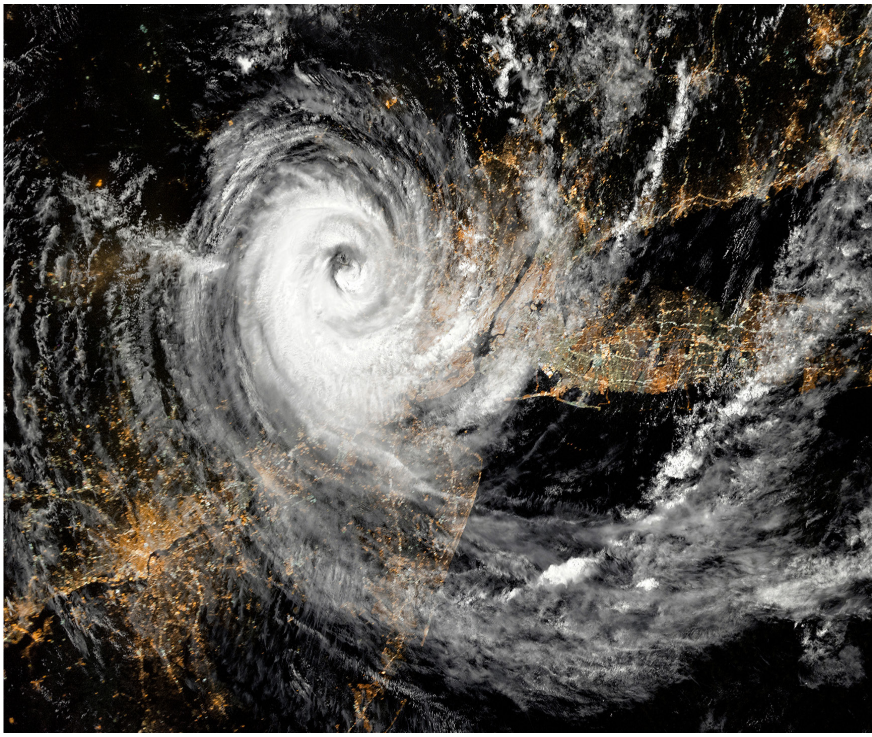
Detailed Analysis of 15 Companies

Ceres

Ceres Accelerator
for Sustainable Capital Markets

A complementary report to the *Climate Risk Management in the U.S. Insurance Sector: An analysis of climate risk disclosures report*

July 2023



Introduction

The following report is complementary to the report, **Climate Risk Management in the U.S. Insurance Sector: An analysis of climate risk disclosures**. In addition to the research measuring TCFD-alignment using a machine learning-based algorithm for the 469 companies and groups that is summarized in the main report, Ceres also commissioned from Manifest Climate a detailed analysis against more than 200 climate risk action items of 15 companies, selected for their high levels of disclosure.

Selection Process

TCFD has four overarching recommendations or pillars on governance, strategy, risk management, and metrics and targets, and 11 associated recommended disclosures, or sub-pillars. Out of the 63 companies that made disclosures under all 11 of the sub-pillars, Ceres selected 13 companies for this more detailed analysis. Two additional companies were added to this selection even though they disclosed only 10 of the sub-pillars, making a total of 15 companies. Companies were selected to represent a cross section of the insurance sectors. For example, one of the added companies was Molina Health, selected due to the lack of health insurance companies that disclosed all 11 of the TCFD sub-pillars. Finally, State Farm was included because of its size. The full list of companies selected is:

Name	Line of Business	Direct Premiums Written ($ billion)
AFLAC	Life	5.4
Blue Shield	Life	0.23
Farmers Insurance Group	P&C	21
John Hancock/Manulife	Life	22
Liberty Mutual Group	P&C	37
Magellan Health	Health	0.66
Molina	Health	5.4
Munich Re (reinsurance company)	P&C	3
Progressive Group	P&C	47
Prudential of America	Life	61
SBL Holdings	Life	4.4
SiriusPoint	P&C	0.43
State Farm	P&C	75
Swiss Re (reinsurance company)	P&C	1.7
Travelers Group	P&C	30

This analysis contains screenshots from **Ceres TCFD analysis dashboard** developed by Manifest Climate. Explore the dashboard to analyze the disclosures of the selected 15 companies.

Read this guide on how to navigate the dashboard.

Key Findings

- All but three companies integrate climate risk into their enterprise risk management (ERM) processes.
- Some 13 of the 15 companies have existing processes for assessing and identifying climate risks.
- There was widespread disclosure under the strategy pillar, especially under 'resource efficiency' (all but one company made disclosures) and 'products and services' (11 companies).
- While some companies in the study included general disclosures on materiality, none included 'clear discussion on the materiality of Scope 3 emissions' or made a clear statement that scope 1 and 2 disclosures are not subject to a materiality assessment.
- Only one of the 15 companies disclosed well-defined processes for the board to consider risks and opportunities in executive decision-making processes.
- Only five companies made disclosures under a range of scenarios (less than 2-degrees Celsius scenario, 1.5-degrees Celsius scenario, and over 2 degrees-Celsius scenario).
- Two companies voluntarily adopted carbon pricing across their businesses, and one of these also discussed how carbon pricing might change over time.
- Almost all companies provided metrics related to scopes 1, 2 and 3, although six provided no disclosures on scope 3.

The detailed analysis took each of the 11 TCFD sub-pillars and looked at another level of more detailed disclosures that could be expected to be included in a full disclosure that would make the disclosures 'decision useful.' These more detailed disclosures, indicators for which were set using Manifest Climate's detailed assessment model, numbered between two and 22 for each pillar, depending on the complexity of the disclosure requirements. In the following analysis, Manifest Climate indicators are, where possible, identified by quotation marks.

For example, the concept of board oversight for climate-related matters, which relates to the first of the 11 TCFD sub-pillars, was analyzed against two more detailed disclosures: 'board indicated level of climate expertise' and the disclosure that 'particular board members and/or committees are responsible for oversight of climate issues.'

At the other end of the spectrum, the concept of metrics in use, which derives from the first sub-pillar of the TCFD's metrics and targets recommendation, covers more than 20 'sub'-sub-pillars, on everything from 'percentage of assets aligned with climate opportunities' to 'land use,' 'metrics for scopes 1, 2 and 3,' with timing, to 'waste,' 'water,' and other metrics.

Companies made some disclosures under each of the 11 sub-pillars (except for State Farm and Molina Health as noted above), but disclosures were often few and far between under the next, more detailed, level of analysis.

Within the analysis below are included a number of screenshots showing selected data from the Ceres a nalysis for board awareness taken from the Manifest Climate benchmarking **application**. In the live application, as can be seen from the scroll bars in the screenshot, users can see the full list of 'action item indicators' and all 15 company records.

While we recognize that there are currently more crosses than check marks in the analysis, we also recognize that this is the first year of the disclosures and of filing the reports, so what we see is just the beginning of what we can expect to see in the coming years. Furthermore, the dataset reviewed is intentionally limited to the TCFD filings required by the National Association of Insurance Commissioners (NAIC) and does not represent a comprehensive view of a company's public disclosures, which could include regulatory filings,

proxy statements, and sustainability reports, among other publications. Our experience with other industries is that disclosure improves exponentially as companies' experience with TCFD disclosures improves.

Furthermore, Manifest Climate's 'action item indicators' deepen disclosure requirements to a much more detailed and itemized level than the 11 sub-pillars of the TCFD recommendations. Put differently, it is possible for an organization to disclose against a TCFD sub-pillar, but for that disclosure not to satisfy the specific criteria, or qualitative assessment, used in the Manifest Climate detailed assessment model. This is because Manifest Climate, generally, and by design, takes a relatively narrow view of what represents a decision-useful disclosure. It is less likely that companies will have disclosed all the action items that the benchmarking tool is displaying, and that Manifest Climate is seeking.

