Ceres

Ceres Accelerator
for Sustainable Capital Markets

UN environment programme
finance initiative

Webinar Series

# The ABCs of TCFD Reports for Insurance Companies

July 27, 2022
12pm ET

# Thanks

- **To NAIC for hosting this and their ongoing leadership. Special recognition to Jennifer Gardner**
- **To the speakers and presenters**
- **To the Ceres team**
- **To each of you for your time and engagement**

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# Overview of Today

- Welcome to today's session of **The ABCs of TCFD Reports for Insurance Companies**
- Hosted by Ceres.
- We are non-profit organization - operating for over 30 years
- We focus on working with investors ($60 Trillion Assets Under Management) large companies, regulators and legislators to promote sustainability
- Today's session will be recorded
- It will posted on NAIC and Ceres website
- We are offering "Certificate of Attendance" after the first two sessions. However we need your emails please send them to Ava Gulino agulino@ceres.org
- You are welcome to share this with your colleagues

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## Last year's insurance webinar


Webinar Ceres hosted July 2021 on TCFD

Includes useful context from AIG, Zurich and two important insurance commissioners

Link to webinar

# Today's Agenda

**Moderator**

- **Steven Rothstein,** Managing Director, Ceres Accelerator for Sustainable Capital Markets

**Welcome:**

- **Michael Peterson,** Deputy Commissioner on Climate Sustainability, CA Department of Insurance
- **Andrew Mais,** Commissioner, Connecticut Insurance Department
- **Hermelo 'Butch' Bacani,** Program Leader, UN Environment Program's Principles for Sustainable Insurance Initiative

**Presentation**

- **David Carlin,** TCFD and Climate Risk Program Lead for UNEP-FI

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**Hermelo 'Butch' Bacani**
Program Leader, UN Environment Program's Principles for Sustainable Insurance Initiative

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TCFD and Climate Risk Program Lead for United Nations Environment Programme-FI

**Andrew Mais**
Commissioner, Connecticut Insurance Department

**Michael Peterson**
Deputy Commissioner on Climate Sustainability, CA Department of Insurance

**Steven Rothstein**
Managing Director, Ceres Accelerator for Sustainable Capital Markets

There will be computer automated approach to extract the information in the reports and evaluation. For the extraction to work well, we recommend:

- We will not extract any pictures and tables. The reason is that for information in pictures and tables to be meaningful, people usually need additional explanations in the text. Especially to understand better what this means for the institutions' value, as long as climate-related accounting and reporting are not sufficiently standardized. Hence, information that is considered important and material should be (re-)stated in the main body of the text.

- With regards to text boxes, we extract the information if it is not stored as a picture. However, we would strongly encourage you to rather highlight specific important paragraphs within your report, instead of opting for text boxes.

- Format: Simple PDFs – no additional security keys etc. It should be readable with a standard pdf reader (not adobe pro etc.)

- No scans of text because they are treated like pictures and will hence not be processed.

# Addition Sessions

September 14  12-2 pm ET
Overview and Review of first Session (10 minutes)
Exploring the TCFD pillars (50 minutes)
Exploring good practices (30 minutes)
Q&A, conclusion and evaluation (30 minutes)

**Phase II: Targeted Peer Support Sessions (90 minutes) / Office Hours (30 minutes) for Implementation**
October 5 from 12-2 pm ET

October 12  from 12-2 pm ET

October 27 from 12-2 pm ET
Ben Carr, Analytics & Capital Modelling Director, Aviva: Special guest speaker

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# INTRODUCING CLIMATE RISKS AND THE TCFD

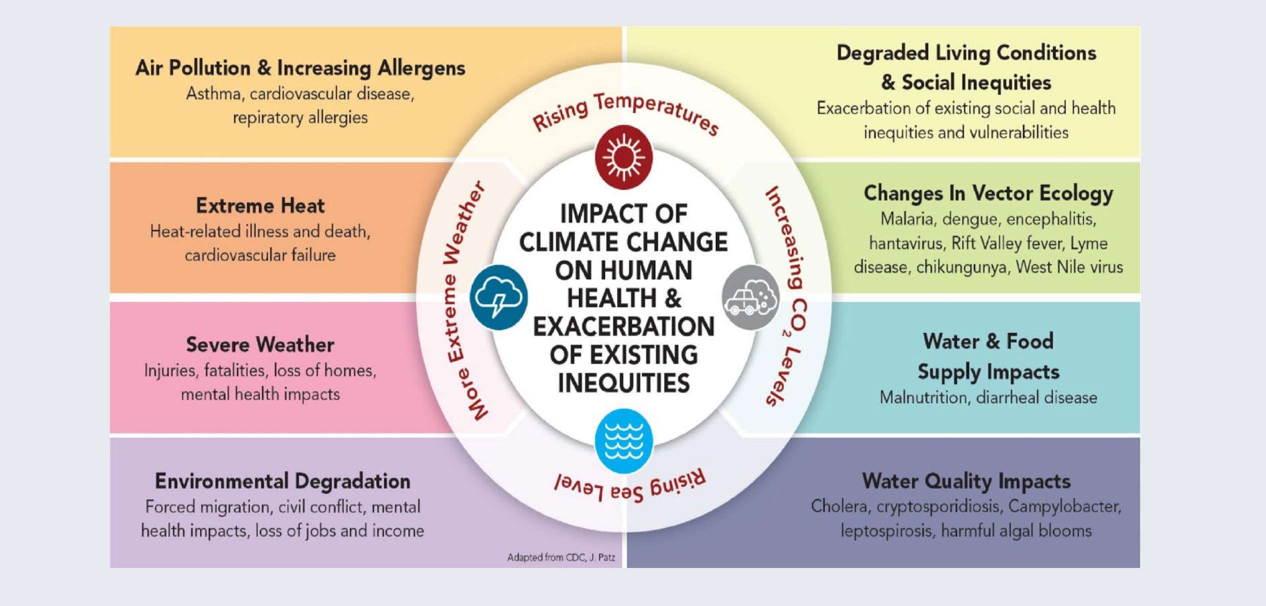
*“Changes in climate policies, new technologies and growing physical risks will prompt reassessments of the values of virtually every financial asset.  Firms that align their business models to the transition to a net zero world will be rewarded handsomely. Those that fail to adapt will cease to exist.”*

