



Final Guidance Notes: Climate-Related Governance and Risk Practices and Disclosures for **Insurers**

Follow-on series from the proposed guidance
notes issued in 2023

June 2024



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Foreword

Following their draft guidance published in 2023, the **Prudential Authority (PA)** has published their final **Guidance Notes (GNs)** on **Climate-related governance and risk practices** and **Climate-related disclosures** for Insurers. Alongside these GNs, the PA released a **Feedback Note** providing feedback on their PA's public consultation process on the draft GNs, a **Climate Risk Practices Observation Report** presenting feedback on discussions held with select financial institutions on the PA's 2023 "flavour-of-the-year" topic of climate related risks, and the PA **Climate Roadmap** setting out their regulatory and supervisory plans for 2024-2026.

Deloitte has unpacked these publications, and this paper provides a holistic analysis across all four documents. This is the second paper we have released on the GNs. Our first publication on the draft GNs was released in August 2023. In this we explored practical ways insurers can respond to the PA expectations and provided some positive and negative supervisory indicators that the PA is likely to use in assessing whether institutions are responding appropriately.

This edition explores the enhancements made to the draft GNs. It provides a consolidated view of the industry's common challenges and level of ambition in complying with the GNs. The paper highlights the noteworthy updates to the PA's expectations in the thematic areas of climate-related risk, viz. **governance, strategy, risk management, scenario analysis and stress testing** and **metrics and targets** and summarises the PA's observations on institutions' approaches to climate risks and opportunities in each of these areas.

It is important for the financial services industry to advance the work on climate risk management and disclosures to ensure that institutions and the financial system build resilience to the risks of climate change. This paper's intention is to help insurers fulfil this leadership role, in a manner that meets regulatory expectations.



This viewpoint paper is specifically targeted at insurance company C-suite and associated boards, recognising the challenges they face in meeting developing regulator expectations and mitigating and responding to rapidly developing climate-related risks.

Introduction

The **Prudential Authority (PA)** issued two final **Guidance Notes (GNs)***; **Climate-related governance and risk practices** and **Climate-related disclosures** for Insurers. Alongside these GNs, the PA released a **Feedback Note**, a **Climate Risk Practices Observation Report** and the **PA's Climate Roadmap**.



PA Climate Risk Practices Observation Report

Provides feedback on discussions held with select financial institutions on the PA's 2023 "flavour-of-the-year" topic of climate related risks.

The report provides an illustration of the range of practices observed across the thematic areas of governance, leadership and strategy, risk management, scenarios and stress testing and disclosures and reporting. This is shown separately for banks and insurers. Notable examples and considerations are also described.

The PA indicated that the information gathered during these engagements will inform their regulatory and supervisory approach to climate risks within a broader sustainable finance agenda.

The observation report is for informational purposes as the PA believes it may be useful for institutions as they expand their understanding, practices and risk-management approaches to climate-related risks.



PA Feedback Note

Describes the process undertaken to finalise the GNs and provides feedback on the PA's public consultation process and comments received following the publication of the draft GNs in 2023.

The PA took into consideration the stakeholder responses in revising and enhancing the guidance notes.

The feedback note is for informational purposes as the PA believes it may be useful for institutions in their approach to climate-related governance, risk management and disclosures.



PA Climate Roadmap

Provides an overview of the PA's regulatory and supervisory plans for 2024 – 2026.

The roadmap provides an indication of how the PA plans to DEVELOP their climate risk management regulatory and supervisory tools, how they intend to EMBED this into industry and supervisory practices, and how they will aim to ENHANCE these practices in line with domestic and international policy and standard progression.



Guidance Notes on Climate-Related Governance and Risk Practices and Climate-Related Disclosures

The GN on **climate-related governance and risk practices** provides guidance to insurers on integrating climate-related risks into their governance and risk management frameworks, including guidance on insurers' Own Risk and Solvency Assessment (ORSA). The GN on **climate-related disclosures** provides guidance to insurers on their disclosures on this topic.

These GNs provide the **minimum expectations** for institutions but are not mandatory. The GNs seek to provide structure to evolving practices, promote comparative transparency and ensure appropriate international alignment in climate-related governance and risk practices and disclosures.



Deloitte's perspective on these publications

The publications as a whole, provide an insightful picture of where institutions currently are in their respective approaches, capabilities and ambitions versus where the PA would like them to be, at a minimum. Although the GNs are not mandatory the **PA has indicated that they will continue to monitor their implementation** though ongoing supervision and will consider other regulatory instruments (e.g. Prudential Standards) that require mandatory compliance. The PA roadmap reflects this intention. We believe that institutions should aspire to achieve constant progression in terms of climate-related risk practices and associated disclosures over time.

