Supplemental guidance for insurance companies

The supplemental guidance for disclosure recommendations (a) and (b) of the metrics and targets section within the TCFD framework recommends that insurers:

- describe the extent to which their insurance underwriting activities, where relevant, are aligned with a well below 2.0°C scenario; and
- disclose the weighted average carbon intensity or GHG emissions associated with commercial property and specialty lines of business where data and methodologies allow.

The Group does not currently disclose information in relation to the above guidance. Our aim is to explore how we develop alignment to these recommendations in future reporting.

Operational

We calculate and report our GHG emissions annually. Our most recent reporting can be found on page 69 where we continue to break out our Scope 1 and Scope 2 emissions into separate performance figures across our office sites and accident repair centres. We also disclose our Scope 3 footprint, with greater clarity of the activities under our direct control, as well as our supply chain and homeworking emissions.

Our performance to date

We are proud of the progress we have made on reducing emissions and have a record of setting targets to hold the business to account. In 2013, we set two Group-wide environmental targets for our Scope 1 and 2 GHG emissions which we have tracked, reported against and successfully met in 2020. The two targets we set were:

- a 57% reduction in emissions (Scope 1 and 2) on a like-for-like basis by the end of 2020 against a 2013 baseline. In 2022, we saw a 70% reduction in energy-related emissions against this baseline; and
- a 30% reduction in energy consumption on a like-for-like basis by the end of 2020 against a 2013 baseline. This year we delivered a 56% reduction in energy consumption against this baseline.

With hybrid working well embedded across the business, large numbers of our people continue to work from home regularly which has contributed to a reduction in our Scope 1 and 2 emissions. In recognition of this we have again calculated and reported homeworking emissions under the Scope 3 'Employee Commuting' category (see page 69).

Overall, in 2022, we saw an increase in emissions under our direct control when compared to 2021. This primarily reflects an increase in activities relating to vehicle repair which, in 2021, was less prevalent following the impact of Covid-19 on Motor claims frequency in the first half of the year. This increase was partly offset by a reduction in Scope 1 and 2 emissions in 2022, driven by a reduction in our office footprint and continued investment in energy efficiency measures across our estate. Our GHG emissions reporting can be found on page 69.

From 2023 we will report on progress against our Science-Based Targets which were approved in November 2022 (see below).

Science-Based Targets

We are pleased with the success we have made in reducing our Scope 1 and 2 emissions having met the two targets we set in 2013 and now want to enhance our carbon reduction strategy further.

In support of our net zero ambitions, we have set five Science-Based Targets, in line with a 1.5°C pathway, focused on the most carbon intensive areas of our business, one of which covering our operational emissions. These targets were approved by the SBTi in 2022.

Scope	Target
Operational	We target reducing absolute Scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year.

More information on these targets, including how we will disclose progress against them can be found on page 66.

Supply chain

While we wait for the publication of the Science-Based Net Zero Targets for Financial Institutions from the SBTi, which is expected in 2023, we chose to set an internal emissions reduction target for our supply chain in 2022. This target forms part of our Sustainable Sourcing Approach, where we continue to encourage our largest emitting suppliers to sign up to SBTI targets or an equivalent (see page 66).

Other indicators we monitor and manage across our operational activity include our energy sources and consumption and the waste generated from our office sites. See page 67 for more information.

Investments

More than 180 financial institutions have publicly committed to set emissions reduction targets through the SBTi. In 2018, the SBTi launched a project to help financial institutions align their lending and investment portfolios with the ambitions of the Race to Zero campaign. The project audience includes universal banks, pension funds, insurance companies and public financial institutions.

Our long-term goal is for our entire investment portfolio to be net zero emissions by 2050, in line with the aims of the Race to Zero campaign. To support this, we have set Science-Based Targets for our investment portfolio covering corporate bonds, commercial real estate and commercial real estate loans, these were approved by the SBTi in 2022.

Science-Based Targets

As at the end of 2022 our investment portfolio targets covered 63% of AUM.

Asset Class	Target
Corporate Bonds	Align the Scope 1 and 2 portfolio temperature score by invested value from 2.44°C in 2019 to 2.08°C by 2027. Align the Scope 1, 2 and 3 portfolio temperature score by invested value from 2.80°C in 2019 to 2.31°C by 2027.
Commercial Real Estate	Reduce GHG emissions by 58% per square metre by 2030 from a 2019 base year.
Commercial Real Estate Loans	Reduce GHG emissions by 58% per square metre by 2030 from a 2019 base year.

More information on these targets, including how we will disclose progress against them can be found on page 66.

The temperature score for corporate bonds is the implied level of warming above pre-industrial levels to which our portfolio is aligned based on the CDP's temperature rating data set. For an individual company the temperature rating is the level of warming to which a company's publicly stated emission reduction targets align. The targets are set on a linear pathway for the portfolio to reach 1.5°C by 2040 as is required by the SBTi.

We aim to achieve our corporate bond target by directing investment to companies with lower temperature scores as these are the ones taking most serious action to reduce emissions. We will also expect our external investment managers to engage with portfolio companies to encourage them to act by setting robust emissions reduction targets. We will also continue to target an interim 50% reduction in weighted average carbon intensity by 2030 from a 2020 base year for corporate bonds in order to ensure emissions are reducing over time.

For commercial real estate, targets were set using the SBTi sectoral decarbonisation approach for real estate which uses the IEA ETP 2017 Beyond 2°C scenario. Emissions for real estate relate to the energy use of buildings which is largely emissions from electricity and heating use. Work towards our real estate targets will require improving the energy efficiency of buildings, engaging with tenants to share energy use data and encouraging them to set their own emissions reduction targets.

Carbon intensity is the GHG emissions intensity per $1 million of sales. Normalising by sales allows the investor to compare carbon efficiency of different-sized firms within the same industry and has become a standard metric used in the investment industry.

Streamlined Energy and Carbon Reporting (SECR) regulations

The following table highlights where information can be found that supports the requirement to disclose how the Group manages its energy consumption and carbon emissions.

Requirement

	Pages
Annual global GHG emissions (CO_2e):	
– from activities for which the Company is responsible	67 and 69
– from buying electricity, heat, steam or cooling by the Group for its own use	67 and 69
Annual global energy consumption in kWh, being the aggregate of:	
– energy consumed from activities for which the Company is responsible	67
– energy consumed resulting from buying electricity, heat, steam or cooling by the Group for its own use	67
The proportion of GHG emissions and energy consumed relating to the UK and offshore area[1]	67 and 69
Methodology used to calculate emissions and energy consumption	70
At least one intensity metric in relation to emissions	70
Description of energy efficiency actions taken	68

Note:

1. The offshore area is broadly defined as the sea adjacent to the UK, including the territorial sea, plus the sea in any designated area under section 1(7) of the Continental Shelf Act 1964 and section 41 (3) of the Marine and Coastal Access Act 2009.