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2002 ENVIRONMENTAL REPORT (pdf)

Executive Summary

UK environmental management system

We have continued to develop the way UK environmental activity is managed across all our UK premises. The UKISA environmental objectives are publicly available on the Internet (<http://www.zurich.co.uk> and <http://www.macc2.org.uk/>). Within these objectives, our environmental targets reflect the most significant environmental impacts.

Our activity has concentrated on: energy conservation, waste minimisation and integrated travel plans. Environmental management is led by Group Property Services in partnership with key stakeholders. The Environmental Operations Group has benefited from the specialist advice of our Communications and other functions. During 2002 the environmental responsibilities of managers, team leaders and employees were defined and communicated using the intranet and an employee booklet. As in other areas of corporate responsibility, we strive for continuous improvement in our corporate policies, procedures and practices regarding environmental management.

UK Environmental Performance in 2002

The highlights are:

- Since 1999 (baseline) we have been aiming to make a 1% annual reduction in consumption of electrical and gas energy until 2010, and so far our cumulative reduction is 14.5%. During this period our UK employee population has only marginally decreased.
- We set out to cut our carbon dioxide emissions from electricity and gas energy by 20% for the major sites in our property portfolio (100kw+) in the period 1999- 2004, and we have so far achieved 24.6%.
- Our waste minimisation programme at Cheltenham, Fareham, Portsmouth and Swindon has made a 25% reduction in the quantity of our waste being sent to landfill over the past 12 months. The quantity of unwanted materials being recycled has gone up from 22% (2001) to 42% (2002) as a percentage of total solid waste. Since last year we've increased recycling of paper and cardboard by 66%.
- Our UK employees consume about 32m plastic cups every year. In 2001 about 1.5m cups (4%) were recycled but the save-a-cup initiative during 2002 boosted this to nearly 8m (25%).
- We have prepared local travel plans for the 40% of our people working in corporate centres at Fareham, Portsmouth, Swindon and Cheltenham. New video-conferencing equipment was installed at 27 locations and in the next six months we saved the equivalent of over 81,000 miles of travel between Cheltenham and Swindon alone.

Group Property Services will lead the development of the UK's environmental strategy for 2003.

Contents

1. **UK Environmental Management System**
 - 1.1 Management commitment
 - 1.2 Communication strategy
 - 1.3 Environmentally focused supplier programme
 - 1.4 Internal environmental audit process
 - 1.5 Benchmarking

2. **UK Environmental Performance in 2002**
 - 2.1 Overview

 - 2.2 Electricity, gas energy and carbon dioxide**
 - 2.2.1 Objective
 - 2.2.2 Progress
 - 2.2.3 Results
 - 2.2.4 Plans for 2003

 - 2.3 Waste minimisation**
 - 2.3.1 Objective
 - 2.3.2 Progress
 - 2.3.3 Results
 - 2.3.4 Plans for 2003

 - 2.4 Commuting and business travel**
 - 2.4.1 Objective
 - 2.4.2 Travel plan objectives
 - 2.4.3 Progress
 - 2.4.4 Results
 - 2.4.5 Plans for 2003

1. UK ENVIRONMENTAL MANAGEMENT SYSTEM

We have continued to develop the way UK environmental activity is managed across all our UK premises, consistent with the commitment of Zurich Financial Services to good corporate citizenship. The management system has been enhanced in several ways: management commitment, communications strategy, the supplier programme, auditing and benchmarking. Taking each in turn:

1.1 Management commitment – The Corporate Centre of Zurich Financial Services in Switzerland supports our corporate policy statement (available at <http://www.zurich.com>). Zurich Financial Services (UKISA) Business Division has appointed Vyv Attwood as the main board director with specific environmental responsibility. The UKISA environmental objectives are publicly available on the Internet (<http://www.zurich.co.uk> and <http://www.macc2.org.uk/>). Within these objectives, our environmental targets are focussed on the most significant environmental impacts. A rigorous, but commercial approach is being developed which concentrates on value-added activities that have demonstrable benefits to the businesses. During 2002 we have been working to reach the quantified targets which were specified when Sandy Leitch, Chief Executive Officer, UKISA Business Division, signed-up to the Government's initiative of "Making a Corporate Commitment" (MACC2). Senior management have ensured that our activity has concentrated on three main aspects: energy

conservation, waste minimisation and integrated travel plans. Environmental management is led by Group Property Services in partnership with key stakeholders. The Environmental Operations Group (EOG) chaired by Mark Smith, Group Property Services Director, has taken on the following responsibilities during 2002:

