

# ClimateWise report 2010

Addressing the risks we and our customers face from climate change



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# Foreword

At Zurich, we believe in being an active member of both global and local communities. In particular, we believe that in order to achieve our strategic aspiration of being the best global insurer as defined by our customers, shareholders and employees, we need to set and maintain high standards of responsibility and integrity. Zurich in the UK's corporate values are contained within a framework called Zurich Basics. This code of conduct applies across the Group and is available in the public domain on the Zurich.com website.

In January 2008, the Zurich Group launched its Climate Initiative which takes a market-based approach to addressing the risks that we and our customers face from climate change. The Climate Initiative has three main elements:

- An internal Climate Office responsible for developing and implementing Zurich's global climate change strategy;
- A Climate Change Advisory Council to advise Zurich's management on strategic and operational issues associated with climate change; and
- An Applied Research Program with organisations and institutions that can bring multi-disciplinary expertise to bear on the issues associated with climate change.

Zurich's Climate Initiative forms an integral part of the UK business model and is focused on meeting the challenges associated with climate change through the insurance and risk management solutions and services we provide to individuals and businesses. We constantly strive to translate our wide and diverse risk analysis and expertise into learning opportunities for the future – for us and our customers – and this is no less true in the area of climate change. Finally, as a responsible employer, we are committed to managing our own carbon footprint and continuously seek opportunities to run our business in an environmentally sustainable way.

As a founding member of ClimateWise and a member of its managing committee, we continue to look for ways to develop solutions to the risks associated with climate change and have embedded responsibility for managing our own carbon footprint at the most senior level of the company. However, we cannot afford to be complacent; indeed, no one can afford to be complacent on a topic as complex and important as climate change.

*Zurich HelpPoint* is a commitment to deliver to our customers when it really matters. Our climate activity is driven by this customer-centric philosophy and we are working hand-in-hand with our customers to respond to their changing needs and demands as climate risks increase. As leaders in our business, we understand the importance of bringing climate change to the forefront of the corporate agenda as demonstrated in this report.

**Michael Brennan** – CEO, UK Life

**Stephen Lewis** – CEO, UK General Insurance and Shared Services

**David Hall** – CEO, Global Corporate UK

**Mike Quinton** – Managing Director, UK Direct



# ClimateWise: Year three highlights

This is our third year producing the ClimateWise report – just one of the ways we demonstrate our commitment to meeting the six ClimateWise Principles that aim to tackle the challenges associated with climate change. We support ClimateWise because the insurance industry plays a significant role in the area of risk pricing and risk management information. It is also a natural fit with the work the Zurich Climate Initiative is driving forward throughout the Group and the UK is working hard to embed its market-based approach to addressing the risks that we and our customers face from climate change. We have also continued to reduce the environmental impact of our business. Our top achievements from the past year in the UK include:

## Weather underwriting

We have recently established a Weather Underwriting Steering Group at management level to initiate projects and make strategic decisions on how we accommodate climate change in our underwriting and risk management procedures.

## Weather network

In addition, we have established an internal technical group, the Weather Network, to share information about weather-related risks including developments in climate change research.

## Flood and Water Management Act 2010

Zurich provided input into the discussions between the ABI and government agencies which informed the development of this legislation which passed into law in April 2010. The Act was largely in response to flood events in 2007 (and issues subsequently highlighted in the Pitt Report) and addresses a number of flood management and water company responsibility issues in relation to water resources and infrastructure.

## Community awareness

Launched in 2009, our publicly-accessible microsite, ([www.zurich.co.uk/severeweather](http://www.zurich.co.uk/severeweather)) provides 'before', 'during' and 'after' guidance to people to cope with floods. The site helps people assess their exposure to flood risks, prepare for floods and to know what to do in the event of a claim and is continually updated throughout the year.

## New offshore wind farm product

In 2009, our Global Corporate business launched a new product offering broad insurance coverage for both the construction and operational exposures of new offshore wind farm projects.

## New motor fleet proposition

Our Global Corporate business is launching an innovative motor fleet proposition to help enable safer, more efficient and environmentally friendly fleets. By using new technology to measure operational performance and detect risky driving behaviour, customers can improve fuel efficiency, vehicle wear and tear and improve vehicle deployment to reduce unnecessary journeys, helping to achieve up to 10% fuel efficiency. This capability reduces costs, increases safety and lowers emissions.