Analysis of all 15 companies by pillar and sub-pillar

Section 1. Governance

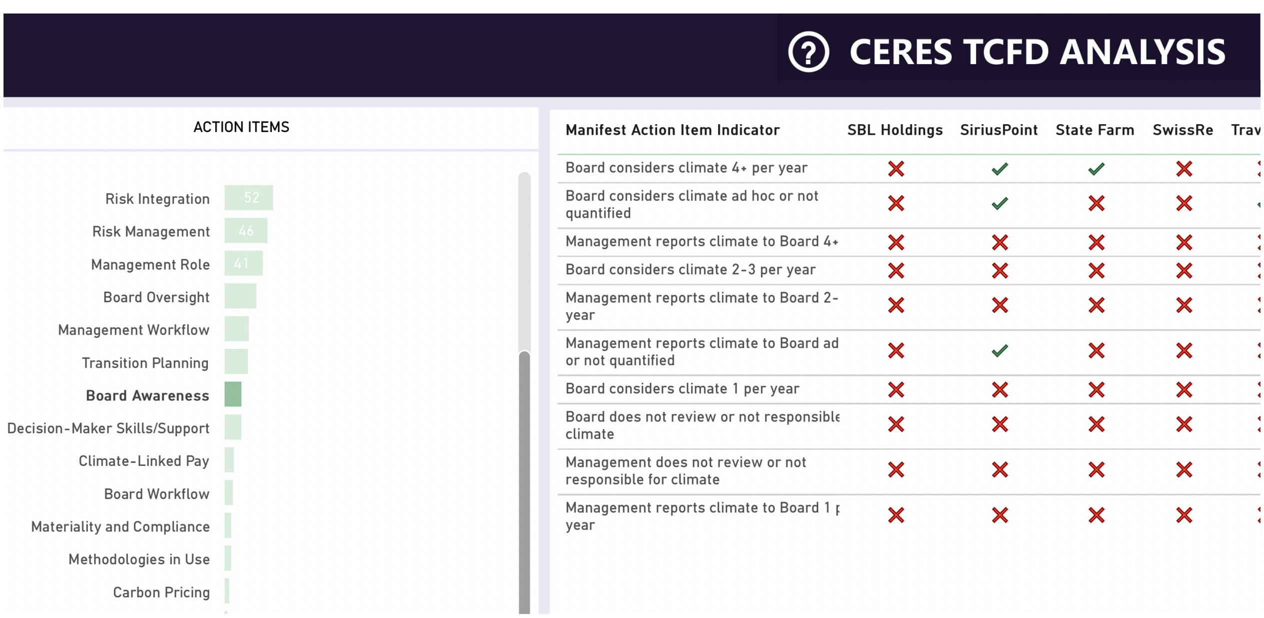
1. Board oversight

None of the 15 companies provided comprehensive disclosures on the 'level of board or director climate expertise' a measure of the experience, skills and knowledge of climate. This is a piece of information that is being considered under the proposed SEC climate risk disclosure rules. On the other hand, all companies – except Molina Health – indicated that 'particular board members and/or committees were responsible for overseeing climate risks and opportunities.'

> **TCFD Report Excerpt 1: Progressive Insurance**
> "The Nominating and Governance Committee is responsible for overseeing and addressing management risks relating to the board's governance practices, and environmental, including climate change, and social factors and initiatives."

2. Board awareness

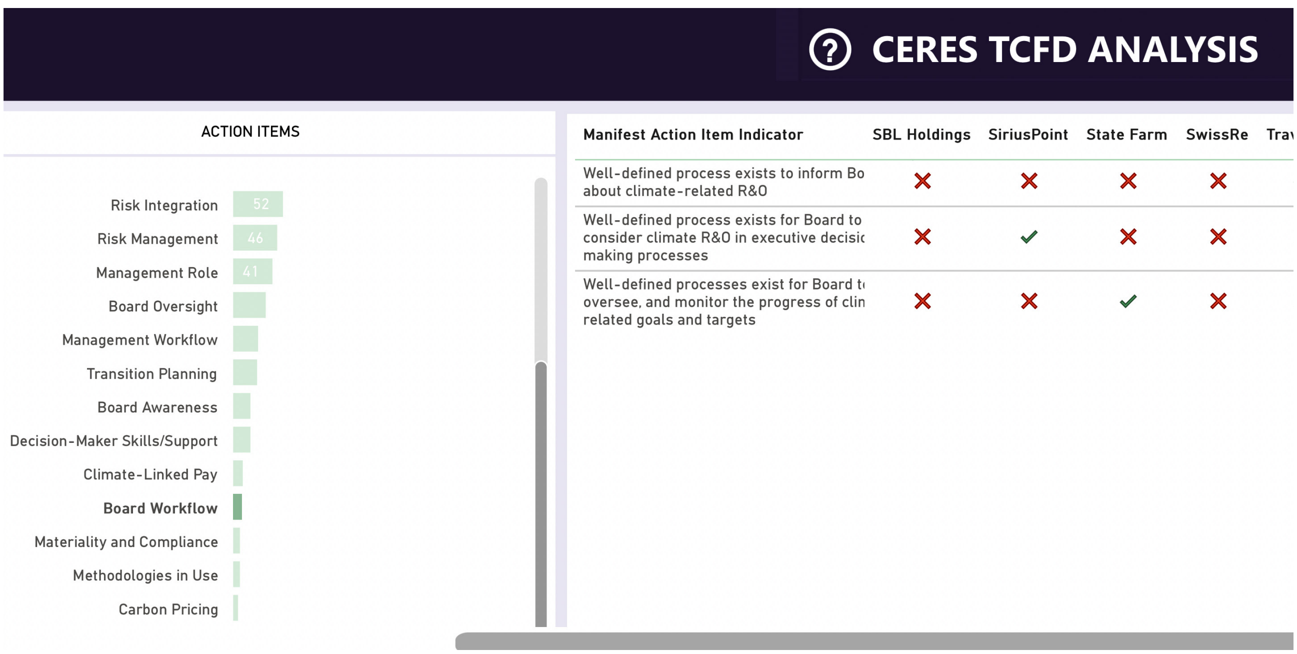
Four companies have their 'boards consider climate' related matters at least quarterly, while another five did not quantify board consideration of climate matters. At two companies, 'management reports to the board' at least quarterly. Others report to the board two to three times per year, with at least one reporting ad hoc.



> **TCFD Report Excerpt 2: Liberty Mutual Group**
> "Enhanced oversight of climate-related matters by providing regular updates to the Board of Directors on climate risk and electing George Serafeim, the Charles M. Williams Professor of Business Administration at Harvard Business School and a sustainability and corporate governance expert, to the Board. Assessed our Board structure to ensure it was best equipped to address climate and ESG-related risk. As a result, as of April 2022, we introduced a new structure to explicitly distribute oversight for climate-related risk across Board committees and revised Board committee charters. Increased internal coordination through regular Climate Council meetings and evolving ESG oversight bodies."

3. Board workflow

At least four of the 15 companies selected disclose 'well-defined processes to inform the board about climate-related risks and opportunities (R&Os).' Only two companies disclose 'well-defined processes for the board to set, oversee and monitor the progress of climate-related goals and targets' (this is related to the overall poor disclosure level of metrics and targets themselves). Only one of the 15 companies disclosed well-defined processes for the board to consider R&Os in executive decision-making processes.



