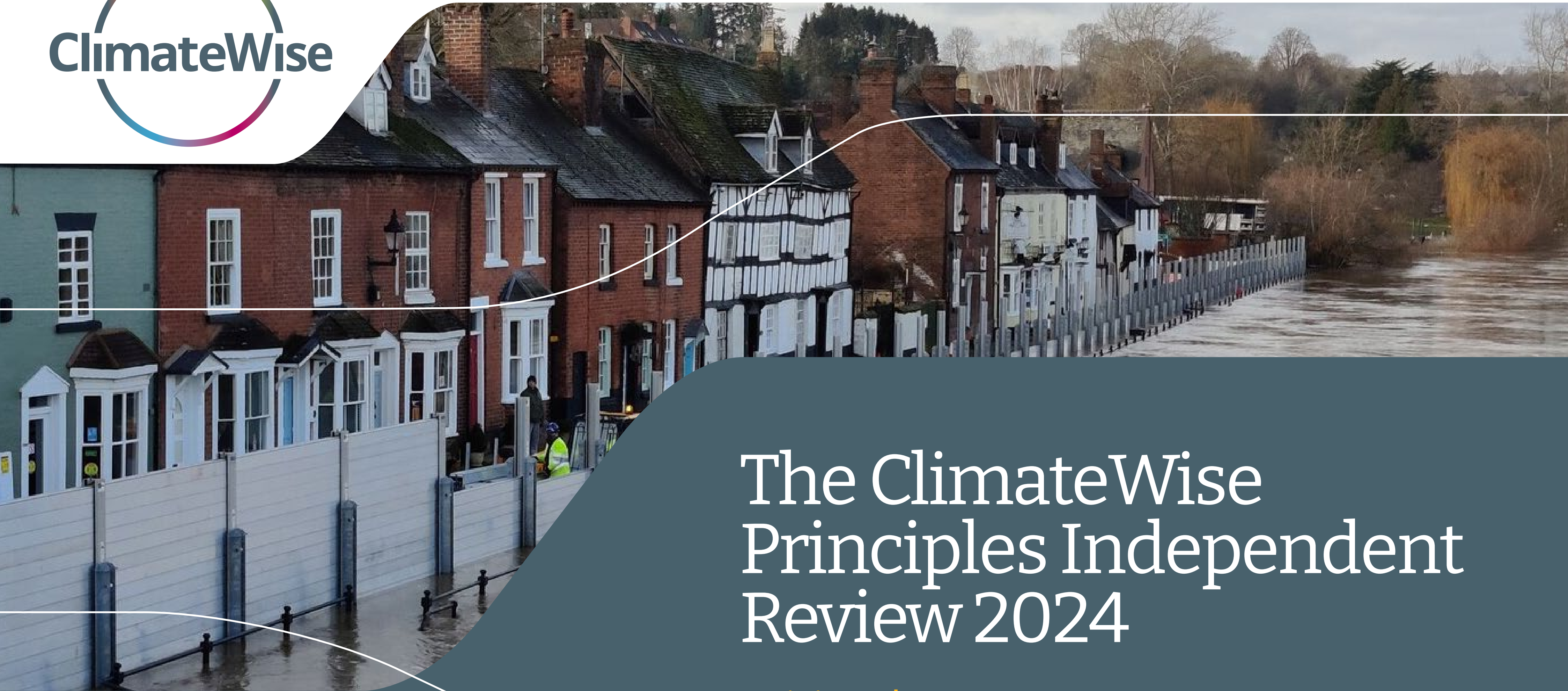

The ClimateWise Principles Independent Review 2024

Raising the Bar

UNIVERSITY OF CAMBRIDGE
CISL 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 brings together the insurance industry into a member network convened by CISL, which integrates sustainable leadership with world-leading research capability to address the impacts of climate change. ClimateWise is uniquely placed to bring together business, government and academic expertise; it provides a collective voice for the industry; a forum to interact with other stakeholders, and it enables the transition of the insurance industry through a defined set of Principles aligned to disclosure requirements.

The Centre for Sustainable Finance

Our mission is for private financial institutions to accelerate the transition to a global economy that is sustainable and resilient. As part of CISL, we work with a range of stakeholders to achieve this, including academics, policymakers, NGOs and private financial institutions. We bring together a unique combination of academic rigour and deep industry collaboration to produce research publications which help financial institutions to play a leading role in building a more sustainable economy. Our primary route to engagement with private financial institutions is through our three membership groups – the Banking Environment Initiative for banks, ClimateWise for insurers and the Investment Leaders Group for investors.

