Forum for Insurance Transition to Net Zero

Underwriting the Transition

A deep-dive transition plan guide for insurance and reinsurance underwriting portfolios

The second in a series of global guidance by the United Nations Environment Programme's Forum for Insurance Transition to Net Zero

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** Place of domicile

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About the Forum for Insurance Transition to Net Zero

The **Forum for Insurance Transition to Net Zero (FIT)** is a structured dialogue and multi-stakeholder platform led and convened by the United Nations to support the necessary acceleration and scaling up of voluntary climate action by the insurance industry and key stakeholders. The Convenor, Chair and Spokesperson of the FIT is the **United Nations Environment Programme (UNEP)**, which provides and serves as the Secretariat.

The FIT works with insurance market participants (e.g., insurers, reinsurers, re/insurance marketplaces, brokers) and engages with insurance regulators and supervisors, net-zero standard setters and initiatives, the scientific and academic community, civil society, and other key stakeholders (e.g., sustainability disclosure initiatives, real economy actors).

Official website: unepfi.org/fit

FIT positioning statement

For all FIT organizations, the choice to adopt any guidance, best practice tools or actions is always at the sole discretion of individual FIT organizations. Developed guidance represents recommendations for effective practice and is not prescriptive as to actions or decisions to be taken by individual FIT organizations, including when and how they are expected to address sustainability topics.

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Views expressed by the FIT's Consultative Group of Insurance Regulators & Supervisors cannot be construed as official guidance by insurance regulatory and supervisory authorities. As a result, this document does not purport to represent or anticipate regulatory or supervisory guidance and views issued by insurance regulatory and supervisory authorities, which may differ from the contents of this document.

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Legal compliance requirements when developing and disclosing transition plans

Unless otherwise required by applicable laws, rules and/or regulations, an organization must comply with the following legal requirements when developing and disclosing transition plans:

a. Transition plans should not require disclosure of:
- **i.** Plans or strategy for pricing
- **ii.** Plans for specific key competitive terms
- **iii.** Plans for non-public sensitive business strategies that the company regards as competitively sensitive, and
- **iv.** Details not reasonably necessary for the transition

b. Any disclosure of a transition plan should be to the public, including stakeholders

c. Transition plans should be ambitious, but should explicitly allow individual companies to be more ambitious individually, or to adopt more ambitious plans subsequently

d. Transition plans should not be used to reach or monitor agreements on:
- **i.** Plans or strategy for pricing
- **ii.** Plans to adopt specific key competitive terms
- **iii.** Plans for non-public sensitive business strategies that the company regards as competitively sensitive, and
- **iv.** Details not reasonably necessary for the transition

e. Transition plans should accurately reflect the sustainability ambitions of the (re) insurer—i.e., not constitute or promote greenwashing, and not create materially misleading or deceptive impressions for investors, suppliers, customers, or supervisory authorities.

These rules are not exhaustive, and individual organizations should seek legal review of proposed transition plan disclosures.

Acronyms and abbreviations

BVCM	Beyond value chain mitigation
CDR	Carbon dioxide removal
CFRF	Climate Financial Risk Forum
CSRD	Corporate Sustainability Reporting Directive
DF	Disclosure Framework
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure
ESG	Environmental, social and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EV	Electric vehicle
FIT	Forum for Insurance Transition to Net Zero
GBF	Global Biodiversity Framework
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GRII	Global Resilience Index Initiative
HLEG	UN Secretary-General's High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities
IAIS	International Association of Insurance Supervisors
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IIGCC	Institutional Investors Group on Climate Change
ILO	International Labour Organisation
IPCC	Intergovernmental Panel on Climate Change
ISSB	Internation Sustainability Standards Board
ITPN	International Transition Plan Network
IUCN	International Union for Conservation of Nature
MSMEs	Micro, small and medium-sized enterprises
NA100	Nature Action 100
NBSAPs	National Biodiversity Strategy and Action Plans
NDCs	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
NZAOA	Net-Zero Asset Owner Alliance
OECD	Organisation for Economic Co-operation and Development
PAT	Portfolio Alignment Team

PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Partnership for Carbon Accounting Financials
P&C	Property & Casualty
PRI	Principles for Responsible Investment
PSI	Principles for Sustainability Insurance
SASB	Sustainability Accounting Standards Board
SBT	Science-Based Target
SBTi	Science-Based Targets initiative
SBTN	Science-based Targets Network
SDGs	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPI	Transition Pathway Initiative
TPT	Transition Plan Taskforce
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNESCO	United Nations Educational, Scientific and Cultural Organization
WBCSD	World Business Council for Sustainable Development
WDPA	World Database on Protected Areas

Contents

Executive summary

Aims and scope of the guide for insurance and reinsurance underwriting portfolios on transition plans

This guide (hereafter the "Guide") for insurance and reinsurance underwriting portfolios provides insurers, reinsurers and brokers with a comprehensive structured framework that can help them develop and disclose credible transition plans. It is the second deliverable of the FIT Transition Plan Project—a series of global guidance to address the current major gap in transition plan guidance for insurance and reinsurance underwriting portfolios. It includes all relevant steps of the value chain: product development, marketing and sales, underwriting, policy administration, and claims and benefits management (see Figure 1).

Insurance underwriting value chain

Figure 1: Value chain for insurance and reinsurance underwriting portfolios

As a practical tool to help develop and disclose credible transition plans, the Guide can also be viewed as a supplement to interpret the sector-neutral **Transition Plan Taskforce (TPT) Disclosure Framework**.[1] It outlines sector-specific recommendations to help insurance market participants define their net-zero and sustainability strategies and support the broader economic transition towards a low-carbon, climate-resilient, and sustainable economy. This Guide complements and builds on global sustainability standards such as **International Financial Reporting Standards (IFRS) S1**[2] and **S2**,[3] the **Glasgow Financial Alliance for Net Zero (GFANZ)** framework, the **TPT Sector Summary** (see the section on Insurance[4]), and the **Task Force on Climate-related Financial Disclosures (TCFD) recommendations**.

The Guide links net-zero goals with interconnected sustainability issues, including climate adaptation and resilience, the just transition agenda, nature and biodiversity protection,[5] and pollution prevention via a circular economy, as part of a holistic and integrated approach to transition planning. Transition planning refers to the ongoing process that organizations engage in as part of their net-zero and broader sustainability journey.

The recommendations in this Guide are intended to help entities more effectively report on their underwriting portfolio transition plans as part of broader sustainability-related reporting aligned with the relevant regulations and standards. Chapter *3.3* illustrates how this Guide and the TPT Disclosure Framework relate to the evolving landscape of sustainability disclosure and reporting frameworks.

Recommendations for insurers, reinsurers and brokers

The Guide offers recommendations for sub-elements of the **TPT Disclosure Framework** that require insurance-specific guidance, ensuring that underwriting portfolio-related transition planning is both ambitious and actionable.

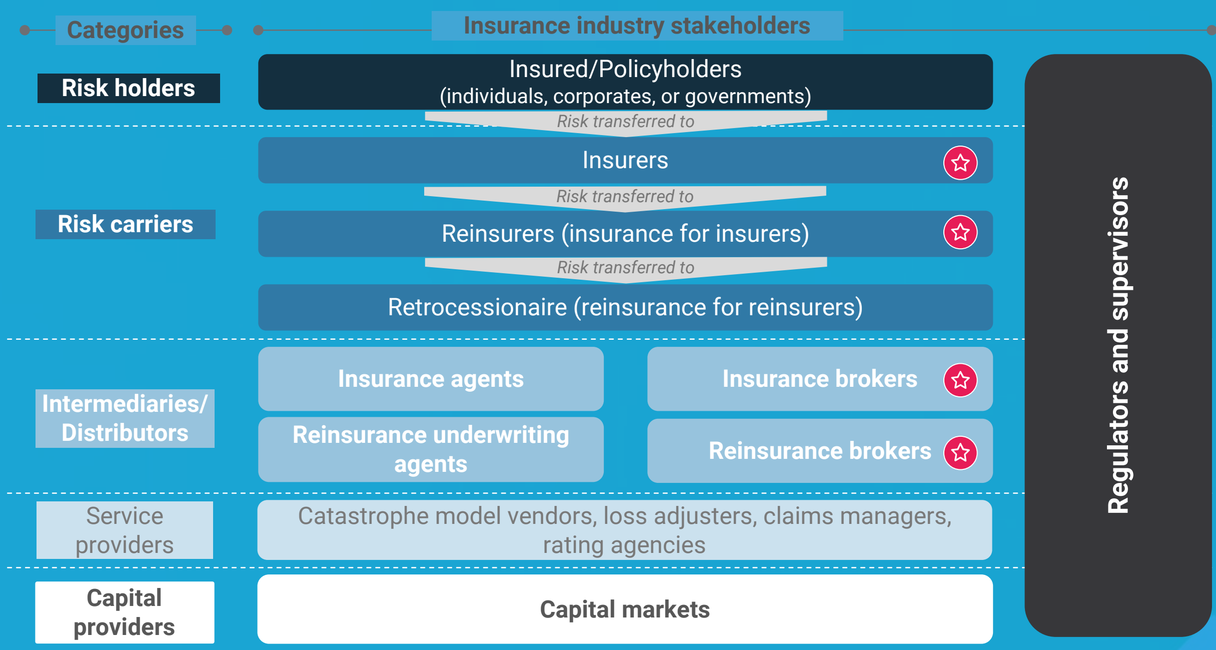
The Guide recognizes the unique challenges and opportunities across different business lines and value chain actors, as well as the different maturity levels across organizations and geographies:

- **Insurers:** Differentiating between Property & Casualty (P&C) business, which addresses commercial and personal lines, and Life & Health business, which addresses protection and savings
- **Reinsurers:** Addressing both treaty and facultative reinsurance
- **Brokers:** Highlighting their role in facilitating the placement of insurance and reinsurance business

Insurers and reinsurers are the ones that underwrite, carry and spread risks, protecting households, livelihoods, businesses, and public entities by absorbing financial and economic shocks. Insurers and reinsurers' underwriting policies and criteria, as well as the way they manage claims, can directly support a just transition to a resilient net-zero economy.

Brokers, as key intermediaries, who serve as the main conduit through which businesses buy insurance and reinsurance, and who advise businesses on risk management, can play a significant role in facilitating the transition. As such, they are prioritized in this Guide among intermediaries (the map includes the main insurance market participants, but it is not exhaustive).

Insurance market participants and stakeholders map



The Guide provides insurers, reinsurers, and brokers with a framework for developing underwriting transition plans. While not focused on retrocessionaires, the engagement activities between reinsurers and retrocessionaires are in scope as a lever to support the transition. Similarly, while not focused on claims managers, claims management is in scope, given its potential contribution to the transition. Capital markets are instead covered in other documents such as the TPT Asset Owners and TPT Asset Managers Sector guidance.

Figure 2: Key insurance market participants driving the transition to a resilient net-zero economy

For each sub-element of the **TPT framework**, the Guide provides tailored recommendations on how entities should disclose their strategic ambition, implementation strategies, engagement activities, and related metrics and targets, to align with net-zero and related sustainability goals.

This Guide includes real-world examples that demonstrate how leading insurers, reinsurers and brokers are implementing various concepts, strategies and approaches in their underwriting portfolios that support a just transition to a resilient net-zero economy, as shared in their published transition plans.

Ensuring proportionality and credibility

The Guide acknowledges that different market players face distinct challenges, particularly entities in emerging markets and developing countries, small and medium-sized entities, and entities with a large proportion of micro, small, and medium-sized enterprises (MSMEs) in their underwriting portfolios. Therefore, recommendations have been tailored to ensure proportionality and effectiveness.

Furthermore, the Guide identifies key elements of a credible transition plan and provides a checklist to assess the credibility of a transition plan.

Conclusion and next steps

This Guide provides a comprehensive approach to help insurers, reinsurers and brokers develop and disclose credible transition plans, encouraging them to move beyond high-level commitments by implementing robust and actionable strategies that align with global climate and related sustainability goals.

Next, the FIT will produce the third and final deliverable of the **FIT Transition Plan Project**. The third report will present a holistic, total balance sheet transition plan guidance that links the underwriting portfolios (the focus of this Guide) and investment portfolios of insurance and reinsurance companies.

Key elements of this Guide

Aims and scope: Provides insurers, reinsurers and brokers with a structured framework that can help them develop and disclose credible transition plans for underwriting portfolios

Full value chain coverage: Provides recommendations across the entire underwriting value chain, from product development to claims management

Targeted recommendations: Offers specific guidance for insurers, differentiating between Property & Casualty and Life & Health; for reinsurers, addressing treaty and facultative; and brokers

Actionable and proportional: Balances ambition and adoptability, recognizing the differing maturity levels across insurance market participants

Holistic approach: Links net-zero goals with interconnected sustainability issues, including climate adaptation and resilience, the just transition agenda, nature and biodiversity protection, and pollution prevention

Practical tool: Outlines key elements of a credible transition plan and provides a checklist to assess the credibility of a transition plan

1. Transitioning to the second deliverable of the FIT Transition Plan Project

1.1 Aims and scope of the Guide

The insurance industry has a key role to play in accelerating and scaling up a just transition to a resilient net-zero economy as risk managers, risk carriers and institutional investors. Insurance serves as a foundation for economic activities. Without insurance, it would be difficult for many economic activities across various industry sectors and within communities to take place or to be financed.

Insurers and reinsurers underwrite, carry and spread risks, protecting households, livelihoods, businesses and public entities by absorbing financial and economic shocks. Insurers and reinsurers' underwriting policies and criteria, as well as the way they manage claims, can directly support a just transition to a resilient net-zero economy. Brokers, as key intermediaries serve as the main conduit through which businesses buy insurance and reinsurance, and who advise businesses on risk management, can play a significant role in facilitating the transition.

Insurance solutions can de-risk the assets and activities that drive decarbonization, and can also cover risks related to transitioning to sustainable practices (e.g., sustainable farming). Insurers' underwriting policies and criteria impact the transition to net zero. For example, major GHG emitters who are not themselves transitioning to net zero may encounter challenges with respect to insurers who are winding down or declining to write insurance cover for the most GHG-emitting and most GHG-intensive activities, particularly for clients and potential clients that do not have a credible transition plan to net zero. Moreover, by improving claims management in an environmentally sustainable manner (e.g., repairing instead of replacing damaged vehicle parts), insurers can further reduce GHG emissions.

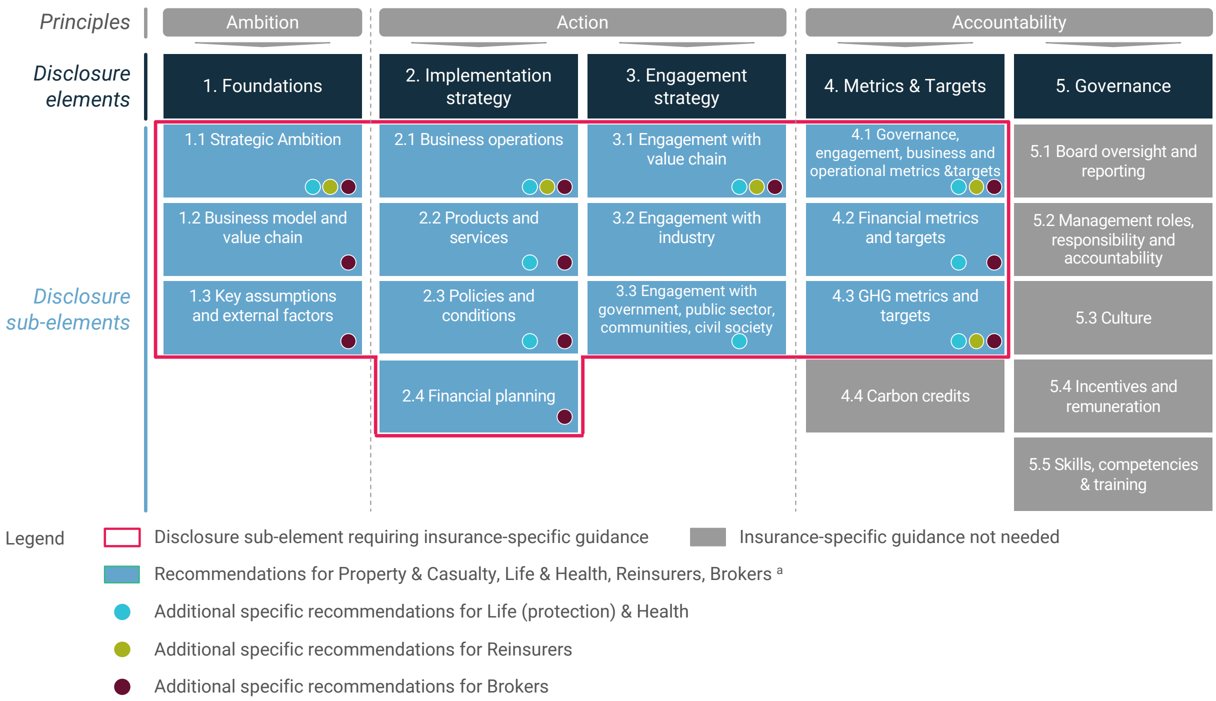
Insurance market participants need to develop transition plans which take into account their distinctive features and critical role in supporting a just transition to a resilient net-zero economy. There is a growing recognition of the extent to which insurance market participants can influence the reduction of emissions—and, correspondingly, financial climate-related risks—in the real economy through their underwriting activities and the insurance products and services they offer, extending beyond the impact of their investment activities.

This Guide provides a comprehensive structured framework to help insurers, reinsurers and brokers develop and disclose credible transition plans for underwriting portfolios, addressing a significant gap in existing transition plan guidance for the insurance sector.

The Guide can also be viewed as a supplement to interpret the sector-neutral Transition Plan Taskforce (TPT) Disclosure Framework. It outlines sector-specific recommendations to help insurance market participants define their net-zero and sustainability underwriting strategies and support the broader economic transition towards a low-carbon, climate-resilient and sustainable economy.

These recommendations complement and build on the International Sustainability Standards Board (ISSB)'s IFRS S1[6] and S2,[7] as well as draws on GFANZ's framework and guidance for credible, comprehensive, and comparable net-zero transition planning, using the same core components and structure. Chapter 3.3 illustrates how this Guide and the TPT Disclosure Framework relate to the evolving landscape of sustainability-reporting frameworks. The recommendations in this Guide are intended to help entities more effectively report on their underwriting transition plans as part of broader sustainability-related reporting aligned with relevant regulations and standards.

In line with the **TPT's sector-specific guidance** for other financial industries, such as those for **asset owners**[8] (applicable to (re)insurance companies as investors) and **asset managers**,[9] (applicable to (re)insurance companies that have asset management firms), the FIT has identified the sub-elements of the sector-neutral TPT Disclosure Framework that require insurance-specific guidance, as described in Figure 3. The FIT aims to provide a set of disclosure recommendations to guide entities in developing credible transition plans for their underwriting portfolios, and to guide those entities in disclosing these transition plans in a way that ensures accountability and comparability by aligning with an internationally-recognized framework. For sub-elements where insurance-specific guidance is not necessary and therefore has not been developed, entities should refer to the **sector-neutral TPT Disclosure Framework**.[10]



a. These recommendations may apply to Property & Casualty (P&C), Life & Health, and other market participants (i.e., reinsurers and brokers). Specific recommendations, where needed, are shown separately in the chart

Figure 3: TPT Disclosure Framework sub-elements requiring insurance underwriting specific guidance

This Guide applies to insurers, reinsurers, and brokers.[11] It addresses Property & Casualty (P&C) business, distinguishing between commercial and personal lines, as well as Life & Health business, distinguishing between protection and savings business.

The **TPT Disclosure Framework** and the FIT recommend that entities take a strategic and rounded approach to transition planning, considering three interrelated channels:

1. **Decarbonizing the entity:** An entity's transition plan should outline its ambitions, strategy and actions, in the short-, medium- and long-term, to reduce its Scope 1, 2 and 3 (including insurance-associated) GHG emissions.
2. **Responding to the entity's climate-related risks and opportunities:** An entity's transition plan should set out its ambitions and actions to enhance resilience to a changing climate and respond to climate-related risks (e.g., increase in claims resulting from extreme weather events and natural catastrophes) and opportunities (e.g., developing climate insurance solutions) that arise from climate change and the transition to a low-GHG emissions, climate-resilient economy.
3. **Contributing to an economy-wide transition:** An entity's transition plan should set out its ambitions and actions to use the levers and capabilities it has available to embed and accelerate the transition to a low-GHG emissions and climate-resilient economy. For example, a plan may include offering additional insurance products and solutions for low or near-zero GHG emissions technologies and infrastructure or for climate risk management, and establishing unilaterally determined policies to restrict or phase out coverage from high-emitting and emissions-intensive assets, activities and sectors that lack credible transition plans.

Considering all three interrelated channels in designing their transition plan can help insurers, reinsurers and brokers protect and enhance long-term value and avoid the unintended consequences of an approach that exclusively focuses on achieving GHG emissions or adaptation targets within an entity's own operations and portfolio. By actively providing products and services that support customers in meeting their own transition needs, insurers can contribute to the long-term economy-wide transition, driving real-world emissions reduction.

An entity's GHG emissions can be categorized into direct and indirect emissions. Direct emissions (Scope 1) arise from sources owned or controlled by the reporting entity; indirect emissions (Scope 2 and 3) are a consequence of the reporting entity's operations but occur at sources owned or controlled by another entity. Emissions associated with (re)insurance underwriting portfolios are primarily classified under Scope 3 of the GHG Protocol. Methodologies to compute GHG emissions associated with underwriting portfolios are being developed by individual companies, industry groups, and standard-setting organizations (e.g., see the **Partnership for Carbon Accounting Financials' Insurance-Associated Emissions**[12] methodology). This Guide acknowledges this evolving landscape and encourages entities to actively monitor developments within the industry.

