Climate Change

The Board has also allocated SMF responsibility for managing Climate Change financial risks to its Finance Director. In its supervisory statement PRA SS3/19, together with subsequent regulatory correspondence, the PRA sets out how firms should enhance their approached to managing climate related financial risks. The Company has established a cross functional Climate Change Working Group who have identified a comprehensive set of key climate related financial risks, the details of which was shared with the Board Risk Committee. Several climate financial risks are already managed as part of the existing risk management frameworks, and impact assessments from the Reinsurance and Investment Committees shared with the Board Risk Committee that confirmed climate change was a key consideration for both areas. Specifically during 2020, the decision was taken to update the investment strategy incorporating new investment guidelines to reflect a number of Environmental Social and Governance priorities and that TU would continue to monitor the carbon footprint of the investment portfolio with the intention of setting a target in 2021 to ensure a lower overall carbon footprint, thereby mitigating the risk to value from over-exposure to certain sectors.

The Board is also monitoring the longer-term transition risks arising from the changing Climate relating to the personal lines insurance market.

Total Co2 emission for TU operations in 2020:

	Total	Utilities	Travel
Co2e tonnes	474.8	454.8	19.9
Co2e tonnes per FTE	1.4	1.3	0.1

The figures represent TU's carbon footprint in our full financial year 2020. The calculations use emission factors from Defra's GHG Conversion Factors for Company Reporting as published by the UK government : https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020.

The total Co2e tonnes per FTE has been assessed to be 1.4 in 2020. This is an assessment of energy usage within the 2 offices in Newcastle and Reigate and business travel. During 2020 office usage and business travel were both limited due to the Covid-19 situation.

The responsibility for managing the financial risks of climate change has been allocated to the Finance Director. A climate change working group including representatives from Underwriting, Claims, Finance and Risk has been established.

The focus is on identifying a comprehensive set of key climate related financial risks.

From an underwriting perspective, controls in relation to exposure from natural catastrophes including flood, rainstorm, windstorm, coastal, rivers are being assessed. Also, TU is considering a defined approach to transition risks as petrol and diesel vehicles are phased out and replaced by electric over the next decade.

The claims team are focussed on third party supplier exposure to climate change risk as well as supply chain costs increasing due to new technology in vehicles.

From a reinsurance perspective, TU is ensuring that reinsurance is diversified in the face of climate change and monitoring counterparty exposure in line with current expressed limits. Credit rating exposure to specific reinsurers are being measure and monitored, ensuring that a Reinsure credit rating minimum of 'A-'and that the highest rated reinsurers are are used for highest risk covers. Reinsurance market developments are being monitored to ensure capital availability and continuity of renewal.

Investment guidelines have been updated to include Environment, Social, Governance (ESG) considerations. This includes implementing ESG limits including those related to carbon footprint and demonstrating the monitoring of ESG in investment guidelines.

Climate change is being considered in risk assessments and reviewed as part of operational resilience planning.

TU has embedded climate change monitoring in governance committees and has considered climate change in the 2021 ORSA scenario analysis.

Further developments relating to climate change are included within TU’s Section 172 report.