



2024

RISK IN FOCUS

Hot topics
for internal
auditors

**CLIMATE CHANGE, BIODIVERSITY, AND
ENVIRONMENTAL SUSTAINABILITY
RETENTION**

WEBINAR | 7 FEBRUARY | 16:00-17:00 (CET)



17

European countries

799

Responses from CAEs covering
all sectors and industries

11

Involved in in-depth interviews

- In the first half of 2023, a quantitative survey was distributed among chief audit executives (CAEs) by **16 European Institutes of Internal Auditors**, spanning 17 countries including Austria, Belgium, Bulgaria, France, Germany, Greece, Hungary, Italy, Luxembourg, The Netherlands, Norway, Poland, Spain, Sweden, Switzerland, and the UK & Ireland. The survey was also conducted in partnership with the European Confederation of Institutes of Internal Auditing. It elicited 799 completed responses.
- The topics in this report were determined by the quantitative survey results and the qualitative feedback from the roundtable events and one-to-one interviews.
- The study was conducted at the same time by **IIA Global** in Africa, Asia Pacific, Latin America (& Caribbean), Europe, North America and Middle East using the same exact methodology



Climate Change, Biodiversity & Environmental Sustainability:

Focusing on purpose

Respondents to the Risk in Focus 2024 survey ranked climate change, biodiversity and environmental sustainability down from 6th place in 2023 to 7th place this year. With 31% of respondents ranking it as a top 5 risk in 2024 compared with 38% in 2023.

Extensive new rules and reporting requirements forecast to propel climate-related risk up to 3rd place in the risk rankings by 2027.

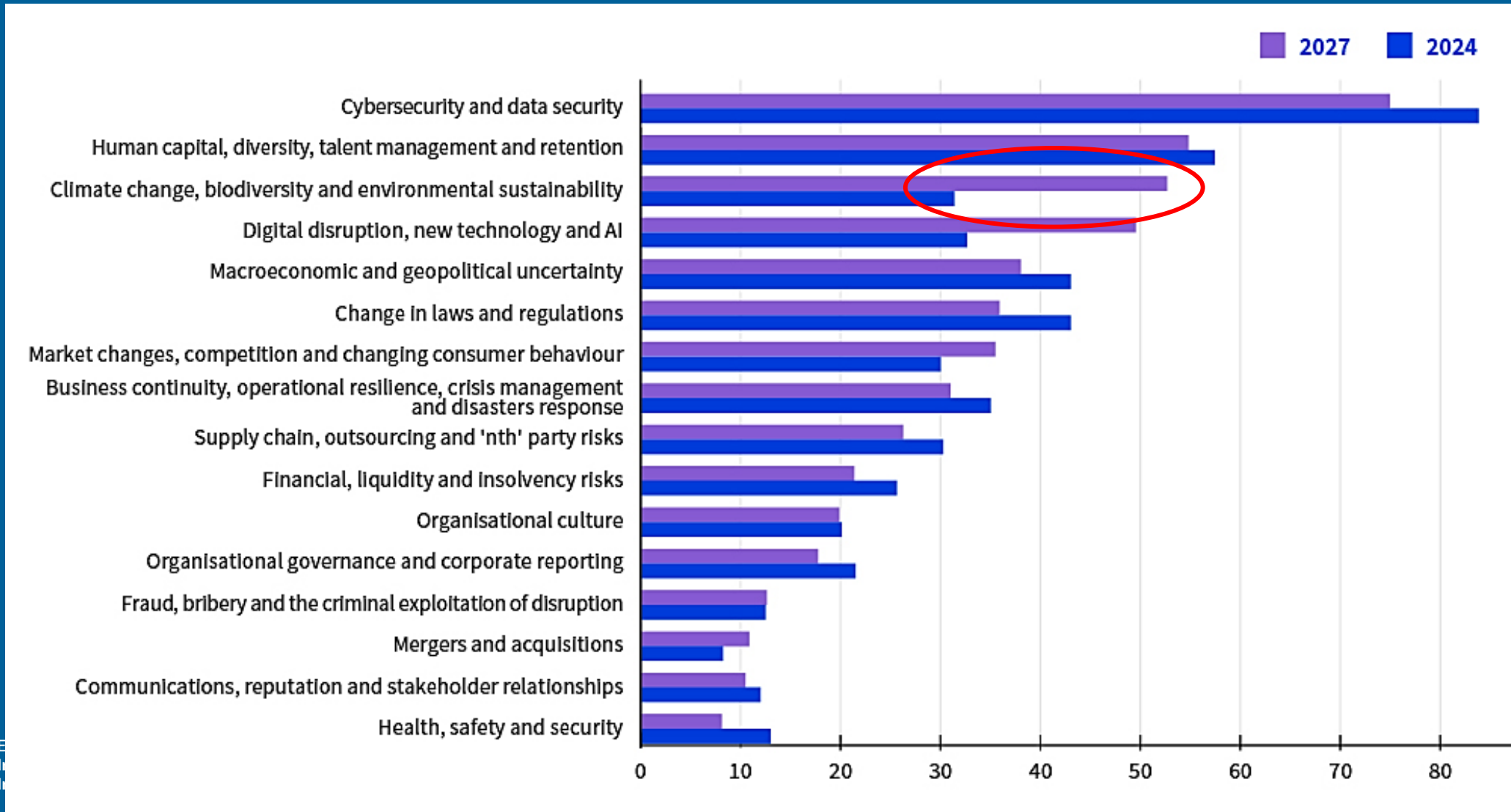
Given that many young people want to work for organisations with strong social purpose, making a decisive move to address the sustainability agenda could play an important part in that process.

