

Lloyd's Futureset - climate action

Your company's pathway to decarbonisation



The need to rapidly decarbonise and protect the future of the planet has never been more pressing. The construction and finance sectors have undoubtedly contributed towards the increase in global carbon emissions, however they also both possess powerful tools to limit the impacts of climate change.

With a unique view of the climate crisis, the global insurance industry has a critical role to play in supporting you and your industry's transition to a low carbon economy. We can help you unlock the opportunities of more sustainable operations and navigate the ever-changing risk landscape.

Greener construction

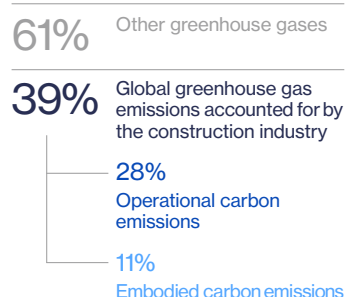
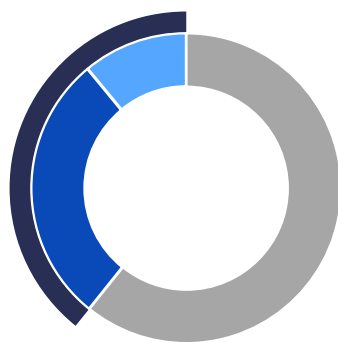
Construction accounts for a vast proportion of the world's overall carbon emissions, and the need to decarbonise not just new construction, but existing property stock, has never been greater.

What are the key challenges and opportunities that your company may face as you transition towards more sustainable operations, and how can the (re)insurance industry help?

A look at the numbers

In light of the stark statistics, there are two main avenues you can explore in your efforts to decarbonise existing and/or new construction:

- Reductions in operational carbon, such as improving the energy efficiency of heating and cooling.
- Reductions of embodied carbon (energy used to construct and maintain buildings).



Key products and opportunities available now

- Property sustainability clauses in policies such as green building and Build Back Better wording
- Personal lines cover for alternative energy in home builds and refurbishments
- New types of cover for risks associated with sustainable building materials and construction techniques
- Sustainability assessments to gather information on your existing footprint and how this might be improved, plus information needed for risk management and transfer

*Source: Global Status Report 2017

As part of your transition plan, here are some considerations:

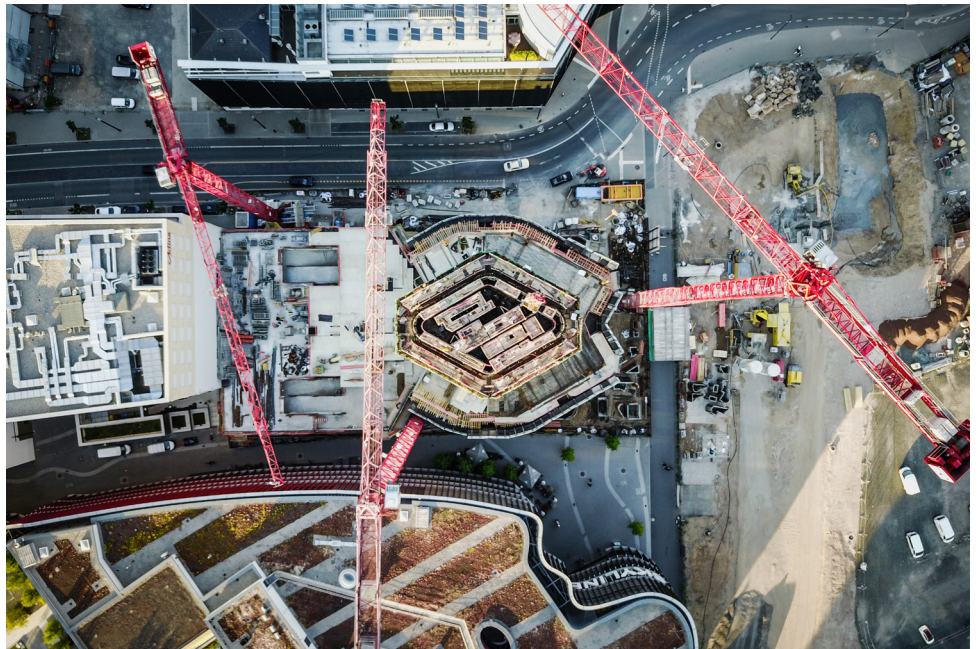
- Sustainable materials may have additional risk factors
- Repair costs for green buildings may be higher
- Decarbonising existing stock can be costly

Risks and opportunities in mind, here are the top four things you should be thinking about:

1. Are you aware of the increased risk factors of using sustainable materials in your buildings and construction?
2. Has using more sustainable materials led to potential coverage gaps?
3. Are you facing additional risks from decarbonising existing stock?
4. Are you working with your broker to consider policy language that includes green Build Back Better clauses?

The insurance sector's roadmap for action:

- As chair of the Sustainable Markets Taskforce Insurance Initiative, Lloyd's will develop standards to encourage innovation and Build Back Better language
- Lloyd's will explore the risk and insurance implications of new construction materials and techniques through targeted research and discussions
- The wider (re)insurance industry should offer insurance incentives for lowering buildings' carbon footprint



Greener finance

Unlocking capital is vital to enable the transition towards a low-carbon economy

Realigning insurance investment strategies

Many organisations are deploying increasing pools of capital into green investments, and there is clear demand from the global insurance market to allocate more of its \$30tn capital pool towards more sustainable investment opportunities.

- Sustainable fund assets reached \$1.2tn globally in Q3 2020*.

How the insurance industry can support green investments

- Applying exclusions to shift investments away from particularly carbon-intensive sectors
- Integrating ESG factors into investment decisions
- Working with investors and governments to provide financing structures to support disaster response and recovery in developing countries

Examples of the Corporation of Lloyd's green investments

As part of its allocation to impact investing, the Corporation of Lloyd's is exploring a range of investments:



Green:

International Development Association (IDA) bond supporting green projects



Social:

Social bond issued by the National Australia Bank



Sustainable:

Sustainable bond with proceeds allocated to (re)finance existing and/or future sustainable projects or businesses

As chair of the Sustainable Markets Taskforce Insurance Initiative, Lloyd's will:

- Develop a consolidated framework to accelerate institutional investment in long-dated green assets
- Develop a framework and pilot to support disaster response and recovery in developing countries.

Want to find out more?

Read the full chapter and Join the Reset at Lloyds.com/jointhereset

* Source: Sustainable assets reach \$1.2 trillion in Q3 | ESG Investing