PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

PROPOSAL FOR AN INTEGRATED FRAMEWORK ON EUROPEAN CLIMATE RESILIENCE AND RISK MANAGEMENT

PRI consultation response

February 2026

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact

UN environment programme | finance initiative

United Nations Global Compact

About this consultation

Climate change remains the biggest challenge of the coming decades. Europe is warming twice as fast as the rest of the world, with the impact already being felt. European societies, economies, lives and livelihoods are increasingly vulnerable and exposed to climate risks. While the risks increase, current policies fail to keep pace.

PRI is responding to the Commission's public consultation setting out an integrated framework for European climate resilience and risk management, to support EU countries in ensuring that the action taken measures up to the scale of the challenges ahead. The consultation aims to fill knowledge and evidence gaps in areas such as climate risk assessments and disclosure, regulatory frameworks and standards, governance and oversight, incentives and enforcement, financial frameworks, cross-border cooperation and consistency, sector policy commitments and contributions, stakeholder engagement and participation, emerging socio-economic trends, and technological innovation.

The PRI is the leading organisation in advancing responsible investment globally. Set up with United Nations' support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to provide feedback to this proposal for a regulation to set out an integrated framework for European climate resilience and preparedness.

For more information, contact:

Elise Attal

Head of Policy, Europe

elise.attal@unpri.org

Martin Stavenhagen

Policy Specialist, Climate and Transition

martin.stavenhagen@unpri.org

To inform this paper, the following group has been consulted: PRI Climate Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

1. Introduction

In recent years, Europe has been facing growing damages and costs from climate-related weather extremes. How we act on climate change will shape Europe's future competitiveness, security and prosperity. How we adapt and build climate resilience and preparedness now will determine our quality of life for years to come.

The European Climate Risk Assessment identified 36 key climate risks in Europe that interact to result in fundamental ***system-wide challenges****. If climate change, along with other risk factors, is not properly addressed, it can compromise food and water security, energy and defence capabilities, supply chains, pricing, economic and financial stability, fiscal sustainability and public health more severely. In turn, this affects social cohesion and stability, with vulnerable groups particularly affected.*

The assessment also found that ***European economy and society are not sufficiently prepared for current and future climate risks****, with several risks already at critical levels. Without urgent action to cut emissions and build climate resilience, many risks could reach catastrophic levels by the end of this century. Hundreds of thousands of people could lose their lives to heatwaves, and economic losses from coastal floods alone could exceed EUR 1 trillion per year.*

Responding to these challenges and in line with the Commission President's Political Guidelines, the Commission is preparing a new and impactful European integrated framework for climate resilience scheduled for adoption in Q4-2026.

Its key objective is to ***drive transformational change to make Europe significantly better prepared for and more resilient to climate impacts.*** *The new framework will empower all stakeholders to gain control in the increasingly uncertain future, manage climate risks more effectively, seize emerging economic opportunities, and strengthen the EU's position as a global leader in producing and exporting climate-resilient technologies, products, services and innovations.*

The objectives of the framework include:

- *protecting people's health, well-being and livelihoods;*
- *anticipating and significantly reducing exposure to high-impact risks and losses when conceiving policies, investments and other measures;*
- *ensuring robust and regular science-based risk assessments as basis for action;*
- *promoting a shared understanding of future climate conditions among decision-makers in Europe;*
- *supporting EU Member States, EU candidate countries and the EU neighbourhood – including the regional and local levels – while empowering their societies;*
- *promoting coordinated and effective action across all levels of government and the private sector; and*
- *reducing losses, destruction and costs from climate-related impacts by increasing (re)insurance cover.*

An open call for evidence was held over the summer. Respondents broadly agreed with the Commission's analysis of the key problems: EU and national policy frameworks for climate resilience are inadequate, missing in many sectors, or poorly implemented. The feedback also showed that regional and local authorities, businesses, households and individuals are not sufficiently aware of climate risks, which significantly limits their preparedness.

As a result, respondents expressed strong support for robust action in this area. They most often called for: (i) integration of 'resilience-by-design' criteria into all public spending, procurement and key sectoral policies; (ii) harmonised risk-assessment standards with shared climate scenarios; (iii) nature-based solutions as default first line of defence; (iv) stable long-term funding for adaptation and resilience; and (v) a systematic integration of climate-related health considerations.

This open public consultation, building on the call for bold and urgent action, offers all interested parties the opportunity to provide feedback on the proposed aspects of the new EU framework for climate resilience, and to share any additional views and suggestions.

2. About you

Your contribution

Please select how you are contributing to this consultation:

☐ I am contributing as an individual, providing my personal views.

☒ **I am contributing on behalf of an organisation, representing its views.**

Your country of residence

United Kingdom

Your organisation

- Name: **Principles for Responsible Investment (PRI)**
- EU transparency register identification number: **612289519524-31**
- Country of registration: **United Kingdom**
- Type
  [Government or public authority / Private sector / **Non-profit or non-governmental** */ Academia and research / Other (please specify)]*
- Geographical scope of activity
  [**Global** */ European / National / Regional / Local]*
- Number of employees
  More than 250
- Number of members (if applicable)
  More than 5000
- Fields of activity
  [Agriculture, forestry and fishing / Mining and quarrying / Manufacturing / **Energy** */ Water and waste / Construction and real estate / Wholesale and retail trade / Transport and logistics / Hotel and food services / Publishing, broadcasting, content production and distribution / Telecommunication, IT and computing /* **Finance and insurance** */ Public administration / Defence and security /* **Education and training / Research / Health, care and social services** */ Arts, sports and recreation /* **Biodiversity and nature protection** / **Climate mitigation and adaptation** */ Civil Protection / Other (please specify)]*

3. General questions

How well informed do you consider yourself about the potential impacts of climate change that could affect you now and in the future?

