ClimateWise
Insuring a sustainable future

The ClimateWise Principles Independent Review 2023

Robust foundations for change

UNIVERSITY OF CAMBRIDGE
INSTITUTE FOR SUSTAINABILITY LEADERSHIP

The University of Cambridge Institute for Sustainability Leadership

CISL is an impact-led institute within the University of Cambridge that activates leadership globally to transform economies for people, nature and climate. Through its global network and hubs in Cambridge, Cape Town and Brussels, CISL works with leaders and innovators across business, finance and government to accelerate action for a sustainable future. Trusted since 1988 for its rigour and pioneering commitment to learning and collaboration, the Institute creates safe spaces to challenge and support those with the power to act.

ClimateWise

ClimateWise supports the insurance industry to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap. This is the growing divide between total economic and insured losses attributed to climate change.

Representing a growing global network of leading insurance industry organisations, ClimateWise helps to align its members' expertise to directly support society as it responds to the risks and opportunities of climate change.

The Centre for Sustainable Finance

Through a unique combination of deep industry collaboration, high-calibre research and exceptional education programmes, the Centre for Sustainable Finance helps financial institutions to play a leading role in building a more sustainable economy. This is achieved by convening groups of leading firms across banking, insurance and investment to develop tools that address industry barriers and knowledge gaps, setting ambitious examples of best practice for the wider finance industry and equipping financial institutions to understand and improve their sustainability impact.

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Contact
To obtain more information on the report, please contact:
E: climatewise@cisl.cam.ac.uk

January 2024

ClimateWise members 2023

ABI
Allianz
AON
ascot
AVIVA
AXA
beazley
BRIT
canopius
Chartered Insurance Institute
Standards. Professionalism. Trust.
CONDUIT RE
convex
esure GROUP
Ecclesiastical
FIDELIS INSURANCE GROUP
FIDELIS MGU
FLOOD RE
Gallagher
Insurance | Risk Management | Consulting
HISCOX
Howden Group Holdings
INIGO
Lancashire Insurance Group
Liberty Specialty Markets
LLOYD'S
MarshMcLennan
MS Amlin
NFU Mutual
QBE
RenaissanceRe
RSA
Sanlam
santam
sedgwick.
SIRIUS POINT
Swiss Re
THE HARTFORD
TOKIO MARINE HCC
TOKIO MARINE KILN
wtw
ZURICH

Note: organisations in their first year of membership are not required to produce a ClimateWise Principles report.

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Chair's foreword

Just as the insurance industry rises to meet new climate-related risks and opportunities, ClimateWise continues to evolve to meet the needs of its members – collaborating to support the transition to a carbon neutral economy, mitigate the risks of the climate and nature transition, and respond to new disclosure requirements.

Anthropogenic climate change is impacting the frequency and severity of extreme weather events, threatening our planet, and increasing risk around the world. The insurance industry is expertly placed to take a leading role in understanding and mitigating these risks for the betterment of society. As individual companies, we help support climate resilience and the transition to a carbon neutral economy through risk transfer and risk financing mechanisms. Together, we increase our impact through ClimateWise, which provides a unique forum for the industry to leverage world-leading academic research and take collective action to help ensure a sustainable future.

The *ClimateWise Principles Independent Review* is one way that members share best practices and track our progress as an industry, with members' reporting against the Principles playing a key role in ensuring that the insurance sector embeds climate, sustainability and social objectives into its value proposition. It is important that we continue to challenge ourselves to improve and innovate, for example, by facilitating the growth of markets for new technologies and nature-based solutions.

Over the last few years, the sustainability landscape has become increasingly complex with additional disclosures and regulatory requirements. ClimateWise continues to adapt to help our members navigate this environment. Following collaborative work across our membership, we have updated our strategy to include goals to expand the research co-ordinated by ClimateWise and delivered by CISL, to raise the voice of the industry through increased co-ordination of the Insurance Advisory Council, and to expand the ClimateWise membership. As part of this, we have also initiated a project to develop new ClimateWise Principles, considering new sustainability disclosure frameworks. This approach will ensure we remain at the forefront of climate and nature-related topics while streamlining reporting requirements for our members.

We are pleased to have appointed Crowe LLP as our new Principles Partner and look forward to working with them as we evolve the ClimateWise Principles. I would also like to thank Deloitte for their support as our Principles Partner over the past number of years.

I am proud of the actions that ClimateWise members are taking to support the journey to a carbon neutral economy. We still have much to do, and we remain committed to advancing the insurance industry's response to the challenges of climate change so that we can create a more sustainable future for all.

Kevin O'Donnell
Chair, ClimateWise
President and Chief Executive Officer, RenaissanceRe

Executive summary

In 2023, the Intergovernmental Panel on Climate Change (IPCC) released its *Sixth Assessment Report* ('AR6'), with one essential message: "While some future climate impacts are already unavoidable, these can be significantly limited by deep, rapid and sustained reduction in Greenhouse Gas emissions" (Intergovernmental Panel on Climate Change 2023). Climate policies in 170 countries around the world now consider climate adaptation measures, with the potential for impact significant if these are financed and implemented urgently.

However, the report also told us unequivocally that the world is not currently on track to achieve the 1.5-degree target[1] set under the Paris Agreement. The findings of the report, published by the world's leading scientific body on climate change, are wide ranging and alarming, however they also bring messages of hope and urgent calls to action. We have all witnessed an immense shift in the perception of and attention to climate issues in recent years, however, there is much more to do.

> "While some future climate impacts are already unavoidable, these can be significantly limited by **deep, rapid and sustained reduction in Greenhouse Gas emissions.**"
>
> **Intergovernmental Panel on Climate Change 2023**

An industry on the front lines of climate change

The insurance industry as a whole is exposed to climate risk in a unique, impactful and ever-evolving way. The facts are clear: in the first half of 2023 alone, natural catastrophe losses reached USD110 billion (with provisional insured loss estimates at USD43 billion), both significantly above the ten-year average (Munich Re 2023). With less than 40 per cent of these losses covered by insurance, attention was once again drawn to the significant protection gap that persists in countries and economies across the globe. Extreme weather events have been experienced across every continent. 2023 was the warmest year on record, with the January–November period witnessing the highest global mean temperature on record, up by 1.46°C compared to pre-industrial times (Copernicus Climate Change Service, 2023), as well as the lowest sea ice levels on record and record-breaking ocean surface temperatures (World Meteorological Organization 2023).

With climate change and potential global warming of 2°C projected to lead to a fivefold increase in exposure to all types of natural hazards globally (particularly to droughts and heatwaves) there is no doubt that climate risk is an unprecedented threat to our society and its physical and financial resilience (Network for Greening the Financial System 2021). Responding urgently and appropriately to climate threats is undoubtedly going to be essential in securing a climate-resilient future.

Action to catalyse reporting and transition planning

Financial institutions, including banks, asset managers, insurers and private equity firms, will be essential enablers, catalysts and stewards of the transition to a more sustainable world. By providing the right financing, risk transfer and risk management mechanisms for meaningful decarbonisation strategies, the insurance industry will be at the forefront of both the real economy's climate transition and its own. Insurance is central to the building of much-needed financial climate resilience across the globe. It is true now more than ever that a 'whole of society' response to the 'Tragedy of the Horizon'[2] will be essential if we are to correct the course of climate change, safeguard macroeconomic stability and protect societies from the worst of climate shocks.

> "The insurance industry has the unique opportunity to become society's navigation system – an industry that will help society **manage the risks of today, navigate the risk landscape of tomorrow,** and reap the opportunities along the way."
>
> **Mark Carney for UNEP PSI n.d.**

[1] The '1.5 degree target' is a commitment made under the 2015 Paris Agreement to limit global warming to a maximum increase of 1.5°C above pre-industrial levels.

[2] The 'Tragedy of the Horizon' is a term established by Mark Carney in reference to climate change, its impacts and the associated threat to the stability of our financial system.

2023 was a year of major developments for industry-specific sustainability topics within insurance. One of the most notable was the publication of the Partnership for Carbon Accounting Financials (PCAF)'s long-awaited guidelines on the measurement of insurance-associated emissions[3] (IAE), perhaps the most meaningful set of industry guidelines to inform transition planning[4] so far. The industry-led PCAF Working Group for IAE consists of 16 industry members, nine of whom are ClimateWise members. The group came together to mobilise deep technical expertise and experience, engage and consult stakeholders, provide updates, obtain feedback and develop PCAF's methodological approaches. The result was the publication of the Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions. The guidelines work to provide greater support, better alignment and robust industry-wide methodologies for carbon accounting. These goals align well with ClimateWise's own objectives. The publication of these standards has inevitably had a positive impact on the 2023 ClimateWise reporting cycle, with a record number of members turning their attention to the measurement of insurance-associated emissions across their underwriting portfolio. The PCAF guidelines have also turned attention towards the embedding of environmental, social and governance (ESG) factors into underwriting processes.

2023 was yet another year of rapid development with regard to sustainability disclosure frameworks and regulatory requirements. The Task Force on Climate-related Financial Disclosures (TCFD), the Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB) are just three of the essential frameworks around which insurance organisations need to increasingly align their climate-related reporting activities. TCFD continues to drive pressure for reporting clarity and transparency, with an emphasis on transition plans and data-informed approaches to reporting. The ISSB builds further on TCFD's four-pillar structure, with additional detail and attention on financed and insured emissions, with UK adoption of the UK Sustainability Disclosure Standards (SDS) due in June 2024. CSRD will require in-scope entities to report their climate activities in line with European Sustainability Reporting Standards (ESRS), most notably requiring the use of a double materiality methodology to assess business climate impacts.

Now, more than ever before, we have the tools and guidelines needed for insurance organisations to understand their climate exposures, climate impacts and climate opportunities. Individual companies, as well as the sector as a whole, need to consistently be asking themselves how to align more closely and more urgently with the Paris Agreement[5] via validated frameworks (such as those validated via the Science Based Targets initiative (SBTi). As we continue to see climate, sustainability and social issues rapidly becoming embedded in every function across insurance organisations, guidelines such as these will be central to accurate and cohesive reporting.

Action to drive dialogue and ambition

In 2023, the ClimateWise membership stood at 40 organisations representing insurers, reinsurers and brokers from regions across the world. The average member score increased yet again, from 69 per cent in 2022 to 73 per cent in 2023, signalling on one hand the efforts invested in enhancing sustainability reporting across the industry, and on the other, a membership readiness for a refreshed and even more ambitious set of ClimateWise Principles, planned for 2024.

While the shift in sustainability reporting excellence is laudable, the task at hand is far from complete. It is essential to remember that the positive impact of climate reporting will only ever be as positive as the decarbonisation and transition plans that sit behind it, and continued efforts on this front will be central to this.

> "Through decisive action, insurance companies can facilitate the transition to a low-carbon economy that is resilient to a changing climate, while reducing the climate risk protection gap."
>
> **Anna Sweeney, Sustainable Insurance Forum and Executive Director, Bank of England 2023**

As a unique group of industry leaders driving the quality and cohesiveness of sustainability reporting in the insurance industry, ClimateWise and its members continue to drive the decisive action urgently needed to facilitate the transition to a low carbon economy. This report will demonstrate key trends and strengths in the 2023 ClimateWise reporting cycle, and highlight the most important areas of focus and development for the future.

[3] 'Insurance-Associated Emissions' (IAE), formerly referred to as 'insured emissions'.
[4] 'Transition planning' is the internal process undertaken by a firm to develop a transition strategy to deliver climate targets and/or prepare a long-term response to manage the risks associated with a transition (Network for Greening the Financial System 2023).
[5] The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 countries that committed to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

Robust foundations for change

A reminder of the task at hand

The insurance industry is at the forefront of the fight against climate change:

Headlines from the IPCC's *Sixth Assessment Report* (AR6) demonstrate with certainty that:

- It is unequivocal that human influence has warmed the atmosphere, ocean and land.
- The scale of recent changes across the climate system as a whole is unprecedented over many centuries to many thousands of years.
- Global surface temperature will continue to increase until at least mid-century under all emissions scenarios.
- Many changes in the climate system can be directly linked to global warming, including the frequency and intensity of hot extremes, heavy precipitation, agricultural and ecological droughts, and reductions in Arctic sea ice, among others.
- To limit human-induced global warming, we must limit cumulative CO_2 emissions, reaching at least net zero CO_2 emissions, along with strong reductions in other greenhouse gas emissions urgently.

(Intergovernmental Panel on Climate Change 2023)

Understanding climate risk

More than any other industry, insurance has the expertise and the tools to rapidly and accurately model climate risk exposures across the globe.

Ensuring an accurate understanding of climate risk, including for emerging markets, is an essential part of the path to net zero.

Financing adaptation and the transition

In order to avert climate catastrophe, clean energy investments of ~USD4–5 trillion are required annually between now and 2030 (World Economic Forum 2023b).

The climate adaptation finance gap is widening and now stands at USD194–366 billion (United Nations Environment Programme 2023).

Insurers are part of this on both sides of the balance sheet, as both de-riskers and investors in the innovation and decarbonisation technology urgently needed for net zero.

Building climate resilience

Insurance is a primary source of resilience for economies worldwide.

Insurers create climate resilience via the quantification, management and financing of physical and transition climate risks.

The stability of insurance companies themselves is also highly likely to be impacted by climate change.

As with all systemic shifts, the climate transition brings both risks and opportunities to the insurance sector. The transition to net zero emissions will involve shifting trillions of dollars of capital towards low carbon technologies and business models. The development of these ground-breaking technologies and new ways of operating requires both significant investment and de-risking finance to enable meaningful innovation. The insurance industry is key to both, and we continue to see industry leaders embrace these product development and partnership opportunities wholeheartedly. The insurance industry has led decades of work to measure, assess and price the world's climate and disaster risks. Quantification and understanding of climate risk exposures are essential to securing financial resilience for individuals, businesses, and nations themselves. Risk insight is also the foundation on which meaningful climate risk adaptation and resilience programmes are built (Insurance Development Forum 2021), bringing additional social and development rewards alongside the pure commercial. Measuring and reporting is an undeniably central piece to this equation.

