



Environmental, Social and Governance Report 2021

Building a more resilient,
sustainable and inclusive
insurance market and society



“In our first ESG Report, launched at the end of 2020, we set out a clear ambition for our market to address the challenges and opportunities around sustainability and climate.

We've made great progress against that ambition throughout 2021, as set out in this report. This was only possible through the strong collaboration we've had with our market, governments and the wider insurance industry.

We have much more to do – but by working together we can continue to show progress our goal of being the market that insures the transition towards net zero.”

David Sansom,
Chief Risk Officer, Lloyd's

Introduction: 'Insuring an orderly, but urgent transition'

Rebekah Clement, Sustainability Director

During 2021, Lloyd's demonstrated its ability and resolve to take action to address the challenges and opportunities climate change represents, through a number of strategic initiatives and activities.

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Those efforts have laid the foundations for the critical work we need to deliver in the years ahead, as we work to transform our marketplace and enhance the support and confidence we provide to our customers around the world.

Our focus remains on ensuring an orderly, but urgent transition – one that supports our customers as they shift to low carbon models, but also recognises the urgency of climate change and avoids our market becoming a 'market of last resort' for those without sustainable transition plans.

In thinking how we can have the most impact in achieving this goal, 2021 saw us focus our activity on our three 'spheres of influence' – our Corporation, the Lloyd's market and broader society – by creating bespoke targets and approaches for each area.

In starting with **ourselves**, we made important commitments as part of the Net Zero Insurance Alliance (NZIA) and Glasgow Financial Alliance for Net Zero (GFANZ) to transition our operational emissions as a Corporation to net zero by 2025; and the investments from our £3bn Central Fund to net zero by 2050.

These commitments provided us with a new set of goalposts against 2020, broadening our areas of focus to take a more holistic, managing agent centred approach. We believe this will enable us to move at a quicker pace, be more impactful and be in closer alignment with our partners in government, regulation and the insurance industry. We have also committed to set and report against interim science-based targets every five years – ensuring action and accountability along the way.

In seeking to lead **our market** to a more sustainable future, we committed to work with managing agents on their own ESG plans to achieve an overall net zero underwriting position for our market by 2050. To support this, 2021 saw us issue comprehensive market guidance, covering both underwriters and investment to help managing agents in forming these plans.

Finally, in recognising our impact beyond the Lloyd's market, we worked to help **society** transition to net zero through our work with the Sustainable Markets Initiative (see p.24), launching a [disaster resilience framework](#) for developing countries and a [products and services showcase](#) displaying the available insurance solutions for customers as they transition. We continued to produce leading climate reports through our Futureset research platform (see p.26), and brought several new climate innovations to market through our Lloyd's Lab and Lloyd's Product Launchpad (see p.28).

The work is nowhere near done; but we're proud of the progress we made together in 2021 and the start of 2022. Our commitment to insuring the transition remains as strong as ever. By doing so, we can enable and empower brave climate action and innovation across sectors, countries and continents – while helping businesses rapidly decarbonise in support of society's broader transition towards a sustainable, low-carbon future.

Starting with ourselves

The Corporation of Lloyd's is committed to helping guide and lead the market as it responds to, and takes action to address the challenges climate change brings. This includes considering the environmental impacts of the essential shared services we provide for our market, including energy use, building operations and employee travel.

We have set a target for the Corporation to be net zero by 2025 in terms of our own operations, and have further strengthened this by committing to transition all our operational and attributable greenhouse gas (GHG) emissions to net zero by 2050, aligning with the Paris Agreement goals to limit global warming to 1.5°C. In 2021 we took steps to make sure we deliver on that commitment, including joining the [UN-convened Net Zero Insurance Alliance \(NZIA\)](#) and focusing on reducing – and where necessary, offsetting – the carbon footprint of our operations.

