Net-Zero Emissions for Investments of Munich Re
Is it possible?

Global Change Management – Strategies for Change and transformation – Group 2

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WHY IS IT DIFFICULT FOR AN INSURANCE COMPANY TO REACH NET-ZERO EMISSIONS BY 2050?

WHAT ARE IMPORTANT FACTORS INFLUENCING THIS TRANSITION?

RULES & REGULATIONS for insurance sector

Different time horizons

Investment in bonds vs. shares

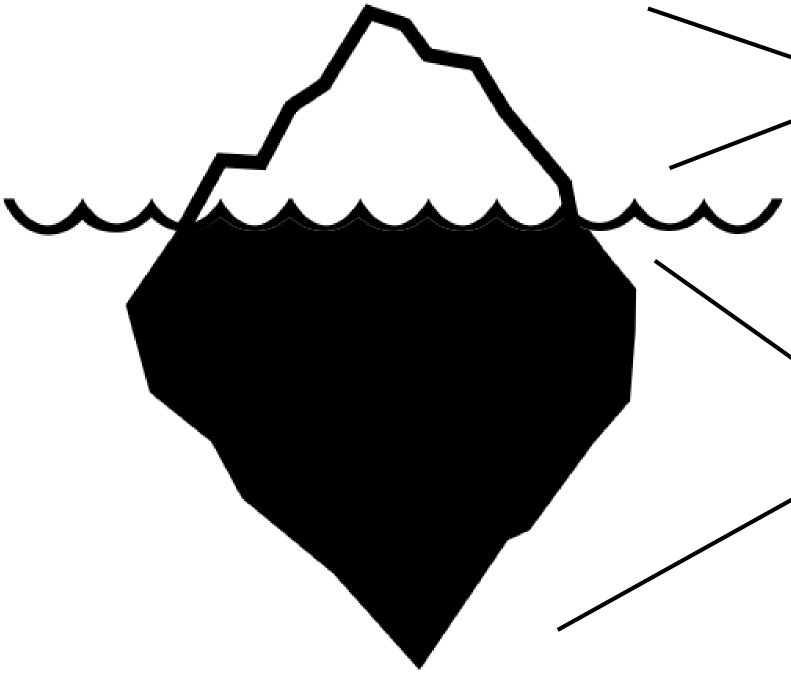
If investments in new assets and financial products – rather late and to a small extent

CUSTOMER EXPECTATIONS

- customers expect a certain return on their premium for e.g. life insurances
- fixed returns on certain products

⇨ need for stable ROIs

IN TRANSPARENCY & DATA AVAILABILITY



what the company reveals in its reportings and investor relations

all other business activities the company is involved and investing in

CO_2 emissions along the entire value chain

NO REPORTING STANDARDS

- EU Non-Financial Reporting Directive
- SMEs left out
- no standards on the contents of CSR reporting

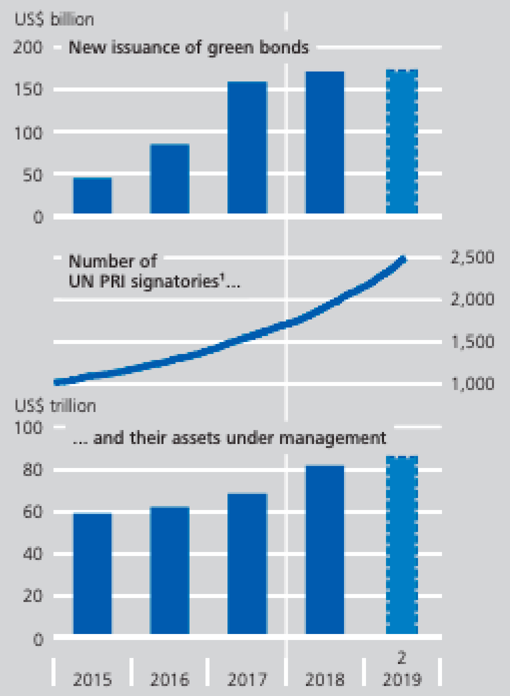
AVAILABILITY OF GREEN BONDS

Market is increasing

<u>BUT:</u>

- green bonds are not all the same
- no conformity on the definition of green bonds
- data availability on projects directly funded through the issuing of bonds → usually not revealed

The global market for sustainable finance



Sources: Climate Bonds Initiative and UN PRI. 1 UN Principles for Responsible Investment. 2 As at September 2019.
Deutsche Bundesbank

ARE THERE BEST PRACTICE EXAMPLES

HOW THIS CAN WORK?

- Doubled it’s green investment
- invested in transition bonds – complementing green bonds
- launches FastCat → new parametric assistance service (weather alert)
- gradually exiting coal industry → strengthened its coal connected policy
- joined Net Zero Asset Owner Alliance (Munich Re is a member)
- AXA is also joining forces with the C40 network

Swiss Re

- switched to ESG benchmarks
- divested from companies with an exposure < 30% to thermal coal in 2016; 2019 added absolute thresholds for mining companies and power utility generators.
- has achieved a 50% average carbon intensity reduction in its investment portfolio across credits and listed equities since the end of2015.
- has increased its green, social and sustainable bond target from USD 1.5 billion to at least USD 4 billion by 2024.