ClimateWise: at the front lines of delivering industry-wide transparency

ClimateWise represents a growing global network of leading insurance industry organisations, supporting the insurance industry to better communicate, disclose and respond to the risks and opportunities associated with climate change. The ClimateWise membership comprised 40 member organisations in 2023 representing insurers, reinsurers and brokers from regions across the world. Since its formation in 2007, ClimateWise has been a leading voice in working with the industry for action across climate topics, with a focus on disclosure and transparency through a rigorous set of climate Principles. Given the scale of the task we face in reaching net zero, there is no doubt that the existence of industry initiatives is a key part of delivering enhanced understanding and reporting of sustainability activities from all organisations. This measurement and transparent reporting of climate topics continues to be a central enabler of both the industry's own transition, as well as its role in supporting insureds and third parties on their transitions.

> "Standing before the insurance sector is a once-in-a-generation opportunity to make a difference to the global economy. Climate change must be a priority in every way, shape and form."
>
> **Greg Case, President & CEO, Aon**

The movement towards excellence within reporting must be accompanied by excellence in climate action, mitigation and adaptation

We have witnessed a transformational shift in sustainability reporting across the insurance industry in recent years. There is no denying the scale of the effort that has been required to move the dial from a landscape of significant disparity to today's more aligned, ambitious reporting landscape, of which the ClimateWise membership is immensely proud to be a part. There is much more to do in the journey towards a net zero economy, but the robust foundations needed for insurance industry-wide sustainability action and reporting are now beginning to take shape.

The average ClimateWise reporting score increased yet again, from 69 per cent in 2022 to 73 per cent in 2023. Significant increases were noted in the number of members providing evidence for activities surrounding public policy, engaging and incorporating climate-related factors further into strategies and investments. Scoring for members who demonstrated promotion of and active engagement in public discourse on climate-related issues increased significantly (by 14.5 per cent), with these engagements taking both public and private forms. Many members demonstrated collaborations and partnerships with policymakers and public bodies to support the development and resilience of an economy that is more resilient to climate risk.

Additionally, the score for members supporting and undertaking research on climate change to inform business strategies and stakeholder interest increased by 21.9 per cent. The significant uptick in activity around the public policy, research and partnership Principles demonstrates the shift in behaviours seen in recent years across all Principles, with each ClimateWise reporting cycle of just 12 months bearing witness to remarkable efforts to drive accountability within the insurance industry on climate.

While the shift in sustainability reporting excellence is undeniably laudable, the task at hand is far from complete. It is essential to remember that the positive impact of climate reporting will only ever be as positive as the decarbonisation and transition plans that sit behind it. Continued efforts on this front will be central to success.

Where do we go from here? Moving from reporting and measurement to sector-wide impact, bringing everyone on the journey. The sustainability disclosure landscape is evolving fast, and becoming increasingly complex, with varying deadlines and expectations across different frameworks and regulatory requirements. Accurate and timely reporting is essential given not only the size of the task at hand in transitioning to net zero, but also due to growing regulatory concerns around greenwashing, with both EU and UK regulators strengthening their regulatory frameworks in this regard. Insurers also face increasing climate-related litigation risk, which further increases the importance of accurate and complete disclosures. While a common direction has developed over recent years, as proven by the trends explored throughout this ClimateWise report and in Appendix 1 (2023 member evidence against the ClimateWise Principles), there is still much to do. The industry continues to contain a spectrum of reporting practices and maturity, and to address this, industry coalitions and the use of open-source guidelines aligned with regulatory expectations (such as ISSB and CSRD) will continue to be essential.

> "We call on fellow business leaders to join us and raise their ambition by setting **science-based targets and increasing the transparency of their emissions** by publicly disclosing emissions data through entities such as CDP. Companies should engage their suppliers and customers to advance emissions reductions across the full value chain. **The private sector needs to continuously increase its investments in energy efficiency, carbon reductions and technology- and nature-based removals.** This collective action will not only amount to a meaningful contribution to global climate goals but will also drive sustainable value – the energy transition alone is expected to create **an additional 51 million jobs by 2030**."
>
> **CEOs' open letter ahead of COP28, with 108 private sector signatories including financial services CEOs, including AXA and Zurich (World Economic Forum 2023a)**

Though the rapid developments across the sustainability landscape can seem complex, the ClimateWise membership continues to demonstrate significant year-on-year enhancements across a wide array of areas. In line with the key objectives of the ClimateWise Principles, **the following four topics are areas in which insurance organisations have made significant progress over recent years. The insurance industry's approach to these four areas will continue to develop in coming months and years:**

Strategy

- **Improving disclosures requires insurers to set more mature sustainability strategies.**
- **More mature sustainability strategies can also lead to more robust and easily identifiable business opportunities.**

Data

- **Improving the quality of sustainability-related data is essential for reporting and will provide better insights to the business and other stakeholders.**
- **Initial mandatory metrics for focus are scope 1, 2 and 3 greenhouse gas (GHG) emissions, total carbon emissions and climate warming scenario metrics.**

Frameworks

- **Sustainability reporting relies on developing frameworks, processes and accountability to integrate climate-related factors into the business.**

Risk management

- **Sustainability disclosures require evidence proving that climate and other factors are properly integrated into risk management and planning processes.**
- **Efficiencies and streamlining with existing processes, as well as having the support of appropriate committee structures, will be essential.**

Sustainability reporting landscape: the role ClimateWise plays in today's insurance industry

Alongside a year of ambitious climate action and rapid regulatory developments, 2023 was also a year in which sustainability initiatives themselves came under the microscope, particularly within insurance. There continues to be differential sentiment and pace of adoption globally. Despite turbulence for some initiatives and topics within the industry over the past year, climate action has not faltered. In fact, the evidence broadly points to an environment of determination and an uptick in action within the insurance climate space (S&P Global 2023).

The rise in 'anti-ESG' sentiment is nuanced. Among a variety of drivers and catalysts, two particular themes that urgently require the industry's attention are:

- the concern that policyholders in climate-exposed areas will find access to insurance increasingly challenging or expensive in coming years, resulting in a widening of the protection gap and a limited ability to manage physical, financial and social risks appropriately
- the need for legal, regulatory and policy environments to develop at a similar pace and along a similar trajectory as industry thinking across sustainability topics, in order to protect policyholders and insurance organisations themselves from undue turbulence and to secure a fairer, greener and more resilient future for all.

Among other things, these factors are explored below, considering ways in which the ClimateWise Principles might seek to incorporate factors and guidance across related themes.

A forward-looking assessment: essential topics for the future

In 2024, the ClimateWise Principles are due to undergo an update. The refreshed set of Principles will continue to focus on climate disclosures across the insurance industry and may also reflect additional emerging and evolving climate-related topics. The five themes explored briefly below are just some of those that will be part of this exercise.

1. Insurance-Associated Emissions (IAE)

Insurance-associated emissions (IAE), also referred to as 'insured emissions', have been one of the most significant themes of insurance industry climate conversations in 2023. In January, PCAF published their long-awaited guidelines for the measurement and reporting of IAE, perhaps the most meaningful set of industry guidelines to inform transition planning so far. While Scope 1 and Scope 2 greenhouse gas (GHG) emissions (ie, those relating to an organisation's own operations) are largely well measured and well reported across the industry, the emissions associated with insurance underwriting and investment portfolios remain less well measured. In the face of increasing drive across the industry to enhance the disclosure and management of climate impacts, the accurate and comprehensive measurement of IAE is step one in developing truly meaningful transition plans to deliver net zero, and essential to meeting certain reporting requirements such as CSRD.

2. Embedding ESG considerations into the underwriting process

In order to address both the risks and the opportunities arising from climate change, insurers are increasingly seeking to integrate climate factors into their underwriting process. The successful inclusion of ESG considerations into underwriting decisions will not only provide greater risk insights across the underwriting portfolio but will also empower underwriters to support clients in their own transitions towards decarbonisation. By taking this next step in the evolution of operating models fit for climate change, all organisations within the insurance value chain will be better equipped to mitigate risk, embrace commercial opportunities and leverage the competitive advantages that stem from greater understanding of climate topics.

3. Insuring a just transition

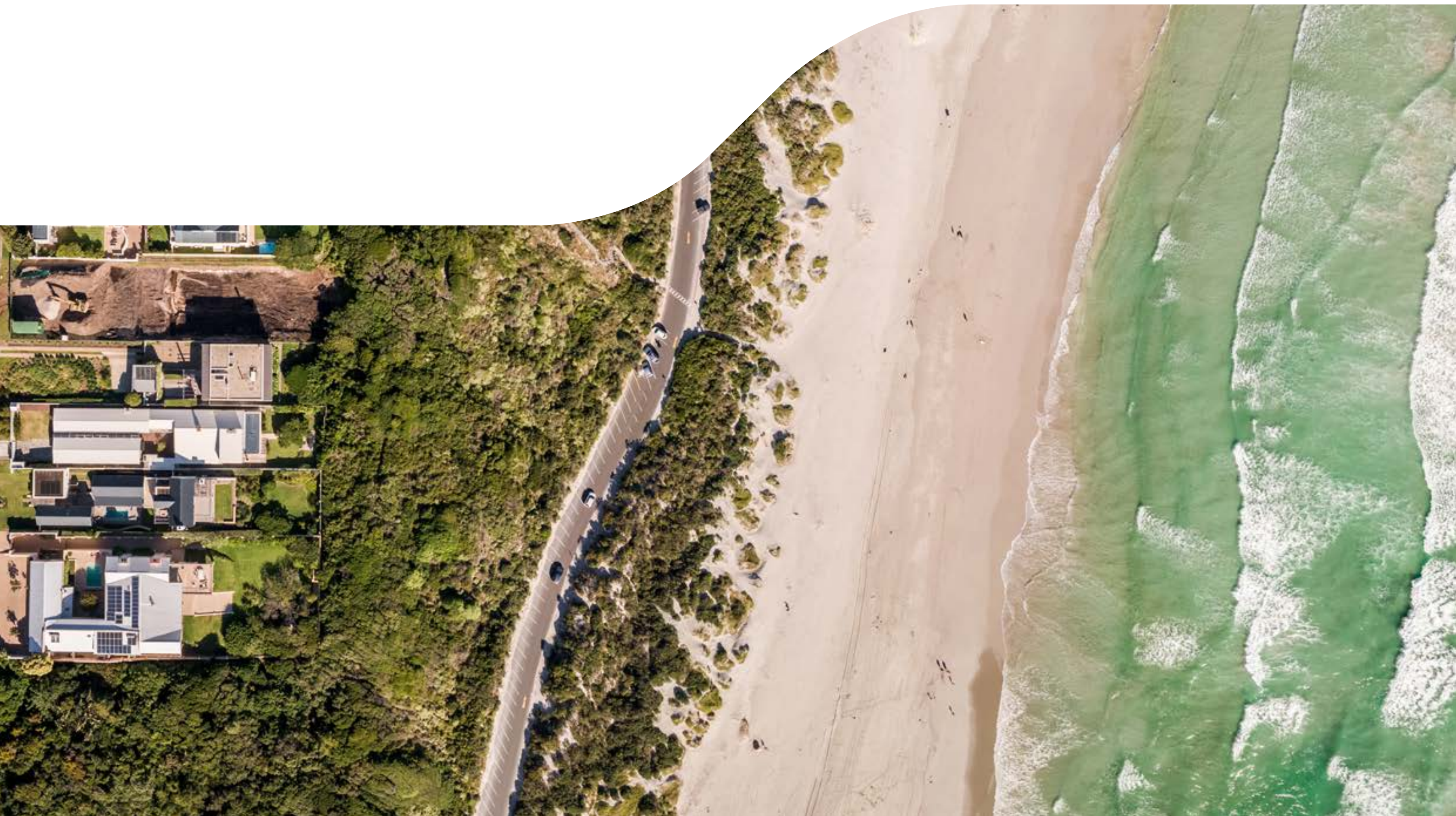
"A just transition seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers" European Bank for Reconstruction and Development (EBRD).The increasing attention on how insurance organisations engage with carbon-intensive sectors and high-emitting partners and clients will require increased attention on the concept of a just transition in order to put both physical and financial global climate resilience at the forefront of the conversation. The topic is broad, and open to a variety of interpretations, including with focuses on reducing the insurance protection gap and enhancing insurance-related financial inclusion, particularly in emerging economies and climate-vulnerable communities. Despite its breadth, the topic plays an essential part in the delivery of a responsible net zero transition for the insurance industry, and one which requires further refinement and attention in coming months and years.

4. Nature and biodiversity

The importance of protecting nature's ecosystems and biodiversity cannot be understated, with 75 per cent of the world's land now degraded and an estimated USD10 trillion of economic losses expected due to ecosystem decline by 2050 (CISL 2023a). Despite this, it is an issue that has historically been somewhat of a secondary topic in the sustainability arena, overshadowed by climate change and climate risk itself. Only recently has the topic of natural capital begun to receive the attention it requires, and only recently have we seen signs of financial institutions beginning to partner their climate change assessments and strategies with nature-related topics. Nature loss has fundamental implications on the resilience of our financial system, and in 2023 we saw regulators and supervisors turning their attention to this. The Taskforce on Nature-related Financial Disclosures (TNFD) launched its guidelines in September 2023, which inevitably elevated the public and industry discourse around the topic of nature. The 'climate–nature nexus' – the idea that comprehensive strategies to address climate risks and opportunities will likely also address certain nature concerns, and vice versa – continues to evolve, however it is clear that while the two topics are related and certainly complementary, they will require dedicated initiatives, action and reporting. The EU's CSRD involves a number of nature and biodiversity requirements, including the use of double materiality methods for nature as well as climate impacts. Increasing attention is being turned to the inclusion of nature-related factors in underwriting processes, and the broader role of the insurance industry in directing capital flows towards nature-based solutions, both to harness commercial opportunities and to reduce and finance risk (CISL 2023b).