Structure of this paper


This paper firstly provides a consolidated summary of the key challenges and areas highlighted in the PA's feedback note. The paper is then structured according to the thematic areas of **governance, strategy, risk management, scenario analysis and stress testing and metrics and targets**. In each theme it provides an overview of the current practices observed by the PA and highlights the key amendments between the proposed GNs and the final GNs.

(*) A Guidance Notice (GN) issued by the PA is a regulatory instrument aimed at assisting insurers in complying with the requirements outlined in the relevant Governance and Operational Standards for Insurers (GOI). Guidance notes do not create any specific legal obligations, but provide clarity on the application of the various Standards.

Feedback Note and Climate Roadmap 2024 – 2026


The feedback note provides an overview of the responses to the public consultation on the draft GNs to provide context and clarity into the changes and updates made in finalising the GNs. The PA has sought to achieve a balance between challenges raised and additional areas that stakeholders sought guidance on by **setting minimum expectations** in the GNs **as a baseline from which to develop further requirements**. They acknowledged that they are taking an iterative approach, cognisant that climate-related risks have unique features warranting specific focus but should ultimately be integrated into existing processes and frameworks.

Responses to the questions the PA asked regarding the proposed GNs




Level of ambition

- Was deemed to be appropriate and reasonable, although mixed responses on the level of ambition for metrics and targets
- Consensus on the need for a differentiated or proportionate approach based on nature, size and complexity
- Universal agreement on the need to align with existing frameworks, particularly the ISSB
- Challenges in scenario analysis and stress testing.



Key challenges

- Common challenge was the access to and availability of credible, accurate, consistent data
- There was a view of scarcity of technical skills and expertise, particularly those related to climate models and scenario analysis
- The ability to implement and coordinate these challenges given the pace, breadth and depth of regulatory development across different jurisdictions.



Additional areas

Areas that the GNs did not include:

- South African specific context including scenarios and transition pathways
- Sufficient references to just transition and biodiversity
- Exit lists
- Guidance on how climate-related risks are included in Investment policies
- Promotion of nature-based solutions and climate-specific competencies.



Next steps and Timeline for the PA

- The PA will continue to progress the work on climate risk management and disclosures to ensure the financial services industry builds resilience to the risks of climate change
- The PA will continue to engage in relevant local and international discussion forums on how regulator frameworks and supervisory practices need to be adjusted to account for climate risks.



Plans for 2024-2026

DEVELOP: Climate risk management tools to strengthen financial sector resilience.

EMBED and CONTRIBUTE: Industry and supervisory practices. Evolve climate data and disclosure ecosystem and integration with existing ESG practices.

ENHANCE: Nature-related risks and transition planning, risk assessment tools, scenario and stress testing and other assurance considerations.



Snapshot of what has changed



GN: Governance and Risk Practices

Both GNs have had a significant amount of rewording and have been restructured to align with the ISSB, making them simpler and more to the point. Additionally, some of the information previously located in the appendix of the proposed guidelines has been moved to the main body of the revised guidelines for greater clarity and to prevent duplication.

- The principle of proportionality has been incorporated across all GNs, with the focus on “without undue cost and effort”
- Additional clarification is provided on transition planning
- The term “governance structure” has been enhanced to be a board committee or equivalent body charged with governance
- Further amendments include additional guidance and clarification on scenario analysis and stress testing. Key point is that these should be selected based on appropriateness and proportionality
- Further emphasis that stress testing should be sufficiently severe but plausible
- No additional guidance is provided on the stress testing and scenario analysis frameworks to be used and they should rather be designed based on appropriateness and proportionality
- The time horizon for climate-related risks should be longer than 3 years (3 years being the minimum) has been included
- Updated to reflect that the guidance is applicable to multinational reinsurers
- The quantitative metrics have been expanded to align with ISSB requirements
- Reiteration that the objective of a GN is to provide guidance and is not a legally enforceable regulatory instrument, therefore no need for transition period.



GN: Disclosures

- The core disclosure content largely remained the same from the draft to the final GN. Key difference is that certain content had been brought from the Appendix of the draft version and is now incorporated into the final version
- The definition of “materiality” has been aligned with ISSB. Materiality of risk should be determined by the institution in accordance with its risk appetite statement
- Further clarification that disclosures are to be done at a consolidated group level
- Confirmation given that the reporting period should be the same as the organisation’s annual financial statements
- Further clarification is provided that the focus is on disclosure of climate-related risks. Other environmental risks and sustainability disclosures may be considered in the future
- Clarity provided that mandatory disclosures would be dependent on numerous factors, i.e. Should SA adopt IFRS S1 and S2, the PA might not need to issue additional guidance
- Disclose to what extent and if any parts of the value chain are included/excluded from the process of managing climate-related risks and opportunities
- Final version has been amended to clarify that the guidance is to disclose how South African-specific context is considered in scenario analysis
- It also specifies that the timeline on mandatory disclosures is determined by several factors, i.e. non-financial corporate sector and international standard bodies.