[Fully informed | Slightly informed | Neutral | Slightly uninformed | Totally uninformed]

Response: **Slightly informed**. 85% of PRI signatories (of ~3000 who reported in 2025) stated that they use metrics on physical risks related to climate change.

Reporting for PRI signatories includes the following questions/data:

- During the reporting year, which of the following climate-related metrics or variables affecting your investments did your organisation use?
- During the reporting year, which of the following climate-related metrics or variables did your organisation publicly disclose?
- Data collected:

    (1) Exposure to physical risks (what percentage?)
    (2) Exposure to transition risks
    (3) Exposure to climate-related opportunities
    (4) Emissions intensity
    (5) Absolute emissions (financed emissions)
    (6) Other (specify)
    (7) We did not disclose any of the above metrics or variables (explain why)

- These reporting questions are largely aligned with the TCFD/ISSB S2 framework to provide international relevance, interoperability, and comparability. This alignment is key to achieve a harmonised risk framework that can help inform and design interoperable frameworks in other jurisdictions (e.g. global finance markets).

How prepared do you consider yourself to face the potential impacts of climate change?

[Fully prepared | Slightly prepared | Neutral | Slightly unprepared | Totally unprepared]

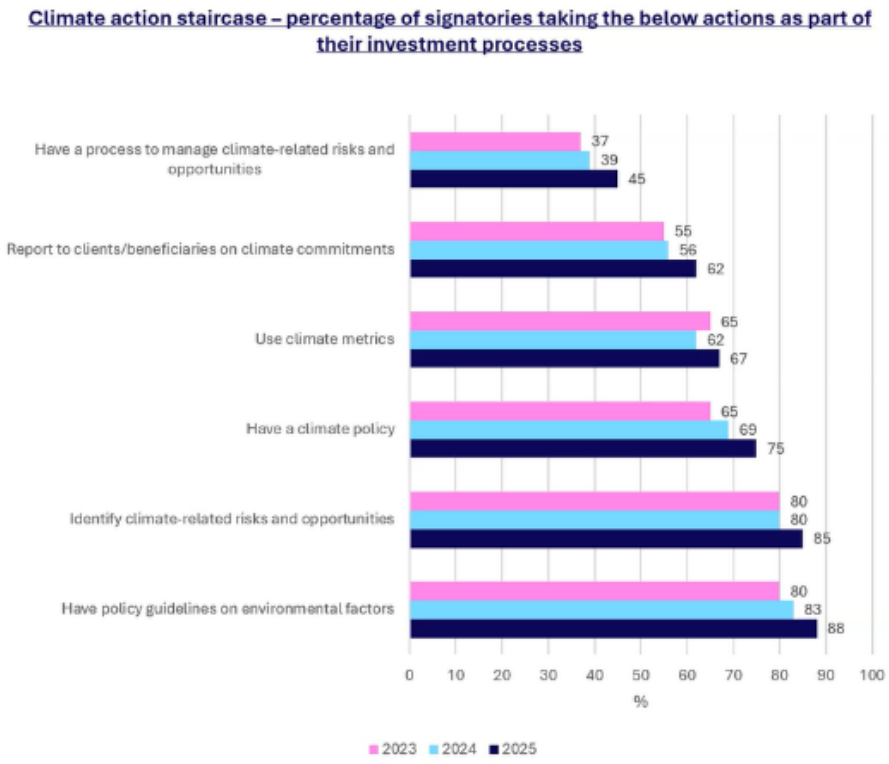
Response: **Slightly prepared.** PRI signatories are making gradual progress on the 'staircase' for climate preparedness, with an increasing proportion of reporting investors performing the outlined actions at each level (see graphic below). This progress is consistent, with steady year-on-year increases observed from 2023 to 2025.

Investors increasingly recognise and identify climate-related risks and opportunities as a core financial issue for portfolio management, signalling deeper integration into investment decision-making. Within PRI, the Climate Reference Group was created in 2025 in response to increasing interest from signatories and as a knowledge-sharing forum to increase preparedness as a collective.

At the same time, internal governance of climate issues is solidifying, particularly at the senior executive level, strengthening oversight and accountability. Climate-related policies continue to expand across the signatory base, providing a more consistent foundation for action.

Reporting on climate commitments is increasing, while the consistent year-on-year use of climate metrics supports comparability across reporting periods.

Signatories are also undertaking climate scenario analysis to better understand the potential impacts of different climate futures. In this work, some investors are complementing transition pathways with physical risk analyses that include extremes, compounding hazards and tipping-point tail tests, examining short-horizon shocks and long-horizon structural resilience assessments. However, incorporating such assessments into investment decision-making is complex and patchy in practice as many tools becoming available are not yet sufficiently robust and applicability across asset classes is a challenge.



Who do you consider to be primarily responsible for preparing for the impacts of climate change?

☐ Individuals
☐ Businesses and the private sector
☐ Local and regional authorities
☐ National governments
☐ The European Union
☒ **All of the above**
☐ Other (please specify)

Which of the following would help you become better prepared for the impacts of climate change?

☒ **Easier access to data and information relevant to my area/situation**
☐ Expert support to prepare/protect my home/family/company, etc. against possible risks, based on this data/information
☒ **Easier access to funding or financing for my/our initiative**
☐ Greater local ownership of planning, implementing measures, and monitoring success
☐ Better planning and preparation by public authorities
☐ Other (please explain)

Please name the three policy measures that would most help you improve your risk awareness and preparedness for climate-change impacts.

Response: Progress has been made towards integrating resilience through sustainable finance policies, i.e. disclosures, taxonomies and transition plan guidance – as outlined in the Taskforce for Net Zero Policy report Policy Matters: From Pledges to Delivery – A Decade After Paris.

EU real economy policy reforms – like the Clean Industrial Deal – also need to be aligned with the objectives to accelerate adaptation finance, which will likely require more regional risk assessments. To accelerate climate-resilient finance, policies need to help align risk management practices of private sector actors with EU and national resilience targets.