5. Adapting to ever-increasing disclosure requirements

In 2024 and beyond, the insurance industry will continue to see rapid developments with regard to their sustainability disclosures and regulatory requirements. The Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB) are just two of the essential frameworks around which insurance organisations need to increasingly align their climate-related reporting activities. The TCFD released its final guidelines in 2017, and since then has driven pressure for reporting clarity and transparency, with an emphasis on transition plans and data-informed approaches to reporting. Upon the publication of its 2023 status report at COP28, as planned, the TCFD was disbanded, with the International Financial Reporting Standards (IFRS) Foundation assuming responsibility for monitoring and enforcing climate reporting standards. The ISSB builds further on TCFD's four-pillar structure, with additional detail and attention on financed and insured emissions, and UK adoption of the UK Sustainability Disclosure Standards (SDS) due in June 2024. CSRD will require in-scope entities to report their climate activities in line with European Sustainability Reporting Standards (ESRS), most notably requiring the use of Double Materiality methodology to assess climate. All EU firms will be captured by CSRD requirements, as well as international non-EU firms with at least one significant subsidiary or branch in the EU and a net turnover of EUR150 million. Alignment with existing and upcoming sustainability disclosure frameworks will be a key consideration in the development of an updated set of ClimateWise Principles.



ClimateWise Principles 2023 Annual Review

Principle 1
Be accountable
1
See page 17

Principle 2
Incorporate climate-related issues into our strategies and investments
2
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Principle 3
Lead in the identification, understanding and management of climate risk
3
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Principle 4
Reduce the environmental impact of our business
4
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Principle 5
Inform public policy making
5
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Principle 6
Support climate awareness amongst our customers / clients
6
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Principle 7
Enhance reporting
7
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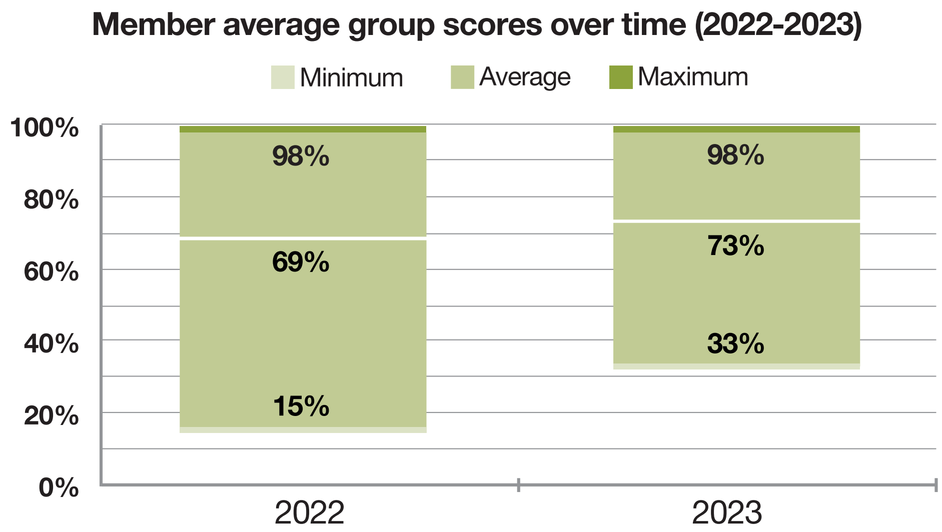
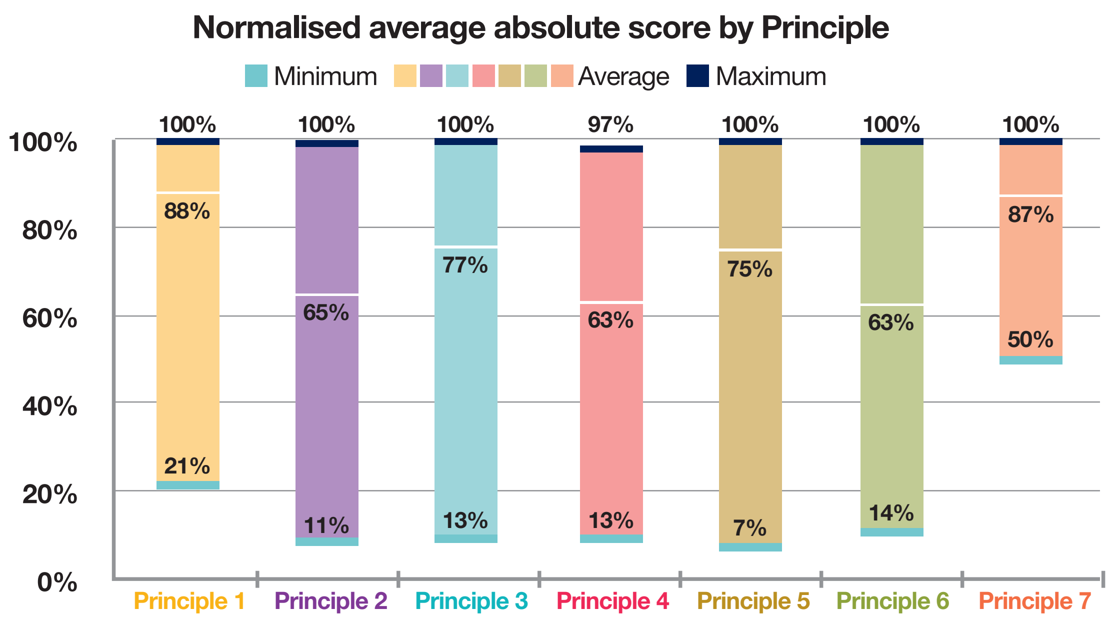
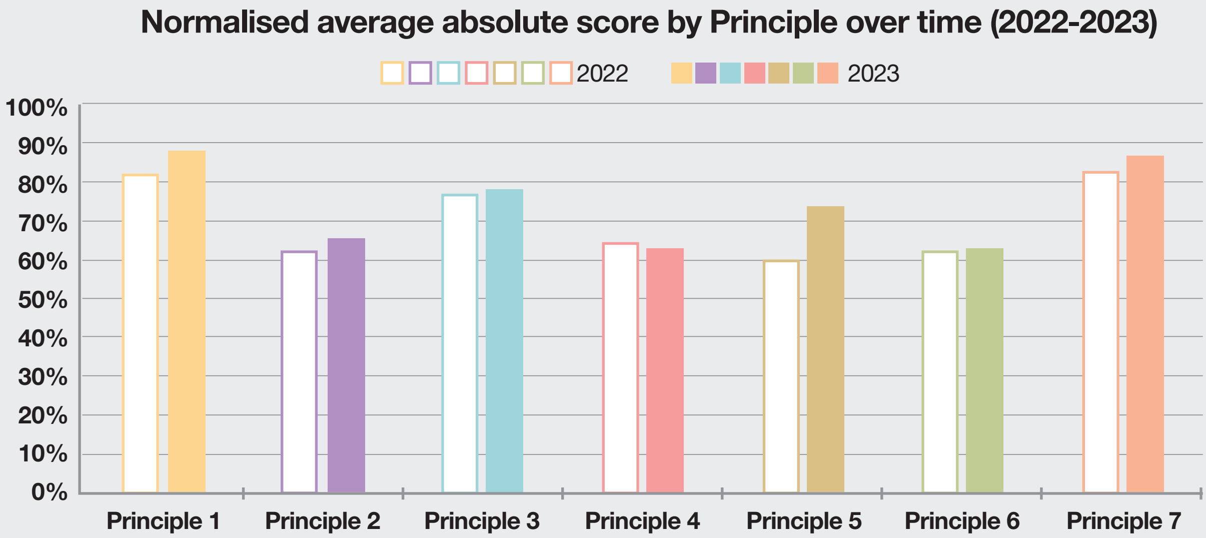
The ClimateWise Principles: member progress

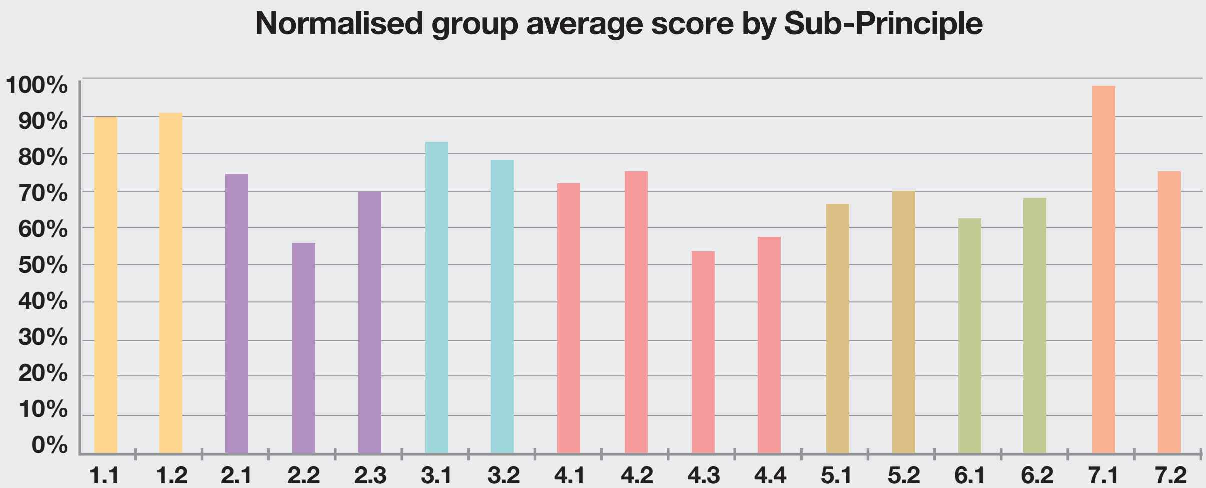
The membership continued making progress against the Principles, with 2023 seeing a year-on-year rise in average member score from 69 per cent to 73 per cent. ClimateWise members continued to make strong progress from last year and continued to consider climate-related risk across all areas of their business.

The following review relates to ClimateWise submissions made by members in early August 2023. In line with ClimateWise guidance, reporting years generally relate to the 2022 calendar year but can follow a member's financial year or similar. Appendix 1 provides a detailed description of members' performance against each of the Sub-Principles. Appendix 2 provides further detail on scoring methodology. Appendix 3 provides anonymised member ranking, and Appendix 4 provides the score distribution for the membership.






Normalised average absolute score by Principle over time (2022-2023)
2022
2023
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Principle 1
Principle 2
Principle 3
Principle 4
Principle 5
Principle 6
Principle 7


Normalised group average score by Sub-Principle
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1.1
1.2
2.1
2.2
2.3
3.1
3.2
4.1
4.2
4.3
4.4
5.1
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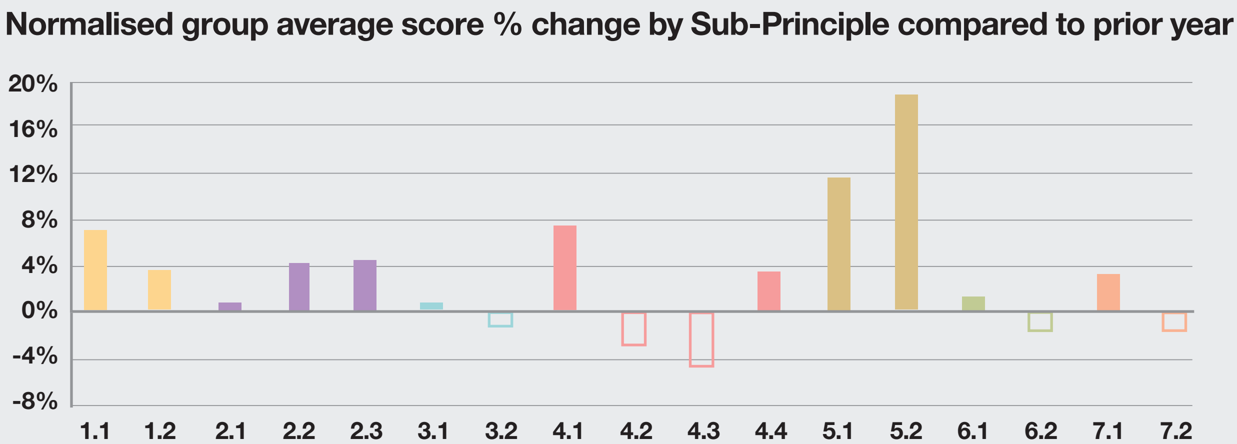
6.1
6.2
7.1
7.2


Normalised group average score % change by Sub-Principle compared to prior year
20%
16%
12%
8%
4%
0%
-4%
-8%
1.1
1.2
2.1
2.2
2.3
3.1
3.2
4.1
4.2
4.3
4.4
5.1
5.2
6.1
6.2
7.1
7.2

Summary

Principle 1 – Be accountable

Principle 1 continued to see strong member performance with improved performance across both Sub-Principles. Members continued to evidence robust governance structures and engagement and oversight at board and management level. This year members provided more evidence of how the board monitors and oversees progress against strategic plans, goals and targets. Members are incorporating climate change into business strategy and planning the development of related key metrics and targets, at a board and committee level.

Principle 2 – Incorporate climate-related issues into our strategies and investments

Principle 2 remains one of the more challenging Principles for members, however, performance has improved compared to 2022. Members are disclosing the implications of climate-related issues for business performance and key stakeholders. Members disclosed corporate, underwriting and investment strategies that address the implications of climate-related issues on both the business and key stakeholders. One mechanism used in these strategies to reduce climate impacts is to incorporate climate metrics into leadership remuneration policies. This year we saw an improvement across the membership, with more members than ever conducting climate scenario analysis and evidencing how scenario analysis is used to understand the resilience of the organisation's current business strategy.

Principle 3 – Lead in the identification, understanding and management of climate risk

Scoring against Principle 3 improved marginally compared to 2022. The most significant improvement across Principle 3 was against the 'Demonstration of Planned Activities' (DPA) while both Sub-Principle 3.1 and 3.2 declined slightly. Members continued to demonstrate practices and processes for identifying, assessing and prioritising climate-related risks and opportunities. An increasing proportion of the membership demonstrated their role in developing insurance products and/or partnerships but fewer evidenced their role in improving data quality issues.

There was significant improvement in members clearly evidencing that the new products and partnerships address the most significant climate issues to the business.