- to develop strategies for implementation of the policy across the UK business in conjunction with other functions
- to promote a high level of environmental awareness amongst our people
- to strive to make our environmental activity consistent with good practices in the UK financial services sector
- to report on progress with environmental initiatives via the UK CSR Council

For several years the EOG reported into the business-based Health & Safety Management Groups, but this was reviewed in the second quarter of 2002. It was felt that environment needed a stronger focus and so in the third quarter the EOG became linked to the UK Corporate Social Responsibility Council. The most senior manager at local premises has overall responsibility for implementation of the agreed environmental policy by delegation of certain tasks, in most cases to trained employees. Local management is responsible for ensuring that our people and their representatives can raise issues about health, safety and the environment.

1.2 Communication strategy – The EOG has benefited from the specialist support of our Communications function. The importance of communications was recognised in quarter three of 2002 when the EOG established a sub-group to ensure employees were suitably engaged with our activities. The EOG not only includes employee representatives who make their views known on any key decisions, but this year we made a presentation of the travel survey results to the Life and Region Employee Forum. We have also been in regular contact with a wide range of stakeholders, including: legislators and regulators, local communities, analysts, investors, suppliers, customers, consumers, industry associations, NGOs, academia and the media. In 2002 our main priorities were waste minimisation and commuting. For example, to hit our recycling targets, we needed to segregate our waste paper in a new way. Internal Communications gave support to the local Building Operations Controllers in major locations (Cheltenham, Swindon and the South Coast) by shaping the messages put out on our intranet. During 2002 the environmental responsibilities of managers, team leaders and employees were defined and communicated using the intranet and an employee booklet. In this way we hope to foster responsible environmental behaviour amongst our people at all levels.

1.3 Environmentally focused supplier programme – Since 2001 we have required that some of our prioritised suppliers meet defined minimum environmental criteria and, in some cases, challenge their environmental performance. In 2002 for the first time certain of our major suppliers and others with the potential for causing pollution were required to sign-up to certain environmental standards. During 2002 our Purchasing area has concentrated on vetting the top 60 suppliers (in terms of monetary value) as well as gaining documented environmental assurances from dozens of vehicle repair centres used by our General Insurance Business. The analysis of questionnaires identified a few exposures. These suppliers were later asked to produce their own environmental policies, and in a few cases explain what they are doing to ensure compliance with statutory duties.

1.4 Internal environmental audit process – We are striving for continuous improvement in our corporate policies, procedures and practices of environmental management. Arthur Champion, an Associate of the Institute of Environmental Management and Auditing, is helping ensure that our objectives are being achieved by continuing to monitor the implementation of our policy. During 2002, the

managers who regularly participate in the EOG were asked to provide quarterly reports of management information covering their own areas of responsibility. Internal Audit helped us to verify these facts and figures. In particular during the first quarter of 2002, the University of Gloucestershire conducted a detailed environmental audit of The Grange at Bishops Cleeve. This building has a capacity of 1,500 employees and is surrounded by landscaped gardens. By the year-end, local management were well on the way to implementing the key recommendations.

1.5 Benchmarking – As participants in the Business in the Communities' Business Impact Review Group (BIRG), we have continued to network with 18 other companies and update our statistics at six monthly intervals. We have also explored new approaches to the environment by meeting with the Co-operative Insurance Society and Nationwide Building Society. Furthermore, as members of the Safety, Health and Environmental Intra-Industry Benchmarking Association (SHiEBA), we exchanged best practices with other businesses. In September 2002 we again participated in the Environment's (BiE) annual survey. Because of our significant Corporate Social Responsibility activity, this year our environmental performance was assessed in the First CSR Index instead of the usual Index of Corporate Environmental Engagement. In a further change, Zurich's UK operations were positioned with "Non-FITSE companies ranked separately in the report." We were encouraged to receive an environmental score of 70% (up from 56% in 2001), compared with the average of 72% (2002) across all participants.

