ClientEarth

03 November 2021

The Joinery
34 Drayton Park
London
N5 1PB
United Kingdom

The Society of Lloyd's of London and the Council of Lloyd's of London
1 Lime Street
London, EC3M 7HA
For the attention of Bruce Carnegie-Brown, John Neal, Patrick Tiernan
and David Sansom

By email: [redacted]

Dear Sirs,

Lloyd's of London position on transition to net-zero

1. We refer to our previous letter dated 14 June 2021 (our "**Previous Letter**"), in which we set out Lloyd's duties and powers in relation to climate change, and your response dated 29 June 2021.

2. We are writing in relation to recent public statements by the Society of Lloyd's (the "**Society**") that it has issued updated environmental, social and governance guidance to Lloyd's managing agents which seeks to align the Lloyd's market (the "**Market**") with net-zero emissions by 2050 (the "**Guidance**"). Although the Society has publicly confirmed that it has issued the Guidance, it has not publicly released the Guidance itself.

3. This letter calls on the Society to be transparent in its climate policies and publish the Guidance. In particular, we put the Society and Council members on notice that the Society's public statements in relation to its net-zero commitment indicate that it is taking effective action to transition the Market to net-zero on a science based pathway, and that the Society and Council members could risk misleading the public and policyholders (and risk breaching their legal duties) if the underlying detail of action being taken in the Guidance does not reflect this.

4. There is no good reason for Lloyd's to keep the detail of its climate action out of the public domain, and doing so runs contrary to expectations set by the UK Government and regulators (as set out below). As the Society has not published the Guidance, it is not possible to assess whether Lloyd's is actually taking meaningful action to reduce the Market's emissions. Indeed, there is a real risk that the Society may not be doing so. For example, if Lloyd's is in fact not setting an effective framework to compel market participants to comply, is not specifying the pathway that market participants should take towards net-zero, and is not imposing restrictions on fossil fuel underwriting, then Lloyd's net-zero 2050 commitment may lead to little change in the underwriting business of market participants in the short-term. This would be inconsistent with the urgent climate action required in the next decade, in line with climate science,[1] as part of the transition to net-zero. The

[1] Emissions must be reduced by 45% by 2030 (from 2010 levels) on a pathway to limit warming to 1.5°C; see IPCC, Special Report: Global Warming of 1.5 ºC (2018). In addition, a net-zero emissions pathway (consistent with limiting warming to 1.5°C, in line with climate science) requires no further no further investment in new fossil fuel supply beyond projects committed in 2021; see IEA, Net-zero by 2050 (May 2021).

Society therefore needs to publish the detail of the action it is taking, so the public and policyholders can assess whether Lloyd's climate policies are credible and meaningful, and not greenwash.

5. This letter:

   a. summarises the Society's recent statements in relation to its net-zero commitment for market participants, and sets out the nature of climate action that those statements imply that Lloyd's is taking (paragraph 6);

   b. summarises the Society and Council members' legal duties to: (1) not mislead in relation to their climate action; and (2) set and disclose a credible climate policy (paragraph 16);

   c. outlines the minimum standards that we consider any net-zero commitment by the Society should fulfil, based on its legal duties (paragraph 21); and

   d. sets out a number of questions for the Society to respond to in relation to its climate policies (paragraph 22).

Lloyd's recent statements on net-zero commitment

6. The Society has made a number of public statements regarding its net zero commitment for market participants, in three published sources (the "**Net-Zero Statements**"; see the Appendix for further details):

   a. The Society confirmed that it had issued the Guidance in a press release on 25 October 2021 (the "**First Press Release**")[2]. Although this did not include a copy of the Guidance itself, it provided some limited details of what the Guidance contains.

   b. In a second press release on 28 October 2021 (the "**Second Press Release**"),[3] the Society indicated that it had joined the Net Zero Insurance Alliance ("**NZIA**") and the Glasgow Financial Alliance for Net Zero. This press release also made further statements regarding the Society's net-zero commitment for market participants.

   c. The Society has published its commitment on joining the NZIA (the "**NZIA Commitment**"),[4] which provides further information on its approach to its net-zero commitment for market participants.