Taking a strategic and rounded approach helps entities consider a wide range of decarbonization levers and, where possible, avoid a strategy of "paper decarbonization", which is characterized by actions that decarbonize an entity's portfolio in ways that may not necessarily contribute to the actual decarbonization of the real economy.

Understanding net zero, 1.5°C, and the Paris Agreement

To avoid the worst impacts of climate change, preserve a liveable planet, and protect the viability of insurance industry and the welfare of consumers, global warming must be limited as much and as quickly as possible.

Net zero emissions are achieved when anthropogenic emissions of greenhouse gases (GHG) to the atmosphere are balanced by anthropogenic removals over a specified period. Achieving a net-zero state is necessary to stop warming at any level. Meanwhile, 1.5°C is a global average temperature limit in line with the Paris Agreement, whose overarching goal by 2100 is *"holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels"*.

According to the **Intergovernmental Panel on Climate Change (IPCC)**,[13] limiting global warming to 1.5°C would significantly reduce risks, adverse impacts, and losses and damages from climate change. In IPCC model pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO_2 emissions must decline to reach net zero around 2050. Essentially, in order to stabilize the climate, net zero is the finish line. How quickly the world gets to net zero (e.g., before 2050, by 2050, or after 2050) will determine the global average temperature that the world will end up with by the end of the century. The lower the temperature, the better.

However, under **Nationally Determined Contributions (NDCs)** submitted by governments as of this writing, achieving 1.5°C is becoming increasingly difficult. According to the **Copernicus Climate Change Service**, 2024 was the warmest year on record globally, with each of the past ten years (2015–2024) ranking among the warmest. For the first time, in 2024, the global average temperature exceeded 1.5°C above pre-industrial levels over a full year.

Nevertheless, it is worthwhile to understand that global warming refers to the increase in global surface temperatures averaging over a period sufficient to remove interannual variations (e.g., 20-year averages, as defined by IPCC). Therefore, 1.5°C is not officially breached until a 20-year span above 1.5°C occurs. Furthermore, 1.5°C is an end-of-century goal. Therefore, temperatures could temporarily breach 1.5°C but come back down to 1.5°C by 2100, which is still in line with overarching goal of the Paris Agreement.

It is important to emphasize that even within a range of 1.5°C to below 2°C, climate tipping points may be triggered. These tipping points represent critical thresholds beyond which components of the climate system could undergo self-reinforcing, potentially abrupt, and irreversible changes, with profound consequences for humanity. In such a scenario, the frequency and severity of extreme weather events and natural catastrophes may grow, making them increasingly difficult to insure through traditional mechanisms and further widening the insurance protection gap. This risk further strengthens the evidence for urgent action to mitigate climate change.

The IPCC has noted a significant gap between global ambitions and actual commitments. Global GHG emissions in 2030 under NDCs announced prior to COP26 make it likely that warming will surpass 1.5°C during this century. This is why at COP28, the first-ever "Global Stocktake"—the Paris Agreement's process to assess progress every five years and mobilize stronger climate action—called on countries to submit new NDCs well ahead of COP30 in 2025. Countries are expected to update their 2030 targets and present new targets for 2035.

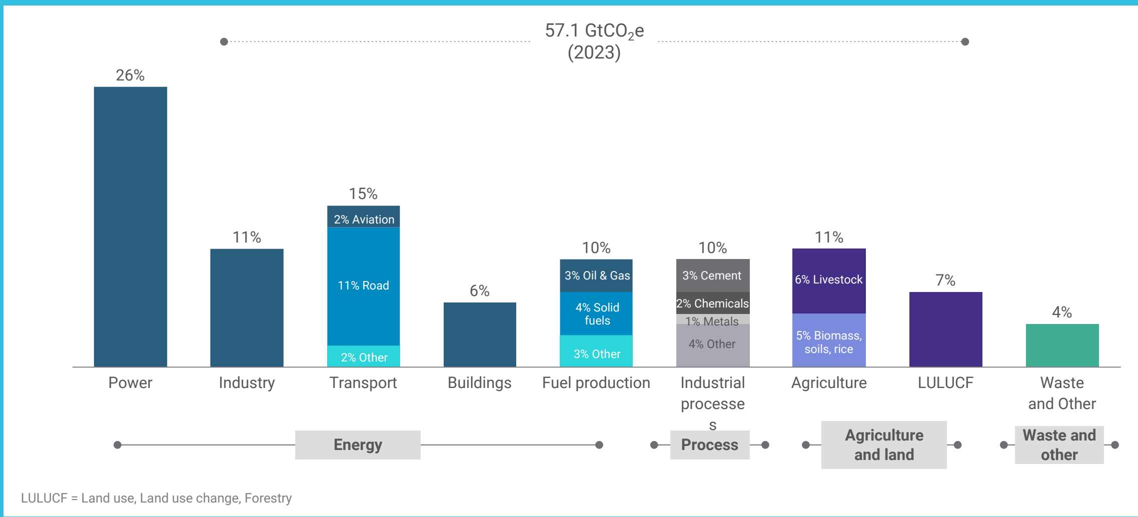
The COP28 decision underscores that these new NDCs must be more ambitious, noting that the IPCC finds that limiting warming to 1.5°C requires reducing global GHG emissions by 60% below 2019 levels by 2035. The *2023 UNEP Production Gap Report* also reinforces the urgency of action, revealing that governments plan to produce more fossil fuels than would be consistent in limiting warming to 1.5°C, known as a production gap. Similarly, according to the *2024 UNEP Emissions Gap Report*, countries remain largely off track in meeting the Paris goals, and 2035 climate pledges must deliver a *"quantum leap in ambition"* to keep 1.5°C within reach.

In this context, it is becoming increasingly clear that reliance on currently exploited and planned fossil fuel reserves is incompatible with the goals of the Paris Agreement. Consequently, companies that continue to pursue new fossil fuel exploration and extraction activities may face challenges in demonstrating alignment with credible transition pathways.

It is also worth mentioning the importance of a just transition, which is enshrined in the Paris Agreement and was highlighted in the First Letter from the President of COP30 *"Just transitions are central for leveraging climate action"*.[14] This means that governments need to take the lead in setting out their policy commitments for just transitions in their updated NDCs; and that financial institutions should incorporate social impacts, risks and opportunities into their own climate transition plans, and include social dialogue with workers, suppliers, communities and consumers, and broader stakeholder engagement, as part of the process.

Which sectors contribute the most to global GHG emissions?[15]
Power generation, transport, industry, and agriculture are the highest-emitting sectors globally. Entities with material exposure to these assets, activities or sectors should account for this in their transition plans. While the financial sector itself is not a direct source of significant GHG emissions under a production-based accounting approach, and is therefore not represented in the chart, it plays a critical enabling role in shaping the real economy:

Total GHG emissions by sector (2023)



This Guide provides recommendations on climate-related topics while also recognizing interconnected sustainability topics (i.e. just transition, nature and biodiversity protection, pollution prevention via a circular economy), linking work done by relevant organizations. Insurers, reinsurers and brokers are encouraged to develop a comprehensive transition plan that spans interconnected sustainability topics, including but not limited to climate.

1.2 Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment

The TPT Disclosure Framework sets out how disclosures relating to climate resilience, nature and society are part of transition plans. Sub-element 1.1 Strategic Ambition of the TPT Disclosure Framework states: “An entity shall disclose the Strategic Ambition of its transition plan. This shall comprise the entity’s objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.”

The TPT Disclosure Framework and the FIT recommend that an entity disclose whether and how it has identified, assessed, and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g., its workforce, value chain counterparts, and clients), society (e.g., local communities), the economy, and the natural environment, throughout its value chain. This may give rise to sustainability-related risks and opportunities (see **Disclosure Framework [DF] 1.1.b**). Recognizing the interconnectedness of environmental, social, and economic impacts, reinforces the responsibility of each entity to contribute constructively to the transformation of the real economy.

The next paragraphs outline how these impacts and dependencies might occur in insurance and reinsurance underwriting portfolios. This can inform specific disclosure recommendations. Additional information on the impacts and dependencies between the transition plan, a resilient economy, a just transition, and other sustainability-related topics is detailed in the first report of the FIT Transition Plan Project Closing the Gap.[16]

Impacts and dependencies: The natural environment

Nature loss and climate change are inextricably interlinked, and nature-related impacts and dependencies should be integrated in net-zero transition planning. While intimately connected to the climate crisis, protecting and restoring nature is crucial in and of itself. Our society, economies, and financial systems are embedded in nature; they are not external to it, as underpinned by the Right to a Healthy Environment (2022).[17]

The prosperity and resilience of the insurance industry, policyholders, society and economies depend on the health and resilience of nature and its biodiversity. Healthy ecosystems are a prerequisite for the sustained flow of ecosystem services that societies and economies need to survive and flourish, and that every business depends on to generate cashflows, returns, and profitability. There is growing evidence that nature loss, and actions to address it, can present both risks and opportunities for business and financial institutions, including insurers.

In short, acknowledging that the link between net zero and nature positive will not be achieved in isolation is key, as they are interconnected and, in most instances, mutually reinforcing. While the insurance industry will need to consider nature as part of its transition to net zero, this can also support the transition to a nature-positive economy. Integrating nature-related risks and opportunities into transition plan guidance for insurance market participants, including the assessment of their impacts on deforestation and land conversion, will enable a more holistic and impactful approach to net zero.

The FIT therefore recommends that insurers, reinsurers and brokers disclose whether and how they identify, assess, and take into account the nature-related impacts and dependencies of their transition plan, and that they pursue their objectives and priorities in a manner that safeguards the natural environment. This process may be supported by the use of recognized tools (e.g., lists of soft commodities associated with risk of deforestation).

Insurance market participants can help protect nature and biodiversity by integrating nature into their risk management frameworks, underwriting practices, client engagement on nature-positive strategies, insurance products and solutions, and claims management activities. Insurance market participants can play a key role in de-risking investments in nature conservation, restoration, the sustainable use of land and water resources, and other nature-based solutions, which are powerful allies in reducing disaster risk from natural hazard. Entities may conduct a materiality assessment to identify nature and biodiversity-related dependencies, impacts, risks and opportunities most relevant to their business. In doing so, entities may find it helpful to refer to the following materials:

- The Capitals Coalition's *Recommendations for a Standard on Corporate Biodiversity Measurement and Valuation*,[18]
- *Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) tool*,[19]
- *The Partnership for Biodiversity Accounting Financials' (PBAF) PBAF Standard v2023—Assessment of Dependencies on ecosystem services*,[20]
- *The Science-Based Targets Network's (SBTN) Materiality Screening Tool*;[21]
- The Taskforce on Nature-related Financial Disclosures' (TNFD) *Guidance on the identification and assessment of nature-related issues: The LEAP approach*[22] *and Additional guidance for financial institutions*;[23]
- The TNFD's *Discussion paper on Nature transition plan*;[24]
- UNEP FI Principles for Sustainable Insurance's (PSI) *Insuring a Resilient Nature-Positive Future: Global guide for insurers on setting priority actions for nature*[25] and a compilation of case studies on how this guide can be implemented;[26]
- UNEP FI Principles for Sustainable Insurance's (PSI) *Rooted in Risk: Framing nature-related assessments for insurers*;[27]
- UNEP and the International Union for Conservation of Nature's (IUCN) World Database on Protected Areas (WDPA);[28]
- The Conference of the Parties to the Convention on Biological Diversity's *Kunming-Montreal Global Biodiversity Framework (GBF)*;[29]
- The TPT's *The Future for Nature in Transition Planning*;[30]
- The UCL Institute for Innovation and Public Purpose's *Financial system interactions with ecosystem tipping points methodology*.[31]

Impacts and dependencies: Stakeholders, society and the economy

The activities arising from the transition plan of an insurer, reinsurer or broker may impact and depend on its stakeholders (e.g., workforce, value chain counterparts, beneficiaries, clients), society (e.g., local communities), and the economy (e.g., supply and demand of skills, public investments and incentives, economic restructuring, government regulations). Entities may conduct a materiality assessment to identify dependencies, impacts, risks and opportunities most relevant to their business.

A just transition to a resilient net-zero economy means managing these impacts and dependencies effectively and equitably, serving as a key lever in strengthening commitment to and participation in addressing the impacts of climate change across stakeholder groups, particularly those most impacted such as workers, including those in micro, small and medium-sized entities, women, youth, and communities. Insurers can play a key role in a just transition through measures to close the insurance protection gap (i.e. the gap between economic and insured losses) particularly in vulnerable regions, industries and populations, improving access to affordable insurance; innovating products and services that strengthen economic and climate resilience; and aligning underwriting decisions for transition activities with broader social and economic goals and standards, such as through social safeguards. At the same time, insurers are highly exposed to an "unjust transition", which could lead to an increase in claims and liabilities, and a reduced demand for insurance due to social unrest or disruptions to economic activity.

The fundamental purpose of building a net-zero economy is to protect people from the harm, loss, and damage caused by uncontrolled climate change. People need to be at the heart of the transition to a resilient net-zero economy and contribute to the process. In this vein, the Grantham Research Institute on Climate Change and the Environment has identified three key factors for financial institutions to consider in the design and delivery of their transition plans: 1) Anticipate, assess and address the social risks of the transition; 2) Identify and enable the social opportunities of the transition; and 3) Ensure meaningful dialogue and participation in net-zero planning.[32]

Insurance market participants can play a crucial role in enabling a just transition by promoting inclusive and fair shift to a resilient net-zero economy across developing and developed economies around the world.

The FIT therefore recommends that insurers, reinsurers and brokers disclose whether and how they identify, assess, and take into account the impacts and dependencies of their transition plans, how they pursue objectives and priorities in a manner that captures opportunities and avoids adverse impacts for stakeholders and society, and how they incorporate just transition considerations in transition plans. In doing so, entities may find it helpful to refer to the following materials:

- The ILO and UNEP FI's *Incorporating Just Transition Considerations into Financial Sector Transition Planning;*[33]
- *Curran et al.,'s Making transition plans just: how to embed the just transition into financial sector net-zero transition plan;*[34]
- *The World Benchmarking Alliance's Just Transition Assessment Tool;*[35]
- *The* ILO and UNEP FI's Just *Transition Finance: Pathways for banking and insurance;*[36]
- The TPT's *Putting People at the heart of Transition Plans: Key steps and metrics for issuers;*[37]
- The ILO's core labour standards;[38]
- The UN's *Declaration on the Rights of Indigenous Peoples;*[39]
- The OECD's *Guidelines for Multinational Enterprises;*[40]
- The UN's *Guiding Principles on Business and Human Rights (UNGPs);*[41]
- UNEP FI's *Human Rights Toolkit for Financial Institutions, a toolkit to help financial institutions align their practices with UNGPs;*[42]
- Amazon Watch's *Respecting Indigenous Rights;*[43] *and*
- *The UN's Sustainable Development Goals (SDGs).*[44]

Impacts and dependencies: Pollution prevention via a circular economy

Sustainable and responsible resource use and consumption is a key enabling factor for the success of virtually every international agreement and initiative aimed at advancing sustainable development. Understanding how insurance companies will integrate circularity, sustainable consumption and production, and pollution prevention into their business models, underwriting strategies, operations, and products and services is an important element of an insurance company's transition plan.

Impacts and dependencies related to pollution may create both risks and opportunities for insurance market participants. For example, claims management is an opportunity to advance circularity, while exposure to pollution-intensive sectors may increase liability risks. Entities may conduct a materiality assessment to identify pollution-related impacts and opportunities most relevant to their business.

By promoting repair over replacement and encouraging the responsible substitution of damaged assets, insurance market participants can use claims management to reduce their environmental footprint while helping clients do the same. However, implementing circular practices in claims management may face regulatory, logistical, and cultural challenges. For example, in some countries, the use of reused parts to repair damaged cars is restricted by safety standards and certification requirements or by the obligation to inform the client. Nevertheless, insurance market participants can have a meaningful role in promoting sustainable practices for claims. A more sustainable approach could also include strategies for eco-design and responsible disposal.

Insurance market participants may also be significantly exposed to high-polluting sectors, resulting in liability risks, reputational risks, and long-tail claims. For example, plastic pollution is an increasingly high-profile threat to climate, ocean, wildlife and human health as it becomes widespread both in the ocean and on land, where it is impacting ecosystems and threatening lives and human health. In 2019, UNEP's Principles for Sustainable Insurance (PSI) produced the first-ever study on the risks of plastic pollution to the insurance industry. The study covers issues from marine plastic litter to microplastics. Insurance market participants can play a role in pollution prevention through their underwriting decisions.

Another example is chemical and industrial pollution, a long-standing issue for the global insurance industry. The insurance industry provides a wide range of products relevant to the chemical industry. A key factor is how insurers take into account good chemical risk management in their underwriting process, such as when underwriting corporate clients across industry sectors (e.g., environmentally pollution liability insurance). Beyond managing risk exposure, insurers can also play a role in mitigating environmental harm by encouraging clients to reduce pollution-related impacts (e.g., by improving their chemical standards).

The FIT therefore recommends that insurers, reinsurers and brokers disclose whether and how they identify, assess, and take into account the impacts and dependencies related to pollution on their transition plans, and how they pursue objectives and priorities in a manner that capture opportunities and avoid adverse impacts deriving from pollution. In doing so, entities may find it helpful to refer to the following materials:

- UNEP FI Principles for Sustainable Insurance's (PSI) *Unwrapping the Risks of Plastic Pollution to the Insurance Industry;*[45]
- UNEP FI Principles for Sustainable Insurance's (PSI) *New Risks, New Opportunities: Harnessing environmental pollution liability insurance for a sustainable economy*[46]
- The Minderoo Foundation's *The Price of Plastic Pollution: Social costs and corporate liabilities;*[47]
- Relevant papers published by insurers on sustainable claims management practices.

1.3 Overview of transition plan maturity across the insurance sector

At the time of writing this Guide, only a small number of leading insurers and reinsurers, mainly global players, have begun publishing transition plans or disclosing their commitments to achieving net zero in their sustainability reports. In most cases, these commitments primarily focus on reducing emissions from an entity's own operations and investments, while some commitments also extend to underwriting activities—typically within P&C lines. It is also worth noting that no leading broker has published a transition plan to date.

Even among insurers, reinsurers and brokers that disclose net-zero commitments, many lack detailed roadmaps outlining how they will achieve their targets. A significant challenge remains in translating high-level commitments into detailed, actionable plans. While many insurers have set long-term net-zero goals, few have articulated concrete short- and medium-term priorities or the specific steps needed to achieve them. As a result, the depth and specificity of transition plans vary widely across the industry. These challenges are particularly evident in regions where policy, regulatory and supervisory frameworks are less developed and where government support for the transition is limited, often due to competing priorities such as industrialization and energy security (e.g., economies currently relying heavily on fossil fuels). In these areas, the balance between transition and economic growth remains complex.

The policy and regulatory landscape surrounding climate and sustainability disclosure and transition planning is evolving globally. On balance, insurers and reinsurers have made progress in adopting transition goals, but compared to other actors in the financial sector, they still lag asset owners in planning and execution. This view is based on the work carried out in developing this Guide.

The role of reinsurers in the insurance value chain and in supporting the transition to a resilient net-zero economy

Reinsurers provide financial protection to insurance companies by assuming a portion of their risks in exchange for reinsurance premiums. In doing so, reinsurers play a key role in supporting the transition to a low-carbon, climate-resilient and sustainable economy.

The reported size of the global reinsurance market is growing. By end-2023, it had reached USD 900 billion gross reinsurance premiums (including both ceded [61%] and retroceded [39%] premiums). Around 35% of reinsurance premiums consist of life business, while the remaining 65% refers to the non-life/catastrophe reinsurance business, according to the International Association of Insurance Supervisors (IAIS).[48]

This Guide is primarily focused on the insurance business, but it also applies to the reinsurance business, with key differences specific to reinsurance mentioned throughout the document. The Guide outlines roles for both facultative and treaty reinsurers.

Relevance of facultative reinsurance

In facultative reinsurance, a contract typically covers a single risk or block of risks on a case-by-case basis. The insurer has the option to cede the risk, and the reinsurer has the option to accept or reject it. Because each risk is assessed individually before acceptance, facultative reinsurance shares many characteristics with direct insurance. This gives reinsurers greater control and more direct influence on clients' transition plans.

To date, most reinsurers' climate transition commitments have focused on facultative business. PCAF (2022) has also recognized that the existing guidance on commercial and motor segments in primary insurance is also applicable to facultative reinsurance.[49]

Relevance of treaty reinsurance

In treaty reinsurance, a contract covers broad groups of risks (e.g., all of an insurer's motor, home, marine, aviation, life, or health business) on an automatic basis. The reinsurer agrees to accept all risks that meet the conditions set out in the treaty contract.

Because treaty reinsurers are required to accept all risks within the scope defined by the treaty contract, the relevant terms and conditions of the treaty (e.g., exclusions, warranties, commissions, capacity) must be negotiated during the renewal of the treaty, usually on an annual basis. This Guide acknowledges a significant role for treaty reinsurance in supporting the climate transition, encouraging sustainable practices at the macro level through reinsurance pricing choices, treaty underwriting terms and conditions, risk appetite, and portfolio steering.

As of this writing, PCAF (2024) has published draft guidance[50] for treaty reinsurance for public consultation. This represents an important step towards addressing the challenges in accounting for insurance-associated emissions of treaty reinsurers. These challenges are also due to the limited access that reinsurers in a treaty reinsurance transaction typically have to granular portfolio data. However, over time, they may begin to request more detailed information from cedants to improve transparency and emissions accounting.