2. UK ENVIRONMENTAL PERFORMANCE IN 2002

2.1 Overview

Since the creation of Zurich Financial Services in 1998, considerable efforts have been made to develop effective and efficient management information systems. The Government's Energy Efficiency Best Practice Programme provided technical support, which indicated that most businesses are likely to be spending around 4% - 10% of turnover generating waste. The Health, Safety and Environmental Adviser, Arthur Champion, has been collating data for:

- electricity from power stations (and gas energy used locally) with associated carbon dioxide emissions.
- waste materials which are mostly destined for land-fill sites and incinerators.
- commuting and business travel.

In addition during 2002 we had to deal with an unusual environmental problem at our office in Bishop's Cleeve in Gloucestershire. Previous owners of the land had conducted luminising work involving the use of radium. As part of the sale and leaseback of the property we conducted a radiological survey of the whole site. A small quantity of radiation was found in one corner of the land although the concentration was only just above that requiring authorisation for disposal from the Environment Agency. All the radium-contaminated ground was removed in quarter three of 2002 using specialist consultants and contractors. The Environment Agency was closely involved with these arrangements and employee representatives were consulted.

2.2 Electricity, gas energy and carbon dioxide

2.2.1 Objective: “to make a 1% annual reduction in consumption of electrical and gas energy until 2010 and to cut carbon dioxide emissions from electricity, and gas energy by 20% for the major sites in our property portfolio (100kw+) in the period 1999- 2004.”

2.2.2 Progress: In 2002 Group Property Services continued to strive to comply with best practices. We started the year with 10% of our electrical energy coming from a 'green' renewable source ie. wind energy. Our contract was due to expire in September 2004, but negotiations have secured a two-year extension. The DETR's step-by-step guide has been adopted using management information gathered from electricity suppliers.

2.2.3 Results: The engineering services unit within Group Property Services (specifically Les Howard and Terry Strange) have updated our detailed analysis of figures for electricity, gas energy and carbon dioxide in the period 1999-2002 (table below).

Electricity, gas energy and carbon dioxide in the period 1999-2002

	Area thousand Mtr Sq	Elec millions kWh	CO2 millions kg	Gas millions kWh	CO2 millions kg	Total millions kwh	Total CO2 millions kg	kWh/ m2	CO2/m2
1999									
Offices	157	42.5	18.7	31.1	5.9	73.5	24.6	468	157
Data Centres	15	21.1	9.3	4.9	0.9	26	10.2	1,705`	670
Others	18	2.8	1.2	5.6	1,1	8.4	2.3	456	124
Totals	190	66	29.2	41.6	7.9	107.9	37.1	566	194
2000									
Offices	155	42.9	18.9	32.8	6.2	75.7	25.1	490	162
Data Centres	14	12	5.3	3.6	0.7	15.6	5.9	1,137	435
Others	18	2.4	1.1	5.8	1.1	8.2	2.2	445	117
Totals	187	57.3	25.2	42.2	8	99.5	33.2	531	178
2001									
Offices	155	47.6	20.4	36	7	84	25	534	158
Data Centres	4	6.1	2.6	1.1	0.2	7.3	2.5	1,657	575
Others	18	2.8	1.2	4.7	0.9	7.5	1.9	412	107
Totals	177	56.6	24.2	42.8	8.1	99.4	29.4	549	163
2002									
Offices	155	44.7	19.6	33.5	6.3	78.2	23.5	506	152
Data Centres	4	6.8	3	0.6	0.1	7.4	2.7	1,668	613
Others	16	2.5	1.1	4	0.8	6.5	1.7	406	107
Totals	175	54	23.7	38.1	7.2	92.1	27.9	526	160

The table gives results for electricity and gas consumption:

baseline year = 1999 - 108 million kWh

2000 – 99 million kWh (7.8% reduction on 1999)

2001 – 99 million kWh (7.8% reduction on 1999)

2002 – 92 million kWh (14.5% reduction on 1999)

The table gives results for carbon dioxide emissions:

baseline year = 1999 - 37,095 tonnes

2000 - 33,232 tonnes (10.4% reduction on 1999)

2001 - 29,495 tonnes (20.49% reduction on 1999)

2002 - 27,948 tonnes (24.66% reduction on 1999)

Our success can be attributed to:

- Consolidation of occupancy resulting in the closure of some buildings,
- Building Operations Controllers who now have improved techniques for monitoring and targeting
- Our employee awareness campaigns which have used the intranet to encourage participation in housekeeping eg. switching off computer monitors at night
- The use of new technology eg. flat screens with personal computers
- Progressive introduction of cost-effective energy efficient systems and equipment
- Monitoring and targeting activity.

