OBSERVATORY 173 ON CLIMATE & LIFE INSURANCE

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Extraits des rapports du CSF de juin 2017 "Recommandations of the Task Force on Climate-related Financial Disclosure[1]" et annexes concernant les investisseurs institutionnels

Sources : CSF : (1) Recommendations of the Task Force on Climate-related Financial Disclosures - June 2017 – (2) Implementing the Recommendations of the Task Force on Climate-related Financial Disclosure – june 2017 – (3) The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities – june 2017

Asset owners already reporting climate-related information under other frameworks

(p 49) Organizations already reporting climate-related financial information under other frameworks may be well positioned to disclose under this framework immediately and are encouraged to do so. For such organizations, significant effort has gone into developing processes and collecting information needed for disclosing under these regimes. The Task Force expects these organizations will be able to use existing processes when providing disclosures in annual financial filings based on the Task Force's recommendations. Those with less experience can begin by considering and disclosing how climate-related issues may be relevant in their current governance, strategy, and risk management practices. This initial level of disclosure will allow investors to review, recognize, and understand how organizations consider climate-related issues and their potential financial impact.

Importantly, the Task Force recognizes organizations need to make financial disclosures in accordance with their national disclosure requirements. To the extent certain elements of the recommendations are incompatible with national disclosure requirements for financial filings, the Task Force encourages organizations to disclose those elements through other reports. Such other reports should be official company reports that are issued at least annually, widely distributed and available to investors and others, and subject to internal governance processes that are the same or substantially similar to those used for financial reporting.

Reporting by asset owners to their clients and beneficiaries

(p 42) In addition, the Task Force recognizes reporting by asset managers and asset owners to their clients and beneficiaries, respectively, generally occurs outside mainstream financial filings (Figure 10). For purposes of adopting the Task Force's recommendations, asset managers and asset owners should use their existing channels of financial reporting to their clients and beneficiaries where relevant and

[1] http://www.fsb.org/2017/06/recommendations-of-the-task-force-on-climate-related-financial-disclosures-2/

feasible. Likewise, asset managers and asset owners should consider materiality in the context of their respective mandates and investment performance for clients and beneficiaries.
(…)
The financial reporting requirements and practices of asset owners vary widely and differ from what is required of organizations with public debt or equity. Some asset owners have no public reporting, while others provide extensive public reporting. For purposes of adopting the Task Force's recommendations, asset owners should use their existing channels of financial reporting to their beneficiaries and others where relevant and feasible.

(p 26) The Task Force recognizes reporting by asset managers and asset owners is intended to satisfy the needs of clients, beneficiaries, regulators, and oversight bodies and follows a format that is generally different from corporate financial reporting. For purposes of adopting the Task Force's recommendations, asset managers and asset owners should use their existing means of financial reporting to their clients and beneficiaries where relevant and where feasible. Likewise, asset managers and asset owners should consider materiality in the context of their respective mandates and investment performance for clients and beneficiaries (*).
(*)The Task Force recommends asset managers and asset owners include carbon footprinting information in their reporting to clients and beneficiaries, as described in Section D of the Annex, to support the assessment and management of climate-related risks.

GHG Emissions Associated with Investments

(p 44) In its supplemental guidance for asset owners and asset managers issued on December 14, 2016, the Task Force asked such organizations to provide GHG emissions associated with each fund, product, or investment strategy normalized for every million of the reporting currency invested. As part of the Task Force's public consultation as well as in discussions with preparers, some asset owners and asset managers expressed concern about reporting on GHG emissions related to their own or their clients' investments given the current data challenges and existing accounting guidance on how to measure and report GHG emissions associated with investments. In particular, they voiced concerns about the accuracy and completeness of the reported data and limited application of the metric to asset classes beyond public equities. Organizations also highlighted that GHG emissions associated with investments cannot be used as a sole indicator for investment decisions (i.e., additional metrics are needed) and that the metric can fluctuate with share price movements since it uses investors' proportional share of total equity.(*)
(*)Because the metric uses investors' proportional share of total equity, increases in the underlying companies' share prices, all else equal, will result in a decrease in the carbon footprinting number even though GHG emissions are unchanged.