Organisations must incorporate sustainability goals into their strategies as increased stakeholder interest and reinforced legislation propel ESG up the risk rankings by 2027.



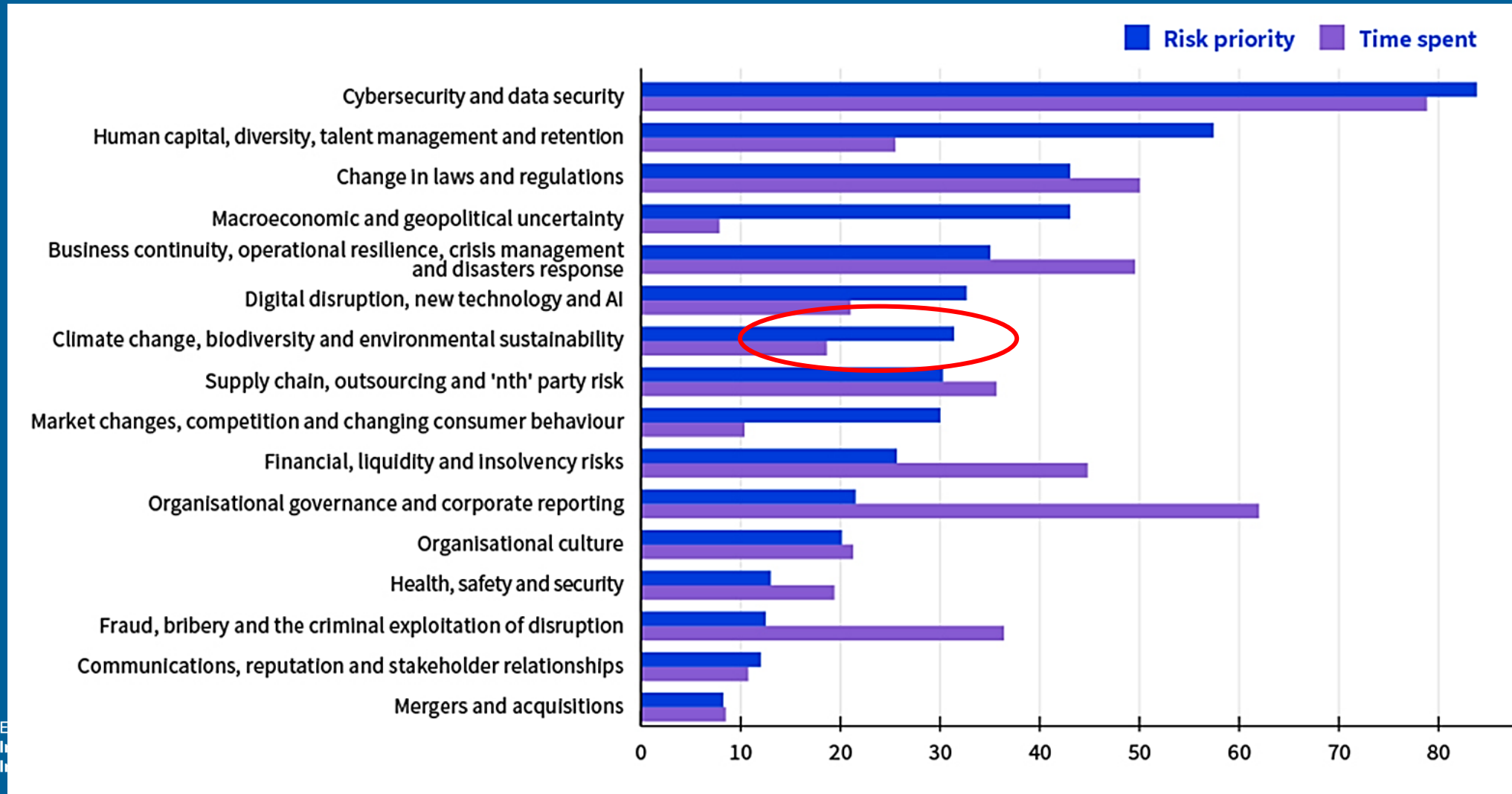
Looking Ahead – Risk today versus risk tomorrow...