On the other hand, as our business becomes increasingly dependent on information technology, our Data Centre has increased electricity consumption and CO₂ emissions.

In summary, we are exceeding the targets set for reducing electricity and gas consumption as well as cuts in our carbon dioxide emissions.

2.2.4 Plans for 2003: Group Property Services will continue to develop the UK strategy for energy conservation. We will continue looking for new ways of increasing our energy efficiency, however consumption could rise due to increased business demand, and the impact of occupancy levels within buildings, working hours and extent to which office equipment is used. These factors will be taken into account during 2003 when we plan to publish a “league table” showing the relative energy efficiency of our major office locations. This information is expected to encourage local accountability and innovations in energy conservation.

2.3 WASTE MINIMISATION

2.3.1 Objective: “In 2002 our waste minimisation targets were:

- to identify items within each waste stream for recycling
- to introduce a suitable measurement system to reduce consumption and waste
- to increase significantly the recycling volumes in every identified waste stream
- to ensure that unwanted IT equipment is either returned to the manufacturer or is sent for recycling at a licensed site.”

2.3.2 Progress: In 2002, we have proactively developed a waste minimisation strategy based on the UK Government's priorities:

1. Reduce consumption of materials
2. Reuse
3. Recycle
4. Dispose of materials in compliance with UK statutory duties, for example the Duty of Care Regulations (made under the Environmental Protection Act, 1990).

We have shared best practices by participation in the Gloucestershire Environmental Business Forum, the Cotswold Energy and Environmental Forum and the Gloucestershire Waste Minimisation Club. A waste audit conducted by the University of Gloucestershire at The Grange, helped us to identify the following waste streams with potential for recycling: photocopy and printer paper, toner cartridges from printers and photocopiers. Quantities of other materials (such as: aluminium cans, batteries, lamps/tubes/bulbs) were generally not sufficient to justify further attention, although some locations such as The Grange have made use of bottle banks provided by the local council.

During the year we started introducing a measurement system to track reduction in consumption and production of waste materials. Group Property Services regularly analysed 'waste transfer notes' as a basis for setting realistic waste minimisation targets and monitoring. By quarter two of 2002, these arrangements were providing reliable statistics for general solid waste, recycling of paper, recycling of plastic cups and toner cartridges from printers and photocopiers. By the year-end reliable data was becoming available for the total quantities of paper consumed across UK operations (photocopy and printer paper), cardboard, stationary folders reused and office furniture reused.

Changes were made to the segregation of waste paper in our UK corporate centres. A pilot study in Group Property Services was extended to Swindon during quarter two of 2002. Nearly 3,000 employees were asked to co-operate by placing waste paper in the personal bins and taking other materials such as plastics, and organic waste to a nearby shared facility. By the start of quarter three of 2002 the Swindon arrangements had been implemented in Cheltenham, Fareham and Portsmouth, thereby covering 40% of our UK employees.

Recycling plastic, such as cups from vending machines, uses only 15% of the amount of energy and 25% of the water that would've been used if it was produced from virgin materials. Therefore, we have encouraged local offices to sign-up to the "save-a-cup scheme" across the UK branch network. At the year-end the following offices were participating: Bournemouth, Fareham, Portsmouth, Swindon, Cheltenham, Birmingham CMB, Leeds CMB and Leeds CRC. Pleasingly this represents over 50% of employees, a number of offices actually declined to sign-up. The most common reason for not participating is the lack of suitable storage space for bags of cups awaiting collection.

The environmental risk presented by surplus IT equipment was reviewed during the year. The IT manager responsible for this work, was able to confirm that old equipment is either returned to the manufacturer or is sent for recycling at a licensed site.

