

Climate Roadmap: Four Pillars to drive change

Prince Charles: “I am enormously grateful to the ABI and its members”



“I can only call on every individual and every firm in this sector to take action in the four areas set out in the ABI’s own excellent roadmap.”

CLIMATE CHANGE ROADMAP

Pillar One: Meeting Net Zero by 2050
The UK insurance and Long-term Savings sector is committed to meeting Net Zero by 2050 and to the global target of a 50% reduction in emissions by 2030 – in line with the Intergovernmental Panel on Climate Change (IPCC) 1.5°C Climate Goal.

Pillar Two: Unleashing Investment Capacity
The industry has a key role in providing the scaled investment capacity that will be needed to phase out carbon-intensive activities and replace them with sustainable and renewable innovations.

Pillar Three: Sustainable Industry Operations
The insurance and Long-term Savings sector aims to reach Net Zero within its own directly controlled operations by 2025. By 2030, we aim to have engaged proactively with suppliers to include supply chain emissions within the scope of the sector's target of reducing overall emissions by 50%.

Pillar Four: Helping Society Adapt
We can also play a wider role in helping the customers and stakeholders that we work with adapt to a changing climate – helping them take action to reduce emissions, mitigate the impact of temperature rises and become more resilient to the effects of a changing climate.

- Committing to science-based targets and publishing transition plans.
- Unleashing investment capacity
- Making procurement conditional on positive action by suppliers
- Helping society adapt – with resilient repairs, sustainable parts and innovative products

Insurance and Long-term Savings sector leadership

- ABI members are leading the way to make Climate Transition Plans the norm across the UK economy.
- Transition Plans are a key plank of Pillar One of our Climate Change Roadmap – providing the evidence base against which you can assess if Net Zero commitments and targets are credible.
- The ABI has always supported and endorsed the TPT Disclosure Framework.
- Use cases for Transition Plans include:
 - To set a forward-looking strategy against which ISSB S1 and S2 disclosures report
 - Due diligence to inform investment and underwriting activity and supply chain procurement
 - To compare best practice against industry peers and competitors
 - An evidence base for policymakers



Our key messages: Transition Plans

- TPT Framework is an intuitive and accessible starting point
- TPs must be consistent and comparable
- Use TPs to inform policymaking
- Reduce reporting burden by making TPs default cross-reference point
- Aim to integrate nature and adaptation
- Make them relevant – focus on business model and strategy (not ticking boxes)



Industry adoption of Transition Plans: early lessons

- Transition Planning likely to remain **within Sustainability specialisms** (even as reporting transitions to BAU financial reporting)
- Transition Planning relies on **assumptions** – the audit trail of how these assumptions developed over time will be a key test of the credibility (*not whether every judgement call made today was right*)
- A Transition Plan that sets out a complete vision of your company’s place in a 2050 Net Zero economy will cover every part of your organisation – in drafting the early iterations of your plan, the key question is “**where to start?**”
- Investors increasingly look at whether a Transition Plan reflects any **Capex** required to replace, retrofit or maintain assets impacted by transition or physical risk, alongside the impact on operating costs and revenue streams
- Scenario analysis is increasingly looking at more **short-term scenarios**
- There is continued uncertainty on when, if or how **carbon pricing** might apply – establishing an internal carbon price is a tool many firms use to address this in their plans

***“It is really hard and, like everyone else planning for a net zero world, we are finding our way.*”**

Getting meaningful data on indirect greenhouse gas emissions can be a particular challenge.

But we can’t wait for perfection: we have to start somewhere and our plans (like others) will get much better over time.

Sacha Sadan, Director of ESG,
Financial Conduct Authority