Snapshot of what has changed

Deloitte's perspective

The PA made some amendments and additions to show the **alignment with the ISSB standards**, most notable is the inclusion of additional metrics and targets. Although SA has not yet committed to adopting the ISSB reporting standards, we expect our local reporting landscape to align in time. The efforts made by the PA to align expectations more closely with the ISSB standards will facilitate one set of comprehensive disclosures that meets the needs of the PA and other stakeholders.

The GNs provided some **technical guidance** on aspects such as emissions reporting, scenario analysis, stress testing, transition planning, and legal risk.

We caution against adopting a “wait and see” approach but rather encourage constant progression in climate-related practices. Although the GNs are voluntary and not legally enforceable, the **PA will continue to monitor their implementation** through ongoing supervision. The PA will consider other regulatory instruments (prudential standards) that require mandatory compliance.

As insurers advance their understanding, management and mitigation of climate-related risks, the **granularity of their disclosures will evolve**.

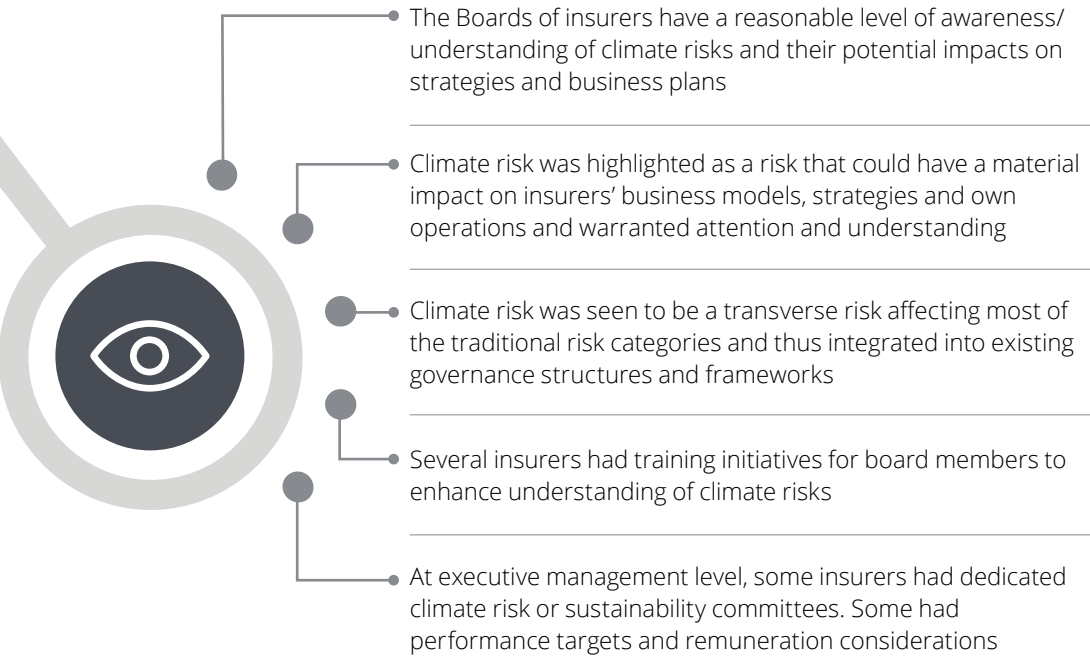
Quality and reliability of data remains a key challenge, along with relevant skills to perform **scenario analysis and climate-risk modelling**. Institutions will need to invest in skills, data and systems not traditionally found in insurance. These skills extend all the way up to Board level.

Institutions need to remain **vigilant** of the many local and international standards and frameworks being developed. The PA is a member of many international bodies and are following global developments closely.

Governance

The revised GNs provide a more detailed and structured approach to governance regarding climate-related risks and opportunities, with clearer expectations and additional emphasis on skills, training and consultation. In addition, the GNs shift towards a more detailed approach to governance disclosures ensuring climate-related risks and opportunities are systematically managed and transparently disclosed.

PA key observations of CURRENT PRACTICE among Insurers



Enhancements to the GNs



Climate-related Governance and Risk practices for Insurers

- The approach to governance is **consolidated** and **simpler**. It removes duplication and the overlap that existed in the draft version
- Strong governance arrangement that is supported by the **insurer’s corporate culture** has been rephrased for emphasis
- Emphasis on **capacity building and training** for both Board and senior management
- Requirement that the Board can **evidence ongoing oversight** of climate-related risks
- Requires **alignment of policies** with the climate-related risk appetite and profile of the insurer.



