

AON

fdf
food & drink
federation

Food, Agribusiness and Beverage

Climate risk and opportunity
webinar

11 July 2024



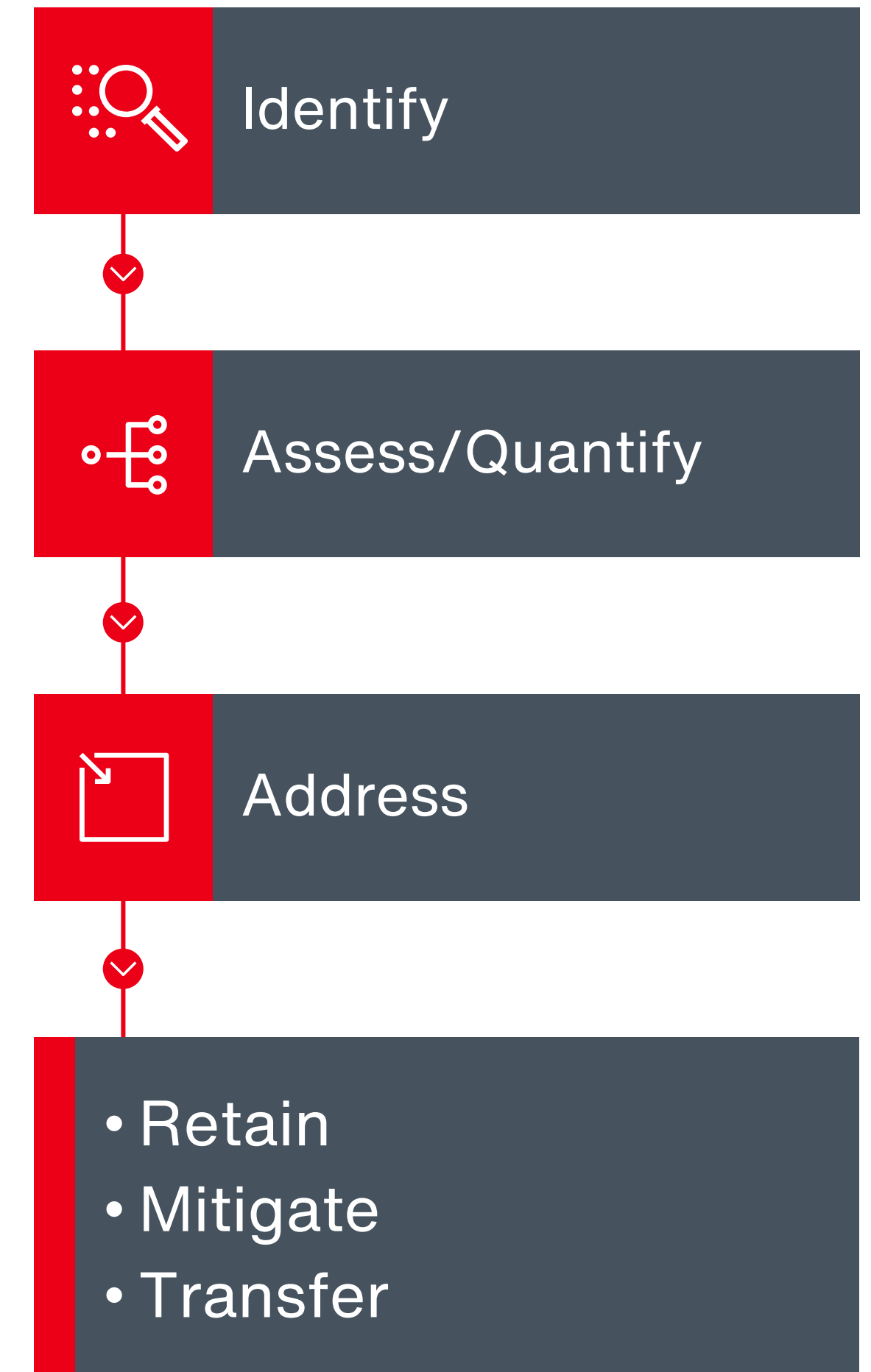
Introductions



Dominic Probyn
Director, Climate Risk Advisory



Richard Fawcett
Industry Leader – Food, Agribusiness & Beverage (UK)



Sector expertise

We understand your business and the industry in which you operate. This is demonstrated by our sector expertise:



Aon clients represent **52%** of the **top 100** food manufacturers in the UK including **7** of the **top 10** (The Grocer report, 2022)



