated.

The Deloitte Global CRO reports on Deloitte's priority risks at a regular cadence to the Deloitte Global Executive, enabling discussion of risk exposures and mitigation actions. Priority risks are also regularly reviewed by the Risk and Ethics Committee of the Deloitte Global Board.

## Priority risks

A full list of priority enterprise risks and opportunities (as of August 2022) are detailed in the [Deloitte Global Impact Report](#). These risks have been identified based on potential primary impact, which includes loss of opportunity. The risks have been categorized as follows:

- Risks impacting Deloitte's brand, reputation and/or public interest obligations
- Risks impacting Deloitte's strategic success or market differentiation
- Risks impacting Deloitte's people, Purpose and Shared Values

It is recognized that risks do not operate in discrete categories, and they may have

more than one impact. However, for the purposes of categorization, the focus is on the potential primary impact. Risks impacting strategic success or market differentiation include climate change risk which is "an inability to mitigate physical and/or transition risk to Deloitte people, Deloitte facilities, or Deloitte clients arising from climate change." The reputational considerations of climate change risk are also embedded in Purpose risk which is described as "an inability to live up to Deloitte's Purpose and Shared Values, meet societal expectations and responsible business decision-making choices, or be perceived not to be doing so by its stakeholders." As priority risks, these risks are actively monitored and managed through the governance process described earlier.

All priority risks are assessed according to one of three risk exposure levels: Medium, High or Very High, and Deloitte has assessed one or more risks at each of these levels. These risk exposure levels are assessed by taking into account both residual impact and residual likelihood. For priority risks, residual impact is typically assessed as "moderately significant" to "colossal" and residual likelihood is assessed as "possible" to "virtually certain." Subject matter specialists as well as the risk owners and the Global Enterprise Risk Management team consult together in assessing the overall risk exposure level with external factors and information, including regulatory changes, are taken into account. Assumption driven financial modeling was done to assess the potential financial impact of climate change under the chosen scenarios and the output was also considered in evaluating overall risk exposure. At the start of FY2022 (June 2021), Climate Change risk and Purpose risk were two of three risks on the ERF categorized as having "Medium" risk exposure. In March 2022, however, Purpose risk was elevated to "High" risk.

# Metrics and targets

## Metrics

Deloitte annually calculates and reports a set of performance metrics, including environmental indicators such as greenhouse gas emissions (by source, greenhouse gas scope, and intensity), energy consumption, renewable energy adoption, and material usage in the

[Performance metrics table](#) of the [Deloitte Global Impact Report](#).

While these metrics provide an overall perspective on how Deloitte is making progress toward its own emission-performance goals, other measures are also monitored and discussed in assessing climate-related risks and opportunities. These include:

- Severe weather events or other physical events that impact the safety of Deloitte people and/or materially reduce Deloitte's ability to deliver client service. Any such event would be reported to senior leadership in the local geography.
- The demographic breakdown of Deloitte people and Millennial and Gen Z sentiment regarding climate change, which provides insight on reputational and activism risk. In recent years, the [Deloitte Millennial Survey](#) has shown that climate change continues to be a primary societal concern for both Millennials and Gen Zs, the demographic groups that make up the majority of Deloitte's people.
- The WEF's Global Risks Report and the number of climate-related risks in the top 10 risks by likelihood and impact.
- Regulatory and country legislation changes, including those related to required actions and country emissions goals.
- Investor, regulator, and NGO activities, publications, and reports.
- Changes in revenue generated from sustainability services.
- Changes in market pricing and availability of offsets and renewable energy credits, as well as reputational issues associated with their use.
- The frequency and type of Deloitte client inquiries regarding Deloitte climate actions and climate services.





## Targets

During FY2022, Deloitte continued to progress towards our near-term science-based goals as shown in Table 4.