Three investor priorities for climate-resilient policies are:

(1) Embed resilience into disclosures, taxonomies, and transition plan requirements from the start, subject to risk assessment based on the concept of double materiality.
(2) Adopt common resilience policy elements into regulatory frameworks, including robust risk assessments, Do No Significant Harm safeguards, alignment with national plans, early and meaningful collaboration with relevant stakeholders.
(3) Continue the development of real economy policies aiming to support private sector investments in resilience, focusing on regulatory coherence, inclusive implementation, and support for capacity building, in addition to ambitious mitigation policy to avoid a continued increase in climate-induced physical risks, which drive the need for resilience measures in the first instance.

4. Climate resilience by design

The principle of 'climate resilience by design' means a ***proactive effort to consider and prevent plausible high-impact risks and losses from the very beginning when conceiving policies, investments and other measures****. The 2024 Commission Communication on managing climate risks put it simply: 'planning decisions of today need to build on a sound anticipatory assessment of risks' likely to occur in the future. Climate resilience by design differs from measures taken to remedy the damage caused by climate impacts after they have already occurred.*

The Commission intends to ensure that the future climatic conditions are duly integrated into all relevant EU policies and frameworks governing sectors and stakeholders vulnerable to climate change*. It also seeks to encourage Member States and all public-sector authorities and private-sector stakeholders to embed this principle in their decisions, ensuring coordinated action across society.*

Which sectors are most important for integrating the principle of 'climate resilience by design'?

Response: The finance sector plays a critical role in proactively addressing future climate-related risks by investing in and implementing measures that protect assets and society from potential future losses.

Institutional investors are supporting the principle of 'climate resilience by design' by:

(1) Financing resilience-enhancing assets and solutions that help households, businesses, and infrastructure cope with increasing physical climate risks; and
(2) Investing in companies that are more resilient compared to others because they have integrated adaptation strategies to reduce vulnerability.

Which policy areas or EU legislative frameworks should prioritise embedding this principle, and how should this be done?

Response: The 'climate resilience by design' principle should be embedded in the EU Sustainable Finance Framework that covers disclosures, taxonomy, transition plans and real economy policy tools, guided by recommendations from the Taskforce for Net Zero Policy report:

CSRD/ESRS disclosure

- Corporate sustainability disclosure frameworks should integrate material impacts on people and nature, including land and water systems.
- Physical climate risk data should be decision-useful, location-specific and complemented by assessments of nature-related dependencies.
- Requirements and guidance for methodologies and scenarios should be coherent to support companies and FIs in accurately assessing their adaptation needs. They should be complemented by national climate data infrastructure.

EU Taxonomy

- Eligible activity lists for investment in climate adaptation and resilience, ecosystem and biodiversity protection, and conservation and social considerations regarding the just transition need to be included to determine credible resilience investments.
- Taxonomy interoperability (and streamlined DNSH criteria) should be promoted, including through a focus on key common elements, to support cross-border flows to resilience investments.

Transition plans

- Integrating adaptation, nature, land, water and just transition considerations in transition planning guidance and requirements is necessary to maximise synergies and avoid trade-offs.
- Transition plan disclosure can bring greater attention to physical risk management, incentivising target-setting and definition of metrics, for which development of national climate data infrastructure is essential.

Real economy policy

- National plans and strategies for adaptation, nature, land, water and just transition should be developed to bridge resilience between entities and society, scaling up private sector funding towards achieving national sustainability goals.
- Attracting private finance towards resilience investments requires iterative and dynamic policy development across a range of issues outside of sustainable finance policy, including strategic planning and policy coherence, regulatory alignment, insurance and risk transfer, public finance and investment.
- Inclusive and participatory policy processes, including capacity building and stakeholder engagement, should be implemented. This would help minimise cost of implementation and maximise resilience impact. Connecting expertise from climate action to existing policy delivery levers in national and international settings, such as national and international standards, measurement and accreditation bodies can help effectively connect best practices in climate governance to existing best practices and tools in policy development and delivery.
- Both financial and real economy policies should be aligned with existing regulation/guidelines from European financial regulatory services (e.g., the guidelines released by ESMA, the EBA and the EIOPA in January 2025 for integrating ESG risks into stress tests for banks and insurance companies).
- The Net Zero Act and the planned Industry Accelerator Act can also help by including ‘made-in-EU’ and/or low carbon requirements in public procurement, auctions, and public support schemes for selected energy-intensive products and net-zero technologies. Adding the “climate by design” principles would help to ensure that mitigation and resilience impacts are consistently addressed together.

Are there any existing policies or legislation (at EU, Member State, regional or local level) that prevent you from taking effective action to be better prepared for the impacts of climate change? If so, which ones and please explain how they impair your efforts.

No response.

5. Legislative framework for climate resilience

The European Climate Law requires the EU and Member States to ensure continuous progress on climate adaptation. Yet, Member States have very different policy frameworks for the related assessments, strategies, plans and instruments, which limits the development of a shared understanding of the challenges and makes it difficult to take coordinated climate -resilience action across the EU. Policies are often not specific enough to address major climate risks, and the roles and responsibilities of individual sectors in adaptation planning and implementation vary widely.

Overall, ***progress in strengthening climate resilience in the EU is slow and uneven and is not keeping pace with accelerating climate change. EU and national climate -resilience policies and measures are currently not fit for purpose****.*

Therefore, the Commission intends to prepare a legislative proposal to ensure a more comprehensive, robust and ambitious approach, while fully respecting the principles of subsidiarity and proportionality, avoiding unnecessary administrative burdens, and ensuring coherence with sectoral policies. This section invites your views on the scope and key aspects of the planned proposal.

The Commission considers that including the below aspects and requirements in its legislative proposal is essential to better prepare our economies and societies for climate change, and to prevent major losses and damage. What is your view on each of them?

[Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree]

Common baseline climate trajectories/scenarios, and acceptable risk levels

- **Fully agree** – Determination of the levels of global warming or a similar common baseline[1] for adaptation decisions that EU and national public policy and investments should consider, for example through common EU climate reference trajectories/scenario(s)
- **Fully agree** – Duty to consider the common baseline (reference trajectories/scenarios) on global warming, as described in the preceding bullet point, in climate-risk assessments
- **Fully agree** – Duty to apply a precautionary approach by integrating this baseline into planning by the EU and Member States
- **Fully agree** – Common approach for deciding what level of residual risks society / public authorities choose not to eliminate: a way to determine what are we willing to live with and why

[1] An example is the decision by France to create a reference trajectory for adaptation to climate change (the so-called 'TRACC'), setting warming levels of +1.5 °C by 2030, +2 °C by 2050 and +3 °C by 2100 as references for national and regional adaptation strategies. Respondents to the call for evidence supported the development of minimum precautionary levels for climate resilience / common reference scenarios / reference warming trajectories.

Climate-risk assessments

- **Fully agree** – Development of climate-risk assessments that would also cover the most affected policy sectors, at European level
- **Fully agree** – Development of climate-risk assessments that would also cover the most affected policy sectors, at national level
- **Fully agree** – Common parameters for the scope and content of both European and national climate-risk assessments (e.g. climate scenarios, regularity, sector coverage)

Adaptation planning and determination of risk owners

- **Fully agree** – Definition of climate resilience and adaptation targets (possibly including sectoral/thematic targets) for EU institutions and Member States
- **Fully agree** – Robust obligation on the EU/Commission to prepare and implement an EU adaptation strategy and plan
- **Fully agree** – Climate resilience and adaptation plans should also cover the most affected policy sectors at EU level
- **Fully agree** – Robust obligation for Member States to develop national adaptation strategies and plans
- **Fully agree** – Climate resilience and adaptation plans should also cover the most affected policy sectors at national level
- **Fully agree** – Identification of risk owners responsible for and mandated to address the identified vulnerabilities

Complementing action at EU level by Member State action, in compliance with the subsidiarity principle

- **Fully agree** – Member States adopting national legal frameworks on climate resilience and adaptation (covering issues such as administrative set-up and coordination mechanisms, regular climate risk and vulnerability assessments, adaptation planning, early-warning mechanisms, governance at regional and local levels, alignment with subnational strategies and plans, inclusion of stakeholders and vulnerable groups, monitoring and evaluation framework)
- **Fully agree** – Member States carrying out evaluations at appropriate levels to identify regions and groups of people that are particularly vulnerable to climate change, and developing plans for targeted adaptation measures to help these regions and groups
- **Fully agree** – Member States involving all relevant stakeholders, including particularly vulnerable groups, in adaptation policy planning

Monitoring, reporting, evaluation and learning

- **Fully agree** – Development of a limited number of performance indicators for both the EU and Member States, for measuring the effectiveness of climate adaptation and resilience measures
- **Fully agree** – In line with the simplification agenda, improvement and streamlining of monitoring, reporting, evaluation and learning practices at EU and national levels, through more targeted reporting on climate impacts
- **Fully agree** – Incorporation of corresponding resilience progress indicators into existing sector legislation to avoid duplication and new reporting requirements

Please specify other measures with transformational effects that the Commission should include in its legislative proposal on climate resilience.

Response: There is a strong need for the climate resilience framework to define the role of private sector finance actors and improve the enabling environment for adaptation finance by addressing well-documented barriers to private investment, further detailed in Section 9.

6. Decision-support tools for climate resilience

Access to clear, reliable and practical information about how climate change affects us and what we can do about it, is essential to better manage the risks and develop effective solutions. Open-access web-based tools can help meet this need by reaching large audiences with ***tailored, visually engaging and interactive information****. However, most existing tools are designed for experts focusing on scientific rather than practical needs. Furthermore, tools targeting different geographies, climate hazards or sectors often use different methods and reference points to quantify future changes, making comparison difficult. Cross-border information is often missing. The Commission would like to get feedback on how it can best use Europe's wealth of climate data and digital capabilities to* ***improve access to clear, reliable, practical and coherent information on climate risk and adaptation solutions across regions and sectors****.*

Where do you look for information about how climate change could affect you or your activities?

[Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree]

- **Fully agree** - Sectoral organisations' resources, including advisory and support networks
- **Fully agree** - Regional and/or local authorities' resources
- **Fully agree** - National government resources, including national meteorological services
- **Fully agree** - European climate-adaptation platforms and climate services
- **Fully agree** - European scientific programmes and networks
- **Fully agree** - I reach out to a consultancy to find and analyse this information for me
- **Slightly agree** - In the media, social media and online
- **Neutral** - Using artificial intelligence
- **Neutral** - I have never looked for such information

What information would help you determine if and how to take action to better prepare for the effects of climate change?

[Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree]

- **Fully agree** - Recent economic losses or damage caused by climate events in my area or in activities related to my job
- **Fully agree** - Current severity of extreme or unseasonal weather in the area where I live or work (e.g. expected number of days with temperatures exceeding 35 °C)
- **Fully agree** - Estimates of future severity of extreme or unseasonal weather in the area where I live or work
- **Fully agree** - Current impacts of extreme or unseasonal weather on my community and me in terms of health (e.g. excess mortality due to dangerous heat waves) and economic activities (e.g. crop production losses from heat, damage to energy infrastructure due to floods, etc.)
- **Fully agree** - Estimates of future impacts of extreme or unseasonal weather on my community and me in terms of health and well-being, and economic activities
- **Fully agree** - Information on insurability of exposed assets
- **Fully agree** - Benefits of specific adaptation solutions in reducing impacts on health and well-being and specific economic activities
- **Other information (please specify)**
    - Impacts of climate change on economic stability of the country, as well as the financial sector as a whole

- Impacts of increasing physical risk on insurance policies coverage availability and premium rates for various individual sectors, as well as the finance sector as a whole
- Impacts of tipping points on the economic sector
- Data on pricing of physical climate risk on current and future development of a city or region or a country
- Benefits of adaptation solutions to both public and private sector beyond loss avoidance – e.g. potential for-profit generation from adaptation related projects

The Commission considers developing a user-friendly web-based tool for non-experts that provides authoritative and harmonised quantitative information on climate change across Europe. This tool could translate the common climate scenarios into national, regional and local climate and weather conditions, which can be expected under these scenarios, and help to find possible solutions for addressing the identified risks. The Commission considers this tool essential for informing EU policies, addressing cross-border risks, and supporting people and businesses lacking alternatives. Would you benefit from such a tool?

[Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree]

Response: **Fully agree**.

What features would help you use that tool?

[Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree]

- **Fully agree** - Simple language that does not require specialist knowledge
- **Fully agree** - Tutorials and onboarding information
- **Fully agree** - Visual presentation of information, e.g. on a map
- **Fully agree** - Ability to download data or summary reports
- **Fully agree** - Clear link between climate risks and adaptation solutions
- **Fully agree** - Navigation support through an AI-powered chat
- **Fully agree** - Links to other trusted sources for more specialised information
- **Fully agree** - Access to a help desk
- **Other features (please specify)**

    - Information on how physical climate risk will impact future development in the country and how this will be managed using adaptation solutions
    - Information on how public sector, National Adaptation Plans and Nationally Determined Contributions will be used for adaptation strategies
    - Information on how private sector is contributing towards adaptation

7. Protecting people and supporting regional and local action

Climate change has a detrimental impact on human health, lives and livelihoods, disproportionately affecting the most vulnerable. The new framework should drive EU and Member States measures that help individuals and local communities to be better equipped to face climate risks. Because climate risks vary across Europe, action under the framework should be place-based and co-designed with local and regional authorities and communities. Launched in 2021 as a pilot initiative to support pioneer regional and local authorities, the EU Mission on climate adaptation [2] is providing direct support and empowering European regions and local authorities to develop and implement place-based measures towards climate resilience. The new framework provides an opportunity to scale up this support to all regions and communities across Europe.

What policy measures should the EU and Member States take to ensure that the most vulnerable groups and geographical areas receive adequate support and are protected from the disproportionate impacts of climate change?

Response: Adaptation policy should explicitly **map vulnerability, exposure and adaptive capacity across socioeconomic groups and geographies,** and use this evidence to prioritise funding and incentives. The PRI's paper on the socioeconomic aspects of the transition can help map the affected stakeholders. Policy appraisal and project selection criteria should go beyond simple economic-loss metrics to avoid bias toward wealthier areas, and should require assessment of who benefits, who pays, and who may be adversely affected. This helps ensure that private investment in adaptation infrastructure and services is guided toward disadvantaged communities and that projects do not shift risk onto other locations or populations.

Early and effective stakeholder consultation is essential to include communities and affected stakeholders and avoid the risks of educe unintended impacts like maladaptation or slowed progress in low- and middle-income regions.

Policy frameworks should require consistent climate-risk and adaptation disclosures, clearer adaptation and just-transition criteria in sustainable finance taxonomies, and credible corporate and financial institution transition plans that explicitly include adaptation and social resilience elements. Clearer standards, measurable social and resilience indicators, and aligned disclosure frameworks help correct the current under-recognition of adaptation value, expand the pipeline of eligible investments, and steer capital toward adaptation activities that protect vulnerable workers, communities and supply chains rather than bypassing them.

The EU and member states should **align adaptation policy with just transition principles and guidelines,** as set out by the International Labor Organisation, by setting clear roles, standards and disclosure expectations, and by steering financial institutions to develop innovative products and partnerships that channel capital into adaptation. This includes blended public–private finance, place-based adaptation investment programmes, and incentives for companies and investors to fund adaptation in high-risk, low-capacity communities and supply chains. Financial sector and corporate investment strategies should be explicitly aligned with just transition and adaptation goals to ensure vulnerable areas are not left behind.

[2] Adaptation to climate change - Research and innovation.

By **integrating interconnected targets** – such as renewable energy, adaptation, nature-based solutions and social equity – corporate and financial policies can more effectively drive a balanced, resilient transition to a low-carbon economy and minimise trade-offs between different goals. The Taskforce on Net Zero Policy report (see above) explores the inclusion of adaptation, nature and justice into mitigation policies at G20 level. The research found that trade-offs between mitigation, resilience, nature and social inclusiveness should be addressed, highlighting the need for integrated approaches.

Common elements to integrate adaptation and just transition into mitigation policies include:

Disclosures

- More jurisdictions now require **physical climate risk assessments**, including exposure to acute and chronic hazards.
- There is growing recognition of the importance of **resilience measures**, and early attempts to link these to financial effects.
- Nature and social impacts are **increasingly referenced**, also thanks to the emergence of initiatives such as the Taskforce for Nature and Financial Related Disclosures (TNFD) and Taskforce for Inequality and Social-related Financial Disclosures (TISFD).

Taxonomies

- **Adaptation** appears more frequently, often supported by **Do No Significant Harm criteria** to help avoid maladaptation**.**
- **Nature and biodiversity are widely referenced,** although often without detailed operational thresholds.
- **Social safeguards are commonly included,** with some jurisdictions introducing explicit social objectives.

Transition Plans

- Guidance increasingly mentions **adaptation, nature and just transition**, alongside governance and financing.
- **Early pilots in financial supervision and investor stewardship** are testing how resilience could be embedded in planning expectations.

Adaptation is a systemic challenge with significant local effects. Transition policy design needs to consider cross-border effects. Uneven transitions can create socio-economic vulnerabilities and fiscal constraints that lead to maladaptation and heightened vulnerability, weakening countries' ability to withstand exogenous shocks, which are exacerbated by climate events. For example, industrial policies can have substantial spillover effects through international trade and investment channels. Diversification for commodity producer communities remains key to overcome low low human capital and productivity development.