2.3.3 Results

General solid waste: skip loads of materials consumed and paper recycled

	2001 baseline	2002	% change from 2002 to 2001
GENERAL WASTE TO LANDFILL			
Cheltenham	203.44	131.72	-36%
Swindon	368.44	315.19	-14%
South Coast	290	201.04	-31%
Total waste to landfill =	861.88	647.95	-25%
RECYCLED (PAPER)			
Cheltenham	84.94	108.85	+28%
Swindon	100	269.80	+170%
South Coast	54.13	107.67	+99%
Total recycled (paper) =	239.07	486.32	+103.4%
GENERAL WASTE + RECYCLED PAPER			
Cheltenham	288.38	240.57	-17%
Swindon	468.44	584.99	+25
South Coast	398.26	308.71	-22%
Total general waste + recycled (paper) =	1,100.95	1,134.27	+3%
Recycled as % of total solid waste	21.7%	42.85%	

Our efforts have concentrated on the 40% of UK employees based at Cheltenham, Swindon and the South Coast. The table above shows we have made a 25% reduction in the quantity of our waste being sent to landfill or incineration (resulting in a cost saving of £4.5k).

The quantity of unwanted materials being recycled has gone up from 22% (2001) to 42% (2002) as a percentage of total solid waste. In 2001-2 we achieved a 66% increase in our waste paper and cardboard recycling at Cheltenham, Swindon and the South Coast (which produced revenue of >£3k). The improvement from 2001 (baseline) to 2002 was just over 100%. Swindon achieved the best result with a 170% improvement. In fact the initiative at Swindon began in May and the results are even better when taken over a full 12-month period.

Our people in UK corporate centres consume about 8.3 million plastic cups every year. Cup recycling in 2001 was only 350,500 cups (4%) but the "save-a-cup" scheme in 2002 boosted this to over 90%. In 2003 we will be encouraging participation throughout the branch network.

2.3.4 Plans for 2003: As active members of Business in the Community, we plan to continue networking with 18 other companies and to up-date our statistics at six monthly intervals. Our success so far has been based largely from top-down initiatives, but we recognise that further environmental savings will require engaging with our people in a bottom-up approach. With the help of Internal Communications, we plan to increase environmental awareness across our UK operations using "fact of the day" on our intranet as well as holding special events in the UK corporate centres. In this way we hope to motivate everyone to participate in our initiatives and understand what they can do to make a difference. At the end of 2002 we recruited 25 employee volunteers to conduct waste minimisation initiatives in Cheltenham, Swindon, Fareham and Portsmouth. Early in the first quarter of 2003 they will receive training from the Global Action Plan. The programme of work is expected to run for most of next year

2.4 COMMUTING AND BUSINESS TRAVEL

2.4.1 Objective: "To prepare local travel plans for the 40% of employees in corporate centres at Fareham, Portsmouth, Swindon and Cheltenham. Our target is to have local travel plans in place by December 2002." Since we are serious about protecting the environment, we naturally want to minimise the harmful impact of commuting and business travel. The Environmental Operations Group concentrated on commuting by encouraging car sharing. Other tactics such as promoting the use of public transport and video-conferencing have environmental benefits for business travel."

2.4.2 Travel plan objectives

During 2002 our people in Cheltenham, Swindon, Fareham and Portsmouth were consulted about their existing travel patterns, and the extent to which they would be willing to adopt more sustainable forms of transport rather than solitary use of their cars. These four surveys led onto the development of site-specific Travel Plans which consist of a unique set of measures to do this, whilst simultaneously helping our people, our business and the environment. The high response to our Travel Survey gave us a good understanding of current and future travel that were used to shape the Travel Plan for Cheltenham.

All four of our travel plans have similar aims, which are to:

- reduce the need for business travel and so save time and money
- reduce parking problems like insufficient spaces, overcrowding, congestion, overflow parking in neighbouring areas, time wasted looking for a parking space
- reduce the environmental impact of commuting and business travel for example use of fossil fuels, harmful emissions, 'greenhouse' gases and traffic congestion
- attract and retain employees
- plan for future transport needs in running our business
- help Zurich be a good corporate citizen

We intend to develop similar travel plans for other UK locations during the course of 2003/04.

2.4.3 Progress

2.4.3.1 The Overall Strategy

Three of the Travel Plans are designed to be implemented over the next five years, but in the case of Cheltenham 90% of the activity had to be scheduled for the first nine months of 2003. Therefore, we had

to work very closely with Cheltenham Borough Council and local public transport operators in developing the plan.

2.4.3.2 Targets for Commuting

The Travel Surveys suggested certain targets for travel based on national averages. It's expected that these can be realistically achieved from 2003 onwards by implementing a strong package of Travel Plan measures.