## Membership of the Carbon Capture and Storage Association

Zurich joined the CCSA in March of 2009 and is the first insurance company to become a member of this trade association. The CCSA exists to represent the interests of its members in the business of capture and geological storage of carbon dioxide (known as Carbon Capture and Storage, or CCS) as a means of abating atmospheric emissions of carbon. Zurich also chairs the CCSA Risk Workgroup and has been providing leadership in the development of CCS risk management policy with UK and EU regulators and legislators.

## Employee environmental programme

We have recruited additional Environmental Champions (employee volunteers circa 50 across the UK) who encourage environmentally-friendly behaviours and monitor performance in their local locations via local environmental committees. In March 2010 we held another workshop for our environmental volunteers. By using our recently introduced HD video conference facilities we were able to link eight UK locations with our head office in Zurich.

## Carbon footprint

Through our climate office, our Group announced a Group Wide CO<sub>2</sub> emission reductions target by 10% by 2013. Through 2009, the Group will have achieved a 9% reduction, signalling significant progress toward reaching our goal. To contribute to the Group's efforts, Zurich in the UK established a 2010 reduction target of 2% per annum. For the UK business, our total emissions for 2009 were 12,268 CO<sub>2</sub> tonnes\* – a 22% reduction from the previous year, while our carbon footprint per employee reduced by 11% from 2007, to 1,747 kg CO<sub>2</sub>/employee\*\*.

\*UK figure quoted based on:

- 2,879 tonnes emissions from energy consumed in occupied premises and
- 9,389 tonnes emissions from business travel, air, road and rail

\*\*UK figure based on staff number of 7019 as quoted by the Zurich Climate Office.

# Principle 1: Becoming a leader in risk analysis

Risk is the cornerstone of the insurance industry and to fully understand risk, research and analysis are critical. Below are some examples of how Zurich in the UK has put its research and analytical skills to work in understanding changing climate patterns and their implications.

We have established an internal technical group, the Weather Network, to share information about weather-related risks including developments in climate change research.

In addition, we have established a Weather Underwriting Steering Group at managerial level, which initiates projects and makes strategic decisions on how we accommodate climate change in our underwriting and risk management procedures.

Zurich also has a 'Natural Catastrophe Advisory Council' which meets twice a year to discuss, and obtain the latest insight on, natural catastrophe related issues (including climate change).

We have expert resource (to PhD level) dedicated to catastrophe modelling. This takes in geophysical research (including climate science) and implement in a form whereby (re)insurance risk can be quantified. Zurich both uses and seeks to understand these models (adjusting output as necessary). Catastrophe model output forms part of our business planning, risk based capital assessment, reinsurance and risk tolerance assessment, primary pricing and strategic discussions/decisions.

We occasionally present lectures on insurance underwriting and catastrophe modelling with academia and other parts of the industry. We have participated on Lighthill Risk Network meetings and are a member of the Willis Research Network which brings together members of academia around the world and the (re)insurance industry. In September 2009, our Head of Property and Strategic Accumulation Management also gave an in-depth presentation on industry and government collaboration as well as Zurich's approach to adaptation, resilience and

knowledge sharing (ARK) at the Santam Eco Journey conference in Cape Town, South Africa. The aim of the presentation was to share industry collaborative experiences with the South African industry as it began to develop its approach to tackling Climate Change.

We have a flood hazard assessment tool, Neptune, which is used by our underwriters and risk analysts to judge the relative likelihood of a flood loss at any location in the UK. This tool combines a range of flood data, including the latest NaFRA modelling from the Environment Agency, and represents a substantial improvement in our understanding of flood risk mechanisms. This tool is also used to recognise accumulations of flood exposure within large client property portfolios.

We have developed and introduced a comprehensive guide on Modern Methods of Construction (MMC), which is being used to embed knowledge of MMC materials, components and processes into our risk engineering practices and rating structures.

In response to the increasing requirement for policyholders to adapt to climate change, and European and UK legislation and regulation on building and construction standards, we have introduced Adaptation Clause 1 (Energy Performance and Sustainable Buildings). This is a policy extension that funds the use of 'greener' materials when a damaged building is repaired following an insured loss, over and above the usual public authorities' clause. We are developing an additional extension that incentivises policyholders to rebuild with materials that are resilient to the anticipated effects of climate change, in addition to being sustainable in environmental terms.

