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# Life Conference 2022

23-25 November, ACC Liverpool

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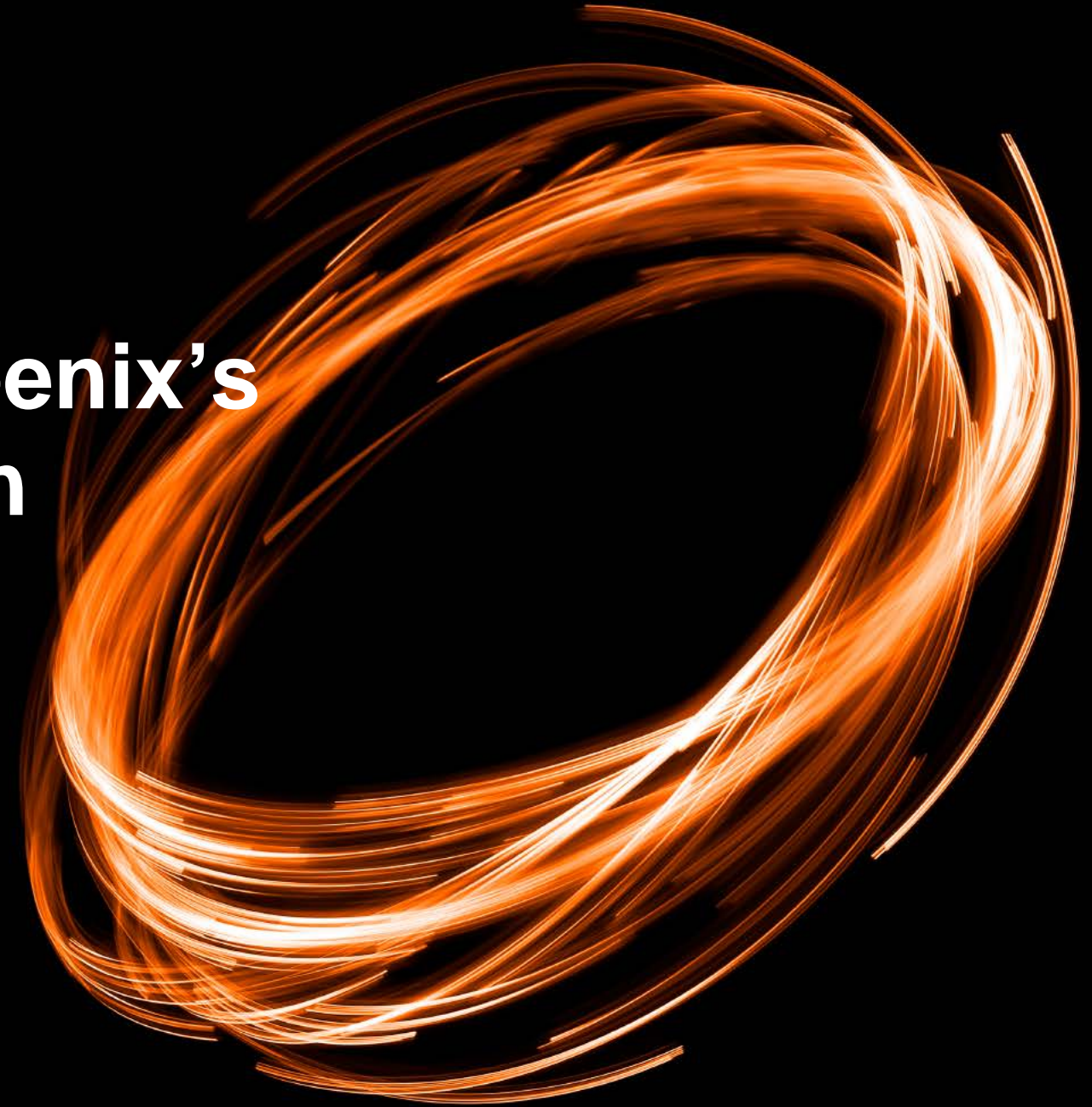




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# Climate reporting Phoenix's Commitment to Action

Rachel Watson, PwC Sustainability  
Leah Ramoutar, Phoenix Group



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# Introductions

**Rachel Watson**

Climate Change Consultant  
PwC Sustainability



**Leah Ramoutar**

Head of Climate and Nature Risk  
Phoenix Group



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# What will this session cover?

- Market expectations on climate-related risk
- Phoenix Group's climate action journey and lessons learnt
- Looking ahead - what's next and where companies should focus?
- Time for questions and comments at the end





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# Market expectations on climate- related risk

