This is an extract from the Final Report Annex. View the document in full here.

D Supplemental Guidance for the Financial Sector

A key element of the FSB's proposal for the Task Force was the development of climate-related disclosures that "would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks."[13] The FSB's proposal also noted that disclosures by the financial sector would:

- "foster an early assessment of [climate-related] risks" and "facilitate market discipline" and
- "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."

The Task Force organized the financial sector into four major industries, largely based on activities performed, as follows: banks (lending), insurance companies (underwriting), asset managers (asset management), and asset owners, which include public- and private-sector pension plans, endowments, and foundations (investing). Given the important role of the financial sector as preparers of climate-related financial disclosures described in the FSB's proposal, the Task Force identified certain areas where supplemental guidance was warranted, as shown in Figure 8. This supplemental guidance is intended to provide additional context for the financial sector when preparing disclosures consistent with the Task Force's recommendations.

Figure 8
Supplemental Guidance for the Financial Sector

	Governance		Strategy			Risk Management			Metrics and Targets		
Industries	a)	b)	a)	b)	c)	a)	b)	c)	a)	b)	c)
Banks			■			■			■		
Insurance Companies				■	■	■	■		■		
Asset Owners				■	■	■	■		■	■	
Asset Managers				■		■	■		■	■	

[13] FSB, "Proposal for a Disclosure Task Force on Climate-Related Risks," November 9, 2015.

1. Banks

Banks are exposed to climate-related risks and opportunities through their lending and other financial intermediary activities as well as through their own operations. As financial intermediaries, banks may assume exposure to material climate-related risks through their borrowers, customers, or counterparties. Banks that provide loans or trade the securities of companies with direct exposure to climate-related risks (e.g., fossil fuel producers, intensive fossil fuel consumers, real property owners, or agricultural/food companies) may accumulate climate-related risks via their credit and equity holdings. In particular, asset-specific credit or equity exposure to large fossil fuel producers or users could present risks that merit disclosure or discussion in a bank's financial filings. In addition, as the markets for lower-carbon and energy-efficient alternatives grow, banks may assume material exposures in their lending and investment businesses. Banks could also become subject to litigation related to their financing activities or via parties seeking damages or other legal recourse. Investors, lenders, insurance underwriters, and other stakeholders need to be able to distinguish among banks' exposures and risk profiles so that they can make informed financial decisions.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure a) Describe the board's oversight of climate-related risks and opportunities.	**Guidance for All Sectors** In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: – processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues, – whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures, and – how the board monitors and oversees progress against goals and targets for addressing climate-related issues.
Recommended Disclosure b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Guidance for All Sectors** In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues, – a description of the associated organizational structure(s), – processes by which management is informed about climate-related issues, and – how management (through specific positions and/or management committees) monitors climate-related issues.

Strategy

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.

Recommended Disclosure	Guidance
Recommended Disclosure a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Guidance for All Sectors** Organizations should provide the following information: – a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms, – a description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organization and distinguish whether the climate-related risks are transition or physical risks, and – a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization. Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organizations should refer to Tables A1 and A2 (pp. 72-73). **Supplemental Guidance for Banks** Banks should describe significant concentrations of credit exposure to carbon-related assets.[14] Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.
Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Guidance for All Sectors** Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning. Organizations should consider including the impact on their businesses and strategy in the following areas: – Products and services – Supply chain and/or value chain – Adaptation and mitigation activities – Investment in research and development – Operations (including types of operations and location of facilities) Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should also consider including in their disclosures the impact on financial planning in the following areas: – Operating costs and revenues – Capital expenditures and capital allocation – Acquisitions or divestments – Access to capital If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.

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[14] Recognizing that the term carbon-related assets is not well defined, the Task Force encourages banks to use a consistent definition to support comparability. For purposes of disclosing information on significant concentrations of credit exposure to carbon-related assets under this framework, the Task Force suggests banks define carbon-related assets as those assets tied to the energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries.

Strategy

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.