What measures should the EU and Member States take to protect people's health against the impacts of climate change?

No response.

What measures should the EU and Member States take to provide greater support to regional and local stakeholders?

No response.

What targeted initiatives should the EU and Member States implement to specifically support the EU's outermost regions in adapting to climate change, considering their particular exposure to extreme weather events and their unique geographical and socio-economic contexts?

No response.

What are the most pressing barriers that should be removed to enable action at regional and local levels?

☒ **Lack of sufficiently specific data and information about current and future risks to design science-based policies**
☐ Limited access to specialised support (specialist language, too technical, etc.) to help develop impactful measures, provided at national or EU level
☐ Insufficient funding or financing for regional and local measures, including access to dedicated national and EU funds
☐ Insufficient institutional capacity to absorb funding and develop a project pipeline.
☒ **Limited engagement of local communities in designing and implementing measures**
☐ Existing legislation that complicates efforts to deal with climate impacts
☐ Lack of consistent monitoring and reporting schemes that would provide incentives to act
☐ Other (please explain or complement your answer above)

How could the EU Mission pilot be leveraged or replicated to support action by all European regional and local stakeholders?

☐ Encourage Member States to develop Mission-type national initiatives with dedicated financial resources for their implementation

☐ Define the roles and responsibilities of national Missions within the framework

☒ **Mandate Member States to set up national platforms or coordination tables where local and regional stakeholders have a legally recognised role and responsibility**

☐ Encourage Member States to dedicate financial resources to support regional and local action

☒ **Connect EU funding opportunities with the relevant stakeholders to scale up the regional and local climate adaptation solutions developed within the Mission.**

☐ Other (please explain)

8. Competitiveness – harnessing innovation opportunities

Climate resilience and preparedness go beyond minimising and managing risks. They open ***a new world of commercial opportunities and potential to innovate and create new project pipelines and markets****. There is a rapidly growing demand for resilience products and services, such as water technologies, regenerative-agriculture solutions, heat- and drought-resistant crops, climate-risk insurance, climate services and the use of space data, risk-modelling tools, smart systems to predict and prevent supply-chain disruptions, climate-resilient construction materials and designs, technologies for resilient energy and transport infrastructures, or health-system adaptation solutions and innovation. Deploying such technologies* ***can boost the competitiveness of EU companies and key economic sectors*** *by improving adaptive capacity and opening new export markets. The new framework aims to support EU companies, small to medium-sized enterprises and start-ups in* ***seizing these opportunities, helping position Europe as a global leader in climate-resilience innovation****.*

In your sector/industry/area, what are the climate-resilience technologies/ innovations that you need to develop or scale up to make your sector/ industry more competitive?

Response: For the financial sector, a comprehensive toolkit of financial instruments can help accelerate climate finance for a competitive net zero transition and climate resilience. These include government guarantees, equity investments, debt financing, bonds, concessional loans, and blended finance mechanisms (see also section 9).

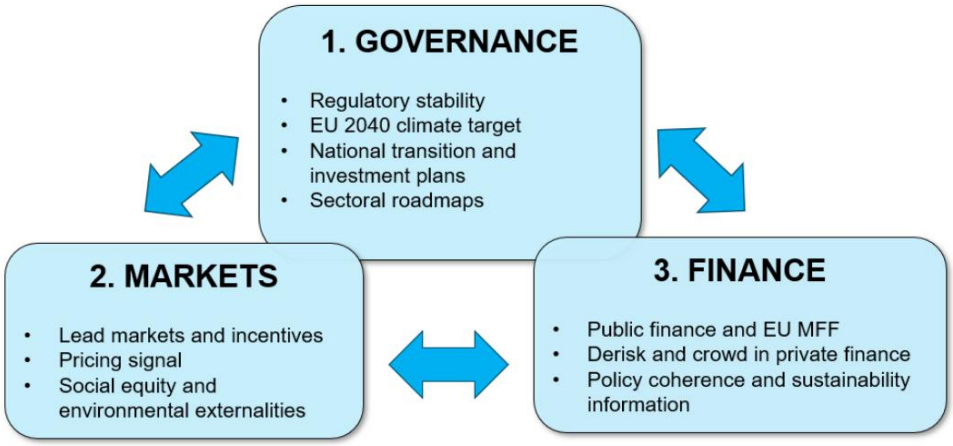
Investors see both opportunities and barriers for the EU transition and have shared policy priorities to make the EU transition investable, as well as next steps for policy-investor dialogue.

PRI has identified ten investor priorities for making the transition available (see report), based on survey data collected, in-depth interviews, and feedback from several discussions with PRI signatories and experts.

These ten investor policy priorities cover three broad categories:

1. **Stable governance and national transition plans** – regulatory stability, robust 2040 climate target, sectoral roadmaps
2. **Competitive markets and incentives** – lead markets, clear price signals, integrating environmental and social issues
3. **An enabling financial environment** – transition-aligned public finance, derisking mechanisms to crowd in private finance, policy coherence and reliable sustainability data

10 priorities from investors to accelerate finance for the Clean Industrial Deal



See PRI (2025): 'Making the transition investable: Investor priorities for financing the Clean Industrial Deal'

What measures could improve the competitiveness and innovation of climate -resilience products/services in your sector/industry the most?