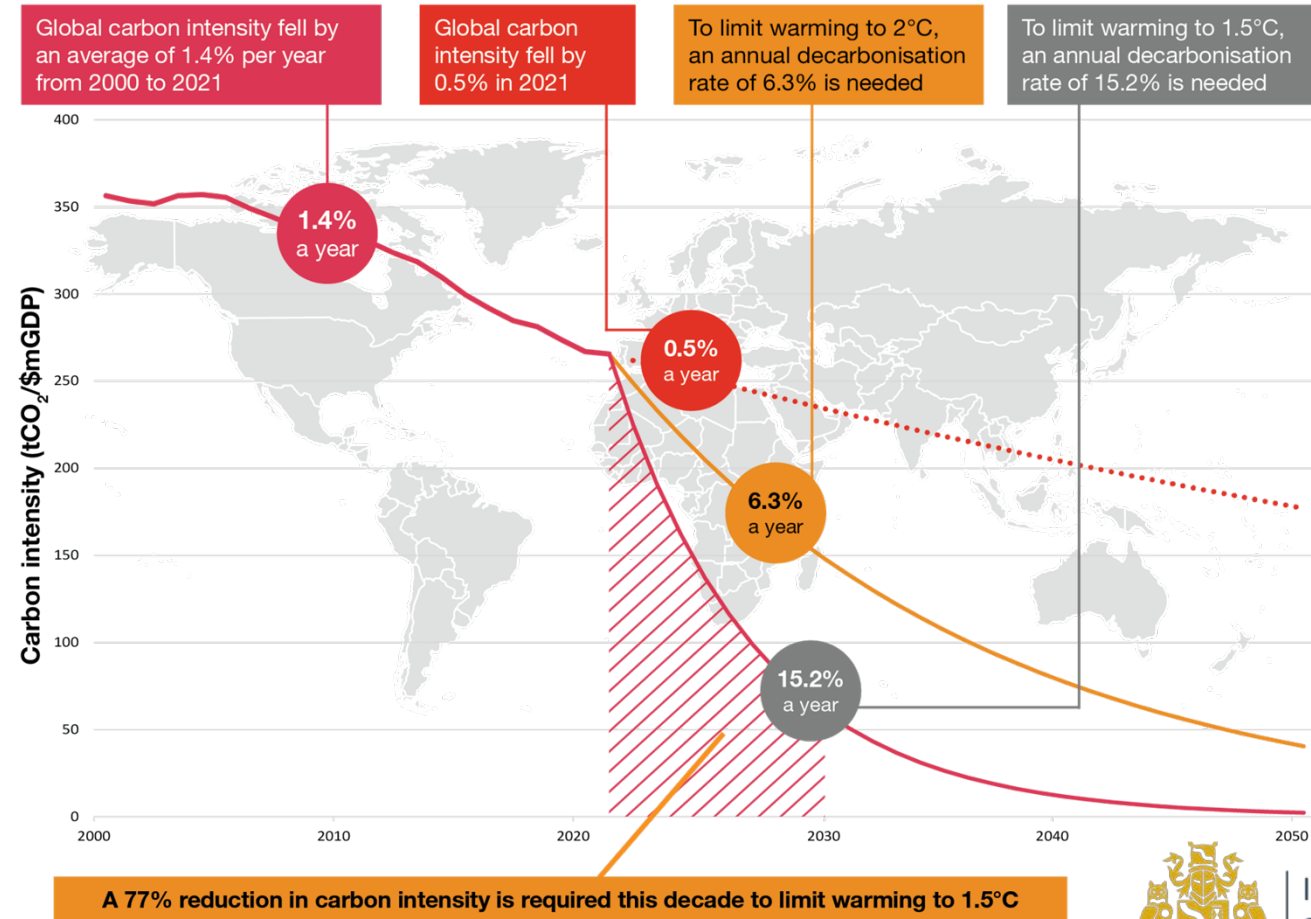


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# Achieving a 15.2% annual rate of decarbonisation is now needed to bridge the gap

## The gap between ambition and action remains substantial

- Global decarbonisation lowest for a decade at 0.5%
- Achieving net zero will take many paths and business and investors have a leading role in this



Source: [Net Zero Economy Index, 2022](#)



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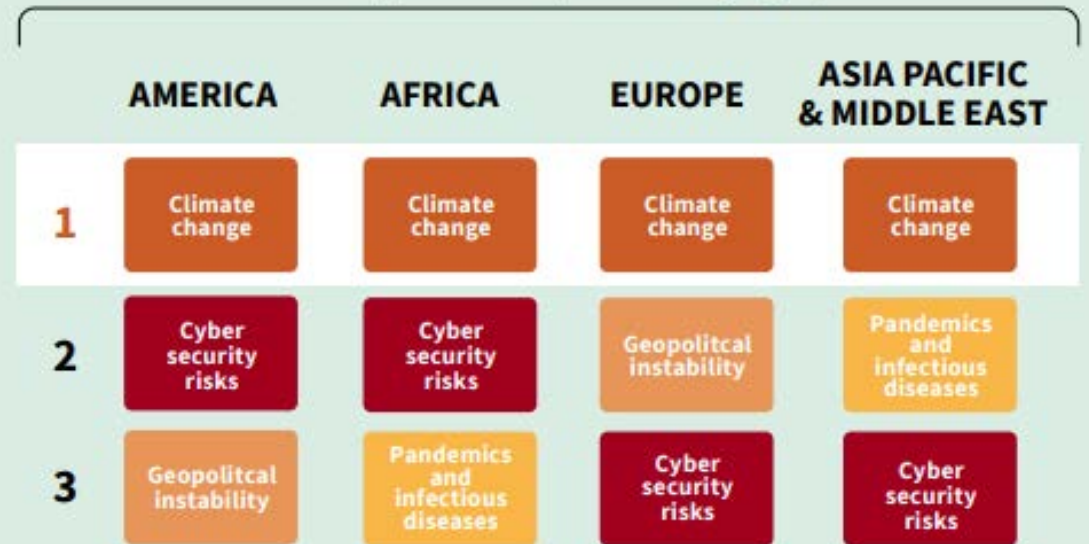
# Climate is front and centre for business leaders

“Identify the most severe risks on a global scale over the next 10 years”



