

Note to members

Comments on the consultation need to be provided via an online consultation tool. The secretariat extracted the questions from the consultation tool, and included them in this document. Once responses are agreed with members, the secretariat will fill in the survey via the online tool.

Q1a Please provide your information in the field below

Q1b Which of the following best describes your area of responsibility in your organization?

Please select ONE only

- Academic/industry expert
- Administration
- Board member
- Compliance
- Corporate reporting **X**
- Corporate Strategy
- Finance
- General management
- Government/regulatory affairs
- Investment/asset management
- Legal Risk
- Sustainability
- Technology
- Other (please specify)

Q1c Which of the following best describes your organization type?

Please select ONE only

- Financial services sector, including asset owners (Go to Q1d)
- Non-financial sector (Go to Q1e)
- Non-Governmental Organization (NGO) (Go to Q2)
- Academia (Go to Q2)
- Industry/Trade association (Financial) (Go to Q1d) **X**
- Industry/Trade association (Non-financial) (Go to Q1e)
- Other (please specify) (Go to Q2)

Q1d Please select your primary industry from the list below:

Please select ONE only

- Asset management
- Banking
- Credit rating agency
- Insurance (underwriting)
- Pension plans, endowments, foundations, and other asset owners
- Stock exchange
- Other (please specify) **Insurance underwriting and asset owner X**

Q2 ASK ALL: Which of the following best describes your perspective on the TCFD recommendations?

Please select ONE only

- User of climate-related financial disclosures
- Preparer of climate-related financial disclosures
- Both a user and preparer **X**
- Other (please specify)

All Sector Recommendations and Guidance

The Task Force structured its recommendations around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets (see page 16 of the TCFD report). The Task Force believes it is important to understand the financial and strategic implications associated with climate-related risks and opportunities on organizations as well as the governance and risk management context in which organizations operate.

Q3a How useful are the Task Force's recommendations and guidance for all sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities? Please select ONE only

Very useful
Quite useful X
Neither/nor
Not very useful
Not useful at all
Don't know

Q3b Please provide more detail on your response in the box below

Climate change is one of the most challenging issues globally. Resolute action by the international community is needed to manage its implications irrespective of the user pays principle. Private sector engagement is crucial to successfully enforce important initiatives such as the Paris Agreement and the Sustainable Development Goals of the United Nations. Therefore, Insurance Europe welcomes that the TCFD's work helps to put this important issue on the agenda for companies.

The global insurance industry can fundamentally contribute to a responsible climate change management in different ways: insurance absorbs the economic impact of climate change, promotes energy-saving and alternative technologies by offering innovative coverage, and provides funding for investments that serve to establish a low carbon economy.

From an insurance perspective, climate-related disclosure by companies from all sectors could be beneficial for insurers in their investment and underwriting activities. Overall, recommendations of the TCFD are positive to move towards a low-carbon economy. On the investment side, it will enable insurers to assess the risks of and avoid investing in 'stranded assets'. For example, insurers will be able to assess investments in the equity or debt of companies whose entire business model is at risk by incoming climate-related regulation and market changes. It can also be used to develop a policy on impact investing. Furthermore, TCFD's work will aid insurers' ability to understand their exposures to physical and transitional climate-related risks associated with their underwriting activity.

However, it is paramount that the recommendations remain manageable for all companies in order to ensure universal acceptance. Encouraging stakeholders to be more transparent should seek to avoid an additional layer of reporting with potential negative impacts on business in the form of excessive reporting costs. The reporting should be tailored to companies' size and should consider materiality and proportionality principles. It should also leave a sufficient transitional period for companies to start implementing the disclosures and thus to allow a sensible implementation progression. Above all, it is essential that voluntary implementation of the TCFD's recommendations will be preserved and discretionary disclosure won't be subject to audit requirements.

Finally, it would be helpful to clarify how the TCFD's recommendations are supposed to be aligned with various other climate-related disclosure initiatives. It would be detrimental if companies are constantly approached with different reporting concepts and frameworks by different organizations. This is likely to produce unrelated or duplicative information which does not add value. Reporting could be done in line with existing frameworks and guidelines such as GRI. Reporting frameworks that are free-of-charge to reporting companies should be preferred.

Supplemental Guidance

Q3c How useful is the Task Force's supplemental guidance for certain sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities? Please see the TCFD Annex for supplemental guidance. Please select ONE only.

Very useful
Quite useful X
Neither/nor
Not very useful
Not useful at all
Don't know
Not applicable

Q3d Please provide more detail on your response in the box below

The recommendations encourage the disclosures to be part of mainstream financial statements. Insurance Europe supports the underlying idea that climate-related disclosure is most effective and reaches its intended recipient when it is provided in a single document, together with other important and relevant business information. However, given the voluntary nature of the disclosures, and the uncertainty associated with climate-related scenario analysis, Insurance Europe believes that such disclosures should not fall within the scope of the audit of mainstream financial statements.

Furthermore, the recommendations in the report call for public disclosure on how climate-related risks and opportunities are factored into the composition of investment strategies. Such disclosures should not force insurers to disclose sensitive information as this could undermine an important competitive advantage.