To date, treaty reinsurance remains less mature than facultative reinsurance in target setting, with fewer reinsurers having established GHG emission targets for their treaty portfolios. However, the outlook is promising. As methodologies evolve, treaty reinsurers are encouraged to apply the principles in this Guide and work towards greater accountability.

Reinsurer-specific examples

This Guide is primarily intended for insurers, but it also includes adaptations tailored to the specific needs of the reinsurance business, making it a comprehensive guidance for reinsurers as well. Two areas deserve particular attention when reinsurers develop their own transition plans—encouraging data collection of GHG emissions from ceding insurers; and implementing underwriting criteria that support the transition.

Reinsurer-specific example 1: Engagement with ceding insurers to encourage GHG emissions data collection

Reinsurers often face challenges in calculating their attributable emissions due to limited data availability and transparency, as they depend on cedants (primary insurers) to provide insurance-associated emissions data. To overcome this, reinsurers can engage proactively with ceding insurers to encourage the systematic collection and sharing of granular GHG emissions data, thus facilitating traceability along the insurance value chain. PCAF (2024) in its draft guidance,[51] recommends, where feasible, the use of emissions data disclosed in official filings, sustainability reports, or obtained through brokers and cedants during the underwriting process.

Reinsurer-specific example 2: Underwriting criteria to support the transition to a resilient net-zero economy

Reinsurers, in alignment with the guidance provided for primary insurers, can play a critical role in supporting the transition to a net-zero and climate-resilient economy. This can be achieved by embedding specific criteria and conditions in their underwriting policies. Reinsurers can actively influence the practices of primary insurers and, by extension, the broader economy. For example, this influence can be exercised by phasing out coverage for high-emitting and emissions-intensive assets, activities and sectors over time, establishing thresholds for reinsurance exposure to carbon-intensive assets, activities and sectors; increasing the share of premiums derived from companies that are aligned with credible, science-based climate targets; and encouraging insurers to account for the risk reduction benefits of climate adaptation and resilience activities.

On the other hand, brokers, in general, have yet to develop formal transition plans. To date, there has been limited attention and focus on role of brokers in the transition, and only a few methodologies specifically address them. Some leading brokers have outlined commitments, though their efforts are primarily focused on own operations and the development of climate-aligned products, which complement the broader net-zero transition within the industry and the real economy.

The role of brokers in the insurance value chain and in supporting the transition to a resilient net-zero economy

Brokers can play an important role in facilitating the transition to a net-zero economy. As the main conduit through which businesses buy insurance, and insurers buy reinsurance, brokers could potentially perform due diligence on their clients to make sure that the business they are placing complies with the criteria set out by (re)insurers. They could also engage with clients to help them take steps towards reducing GHG emissions and produce credible transition plans.

Brokers can play a significant role also with their risk advisory activities, for example, by helping clients understand their exposure to physical and transition risks, determine the level of insurability, and evaluate the cost of coverage.

Global insurance brokers and agencies are estimated to have generated USD 314 billion in brokerage revenues in 2024, with expectations for continued growth as worldwide demand for insurance increases (Precedence research 2024).[52] P&C products represent the largest portion of underwriting placements made by brokers, accounting for roughly 60–70% of broker placements in many mature markets.

So far, brokers' climate commitments have largely focused on their own operational footprints, with limited attention given to the insurance and reinsurance transactions they intermediate. There are currently very few real-world examples that address brokers' roles in underwriting placement activities. This Guide seeks to bridge that gap. It is built on the principle that brokers should take responsibility for the climate impacts associated with the underwriting placements they facilitate.

This Guide is primarily intended for insurers, but also includes adaptations tailored to the specific needs of (re)insurance brokers, making it comprehensive guidance for brokers as well. Two areas deserve particular attention when brokers develop their own transition plans—engagement with insurers, reinsurers and clients; and setting of GHG targets to reduce emissions.

Broker-specific example 1: Engagement activities with insurers, reinsurers and clients
Brokers act on behalf of their clients by negotiating coverage with insurance and reinsurance underwriters. Acting as intermediaries, brokers can steer discussions towards climate-aligned solutions. Potential engagement strategies may include:

- Use risk advisory services to help clients secure appropriate coverage and enhance the insurability, bankability and investability of their decarbonization plans by facilitating early engagement between clients and insurers during their transition journey
- Collaborate with the insurance and reinsurance industry to develop innovative de-risking solutions, such as tailored insurance products, to support the large-scale deployment of emerging climate technologies (e.g., products for long duration energy storage, green hydrogen, carbon capture and storage), nature-based solutions and businesses that are supporting the transition
- Act as a bridge between clients and (re)insurers by leveraging their trusted relationship with clients to facilitate dialogue on climate-related risks and opportunities
- Partner with (re)insurers to develop products and solutions that address natural catastrophes. For instance, a disaster resilience fund, which enables swift payouts for natural catastrophes linked to climate change (e.g., floods, cyclones, droughts, wildfires), thus enhancing community resilience.

Broker-specific example 2: Emissions reduction targets in underwriting placement activities

While it is acknowledged that there is currently no specific guidance available to compute and disclose insurance-associated emissions from brokers' underwriting placement activities, several initiatives are evolving to address this need. The critical intermediating role of brokers has been recognized by civil society, which has noted their role in facilitating insurance coverage for high-emitting and emissions-intensive assets, activities and sectors (e.g., coal mining[53]).

Brokers should recognize their role in supporting the transition in the insurance value chain and set meaningful targets accordingly. Examples of potential targets related to underwriting placement activities may include:

- Establishing comprehensive emissions reduction targets that encompass an entity's own operations and underwriting placement activities. Targets will cover Scope 1, 2, and 3 emissions, including insurance-associated emissions attributable to the broker
- Committing to achieve net zero for all attributable GHG emissions from placed insurance and reinsurance business by 2050
- Committing to actively restrict or phase out insurance or reinsurance placements in high-emitting and emissions-intensive assets, activities and sectors

Insurance brokers operate close to the businesses, placing them in a unique position to access granular emissions data and information. As a result, the emissions data available to insurance brokers differs from those accessible to reinsurance brokers, reflecting the distinct proximity to underlying business activities. However, as with insurers and reinsurers, this Guide recognizes important roles for both insurance and reinsurance brokers in supporting the transition.

The insurance sector faces several key challenges, including addressing data gaps, balancing short-term financial pressures with long-term resilience, and navigating inconsistency in policy and regulatory environments across jurisdictions. This Guide aims to bridge these gaps by providing a structured framework. Furthermore, it presents real-world examples (under the heading "Illustrative real-world, unilaterally determined examples") which come from an analysis of transition plans from global industry leaders, primarily European and Asian insurers with worldwide operations.

2. Guide for (re)insurance underwriting portfolios

Preparers of transition plans should first read the TPT Disclosure Framework published by the Transition Plan Taskforce in October 2023.[54] This Guide provides supplementary recommendations to the TPT framework, specifically addressing sub-elements that require insurance-specific underwriting guidance, as identified by the FIT. This chapter is structured around those sub-elements in line with the TPT Disclosure Framework, providing disclosure recommendations for each one of them.

This Guide uses the ISSB's definition of a climate-related transition plan and applies the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB's General Requirements standard (IFRS S1).[55] However, entities may also apply the "double materiality" principle under the European Sustainability Reporting Standards (ESRS), particularly where required by applicable regulations. The ESRS recognizes that entities that applies its standard are able to meet ISSB's requirement to identify material sustainability-related information, as the concept of materiality under ISSB is aligned with the financial materiality dimension in the ESRS (i.e. the two frameworks apply the same criteria). In addition, the ESRS includes an impact materiality dimension.[56]

For the sub-elements covered in this document, additional guidance may be provided only for some of the TPT sub-elements' Disclosure Recommendations. Cross-references to Disclosure Recommendations included in the TPT Disclosure Framework are provided in the format "(see **DF 1.1.a**)".

Sector-specific guidance will not be provided in this document for the savings component of life insurance. Instead, entities may refer to the **TPT Asset Owners Sector Guidance**,[57] which applies to (re)insurance companies as institutional investors, and/or the **TPT Asset Managers Sector Guidance**,[58] which applies to (re)insurance companies that have asset management firms.

This additional sector-specific Guide is not intended to be exhaustive. An entity should disclose other information and consider other resources where deemed appropriate. The Guide supports preparers and users to interpret the Disclosure Framework by setting out suggestions of disclosures that entities "should disclose". None of the suggestions in this Guide replace the Disclosure Recommendations in the TPT Disclosure Framework; they are complementary and intended to help preparers interpret the Disclosure Framework.

As in the Disclosure Framework, suggested disclosures are not intended to be exhaustive, and an entity may consider disclosing other information under the relevant sub-elements which are material. These suggestions on disclosures are accompanied by further considerations and references to external guidance that preparers may find useful (see "When disclosing, an entity may additionally consider:").

Illustrative real-world, unilaterally determined examples

Real-world examples are grouped under relevant sub-elements, providing readers with clear, tangible insights across different business lines, where available. Where examples would be extensive but not particularly insightful (e.g., for Element 1. Foundations), they have not been included to maintain clarity and ease of reading. However, readers can refer to transition plans published by leading insurers and reinsurers for additional examples.

It is important to note that these real-world examples are illustrative and do not inherently indicate alignment with this Guide or alignment with a 1.5°C net-zero transition pathway; rather, they represent actual publicly disclosed industry practices. In real-world examples, unilaterally determined commitments require ongoing actions for effective implementation, including establishing clear criteria to guide implementation and monitoring exceptions. The varying levels of detail in the examples reflect differences in maturity across entities, consistent with the purpose of this Guide to support insurers, reinsurers and brokers at different stages in shaping their own transition approaches.

1. Foundations

1.1. Strategic ambition

An entity shall disclose the **Strategic ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment

Insurer
[P&C insurance (commercial & retail)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Its role as a (re)insurer[59] in reducing GHG emissions in the real economy to net zero, in line with the Paris Agreement's temperature goals,[60] de-risking the transition to a net-zero economy, supporting adaptation and building resilience (**see DF 1.1.a.i**);
- Its objectives and priorities for reducing insurance-associated emissions through its underwriting activities and its value chain (**see DF 1.1.a.i**);
- Its objectives and priorities for managing climate-related risks, and capturing climate-related opportunities through its underwriting activities (**see DF 1.1.a.ii);**
- Its objectives and priorities for using the levers and capabilities it has available to embed and accelerate the transition to a low-GHG emissions, climate-resilient economy, particularly by supporting the transition of the real economy (**see DF 1.1.a.iii**);
- The proportion of its underwriting portfolio covered by its Strategic Ambition (**see DF 1.1.a**);
- Whether its objectives and priorities apply only to a proportion of its underwriting portfolios and/or selected lines of business or selected products and services, and if so, the reasons for any exclusions and the extent to which it is taking or plans to take any steps to increase the scope of coverage (**see DF 1.1.a**);
- How it identifies and prioritizes business lines, portfolios and sectors to ensure a focused approach on those that require accelerated decarbonization (**see DF 1.1.a.i**);
- How in pursuing these objectives and priorities it is addressing both the financial impacts of climate change on the underwriting business, and the impacts of the underwriting business on society, the economy and the natural environment (**see DF 1.1.b**); and
- How it uses the following strategies within the Strategic Ambition of its transition plan: engagement strategy, product offering strategy, claims management strategy, underwriting portfolio steering strategy, and operational strategy (see **DF 1.1.d**).

When disclosing, an entity may additionally consider:

When disclosing its Strategic Ambition, an entity may disclose its role as a (re)insurer in supporting a just transition, addressing broader sustainability-related risks and opportunities, including protecting nature and biodiversity, and preventing pollution via a circular economy.

In disclosing the objectives and priorities to protect nature and biodiversity, an entity may consider guidance such as the PSI's *Insuring a Resilient Nature-Positive Future*[61] and the PSI's *Rooted in Risk*.[62]

In disclosing its role in supporting a just transition, an entity may describe the role of (re) insurers to close the insurance protection gap, and may consider guidance including UNEP FI and the ILO's Just *Transition Finance: Pathways for banking and insurance.*[63]

In disclosing its role in de-risking the transition to a net-zero economy, supporting climate adaptation, advancing a just transition, and addressing broader sustainability-related risks and opportunities, an entity may describe how it identified and managed any potential conflicts among these objectives.

In disclosing the objectives and priorities for responding and contributing to the transition towards a low-GHG, climate-resilient economy, an entity may describe any underlying theory of change, outcome rationale or intentionality statement it used to define its objectives and priorities. In doing so, it may consider guidance including the United Nations Sustainable Development Group's *Theory of Change.*[64]

An entity's objectives and priorities will depend on its business model and the broader development of the economy, which is likely to change over time, reflecting that transition planning is a dynamic, adaptive, and iterative process.

In disclosing the financial impacts of climate change on the underwriting business, an entity may quantify and report the potential losses and damages attributable to climate change, as these impacts if not adequately managed, may affect the continuity of (re)insurers' operations.

In defining its Strategic Ambition, an entity may set objectives and priorities in relation to the following strategies:

- Engagement strategy:
  - Commercial lines: How it engages with its corporate clients on climate-related matters (e.g., encouraging GHG emission reduction commitments; gathering detailed data on clients' exposure to climate risks and client's impact on climate change; supporting clients in improving their climate risk assessment and their loss prevention and risk reduction measures), including any escalation processes if engagement activities do not lead to the desired change (see sub-element 3.1);
  - Personal lines: How it engages with policyholders on climate-related matters (e.g., raising awareness through campaigns on road-transportation and mobility options to reduce GHG emissions; providing information on the relevance of preventative and adaptation measures such as reduced premiums for assets with anti-flood barriers in highly vulnerable areas; incentivizing choices that integrate climate considerations into product choices) (see sub-element 3.1);
  - Industry: How it engages and collaborates with industry counterparts and other relevant initiatives or entities on climate-related matters (see sub-element 3.2);
  - Other stakeholders: How it engages with other actors including governments, regulators, public sector organizations, communities, academia and civil society, on climate-related matters (see sub-element 3.3);

- Product offering strategy (see Sub-element 2.2):
  - How it enhances its offering with (re)insurance products and solutions for low or near zero GHG emissions technologies and infrastructure;
  - How it enhances its offering with innovative (re)insurance products that encourage climate risk prevention and reduction and build resilience (e.g., lower premiums for policyholders who implement climate adaptation measures or covenants like anti-flood barriers; and the launch of weather parametric (re)insurance solutions);
  - How it unilaterally defines policies, conditions and criteria to manage the entity's underwriting portfolio relating to high-emitting and emissions-intensive assets, activities and sectors;
  - How it enhances its offering with (re)insurance products and solutions for nature (e.g., parametric solution for coral reefs in case of hurricane damage) and with products that are underwritten and reduced in price to reflect the risk reduction benefits of investments in nature-based solutions (e.g., wildfire resilience and property insurance);
  - How it develops and uses models that account for transition and physical climate risks and adaptation and resilience measurers in underwriting decision-making;
  - How it adapts existing products to avoid unintended incentives, particularly in areas such as environmental pollution liability insurance;
  - How it systematically integrates and assess climate impact when designing new insurance products and services;
- Claims management strategy (see Sub-elements 2.1 and 2.3):
  - How it supports the shift towards claims practices that contribute to reducing emissions and advancing climate adaptation;
- Portfolio steering strategy (see Sub-elements 2.1 and 2.3):
  - How it unilaterally defines restriction, exclusion or phase-out from high-emitting and emissions-intensive assets, activities and sectors;
  - How it geographically diversifies its portfolio to enhance resilience while supporting a just transition (e.g., reducing concentration risk in areas highly exposed to acute and chronic physical risks);
  - How it changes the portfolio mix
- Operational strategy:
  - How it seeks to decarbonize and build climate resilience, circularity and nature positivity within its operations.

When combined, these strategies should lead to a reduction in insurance-associated emissions and negative climate-related impacts.

An entity's underlying business model will inform and influence the Strategic Ambition of its transition plan. In defining its objectives and priorities, an entity may consider how these are informed and influenced by the following factors:

- Its size (e.g., gross written premiums);
- Its risk appetite;
- The business lines covered;
- The objectives and priorities of its clients.

When describing whether the Strategic Ambition applies only to a portion of its underwriting portfolio and/or lines of business, or selected products and services, the rationale for any exclusions may include data availability limitations, lack of reliable methodologies, strategic considerations linked to materiality, staged implementation approaches based on business line readiness, internal resource constraints, or the risk of unintended consequences such as social impacts.

In defining its objectives and priorities, an entity may consider relevant guidance, including:

- GFANZ's *Financial Institution Net-zero Transition Plans—Fundamentals, Recommendations, and Guidance* and the supplemental guidance[65] [66] [67]
- PCAF's *Insurance-Associated Emissions*[68]
- The Science Based Targets initiative's (SBTI) *Industry Brief for Financial Institutions Net-Zero Insurance Standard (Underwriting Portfolios)*[69]
- SBTi's *Financial Institutions Net-Zero Standard (draft)*[70]
- SBTI's *Corporate Net-Zero Standard*[71] [72]

In addition, when defining its objectives and priorities for enhancing its resilience to the changing climate and for integrating adaptation into transition planning, an entity may consider the OECD's *Enhancing the Insurance Sector's Contribution to Climate Adaptation*[73] and the TPT's *Building Climate-ready Transition Plans.*[74]

In defining its objectives and priorities, an entity may consider the four key financing strategies outlined by GFANZ, that can be applied to underwriting activities:

- **Climate solutions:** Enabling entities and activities that develop and scale climate solutions;
- **Aligned:** Enabling entities that are already aligned to a 1.5°C pathway;
- **Aligning:** Enabling entities committed to transitioning in line with 1.5°C-aligned pathways; and
- **Managed phase-out:** Supporting individual entities' accelerated managed phase-out (e.g., via early retirement) of high-emitting physical assets.

An entity may consider disclosing the extent to which it has taken into account and aligned with any voluntary commitments, including but not limited to the PSI and the Global Shield against Climate Risks.

When disclosing whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g., its workforce, value chain counterparts, beneficiaries), society (e.g., local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities, an entity may find it helpful to refer to Chapter *1.2 Impacts and dependencies of the transition plan on stakeholders, society, the economy and the natural environment*.

When disclosing potential trade-offs between climate- and sustainability-related impacts, risks and opportunities, as well as synergies or co-benefits identified between objectives and priorities, an entity may include:

- Reallocating its underwriting portfolio to reduce insurance-associated emissions and the portfolio's climate vulnerability, versus reducing real-world emissions and building climate resilience thereby avoiding "paper decarbonization"; and
- Underwriting assets supporting the transition (e.g., infrastructure) as a means to drive long-term real economy emissions reduction, leading to short-term increase in insurance-associated emissions.

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element,[75] however, it should note that:

- The following disclosure recommendations should be considered as **not applicable** for the protection component:
  - Its underwriting portfolio steering strategy about restriction, exclusion or phase-out (e.g., from high-emitting and emissions-intensive assets, activities and sectors, as well as polluting sectors); and
- The following disclosure recommendations should be considered as **additional:**
  - For health insurance:[76] Its engagement strategy with specific value chain players (e.g., hospitals, clinics, pharmaceutical companies); how it engages with its suppliers on climate-related matters (e.g., encouraging GHG emissions reduction commitments; including sustainability requirements in health procurement practices) *(see sub-element 3.1);*
  - When referring to "its objectives and priorities for reducing the insurance-associated emissions through its underwriting activities", this Guide acknowledges the absence of a specific methodology to compute and disclose insurance-associated emissions of Health and Life protection underwriting activities.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable**:
  - Its engagement strategy with policyholders for commercial and personal lines; and
- The following disclosure recommendations should be considered as **additional:**
  - Its engagement strategy with ceding insurers: How it engages with ceding insurers on climate-related matters (e.g., improving climate data collection, encouraging ceding insurers to integrate climate considerations) *(see sub-element 3.1).*

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Its role as a (re)insurer" should be replaced with "its role as a broker";
  - "Its underwriting activities" should be replaced with "its underwriting placement activities";
  - "Underwriting business" should be replaced with "underwriting placement business";
  - "Its product offering strategy" should be replaced with "its placement strategy";
  - "Its portfolio steering strategy" should be replaced with "its placement strategy";
  - "How it enhances its offering" should be replaced with "how it encourages (re)insurers to enhance their offering"; and
- The following disclosure recommendations should be considered as **additional:**
  - Its engagement strategy with (re)insurers: Work with (re)insurers to increase awareness of climate adaptation and resilience needs (e.g., climate and weather-related loss prevention and risk reduction, and the financing of resilience measures) and of transition needs (e.g., de-risking of climate investments) *(see sub-element 3.1)*.

1.2. Business model and value chain

An entity shall disclose a description of the current and anticipated implications of the entity's **Strategic Ambition** on its business model and value chain

Insurer
[P&C insurance (commercial & retail)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- The current and potential implications of climate-related risks and opportunities on their underwriting practices, product and service offerings, claims management and operations. Implications may involve changes in risk assessment, underwriting criteria, client engagement strategies, (re)insurance product lifecycles, reinsurance arrangements, claims handling, and development of new (re)insurance solutions (**see DF 1.2.a**)

When disclosing, an entity may additionally consider the following:

When disclosing information about the current and potential implications of climate-related risks and opportunities, an entity may consider providing information at the level of business lines; and may provide information on its business model and value chain.