FRONT RUNNERS

- Environmental Business Initiative:
    - invest additional $300 billion by 2030 in sustainable energy and transportation, climate resiliency and clean water → low-carbon, sustainable economy and enable it to deliver long-term value
- Santander:
    - aims to facilitate €220 billion → Sustainable Development Goals by 2030 → green finance tackling climate change
- UBS Group AG
    - developed product to identify the carbon intensity of investments → reducing exposure to, rather than excluding, companies with higher carbon risk → strategic engagement with these companies

INVESTMENT STRATEGY FOCUSING ON

INVESTMENT OPPORTUNITIES

TO SUPPORT THE TRANSITION TO A LOW-CARBON ECONOMY

COMPANIES SHIFTING TO GREENER BUSINESS MODELS

Ørsted

syngenta

DSM

INNOVATIVE COMPANIES

SkyNRG
Sky Energy | The Fuel Future

IMPOSSIBLE™

GIGA FOOD

NATURAL RESOURCES

DIGITALISATION AS A TRANSITION FACILITATOR

- technological innovations can harm our environment → rebound effects
- Green or clean digital technology investment has potential to indirectly influence a lowering of your carbon Footprint
- green technology continues to emerge as a growing force with innovation trends
- *Example:*
  - use of mobile technologies → **machine-to- machine** (M2M) and **internet of things** (IoT): global reduction in GHG emissions > 2 billion tonnes last year (2019).
  - Salesforce: created carbon accounting product to help customers based on climate-related data.

ECOSYSTEMS INITIATIVES

- can help overcome economic and other structural barriers by fostering sectoral collaboration
- enabling willing actors to overcome restrictions on individual companies and agree on risk-sharing mechanisms → create the competitive level playing field necessary for companies to act
- such ecosystems can help accelerate the speed and scale of change.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