Recommended Disclosure c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Guidance for All Sectors** Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks. Organizations should consider discussing: – where they believe their strategies may be affected by climate-related risks and opportunities; – how their strategies might change to address such potential risks and opportunities; and – the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's report for information on applying scenarios to forward-looking analysis.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure a) Describe the organization's processes for identifying and assessing climate-related risks.	**Guidance for All Sectors** Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks. Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered. Organizations should also consider disclosing the following: – processes for assessing the potential size and scope of identified climate-related risks and – definitions of risk terminology used or references to existing risk classification frameworks used. **Supplemental Guidance for Banks** Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk. Banks should also consider describing any risk classification frameworks used (e.g., the Enhanced Disclosure Task Force's framework for defining "Top and Emerging Risks").[15]
Recommended Disclosure b) Describe the organization's processes for managing climate-related risks.	**Guidance for All Sectors** Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations. In describing their processes for managing climate-related risks, organizations should address the risks included in Tables A1 and A2 (pp. 72-73), as appropriate.

[15] The Enhanced Disclosure Task Force was established by the FSB in to make recommendations on financial risk disclosures for banks. It defined a top risk as "a current, emerged risk which has, across a risk category, business area or geographical area, the potential to have a material impact on the financial results, reputation or sustainability or the business and which may crystallise within a short, perhaps one year, time horizon." An emerging risk was defined as "one which has large uncertain outcomes which may become certain in the longer term (perhaps beyond one year) and which could have a material effect on the business strategy if it were to occur."

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure c)	Guidance for All Sectors
Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Guidance for All Sectors** Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure a)
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Guidance for All Sectors
Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1 and A2 (pp. 72-73). Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.

Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.

Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy.

Metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics.

Supplemental Guidance for Banks
Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term. Metrics provided may relate to credit exposure, equity and debt holdings, or trading positions, broken down by:

- Industry[16]
- Geography
- Credit quality (e.g., investment grade or non-investment grade, internal rating system)
- Average tenor

Banks should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities.[17]

[16] Industry should be based on the Global Industry Classification Standard or national classification systems aligned with financial filing requirements.

[17] Recognizing the term carbon-related assets is not well defined, the Task Force encourages banks to use a consistent definition to support comparability. For purposes of disclosing amounts and percentages of carbon-related assets relative to total assets under this framework, the Task Force suggests banks define carbon-related assets as those assets tied to the energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Guidance for All Sectors** Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks.[18] GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.[19] As appropriate, organizations should consider providing related, generally accepted, industry-specific GHG efficiency ratios.[20] GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.
Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Guidance for All Sectors** Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy. In describing their targets, organizations should consider including the following: – whether the target is absolute or intensity based, – time frames over which the target applies, – base year from which progress is measured, and – key performance indicators used to assess progress against targets.

Alignment of Supplemental Guidance with Other Frameworks

Risk Management Recommended Disclosures		
a)	**EDTF, Enhancing the Risk Disclosures of Banks**	Recommendations 18, 22, 23, 24, 25, 26, 30
	SASB, Commercial Banks: Sustainability Accounting Standard	FN0101-16

Metrics and Targets Recommended Disclosures		
a)	**EDTF, Enhancing the Risk Disclosures of Banks**	Recommendations 26, 28

[18] Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be more strongly impacted by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.

[19] While challenges remain, the GHG Protocol methodology is the most widely recognized and used international standard for calculating GHG emissions. Organizations may use national reporting methodologies if they are consistent with the GHG Protocol methodology.

[20] For industries with high energy consumption, metrics related to emission intensity are important to provide. For example, emissions per unit of economic output (e.g., unit of production, number of employees, or value-added) is widely used.

2. Insurance Companies[21]

For insurance companies, climate-related risks and opportunities constitute a key topic affecting the industry's core business (e.g., weather-related risk transfer business). The scientific consensus is that a continued rise in average global temperatures will have a significant effect on weather-related natural catastrophes and will account for an increasingly large share of natural catastrophe losses.[22]

Users of climate-related financial disclosures are specifically interested in how insurance companies are evaluating and managing climate-related risks and opportunities in their underwriting and investment activities. Such disclosure will support users in understanding how insurance companies are incorporating climate-related risks into their strategy, risk management, underwriting processes, and investment decisions. This guidance applies to the liability (underwriting) side of insurance activities. For insurance companies' investment activities, refer to the supplemental guidance for asset owners.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure a) Describe the board's oversight of climate-related risks and opportunities.	**Guidance for All Sectors** In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: – processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues, – whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures, and – how the board monitors and oversees progress against goals and targets for addressing climate-related issues.
Recommended Disclosure b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Guidance for All Sectors** In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues, – a description of the associated organizational structure(s), – processes by which management is informed about climate-related issues, and – how management (through specific positions and/or management committees) monitors climate-related issues.