Globally, Aon advises **9** of the **top 10** largest food manufacturing companies in the world

Our UK Food & Drink Practice brings together our experts from across the UK and internationally. Our group meets regularly to share insights and best practice, but also brief colleagues on new and innovative solutions available for our clients



Our industry experts contribute regularly to our thought leadership communications, and these can be found on our



Aon is an Associate Member of the Food & Drink Federation and regularly support and attend its events

Over the last 5 years our claims consultants have **actively managed over £200m** of major losses in the Food & Drink Sector to accelerate positive claims settlements and avert crises

Addo Foods **Apetito** **Arla** **Asda**
Associated British Foods
Bernard Matthews **Bacardi** **Bidfood**
Boparan/2SFG **Brake Brothers**
Country Style Foods **Cranswick**
Dairy Crest **Daniel Thwaites** **Danone**
Danish Crown **Douwe Egberts** **First Milk**
Fox's Burton's Company **Fentimans**
Ferrero UK **Frontier Agriculture** **Glen Grant**
Grenade **Greencore** **Hazlewood Foods**
Hills Biscuits **Iceland Seafoods** **Kerry Foods**
Kettle Produce **Lidl** **Marr Seafoods**
Martin Brower **McQueens Dairies** **Morrisons**
Mondelez **Nestle** **North British Distillery**
Ocado **Pets Choice** **Peters Foods** **Pork Farms**
Quintessential Brands **Saputo UK**
S&A Foods **Scottish Salmon** **Sofina Foods**
Tesco **Thomas Tunnock** **Unilever**
Upfield Foods **Walkers** **William Jackson Foods**
Whyte & Mackay **Wyke Farms** **Zwanenberg**

Aon's Insights

Top Risks in the Food, Agribusiness and Beverage Industry

Current Top 10 Risks

1

Commodity
Price Risk or
Scarcity
of Materials

2

Supply Chain
or Distribution
Failure

3

Business
Interruption

4

Cyber Attack or
Data Breach

5

Climate
Change

6

Weather or
Natural
Disasters

7

Damage to
Reputation
or Brand

8

Regulatory or
Legislative
Changes

9

Failure to
Attract or
Retain Top
Talent

10

Product
Liability or
Recall

Source: Aon Global Risk Management Survey Results 2023



Natural Disasters Are on the Rise, Urgent Climate Mitigation and Adaptation Action Is Needed

2023 was the hottest year in at least 173 years, with global temperatures rising

1.5°C

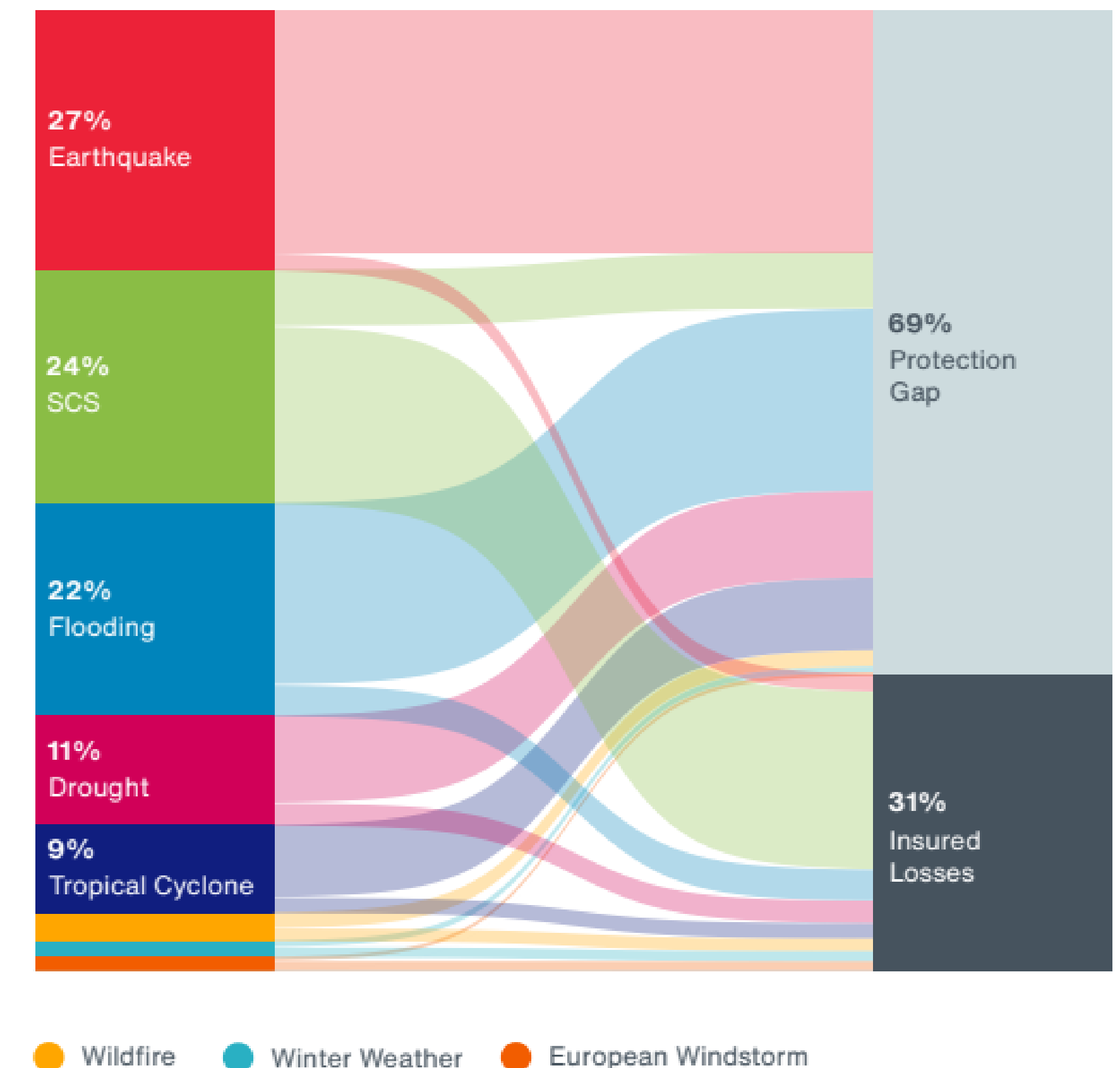
above average temperatures from the start of the Industrial Revolution.