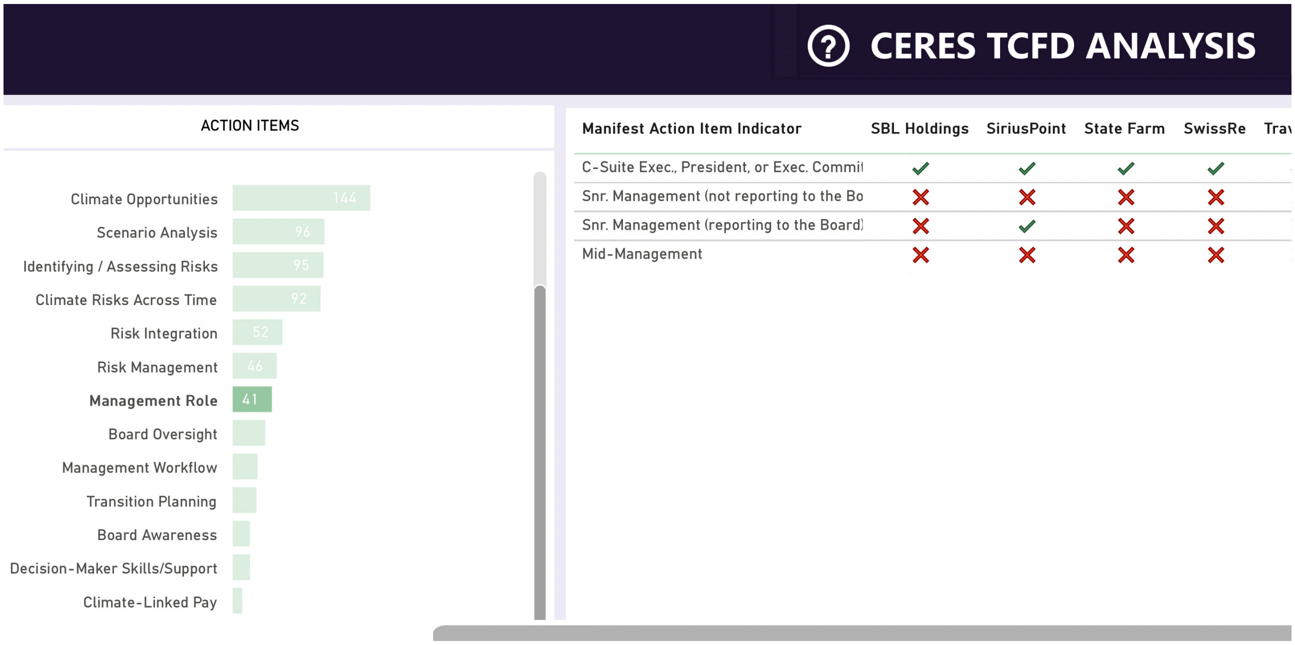
4. Board decision-making

Of the six indicators reviewed as part of this sub-pillar, only two companies, Farmers and Liberty Mutual, made detailed disclosures relating to any of them, the latter noting that its board considers climate when: 'setting business strategy, plans, major transactions and/or expenditures,' and the former making disclosures about how its board factors climate into decision-making when 'setting annual budgets or organizational performance objectives.' Disclosures on other aspects of board decision-making were otherwise rare or absent entirely, such as the impact of climate in 'decision-making about acquisitions or divestitures' and 'monitoring overall organizational performance.'

> **TCFD Report Excerpt 3: Liberty Mutual**
> "Climate-related risk informs decision-making at every level of Liberty Mutual, beginning with our Board of Directors. The Chief Risk Officer and Chief Sustainability Officer provide annual briefings for the Board, and in 2021, there was an additional session for the Board with a Liberty Mutual climate scientist."

5. Management role

All but three companies assigned climate responsibility to a C-suite executive, a president, or an executive committee. Three companies also assigned climate responsibilities to another member or members of senior management, either reporting or not reporting to the board.



TCFD Report Excerpt 4: **Security Benefit Life Insurance Company (SBLI)**

"The ESG Committees include cross-functional representation and meet periodically (usually jointly) to receive reports from and furnish direction to an ESG Working Group ("ESGWG") for the collective Security Benefit organization. The ESG Committees in turn report to and receive direction from their respective boards of directors. The ESG Committees include the companies' Chief Financial Officer/Chief Risk Officer, General Counsel, Chief Human Resources Officer, and FSBL's Audit Committee Chair; the CFO/CRO and GC are also directors of each of SBLIC and FSBL."

6. Management workflow

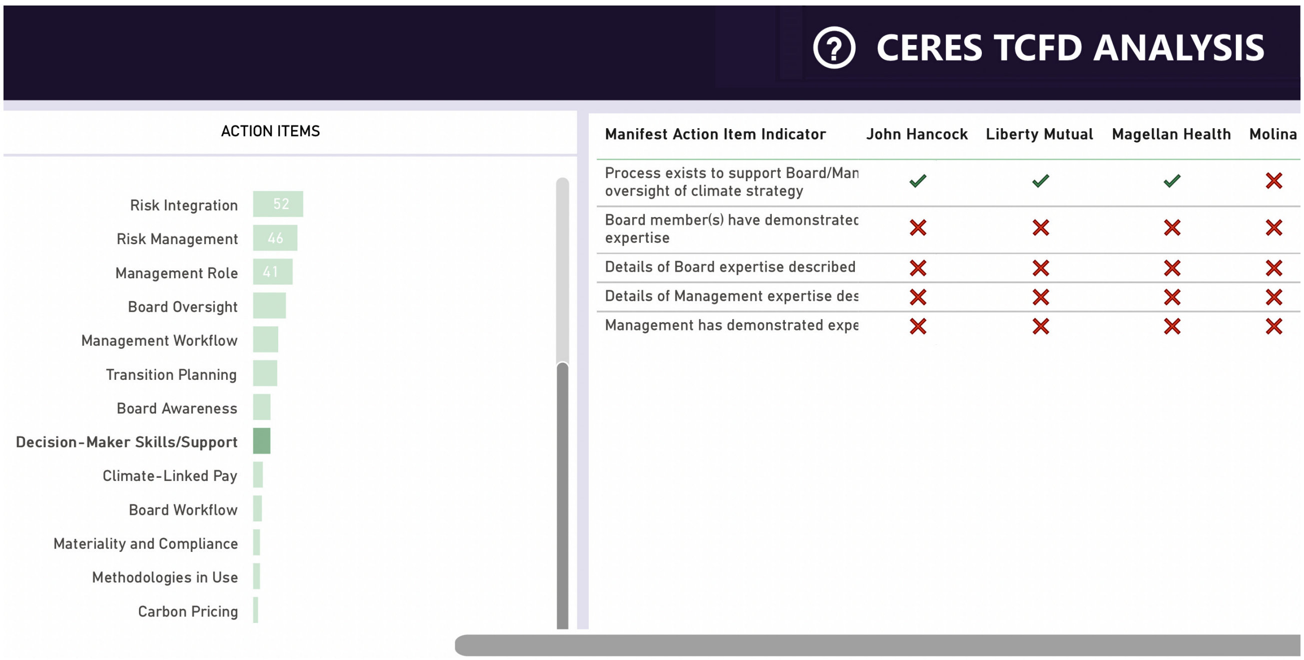
Four companies had 'cross-functional communication to help manage climate R&Os,' while five had 'dedicated controls to help manage those R&Os.' However, more than half (eight) had 'well-defined processes to help inform and monitor R&Os.'

TCFD Report Excerpt 5: Liberty Mutual Group

"In 2021, the Climate Council met more than 20 times and ensured cross-functional coordination across key topics, including:

- Physical climate risk and research: The Council discussed findings and impacts of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report and heard from internal climate scientists and natural catastrophe modeling experts on weather- and climate-related peril analysis.
- Emerging risk and climate-related regulation: The Council served as a cross-functional forum to surface and discuss emerging climate-related risk, such as nature-related risk, climate reporting frameworks and requirements, as well as other emerging transition and physical risks. Council members assisted in monitoring emerging global climate-related regulation.

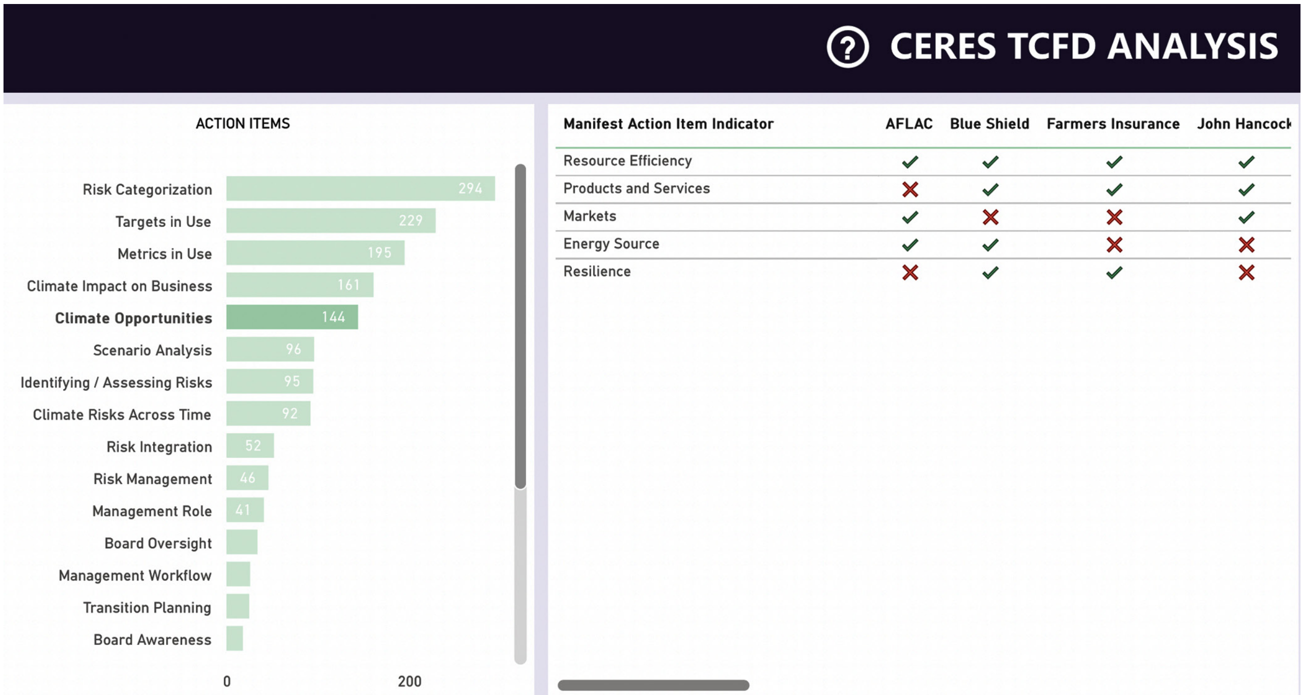
- Advancing transparency, data collection and climate-related risk disclosures: Council members assisted in further development of ongoing ESG-related reporting and disclosures. This included advancing voluntary reporting, such as our annual ESG Review and TCFD Report, and regulatory reporting requirements, including the EU Taxonomy, Own Risk and Solvency Assessment (ORSA), Climate Biennial Exploratory Scenario (CBES) and National Association of Insurance Commissioners (NAIC) climate risk disclosure survey.
- Climate scenario analysis: The Council took a lead role in developing the scope, plan and design of the inaugural scenario analysis exercise. The Council assessed the scenario analysis insights, ensuring the analysis reflected perspectives from across the organization and geographies."



