Coverage and Audiences

1.
Which types of non-financial firms should any disclosure recommendations cover? List in order of importance.
Drag items from the left-hand list into the right-hand list to order them.

- [8] Consumer Discretionary (auto, durables, retailing, etc.)
- [4] Consumer Staples (food, beverage, household etc.)
- [1] Energy (equipment, services, oil, gas etc.)
- [5] Health Care (equipment, services, pharma, biotech, etc.)
- [6] Industrials (capital goods, commercial services, transport)
- [9] Information Technology (semiconductors, software, hardware, etc.)
- [3] Materials (chemicals, construction, metals & mining, paper & forest, etc.)
- [7] Telecommunications (diversified, wireless, etc.)
- [2] Utilities (electric, gas, renewables, water)

Please list any other recommendations

N/A

Characters used: **0** out of 700.

2.
Which types of financial firms should any disclosure recommendations cover? Check all that apply.

- [x] Banks (diversified, thrifts, mortgage, etc.)
- [x] Diversified Financials (asset management, investment banking/broker-dealer, consumer)
- [x] Insurance (brokers, multi-line, property, reinsurance, etc.)
- [x] Real Estate (REITS, management and development)
- [x] Credit Rating Agencies
- [x] Investment Consultants
- [x] Pension Funds/Schemes
- [ ] Other

3.
Which users in the financial sector should be considered as the target audience? Check all that apply.

- ☑ Investors (including insurance, asset managers, funds, pensions, etc.)
- ☑ Banks (diversified, commercial, project finance)
- ☑ Broker-Dealers and Investment Banks
- ☑ Credit Rating Agencies
- ☑ Consultants/Advisory
- ☐ Other

Disclosures should focus on investors as the primary users of information.

Climate Risk Dimension

4.
For non-financial preparers of climate risk and opportunity information, what are the top three key concerns that you would like the Task Force to keep in mind in making our recommendations?

- Financially material information should be in the same place - in the UK this should be within the strategic report. Data should be comparable over sectors as far as possible.
- Time pressures and staff workloads around AGM season are considerably reduced for companies that properly integrate sustainability issues into their business model.
- Only information of strategic value should be included keeping the report as concise as possible.

5.
For users of climate risk and opportunity information, what are five specific points of information that you wish to secure?

- Financial risks and opportunities related to climate change including:
  - Risks and opportunities from the physical effects of climate change
  - Reputational risks and opportunities
  - Litigation risks and opportunities
- What policies the company has put in place to manage these risks and opportunities
- The environmental impact of the company's activities e.g. carbon emissions.
- The consequences of climate change on the company's activities.

6.
Are there any best practice disclosures of climate risks by companies that you would like to bring to our attention? What specific climate elements of this disclosure would you like to highlight? (Please limit to two examples)

- The CDSB Framework provides suggested best practice disclosure methodologies for companies.[1]

7. "Transition Risk" in terms of climate is an evolving term. How would you define this risk? What specific disclosures would help measure it?

- The transition risk is a necessarily broad one because it is the "business as usual" risk.
- The transition risk will be examined by the Energy Transition Risk Project (which is funded by the EU Commission Horizons 2020 project). The FSB task force should look to engage with the ETRP as soon as possible.

8.
Which three sectors do you think are most exposed to climate risks? For these sectors, how are physical, transition and liability risks best measured and reported?

- Carbon sector – risk to sector as well as liability risk to finance companies if stranding risk was not mentioned in fund ratings.
- Utilities/energy – predominantly transition risk.
- Finance – clearly and significantly exposed to climate risk and liability risk in the transition.

9.
How should the task force consider the challenge of aggregate versus sector-specific climate-related financial risks and opportunities?

N/A

10.
Is there a role for scenario and sensitivity analysis – for the non-financial and/or financial sectors? Please provide three specific examples.

- In February carbon stress testing was called for by the European Systemic Risk Board to assess the potential materiality of any transition risks- both sudden and late.[2]
- The next EIOPA pension fund stress test will take place in 2017 and as ESRB devises its next scenario it would be helpful for the task force to engage with them to push for carbon stress testing.

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[1] Available at http://www.cdsb.net/sites/cdsbnet/files/cdsbframeworkguidev1_0_2.pdf
[2] Available at https://www.esrb.europa.eu/pub/pdf/asc/Reports_ASC_6_1602.pdf

Asset Class Dimension

11.
Which are the key asset classes that require initial attention? Are there any gaps that we should focus on? Within this, what are the top two priorities for action? (Limit 1000 characters).