[21] Insurance companies include both insurers and re-insurers.
[22] Intergovernmental Panel on Climate Change, *Fifth Assessment Report (AR5),* Cambridge University Press, 2014.

Strategy

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.

<table>
<tr>
<td>Recommended Disclosure a)
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</td>
<td>Guidance for All Sectors
Organizations should provide the following information:
– a description of what they consider to be the relevant short-, medium-, and long-term horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,
– specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organization and distinguish whether the climate-related risks are transition or physical risks, and
– a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization.
Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organizations should refer to Tables A1 and A2 (pp. 72-73).</td>
</tr>
<tr>
<td>Recommended Disclosure b)
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</td>
<td>Guidance for All Sectors
Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.
Organizations should consider including the impact on their businesses and strategy in the following areas:
– Products and services
– Supply chain and/or value chain
– Adaptation and mitigation activities
– Investment in research and development
– Operations (including types of operations and location of facilities)
Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should also consider including in their disclosures the impact on financial planning in the following areas:
– Operating costs and revenues
– Capital expenditures and capital allocation
– Acquisitions or divestments
– Access to capital
If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.

Supplemental Guidance for Insurance Companies
Insurance companies should describe the potential impacts of climate-related risks and opportunities, as well as provide supporting quantitative information where available, on their core businesses, products, and services, including:
– information at the business division, sector, or geography levels;
– how the potential impacts influence client, cedent, or broker selection; and
– whether specific climate-related products or competencies are under development, such as insurance of green infrastructure, specialty climate-related risk advisory services, and climate-related client engagement.</td>
</tr>
</table>

Strategy

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.

Recommended Disclosure c)	Guidance for All Sectors
Recommended Disclosure c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Guidance for All Sectors** Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks. Organizations should consider discussing: – where they believe their strategies may be affected by climate-related risks and opportunities; – how their strategies might change to address such potential risks and opportunities; and – the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's report for information on applying scenarios to forward-looking analysis. **Supplemental Guidance for Insurance Companies** Insurance companies that perform climate-related scenario analysis on their underwriting activities should provide the following information: – description of the climate-related scenarios used, including the critical input parameters, assumptions and considerations, and analytical choices. In addition to a 2°C scenario, insurance companies with substantial exposure to weather-related perils should consider using a greater than 2°C scenario to account for physical effects of climate change and – time frames used for the climate-related scenarios, including short-, medium-, and long-term milestones.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure a)	Guidance for All Sectors
Recommended Disclosure a) Describe the organization's processes for identifying and assessing climate-related risks.	**Guidance for All Sectors** Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks. Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered. Organizations should also consider disclosing the following: – processes for assessing the potential size and scope of identified climate-related risks and – definitions of risk terminology used or references to existing risk classification frameworks used. **Supplemental Guidance for Insurance Companies** Insurance companies should describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks: – physical risks from changing frequencies and intensities of weather-related perils, – transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation, and – liability risks that could intensify due to a possible increase in litigation.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure b) Describe the organization's processes for managing climate-related risks.	**Guidance for All Sectors** Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations. In describing their processes for managing climate-related risks, organizations should address the risks included in Tables A1 and A2 (pp. 72-73), as appropriate. **Supplemental Guidance for Insurance Companies** Insurance companies should describe key tools or instruments, such as risk models, used to manage climate-related risks in relation to product development and pricing. Insurance companies should also describe the range of climate-related events considered and how the risks generated by the rising propensity and severity of such events are managed.
Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Guidance for All Sectors** Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Guidance for All Sectors** Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1 and A2 (pp. 72-73). Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable. Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies. Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy. Metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics. **Supplemental Guidance for Insurance Companies** Insurance companies should provide aggregated risk exposure to weather-related catastrophes of their property business (i.e., annual aggregated expected losses from weather-related catastrophes) by relevant jurisdiction.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Guidance for All Sectors** Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks.[23] GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.[24] As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.[25] GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.
Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Guidance for All Sectors** Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy. In describing their targets, organizations should consider including the following: – whether the target is absolute or intensity based, – time frames over which the target applies, – base year from which progress is measured, and – key performance indicators used to assess progress against targets. Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.