Publication Details

General disclaimer
The views expressed in this report are those of the authors and do not represent an official position of CISL, ClimateWise or any of its individual business partners or clients.

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The lead author (independent reviewer) disclaimer is on page 48 of this report and is an important message, as by reading this publication, readers accept and agree to the terms.

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This full document can be downloaded from CISL's website: www.cisl.cam.ac.uk/climatewise

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February 2025

ClimateWise Members 2024

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CONDUIT RE
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Ecclesiastical
esure GROUP
FIDELIS INSURANCE GROUP
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Chair's Foreword

ClimateWise enhances disclosure reporting and adapts research to support cross-sector system change.

The challenges of climate change continue to escalate, exemplified by increasing frequency and severity of extreme weather events around the globe. Against this backdrop, it is imperative that the insurance industry continues to evolve its approach to disclosure, research and ultimately cross-sector action.

As you will see in this report, ClimateWise members played a leading role in progressing this important work in 2024. We were also honoured that our member efforts were recognised externally, with ClimateWise receiving the InsuranceERM Global Award for Climate & Sustainability Collaboration of the Year.

Enhancing disclosure

Our 2024 ClimateWise report represents a significant step for the industry, being the first to align with new Principles developed by our members in 2023. These Principles build on the Task Force on Climate-related Financial Disclosures (TCFD) framework and incorporate enhanced disclosure requirements, including the Corporate Sustainability Reporting Directive (CSRD) and Taskforce on Nature-related Financial Disclosures (TNFD).

Our new Principles have a broader scope and higher benchmark standards, and I want to recognise the efforts and commitment of our members in developing and reporting under this new method.

While scores have understandably declined as our members adjust to new requirements, we have also seen enhanced:

- integration of climate considerations in strategic planning
- adoption of nature and biodiversity risks into governance and risk management frameworks
- reporting by members, supported by evidence-based examples of how they are evolving their business practices.

As we go forward, I am confident that ClimateWise members will continue to adapt and align to the Principles they have created, just as we have seen in previous years.

Adapting research for cross-sector action

The insurance sector plays a crucial role in transitioning to a lower carbon economy. At ClimateWise, we understand the importance of cross-sector system change to accelerate competitive sustainability. In partnership with CISL, ClimateWise is adapting its research approach to integrate the collective capabilities across CISL and the University of Cambridge. This collaboration will focus on the interaction and interdependencies between public policy, banking, insurance, investments and technology, enabling us to drive more effective change and impact.

As we continue to evolve and strengthen our collaborative work across sectors, I know ClimateWise members will remain leaders in navigating the complexities of climate change in the insurance industry.

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

Executive Summary

Raising the bar

If 2023 could be characterised as a year of essential challenge, with the Intergovernmental Panel on Climate Change (IPCC) communicating in its Sixth Assessment Report (AR6)[1] that the world was not on track to achieve the 1.5-degree warming targets, then 2024 saw the insurance industry and its regulators intensify efforts in facing up to the challenge, recognising the vital role it has to play in decarbonising the economy.

While there have long been standards, guidance and frameworks for reporting, 2024 is the first year when organisations were required to comply with the Corporate Sustainability Reporting Directive (CSRD) and International Financial Reporting Standards Sustainability Standards 1 and 2 (IFRS S1 and S2), with some jurisdictions also requiring transition plans to be published for the first time. Amid this evolving ecosystem of regulatory and reporting change, and a growing understanding of how insurance can drive real-world change, the insurance industry has worked to develop a better understanding of risk, educating the public and developing risk mitigation strategies for both climate and nature issues.

Given the importance of insurance industry expertise in measuring and managing risks, the entire insurance value chain needs to play a key role in the transition to a low carbon economy, including supporting communities and providing protection against physical risks from a changing climate.

Recognising the value of collaboration, the ClimateWise members (the 'members') were instrumental in developing a more robust and challenging set of ClimateWise Principles as a way of both learning and adapting to new regulations, as well as pushing beyond the regulations to encourage real change for the industry as a whole.