Key achievements for 2021:

- Lloyd's joined the Net Zero Insurance Alliance (NZIA), committing to transition all of our operational and attributable greenhouse gas emissions to net-zero by 2050, at the latest
- The Corporation achieved a 12.5% fall in emissions per employee

Our priorities for 2022:

- Launch the Impact Investment Fund to deploy 3% of the Central Fund in investments that support our net-zero strategy
- Launch of our roadmap to get to net zero operations by 2025
- Begin the implementation of our carbon management and reduction plan

Our Corporation emissions

Lloyd's has tracked and disclosed its own emissions for a number of years. In that time, we have seen strong progress with our overall carbon footprint falling by 57% since the 2013 baseline. Our international offices have reduced their emissions by 54% since the 2013 baseline.

Following the drastic fall in emissions seen in 2020, when the Lloyd's building and international borders were closed due to COVID-19, our emissions saw a small uptick in 2021 of 0.8% (on the previous year) following the resumption of activity in our London and global offices.

While we were disappointed by the increase on the previous year, the fall in emissions per employee of 12.5% – from 5.6 tCO₂e/FTE in 2020, to 4.9 tCO₂e/FTE – indicated that our underlying emissions are continuing to fall.

As the vast majority of Corporation emissions (91%) are generated in the UK, we are therefore targeting much of our energy and carbon reduction activities on our London headquarters. We are working to see a reduction in emissions, across all measures, in 2022, and to achieve this, we will focus on:

- Continuing to reduce the emissions of our London headquarters, through the use of green gas and building improvements
- Implementing our carbon management plan which was developed in 2021, while continuing to manage our carbon performance through the environmental management system ISO14001

		Total scope 1	Total scope 2 (location based)	Total scope 2 (market based)	Total scope 1 + 2 (location based)	Total scope 3	Grand total scope 1, 2, 3 (location based)	Grand total scope 1, 2, 3 (market based)	Carbon intensity location based (tCO ₂ /FTE)	Total energy usage (kWh)
2021 (tCO₂e)	UK emissions	1,609	3,074	-	4,683	888	5,571	2,497	5.7	23,500,425
	Global emissions	15	518	538	534	54	587	608	2.2	1,316,387
2020 (tCO₂e)	UK emissions	1,300	3,493	-	4,792	841	5,633	2,141	6.6	22,847,153
	Global emissions	11	409	432	420	50	470	493	1.9	932,695

To encourage accountability and transparency, in 2022 we will publish a roadmap for transitioning our operations to net zero by 2025. In line with science-based targets, our aim for 2022 is to achieve a 4.2% reduction in GHG emissions (aggregate target of 25.2% by 2025), in order to make headway on our near-term target of net zero by 2025.

Lloyd's is certified to ISO 14001 (International Environmental Management Standard). As a result, we have well established arrangements in place to manage our environmental impact and these are reviewed at various times of the year through compliance audits. A list of annual objectives are produced and we have set a target for the Corporation to be net zero by 2025 in terms of our own operations; as part of this we will quantify our most material greenhouse gas emissions - business travel, offices, and energy consumption.

The Covid-19 restrictions have had a significant impact on the way Lloyd's operates within the London building and on business travel during 2020 and 2021. Our electricity consumption in Lloyd's UK offices has reduced by 16%. We have seen a marked reduction in the daily footfall and flights were not permitted for a majority of the time. Below is a summary of the initiatives Lloyd's has implemented over the past year.

- Actively reduced travel with more emphasis on the use of IT infrastructure for communication channels. Our flight emissions have decreased by 61%
- Developed our flexible working arrangements enabling staff to work remotely
- Undertaken a review of our existing plant and equipment and developed a glide path to install more efficient machinery based on capital spend

Our priorities for 2022 focus on reducing business travel and increasing economy travel, as well as improving cloud-based service and energy efficiency in the Lloyd's Building.

The Lloyd's Central Fund

The Lloyd's Central Fund, totalling around £3bn of assets, provides an additional layer of protection for Lloyd's customers and market participants against extreme events or those with long-lasting impacts. In joining the NZIA in October 2021, we committed to transition the Central Fund to net zero by 2050, redirecting capital flows to green investments that will enable and accelerate the transition. We will publish a detailed roadmap to achieve this goal by October 2022, drawing on best practice from the Net Zero Asset Owner Alliance and outlining interim 5-year targets.