The largest ever reallocation of capital in the global economy is required to quickly reduce the pace of global warming and transition to low carbon economy. For example, 130 governments committed to **triple the world's installed renewable energy capacity** to at least 11,000 GW by 2030.

In 2023, natural disasters caused **\$313 billion in global economic costs**, with only 31% of these costs covered by insurance. At least **95,000 people lost their lives** due to global natural catastrophe events.

Accelerated action is required to **build resilience and adapt to climate change**. To close the nearly 70% global protection gap, investment is needed in **risk mitigation and risk transfer solutions**.

How economic losses in 2023 translated to un/insured losses?



The food industry is facing significant pressure to decarbonise, reduce emissions, and support more sustainable practices

The agriculture and food industry must increasingly demonstrate support for the resilience of natural capital.



Growing Regulatory Pressures

Regulators across the globe are preparing to **impose regulations** limiting greenhouse gas emissions, driving the agriculture industry towards sustainable sourcing



Supply chain transparency and risk

>80% of industry survey respondents felt they **did not have comprehensive oversight** over their supply chain ¹. FAB firms seek transparency and security within their supply chain



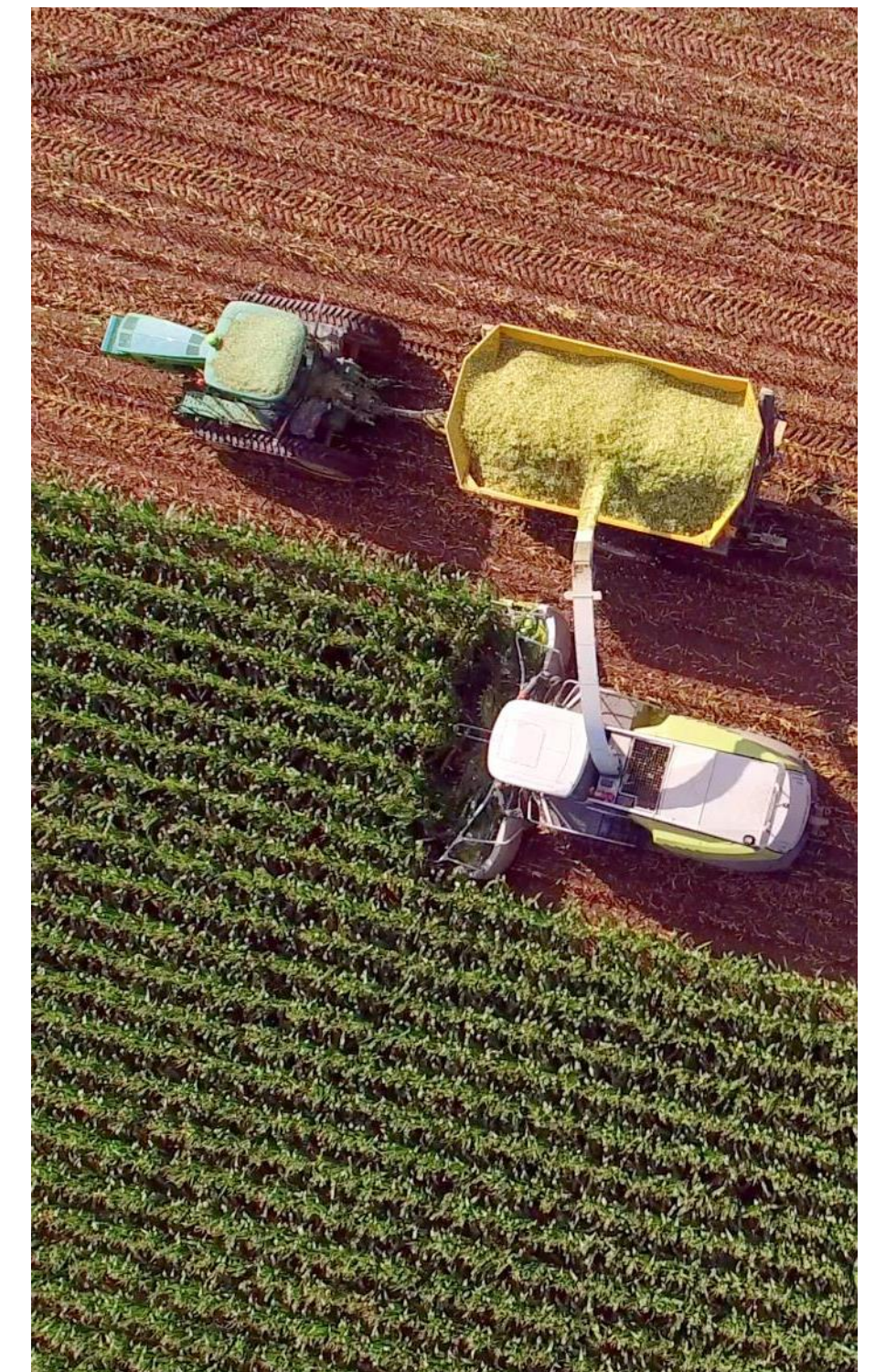
Evolving Consumer Preferences

75% of millennials are **altering their buying habits** and shifting towards products produced under regenerative practices ²



Climate risk

There are **increasing risks to food supplies** from extreme weather events, depletion of arable land, and water shortages ³. The National Farmers Union have said the flooding and extreme weather linked to climate change could undermine UK food production



Source(s):

- 1) TSC: Greening Global Supply Chains
- 2) Nielsen
- 3) McKinsey: Starting at the source: Sustainability in supply chains

Regenerative Agriculture

What is Regenerative Agriculture?

