

UNEP FI Global Roundtable

“Our climate strategy is applied seamlessly / A call to further action”

Thomas Buberl, 26/11, 10h30-10h40, opening keynote.

<http://www.unepfi.org/grt2018/agenda/>

INTRODUCTION – UNEP leadership

- Dear Augustin, Eric and Satya¹, thank you for **inviting me to the 2018 Global Roundtable**. This is an important event to tackle global challenges.
- It will also see the launch of the **UN Principles for Responsible Banking**². I’m sure these new Principles will in time have the same positive influence as the UN Principles for Responsible Investment and UN Principles for Sustainable Insurance³.
- Today I want to focus on **climate change**.

CLIMATE CHANGE – the science is clear

- 3 years ago, during **COP21**, world governments committed to contain global warming under 2°C. This has led to a tremendous mobilization across industries. But it is far from enough. As President Macron said last year when he opened the **One Planet Summit**, “we are losing the battle”. This was not alarmism for the sake of alarmism: this was a sensible call to action.
- If you believe in science, and I do believe in science, you know this is serious - and we need to **get serious about climate change**. We all need to act: all sectors, public and private players, every industry, investors, insurers, towards the same goal, the low-carbon economy.
- **AXA is serious about climate change**. We have been a first mover on this. **Now, we want to move further**. But before I do this, I need to give you some context.

STOCK TAKING

- We have acted since the first Climate Finance Day in 2015, when we were the first large investor to initiate **divestment from coal**, sending a strong signal ahead of COP21. I don’t need to explain the rationale behind this decision to an audience like yours.
- It may seem like the normal thing to do now, but let me tell you **two things**:
 - At the time it was an **odddity** which took everyone by surprise. It was just not something institutional investors would consider. The focus until then was on utilities and fossil fuel, not the financial industry. We needed to think outside the box to come to this decision.
 - And secondly, divesting from coal is still **not the norm today**. For example, in my industry, **less than 10% of insurers have restricted coal investment**. If we look only at the largest insurers, it’s still just about a third⁴. If you look at insurance restrictions, it’s even less. This means for every seller there is a buyer, for every insurance contract cancelled, someone else will fill the gap. It may be an operational hassle for the fossil industry, but it’s not enough to truly shift things to the next level.
- Then a year ago, during the **One Planet Summit**, we announced an ambitious climate strategy:
 - We increased our coal divestment to over 3Bn Euros, with much more demanding criteria.
 - We also divested 700ME from oil sands.
 - We increased our green investments target to reach 12BnE by 2020.

¹ Augustin de Romanet, Chairman, Paris Europlace, Eric Usher, Head, UNEP FI and Satya Tripathi, assistant secretary-general, UN Environment

² Launched same day.

³ AXA signed the PRI in 2011 and PSI at launch in 2012.

⁴ Figures in number of insurers, not premium volumes.

- We joined the Climate Action 100+ coalition
- We committed to publish a climate risk analysis in line with the TCFD.
- And we were the first insurer to implement underwriting restrictions on the coal and oil sands industries.
- These announcements were immediate, comprehensive and tangible, and most importantly, could be understood and imitated by all. So here is a quick **update on our situation**:
 - **On our divestments**: 100% of the equity assets have been divested and the remaining debt assets are running off as planned.
 - **On our green investments plan**, we have now reached 10.9BnE. In 2018 alone, we added an extra 2.7BnE. These investments help reorient capital flows in the right direction.
 - **On underwriting restrictions**: we have stopped underwriting new business on the coal and oil sands construction and property business lines, and existing policies will have lapsed by the end of next year.
 - **On climate analysis**: we published our second TCFD report in the spring this year and are now working on our third report. **We don't just talk about the TCFD, we practice it.**
 - We have also decided to **support academic research** on the energy transition through the AXA Research Fund.
- But my presence today is **not just a simple update**. Today's announcement relates to our role as an insurer.

AXA XL

- Last year, when I made these announcements, AXA was a medium-sized player in the field of Commercial Lines insurance, as opposed to retail lines insurance.
- In March 2018, we announced the acquisition of the **XL Group**, one of the largest Commercial Lines players. This was a major 15Bn\$ acquisition which has changed AXA's profile significantly: we are now the largest Commercial Lines insurer worldwide. This is about insuring factories, large infrastructures, shipping, airlines, etc. This is where we can act as a responsible insurer, by nudging clients towards more sustainable businesses. We call this "insurer engagement" and it complements our "shareholder engagement" work.
- As you can imagine, the portfolio of business falling under our underwriting restrictions suddenly increased massively. This was a challenge we identified in our very first discussions with the XL teams. Should we favor short term business opportunities or continue to strive to lead the longer-term fight against climate change?
- Today's announcement is about **consistency: we have decided to extend our climate policies to our new AXA XL division**, which means implementing underwriting and investment restrictions to a very significant business book.
 - **AXA XL will no longer underwrite the construction and operations of coal plants, coal mines, oil sands extraction and pipelines as well as arctic drilling.**
 - This will impact over **100ME of premiums** and it will be effective by January 2020.
 - And our various investment exclusions are also applied to AXA XL. This represents an **extra divestment of 660ME**.
- This is a **significant commercial effort** on the part of the AXA XL teams. Some teams are greatly impacted by these restrictions. It is not just about shifting figures in a spreadsheet, it is also about handling very human challenges.

A CALL TO COLLECTIVE ACTION

- Finally, before I conclude, I am pleased to see that **a growing number of insurers are making commitments on decarbonization and climate resilience** through both their insurance and investment activities, using both sides of an insurer's balance sheet.
- We hope our decision to restrict insurance coverage will create further momentum in the insurance industry. We also hope the brokerage industry will reflect on its role on this issue, as more **collective effort** here is needed. We simply cannot continue doing business as if the warnings from the world's top climate scientists did not matter.
- However, the economic and social costs of natural disasters are escalating and the insurance protection gap is widening. Therefore, **AXA is happy to support the idea put forward by the UN PSI of a Climate Ambition Coalition⁵**. This would be a coalition of insurers convened by the PSI who would not only commit to actions on decarbonization and climate resilience in their insurance and investment activities—but also raise their climate ambition, in line with the Paris Agreement.

CONCLUSION.

- A few words to conclude on the scale of the challenge.
- **Too often sustainability is perceived as an obvious business choice. This is not our experience: often it is both difficult and costly.** We do not regret anything we did – divesting, investing, restricting underwriting, etc - but this sometimes represents business sacrifices. **The business case of sustainability is challenging.** Yet it is an effort we must all consent to undertake.
- **However, rather than seeing climate change only as a burden, we should also reframe it as an opportunity to rise to a challenge that deserves our best efforts.**
- As I said last year, I am like all of you here today: I don't want a 4-degree world. **Rather than support the past, let's support a low carbon future.**
- Thank you for your time.

⁵ "Soft launch" of a UN PSI project to generate more / better climate commitments from insurers. This would for example include efforts related to green investing and insurance solutions, alongside coal-related restrictions, closing the insurance protection gap and developing climate risk assessment tools in line with the TCFD. To be potentially launched by the UN PSI at 2019 UN Climate summit.