<b>Table 4: Progress toward WorldClimate goals</b>			
<b>Goal description</b>	<b>Goal year</b>	<b>Goal</b>	<b>FY2022 progress to date*</b>
Percentage of renewable electricity	2030	100%	91%
Reduction of Scope 1 & 2 emissions from FY2019 levels	2030	70%	75%
Reduction of Scope 3 emissions from business travel per FTE from FY2019 levels	2030	50%	81%
Percentage of suppliers with science-based targets (by emissions)	2025	67%	14%

\*Represents actual percentage reached in F2022, not the percent progress towards the goal.

Deloitte recognizes the travel reduction achievements were partially the result of the reduction in travel during the COVID-19 pandemic, and while travel will likely rise above the FY2022 levels in the near-term, Deloitte continues to implement measures to reduce travel from pre-pandemic levels.

## Deloitte's greenhouse gas emissions

Deloitte's FY2022 GHG emissions by scope were as follows:

<b>Table 5: GHG emissions* by scope (metric tons of carbon dioxide equivalents)</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2020</b>	<b>FY2019 (base year)</b>
Total Scope 1 emissions	42,703	32,677	48,586	61,901
Total Scope 2 emissions	21,961	30,009	54,544	201,771
Total Scope 3 emissions <sup>6</sup>	1,058,206	625,975	1,213,485	1,392,650
<b>Gross GHG emissions</b>	<b>1,122,869</b>	<b>688,661</b>	<b>1,316,615</b>	<b>1,656,322</b>

\*GHG emissions are aggregated across DTTL and the Deloitte firms.

Additional environmental metrics can be found in the [2022 Deloitte Global Impact Report](#) (p. 83) and in the associated publication entitled [Performance Metrics and Reporting Frameworks](#) (p. 23). Greenhouse gas emission figures were prepared according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard created by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), with emissions accounted for on the basis of operational control. A detailed explanation of methodologies used in calculating the emissions can be found in the Basis of Reporting section of the [Performance Metrics and Reporting Frameworks](#) (p. 12). Note that the timing of this TCFD publication also differs from that of the Deloitte Global Impact Report, so the links provided point to the 2022 Deloitte Global impact Report.

To measure and manage climate-related risks and opportunities, Deloitte Global considered the categories as described in Tables A1.1 and A1.2 (pp. 75–76) of the 2021 Annex, as well as metrics consistent with the cross-industry, climate-related metric categories described in Table A2.1 (p. 79).

The global metrics reported here do not include an internal carbon price or executive management remuneration linked to climate considerations. As greenhouse gas management and oversight activities evolve, these areas are being considered for future action and accountability.

<sup>6</sup> Scope 3 reporting includes the following emissions sources Category (1) Purchased Goods and services, (2) Capital goods, (4) Upstream transportation and distribution, (6) Business travel and (8) Upstream leased assets. See Basis of Reporting section of the [Performance Metrics and Reporting Frameworks](#) (p. 12) as to why other categories were omitted. While Deloitte is actively working to achieve our Scope 3 goals, we do not have direct control in these areas and their achievement has significant dependencies on actions of third parties.



## The path forward

Identifying risks and opportunities and translating those into financial metrics has allowed deeper conversations with a wider group of stakeholders, including senior leaders. The focus on estimated financial metrics has also served to make greenhouse gas emissions numbers and climate scenarios, which are generally under the purview of a small set of sustainability practitioners within the organization, more accessible to a larger business audience. For these reasons, Deloitte Global sees continued value in the TCFD framework for climate change reporting and encourages others to use it as well.

This report reflects results that were impacted by the COVID-19 pandemic. Many of the underlying assumptions in the financial estimates are based on pre-pandemic business practices. We recognize that the pandemic is likely to permanently change some of the ways in which Deloitte and Deloitte clients operate, but it is too early to glean sufficient insight into these long-term business impacts or incorporate them as the basis for estimations. Using pre-pandemic levels, nevertheless, gives insight into the risks and opportunities of returning to pre-pandemic, business-as-usual practices.

Deloitte recognizes that we are in the crucial years for reducing global emissions if we are to limit global warming to 1.5° C. Deloitte is committed to taking climate action and encourages and supports others in doing so as well.



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