In disclosing the changes introduced by integrating climate-related risks and opportunities into its underwriting practices, an entity may disclose how these changes align with a just transition and how they avoid negative impacts on vulnerable communities and the natural environment (including pollution prevention).

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Its underwriting practices" should be replaced with "its underwriting placement practices".

1.3. Key assumptions and external factors

An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the **Strategic Ambition** of its transition plan

Insurer
[P&C insurance (commercial & retail)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Whether and how the evolving societal role and fiduciary duties of (re)insurers, including stakeholders' expectations, play a role in setting the Strategic Ambition of its transition plan and in the offering of (re)insurance products and services (including compulsory insurance lines). This may include how these expectations interact with shifts in consumer demand, regulatory developments, macroeconomic conditions (see **DF 1.3.a**);
- Whether and how changes in law, rules and regulations (e.g., consumer protections laws, solvency requirements) might affect (re)insurance practices and the transition to a resilient net-zero economy (see **DF 1.3.a**);
- How the assumptions account for anticipated shifts in market demand, changes in underwriting practices and policyholder obligations due to climate and sustainability risks (see **DF 1.3.a**);
- How the assumptions account for the effects of technological innovation in (re)insurance product and service development and value chain processes (see **DF 1.3.a**); and
- The assumptions about the transition pathways in the real economy, including the managed phase-out of high-emitting and emissions-intensive assets, activities and sectors, and their impact on portfolios over time (see **DF 1.3.a**).

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Fiduciary duties of (re)insurers" should be replaced with "fiduciary duties of brokers";
  - "(Re)insurance practices" should be replaced with "underwriting placement practices"; and
  - "Underwriting practices" should be replaced with "underwriting placement practices"

2. Implementation strategy

2.1 Business operations

An entity shall disclose information about the short-, medium-, and long-term actions it is taking or plans to take in its business operations in order to achieve the **Strategic ambition** of its transition plan.

Within this Guide, insurance underwriting practices are addressed in 2.1 Business operations. Policies and conditions often underpin an entity's underwriting practices and there is likely to be overlap between disclosures under 2.1 Business operations and 2.3 Policies and conditions.

Following previous TPT guidance on other sectors, it is recommended that an entity allocates the disclosure of information between these sub-elements as it deems appropriate.

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Information about any short-, medium-, and long-term actions it is taking or plans to take in its underwriting activities to achieve the Strategic Ambition of its transition plan, including levers. The actions should be linked to dedicated resources and a quantification of their expected contribution to the Strategic Ambition, along with associated targets (see **DF 2.1.a, 2.1.b**);
- Whether and how it considers the transition plans of its clients as part of its risk assessment and underwriting practices, including its approach to evaluating the quality and credibility of those plans (e.g., any underlying methodologies and/or assumptions used) (see **DF 2.1.a, 2.1.b**); and

- Whether actions apply only to a proportion of its underwriting activities and if so, the reasons why and the extent to which it is taking or plans to take steps to increase the scope of coverage (see **DF 2.1.a, 2.1.b**).

When disclosing, an entity may additionally consider:

When disclosing information about any short-, medium- and long-term actions that it is taking or plans to take in its underwriting practices, this may include:

- Improving access to more comprehensive, high-quality climate data from clients and potential clients (i.e. policyholders), enhancing risk assessment and underwriting practices;
- Phasing out or reducing coverage of high-emitting and emissions-intensive assets, activities and sectors;
- Integrating sustainable practices in claims management and associated arrangements (e.g., encouraging repair over replacement, promoting circular principles, prioritizing the use of climate-resilient materials);
- Assessing exposure and vulnerability of clients to climate-related physical and transition risks, leveraging the entity's expertise in risk research and analytics (e.g., advanced tools to assess exposure to natural catastrophe [NatCat] risks);
- Providing underwriting teams with the necessary resources to implement the transition plan within their underwriting activities; and
- Integrating climate goals and policies into their operations, including those related to decarbonization, adaptation and resilience.

When disclosing information about any short-, medium-, and long-term actions it is taking or planning to integrate climate goals and policies, these disclosures may include support in the areas of just transition, nature and biodiversity protection, and pollution prevention. An entity may consider:

- The TPT's *The Future for Nature in Transition Planning;*[77]
- The TPT's *Building Climate-ready Transition Plans: Including adaptation and resilience for comprehensiveness transition planning approaches,*[78] and
- The TPT's *Putting People at the Heart of Transition Plans: key steps and metrics for issuers.*[79]

When disclosing information about any actions it is taking or plans to take to integrate the Strategic Ambition of its transition plan into its underwriting process, an entity may consider providing information at the level of business lines, sectors, and/or geographies.

When disclosing whether and how it embeds the objectives and priorities of its transition plan in its decision-making tools and processes, an entity may consider GFANZ's guidance on the following components of its Implementation Strategy: Activities and Decision-Making.[80] When disclosing whether and how it embeds social and environmental considerations in due diligence and decision-making, an entity may consider the ILO and UNEP FI's *Just Transition Finance: Pathways for Banking and Insurance (pp. 59–63).*[81]

In defining the short-, medium- and long-term actions it is taking, or plans to take, to implement processes and policies (by creating new or amending existing ones) to identify, assess, prioritize, and monitor climate-related risks and opportunities, an entity may consider guidance on the management of climate-related financial risks from regulators and supervisors, standard setters (e.g., IAIS, Sustainable Insurance Forum [SIF], IFRS Foundation), and relevant organizations (e.g., UNEP FI).[82]

When disclosing whether and how it considers the transition plans of its clients, an entity may consider:

- GFANZ's *Expectations for Real-economy Transition Plans*[83] and *Financial Institution Net-Zero Transition Plans—Fundamentals, Recommendations and Guidance*;[84]
- Institutional Investors Group on Climate Change's (IIGCC) *Investor Expectations of Corporate Transition Plans: From A to Zero*;[85]
- CDP's *Financial Services Transition Plans and Net-zero Commitments*[86] and *Reporting on Climate Transition Plans*;[87]
- The Transition Pathway Initiative's (TPI) *Methodology report: Management Quality and Carbon Performance*;[88] and
- Global Climate Action's *Assessing low-Carbon Transition* (ACT)[89]

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered **as additional**:
  - For health insurance: Whether and how it considers the transition plans of specific value chain players (e.g., hospitals, clinics, pharmaceutical companies) as part of its procurement practices, including its approach to evaluating the quality and credibility of those plans (e.g., any underlying methodologies and/or assumptions used).

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable** (since reinsurers usually do not interact directly with policyholders), unless a reinsurer is functioning as a primary insurer:
  - Improving access to more comprehensive, high-quality climate data from clients and potential clients (i.e. policyholders).

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Its underwriting activities" should be replaced with "its underwriting placement activities";
  - "Its underwriting practices" should be replaced with "its underwriting placement activities";
- The following disclosure recommendations should be considered **as additional:**
  - When disclosing information about any short-, medium- and long-term actions that it is taking or plans to take in its underwriting placement practices this may include:
    - Share risk analytics capabilities with (re)insurers, granting them access to a broader pool of data and insights that reinforce underwriting coverage and support product innovation.

2.2. Products and services

An entity shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the **Strategic Ambition** of its transition plan

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Whether and how it is responding to clients' climate-related preferences to create or change its products and services in order to achieve the Strategic Ambition of its transition plan (see **DF 2.2.a**);
- Whether it offers, or plans to offer any climate or sustainability-linked (re)insurance products or solutions (see **DF 2.2.a**), including a description of any underlying taxonomy, tools, methodologies, or definitions used to classify these products as climate or sustainability-linked (see **DF 2.2.b**);
- Whether and how it manages claims to support broader emissions reduction and climate resilience (see **DF 2.2.a**);
- How it ensures that products and services comply with applicable laws, rules and regulations, including those related to compulsory insurance and fiduciary responsibilities (see **DF 2.2.b**);
- Whether and how it assesses the extent to which any changes in products and services impact its stakeholders and society (e.g., the accessibility and affordability of its products); and
- Whether and to what extent it has addressed carbon lock-in, where applicable (e.g., for long-dated infrastructure and equipment) in the actions it is taking or plans to take to change its portfolio of products and services (see **DF 2.2.a**).

When disclosing, an entity may additionally consider:

When disclosing information about any short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the Strategic Ambition of its transition plan, these disclosures may include:

- Developing and offering (re)insurance products, services and arrangements for low or near-zero GHG emissions technologies;
- Integrating systematically climate considerations when designing new (re)insurance products and services, enabling a comprehensive assessment of their potential impacts;
- Offering premium waivers for eligible clients during climate or natural disasters;
- Transforming claims management practices to reduce emissions and advance adaptation and resilience (e.g., encouraging repair instead of replacing for damaged items that do not present safety concerns, promoting the adoption of structural adaptation measurers and climate-resilient materials, and prioritizing low-emission solutions when rebuilding);
- Raising awareness about products and services aligned with its climate and sustainability goals by communicating any changes to clients (e.g., new product offerings);
- Allocating capacity to climate solutions (e.g., for a just transition, adaptation and resilience) and to solutions that protect nature and biodiversity and prevent pollution;

- Allocating capacity to low-carbon and/or climate-resilient activities in emerging markets, developing countries, and vulnerable communities (e.g., microinsurance solutions covering agriculture or property risk in low-income communities); and
- Offering (re)insurance solutions that strengthen carbon credit markets by addressing risks such as carbon credit shortfalls, reversals and unintended emissions.

When disclosing whether and to what extent an entity has considered carbon lock-in, an entity may consider the OECD's *Mechanisms to Prevent Carbon Lock-In in Transition Finance.*[90]

Where an entity has used taxonomies, tools, methodologies or definitions to classify (re) insurance products and services, it may consider disclosing its use of:

- Regulatory classifications, labelling regimes or legislative taxonomies (e.g., the European Union [EU] Taxonomy,[91] the Canada Taxonomy Roadmap); and
- Proprietary classifications or taxonomies, with details of underlying methodologies.

When using these classifications, an entity may specify whether the criteria used to determine them are subject to periodic review, to ensure consistency with regulatory and scientific development.

When describing the expected principal contributions of its actions to change its portfolio of products and services to achieve its Strategic Ambition, an entity may consider referring to the four key financing strategies outlined by GFANZ.[92,93,94]

The role of carbon credits in reaching net zero and how insurance can bring this to scale

Achieving net zero relies primarily on deep emissions reduction, with carbon dioxide removal (CDR) employed to offset residual unavoidable emissions. As the IPCC[95] notes, *"the deployment of carbon dioxide removal to counterbalance hard-to-abate residual emissions is unavoidable if net zero CO_2 or GHG emissions are to be achieved"*. Similarly, the Science Based Targets initiative (SBTi 2025),[96] in its revised standard under consultation (as of this writing), proposes optional recognition of companies that mitigate the impact of ongoing emissions through beyond value chain mitigation (BVCM) measures, (e.g., high-integrity carbon credit purchases, direct financing of mitigation projects, conservation of carbon in natural ecosystems), and introduces the option for companies to set interim carbon removal targets to address residual emissions through additional abatement or removals. According to MSCI (2024), over USD 43.4 billion has been raised and committed to carbon-credit activities over the past four years, with the majority—USD 26.9 billion—allocated to carbon-removal projects.[97] This evolving context is creating a new role for the insurance industry.

Under this Guide, entities are encouraged to disclose how they use or plan to use carbon credits by following the TPT Disclosure Framework (*see sub-element 4.4 Carbon credits*).

In addition, this Guide acknowledges the enabling role of (re)insurers in securing financial investments in carbon credit projects, in addition to providing de-risking and advisory solutions for carbon credit shortfalls, reversals, and unintended emissions. Insurers, reinsurers and brokers are uniquely positioned to provide solutions that de-risk and enable the scaling up of carbon credit markets, underlying carbon removal technologies, and nature-based solutions. Insurers, reinsurers and brokers should only support carbon credit projects that meet minimum standards of quality and integrity and should conduct adequate due-diligence assessments to ensure that these criteria are met.

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable** for the protection component:
  - Whether and to what extent it has considered carbon lock-in (e.g., for long-dated infrastructure and equipment) in the actions it is taking or plans to take to change its portfolio of products and services;
- The following disclosure recommendations should be considered as **additional**:
  - When disclosing information about any short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the Strategic Ambition of its transition plan, this may include:
    - Products and services that incentivize low-carbon and healthy lifestyles (e.g., active mobility such as biking and walking);
    - Products and services that offer coverage to address climate-exacerbated illnesses, including mental health programmes to help individuals cope with climate change impacts;
    - Products and services that address underserved populations, including microinsurance products that cover climate-related life & health impacts; and
    - For health insurance: New services beyond health insurance to address climate-related illnesses or conditions (e.g., wellness programmes, virtual consultations for patients, wearable devices).

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "To create or change its products and services" should be replaced with "to encourage (re)insurers to create or change their products and services";
  - "Offers, or plans to offer (re)insurance products or solutions" should be replaced with "facilitates, or plans to facilitate (re)insurance products or solutions";
  - "Developing and offering (re)insurance products and services" should be replaced with "facilitating the placement of (re)insurance products and services";
  - "Allocating capacity" should be replaced with "facilitating capacity";
- The following disclosure recommendations should be considered as **not applicable**:
  - Offering premium waivers for eligible clients during climate or natural disasters; and
- The following disclosure recommendations should be considered as **additional**:
  - Initiatives with (re)insurers and clients to encourage the development and placement of climate or sustainability-linked products and services.

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer—P&C commercial]

- Insurance products and solutions that de-risk the transition (e.g., coverage for equipment that produces renewable energy; solutions that enable a low upfront cost for residential solar installations through subscription options; and commercial coverage for the generation of on- and offshore wind, solar and battery storage)
- Insurance products that i) guarantee reimbursement for damages to solar and photovoltaic panels caused by atmospheric events, and ii) integrate protection against loss of profit deriving from interruption or decrease in electricity production
- Heatwave parametric insurance for workers in a major Asian city: insured individuals are eligible to receive a payout or an "anti-heatwave kit" of an equivalent value, when the temperature exceeds a given temperature for 3 consecutive days
- Premium offset for clients that have implemented adaptation measures related to solar panels, wind farms or any other renewable energy installation
- Prevention discount on insurance is computed with a tool that contains several questions related to sustainability and climate adaptation
- Specialized risk advisory service with 950 risk engineering professionals operating in 40 countries and carrying out 60,000 risk assessments per year
- Adjustment of the technical pricing for weather-related risks on a regular basis using a property loss-modelling framework
- An annual review and update of terms and conditions of the portfolio composition of agriculture (re)insurance to mitigate climate change impacts

- Parametric insurance policy for an American homeowners association (with nearly 6,500 properties), which specifically takes into account the reduction in risk due to forest management (so called fuel reduction) with improved terms. As a result, a reduction of both gross premium and deductible has been achieved.

[Insurer and Reinsurer—P&C personal]

- Premium discount on customer's new electric vehicle (EV) if the customer's internal combustion engine vehicle suffered a total loss
- A pay-as-you-drive solution, where clients pay insurance as a function of how much they use a vehicle (the policyholder declares the number of kilometres to be driven)
- A green guarantee—if a property is destroyed by a fire, storm, or by other perils, the green guarantee replaces damaged equipment with more energy-friendly equipment (e.g., photovoltaic solar panels, energy-efficient heat pumps)
- Reinsurance scheme in the UK designed to make it easier for homeowners to install flood-resilient measures after filing a flood-related claim
- Virtual settlement teams manage building claims sustainably for home policyholders (approximately 70% of home policyholders) through remote desktop inspections, avoiding field inspections
- Holistic property insurance solutions, backed by risk management advice and guidance, that support customers to adopt low-carbon and more resilient technology in construction (e.g., mass timber construction)
- Coverage for EVs running out of charge while on a journey and/or in case of damage to home charging equipment

- An internal sustainability dashboard for claims management which provides supplier managers with access to up-to-date information on suppliers' sustainability performance, including their science-based target (SBT) status, emissions data, and environmental, social and governance (ESG)/sustainability performance/score
- A risk assessment tool based on global risk maps that enables customers to assess their exposure to natural hazards. The tool is accompanied by informative checklists for private customers to improve risk provisioning and minimize losses from storms, floods, earthquakes and fires

[Insurer and Reinsurer—Life & Health]

- Mental health services, including services that contribute to customers' resilience to deal with challenging life events such as extreme weather events linked to climate change
- Promotion of preventative health measures, (e.g., wellbeing app)
- A digital General Practitioner service that expands access to appointments through online tools, while improving carbon efficiency
- Better data quality that more accurately assesses and quantifies climate-impacted health outcomes
- Better evaluate morbidity and mortality risks, which may be heightened by climate change, and incorporate these considerations into product offerings
- Sustainable and safe patient transport agreement between insurer and healthcare-related transportation company to use zero-emission vehicle for patient transportation
- Used wheelchairs are dismantled, cleaned and checked to ensure they meet quality and safety standards to be re-used

[Broker]

- Creation of a global practice that brings together specialists from a broker and an insurer combining climate, analytics and advisory, structuring and placements, (re) insurance, underwriting and capital markets expertise

These real-world examples illustrate how entities can align their products and services with a net-zero, resilient economy while enhancing operational efficiency and policyholders' benefits.

2.3 Policies and conditions

An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Information about any underwriting policies, conditions and criteria that it has set unilaterally and uses, or that it has stated and plans to use, to manage the entity's underwriting activities relating to assets, activities and sectors that are high-emitting and emissions-intensive (e.g., commercial lines in sectors including oil and gas and agriculture) or climate-vulnerable (e.g., properties in coastal and flood-prone areas), including any relevant exclusion policies and/or any managed phase-out plans (see DF 2.3.a);
- Information about any claims management policies that it has set unilaterally and uses, or that it has stated and plans to use, to incorporate sustainability in the entity's claims management activities (see DF 2.3.a); and
- Which business lines, activities, premiums and share of underwriting portfolio its policies and conditions apply to, the rationale for any exclusions across business lines/activities, and steps it is taking or plans to take to increase the scope of coverage of those policies (see DF 2.3.a).

When disclosing, an entity may additionally consider:

When describing any policies or conditions that it has set unilaterally and uses, or that it has stated and plans to use, an entity may include:

- Underwriting policies, conditions and criteria (including incentives) that promote the Strategic Ambition;
- Location-based exclusion policies for commercial and personal lines (e.g., exclusion of properties or assets located in high-risk flood zones within coastal areas) or use of risk score modelling at individual property level to determine risk level;
- Threshold-based exclusions for commercial lines (e.g., setting quantitative limits for sectors subject to elevated transition risk) and personal lines (e.g., setting quantitative limits for highly polluting vehicles);
- Phase-out of commercial lines relevant to high-emitting and emissions-intensive assets, activities and sectors (e.g., oil and gas, fossil fuel electricity utilities, coal mining, automobiles, aviation, steel, cement, agriculture, forestry), as defined by IIGCC[98] and TPI;[99]
- Phase-out or exclusion of assets, activities and sectors presenting irreversible pollution risk;

- Policies and conditions for personal lines that incentivize individual clients to integrate climate considerations into their product choices both in terms of mitigation (e.g., encouraging motor policyholders to choose electric or hybrid vehicles) and adaptation (e.g., supporting the installation of anti-flooding barriers in vulnerable areas);
- Exclusion policies for commercial and personal lines using location- and/or activity-based criteria to safeguard the natural environment, such as: Key Biodiversity Areas, Areas of Zero Extinction, the Ramsar Convention on Wetlands,[100] UNESCO Natural World Heritage Sites, and the Bonn Convention;
- Building resilience to the changing climate with policies and conditions to address assets, activities and sectors that may be particularly vulnerable to the changing climate and/or that are at risk of maladaptation (Lisa *et al.,* 2020);[101]
- Ways to support a just transition, including incentivizing clients to better manage environmental and social risks, to the extent justifiable by risk-based underwriting principles (e.g., more favourable premium rates offered on the condition that insureds abstain from certain activities generating social or environmental risks, or insureds commit to improve their sustainability practices e.g., with Iadaptation measurers); and
- Preventing pollution via a circular economy with conditions that incentivize repairing instead of replacing; and phase out of assets presenting irreversible pollution risks, such as production of persistent organic pollutants.

When disclosing which business lines, activities, and the share of its underwriting portfolio its policies and conditions apply to, and the rationale for any exclusions, an entity may consider describing whether they apply firm-wide (e.g., an exclusionary policy which applies to all business lines) or not (e.g., only to specific cases).

An entity may consider guidance on policies for high-emitting and emissions-intensive assets, activities and sectors, from:

- GFANZ's *Financial Institution Net-Zero Plans*,[102,103,104]
- the IIGCC's *Net-Zero Investment Framework Implementation Guide;*[105]
- Net-Zero Asset Owner Alliance's (NZAOA) *Position on the Oil and Gas Sector;*[106]
- NZAOA's *Thermal Coal Position,*[107] and any additional emerging documents.[108]

Entities may also consider disclosing separate information on policies on fossil fuel development (e.g., for oil and gas developers, coal developers [thermal and metallurgical], liquefied natural gas [LNG] developers, gas power developers, blast furnace developers). Additionally, entities may consider disclosing their criteria on fossil fuel exclusions disaggregated by fossil fuel type.

An entity may consider GFANZ's Financial Institution Net-Zero Transition Plans[109] guidance which recommends that policies should include:

- A clear objective connected to net zero;
- A definition of the sectors and activities to which the policy applies;
- Conditions and standards for ongoing business engagement;
- Details of any thresholds on restrictions or exclusions that apply; and
- Estimated timelines

An entity may consider guidance on a just transition, including UNEP FI and the ILO's Just Transition Finance: Pathways for Banking and Insurance.[110]

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable** for the protection component:
  - Information about any underwriting policies, conditions and criteria that it uses, or plans to use, to manage phase-out from high-emitting and emissions-intensive assets, activities and sectors.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Information about any underwriting policies, conditions and criteria that it uses, or plans to use, to manage the entity's underwriting activities" should be replaced with "Information about any underwriting policies, conditions and criteria that it recommends or plans to recommend to (re)insurers in their underwriting activities".