– Mark Carney, Chair of the Financial Stability Board 2011-2018

# WHY DOES CLIMATE CHANGE MATTER?

There are a variety of economic, social, and political consequences that arise from perturbing the global climate system

**Increasing hazards from climate change[1]**




1. CDC

# CLIMATE IMPACTS CAN COME FROM PHYSICAL EVENTS (PHYSICAL RISKS) OR FROM THE SHIFT TO A LOW-CARBON ECONOMY (TRANSITION RISKS)

**Transition risks**

- Driven by the transformation of the economy due to climate action
- Policy risks
  - Regulatory or public policy actions that increase the costs of various activities (e.g., carbon taxes)
  - Regulations or restrictions on certain activities (e.g., fracking)
- Technology risks
  - Changing economics of low-carbon technologies that replace or challenge incumbent emitters (e.g., solar vs. coal)
- Market risks
  - Revaluation of assets based on shifts in demand or the recognition of potential stranded assets (e.g., fossil fuel reserves)
  - Changes in consumer preferences

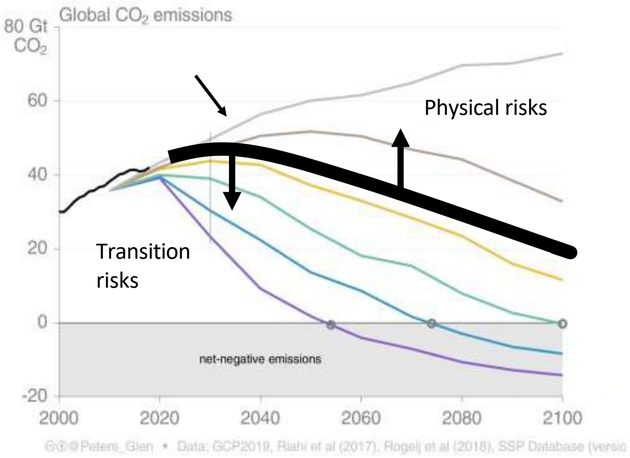
**Physical risks**

- Driven by changes in the physical systems as a result of climate change
- Incremental risks- long-term changes in baseline conditions as a result of climate change
  - Increasing droughts
  - Desertification
  - Sea-level rises
- Extreme events- short-term events that may be exacerbated or made more common by climate change
  - Heatwaves
  - Hurricanes
  - Fires
  - Floods

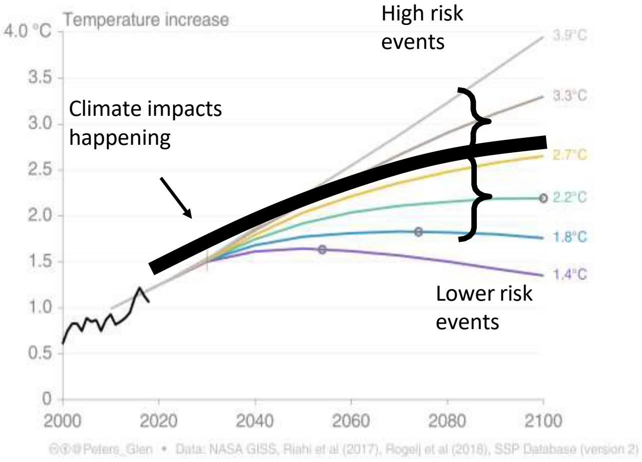
# TRADE-OFFS BETWEEN PHYSICAL AND TRANSITION RISKS (1/2)

Based on the path we choose there are trade-offs regarding the nature and severity of the risks we will face

**Transition Risks**
$CO_2$




**Physical Risks**
Temperature



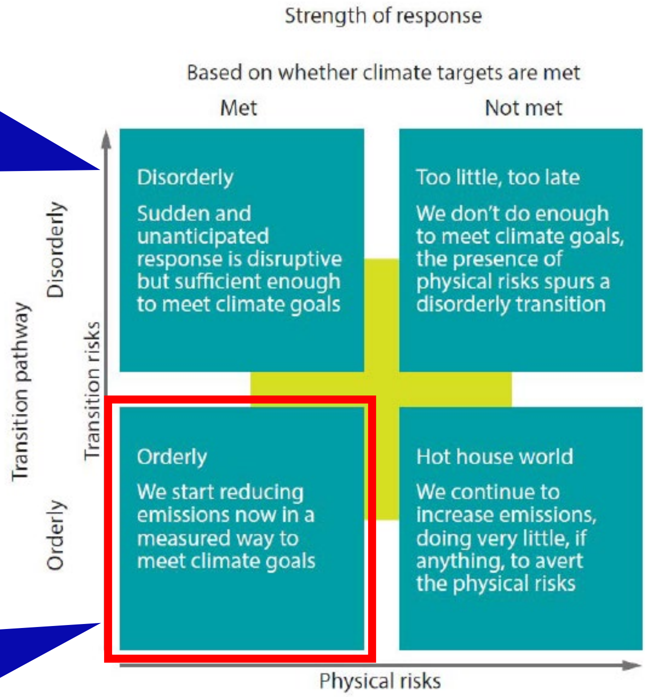

Transition risks are largely moderated by the speed and scale of emissions reductions, while physical risks are more directly related to temperature

# TRADE-OFFS BETWEEN PHYSICAL AND TRANSITION RISKS (2/2)

Scenario narratives explore the interplay of physical and transition risks by looking at the strength of the climate response (met vs. Not met) and the transition pathway taken (orderly vs disorderly)

Disorderly transition assumes **disruptive changes** that lead to high Transition Risks but ultimately minimizes Physical Risks.

Orderly transition assumes **immediate but gradual actions** that minimize Transition and Physical Risks.



