



ClimateWise Report

Ecclesiastical Progress and Achievements 2011



Principle 1- Lead in Risk Analysis

Key relationships:

- ▶ We are a member of the Light Hill Risk Network program and the Willis Research Network (Principle 1.5).
- ▶ We are a founding member of the Ordnance Survey GIS Insurance Forum and participant of the 'Innovation' and 'Business Benefit' work streams (Principles 1.3 & 1.5).
- ▶ We are working with the University of Gloucestershire, recognised as a sustainability sector leader and one of the UK's top 'green' universities. It is also home to an international research institute in sustainability which will be sharing research with us on issues around flooding (Principle 1.1).
- ▶ We have provided support for the 2010 ClimateWise collaboration project on moving towards sustainable claims management (Principles 1.1 & 1.3).
- ▶ Our Transformation Director attended HRH The Prince of Wales' Business & Sustainability Programme and week long Senior Executive Seminar at the University of Cambridge Programme for Sustainable Leadership event. Learning points are being built into our own programmes (Principles 1.1, 1.3 & 1.4).
- ▶ We are funding one of the Brand Directors to complete an MSc in Sustainability and Responsibility at Ashridge Business School. She has now joined our Environmental Strategy Group (Principles 1.1, 1.3 & 1.4).
- ▶ We have attended the Training Employees with Sustainability Skills workshop facilitated by Business in the Community/The Prince's May Day Network (Principles 1.1 & 1.4).

Principle 1- Lead in Risk Analysis

Key projects:

- ▶ Internal project started on sustainable claims management and product development based on ClimateWise principles (Principles 1.3 & 1.4).
- ▶ Ecclesiastical assesses weather related risks through the use of geographical information systems model, particularly through the layering of climate change affected perils. This includes 'flood' (Environmental Agency data) and 'subsidence' (British Geological Survey data) risks (Principles 1.1 & 1.3).
- ▶ We have established a Strategic Partnership with Sciemus (risk solutions company) to develop a property exposure management tool called 'ePAT'. This GIS based solution will be applied to individual case underwriting, bringing together information on weather related perils at the individual property risk level (Principles 1.1 & 1.3).
- ▶ Our pricing takes into account the risks of climate change, e.g. differential pricing for flood, windstorm and subsidence perils, both at the attritional and event levels. Our products consider the impact of new environmental related legislation, for example, potential liabilities arising from the EU Pollution Directive (Principles 1.1 & 1.3).
- ▶ We provide bursaries for two University College London students studying conservation techniques as part of their MSc in Sustainable Heritage. This is our 7th year of support. (Principles 1.1, 1.4 & 1.5).
- ▶ We have assisted with the development of the South West regional vulnerability map/Business Areas Climate Impact Assessment Tool (BACLIAT) courses for businesses in association with Carbon SouthWest, part of the UK Climate Impact Partnership (Principles 1.2 & 1.5).

Principle 2- Inform Public Policy Making

We continue to show our commitment to addressing the impact of climate change through past and future projects:

▶ Ecclesiastical is supporting a project through Bath University which will quantify the risk of historic buildings and archaeological sites to floods and driving rain caused by climate change and evaluate novel adaption techniques that can be implemented to enhance resilience of historic buildings. One of the proposed sites for the work is Tewkesbury Abbey, an Ecclesiastical insured risk. The project commenced in July 2010 and is a three year project, expected to report in 2013/14 (Principle 2.1).

▶ Over the next year we will be looking at how we can use our geographical information systems to map and model the impact that various climate patterns (increasing numbers of storms, higher sea levels etc) may have on our historic buildings. This information can then be used to contribute and shape public policy (Principle 2.1).

▶ We are the only insurer to financially support Climate SouthWest (part of UKCIP) and are now in our 4th year. We are a member of the Forum and the Executive Committee (Principle 2.2).

▶ We continue to support the development of a website for the 'Shrinking the Footprint', the Church of England's national carbon reduction campaign. The campaign has a carbon reduction target of 42% by 2020 and 80% by 2050. The website will be used for sharing good practice among churches and the communication of technical reports produced by environmental consultants, AECOM Ltd.(Principle 2.3).