Principle 4 – Reduce the environmental impact of our business

Principle 4 improved slightly overall. Members continued to perform well in evidencing an environmental/sustainable procurement policy, and work has been undertaken to assess the environmental sustainability of products purchased. There is an opportunity for greater consistency in how members track their GHG emissions, in particular, how the processes and targets are being embedded into their organisations and the impact they are having. A greater proportion of members engaged employees in their commitment to climate change and provided a comprehensive programme of engagement.

Principle 5 – Inform public policymaking

Principle 5 had one of the greatest improvements this year compared to other Principles. All Sub-Principles and DPA improved significantly. Members continued to engage in public debate on climate-related issues and undertake research on climate change to inform business strategies. An increasing proportion of the membership promoted knowledge sharing within the industry and demonstrated research addressing key climate-related risks facing the business.

Principle 6 – Support climate awareness amongst our customers/clients

Overall Principle 6 scoring improved. Members continued to perform well and communicate their beliefs and strategies on climate-related issues to customers. Performance was consistent across all Sub-Principles, Principles and DPA. More members are providing an overarching engagement plan for customers and clients, to support activities they were already undertaking. An increasing proportion of the membership also provided quantitative disclosure of those engaged, alongside details of future activities and feedback mechanisms.

There was significant improvement in the way the membership engaged with customers and clients to encourage climate awareness and provide tools to promote resilience and assess own levels of risk. There remains room for improvement in the way members demonstrate that they have identified areas of behaviour change needed to mitigate climate risk.

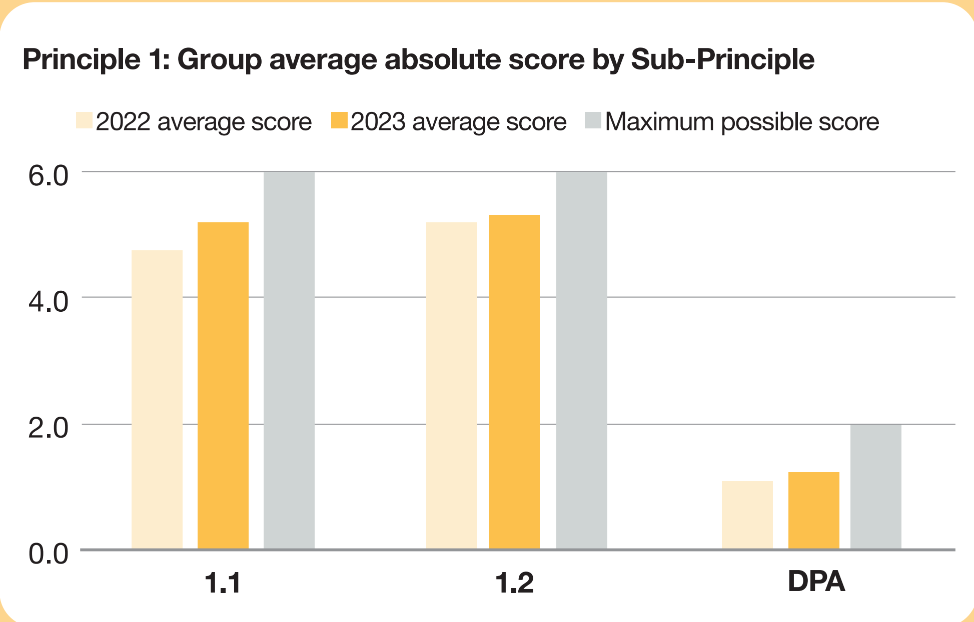
Principle 7 – Enhance reporting

Overall Principle 7 scoring increased in 2023. Sub-Principle 7.1 increased due to an increase in members submitting reports on time. Additionally, there was a marginal increase in the number of members publicly disclosing their ClimateWise Principles report. However, there is still a significant proportion that do not publicly disclose this. Members should publish their report to encourage appropriate disclosure of climate-related risks and opportunities, and demonstrate a commitment to transparency.

Appendix 1

Member evidence against the ClimateWise Principles

Principle 1: **Be accountable**



The Sub-Principles

1.1 Ensure that the organisation's board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.

1.2 Describe management's (below board-level responsibility) role in assessing and managing climate risks and opportunities.

Principle 1 remained one of the highest scoring of the ClimateWise Principles. New and existing members performed well against Principle 1 and demonstrated integration of climate risk into governance. The greatest improvement was seen in members evidencing incorporation of climate change into business strategy and planning, and the development of related key metrics and targets, at a board or board committee level.

Overall, Principle 1 average score improved, mainly due to an improvement in Sub-Principle 1.1 but also Sub-Principle 1.2 and the 'Development of Planned Activities' (DPA). Within Sub-Principle 1.1 all three Sub-Principle requirements saw an increase in the proportion of members providing stronger evidence. 86 per cent of members scored full marks for evidencing engagement and oversight at the board level, a 5 per cent increase. Members also improved their evidence of how the board monitors and oversees progress against strategic plans, goals and targets, with eight per cent more members scoring full marks. Additionally, the number of members scoring full marks for evidencing the incorporation of climate change into business strategy and planning the development of related key metrics and targets, at a board and/or board committee level increased by 13 per cent.

The proportion of members providing full evidence for assigning climate-related responsibilities to management-level positions or committees increased to 89 per cent, and the processes by which management are informed about and manage climate-related issues increased to 86 per cent. More members oversee the implementation of strategic plans, goals and targets. Overall, the proportion of members scoring full marks for development of planned activities improved by 15 per cent compared to 2022.

Key strengths

Members continued to demonstrate strong evidence of robust governance structures and integration of these governance structures into business strategy. **Fidelis** reported the provision of quarterly updates across different functions, through both the Sustainability Function and a newly created 'ESG Champions Group' to feed into the Board of Directors. To ensure representation across all of Fidelis' business, the Group includes representatives from underwriting, claims, risk, investments, human resources (HR), communications, operations and actuarial.

Members who provided full evidence were able to demonstrate specific mechanisms used by the board to monitor climate risks and opportunities. The **Santam** board monitors progress towards climate objectives quarterly through the FutureFit dashboard. Additionally, Santam refreshed its ESG strategy in 2022 to further embed ESG into strategic objectives and incorporate ESG-specific key performance indicators (KPIs) into the performance criteria of the Group ExCo and Senior Management. The board is supported by the sub-committee for Social, Ethics & Sustainability (SESCO), which assists the board with oversight of social, ethical and sustainability matters, and overall ESG reporting sits with the strategy unit team that report to the CEO. The board is also overseeing new work to assess and explore Santam's exposure to climate risks via group-wide climate risk assessments in line with Network for Greening the Financial System (NGFS) scenarios. **RSA**'s board has responsibility for oversight and challenge of the overall strategy, including management of business plans and exposure to risks, including climate risk. The board operates a formal ESG and Climate governance framework, which is overseen by the Governance, Conduct and Remuneration (GCR) Committee.

Members continued to demonstrate oversight via management-level positions or committees. For **Santam**, a cross-functional Climate Change Committee supports the implementation of TCFD and climate-related policy positions. **Canopius** established an Environmental, Social and Sustainability (ESS) Committee, which was set up and approved as a sub-committee of the Group Board. The purpose of the ESS is to review and recommend strategies, policies, goals and performance relevant to sustainability.

Members were also able to demonstrate the integration of board-level oversight and management's role in assessing and monitoring climate risks and opportunities. **Liberty Speciality Market**'s Liberty Managing Agency Limited (LMAL) board has overall accountability for the management of climate-related risks and is responsible for reviewing climate change risk information presented through various cyclical reporting, enabling the board to effectively monitor and manage such risks. From a Liberty Mutual Insurance Europe (LMIE) perspective, while the board has overall accountability, at a LMIE UK Branch level this is managed via the Branch Management Committee and the Branch Manager.

Areas for improvement

Overall, Principle 1 remains one of the highest scoring Principles. The majority of members have been able to provide full evidence across both Sub-Principles. To enhance performance against Sub-Principle 1.1, members should continue to improve evidence of incorporation of climate change into business strategy and planning and the development of related key metrics and targets, at a board and/or board committee level.

Although there was significant improvement in performance against DPA this year, it remains the lowest performing level across Principle 1 with only just over half of members providing full evidence. Members should continue to improve oversight and governance in line with changing regulatory requirements and demands from wider stakeholders.

Principle 1 case study

Tokio Marine HCC (TMHCC) International has shown consistent, active board-level oversight of sustainability issues, demonstrating a well-defined and considered governance structure for sustainability topics.

Board and committee structure

TMHCC International's company-wide sustainability strategy is supported by a clear and well-defined sustainability governance structure, which centres around the Sustainability Committee, who report to the Board, and are supported by a number of sub-committees: (i) Climate Risk Committee, (ii) Charity Committee and (iii) Workplace Group. In addition to this, TMHCC International discloses several areas of overlap, where the Sustainability Committee and the relevant sub-committees are required to collaborate with existing other Committees to address sustainability-related topics in a holistic way. These include the Investment Committee (for sustainability considerations within investment), the Risk and Capital Management Committee (for climate risk considerations) and the Product Governance and Distribution Committee for topics including sustainability-related business conduct, conduct risk and product development considerations.

Leadership and informed decisions

The Board has overall responsibility and oversight of sustainability issues, and the sustainability governance structure seeks to ensure that decisions are informed by the in-depth expertise of all appropriate committees and leaders. The Chief Underwriting Officer chairs the Sustainability Committee and the Climate Risk Committee and is the Senior Management Function (SMF) responsible for financial risk from climate change. The Sustainability and Climate Risk Committees meet quarterly and provide reports of their activities and any recommendations to the TMHCC International Boards.

Incorporating climate into corporate strategy

TMHCC International has published its four-pillar sustainability vision, in line with Tokio Marine's group-level Good Company vision, which prioritises 'looking beyond profit', 'empowering our people' and 'delivering on our commitments'. In 2022, the Board approved the new sustainability strategy, which centres around the embedding of sustainability into all five existing corporate strategy focus areas (these are Underwriting, Customers/Brokers, People & Culture, Operational Capabilities, and Risk, Regulation & Capital).

TMHCC International's approach to sustainability covers the following four pillars

Charity and Community

Investing in the wider community by developing partnerships with charities as well as organising relevant fundraising and volunteering initiatives and actively engaging employees in these projects to make a difference.

Workplace

Developing the Group's diversity and inclusion practices, ensuring and promoting the health and well being of employees and providing learning and development opportunities for all employees.

Climate Risk

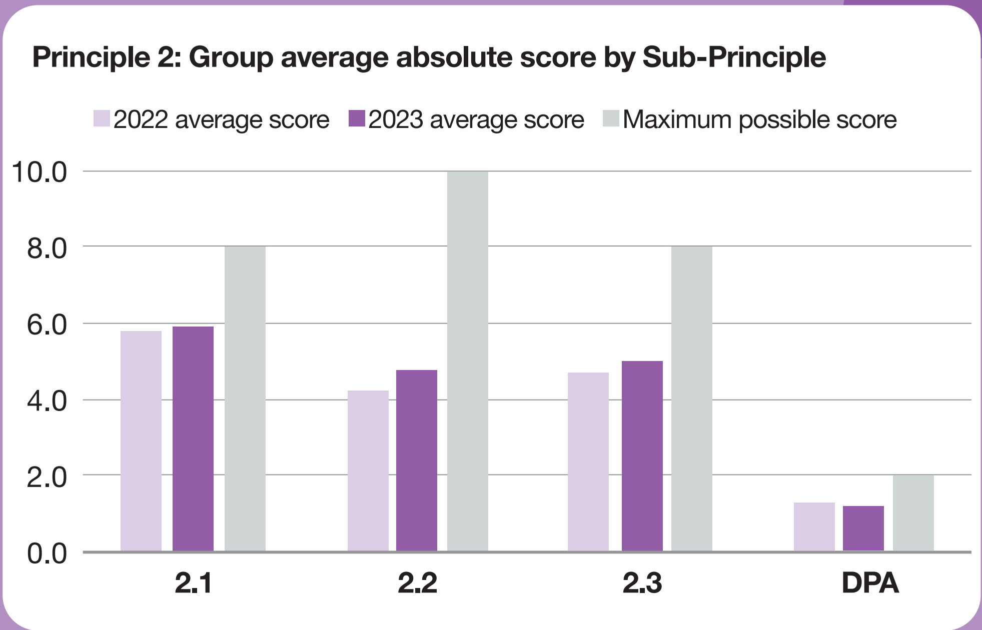
The identification, assessment, and management of physical, transitional and liability risks and opportunities from climate change and the development of initiatives to minimise the Group's environmental impact from its business and operations.

Business conduct and ethics

Conducting business:

- ethically
- honestly
- responsibly

Principle 2: **Incorporate climate-related issues into our strategies and investments**



The Sub-Principles

2.1 Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

2.2 Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

2.3 Incorporate the material outcomes of climate risk scenarios into business (and investment) decision-making.

In comparison to 2022, all Sub-Principle and DPA scoring increased.

Principle 2 however remains one of the most challenging Principles for members, with only 6 per cent scoring full marks. Despite the difficulties, Principle 2's average score increased compared to 2022. A significant proportion of this improvement is due to an increase in members measuring and disclosing the implications of climate-related issues for business performance and key stakeholders. Within Sub-Principle 2.1 the proportion of members providing full evidence for describing priority climate-related risks and opportunities across the business and its investments increased by 7 per cent to 67 per cent, one of the best performing requirements within Principle 2.

However, the number of members providing full evidence of the identified impact of climate-related risks and opportunities on business strategy and financial planning decreased by seven percentage points. Members improved performance for developing a business strategy and investment strategy to address the implications of climate-related issues on both the business and its key stakeholders, and with the percentage of members scoring full marks increasing by 4 per cent. The number of members scoring no marks increased by six percentage points to 28 per cent of the membership.

Members this year have either struggled to take leadership positions or strong collaboration efforts or not provided full evidence of these activities. The proportion of members providing full evidence for disclosing key quantitative and qualitative metrics used to measure and manage priority climate-related risks and opportunities on the business decreased marginally. However, the proportion of members scoring partial marks increased by eight percentage points, indicating more members are beginning to calculate and disclose these metrics. Additionally, the number of members providing full evidence of a narrative relating to the performance made against these metrics over the past year increased by 11 percentage points to 26 per cent of members, and evidencing targets set to manage climate-related risks and opportunities increased by 8 per cent to 29 per cent of members.