7. It is disappointing that (to date) the Society has chosen not to publish the Guidance. The Market is systemically important, accounting for over 40% of the London insurance market and 40% of the global energy insurance market,[5] and therefore has a responsibility to be transparent in its approach to an issue of such fundamental importance as climate change. In addition, the Society's decision not to publish the Guidance sits at odds with its own commitment to transparency in its ESG Report 2020, which acknowledged the *"growing expectation of greater reporting and transparency"* from its stakeholders.

[2] Lloyd's press release, 'Lloyd's provides market guidance and best practice for establishing an ESG framework' (25 October 2021).
[3] Lloyd's press release, 'Lloyd's joins the Net-Zero Insurance Alliance and becomes part of the Glasgow Financial Alliance for Net Zero' (28 October 2021).
[4] The Net Zero Insurance Alliance, Statement of commitment by the Lloyd's Corporation (October 2021).
[5] The London Market Group's London Matters 2020 report found that Lloyd's wrote and managed $47.4 billion premiums in 2019 (42.9% of the London market) and $2.6 billion premiums in the energy sector (approximately 40% of global premiums).

ClientEarth

8. As the Society has chosen not to publish the Guidance, the exact content of the requirements in that Guidance for market participants to transition to net-zero cannot be fully assessed or compared to commitments by other actors. However, the language of the Net-Zero Statements suggests that the Society is taking meaningful action. In particular, it suggests that:

    a. the Society's new policies will be effective in making market participants take concrete action to start their transition to net-zero emissions;

    b. this transition will be on a science-based pathway consistent with limiting warming to 1.5°C; and

    c. the new policies will build on the existing commitments made in relation to exiting financing and underwriting of coal, tar sands and Arctic oil made in Lloyd's ESG Report 2020[6] (the "**Fuel Targets**").

9. To the extent that the Society's non-published Guidance does not reflect (a) to (c) above, the Society and Council members risk misleading the public and policyholders and breaching their legal duties. We address each of (a) to (c) below.

Concrete & effective action

10. The Net-Zero Statements suggest a firm commitment has been made that will lead to progress towards achieving net-zero emissions, that will be formally built in to the Lloyd's internal framework of rules for market participants in order to ensure that they are effective in directing market participants' conduct. In particular:

    a. The First Press Release states that Lloyd's has *"committed to achieve"* net-zero emissions and that it will *"report on its progress towards that goal"*. Further, it states that *"Lloyd's confirmed its intention to align its approach and activities to government policy in achieving net zero greenhouse gas emissions by 2050"*. This indicates that a meaningful commitment has been made that is underlined by plans for concrete action to implement emissions reductions in line with the net-zero target and UK Government policy. In addition, the fact that Lloyd's has *"committed to achieve"* net-zero indicates that it is taking action that will be effective in making market participants comply with this commitment.

    b. The Second Press Release states that *"new formal expectations will be embedded into the Lloyd's market oversight framework, putting climate action at the heart of annual business planning cycles with syndicates",* and market participants should "*reach a net zero underwriting position for the market by 2050 at the latest*". This indicates that the Society will be introducing a formal framework that will be effective in making market participants transition to net-zero.

Science-based pathway

11. The Press Releases do not expressly state what emissions reduction pathway towards net-zero that the Society has directed managing agents to target in the Guidance. However, the First Press Release confirms that Lloyd's intends *"to align its approach and activities to government policy in achieving net zero greenhouse gas emissions by 2050"* and refers to the goal of "*transitioning towards a net zero underwriting position by 2050*". The Second Press Release states that market participants' net-zero plans should "*reach a net zero underwriting position for the market by 2050*

[6] Society of Lloyd's, ESG Report 2020 (December 2020). Our Previous Letter contains more analysis of the Fuel Targets (including why they are insufficient to achieve the goals of the Paris Agreement).

ClientEarth

at the latest". These statements suggest that the Society is adopting some form of meaningful science-based pathway to net-zero emissions:

a. The Society would not meet its commitment to align its activities with *"government policy in achieving net zero greenhouse gas emissions by 2050"* unless it was also aligning market participants' activities with the Government's interim targets towards net-zero for 2030 and 2035.

b. Although the detail is not provided in the Press Releases, a 2050 net-zero target that does not require emissions reductions along a science-based pathway in the interim, would not be fit for the purpose of transitioning to net-zero. It can therefore be understood from the Press Releases that the Society is asking market participants to align with a science-based pathway towards net-zero, and is not solely setting a target for the level of emissions in 30 years' time.