Principle 2- Inform Public Policy Making

- ▶ We signed up to the 10:10 campaign, a pledge to cut carbon emissions by 10% in 2010 (Principle 2.3).
- ▶ We support the ABI guide to resistant and resilient repair after a flood and are fully behind the ABI commissioned research into long term insurance solutions relative to flood risk (Principles 1.1, 2.4).
- ▶ In the event of a major incident the ABI will organise discussion opportunities between insurers to identify and discuss common issues. We participate fully in these discussions and did so particularly following the 2010 Cornwall floods and the flooding of the Eden Project (Principle 2.5).
- ▶ We have contractual arrangements with Disaster Recovery Specialists (specialist drying and cleaning firms) who we use following flood events. We often send in these specialists before the loss adjusters to ensure the process of recovery is as efficient and effective as possible, and indeed did so in 2010 following the Cornwall floods (Principle 2.5).
- ▶ The Managing Director (UK & Ireland) was appointed in 2010 as HRH Regional Ambassador for the South West for Business in the Community (BITC), and was subsequently reappointed in 2011. He also attended the HRH Cornwall Floods' visit as part of his BITC Ambassadorial duties (Principle 2.2).
- ▶ The appointed Board representative, the Managing Director (UK & Ireland), attended the progress meeting of the ClimateWise Leaders chaired by HRH The Prince Of Wales in March 2011 (Principle 2.2).

Principle 3 - Support Climate Awareness Among Our Customers

- ▶ We commissioned customer research to understand attitudes and needs around climate change with commercial charities, care organisations, heritage properties and property owners. Within the research we included specific questions around demand for environmental products and services and the willingness to pay for these product/service enhancements . (Principles 1.1, 1.5, 2.3, 3.1)

- ▶ We are investigating opportunities including environmental audits and new covers through our product development and risk services teams. (Principle 3.2)

- ▶ We are also investigating opportunities for resilient reinstatement. We are continuing conversations with our loss adjusters to discuss possible pilot customer groups to test ideas. (Principle 3.3)

- ▶ Throughout 2010, we championed climate change as one of three thought leadership topics for Ecclesiastical, to lead debate and raise awareness. Within this, and with the help of our research (above), we achieved:
 - Sponsored and hosted a round-table with Insurance Age on environmental issues in June 2010, attended by insurers, brokers and insurance industry experts.
 - Lead sponsorship and participation of Insurance Age 'Power Hour', July 2010 edition of 'the growing impact of climate change on our industry'.
 - Comment on Flood defence and trends feature by Underwriting Manager, Post Magazine, August 2010.
 - Claims and Underwriting Managers jointly published an article on subsidence for CII Xpress magazine.
 - Broking Now! environment research among brokers to compare with end commercial customer results.
 - 14 articles on our discussion forum microsite Talking Point in 2010 on the topic of Environment.

(Principles 3.1, 3.2, 3.3, 2.2)

Principle 3 - Support Climate Awareness Among Our Customers

- ▶ We also continued a programme of providing extreme weather advice proactively to customers and brokers including ahead of the predicted Cornwall and South West floods, and Winter Risk advice for the predicted severe winter. Email campaigns received very high open rates, customer praise and were re-tweeted on Twitter (Principle 3.1).
- ▶ We continued our support for the fourth year of Carbon SouthWest , as well as Business in The Community (Principle 3.1, 2.2).
- ▶ Our risk management guidance notes for customers continue to include a section on environmental protection (Principle 3.2).
- ▶ Although we do not directly support climate change awareness in the developing world outside of supporting the work of ClimateWise, our Group businesses in the UK, Canada, Australia, New Zealand and Ireland all have charitable partnerships established (for example, supporting the Aga Khan Foundation in Canada).

Principle 4- Incorporate Climate Change into Investment Strategies

Investment business and strategy:

- ▶ Ecclesiastical Investment Management Ltd ('EIM'), a subsidiary company, has over 20 years' experience managing investments that incorporate ethical, environmental and social issues (Principle 4.1).
- ▶ We believe there is a link between well managed companies with good governance practices and a clear understanding of their social and environmental impacts and financial returns. Companies that have evaluated and developed robust standards typically provide superior investment returns over the longer term (Principle 4.1).
- ▶ The Socially Responsible Investment (SRI) screened Amity Fund Range offered by EIM incorporates climate change via one of its 9 positive screening criteria – Environmental Management (Principle 4.1).
- ▶ We look to invest in companies that are positively managing their climate change impact and carbon footprint. This involves looking for businesses that are adopting energy efficiency measures and/ or developing new clean technology solutions in areas such as renewable energy, air quality, waste and water management (Principle 4.1).
- ▶ Ecclesiastical's investment portfolios adopt a range of approaches, including negative and positive screening combined with engagement initiatives (Principle 4.1).
- ▶ Approximately 40% of the UK General Fund's equity portfolio is invested through the Amity range of Funds. The majority of the retail funds (4 out of 6) offered by EIM are SRI screened. In addition we launched 2 new SRI funds in 2011 for the charity market in the UK (Principle 4.1).