This commitment builds on the strategy we set out for our investments in our 2021 report, including allocating 5% of the Central Fund to impact investments and introducing exclusions to sectors for the Corporation assets and the Central Fund. These exclusions have been met for Corporation assets. We also continue to use ESG scoring as part of our investment process and strengthen this with appropriate data as required.

The Impact Investment Fund was launched in Q1 2022 which will equal 3% of the Central Fund across its lifetime. The remaining balance of the 5% allocation is also being invested in select private assets supporting decarbonisation. The Fund is on target to be fully implemented in H1 2022 and reach £100m. We continue to assess new eligible securities with a view to adding to the fund in a risk controlled and diversified approach.

Lloyd's investment platform

In March 2022, we announced that we will be partnering with Schroders Solutions to create a new investment platform offering institutional investors the chance to co-invest in the Lloyd's market, alongside the Central Fund.

While the platform will provide a range of benefits from economies of scale to simpler reporting, it also aims to support Lloyd's net zero ambitions by giving investors focused access to ESG funds. Criteria on objectives such as carbon emissions and sustainable governance are embedded in the platform funds, allowing investors to fulfil their ESG objectives while supporting our wider efforts to support the transition to a low carbon economy.

In 2022, our focus will be on:

- Continuing to embed our ESG strategy into our investment framework, including reviewing exclusions policy already implemented across the portfolio
- Exploring allocating 20% of investments to private assets, potentially enabling the Central Fund to achieve net zero targets through Lloyd's investment platform
- Build out and implement our Net Zero framework
 - exploring a reliable, transparent and scalable carbon footprint measure
 - analysis of issuers within Central Fund that are committed to net zero
 - analysis of where issuers stand versus their net zero target plan

Our market

The Lloyd's Corporation plays an important role in overseeing and regulating the Lloyd's market. As part of signing up to the Net Zero Insurance Alliance (NZIA), we committed in 2021 to work towards a net zero underwriting position for the Lloyd's market by 2050, in collaboration with market participants. This complements the net zero commitments for our operations and investments.

The following section outlines the initiatives and tools we are using to support our market's transition to net zero.

Overall achievements for 2021:

- Released ESG Guidance which includes best practice for establishing an ESG framework
- Introducing a requirement for insurance businesses operating in the market to submit their own ESG strategy to the Corporation, as part of the 2023 syndicate business planning process. This must evidence a credible pathway to net zero underwriting by 2050

Our priorities for 2022:

- Conduct a market pilot with select managing agents to develop a carbon measurement framework
- Continue to deliver the commitments outlined in our Climate Action Roadmap

Publishing ESG Guidance

While we have set an overall direction of travel for the market, we know every managing agent is unique and will therefore need to adopt their own, bespoke strategies to becoming more sustainable and achieving net zero by 2050. What has become clear is that there is not going to a single approach that is right for all syndicates, each of which will have its own unique book of business.

To support managing agents in these efforts, in October 2021 we published [ESG guidance for managing agents](#) which includes best practice for establishing an ESG framework, as well as approaches to responsible investment and sustainable underwriting. A full summary of the guidance is detailed below.

The guidance is intended to support each managing agent in forming their own targets and policy. We will therefore use a climate transition measurement approach to determine the market's progress towards this ambition. The Sustainable Markets Initiative Insurance Task Force will develop this framework in order to track and measure the market's progress, ultimately supporting a net zero underwriting position by 2050.

Following thorough testing and a pilot with a selected number of managing agents in 2022, Lloyd's expects to implement a 'Sustainability Transparency and Reporting' regime from 2023 onwards. This will allow us to form, for the first time, a market-wide aggregate baseline view of the carbon contribution of underwriting portfolios – thereby enabling the monitoring and reporting of the market's underwriting position.