12. This is supported by the detail on the Society's climate ambitions provided in the NZIA Commitment. This states that the Society's net-zero commitments will take into consideration *"the latest available scientific knowledge and associated social impacts, and the findings of recognised reports such as the International Energy Agency's (IEA) Net Zero by 2050 report".* In addition, it states that the Society will *"support"* the transition to *"net-zero emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100"* by (amongst other actions) advocating for market participants to introduce net zero plans. In addition, it states the Society will work to develop *"science-based net-zero strategies"* for the insurance sector. The Society's public position in the Press Releases and NZIA Commitment, taken together, indicate that the Society will be asking market participants to align with a science-based pathway consistent with 1.5°C warming and the IEA's net zero pathway.

Previous Fuel Targets

13. In its ESG Report 2020, the Society publicly stated that it would ask managing agents to comply with Fuel Targets to exit the financing and underwriting (by 2025 and 2030 respectively) of coal, tar sands and Arctic oil. Neither of the First and Second Press Releases refers to Lloyd's existing Fuel Targets. The Society has not publicly confirmed that it has departed from its existing public commitments in the Fuel Targets, so the public and policyholders will be entitled to assume that the Society's new net-zero commitments incorporate and build upon the Fuel Targets. Indeed, in the Second Press Release Lloyd's CRO David Sansom states: *"we are building on the ambition set out in our first ESG report"*, suggesting that the Fuel Targets are still effective. However, there is some evidence that the Society may no longer be committed to its Fuel Targets:

a. Insurance industry press coverage has referred to some of the content of the (non-published) Guidance, and has noted that the Guidance appears to row back from the Fuel Targets:

> *"In its ESG report published in 2020, Lloyd's stated that from 1 January 2022, managing agents would be asked "to no longer provide new insurance coverages", for thermal coal-fired power plants, thermal coal mines, oil sands, or new Arctic energy exploration activities.*

ClientEarth

But the 2021 report appears to pare this back, stating: "We are not mandating the exclusion of these policies.""[7]

b. In an interview with insurance industry press,[8] Lloyd's CEO John Neal suggested that the Society did not need to specify which kinds of harmful activities (such as fossil fuel underwriting) members should not underwrite, stating: *"It might be that we continue to think that particular items – thermal coal, Arctic drilling and others – are things we shouldn't do for good reasons, but I don't think we have to [specify]."* This appears to contradict the Society's position on the Fuel Targets in its ESG Report 2020.

c. The footnotes to the Second Press Release state: *"Lloyd's set out its target for the Corporation to be net zero by 2025 in terms of its own operations in its first Environmental, Social and Governance (ESG) report published December 2020. Lloyd's recognises that it is for each managing agent make [sic] its own decisions on the risks it underwrites, the investments it makes, and the way in which to reduces [sic] its operational carbon emissions."* This statement is ambiguous, as it does not directly address the status of the Fuel Targets. However, it could be read to imply that Lloyd's is no longer committed to the Fuel Targets.

Conclusion on the Net-zero Statements

14. We call on the Society to clarify what action the Market will actually be taking on climate change, including precisely what market participants are being asked to do in the Guidance and what pathway to net-zero emissions is being taken. Making a public net-zero commitment, without providing the underlying detail of what the commitment involves, can risk greenwash and misleading the public around the nature and credibility of the climate action being taken. In particular, if the Society's commitment does not reflect the position indicated by the Net-zero Statements outlined above, then the Society and Council members risk breaching their legal duties (see further the below section on legal duties).

15. In addition, Lloyd's needs to set the public record straight on whether the Fuel Targets are still part of its climate policies. If the Society is no longer committed to the Fuel Targets, it must publicly confirm this, otherwise it will risk misleading the public and policyholders as to the climate action being undertaken by Lloyd's.