Principle 4- Incorporate Climate Change into Investment Strategies

Investment business and strategy continued:

- ▶ We have an integrated investment process which takes environmental, social and governance factors ('ESG') and financial factors into consideration when researching companies that are suitable for the SRI screened fund range. This involves meeting with senior company management, voting at company AGMs and also engaging with companies directly (Principle 4.1).
- ▶ We have also signed up to several industry initiatives in order to augment the robustness of our SRI proposition (listed overleaf) (Principle 4.1).
- ▶ We are currently undertaking a study on potentially becoming signatories to the UN Principles of Responsible Investment (Principle 4.1).
- ▶ EIM has signed up to the European SRI Transparency Code launched in 2004 with support from the European Commission. It is intended to help "create more clarity on the principles and processes of SRI mutual funds" to help investors make more informed choices and encourage best practice among fund managers (Principle 4.1).
- ▶ In July 2010 EIM subscribed to comply with the principles of the UK Corporate Governance Code and the Stewardship Code introduced by the UK's Financial Reporting Council following analysis of the banking crisis (Principle 4.1, 4.2, 4.3, 4.4).
- ▶ The Stewardship Code is intended to increase the quality of engagement between institutional investors and companies to help improve long-term returns. EIM have notified the FRC of their compliance and publish their investment policy under the principles on the Company's website (Principles 4.1, 4.2, 4.4, 6.2).

Principle 4- Incorporate Climate Change into Investment Strategies

Investment projects:

- ▶ EIM is using the MCSI to provide ESG research. The research will offer investors insight into the risks and opportunities presented by climate change, labour relations, product safety, and other factors affecting the sustainability of publicly traded corporations (Principle 4.2).
- ▶ EIM is a signatory to the Carbon Disclosure Project, which includes some 475 institutional investors with combined assets of \$55 trillion, ranging from pension funds and SRI asset managers to mainstream blue chip companies. The Project's reporting is helping persuade companies to measure, manage, disclose and ultimately reduce their greenhouse gas emissions.
- ▶ EIM uses CDP Water Disclosure to provide critical water-related data collected from the world's largest corporations to inform the global market place on investment risk and commercial opportunity. This data will provide valuable insight into the strategies deployed by many of the largest companies in the world on water and will be used to help drive investment towards sustainable water use.
- ▶ EIM are signed up to the Forest Footprint Disclosure, which is developing a toolkit to help investors understand corporate performance related to global deforestation, as 18-20% of total global carbon emissions come from deforestation. Companies involved in the key commodities that are harvested from rainforests – timber, beef, soya, palm oil and bio fuels are invited to submit how they are managing/ developing their policies (Principle 4.2).
- ▶ EIM became the 83rd institutional investor signatory to the Investor Statement on Transparency in the Extractives Sector, with combined assets of some \$16 trillion represented (Principle 4.2).

Principle 4 - Incorporate Climate Change into Investment Strategies

Engagement:

- ▶ The investment team meet with companies in which they invest throughout the year (Principle 4.2).
- ▶ In 2011, we attended the HSBC Clean Tech/ SRI conference (Frankfurt) & Nomura SRI conference (Paris) where the analysts met and engaged with companies that are at the forefront of climate change initiatives – both in terms of adoption and development (Principle 4.2).
- ▶ We value face to face meetings with senior management , which enables us to develop a solid platform to develop an engagement strategy (Principle 4.2).
- ▶ We understand the need for, and participate in, responsible and active stewardship, for example (Principle 4.2):
 - We take action when we are concerned;
 - Climate change presents a material business risk for BP. Our response to the BP disaster, was to engage with them as part of the SRI investor community and made recommendations on sustainability reporting;
 - We attended the BP AGM and voted against the Chairman of the Safety & Ethics Committee and the Remuneration Report;
 - We support the development of alternatives to fossil fuels as part of the transition to a low carbon economy;
 - We support Tesco's climate change strategy for making the company carbon neutral by 2050, and attended bi-annual sustainability presentations with SRI investors and provided feedback on their strategy and performance.

