

Task Force on Climate-related Financial Disclosures Consultation

- Relevant documents:

Recommendations of the Task Force on Climate-related Financial Disclosures - https://www.fsb-tcf.org/wp-content/uploads/2016/12/16_1221_TCFD_Report_Letter.pdf

Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures - https://www.fsb-tcf.org/wp-content/uploads/2016/12/18_1216_TCFD-Annex-A4.pdf

- Attachments to the consultation response:

Eumedion position statement on climate change - <http://eumedion.nl/nl/public/kennisbank/position-papers/2016-10-climate-change-statement.pdf>

2017 Eumedion Focus Letter -

<http://www.eumedion.nl/en/public/knowledgenetwork/speerheadsletter/2017-focus-letter.pdf>

Q1: Organizational Decision-Making

If organizations disclose the information consistent with the Task Force's recommendations, how useful will that information be to your organization in making decisions (e.g., investment, lending, and insurance underwriting decisions)?

Please select ONE only.

- Very useful
- Quite useful
- Neither/nor
- Not very useful
- Not useful at all
- Don't know

Q2: Organizational Decision-Making

Please provide more detail on your response in the box below.

The pension funds, insurance companies and asset managers that are participating in the Dutch corporate governance and sustainability platform Eumedion, believe that climate change is one of the biggest systemic risks the world currently faces. The challenges of climate change, both the physical impact and the need for a timely and controlled transition, pose risks and provide opportunities to companies. How these risks and opportunities are managed by boards of companies is likely to affect the long-term returns for institutional investors. To better factor climate-related effects into investment

decision-making processes, Eumedion participants consider the disclosures as recommended by the Task Force as very useful and relevant.

Q3: Additional Disclosures

What other climate-related financial disclosures would you find useful that are not currently included in the Task Force's recommendations?

Please provide your response in the box provided.

1. Material climate-related incidents during the reporting period

Based on the current recommendations of the Task Force, organisations are required to describe how climate-related risks are identified, assessed and managed. Organisations should, however, also report on the most important findings and conclusions of the assessment and what follow-up action has been agreed. Eumedion further recommends to add a description of actual material climate-related incidents, including any key lessons learned to mitigate similar cases in the future.

2. Financial impact

Besides a description of the potential impact of different climate change scenarios, organisations should report on any expected material financial impact of these risks after implementing any mitigating measures. This financial indicator should describe the risk in case the mitigating measures are not, or insufficiently capable of managing the potential impact.

Q4: Scenario Analysis

The Task Force recommends organizations describe how their strategies are likely to perform under various climate-related scenarios, including a 2°C scenario (see page 16 of the TCFD report). How useful is a description of potential performance across a range of scenarios to understanding climate-related impacts on an organization's businesses, strategy, and financial planning?

Please select ONE only.

- **Very useful**
- Quite useful
- Neither/nor
- Not very useful
- Not useful at all
- Don't know

Q5: Scenario Analysis

Please provide more detail on your response in the box below.

A description of various scenarios can be useful, especially those scenarios that form the backbone of the Paris Agreement (the 2°C scenario and the 1.5°C scenario). Another key scenario is the aim of the Paris Agreement for a net zero-emissions economy by the second half of this century. The Task Force should clarify that the scenario analysis requested is not just the world today plus 1.5 °C. A more comprehensive approach is needed that specifies the political, societal and environmental circumstances of each scenario. For many experts drafting such scenarios will prove to be quite a challenge and it may well be way beyond the expertise of individual reporting entities to outline those consequences. For example, what impact will a(n) (un)successful energy transition have on oil prices, oil availability, the rise in sea level, biodiversity, population growth, economic growth, migration, is the energy transition enforced by prohibition, caps or by taxes or promoted by subsidies? Maybe the task force can clarify that reporting entities should draft and report comprehensive scenarios. The task force could choose to explain that external expertise is likely to be needed to draft those comprehensive scenarios and the specific consequences for the individual reporting entities. Based on these scenarios, organisations can indicate the impact of these comprehensive scenarios for their business, strategy and financial planning.

Q6: Scenario Analysis

The Task Force recognizes that there are challenges around disclosing sufficient information to allow a better understanding of the robustness of an organization’s strategy and financial plans under different plausible climate-related scenarios. Some challenges may arise from unfamiliarity with scenario methodologies and metrics, insufficient practice standards, or cost. What do you view as effective measures to address potential challenges around conducting scenario analysis and disclosing the recommended information?

Please rank up to three most effective factors that apply. Please rank by dragging from left to right where "1" is your top factor.

- 1. Further work by industry trade groups and disclosure users on critical elements to be disclosed is needed to help overcome concerns that some information may be commercially sensitive**
- 2. Reduce the cost of conducting and disclosing scenario analysis**
- 3. Additional methodologies and tools should be developed for use by organizations to enable more effective scenario analysis**
- 4. Allow a year or two to phase-in scenario analysis and related disclosures**

5. **Establish better practice standards around conducting and disclosing scenario analyses so that there are clearer rules of the road**

6. **Other (please specify below)**

Other (please specify): -

- We do not anticipate any difficulties
- Not applicable

Proposed ranking:

5, 3, 1

Q7: Scenario Analysis

Please provide more detail on your first choice in the box below.

Participants of Eumedion believe that a limited number of scenarios to report on would be beneficial for the overall quality of the disclosures. Providing very prescriptive guidelines may result in a checking-the-box exercise by preparers. In stead of being too prescriptive, a more principle-based approach would suffice to capture a useful outcome for institutional investors and other stakeholders.