Climate-related Disclosures for Insurers

- The **definition of governance structure** has been updated to include “a board, board committee, or equivalent body charged with governance”. In addition, the term Board refers to all relevant governance structures in the GN.
- Further clarification and guidance in the final GN regarding disclosure on (previously part of the draft GN: Appendix A):
 1. Consolidates and refines the governance principles, emphasising a comprehensive approach to disclosing practices, processes, controls, procedures used to maintain oversight of climate-related risks and opportunities
 2. Explicitly requires insurers to disclose how climate-related risks and opportunities impact their business model, strategy and decision-making
 3. Highlights the importance of **integration with decision-making processes**
 4. Introduced the need to disclose how **trade-offs** associated with climate-related risks have been considered
 5. Stresses the need to include **climate-related performance metrics in remuneration** policies, aligning incentives with climate-related goals and progress tracking.

Governance



Deloitte's perspective

The PA sees governance as key to the successful management of climate-related risks and opportunities. The multifaceted nature of climate-related challenges requires focus from the Board, with the board chair playing a critical role as the leader of the Board, strategic partner to management, and as ambassador and tone-setter for the organisation.

Many chairs are **seeking tangible strategies and leading practices to bolster sustainability and climate initiatives** and to effectively tie climate actions to business outcomes.

The PA will look for tangible evidence that **Boards understand and evaluate the impact of climate-related risks on their respective insurer's business model**. This includes understanding and assessing a insurer's exposure to structural changes in the economy, financial system and competitive landscape in which the insurer operates.

Boards should balance long-term ambitions for sustainable growth and prosperity with short-term performance expectations.

Climate-related risks have a more gradual and forward-looking perspective, with a high degree of uncertainty, than other risk types.

The impacts of many sustainability- and climate change-related goals are expected to be felt over the medium to long term. However, it's imperative that Boards maintain their focus – and management's – to help protect organisations from risk and drive value, all while managing stakeholder expectations.

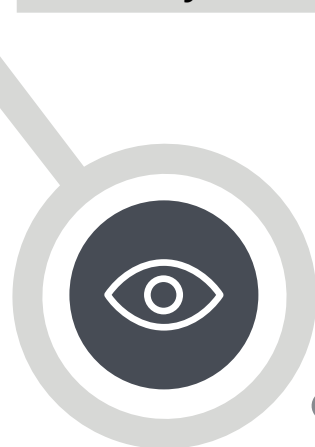
A key requirement of the PA going forward is for **Boards to specify the board members with climate-related experience**.

It is crucial for both the Board and senior management to have the adequate skills and competencies to understand the nuances of climate-related risks and opportunities to ensure they are appropriately considered and integrated into the business.

Strategy

The GNs specify the integration of climate-related risks into the annual business and financial planning process compared to the draft note that focused on the annual financial planning process. The GNs ensure that insurers provide comprehensive and transparent disclosures on their climate-related strategies, impacts and resilience.

PA key observations of CURRENT PRACTICE among Insurers



- Insurers consider climate risk within strategies over various time frames. Life insurers are concerned with significant impacts over the medium- and long-term, non-life insurers are concerned with short-term impacts
- Some insurers considered impact of climate risk on their operations and supply chains
- Generally, insurers considered climate risk from various perspectives, i.e. asset owner, investor, underwriter; risk mitigator and manager; and as business with operations and supply chains

Enhancements to the GNs



Climate-related Governance and Risk practices for Insurers

- Insurers should manage climate-related risks within their overall business strategy and risk appetite, with the **additional focus on providing evidence of ongoing oversight by the Board**
- More emphasis on the **consultation with senior management** when determining and managing climate-related objectives and strategy
- Allows for **either establishing a new risk committee or expanding** on the scope of existing ones to address climate-related risks.



Climate-related Disclosures for Insurers

Further clarification and guidance in the final GN (previously part of the draft GN: Appendix A) regarding disclosure on :

1. Emphasises the inclusion of the insurer's **value chain** adding a broader scope in disclosure
2. Requires insurers to classify risks as **physical or transition risks** and specify expected time horizons, enhancing clarity on the nature of the risks
3. More detailed requirements for describing the **impact on the business model, strategy and financial planning**, including the geographical and sectorial concentration of risks
4. Introduces specific **disclosure requirements for climate-related transition plans**, key assumptions and targets, focusing on the insurer's strategic response and progress tracking
5. Mandates detailed disclosure on the impact of climate-related risk and opportunities on **financial performance, cash flows and financial integration**
6. Requires a detailed description on **climate resilience through scenario analysis**.

Strategy

Deloitte's perspective

The PA believes that insurers have a **key role to play in the just transition** and they want to understand the extent to which the insurer's strategy considers the impact resulting from climate-related risks and opportunities.

Given the nature of climate-related risk, **a climate strategy cannot be independent of the business strategy**. Having a clearly defined strategy, which incorporates climate-related risks and opportunities is imperative in setting the tone from the top.

The PA will want to gain comfort that the **material climate-related risks and opportunities have been appropriately prioritised into the insurer's business strategy and financial planning**.

A clearly defined business strategy must integrate climate-related risks and opportunities. This is especially important when understanding the effect on the insurer's business model and overall value chains of the business.