■ Economic 
 ■ Environmental 
 ■ Geopolitical 
 ■ Societal 
 ■ Technological

Climate as top risk for experts in all geographies



Source: [WEF Global Risk Perception Survey, 2021-2022](#)

Source: [AXA Future Risks Report, 2022](#)



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# Climate impacts are important for financial institutions

| <b>Physical risks</b><br>Risks arising from climate and weather related events  | <b>Transition risks</b><br>Risks arising from the process of adjusting to a low carbon economy   | <b>Opportunities</b><br>Opportunities arising from the low carbon transition   |
|---|--|--|
| <p> <b>Acute physical risk:</b><br/>Short lived extreme weather impacts e.g. flood, drought</p> <p> <b>Chronic physical risk:</b><br/>Impacts due to slow insidious change such as increasing temperature or water stress</p> | <p> <b>Policy &amp; legal risk:</b><br/>Compliance costs; stranded assets; asset depreciation</p> <p> <b>Market &amp; economic risk:</b><br/>Company or securities valuations; viability of business models; and credit rating implications</p> <p> <b>Technology risk:</b><br/>Write-offs for investments in disrupted technologies; investment in new technologies</p> <p> <b>Reputation risk:</b><br/>Damage to brand value resulting in lost revenue and additional expenditures</p> | <p> <b>Resource efficiency:</b><br/>Use of more efficient transport and buildings; reduced water usage</p> <p> <b>Energy source:</b><br/>Lower-emission energy sources; use of supportive policy incentives and carbon markets</p> <p> <b>Products &amp; services:</b><br/>Development of low emission or climate adaptive goods and services</p> <p> <b>Market opportunity:</b><br/>exploring new markets or types of assets in order to diversify activities</p> |



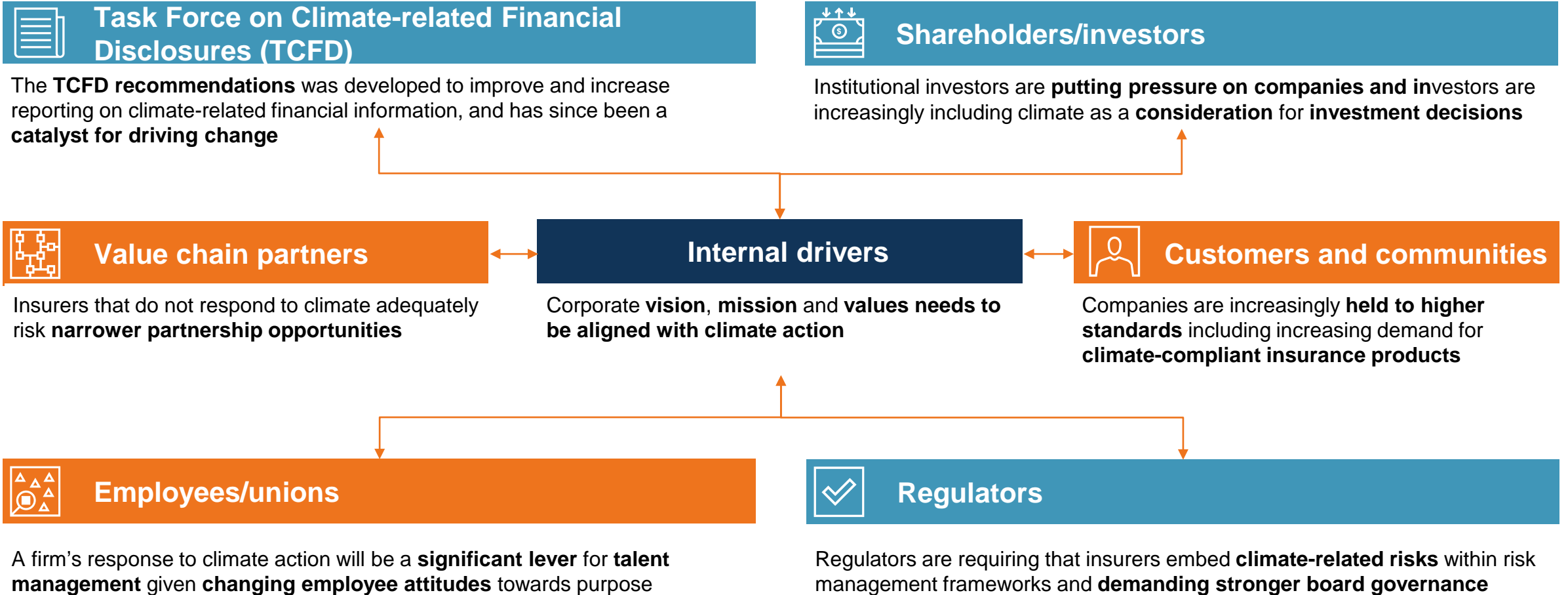
Companies that don't adapt – including companies in the financial system – will go bankrupt without question. [But] there will be great fortunes made along this path aligned with what society wants.