Zurich provided input into the discussions between the ABI and government agencies which informed the development of this legislation which passed into law in April 2010. The Act was largely in response to flood events in 2007 (and issues subsequently highlighted in the Pitt Report) and addresses a number of flood management and water company responsibility issues in relation to water resources and infrastructure.

Zurich was represented on the Steering Group of the ABI/Met Office project that produced the recent research paper 'Financial Risks of Climate Change', and several technical underwriters attended the associated launch event.

As part of our global product development efforts, Zurich now offers Carbon Capture and Sequestration Liability Insurance (CCS) as a 'discovery' or 'Claims Made and Reported' coverage. The coverage addresses 'Specified Perils' in the operational CO<sub>2</sub> injection phases of CCS and is a geologic reservoir specific policy comprised of five coverage grants including, pollution event liability, business interruption, control of well, transmission liability and geomechanical liability. We also continue to have regular meetings with the Department of Energy

and Climate Change, The Office of Carbon Capture and Sequestration, The Crown Estate and other stakeholders to help define what is the best approach to manage long-term storage risks of Carbon Dioxide.

We keep up to date with the latest research on the potential impacts of climate change on mortality and morbidity and have reviewed research documents from the CII, Health Protection Agency and DEFRA to consider whether any adjustments should be made to our approach to the underwriting, pricing or reserving for life business. We also maintain an awareness through the Institute and Faculty of Actuaries who have raised climate change as a potential longer term issue for mortality and morbidity.

To date the research indicates that no medium term alterations are needed on underwriting or pricing of mortality and morbidity risks. Over the longer term we may see more risk emerging as a result of both colder, wetter winters and warmer summers but it is unclear as yet whether this will result in an overall increase or decrease in total mortality or morbidity.

## Principle 2: Informing public policy making

The insurance industry can play an important role in shaping public policy by sharing our knowledge about risk. Through our engagement with industry organisations and with other stakeholder groups, we have demonstrated our ability to work with policymakers and make constructive contributions to public discussions.

This has involved participating in key meetings with the Oil and Gas Licensing Group at the Department of Energy and Climate Change, the London Development Agency as well as facilitating a key discussion between the Department of Communities and Local Government and the insurance industry.

In addition, we have made submissions on a number of key government consultations including the:

- Draft Flood and Water Management Bill (now Act)
- Proposed Amendments to Planning Policy Statement 25
- Environment Agency's Lower Thames Strategy.

Zurich also values its membership in key UK organisations committed to effecting change in terms of climate risks. We remain a member of the ClimateWise managing committee and have been closely involved in the thematic 'sustainable claims' work to drive greater use of resilient repair methodologies and material, despite the additional costs of utilising these methods. This will reduce the environmental impact of renewing and replacing the traditional building fabric in the event of flooding, thus reducing the amount of waste generated by these events. In support of this we are also acting as advisors to the University of Cambridge Programme for Sustainability Leadership, looking at how we can actively encourage the usage of materials produced from sustainable sources when repairing our insured properties.

Zurich also plays an active role in the Carbon Capture and Storage Association (CCSA), the main trade association in the UK and Europe

linking industry with policymakers to ensure commercial-scale CCS projects can play a part in moving towards a low-carbon global economy. Zurich chairs a CCSA risk group looking at options for CCS risk management, including liability risks and financial responsibility.

Zurich also supports a number of initiatives through its ABI membership including heavy involvement in the redraft of the Statement of Principles on flood. The Statement of Principles are an agreement between the insurance industry and the government whereby insurers agree to make flood insurance available to existing domestic and small business customers at significant flood risk provided that the Environment Agency has announced plans and notified the ABI of its intention to reduce the risk for those customers below significant risk within five years. For domestic properties and small businesses, flood insurance will continue to be a feature of standard household and small business policies if the flood risk is not significant.

Zurich is also leading work with the ABI to establish a coordinated 'surge management' response by insurers to catastrophic flood events. This will ultimately enable the affected communities to resume normal life far more rapidly with a much more efficient use of resources, materials whilst reducing the amount of waste building materials.