The PA expects annual disclosure of the current and anticipated impacts of climate-related risks and opportunities.

As part of this disclosure, **insurers should demonstrate a thorough understanding of the resilience of their strategy to these risks and have adequate response strategies in place**.

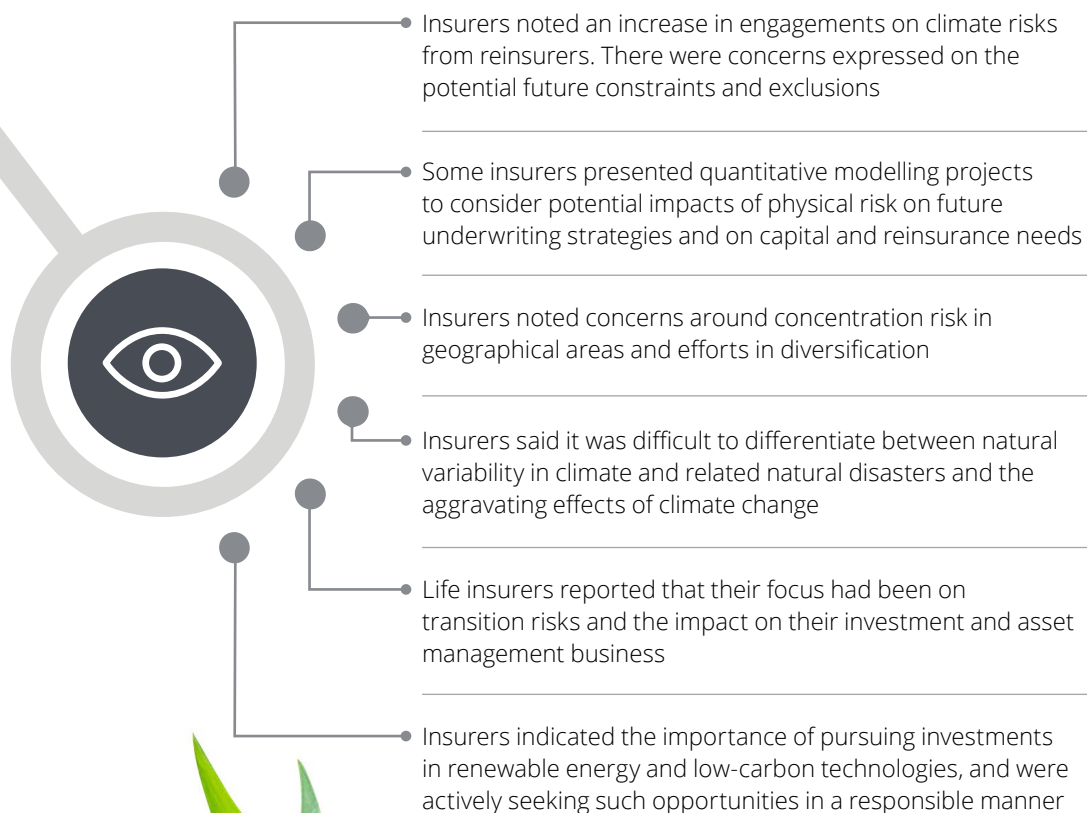
Over time the PA will consider other regulatory instruments, such as Prudential Standards, that require mandatory compliance.

Addressing climate-related risks and opportunities is not just about compliance, but about creating long-term value and resilience. By integrating key climate-related considerations, impacts and opportunities into the business's core strategies and operations, companies can better navigate the transition to a sustainable future while driving innovation and competitive advantage.

Risk Management

The revised GNs are enhanced and provide clearer directives and additional responsibilities to ensure comprehensive management of climate-related risks, specifically the role of the Actuarial and Internal Audit functions, emphasising the importance in quantifying and reviewing climate-related risks. Important for insurers is to provide detailed, transparent and continuously evolving risk management disclosures.

PA key observations of CURRENT PRACTICE among Insurers



Enhancements to the GNs



Climate-related Governance and Risk practices for Insurers

- The final GN supports a more **integrated approach**, explicitly regarding business strategy and governance frameworks as part of the approach to climate-related risk management
- Additional responsibilities** have been included in the different functions described in the final GN:
 - Risk Management Function:** Ensuring Board remains aware of legal actions related to climate risk. Consolidates the need to maintain a register for climate-related litigation and understanding of litigation drivers
 - Compliance Function:** Simplifies the role, focusing on ensuring policies and controls comply with relevant frameworks. Reduces emphasis on legal liability risks, continuous assessment of compliance related climate risk drivers
 - Actuarial Function:** Expands on the role, requiring it to provide assurance to the Board on methodologies, assumptions and data quality. Emphasises the importance of assessments in calculating technical provisions and capital requirements
 - Internal Audit Function:** Includes additional guidance on assessment of the appropriateness of risk mitigation measures
 - Control Function:** Reinforces need for specialised skills and training programmes
- Physical risk scenarios in assessing the** climate-related risks in **outsourced service providers** should be considered
- Emphasises the role of **transition planning in testing resilience** of the insurer, and stresses alignment with international frameworks and considering proportionality