**Mark Carney, 2019 interview with [Channel 4 News](#)**





# Growing pressures on insurers to respond



# The Task Force on Climate-related Financial Disclosures driving disclosure and company action



Set up by the G20 and report to the Financial Stability Board



Made up of 32 members drawn from a range of industries and countries



Recommendations focused on Governance, Risk Management, Strategy and Metrics & Targets



Expectation that disclosure of the TCFD occurs in the financial filings or annual reports

4000+

Companies and organisations support the TCFD

\$220tn+

Value of financial assets of financial institutions signed up to TCFD

101

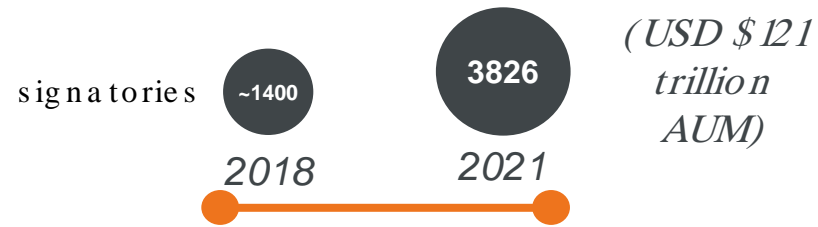
Number of jurisdictions with TCFD supporters

*\*The above numbers taken TCFD Status Report 2022 and website as of 28 October 2022*



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# Investors are taking climate action



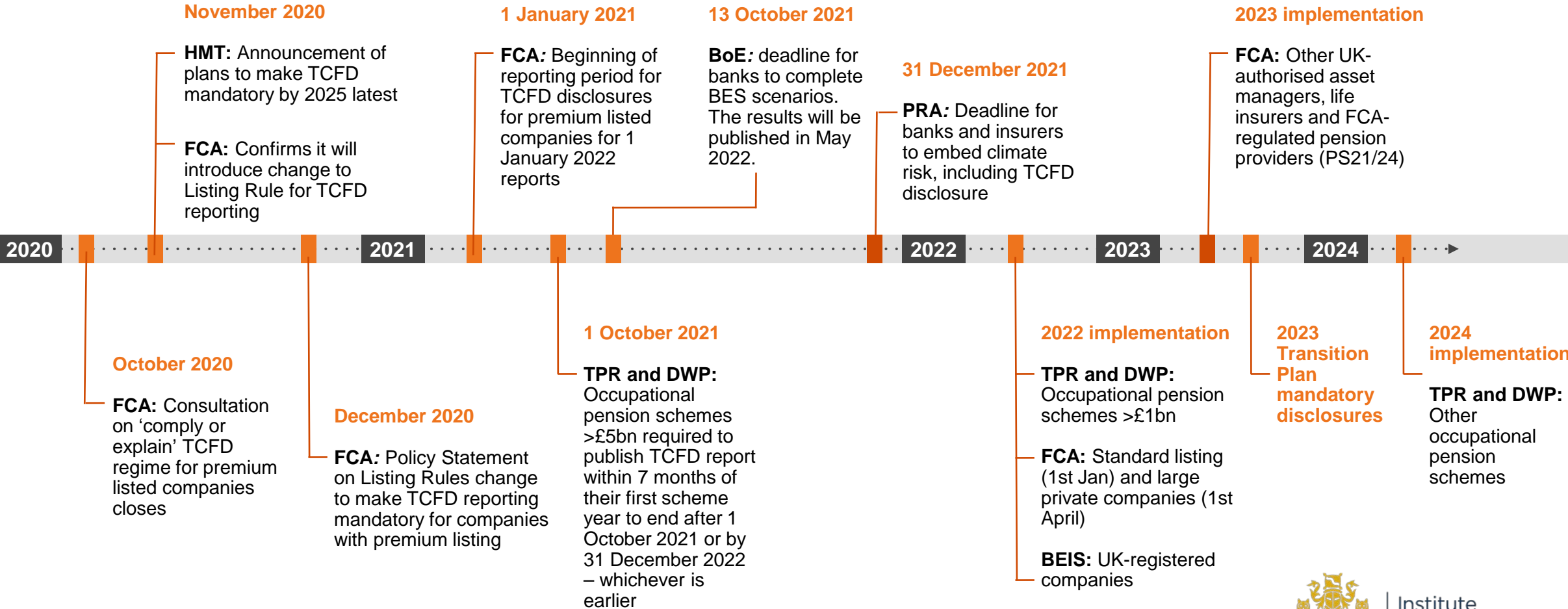
## Actions that investors are taking on climate change:

- **Shifting their portfolios** - moving towards net zero portfolios
- **Increasing their own transparency** – through the TCFD, PRI and CDP annual reporting processes
- **Engaging actively with policy makers** – towards policies supportive of net-zero economy ambitions
- **Voting their values** - using proxy voting to push for decarbonisation and effective consideration of climate risk



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# Climate regulations are already in place