[Very relevant | Relevant | Neutral | Not very relevant | Not relevant at all]

- **Very relevant** – Increased public funding and investment
- **Very relevant** – Increased private funding and venture capital
- **Very relevant** – Improved access to specialised expertise/workforce
- **Very relevant** – Improved market certainty and regulatory support
- **Relevant** – Access to technologies / modernisation of equipment
- **Relevant** – Increased consumer awareness and demand
- **Very relevant** – Innovative climate-risk management and insurance tools (e.g. parametric coverage[3])
- Other (please specify)

9. Finance and insurance

Climate change is already imposing significant measurable costs on consumers, businesses and economies. Extreme weather events and chronic risks – such as sea-level rise or soil subsidence – damage assets, disrupt supply chains, and reduce productivity, turning them into a mainstream financial concern. Therefore, it is crucial to ***factor in climate resilience in investment and financial decisions****, to reduce climate-related economic losses, minimise disruptions to business continuity and maintain revenues. To fully address the risks, the building of climate resilience would need to be complemented by insurance. Currently, only 25% of losses are insured, and insurance premiums continue to rise. The scale and systemic nature of climate-related economic impacts make it impossible for governments to bear their cost and will require engagement, including financial contributions, from all levels of governance, economic sectors and the public. The new framework will put forward policy measures* ***to scale up resilience finance*** *needed to fund the expanding project pipeline. It will also include measures to improve* ***access to affordable insurance and reduce the widening insurance-protection gap****.*

[3] Parametric-coverage insurance is a type of insurance that pays a predetermined amount when a specific, pre-agreed 'trigger event' occurs.

Public sector's role in funding climate resilience

- Is it necessary to integrate climate-resilience considerations into fiscal planning and financial decisions at all levels of the public sector as well as in the private sector? – **Yes.**
- Would incorporating climate-resilience considerations into investments, including public spending and procurement, limit economic losses from climate events? – **Yes.**

Private-sector investments and climate resilience

[Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree]

- **Fully agree** – National adaptation plans should be designed to serve as resilience and adaptation investment plans, unlocking the full potential of private-sector funding.
- **Fully agree** – The private sector needs more guidance on how to incorporate climate resilience into investment and business decisions.
- **Fully agree** – Effective public-private risk-sharing mechanisms for climate-adaptation investments (such as public-private partnerships, blended finance, disaster bonds, etc.) would increase resources invested in climate resilience and adaptation.

What are the key obstacles for scaling up investments strengthening climate resilience and adaptation?

Response: **Scaling private investment in adaptation continues to face a set of structural obstacles** that limit both the volume and quality of finance flowing to resilience solutions. Private sector investments in climate adaptation and resilience spans multiple sectors, from agriculture and water to energy and infrastructure, but faces barriers linked to sector-specific risks, high upfront costs, and limited commercial viability. Common challenges include small deal sizes, lack of project pipeline, difficulty measuring impact, difficulty with monetising outcomes or demonstrate returns on balance sheets and a lack of proven business models or investor-ready funds.

Another challenge is low actual or perceived returns of adaptation investments and the difficulty capturing the wider social benefits these investments generate. This challenge is compounded by the "double externality" effect in climate innovation, where new adaptation technologies deliver benefits that are both public goods and difficult for innovators to monetise fully.

Any adaptation and resilience financing needs to be *in addition* to climate mitigation finance to avoid simply migrating both financial and human resources from urgent climate mitigation efforts to climate adaptation. It will be extremely much harder and more expensive to adapt to a ~3°C warmer world, which is the current path we are on with the current level of emissions, compared to a 1.5°C-2°C warmer world.

A clear and sensible definition of adaptation and resilience measure is needed. For example, it has been claimed that financing air conditioning solutions may count as adaptation finance. This would, however, only put more pressure on the energy system and thus not solve any longer-term adaptation and resiliency issues that many communities are facing.

Larger adaptation projects can often only be driven by/with help from the public sector, as there are no clear revenue streams for private investors in such projects, for example coastal dams or mangrove protection walls. A blended finance structure for such projects would therefore be required to scale up such initiatives.

Policy makers could strengthen sensible requirements for asset developers to "back-in" climate risk projection measures into projects, where this is not yet common under "business continuance", ensuring long-term profitability and longer lasting assets. This would help businesses become more resilient to any potential upcoming climate hazards.

In addition, climate change is a primary driver of nature loss, which further destabilises the planet and creates new physical climate risks. Nature loss also contributes to accelerating climate change. Therefore, policy makers should incorporate halting, preventing and reversing nature loss, as well as protecting biodiversity and rebuilding natural capital, alongside climate mitigation and adaptation policies.

What policy measures would help overcome these obstacles and boost climate resilience finance?

Response: To unlock private sector participation, governments must reform regulatory frameworks and establish an adaptation market. This includes updating building and infrastructure standards using forward-looking climate data, creating consistent metrics for adaptation outcomes, aligning financial regulation with climate risk, and fostering platforms for knowledge sharing. Developing a robust pipeline of commercially viable projects is critical to attracting private investment.

The Atlantic Council, with support from financial institutions, has published detailed recommendations outlining how policymakers can accelerate the scaling of private finance for climate adaptation. In its report, the Climate Resilience Center outlines Six ways to scale private finance for climate adaptation:

1. Make countries' national adaptation plans (NAPs) investible and transparent, including other adaptation communications and ensuring synergies with nationally determined contributions (NDCs).
2. Support emerging market and developing economies' (EMDE) national and subnational governments and their respective public and private finance institutions with technical assistance. This support can increase their adaptation and resilience capacities across ministries and enable collaboration with both the domestic and international private sectors.
3. Create high-level global guidance and harmonize standards, frameworks, and disclosures for physical climate risks and adaptation that allow public and private sectors to understand, manage, plan, and invest in adaptation and resilience internationally, nationally (through NDCs and adaptation planning), and regionally.
4. Improve the availability of blended finance instruments by creating more data transparency and accelerating, increasing, and harmonizing access to public and philanthropic capital. This effort can catalyse private investments across instrument providers for adaptation and resilience.
5. Increase the availability of insurance products – including parametric insurance – for adaptation and resilience for countries, natural ecosystems, assets, and people.
6. Invest in locally led adaptation, nature-based solutions and ecosystem-based approaches that can offer climate adaptation benefits and emerging climate adaptation tech solutions.

