OBSERVATORY 173 ON CLIMATE & LIFE INSURANCE

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Extraits des rapports au CSF de décembre 2016 "Recommandations of the Task Force on Climate-related Financial Disclosure" et annexes concernant les investisseurs institutionnels

Source : CSF - Recommendations of the Task Force on Climate-related Financial Disclosures – Related information : Implementing the Recommandations of the Task Force on Climate-related Financial Disclosure – Related information : The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities - décembre 2016

Asset owners already reporting climate-related information under other frameworks

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. 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.

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In addition, the Task Force recognizes that many organizations already disclose information on climate-related issues under other voluntary and mandatory reporting frameworks. For these organizations, significant effort has gone into developing processes and collecting information needed for disclosing under these regimes. The Task Force expects preparers disclosing climate-related information under other regimes will be able to use existing processes when providing disclosures in financial filings based on the Task Force's recommendations.

Reporting by asset owners to their clients and beneficiaries

The Task Force believes climate-related financial information should be provided to (…) 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.

(…)

Reporting by Asset Owners - 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.

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Where should preparers disclose?   : *[all sectors]* Preparers of climate-related financial disclosures should provide such disclosures in their mainstream (i.e., public) financial filings. The Task Force recognizes that organizations may want more experience with scenario analysis before including such information in financial filings. While disclosure in mainstream financial filings should be the ultimate goal of preparers, disclosure related to scenario analysis via other forms (e.g., website, sustainability report) may be an interim step on the path to disclosure in mainstream financial filings. Asset owners and asset managers should report to their beneficiaries and clients, respectively, through their existing means of financial reporting, where relevant and where feasible. Asset owners and asset managers are also encouraged to disclose publicly via their websites or other public avenues of disclosure (e.g., sustainability or annual reports).

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[all sectors] What should preparers do if they choose to omit a recommended disclosure? In the case a recommended disclosure is not made, preparers should provide their rationale for omitting the disclosure.

Supplemental guidance for the financial sector
The Task Force developed supplemental guidance for the financial sector with a specific focus on banks, insurance companies, asset managers, and asset owners (which include public- and private-sector pension plans, insurance companies, endowments, and foundations). 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. Such disclosures might also provide a source of data that can be analyzed at a systemic level, to facilitate authorities' assessments of the materiality of any risks posed by climate change to the financial sector, and the channels through which this is most likely to be transmitted.

Reporting GHG Emissions Associated with Investments
As part of the Task Force's discussions with preparers, some asset owners and asset managers expressed concern about reporting on 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, which is mainly limited to listed companies, as well as data gaps for several asset classes, including non-corporate bonds, property/real estate, infrastructure, private equity, and alternative assets. They also noted issues related to methodology, including double counting of emissions and aggregating within an asset class and across multiple asset classes.

The Task Force acknowledges the challenges and limitations of reporting GHG emissions associated with investments, including that GHG emissions should not necessarily be interpreted as a risk metric. However, the Task Force believes reporting metrics that provide some visibility into the concentration of carbon-related assets is important. The Task Force views the reporting of GHG emissions associated with investments as a first step and expects disclosure of this information to prompt important advancements in the development of decision-useful, climate-related risk metrics. As such, the Task Force encourages asset owners and asset managers to report to their beneficiaries and clients GHG emissions associated with their investments, where feasible, consistent with the GHG Protocol methodology and normalized for every million of the reporting currency invested. The Task Force recognizes that some asset owners and asset managers may be able to report such information 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.

Engagements by asset owners with investees and asset managers
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 quality improves, understanding of climate-related risk increases, and risk measurement methodologies are further developed.

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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.

<u>Coordination between asset owner climate risk experts and their finance function</u>
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.

<u>Fundamental principles for effective disclosure</u> *[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, where 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