Alignment of Supplemental Guidance with Other Frameworks

Strategy Recommended Disclosures		
b)	**ClimateWise, The ClimateWise Principles**	Subprinciples 3.2, 3.4, 4.1, 4.2

Risk Management Recommended Disclosures		
a)	**SASB, Insurance: Sustainability Accounting Standard**	FN0301-17.65

Metrics and Targets Recommended Disclosures		
a)	**UNEP FI, Principles for Sustainable Insurance**	Principle 1

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[23] Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be more strongly impacted by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.

[24] While challenges remain, the GHG Protocol methodology is the most widely recognized and used international standard for calculating GHG emissions. Organizations may use national reporting methodologies if they are consistent with the GHG Protocol methodology.

[25] For industries with high energy consumption, metrics related to emission intensity are important to provide. For example, emissions per unit of economic output (e.g., unit of production, number of employees, or value-added) is widely used.

3. Asset Owners

Asset owners are a diverse group that include public- and private-sector pension plans, re-/insurance companies, endowments, and foundations and invest assets on their own behalf or on behalf of their beneficiaries. Asset owners invest according to a mandate or investment strategy set out by their oversight body or their beneficiaries. Asset owners have various investment horizons that influence their risk tolerance and investment strategies. Many asset owners have broadly diversified investment portfolios across investment strategies, asset classes, and regions and portfolios with thousands of underlying individual company and government exposures. Asset owners may hire asset managers to invest on their behalf.[26]

Whether asset owners invest directly or through asset managers, asset owners bear the potential transition and physical risks to which their investments are exposed. Similarly, asset owners can benefit from the potential returns on the investment opportunities associated with climate change.

Asset owners sit at the top of the investment chain and, therefore, have an important role to play in influencing the organizations in which they invest to provide better climate-related financial disclosures. Disclosure of climate-related risks and opportunities by asset owners allows beneficiaries and other audiences to assess the asset owner's investment considerations and approach to climate change. This may include an assessment of the asset owner's integration of appropriate climate-related financial information into its investment activities in various ways, for example, in setting investment strategy, making new investment decisions, and managing its existing portfolio. By encouraging climate-related financial disclosures by asset owners, beneficiaries and other stakeholders will be in a position to better understand exposures to climate-related risks and opportunities. Further, climate-related financial disclosures by asset owners may encourage better disclosures across the investment chain—from asset owners to asset managers to underlying companies—thus enabling all organizations and individuals to make better-informed investment decisions.

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Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure a)	Guidance for All Sectors
Describe the board's oversight of climate-related risks and opportunities.	In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: – processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues, – whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures, and – how the board monitors and oversees progress against goals and targets for addressing climate-related issues.

[26] In this role, asset managers also act as fiduciaries. Asset managers invest within the guidelines specified by the asset owner for a given mandate set out in the investment management agreement or the product specification.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure	Guidance for All Sectors
Recommended Disclosure b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Guidance for All Sectors** In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues, – a description of the associated organizational structure(s), – processes by which management is informed about climate-related issues, and – how management (through specific positions and/or management committees) monitors climate-related issues.

Strategy

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.

Recommended Disclosure	Guidance for All Sectors
Recommended Disclosure a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Guidance for All Sectors** Organizations should provide the following information: – a description of what they consider to be the relevant short-, medium-, and long-term horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms, – specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organization and distinguish whether the climate-related risks are transition or physical risks, and – a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization. Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organizations should refer to Tables A1 and A2 (pp. 72-73).
Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Guidance for All Sectors** Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning. Organizations should consider including the impact on their businesses and strategy in the following areas: – Products and services – Supply chain and/or value chain – Adaptation and mitigation activities – Investment in research and development – Operations (including types of operations and location of facilities) Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should also consider including in their disclosures the impact on financial planning in the following areas: – Operating costs and revenues – Capital expenditures and capital allocation

Strategy

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.