Climate-related Disclosures for Insurers

Further clarification and guidance in the final GN regarding disclosure on (previously part of the draft GN: Appendix A):

- Stronger emphasis on how climate-related risk practices are **integrated into the overall risk management framework** – integration more explicit and central
- Specifies the use of **climate-related scenario analysis to inform risk identification**, adding a crucial dimension of forward-looking assessment
- Clearer guidance on **relative significance and prioritisation** including the use of qualitative and quantitative assessments
- Description on how they monitor climate-related risks and to **disclose changes from the previous reporting period**
- There is a need for a comprehensive description of the risk-management process **linking it to the overall risk-management strategy**.

Risk Management



Deloitte's perspective

The PA are clear on **the need for an integrated and holistic approach to climate-related risk management.**

A key purpose of the GNs is to be applied as building blocks starting with the core elements then expanding to additional considerations, in proportion to the nature, size and complexity of the organisation.

The PA will expect insurers to be able to **demonstrate that climate risk management is having a consequential impact on business decisions.** Risks need to be incorporated in risk appetite frameworks (including quantitative and consequential risk limits, early warning indicators and escalation procedures) and cascaded through to relevant business units and portfolios.

Climate risk appetite statements should also be supported by board-level metrics.

How climate-related risk is integrated into the business strategy will be of interest to the PA.

Organisations must re-evaluate and prioritise many aspects of their business through a new lens of climate risk – from products, services and organisation, to financial choices, marketing and communication.

Transition planning is an important component of climate risk management.

The inclusion of transition planning in the GNs demonstrates this importance, and possible future requirements for supervisory engagements. Transition plans are a valuable tool to manage climate-related risk and achieve climate target commitments.

A strategic approach to developing and executing transition plans can help mitigate and manage key risks, as well as improve resilience. Not only for the short-term, but to safeguard the long-term value creation of the business.

Financial services regulators worldwide are moving quickly to ensure that insurers identify risk exposures from climate change and establish strategies and adjust business models to manage them.

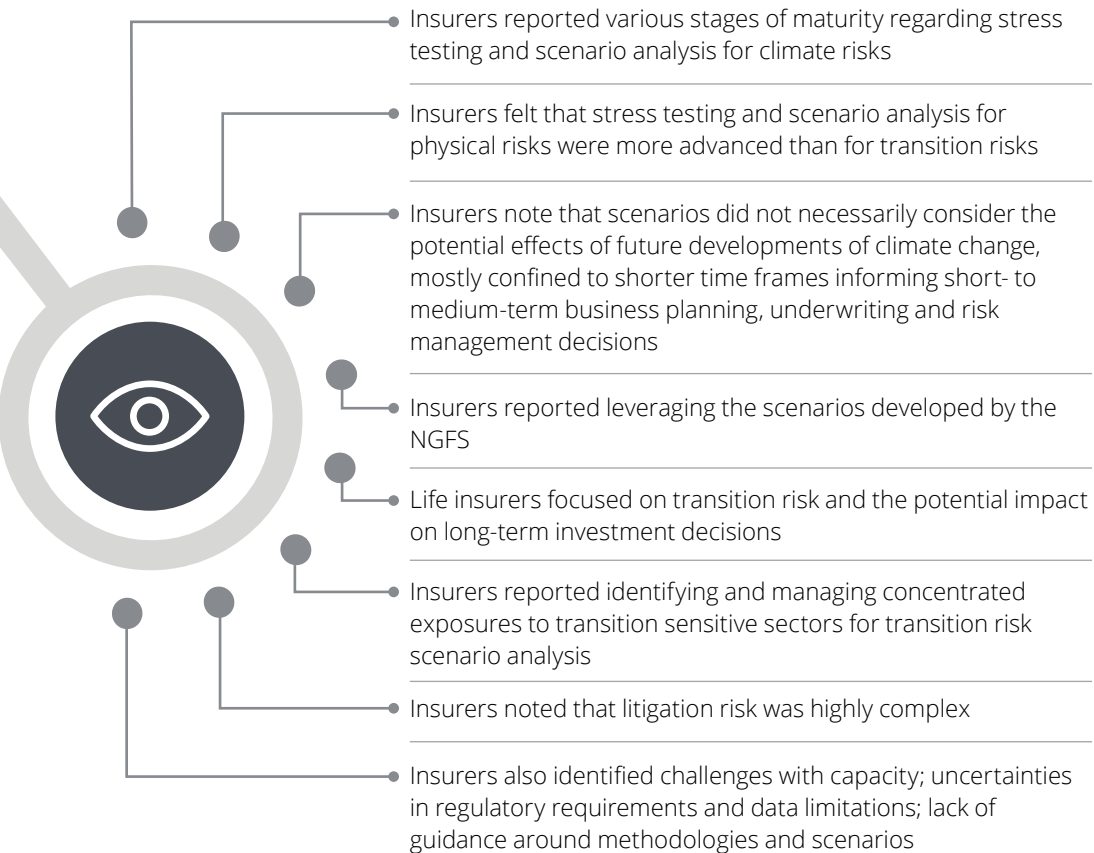
They are demanding **more detailed and timely disclosures of businesses' climate-related risks and opportunities, and are increasingly scrutinising plans for resiliency against short-term, medium-term, and long-term climate scenarios.**