We are also working with the ABI and the BDMA (British Damage Management Association) on developing a 'best practice' restoration and repair methodology that could be adopted by the industry.

## Emergency services

In terms of our work with emergency and response services, in September 2008, the River Wansbeck broke its bank and widespread flood damage seriously affected the Morpeth town centre. Various municipal buildings and community facilities were affected in the worst floods since 1963. Zurich worked continuously with local authorities and their partners to assist in coordinating claims submissions from a variety of affected departments, including highways, libraries and schools in order to keep vital services functioning.

## Principle 3: Supporting climate awareness among customers

A growing number of Zurich customers are interested in climate-friendly products. Across the Group, a number of initiatives are underway to develop innovative products and insurance solutions to help our customers deal with the climate change challenge as well as develop new market opportunities. Some key areas for our UK business have included:

### Informing and adapting

We continue to focus on areas that can benefit our customers in times of flooding. We have previously worked with Gloucestershire County Council to develop a flood guide offering practical advice on emergency flood situations. The guide proved extremely useful and was modified for use by any local authority or individual. In a continued effort to extend this advice to as many of our customers as possible, we also launched our severe weather microsite ([Zurich.co.uk/severeweather](http://Zurich.co.uk/severeweather)), in early 2009. This provides 'before', 'during' and 'after' guidance to people coping with severe weather. It is intended to offer practical support to assist customers and non-customers assess their risk exposure to severe weather, prepare for incidents and what to do in the event of a claim.

This microsite continues to provide flood-related insight to Zurich Municipal customers and is updated on a continuous basis throughout the year. For example, in January 2010, after the heavy snowfalls, Zurich issued a warning regarding the threat of potential flooding due to a rapid thaw. The microsite continues to be a central information resource for customers seeking advice and guidance on the range of issues associated with flooding in the UK.

Our Risk Engineering unit works with customers through new build design meetings to ensure proposed buildings are protected to the highest possible standard in relation to their potential vulnerability to fire, storm and flood damage. We have held initial discussions with the RNLI on building and business resilience in extreme weather conditions. We are also in the process of developing a pilot with engineers and surveyors Rider Levett Bucknell on how to improve building resilience in a high flood risk area.

### Products and services

The Social Housing Risk and Uncertainty Guide covers new and emerging risk areas for Social Housing, with two sections that very much support organisations looking to improve climate change risk management: *Climate Change and the Environment* and *Business Continuity Management*. The Climate Change and the Environment section offered further advice on the emerging risk questions and issues surrounding, for instance: sustainable building; Energy Performance Certificates (EPCs); future building design in relation to the increasing frequency of weather related events; the impact of snow and ice.

An important commitment for social landlords is to build opportunity, promote sustainable communities and improve tenants' lives. This commitment can be delivered in many ways, from tailored support for vulnerable individuals, to developing and strengthening economic wellbeing across an area, in support of place shaping initiatives. Delivering financial inclusion is an essential element to empowering and enabling communities. Financially excluded people living in Social Housing can also be exposed to disproportionate financial impact as a result of a major incident, such as flooding arising from increasing climate change. Zurich's Tenants Home Contents insurance scheme offers Housing Authorities the opportunity to introduce their tenants to a simple, straightforward and inexpensive policy with cover to protect their belongings against such perils.

In 2009, Zurich began providing strategic risk consultancy services to Local Authorities in regards to National Indicator 188, *Planning to adapt to Climate Change*. Specifically, Zurich is helping local authorities understand the risks within their plans and strategies to deliver on the NI188 targets.

In 2009, Zurich began offering local government customers the option to receive their policy documentation in electronic format and online. Online policy documentation reduces paper usage, storage space in the office and enhances business continuity arrangements for customers.

Since early 2009, Navigators and General, part of Zurich in the UK, now also offers third party only insurance. This is a new online only insurance policy for UK boat owners encouraging a paperless environment and providing boat users with affordable cover in line with requirements for minimum cover from marinas, boatyards and local councils for use of facilities.

Zurich Connect, the new Zurich Direct proposition in Europe, enables customers to operate within a paperless environment, utilising their own secure area online. In 2010 this is being enhanced to provide a more customer friendly online environment that will encourage customers to access all their policy details online, including their policy documents and certificate of insurance. They will also be able to make adjustments to their policy online in a way that is easy and convenient to them. Customers will be able to access their details more easily and will have the option to receive all their documentation online, including their certificate of insurance.