Performance against the ClimateWise Principles

The ClimateWise Principles for 2024 reflect how the industry continues to adapt and challenge itself. The ambitious new set of Principles has seen the scores of ClimateWise members drop since 2023 by an average of 20 per cent. This reflects the higher bar created by the changing disclosure environment with a new and challenging baseline against which to measure progress in future years. The ClimateWise membership has made great strides in considering new and emerging topics of nature and biodiversity, developing new tools and metrics, all while looking at actions to decarbonise their operations, investments, underwriting and supply chain.

ClimateWise members have demonstrated an evolving set of responses to the new Principles, with particular highlights including:

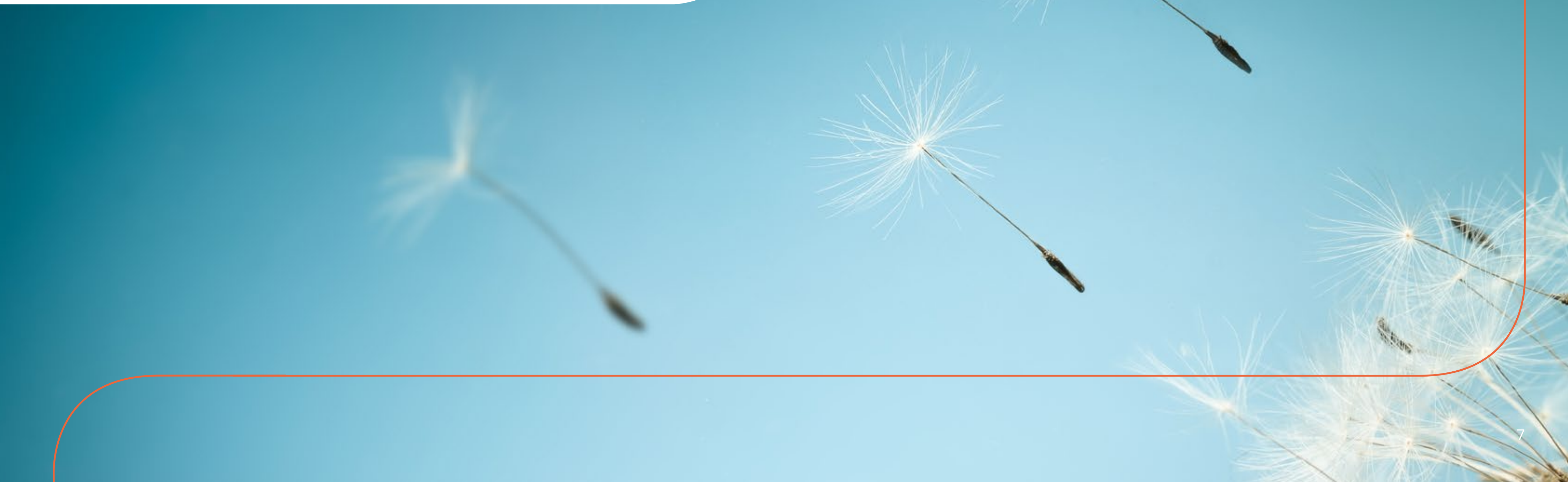
- the innovation, collaboration and cutting-edge research evidenced by members
- the use of underwriting as a tool to enact change, with a wide range of clauses, conditions and other incentives used to encourage policyholders to reduce exposure to climate risks
- early adoption of nature-related considerations, particularly in respect of governance, strategy and research.

The review of the ClimateWise Principles was significant for the insurance sector as a whole and provides the baseline for members in transforming their climate- and nature-related plans and reporting. This has been recognised externally by the project winning the InsuranceERM Global Award for Climate & Sustainability Collaboration of the Year for 2024.

It should be clear from this report and the highlighted case studies that ClimateWise members are continuing to adapt and face the challenges of climate change and its impact on nature and biodiversity.

Going forward into 2025

The 2024 ClimateWise Principles have significantly raised the bar for members. After a year of major change, aligning to new frameworks, and developing new standards and guidance, there are fewer major changes on the horizon. Next year, members will be asked to comment on their transition plans; these Sub-Principles have already been developed and some members have chosen to voluntarily report against them this year. This stability will give ClimateWise members a base from which to demonstrate continuing improvement against the ClimateWise Principles.



The Evolution of the ClimateWise Reporting Landscape

Why did the ClimateWise Principles need to change?