Engagement and collaboration with reinsurers on climate risk; including sharing knowledge, data sources, and understanding the environment and regulatory requirements is mutually beneficial.

ORSA: Scenario analysis and Stress testing

The revised GNs incorporate more explicit guidance on aligning scenario analysis and stress testing with risk management frameworks and decision-making processes. They include the necessity for contingency plans and emphasise supervisory review. The enhancements make the final guidance note more comprehensive and actionable for insurers to manage and disclose climate-related risks through the ORSA process.

PA key observations of CURRENT PRACTICE among Insurers



Enhancements to the GNs



Climate-related Governance and Risk practices for Insurers

- Maintains the focus on **ORSA's role in evaluating Enterprise Risk Management (ERM) and capital adequacy** concerning climate-related risks
- Provides **additional emphasis on aligning scenario analysis and stress testing objectives with risk management frameworks** and using the outputs for decision-making
- It stresses the inclusion of **appropriate scenarios with extended time horizons** for climate-related risks
- Encourages **alignment with the insurer's risk appetite** and continues to suggest adopting relevant models from external experts with the understanding of their assumptions and methodologies
- Provides more **explicit emphasis on allowing for supervisory review and the addition of contingency plans.**



Climate-related Disclosures for Insurers

- The **timeline for mandatory disclosures** will be determined by numerous factors including, but not limited to, non-financial corporate sector disclosure requirements and international standard-setting bodies
- An insurer may **omit to disclose information** that is deemed commercially sensitive. However, this information could be disclosed in a manner that would not jeopardise the potential economic benefits the insurer would otherwise be able to realise, i.e. at an aggregated level.

ORSA: Scenario analysis and Stress testing



Deloitte's perspective

The emphasis that the PA has placed on incorporating climate-related risk into the ORSA points to the importance of giving climate-risks a strong consideration in insurers' next ORSA cycle.

This presents an opportunity to **demonstrate the institution's commitment to integrating climate-risk into the overall risk management framework.**

The PA have positioned the ORSA as a useful tool for an insurer to assess the adequacy of its ERM framework and capital position relative to climate-related risks.

We believe the PA is keen for institutions to integrate climate-related risks into the ORSA – not only for capitalisation purposes but also to encourage them to think long term and assess the viability and sustainability of their business model over at least a three-year horizon.

Skills and expertise to perform scenario analysis and climate risk modelling remains a challenge.

Ability to interpret insurance-specific impacts and lack of industry guidance and standardised methodology to assess the financial impact of climate change continues to be an area of concern for most insurers.

The unique and complex characteristics of climate risks – lack of historical precedent, interconnectedness, high degree of uncertainty and potentially longer time horizon – made risk management in general and scenario analysis in particular challenging.

We believe in learning by doing – consider the ORSA as the channel for accelerating risk materiality assessments and mapping. Climate risk inclusion in the ORSA could mobilise discussions around resultant risk management implications and be the catalyst for wider industry engagement.