Section 2. Strategy

1. Climate opportunities

There was widespread disclosure under this heading, especially under ‘resource efficiency’ (all but one company made disclosures) and ‘products and services’ (11 companies). Six companies made disclosures under ‘resilience,’ nine under ‘energy source’ and seven under ‘markets.’



TCFD Report Excerpt 6: Prudential of America Group

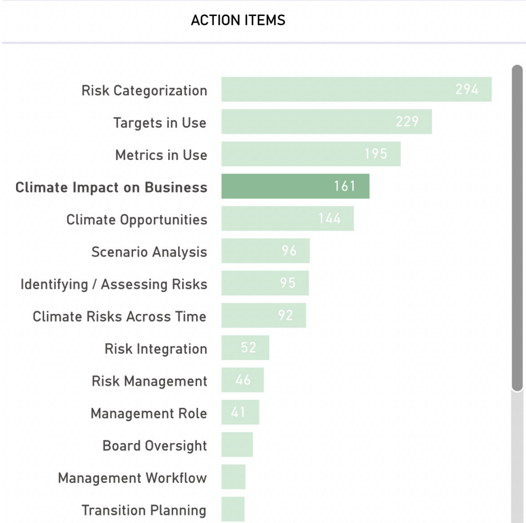
“Mitigate climate change and support resilience by integrating environmental, social, and governance commitments into the Company’s liquidity framework. In 2021, we renewed Prudential’s five-year $4 billion credit facility, linking the Company’s borrowing costs under the facility directly to its progress on achieving its sustainability targets. The credit facility includes a pricing structure which adjusts Prudential’s borrowing cost based on the Company’s success in reducing greenhouse gas emissions as well as increasing the diversity of its senior leadership.”

2. Climate impact on business

Disclosures on the impact of climate on a company’s business varied. While only one company each made detailed disclosures about the impact of climate on ‘access to capital’ (Prudential) and ‘acquisitions or divestments’ (Swiss Re), most included disclosures addressing the impact of climate on their business and strategy, products and services, and business operations. Only two expressly made climate-related disclosures under ‘R&D expenditures’, whereas nine and 10 respectively disclosed about ‘financial planning’ and ‘mitigation activities.’ Five had climate disclosures about the impact of climate on ‘suppliers or other parties in the value chain.’

CERES TCFD ANALYSIS

ACTION ITEMS



Manifest Action Item Indicator	SBL Holdings	SiriusPoint	State Farm	SwissRe	Travelers
Business and strategy	✓	✓	✗	✓	✓
Products or services	✓	✓	✓	✓	✓
Business operations	✓	✗	✗	✓	✗
Mitigation and adaptation activities	✓	✓	✗	✓	✓
Financial planning, performance and/or position	✗	✓	✗	✓	✓
Suppliers or other parties in value chain	✗	✗	✗	✗	✗
Expenditure for R&D	✗	✗	✗	✓	✗
Access to capital	✗	✗	✗	✗	✗
Acquisitions or divestments	✗	✗	✗	✓	✗

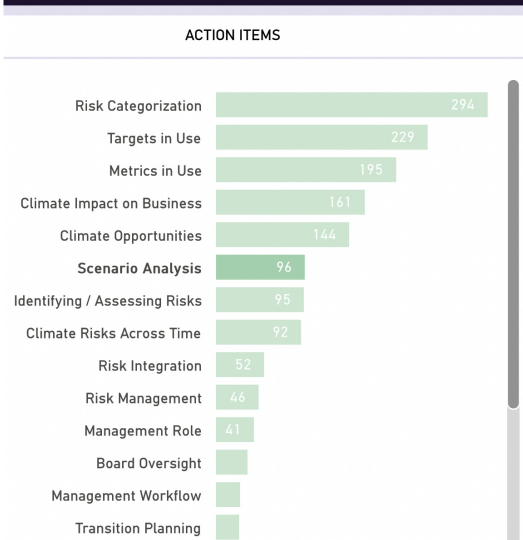
TCFD Report Excerpt 7: Prudential of America Group
"In November 2021, we issued our refreshed Global Environmental Commitment which has operational and investment targets around environmental reporting, responsible use of natural resources, resiliency preparation and education and engagement. Additionally, in 2021, Prudential integrated its ESG commitments into the Company's liquidity framework through the renewal of its five-year, $4 billion credit facility, which now links the Company's borrowing costs directly to its progress in achieving its sustainability targets. The credit facility incentivizes us to achieve previously stated commitments, including reducing our domestic GHG emissions."

3. Scenario analysis

Five companies made disclosures under a range of scenarios (less than 2-degrees Celsius scenario, 1.5-degrees Celsius scenario, and over 2 degrees-Celsius scenario). Two companies provided the full range of scenario analyses, against the above temperature changes, but also included: 'discussion of potential impact of different scenarios,' 'scenarios on physical risk,' 'transition risk,' and 'time horizons.'

CERES TCFD ANALYSIS

ACTION ITEMS



Manifest Action Item Indicator	John Hancock	Liberty Mutual	Magellan Health	Molina	Munich
Scenario on physical risk considered	✗	✓	✓	✗	✓
Scenario on transition risk considere	✗	✓	✗	✗	✓
>2C scenario considered	✓	✓	✓	✗	✗
1.5C scenario considered	✓	✓	✓	✗	✓
2C scenario considered	✓	✓	✓	✗	✗
Time horizons for scenarios disclose	✗	✓	✓	✗	✗
Potential impact of different scenario strategy discussed	✗	✓	✗	✗	✗

4. Transition planning

Five companies indicated that they had a transition plan: Swiss Re, Molina, Munich Re, Travelers and John Hancock/Manulife. Almost all of these also described adaptation and mitigation activities and discussed net zero targets. None of the 15 companies included detailed discussion, in the context of transition planning, 'impacts on resource allocation,' annual updates, or disclosed 'processes to review goals and targets.'

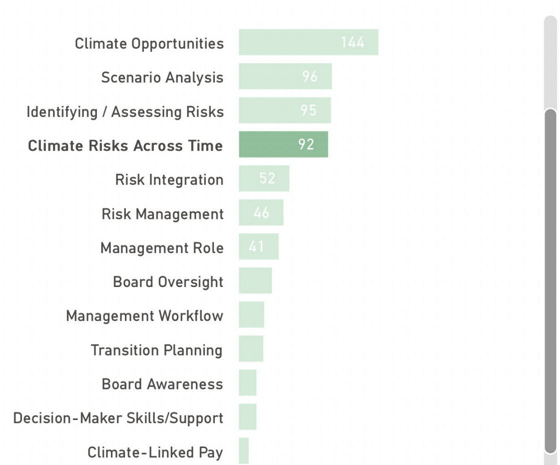
> **TCFD Report Excerpt 8: Travelers**
> "Travelers set a goal to reduce the Company's absolute Scope 1 and 2 emissions by 40% by 2020, based on a 2011 base year. By year-end 2020, we exceeded this goal, cutting absolute Scope 1 and 2 emissions by 60%. In April 2021, we announced our commitment to become carbon neutral across our owned operations by 2030. We will achieve this by reducing or offsetting an additional 50,000 metric tons of carbon dioxide. We plan to accomplish this goal by continuing to implement projects that result in absolute physical reductions of GHG emissions, continuing efforts to reduce energy consumption, increasing the percentage of renewable energy sources, reducing the size of our vehicle fleet and transitioning to a greater use of electric vehicles. When these efforts are exhausted, as a last resort, we will buy certified offsets."