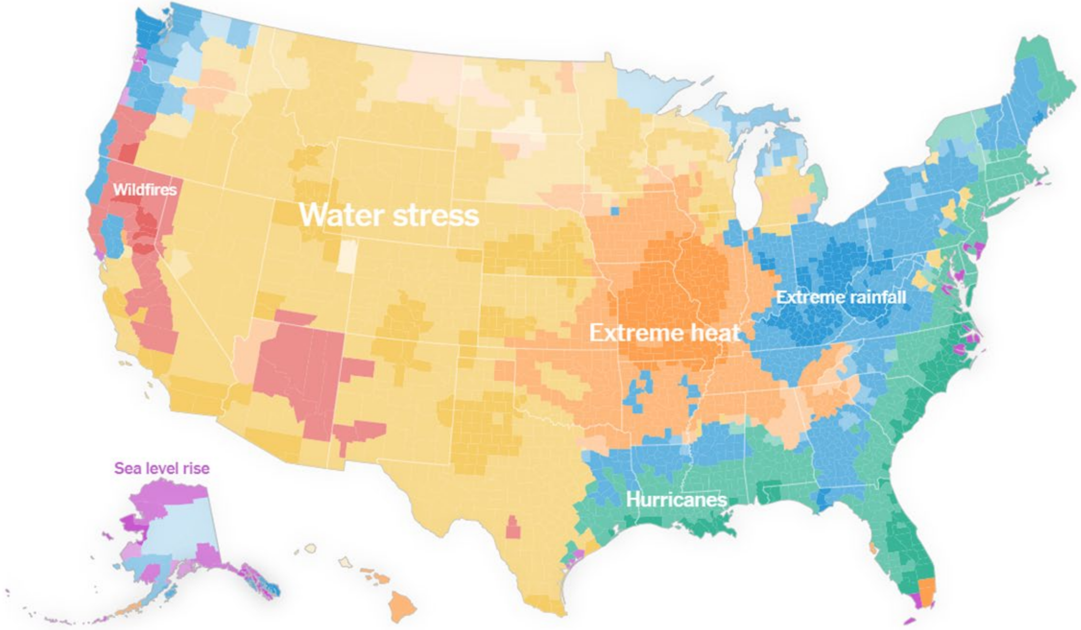

Too Little Too Late assumes **insufficient actions** that result in high Transition and Physical Risks.

Hot House World assumes **limited actions** and low Transition Risks, but results in High Physical Risks.

1. NGFS, 2020

# THE U.S. FACES A NUMBER OF CLIMATE-RELATED RISKS THAT DEMAND THE ATTENTION OF FINANCIAL ACTORS

**Predominant climate risks across the US**
Darker colors indicate higher risks

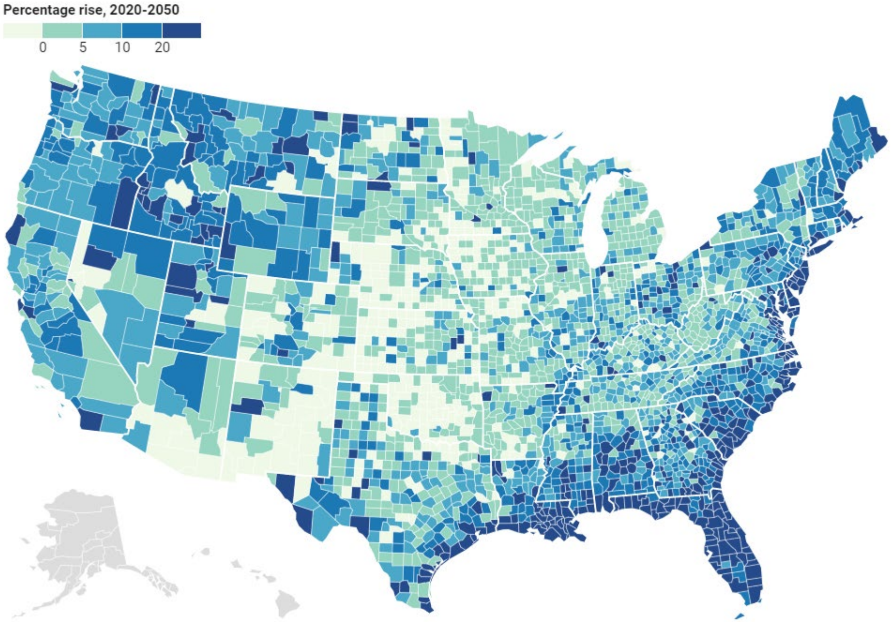



Source: New York Times, 2021

# DEEP-DIVE ON WATER-RELATED RISKS IN THE U.S.

Coastal flooding, riverine flooding, and changes in precipitation patterns are made worse by climate change

**Where flood risk is projected to fastest in the U.S.**




Source: [Wing et al, 2022]

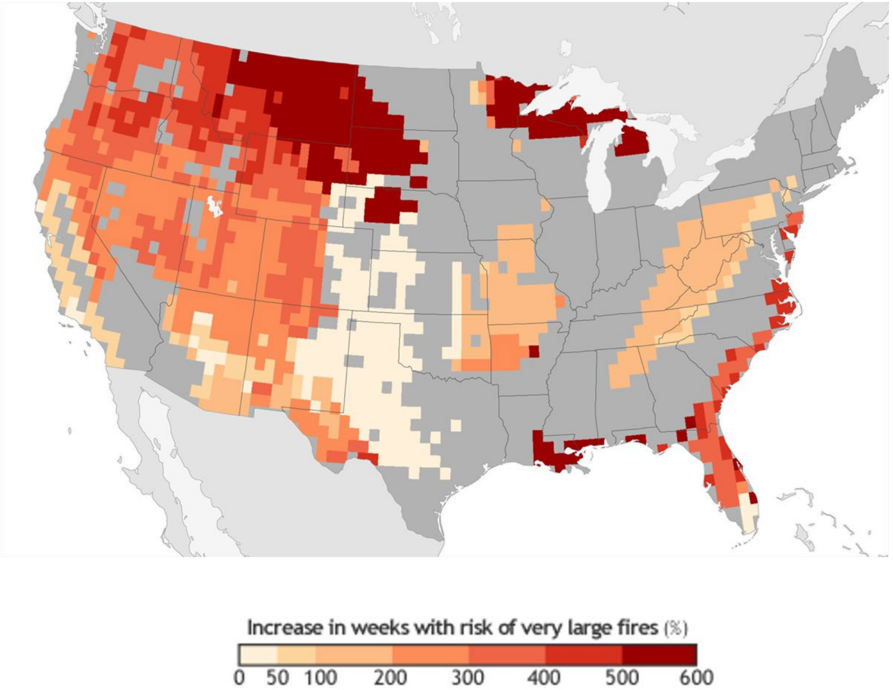
# DEEP-DIVE ON WILDFIRE RISKS IN THE US

Higher temperatures and shifts in precipitation have expanded the length of fire season and brought wildfires to new areas

### Impacts of increasing wildfires

- Increased disruptions to **infrastructure and transport**
- Decreased **security and price stability of food**, due to disruption of agricultural productivity, creation of challenges for livestock health and reduction in crop yields and quality.
- Harms to **forestry**, reducing “the ability of U.S. forests to support economic activity, recreation, and subsistence.“[5]