Additionally, while quantifying climate-related risk can theoretically be done for investments in eg equities (by assessing what proportion of a company’s revenue or P/L is exposed to climate risks), there is no established methodology for incorporating climate-related factors in the pricing of other asset classes (eg real estate or corporate bonds) due to lack of reliable data. Such predictions could turn out to be highly inaccurate and developing the necessary methodologies could be costly. Therefore, it would be helpful to acknowledge that the implementation of reporting recommendations is contingent to a reasonable cost-benefit-balance.

Organizational Decision Making

Q4a If organizations disclose the recommended information (or information consistent with the Task Force’s recommendations), how useful will that information be to your organization in making decisions (e.g. investment, lending, and insurance underwriting decisions)? Please select ONE only

- Very useful
- Quite useful **X**
- Neither/nor
- Not very useful
- Not useful at all
- Don’t know
- Not applicable

Q4b Please provide more detail on your response in the box below

Due to the substantial size of insurers’ investment portfolios and the large number of investee companies, imperfect and non-standardized climate-related risk reporting by investee companies would have a knock on effect on the efficacy and quality of reporting by insurance companies. If, on the other hand, organisations report their climate-related exposures in financial statements, such information can in turn be used by insurers to provide their own investors with a more sound analysis on the aggregate climate-related risk they are facing.

Additional Disclosures

Q5 What other climate-related financial disclosures would you find useful that are not currently included in the Task Force’s recommendations?

N/A

Scenario Analysis

Q6 The Task Force recommends organizations describe how their strategies are likely to perform under various climate-related scenarios, including a 2°C scenario (see page 16 of the TCFD report). How useful is a description of potential performance across a range of scenarios to understanding climate-related impacts on an organization’s businesses, strategy, and financial planning? Please select ONE only

- Very useful
- Quite useful **X**
- Neither/nor
- Not very useful
- Not useful at all
- Don’t know
- Not applicable

Q7 Please elaborate on your response above. If you selected "Not very useful" or "Not useful at all" please indicate what would be more useful.

The insurance industry has long identified climate change as an emerging risk and has been accumulating and sharing expertise on climate risks for many years. An increase in temperature of more than 2°C could threaten the sustainability of insurance, as the increase in number and severity of weather-related risks could entail that certain high-risk properties become very difficult to insure. This is why the insurance industry strongly supports initiatives such as the Paris Agreement, which aims to limit global warming to 2°C.

Nevertheless, climate change is a reality and the effects are already being felt, which is why the insurance industry has strongly advocated the importance of prevention and adaptation measures to increase resilience and sustainability. Insurers collaborate closely with national and local authorities through public-private partnerships to encourage prevention measures, deliver financial solutions and share their expertise to track trends and define problems posed by climate change. The insurance sector also contributes to the fight against climate change through own-initiatives, for example through awareness raising campaigns, apps with early weather forecast warnings available to the public and dissemination of risk and hazard maps and zoning tools.

However, on the particular issue of scenario-level reporting, Insurance Europe believes that such reporting should be kept at a high-level and should not be mandatory. Considering the impacts from different climate-related scenarios should serve as an aid to companies when devising their forward looking business strategy, rather than something that is officially reported.

Where insurers underwrite weather-related risks, having to disclose too detailed information on elements underlying the assessment of the risks in underwriting (eg parameters used) could potentially undermine the competitive advantage of insurers, stemming from, eg, superior underwriting methodologies and risk pricing.

Equally, taking the investors' perspective, while it is useful for insurers to understand the impact of different scenarios on an investee company's business model, this could be achieved by bilateral engagement and discussion with the investee and such information should not be included in the scope of financial reports.

Finally, more developed data and methodology around Scope 3 emissions would support more accurate scenario analysis.

Q8 The Task Force recognizes that there are challenges around disclosing sufficient information to allow a better understanding of the robustness of an organization's strategy and financial plans under different plausible climate-related scenarios. Some challenges may arise from unfamiliarity with scenario methodologies and metrics, insufficient practice standards or cost. What do you view as effective measures to address potential challenges around conducting scenario analysis and disclosing the recommended information?

Please rank your top three most effective factors that apply.

<i>Further work by industry trade groups and disclosure users on critical elements to be disclosed is needed to help overcome concerns that some information may be commercially sensitive</i>	1
<i>Reduce the cost of conducting and disclosing scenario analysis</i>	2
<i>Additional methodologies and tools should be developed for use by organizations to enable more effective scenario analysis</i>	
<i>Allow a year or two to phase-in scenario analysis and related disclosures</i>	3
<i>Establish better practice standards around conducting and disclosing scenario analyses so that there are clearer rules of the road</i>	
<i>We do not anticipate any difficulties</i>	
<i>Other (please specify) Not applicable</i>	

Q9 Please provide more detail on your first choice in the box below

Please see responses to Q3d and Q7

Carbon-related Assets in the Financial Sector

Q11 Part of the Task Force’s remit is to develop climate-related disclosures that would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector.