5. Climate risks across time

This indicator looks at the climate risk categories: physical (acute and chronic), and transition (policy and legal, market, reputation and technology). It also assesses how those risks are addressed over time: 'undefined,' short, medium, and long term.

CERES TCFD ANALYSIS

ACTION ITEMS



Manifest Action Item Indicator	SBL Holdings	SiriusPoint	State Farm	SwissRe
Chronic physical LT	✗	✗	✗	✓
Policy & legal ST	✓	✗	✗	✗
Acute physical LT	✗	✗	✗	✗
Physical MT	✗	✗	✗	✓
Policy & legal LT	✗	✗	✗	✗
Policy & legal MT	✗	✗	✗	✗
Acute physical - undefined	✓	✗	✗	✓
Acute physical MT	✗	✗	✗	✗
Acute physical ST	✓	✗	✗	✗
Market MT	✗	✗	✗	✓
Physical LT	✗	✗	✗	✓
Chronic physical MT	✗	✗	✗	✗
Market ST	✗	✗	✗	✗
Physical - undefined	✗	✗	✗	✓
Policy & legal - undefined	✗	✗	✗	✓
Reputation ST	✓	✗	✗	✗

Only a few companies look at acute physical risks over anything but the short term, such as AFLAC and Magellan Health. Six disclose chronic physical risks over the long term, including Prudential and Swiss Re. Few companies disclose the time horizon over which they disclose reputational, technological, transitional, market, policy and legal risks; only AFLAC, for example, discloses medium-term reputation risk. No company discloses that R&Os are used as inputs to establish time horizons. It appears slightly more common to disclose physical risks over specific time horizons.

> **TCFD Report Excerpt 9: SBLI Company**
> "Another short-term risk centers around reputational risk as customers, regulators, employees, and investors seek specific information on our company in response to climate change's operational impact and ESG more generally."

Section 3. Risk management

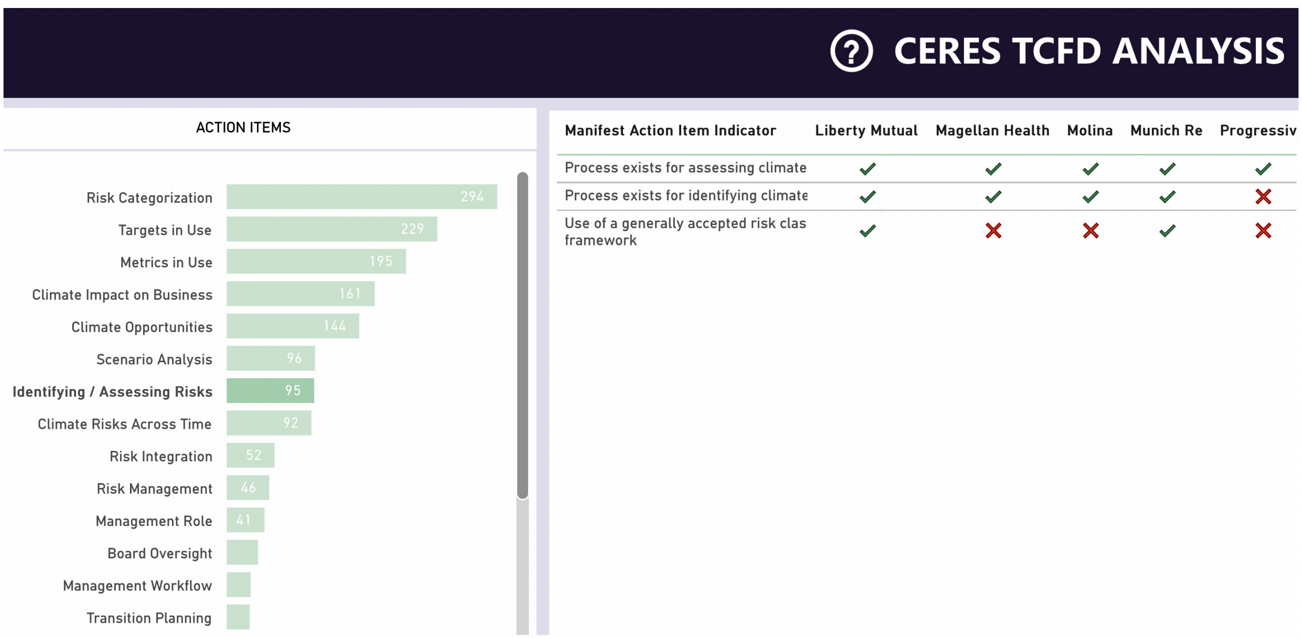
1. Risk integration

All but three companies integrate climate risk into their enterprise risk management (ERM) processes. Four of those 12 companies also describe the ERM integration process, Magellan Health, SiriusPoint, State Farm, and Travelers.

> **TCFD Report Excerpt 10: John Hancock/Manulife**
> "During 2021, climate change was introduced as a strategic topic for Global Risk Management and leadership acknowledged the need to increase awareness and expertise within the function to better support the management of climate-related risks across the organization. A working group was established to accelerate the effort in upskilling our staff, assess and adopt relevant industry practices and emerging regulatory expectations and enhance our existing ERM framework by embedding climate risk considerations into risk management activities across the enterprise."

2. Identifying and assessing risks

Some 13 of the 15 companies have existing processes for assessing and identifying climate risks. But only three companies expressly call out specific risk classification frameworks in relation to these processes, SBLI, Munich Re, and Liberty Mutual.

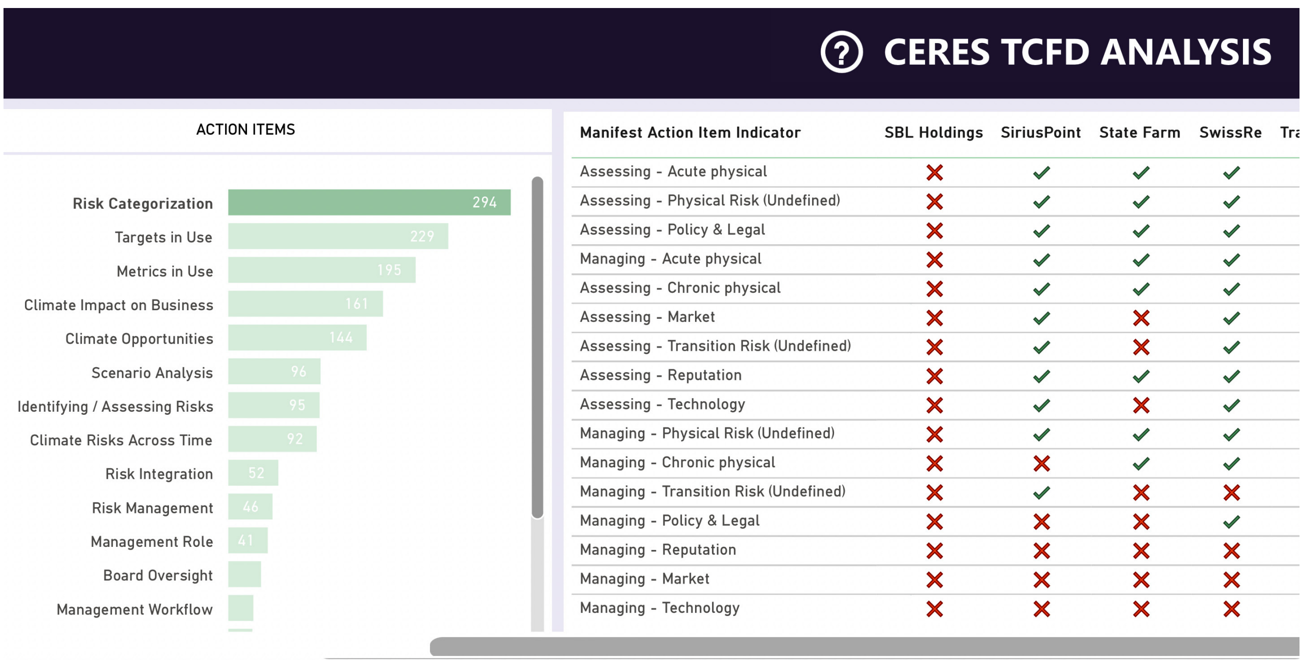


> **TCFD Report Excerpt 11: Liberty Mutual**
> "According to TCFD, climate-related scenario analysis should be used to assess and disclose potential business, strategic and financial implications of climate-related risks and opportunities over a short-, medium- and long-term time horizon. Given the limitations of existing climate-related scenario modeling, we opted to combine a systems-level, top-down stress test and a portfolio-level, bottoms-up stress test to better understand different dimensions of climate-related transition risks. The scope of the two exercises included:
>
> - Systems-level climate scenario analysis exploring macroeconomic, policy and legal, reputational and technological risks (with regional and sector insights) over a five-, 10-, 15-, 20- and 30+ year time horizon, recognizing that quantitative approaches do not yield meaningful insights between 30- and 50-year time horizons.