Summary of ESG Guidance for the market

The Guidance sets out our commitment to make the Lloyd's Corporation and market net zero by 2050, alongside our expectation that each managing agent will implement an ESG strategy throughout 2022 that is fit for their business's systemic risks.

To support this, we set out the following requirements for the Lloyd's market to drive action on our net-zero targets:

Insuring the transition to net zero

- Require a sustainable underwriting approach that continues to support harder-to-abate sectors who have a credible climate transition plan in place, which can be measured and tracked over the years ahead
- Encourage the market to develop new, innovative products, driven by our ambition to cease to provide new cover for thermal coal-fired plants, thermal coal mines, oil sands and Arctic energy exploration activity on 1st January 2022, and phase out of existing cover by 2030

Supporting the 2050 net-zero greenhouse gas emission policy

- Committed to aligning climate approach and activities to government policy in achieving net zero greenhouse gas emissions by 2050
- Work towards a sustainable underwriting approach with a portfolio of customers and business that supports our ambition to achieve net zero by 2050

Tracking and measuring our progress

- Develop a framework to measure and track the market's aggregated progress; thereby preparing for the increasing reporting requirements and demonstrating our contribution in the global transition to net zero
- Test the thesis of the open-source climate transition measurement framework, and run a market pilot with a selected number of managing agents in 2022 to refine and iterate the framework
- Ensure the framework is fit for purpose before the wider implementation of a 'Sustainability Transparency and Reporting' regime from 2023 onwards which will start to collect data and enable measurement of our progress to net-zero over time

Ensuring accountability

Our stakeholders – from customers and regulators, through to market participants, employees and ratings agencies – have a growing expectation of greater reporting and transparency. Regulations such as the [Taskforce for Climate Related Financial Disclosures \(TCFD\)](#) have supported these efforts to ensure accountability.

Lloyd's reports under the ClimateWise principles, which sets out our climate-related activities on an annual basis (see below). In addition, in 2021 we published our second [United Nations Global Compact report](#) outlining our commitment to support the UN's sustainability principles (see Section 7).

ClimateWise

In 2007, Lloyd's was one of the founding members of the ClimateWise initiative – a collaborative endeavour by insurers to drive action on climate change. Since then, ten managing agents within our market (listed below) have signed up to ClimateWise.

The ClimateWise principles were developed in consultation between Lloyd's, the ABI and HRH The Prince of Wales's Business & Sustainability Programme, with a total of over 30 insurance companies taking part in the initiative. The principles align with the Taskforce for Climate Financial Disclosures (TCFD), which we use to ensure our market meets its obligations for reporting against the TCFD guidance.

The full [ClimateWise report](#) includes detailed case studies evidencing each relevant managing agent's compliance with the ClimateWise principles.

Our society

Through the [Paris Climate Accords](#) agreed at COP21, the world has set the ambition to reach net zero greenhouse gas emissions by 2050. As the world's leading global insurance marketplace, Lloyd's has a crucial role to play in supporting this transition.

In delivering our purpose to create a braver world, we are seeking to help society move to a low carbon model by:

- Taking a leading role in advocating for net zero within our sector and financial services, using our leadership of the Sustainable Markets Initiative (SMI) Insurance Taskforce to convene the insurance industry and work with other sectors to drive action on climate change
- Innovating to support the development of new products and services to insure the transition and underpin the green industrial revolution
- Publishing cutting edge research and insights to support the risk community, and therefore society, in building resilience against the impacts of climate change

Overall achievements for 2021:

- Launched the SMI Insurance Task Force and began delivery of its workstreams and objectives
- Launched Lloyd's Futureset to better understand, model and mitigate climate risks and published an action roadmap with practical steps to help accelerate the transition of multiple industries to net zero

Our priorities for 2022:

- Produce research on global supply chains and cyber threats to help businesses manage these risks

Sustainable Markets Initiative (SMI) Insurance Task Force

The Sustainable Markets Initiative (SMI) was launched by HRH The Prince of Wales at The World Economic Forum 2020 Annual Meeting in Davos. With the SMI, HRH The Prince of Wales will continue to champion the fight against climate change by gathering a global 'coalition of the willing', who also share his vision.

