Welcome to the Climate & Resilience (EX) Task Force: Climate Disclosure Workstream 3

- All audio will be muted upon entry
- Prior to speaking, unmute both Webex and your cell phone
- If you have joined by phone, to mute and unmute your line, press *6
- Enter with video on or off (your choice)
- Use the “Chat” feature for questions, comments or assistance from moderators
- For any technical challenges please contact the NAIC Technical Support Team at MeetingTechHelp@naic.org or 866-874-4905
- The meeting is being recorded
- Task Force members, please post in Chat that you are present
Date: 2/16/21

Virtual Meeting

CLIMATE AND RESILIENCY (EX) TASK FORCE
CLIMATE RISK DISCLOSURE WORKSTREAM

Wednesday, February 17, 2020
2:00 – 3:15 p.m. ET / 1:00 – 2:15 p.m. CT / 12:00 – 1:15 p.m. MT / 11:00 a.m. – 12:15 p.m. PT

ROLL CALL

Andrew R. Stolfi, Vice Chair, Oregon
Linda A. Lacewell, New York
Grace Arnold, Minnesota
Mike Kreidler, Washington

NAIC Support Staff: Anne Obersteadt/Jennifer Gardner

AGENDA

1. Hear a Presentation on Use of Climate Disclosures — Shivani Patel (RBC Global Asset Management (U.S.) Inc.)

2. Hear a Presentation on Brief Perspectives on the NAIC Climate Risk Disclosure Survey — Shiva Mitra (Sustainalytics)

3. Discuss Questions on Climate Disclosure Revision Objectives — Commissioner Andrew R. Stolfi (OR)

4. Discuss Any Other Matters — Commissioner Andrew R. Stolfi (OR)

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Hear a Presentation on Use of Climate Disclosures

— Shivani Patel (RBC Global Management (U.S.) Inc.)
Hear a Presentation on Brief Perspectives on the NAIC Climate Risk Disclosure Survey

— Shiva Mitra (Sustainalytics)
NAIC Climate Disclosure Workstream

Brief Perspective on Climate Risk Disclosure Survey Questionnaire

Shiva Mitra
Lead Analyst | Insurance, Asset Management and Real Estate Research

February 2021
NAIC Climate Disclosure Questionnaire & Sustainalytics Indicators: A Brief Comparison
High-level Comparison

- NAIC questionnaire broadly in line with disclosures sought by Sustainalytics while rating issuers
- Scope for improvement exists in terms of clustering the questions
- Aim should be to increase granularity, with questions seeking better disclosures on goals and performance
  - May lead to better y-o-y comparability on the issuers’ progress towards a low-carbon future
Sustainalytics’ Key Indicators For Assessing Climate Related Risks (1/2)

- **Environmental Policy**
  Quality of the company’s commitment to protect the environment.

- **Scope of GHG Reporting**
  Focuses on corporate reporting on GHG emissions.

- **GHG Reduction Programme**
  Strength of a company’s initiatives to manage and reduce greenhouse gas (GHG) emissions associated with its own operations.

- **Green Procurement Policy**
  Quality of a company’s green procurement’s commitment and initiatives.

- **Environmental Management System (EMS)**
  Quality and scope of a company’s Environmental Management System.

- **EMS Certification**
  Assessment of the percentage of ISO 14001 certified (or similarly certified) sites.

**SUSTAINALYTICS INDICATORS MAPPED TO NAIC QUESTIONS**

- Environmental Policy: 1
- Scope of GHG Reporting: 1
- GHG Reduction Programme: 1
- Green Procurement Policy: 1
- Environmental Management System (EMS): 2,3
- EMS Certification: 2,3
Sustainalytics’ Key Indicators For Assessing Climate Related Risks (2/2)

Physical Climate Risk Management
Strength of a company’s initiatives to measure, disclose and manage the physical risks posed by climate change (i.e., extreme weather conditions, such as storms, floods, droughts).

Underwriting Standards
Strength of the company’s initiatives to incorporate environmental and social issues into a financial institution’s core insurance underwriting practices, i.e. in the evaluation of risks and the acceptance, modification, or rejection of a prospective insurance client.

