



ClimateWise

REDUCING THE RISK FOR TOMORROW

GUIDANCE FOR REPORTING

February 2009

INTRODUCTION

ClimateWise members have committed to publish a statement as part of annual reporting detailing the actions that have been taken on the ClimateWise Principles. This annual statement is central to the continuing credibility of the ClimateWise initiative. It serves to hold ClimateWise members to account as well as acting as a show-case for the efforts of its members to demonstrate their own progress and lead the wider insurance industry.

As part of this ongoing process, the ClimateWise Managing Committee has asked the independent reviewer for 2008, Forum for the Future, to draw up this guidance note for member reporting. This work is designed to provide ClimateWise members with clear guidance on what is required in the reports to achieve full compliance at this stage of the initiative's development.

OVERVIEW

REPORTS NEED TOSO THE MOST EFFECTIVE REPORTS WILL
Provide sufficient detail to enable an effective assessment of either compliance with the Principles or the explanation as to why elements of the Principles are not relevant to the member	<ul style="list-style-type: none"> • Disclose information on each separate element within each Principle. Disclosure may be through links to other reporting material prepared by the member, but the links need to be specific enough to enable the reader to understand how the member achieves compliance with that particular element of the Principles or why it is not relevant to the member’s business. • Comment on how they view their own compliance with that element, their work in progress to achieve compliance, or an explanation of why that element is not applicable to their own activities.
Show continuing progress	<ul style="list-style-type: none"> • Reflect the activities in the year being reviewed (with some flexibility to allow for the fact that the ClimateWise year may not coincide exactly with the member’s reporting year). • Explain how any areas of non-compliance or partial compliance in the previous year have been addressed. • Outline steps being taken (with a time-frame) to ensure future compliance.
Explore difficult issues so that they can be aired and addressed	<ul style="list-style-type: none"> • Clearly explore barriers to compliance with specific parts of the Principles where members recognise they are not yet fully compliant. • The principle of ‘comply or explain’ is key to ClimateWise remaining relevant to all of the industry and a fully justified explanation for why a particular element of a Principle is not applicable is regarded as equivalent to being fully compliant. Where appropriate, members are expected to clearly explain why a Principle is not applicable to them and whether that situation might change in the future to demonstrate it has been fully considered.
Recognise that size of organisation is a factor and sometimes a reason for collaborative action	<ul style="list-style-type: none"> • All members should report on each Principle but it is understood that members with fewer staff and resources may be more effective when collaborating with others in some areas rather than taking a lead on their own. In such cases, members are expected to report on collaborations or their relationship with, and active support for, representative organisations and associations.

Ratings on **disclosure** – full, partial or no disclosure - are given according to whether the member has disclosed its approach on each element of the Principles, including the reason why a particular element is not applicable.

Ratings on **compliance** – full, partial or non-compliance - are given according to the quality of the information provided in relation to each element of each Principle, taking into account the specific issues outlined in the tables below.

In addition, the reviewers are looking for commentary about **barriers encountered** in implementing each element of the Principles.

The detailed guidance below gives **some examples** of work that ClimateWise members might highlight to demonstrate compliance with each Principle. **The list is neither exhaustive nor prescriptive.** It is recognised that the ClimateWise membership is diverse and the responses to the Principles will vary according to the specific role each organisation plays in the industry. Furthermore, for some members, it may not be feasible to make progress each year on all elements of the Principles. However, given the legislative interventions in this area, **all** members are expected to report on measurement and disclosure of their own greenhouse gas emissions as a **minimum mark of compliance**. New members will be allowed to report on the processes that are being put in place to ensure that they can measure and disclose greenhouse gas emissions the next year.

DETAILED GUIDANCE

PRINCIPLE 1 – LEAD IN RISK ANALYSIS		
	Commentary required	Examples from different parts of the industry might include
1.1	Evidence that the member has supported or undertaken research during the year in question, with a brief description of the research focus and outcomes and an explanation of how this research has been used to inform business strategies.	<ul style="list-style-type: none"> • information on membership of research networks and initiatives; work with risk modelling agencies • to be meaningful, this should also include information on the topics covered and the papers produced • information on how the research is linked to informing business strategies
1.2	Evidence that the member has supported more accurate national and regional forecasting (either through their own work or through collaboration with/support of others), with a brief description of the relevant activity.	<ul style="list-style-type: none"> • involvement in any work done in translating general risk data into specific regional forecasts • involvement in any work done in developing climate-related business scenarios based on IPCC data • use of geographical risk analysis tool allowing assessment of flood risk and subsidence or other weather-related risk
1.3	Narrative confirming that the member has used its research or improved data quality on climate to inform levels of pricing, capital and reserves.	NOTE: Commercial confidentiality may preclude explicit reporting on HOW the member has used its research to inform levels of pricing, capital and reserves. The reviewer will therefore look for evidence that the member supports the underlying assumption – that the research on climate change should be used actively to influence core business decisions.
1.4	Evidence that the member offers goods and/or services that support the development of new technologies for tackling climate change.	<ul style="list-style-type: none"> • insurance for renewable energy technologies • insurance for carbon markets and carbon trading • insurance for forests • directors' liability insurance dependent on climate change strategy in place in the company concerned • differential pricing related to climate impact
1.5	Evidence that research has been shared.	<ul style="list-style-type: none"> • participation in science-industry knowledge transfer programmes (e.g. Lighthill Risk Network, Aon-Benfield Hazard Research Centre, Willis Research Network) • attendance at events • joint publications