2024 was a significant year for climate and biodiversity risk management and reporting around the world. The ClimateWise Principles have been leading the industry in voluntary climate disclosure since 2007 and supported organisations across the insurance value chain that wanted to play a role in addressing climate-related issues. In 2018, the ClimateWise Principles were aligned to the Task Force on Climate-related Financial Disclosures (TCFD) guidance.[2] Since the last report in 2023, a number of global reporting standards and regulations have evolved the core tenets of the TCFD, including the:

- EU Corporate Sustainability Reporting Directive (CSRD)[3] and their associated European Sustainability Reporting Standards (ESRS)
- International Financial Reporting Standards (IFRS) S1 Sustainability and S2 Climate Standards, issued by the International Sustainability Standards Board (ISSB)[4]
- Taskforce on Nature-related Financial Disclosures (TNFD)[5]
- UK Treasury Transition Plan Taskforce (TPT) guidance[6] including specific insurance-sector guidance.

In anticipation, ClimateWise members recognised there was an opportunity to advance sustainability reporting, and collaborated to strategically develop the Principles as a hub whereby members could harness a sector-specific framework enabling them to adopt a 'capture once, use many times' model, based on the requirements for each of the jurisdictions in which each organisation operates.

What did ClimateWise create?

The 2024 Principles were designed to align to a much wider range of requirements, and were built on the foundations of a powerful mapping engine of all the international regulatory and reporting expectations identified by the members as most relevant to the insurance sector, capturing the key common elements of each framework, and in particular focusing on elements that are repeated across all frameworks.

The mapping tool enables members to see how each ClimateWise Sub-Principle relates to the relevant new disclosure framework (and the level of overlap as demonstrated in Figure 1), which shows the extent to which each framework has been aligned with the ClimateWise Principles, dependent on the level of detail of its specific requirements. This helps members to complete disclosures more efficiently, particularly those that operate in multiple jurisdictions.