Parking - The provision of onsite parking varies from site to site. At Cheltenham we propose to introduce prioritised parking. Our people will have to apply for car park spaces. Each one will be considered against certain criteria and space allocated on the basis of need rather than seniority or long service. It's possible that these criteria may require adjusting over time once regular use of the car park can be managed. People will be guaranteed access if they satisfy one or more of the following:

- Mobility impairment / Disability / Medical condition
- Car sharer
- Live outside a 2km radius of The Grange or 1,000 m from a bus route covered by the 'free' bus routes in the Cheltenham urban area.
- Beyond this, car park access may be given (depending on the number of guaranteed spaces allocated) based on:
 - The need to spend part of the working day away from The Grange on business
 - The need to use the car to drop off / collect dependants
 - Personal circumstances suggesting car travel is essential
- Spaces will also be provided for those who regularly visit The Grange on business from other locations.
- There will also be a dedicated undercover parking area for motorcycles and scooters.

Our learning from the arrangements made at Cheltenham will be applied at other major locations in the future. Meanwhile, slightly different problems and solutions apply at Swindon, Fareham and Portsmouth.

Car-sharing - Several car sharing databases were evaluated in the second quarter of 2002 before deciding on 'Jambusters' software. Once people register on the intranet, 'Jambusters' holds details of potential car sharers who have joined the scheme, and will produce a list of suitable car sharers. It will match people who could travel together, and other pre-set criteria like days and hours people work, whether they have a car or not, and whether they need to pick up / drop off dependants. From these possible 'matches', people can decide whether to go ahead or not. Apart from being able to share the travel costs, car sharers will benefit from guaranteed car parking spaces and a guaranteed ride home.

Bus – We plan to significantly increase the proportion of people who can use buses – particularly at Cheltenham. We have negotiated concessionary fares with local bus operators at Cheltenham, Swindon, Fareham and Portsmouth.

Walking or cycling – Our overall target is to treble the proportion of people who cycle or walk to work. We are lobbying local Councils for better cycle paths and routes. A relatively small spend on undercover cycle racks and an integrated shower, lockers and changing area have been provided for those cycling to our offices.

Train – Less than five percent of our people currently use the train for travel to work. Where our offices are accessible by train, we will encourage usage and each Travel Plan contains tailor-made targets.

2.4.3.3 Involving Our People

We are undertaking extensive consultation in the process of developing the Travel Plan, but this will ultimately benefit our people, as well as reduce environmental impacts.

We expect the "A to Z of Travel" on our intranet to offer more choice and the opportunity to commute to work by a variety of means. Local Transport Forums were established in 2002, and these are expected to evolve into permanent Environmental Forums at all four locations where commuting issues can be discussed and resolved.

2.4.3.4 Achieving Success

A Travel Plan is an ongoing and evolving strategy. Our aims and actions will require regular review, as progress is made. For the Travel Plan to achieve maximum benefits for our people, our business and the environment, it is important that we maintain its momentum. We'll regularly review the progress made through the Environmental Forum.

2.4.4 Results

By December 2002 we had achieved our objective of completing the Travel Plans for Fareham, Portsmouth, Swindon and Cheltenham. Each document was presented to the senior management for sign-off prior to publication. It was encouraging to note that during 2002 video-conferencing saved over 180,000 miles of travel and was used by over 1,750 people. In the second quarter of 2002 we introduced improved facilities at 37 locations. This resulted in a 190% increase in video-conferencing over the first six months. By October the new equipment had saved over 81,000 miles of travel between Cheltenham and Swindon alone.

2.4.5 Plans for 2003

With the completion of the Travel Plans for corporate centres, these will be published on our intranet as well as being presented to local authorities and the public transport operating companies. We plan to launch the "Jambusters" car sharing database across the UK during the first quarter of 2003. Some aspects of the Travel Plan implementation phase may take until 2007 for completion. Monitoring and evaluation is essential to a Travel Plan so that we can understand how we are doing against the targets we have set. In October 2003 and 2004, we will repeat our Staff Travel Surveys. As with the first set of surveys we'll communicate the results to our people. We anticipate that the Transport Forums will start to take on waste management activities, and soon evolve into local Environmental Forums.