Extensive new rules and reporting requirements forecast to propel climate-related risk up to 3rd place in the risk rankings by 2027



Risk versus audit priorities: Is internal audit devoting its time proportionately?

Current mismatch between risk priority and time spent when it comes to Climate Change, Biodiversity & Environmental Sustainability



Risk in Focus Global - Results

Expected risk change in 3 years

■ Climate change risks are expected to increase dramatically from fourteenth to fifth place.

What are the top 5 risks your organization currently faces?

1.	Cybersecurity	73%
2.	Human capital	51%
3.	Business continuity	47%
4.	Regulatory change	39%
5.	Digital disruption	34%
6.	Financial liquidity	32%
7.	Market changes	32%
8.	Geopolitical uncertainty	30%
9.	Governance/corporate reporting	27%
10.	Supply chain and outsourcing	26%
11.	Organizational culture	26%
12.	Fraud	24%
13.	Communications/reputation	21%
14.	Climate change	19%
15.	Health and safety	11%
16.	Mergers and acquisitions	6%

What are the top 5 risks your organization will face 3 years from now?

1.	Cybersecurity	67%
2.	Digital disruption	55%
3.	Human capital	46%
4.	Business continuity	41%
5.	Climate change	39%
6.	Regulatory change	39%
7.	Geopolitical uncertainty	34%
8.	Market changes	33%
9.	Supply chain and outsourcing	25%
10.	Financial liquidity	23%
11.	Organizational culture	21%
12.	Governance/corporate reporting	20%
13.	Fraud	20%
14.	Communications/reputation	15%
15.	Health and safety	11%
16.	Mergers and acquisitions	11%



Categorization of risks associated with climate change

Physical risks		Transition risks	Reporting risks
Passive	Acute	Regulatory and legal constraints	Inadequate disclosure
	Chronic	Technological and product-related	Integrity and quality of data/information
Active	Emissions	Market-related	
	Consumption	Reputational	Greenwashing
	Land use		

Source: AIIA (Associazione Italiana Internal Auditors) Working Group dedicated to climate change.

Key messages

Start by assessing the organizational maturity level related to climate change, biodiversity and environmental sustainability

- Communicate with main stakeholders to raise awareness, initiate audits and to integrate the right topics into every audit.
- Map and evaluate sustainability risk for each audit during audit planning and focus on physical risks.
- Understand what capabilities (e.g., 2nd line functions, board committees) exist to support sustainability audits.

Ensure effective inter- and intraorganizational collaboration

- Chose adequate sources of knowledge such as internal / external subject matter experts, 2nd line experts and consider when and how to use them in the audit process.
- Pick auditors with a sustainability background and seek objective feedback on audit findings.

Foster robustness around the sustainability-related reporting process

- Understand what data is needed within the organization and make sure adequate capabilities exist to produce it (e.g., internal controls, risk owners).
- Ensure that data is accurate and maintain an airtight audit trail.



Online publications - AIIA (Associazione Italiana Internal Auditors)

- AIIA - Climate Change and Internal Audit: the executive phase
- AIIA - Integrating Climate Risks into Audit Programmes

Access via www.aiiaweb.it

- Accountancy Europe, ecoDa and ECIIA

Access via www.eciia.eu