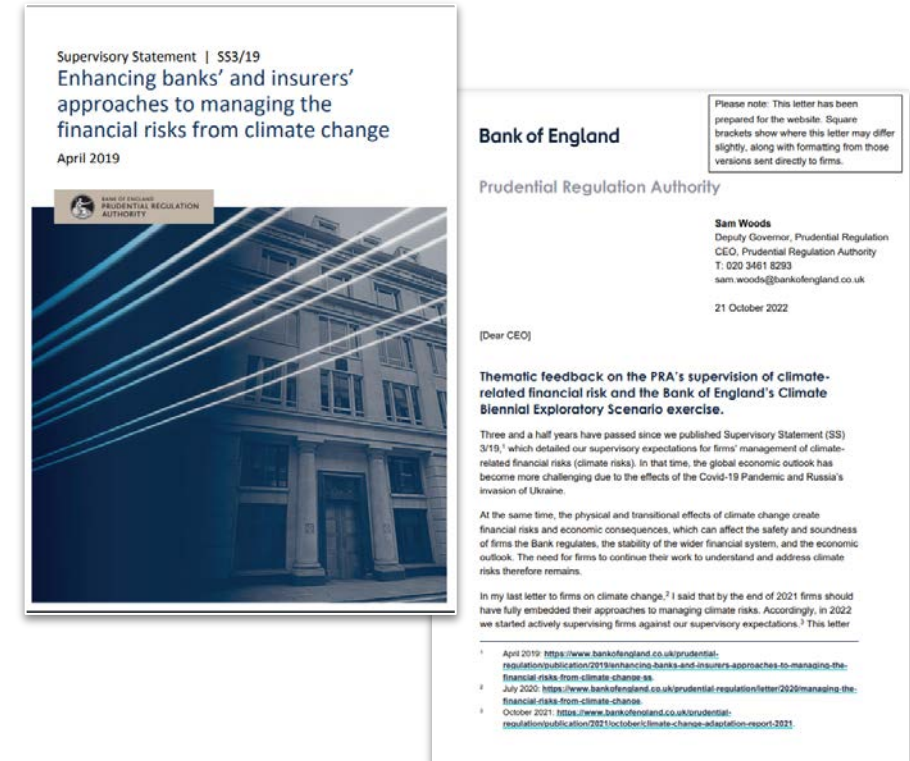
# PRA recently provided supervisory feedback on climate-related risks

> Governance and risk management of climate risks has advanced in most firms

> All firms still need to make further progress across areas reviewed by the PRA

> Firms will need to actively engage with feedback

> Firms will need to demonstrate how they are addressing potential gaps and constraints to progress



Sources: PRA SS3/19 and Dear CEO October 2022



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# Analysing the first 50 companies of the FTSE 350 to report under FCA 'comply or explain' Listing Rules showed:

**86%**

list climate change as a principal risk or embed it into existing principal risks

**50%**

of companies acknowledge that they have more work to do on their TCFD disclosures

**28%**

of companies link their metrics and targets with climate-related risks and opportunities

**8%**

of companies quantify the estimated financial impact of climate risks in their strategic report

Source: [The green shoots of TCFD reporting, May 2022](#)



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# TCFD 2022 Status Report shows the % of companies disclosing is increasing but more urgent action is needed

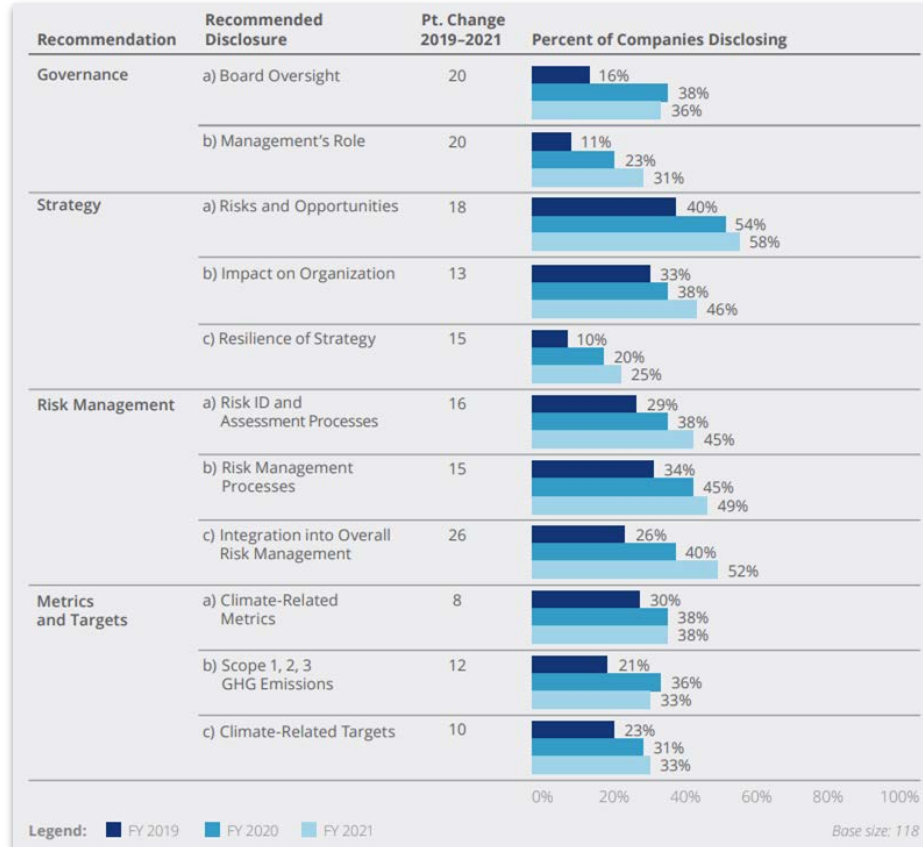
> 80% of companies disclosed in line with at least 1 recommendation, however, only 4% disclose all

> Europe is still leading the way, followed by Asia Pacific and North America

> Between 2019-2021, insurance companies have increased overall by 16 percentage points

> Insurers are still reporting least on resilience of strategy (Strategy C)