Almost half the membership now incorporates climate-related metrics into remuneration policies, an improvement from just under a third of members in 2022.

Sub-Principle 2.3 scores increased, supported by a strong improvement in scoring across three out of four Sub-Principle requirements. For describing the process for undertaking scenario analysis, 71 per cent of the membership scored full marks, an improvement from 61 per cent in 2022. The number of members providing full evidence for how scenario analysis is used to understand the resilience of the organisation's current business strategy against identified material climate risk and how it has been integrated within core risk assessment processes increased to three in five members, a significant improvement from just over half in 2022.

Key strengths

Members have improved disclosures relating to measuring and disclosing the implications of climate-related issues for business performance and key stakeholders. Members have also evidenced how scenario analysis is used to inform decision-making throughout the business.
MS Amlin's Board have identified climate change as a key priority area, with responsible underwriting and responsible investment policies adopted to focus attention on supporting a fair, Paris-aligned transition. To continually assess the potential impact of climate change on the business, MS Amlin has embedded climate into existing processes such as the Exposure Management Framework alongside oversight from committees such as the Risk and Solvency Committee, Audit Committee, Exco, Catastrophe Risk Management Committee, Underwriting Oversight Committee and Investment Governance Committee.
Scenario analysis results are integrated into **esure**'s risk framework where Risk Appetite Statements for weather events are monitored at the Financial Risk Committee. Results are also used for reinsurance decision-making processes for home catastrophe cover.

Zurich has incorporated climate risk scenarios into its decision-making and has developed a strategy to address the implications of climate-related issues. Zurich also leveraged its Total Risk Profiling™ methodology and scenario analysis to assess climate risks over the short, medium and long term. Additionally, analysis has been conducted to assess the strategic implications of scenario analysis on Zurich's investment management approach and ESG integration.

In 2023, **Swiss Re** conducted a Double Materiality assessment looking at sustainability topics impacting the firm, and the firm's impact on sustainability topics. The assessment engaged with more than 1,000 respondents and incorporated the findings into its 2023–25 sustainability strategy, as well as incorporating results from scenario analysis into underwriting and investment activities.

Areas for improvement

Although members have continued to perform well, disclosing key quantitative and qualitative metrics in 2023, there is an opportunity for members to provide more details around how internal processes, systems, performance tracking and Governance are being adapted to embed changes and the impact they are having. Those organisations that achieved full marks provided detailed evidence of the targets set (quantitative and qualitative over the short, medium and long term) to manage climate-related risks and opportunities on both the business and its key stakeholders, and a description around performance against targets including variance analysis relative to plans or forecasts.

Principle 2 case study

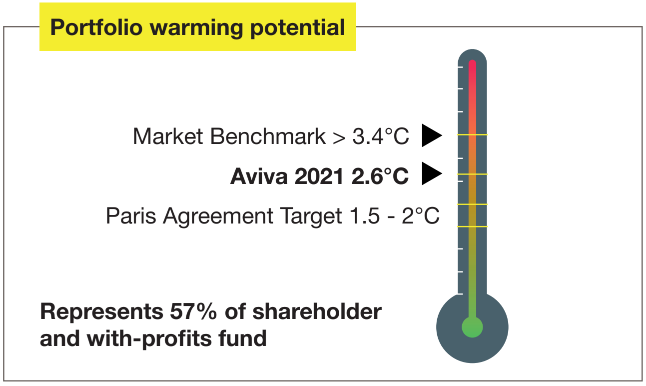
Aviva demonstrates a thorough, holistic and detailed approach to the incorporation of climate-related topics into its strategy and decision-making processes. In the 2022–23 reporting period, Aviva published its Climate Transition Plan, which describes how Aviva has evaluated and measured the implications of climate change on business performance across investments, operations, underwriting and claims management, including a suite of comprehensive climate metrics and indicators of progress.

Assessment of climate impacts on business performance and strategy

Aviva applies a comprehensive climate risk assessment process to understand the potential implications of climate change on all aspects of its business performance. Climate scenario analysis plays a key part of this, using a Climate Value-at-Risk (VaR) measurement to understand potential financial impacts of climate risks and opportunities in certain future IPCC scenarios for the year 2100, including a 1.5°C world, a 2°C world, a 3°C world and a 4°C world, in line with TCFD activities. This exercise is carried out across both underwriting portfolios and investment portfolios. Aviva remains conscious that the physical effects of climate change will result in certain perils becoming increasingly less insurable and unaffordable without significant mitigation and action.

Aviva's Climate Transition Plan

Aviva also published its Climate Transition Plan, which describes how Aviva has evaluated and measured the implications of climate change on business performance across investments, operations, underwriting and claims management. It translates the findings into a Transition Plan, outlining the organisation's strategy for achieving net zero by 2040 in line with its public commitments, and expresses intention to assess all existing business relationships with current high carbon organisations, industries and assets. The Transition Plan shows ambition and structure, as demonstrated by its validation from the Science Based Targets initiative (SBTi). With staggered targets for the end of 2025, end of 2030 and end of 2040, Aviva will continue to publicly hold itself to account. Aviva also delivers transparency through its commentary on the likely requirement of carbon offsetting strategies to tackle residual emissions in order to meet net zero by 2040.

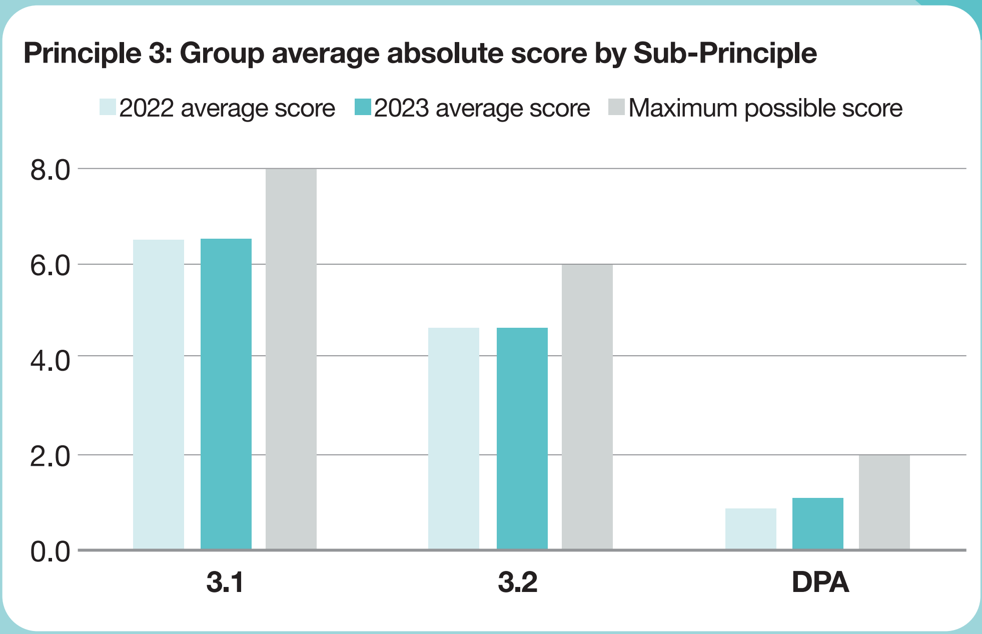


Aviva's Climate Transition Plan, 2022

Ambition, growth and stewardship

Alongside Aviva's significant body of work undertaken to assess and take action on climate risks and potential negative impacts, its work in this area also seeks to harness opportunities and enable economic recovery driven by cutting carbon and creating new jobs, infrastructure and opportunities in a net zero economy. Aviva acknowledges the co-ordinated, quantified and deliberate strategy needed to target these growth areas across the industry.

Principle 3: **Lead in the identification, understanding and management of climate risk**



The Sub-Principles

3.1 Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments).

3.2 Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.

Principle 3 continues to be one of the highest scoring Principles but saw marginal declines in both Sub-Principle 3.1 and 3.2. DPA improved significantly.

The Principle 3 average score increased due to an improvement in reporting of development of planned activities. The percentage of members scoring full marks for Sub-Principle 3.1 remained the same in 2023 at 72 per cent. The number of members providing full evidence for describing current business practices and processes for identifying, assessing and prioritising climate-related risks and opportunities increased by 5 per cent to 78 per cent. The proportion of the membership receiving maximum marks for evidencing current business practice and processes for managing and regularly reviewing climate-related risks and opportunities, including how this informs key decision-making, increased to 81 per cent. Overall, reporting against this Principle remained strong with three out of four members providing full evidence. Despite feedback provided in previous years, the proportion of the membership providing full evidence for how the business assesses its compliance with current and emerging regulatory requirements decreased by four percentage points. Given the expectation of these activities in regulated firms, it is disappointing that disclosure of these activities has declined.

For Sub-Principle 3.2 the average score remained the same compared to 2022, but there was variation in scoring across the Sub-Principle requirements. The proportion of members evidencing in full the member's role in developing insurance products and/or new partnerships to support innovation for climate-related issues mitigation and adaptation increased by 2 per cent. However, evidencing the member's role in improving data quality issues to inform the research and analytics of climate-related issues decreased marginally. More members are looking at climate opportunity through products and partnerships. The proportion of members scoring full marks for evidencing the development of new products/partnerships to address climate change impacts on the business and addressing the most significant issues or opportunities as identified by the organisation increased by seven percentage points to 56 per cent of the membership.

Key strengths

Members have continued to demonstrate thorough processes for identifying, assessing and managing climate-related risks and opportunities and integrating these within the organisation and across investments. Members are more frequently using partnerships and forums to enhance these processes. **Flood Re** has developed partnerships with the Department for Environment, Food and Rural Affairs (Defra), Middlesex University and the Environment Agency to conduct research and development into the scoring methodology behind Flood Performance Certificates to mitigate climate-related risks. Flood Re engaged Sayers and Partners to use its Future Flood Explorer Model to analyse an estimated number of homes vulnerable to flooding in 2080. **WTW** uses its enterprise risk management (ERM) Reporting Dashboards, Business Continuity and Disaster Recovery Plans, and Legislative and Regulatory Review to identify climate-related risks and opportunities.

Members are also supporting and undertaking research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues. **Hiscox** embedded processes to ensure that the effects of climate change on business performance are evaluated, including forums such as the Emerging Risks Forum, Grey Swan Group, and Natural Catastrophe Exposure Management Group.

The **Allianz** Climate Change Risk Solution (ACCRiS) provides inhouse climate risk scores and metrics. These hazard, risk and financial impact scores help to assess physical climate change risk in investment and insurance decisions. **Aon**'s Weather Solution insurance cover uses parametric triggers to bridge those gaps and provide coverage for clients impacted by natural disasters. The approach to environmental threats considers factors like wave height, river depth and hydrological triggers, working with clients in flood-prone areas. Using these findings, Aon completed a historic parametric insurance programme for the Government of Puerto Rico, helping the island navigate volatility and build resilience against natural disasters.

Marsh introduced the Carbon Credit Payment Program, which gives US clients the opportunity to pay their Marsh service fees in voluntary carbon offset credits and renewable energy certificates (RECs). The program is part of Marsh's commitment to help accelerate the energy transition. Led by its Incubation team, **Beazley** is launching and researching products for the following: carbon offset and invalidation, parametric tornado crisis insurance, parametric insurance for weather-disrupted industries, and carbon capture and storage.

Areas for improvement

To improve scoring against this Principle, members should provide full evidence of current business practices and processes for managing and regularly reviewing climate-related risks and opportunities. This could include detail on how this informs key decision-making (and investment decisions) and evidence of how these current business practices and processes are integrated into the organisation's overall risk management framework. In 2023, just over half of members scored full marks for these two areas.

Principle 3 case study

Convex identifies three main categories of financial risk related to climate change, which are reflected in its Risk Register.

Physical Risk
An increase in the frequency and severity of specific weather events which occur as a result of climate change e.g. floods, heatwaves and wildfires; or longer term shifts in the climate such as a rise in the sea level or rising mean temperatures.

Transitional Risk
The process of adjustment towards a low carbon economy e.g. the impact of business models from the emergence of changes in government policy and consumer preferences.

Liability Risk
The risk of parties who suffer loss from climate change seeking to recover those losses from those who they believe may have been responsible, which may be insurers or assureds.

Additional material risks such as reputational risk and other emerging risks are identified and monitored through Convex's Emerging Risk management process. Convex's Group risk register has been updated to reflect these risks, with the addition of three risk categories to capture the main facets of climate change risk: physical risk, transition risk and liability risk.