- Portfolio-level climate scenario analysis of Liberty Mutual's investments over a five-, 10- and 15-year time horizon. Data limitations and business strategy constrain realistic portfolio-level analytics to a shorter time scale of 15-years.
- The systems level approach allows us to perform a more qualitative "horizon-scanning" exercise to consider emerging risks where detailed quantitative data may not be available."

3. Risk categorization (assessment and management)

Some 13 companies discuss the assessment of acute physical risk, with a slightly lower number (eight) discussing the assessment of chronic physical risk. Some of the companies address specific types of transition risk (six assess market risk, 10 policy and legal, seven reputational, four technological), and the majority (nine) also assess 'transition risk,' as a broad category. Risk management is less well disclosed than risk assessment. Seven companies included disclosures on the management of acute physical risk. Three provided detail on the management of chronic physical risk. The management of transition risks, as a broad category was disclosed by a number of companies, but disclosures on the management of specific transition risks were few and far between. For example, two companies expressly discuss the management of policy and legal risk (Munich Re and Swiss Re), and one reputational (Munich Re).



Manifest Action Item Indicator	SBL Holdings	SiriusPoint	State Farm	SwissRe
Assessing - Acute physical	✗	✓	✓	✓
Assessing - Physical Risk (Undefined)	✗	✓	✓	✓
Assessing - Policy & Legal	✗	✓	✓	✓
Managing - Acute physical	✗	✓	✓	✓
Assessing - Chronic physical	✗	✓	✓	✓
Assessing - Market	✗	✓	✗	✓
Assessing - Transition Risk (Undefined)	✗	✓	✗	✓
Assessing - Reputation	✗	✓	✓	✓
Assessing - Technology	✗	✓	✗	✓
Managing - Physical Risk (Undefined)	✗	✓	✓	✓
Managing - Chronic physical	✗	✗	✓	✓
Managing - Transition Risk (Undefined)	✗	✓	✗	✗
Managing - Policy & Legal	✗	✗	✗	✓
Managing - Reputation	✗	✗	✗	✗
Managing - Market	✗	✗	✗	✗
Managing - Technology	✗	✗	✗	✗

4. Risk management

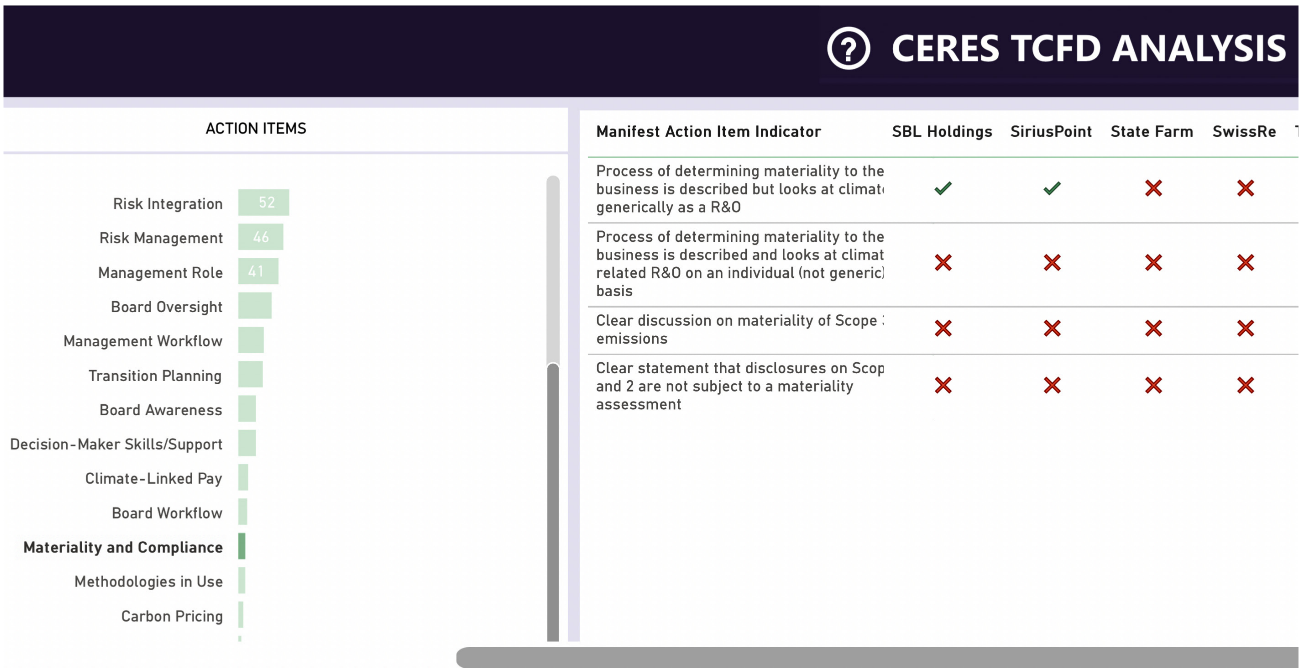
Some 11 companies have 'processes to manage climate risks and their impacts on the organization.' Nine have processes to 'mitigate, transfer, accept, control or adapt to climate risks,' while a few, such as Magellan Health, disclose detail on 'processes for prioritizing these risks,' beyond references to ERM integration.

> **TCFD Report Excerpt 12: Farmers Insurance Group**
> "In our current environment, our largest climate-related risk relates to exposure to catastrophes and their impact on our portfolio. In general, to the extent possible, Farmers manages its climate-related catastrophe risks through actuarially sound pricing, prudent risk eligibility guidelines, judicious use of reinsurance, and statistical modeling of enterprise capital under various stress scenarios. We use both internal and external catastrophe models to make our best assessment of prospective catastrophe risk for pricing, risk selection, risk concentration, capital optimization, and reinsurance purposes. We adjust

> the models based on our own experience, research, and historical model performance. Our capital modeling and solvency assessment work generates outputs on a deterministic and probabilistic basis which we use to manage our enterprise view of risk."

