



Sustainability and carbon reporting

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Summary

As the leading professional body for general insurance and financial services, the CII recognises that climate change is already happening. We believe the insurance industry must take on a more active role because of the huge stake insurers have in managing the impacts of climate change.

- Currently, there is no single, trusted standard for sustainability and carbon reporting across sectors or countries, and no standard for its assurance. This can result in inaccurate data at best, and 'greenwashing' at worst.
- The issue of sustainability and carbon reporting is relevant to insurers both as reporters themselves (representing 1.6% of GDP as of 2007), and as one of the UK's biggest investors (accounting for 35% of equity investment as of 2008).
- In 2009-2010 the CII sponsored Carbon Smart's [research](#) on credible reporting. The key findings for insurance and financial services suggest that a wake-up call is needed for the insurance and financial services sector, which ranked second from bottom in the sectoral comparison.
- As reporters, insurers should use new research, such as the Carbon Smart report XXX, to learn what to look for in terms of standards and assurance providers, making sure they are competent and independent.
- As investors, insurers should consider the implications of inaccurate reporting for their own investments, and become good – and proactive – readers of assurance statements
- The CII calls on the whole sector to demonstrate their commitment to sustainability and carbon reduction through their reporting structures and investment decisions. By acting now, insurance can lead the way to a credible solution that will help mitigate the most dangerous impacts of climate change.

Policy Background

Sustainability and carbon reporting are becoming increasingly important. More and more stakeholders are expecting and requiring companies to report on carbon reduction, energy policies, and other sustainable business policies and practices. The FTSE4Good Index, designed to measure the performance of companies that meet globally recognised corporate responsibility standards, is one of the most prominent examples.

Sustainability and carbon reporting is the key way that businesses can demonstrate they are doing their part. With more media and public scrutiny of corporates' green policies and credentials, it is essential that we have some way of trusting that companies understand the issues they are dealing with and how to deal with them, and that the information disclosed is accurate and reliable.

Credible assurance is about building this trust. Sustainability and carbon assurance is still in its infancy compared to financial reporting. Currently, mandatory reporting is not required in most sectors, and various standards apply depending on what is being assessed.

However support for a mandatory framework of international reporting standards is growing, and many believe that this common protocol will be put in place in the not-too-distant future.

CII Position

The CII believes that man-made climate change is already happening, and that it poses a systemic risk to the global economy and insurance markets if left unchecked. The CII's 2009 report, *Coping with Climate Change: Risks and Opportunities for Insurers* sets out our views in more depth across a range of issues and sectors.

Climate change is an issue which affects each and every one of us, and the insurance industry has the unique potential to shape not only corporate response and action, but global policy decisions as well.

As risk managers the insurance sector is well placed to lead the way – including providing leadership in the critical and relatively new field of carbon and sustainability reporting.

- **Reporting with credible assurance:** The insurance industry currently falls at the bottom of sectoral league tables when it comes to sustainability assurance. According to Carbon Smart's research, only 4 out of 16, or 25%, of insurance companies within the FTSE350 provide any sort of assurance statements about their sustainability reporting – and only 3 of these have standards statements based on carbon. We challenge the industry to improve their social responsibility transparency by providing independent assurance of the credibility of data and content reported.
- **Making informed investment decisions:** Insurers should consider the accuracy of carbon and sustainability data and reporting, and the independence of assurance statements, as a key part of their investment decisions. Suggestions for how to do this can be found in Carbon Smart's report XXX.

By reporting data accurately, confirmed by credible assurance statements, and insisting upon credible sustainability reports to inform investment decisions, the insurance industry will be able to make a real difference to help reduce the negative effects of climate change.

CII work on credible reporting and climate change

Carbon Smart research: The CII has co-sponsored research into the credibility of sustainability reporting in the FTSE350 undertaken by the consultancy Carbon Smart. Published in March 2010, the research sheds light on the lack of consistent assurance practices, and identifies best practice amongst the current myriad of models. Given the considerable investments insurers control in the UK, we hope this research will help insurers discriminate and invest in funds that are truly socially responsible. The research is available here:

<http://www.carbonsmart.co.uk/?q=Assurancebenchmarking>

ClimateWise: In 2008 the CII became one of the first non-company members to join ClimateWise, a group of organisations in the insurance industry committed to taking action to reduce the risk of climate change. As a member of ClimateWise we are committed to demonstrating our action on climate change through six principles. Please read our first report to ClimateWise here:

http://www.cii.co.uk/ciiimages/emags/Environmental_Report_09/flash.html

CII Energy Policy: At the CII, we believe that everyone, and every organisation, no matter how small, has the potential to make a difference to the environment and help reduce climate risk. That is why we adopted a formal environmental policy in 2009, endorsed by the Board, committed to reducing our energy impact and cost in all areas of our organisation. To read the policy, click here:

http://www.cii.co.uk/downloaddata/Energy_Policy_2009.pdf

Coping with Climate Change: In February 2009 we published our third major study into the effects of climate change for the insurance sector and beyond. Edited by Dr Andrew Dlugolecki, former member of the Intergovernmental Panel on Climate Change, it comprises 18 chapters exploring the science of climate change, the types of risks that could emerge across different types of insurance clients, and how these risks implicate virtually all aspects of insurance and financial services. To read the report, click here:

<http://www.cii.co.uk/pages/research/climatechangereport.aspx>

Climate change thinkpieces: Read our climate change series of independently authored thinkpieces, including articles by Dr Maureen Agnew, Andrew Voysey, and Swenja Surminski here:

<http://www.cii.co.uk/pages/research/climatechangethinkpieces.aspx>

The CII is the world's leading professional organisation for insurance and financial services, with over 95,000 members in 150 countries. We are committed to maintaining the highest standards of technical expertise and ethical conduct in the profession through research, education and accreditation. Our Charter remit is to protect the public by guiding the profession.

For more information on the CII and its policy and public affairs function, including examples of the range of issues in financial services and insurance that we cover, please see: www.cii.co.uk/policy.

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