U. S. Securities and Exchange Commission's Request for Public Input on Climate Change Disclosures

The Association of Bermuda Insurers and Reinsurers ("ABIR") kindly thanks the U. S. Securities and Exchange Commission (SEC) for the opportunity to comment on whether current SEC disclosures adequately inform investors on climate change disclosure. The Association of Bermuda Insurers and Reinsurers (ABIR), represents the public policy interests of Bermuda's international insurers and reinsurers that protect consumers around the world. ABIR members have headquarters and operations in Bermuda with operating subsidiaries in the United States and Europe and do business in more than 150 countries. Members employ over 106,000 people around the globe including more than 43,000 employees in the US, nearly 1,600 employees in Bermuda, and nearly 8,700 in Europe. Over the past twenty years, Bermuda re-insurers have paid nearly a quarter of a trillion dollars in claims from natural and man-made disasters in the United States and the European Union alone.

Generally speaking ABIR supports a balance of transparency and proportionality, designed to allow investors access to information adequate to make informed business decisions. The following are ABIR's responses to the questions that the SEC published for consideration:

- What information related to climate risks can be quantified and measured? How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision? Should disclosures be tiered or scaled based on the size and/or type of registrant)? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?

  ABIR Response

  It is our perspective that voluntary disclosure of greenhouse gas emissions is helpful and in this regard the disclosure of Scope 1 and 2 disclosures sets an effective baseline for investors to evaluate company's performance. It is recognized that voluntary disclosure may not be sufficient in the future and we expect these disclosures to become mandatory over time.

  It is our view that year on year movement in Scope 1 and 2 disclosures is a helpful trend to be reported, but this should be related to a meaningful measure of economic activity such as annual turnover.

Scope 3 measurement is challenging on a number of fronts, particularly in terms of identifying and evaluating vendors and outsourced providers. This also introduced the potential for 'double counting' of exposures. We would recommend that any such disclosures remain purely voluntary until practice matures further in this area.

For companies and markets that would be adversely affected by climate change impacts, scenario testing can provide a useful tool to stress climate resilience. The Representative Concentration Pathway (RCP) construct used by the Intergovernmental panel on Climate Change (IPCC) provides a framework around which companies can assess how operations, assets and investments might respond under defined climate scenarios. These RCP scenarios are being used by some as a foundation for their reporting requirements.

While these RCPs are quantitative in nature, the description of the impacts may need to be more qualitative in nature, enabling companies to quantify where possible and comment where quantification is challenging.

- What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?

  ABIR Response

  Taking input from industry participants will ensure the applicability and practicality of implementation of any proposed disclosure standard. This will be necessary to ensure that investors and other stakeholders can use this information to make decisions in an equitable manner across different registrants and industries.

  In terms of the level of granularity, alignment with other reporting frameworks will encourage engagement by reducing duplication of effort. Both the Sustainability Accounting Standards Board (SASB) and the European Union Taxonomy for Sustainable Activities (EU Taxonomy) propose industry breakouts against which sustainability and environmental criteria can be applied.

  - *https://www.sasb.org/industry-specific/*
  - *https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy_en*

- What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?

  ABIR Response

  ABIR represents a significant portion of the reinsurance sector and we see increasing work by a range of international regulatory bodies in the area of requiring reporting standards against Climate Change. We anticipate the insurance regulatory bodies will specify both private and public reporting requirements, above and beyond those for other sectors. We would encourage the SEC to recognize

this development and remain flexible in accepting financial service regulatory disclosures in lieu of other similar requirements, to avoid duplication.

- What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)? Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

  ABIR Response

  There is a strong argument to support existing disclosure standards and allow these existing reports to be referred to in SEC filings. There is a danger that if SEC disclosures are too prescriptive, the unintended consequence of such requirements may be to stifle take-up of voluntary schemes such as these. Given the ongoing discussions related to consolidation of these frameworks, the SEC remains flexible in its recognition of these frameworks.

  Both the TCFD and the EU Taxonomy would provide robust frameworks alongside which the SEC might align. The TCFD has relative longevity for a framework of this kind and as such, many international financial institutions already have experience of implementing reporting aligned with this voluntary framework. The EU Taxonomy is still in very early stages of implementation, but registrants with European footprints will also be growing in experience in terms of aligned reporting.

- How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?

  ABIR Response

  The Financial Stability Board (FSB) has been instrumental in the development of the TCFD reporting framework, enabling engagement of its members and fostering international alignment. The SEC's involvement with the FSB through the membership of the Chair of the SEC, Gary Gensler, already provides a path to engagement with the board.

- How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?

  ABIR Response

  Many of the existing frameworks such as TCFD require a disclosure of the internal governance, strategy development and integration of climate risk into enterprise risk management frameworks

including the requirement to set risk appetites and undertake stress and scenario testing. It seems reasonable to encourage those that disclose these matters in existing reports to refer to these and for SEC disclosure requirements to align to these recognized international standards.

- How should disclosures under any such standards be enforced or assessed? For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?

  ABIR Response

  Disclosures which are currently voluntary are best enforced by requiring Executive and/or Board sign-off of the reports are fair in their representation of the facts presented as far as knowledge and skills of those reporting. Given the highly technical requirements associated with greenhouse gas emission calculations and other climate risk disclosures, should external verification be required, we believe this would be best handled by company's seeking external certification or verification of their disclosures from recognized environmental verification service providers. We believe it would be inappropriate for external auditors be asked undertake such verification services.

- Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?

  ABIR Response

  As outlined above, we believe that management certification, supported by external professional verification would be preferrable to potentially complicating sign-offs of internal financial controls by the inclusion of climate risk related control reviews.

- What are the advantages and disadvantages of a "comply or explain" framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should "comply or explain" apply to all climate change disclosures or just select ones, and why?

  ABIR Response

  Comply or explain provides a framework for organizations with non-material exposures to climate change to be able to lay out their analysis of why this is the case and avoid potentially costly and time-consuming boiler plate disclosures that are not strictly relevant to them.

This approach would be consistent with other international frameworks such as the European Union Sustainable Finance Disclosure Regulations (SFDR), again fostering consistency across jurisdictions.

- In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?

  ABIR Response

  We are of the opinion that ESG reporting is still an immature area, where the definition of the elements of Environmental, Social and Governance aspects are still developing. The SEC has already taken steps to strengthen Human Capital disclosures and we recommend that each element is addressed over time on its own merits, whilst a market response to ESG reporting crystalizes more fully.

If you wish to discuss any of these matters further, please contact the undersigned.

Kind regards
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