
CDP Technical Note: Reporting guidance for financial services sector companies responding to CDP

CDP Climate Change Questionnaire 2019



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1. Introduction

The redirection of capital towards sustainable solutions is essential if we are to meet the goals of the Paris Agreement and the SDGs. Financial institutions can play a pivotal role in accelerating the transition to a low-carbon future. The [recommendations](#) of the Task Force on Climate-related Financial Disclosures (TCFD) highlight the important role of the financial sector as preparers of climate-related financial disclosures. Disclosure by this sector will enable investors, central banks, regulators/supervisors and other relevant stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The Task Force has provided supplemental guidance, where warranted, to provide additional context for the financial sector when preparing disclosures consistent with the Task Force's recommendations. This guidance focuses on the importance of considering the impacts of climate-related issues in the context of their financial activities such as lending, financial intermediary, investment and/or insurance underwriting activities.

As a general guide, financial services sector companies should respond to the CDP climate change questionnaire in the context of these activities, in addition to operational activities.

This Technical Note should be used alongside CDP's [2019 climate change reporting guidance](#). It provides specific guidance to financial services sector companies responding to CDP's 2019 climate change questionnaire and clarifies the type of information banks, insurance companies and asset managers should consider in their response.

CDP plans to release new financial services sector questionnaires for climate change in 2020 for corporates with activities in banking, insurance, asset management and asset ownership.

2. TCFD Supplemental guidance for the financial sector

The Task Force on Climate-related Financial Disclosures developed supplemental guidance for the financial sector based on four major industries and their activities:



The TCFD provides supplemental guidance for the financial sector, as detailed below:

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

The TCFD recognizes the role of climate-related disclosure by the financial sector in fostering its early assessments of climate-related issues and improving pricing of climate-related risks. This will in turn lead to more informed business and capital allocation decisions.

This technical note incorporates the additional guidance the TCFD provides for financial services companies as CDP will not be addressing these groups through sector-specific questionnaires for the 2019 reporting cycle. Until CDP develops financial sector-specific questionnaires, companies in the financial sector will respond to the general questionnaires.

Financial institutions looking to adopt the TCFD’s recommendations ahead of CDP releasing financial sector-specific questionnaires should also review the supplemental guidance in the [TCFD Annex](#) (pages 21 – 44).

3. Question level guidance

C1 Governance

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Note for financial services sector companies:

- ▼ In answering this question, consider whether the board and/or board committees consider climate-related issues in relation to the financial activities undertaken by your organization such as lending, financial intermediary, investment and/or insurance underwriting activities of your organization, in addition to operational activities.
- ▼ Further details can be provided in subsequent questions C1.1a and C1.1b.

C2 Risks and opportunities

Module overview

- ▼ The TCFD recommendations highlight the importance of the financial sector considering the impacts of climate-related issues in the context of their financial activities. When evaluating exposure to climate-related risks and opportunities, financial services sector companies should primarily consider the impact on their lending, financial intermediary, investment and/or insurance underwriting activities, in addition to operational activities.

(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.

Note for financial services sector companies:

- ▼ The climate-related issues to be considered include lending, financial intermediary, investment and/or insurance underwriting activities of your organization, in addition to your operational activities. Further details can be provided in subsequent questions in this module.

C2.2b Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

Note for financial services sector companies:

This question is asking about the risk management processes used to identify and assess risks related to climate change within your lending, financial intermediary, investment and/or insurance underwriting activities, in addition to your operational risks.

- ▼ Banks:
 - Include how climate-related risks are characterized and whether this is in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk.

- Provide a description of any risk classification frameworks you use (e.g., the Enhanced Disclosure Task Force’s framework for defining “Top and Emerging Risks”).
- ▼ Insurance companies:
 - Include a description of the processes used for identifying and assessing climate-related physical, transition and liability risks on re-/insurance portfolios by geography, business division, or product segments.
 - Additionally, as an asset owner, please also describe the processes you use for identifying and assessing climate-related risks in your investment portfolio. Include a description of any engagement activity you undertake with investee companies to improve data availability and ability to assess climate-related risks.
- ▼ Asset managers:
 - Describe how you identify and assess material climate-related risks for each product or investment strategy. If appropriate, describe how climate-related risks are considered across your investment universe.
Describe any engagement activity you undertake with investee companies to improve data availability and ability to assess climate-related risks.

