

LLOYD'S ENERGY & CARBON REPORT

Lloyd's are aware of our reporting requirements under *The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018*.

We are undertaking an ambitious carbon management plan, initiated in 2020. This will define a decarbonisation roadmap for Lloyd's to achieving best practice net zero by 2025.

In addition to developing our decarbonisation roadmap we have complemented our mandatory carbon and energy reporting with an environmental, social and governance report; to organise, explain and frame targets and timelines for our environmental, social and governance aspirations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ACTION

Lloyd's produced our first [environmental, social and governance \(ESG\) report in 2020](#), highlighting our plan for leading a truly sustainable insurance marketplace including the way we conduct ourselves as an organisation and taking account of our influence in the marketplace.

This inaugural ESG report serves to highlight not only the activities already underway across Lloyd's, but also sets out our commitments to developing a responsible and sustainable insurance market. At a Corporation level we have considered our impact from and actions we need to take in relation to our people and culture, customers, and the communities in which we operate and service.

Additionally, we lay out our plans for engagement with market participants in development of a responsible and sustainable investment outlook and insurance market. Key commitments announced in our 2020 ESG report:

- **Net Zero:** The Corporation will publish a roadmap to support our commitment for our operations to be net zero by 2025.
- **Work with the Lloyd's market towards net zero:** In 2021 we will work with the Lloyd's marketplace to support their own implementation of net zero carbon emission plans, and explore the potential to develop a Lloyd's market wide carbon offset project.
- **ESG advisory group established:** Led by the Chairman of Lloyd's, providing internal and external robust governance.
- **Climatewise founding member:** We have been a founding member of Climatewise since 2007 - also supporting the 2019 revision of principles to fully align with the recommendations set out by the Taskforce on Climate-related Financial Disclosures.
- **Sustainable insurance market:** Providing guidance to all managing agents to support Lloyd's plan to spend 2% of annual premiums on innovative and sustainable products by 2022.
- **Responsible investment:** The Corporation will allocate 5% of the Central Fund to impact investments by 2022.
- **Community commitments:** Strengthen relationships with our charity partners to help them raise more funds, provide business support and increase their risk management skills.

ENERGY AND CARBON ACTION

During 2020 we have continued the focus on reducing our energy consumption and associated carbon emissions from our London headquarters, given the majority (90%) of our emissions are from the UK office space. During 2020 we have:

- **Refurbished our office space:** We reduced our overall space requirement, and installed LED lights at our London headquarters, driving a reduction in electricity demand. During the refurbishment we removed 125 tonnes of waste, 97.7% of which was recycled.
- **Developed a carbon management plan:** Our plan identified a range of scenarios to enable us to move along our journey to net zero.
- **Completed sustainability assessments for new offices:** Ensured newly acquired offices have a local building sustainability assessment rating (BREEAM, LEED or equivalent).
- **Implemented an environmental management system:** ISO 14001 now gives us the ability to manage our environmental performance through more efficient use of resources.

2020 PERFORMANCE

For our 2020 report we have not included any estimation of the carbon emissions of employees working from home as a result of the COVID-19 pandemic. During 2021 and beyond if the trend for homeworking remains, we will endeavour to calculate and report the carbon emissions of employees working from home.

This year we are proud to announce we have reduced our emissions for the sixth consecutive year on a total global¹ basis from 8,363 tCO₂e in 2019 to 6,104 tCO₂e in 2020 – a reduction of 27%. In addition we have reduced our total global emissions per FTE by 24% from 7.3 tCO₂e/FTE in 2019 to 5.6 tCO₂e/FTE in 2020.

Other notable trends for each scope include:

- **Scope 1** – our scope 1 emissions have remained largely constant between 2019 and 2020. We have seen a 7% fall in natural gas usage in boilers year on year, driven by reduced staff occupying our London headquarters as a result of the COVID-19 pandemic. The natural gas reduction has been offset however by top-up of HVAC systems with refrigerants, and a modest increase in other fuels (gas oil) used for our boilers and backup generators as a result of an increased testing cycle of the generators is in line with industry standard recommendations for testing generator functionality.
- **Scope 2** – the reductions in our scope 2 emissions are primarily driven by a 24% decrease in electricity usage at our London headquarters, driven by reduced employee occupancy throughout 2020.
- **Scope 3** – our emissions from employee commuting and business-related travel have reduced in 2020, falling by an average of 80% across all categories - an anticipated consequence of COVID-19 restrictions in the UK and worldwide. In addition electricity emissions from our data centre and in transmission and distribution losses reduced by 14% as a result of lower electricity demand.

¹ 2020 performance refers to reported location-based totals, which are the summation of the UK emissions and Global emissions (ex UK) displayed. The data is displayed in this manner to comply with the requirements of the *Streamlined Energy and Carbon Reporting* regulations

2020 RESULTS

Lloyds work with Avieco to report our emissions on an annual basis. We report on all material global emissions in scope 1 and 2, plus selected scope 3 emissions², using an operational control approach. The methodology used to compile our (Greenhouse Gas) GHG emissions inventory is in accordance with the requirements of the following standards: the WRI GHG Protocol Corporate Standard (revised version) and Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).

