IIGCC Climate Resilience Investment Framework (CRIF): Consultation

An overview of Insight Investment's response

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Executive Summary

The Institutional Investors Group for Climate Change (IIGCC) is developing the Climate Resilience Investment Framework (CRIF) for investors that wish to consider physical climate risks, and the enhanced management needed to accurately assess an asset's financial returns.

The primary purpose of this consultation is to assess the ability of the framework to support investors to manage portfolio financial risks from physical climate risks through portfolio target setting and implementation, asset level target setting and implementation for real estate and infrastructure and general feedback on quality and sufficiency. While it is noted that more adaptation investment can provide wider benefits to society (e.g. via less vulnerable public infrastructure that society depends upon) it is not the focus of this framework.

Insight Investment is one of the largest investment managers in the world, managing £663bn in assets for pension funds, insurers, sovereign wealth funds, financial institutions and other stakeholders[1].

In terms of overarching comments and feedback:

- Insight recommends expanding the scope of the CRIF, starting first with listed companies and financial institutions including investors thereafter. Mandated disclosures in line with TCFD recommendations for listed companies served to provide the disclosures needed for the net-zero alignment assessment as per the NZIF; however, physical climate risk disclosure is not currently mandatory for companies. In our view, CRIF implementation would be most effective when combined with complete and robust physical risk disclosures from entities, and we would recommend activities to further this disclosure as an agenda item as well through the CRIF.
- Insight recommends that the CRIF also has a deeper focus on asset-level physical risk assessment and disclosure, including building investor knowledge by signposting useful resources. The robustness of asset-level physical risk disclosure, assessment and adaptation is a key building block to establish and achieve portfolio-level objectives, resilience building and adaptation solutions.

Insight is delighted to provide this response to the consultation. We look forward to the CRIF providing a strong baseline for investors to review, assess and manage physical climate risks and opportunities to help improve long-term investment returns and risk management for clients, beneficiaries and the broader UK economy.

The points below cover Insight's primary points for consideration raised by the questions in the consultation on governance and strategy, objectives, strategic asset allocation, asset-level assessment and real estate and infrastructure. Alongside this overview, Insight will submit answers via the consultation portal.

1. The broad points covered under the core and additional action points cover the general structures and processes needed to improve physical climate risk management. However, it is important that the CRIF is designed to address the bespoke governance and strategy issues and challenges for physical risk assessment, climate resilience and adaptation planning for entities including investors.

   Furthermore, internal accountability around an entity's objectives on adaptation and resilience is clearly linked to the clarity and robustness of the entity's asset-level objectives. Therefore, understanding and accounting for the foundational gaps and challenges at the asset level, including physical risk models, methodology and output data, standardised disclosure and guidance, and the need for engagement between data providers, reporting entities and investors, are all crucial prerequisites and building blocks.

   - Ensuring the knowledge and expertise for climate physical risk assessment, contextualisation to the sector and business model, and the ability to review and assess data provider methodologies for climate physical risk models, are also important requirements.

[1] As at 31 December 2024. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Where the methodology defines it, some asset reporting focuses on cash securities only. Figures shown in GBP. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL), Insight Investment Management (Europe) Limited (IIMEL) and Insight North America LLC (INA), each of which provides asset management services.

- Current disclosures on physical risks through TCFD, TNFD and the International Sustainability Standards Board (ISSB) are largely voluntary. Mandating these and improving comprehensiveness of these disclosures will be helpful to understand climate physical risks better for the entity and ultimately feed into climate adaptation and resilience planning. Therefore, for entities, although not mandated, a clear assessment of exposures and vulnerabilities to climate physical risk, its severity and potential impact on the entity's business and financial profile, sector and geography specific considerations, and its systemic impacts and dependencies, is a crucial prerequisite for climate resilience strategy.

  The European Bank for Reconstruction and Development (EBRD) and the Global Centre for Excellence on Climate Adaptation (GCECA) have published guidance to lay the foundations for a common conceptual framework and a standard set of metrics for reporting physical climate risks and opportunities, specifically for corporations. The document provides useful guidance for entities, along with Table ES-2 providing a summary template of physical risk disclosure, and can be found here:

  https://www.physicalclimaterisk.com/media/EBRD-GCECA_Executive_summary.pdf

2. It is important that the CRIF is designed with a view to strengthen credibility and internal accountability around all the underlying pillars for the objectives including data and methodology, engagement with stakeholders including data providers, investors, policy makers and regulators. In establishing the adaptation and resilience objectives, entities should:

   - review and engage with data providers on their methodology for physical risk assessments;
   - provide transparency around the models used, their methodologies, and their limitations,
   - prioritise disclosures based on financial materiality of the assets to revenues and operations, and
   - extend the assessments to their supply chains, and the impact of and adaptation to such risks around the same.

3. The CRIF would also benefit in its goal of building adaptation and resilience by encouraging entities to disclose based on existing standardised frameworks and for entities and investors to engage with regulators and policymakers. While TCFD and ISSB do not currently mandate physical risk disclosure, one of several ways to achieve the goal could be potentially by expanding the scope of TCFD regulation to cover physical risks, along with encouraging standardised voluntary disclosures as well.

4. The above recommendations are largely tailored towards listed companies designed to support investors in listed equities and debt in setting portfolio objectives and targets on climate resilience. The recommendations above encourage the analysis and disclosure at the asset level, which are also directly relevant for sovereigns, real estate and infrastructure portfolios. In terms of the pillars of ambition, governance and strategy, disclosures, financial materiality and business continuity, and capital allocation, the recommendations above would therefore also hold for real estate and infrastructure assets and portfolios.

5. Lastly, climate adaptation solutions have historically been undertaken by sovereigns, sovereign agencies and supranational entities. While private sector participation is expected to grow, these solutions will entail alignment with national climate adaptation strategies, sovereign support mechanisms, partnerships between the public and private sector, and the use of structures with systemic risk and reward sharing between sovereigns and corporates. Over the course of 2025, Insight would recommend the CRIF vision and work to encompass the sovereign systemic risks and its links to the risks to assets and companies in the jurisdiction, which can help facilitate policy, financing and implementation templates over time.

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