### Weeks with risk of very large fires, 2041-2070 compared to 1971-2010

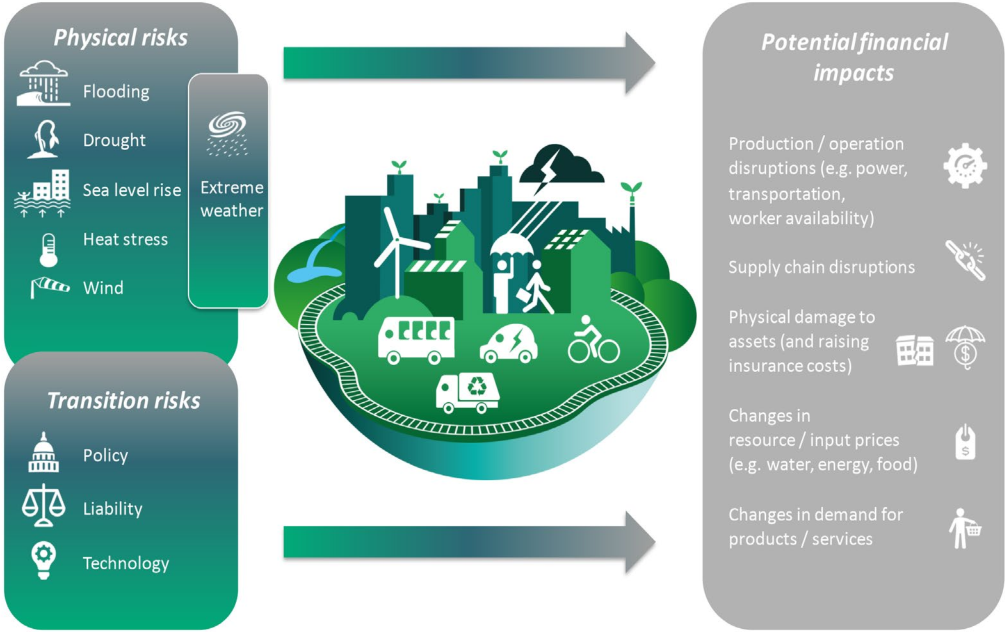



Source: National Climate Assessment

# WHY DO CLIMATE RISKS MATTER FOR INSURERS? (1/3)

Climate risks are financial risks

**Climate risks and financial impacts[1]**

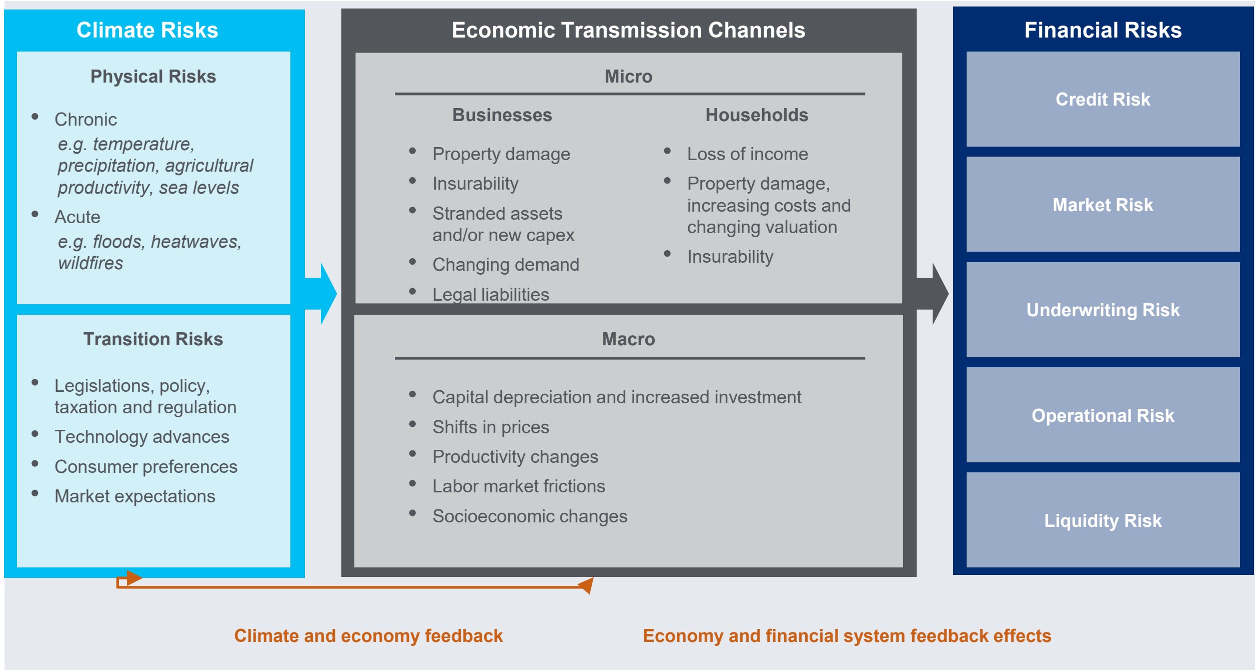



1. CICERO, 2019

# WHY DO CLIMATE RISKS MATTER FOR INSURERS? (2/3)

Macroeconomic and microeconomic transmission mechanisms of climate risk into financial risk

## Diagram of climate-financial system interaction[1]




1. NGFS, 2021

# WHY DO CLIMATE RISKS MATTER FOR INSURERS? (3/3)

**Physical risks**

**Chronic physical risks** (longer-term shifts in climate patterns)

- Property damage or loss of value from rising sea levels.
- Damage to agriculture or other weather-dependent sectors due to increases in droughts or rainfall.

**Acute physical risks** (increased severity and frequency of extreme weather events)

- Property and personal safety portfolios impacted by increased natural disasters.
- Impact on supply chains from extreme weather events leading to commercial disruption
- Damage to infrastructure and transport networks.

**Transition risks**

- **Policy risks** arising from new regulations aimed at increasing disclosures, restricting emissions and promote adaptation will impact the way insurers must operate, and changes the behaviour of their clients.
- Increases in **climate change litigation** leading to new claims and liabilities, and the insurance market being drawn into defence costs.
- **Market risk** from the development of new climate-focused insurance products.
- **Technology risks** posed by development leading to changing values of insured assets.