Q8: Metrics and Targets

The Task Force is recommending that organizations disclose the metrics they use to assess climate-related risks and opportunities in line with their strategy and risk management process. For certain sectors, the report provides some illustrative examples of metrics to help organizations consider the types of metrics they might want to consider. How useful are the illustrative examples of metrics and targets?

For illustrative examples see the following pages in the TCFD Annex

- Energy Group: pages 54-58
- Transportation Group: pages 66-70
- Materials and Buildings Group: pages 78-82
- Agriculture, Food, and Forest Products Group: pages 91-94

Please select ONE only.

- Very useful
- Quite useful

- Neither/nor
- Not very useful
- Not useful at all
- Don't know

Q9: Metrics and Targets

Please provide more detail on your response in the box below.

Organisations should report the most appropriate metrics for their operations and set the relevant targets to contribute to greenhouse gas emission reductions. For institutional investors, standardisation and comparability of information is desirable, to analyse the carbon footprint of their portfolio. But in this phase it is more important that companies have a certain degree of freedom to define the most relevant measures as long as it remains clear how these measures are defined. Besides disclosure of metrics and targets related to the different scenario analysis, Eumedion participants believe that organisations (especially large corporates) have the responsibility to provide an overview of the efforts to help deliver the goals of the Paris Agreement.

Q10: Carbon-Related Assets in the Financial Sector

Part of the Task Force's remit is to develop climate-related disclosures that would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector.

Beyond the metrics included in the Task Force's guidance, and supplemental guidance, what other metrics could be used to measure carbon-related assets in the financial sector?

Please provide your responses in the boxes provided.

Please note: the term carbon-related assets is not well-defined, but is generally considered to refer to assets or organizations with relatively high direct or indirect greenhouse gas emissions. The Task Force believes further work is needed on defining carbon-related assets and their potential financial impacts.

- 1: The CO2 intensity per currency unit invested. For each individual investment this can be measured by annual CO2 emissions of company A / market capitalisation of company A. For a portfolio of companies a weighted average can be calculated which is comparable with amongst portfolios.
- 2: Indirect exposure of financial companies via the lending portfolio, the investment portfolio and the financial services offered.
- 3:
- 4:

- Don't know

Q11: Carbon-Related Assets in the Financial Sector

The Task Force is recommending that organizations provide key metrics used to measure and manage climate-related risks and opportunities. For example, the Task Force recommends that asset owners (including insurance companies) and asset managers report normalized Greenhouse Gas emissions associated with investments they hold (for each fund, product, and strategy) using available data (see Annex pages 35 and 41).

Please describe your views on the feasibility of implementing the above recommendation.

Please provide your response in the box provided.

Depending on available data, institutional investors should be able to indicate the CO₂-intensity of their investment portfolio per currency unit invested. This analysis provides relevant information to investors and their supervisors. First, the CO₂-intensity of an investment portfolio indicates the risk of the portfolio being impacted by the transition towards a low-carbon economy. A high exposure to CO₂ poses a risk to the value of the investment.

Second, monitoring the CO₂ emissions of individual investments not only raises awareness of risks, it may also cause investors to mitigate risks through engagement with management.

Q12: Greenhouse Gas Emissions (GHG) Associated with Investments

How useful would the disclosure of Greenhouse Gas emissions associated with investments be for economic decision-making purposes (e.g., investing decisions)?

Please select ONE only.

- Very useful
- Quite useful
- Neither/nor
- Not very useful
- Not useful at all
- Don't know

Q13: Greenhouse Gas Emissions (GHG) Associated with Investments

Why do you say that?

Please provide your response in the box provided.

To enable for a timely and controlled energy transition towards a net-zero economy, insights in greenhouse gas emissions associated with investments are very relevant, together with consistent government policies. Data on greenhouse gas intensity of investments is key to indicate the risks associated with the investment. On the other hand, these data provide an opportunity for low-carbon investments and enable finance to flow towards a climate-neutral economy.

Q14: Remuneration

Which types of organizations should describe how performance and remuneration take climate-related issues into consideration?

Please select ALL that apply.

- The Energy Group as recommended by the Task Force
- Other non-financial sector organizations (please specify) Other non-financial sector organizations (please specify)
- Financial sector organizations (please specify)
- None

[Additional comment provided under Q15]

Q15: Additional Feedback

What additional feedback you would like to provide the Task Force on the recommendations?

Please provide your response in the box provided.

Besides quantitative information using the metrics and targets provided in the Task Force's recommendations, organisations should provide a qualitative review of the identified climate change related risks and opportunities for the organisations' business strategy. In line with Eumedion's views, the FSB could recommend to report in line with the Integrated Reporting framework as developed by the International Integrated Reporting Council (IIRC).

Also, it is important to highlight that besides the disclosures on climate change-related risks and opportunities as recommended by the Task Force, organisations should provide an overview of the efforts to help deliver the goals of the Paris Agreement, accompanied by relevant data and targets.

All organisations should also take climate-related issues into consideration when drafting a remuneration policy. When relevant, performance indicators should be developed and included in the

remuneration policy to strengthen the organisation's effort to cut greenhouse gas emissions and contribute to a net-zero carbon economy.

Finally, we would recommend the Task Force to establish an informal network of companies, stakeholders and regulators that exists primarily to share privately views, experiences and good practice on issues relating to the climate-related financial disclosures. In addition, the network could share factual information on the implementation of the final recommendations of the Task Force on Climate-related Financial Disclosures and publicly report on the progress made.