Figure 1: ClimateWise Principles mapping to global frameworks

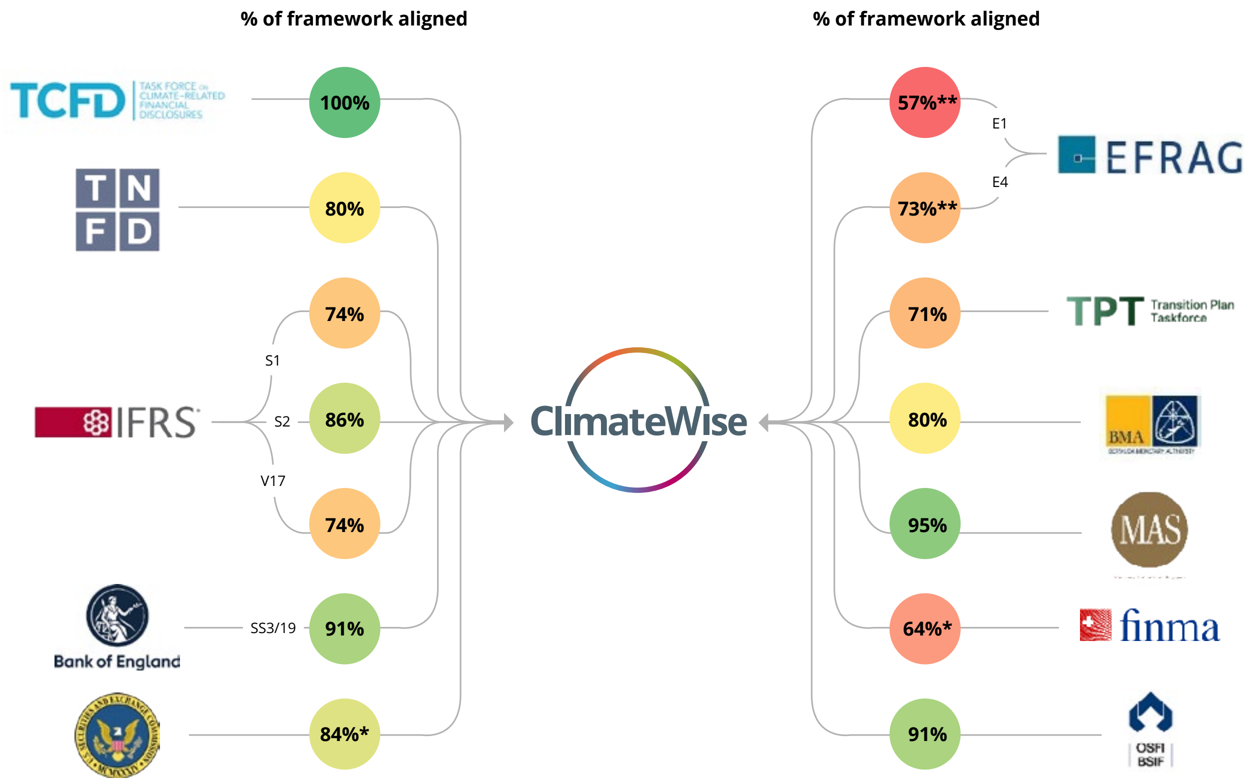
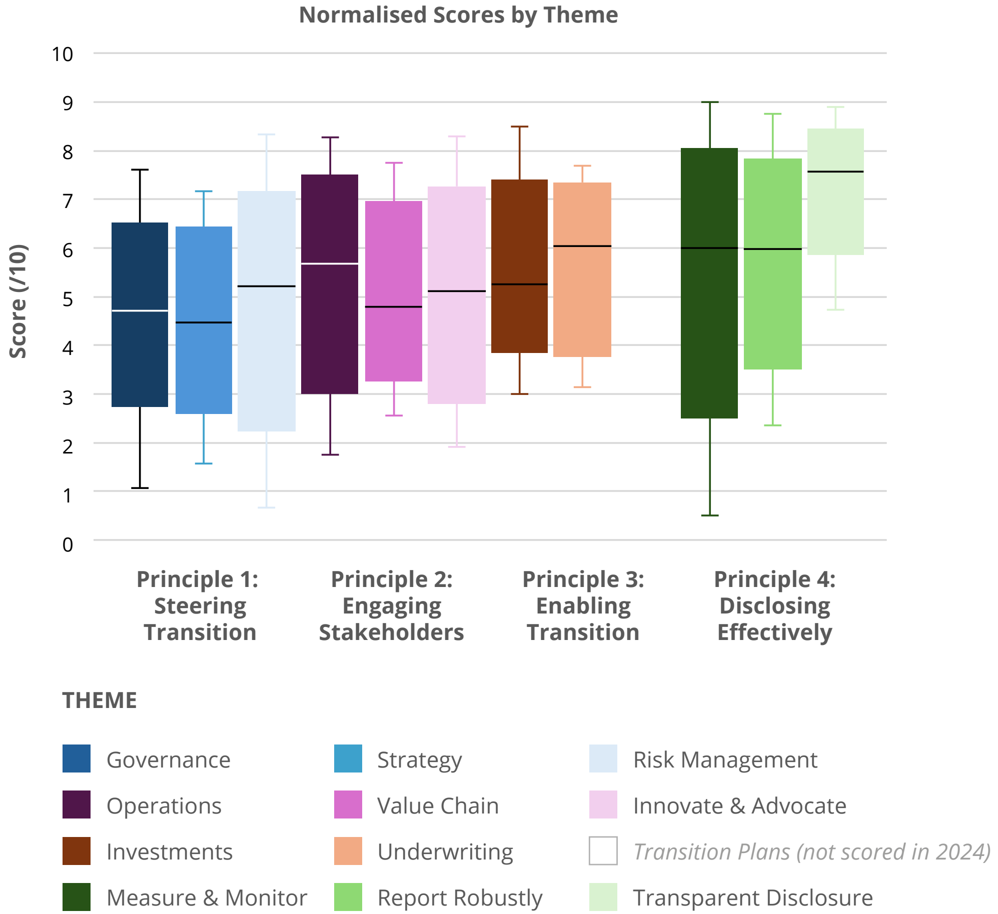


Figure 2: The ClimateWise Principles

** Only includes relevant parts related to climate and nature*
*** Most unmapped Principles relate to additional guidance*

The 2024 ClimateWise Principles: member progress

The creation of new ClimateWise Principles has led to a re-baselining of scores, with the majority of members evidencing a significant improvement in their approach to climate and nature issues. However, the average score dropped, reflecting the ambition of the new and more expansive requirements of the 2024 Principles. Appendix 1 provides further detail on the breakdown of these scores by Theme and highlights examples of best practice from the membership, as well as development points.