Beyond the metrics included in the Task Force’s guidance, and supplemental guidance, what other metrics could be used to measure carbon-related assets in the financial sector?

Development of Scope 3 emissions data and methodology should be encouraged.

The Task Force is recommending that organizations provide key metrics used to measure and manage climate-related risks and opportunities. For example, the Task Force recommends that asset owners (including insurance companies) and asset managers report normalized greenhouse gas emissions (GHG) associated with investments they hold (for each fund, product, and strategy) using available data (see Annex pages 35 and 41).

Q12 Please describe your views on the feasibility of implementing the above recommendation

Short term implementation by asset owners is challenging as investors have to rely on issuers’ reports. These are presently incomplete, heterogeneous and potentially unreliable due to changes in reporting scope and methodologies (see also answer to question 3d)

Further studies and analysis seem necessary before retaining the GHG Protocol as a single reference.

Greenhouse Gas Emissions (GHG) Associated with Investments

Q13a How useful would the disclosure of GHG emissions associated with investments be for economic decision-making purposes (e.g., investing decisions)?

Please select ONE only

- Very useful
- Quite useful
- Neither/nor **X**
- Not very useful
- Not useful at all
- Don’t know

Q13b Please provide more detail on your response in the box below

At present the data available for working out GHG emissions in investment portfolio is limited. Insurance Europe is aware of developments such as the CDP database. However, it appears that the data available is still quite limited and as such, a large proportion of the calculated GHG would be based on very rough estimates. This in turn could lead to investment decisions which are actually counter to the intention of reducing GHG emissions. Insurance Europe supports transparency, and believes that investment activities could benefit from increased knowledge about environmental impact.

However, reporting on investment portfolio GHG emissions should await improved data availability.

Adoption and Implementation

Q15 What do you view as the potential difficulties to implementing the disclosures?

Please select ALL that apply

<i>The information requested could be commercially sensitive</i>	X
<i>The time and cost of collecting the information</i>	X
<i>Climate-related disclosure is not part of our current regulatory requirements</i>	

<i>Lack of experience with concepts and methodology</i>	
<i>Multiple climate-related reporting frameworks currently exist</i>	X
<i>We do not anticipate any difficulties related to implementing the disclosures</i>	
<i>Other (please specify): Incomplete methodologies</i>	X

**Q16 What, drivers if any, do you think would encourage you to adopt the recommendations?
Please select ALL that apply**

<i>Requests from investors to disclose</i>	X
<i>Requests from clients or beneficiaries</i>	X
<i>Reputational benefits and goodwill from adoption</i>	X
<i>Inquiries or requests from debt or equity analysts</i>	
<i>Adoption by industry peers</i>	X
<i>Other (please specify)</i>	
<i>None of the above</i>	

Q17 What support or actions would be helpful to you in implementing the disclosures within the next two years?

Once the report has been presented to the FSB, the Task Force should focus on developing a more tangible framework, which would aid insurers with more concrete guidance for preparing such disclosures, consistent with their already existing reporting requirements. It would also help if complexity is reduced to the extent possible for companies which encounter climate-related reporting for the first time.

Development of data and methodology for calculating carbon footprint for corporate and sovereign bonds exposure would also be helpful. Further academic research is also warranted.

**Q18 The Task Force's recommendations are focused on disclosure in financial filings; within what timeframe would your organization be willing to implement the recommendations in financial filings?
Please select ONE only**

<i>We already report these disclosures in financial filings</i>	
<i>In the next one to two years</i>	
<i>In three to five years</i>	
<i>We do not intend to implement the recommendations</i>	
<i>Do not know (please explain)</i> At this stage, it is difficult to suggest a suitable timeline for the implementation of the recommendations, as there are a number of challenges emerging, including: <ul style="list-style-type: none"> • Parallel and related/relevant work conducted by other international organisations on the general issue of reporting/disclosure and the specific issue of climate change (OECD, IASB, IOSCO), which should in fact be looked at together to avoid overlaps and inconsistencies. • Lack of developed/universally-accepted methodologies, as well as gaps in the availability of relevant data. 	X

Additional Feedback

Q19 What additional feedback you would like to provide the Task Force on the recommendations?

Insurers in Europe are concerned with this topic and many industry representatives are driving the efforts on climate-change mitigation and adaptation on a voluntary basis by explaining how climate-related risks and opportunities affect their business strategy and governance. Climate-related information and disclosures that enable analysis by all stakeholders are a step in the right direction to ensure a better understanding of climate change-related risks.

The nature of climate change, which is a global, cross-border concern, implies taking a global and coherent approach. From this perspective, Insurance Europe believes that the level of ambition of the FSB recommendations and guidance should reflect the likelihood that follow-up actions would be taken at a global level, and be implemented consistently by G-20 members. In addition, the FSB work should be looked at in conjunction with other similar or related work conducted by other international organisations such as the OECD, IOSCO, IASB. A joint look at the issue of climate change, aimed at avoiding overlaps and inconsistencies, would help support a suitable follow-up implementation, while achieving similar outcomes and aims.