	– Acquisitions or divestments – Access to capital If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described. **Supplemental Guidance for Asset Owners** Asset owners should describe how climate-related risks and opportunities are factored into relevant investment strategies. This could be described from the perspective of the total fund or investment strategy or individual investment strategies for various asset classes.
Recommended Disclosure c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Guidance for All Sectors** Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks. Organizations should consider discussing: – where they believe their strategies may be affected by climate-related risks and opportunities; – how their strategies might change to address such potential risks and opportunities; and – the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's report for information on applying scenarios to forward-looking analysis. **Supplemental Guidance for Asset Owners** Asset owners that perform scenario analysis should consider providing a discussion of how climate-related scenarios are used, such as to inform investments in specific assets.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure a) Describe the organization's processes for identifying and assessing climate-related risks.	**Guidance for All Sectors** Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks. Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered. Organizations should also consider disclosing the following: – processes for assessing the potential size and scope of identified climate-related risks and – definitions of risk terminology used or references to existing risk classification frameworks used. **Supplemental Guidance for Asset Owners** Asset owners should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure b) Describe the organization's processes for managing climate-related risks.	**Guidance for All Sectors** Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations. In describing their processes for managing climate-related risks, organizations should address the risks included in Tables A1 and A2 (pp. 72-73), as appropriate. **Supplemental Guidance for Asset Owners** Asset owners should describe how they consider the positioning of their total portfolio with respect to the transition to a lower-carbon energy supply, production, and use. This could include explaining how asset owners actively manage their portfolios' positioning in relation to this transition.
Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Guidance for All Sectors** Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Guidance for All Sectors** Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1 and A2 (pp. 72-73). Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable. Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies. Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy. Metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics. **Supplemental Guidance for Asset Owners** Asset owners should describe metrics used to assess climate-related risks and opportunities in each fund or investment strategy. Where relevant, asset owners should also describe how these metrics have changed over time. Where appropriate, asset owners should provide metrics considered in investment decisions and monitoring.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Guidance for All Sectors** Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks.[27] GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.[28] As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.[29] GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics. **Supplemental Guidance for Asset Owners** Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy. In addition, asset owners should provide other metrics they believe are useful for decision making along with a description of the methodology used. See Table 2 (p. 43) for common carbon footprinting and exposure metrics, including weighted average carbon intensity. *Note: 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. 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. The Task Force recognizes that some asset owners may be able to report weighted average carbon intensity for only a portion of their investments given data availability and methodological issues.*
Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Guidance for All Sectors** Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy. In describing their targets, organizations should consider including the following: – whether the target is absolute or intensity based, – time frames over which the target applies, – base year from which progress is measured, and – key performance indicators used to assess progress against targets. Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.

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[27] Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be more strongly impacted by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.

[28] While challenges remain, the GHG Protocol methodology is the most widely recognized and used international standard for calculating GHG emissions. Organizations may use national reporting methodologies if they are consistent with the GHG Protocol methodology.

[29] For industries with high energy consumption, metrics related to emission intensity are important to provide. For example, emissions per unit of economic output (e.g., unit of production, number of employees, or value-added) is widely used.

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4. Asset Managers

Asset managers, also known as investment managers, are hired by clients to invest assets on their behalf. In this role, asset managers act as fiduciaries. Asset managers invest within the guidelines specified by their clients for a given mandate set out in an investment management agreement or product specification. Importantly, the investment results, whether positive or negative, belong to the client.[30]

Asset managers' clients, as owners of the underlying assets, bear the major portion of the potential transition and physical risks to which their investments are exposed. Similarly, asset managers' clients will benefit from the potential returns on the investment opportunities associated with the transition to a lower-carbon economy. The relevance of climate-related risks and opportunities to an asset manager and its asset owner clients will depend on a number of variables, including its investment styles and objectives, the asset classes in which it invests, the investment mandates, as well as other factors.

In the case where an asset manager is a public company, it has two distinct audiences for its climate-related financial disclosures. The first audience is its shareholders, who need to understand enterprise-level risks and opportunities and how these are managed. The second is its clients, for whom product-, investment strategy-, or client-specific disclosures are more relevant.

Asset managers' clients rely on reporting from asset managers to understand how climate-related risks and opportunities are managed within each of their portfolios. The guidance provided below addresses considerations for asset managers when reporting to their clients.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure a) Describe the board's oversight of climate-related risks and opportunities.	**Guidance for All Sectors** In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: – processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues, – whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures, and – how the board monitors and oversees progress against goals and targets for addressing climate-related issues.
Recommended Disclosure b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Guidance for All Sectors** In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues, – a description of the associated organizational structure(s), – processes by which management is informed about climate-related issues, and – how management (through specific positions and/or management committees) monitors climate-related issues.