Principle 4- Incorporate Climate Change into Investment Strategies

Investment property portfolio

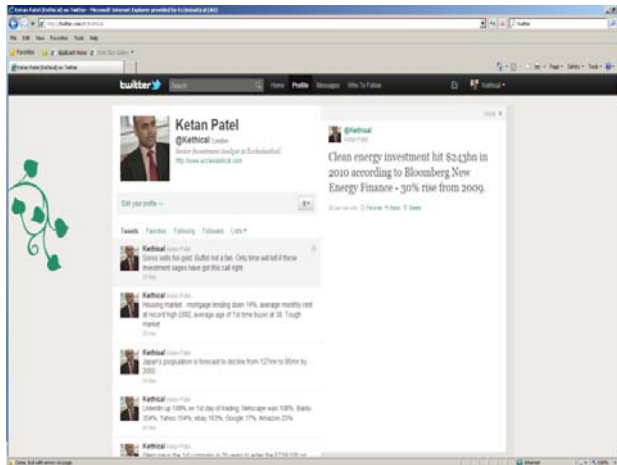
- ▶ We undertake energy efficiency surveys on all our new property purchases to encourage improvements in energy efficiency across our portfolio (Principle 4.3).
- ▶ Through our property agents, we undertake a green benchmarking exercise which allows for us to quantify and compare the environmental performance of buildings within a portfolio. This provides an excellent way to target cost saving opportunities and also reduce the overall carbon impact at a portfolio level (Principle 4.3).

Communication with customers and shareholders

- ▶ EIM discloses its shareholder engagement , voting record and the policies which underpin them as required by the Stewardship Code (Principle 4.4).
- ▶ We communicate our beliefs and strategy on climate by:
 - All our publications are available on our website, such as the Amity Insight and IFA briefings which analyse SRI themes. Recent topics included the cocoa and palm oil industry. <https://www.ecclesiastical.com/forifas/ethicalexperts/amityinsights/index.aspx>. Planned topics for 2011 include renewable energy and the water sector.
 - We publish climate change related features via the press.

Principle 4- Incorporate Climate Change into Investment Strategies

- We are the only investment house to provide regular updates on sustainability issues, including climate change, through “twitter.com/Kethical “



(Principles 4.4, 6.2)

@Kethical - recent tweets include:

- Drax the UK's largest coal fired power station, has doubled the amount of bio-mass it co-fired in 2010 burning 907,000 tonnes;
- BP meeting has finished - view is that management have survived the onslaught from investors;
- BMW unveils sub-brand devoted to "sustainability" - investment of Euro 400m into electric and hybrid vehicles;
- Clean energy investment hit \$243bn in 2010 according to Bloomberg New Energy Finance - 30% rise from 2009;
- Interesting report by UN on human settlements and climate change. <http://www.bbc.co.uk/news/science-environment-12881779>.

- ▶ All climate change information is made available to all of our stakeholders, which includes our Pension Fund Trustees. It can be easily found on the Ecclesiastical website at <http://www.ecclesiastical.com/forifas/ethicalexperts/index.aspx> (Principle 4.5).

Principle 5 - Reduce The Environmental Impact of Our Business

- ▶ We continue to encourage our suppliers to improve sustainability of their products and services through our procurement practices and policies (Principle 5.1).
- ▶ Our procurement team has reduced the average emission values of our new fleet vehicles. (Principle 5.1).
- ▶ We benchmarked our 2009 Carbon Footprint through the Carbon Clear report (Principle 5.2).
- ▶ We held a workshop to identify options and opportunities for carbon mitigation and formed a strategy document and recommendations to put to the Group Executive Team (Principles 5.2, 5.3).
- ▶ We have progressed policies and objectives towards adoption of ISO14001 (Principle 5.2).
- ▶ Measurement of our carbon (and CO2 equivalent) emissions have been benchmarked against internationally recognised standards; ISO-14064-1:2006 (Principle 5.3).
- ▶ We have designed an Environmental Intranet team site which is due to go live June 2011, to more actively engage employees (Principle 5.4).
- ▶ We formed a commuting to work sub-group which has now made recommendations for encouraging adoption of lower impact commuting policies (Principle 5.4).