Does the existing EU accounting framework duly reflect the climate physical risks in the valuation of assets? If not, what policy measures do you propose?

Response: **Financial statements frequently fail to capture climate-related risks** when impacts materialise beyond the expected economic life of assets, or when future adaptation measures are uncertain. There are also major gaps in asset-level climate risk data, complex ownership chains, and limited consolidation across financial, operational, and climate information. As a result, climate-driven losses are systematically under-reflected in valuations. Also, current frameworks lack widely accepted methodologies for assessing climate impacts and there are inconsistent interpretations of climate risk across stakeholders.

To improve comparability and allow aggregation of information across institutions, there is a clear need to **continue developing proportionate, robust, and standardised methodologies for integrating climate-related risks into financial reporting.** Further guidance and policies on integration and data standardisation on pricing of physical risk will improve the reflection of physical risk in the valuation of assets (see also section 4.2).

Do the other existing policy/regulatory frameworks duly account for the climate physical risks? If not, what policy measures do you propose?

Response: **Scaling investment in adaptation is heavily dependent on supportive policy frameworks and government action,** given the physical limits of adaptation measures and their relationship to global warming levels. Enabling policies and public investments are critical conditions for realising the adaptation and resilience market's potential and generating meaningful returns.

The proposed framework should emphasise how countries can strengthen national adaptation planning by closely aligning National Adaptation Plans with Nationally Determined Contributions, supported by clear timelines, funding strategies, and coordinated cross-ministry processes. Regular updates to these plans and active involvement of private sector financial institutions will ensure that adaptation priorities reflect evolving climate risks and investment needs.

Expanding strategic financial instruments, such as blended finance, government guarantees, concessional lending, resilience bonds, and insurance-linked mechanisms, will help de-risk adaptation investments. Effective public-private risk-sharing mechanisms for climate-adaptation investments can be strategically deployed through various institutional channels, such as multilateral institutions, national development banks, specialised green investment banks, and development partners, to de-risk private investment and improve risk-return profiles for adaptation projects. Strengthened national and green investment banks with dedicated adaptation mandates can further accelerate finance flows toward climate resilience.

Climate-risk insurance

Fully agree| Slightly agree | Neutral | Slightly disagree | Fully disagree

- **Fully agree** – Location-specific comprehensive information on climate hazards could improve insurance uptake.
- **Fully agree** – Climate-risk insurance products need to be clearer on the hazards they cover.

What policy / regulatory measures – based on market-based mechanisms – do you propose to address the increasing insurance gap and improve access to affordable insurance?

Response: **Public policy must lead and enable adaptation, but execution is shared, with the insurance sector a critical private-sector adaptation mechanism**; rising losses, premium spikes and coverage withdrawals in high-risk areas are already visible early-warning signs of systemic exposure. Since such investments yield social and economic benefits rather than direct financial returns, they are often financed through public borrowing. In addition, the public sector can also deploy a comprehensive toolkit of financial instruments, including government guarantees, equity investments, debt financing, bonds, concessional loans, and blended finance mechanisms (see more details in Section 8 and 9.6).

We propose the consideration of an EU Climate Risk Re/Insurance Facility to syndicate peak-peril climate risks (e.g., flood, heat, drought) with public backstops, lowering capital costs for private carriers and crowding-in cover. Further, we propose consideration of mandating tipping-point-aware catastrophe stress tests for insurers and lenders (consistent with ESAs ESG stress-testing guidance) with disclosure of insurability trends to inform planning, pricing and capital markets. In addition, we encourage exploration of market-based mechanisms that recognise that resilience investments lower risks, and should lead to more affordable insurance, thereby reinforcing adaptation. Some regulators elsewhere are testing such measures.

What kind of risk pooling and transfer mechanisms would be most suitable to increase insurance cover for secondary perils in the European Union?

Response: See above.

How can insurers in the Union access new capital to back climate-related policies?

Response: See above.

How to mobilise private investor interest in insurance-linked investment vehicles?

Response: See above.

Is there a need for a European marketplace where climate-related risk can be pooled among insurance companies and non-insurance investors?

Response: See above.

What policy measures are needed to avoid major negative systemic impacts of climate change, for example on financial stability and macroeconomic stability?

- **Yes** – Promote innovative climate risk transfer approaches to mitigate the concentration of risk within specific sectors or regions.
- **Yes** – Encourage market-based solutions that connect those who can afford to finance risk with those seeking climate risk coverage – this helps ensure business continuity and avoid disruptions caused by natural catastrophes.
- **Other (please specify)**

    - *Response:* Collaboration with insurance companies, institutional investors, banks and other lenders and credit agencies should be required at the start of any real assets development to ensure that key physical climate risks are priced in according to latest standards and resilience measures are in place to manage extreme weather events. This collaboration is important to ensure that real asset developers and investment managers who are actively incorporating resilience measures into their assets are recognised by insurers and "rewarded" with lower premiums.
    - It is also necessary to collaborate with leading researchers on how to incorporate the potential impacts from tipping points, as these are not widely incorporated in any current risk assessment methodologies.
        (1) Mounting science evidence indicates that harmful Earth-system tipping points—including risks to Atlantic Meridional Overturning Circulation (AMOC), major ice sheets and key biomes—could be approached at or below ~2 °C and some are already being stressed close to ~1.5 °C. These nonlinear shifts can amplify physical risks, propagate across sectors and

borders, and drive systemic socioeconomic impacts, increasing the urgency to minimise overshoot and embed tipping-point–aware scenario analysis in EU resilience policy and finance rules.

(2) The Global Tipping Points Report (2025) synthesises evidence that we are entering a “danger zone” where cascading tipping risks (e.g., AMOC, Amazon dieback, warm-water coral loss, and polar ice feedbacks) could magnify European climate risks, including food/water security, health, supply chains and financial stability.