Our Green Charters which we continue to have in place for both home and motor customers include:

- Targeting our salvage agents to reuse at least 85 percent of all parts and oil following the total loss of a vehicle.
- Underwriting tools that provide preferential rates for customers who drive fewer miles.
- Energy-saving solar panels are included as standard under our Home Solutions building policy.
- We use the recycle logo on all literature and printed material with the aim of encouraging all our customers to recycle.

Zurich continues to advise key commercial and public sector organisations on school design; of note, key guidance is provided concerning Sustainable Construction and Modern Methods of Construction (MMC). Zurich's school design

guide won the award for 'Best Risk Communication of the Year' at the fifth anniversary of StrategicRISK's 2009 European Risk Management Awards. The school design guide advises on the negative aspects of 'sustainable construction'; sustainable means using materials from what are seen to be sustainable sources. Sadly, from a property protection perspective in many cases this means 'combustible'. The guide also provides guidance on Modern Methods of Construction – a construction process that can encompass the use of composite new and traditional materials and components often with extensive factory produced sub-assembly sections and components.

In response to the increasing requirement for policyholders to adapt to climate change, and European and UK legislation and regulation on building and construction standards, we have introduced Adaptation Clause 1 (Energy Performance and Sustainable Buildings). The Adaptation Clause 1 (EPSB) reflects the need to update any existing cover, at no additional cost, to encompass the changes to repairing/rebuilding with building materials or systems that are carbon heavy in their manufacture or transportation, such as concrete, sintering and iron and steel production or those that use components from, say, China.

Later in 2010, we are preparing to introduce a new range of covers for commercial customers to improve resilience in rebuilding, and to offer new alternatives of indemnity covers. The covers will include the ability for building adaptation for heat conservation, flood resilience and waste recycling.

The Environmental Damage (Prevention and Remediation) Regulations came into force in England on 1st March 2009 to comply with European Law which effectively reinforces the 'polluter pays' principle. These Regulations impose obligations on operators of economic activities to prevent, limit or remediate serious environmental damage and are in addition to those under existing legislation. Zurich has reviewed the pollution cover provided by its Public Liability and Combined Insurance policy. PL and Combined Insurance policies have been extended to include the statutory costs of remediation, including those incurred under

the Environmental Damage (Prevention and Remediation) Regulations, up to £1million in any one period of insurance.

All washing machines, dishwashers, refrigerator freezers and upright freezers replaced by our approved suppliers following a claim are replaced with Band A energy efficient appliances.

In 2009, our Global Corporate business launched a new product offering broad insurance coverage for both the construction and operational exposures of new offshore wind farm projects. Companies involved in the construction and operation of offshore wind farms are now able to obtain protection to meet diverse risk management needs during the construction and operational phases of wind farm projects under one program, ensuring gaps in cover do not occur as new wind farm projects are completed.

Our Global Corporate business is launching an innovative motor fleet proposition called Zurich Fleet Intelligence to help enable safer, more efficient and environmentally-friendly fleets. This integrated solution combines the strength of in-vehicle Telematics data with powerful reporting capabilities to identify key risks, and then help mitigate those risks with driver development and management tools. By measuring operational performance and acting on risky driving behaviour, customers can improve fuel efficiency, vehicle wear and tear (tyres, brakes, engine components) and improve vehicle deployment to reduce unnecessary journeys. Studies by Zurich Risk Engineering and Actuarial Teams have found that embracing such a solution can help achieve up to 10% fuel efficiency.

As part of our March 2009 funds refresh, we added two 'green' funds which are available to both our Investment and Retail Pension customers.

- The Jupiter Ecology Fund: aims to achieve long term capital appreciation whilst investing in companies that demonstrate a commitment to the long-term protection of the environment.
- RCM Global EcoTrends: invests in growing and topical areas of the market that complements our stance on supporting positive climate change.