As part of the SMI, HRH The Prince of Wales announced the 'Terra Carta' – a charter that puts sustainability at the heart of the private sector. The Terra Carta outlines ten areas for action and comprises of nearly 100 actions for business and Lloyd's is proud to support the Terra Carta.

At the invitation of HRH The Prince of Wales, Lloyd's has brought together leaders from a number of the largest and most influential global insurance firms to form an Insurance Task Force (ITF) as part of the Sustainable Markets Initiative. The ITF, chaired by our Chairman Bruce Carnegie-Brown, has committed to supporting the global transition through launching five key initiatives in 2021 and adding to these in 2022.

SMI Insurance Task Force objectives:

The Task Force is a global industry-led group which is collectively driving action towards great societal and economic sustainability, **accelerating industry transitions to net zero**. The Task Force has already delivered a number of initiatives and continues to be focussed on action across a number of specific areas as set out opposite.



2021 key highlights:

Disaster resilience framework for climate-vulnerable countries

- The Disaster Resilience Framework (DRF) is aimed at proactively protecting countries most vulnerable to rising sea levels and extreme weather events through a novel public-private investment approach
- The framework is adaptable and scalable across multiple developing countries to address climate-exacerbated natural hazards and weather perils

Sustainable Products and Services Showcase

- The Showcase details, for the first time, the wide-ranging commercial insurance support that is available and supporting green innovation across multiple sectors and geographies
- It details insurance coverages across the hydrogen supply chain; solar energy; wind power; and carbon capture; together with parametric and microinsurance schemes protecting coffee farmers in Nicaragua and cyclones in Australia

COP 26 engagement and event programme

- Lloyd's took part in HRH The Prince of Wales's Terra Carta Action Forum, which included a series of senior stakeholder meetings to progress initiatives and collaboration towards accelerating the transition
- Lloyd's met with the Fijian Prime Minister to take forward a joint project to develop a bespoke disaster resilience cyclone resilience solution for the country, to better protect its citizens

2022 goals:

- **Sustainable supply chains:** Develop and launch an **industry pledge** for greener insurance supply chains
- **Disaster resilience framework:** Initiate projects to pilot the **disaster resilience framework** in a selected low- to middle-income country, as well as continued engagement with developed market governments to **explore premium financing options** via aid budgets
- **Measurement and partnerships:** Continue the development of an **open-source framework** to enable measurement of the transition towards net zero underwriting and promote engagement with key insureds, in addition to **establishing an enhanced partnership** approach for industry measurement initiatives
- **Multilateral development bank taskforce and blended finance solutions:** Support the development of blended finance solutions that channel increasing amounts of private capital into **sustainable development projects across low- to middle-income countries**
- **Financing the transition: Convene the financial services task forces to develop end-to-end approaches for financing critical transition activities and innovation**
- **Innovating customer solutions:** Shaping **new insurance solutions with a specific focus on infrastructure and agriculture**, including exploring the adaptability of current crop insurance models to low- to middle-income countries to protect farmers and food security

Sharing climate insights

Launched in 2021 as a response to the COVID-19 pandemic, [Lloyd's Futureset](#) is our new global action leadership platform seeking to understand, model and create products that better protect customers against the world's most challenging risks. Through cutting-edge risk research and insights, events, and access to leading experts, we work with our global stakeholders to build society's resilience against systemic risks.

What are systemic risks?

Systemic risks are high impact or catastrophic events where major second, and third-order effects occur and travel great distances.

They can be global in impact, often hitting multiple industries, countries and billions of people simultaneously, with potentially devastating consequences that can shift the way the world operates overnight. We learnt from COVID-19 that businesses, governments and the insurance industry were not prepared for such events on their own. It is now more important than ever to learn from these experiences and prepare for future systemic events.