C2.2c Which of the following risk types are considered in your organization's climate-related risk assessments?

Note for financial services sector companies:

Consider how climate-related risks apply to your lending, financial intermediary, investment and/or insurance underwriting activities, in addition to your operational risks.

- ▼ Upstream and downstream risks should reflect the risks in your customer and/or investment value chain, in addition to your operations.
- ▼ The downstream risks of your investment value chain relate to the risks for your clients/customers and investee companies while upstream risks include other transition risks that provide value to your products, services and/or investments e.g. policy and legal, market or technology.
- ▼ Banks:
 - Describe significant concentrations of credit exposure to carbon-related assets.
 - Describe climate-related risks (transition and physical) in lending and other financial intermediary business activities
 - Consider characterizing your climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk.
- ▼ Insurance companies:
 - Describe 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. For example, the risk of an increase in claims for defence costs in relation to directors and officers (D&O) liability.

- Additionally, as an asset owner, please also describe the climate-related risks relevant to your investment portfolio.

Asset managers:

- Describe the climate-related risks relevant to your product or investment strategy.

Explanation of terms

Carbon-related assets: To support comparability, banks are encouraged by the TCFD to use a consistent definition 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.

C2.2d Describe your process(es) for managing climate-related risks and opportunities.

Note for financial services sector companies:

This question is asking about the processes used to manage climate-related risks and opportunities within your lending, financial intermediary, investment and/or insurance underwriting activities, in addition to your operational risks.

- ▼ Banks:
 - Include descriptions of how you manage any significant concentrations of credit exposure to carbon-related assets and other climate-related risks (transition and physical) in lending and other financial intermediary business activities.
- ▼ Insurance companies:
 - Include a description of the processes used for managing climate-related physical, transition and liability risks on re-/insurance portfolios by geography, business division, or product segments.
 - Describe key tools or instruments, such as risk models, used to manage climate-related risks in relation to product development and pricing.
 - Describe the range of climate-related events considered and how the risks generated by the rising propensity and severity of such events are managed.
 - Additionally, as an asset owner, please describe how you consider the positioning of your total investment portfolio with respect to the transition to a lower-carbon energy supply, production, and use. This could include explaining how you are actively managing your portfolios' positioning in relation to this transition.
 - Include a description of any engagement activity you undertake with investee companies to manage these climate-related risks in your investment portfolio.
- ▼ Asset managers:
 - Describe how you manage material climate-related risks for each product or investment strategy. If appropriate, describe how climate-related risks are integrated into your overall risk management.
 - Describe any engagement activity you undertake with investee companies to manage these climate-related risks for each product or investment strategy.

(C2.3) Risk Disclosure

Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Note for financial services sector companies:

- ▼ For the purposes of this response, the risks reported should be inherent and have the potential for substantive impacts on your investing, financing, underwriting and/or operational activities. Further details can be provided in subsequent questions.

C2.3a Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Note for financial services sector companies:

- ▼ For the purposes of this response, the risks reported should be inherent and have the potential for substantive impacts on your investing, financing, underwriting and/or operational activities, regardless of whether any action has been taken to mitigate the risk(s).
- ▼ Consider providing a description of risks by sector and/or geography, as appropriate. This can be provided in the “Company-specific description” (column 6).
- ▼ Both physical and transition risks in your investing, financing, underwriting and/or operational activities should be considered, including the risk of stranded assets. These are assets that are no longer economically viable as a result of climate-related transition or physical risks.
- ▼ Banks:
 - Banks should describe significant concentrations of credit exposure to carbon-related assets.
 - Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.
 - Banks should characterize their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk.
- ▼ Insurance companies:
 - Insurance companies should consider 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. For example, the risk of an increase in claims for defence costs in relation to directors and officers (D&O) liability.
 - Additionally, as an asset owner, please also describe the climate-related risks relevant to your investment portfolio.
- ▼ Asset managers:
 - Asset managers should consider climate-related risks for each product or investment strategy.

(C2.4) Opportunity Disclosure

Have you identified any inherent climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Note for financial services sector companies:

- ▼ For the purposes of this response, the opportunities reported should be inherent and have the potential for substantive impacts on your investing, financing, underwriting and/or operational activities. Further details can be provided in subsequent questions.