ClimateWise members have continued to advance global research and development activities, focusing not only on the insurance industry but also more broadly on key climate and sustainability issues. They continue to make impressive steps in their approaches to governance, risk management and internal operations. These Themes have been part of the ClimateWise Principles since the alignment to TCFD, and as such, members have continued to perform strongly against these Themes in the new Principles.

Against the new, more challenging baseline that the Principles have set, the highest scores were achieved by members that have adapted their approaches in the light of the rapidly evolving regulatory environment, to address major new areas of focus:

- **Taking a strategy-led approach:** High-scoring members have recognised that before putting in place detailed action plans, time spent setting an overall direction aligned to business strategy is an important foundation for success. This strategic intent then acts as the benchmark that can be seen through how the organisation addresses each element of the ClimateWise Principles.

- **Embedding into core business processes:** All members need to consider what their strategic choices mean for their business model. Operations and value chain dependencies exist for all member categories. Underwriting and investment implications are particularly pertinent for (re)insurance members. Having an integrated and holistic approach across each aspect of a business model demonstrates how their strategic intent is being implemented in practice.

- **Nature:** Several members have started to integrate the management of biodiversity risks into their governance and risk management frameworks.

- **Enhancing reporting maturity:** The new Principles have required a step change in the robustness of reporting processes. A number of members were able to evidence significant enhancements to their non-financial reporting process, moving towards alignment with well-established financial reporting.

Areas for future focus

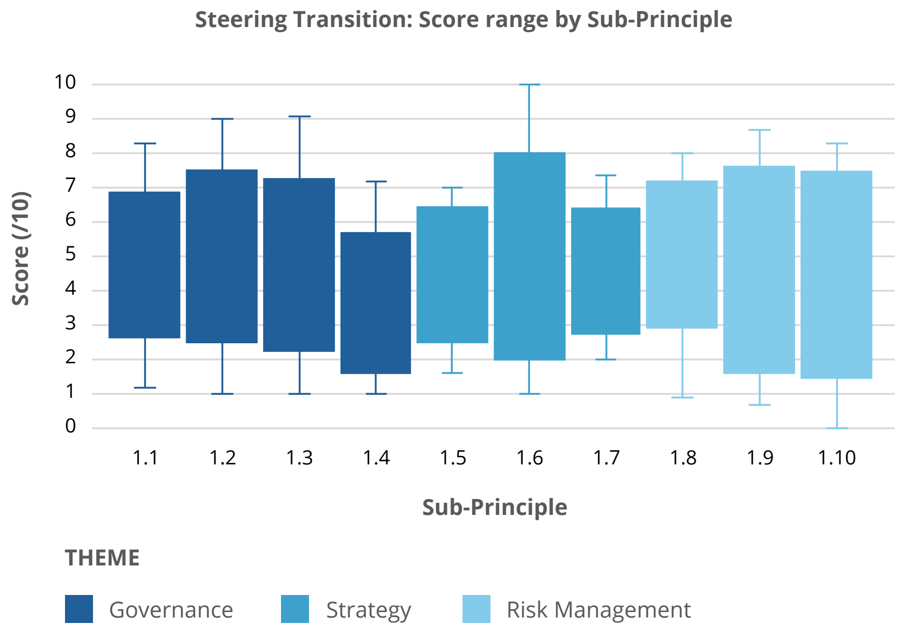
From a macro perspective, the most significant areas that members can focus on in future years include:

- **Further strategic integration:** While members have put in place climate considerations in their business strategy, maturing the strategic approach to managing climate and biodiversity risks is a key precursor to enhancing members' ClimateWise reports. Being able to clearly articulate each firm's approach and how it feeds into each element of the ClimateWise Principles provides clarity of purpose. Best practice is being able to explain the choices the business has made with respect to, for example, 'Innovate and Advocate' programmes and the outcomes these actions have had in terms of contributing to the delivery of the overall strategy.

- **Targeting advocacy and influence through the value chain:** ClimateWise members, as representatives of the extended insurance value chain, have significant influence over the economic ecosystem. CISL, which has decades of experience working with business on sustainability issues and provides the secretariat to the ClimateWise partnership, has recently been highlighting the need for greater engagement in policy development and influence as an essential part of any climate and sustainability strategy. Ensuring that each firm considers the strategic impact it can have within its sphere of influence through its innovation and advocacy is a unique attribute of the Principles. The majority of members are still developing a full understanding of the reach of their value chain and how best to engage with their key stakeholders. Understanding what is most material to their business and where to focus their influence is something many members are currently focused on.