# THE TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

# POLLING QUESTIONS

- Have you begun drafting your climate-related financial disclosure?

- How would you rate your familiarity with the TCFD and its recommended disclosures?

# WHY WAS THE TCFD CREATED?

**TCFD recommendation pillars**[1]

## Core Elements of Recommended Climate-Related Financial Disclosures


**Governance**
The organization's governance around climate-related risks and opportunities

**Strategy**
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

**Risk Management**
The processes used by the organization to identify, assess, and manage climate-related risks

**Metrics and Targets**
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

The TCFD was created in 2015 to enable financial market actors to better assess and price climate risk

1. TCFD, 2017

# TCFD RECOMMENDED DISCLOSURES

There are 11 disclosures across 4 pillars covering how an organization addresses climate risks and opportunities

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| Disclose the organization's governance around climate-related risks and opportunities. | Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. | Disclose how the organization identifies, assesses, and manages climate-related risks. | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. |

**Recommended Disclosures**

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| a) Describe the board's oversight of climate-related risks and opportunities.<br>b) Describe management's role in assessing and managing climate-related risks and opportunities. | a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.<br>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.<br>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | a) Describe the organization's processes for identifying and assessing climate-related risks.<br>b) Describe the organization's processes for managing climate-related risks.<br>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.<br>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.<br>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. |

# POLLING QUESTIONS

- Which of the disclosures do you believe will be most challenging to address?
- What are some ways you are integrating climate risk insights into your governance and risk processes?
- How is climate change informing your future strategy?

# TCFD UPDATES (1/3)

The TCFD has become a de facto standard for climate risk disclosures and has been adopted by a number of regulators and industry bodies

**Current progress on climate disclosures**

- Increasing voluntary and mandatory adoption
  - Currently over 3000 supporters
  - Growing number of jurisdictions basing their climate disclosures on TCFD pillars

- 2021 Status report key conclusions[1]:
  - Disclosure of climate-related financial information has increased since 2017, but many institutions are still in the early stages of their disclosure journey
  - Additional quantification and standardization of disclosures is needed
  - Asset manager and asset owner reporting to their clients and beneficiaries, respectively, is likely insufficient

- 2021 progress
  - TCFD published guidance on forward-looking and alignment metrics based on the results of their public consultation
  - TCFD released a set of principles on target setting and transition plans

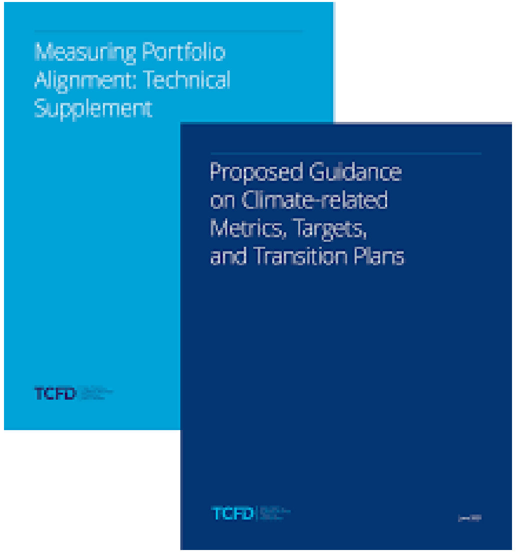
1. TCFD, 2021

# TCFD UPDATES (2/ 3)

The TCFD has provided additional guidance on the types of metrics that should be disclosed

**Cross-industry and climate-related metrics[1]**

1. GHG emissions, including Scope 3 emissions for all sectors and financed emissions
2. Shadow carbon prices
3. Proportion of assets and/or operating, investing, or financing activities materially exposed to
   - Physical risks
   - Transition risks
4. Amount of senior management remuneration impacted by climate considerations
5. Amount of expenditure or capital investment related to climate risks and opportunities
6. Green financing commitments




1. TCFD, 2021

# TCFD UPDATES (3/3)

The TCFD has expanded its scope by covering alignment metrics and transition plans in its latest guidance

**Climate-related transition plans**

- Designed in consideration of related metrics and targets
- Sufficient details provided to allow for verification by external stakeholders
- Based on science and allows the organization to take specific actions
- Disclosed as part of the broader strategy of the organization
- Disclosed if the business generates significant emissions or is materially dependent on carbon-related assets
- Approved and overseen by the Board

**Climate-related targets**

- Based on recognized metrics
- Quantified and granular for tracking
- Be informed by scenario analysis and climate science
- Designed taking into account an organization’s strategy
- Clearly specified over time with a defined baseline to track progress
- A clearly defined time horizon for when they should be achieved
- Mid-term and long-term targets with interim targets at intervals
- Progress should be reported annually

The TCFD guidance was finalized in October 2021

# TCFD RESOURCES FOR INSURERS

- FSB’s official TCFD publications- *latest guidance from the TCFD secretariat*

- FSB’s TCFD Annex on Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures- *guidance for insurers in the sector-specific section*

- CDP’s TCFD Hub- *collection of capacity-building resources*

- CDP’s TCFD Hub database of TCFD reports- *selected disclosures including those of insurers*

- UNEP FI’s TCFD program webpage- *outputs from the insurance, investment, and banking programs on topics such as climate risk assessment, client engagement, and strategy*