<u>Legal duties</u>

Duties not to mislead

16. As set out above, the Society's Net-zero Statements would be misleading if the Guidance does not set an effective framework for market participants to take concrete action to reduce emissions on a science-based pathway consistent with limiting warming to 1.5°C, or if Lloyd's is no longer pursuing its Fuel Targets. A failure to correct misleading public statements about the climate action Lloyd's is taking would risk putting both the Society and Council members in breach of their legal duties:

a. The Society is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA), and is subject to their respective rulebooks. Accordingly, it is subject to duties

[7] Insurance Insider, <u>'Lloyd's tells managing agents to create ESG frameworks as it accelerates carbon underwriting oversight'</u> (21 October 2021).
[8] Insurance Insider, <u>'Neal on ESG: Climate represents 'biggest opportunity' for (re)insurance'</u> (7 September 2021).

ClientEarth

to act with integrity, conduct its business with due skill, care and diligence, and to take reasonable care to organise and control its affairs responsibly, all of which could be breached by not correcting misleading public statements.[9] In addition, the Society is under duties to disclose relevant matters to the FCA and PRA, which may require the Society to notify the regulators if they are no longer pursuing their Fuel Targets.[10]

b. Similarly, all Lloyd's Council members are individually required under FCA and PRA rules to act with integrity, and act with due skill, care and diligence.[11] It is well established that duties of integrity include duties not to mislead, including by omission.[12] In addition, Council members who exercise a senior management function[13] have a duty to take reasonable steps to ensure that the business for which they are responsible complies with relevant regulatory requirements (including the requirements set out at (a) above), and to disclose relevant matters to the FCA and PRA.[14]

c. Lloyd's Council members are required under the Lloyd's Constitutional Arrangements Byelaw[15] to exercise reasonable care, skill and diligence, and to have regard to the need to maintain a reputation for high standards of business conduct and to foster business relations with those who do business at Lloyd's.[16]

17. In addition, if the Net-Zero Statements are misleading (as a result of the Guidance not reflecting the position set out at paragraphs 8 to 13 above), this could put market participants in breach of their own regulatory duties if they do not correct the position in their own communications with policyholders. This includes the duties outlined above, as well as duties to be clear, fair and not misleading in communications with clients.[17]

Duties to set and disclose a climate policy for market

18. Our Previous Letter[18] set out the Society's and Council members' duties in relation to mitigating climate change. We therefore do not set them out in detail here, but in summary:

a. The Society is legally obliged (under the Society's cooperation agreement with the PRA and the insurance prudential framework Solvency II) to set a credible policy for the Market to limit its exposure to climate change risks, including by reducing the contribution of the Market to climate change by aligning with the goals of the Paris Agreement. Climate change poses a

---

[9] See FCA Principles for Business 1, 2 and 3 and PRA Fundamental Rules 1, 2 and 6.
[10] See PRA Fundamental Rule 7; FCA Principles for Business 11, which require disclosure to the regulators of anything of which the regulators *"would reasonably expect notice"*.
[11] See FCA APER 2.1A Statements of Principle 1 and 2 and PRA Insurance Individual Conduct Standards 1 and 2.
[12] See *Wingate v SRA* [2018] 1 WLR 3969 (CA) and FCA COCON 4.1.1.
[13] The Council members with senior management functions are John Neal, Angela Crawford-Inge, Peter Spires, Julia Lambdon, Bruce Carneghie-Brown, David Sansom, Patrick Tiernan, Emma Stewart, Andrew Haste, Birkhard Keese, Neil Maidment and Emma Hardaker.
[14] See FCA COCON 2.2 Senior Manager Conduct Rules 2 and 4.
[15] Lloyd's Constitutional Arrangements Byelaw paragraphs 3.2 and 3.3.
[16] See also Noel Hutley SC, Further Supplementary Opinion on Climate Change and Directors Duties (April 2021) which finds that net-zero commitments may constitute misrepresentations as to future matters, if not backed up by reasonable grounds. Although the opinion is under Australian law, many of the principles are analogous under English law.
[17] See FCA ICOBS 2.2, COBS 4.2 and PERG 8.18.
[18] See paragraphs 12 to 15.