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer—P&C commercial]

- Thermal coal underwriting restrictions from unilaterally determined policy:
  - No new insurance policies issued to existing or new clients with principal operations in an EU or OECD country with one or more of the following characteristics:
    - Mining company with i) either an annual thermal coal share of revenues greater than or equal to 15%; or ii) annual thermal coal production greater than or equal to 20Mt; or iii) planning to develop new thermal coal mines
    - Power generation company with either i) an annual thermal coal share of power production greater than or equal to 15%; or ii) planning to develop any new thermal coal-fired power capacity
    - Thermal coal infrastructure owners or operators (e.g., dedicated port terminals and railways) or thermal coal exporters or traders with either: i) coal share of revenues greater than or equal to 30%; or ii) developing new thermal coal assets
  - By 2030, no insurance will be provided to a company established or with principal operations in an EU or OECD country that has any exposure to thermal coal and by 2040 to a company, established or with principal operations in a Non-EU or Non-OECD country, that has any exposure to thermal coal in any market
  - Companies above the thresholds with a publicly disclosed thermal coal phase-out or closure plan aligned with a company transition plan may be considered for a potential exception on a case-by-case basis

- Oil & Gas underwriting restrictions from unilaterally determined policy:
  - Conventional Oil & Gas: No new stand-alone site-specific insurance policies for upstream oil greenfield exploration and development projects, from 2025 for gas greenfield exploration and development projects. Exceptions may be granted to companies with climate transition plans in place.
  - Unconventional Oil & Gas:
    - Tar oil sands: No insurance coverage (either for new or existing business) for tar oil sands activities for companies with i) 50% of production generated from tar oil sands activities; or ii) 50% of revenues generated from tar oil sands production and oil sands-related transportation (pipelines)
    - Shale oil and gas: No insurance coverage (either for new or existing business) for shale oil and gas projects carried out by companies deriving more than 30% of their total oil and gas production from shale oil and gas
    - Arctic: No new stand-alone site-specific insurance policies and facultative reinsurance (excluding employee benefits and treaty reinsurance) for green fields oil and gas exploration and development projects carried out in the Arctic Monitoring and Assessment Programme (AMAP) region licensed after 31 December 2021;
    - Ultra deepwater: No new stand-alone site-specific insurance policies and facultative reinsurance (excluding employee benefits and treaty reinsurance) for green fields Ultra Deepwater Oil & Gas exploration and development projects licensed after 31 December 2021
- Remote NatCat (natural catastrophe) surveys: Tool that allows remote assessment of the NatCat loss expectancy (e.g., floods, wind) of commercial clients. Changes can be managed by adapting underwriting, pricing and reinsurance strategies

2.4. Financial planning

An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan[111] on its financial position, financial performance and cash flows[112] over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the **Strategic Ambition** of its transition plan.[113]

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Whether it expands its technical expertise and capabilities to develop (re)insurance climate solutions in line with transition pathways (see DF 2.4.a);
- Estimated financial effects on financial position, financial performance and cash flows, resulting from changes in underwriting practices, claims management, and portfolio mix as a result of their transition plans, including expenses for climate mitigation and adaptation, in the short-, medium-, and long-term, assumptions and scenarios used (see DF 2.4.b and DF 2.4.c);

- Qualitative and quantitative information supported by relevant metrics (e.g., premiums, loss ratios, reserves) that could support disclosure of impacts on the financial position, performance or risk management (see DF 2.4.b and DF 2.4.c); and
- Estimated financial effects on financial position, financial performance and cash flows resulting from more frequent and severe weather-related events due to climate change, in the short, medium and long term.

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Underwriting practices" should be replaced with "underwriting placement practices".

3. Engagement Strategy

3.1. Engagement with value chain

An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the Strategic Ambition of its transition plan (see DF 3.1.b), including with its:
  - Clients and potential clients (i.e. policyholders of commercial and personal lines);
  - Suppliers;
  - Intermediaries (e.g., brokers);
  - Reinsurers;
  - Third-party claims management service providers (e.g., assistance providers, repair shops); and
  - Other

- The method by which it engages value chain actors, including the frequency of such engagement, the goals of engagement, the list of those engaged and criteria for prioritization, an overview of the different types of engagement activities it undertakes (see DF 3.1.b)
- A description of the escalation process applied if engagement activities do not lead to the desired outcome (see DF 3.1.c)

When disclosing, an entity may additionally consider:

When describing current and planned engagement activities within its value chain, an entity may include:

- An overview of the different types of engagement that it undertakes, including a description of what it deems to be the minimum requirement for classifying an activity as an engagement activity. Engagement activities will vary, depending on the stakeholder involved. As such, an entity may consider disaggregating its engagement activities to reflect different approaches taken for its clients and business lines. For example:
  - Commercial lines: Engagement activities with corporate clients may focus on supporting the development of their transition plans and commitments (e.g., large, high-emitting, emissions-intensive corporate clients without credible plans), managing their exposure to transition and physical risks and building resilience;
  - Personal lines: Engagement with personal lines policyholders may focus on education and incentives to encourage more climate-conscious choices (e.g., motor insurance policyholders who need support in making informed decisions about their environmental impact and the sustainability-related aspects of their policy offering [e.g., pay-as-you-drive]; and homeowners' policyholders who need incentives in implementing climate adaptation and resilience measures);
  - Engagement initiatives with intermediaries (e.g., brokers and agents) to develop and distribute climate or sustainability-linked products and services;
  - Engagement initiatives with suppliers to support implementation of the transition plan (e.g., leveraging technological innovations with Insurtech such as 3D scanning to create images of the damaged site, thereby reducing the need for travel and cutting carbon footprint);
- How it defines criteria for prioritization among business lines, sectors and activities for engagement, and how prioritization is linked to the level of impacts of these business lines, sectors and activities;
- How its engagement activities differ by business lines, considering varying levels of influence and available levers;
- The number and proportion of specific stakeholder groups it engages with (e.g., the percentage of written premiums in relevant sectors represented by the clients engaged);
- Whether transition plans and GHG emissions reduction targets of corporate clients (commercial lines) and suppliers (claims management suppliers) inform the engagement activities and product offerings;
- How it engages with reinsurers on climate-related matters during their selection, including in respect to transition planning;
- How it engages with third-party claims management service providers to ensure their services are aligned with its Strategic Ambition;
- How it uses engagement to monitor performance against climate-related criteria (e.g., corporate clients' adherence to net-zero commitments—for commercial lines);

- How it uses engagement to protect the natural environment (e.g., for commercial lines how it engages with corporate clients about biodiversity policies and biodiversity net gain considerations);
- How it raises awareness and educates its clients on climate-related risks and opportunities (e.g., road-transportation GHG emissions and eco-friendly driving habits for motor policyholders; sustainable mobility options; the relevance of preventative and adaptation measures; cost of inaction campaigns with real-life data);
- How it educates its clients on climate-related changes, including increasing awareness of any new or existing climate-related product offerings;
- How it informs clients and value chain partners (e.g., intermediaries, claims management service providers) of its transition plan's impacts and dependencies on stakeholders, society, the economy, and the natural environment that may give rise to sustainability-related risks and opportunities;
- Whether and how it monitors the outcome of its engagement activities;
- Any escalation processes and criteria to manage instances where engagement activities do not lead to the desired change, including timelines, methods of engagement, and potential consequences (e.g., for commercial lines, exclusion or phase-out conditions if commitments are not met).

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **additional**:
  - For health insurance: How it engages with specific value chain players (e.g., hospitals, clinics, pharmaceutical companies) about their transition plans, sustainability goals and their strategies to build climate resilience, to ensure that their services are aligned with its Strategic Ambition.

  - For health insurance: How it engages with specific value chain players (e.g., hospitals, clinics, and pharmaceutical companies) to co-create sustainable solutions and ensure that sustainability principles extend across the value chain;
  - Clients: How it engages with clients by promoting wellness initiatives that encourage healthy and low-carbon habits such as active mobility (e.g., biking, walking).

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable**:
  - Information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the Strategic Ambition of its transition with its:
    - Clients or potential clients (i.e. policyholders of commercial and personal lines);
    - Reinsurers; and

- The following disclosure recommendations should be considered as **additional**:
  - Information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the Strategic Ambition of its transition with its:
    - Ceding insurers; and
    - Retrocessionaires;
  - When describing current and planned engagement activities with ceding insurers, an entity may include:
    - How it engages with ceding insurers to encourage them to reduce emissions within their underwriting portfolios (including strategies for phase out, claims management, and product offering);
    - How it engages with ceding insurers to screen their business for environmental, social and governance (ESG)/sustainability risks, including climate risks;
    - Whether and how it provides expertise and technical capabilities to help ceding insurers manage climate risks;
  - When describing current and planned engagement activities with retrocessionaires, an entity may include:
    - How it engages with retrocessionaires on their transition plans and their approach to managing climate and sustainability risks and opportunities; and
    - Whether and how retrocessionaires share risk analytics and expertise about climate risk modelling.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable**:
  - Information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the Strategic Ambition of its transition with its:
    - Intermediaries (e.g., brokers);
- The following disclosure recommendations should be considered as **additional**:
  - Information about any engagement activities that it is undertaking, or plans to undertake, in order to achieve the Strategic Ambition of its transition with its:
    - (Re)insurers;
  - When describing current and planned engagement activities with (re)insurers, an entity may include:
    - How it engages with (re)insurers to increase their awareness of climate adaptation and resilience needs (e.g., climate and weather-related loss prevention, financing of resilience measures) and of transition needs (e.g., de-risking of climate investments). This includes encouraging the development of specialized products and solutions tailored to these evolving needs (e.g., parametric solutions); and
    - How it engages with (re)insurers to share risk analytics capabilities and provide risk advisory services

- How it engages with (re)insurers to adapt their products and services to adaptation and resilience needs (e.g., climate and weather-related loss prevention, financing of resilience measures) and to support transition (e.g., de-risking of climate investments); and

- How it informs clients about the transition plans and climate-related policies of insurers and how it recommends products

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer—P&C commercial]

- Engage with large insurance clients that contribute most heavily to insurance-associated emissions
- Engage with top-tier clients with data available about emissions
- Engage with the largest commercial clients to increase their knowledge on climate impacts, transition efforts and associated risks, as well as sources of emissions, solutions, and the benefits of disclosure
- Share knowledge and best practices about the climate transition with commercial clients in relevant sectors (e.g., marine, aviation)
- Engage with suppliers to raise awareness of why taking action to decarbonize is necessary and to measure emissions related to claims
- Risk consulting service dedicated to help clients to understand their portfolio, manage climate risks, and prioritize risk improvement activities
- Engage with clients on identified sustainability issues to discuss remediation plans and collect documents that are not publicly available (e.g., independent environmental and social impact assessments) to understand the client's plans to remediate and prevent loss events in the future

[Insurer and Reinsurer—P&C personal]

- Engage with current and potential motor customers to support their transition to electric mobility

[Insurer and Reinsurer—Life & Health]

- Engage with suppliers to reduce over-medicalization and waste in health supply chains
- There are additional examples in transition plans that focus on the savings component of Life Insurance (e.g., engagement with investees) which are not included in this Guide as these topics are covered in the TPT Asset Owners Sector Guidance and TPT Asset Managers Sector Guidance

3.2. Engagement with industry

An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is unilaterally undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Any engagement activities as part of climate-related initiatives in insurance industry, financial sector and/or real economy. These engagement activities may involve, for example: the UNEP FI Principles for Sustainable Insurance Initiative (PSI), FIT, International Sustainability Standards Board (ISSB), GFANZ, the International Transition Plan Network (ITPN), Net-Zero Asset Owner Alliance (NZAOA);
- Any engagement activities as part of broader sustainability-related initiatives in the insurance industry, the financial sector and/or the real economy (e.g., the UNDP Sustainable Insurance Forum [SIF], the Global Shield against Climate Risks); including initiatives that safeguard nature (e.g., the PSI Working Group for Nature, Nature Action 100 (NA100), Finance for Biodiversity, Nature Finance, Business for Nature, Taskforce on Nature-related Financial Disclosures [TNFD]);
- Any engagement activities with membership bodies, industry associations, industry counterparts and other relevant initiatives or entities (e.g., peers and labour unions) beyond climate and sustainability-related initiatives (see DF 3.2.a); and
- When disclosing its participation in industry initiatives, the steps it takes to monitor the activities of membership bodies or industry bodies in which it participates and minimize any actions that may be in conflict with its own Strategic Ambition (see DF 3.2.e).

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer]

- Engage with industry bodies based on their influence and ability to shape the market and policy environment, such as: the PSI, FIT, NZAOA, Principles for Responsible Investment (PRI), Finance for Biodiversity Foundation, Chief Risk Officers Forum, Chief Financial Officers Forum, PCAF, SBTi, GFANZ, Climate Financial Risk Forum (CFRF), IIGCC
- Active support for major coalitions involving, and relevant to, insurers and reinsurers (e.g., PSI, PRI, UN Global Compact, CDP)

3.3. Engagement with government, public sector and civil society

An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organizations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Information on how it leverages engagement with governments, policymakers, regulators, and civil society to embed and accelerate the transition to a low-GHG emissions climate-resilient economy (see **DF 3.3.b**); and
- The objectives of the engagement with governments, policymakers, regulators and civil society; the means of engagement and how these activities are coherent with the activities of the organizations supported by the entity (**see DF 3.3.b**)

When disclosing, an entity may additionally consider:

When disclosing information about any direct and indirect policy, regulatory, civil society or wider stakeholder engagement activities that it is taking, or plans to undertake, this may include in relation to:

- National climate mitigation and adaptation targets and strategies (e.g., Nationally Determined Contributions [NDCs]), including sectoral pathways towards net zero emissions, and sectoral adaptation priorities;[114]
- National sustainability-related targets and strategies on nature (e.g., National Biodiversity Strategies and Action Plans [NBSAPs]);
- Policies and regulations that facilitate the managed phase-out of high-emitting and emissions-intensive assets, activities and sectors;
- Policies and regulations that promote climate and nature-based solutions (e.g., parametric insurance products for climate and nature risks) and solutions that prevent pollution via a circular economy;
- Policies to mobilize low-GHG, climate-resilient (re)insurance capacity, particularly in emerging markets and developing countries;
- Advocacy for public-private solutions to manage and mitigate natural catastrophe risks;
- Engagement with policymakers and regulators to develop residential and building codes that enhance climate resilience and reduce GHG emissions;
- Engagement with universities and research bodies to discuss and contribute to scientific studies and research projects;
- Aligning regulation and taxonomies with GHG reduction commitments and delivery, while improving relevant corporate disclosure in line with sustainability reporting standards;[115]
- Subsidies, incentives, and policies (both demand-side and supply-side) to accelerate an economy-wide transition;
- Achieving international consistency and standardization in transition planning policies; and
- Supporting a just transition to a resilient net-zero economy (e.g., by disclosing how impacts on vulnerable communities resulting from transition activities are being addressed, how potentially affected communities are being engaged, how the social and economic benefits from the transition plan are being shared with these communities).

An entity may consider the *Global Standard on Responsible Climate Lobbying* which provides a framework to ensure companies' lobbying and political engagement activities are aligned with the goal of limiting global temperature rise to 1.5° C above pre-industrial levels.[116]

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **additional**:
  - When disclosing information about any direct and indirect policy, regulatory or wider stakeholder engagement activities that it is taking, or plans to undertake, this may include:
    - Collaboration with governmental and academic institutions on climate-health policy-making discussions; and
    - Partnership with civil society organizations and other key stakeholders to design and implement programmes and campaigns that promote healthy lifestyles and reduce the environmental footprint of healthcare services.

Reinsurer
[Treaty & facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer—P&C commercial]

- Conferences and webinar series on topics relevant to the net-zero transition and societal resilience such as crop insurance, physical climate change, and the circular economy. These events bring together experts from universities, start-ups and corporations
- Spending in direct and indirect financial and in-kind political contribution in the reporting period

[Insurer and Reinsurer—Life & Health]

- Engagement and funding of research on the compound health risks of heat humidity and air pollution through a Red Cross climate research centre
- Scientific discussions on the impact of climate on health and mortality, and on insurer mortality assumptions on a regular basis

[Broker]

- Partnership between a broker and a university to leverage latest climate science to assess how environmental conditions may drive wildfire frequency and severity in the future. To enhance wildfire risk modelling, the collaboration looked at where and how best to invest in resiliency measures and develop long-term climate change strategies for physical wildfire risk

- Partnership between university, broker, and conservancy NGO which designed, structured and placed the first-ever wildfire resilience insurance policy underwritten because of nature-based forest management
- Partnership between university, broker, and conservancy NGO to design and structure flood resilience insurance which takes into account nature-based solutions to tackle river flooding in the underwriting process

4. Metrics & targets

Within this Guide, metrics and targets have been divided between the Metrics & Targets sub-elements, as follows:

- **4.1 Governance, engagement, business and operational metrics and targets:** Including metrics and targets in areas such as remuneration, skills competencies and training, and/or related to engagement activities, business and operations, products and services;
- **4.2 Financial metrics and targets:** Including metrics and targets relating to revenues, capital expenditures, investments in research & development; and
- **4.3 GHG metrics and targets:** Including insurance-associated emissions.

As noted in the chapter Legal compliance requirements when developing and disclosing transition plans, entities should take care to avoid disclosing competitively-sensitive information in their Metrics & Targets reporting.

4.1. Governance, engagement, business and operational metrics and targets

An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Any governance, engagement, business and operational metrics and unilaterally-determined targets that it uses to drive and monitor progress towards the Strategic Ambition of its transition plan, including how the metrics and targets reflect the Strategic Ambition of its transition plan, and how they relate to the actions outlined under 2. Implementation Strategy and 3. Engagement Strategy. This may include metrics and targets related to its (**see DF 4.1.a, 4.1.b**):
    - Engagement strategy;
    - Product offering strategy;
    - Claims management strategy;
    - Portfolio steering strategy
    - Operational strategy;

- The proportion of its underwriting portfolio to which each of its governance, engagement, business and operational metrics and targets apply, including the rationale for any exclusions and the extent to which it is taking, or plans to take, steps to increase the scope of coverage (**see DF 4.1.c.iii**);
- The scale of engagement activities on climate transition and adaptation (e.g., number of programmes, proportion of stakeholders involved) across the value chain, as well as the attained objectives (**see DF 4.1.c**);
- Information about the limitations of any underlying taxonomy, tools, methodologies or definitions on which metrics and targets rely (**see DF 4.1.c.x**); and
- Any targets it has unilaterally set to increase the proportion of insurance-associated emissions or gross written premiums covered by engagement activities, including those aimed at promoting climate transition and adaptation measures, (**see DF 4.1.c**), and details of any underlying methodology used to prioritize engagement activities (**see DF 4.1.e**).

When disclosing, an entity may additionally consider:

When disclosing information about its engagement metrics and targets, an entity may consider metrics and targets in relation to:

- Percentage (weighted by premiums) of clients aware of the entity's Strategic Ambition;
- Number of engagement programmes to increase awareness of climate transition and adaptation (e.g., for personal lines—campaigns targeting on-road transportation GHG emissions; number of campaigns on the cost of inaction);
- Public policy engagements that support the Strategic Ambition of its transition plan, including as a proportion of all public policy engagements; and
- Trade association memberships and associated engagement and lobbying activities that support the Strategic Ambition of its transition plan.

When disclosing information about its business metrics and targets, an entity may consider metrics and targets in relation to:

- Commercial lines: The number and proportion of corporate clients that have set credible science-based GHG emissions reduction targets, including the alignment of these targets with the Strategic Ambition of its own transition plan;
- Commercial lines: The number and proportion of corporate clients that have set credible transition plans, including the alignment of these plans with the Strategic Ambition of its own transition plan;
- Commercial lines: The number and proportion of corporate clients' transition plans that include relevant information about the impacts and dependencies of their transition plan on vulnerable communities, the natural environment and the economy;
- Commercial and personal lines: Number of business lines with specific net-zero objectives as part of their strategy;
- Commercial and personal lines: Number of business lines with specific climate adaptation objectives (e.g., percentage of climate-resilient properties insured) as part of their strategy;
- Commercial lines: The number and proportion of corporate clients that have implemented loss prevention strategies to address climate-related risks;
- Commercial lines: The number and proportion of corporate clients that have completed climate risk assessments;

- Commercial and personal lines: The number and proportion of policies providing coverage for properties or businesses that meet defined sustainability standards (e.g., energy efficiency criteria, including full electrification of cooling and heating systems, green-certified properties);
- Personal lines: The number and proportion of motor policies issued for electric vehicles (EVs), hybrid vehicles and internal combustion engine vehicles, disaggregated by vehicle type;
- Commercial and personal lines: The number and proportion of claims management suppliers that have set credible science-based GHG emissions reduction targets, including the alignment of these targets with the Strategic Ambition of its own transition plan;
- Commercial and personal lines: The proportion of claims managed through repair rather than replacement as part of claims handling practices;
- Commercial and personal lines: The share of claims attributed to climate events by jurisdiction;
- Commercial lines: The number and proportion of policies not renewed due to unilaterally-determined criteria to phase out underwriting support for high-emitting and emissions-intensive assets, activities and sectors;
- Commercial and personal lines: The number and proportion of policies either not renewed or cancelled, reported annually and cumulatively over 5 years;
- Commercial and personal lines: The number and proportion of new policies underwritten annually;
- The number of training sessions completed by employees, board members and management with specific responsibilities in the net-zero transition plan; and
- The proportion of underwriting and risk assessment decisions supported by reliable climate data, enabling the integration of climate-related considerations into the underwriting process.