## Natural catastrophes and waste management

As discussed in Principle 2, Zurich played a major role in coordinating a response to the River Wansbeck disaster in September 2008. The resulting floods caused £5m worth of damage to 158 housing association properties. Zurich was on site rapidly and worked alongside appointed loss adjusters and existing project management teams that were overseeing improvement work. A new approach to managing flooded properties was used to avoid the use of demolition crews that tend to rip out the building to break the skin before rebuilding. Instead, rapid drying systems were employed, which avoided the need to replace plaster and left the electronics and plumbing in place. Our new approach also enables customers to consider newer, more resilient building materials and techniques.

We are actively encouraging our Claims suppliers to adopt environmentally-friendly methods of working and one of the two building repair companies that we utilise for claims fulfilment have introduced electric powered vans into their fleet.

If damaged electrical goods are not repairable they are dismantled and the undamaged components are thoroughly tested and reused or recycled. Thus reducing the need for new items or components to be manufactured and reducing the need for these valuable resources and heavy metals going to landfill.

All our claims suppliers are contracted to comply with the relevant environment standards for waste disposal. Compliance with the standards and the relevant legislation is audited by Zurich. A failure by a supplier to comply or to rectify the issue within a short time frame will result in our contract being withdrawn.

The introduction of Ecase file into Zurich Claims across the UK has enabled us to have most of claims files in an electronic format on screen as opposed to paper files. The reduction in the amount of paper used runs into many hundreds of tonnes on an annual basis. In addition, the files can be accessed on screen from any of our sites without the need to ship files by road from one location to another, thus reducing CO<sub>2</sub> emissions significantly.

## Principle 4: Incorporating climate change into investment strategies

Our overall investment strategy at Zurich is laid down by the parent company in Switzerland. This strategy commits Zurich to striving to create long-term value for all its stakeholders. We believe that it is critical to our long-term business success, and of benefit to society, to integrate material environmental, social and governance (ESG) issues into our business decisions and processes. It is through our core business of insurance and risk management that we are able to most effectively address pressing social and environmental issues, such as poverty and climate change, by delivering innovative and sustainable solutions that enable businesses, communities and individuals to mitigate and manage a complex set of risks.

Our commitment to sustainable value creation underpins Zurich's investment strategy and decision-making. As a long-term investor focused on managing assets and liabilities, we believe that investors taking both financial and non-financial considerations into account when making investment decisions will be the most successful in the long term. Irrespective of whether such risks are priced by investment markets, it is prudent management to be aware of such risk

exposures and to integrate material issues into investment decisions. We recognize that a deeper appreciation and understanding of ESG risks and opportunities is an area where one can potentially generate significant skill-based returns. Zurich's successful investment management process, whereby it establishes strategic and tactical asset allocation strategies that are implemented by third-party asset managers, could potentially benefit from ESG research.

# Principle 5: Reducing the environmental impact of our business

Through a diverse range of products and programmes in the UK and abroad, Zurich is working hard to create a more environmentally-friendly workplace for our employees and customers, improving the environmental impact of our business.

## Carbon footprint

We have actively undertaken a number of campaigns and communications activities to promote green behaviors and demonstrate our commitment as a company to reduce our CO<sub>2</sub> emissions and carbon footprint, as well as improving our recycling and waste management including:

- Supporting the Energy Savings Trust week, where we promoted a number of articles demonstrating the steps we are taking to actively reduce our energy consumption, as well as hints and tips on how employees can make a difference at work and at home.
- Supporting the annual Bike to Work week and Walk to Work week, where we hold a prize draw for everyone who cycles or walks to work during those weeks.
- Supporting the Team Green Britain Day, where we promoted a number of articles and hints and tips on how employees can make a difference.
- Launching a campaign to promote the introduction of Save a Cup across our UK locations, where we manage the waste and recycling.
- Launching a 'big switch off' campaign where in August we asked employees in the major business areas to turn off their monitors and, where possible, PCs at the end of each day. Many people have taken up this challenge and more than 100 employees have already confirmed that they switch off their PCs regularly.

The Carbon Disclosure Project (CDP) first asked Zurich to participate in their survey in 2005. This was referred to the Group Climate Office which has gradually aligned our data collection methodology and units of measurement with that of the CDP.

Zurich's Environmental Policy outlines the UK business's policy on pollution prevention and waste minimisation and states, "Zurich recognizes that environmental protection is integral to sustainable value creation for both Zurich and society. Zurich's policy is to manage environmental risks and opportunities as effectively as possible through the progressive integration of environmental considerations throughout its business and to minimise its direct and indirect environmental impact through continuous improvement in environmental performance".