# EMERGING REGULATORY DEVELOPMENTS

# ADDITIONAL US SUPERVISORY ACTION ON CLIMATE-RELATED FINANCIAL DISCLOSURE REPORTING

| | Securities and Exchange Commission | Office of the Comptroller of the Currency | Federal Reserve Board | Federal Deposit Insurance Corporation |
|---|---|---|---|---|
| **Recent work** | • **March–June 2021:** Requested public comment on climate-related disclosures<br>• **July 2021:** Released results showing support for climate disclosures, with the TCFD as the most cited basis<br>• **September 2021**: Published sample questions firms could face on climate<br>• **November 2021:** Issued guidance making it easier to add climate to shareholder votes<br>• **March 2022:** Released ambitious proposed, TCFD-informed rules on climate-related disclosures, covering a range of topics including scope 3 emissions and transition plans | • **December 2021:** Published draft principles for banks on managing climate-related risks<br>– Would apply to banks with >$100 BN in total assets<br>– Recommends tools like heatmaps, risk dashboards, and scenario analysis<br>– For consultation through Feb 14<br>• **January 2022:** Refreshed climate risk management survey<br>– 17 questions, including maturity of climate risk management frameworks and impact on credit and pricing<br>– Applies to large banks | • **November 2020:** Climate risk in the 2020 Financial Stability Report<br>• **December 2020:** Joins the NGFS; speech on climate risks by Gov. Brainard – references risks, disclosures/TCFD<br>• **February 2021:** February speech on climate risks by Gov. Brainard<br>– Bank risk management<br>– Scenario analysis<br>– Innovation and experimentation with approaches<br>• **January 2021:** Kevin Stiroh leads the "Supervision Climate Committee"<br>• **2021:** Letters and meetings with large financial institutions to understand climate risk management practices | • **March 2022**: Published draft principles for banks on managing climate-related risks<br>– Targeted at banks with >$100 BN in total assets<br>– The draft principles would provide a high-level framework for management of climate-related risks The principles are substantively similar to those issued by the OCC in December 2021<br>• **April – June 2022:** Requested public comment on draft principles |
| **Next steps** | Consultation on proposed rule "Enhancement and Standardization of Climate-Related Disclosures for Investors" | Release of final principles and increased focus on climate-related topics | Expected to elevate the priority of climate-related risk in its regulations and supervision, focused on financial stability | Review of public comments and revision of draft principles following the public comment period |

# A CLOSER LOOK AT THE SEC PROPOSAL

The SEC proposal would require companies to start disclosing climate-related information

## SEC announcement

"The Securities and Exchange Commission is proposing for public comment amendments to its rules […] that would **require registrants to provide certain climate-related information** in their registration statements and annual reports. […] We have **modeled the proposed disclosure rules in part on the TCFD disclosure framework**.

Securities and Exchange Commission
on March 21st, 2022

"if adopted, it would provide investors with **consistent, comparable, and decision-useful information for making their investment decisions,** and it would provide **consistent and clear reporting obligations for issuers**

SEC Chair Gary Gensler

## Impact for organizations

The proposed climate-related disclosure rules would apply to **public companies.**[1]

These requirements are largely based off the **Task Force on Climate-related Financial Disclosures (TCFD) recommendations.**

The rules implementation will be done in a phased approach, with the earliest disclosure compliance date for **fiscal year 2023** (documents filed in 2024).

This announcement reflects the SEC's broader role in **ensuring compliance with disclosure obligations**, **including those that implicate climate risk**, through its review of public company filings and its engagement with issuers.

Source: SEC, Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures of Investors, March 21, 2022

1. Includes registrants with Exchange Act reporting obligations pursuant to Exchange Act Section 13(a) or Section 15(d) and companies filing a Securities Act or Exchange Act registration statement.

# RELATIONSHIP OF THE SEC PROPOSAL TO TCFD GUIDANCE

**Developed primarily based on the TCFD framework**

The rule effectively reflects the majority of TCFD Recommendations and TCFD Implementing Guidance

**Added further prescriptiveness**

The rule provides additional prescriptiveness and detail around disclosures, methodology and timing

**Reflected US and SEC characteristics**

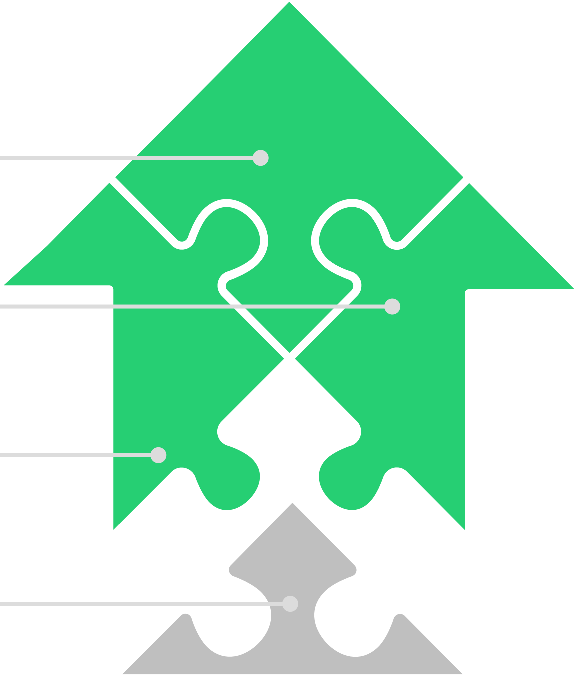
The rule went beyond the TCFD guidance in a few areas to reflect US and SEC considerations

e.g., board and management climate-related expertise, frequency of reporting, plans to adapt to specific physical risks, GHG emissions disaggregated by each constituent GHG

**Omitted a few specific areas of TCFD**

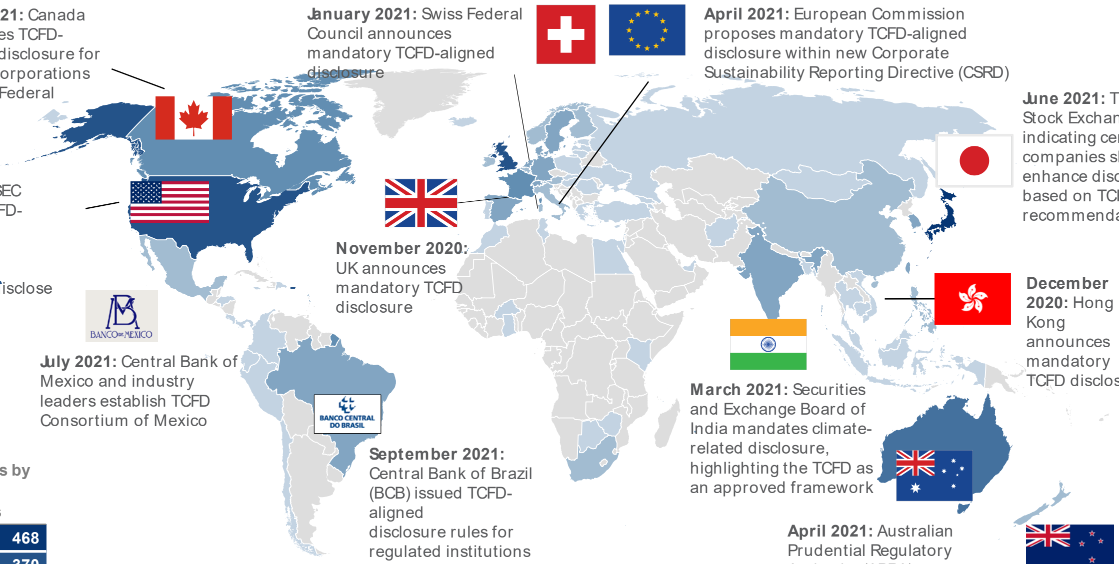
The rule omits a small subset of TCFD guidance such as disclosure of processes for identifying risks and methodologies for evaluating targets

e.g., information about any climate-related opportunities, processes used to determine which risks have material financial impact, description of the associated organizational structures, consideration of impact of 2°C or lower scenarios