When disclosing information about any engagement and business metrics and targets, an entity may consider the following guidance: *GFANZ's Financial Institution Net-Zero Transition Plans: Supplemental Information*,[117] the CFRF's *Climate Disclosures Dashboard 2.0* (in particular the recommended shift away from activity level-data and towards outcomes-based reporting).[118]

When disclosing information about any metrics and targets that it uses to monitor and drive progress of portfolio coverage and alignment methodologies, an entity may consider: the Portfolio Alignment Team's (PAT) *Measuring Portfolio Alignment*,[119,120] CDP and WWF's *Temperature Scoring Methodology*,[121] SBTi's Financial Institutions' near-term criteria,[122] and TPI's Preparedness for Transition Tool.[123]

When disclosing any metrics and targets that it uses to drive and monitor progress towards enhancing its resilience and responding to the climate-related physical and transition risks and opportunities that arise from the transition, an entity may consider the Global Resilience Index Initiative's (GRII) *Aligning Finance with Adaptation and Resilience Goals*,[124] *CFRF's Climate Disclosures Dashboard 2.0*,[125] and *GFANZ's Financial Institution Net-Zero Transition Plans: Supplemental Information*.[126]

When disclosing any metrics and targets that relate to a just transition, an entity may consider the TPT's *Putting People at the Heart of Transition Plans: Key steps and metrics for issuers reports*[127] that reviews, maps and aggregates just transition metrics from 13 existing disclosure frameworks that are relevant to transition planning and disclosures.

When disclosing any metrics and targets, an entity may consider disclosing how these may adapt and evolve over time as methodologies and best practices develop.

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable** for the protection component:
  - Any targets that it has set to increase the proportion of insurance-associated emissions that are covered by engagement activities;
  - Any targets it has set to phase out underwriting support for high-emitting and emissions-intensive assets, activities and sectors; and
- The following disclosure recommendations should be considered as **additional**:
  - When disclosing information about its business metrics and targets, an entity may consider metrics and targets in relation to:
    - For health insurance: The number and proportion of specific value chain players (e.g., hospitals, clinics, pharmaceutical companies) that have set credible science-based GHG emissions reduction targets, including the alignment of these targets with the Strategic Ambition of its own transition plan;
    - For health insurance: The number and proportion of specific value chain players (e.g., hospitals, clinics, pharmaceutical companies) that have developed credible transition plans, including the alignment of these plans with the Strategic Ambition of its own transition plan;
    - For health insurance: The number and proportion of specific value chain players' (e.g., hospitals, clinics, pharmaceutical companies) transition plans that include relevant information about the impacts and dependencies of their transition plans on vulnerable communities, the natural environment, and the economy; and
    - When disclosing information about its financial metrics and targets, an entity may consider metrics and targets in relation to:
      a. The share of claims attributed to climate-exacerbated illnesses.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

The following disclosure recommendations should be considered as **not applicable**:

- Any metrics referring to engagement activities with policyholders of commercial and/or personal lines;
- Any metrics referring to corporate clients (e.g., number and proportion) that have set GHG emissions reduction targets and/or developed transition plans;

- The following disclosure recommendations should be considered as **additional**:
  - When disclosing information about its business metrics and targets, an entity may consider metrics and targets in relation to:
    - The number and proportion of ceding insurers that have set credible science-based GHG emissions reduction targets, including the alignment of these targets with the Strategic Ambition of its own transition plan;
    - The number and proportion of ceding insurers that have developed credible transition plans, including the alignment of these plans with the Strategic Ambition of its own transition plan;
    - The number and proportion of ceding insurers' transition plans that include relevant information about the impacts and dependencies of their transition plan on vulnerable communities, the natural environment, and the economy.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Metrics and targets related to its product offering" should be replaced with "metrics and targets related to its placement strategy";
  - "Metrics and targets related to its portfolio steering" should be replaced with "metrics and targets related to its placement strategy";
- The following disclosure recommendations should be considered as not applicable:
  - Any targets which it has set to increase the proportion of insurance-associated emissions that are covered by engagement activities;
- The following disclosure recommendations should be considered as **additional**:
  - When disclosing information about its business metrics and targets, an entity may consider metrics and targets in relation to:
    - The number and proportion of (re)insurers that have set credible science-based GHG emissions reduction targets, including the alignment of these targets with the Strategic Ambition of its own transition plan;
    - The number and proportion of (re)insurers that have developed credible transition plans, including the alignment of these plans with the Strategic Ambition of its own transition plan; and
    - The number and proportion of (re)insurers' transition plans that include relevant information about the impacts and dependencies of their transition plan on vulnerable communities, the natural environment, and the economy.

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer—P&C commercial]

- Engage annually with the top-tier 100 clients that have no emissions disclosure, and continue this effort until 2030
- Engage with 450 large insurance clients that contribute most heavily to insurance-associated emissions by 2030
- Engage with 65 insurance clients on their transition-related objectives, opportunities and challenges in the next 12 months
- Deliver 9,000+ climate adaptation engagements to corporate clients by 2026. These include training and education, risk assessment awareness, prevention and adaptation solutions, and remediation response

[Insurer and Reinsurer—P&C personal]

- Engage with 20 million current and potential motor clients to support their transition to electric mobility by 2030
- 70% of suppliers by spend should have validated science-based targets by the end of 2025. This target covers the general insurance claims supply chain and operational supply chain
- The share of electric vehicles (based on the number of passenger vehicles) in the motor portfolio should exceed the share of electric vehicles in the respective markets
- The percentage of sustainable retail motor claims vs all retail motor claims should be disclosed (e.g., repair vs replacement solutions, replacement with recycled parts, remote claims assessment)

[Insurer and Reinsurer—Life & Health]

- Increase the number of customers covered by inclusive insurance to reach more than 20 million, including low-income to mass-market segments in emerging markets and low-middle income segments in 8 European markets
- Accelerate digital healthcare by supporting clients choose digital options and increase the number of clients using digital or remote care solutions

4.2. Financial metrics and targets

An entity shall disclose information about any financial metrics and targets, relevant to its business, sector and strategy, that it uses in order to drive and monitor progress towards the **Strategic ambition** of its transition plan, and report against these metrics and targets on at least an annual basis

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Which of its unilaterally-determined financial targets are required to be met by law or regulation (e.g., solvency and capital requirements) (see **DF 4.2.a**);
- Information about the extent to which each of its financial metrics and targets reflect the Strategic Ambition of its transition plan, including how they support an economy-wide transition (see **DF 4.2.b**);

- To which of its business lines and portfolios (e.g., corporates, individuals; micro, small and medium-sized enterprises [MSMEs]) each of its financial metrics and targets apply, including the rationale for any exclusions, and the extent to which it is taking, or plans to take, steps to increase the scope of coverage (see **DF 4.2.c.iii**);
- The share of underwriting activities in high-emitting and emissions-intensive and/or climate-vulnerable assets, activities and sectors, including details of how it has classified these assets, activities and sectors (see **DF 4.2.c.iii**);
- Information about the limitations of any underlying taxonomy, tools, methodologies or definitions on which metrics and targets rely (**see DF 4.2.c.x**);
- Any financial metrics (both forward and backward-looking) that it uses to monitor and drive the alignment of its underwriting portfolio with the Strategic Ambition of its transition plan and how these are integrated into decision-making (**see DF 4.2.e**); and
- Any financial metrics (both forward and backward-looking) that it uses to monitor and drive the alignment of its underwriting capacity with the Strategic Ambition of its transition plan and how these are integrated into decision-making (**see DF 4.2.e**)

When disclosing, an entity may additionally consider:

When disclosing information about its financial metrics and targets, an entity may consider metrics and targets in relation to:

- Legal and regulatory requirements. This includes those related to solvency, capital requirements and policyholder protection, risk management standards, claims handling requirements (e.g., timelines and dispute resolution processes), and rules governing reinsurance activities such as financial stability and licensing;
- Commercial lines: The amount and share of underwriting portfolio exposure in high-emitting and emissions-intensive assets, activities and sectors;
- Commercial and personal lines: The amount and share of underwriting capacity, and the associated gross written premiums, directed towards climate solutions and nature-based solutions (e.g., weather parametric solutions, motor policies covering electric or hybrid vehicles);
- Commercial and personal lines: The amount and share of (re)insurance products and services, and the associated gross written premiums, aligned with the transition to a resilient net-zero economy, including those that promote a just transition (e.g., products dedicated to at-risk workers); and the amount and share of (re)insurance products and services supporting climate adaptation. When disclosing, an entity may also refer to regulatory classification (e.g., the EU Taxonomy[128]);
- Commercial and personal lines: The share of net premiums written related to low/net zero GHG emissions technologies;
- Commercial and personal lines: The share of net premiums written derived from policies covering physical climate risks (e.g., wildfire, drought, flood), including those in high-risk areas (e.g., drought or flood-prone areas); and
- Commercial and personal lines: The share of net premiums written derived from policies covering high-emitting and emissions-intensive assets, activities and sectors.

When disclosing any financial metrics and targets relevant to its transition plan, an entity may differentiate between underwriting activities in net-zero achieved activities (i.e. those that have already achieved emissions progress compatible with limiting warming to 1.5°C) and those in transitioning activities (i.e. those working towards the goal of net zero).[129]

When disclosing financial metrics and targets that it uses to drive and monitor the alignment of its underwriting activities with the Strategic Ambition of its transition plan, an entity may consider the four financing strategies outlined by GFANZ.[130,131,132]

When disclosing financial metrics and targets that it uses to drive and monitor progress towards enhancing its resilience and responding to climate-related physical and transition risks and opportunities that arise from the transition, an entity may consider GRII's *Aligning Finance with Adaptation and Resilience Goals,*[133] CFRF's *Climate Disclosures Dashboard 2.0,*[134] and GFANZ's *Financial Institution Net-Zero Transition Plans: Supplemental Information.*[135] Additionally, an entity may consider guidance from CFRF on the use of scenario analysis and the reporting of future financial impacts of climate-related physical risks under multiple climate scenarios.[136]

When disclosing any metrics and targets that relate to a just transition, an entity may consider the TPT's *Putting People at the Heart of Transition Plans: Key steps and metrics for issuers*[137] that reviews, maps and aggregates just transition metrics from 13 existing disclosure frameworks that are relevant to transition planning and disclosures.

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **not applicable** for the protection component:
  - The amount and share of underwriting portfolio exposure in high-emitting assets, activities and sectors.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following insurance-specific wording should be **replaced**:
  - "Alignment of its underwriting portfolio" should be replaced with "alignment of its underwriting placement activities";
  - "Underwriting activities" should be replaced with "underwriting placement activities";
  - "The amount and share of (re)insurance products and services" should be replaced with "the amount and share of (re)insurance products and services facilitated";
  - "The amount and share of underwriting portfolio exposure in high-emitting assets, activities and sectors" should be replaced with "the amount and share of premiums derived from exposure in high-emitting assets, activities and sectors";
  - "The amount and share of underwriting capacity directed towards climate solutions" should be replaced with "the amount and share of underwriting placement activities directed towards climate solutions";
  - "Net premiums written" should be replaced with "premiums or gross written premiums placed"; and

- The following disclosure recommendations should be considered as **additional**:
  - The amount and share of brokerage or commissions derived from (re)insurance products and services aligned with the transition to a resilient net-zero economy, including those that promote a just transition (e.g., products dedicated to at-risk workers).

Illustrative real-world, unilaterally-determined examples
[Insurer and Reinsurer—P&C commercial]

Metrics:

- Annualized expected loss from weather-related perils amounts to 99.5% Value at Risk with a 200-year return period (as measure of the loss likely to be exceeded in one year out of 200)
- Gross written premiums (GWP) for (re)insurance products covering natural catastrophe risks
- Yearly share of (re)insurance underwriting portfolios (including direct and facultative commercial) in carbon-intensive industries. Carbon-intensive industries are defined in accordance with TCFD as: energy, transportation, materials and buildings, agriculture, food and forest products
- The total amount of (re)insurance for facilities that generate renewable energy

Targets:

- Increase revenues from transition solutions in commercial property damage and business interruption coverages by 150% by 2030 vs baseline (2022). Transition solutions include technologies for renewable or low-carbon energy, carbon capture and storage, battery storage, and electric transportation
- Reach EUR 6 billion in transition underwriting for P&C GWP cumulative 2024–2026
- Phase out single-risk (re)insurance for oil and gas producers not committed to align with net zero by 2050: by 2030, 100% of oil and gas producers to come from companies committed to align with net zero by 2050 (including Scopes 1, 2 and 3 emissions)
- Net-zero target covering single-risk (re)insurance for listed companies: by 2030 60% of GWP from listed companies with headquarters in OECD countries in single-risk insurance (excluding fossil fuels) should come from corporates with science-based targets (SBTs) validated by a third party

[Insurer and Reinsurer—P&C personal]

- Increase client utilization rate of environmentally sustainable claims for retail motor business by 10% by 2026

[Broker]

- Double insurer portfolio exposure allocation to climate solutions as a percentage of client assets invested in return-seeking assets by 2030 vs baseline (2019)

4.3 GHG metrics and targets

An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

Insurer
[P&C insurance (commercial & personal)]

When interpreting the TPT Disclosure Framework in the context of (re)insurance underwriting portfolios, an entity should disclose:

- Any unilaterally-determined gross GHG insurance-associated emissions absolute targets for Scope 3 that it has set, including progress on targets (see **DF 4.3.b, 4.3.j**), and associated metrics (see **DF 4.3.k, 4.3.l**), including at the:
  - Underwriting portfolio level;
  - Business line level;
- Any unilaterally-determined gross GHG insurance-associated emissions intensity targets for Scope 3 that it has set, including progress on targets (see **DF 4.3.f, 4.3.j**), and associated metrics (see **DF 4.3.k, 4.3.l**), including at the:
  - Underwriting portfolio level;
  - Business line level;
- Which parts of its underwriting portfolio each of its GHG metrics and targets apply to, including the rationale for any exclusions, and the extent to which it is taking, or plans to take, steps to increase the scope of coverage (see **DF 4.3.i.iii**);
- Information on any GHG metrics used to assess progress, including its use of proxied data versus reported data (see **DF 4.3.k.iii**);
- Information on criteria and assumptions used to calculate GHG metrics and targets, including methodologies, limitations, sources of climate data and pathways (see **DF 4.3.l.iii**); and
- Information on GHG removals from activities such as land use, land-use change, bioenergy, and carbon removal technologies (**see DF 4.3.m**).

When disclosing, an entity may additionally consider:

In defining its GHG metrics and targets, an entity may consider methodologies such as: SBTi's *Financial Institutions Net-Zero Standard,*[138] TPI's *Methodology report: Management Quality and Carbon Performance,*[139] PCAF's *The Global GHG Accounting and Reporting Standard for the Financial Industry,*[140] and the GHG Protocol's *A Corporate Accounting and Reporting Standard.*[141]

When calculating its insurance-associated emissions, an entity may consider the TCFD's *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* for suggested formulae, including weighted average carbon intensity, total carbon emissions, and carbon intensity.[142] Further guidance, including the incorporation of Scope 3 insurance-associated emissions, may be found in PCAF's *The Global GHG Accounting and Reporting Standard for the Financial Industry*[143] and PCAF's *Part C—Insurance-Associated Emissions.*[144]

Emerging methodologies are being developed to calculate emissions associated with underwriting portfolios by individual companies, industry groups, and standard-setting organizations. This Guide acknowledges this evolving landscape and encourages entities to actively monitor developments within the industry.

An entity may consider using an assessment framework to evaluate the credibility of historical and projected GHG emissions data provided by corporate clients. Further guidance is available from sources including GFANZ's *Measuring Portfolio Alignment.*[145]

An entity may consider breaking down emissions for statutory or compulsory classes and non-statutory classes; for client-reported emissions and proxies (for commercial lines); and to disclose, separately, insurance-associated emissions where insurers are unable to negotiate specific terms and/or rates due to government-based schemes.

Where an entity decides to note the avoided emissions, these should be reported separately from its Scope 1, 2 and 3 emissions. Further guidance on definitions and methodologies for calculating avoided emissions is available from sources including the World Business Council for Sustainable Development's (WBCSD) *Guidance on Avoided Emissions.*[146]

Insurer
[Life (protection) & Health]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **additional**:
  - When referring to the disclosure recommendations under *4.3 GHG Metrics and Targets,* this Guide acknowledges the absence of a specific methodology to calculate and disclose insurance-associated emissions from Health and Life protection underwriting activities. At the same time, it reflects the fact that this is an evolving area with emerging methodologies being developed by individual companies, industry groups, and standard-setting organizations. This Guide encourages entities to actively monitor developments within the industry.

Reinsurer
[Treaty & Facultative]

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **additional**:
  - Separate insurance-associated emissions according to direct/primary insurance and reinsurance;
  - When calculating insurance-associated emissions for treaty reinsurance, an entity may consider the additional guidance from PCAF's *New Methods for Public Consultation (draft).*[147] Entities are encouraged to actively monitor developments within the industry.

Broker

When disclosing, an entity should consider the relevant P&C guidance for this sub-element, however, it should note that:

- The following disclosure recommendations should be considered as **optional**:
  - All disclosure recommendations under *4.3 GHG Metrics and Targets*. This acknowledges the absence of specific guidance to compute and disclose insurance-associated emissions from brokers' underwriting placement activities. At the same time, it reflects the fact that this is an evolving area, and entities are encouraged to actively monitor developments within the industry.

Illustrative real-world, unilaterally-determined examples[148]
[Insurer and Reinsurer—P&C commercial]

- Reduce, in absolute terms, the insurance-associated emissions for the largest corporate clients by 30% by 2030 vs. baseline (2021)
- Reduce intensity-based insurance-associated emissions (Scopes 1 and 2) for all other corporate clients within largest markets by 20% by 2030 vs. baseline (2021)
- Reduce the climate footprint in claims settlements through efforts such as incentivizing sustainable repairs

[Insurer and Reinsurer—P&C personal]

- Reduce intensity-based insurance-associated emissions for retail motor vehicles insured within the largest markets by 20% by 2030 vs. baseline (2019)
- Reduce, in absolute terms, carbon emissions of motor retail portfolio by 30% vs. baseline (2022), in main markets

[Insurer and Reinsurer—Life & Health]

- There are examples in transition plans that focus on the savings component of Life Insurance (e.g., targets on investments) which are not included in this Guide as these topics are covered in the *TPT Asset Owners Sector Guidance* and *TPT Asset Managers Sector Guidance*

[Broker]

- Emissions reduction targets found in the transition plans analyzed refers only to own operations, e.g.:
  - A 50% reduction in Scopes 1 and 2 emissions intensity (i.e. emissions per amount invested) at the total portfolio level by 2030 vs baseline (2019). Given the significant challenges regarding limited underlying reported data and double counting, Scope 3 emissions are not included in portfolio-level target setting.

4.4. Carbon credits

An entity shall disclose information about how it uses or plans to use carbon credits to achieve the Strategic Ambition of its transition plan, and report on the use of carbon credits on at least an annual basis.

No additional sector-specific guidance is provided for this sub-element, please refer to recommendations in Transition Plan Taskforce Disclosure Framework (**TPT DF**) and to the box *"The role of carbon credits in reaching net zero and how insurance can bring this to scale"* in this Guide *(see sub-element 2.2)*

5. Governance

5.1. Board oversight and reporting

An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

No additional sector-specific guidance is provided for this sub-element, please refer to recommendations in **TPT DF**

5.2. Roles, responsibility and accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.

No additional sector-specific guidance is provided for this sub-element, please refer to recommendations in **TPT DF**

5.3. Culture

An entity shall disclose information about how it aligns or plans to align its culture with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this sub-element, please refer to recommendations in **TPT DF**

5.4. Incentives and remuneration

An entity shall disclose information about how it aligns or plans to align its incentive and remuneration structures with the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this sub-element, please refer to recommendations in **TPT DF**

5.5. Skills, competencies and training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the **Strategic Ambition** of its transition plan.

No additional sector-specific guidance is provided for this sub-element, please refer to recommendations in **TPT DF**

2. Ensuring proportional guidance for specific cases and assessing credibility

2.1 Ensuring proportionality for certain insurers, reinsurers and brokers

The FIT recognizes that the disclosure recommendations in Chapter 2 need to be adapted for certain insurers, reinsurers and brokers to ensure proportionality and adaptability.

2.1.1. Insurers, reinsurers and brokers in emerging markets and developing countries

Insurers, reinsurers, and brokers operating in emerging markets and developing countries may face unique challenges related to limited data availability, exposure to physical climate risks, and the insurance protection gap.

a. Limited data availability

Entities operating in emerging markets and developing countries may face limited access to high-quality, granular and reliable climate data. This may impact their ability to:

- Assess climate risks accurately due to incomplete loss histories, lack of localized climate data and models, or inconsistent reporting standards;
- Measure and disclose metrics and targets, and track progress.

When disclosing *2.1 Business operations, 2.2. Products and services, 2.3 Policies and conditions, 4.1 Governance, engagement, business and operational metrics and targets, 4.2 Financial metrics and targets and 4.3 GHG metrics and targets*, an entity may acknowledge and provide a description of any limitations that may affect its ability to report comprehensively in these areas.

b. Exposure to physical climate risks

Entities operating in emerging markets and developing countries can be strongly exposed to physical climate risks. Some emerging markets and developing countries are highly vulnerable to extreme weather events, including floods, droughts, hurricanes, and rising sea levels. Additionally, weaker infrastructure and lower resiliency can exacerbate socio-economic losses in these geographies.