C2.4a Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Note for financial services sector companies:

- ▼ Consider opportunities associated with products and services such as green bonds, green infrastructure, green loans/mortgages, green insurance products, specialty climate-related risk advisory services and others.
- ▼ You should consider providing a description of your opportunities by sector and/or geography, as appropriate.

(C2.5) Business impact assessment

Describe where and how the identified risks and opportunities have impacted your business.

Note for financial services sector companies:

The climate-related risks and opportunities to be considered in this question refer to lending, financial intermediary, investment and/or insurance underwriting activities of your organization, in addition to your operational activities. You will have the opportunity to elaborate more in C3.1c.

- ▼ Banks:
 - Describe the potential impacts of climate-related risks and opportunities on your core businesses, products and services, including:
 - information at the business division, sector or geography levels;
 - how the potential impacts influence clients/customers; and
 - whether specific climate-related products or competencies are under development.
- ▼ Insurance companies:
 - Describe the potential impacts of climate-related risks and opportunities on your 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.
 - As asset owners, insurance companies 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.
- ▼ Asset managers:

- Where appropriate, 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 may be affected by the transition to a lower-carbon economy.

(C2.6) Financial planning assessment

Describe where and how the identified risks and opportunities have factored into your financial planning process.

Note for financial services sector companies:

The climate-related risks and opportunities to be considered in this question refer to lending, financial intermediary, investment and/or insurance underwriting activities of your organization, in addition to your operational activities. You will have the opportunity to elaborate more in C3.1c.

- ▼ Banks:
 - Describe the potential financial impacts of the identified climate-related risks and opportunities on your core businesses, products and services.
- ▼ Insurance companies:
 - Describe the potential financial impacts of climate-related risks and opportunities on your core businesses, products and services.
 - As asset owners, insurance companies should describe how climate-related risks and opportunities may affect the financial returns of investment strategies. This could be described from the perspective of the total fund or investment strategy or individual investment strategies for various asset classes.
- ▼ Asset managers:
 - Where appropriate, describe how climate-related risks and opportunities may affect the financial returns of 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.

C3 Business strategy

Module overview

- ▼ The TCFD recommendations highlight the importance of the financial sector considering the impacts of climate-related issues in the context of their financial activities. When evaluating exposure to climate-related risks and opportunities, financial services sector companies should primarily consider the impact on their lending, financial intermediary, investment and/or insurance underwriting activities, in addition to operational activities.

(C3.1) Business Strategy

Are climate-related issues integrated into your business strategy?

Note for financial services sector companies:

- ▼ You should answer “Yes” when one of the following is integrated into your overall business strategy:
 - The need to understand how climate-related issues will impact your client relationships, financial products and services, investments and/or operations; and/or
 - The need to provide financial flows to capitalize on opportunities presented by the transition to a low-carbon, climate-resilient future.

C3.1a Does your organization use climate-related scenario analysis to inform your business strategy?

Note for financial services sector companies:

- ▼ Please state if your organization uses climate-related scenario analysis to understand the impact of climate-related issues on lending, financial intermediary, investment and/or insurance underwriting activities, in addition to operational activities.
- ▼ Both physical and transition pathway risks should be considered in your scenario analysis.

C3.1d Provide details of your organization's use of climate-related scenario analysis.

Note for financial services sector companies:

- ▼ Banks:
 - Banks are encouraged to select the “REMIND” and “MESSAGE-GLOBIOM” scenarios to describe their assessment of credit risk and opportunity, as performed by 16 banks of the UNEP FI working group to pilot the TCFD recommendations.
- ▼ 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;
 - Information on the time frames used for the climate-related scenarios, including short-, medium-, and long-term milestone; and
 - Companies with substantial exposure to weather-related perils should consider a greater than 2°C scenario to account for physical effects of climate change.
 - As asset owners, insurance companies that perform scenario analysis should consider providing a discussion of how climate-related scenarios are used, such as to inform investments in specific assets.
- ▼ Asset Managers:
 - Asset managers should consider describing how they use climate-related scenarios, for example to better understand how climate-related issues inform relevant products or investment strategies.

C4 Targets and performance

(C4.1) Targets and Performance

Did you have an emissions target that was active in the reporting year?