Risk Title	Risk Category	Climate Change Risk Category
Inappropriate pricing/ranking of Nat Cat risks	Insurance Risk	Physical Risk
Inappropriate pricing/ranking of non-Nat Cat risks	Insurance Risk	Liability Risk
Investment: losses arising from market movements	Market Risk	Transition Risk

Risk management and oversight

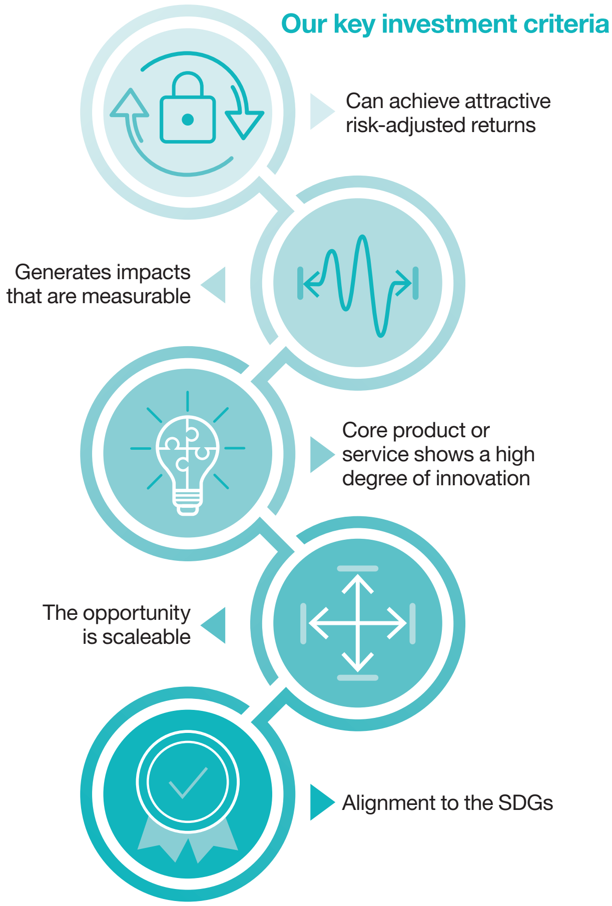
Convex operates a 'three lines of defence' model to manage risk:

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Business Areas • Deliver the Convex strategy • Identify risks and risk incidents • Operate the controls	**Risk Function** • Set risk appetite • Assess risk profile • Monitor, analyse and report • Advise and remediate **Compliance Function** • Compliance policy and procedures in place • Training • Regulatory relationships	**Internal Audit** • Independent assurance

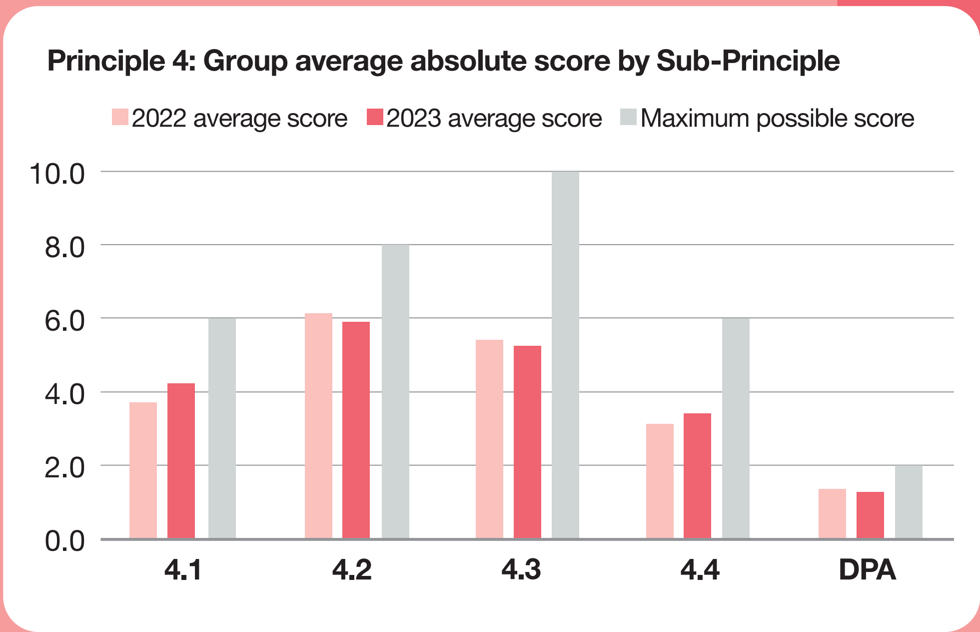
The objective of Convex's Group Risk Management Framework is to identify, assess, manage and monitor risks faced by the Group, seeking to embed a strong risk culture within the Group, and allows for monitoring of risk exposures against risk appetites. Convex includes climate risks within its risk register, which allows the Risk team, and other key stakeholders, to identify where climate change risk may have an impact and provide a platform for climate risks to be discussed with the Risk Owner as part of the quarterly Risk and Control Assessment ('RCA') process. In 2022, Convex enhanced the suite of controls linked to climate risks and incorporated them in the RCA process. Climate change risk has been incorporated into Convex's Group Risk Management Framework as a dedicated section and will be further brought into the review of risk policies during their natural review cycle.

Convex Impact Investing strategy

In addition to comprehensive work undertaken to assess and manage climate risk across the organisation's portfolios, Convex has developed an Impact Investing strategy seeking to ensure the business is also well positioned to embrace potential opportunities that come with the transition to a lower carbon world, particularly targeting attractive investment opportunities which contribute to specific environmental or social outcomes. Convex is taking responsibility as an asset owner to direct capital to investments that contribute to specific environmental or social outcomes.



Principle 4: Reduce the environmental impact of our business



The Sub-Principles

4.1 Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

4.2 Disclose our Scope 1, 2 and 3 GHG emissions using a globally recognised standard.

4.3 Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

4.4 Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

Improvements were seen in members' evidencing of environmental/sustainable procurement policies and employee engagement, but members can do more to disclose non-GHG metrics and targets.

Principle 4 remains one of the lower scoring Principles. There was a disparity across Sub-Principles in terms of scoring changes. Sub-Principle 4.1 increased across all Sub-Principle requirements, with a moderate increase in the number of members scoring full marks. The number of members providing full evidence for a sustainable procurement policy across their operations increased significantly to 81 per cent from 68 per cent in 2022. Additionally, the number of members scoring full marks for evidencing work and services undertaken to assess the environmental sustainability of products purchased and any corrective action taken increased by 4 per cent but remained low overall, with only two in five members scoring full marks. The number of members who scored full marks for describing how broader environmental-related issues impacted value chains and how members have engaged with selected suppliers to improve the sustainability of products and services increased significantly by 15 per cent. This still remains relatively low overall for the membership (42 per cent).

Sub-Principles 4.2 and 4.3 overall declined marginally with mixed performance across the requirements. The number of members providing full evidence remained high at 83 per cent. The proportion of the membership scoring full marks for disclosing an absolute or intensity target against a baseline decreased by 7 per cent but the number of members scoring full marks for providing an accompanying narrative against metrics increased by 4 per cent to more than half of members. Less than a third of members provided full evidence for providing a narrative relating to the environmental performance made against these metrics and for evidencing the organisation's number and nature of environmental impact reduction projects.

The number of members scoring full marks for evidencing engagement activities with employees conducted throughout the year increased marginally to 69 per cent. While the number of members who scored full marks for evidence of a continued programme of engagement aligned to material impacts and measurement of the uptake and impact of the activities conducted increased significantly by 12 per cent, this was a low-performing level in 2022 and only one in three members provided full evidence. The number of members scoring full marks for evidence of a comprehensive programme of engagement across the business with the implementation of engagement targets increased by 3 per cent but remained one of the lowest scoring requirements across all Principles, with only 8 per cent of members scoring full marks.

Key strengths

Members continued to perform well when evidencing a sustainable procurement policy, with four in five members providing full evidence. Members are evidencing more advanced procurement systems taking climate and sustainability into account. **TMK**'s procurement team established a two-stage screening process for suppliers, requiring a detailed questionnaire and interview before suppliers are onboarded. To support this, TMK collects environmental performance data from suppliers on a bi-annual basis.

Sedgwick repair solutions (SRS) also requires contractors to comply with Sedgwick's environmental policy and to be SafeContractor accredited. Contractors are audited to ensure compliance demonstrating strong engagement with suppliers to reduce waste, increase recycling and minimise repairs to reduce carbon emissions.

Aviva ran an ESG questionnaire to its top 40 emitting suppliers to establish its current supply chain ESG position and grow its understanding of supply chain data challenges. Aviva engaged with its top 80 per cent of suppliers (by spend) to understand their plans and strategies on ESG and collaborating with a specific few who have the greatest environmental impact. Aviva has developed a new ESG schedule which will now apply to all new contracts on its standard terms.

Members who scored full marks for Sub-Principle 4.3 disclosed detailed methodologies used to calculate its impact. **Benefact** Group went further and undertook preliminary work to understand the emissions intensity of its underwriting portfolio using PCAF IAE methodology. Benefact Group also disclosed the nature of its environmental impact reduction projects including its property portfolio review, employee engagement to address their climate change impacts and moving towards sustainable offices by increasing energy efficiency and reducing waste and water use.

Despite a variation in performance across the Sub-Principle, some members have evidenced detailed engagement plans with employees to address climate change. **Zurich** has engaged its employees on climate issues including Climate Month activities where it hosted over 100 events and a six-week training programme to promote the UN Sustainable Development Goals among employees. Additionally, Zurich surveyed more than 8,000 employees as part of its materiality assessment to help inform its refreshed sustainability framework for 2023–25. Other market leaders have taken a similar approach to refreshing their strategy/framework.

Areas for improvement

Overall, Sub-Principle 4.3 saw the biggest decline. Members could improve performance against this Sub-Principle by providing evidence of a narrative relating to the environmental performance made (against these metrics) over the past year, showing that the organisation understands how and where it has achieved progress as well as what it needs to do differently. Currently only one in three members score full marks for this level. Additionally, members should disclose evidence of targets (quantitative and qualitative over the short, medium and long term) set to manage climate-related risks and opportunities associated with operational impact. This year only one in five members provided full evidence of the methodologies used to calculate non-GHG metrics and targets.

Principle 4 case study

Allianz re-launched its Sustainable Procurement Charter, which evidences the company's commitments towards sustainability and defines environmental expectations of its suppliers, such as net zero commitments, and the measurement of GHG direct attributable emissions, renewable energy, electric vehicles, and resource consumption for its suppliers.

Engaging with suppliers

Allianz has developed a thorough process to which its suppliers must adhere. For suppliers to comply with Allianz's sustainability standards they must pass a comprehensive supplier screening, including newly updated supplier questions and a new Vendor Code of Conduct reflecting current and upcoming international requirements. Supplier selection decisions are based on objective and transparent criteria, including carbon footprint data.

Creating the greatest impact

Allianz already includes sustainability questions in Requests for Proposal (RfP) and in the procurement of services for events, real estate and other business services.

Allianz uses a structured approach, developed in conjunction with environmental experts and procurement category experts to identify business categories with the greatest impact on Allianz's sustainability performance and its customers, as well as the potential contribution from procurement to sustainability-related projects. Allianz identified three priority areas:

- electricity consumption (project RE100) and Allianz suppliers (Data Centres and Clouds)
- travel (EV100)
- claims sustainability supported by Global Insurance Procurement.

Allianz has taken a global and local approach to sustainable procurement, including training modules for purchasers and a whistle-blowing channel for employees working with suppliers. As well as the global approach, in the UK, Allianz has developed a sustainability charter, along with developing processes and procedures to mature or ESG considerations in all sourcing and supplier activities.

Engaging with employees

In 2022, Allianz launched sustainability training for all employees globally. The training covers:

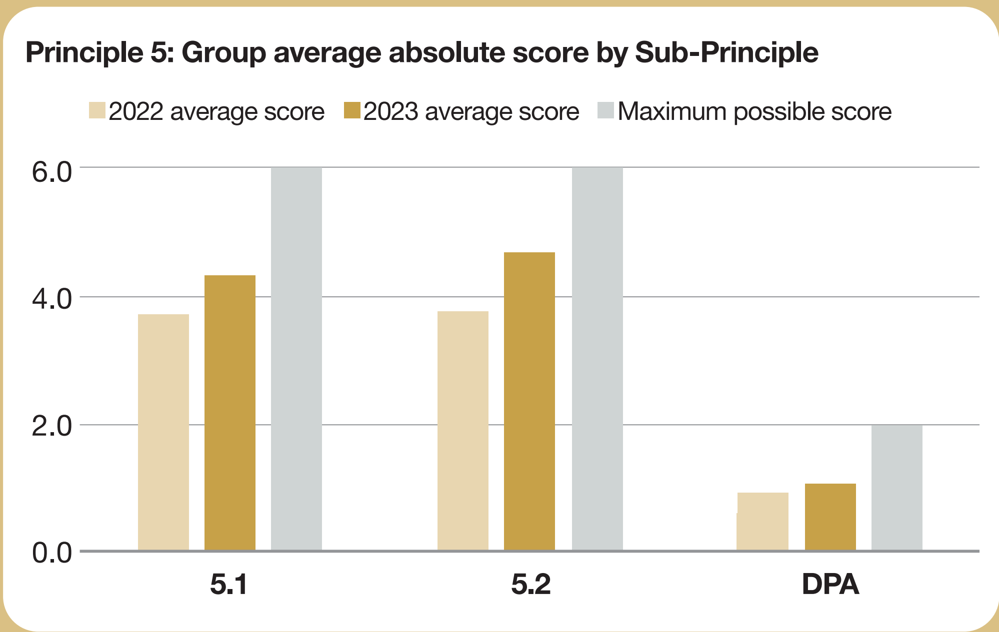
- the breadth of sustainability matters and common sustainability terms and definitions
- Allianz's sustainability strategy and goals as a business
- how Allianz tackles climate change, creates social impact and integrates sustainability into its business and operations
- a carbon footprint tool to enable employees to measure their own impact
- how to apply knowledge to personal and professional activities to create a more sustainable world.

Sustainability Weeks (Allianz UK)

Allianz continued its quarterly Sustainability Weeks aiming to raise awareness of key environmental issues internally and externally. Content is distributed to employees, clients and broker partners that focuses on ways of reducing emissions and their environmental footprint at work and at home.

Allianz communicates with employees via email, broadcast calls, intranet and video, activities and competitions to increase engagement.

Principle 5: **Inform public policymaking**



The Sub-Principles

5.1 Promote and actively engage in public debate on climate-related issues and the need for action. Work with policymakers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

5.2 Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

Members significantly improved performance in engaging in public debate on climate-related issues and supporting research on climate change to inform business strategy.

Overall, Principle 5 had significant improvement this year – one in five members scored full marks for Principle 5. The number of members providing full evidence of engagement activities throughout the year to influence public policy on climate mitigation and adaptation increased to 78 per cent of the membership. Members are better able to demonstrate reasons for engagements and linking back to climate-related issues, reflected in a significant improvement with a 17 percentage point increase in members scoring full marks, building off feedback provided to members in previous years. Additionally, there was a 13 per cent increase in members scoring full marks for evidence of a leadership position or strong collaboration efforts in the engagement of others on matters relating to climate change.

Sub-Principle 5.2 also improved. The number of members scoring full marks for evidence of supporting or undertaking research during the year in question and an explanation of how this research has been used to inform business strategies and advance the common interest increased by 24 per cent, the second highest increase across all Sub-Principle requirements. The biggest improvement for members scoring full marks was 25 per cent for members evidencing action to proactively promote knowledge sharing within the industry by sharing the research and engaging others. The number of members scoring full marks for evidencing that the research addresses key climate-related risks facing the business increased by 15 per cent.