Principle 5 - Reduce The Environmental Impact of Our Business

- ▶ We ran a 'Green Week' in June 2010 which featured guest speaker Jonathon Porritt and representations from SWEA and Riverford (local and organic produce). Our vehicle fleet provider also showcased low emission vehicles (Principle 5.4).
- ▶ Waste bins were removed from each desk space in our head office in order to reduce waste (Principle 5.4).
- ▶ We continue to provide facilities and actively encourage recycling of paper, batteries, cardboard, CD's & DVD's, plastic cups, aluminium cans, plastic bottles, inkjet cartridges & laser toners, polystyrene, redundant computer equipment and cooking oil from the staff restaurant (Principle 5.4).

Principle 6 - Report and be Accountable

Governance

- ▶ Climate change strategy and environmental policy are considered at strategic level by the Board (Principle 6.1).
- ▶ The Managing Director (UK & Ireland) is the Board member charged with responsibility for corporate responsibility, which includes our environment strategy (Principle 6.1).
- ▶ The Board considers the ClimateWise feedback annually and charges the Environment Strategy Group with responding to issues that are raised and making recommendations for progress on the principles (Principle 6.1).
- ▶ The Group Risk Committee meets quarterly and, as part of its remit, considers climate change as one of the top 12 risks that the group faces. The Group Risk Committee reports to the Board after each meeting (Principles 1.1, 6.1).
- ▶ The Board believes in applying the highest standards of corporate governance and have voluntarily chosen to apply the Walker recommendations and the UK Corporate Governance Code. Through EIM they also apply the principles of the Stewardship Code (Principles 6.1, 6.2).

Strategy

- ▶ The Corporate Responsibility strategy sets out three objectives for the environment:
 - Effective environmental management;
 - Respond positively to the impacts of climate change in support of our customer, business partners, suppliers and communities;
 - Reduce our own environmental impact.

(Principle 6.1)

Principle 6 - Report and be Accountable

The Environment Strategy Group:

- ▶ The mission statement for the Group is:

'As a good corporate citizen Ecclesiastical recognises the impact we have on the environment in conducting our business. However, the Environment Strategy Group has been set up to examine this impact in detail and then recommend strategy on how we can minimise this impact and ensure our business is sustainable for the future benefit of all stakeholders.'

(Principle 6.1)

- ▶ The Group meets on a regular basis and reports to the Managing Director (UK & Ireland) who then ensures the Board is kept up-to-date on progress, performance and emerging issues (Principle 6.1).
- ▶ The Group's objectives are to challenge the business to monitor and reduce its environmental impact across its processes and to raise the profile of environmental issues through advice and support provided to our customers, employees and business partners (Principles 5.4, 6.1).
- ▶ The remit of the Group is to consider environmental performance, set targets for improving performance, to ensure environmental obligations are met or exceeded, and to ensure champions engage with colleagues throughout the business to educate and capture ideas (Principles 5.4, 6.1).

Principle 6 - Report and be Accountable

Reducing the environmental impact of reporting

- ▶ In 2010 we reduced the environmental impact of reporting by obtaining consent from 99% of our shareholders to receive the annual report and accounts and other shareholder communications electronically, resulting in cost and resource savings (Principles 6.1, 6.2).
- ▶ For each shareholder that consented to receive electronic communications, we arranged for tree saplings to be planted - so far 1,292 in total (Principle 6.2).
- ▶ As part of our ongoing commitment, this year we contacted new shareholders and those who had not consented to encourage further uptake for electronic communication. We will continue to arrange for planting of a sapling for each new shareholder that consents (Principles 6.1, 6.2).
- ▶ This year the Board committed to reduce the environmental impact of Board paper printing through introduction of iPads for directors. The Board now receive all reports, communications and Board packs electronically which should result in significant cost and resource savings – approximately half a tonne of paper per year. (Principles 6.1, 6.2).

Reporting:

- ▶ We believe conducting our business in a responsible and sustainable way is fundamental to the way we work. We include disclosures regarding corporate social responsibility and our environmental policy and practices in line with the ClimateWise principles in the annual report and accounts (Principle 6.2).
- ▶ We make our environmental policy and practices and the ClimateWise Report available on our website (Principle 6.2).