Since the devastating impact of the COVID-19 pandemic, Lloyd's Futureset has been working with underwriters, brokers, customers and research partners to define the landscape of systemic risks and the actions needed to improve society's resilience.

In the first quarter of 2021, Futureset ran a series of [six systemic risk masterclasses](#), in partnership with the CII and LMA to raise the overall awareness, confidence and capability of the sector to respond to the threat of the next systemic crisis. Our '[Experts Take](#)' video series followed, providing exclusive expert conversations on systemic risks. Since then, we have worked with the Cambridge Centre for Risk studies to deliver foundational research on the landscape of systemic risk research including an interactive dashboard and digital journey.

Our experience during COVID-19 also highlighted the urgency with which the global insurance industry must invest and focus on clarifying and simplifying its products. Lloyd's Futureset has run a product simplification project in conjunction with the LMA to promote ways to improve the clarity of insurance contracts for the benefit of policy holders, and issued [market guidance](#) setting out the actions that Lloyd's expects managing agents, brokers and coverholders to take to simplify their insurance products. In partnership with the Chartered Insurance Institute (CII) we've also launched the [first of two training modules](#) to help educate insurance professionals on the journey of simplifying their products and contracts. This work is a stride forward in our learnings from the pandemic and will help to ensure that we provide the protection that our customers require and that they are fully aware of what they are buying and the limitations of their policy.

Climate change is arguably the largest, most challenging crisis the world has faced. It is a systemic risk which affects financial stability, broader economic resilience, human prosperity and creates uncertainty for the future of our planet. To support the global transition to a low-carbon economy, Lloyd's Futureset is exploring the risks, challenges and importance of decarbonisation across industry, transport and energy. Launched in the lead up to COP26, our [Climate Action Campaign](#) showcased the role of the global insurance industry in supporting customers' transition to a low carbon economy. The campaign was accompanied by an action roadmap identifying key opportunities and tangible actions for Lloyd's and the global (re)insurance industry to accelerate decarbonisation. These actions will be taken forward by a combination of Lloyd's, the SMI Insurance Task Force and the global insurance industry.

In 2022 Futureset will undertake a range of activities across our key themes of sustainability, resilience, and innovation:

- Launching foundational systemic risk research to engage customers, the (re)insurance industry, and governments and regulators on the systemic risk landscape and drive actions to increase society's resilience
- Delivery of our climate action roadmap commitments, including research into sustainable construction techniques and renewable energy sources, and partnering with Lloyd's Lab and Lloyd's Product Launchpad to drive new product innovation for customers' transition and decarbonisation risk transfer needs
- Leading research to profile global supply chains, their risks and opportunities, and the areas where insurers could create products and services to fill protection gaps
- Conducting a cyber focused research programme to help stakeholders effectively understand and manage growing cyber threats, and working with industry partners to raise awareness of cyber protection gaps and promote insurance resilience solutions

Climate Action Roadmap

In July 2021, through Lloyd's Futureset, we published our [Insuring a sustainable, greener future](#) report outlining how the insurance industry will partner with key industries to accelerate the world's transition to a sustainable future.

For each of the sectors identified in the campaign as critical to a successful global transition to a low carbon economy, we articulated a tangible roadmap for action that will help accelerate the transition of multiple industries to net zero carbon. This roadmap will be delivered at pace during 2021 and 2022, by Lloyd's and through the Lloyd's-chaired SMI Insurance Task Force launched June 2021.

We will deliver the following actions through Lloyd's Futureset during 2022:

Greener industry

- **Construction:** Conduct targeted research to explore the insurance implications of sustainable construction practices, including improving understanding of risk factors associated with sustainable building materials and techniques such as modular and mass timber construction

Greener transport

- **Electric vehicles:** Convene a roundtable of companies involved across the electric vehicle ecosystem, and facilitate a product design sprint to develop potential products from ideation to reality
- **Marine:** Lead research to understand the insurance implications of sustainable marine initiatives, including the risk profile of potential maritime fuels of the future such as Ammonia, Methanol and Hydrogen