PRINCIPLE 2 – INFORM PUBLIC POLICY MAKING

	Commentary required	Examples from different parts of the industry might include –
2.1	Evidence that the member has worked with policymakers nationally AND/OR internationally to help them with climate resilience, with a brief description of the relevant activity.	<ul style="list-style-type: none"> work with local authorities on flood defence and recovery work with national and international governments on the insurance elements for National Adaptation Plans for Action work with national governments or international bodies on public policy interventions such as standards-setting, data-gathering and risk-sharing mechanisms
2.2	Evidence that the member has promoted, actively engaged in, or supported representative organisations in public debate on climate change and the need for action.	<ul style="list-style-type: none"> active engagement in the Carbon Disclosure Project as a signatory investor and/ or as a discloser of information active engagement in relevant collaborative groups (eg UNEP FI, IIGCC, MCII, Climate Leaders Group, US Climate Action Partnership, Forest Carbon Dialogue, Resilient Coasts Initiative) submissions to governments in response to consultation production of publicly available documents to promote public debate organisation of events or meetings to promote public debate through ClimateWise itself
2.3	Evidence that the member has supported work to set and achieve national and global emissions reductions targets.	<ul style="list-style-type: none"> statements issued by collaborative groups (e.g. UNEPFI, IIGCC, Climate Leaders Group, US Climate Action Partnership, ClimateWise itself) evidence that the member has set their own internal targets for emissions reductions evidence that internal targets have taken national or global emissions targets into account
2.4	Evidence of work with Government.	<ul style="list-style-type: none"> active support for the development of building standards and specifications that will increase the climate-resilience of infrastructure work on post-disaster recovery, including business continuity work to support storm warning systems
2.5	Examples of how the member has worked with the emergency services to make the process of recovery after an incident as efficient and effective as possible.	<ul style="list-style-type: none"> NOTE: This will be 'not applicable' for many members. It is likely to relate mainly to general insurers responding to major weather-related incidents

PRINCIPLE 3 – SUPPORT CLIMATE AWARENESS AMONGST CUSTOMERS

	Commentary required	Examples from different parts of the industry might include –
3.1	Description of the ways in which the member informs its customers of climate risk, with concrete examples of tools that the member provides to customers to assess their own levels of risk. New initiatives that have taken place during the year should be given particular emphasis, but a description of the latest progress of existing initiatives is also important.	<ul style="list-style-type: none"> • carbon calculators for individuals and businesses • information provided to business customers on improving environmental performance • consultancy services • climate change experts at client seminars
3.2	Description of insurance products and services provided by the member that are designed to encourage customers to adapt to climate change or reduce carbon emissions. The focus should be on specific progress during the year, whether increased take-up of existing products and services or launch of a new product or service, bearing in mind market conditions.	<ul style="list-style-type: none"> • home insurance that covers domestic renewable technologies as standard • car insurance that rewards fuel-efficient driving • lower premiums for climate-resilient construction • preferential rates on directors' liability insurance where climate risk properly assessed at strategic level by company Board
3.3	Description of the system in place to ensure that repairs are carried out in a sustainable way and waste is minimised.	<ul style="list-style-type: none"> • policies that enable customers to rebuild to a higher environmental standard in the event of a loss • processes to encourage recycling and reuse of parts post-loss • NOTE: This applies to general insurers but not to members in other parts of the industry.
3.4	Evidence of engagement and action on developing world issues. NOTE: This will principally be relevant for members with international operations, although other members might also find ways to take action in this area, particularly through collaboration.	<ul style="list-style-type: none"> • meaningful dialogue on the role that insurers can play in supporting the developing world • specific initiatives such as weather risk insurance, catastrophe bonds • initiatives to improve data collection in developing countries • working with NGOs to provide low cost insurance for traditionally financially excluded groups, particularly for livestock, health and small enterprise • work on adaptation and the transfer of risk from the most exposed developing countries