- ☑ Equities
- ☐ Fixed Income
- ☐ Commodities
- ☐ Project and Infrastructure Finance
- ☐ Real Estate
- ☐ Private Equity
- ☑ Loans and other bank financing
- ☐ Other

  - Banks- As the FSB has noted, because banks are in every country and every sector they are significantly exposed to the impact of climate-related risks. The 2015 survey by Boston Common Asset Management of 61 global banks shows climate risk is still a major area of concern in lending and underwriting portfolios across all regions and the task force should ensure bank financing is included in its remit.
  - Equities- A key asset class since losses will be early and could be dramatic.

Intermediary/User Scope

12.
Considering the breadth of services the capital supply chain provides, please provide up to three examples of leading work (research or other) from sell-side brokers' investment recommendations, listing rules of stock exchanges, portfolio management and stewardship examples by fund managers, fund-manager recommendations by consultants, or others we should consider.

- Carbon Tracker –has developed research and frameworks that approach climate change as an immediate and future issue that will affect everyone.
- From the Stockholder to the Stakeholder – Arabesque published the findings of a sustainability meta-study in 2014 (updated March 2015) which showed a clear correlation between corporate sustainability and business performance.

13.
Please identify three examples of existing practice of climate risk disclosures you consider to be effective by investment banks, stock exchanges,

investment managers, investment consultants and asset owners? Please indicate preparer and type of disclosure.

- Sustainable Stock Exchanges Initiative – The SSEI has developed guidance on reporting ESG information to investors. The document is meant as a voluntary tool for stock exchanges to guide issuers.[3]
- The Pensions Roundtable Guide to Responsible Investment Reporting in Public Equity – the Pension Fund Roundtable (PFR), consisting of sixteen funds with assets of over £200bn, issued a report outlining the type of reporting on environmental, social and governance issues and on stewardship they wanted from their asset managers.[4]

14.
How can climate risk information be simply summarized for retail investors? What standards or mechanisms exist for assuring end investors that climate risks and opportunities have been considered in the way that their savings and investment and pension products have been managed?

It may currently be impractical to summarise climate risk information for either retail or institutional investors given the complexity of issues. The market is addressing the problem with many and different systems emerging. In the UK these range from those produced by small, NGO or not-for-profit organisations, to products from large multinational entities. It is fair to say that all have been subject to greater or lesser degrees of criticism.

We note that in France, Germany and Australia ratings and labels have had some success and this may suggest the issues in the UK are linked to the nature of the market.

We urge the task force to examine this area carefully bearing in mind that a global solution may not be possible.

Macro Scope

15.
In conducting macroeconomic analysis, what are the top three key measures of macroeconomic climate risk performance when seeking to measure the extent to which the global economy is transitioning towards net zero emissions?

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[3] Available at http://www.sseinitiative.org/wp-content/uploads/2015/10/SSE-Model-Guidance-on-Reporting-ESG.pdf

[4] Available at http://council.lancashire.gov.uk/documents/s59062/Responsible%20Investment%20Report%20Appendix%20C.pdf

- Peaking of oil and gas consumption
- Decoupling of global emissions and growth
- Carbon tax revenues

16.
One way to measure transition risk is by considering disclosures based on sector/market analysis. What scenario planning work is currently available in this area?

17.
The United Nations Framework Convention on Climate Change (UNFCCC) five yearly "global stocktakes" seek to establish in part whether financial flows are consistent with the less-than-two-degree scenarios. Are there any climate-risk disclosure recommendations that would appropriately feed into such an effort?

Characters used: **0** out of 1000.

Looking Ahead

18.
How should the Task Force define "success"?

Characters used: **0** out of 1000.

19.
What are the key barriers that you believe the Task Force needs to overcome?

Characters used: **0** out of 1000.

20.
Is the Task Force focused on the appropriate set of topics for its Phase II work plan?

- Yes

- ○ No

21.
What additional topics should it consider?

Characters used: **0** out of 1000.

22.
The Task Force plans to reach out to a broad sample of key stakeholders in the preparer, user and standard setting communities. Are there particular types of entities or organizations that you believe the Task Force should reach out to?

The SIFs have a unique breadth of the financial sector as well as expertise in specific markets and regions. UKSIF would be happy to facilitate discussions in the UK and the Global Sustainable Investment Alliance (GSIA) would happily facilitate discussions globally.