Disclosure for Insurance across the 11 recommendations



Source: TCFD Status Report 2022





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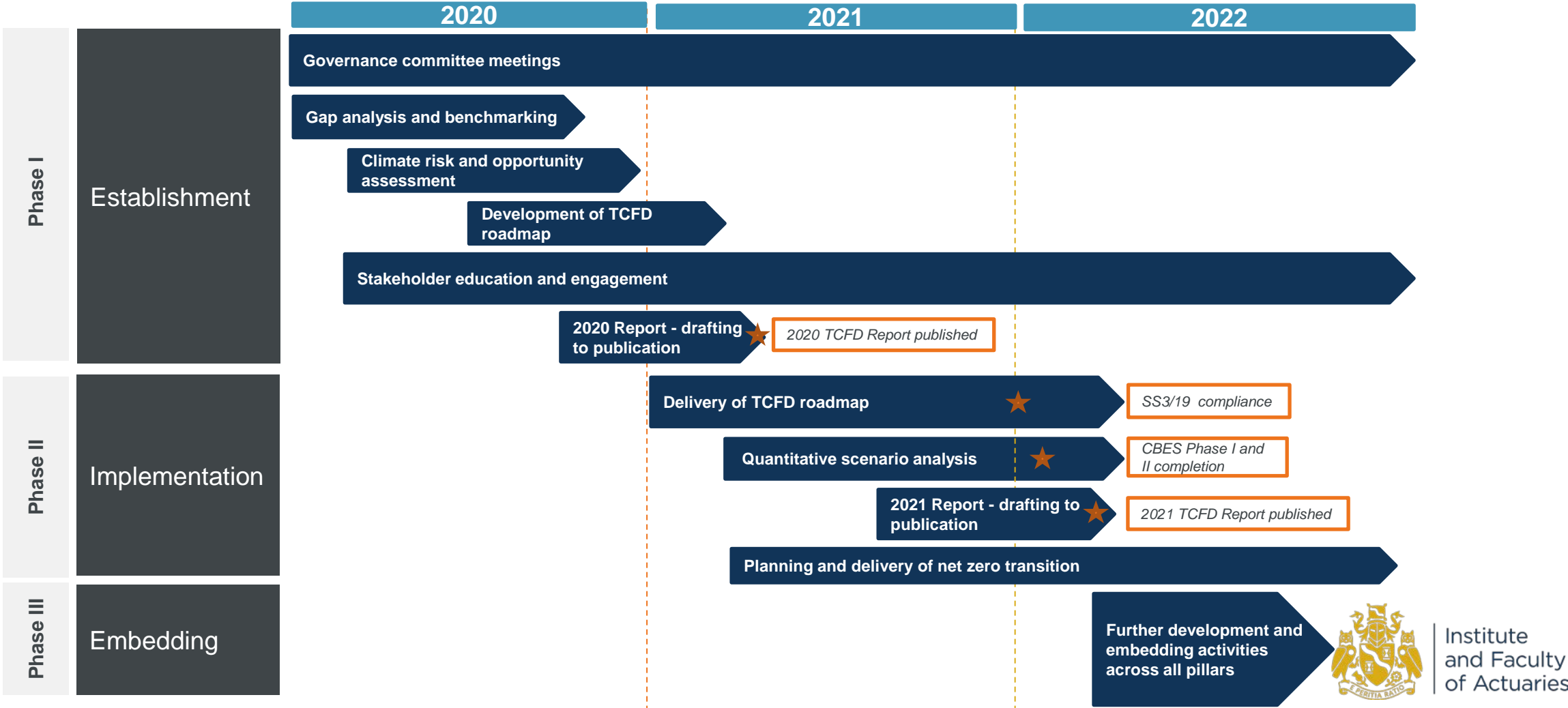
# Phoenix Group's climate action journey



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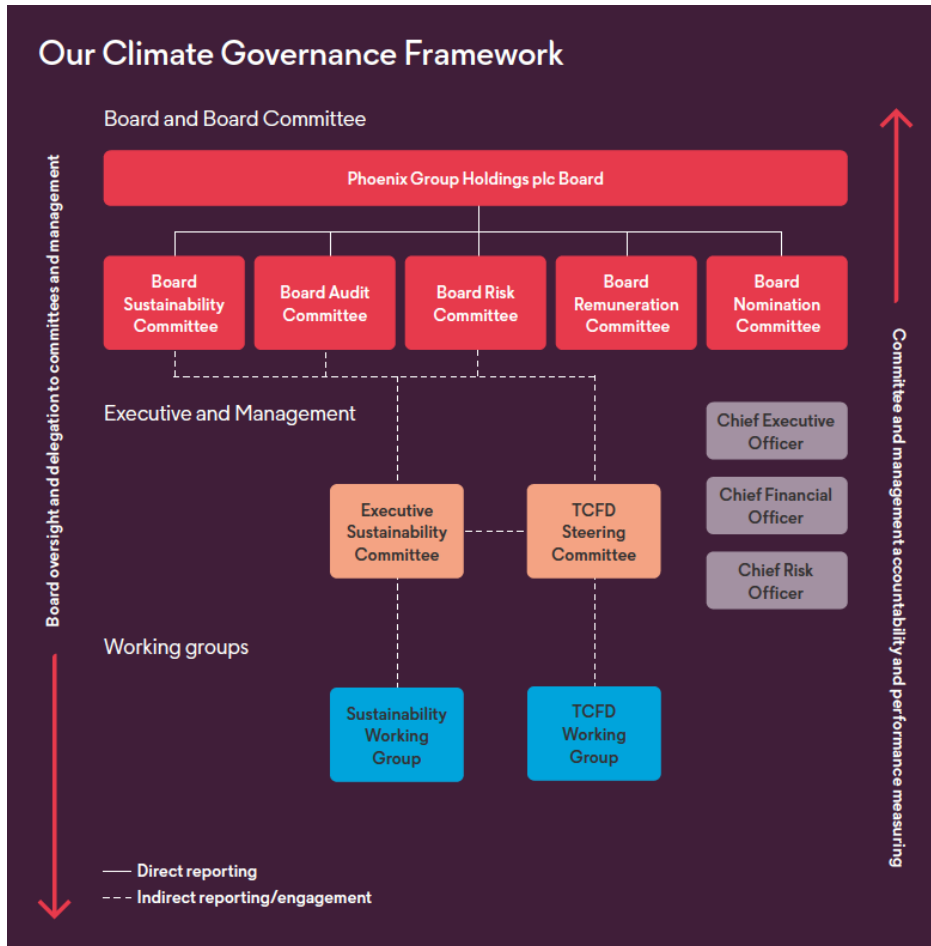
# Phoenix Group took a phased approach to TCFD implementation