In consideration of the feedback received, the Task Force has replaced the GHG emissions associated with investments metric in the supplemental guidance for asset owners and asset managers with a weighted average carbon intensity metric. The Task Force believes the weighted average carbon intensity metric, which measures exposure to carbon-intensive companies, addresses many of the concerns raised. For example, the metric can be applied across asset classes, is fairly simple to calculate, and does not use investors' proportional share of total equity and, therefore, is not sensitive to share price movements.

The Task Force acknowledges the challenges and limitations of current carbon footprinting metrics, including that such metrics should not necessarily be interpreted as risk metrics. Nevertheless, the Task Force views the reporting of weighted average carbon intensity as a first step and expects disclosure of this information to prompt important advancements in the development of decision-useful, climate-related risk metrics. In this regard, the Task Force encourages asset owners and asset managers to provide other metrics they believe are useful for decision making along with a description of the methodology used. The Task Force recognizes that some asset owners and asset managers may be able to report the weighted average carbon intensity and other metrics on only a portion of their investments given data availability and methodological issues. Nonetheless, increasing the number of organizations reporting this type of information should help speed the development of better climate-related risk metrics.

Scope of Coverage

(p 46) (…) In addition, the Task Force believes that asset managers and asset owners, including public and private-sector pension plans, endowments, and foundations, should implement its recommendations. The Task Force believes climate-related financial information should be provided to asset managers' clients and asset owners' beneficiaries so that they may better understand the performance of their assets, consider the risks of their investments, and make more informed investment choices.

Consistent with existing global stewardship frameworks, asset owners should engage with the organizations in which they invest to encourage adoption of these recommendations. They should also ask their asset managers to adopt these recommendations. Asset owners' expectations in relation to climate-related risk reporting from organizations and asset managers are likely to evolve as data availability and quality improves, understanding of climate-related risk increases, and risk measurement methodologies are further developed.

The Task Force recognizes that several asset owners expressed concern about being identified as the potential "policing body" charged with ensuring adoption of the Task Force's recommendations by asset managers and underlying organizations. The Task Force appreciates that expectations must be reasonable and that asset owners have many competing priorities, but encourages them to help drive adoption of the recommendations. Because asset owners and asset managers sit at the top of the investment chain, they have an important role to play in influencing the organizations in which they invest to provide better climate-related financial disclosures.

Supplemental guidance for the financial sector

(p 22) The Task Force developed supplemental guidance for the financial sector, which it organized into four major industries largely based on activities performed. The four industries are banks (lending), insurance companies (underwriting), asset managers (asset management), and asset owners, which include public- and private-sector pension plans, endowments, and foundations (investing). The Task Force believes that disclosures by the financial sector could foster an early assessment of climate-related risks and opportunities, improve pricing of climate-related risks, and lead to more informed capital allocation decisions.

Coordination between asset owner climate risk experts and their finance function

(p 47) The Task Force believes that by encouraging disclosure of climate-related financial information in public financial filings, coordination between organizations' climate risk experts and the finance function will improve. Similar to the way organizations are evolving to include cyber security issues in their strategic and financial planning efforts, so too should they evolve for climate-related issues.

Fundamental principles for effective disclosure *[all sectors]*

Principle 1: Disclosures should present relevant information

Principle 2: Disclosures should be specific and complete

Principle 3: Disclosures should be clear, balanced, and understandable

Principle 4: Disclosures should be consistent over time

Principle 5: Disclosures should be comparable among organizations within a sector, industry, or portfolio:

- Disclosures should allow for meaningful comparisons of strategy, business activities, risks, and performance across organizations and within sectors and jurisdictions.
- The level of detail provided in disclosures should enable comparison and benchmarking of risks across sectors and at the portfolio level, when appropriate.
- The placement of reporting would ideally be consistent across organizations—i.e., in financial filings—in order to facilitate easy access to the relevant information.

Principle 6: Disclosures should be reliable, verifiable, and objective

Principle 7: Disclosures should be provided on a timely basis