Responsible Asset Management
Assessment of the existence and the importance of responsible asset management within the company.

Responsible Investment Policy
Assessment of the company's policy on responsible investment (RI).

Responsible Investment Programme
Measures how investment managers and asset owners (i.e., insurance companies, banks investing their own assets) integrate ESG factors into investment decisions.
Scope for Improvement: Granularity, Goals and Performance

**Granularity**

Disclosures can be better aligned to Commitments, Responsibilities and Processes to improve granularity

**Commitments**
- Environmental Protection
- Creating Awareness (Trainings)
- EMS implementation
- Efficient energy/natural resource usage
- Underwriting / Investments: Integrate 'E' factors

**Responsibility**
- Clear Governance structures
- Clear roles/responsibilities
- Managerial responsibility for responsible underwriting / investment

**Processes**
- Identification of products, activities, services and geographies with significant impact
- Recognition of the physical risks
- Initiatives to manage/adapt (e.g. facility standards, trainings)
- EMS External Certifications / Environmental audits with predefined frequency
- Employee training and awareness
- Integrating climate change risks into regular risk assessments/business strategy
- Underwriting: Operating guidelines underwriting includes 'E' factors
- Investments: Operating guidelines underwriting includes 'E' factors
- Investments: Requiring investment managers to integrate 'E' factors into investment strategies
- Investments: Continuous monitoring of risks and active ownership
- Corrective actions

**Goals & Performance**

Well-defined objectives, targets and deadlines may help better assess y-o-y performance

**Objectives & Reporting**
- Well defined objectives, targets and deadlines
- Detailed reporting (risk drivers & details - timeframe, impact, likelihood)
- Underwriting: Exclusion of clients based on 'E' factors
- Investments: Exclusions based on 'E' factors
- Investments: Reporting on RI implementation and performance
- Monitoring and measurement of 'E' impacts (Underwriting + Investments)
- Environmental performance records (training records, audit results, management reviews)

Note: All lists are indicative.
For more information, please contact:

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Insurance, Asset Management & Real Estate Research  
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Annexures
## Annexure 1 – NAIC Insurer Climate Risk Disclosure Survey Questionnaire

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?</td>
</tr>
<tr>
<td>2</td>
<td>Does the company have a climate change policy with respect to risk management and investment management?</td>
</tr>
<tr>
<td>3</td>
<td>Describe your company’s process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.</td>
</tr>
<tr>
<td>4</td>
<td>Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.</td>
</tr>
<tr>
<td>5</td>
<td>Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.</td>
</tr>
<tr>
<td>6</td>
<td>Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.</td>
</tr>
<tr>
<td>7</td>
<td>Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.</td>
</tr>
<tr>
<td>8</td>
<td>Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modelling.</td>
</tr>
</tbody>
</table>

Source: [https://www.naic.org/documents/committees_explen_climate_survey_032810.pdf](https://www.naic.org/documents/committees_explen_climate_survey_032810.pdf)
Discuss Questions on Climate Disclosure Revision Objectives

—Commissioner Andrew R. Stolfi (OR)
Questions to Determine Objectives of NAIC Climate Disclosures

The following questions are designed to gain a solid foundation of the goals of climate disclosures. The responses will guide discussions on how the current climate disclosure framework should be revised to be more effective.

1) Who is the audience and what do they wish to glean from the results?
   a) What qualitative and quantitative metrics do they need?
   b) How should the information in the survey be formatted to be useful?

2) Who should report?
   a) What is the threshold?
   b) Should it be compulsory?
   c) What states are participating?

3) What report framework should be used?
   a) TCFD?
   b) NAIC Climate Disclosure Survey?
   c) Another framework (such as CDP)?
   d) Some combination?

4) How should the questions be designed?
   a) Multiple choice?
   b) Open-ended?
   c) Close-ended (rating scale, dropdown, ranking, etc.)?

5) When should the information be reported and what is the effective date of the changes?

6) Where should climate disclosures be reported?
   a) Continue to make it available through California’s website?
   b) Build an NAIC repository?
   c) Directed to the domestic state?

7) How should the results be made available?
   a) Only to regulators?
   b) Publicly available (as it is today)?