ClientEarth

fundamental threat to the insurance sector,[19] so failing to take adequate action to mitigate climate change would in effect prioritise short term revenues over Lloyd's members' collective long term resilience and profitability.

b. Council members are individually responsible under Lloyd's Constitutional Arrangements Byelaw to promote the success of the Society and members, taking into account both long-term consequences and the impact of Lloyd's on the community and the environment. The language of these duties on Council members mirrors the language of directors' fiduciary duties under section 172 of the Companies Act 2006, and they should therefore be interpreted consistently. It is well established that directors' duties require action on climate risks,[20] and Lord Sales (Justice of the Supreme Court) has opined that directors' duties may require taking action to reduce the company's contribution to climate change, in circumstances whether the company's interests would be prejudiced by climate change.[21]

19. Since our Previous Letter, the legal position has evolved. The UK Government has committed (in its Greening Finance Roadmap[22]) to mandating that UK financial institutions and listed companies publish transition plans aligned with the Government's net-zero commitment (or explain if they have not done so) as part of the upcoming Sustainability Disclosure Requirements ("**SDR**"). Lloyd's members are therefore highly likely to be legally required to reduce their emissions (including the emissions from their underwriting portfolios) in line with the UK Government's emissions reduction commitments (including its net-zero 2050 commitment) when the SDR comes into force.

20. In addition, the UK Government and regulators have set expectations for firms to adopt and disclose credible transition plans with science-based interim targets, which Lloyd's may fail to meet if it does not disclose the details of its climate policies (including the Guidance):

a. The FCA and PRA have set out further information on their expectations and approach in relation to firms' net-zero commitments in their recent Climate Change Adaptation Reports:

i. The FCA has expressed *"concern"* that firms are setting net-zero commitments without *"clear targets to achieve this goal"*. It has indicated that firms should set and publicly disclose science-based targets designed to measure progress towards net-zero commitments, and emphasises the need for transparency, for example stating: *"We are keen to see firms' [net-zero] commitments backed up by appropriate governance and the adoption of coherent*

[19] As outlined in our Previous Letter at paragraphs 10 to 11, extreme warming will lead to increased and less predictable risks (including from extreme weather events), making it more difficult for insurers to provide cover for risks. This is so significant that the CEO of insurance company AXA has warned that a world warmed by 4°C is *"not insurable"*. Extreme warming will also reduce the value of insurers' asset portfolios. In addition, insurers face transition risk in their asset portfolios if they do not divest from carbon-intensive companies (in particular, fossil fuel companies) that do not have credible transition plans.
[20] See for example the Commonwealth Climate and Law Initiative, Primer on Climate Change: Directors' Duties and Disclosure Obligations (June 2021). See also Noel Hutley SC, Opinion on Climate Change and Directors Duties (October 2016, as supplemented in March 2019 and April 2021) which addresses directors' duties under Australian law (which are in relevant substance similar to English law duties).
[21] Lord Sales, Speech on directors' duties and climate change: keeping pace with environmental challenges (August 2019).
[22] HM Government, Greening Finance: A Roadmap to Sustainable Investing (October 2021). See also HM Treasury's press release Chancellor: UK will be the world's first net zero financial centre (2 November 2021).

ClientEarth

transition plans, supported by targets and metrics that allow firms and others to monitor progress."[23]

ii. The PRA has indicated that transition plans *"will also be of interest to the PRA, particularly where they set out how firms intend to manage their activities in line with transition pathways"* and that *"The PRA will provide an update at a later date on how such plans will be considered in the supervisory process."*[24]

b. The UK Government has set out expectations for transparent disclosure of near-term science-based targets by the investment and pensions sectors (which will apply to investment business at Lloyd's) in its Greening Finance Roadmap. Amongst other matters, this states that firms should join net-zero initiatives and *"back up this commitment by publishing by the end of 2022 a high-quality transition plan. This should include near-term science-based targets and set out their organisation's pathway to net zero financed emissions."*