5. Materiality and compliance

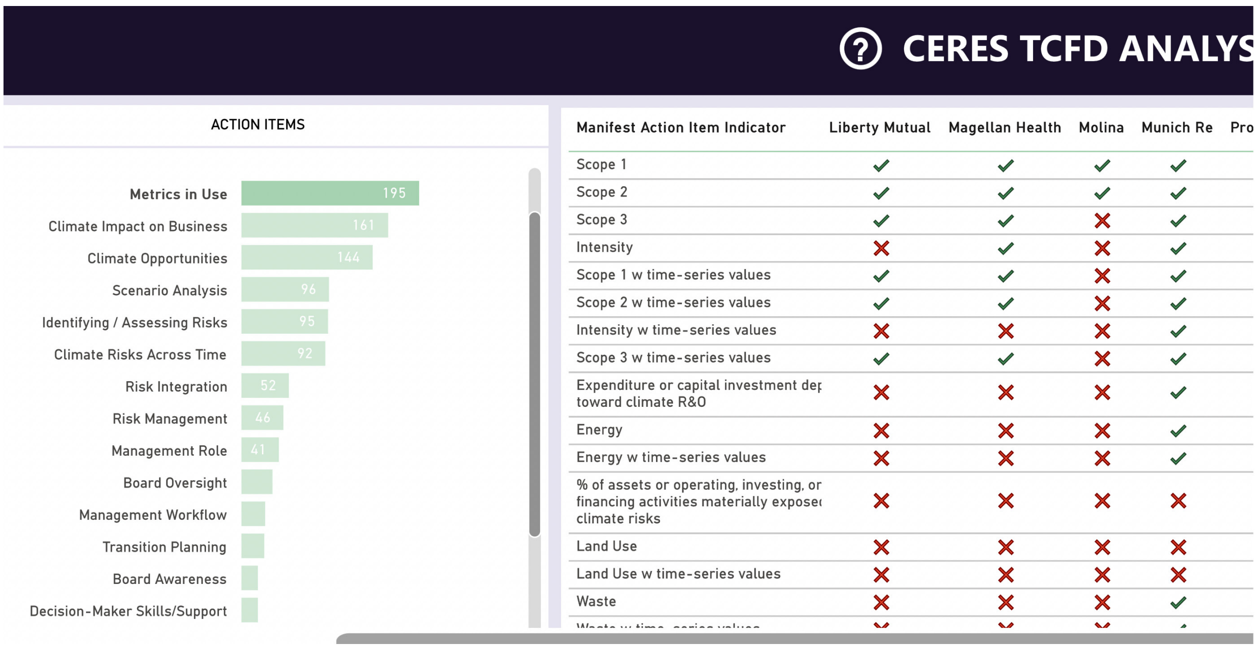
While some companies in the study included general disclosures on materiality, none included 'clear discussion on the materiality of scope 3 emissions' or made a clear statement that scope 1 and 2 disclosures are not subject to a materiality assessment. Only one company, Munich Re, specifically determines the materiality of climate-related R&Os. Four companies determine materiality, for example, SBLI and Sirius Point, but incorporate climate generally into other R&Os.



Section 4. Metrics and targets

1. Metrics in use

In general, most metrics that are disclosed are not disclosed with any time-series data, information that would allow readers to understand how metrics were measured from a particular point in time and over regular intervals; the exceptions are scopes 1, 2, and 3, carbon intensity and energy. No companies disclose the 'percentage of assets or operating/investing activities that are aligned with climate opportunities,' with or without time-series data, while only two companies, Prudential and Swiss Re, disclose the 'percentage of such assets or activities that are materially exposed to climate risks.' Four companies disclose 'expenditures or capital investment deployed toward climate R&Os,' including State Farm and John Hancock/Manulife. Other, more specific, metrics are disclosed sporadically. For example, John Hancock/Manulife discloses 'revenue from products designed for a lower carbon economy.' Only one company, Munich Re, discloses metrics related to waste and water, as well as associated time-series data. In contrast, almost all companies provided metrics related to scopes 1, 2 and 3, although six provided no disclosures on scope 3.

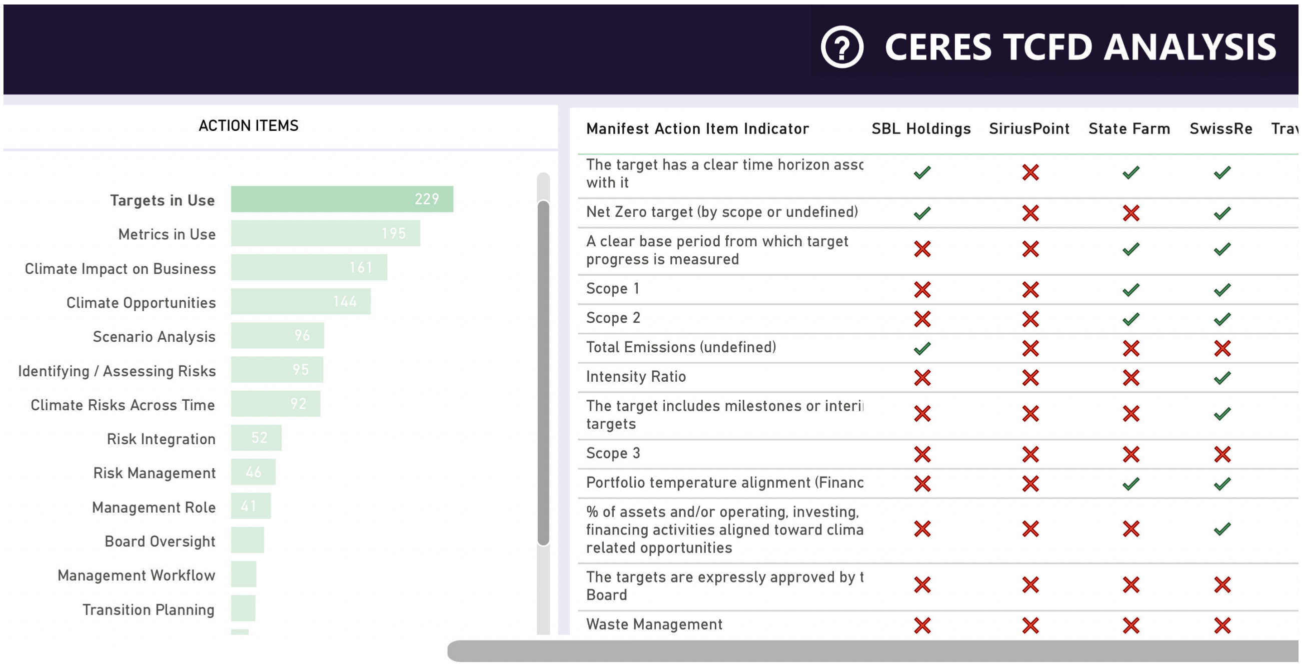


TCFD Report Excerpt 13: **John Hancock/Manulife.**

John Hancock/Manulife's portfolio emissions	2020	2019
Estimated portfolio emissions ($MtCO_2e$)	38.3	-
Estimated weighted average carbon intensity (WACI) ($tCO_2e/mCAD$)	677	-
Listed equity	255	216
Fixed income	740	673
Total disclosed portfolio coverage (%)	73	-

2. Targets in use

The level of disclosures around targets was very similar to those for metrics, except that far fewer scope 1, 2, and 3 targets are disclosed. Six companies disclosed scope 1 and 2 targets. Only two companies, John Hancock/Manulife and AFLAC, provided detail on their scope 3 targets. For example, John Hancock/Manulife made commitments to reduce its absolute scope 1 and 2 emissions 35% by 2035 and net zero financed emissions by 2050. Eight companies disclose a clear base period from which progress is measured. Many indicators have no disclosures at all, such as targets for energy, waste management and water. Only one company, Prudential, expressly addressed the approval of targets by the board. Three expressly discussed interim or milestone targets.



Manifest Action Item Indicator	SBL Holdings	SiriusPoint	State Farm	SwissRe	Trav
The target has a clear time horizon assc with it	✓	✗	✓	✓	
Net Zero target (by scope or undefined)	✓	✗	✗	✓	
A clear base period from which target progress is measured	✗	✗	✓	✓	
Scope 1	✗	✗	✓	✓	
Scope 2	✗	✗	✓	✓	
Total Emissions (undefined)	✓	✗	✗	✗	
Intensity Ratio	✗	✗	✗	✓	
The target includes milestones or interi targets	✗	✗	✗	✓	
Scope 3	✗	✗	✗	✗	
Portfolio temperature alignment (Financ	✗	✗	✓	✓	
% of assets and/or operating, investing, financing activities aligned toward clima related opportunities	✗	✗	✗	✓	
The targets are expressly approved by t Board	✗	✗	✗	✗	
Waste Management	✗	✗	✗	✗	

TCFD Report Excerpt 14: **Munich Re.**

"No investment in companies with: >15% revenue from thermal coal; >10% revenue from oil sands.
Total: -25% to -29% emissions.
Total: Net-zero by 2050. Full exit by 2040.
Net-zero emissions by 2050.

3. Methodologies in use

There were few disclosures about emissions protocols in use. Three companies used the GHG protocol (Swiss Re, Travelers and Munich Re), one used PCAF (John Hancock/Manulife), and only one used SBTi (State Farm).

TCFD Report Excerpt 15: **State Farm**

"In 2021, State Farm announced our goal to reduce GHG emissions 50% by 2030 using 2019 as our baseline year. Our goal includes both direct emissions from owned or controlled sources (Scope 1) and indirect emissions we consume (Scope 2). It is aligned with the Science-Based Targets initiative (SBTi) goal of keeping global temperature rise below 1.5 degrees Celsius by 2050. We measure progress against our targets by building out an annual GHG inventory that has been assured by a third party."