PRINCIPLE 4 – INCORPORATE CLIMATE CHANGE INTO INVESTMENT STRATEGIES

	Commentary required	Examples from different parts of the industry might include –
4.1	Narrative that clearly recognises where climate change is a driver of financial value for a range of sectors across their whole portfolio and shows this to be incorporated into the investment decision-making process.	<ul style="list-style-type: none"> • research on material extra-financial (ESG) factors • fund manager capacity building/training • use of new toolkits/integration of climate change into existing investment risk assessment tools <p>NOTE: Where the member delegates investment decisions to an external fund manager, the reviewer is looking for evidence that the member has explicitly discussed the scope for climate change to be a driver of value (not simply treated it as a matter of corporate social responsibility or SRI investing)</p>
4.2	Evidence that the member has, either directly or through its fund manager, encouraged its investee companies to disclose information on their carbon emissions.	<ul style="list-style-type: none"> • signing up to the Carbon Disclosure Project or ensuring that the external fund manager has done so • member reporting on the carbon intensity of its investment portfolio, and explaining any strategy to reduce the carbon intensity over time • policy of using voting rights on ESG issues
4.3	Narrative to explain how the member seeks to improve energy efficiency and climate resilience in the properties in its investment portfolio.	<ul style="list-style-type: none"> • relevant processes in place in the investment and monitoring of property investment to check specifications in these areas • targets in place for energy efficiency in the property portfolio
4.4	Proactive communication of investment strategies on climate change to customers and shareholders. NOTE: It is not sufficient to state that the investment strategy is available but not actively communicated.	<ul style="list-style-type: none"> • open dialogue with customers and shareholders about investment strategies so that the assumptions that lie behind the strategy can be explored and questioned
4.5	Evidence that the member has shared its assessment of the impacts of climate change with its own pension fund trustees (and potentially also with pension fund trustees who are clients).	<ul style="list-style-type: none"> • direct communication with pension fund trustees on the impacts of climate change, requesting that they explore with pension fund managers how they are taking these into account in investment decisions • training or events held for pension fund trustees on how environmental, social and governance issues (including climate change) relate to their fiduciary duty

PRINCIPLE 5 – REDUCE THE ENVIRONMENTAL IMPACT OF OUR BUSINESS

	Commentary required	Examples from different parts of the industry might include –
5.1	Description of processes in place to select or monitor suppliers on the sustainability of their products and services.	<ul style="list-style-type: none"> sustainability criteria in place for procurement of at least the most significant goods and services purchased quantitative information on the proportion of paper from sustainable or recycled sources; on the proportion of electricity from renewable sources; on the proportion of food served in the canteen from sustainable sources; etc
5.2	Description of how the member is measuring the environmental impact of its operations.	<p>All members need to measure and disclose</p> <ul style="list-style-type: none"> GHG emissions of any offices that it owns or leases <p>Best practice will include evidence of</p> <ul style="list-style-type: none"> energy efficiency/management programmes measurement and disclosure of GHG emissions from business travel measurement and disclosure of GHG emissions of employees on their way to and from work measurement and disclosure of other environmental impacts, including water, waste and other resource use
	Explanation of steps that the member is taking to reduce the environmental impact of its own operations.	<ul style="list-style-type: none"> appointment of experts to provide guidance measurement processes put in place allocation of people with specific responsibilities for managing internal environmental impact, with relevant tasks included in job description and performance appraisal explanation of corporate policy on offsetting (for transparency) disclosure of realistic quantitative targets (for GHG emissions, waste management, resource use etc) that the member has put in place to guide reduction of its environmental impact
5.3	Evidence that the member has disclosed its direct emissions of greenhouse gases, using a globally recognised standard.	<ul style="list-style-type: none"> disclosure in line with the Greenhouse Gas Protocol (possibly also validation of the disclosure by an independent third party) available in public (on website, in accounts)
5.4	Description of steps that have been taken during the year to engage employees with indication of impact/take-up.	<ul style="list-style-type: none"> awareness-raising activities such as events and competitions departmental targets for carbon reductions incorporating relevant performance targets in annual appraisals Sharing the cost of carbon-reducing personal expenditure, such as fuel-efficient cars or domestic renewable energy internal staff surveys (“what do you think this organisation does for climate change”) take-up of specific engagement programmes/policies like travel

PRINCIPLE 6 – REPORT AND BE ACCOUNTABLE

	Commentary required	Examples from different parts of the industry might include –
6.1	Identification of Board level sponsor for climate change strategy and evidence for incorporation of climate risk into business strategy and planning.	<ul style="list-style-type: none"> • speeches made/publications launched by senior management on the subject of climate change and strategy • evidence that there have been strategic decisions at Board level to incorporate climate risk
6.2	Annual statement that systematically details actions taken (specific or ongoing) against each element of each of the Principles.	<ul style="list-style-type: none"> • section in company annual report that refers to existing information sources covering each element of the Principles • standalone ClimateWise report that refers to existing information sources covering each element of the Principles • section of company website that is constantly updated with new actions as they happen throughout the year



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