Minimum standards for net-zero commitment

21. In order to comply with its legal duties (including those set out above and in our Previous Letter) and to be credible and effective, the Society's policies and rules implementing its net-zero commitment should at a minimum:

a. apply to all activities by market participants (including both underwriting and investment);

b. cover the scopes 1-3 emissions of underwritten and investee companies;

c. include short-term (e.g. 2025) and medium term (e.g. 2030) emissions reductions targets, on a science-based pathway consistent with limiting warming to 1.5°C above pre-industrial levels with little or no overshoot (meeting IPCC pathway SSP1-1.9[25] and the UK Government's emissions reduction commitments);

d. include restrictions on financing and underwriting of fossil fuels that apply from January 2022[26] and that are at least consistent with the UN's Production Gap Report and the IEA's Net-Zero Report;

e. measure and publicly disclose individual syndicates' progress against the targets (the Society has indicated in the First Press Release that it will publish aggregated data for the whole market, which would be insufficient to hold particular actors accountable);

f. be introduced as soon as possible; and

g. be transparently disclosed, including by publishing the Guidance.

[23] FCA, Climate Change Adaptation Report (October 2021). See paragraphs 2.12, 4.38, 5.22, 5.23, 5.29, 5.37 and 5.40-5.43. See also the CMA's expectations on net-zero commitments in its Guidance on environmental claims on goods and services (September 2021) at paragraphs 3.49, 3.50 and 3.72.
[24] PRA Climate Change Adaptation Report (October 2021). See page 22.
[25] IPCC, Contribution of Working Group I to the Sixth Assessment Report (August 2021).
[26] We note that Lloyd's ESG Report 2020 stated that the first restrictions under the Fuel Targets would be adopted from 1 January 2022 (with other restrictions being phased in later).

ClientEarth

Questions

22. In view of Lloyd's systemic importance and the legal duties set out above, it is crucial that the Society transparently discloses the degree of climate action it is taking. In order to clarify the nature of the Society's net-zero commitment, please provide a response to the following questions:

    a. Will the Society publish the Guidance? If not, why not?

    b. Does the Society's net-zero commitment apply to market participants' investments (in addition to their underwriting business)?

    c. Does the Society's net-zero commitment cover scopes 1-3 emissions of underwritten and investee companies?

    d. Has the Society set any interim emissions reductions targets (e.g. 2025 or 2030) for market participants or asked market participants to set such interim targets?

    e. Does the Society's net-zero commitment for market participants target limiting warming to 1.5°C above pre-industrial levels with little or no overshoot consistent with IPCC pathway SSP1-1.9? If not, what pathway is the Society asking market participants to target?

    f. Does the Society's net-zero commitment for market participants include alignment with the UK Government's 2030 and 2035 emission reduction commitments?

    g. Is the Society asking market participants to target a pathway for fossil fuels consistent with the IEA's Net-Zero Report, including: net-zero electricity by 2040 (and in OECD countries by 2035); all unabated coal and oil plants (and the vast majority of unabated gas plants) to close by 2040; and no investment in new fossil fuel supply beyond projects committed in 2021?

    h. Is the Society asking market participants to target a pathway for fossil fuels consistent with the UN's Production Gap 2021 Report,[27] including annual reductions of 11%, 4% and 3% for thermal coal, oil and gas production respectively?

    i. Is the Society still asking market participants to comply with the Fuel Targets, or imposing any other restrictions on the financing or underwriting of fossil fuels?

    j. When will the commitment to transition to net-zero start to apply to market participants, and what is the baseline year against which emission reductions will be measured? The Press Releases state that a measurement framework will be adopted in 2023, does this mean that the first emissions reductions will be reported in 2024 against 2023 emissions?

    k. What actions does the Society intend to take to ensure that market participants comply with its net-zero commitment (including complying with any pathway to net-zero specified by the Society)? In particular: (1) will the Society use its legal powers (set out in our Previous Letter) to issue binding directions to managing agents to comply with the commitment; (2) will the Society take formal enforcement action against market participants that do not comply; and (3) will the Society commit to publishing information on individual syndicates' compliance with the targets?

[27] UN Environment Programme & others, The Production Gap 2021 Report (October 2021). See page 15.

ClientEarth

Yours sincerely,

Joanne Etherton

Senior Lawyer, Climate Finance Lead

jetherton@clientearth.org

www.clientearth.org

Dan Eziefula

Lawyer, Climate Finance

deziefula@clientearth.org

www.clientearth.org

Appendix – Net-zero Statements

Extracts from press release on 25 October 2021 (First Press Release)

"Lloyd's confirmed its intention to align its approach and activities to government policy in achieving net zero greenhouse gas emissions by 2050".