# THE EVOLUTION OF CLIMATE DISCLOSURE REGULATION GLOBALLY

The TCFD has become a de facto reporting standard with many supervisors mandating TCFD-aligned disclosures



**April 2021:** Canada mandates TCFD-aligned disclosure for Crown corporations in 2021 Federal Budget

**January 2021:** Swiss Federal Council announces mandatory TCFD-aligned disclosure

**April 2021:** European Commission proposes mandatory TCFD-aligned disclosure within new Corporate Sustainability Reporting Directive (CSRD)

**June 2021:** The Tokyo Stock Exchange issued indicating certain companies should enhance disclosure based on TCFD recommendations

**March 2022:** SEC Published a TCFD-aligned proposal for publicly-listed companies to disclose climate risks

**November 2020:** UK announces mandatory TCFD disclosure

**December 2020:** Hong Kong announces mandatory TCFD disclosure

**July 2021:** Central Bank of Mexico and industry leaders establish TCFD Consortium of Mexico

**March 2021:** Securities and Exchange Board of India mandates climate-related disclosure, highlighting the TCFD as an approved framework

**September 2021:** Central Bank of Brazil (BCB) issued TCFD-aligned disclosure rules for regulated institutions

**April 2021:** Australian Prudential Regulatory Authority (APRA) publishes TCFD-aligned draft guidance on managing climate risks

**September 2020:** New Zealand commits to mandatory TCFD disclosure

**Top 5 Countries by Number of Supporters**

| | |
|---|---|
| Japan | 468 |
| United Kingdom | 370 |
| United States | 327 |
| Australia | 117 |
| France | 112 |

Legend

| 300+ | 200-299 | 100-199 | 50-99 | 24-59 | 10-24 | <10 |
|---|---|---|---|---|---|---|

*Number of Supporters*

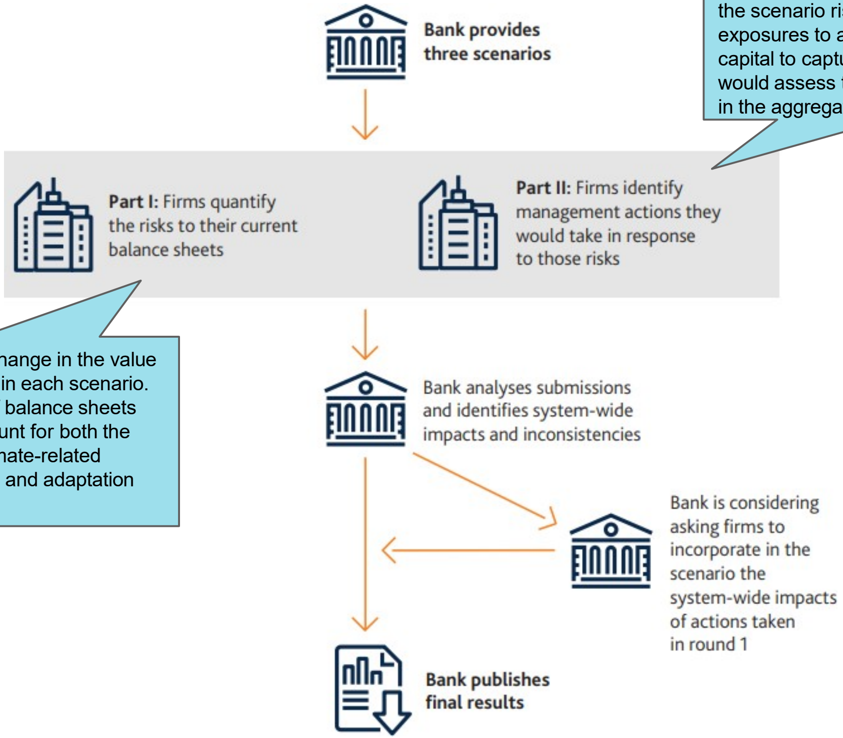
Source: TCFD

# OVERVIEW OF CLIMATE STRESS TESTING FOR BANKS AND INSURERS

Case study: UK PRA stress test

**Diagram of the UK PRA stress test**

Participants would assess how they would change their business models in response to the scenario risks, including reducing exposures to at-risk sectors and redirecting capital to capture opportunities. The Bank would assess the plausibility of these actions in the aggregate.




Participants would quantify the change in the value of their assets at different points in each scenario. Nominal size and composition of balance sheets do not change. The results account for both the direct and indirect impacts of climate-related financial risks, and the mitigation and adaptation plans of counterparties.

Source: Bank of England

# DEVELOPING A GLOBAL DISCLOSURE STANDARD: ISSB PROPOSALS

General requirements, climate standard & industry standards

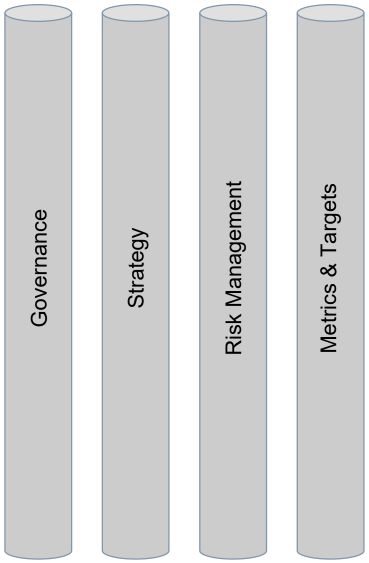
**IFRS 1: Exposure Draft on General Requirements for Disclosure of Sustainability-related Financial Information**

- Core general content for *sustainability*-related financial disclosures.
- Builds on SASB & CDSB - SASB standards e.g., used to identify risks & opportunities & select metrics in the absence of IFRS requirements.
- Covers: materiality judgments, reporting frequency, location, reporting entities, comparative information, use of financial data & assumptions, sources of estimation, errors, statements of compliance. etc.
- Enterprise value '(EV') approach - notes *impacts/dependencies* on people, planet & economy are material when relevant to assessing EV.