4. Climate-linked pay

Despite the rise in the use of ESG metrics in incentive plans, only one company in this sample, Munich Re, expressly indicated that board members' pay was related to climate targets and only one company, Aflac, said that its executives had climate-related pay. Notably, however, both also provided qualitative and quantitative descriptions of these pay plans.

> **TCFD Report Excerpt 16: AFLAC**
> "In 2021, the Company established an ESG Modifier for its short-term incentive plan (Management Incentive Plan or MIP) for all officers across the Company, which included five objectives below. Four of these objectives are related to climate:
> - Advancing the Company's efforts related to responsible investing.
> - Developing a framework that both defines and sets milestones to achieve carbon neutral and net zero emissions by 2040 and 2050, respectively.
> - Launching an inaugural Sustainability Bond that reinforced the Company's ESG strategy.
> - Advancing the reporting and disclosure framework by publishing a formal climate risk report in compliance with SASB and TCFD standards."

5. Carbon offsets

Discussion on the use of carbon offsets was limited. Only three companies, AFLAC, Munich Re, and Travelers provided detail on the use of carbon offsets. Those interested in accessing Ceres' expertise on the use of carbon credits should consult the report **Evaluating the Use of Carbon Credits**.

> **TCFD Report Excerpt 17: Travelers**
> "In April 2021, we announced our commitment to become carbon neutral across our owned operations by 2030. We will achieve this by reducing or offsetting an additional 50,000 metric tons of carbon dioxide. We plan to accomplish this goal by continuing to implement projects that result in absolute physical reductions of GHG emissions, continuing efforts to reduce energy consumption, increasing the percentage of renewable energy sources, reducing the size of our vehicle fleet and transitioning to a greater use of electric vehicles. When these efforts are exhausted, as a last resort, we will buy certified offsets."

6. Carbon pricing

There was limited disclosure about carbon pricing, potentially because legislative and regulatory decisions have not yet solidified in the U.S. For example, none of the companies discussed mandatory regulatory carbon pricing, while only two companies, Magellan Health and Swiss Re, disclosed the voluntary adoption of carbon pricing across their businesses, and only Swiss Re discussed how carbon pricing might change over time.

> **TCFD Report Excerpt 18: Swiss Re**
> "In September 2020, Swiss Re was the first multinational company to announce a triple-digit real internal carbon price on both direct and indirect operational greenhouse gas emissions, I.e. on all Scope 1, all Scope 2 and a significant part of the upstream Scope 3 emissions (business travel, energy transmission and distribution, paper, water, waste) across all business units and countries of operations."

Company level analysis

This section looks at individual company disclosures and practices, assessing their climate action items where they have substantial or interesting information to offer.

AFLAC

AFLAC has good disclosures on climate impact on business, making disclosures about business and strategy, operations, financial planning, mitigation activities, products and services, and supply chain. It also has some good detail on board oversight, with the board considering climate more than four times a year, and has established a corporate social responsibility and sustainability committee of the board. On identifying and assessing climate risks, its processes are also positive, though it does not use a generally accepted risk classification framework.

Blue Shield

Blue Shield's virtual health products allow it to offer good detail on climate opportunities, and, on risk integration, its climate risk is disclosed as incorporated into its ERM.

Farmers Insurance Group

Farmers Insurance Group disclosures on risk integration and uses Total Risk Profiling (TRP) to identify and assess risks annually. Also, its Risk Management Team has surveyed business units, identify top emerging risks, with climate change as one of those top risks.

John Hancock/Manulife

Climate impact on business disclosures include: business and strategy, operations, financial planning, mitigation activities, products and services. On risk integration, in 2021, climate change was introduced into its risk management processes and initiatives were started to increase awareness and expertise, with a working group to help assess and adopt relevant industry practices and regulatory expectations. Climate risk considerations are now embedded into ERM. On climate opportunities, the company has invested in a wide range of sustainable industries.

Liberty Mutual Group

Liberty Mutual has very good disclosures in identifying and assessing climate risk, management workflow, and scenario analysis. In management workflow, the company disclosed cross-functional communication to help manage climate R&Os, along with dedicated controls to help manage those R&Os, in addition to well-defined processes to help inform and monitor them. It also had good detail on risk integration, board oversight, and management role, including climate risk education, strong reporting to the board from the climate council and distribution of oversight across board committees.

Magellan Health

Magellan Health also had good disclosures on three action items: climate opportunities, management workflow, and risk integration. Under climate impact on business, as well as the usual business, strategy, and operations, Magellan also discloses expenditures for climate R&D and financial planning, performance and/or position. The company also has good detail on board oversight and identifying and assessing risks.

Molina

Molina has an integrated ERM program and uses a 'three lines of defense model' so that responsibility for risk management is dealt with at the business function, operational area, and senior management level, to identify, assess, monitor, and respond to risks.

Munich Re

Munich Re had very good disclosures on identifying and assessing risks, climate opportunities, board oversight, climate impact on business, and, unusually, metrics in use and risk categorization. In particular, it discloses metrics almost across the board, along with time-series values, as well as expenditures or investments in climate R&Os. In addition, it makes disclosures about assessing and managing risks across almost every category, except technology and market risks.

Progressive Group

On risk integration, Progressive, within its ERM, measures "changes in severe weather patterns, including frequency, severity, duration, and geographic location and scope." It uses catastrophe modeling tools to help estimate exposure to weather-related losses to determine product design, policy pricing, and underwriting.

Prudential of America

Prudential makes very effective disclosures on climate opportunities, risk integration, climate impact on business, and board oversight. On climate opportunities, it has disclosures on energy sources, markets, products and services, and resilience, missing only resource efficiency. For example, its Impact Investing manages $1 billion with a mandate to generate environmental and social impact at the same time as alpha.

SBLI (also known as SBL Holdings)

SBLI has very good detail in identifying and assessing climate risks, with a Working Group tasked with this role, identifying climate risks for business, customers' financial stability, reputation, technology, and regulation. As with many other insurers, SBLI's risk management is integrated into its ERM.

SiriusPoint

SiriusPoint's very good detail on its risk integration is accompanied with disclosures on climate opportunities, management role, board oversight, and climate impact on business. SiriusPoint, along with many of the other insurers in this group, transitioned to a 'hybrid workforce,' with many employees using flexible working arrangements to reduce carbon emissions from commuting, decrease energy usage in the office, and lessen the company's real estate footprint.

State Farm

State Farm not only integrates climate risk management into its ERM, but also comprehensively describes the process of integration. Under climate opportunities, it notes its investment in green bonds, properties with LEED certifications, and state and municipal governments and companies with 'green' initiatives. It also finances entities and funds working on energy efficiency projects, as well as carbon-reducing technologies.

Swiss Re

Swiss Re's detailed disclosure of its scenario analysis is a rarity – only Liberty Mutual has the same kind of detail – and it discloses analyses of the following temperature changes: >2 degrees Celsius, 1.50 degrees Celsius and 2 degrees Celsius, as well as a discussion of the potential impact of different scenarios on strategy, scenarios on physical risk, and transition risk, also disclosing the time horizons for different scenarios. The company also has good disclosures about climate opportunities and climate impacts on business. It is also one of the few companies to disclose any carbon pricing, including both how its total carbon price is estimated to change over time along with the voluntary adoption of carbon pricing across business lines or units. In 2020, it increased its internal carbon levy to $100 per tonne as of 2021 and will gradually increase it to $200 per tonne by 2030.

Travelers Group
Travelers has very effective disclosures on risk integration, board oversight, climate opportunities, scenario analysis, climate impact on business, and identifying and assessing risk. Under scenario analysis, the only disclosure it lacked was a discussion of the potential impact on strategy of different scenarios, disclosures were made on all other scenario requirements. On climate opportunities, as part of its Climate, Energy and the Environment Committee, the company has a Products, Market Development & Customer Services subcommittee, which specifically looks for new climate products and markets as well as the impact of climate and 'green' trends on current product offerings.

Conclusion

While the 15 companies discussed in detail in this report have made disclosures against either 10 or 11 of the TCFD's recommendations, the more detailed analysis of disclosures under the 23 action items and almost 200 action item indicators shows that there are still gaps in the disclosures that many investors would like to have to make a full assessment of each firm's exposure to climate risk. However, this is the first full year of these more detailed disclosures, and each company deserves significant credit, as does the entire industry, for its current disclosures. The level of disclosure in the industry is well ahead of others in the U.S. and even Europe.

Further information

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