"Lloyd's has committed to achieve net zero by 2050 and to transparently measure and report on its progress towards that goal"

"through the SMI Insurance Task Force, Lloyd's will develop a climate transition measurement framework that will allow the Corporation to begin to track and measure the market's progress, on an aggregate basis, in transitioning towards a net zero underwriting position by 2050."

Extracts from press release on 28 October 2021 (Second Press Release)

"Lloyd's will advocate and support all market participants to introduce and implement their own net zero plans in order to reach a net zero underwriting position for the market by 2050 at the latest. These new formal expectations will be embedded into the Lloyd's market oversight framework, putting climate action at the heart of annual business planning cycles with syndicates."

"Underpinning this critical development, Lloyd's is creating a new market-wide 'Sustainability Transparency and Reporting Regime' which will be used to measure and report on the market's progress towards a net zero underwriting position by 2050."

Quote from John Neal (CEO Lloyd's): *"We are delighted to join the Net-Zero Insurance Alliance and are fully committed to working collaboratively across the financial sector to achieve its net zero ambition."*

Quote from Nigel Topping (UN High-level Climate Action Champion): *"I welcome the ambition from Lloyd's in leading the Lloyd's marketplace to a net zero underwriting position by using their influence with market participants to full effect."*

Quote from David Sansom (CRO Lloyd's): *"it is imperative that we work towards a sustainable underwriting approach, with a portfolio of customers and business that supports our ambition to achieve net zero by 2050"*

Extracts from Lloyd's Net Zero Insurance Alliance commitment

"My organisation commits to:

- *Transition all its operational and attributable greenhouse gas (GHG) emissions to net-zero emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100 in order to contribute to the implementation of the COP21 Paris Agreement. The Lloyd's Corporation will support this transition in the following ways:*

    [*text* omitted]

    - *Advocate and support market participants to make positive change across the market by introducing and implementing their own net-zero plans."*

ClientEarth

"Mirroring the three action areas above, examples of relevant targets include but are not limited to:

[*text* omitted]

3. The Lloyd's Corporation will set out clearly its expectation that managing agents should be developing ESG strategies and net-zero plans, and as the process evolves fully embed relevant approaches in its market oversight framework. Relevant targets could be based on metrics such as:

- *The proportion of market participants introducing ESG strategies and net-zero approaches and commitments.*
- *The proportion of market participants that have signed up to the NZIA and relevant net-zero initiatives (e.g. Net-Zero Asset Owner Alliance, Net-Zero Asset Managers Initiative)*
- *The number of concrete efforts and activities by the Lloyd's Corporation to build knowledge and develop capacity on science-based net-zero strategies and approaches within the marketplace."*

- *"The Lloyd's Corporation will encourage insurance businesses participating in the Lloyd's Market to sign up to the NZIA and relevant net-zero initiatives (e.g. Net-Zero Asset Owner Alliance, Net-Zero Asset Managers Initiative) and use the latest net-zero approaches relevant to the insurance industry when introducing and implementing their own net-zero plans.*
    a. *See Annex 1 for the NZIA commitment by signatory companies (applicable to insurers and reinsurers – i.e. risk carriers)*
    b. *b. See Annex 2 for the NZIA commitment by brokers"*
- *Take concrete efforts, in collaboration with the NZIA, to develop knowledge and capacity on science-based net-zero strategies and approaches relevant to the insurance industry's insurance, reinsurance and investment portfolios. Particular efforts will be made to develop an open source climate transition measurement framework, and a resulting market-wide Sustainability Transparency and Reporting regime which will measure the market's progress towards a net-zero underwriting position by 2050. This approach should be aligned with and support the development of a standardised methodology to measure and disclose the GHG emissions of insurance and reinsurance underwriting portfolios.*
- *"Carry out the net-zero approaches outlined above taking into consideration the latest available scientific knowledge and associated social impacts, and the findings of recognised reports such as the International Energy Agency's (IEA) Net Zero by 2050 report"*

"My organisation makes this Commitment with the expectation that:

- *Governments will follow through on their own net-zero commitments to ensure that the goals of the Paris Agreement are met"*