Scope	2020 (tCO ₂ e)			2019 (tCO ₂ e)			Global % change
	UK emissions	Global emissions (ex UK)	Total global emissions	UK emissions	Global emissions (ex UK)	Total global emissions	
Total scope 1 (natural gas, company cars, other fuels, refrigerants)	1,300	11	1,311	1,312	-	1,312	0%
Total scope 2 (location based)	3,493	409	3,902	4,578	642	5,221	-25%
Total scope 2 (market based)	-	432	432	-	670	670	-36%
Total scope 1 + 2 (location based)	4,792	420	5,213	5,890	642	6,532	-20%
Total scope 3 (employee cars, flights ³ , public transport, commute, paper, waste, water, data centres, T&D)	841	50	891	1,739	92	1,831	-51%
Grand Total scope 1,2,3 (location based)	5,633	470	6,104	7,630	734	8,364	-27%
Grand Total scope 1,2,3 (market based)	2,141	493	2,634	3,051	762	3,813	-31%
Carbon Intensity (tCO ₂ e/FTE) (location based)	6.6	1.9	5.6	8.4	3.0	7.3	-24%
Total energy use (kWh) ⁴	22,847,153	932,695	23,779,848	26,248,211	1,511,863	27,760,074	-14%

Table 1 – Energy and carbon disclosures for reporting year 1st January – 31st December 2020⁵

AVIECO OPINION STATEMENT

This statement provides the Corporation of Lloyd's and its stakeholders with a third-party assessment of the quality and reliability of the Corporation's carbon footprint data for the reporting period 1st January 2020 to 31st December 2020. It does not represent an independent third-party assurance of the Corporation's management approach to carbon reporting.

Avieco has been commissioned by the Corporation of Lloyd's to calculate the Corporation's carbon footprint for all its UK and international activities for the 2020 annual report. Through this engagement Avieco has assured the Corporation that the reported carbon footprint is representative of the organisation and that the data presented is credible, coherent and compliant with appropriate standards and industry practices. Data has been collected, reviewed and calculated following the

² Scope 1 includes natural gas, company cars, other fuels, refrigerants; Scope 2 includes electricity; Scope 3 includes employee cars, flights, public transport, commute, paper, waste, water, data centres, and electricity transmission and distribution losses.

³ All flights have been attributed to the UK as travel information is from a central provider and splitting individual office contribution out is not practical at this time.

⁴ Energy reporting includes kWh from scope 1, scope 2 and scope 3 employee cars only (as required by SECR regulation) This work is partially based on the country-specific CO₂ emission factors developed by the International Energy Agency, ©

⁵ OECD/IEA 2020 but the resulting work has been prepared by Lloyd's and does not necessarily reflect the views of the International Energy Agency

WRI GHG Protocol Corporate Standard (revised version) and latest Defra methodologies an adherence to the best practice reporting principles of relevance, completeness, consistency, transparency and accuracy. Where there are omissions or limitations, these have been clearly identified and justified.

Our work has included data reviews with key personnel, both in the UK and in key international offices, a review of internal and external documentation, interrogation of source data and data collection systems including comparisons with the previous years. We have concluded the following:

Relevance

We have ensured the GHG inventory appropriately reflects the material GHG emissions of the Corporation across its operations in the UK, and internationally, during 2020 and serves the decision-making needs of users, both internal and external to the Corporation.

Completeness

The Corporation of Lloyd's continues to use the operational control approach for defining the scope of its GHG emissions inventory and calculates total direct scope 1, 2 and major scope 3 emissions. Reported environmental data covers 100% of contracted staff worldwide; the review includes all the Corporation's entities that meet the criteria of being subject to control or significant influence of the Corporation. Given the distribution of the Corporation's international estate (a high number of small sized properties), data on some emissions sources remains challenging to obtain, and therefore has been excluded from the Corporation's overall GHG emissions summary for 2020 for example: company owned/leased vehicles and national rail from non-UK offices, employees working from home as a result of the COVID-19 pandemic.

Consistency

In 2019 to align their reporting with Streamlined Energy and Carbon Reporting regulations the Corporation included market and location-based reporting of its scope 2 emissions including the breakout of global and UK emissions. The same methodology has been used to derive the 2020 emissions and energy metrics.

Transparency

To accompany the GHG statement, Avieco have supplied to the Corporation, appropriate references to the accounting and calculation methodologies, assumptions, estimations and any re-calculations performed.

Accuracy

To our knowledge, data is considered accurate within the limits of the quality and completeness of the data provided. Due to their small size, not all of the Corporation of Lloyd's international offices have the capability to report on GHG emissions related activities. As a result, the Corporation has collected data from offices representing 76% of their international headcount and applied estimations for the rest of the non-UK operations on an average tCO_{2e} per employee basis.



Ben Murray, CEO, Avieco Limited



Chris Guest, Senior Manager, Avieco Limited