[30] Introductory language sourced from: Blackrock, "BlackRock Worldwide Leader in Asset and Risk Management," 2016.

Strategy

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.

Recommended Disclosure	Guidance
Recommended Disclosure a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Guidance for All Sectors** Organizations should provide the following information: – a description of what they consider to be the relevant short-, medium-, and long-term horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms, – specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organization and distinguish whether the climate-related risks are transition or physical risks, and – a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization. Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organizations should refer to Tables A1 and A2 (pp. 72-73).
Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Guidance for All Sectors** Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning. Organizations should consider including the impact on their businesses and strategy in the following areas: – Products and services – Supply chain and/or value chain – Adaptation and mitigation activities – Investment in research and development – Operations (including types of operations and location of facilities) Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should also consider including in their disclosures the impact on financial planning in the following areas: – Operating costs and revenues – Capital expenditures and capital allocation – Acquisitions or divestments – Access to capital If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described. **Supplemental Guidance for Asset Managers** Asset managers should describe how climate-related risks and opportunities are factored into relevant products or investment strategies. Asset managers should also describe how each product or investment strategy might be affected by the transition to a lower-carbon economy.

Strategy

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.

Recommended Disclosure c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Guidance for All Sectors** Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks. Organizations should consider discussing: – where they believe their strategies may be affected by climate-related risks and opportunities; – how their strategies might change to address such potential risks and opportunities; and – the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's report for information on applying scenarios to forward-looking analysis.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure a) Describe the organization's processes for identifying and assessing climate-related risks.	**Guidance for All Sectors** Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks. Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered. Organizations should also consider disclosing the following: – processes for assessing the potential size and scope of identified climate-related risks and – definitions of risk terminology used or references to existing risk classification frameworks used. **Supplemental Guidance for Asset Managers** Asset managers should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks. Asset managers should also describe how they identify and assess material climate-related risks for each product or investment strategy. This might include a description of the resources and tools used in the process.
Recommended Disclosure b) Describe the organization's processes for managing climate-related risks.	**Guidance for All Sectors** Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations. In describing their processes for managing climate-related risks, organizations should address the risks included in Tables A1 and A2 (pp. 72-73), as appropriate. **Supplemental Guidance for Asset Managers** Asset managers should describe how they manage material climate-related risks for each product or investment strategy.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Guidance for All Sectors** Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Guidance for All Sectors** Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1 and A2 (pp. 72-73). Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable. Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies. Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy. Metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics. **Supplemental Guidance for Asset Managers** Asset managers should describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, asset managers should also describe how these metrics have changed over time. Where appropriate, asset managers should provide metrics considered in investment decisions and monitoring.
Recommended Disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Guidance for All Sectors** Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks.[31] GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.[32] As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.[33] GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide

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Metrics and Targets

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	a description of the methodologies used to calculate or estimate the metrics. **Supplemental Guidance for Asset Managers** Asset managers should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy. In addition, asset managers should provide other metrics they believe are useful for decision making along with a description of the methodology used. See Table 2 (p. 43) for common carbon footprinting and exposure metrics, including weighted average carbon intensity. *Note: 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. 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. The Task Force recognizes that some asset managers may be able to report weighted average carbon intensity for only portion of the assets they manage given data availability and methodological issues.*
Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Guidance for All Sectors** Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy. In describing their targets, organizations should consider including the following: – whether the target is absolute or intensity based, – time frames over which the target applies, – base year from which progress is measured, and – key performance indicators used to assess progress against targets. Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.

Alignment of Supplemental Guidance with Other Frameworks

Strategy Recommended Disclosures		
b)	**PRI, Reporting Framework 2016 Strategy and Governance**	SG12.1, SG12.2

Risk Management Recommended Disclosures		
a)	**SASB, Asset Management & Custody Activities: Sustainability Accounting Standard**	FN0103-15
	PRI, Reporting Framework 2017 Strategy and Governance	SG13.2

Metrics and Targets Recommended Disclosures		
a)	**AODP, Global Climate Risk Survey 2017 for Asset Managers**	2.13, 3.01
	SASB, Asset Management & Custody Activities: Sustainability Accounting Standard	FN0103-18
	PRI, Reporting Framework 2017 Strategy and Governance	SG13.3
b)	**PRI, Reporting Framework 2017 Strategy and Governance**	SG13.3