Greener energy

- **Offshore wind:** Deliver new insights into the offshore wind market, to highlight what good looks like from a risk management perspective. Explore to what extent such practices could be more widely adopted to enable insurers to provide the bespoke cover the sector requires
- **Hydrogen:** Lead activity to improve the insurance industry's awareness and understanding of Hydrogen, clients' coverage requirements, and the role that insurance can play to support the development of the Hydrogen economy
- **Carbon capture & storage:** Drive awareness, engagement and action from the insurance industry to better support emerging sustainable energy solutions

Alongside driving action to deliver on the commitments we've made, Lloyd's has produced a series of [sustainability case studies](#) (see example right) about the customers in our focus sectors operating at the forefront of the climate transition – and the insurers and brokers who support them.



Lloyd's and the Maritime and Port Authority of Singapore (MPA): Pioneering the next fleet of sustainable ports and vessels

Global shipping contributes to approximately 2.9% of global greenhouse gas emissions (GHG)¹. To offset the worst potential effects of climate catastrophe, the International Maritime Organization (IMO) has set a clear target of reducing the shipping industry's GHG emissions by at least 50% by 2050.

To achieve these ambitious targets, ports and shipping companies need to be bold in their decarbonisation efforts. The Maritime and Port Authority of Singapore (MPA) – founded in 1996 – is leading the way. Singapore is currently the world's largest bunkering port and major transshipment hub and supported by MPA has a crucial role to play in the global decarbonisation of the shipping sector, as does the insurance industry.

Marine insurance is a key enabler of global trade and provides the sector with the assurance that it needs to allow commerce to function. The availability of new insurance products can influence decision making by injecting greater confidence among investors to pursue new areas of developments, such as electric vessels and alternative sources of marine fuels.

Lloyd's, MPA and Lloyd's Singapore underwriters plan to collaborate on marine decarbonisation research to further support the sector. MPA and Lloyd's are actively bringing organisations together in joint projects like these to catalyse and co-create maritime decarbonisation solutions across the value chain.

Read the [full case study](#)

¹ <https://www.imo.org/en/OurWork/Environment/Pages/GHG-Emissions.aspx#:~:text=The%20Fourth%20IMO%20GHG%20Study,tonnes%20of%20CO2%20in>

Supporting climate innovation

Lloyd's is committed to supporting climate innovation across the market and has set up a number of facilities to achieve this.

These product innovation facilities ensure that the market has the space needed to innovate or commit capacity to new ventures through the following:

- **Lloyd's Lab:** an award winning space dedicated to accelerating and fostering new products and solutions fit for the needs of our customers around the world
- **Lloyd's Product launchpad:** providing £150m of capacity, the Lloyd's Product Launchpad is a committed to providing a safe space for underwriters to experiment with new ideas in a controlled way, which balances the need for appropriate oversight with the risk of not innovating fast enough. Launched in 2019, and previously known as the Product Innovation Facility, it has given underwriters a space to experiment with new ideas in a safe and controlled way, balancing the need for oversight with the risk of excessive red tape
- **Innovation class of business GWP targets:** allowing syndicates to commit an additional 2% of their Gross Written Premium (GWP) from their business-as-usual plan to a dedicated innovation class of business, encouraging growth in new ventures of approx. £1bn in GWP across the Lloyd's market

During 2021 we dedicated a theme in the Lloyd's Lab towards climate change and decarbonisation. As part of this we had three start-ups join us: Tesselo, Jupiter Intelligence and CarbonChain.

- **Tesselo** is a geospatial intelligence firm that delivers solutions to monitor natural resources and reduce climate risk
- **Jupiter Intelligence** deliver climate risk analytics of multiple perils in spatial resolutions from portfolio to asset level, globally and across flexible time horizons and climate scenarios
- **CarbonChain** helps companies automate the accounting of their carbon emissions. They conducted a pilot looking at the carbon emissions of the companies that we insure and are now working on wider work directly with the market in 2022

Lloyd's also continues to encourage climate innovation through our refreshed oversight model. This includes our screening and requirements for the new entrants we welcome into the market; the specific standards on responsible investment or sustainable underwriting included in our oversight principles; or by encouraging innovative ideas as we oversee each managing agent in the market.