When disclosing *2.1 Business operations, 2.2. Products and services, 2.3 Policies and condition, 3.1 Engagement with value chain and 3.3 Engagement with government, public sector, and civil society*, an entity may emphasize:

- Its offering of products and solutions that support climate adaptation and build resiliency, such as weather parametric insurance solutions;
- Underwriting conditions that incentivize policyholders to implement climate adaptation measures or covenants (e.g., reduced premiums for assets with anti-flood barriers);
- How it promotes proactive measures in disaster risk reduction (e.g., awareness campaigns, disaster preparedness); and
- How it engages with local governments to prevent and mitigate physical climate risks (e.g., early warning systems, land-use planning and management, building codes and standards).

c. Insurance protection gap

Entities operating in emerging markets and developing countries should consider insurance solutions that are suitable for vulnerable communities and help close the protection gap, while overcoming infrastructure limitations to reach them effectively.

When disclosing *2.1 Business operations, 2.2. Products and services and 3.1 Engagement with value chain*, an entity may emphasize:

- The development of microinsurance solutions (e.g., crop coverage or property coverage in low-income communities, life & health solutions for vulnerable and underserved people) and other inclusive insurance solutions;
- Solutions and technologies designed to overcome infrastructure limitations and improve distribution and commercialization in these communities (e.g., mobile platform, blockchain platform, microfinance institutions);
- Awareness campaigns to educate communities about climate risks and available insurance solutions, providing insurance and financial literacy and education;
- How it supports a just transition as part of its transition plan and Strategic Ambition; and
- How closing the insurance protection gap can help transition finance, attract capital and reduce risks related to investments.

2.1.2. Insurers, reinsurers and brokers with a large proportion of micro, small and medium-sized enterprises (MSMEs) in their portfolios

Insurers, reinsurers, and brokers with a large proportion of MSMEs in their portfolios may face unique challenges related to limited data availability; exposure to physical climate risks; and accessibility, affordability and design of insurance products and solutions.

a. Limited data availability

Entities with a large proportion of MSMEs in their portfolios may face limited access to high-quality, granular and reliable climate data as MSMEs often lack the necessary resources, expertise and regulatory obligations to track and report their sustainability and climate-related data. This may impact their ability to:

- Measure and disclose metrics and targets and track progress, due to incomplete data or inconsistent reporting standards.

When disclosing *4.1 Governance, engagement, business and operational metrics and targets, 4.2 Financial metrics and targets* and *4.3 GHG metrics and targets* an entity may acknowledge and provide a description of any limitations that may affect its ability to report comprehensively in these areas.

b. Exposure to physical climate risks

Entities with a large proportion of MSMEs in their portfolios can be strongly affected by physical climate risks, as MSMEs often lack the technical or financial capacity necessary to invest in mitigation, adaptation and resiliency measures (e.g., flood barriers). This can exacerbate economic losses due to climate risks.

When disclosing *2.1 Business operations*, an entity may emphasize:

- How it assesses the exposure and vulnerability of clients to climate-related physical and transition risks and leverages its own expertise in risk analytics; and
- Whether and how it shares risk analytics capabilities with clients to improve their climate risk assessment.

c. Accessibility, affordability and design of insurance products and solutions

Entities with a large proportion of MSMEs in their portfolios should consider insurance products and solutions that are affordable, accessible and tailored to the needs of MSMEs in order to build their financial resilience and help close the protection gap.

When disclosing *2.1 Business operations, 2.2. Products and services and 3.1 Engagement with value chain*, an entity may emphasize:

- The development of microinsurance and parametric solutions tailored to MSMEs (e.g., climate-related property coverage, business interruption coverage) and of other measures to increase access and affordability of insurance solutions. Microinsurance and parametric solutions can simplify the claims management process and lead to faster payouts that help build MSMEs' financial resilience;

- Awareness campaigns to educate MSMEs about climate risks, loss prevention, risk reduction, cost of inaction and available insurance solutions; and to promote insurance and financial literacy;
- Any risks deemed uninsurable, specifying the affected groups and the reasons for such exclusions; and
- How it engages with "demand aggregators" (e.g., banks, microfinance institutions, digital platforms, intermediaries) that serve a large number of MSMEs. Demand aggregators can enhance MSMEs' access to insurance, strengthening their financial resilience and stability

2.1.3. Small and medium-sized insurers, reinsurers and brokers

Small and medium-sized entities[149] may face unique challenges related to limited resources (e.g., workforce dedicated to climate-related topics and budget) and data availability. They usually serve specific markets and rely on collaboration with other players in the insurance industry or key stakeholders to strengthen their voice.

a. Limited resources and data availability

Small and medium-sized entities may encounter difficulties in collecting comprehensive climate client data due the absence of a specialized sustainability team, budget constraints that hinder data collection via tools or external providers, and the limited disclosures provided by clients, particularly MSME clients. This may impact their ability to:

- Assess climate risks accurately due to incomplete loss histories, lack of localized climate data and models, or inconsistent reporting standards; and
- Measure and disclose metrics and target, and track progress.

When disclosing *2.1 Business operations, 2.2. Products and services, 2.3 Policies and conditions, 4.1 Governance, engagement, business and operational metrics and targets, 4.2 Financial metrics and targets and 4.3 GHG metrics and targets*, an entity may acknowledge and provide a description of any limitations that may affect its ability to report comprehensively in these areas. This approach aligns with other reporting frameworks, such as the Voluntary Sustainability Reporting Standard for non-listed Small and Medium-sized Enterprises (VSME) developed by EFRAG, which emphasizes proportionality and flexibility to accommodate the diverse capacities and resources of SMEs.

b. Focus on specific markets

Small and medium-sized entities often focus on specific markets (e.g., niche markets, specific sectors or geographies).

When disclosing *2.1 Business operations and 2.2. Products and services*, an entity may emphasize:

- The development and offering of insurance products and services that de-risk the climate transition and advance adaptation and resilience tailored to the specific niche market it serves (e.g., specific coverage for drought risks in agricultural policies, reduced premiums for policyholders who have installed anti-flood barriers in flood-prone areas).

c. Collaboration and engagement within the insurance industry and with key stakeholders

Small and medium-sized entities often find it valuable to work with local insurance associations, peers, reinsurers, governments, civil society organizations and other key stakeholders to pool resources and knowledge and gain credibility, within the parameters of applicable laws, rules and regulations (e.g., antitrust).

When disclosing *3.1 Engagement with value chain, 3.2 Engagement with industry and 3.3 engagement with government, public sector, and civil society*, an entity may emphasize:

- How it engages with industry associations and peers to gain exposure to best practices and real-world examples, resources and expertise;
- How it engages with industry associations and civil society organizations to strengthen its voice (e.g., in regulatory and policy dialogue); and
- How it engages with suppliers to have access to data and tools, which would usually be too expensive to develop alone for a small or medium-sized entity.

Illustrative real-world, unilaterally-determined examples for certain insurers, reinsurers and brokers
[Insurer and Reinsurer—P&C commercial]

- Disaster resilience vehicle to enhance recovery and resilience for small Pacific Island nations, with the offer of direct payout in case of natural perils, including tropical cyclones, tsunami and flood
- Parametric solution that uses the Children Cyclone Index to activate funding based on cyclone intensity and the potential impact on children, ensuring necessary measures are in place to protect them in case of such events
- Parametric agricultural insurance solution that uses satellite data to monitor rainfall and trigger payouts when levels threaten crops in Colombia
- Close collaboration between an insurer, governments and international organizations to develop public-private partnerships in emerging markets, including the World Bank, a development bank through the InsuResilience Solutions Fund (ISF), and most major international sovereign risk pools
- Investment of an insurer (EUR 600,000) in a partnership with a foundation to support a research programme on marine biodiversity in the land-sea interfaces across European coastlines. The project aims to tackle the biodiversity challenge and better understand the coastal ecosystem, especially the impacts of anthropic pollution on microbiome and its interactions

- Insurance partner in the private sector working group for Vietnam's Just Energy Transition Partnership (JETP), a climate financial agreement designed to help Vietnam transition from coal to renewable energy
- Increase in the number of customers covered by inclusive insurance to 12 million by 2023
- Increase in the number of pilot projects in underserved communities

[Insurer and Reinsurer—P&C personal]

- Insurer's engagement with clients and partners to make personal lines in life, health, property and casualty insurance more available, accessible and affordable to underserved populations, such as immigrants, ethnic and racial groups, women, gig workers, informal economy workers, impaired lives, LGBTQ+, rural communities, low-income groups, self-employed individuals and small businesses (less than 50 employees)
- Blockchain-based initiative providing automated weather insurance to subsistence farmers in emerging markets

[Insurer and Reinsurer—[Life & Health]

- Initiative aimed at increasing women's access to insurance products and services as customers, entrepreneurs and distributors (e.g., improving access to healthcare solutions that take into account women's specific health and prevention needs)
- Development of microinsurance products to underserved communities in partnership with a health tech company. The solution leverages mobile technology to provide affordable health insurance to low-income individuals

[Broker]

- Use of a mobile platform to provide insurance in developing markets, automatically deducting premiums from prepaid airtime credit and paying out claims within 72 hours

2.2 Resources to assess the credibility of transition plans in the context of (re)insurance underwriting portfolios

The FIT aims to support insurers, reinsures and brokers in developing and disclosing credible transition plans in the context of underwriting portfolios. The credibility of transition plans is largely dependent on a robust transition planning process. Transition planning refers to the ongoing process that organizations engage in as part of their net-zero and broader sustainability journey. This process recognizes that the circumstances that organizations operate in are not static but evolve over time due to various factors such as knowledge, data, technological and market developments; and policy, regulatory and legal frameworks. As a result, transition planning is an iterative and continuous internal-facing process of assessment (and reassessment), ambition setting, action planning, and implementation. On the other hand, a transition plan is external-facing and is a point-in time snapshot that documents the outputs of the transition planning process.

Recognized frameworks such as GFANZ,[150] the UN Secretary-General's High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (HLEG),[151] and regulations such as CSRD,[152] along with best practices, help identify key elements of a credible transition plan:

Key elements of a credible transition plan

1. Comprehensiveness

The transition plan should address all sub-elements of the TPT Disclosure Framework and of this Guide (i.e. Strategic Ambition, Implementation Strategy, Engagement Strategy, Metrics & Targets, and Governance). If any sub-element is not covered, a clear rationale should be provided, along with an explanation of the actions planned to address the gap and the expected timeline.

2. Alignment with recognized standards and/or regulations

The transition plan should align with applicable and recognized global standards and regulations. While the transition plan is not intended to be a compliance exercise but a systematic strategic exercise, this Guide is designed to support convergence and consistency with evolving standards and regulations. For example, the transition plan may ensure consistency with the disclosure requirements and definitions outlined in ISSB's IFRS S1 and S2 and the EU's CSRD, refer to TPI (Transition Pathway Initiative) sector-specific transition benchmarks, and to credible transition scenarios (e.g., IEA, NGFS); and engage with CDP to enhance the disclosure. Adherence to relevant standards and regulations can significantly strengthen the transition plan's credibility.

3. Third party verification

The transition plan, as well as key metrics and targets, should undergo independent review or third-party assurance. This may involve obtaining limited or reasonable assurance, in line with emerging regulatory expectations and best practices.

4. Dependencies on external factors

The transition plan should acknowledge the external factors that may influence the implementation of the plan. These may include developments in the real economy, such as the pace of the energy transition or shifts in consumer behaviour (e.g., adoption of electric vehicles), as well as government actions and regulatory policies related to emissions reduction, or geographical dependencies. Recognizing these dependencies helps contextualize and understand the feasibility of the plan. Entities may consider referring to the European Commission Joint Research Centre's *Credible Company Transition Plans for Climate Change Mitigation: A geographical dependency assessment*[153] and Rose *et al.*, *A Framework for Assessing and Managing Dependencies in Corporate Transition Plans*.[154]

5. Limitations

The transition plan should clearly outline any limitations. These could include limited data availability, often due to insufficient disclosures from the real economy, the use of proxies, targets set on limited scope, the absence of recognized methodologies (e.g., for calculating and disclosing certain types of emissions), or an evolving and unclear regulatory context.

6. Governance

Governance on climate-related topics should be clearly defined and disclosed, including the approval process and the oversight role (e.g., Board), the role of executive leadership in steering the transition, the specific roles and responsibilities for transition plan implementation, the capacity and resources allocated, including compensation and remuneration schemes.

7. Treatment of high-emitting and emissions-intensive assets, activities and sectors

The transition plan should articulate how high-emitting and emissions-intensive assets, activities and sectors (e.g., oil and gas, fossil fuel electricity utilities, deforestation) are being addressed by the entity. If such assets, activities and sectors are not applicable to an entity's portfolio, a clear rationale should be provided.

8. Regularly updated

The transition plan is designed to be dynamic, with regular reviews and updates to reflect new information, evolving best practices, stakeholder expectations, and changes in the external environment (e.g., regulatory developments, market shifts, technological advancements). This ensures that the plan remains relevant, actionable, and aligned with the entity's long-term strategic goals.

The following table presents a checklist that entities may use to assess the credibility of their transition plan and its alignment with best practices:

Checklist to assess the credibility of a transition plan

Key element	Transition plan element	Assessment criteria
1. Comprehensiveness	**Strategic ambition**	▪ Does the transition plan support a strategy for climate transition consistent with the Paris Agreement's temperature goals? ▪ Is the transition plan underpinned by robust scenario analysis? ▪ Is the transition plan underpinned by feasible assumptions? ▪ Does the transition plan support a just transition to a resilient net-zero economy? ▪ Does the transition plan manage climate-related risks and other social and environmental risks (e.g., just transition, nature and biodiversity, pollution prevention)? ▪ Does the transition plan cover the whole entity and its value chain, with explanations for any exclusions (e.g., of non-material business lines)? ▪ Is the transition plan integrated into the overall business strategy and financial planning (considering Capex and Opex expected expenditures), ensuring consistency across the entity? ▪ Does the Strategic Ambition reflect proportionality by taking into account the entity's specific characteristics, such as whether it operates in emerging or developing countries, has a large proportion of MSMEs in portfolio, or is itself a SME?
	Implementation strategy	▪ Does the transition plan include a time-bound action plan outlining how the entity will achieve its Strategic Ambition? ▪ Do the actions in the transition plan include cost estimates? ▪ Do the actions in the transition plan reflect the entity's specificities (e.g., operations in emerging markets) and consequently apply proportionality? ▪ Is the transition plan financially feasible over time horizons, and does it detail the implications of the transition? ▪ Is the implementation strategy compatible with the company's broader business strategy?
	Engagement strategy	▪ Does the transition plan clearly define the engagement strategy for each relevant stakeholder in the value chain? ▪ Does the entity's public policy engagement align with the commitments outlined in the transition plan?

Key element	Transition plan element	Assessment criteria
1. Comprehensiveness	**Metrics & Targets**	▪ Does the transition plan include targets for climate mitigation, climate adaptation, nature and biodiversity protection, pollution prevention, and a just transition? ▪ Are the metrics and targets in the transition plan verifiable and quantifiable? ▪ Does the transition plan include interim metrics and targets? ▪ Are the targets in the transition plan aligned with emissions reduction pathways consistent with the Paris Agreement's temperature goals (e.g., those outlined by IEA or NGFS)? ▪ Are the targets in the transition plan science-based? ▪ Do the targets in the transition plan cover the short, medium, and long term? ▪ Do the targets in the transition plan cover all relevant GHG emissions, with explanations for any exclusions? ▪ Does the entity disclose regularly progress against metrics and targets?
	Governance	▪ See key element "Governance"
2. Alignment with recognized standards and/or regulations		▪ Is the transition plan aligned with the requirements of applicable and recognized global standards or regulations (e.g., IFRS, EU CSRD, CDP, SBTi) ▪ Does the transition plan demonstrate interoperability with other relevant standards and regulations?
3. Third party verification		▪ Is the transition plan audited by an independent third party? ▪ Has the transition plan obtained assurance (limited or reasonable according to best practices)? ▪ Are the reported GHG emissions audited by an independent third party?
4. Dependencies on external factors		▪ Does the transition plan assess whether there are potential dependencies on external factors that could affect implementation (e.g., geographical, labour availability, regulatory, technological)? ▪ Does the transition plan clearly disclose assumptions taken on external factors (e.g., technology availability)? ▪ Does the transition plan identify and describe how to mitigate any negative externalities to the environment or the community?

Key element	Transition plan element	Assessment criteria
5. Limitations		▪ Does the transition plan clearly recognize limitations and assumptions (e.g., use of proxies, absence of recognized methodologies)? ▪ Does the transition plan clearly recognize any limitations in scope (e.g., exclusion of certain business lines or engagement activities covering only a limited percentage of the clients)? ▪ Does the transition plan acknowledge uncertainties (e.g., technological, regulatory)?
6. Governance	**Governance**	▪ Does the transition plan clearly define oversight roles and responsibilities? ▪ Does the transition plan clearly define management's role in monitoring and managing the execution of the plan? ▪ Does the entity define how transition plan governance mechanisms are embedded within the entity's wider control and accountability mechanisms? ▪ Does the governance structure ensure alignment between the underwriting and investment components of the transition plan? ▪ Are the objectives and priorities defined in the transition plan tied to incentive and remuneration structure for employees?
7. Treatment of high-emitting and emissions-intensive assets, activities and sectors		▪ Does the transition plan articulate how high-emitting and emissions-intensive assets, activities and sectors (e.g., oil and gas, fossil fuel electricity utilities, deforestation) are being addressed? ▪ Does the transition plan have underwriting policies, conditions and criteria that the entity has set unilaterally and uses to manage underwriting activities relating to high-emitting and emissions-intensive assets, activities and sectors?
8. Regularly updated		▪ Is the transition plan reviewed and updated regularly (e.g., every 3 years) to reflect evolving best practices and changes in external environment (e.g., technological advancements)?

2.3 Navigating a complex and evolving landscape of sustainability disclosure and reporting

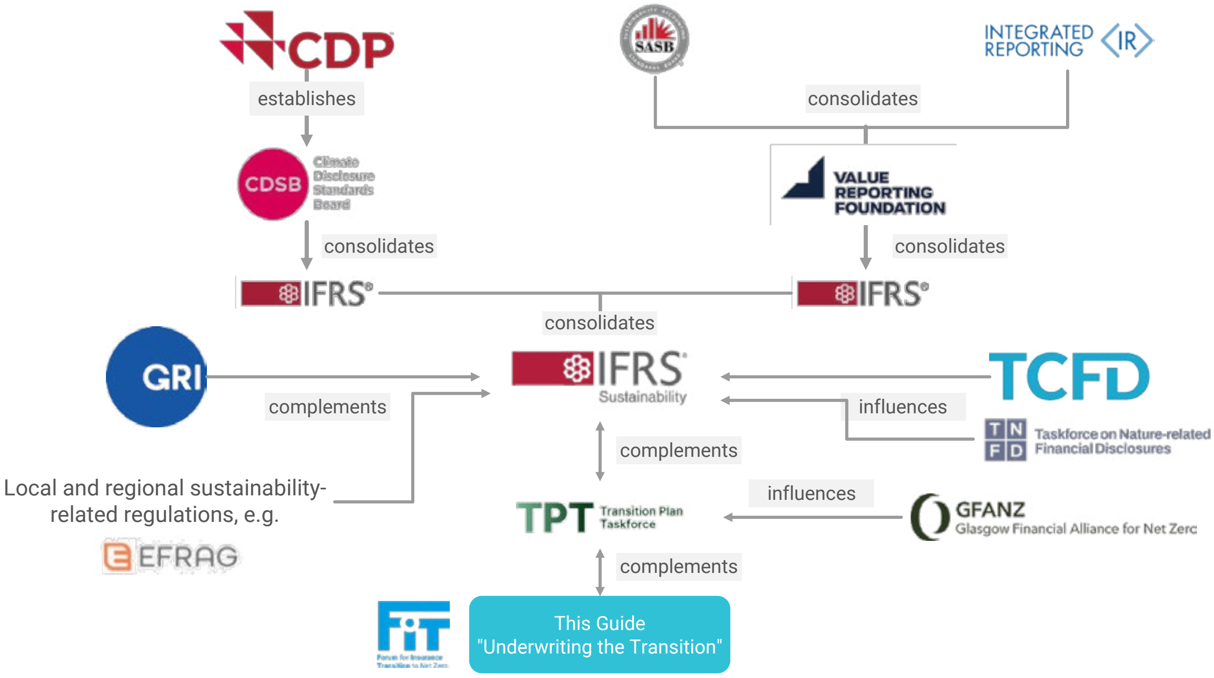


Figure 4: Interconnected landscape of global sustainability disclosure and reporting frameworks

In June 2023, the ISSB published IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2 for Climate-related Disclosures, both of which incorporate the TCFD recommendations.

The TPT's Disclosure Recommendations are designed to be consistent with, and build on, the wider climate-related disclosure requirements in the ISSB Standards. While IFRS S2 includes several provisions that are relevant to transition planning, it does not require entities to have a transition plan. However, it requires disclosure of any transition plan the entity has developed.

The TPT Disclosure Framework also draws on GFANZ's framework and guidance for credible, comprehensive, and comparable net-zero transition planning and uses the same core components and structure. This means that the TPT Framework and GFANZ are both part of an aligned, consistent effort to support the development of private sector transition plans.

