

# FTI Consulting's Climate Compliance Solutions

FTI Consulting delivers SEC-compliant climate reporting across the entire life cycle through a comprehensive enterprise-wide approach. Our multidisciplinary team provides strategic solutions for decision-useful disclosures, data management, processes, controls, reporting and long-term strategy integration.

## How FTI Consulting Can Prepare You for SEC Climate Reporting

### GHG Emissions:

**Emissions Measurement & Advisory:** Gather input data, calculate inventory aligned with consolidated financial statement boundaries, assess intensity, and report scope 1, 2, and as required, scope 3 emission totals and constituent GHG breakdowns.

**Scope 3 Assessment of Materiality:** Assess underlying factors affecting scope 3 emission categories, ratio of direct-to-indirect GHG emissions, among other related factors to assess materiality-related reporting requirements.

**Establishing and Updating Targets and Goals:** Evaluate levers available to reduce scope 1, 2, and 3 emissions or existing use of natural capitals, identify relevant third parties for alignment (i.e., SBTi), assess costs and feasibility of execution, and perform sensitivity analyses to set or update climate-related targets.

**Evaluating Offsets and Credits:** Analyze reported scope 1, 2, and 3 emissions and determine relevant, high-quality, traceable, and cost-effective solutions to offset or reduce carbon or GHG footprint such as RIN's, REC's, PPA's, CCUS, allowances and nature-based solutions.

### Related Disclosure for Latest Fiscal Year and Historical Years in Financial Statements Including:

- GHG emissions reporting by constituent GHGs, expressed in terms of carbon dioxide equivalents, in gross terms excluding use of offsets, as well as associated intensity figures;
- Existing climate-related targets or goals including the scope and nature of the target, related time horizons and any existing alignment with global climate policy, a defined baseline period and baseline measurement, relevant interim targets, and plans for achieving the target; and
- Detail on use of carbon offsets or Renewable Energy Credits (RECs) to reduce emissions and/or achieve targets set, including the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECs, the source of the offsets or RECs, a description and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs.



## Climate-Related Strategy, Scenario Analysis, and Financial Impact Modeling:

**Identification of Climate-related Risks and Opportunities:** Identify the set of climate-related risks and opportunities most relevant to the underlying business and drivers of value, assess likelihood of risks and opportunities, and define preliminary understanding of financial impacts.

**Climate Scenario Review & Selection:** Assess climate scenarios available for use and associated relevance to underlying business; select proper scenarios that inform future business performance aspects such as anticipated costs, demand for products and services, and physical and transition risks in countries where inputs are sourced, items are manufactured, and/or services are sold.

**Climate-Related Financial Impact Modeling:** Map key demographic, economic, and climate-related data drivers available for use in scenario and financial modeling, build both baseline and climate-adjusted models financial/operating models and valuation analyses through target period (i.e., 2050) for each scenario, and stress-test assumptions and results to identify material drivers of financial performance – in recent historical reporting years – and in future periods under each climate-adjusted scenario.

**Climate Strategy Development:** Design and implement a strategy to reduce material risks identified, offset anticipated margin pressure through the energy transition, capitalize on identified climate opportunities, and reduce emissions accounting for marginal cost of abatement.

## Risk Management & Governance Advisory:

**Enterprise Risk Management System Optimization:** Design strategy and aid in integration of incremental risks identified in financial and climate-related modeling risk quantification into the existing overall risk management structure.

**Organizational Structure Optimization:** Leverage industry best practices and an analysis of peer practices to develop appropriate organizational structure to ensure the proper flow of information, adequate internal controls, and appropriate oversight of climate-related activities.

### Related Disclosure for Latest Fiscal Year and Historical Years in Financial Statements Including:

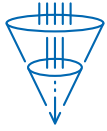
- Processes for identifying, assessing, and managing climate-related risks based on determined materiality of these risks through an assessment of the potential size and scope;
- Climate impacts on strategy, business model, outlook, products, suppliers, and operations in the short, medium, and long-term, as well as detail on the resilience of their business strategy in light of potential future changes in climate-related risks;
- Description of any analytical tools used, such as scenario analysis, to assess the impact of climate-related risks on its business and consolidated financial statements, or to support the resilience of its strategy and business model in light of foreseeable climate-related risks; and
- Disaggregated impact of climate-related conditions and events, and transition activities, on the consolidated financial statements and accompanying note to financial statements on financial impact and expenditure metrics (Reg-SX).



### Related Disclosure for Latest Fiscal Year and Historical Years in Financial Statements Including:

- Methodology for integrating climate-related risk processes into the overall enterprise risk management system, as well as long-term capital allocation and budget planning process for investments identified for climate-related risks and opportunities;
- Existing activities aimed at mitigating or adapting to climate risks, including the use of carbon offsets, renewable credits, internal carbon pricing, and tools like scenario analysis;
- Whether a separate Board or management committee is responsible for assessing and managing climate-related risks and detail on how that committee interacts with the Board or management committee governing risks and how it is informed of climate-related risks; and
- How the responsible positions or committees monitor climate-related risks and report to the Board or committee on climate-related risks and how frequently this occurs, as well as relevant expertise of the position holders or members in sufficient detail to describe the nature of the expertise.

Ongoing & Related Support:



**Internal Controls:**

Determine appropriate actions and policies to put in place the necessary oversight and data collection processes to mitigate regulatory, legal, and operational risk.



**Data Integrity:**

Prevent, detect, and respond to ESG reporting discrepancies through data management, internal controls design, and central point of truth data ownership.



**Tech-enabled Reporting:**

Drive innovation and automation of high impact analytics and reporting tools in a quick and cost-effective manner to help ESG stakeholders understand their business and the impact of their decisions.



**Assurance Preparedness:**

Prepare disclosures with third-party assurance in mind, engaging on documentation and the other issues discussed here at a level that can be objectively verified by a third party to the same degree financial statement audits are conducted.



**Supply Chain Advisory:**

Structure and advise comprehensive supplier and distributor audits to assess emission hotspots, identify resource and energy risks, and recognize efficiency and cost reduction opportunities.



**Compliance Program Assessment and Design:**

Gap analysis of predicted disclosure requirements and availability of data to identify essential improvement areas in company practice, data and reporting.



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