

# AXA

## PRESS RELEASE

PARIS, 29 OCTOBER 2015

### **“BUSINESS UNUSUAL”:** Why is the climate changing the rules for our cities and SMEs?

- > The AXA Group and the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (UNEP FI PSI) published today the results of the first international study on how cities and SMEs are working to become more resilient to the consequences of climate change
- > A conference debate was organized today at AXA's headquarters in Paris, co-hosted with the UNEP FI PSI, to discuss the conclusions of the survey and more with experts, researchers, business and urban leaders

By 2030, 60% of the world's population will be living in cities, which will be at the core of the climate conundrum.

Now that climate change has become a reality, how will our cities and SMEs adapt to its impact? How will they manage the new economic, social and environmental risks? What are the challenges and obstacles that are slowing down resilience efforts? These are the primary questions raised this summer with some 1,100 SME directors and urban leaders from major cities in 18 countries across Europe, the Americas and Asia. This report commissioned by the AXA Group is now public and available [here](#).

The Stern Review on the Economics of Climate Change (2006) considers that its cost could account for some 20% of global GDP by the end of this century, with much of the bill being footed by cities and businesses alike. What is more, as we head towards COP21, i.e. the 2015 United Nations Climate Change Conference, or Conference of the parties 21, held in Paris from November 30 to December 11, whose objective is to achieve a legally binding and universal agreement on climate, research from the Penn Schoen Berland (PSB) Institute shows that Urban Leaders and SMEs believe we have already come too far to fully mitigate the threat of climate change. As this new reality has increasingly been acknowledged, cities around the world have developed and built adaptation strategies to make their infrastructure and populations more resilient to the climate change-related challenges they will increasingly face.

A key factor for a city's resilience is a strong local economy, driven by resilient businesses. With this in mind, Urban Leaders stress the need for businesses of all sizes to focus on how they intend to meet the challenge of long-term climate change.

Research also shows, however, that many SMEs are severely under-prepared to deal with its effects:

- Only 26% say that they have a strategy or plan in place to deal with potential climate-related risk;
- 65% are worried about climate change in relation to their business, with this figure rising to 75% among SMEs from emerging markets, where communities have been most affected to date;
- As a result, SMEs feel vulnerable, and only a quarter believes their business is well prepared to withstand the impact of climate change.

### **So what role for insurers?**

The insurance industry, recognized as a leader in risk assessment, has a major opportunity to step forward to advise SMEs on how to assess climate risks and support them in the development of resilience plans: 62% of SMEs believe that insurance companies are a credible source of information on climate change.

Urban Leaders also recognize the power of the insurance industry to drive change and the importance of having an ongoing dialogue with insurers to better understand the evolving nature of the risks they face.

Indeed, the industry has the opportunity to instigate behavioral change among businesses at the local level through education and awareness, as well as through the pricing and design of products but also services that incentivize resilience measures. Overall, 74% of SMEs believe that insurance companies can help reduce climate-related risks.

*“This report shows that certain cities have made great strides to become climate-resilient. But much remains to be done,”* said **Henri de Castries, Chairman and CEO of AXA**. *“We hope the findings outlined in this report will provide useful insights for public authorities and businesses alike to better plan for the consequences of global warming. And it is our conviction that, thanks to its expertise in risk modeling and prevention, crisis management and better repair, the insurance industry of which AXA is one of the driving forces will become a decisive partner in this global effort to develop resilience to climate change,”* he added.

One month before COP21, AXA and the UNEP FI PSI brought together this morning various personalities, business and urban leaders, experts and researchers, to debate the practical solutions envisaged to tackle the effects of climate change on our cities and businesses, not only in France but across the world.

Speakers included: Henri de Castries, Chairman and Chief Executive Officer of the AXA Group, Margareta Wahlstrom, Special Representative of the UN Secretary-General (SRSG) for Disaster Risk Reduction (UNISDR); Jean Jouzel, Research Director at the Atomic Energy and Renewable Energies Commission (CEA) and former Vice President of the Intergovernmental Panel on Climate Change (IPCC); and many others. Two panel debates were specifically devoted, respectively, to helping SMEs adapt to the changing climate and the urgent agenda of smart cities. Edouard Philippe, Mayor of Le

Havre and a Member of the French Parliament, shared his vision and insights on how he is looking to make his city more resilient to climate change.