In 2021, we saw the launch of Lloyd's first dedicated ESG syndicate (see case study opposite), alongside several innovate products and collaborations that are already solving real world problems in our efforts to decarbonise.



Case study: CarbonChain Boosting transparency on the path to net zero

For the world to transition to a low-carbon economy, we need collaboration on a scale never seen before. Lloyd's and the global (re)insurance industry is playing its part by pairing innovative, green technology businesses with insurers to shape and inform insurance product and service design through the Lloyd's Lab.

CarbonChain – a start-up working to build tech-based solutions for measuring greenhouse gas emissions (GHG) in order to inform underwriting decisions – joined our Lab in 2021. The business was initially set up to focus on the industrial and commodities sectors (oil, gas, metals mining, agriculture, transport) – which account for over half of the world's GHG emissions – but as their database of emissions grew, they saw an opportunity to support the insurance industry. Data on carbon usage proved to be valuable to insurers wishing to run climate stress tests on potential clients with carbon intensive operations.

During their time in the Lab, the CarbonChain team initially partnered with Lloyd's syndicate Atrium, helping them run a pilot programme to understand the emissions of the vessels they were insuring. As the product developed, CarbonChain joined with Tokio Marine Kiln (TMK), with whom they now have a fully operational partnership and live project.

With TMK, CarbonChain are developing a first of a kind framework to measure customers' emissions and compare them with their industry and regional peers, translating this into a "carbon risk rating" that TMK could then consider when considering each policy it is underwriting.

Read more [about the partnership](#)



Case Study: Tierra Underwriting

Tierra Underwriting is helping to decarbonise the global economy by supporting projects that assist with financing the transition to a low carbon future.

Tierra is a Managing General Agent (MGA) that provides credit insurance to support green project finance transactions.

Established in February 2020, their credit product can provide the long-term cover needed – for periods of up to 20 years – to support banks who provide financing for renewable energy projects. The MGA covers a broad range of technologies, from wind and solar, through battery storage to green hydrogen production.

Utilising their combination of insurance and banking expertise, Tierra is well positioned to address the challenge of long-term financing for decarbonisation projects and is able to create tailored insurance solutions for clients to meet their long-term goals.

Tierra believes that with its ability to provide innovative solutions and long-term coverage, Lloyd's was the ideal home for its vehicle.

Tierra is supported by Ascot and Argo syndicates at Lloyd's, who saw both the need for additional capacity in the market and the opportunity that Tierra represents for the insurance industry.

Read more [about Tierra](#)



Lloyd's approves first ESG syndicate, Beazley 4321

In October 2021 specialist insurers, Beazley received principle approval from Lloyd's to establish a new ESG syndicate (4321). The syndicate focusses exclusively on offering additional capacity to businesses that perform well against ESG metrics and began underwriting risks 1 January 2022. To access capital, each policyholder must meet a minimum ESG score provided by third-party rating agencies.

In line with Lloyd's ESG strategy, Beazley believe that acting as a responsible business is crucial to delivering a more sustainable future. Beazley's new venture looks to support and reward business focused on green outcomes, whilst incentivising others to improve, so that they are able to access cheaper follow capacity.

The innovative syndicate has taken an early step in ESG underwriting and is helping to enable customers make difficult decisions for the future, today. The benefits of the syndicate span across the supply chain: for policyholders, who want to include ESG into their insurance purchasing strategy; for third-party capital, who want to invest in ESG compatible business; and for brokers, who have another way to raise awareness of ESG issues with their clients.

Beazley and Lloyds have a track record of creating innovative underwriting vehicles and Syndicate 4321 is no different. On top of the additional capacity the syndicate brings to the market, Beazley have confirmed all premiums will be invested responsibly in line with their own responsible business strategy.

Read more [about Beazley 4321](#)

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