Note for financial services sector companies:

- ▼ Consider any absolute or intensity targets related to your lending and investment portfolio (Scope 3 Investments), in addition to targets related to Scope 1, Scope 2 and other Scope 3 emissions.

C4.1a Provide details of your absolute emissions target(s) and progress made against those targets.

Note for financial services sector companies:

- ▼ You should disclose any absolute targets related to your lending and investment portfolio by selecting “Scope 3: Investments” in the Scope column, in addition to targets related to Scope 1, Scope 2 and other Scope 3 emissions.

C4.1b Provide details of your emissions intensity target(s) and progress made against those targets.

Note for financial services sector companies:

- ▼ You should disclose any intensity targets related to your lending and investment portfolio by selecting “Scope 3: Investments” in the Scope column, in addition to targets related to Scope 1, Scope 2 and other Scope 3 emissions.

(C4.5) Low-carbon products

Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Note for financial services sector companies:

- ▼ You should consider relevant low-carbon products such as green bonds, green infrastructure, green loans/mortgages, green insurance products, specialty climate-related risk advisory services and others.

C6 Emissions data

(C6.5) Scope 3 emissions

Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Note for financial services sector companies:

- ▼ For financial services sector companies the majority of emissions occur in the investment chain, in relation to your financial products and services and/or investments. Scope 3 Investments is the most relevant category to financial services organizations.
- ▼ You should report your Scope 3 emissions data for the Investments category, at the group level if applicable. In addition, you are encouraged to provide emissions data for all other listed Scope 3 categories that are relevant to you.
- ▼ You may include the percentage of emissions calculated using data obtained from investment chain partners in column 5.
- ▼ The “Explanation” column can be used to provide a figure for the proportion of portfolio coverage (including all relevant asset classes), as well as the emissions intensity.
- ▼ Insurance companies:

- As asset owners, insurance companies are asked to provide in the “Explanation” column their weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy.
- ▼ Asset managers:
 - Asset managers are asked to provide in the “Explanation” column their weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy.

C9 Additional metrics

(C9.1) Other Climate-related Metrics

Provide any additional climate-related metrics relevant to your business.

Note for financial services sector companies:

- ▼ 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;
 - Geography;
 - Credit quality (e.g., investment grade or non-investment grade, internal rating system); and
 - 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.
- ▼ 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.
 - As asset owners, insurance companies should describe metrics used to assess climate-related risks and opportunities in each fund or investment strategy. Where relevant, they should also describe how these metrics have changed over time and include metrics considered in investment decisions and monitoring.
- ▼ Asset managers:
 - Asset managers should describe metrics used to assess climate-related risks and opportunities in each fund or investment strategy.
 - Where relevant, they should also describe how these metrics have changed over time and include metrics considered in investment decisions and monitoring.

C11 Carbon pricing

(C11.3) Internal price on carbon

Does your organization use an internal price on carbon?

Note for financial services sector companies:

- ▼ Financial services companies tend to apply carbon pricing primarily at the operational level, where carbon emissions and related risks are relatively low. To capture risk more extensively, financial institutions can extend pricing to assess materiality in their financed emissions as well. Using an internal carbon price as a proxy for climate-related risk could be of benefit in:
 - Managing transition risk among clients, usually in carbon-intensive industries;
 - Influencing discourse and furthering a reputation of leadership around sustainability and reduced emissions (whether at the company- or national level); and
 - To a lesser extent, identifying new opportunities, including the development of green financial products (in some cases demonstrating leadership as in point (2) may be considered an opportunity).
- ▼ Financial services sector companies should consider how they use an internal carbon pricing in their risk, pricing and internal capital utilization models.
- ▼ You can refer to this briefing published by the Carbon Pricing Leadership Coalition: [Carbon Pricing and the Task Force on Climate-related Financial Disclosures \(TCFD\)](#) (May 2018). Please refer to the [CPLC](#) website for more information.

C12 Engagement

(C12.1) Value chain engagement

Do you engage with your value chain on climate-related issues?

Note for financial services sector companies:

- ▼ Consider your engagement activity with customers/clients and investee companies to encourage better disclosure and practices around climate-related risks.
- ▼ Further details can be provided in subsequent questions C12.1b and C12.1c.