Key strengths

Despite challenges from certain sectors, members have continued to demonstrate active engagement and promotion of public debate on climate-related issues and the need for action. **LSM** represented the insurance industry at COP27 to leverage its expertise in supporting the energy transition, hosting a Hydrogen Transition Summit, building upon its collaboration with Marsh regarding hydrogen energy projects, to help advance a global discussion on hydrogen solutions and enabling technology for the hydrogen economy.

Some members, such as **Aviva**, publish reports that support public policy on the UK's Net Zero Plan, catalysing private finance for green growth in the UK. Members who performed well against this Principle also demonstrated their contribution to supporting industry initiatives and research. As a member of the Partnership for Carbon Accounting Financials (PCAF) Insurance-Associated Emissions Working Group, **Aviva** contributed to the development of the first accounting standard to measure insured emissions.

Howden undertook a joint study with Fidelis to confirm the correlation between higher ESG ratings and lower loss ratios. The study looked at 30,000 policies, comprising a premium value of around USD9 billion, against third party ESG ratings. It was the largest study to date (November 2022) to establish the link between these factors. Howden also has a global partnership with the Resilient Cities Network and the Sustainable Markets Initiative to address urban climate change vulnerabilities and explore how insurance can be incorporated into city resilience strategies. Members have continued to demonstrate engagement outside the insurance industry to generate a greater impact. **Flood Re** worked to raise awareness for flooding risks and grow partnerships to enable change, such as its partnership with Moody's RMS to understand how climate change interacts with flood defence performance. Additionally, Flood Re's 2023 Transition Plan engaged nearly 100 stakeholders and launched the report at an event involving 100+ stakeholders from across industry, government and academia.

Santam continues to provide support for the Africa Business Leaders Coalition and has also collaborated with the Partnership for Risk and Resilience (P4RR) and its reach on education, awareness and training. Santam investigated flood exposure in the KwaZulu-Natal Province and geocoding its insurance book. Santam's Group Strategy Team analysed best practices for fossil fuel targets in financial services and incorporated the findings into Santam's coal position statement. The **RenaissanceRe** Risk Sciences (RRRS) team, which includes 16 applied scientists worldwide, conducts global risk modelling, evaluates vendor models, provides science advisory services and shares industry-focused research reports to clients and partners to support the understanding of and building of financial resilience against climate risk and associated weather events.

ABI published *A Guide to Action on Nature*, which speaks to how the members of the insurance industry can start to address nature and biodiversity to "protect people and planet". The Guide, which also sets out the policy landscape and showcases live examples of good practice in the industry, was the result of extensive consultation with members and bodies such as CISL, the Woodland Trust, WWF, the Green Finance Institute and Earthwatch Europe. As explored in the 'forward-looking assessment' section of this report, the emergence of nature, natural capital and biodiversity topics has been witnessed across the industry. The release of the TNFD guidelines in autumn 2023 has been a catalyst for this dialogue, with several industry members taking action on the topic, such as **Aviva**'s standalone *Biodiversity Report* and **Zurich**'s work on biodiversity metrics.

Members have demonstrated increased involvement in external initiatives. **Sedgwick** employees have engaged public bodies, such as being the Vice Chair of a Defra Flood Resilience roundtable, being involved in the Environment Agency, the Chartered Institution of Water and Environmental Management (CIWEM) and the British Damage Management Association (BDMA) initiatives to promote flood resilience. **WTW** participated in the Steering Council of the Ocean Risk and Resilience Action Alliance, the Global Asia Insurance Partnership, InsuResilience and the Insurance Development Forum.

Lloyd's research platform, Futureset, launched an event series in 2023 in collaboration with the UK Government's Department for Business, Energy and Industrial Strategy and the North Sea Transition Authority. This event series facilitates discussion around clean technology risk mitigation to support the market in understanding the risk and support of low carbon technologies for the UK and global economy. Lloyd's also uses its position as Chair of the Sustainable Markets Initiative (SMI) Insurance Task Force to engage wider industry and society on climate-related issues at relevant forums such as New York Climate Week and COP27.

Areas for improvement

Although members have shown significant improvement in providing evidence of engagement activities throughout the year to influence public policy on climate mitigation and adaption, they are still struggling to evidence the prioritisation of engagement to achieve impact aligned to material climate-related issues, with only two out of five members scoring full marks.

Additionally, members have improved performance this year by providing evidence that their research addresses key climate-related risks facing the business, but this still remains a challenging Sub-Principle for members, with only half of members scoring full marks.

Principle 5 case study

Benefact Group provided strong evidence of engagement activities that are aligned to material impact climate-related issues. These include continued support of the Association of British Insurers and membership of the Institutional Investors Group on Climate Change (IIGCC). The Benefact Group has continued to focus on areas where they can create impact and have a voice. They have focused research efforts and engagement on:

- local community engagement
- specialist areas of influence with a predominant focus on customers' markets and segments (including historic building resilience, tailored advice for insurance broker partners, water industry practices).

Promoting and actively engaging in public debate on climate-related issues

The Benefact Group continues to be a supporter of the Association of British Insurers, founding signatory of FloodRe and partner to a range of investment industry initiatives including CDP and IIGCC. Through its membership of IIGCC, EdenTree participates in public policy work on climate change through letters, for instance, to G7 and G20 leaders, as well as signing the Paris Pledge for Action in 2015 and the Montréal Pledge. For the sixth successive year, EdenTree participated as a lead investor in the CDP Non-Disclosure Campaign.

In 2022, the Benefact Group signed the Global Investor Statement to Governments on the Climate Crisis. The Statement was submitted to governments before COP27 and had 602 investor signatures representing USD42 trillion in assets under management. The Statement represented a unified investor call to governments to implement the policy actions needed to address the climate crisis and accelerate the transition to a net zero emissions economy.

As well as focusing on industry-wide initiatives and engagement, the Benefact Group has developed a long-running partnership with the council local to its head office in Gloucester. One way they have supported their local community has been through participating as part of their 'Climate Action Group', which has been established to help the local community understand and consider climate change. The Benefact Group hosted the launch of a 'Sustainability Festival', a series of events and activities from composting to solar panels, heat pumps and wildlife walks. The event was attended by a multitude of key people including school headteachers, councillors, local dignitaries, leaders in climate charities, climate experts, members of the local community Benefact Group employees.

Undertaking research to inform customers and partners

The Benefact Group has explored attitudes and concerns relating to climate issues in its key customer sectors including the education, heritage and charity sectors, as well as among brokers. Benefact's Broker net zero research demonstrates research among brokers on net zero targets and their actions to reduce climate impacts, which has been published in 16 articles thus far. Further engagement with the British Insurance Brokers' Association (BIBA) on net zero topics was covered in the Brokers' Guide to ESG publication.

Broker net zero research

The Benefact Group has continued research into its second year on brokers' attitudes to net zero targets and actions they are taking to reduce their climate impacts. Outputs of the research so far generated eight pieces of coverage in the broker trades at launch, and Benefact's findings have continued to be referenced in climate-related articles since (16 articles in total). Benefact engaged with the British Insurance Brokers' Association (BIBA) on the topic, and in May the association published its *Brokers' Guide to ESG*. Benefact will continue to engage with BIBA on the topic. As part of Benefact's podcast series, one of the topics covered was a conversation with BIBA's former CEO Steve White about how BIBA acts as the voice of brokers through its lobbying efforts. The net zero story remains one of Benefact's highest placed stories on a Google news search of Ecclesiastical.

Investment influence

The Benefact Group's investment business EdenTree plays an active part in debate on a range of issues through industry bodies (eg IIGCC) but also through its range of insights and briefings on topics including river quality, nuclear energy, palm oil, oppressive regimes, impact investing and the circular economy.

The Benefact Group's water report in particular was thematic research designed to inform its business strategies and help to protect its customers' and other stakeholders' interests. The report was sent to Ofwat, the Environment Agency England and Natural Resources Wales, inviting a conversation around the subject.

EdenTree has used the research to continue conversations with water and utility companies it invests in to improve their business practices.

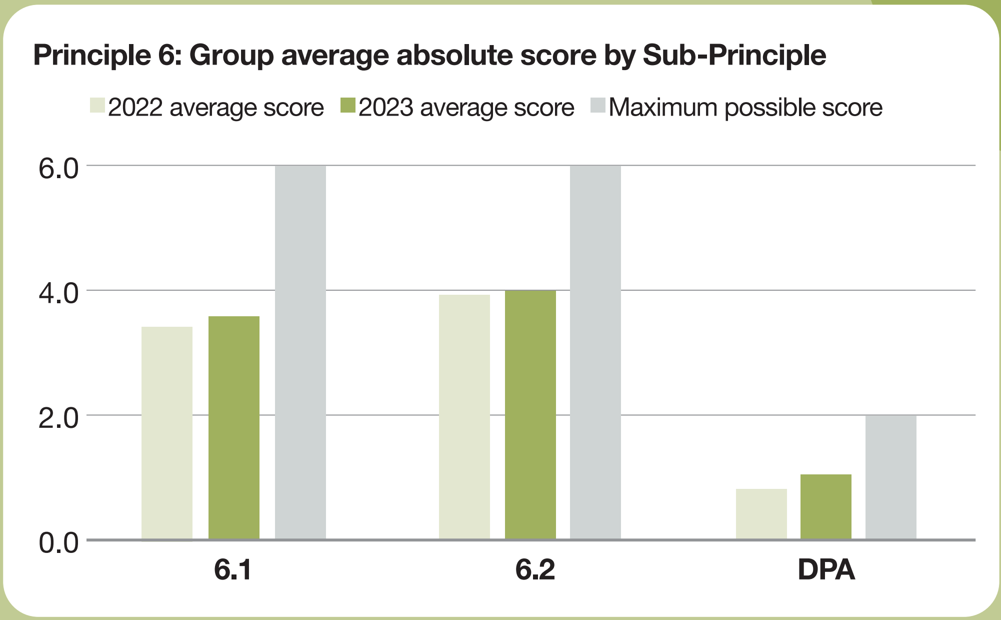
English Heritage partnership

Part of the Benefact Group's 'Movement for Good' programme was awarded to English Heritage to develop research into the climate impact on historic buildings. This research was completed by Ecclesiastical Insurance, part of the Benefact Group. The project's objectives are to produce practical advice and support for heritage property owners, and to challenge and inform the sector. The project is using Brodsworth Hall in Doncaster as a case study of climate impacts which include water ingress following spring storms, irrigation of grounds due to high temperatures and conservation of interiors.

To achieve this:

- A summary video and series of mini videos have been produced to communicate the project to customers and stakeholders.
- A roundtable event with heritage sector partners will be held at the end of the project.

Principle 6: **Support climate awareness amongst our customers/clients**



The Sub-Principles

6.1 Communicate our beliefs and strategy on climate-related issues to our customers/clients.

6.2 Inform our customers/clients of climate-related risks and provide support and tools so that they can assess their own levels of risk.

Performance improved across Principle 6 in the year. Members continued to perform well and communicate their beliefs and strategies on climate-related issues to customers.

Overall, Principle 6 scores increased due to increases across both Sub-Principles and DPA. Within Sub-Principle 6.1, the number of members scoring full marks for communicating the organisation's beliefs and strategy on climate-related issues with customers/clients decreased marginally but 83 per cent of members still scored full marks. In comparison, the number of members scoring full marks for evidencing a robust engagement plan for customers/clients increased by 4 per cent.

There was a slight increase in scoring for Sub-Principle 6.2 in the year. The number of members scoring full marks for demonstrating how members have identified areas of behaviour change needed to mitigate climate risk decreased by 7 per cent. However, the other two requirements within Principle 6.2 saw significant improvement. The proportion of members providing full evidence of engagement with customers/clients to encourage climate awareness and promote resilience through knowledge sharing increased by 4 per cent. This year the number of members evidencing that tools have been provided to customers/clients with guidance on the importance of assessing climate risk across multiple lines of service or countries of operation increased by 12 per cent.

Key strengths

Members continued to demonstrate strong evidence on communicating their climate-related beliefs and strategies with customers.

Members who performed well provided evidence of regular engagement with customers as part of a long-term communication strategy. Many members this year began to engage on liability risk and greenwashing. As part of its underwriting approach, **Beazley** regularly engaged with its clients, providing relevant material on climate and ESG-related risks such as the risk of exposure to liability claims for greenwashing. Communications shared in the last year with strategic clients include Beazley's latest *Risk & Resilience Report*, relevant webinars or 'Beazley Exchanges' and eligibility for Beazley's ESG Syndicate 4321.

Aviva has created a wide variety of tools and guidance to customers to encourage climate awareness and promote climate resilience. Aviva is also in the process of test launching its 'My Climate Ready Plan' tool, developed in 2022, to support and educate retail customers and the public on transitioning to a more sustainable lifestyle. Powered by WWF's carbon footprint calculator, My Climate Ready Plan asks a series of questions to create personalised action plans to improve sustainability.

Members who performed particularly well in this Principle were able to demonstrate how analysing targeted risks and opportunities can personalise customer communication and create maximum impact. ESG underwriting Heat Maps were developed by **MS Amlin** to measure the sustainability performance of the insurance underwriting portfolio and help underwriters to understand the sustainability risks and opportunities within their books of business. These were used by underwriters to identify areas that require more scrutiny, which support client engagement.

Zurich launched Climate Resilience, a solution aimed at helping businesses identify physical and operational climate risks. **Zurich** offers tools to clients to help them assess their climate risk. Examples include Zurich's partnership with Previsico, who have launched a tool to provide a surface water flood warning system to customers free of charge.

AXA XL's North America Construction business has developed tailored Builders Risk Insurance programmes to address clients' mass timber project risks. The process of manufacturing timber uses substantially less fossil fuel energy per unit volume than steel, concrete or aluminium, meaning that timber has a lower carbon footprint. Through providing insurance coverage specific to mass timber project risks, AXA XL can support its clients in managing their risks and accelerating the use of cross-laminated timber across construction projects.