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Source: Phoenix Group analysis

# Establishing an effective governance structure was key



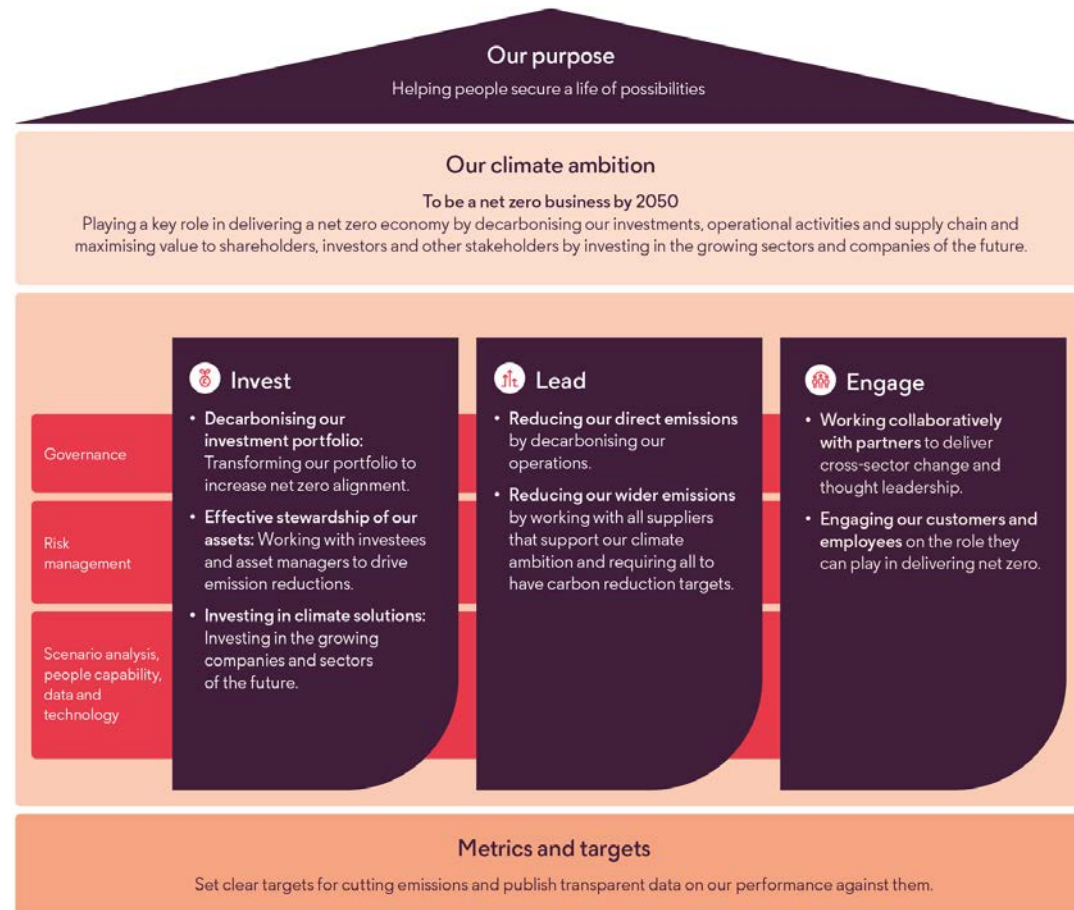
Source: Phoenix Group Climate Report 2021

- Cross-functional working group ensured day-to-day implementation
- Steering Committee supported key decision making
- Board Sustainability Committee established to oversee all ESG themes
- Terms of Reference for other Board Committees enhanced for climate-related oversight



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# A climate action model with three key strategic priorities was developed to deliver the ambition



- Phoenix's investment portfolio is the area with both the biggest climate impact and the greatest exposure to climate related risks and opportunities. It also gives transformative power to allocate capital in a sustainable way.
- There is a great opportunity to support the transition through operational and supply chain activities.
- Engagement is key to influencing emerging government policy and regulatory and legal changes.