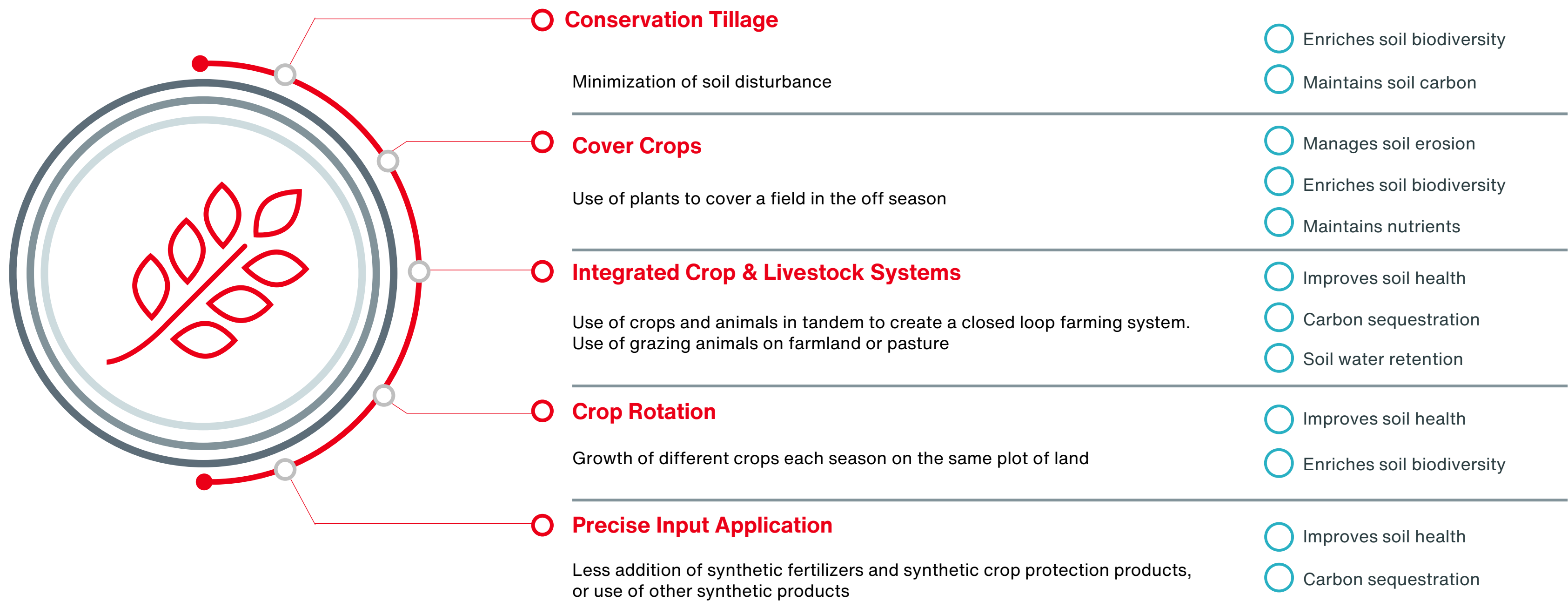
Regenerative agriculture is a conservation and rehabilitation approach to food & farming systems. It **focuses on topsoil regeneration** (a carbon sink), increasing biodiversity, improving and water security, enhancing ecosystem services, **supporting carbon sequestration**, and increasing **resilience to climate change**.



Why shift to Regen Ag?

The Sustainable Markets Initiative suggests that at least 40% of global farmland must transition to regen ag by 2030 to keep global warming to **1.5°C**; currently, **only 15%** of global farmland is managed using regenerative practices

Key Practices of Regenerative Agriculture



What can the insurance industry do?

Deliver insight

Food, drink and agricultural firms need to understand how climate change can impact their business and sector

Accessible analytical tools help firms understand climate risk on assets, people and operations



Advise

Supports firms to deliver;

- investment decisions,
- regulatory reporting,
- Disclosure, and
- Risk management strategy

The insurance sector helps with the 'so what'

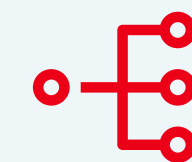


Transfer risk

Help impacted clients to maintain access to insurance

Introduce resilience and incentivise decarbonisation in the supply chain

New insurance capacity for highly impacted firms



Insurance brings: Climate experience and risk mitigation solutions

Examples

Accessible tools

Context: Client sought to review a range of agricultural assets in Southern Europe

Solution: Climate tools in combination with agricultural expertise projected exposure to climate risk and impact of climate change on viability of assets



Advice

Context: Food producer needed support to assess climate risk and disclose

Solution: Consulting expertise in engineering and climate analytics deployed to assess like-hood and impact of climate risks and opportunities across business



Risk Transfer

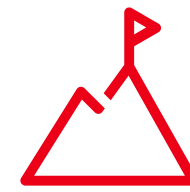
Context: Firms need to secure supply chains and incentivize nature positive farming

Solution: UK food producers are providing insurance via captive to growers to incentivize adoption of nature-positive practices



What is the industry doing that's new and different?

Addressing new and uninsured risk



Parametric insurance > addressing new forms of business interruption

Carbon offsets insurance > bringing confidence to voluntary carbon markets

Investing in analytics and academic partnership



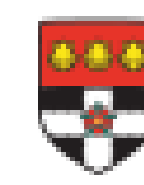
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IN THE CITY OF NEW YORK

 **UNIVERSITY OF ILLINOIS**
URBANA - CHAMPAIGN

 **KIT**
Karlsruher Institut für Technologie



UNSW
SYDNEY



University of Reading

Climate presents a significant challenge to the FAB sector and the insurance industry is supporting

All firms are impacted, especially those with supply chains in the global south

The industry is asking lots of the same questions about climate risk

The insurance industry is here to help and can support FAB firms now

The insurance industry is innovating to meet new and emerging client needs



Questions and answers



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