We aim to achieve this policy through strong environmental management processes and procedures documented in our responses to the environmental sections of this survey including use of green energy, reduction in water consumption, recycling etc.

Zurich in the UK issues a Corporate Social Responsibility (CSR) and Environmental questionnaire as an appendix to the Pre-qualifying Questionnaire (PQQ) that all UK suppliers must complete as part of our tendering process. Within this PQQ, suppliers are also asked, "Do you issue similar CSR/Environmental questionnaires to your suppliers?" Where appropriate environmental criteria feature in more detail in tendering exercises e.g. tender for vending machine services.

Zurich in the UK's employees consume around 5 million cups of beverage a year and criteria for selection of any new contracts would include:

- Environmental values
- Fairtrade
- Sustainability of products
- Assessment of biodegradable ability versus recycling of cups.

Since 1999, our Environmental Strategy Group has been working to define and reduce the size and shape of our carbon footprint and as part of our 2010 Carbon Reduction Commitment, additional reductions to our carbon footprint will be required. Through our climate office, our Group announced a Group Wide CO<sub>2</sub> emission reductions target by 10% by 2013 and to help achieve this we have established a 2010 reduction target of 2% per annum.

For the UK business, our total emissions for 2009 were 12,268 CO<sub>2</sub> tonnes\* – a 22% reduction from the previous year, while our carbon footprint per employee reduced by 11% from 2007, to 1,747 kg CO<sub>2</sub>/employee\*\*.

Specifically, in the UK our use of green electricity (generated by wind, water, waves and biomass) has dramatically increased since 2005, with most of our occupied properties now being supplied with 100% renewable electricity. Accordingly, all Zurich's self-occupied properties in the UK have continued to benefit from renewable electricity and Combined Heat and Power (CHP) generation.

\*UK figure quoted based on

- 2,879 tonnes emissions from energy consumed in occupied premises and
- 9,389 tonnes emissions from business travel, air, road and rail

\*\*UK figure based on staff number of 7,019 as quoted by the Zurich Climate Office.

## Electricity, gas energy and water

We have set targets for improving the local office performance in energy efficiency and our Senior Management is responsible for continuous improvement based on each floor's energy use.

From our baseline in 1999 our carbon dioxide emissions from electricity and gas energy have dropped by over 86% at year-end 2009 (85% when normalised by floor area) for Zurich occupied locations.

Over the next year, Corporate Real Estate and Facilities Management (CRE&FM) will continue to develop the arrangements for local energy targeting and monitoring.

Zurich is complying with the European Union Energy Performance of Building Directive, 2003, which requires buildings to have certificates showing their environmental rating. Although Zurich has no premises which require certificates to be displayed, we have Energy Performance Certificates in place for properties that we are marketing.

Zurich is also complying with the Energy Performance of Buildings Directive, which requires periodic inspection on the efficiency of cooling systems.

Zurich is aware of its responsibilities under the CRC Energy Efficiency Scheme, and has prepared a robust framework for reporting energy consumption and CO<sub>2</sub> emissions. We have also carried out consultation with our tenants to inform them of the financial implications that will be borne by them as a result of the scheme.

CRE&FM continue to take advice from specialist energy consultants to help support our drive to reduce consumption and are currently evaluating a number of efficiency initiatives.

All but one of our major locations continue to be supplied with electricity from renewable sources, and all of our smaller locations have been so supplied since October 2009.

Since 2002, CRE&FM have been developing a process for measuring and monitoring water consumption using specialist consultants and site readings. At year end 2009, water consumption has reduced by 31,858 cubic meters to 80,754 since 2007.

## Business travel and commuting

We continue to monitor the level of business miles travelled whether by air, road or rail in an effort to manage down our activity and reduce the environmental impacts. In October 2005, the first car with a 'petrol/electric hybrid engine' joined the Zurich car fleet of over 3,000 cars, and we continue to consider extending 'green' cars into our fleet.

Our on-line car share facility 'Jambusters', continues to encourage car sharing through the UK intranet and we have continued to implement and refresh our travel plans for core locations.

In 2009, we focused on travel plans for Birmingham following a major re-organisation, promoting cycling across all locations and continued monitoring to understand progress against the agreed targets for model shifts.