*“This pioneering report, capturing the views of city leaders and SMEs from across the globe on climate risks, could not have come at a better time,”* said **Butch Bacani, Programme Leader of the UNEP FI PSI.** *“It also shows how the insurance industry can work together with cities and SMEs in helping build resilient and sustainable communities and economies. Risk management and collaboration are at the heart of sustainable development.”*

### **AXA and climate change**

Insurance plays two roles: protection - of people, goods and physical assets - on the one hand and investments, to enable this protection, on the other. Insurance therefore plays a role both in limiting the scale of global warming and in preparing our societies for its consequences.

As an official COP 21 sponsor, the AXA Group, a global institutional investor, has therefore made strong commitments to help mitigate climate change:

- divesting from the companies most exposed to coal-related activities by end 2015. This initiative represents a divestment of over EUR 0.5 billion;
- tripling the green investment footprint of the Group’s General Account by 2020, aiming to reach to over EUR 3 billion;
- integrating ESG footprint in all relevant asset classes of AXA's General Account;
- signing the United Nations’ "Montreal Pledge," committing to assess and disclose the carbon intensity of investments by December 2015, and thereby anticipating the requirements of the French Energy Transition law.

AXA also highlights the need to broaden the notion of risk in finance so as to better take into account the new and expanding nature of the major challenges societies and economies face today, starting with climate change. This entails embedding efficient 'carbon pricing' mechanisms into regulatory frameworks and more broadly giving favorable treatment to the longer-term investments that are necessary to limit climate risks.

Helping clients, cities and communities better adapt to the consequences of the changing climate is just as essential. Consequently, AXA is working alongside public authorities to enhance the resilience of infrastructures and populations, especially in emerging countries:

- AXA Corporate Solutions has developed a partnership with the World Bank to expand the availability of innovative climate parametric insurance solutions;
- AXA has joined the reinsurance panel of African Risk Capacity, a specialized agency of the African Union which helps Member States improve their capacities to better plan, prepare and respond to

extreme weather events and natural disasters, thereby protecting the food security of their vulnerable populations;

- The Group is also expanding investments and offers related to micro-insurance, and has recently established strategic partnerships with players such as LeapFrog and MicroEnsure.

COP 21 innovates through its partnership-focused “Agenda of Solutions,” a platform that gathers the climate commitments of non-governmental actors. The AXA Group is calling for action all relevant stakeholders, asking them to join this collective momentum in order for it to become an essential addition to the international agreement that the world’s leaders will have to find in December.

#### ABOUT THE AXA GROUP

The AXA Group is a worldwide leader in insurance and asset management, with 161,000 employees serving 103 million clients in 59 countries. In 2014, IFRS revenues amounted to Euro 92.0 billion and IFRS underlying earnings to Euro 5.1 billion. AXA had Euro 1,277 billion in assets under management as of December 31, 2014.

The AXA ordinary share is listed on compartment A of Euronext Paris under the ticker symbol CS (ISN FR 0000120628 – Bloomberg: CS FP – Reuters: AXAF.PA). AXA’s American Depository Share is also quoted on the OTC QX platform under the ticker symbol AXAHY.

The AXA Group is included in the main international SRI indexes, such as Dow Jones Sustainability Index (DJSI) and FTSE4GOOD.

It is a founding member of the UN Environment Programme’s Finance Initiative (UNEP FI) Principles for Sustainable Insurance and a signatory of the UN Principles for Responsible Investment (UNPRI).

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[www.axa.com](http://www.axa.com)

**Investor Relations:** +33.1.40.75.46.85  
 Andrew Wallace-Barnett: +33.1.40.75.46.85  
 Florian Bezault: +33.1.40.75.59.17  
 François Boissin: +33.1.40.75.39.82  
 Aurore Chaussec: +33.1.40.75.96.20  
 Sulabh Kakkar: +33.1.40.75.48.91  
 Varvara Romanenco: +33.1.40.75.73.63

**Individual Shareholder Relations:**  
 +33.1.40.75.48.43

**Media Relations:** +33.1.40.75.46.74  
 Garance Wattez-Richard: +33.1.40.75.46.42  
 Jean-Baptiste Mounier: +33.1.40.75.46.68  
 Sixtine Richer: +33.1.40.75.59.18

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