Source: Phoenix Group Climate Report 2021



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# Climate change was reflected across the Group's Risk Management Framework



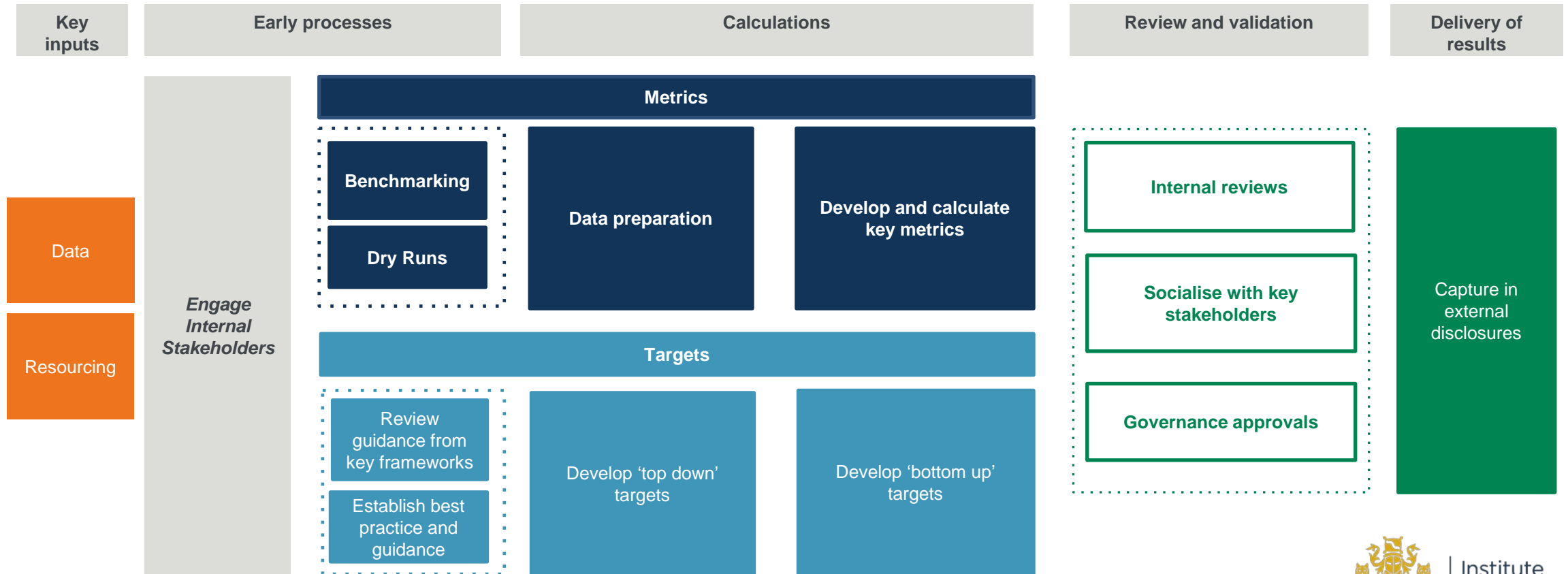
Source: Phoenix Group Climate Report 2021

- Climate risk is considered a principal, cross-cutting risk at Phoenix Group
- Climate risk appetite statements and metrics were approved
- All policies were reviewed to ensure appropriate content was included for material climate risk exposures
- Further clarity on roles and responsibilities across the three lines of defence was provided
- Models were developed for climate scenario analysis
- Processes and reporting were supplemented with climate dashboards.



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# Developing climate-related metrics and targets followed a defined process with key milestones



Source: Phoenix Group analysis



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# Some key steps to get started

## Take foundational steps

- Undertake risk and opportunity assessment to understand areas of materiality
- Understand current positioning of activities and reporting and future ambitions

## Secure internal buy in

- Obtain senior stakeholder support and ownership early and ensure there is continuous Management and Board engagement

## Get started

- Mobilise a multi-disciplinary team and secure external technical expertise if needed
- Do not wait to have all the answers, data and methodologies before getting started

## Collaborate and engage

- Establish dialogue with peers and join wider industry forums



# Considerations when integrating into business as usual

**Meeting the intent of the TCFD recommendations requires the management of climate-related risks and opportunities to be embedded within the organisation**

- Undertake a specific target operating model ('TOM') exercise to transition to business as usual
- Consider flexibility of TOM to address new requirements/regulations e.g. pension scheme reporting
- **Resourcing**
  - Use established teams and functions as required and build internal capabilities
  - Supplement with recruitment of subject matter expertise
- **Processes**
  - Document approaches and methodologies and establish process to capture and address new guidance and regulations as they emerge
- **Data and Technology**
  - Consider data requirements and system integration changes needed.



# Lessons learnt

## Practical

- Develop an achievable implementation plan to keep track of progress
- Bring in the right stakeholders from across the business
- Focus on obtaining relevant data to support the more challenging areas of TCFD such as scenario analysis and stress testing, as well as metric setting

## Strategic

- Keep focus on the bigger picture on achieving Net Zero and develop interim steps to progress forwards
- Top down execution is important, having the right ambition and vision will help accelerate change
- TCFD reporting can be a catalyst for helping to accelerate change across the business and influence stakeholders







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# What's next?



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# What next for Phoenix Group?

> Further refining and embedding of climate approach across all four TCFD pillars

> Developing scenario analysis and strategies to mitigate against financial impacts

> Developing net zero transition plan with focus on action and delivery

> Using lessons from TCFD implementation to develop the Group's nature approach in line with TNFD framework



# Where should companies be focusing?

**On what matters +  
is a material  
climate risk/opp.**

**Obtaining accurate  
+ comprehensive  
data**

**Utilising insights +  
tools to accelerate  
progress**

**Embedding climate  
action into  
business as usual**

**Developing a Net  
Zero Transition  
Plan to achieve  
targets**

**Keeping abreast of  
the latest reporting  
guidance and  
industry groups**



**Any questions?**

**Any comments?**





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# Thank you

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