Convex developed a Sustainability Engagement Plan (CSEP) to align with its Sustainability Strategy. The two-year plan identifies stakeholders that Convex wants to influence and share its knowledge with, identifies the different climate-related information and knowledge that Convex will share, and identifies the seminars and relevant forums for sharing with respective stakeholders.

Areas for improvement

Although members have improved performance overall for Principle 6, there is a variation in performance across Sub-Principles. To improve overall performance members should evidence a robust engagement plan for customers/clients that will result in increased knowledge and awareness. Currently, only 44 per cent of members score full marks for this level. Additionally, members should consider quantitative disclosure of those engaged alongside details of future activities and feedback mechanisms – only one in six members currently score full marks.

Principle 6 case study

In line with esure Group's corporate purpose – to 'Fix Insurance for Good', esure demonstrates commitment to supporting their customers across a variety of climate-related topics, including clear and transparent communication on climate-related topics in order to enhance understanding and resilience-building capacity among its customer base.

esure Group's ESG customer communications objectives are:

1. To help customers to manage the risks to their homes and driving associated with the changing climate.	**2. To inspire behaviour change and support customers in taking action to reduce their carbon footprint.**
3. To inform customers of the work that is being done to reduce esure's carbon footprint.	**4. To engage customers in the need for system-wide change to address climate change.**

Boosting customer awareness of climate risks and solutions

Customer communications on physical climate risk aim to both increase awareness and empower customers to enhance their own resilience, for example via increased communications when weather warnings for frost, storms or floods are in place. These communications take place via multiple platforms, including the website, social media platforms such as Facebook and LinkedIn, and direct emails to customers, with the aim of providing up-to-date information and support.

Topics addressed by esure's climate communications campaigns include:

- *Sustainability tips for your car and home*
- *Top tips for autumn: Practical tips for keeping homes and cars safe as the seasons change*
- *Avoiding frozen pipes: Advice on how to manage cold snaps at home*
- *Top tips to save money and stay safe – Smart home devices and frozen pipes*
- *Your spring guide to moving or improving your home*
- *Driving in Europe.*

Example of customer communications:
Sustainability tips for your car and home

Zeroing-in on the role of a car insurance provider

esure has overhauled its Electric Vehicle (EV) strategy and related communications efforts. All EV website content has been refreshed to clearly communicate to customers that EVs produce zero tailpipe emissions, meaning that they are better for the environment than standard (combustion engine) cars, with a view to prompting drivers to consider their impact and the potential to switch to EVs. Other communication and engagement efforts on the topic of EVs include a campaign to help inform policyholders on whether their local area is 'ready' for EVs (eg the availability of charging points), prepping cars for the changing seasons to reduce the need for repairs and replacements, and communications on the top areas in the UK for EVs and the most car-accessible destinations in Europe, to encourage customers to consider destinations that do not involve air travel.

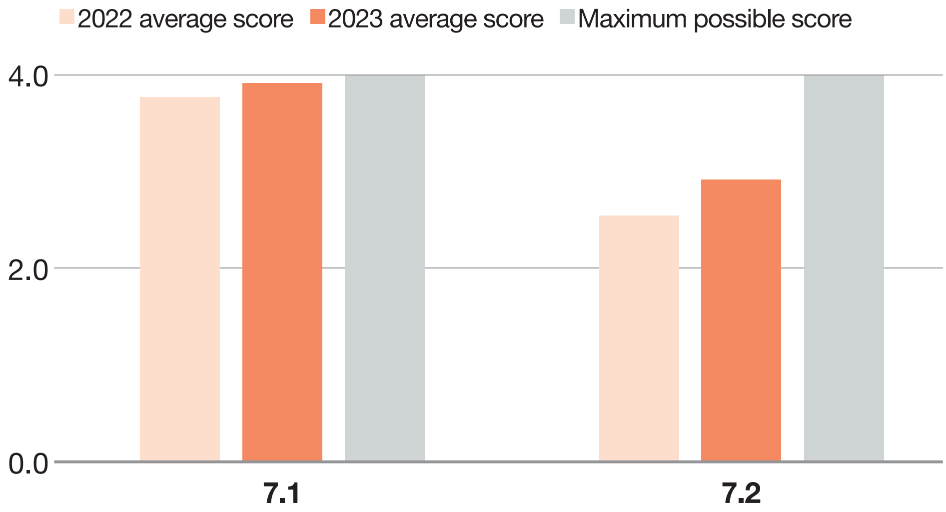
esure has also launched a new proposition that plants a tree for every customer who chooses to forgo a courtesy car, instead making alternative arrangements such as the use of public transport, giving the company the opportunity to prompt the customer to consider the environmental impact of their driving and to consider whether they could reduce that impact.

Measuring the impact of climate-related communications with customers

esure seeks to measure the impact of their climate-related communication campaigns, and has been able to confirm that increased communications and awareness of key risks have resulted in reduced damage and claims. In 2022, esure was able to prove that customers who opened emails on 'how to prevent frozen pipes' had a lower average claim than those who received the email but did not open it.

Principle 7: **Enhance reporting**

Principle 7: Group average absolute score by Sub-Principle



The Sub-Principles

7.1 Submission against the ClimateWise Principles.

7.2 Public disclosure of the ClimateWise Principles as part of our annual reporting.

Overall Principle 7 scores increased in 2023. Sub-Principle 7.1 increased due to an 11 per cent increase in the timely submission of the ClimateWise report by members. Additionally, there was a 4 per cent increase in the number of members scoring maximum marks for public disclosure of the ClimateWise Principles report. Overall, 50 per cent of members provided full evidence for Principle 7.

Appendix 2:

Scoring methodology

The scoring system is a helpful benchmark for members to encourage continuous improvement.

Evidence has been considered based on the quality and relevance of the activities being conducted. ClimateWise Principles are weighted based on relevancy by organisational category: Professional Bodies and Associations, Insurers, Brokers, Risk Modelers, Reinsurers, Corporation of Lloyd's and Loss Adjustors. The scoring process is as follows.

Each level and planned activity receives a maximum of two points, as below:

0 – No evidence provided
1 – Partial evidence
2 – Sufficient evidence

The maximum score available for each Sub-Principle is dependent on the number of levels within that Sub-Principle. The number of levels within each Sub-Principle is not fixed. Hence, some Sub-Principles contain more levels than others, as noted in the figures presented in Appendix 1 for each Principle.

Scores are totalled at a Principle level and weighted accordingly, based on member organisational type, to provide an overall percentage score. As a result, members providing evidence in areas where more weight is assigned achieve higher scores. Members should aim to provide evidence against all the ClimateWise Principles. However, there is an option for members to request exemption from Sub-Principles if appropriate.

Exemptions to Sub-Principles 2.2 and 2.3 were provided to three members, and exemptions to Sub-Principle 7.2 were provided to three different members reporting for the first time. The Principles independent review process is outlined to the right.

The scoring process:

1. Detailed review of ClimateWise submissions
Members submitted their reports and supporting documents to CISL; thereafter, the documentation was reviewed and scored by the Deloitte independent review team, using the aforementioned methodology described. Each submission was treated as final.

2. Distribution of initial feedback
An initial feedback form was shared with each member which gave their initial score against each of the seven Principles, narrative feedback on their performance and their initial ranking across the membership base.

3. Discussion with members
Following the distribution of the initial feedback, an optional clarification call was offered to certain members by the independent reviewer. This happened when there was a material decline in a member's total or individual Principle scores and, where relevant, to provide clarifications on submitted evidence. Additional clarifying evidence was accepted at the independent reviewer's discretion.

4. Reassessment of score
Some member scores were then amended as a result of the clarification discussions and the review of additional evidence provided by the member.

5. Distribution of final feedback and scores
A final feedback form was then shared with each member. This included the breakdown of the final score compared with the average and prior year membership score, an analysis of key strengths and suggested areas for further development by Principle and Sub-Principle, and graphs showing performance relative to other members overall and, where possible, by member type. A final insight call with the independent reviewer was then offered to all members to discuss final feedback and insights from the review.

Note on threats to independence:
In line with auditing standards on threats to independence, for those members for which the independent reviewer was also their audit provider, written feedback and insight calls were distributed and conducted by the ClimateWise secretariat.

Appendix 3:

Member ranking

Anonymised member	Score 2023	Rank 2023	Score 2022	Rank 2022	Score 2021	Rank 2021
A	**98%**	1st	91%	2nd	87%	4th
B	**96%**	2nd	88%	Joint 7th	83%	Joint 7th
C	**95%**	3rd	90%	Joint 3rd	90%	Joint 2nd
D	**94%**	4th	98%	1st	90%	Joint 2nd
E	**93%**	5th	85%	9th	N/A	N/A
F	**92%**	6th	90%	Joint 3rd	86%	5th
G	**90%**	7th	73%	16th	N/A	N/A
H	**86%**	8th	75%	Joint 13th	52%	20th
I	**85%**	9th	88%	Joint 7th	83%	Joint 7th
J	**84%**	10th	89%	6th	93%	1st
K	**83%**	11th	63%	24th	N/A	N/A
L	**82%**	12th	71%	19th	57%	Joint 16th
M	**80%**	13th	72%	Joint 17th	N/A	N/A
N	**79%**	14th	84%	10th	82%	9th
O	**79%**	15th	77%	12th	79%	10th
P	**78%**	16th	83%	11th	72%	11th
Q	**76%**	17th	66%	Joint 22nd	41%	Joint 22nd
R	**76%**	18th	69%	Joint 20th	N/A	N/A
S	**74%**	19th	75%	Joint 13th	N/A	N/A
T	**73%**	20th	72%	Joint 17th	68%	12th
U	**71%**	21st	66%	Joint 22nd	N/A	N/A
V	**70%**	22nd	74%	15th	N/A	N/A
W	**64%**	23rd	N/A	N/A	N/A	N/A
X	**63%**	24th	53%	29th	N/A	N/A
Y	**63%**	25th	60%	25th	56%	17th
AA	**59%**	26th	59%	26th	58%	15th
AB	**58%**	27th	N/A	N/A	N/A	N/A
AC	**58%**	28th	40%	34th	44%	21st
AD	**58%**	29th	51%	30th	N/A	N/A
AE	**54%**	30th	58%	27th	N/A	N/A
AF	**51%**	31st	N/A	N/A	N/A	N/A
AG	**51%**	32nd	N/A	N/A	N/A	N/A
AH	**41%**	33rd	N/A	N/A	N/A	N/A
AI	**40%**	34th	42%	33rd	41%	Joint 22nd
AJ	**39%**	35th	34%	36th	36%	24th
AK	**33%**	36th	15%	37th	9%	25th

Note: of ClimateWise's 40 member organisations, 36 submitted full reporting, two were exempt due to being new members, one submitted reporting late and one was unable to submit.

Appendix 4:

Score distribution

Principle	Sub-principle		Level	Score 0	Score 1	Score 2
1 Be accountable	1.1	Ensure that the organisation's board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.	1	1	4	31
			2	0	7	29
			3	2	9	25
	1.2	Describe management's (below board-level responsibility) role in assessing and managing climate-related issues.	1	1	3	32
			2	1	4	31
			3	3	8	25
	Demonstrating planned activities			11	4	21
2 Incorporate climate-related issues into our strategies and investments	2.1	Evaluate the implications of climate change for business performance (including investments) and key stakeholders.	1	1	11	24
			2	1	14	21
			3	1	15	20
			4	10	9	17
	2.2	Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders. Some members are exempt from reporting against this Sub-Principle.	1	5	14	16
			2	15	11	9
			3	12	13	10
			4	15	10	10
			5	15	4	16
	2.3	Incorporate the material outcomes of climate risk scenarios into business (and investment) decision-making. Some members are exempt from reporting against this Sub-Principle.	1	8	2	25
			2	7	6	22
			3	10	7	18
			4	13	9	13
	Demonstrating planned activities			10	10	16
3 Lead in the identification, understanding and management of climate risk	3.1	Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments).	1	1	7	28
			2	1	6	29
			3	4	5	27
			4	8	9	19
	3.2	Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.	1	3	3	30
			2	4	13	19
			3	8	8	20
	Demonstrating planned activities			9	14	13

Principle	Sub-principle		Level	Score 0	Score 1	Score 2
4 Reduce the environmental impact of our business	4.1	Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.	1	4	3	29
			2	5	16	15
			3	8	13	15
	4.2	Disclose our Scope 1, 2 and 3 GHG emissions using a globally recognised standard.	1	3	3	30
			2	7	10	19
			3	9	8	19
			4	6	4	26
	4.3	Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.	1	5	14	17
			2	14	11	11
			3	19	6	11
			4	21	8	7
			5	3	10	23
	4.4	Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.	1	0	11	25
			2	8	17	11
			3	17	16	3
	Demonstrating planned activities			7	14	15
5 Inform public policymaking	5.1	Promote and actively engage in public debate on climate-related issues and the need for action. Work with policymakers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.	1	2	6	28
			2	14	8	14
			3	3	8	25
	5.2	Support and undertake research on climate change to inform our business strategies and help to protect our customers' and stakeholders' interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.	1	4	4	28
			2	3	8	25
			3	7	10	19
	Demonstrating planned activities			14	7	15
6 Support climate awareness amongst our customers/clients	6.1	Communicate our beliefs and strategy on climate-related issues to our customers/ clients.	1	0	6	30
			2	11	9	16
			3	20	10	6
	6.2	Inform our customers/clients of climate-related risks and provide support and tools so that they can assess their own levels of risk.	1	9	12	15
			2	6	7	23
			3	8	8	20
	Demonstrating planned activities			12	12	12
7 Enhance reporting	7.1	Submission against the ClimateWise Principles.	1	0	2	34
			2	0	0	36
	7.2	Public disclosure of the ClimateWise Principles as part of our annual reporting.	1	15	2	19
			2	5	3	28

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Head Office
The Entopia Building
Cambridge, CB2 1GG
United Kingdom
T: +44 (0)1223 768850
info@cisl.cam.ac.uk

EU Office
The Periclès Building
Rue de la Science 23
B-1040 Brussels, Belgium
T: +32 (0) 2 894 93 19
info.eu@cisl.cam.ac.uk

South Africa
PO Box 313
Cape Town 8000, South Africa
T: +27 (0)82 829 6852
info.sa@cisl.cam.ac.uk