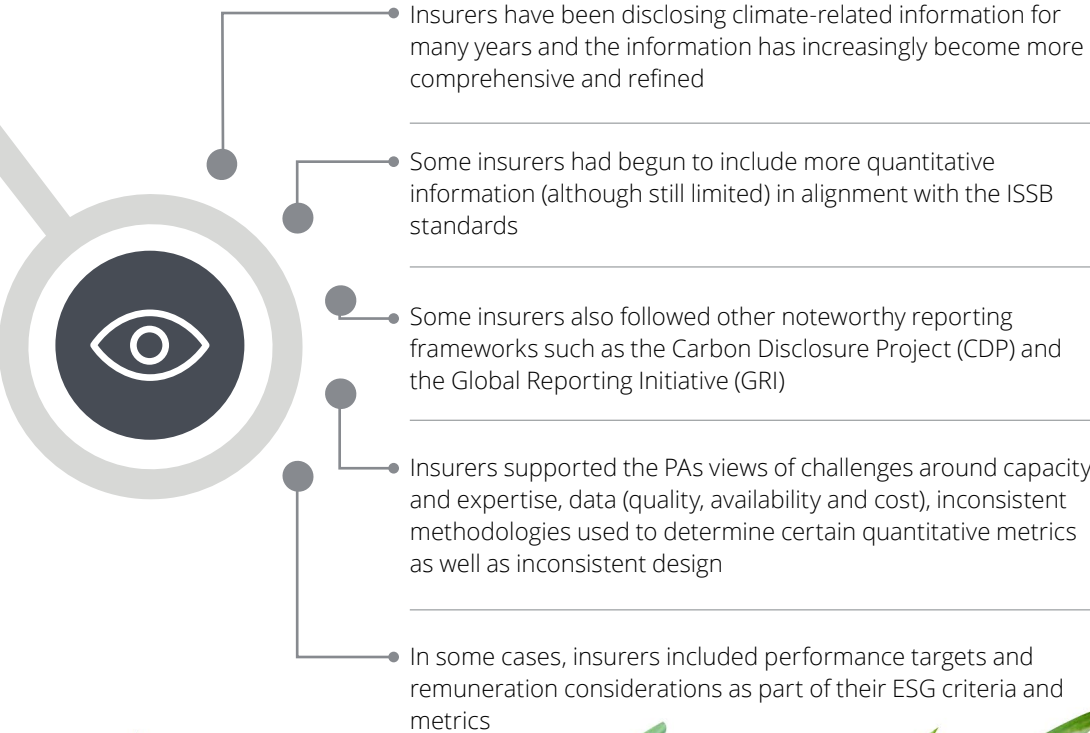
Data challenges remain pervasive and a key concern across most organisations. The PA recognises this challenge.

Nevertheless, there is an **expectation for insurers not to stall climate risk analysis until all the data emerges and settles; even a mix of qualitative and quantitative analyses around climate risk in the ORSA would be considered acceptable progress.**

Metrics and Targets

The revised GNs reflect a shift towards more detailed, structured and transparent reporting requirements on climate-related risks and opportunities. They are aimed at providing a clearer and more comprehensive understanding of an insurer's climate-related risks, opportunities and performance against targets.

PA key observations of CURRENT PRACTICE among Insurers



Enhancements to the GNs



Climate-related Governance and Risk practices for Insurers

- Further supports the identification of appropriate quantitative and qualitative methods and metrics to be identified and utilised in monitoring the insurers' **progress relative to their strategy and risk appetite** as this relates to the assessment of climate-related risk.



Climate-related Disclosures for Insurers

- Provides more **specific requirements for disclosure in terms of GHG emissions**
- The GN now clarified that Scope 1,2 and 3 (such as financed and underwritten emissions) should be disclosed at a **consolidated group level**
- Requires disclosure of the **integration of climate-related consideration in remuneration policies and investment management strategies**
- Emphasises the use of scenario analysis and clearly defines the need to disclose assumptions, inputs and methodologies
- Stronger focus on progress tracking** against set targets and rationale for any updates or changes, ensuring continuous improvement and transparency
- ISSB cross-industry metrics have been considered under a key section within the GN referred to as **Additional Considerations**:
 - Targets should reference the **SA Green Finance Taxonomy** (as appropriate)
 - Insurers with international exposures and activities should work towards disclosing:
 - Climate-related transition risks.** Amount and % of assets and liabilities or business activities vulnerable to climate-related transition risks
 - Climate-related physical risks.** Amount and % of assets and liabilities or business activities vulnerable to physical risks
 - Physical risk exposure:** Probable maximum loss (PML) of insured products from weather-related natural catastrophes.

Metrics and Targets



Deloitte's perspective

The PA will expect to see **metrics and targets defined and aligned to strategy and risk management.**

Insurers need to be able to demonstrate that climate-related factors are incorporated into their business strategies, planning, governance structures and risk management processes. This needs to be supported by relevant metrics and targets that provide an effective measure of vulnerabilities and opportunities arising from climate-related factors. These should also be supported by detailed narratives as well as setting specific transition targets and defining consequences for failure to meet targets.

Integrating climate-related targets into remuneration policies underscores the importance of accountability.

This drives behaviour and performance and ensures that climate goals are prioritised at all levels of the organisation.

An organisation must be able **to set targets over short, medium and long terms for managing climate-related risks and opportunities and be able to measure and disclose performance/ progress against these targets.**

The PA will also be looking for information that is comparable between sectors and industries.

Engaging with stakeholders is crucial to ensure that climate-related metrics are both ambitious and achievable.

To support this, ISSB cross-industry metrics have been considered and selected metrics have been included.

From a strategic perspective, it is essential that **metrics and targets related to climate risks are integrated into the broader strategy.** This alignment will help ensure that the organisation's climate-related goals support and enhance its overall long-term objectives.

By embedding climate consideration into strategic planning, insurers can drive innovation and competition while addressing sustainability challenges.

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