**IFRS 2: Exposure Draft on Climate-related Disclosures**

- First thematic standard - others to be issued in future.
- Largely replicates TCFD – with some key differences
- Compliance with ISSB climate standard to be treated as complying with TCFD
- Incorporates SASB standards for industry disclosure standards – with standards for different sectors including: commercial banks, mortgage finance, investment banking & asset management etc.

**Proposals are based on TCFD 4 pillar structure**




Source: IFRS

# DEEPER DIVE INTO THE CLIMATE EXPOSURE DRAFT

Builds on TCFD with few modifications/additions & leverages SASB

## High-level overview of key changes from TCFD

### Governance

Slightly revised TCFD aligned wording: disclosures enable users to understand governance processes, controls & procedures used to monitor & manage climate risks & opportunities (‘CRO’)

### Strategy

Slightly revised TCFD aligned wording: disclosures enable users to understand entities’ strategies for addressing significant CRO.

### Risk Management

Slightly revised TCFD aligned wording: disclosures are to understand process/processes by which CRO are identified, assessed & managed.

### Metrics & Targets

Slightly revised TCFD aligned wording: disclosures to understand how entities measure, monitor & manage their CRO. Enables users to understand entities’ performance, including progress on targets

**Key changes are to recommended disclosures as shown below**

**Governance**

- Additional information on the following:
  - i. Identity of climate oversight body/individual & inclusion of its responsibilities in terms of reference, mandates & policies.
  - ii. Availability of skills to oversee climate strategies.
  - iii. Information on controls & procedures & their integration in other control functions.

**Strategy**

- Transition plans treated as part of firms’ strategies & entail explicit requirements on:
  - i. Emissions reduction targets.
  - ii. Use of carbon offsets.
- Additional & more granular information on:
  - i. Direct entity responses, e.g., changes to business models, strategies, resourcing etc.
  - ii. Indirect responses e.g., working with customers.
  - iii. Resourcing of strategy & plans, expected changes in financial position/performance.
  - iv. Resiliency, e.g. how analysis is conducted, uncertainty & capacity to adapt.

**Risk Management**

- Inclusion of processes to identify and prioritise climate *opportunities* (not just risks).
- Additional information on:
  - i. Input parameters for risk identification.
  - ii. Any changes in processes from last reporting period.

**Metrics & Targets**

- Additional *industry metrics* apply – derived from SASB e.g. commercial banks & mortgage finance
- Different disclosure of GHGs -
  - i. scope 1 -2 separated for the CAG* & others not included in CAG. Scope 3 emission required.
- WACI & PCAF methods not mentioned but built into industry standards.
- Additional disclosures on:
  - i. Whether targets are derived using sectoral decarbonisation approaches & validation of targets.
  - ii. Comparison of target to last international agreement.

*CAG*- consolidated accounting group*

Source: ISSB

# GOOD PRACTICES ACROSS CLIMATE DISCLOSURES AND CLIMATE RISK MANAGEMENT (1/2): GOVERNANCE AND STRATEGY

**Governance**

- Existence of dedicated board committees that cover climate risks and their implications for the firm overall
- Presence of board members with climate and/or sustainability experience
- Training and upskilling on climate-related topics for board members and senior executives
- Clear organizational structure outlining the relevant roles and responsibilities of board and executive committees on climate risks
- Designated senior leaders with accountability for firmwide climate risk initiatives

**Strategy**

- Presence of a clear and well-defined climate risk identification process
- Consideration of climate risks and opportunities over short, medium, and long time horizons
- Explanation of how the firm’s strategy is resilient to climate-related risks and how it plans to capitalize on climate-related opportunities
- Use of scenario analysis to identify and assess climate risks under a variety of different pathways (including a 1.5 C scenario and a hot-house world scenario)
- Detailed description of the strategic plan that the firm will pursue to align with mitigation and adaptation commitments they make

# GOOD PRACTICES ACROSS CLIMATE DISCLOSURES AND CLIMATE RISK MANAGEMENT (2/2): GOVERNANCE AND STRATEGY

**Risk Management** 

- Development of specific climate risk management processes for all areas of the business
- Integration of climate risk insights into credit, market, and operational risk assessments
- Clear plans for determining the materiality of risks and managing material risks
- Use of appropriate data, tools, frameworks, and methodologies to quantify climate risks
- Creation of escalation and mitigation policies and procedures for managing climate risks identified

**Metrics & Targets** 

- Quantitative reporting of climate risks under multiple climate scenarios
- Measurement of operational emissions and scope 3 emissions
- Disclosure of climate mitigation targets, interim targets, and the transition plan to achieve them
- Reporting of any other climate-related targets including adaptation financing, mitigation financing, operational emissions reductions
- For all metrics, historic and forward-looking values are recommended

# Q&A AND CONCLUSION


QUESTIONS
ANSWERS

# NEXT STEPS

- Commence/continue work on your climate-related financial disclosures

- Share any questions or topics for discussion ahead of next session

- Review good practices in peer TCFD reports
  - Allianz
  - Aviva
  - Cooperators
  - Zurich

Addition Sessions

September 14  12-2 pm ET
Overview and Review of first Session (10 minutes)
Exploring the TCFD pillars (50 minutes)
Exploring good practices (30 minutes)
Q&A, conclusion and evaluation (30 minutes)

**Phase II: Targeted Peer Support Sessions (90 minutes) / Office Hours (30 minutes) for Implementation**

October 5 from 12-2 pm ET

October 12  from 12-2 pm ET

October 27 from 12-2 pm ET
Ben Carr, Analytics & Capital Modelling Director, Aviva: Special guest speaker

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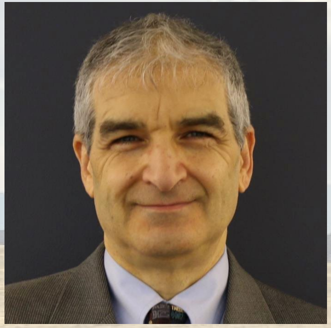
# Thank You



**Steven Rothstein**
Managing Director, Ceres
Accelerator for Sustainable
Capital Markets
**srothstein@ceres.org**

Ceres
*Sustainability is the bottom line.*

Headquarters
99 Chauncy Street, 6th Floor
Boston, MA 02111

California Office
369 Pine Street, Suite 620
San Francisco, CA 94104