As a practical tool to help develop and disclose credible transition plans, the Guide can also be viewed as a supplement to interpret the sector-neutral TPT Disclosure Framework, outlining sector-specific recommendations for the underwriting portfolio-related activities of insurers, reinsurers and brokers.

An entity should therefore not see the TPT Disclosure Recommendations and this Guide as separable from or parallel to climate-related financial disclosures prepared in accordance with the ISSB's Standards, and with other relevant local and regional regulations.

Rather, the TPT Disclosure Framework, together with this Guide, provide additional recommendations on what a good practice climate transition plan should cover, and can be used to help entities report more effectively on the transition plan-related aspects of the ISSB Standards, and as part of wider sustainability-related disclosure and reporting aligned with applicable standards and regulations.

ISSB works to streamline and consolidate frameworks and standards for disclosures on transition plans in an effort to reduce fragmentation. The IFRS Foundation assumed responsibility for the disclosure-specific materials developed by the TPT and, over time, will consider the need to enhance the application guidance within transition plan disclosures. In so doing, the ISSB will use TPT materials, as relevant, to support the provision of high-quality disclosures in order to meet investors' information needs. Furthermore, the IFRS Foundation is developing guidance to support disclosure of transition plans under IFRS S2, building on the TPT framework. The FIT recommends monitoring the release of this upcoming document.

To support preparers through the process of integrating content from their transition plans into disclosures aligned with the ISSB Standards, the TPT had developed technical mapping documents which set out the main provisions in each of the TCFD's recommendations and IFRS S2 that contain disclosure requirements relevant to transition planning. For each provision, the TPT has identified the recommendations in the Disclosure Framework that an entity may wish to consider as a source of additional guidance when making its disclosures.[155]

The TPT has also provided a comparison document to the European Sustainability Reporting Standards (ESRS), as adopted by the European Commission under the Corporate Sustainability Reporting Directive (CSRD).[156] Entities that are subject to local or regional regulations, such as CSRD and ESRS, can use the TPT Disclosure Framework and this Guide as a valuable reference point to disclose transition plans by enabling them to think through the key elements of a credible transition plan in a structured and comprehensive manner. In 2022, the US National Association of Insurance Commissioners (NAIC) adopted the TCFD as the standard for climate risk disclosure in the insurance sector. This underscores the global significance of the TCFD recommendations, which are the basis of the TPT Disclosure Framework and, by extension, of this Guide.

Ongoing dialogue to ensure interoperability across disclosure and reporting standards includes not only the ISSB Standards and ESRS, but also the Global Reporting Initiative (GRI), which has recently developed the GRI Sector Standards Project for Financial Services: Insurance Sector Standard—Exposure Draft[157] and the Climate Change and Just Transition Standard,[158] both under consultation at the time of writing this Guide.

In 2023, the Taskforce on Nature-related Financial Disclosures published a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. This Guide recognizes that climate and nature-related risks and opportunities are inextricably intertwined and recommends that insurers, reinsurers and brokers disclose the nature-related impacts and dependencies of their transition plan, referring to the TNFD recommendations.

3. Next steps

This Guide provides a comprehensive structured framework to help insurers, reinsurers, and brokers develop and disclose credible transition plans for underwriting portfolios, encouraging them to move beyond high-level commitments by implementing robust and actionable strategies that align with global climate and related sustainability goals. By addressing a significant gap in existing transition plan guidance for (re)insurance underwriting portfolios, this Guide represents another foundational step in advancing industry-specific approaches, building on the first insurance-specific transition plan guidance produced by the FIT in 2024.

At the same time, the Guide acknowledges the evolving nature of this field and the current limitations, such as data availability, regulatory uncertainty, and the absence of universally recognized methodologies. It encourages entities to remain adaptive and to actively monitor developments within the industry as best practices and standards continue to emerge.

The Guide recognizes that there is a growing need for the insurance industry to innovate through risk management and insurance solutions that support a just transition to a resilient net-zero economy, and that transition plans have emerged as a key tool that entities can use to achieve these objectives. Developing and disclosing credible transition plans are critical to managing climate and other sustainability risks and opportunities; to complying with policy, regulatory and investor requirements; to meeting client and civil society expectations; and to demonstrating accountability and transparency to net-zero and sustainability commitments.

Following this second deliverable of the FIT Transition Plan Project, the FIT will produce the third and final deliverable of the project—transition plan guidance for the insurance industry that will provide a holistic, total balance sheet and organization-wide view that covers and links the underwriting and investment portfolios of (re)insurance companies. The overarching goal is to move beyond siloed approaches and foster cognitive consonance through a coherent and integrated strategy for transition planning across underwriting (liabilities) and investments (assets).

Entities aiming to develop a holistic transition plan should follow the recommendations outlined in this Guide for underwriting portfolios and refer to the TPT Asset Owners Sector Guidance and TPT Asset Managers Sector Guidance for their investment portfolios. The third deliverable will outline the principles that entities should apply to ensure alignment between their underwriting and investment portfolios, in line with the TPT Disclosure Framework. In this regard, the Annex I of this Guide provides a tabular outline of the FIT Transition Plan Project's upcoming third deliverable. It illustrates how insurance market participants can adopt a holistic, total balance sheet approach to developing and disclosing credible transition plans.

The FIT encourages insurers, reinsurers, brokers and key stakeholders to pilot this Guide, share implementation experiences and insights, and contribute to its evolution in order to ensure that transition plans are credible and fit for purpose.

Annexes

Annex I: Tabular outline of the FIT Transition Plan Project's third deliverable

The table below outlines initial narratives for the transition plan disclosure sub-elements where insurance-specific guidance has been developed. It illustrates how insurance market participants can adopt a holistic, total balance sheet approach to developing and disclosing transition plans that integrate and link activities relevant to their (re)insurance underwriting and investment portfolios. The third deliverable will be particularly relevant for insurers and reinsurers. In most cases, brokers may refer only to the FIT's second deliverable, reflecting the distinct nature of their business model in which investment is not a core activity.

Disclosure sub-element	Description of sub-elements in the TPT Disclosure Framework	Insurance Underwriting-specific guidance produced	Asset owner-specific guidance produced
Under the "Ambition" principle and disclosure element 1: Foundations			
1.1. Strategic ambition	TPT description: An entity shall disclose the Strategic Ambition of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment	Yes	Yes
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing their Strategic Ambition, entities should: Ensure that the Strategic Ambition for the investment portfolio is aligned and compatible with that of the underwriting portfolio by: ▪ Coordinating short, medium and long-term activities taken and planned across underwriting and investment to achieve the Strategic Ambition ▪ Aligning the ambition of emissions reduction targets set for investment portfolios with the ambition of targets defined for underwriting portfolios. This will ensure consistency of the transition strategy ▪ Fostering cross-team collaboration within a unified governance and decision-making framework		

1.2. Business model and value chain	TPT description: An entity shall disclose a description of the current and anticipated implications of the entity's strategic ambition on its business model and value chain.	Yes	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing the current and anticipated strategic changes to their business models and value chains and the implications of the Strategic Ambition on their business models and value chain, entities should: Describe the current and potential changes and implications on both their investment and underwriting portfolios by: ▪ Promoting a consistent business model across investment and underwriting portfolios ▪ Describing any potential contrasting implications and how these are managed		
1.3. Key assumptions and external factors	TPT description: An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the Strategic Ambition of its transition plan.	Yes	Yes
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing the key assumptions made and external factors considered in order to achieve their Strategic Ambition, entities should: Ensure coherence and credibility of the disclosed assumptions by: ▪ Explaining how different assumptions (e.g., changes in law and regulations, market demand) interact with one another, and whether any dependencies exist between them ▪ Demonstrating that assumptions are based on coherent and recognized scenarios ▪ Disclosing any potential contradictions, along with the planned approach to reconcile them		

Under the “Action” principle and disclosure element 2: Implementation strategy

2.1. Business operations	TPT description: An entity shall disclose information about the short, medium, and long-term actions it is taking or plans to take in its business operations in order to achieve the Strategic Ambition of its transition plan.	Yes	Yes
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing the short, medium and long-term actions they are taking, or plan to take, in their business operations in order to achieve their Strategic Ambition, entities should: Ensure alignment between investment decisions (e.g., selection of assets to invest in) and underwriting practices (e.g., underwriting guidelines and claims management). This supports consistency across both business areas of the balance sheet and reinforces the organization’s climate-related targets. For example: ▪ An insurer fostering climate loss prevention or sustainable claims management (e.g., repair over replacement, build back better) may invest in companies that provide sustainable building materials or circular economy solutions ▪ An insurer offering risk advisory services to de-risk corporates’ decarbonization journey in certain sectors may also be financing the transition of companies in those sectors		
2.2. Products and services	TPT description: An entity shall disclose information about short, medium, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the Strategic Ambition of its transition plan.	Yes	Yes
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing short, medium and long-term actions they are taking, or plan to take, to change their portfolios of products and services in order to achieve their Strategic Ambition, entities should: Ensure a coherent strategy between investment products (e.g., climate or sustainability-linked financial products) and insurance products and services. For example: ▪ A (re)insurer with investments in green bonds or in equities of renewable energy players may concurrently offer (re)insurance products and solutions for renewable energy projects ▪ A (re)insurer developing products that support climate adaptation efforts (e.g., parametric (re)insurance for weather events) may invest in companies offering resilient infrastructure ▪ A (re)insurer can provide capacity to climate or sustainability-linked (re)insurance transactions, and/or invest in green (re)insurance start-ups		

2.3. Policies and conditions	TPT description: An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the Strategic Ambition of its transition plan.	Yes	Yes
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing the policies and conditions that they use, or plan to use, in order to achieve their Strategic Ambition, entities should: Ensure consistency between a (re)insurer's investment decisions and a (re)insurer's underwriting policies, conditions and criteria. For example: ▪ If a (re)insurer decides to phase out or exclude certain high-emitting and emissions-intensive assets, activities and sectors in its investment portfolio, it can make a parallel decision and reduce coverage for the same assets, activities and sectors in its underwriting portfolio		
2.4. Financial planning	TPT description: An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan on its financial position, financial performance and cash flows over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the Strategic Ambition of its transition plan.	Yes	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing the effects of their transition plans on their financial position, financial performance, and cash flows over the short, medium and long term, entities should: Consider the effects of their transition plans on both investments and underwriting portfolios. These effects must be integrated into financial planning to ensure long-term solvency, assessing expected revenue streams and returns resulting from climate-related decisions, and maintaining capital adequacy under evolving climate-related conditions. For example: ▪ A (re)insurer should ensure that the maturity and risk profile of its investment portfolio is calibrated to match the expected future liabilities, arising from underwriting climate-related risks ▪ A (re)insurer committing to emissions reduction targets in its investment portfolio (e.g., by divesting from clients in high-emitting sectors that lack a credible science-based transition plan), may also decide to underwrite clients in those sectors only if they have such transition plans, while phasing out their capacity for others. The (re)insurer should estimate the financial effects of these decisions, considering the impact on both its underwriting and investment portfolios simultaneously		

Under the "Action" principle and disclosure element 3: Engagement strategy

3.1 Engagement with value chain	TPT description: An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the Strategic Ambition of its transition plan	Yes	Yes
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing engagement activities with different actors in the insurance value chain to achieve their Strategic Ambition, entities should: Ensure alignment between engagement strategies for investments (e.g., engagement with investees companies) and for underwriting (e.g., engagement with personal and corporate policyholders or engagement of a reinsurer with the ceding insurer) by: ▪ Ensuring that governance structures drive consistency and harmonization between the investment and underwriting teams in conducting client and investee analysis, and in developing engagement strategies ▪ Developing capabilities that can be applied to both sides of the business, such as climate risk capabilities For example: An insurer engages with corporate policyholders in high-emitting sectors to support them in de-risking their transition. Simultaneously, the insurer holds equity stakes in similar companies and uses its influence as a shareholder to push for climate action in line with its ambition (e.g., via engagement or proxy voting).		
3.2 Engagement with industry	TPT description: An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the Strategic Ambition of its transition plan.	Yes	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes When disclosing engagement activities with the industry, entities should: Ensure consistency between the industry engagement activities across their investment and underwriting portfolios by participating in industry initiatives that promote aligned and coherent actions.		

<table>
<tr><td rowspan="2">3.3 Engagement with government, public sector, communities, and civil society</td><td>TPT description: An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organisations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the Strategic Ambition of its transition plan.</td><td>Yes</td><td>Yes</td></tr>
<tr><td colspan="3">Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes
When disclosing engagement activities with government, public sector, communities and civil society, entities should:
Ensure alignment between the engagement activities implemented as an investor and as an underwriter/insurer. For example:
▪ Advocating for policies that attract investment in climate and nature-based solutions, while also promoting (re)insurance programmes for the public sector that de-risk transition, advance resilience and support nature
▪ Achieving international consistency and standardization in transition planning policies for both investment and underwriting portfolios</td></tr>
<tr><td colspan="4">Under the “Accountability” principle and disclosure element 4: Metrics and targets</td></tr>
<tr><td rowspan="2">4.1. Governance, engagement, business and operational metrics and targets</td><td>TPT description: An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the Strategic Ambition of its transition plan, and report against these metrics and targets on at least an annual basis.</td><td>Yes</td><td>Yes</td></tr>
<tr><td colspan="3">Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes
When disclosing and reporting governance, engagement, business and operational metrics and targets that they use to drive and monitor progress towards their Strategic Ambition, entities should:
Align investment and underwriting engagement, business and operational targets, ensuring they are mutually reinforcing. For example:
▪ Apply consistent and common definitions across investment and underwriting (e.g., the criteria adopted by the investment and underwriting teams to assess what is a credible science-based transition plan should be aligned)
▪ The targets related to the scale of engagement activities on climate transition and adaptation in the investment portfolio should be consistent with the ones set for the underwriting portfolio (e.g., in terms of portfolio coverage or year-on-year increase)
▪ A (re)insurer committed to phase-out from a specific high-emitting sector, may set phase-out targets for underwriting coverage from that same sector within a compatible time horizon</td></tr>
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<tr>
<td rowspan="2">4.2. Financial metrics and targets</td>
<td>TPT description: An entity shall disclose information about any financial metrics and targets, relevant to its business, sector, and strategy, that it uses in order to drive and monitor progress towards the Strategic Ambition of its transition plan, and report against these metrics and targets on at least an annual basis.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td colspan="3">Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes
When disclosing and reporting financial metrics and targets that they use to drive and monitor progress towards their Strategic Ambition, entities should:
Align investment and underwriting financial targets, ensuring they are mutually reinforcing, by setting mirrored or complementary targets. For example:
▪ A (re)insurer that sets a (re)insuring the transition target (e.g., share of policies/capacity for electric and hybrid vehicles), may adopt a similar financing the transition target (e.g., commitment to increase investment exposure to companies involved in EV manufacturing and charging infrastructure)</td>
</tr>
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<td rowspan="2">4.3. GHG metrics and targets</td>
<td>TPT description: An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the Strategic Ambition of its transition plan, and report against these metrics and targets on at least an annual basis.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td colspan="3">Specific guidance to ensure alignment between underwriting and investments portfolios needed? Yes
When disclosing and reporting GHG emissions metrics and targets that they use to drive and monitor progress towards their Strategic Ambition, entities should:
Align GHG financed emissions (from investments) and GHG insurance-associated emissions (from underwriting activities), by setting mirrored or complementary targets, ensuring they are mutually reinforcing. For example:
▪ A (re)insurer sets an investment target to reduce financed emissions in high-emitting sectors across its bond and equity investment portfolio alongside an underwriting target to reduce insurance-associated emissions from corporate clients in high-emitting sectors by 2030, within the same time horizon
▪ A (re)insurer commits to achieving net zero financed emissions by 2050, with clear interim targets, and to achieving net zero insured emissions by 2050, with consistent interim milestones
▪ A (re)insurer should use methodologies and data sources that are consistent to calculate GHG financed emissions and insurance-associated emissions</td>
</tr>
</table>

4.4. Carbon credits	TPT description: An entity shall disclose information about how it uses or plans to use carbon credits to achieve the Strategic Ambition of its transition plan, and report on the use of carbon credits on at least an annual basis.	No	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? No Note: Insurance solutions for carbon credit shortfalls, reversals and unintended emissions is described in Insurance Underwriting-specific Guide under *sub-element 2.2*		

Under the "Accountability" principle and disclosure element 5: Governance

5.1. Board oversight and reporting	TPT description: An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.	No	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? No		
5.2. Management roles, responsibility and accountability	TPT description: An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.	No	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? No		
5.3. Culture	TPT description: An entity shall disclose information about how it aligns or plans to align its culture with the Strategic Ambition of its transition plan.	No	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? No		

5.4. Incentives and remuneration	TPT description: An entity shall disclose information about how it aligns or plans to align its incentive and remuneration structures with the Strategic Ambition of its transition plan.	No	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? No		
5.5. Skills, competencies and training	TPT description: An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the Strategic Ambition of its transition plan.	No	No
	Specific guidance to ensure alignment between underwriting and investments portfolios needed? No		

Annex II: Glossary

Carbon credit: An emissions unit that is issued by a carbon crediting programme and represents an emissions reduction or removal of greenhouse gases. Carbon credits are uniquely serialized, issued, tracked, and cancelled by means of an electronic registry (Source: IFRS S2)

Carbon lock-in: Carbon lock-in occurs when fossil fuel infrastructure or assets (existing or new) continue to be used, despite the possibility of substituting them with low-emission alternatives, delaying or preventing the transition to near-zero or zero-emission alternatives (Source: OECD).

Cedants or ceding insurers: The insurance company that transfers a portion of its risk to a reinsurer through a reinsurance agreement.

Transition plan: An aspect of an entity's overall strategy that lays out the entity's targets, actions and resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions. (Source: IFRS S2)

Climate resilience: The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties. (Source: IFRS S2)

Dependencies: The situation of an entity being dependent on natural, human and/or social resources for its business processes.

Double materiality: A principle that recognizes that materiality has two dimensions: impact materiality and financial materiality. A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A sustainability matter is material from a financial perspective if it generates risks or opportunities that affect (or could reasonably be expected to affect) the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term. (Source: ESRS)

Engagement: Process of interaction and dialogue between the entity and its stakeholders, including entities in its value chain, industry counterparts, government, regulators, public sector organizations, communities, and civil society.

Escalation process (in insurance underwriting engagement activities): A structured approach used to intensify engagement with clients, when initial efforts to encourage improved practices (such as sustainable practices) or risk management responses do not achieve the desired outcomes. The process typically involves a series of increasingly serious steps, including revisiting underwriting criteria and, in extreme cases, terminating business relationships.

Insurance-associated emissions: Emissions associated with (re)insurance underwriting portfolios. The core difference between insurance-associated emissions and financed emissions is the nature of the relationship of the financial institution with the client. A (re)insurer transfers risks associated with economic activity but does not finance the activity nor imply any form of ownership. A (re)insurer holds no capital interest in the primary insurance customer's operations, and no financial or direct operational control is exerted. However, even without this ownership interest, a (re)insurer may influence a client's activities. (Source: PCAF—Insurance-Associated Emissions methodology—Part C)

Just transition: The just transition involves anticipating, assessing, and addressing the social risks and opportunities of the transition to a low-GHG emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for impacted groups (including workers, communities, supply chains, and consumers) in transition planning. (Source: TPT Disclosure Framework)

Impacts: Impacts refer to positive and negative sustainability-related impacts for stakeholders and society that are connected with the entity's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. It refers to both actual and potential future impacts.

Inclusive insurance: Insurance products and solutions aimed at unserved/excluded or underserved markets, including microinsurance.

Lines of business: Ways of categorizing the insurance business, based on a different perspective on how coverage is structured and provided: For example:

- Insurance and reinsurance
- Property & Casualty (P&C) insurance and Life & Health insurance
- Commercial lines, personal lines and microinsurance
- Indemnity insurance and parametric insurance

Microinsurance: Insurance products and solutions aimed at providing coverage to low-income individuals or communities. They typically cover risks such as health, life, agriculture, and property.

Nature-based solutions: Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems that address societal, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services, resilience and biodiversity benefits. (Source: TNFD Recommendations)

Net-zero resilient economy or Resilient net-zero economy: A resilient net-zero economy links climate mitigation (achieving net zero emissions) with adaptation and resilience, as part of a holistic and integrated approach to support sustainable development.

Parametric solution: An insurance solution that pays out a pre-agreed amount when specific parameters or conditions are met (e.g., wind speed, heat level, amount of rainfall), rather than compensating based on actual losses (i.e. indemnity-based insurance). It offers quicker payouts than traditional indemnity-based insurance solutions and is often used for climate-related risks.

Paris Agreement's temperature goals: The Paris Agreement's overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above preindustrial levels."

Placement strategy: Approach a (re)insurance broker employs to match a client's specific risk profile with the most suitable (re)insurance markets or carriers. This strategy encompasses identifying appropriate (re)insurers, negotiating favourable terms and pricing, and structuring coverage to align with the client's unique needs.

Risks and opportunities: Sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. (Source: IFRS S1).

Sub-element: The sub-element is a component of the TPT Disclosure Framework, which breaks down each of the five core elements of a good practice transition plan into more specific areas of focus. In total, the TPT framework includes 19 sub-elements (e.g., "1.1 Strategic Ambition" is one of the sub-elements of "1. Foundations").

Underwriting portfolio: Underwriting portfolio in this Guide refers to the portfolio of (re)insurance risks/business underwritten by (re)insurers and encompasses all relevant steps of the underwriting value chain, including product development, marketing and sales, underwriting, policy administration, and claims and benefits management.

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