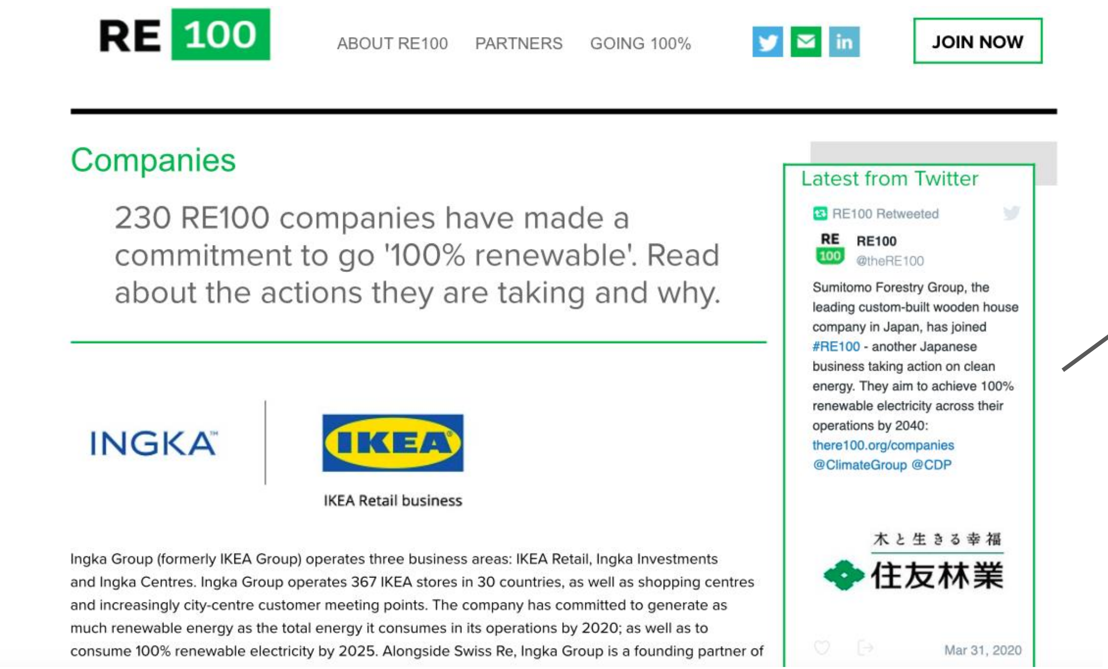
Natural Climate Solutions Alliance

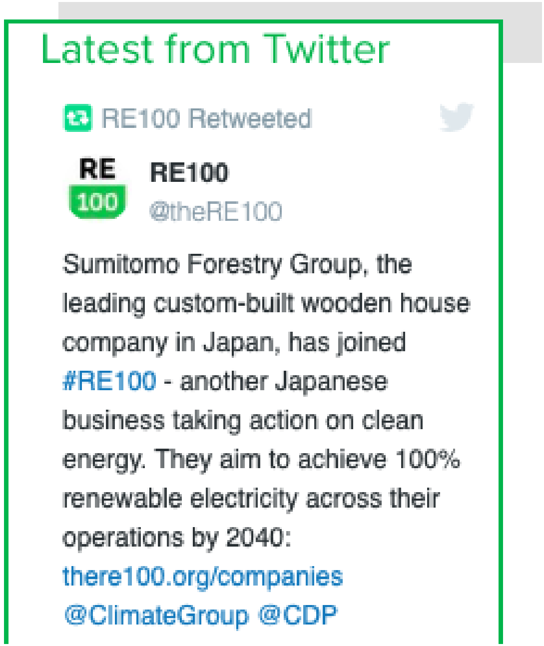
Companies working with governments to unlock finance for natural climate solutions in new & existing markets

Source: WorldEconomicForum - Ecosystems can help overcome barriers (2020)

ECOSYSTEMS INITIATIVES

RE100: has been instrumental in pushing commitments to 100% renewable energy among leading companies





Source: www.there100.org

WHAT CAN POLITICS DO TO ENFORCE THIS SHIFT OF INVESTMENT?

Green investment can be scaled up to deliver sustained global growth

The first Green Investment report synthesizes, and draws out key implications and recommendations from the best available research on green investment from Alliance members and other leading institutions. Based on current analysis on global green investment flows and the amounts needed to address climate and other environmental challenges, and given the growing base of experience in targeting public funds and policies to attract private investment in green growth, there are four recommendations for government, business and public finance leaders.

Greening investment, and thereby the economy, is the only option: carbon and resource-intensive growth is simply not a viable growth pathway

This first message is a broadcast to political, business, labor and civil society leaders and the general public. Economic growth cannot be sustained without dramatic increases in natural resource productivity and reductions in carbon emissions. As a result of the clear evidence of negative climate change impacts today, and the potentially devastating impacts in the future, greening investment is a precondition for a stable, vibrant and inclusive global economy. Building from the 2012 G20 Summit, G20 leaders should reaffirm that greening the economy is the only route to sustained growth and development.

Transitioning to a green growth pathway is achievable at low cost

To accelerate and guide the green growth transformation, governments, investors and international organizations must improve global tracking, analysis and promotion of green investment.

Effective policy pathways and the efficient deployment of public finance to green investment is well understood, tried and tested, and must now be scaled up

There is a need to reinforce the collective political will to advance public policies to incentivize green investment and economic growth, including:

•Accelerating the implementation of the G20 commitment to phase out fossil-fuel subsidies, and bringing into force fiscal and other instruments that establish robust carbon prices.

•enabling greater free trade in green technologies, including those developed with commercial and public finance, through initiatives such as those adopted by APEC (Asia-Pacific Economic Cooperation) leaders

•Integrating the adaptation agenda into green investment by supporting initiatives that promote the scaled-up deployment of clean energy, water and agriculture across poorer communities, as exemplified by the United Nations Sustainable Energy for All Initiative.

G20 governments and emerging economies can demonstrate leadership by:

- Encouraging development finance institutions to accelerate and rationalize the broad adoption and scale-up of tried and tested public financing instruments.
- Engaging private investors directly in debate, co-design and wider dissemination of experience of relevant co-financing mechanisms.

Investors should seize the green investment opportunity by calibrating risk-return analysis to the current climate in pursuit of long-term returns

- The recommendations above will be advanced through the Green Growth Action Alliance

The Green Growth Action Alliance: combining public and private expertise to scale up investment for green growth.

The Green Growth Action Alliance is supporting the scale-up in green growth through the collaboration of more than 50 leading financial institutions, corporations, governments and non-governmental organizations.

Some examples of initiatives and working groups trying to achieve these goals are:

- Development and testing of new financing tools
- Promotion of green free trade
- Promotion of large-scale renewable-energy purchases by corporations
- Energy efficiency financing
- Climate-smart agriculture financing
- Innovative finance models

EU Commission action plan on sustainable finance

In March 2018, the European Commission adopted an action plan on sustainable finance as part of a strategy to integrate environmental, social and governance considerations into its financial policy framework and mobilize finance for sustainable growth. In May 2018, the Commission released the first legislative package under the action plan.

The four proposals included in the package are:

(1) A unified EU classification system ('taxonomy')

(2) Investors' duties and disclosures

(3) low-carbon benchmarks

(4) Better advice to clients on sustainability

Germany's Climate Action Law

General purpose of the law:

•Guarantee Germany fulfils national and European climate targets “to safeguard against the effects of global climate change”

•Law “rests upon” Paris Agreement target to limit global warming to well below 2°C and possibly to 1.5°C, plus the commitment Germany made at the UN climate action summit in New York on 23 September 2019 to *“pursue” the long-term target of greenhouse gas neutrality by 2050.*

Sources

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Thank you for your attention!!