Strong cost saving initiatives coupled with the introduction and promotion of improved telephone and video conferencing facilities has delivered a significant reduction in the amount of business travel. Miles travelled by air and road were reduced considerably and delivered a CO<sub>2</sub> emissions reduction of some 19% over 2008.

Zurich has continued to support the 'GreenTraveltoWork' initiative, an incentive offered to UK employees to use public transportation through reduced rates.

### Supply chain

UK outsourced arrangements are managed by key business owners and supported/governed by a wider Outsource Steering Group which ensures the consistency of decision making and adherence to internal standards. These include: exploring in detail the potential partners reputation, ethical behaviours, financial position etc.

Zurich in the UK has a comprehensive and detailed UK Procurement and Outsourcing process which uses a risk and controls framework, including a section on reputational risks that explicitly refers to environment, supply chain and human rights. For all outsourcing activity, wide ranging cross functional teams are required to be set up. All contracts must include a section relating to conducting periodic business reviews including monitoring that the supplier is operating in an ethical way. In addition to this, outsource contracts are required to be audited every six months.

As explained previously, Zurich in the UK issues a Corporate Social Responsibility (CSR) and Environmental questionnaire as an appendix to the Pre-qualifying Questionnaire (PQQ) and all UK suppliers must complete this as part of our tendering process. Within this PQQ, suppliers are also asked, "Do you issue similar CSR/ Environmental questionnaires to your suppliers?"

Environmental performance and credentials are a key consideration when assessing the suitability of potential outsourcing partners. A recent example of one such review was completed by Zurich when outsourcing our File Management and Postal Services. Not only were potential parties asked to confirm compliance with the Zurich policy but their own arrangements were considered in detail.

Zurich uses a single company for salvage of motor vehicles across the UK. The End-of-Life Vehicle Directive currently requires a minimum of 85% of vehicles to be reused or recovered. Zurich's supplier has been taking measures to ensure full compliance.

### Employee engagement

In order to continue engaging with our employees on environmental topics, our UK intranet maintains regular environmental features including; quick polls, business travel tips and updates on activities and reporting.

We have recruited additional Environmental Champions (employee volunteers totalling circa 50 across the UK) who encourage environmentally friendly behaviors and monitor performance in their locations via local environmental committees.

In March 2010, we held another workshop for our environmental volunteers. By using our recently introduced HD video conference facilities we were able to link eight UK locations with our head office in Zurich.

Zurich's office in Whiteley was awarded the British Standard BS8555 Phases 1 – 3 accreditation by the Institute of Environmental Management and Assessments in recognition of the work Zurich has done to implement its environmental system for office administration and related business activities. The accreditation will be refreshed during 2010.

# Principle 6: Reporting and being accountable

Zurich's UKGI and Shared Service CEO continues to recognise the importance of Executive level support and endorsement of climate-related activity in order to drive initiatives forward.

As such, there has been clear commitment and ownership for climate initiatives by Executive members through the embedding of environment as one of the four cornerstones of our CR framework. Responsibility has been assigned to the HR Director and the Chief Operating Officer (COO) to drive forward these initiatives.

The HR Director also chairs the Corporate Responsibility Council which works with the various business areas to include climate change and environmental action into marketplace and operational activity.

The COO has again re-affirmed her commitment to the Environmental Strategy Group (ESG) which, each year, submits an annual statement of work setting objectives and highlighting activities undertaken to implement these principles.

Our main priorities continue to be: reducing our consumption of electrical energy, reducing our consumption of materials, reducing business travel and implementing commuter travel plans. The ESG continues to submit data as required for the Zurich Group's submission to the Carbon Disclosure Project, the Business in the Community Index and the Big Tick Climate Awards.

Zurich places significant emphasis on its risk management culture and therefore requires the ESG to complete a total risk profile and submit a quarterly risk report to the UK Risk function.

## For further information

At Zurich we are constantly looking to improve our service to our customers, partners and intermediaries. Any feedback, both positive and negative, will be gratefully received and given careful consideration so we can adapt to your needs. The climate change challenge is no exception, so please email us at: [uk.webmaster@uk.zurich.com](mailto:uk.webmaster@uk.zurich.com) or phone: 08000 966 233. We are looking forward to hearing your views.

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