- **Further enhancing reporting maturity:** Through collective learning, members will be able to put in place enhanced reporting processes with documented procedures and controls that build stakeholder confidence in the information being disclosed. Trust can be enhanced through ensuring internal control functions and external assurance reviewers provide confidence in the relevance, accuracy and completeness of what is being reported.

Principle 1: Steering Transition



The Steering Transition Principle encourages ClimateWise members to take a top-down, strategic view of climate and nature risks and integrate this thinking throughout their business models. Taking a strategic view is growing in importance. As many of the 'quick wins' in terms of operations and investments are achieved, future actions will require a detailed understanding of tradeoffs. As a result, this Principle adopts elements of regulatory frameworks that are beginning to encourage more focus on governance, strategy and risk management aspects of companies' business models:

- TNFD, ESRS, IFRS, TPT and regional reporting requirements recognise the importance of governance and accountability in ensuring organisations are taking appropriate actions.

- TCFD's lasting influence on newer reporting frameworks is evident through the common approach towards strategy, with many frameworks expanding on TCFD to require regular assessments of climate- and nature-related impacts on business strategy and business model.

- Similarly, reporting frameworks stress the value of robust risk management processes for climate risk, with specific consideration of identification, assessment, prioritisation, monitoring, reporting and escalation of climate- and nature-related risks, and even formal risk appetites for climate risk.

Summary

Overall, ClimateWise members have recognised the importance of expanding on their existing approaches to governance and are now considering how to incorporate nature and biodiversity topics within the governance frameworks. It is generally easier for organisations to describe management responsibility than board accountability, and there is still work to do in respect of formalising much of the approach to governance, in particular ensuring that organisations have the right knowledge and incentives in place. Strategy is relatively nascent, with some members yet to complete materiality/double-materiality analyses or develop resilience plans. Those that have taken this step were generally able to clearly articulate how this analysis supported the organisation's strategy, business model and decision-making processes, as well as the development of action and response plans linked to strategic objectives. This is reflected in the wide range of scores awarded to members.

While members are generally strong at identifying risks, there is less clarity over the business case for change and how these assessments feed into the decisions they make. Generally, insurer members provided strong descriptions of how the risk management control cycle was being applied to climate risk, and could confidently demonstrate the adoption of climate risk into risk universes and taxonomies.

Encouragingly, many brokers, loss adjusters and membership organisations within the ClimateWise membership (who would not be expected to approach risk management in the same formalised way as insurers) have translated the core tenets of risk management and scenario analysis, and produced excellent responses to their risk management approaches.

Sub-Principle 1.1: Ensure that our board has oversight of climate- and nature-related risk and opportunity management, including any transition plans.

Sub-Principle 1.2: Ensure that our senior management has responsibility for climate- and nature-related risk and opportunity management, including any transition plans.

Sub-Principle 1.3: Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.

Sub-Principle 1.4: Ensure that our board and senior management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.

Key strengths

Members demonstrate strong involvement of boards and senior leadership in the oversight and day-to-day management of climate risk. Generally, boards oversee governance with responsibilities delegated to committees and management. Many members demonstrate how responsibility is delegated throughout the business, with underwriting and investment functions typically allocated key responsibilities in climate governance. **Convex** gave clarity over reporting lines and reporting frequency that evidenced where individual and collective responsibilities lie, and demonstrated strong links between governance and business strategy. For many members, the approach to governance is supported by a range of policies and procedures, both to manage climate risks and develop and integrate the sustainability strategy. **Conduit Re** and **Liberty Speciality Markets** demonstrated strong evidence of governance through environmental, social and governance (ESG) and climate policies.

Employee incentives related to climate and nature are growing increasingly common, particularly through executive and board remuneration, with some using all-employee bonuses. **AXA XL** adopts a compensation policy designed to align employee interests with the overarching sustainability strategy. More inventive approaches adopt non-financial incentives that encourage reductions in employee emissions, such as subsidised use of public transport for commuting. The majority of members have also put in place strong training plans for the board and senior leadership.

Development points

While there is some evidence of training taking place, this is mostly limited to the board and senior leadership. Training all employee groups would be a significant improvement opportunity for many members and would assist them in better defining climate-related responsibilities across business support and control functions including compliance, risk, internal audit and actuarial. Furthermore, while there is evidence of board training taking place, few members could evidence strong climate expertise across the board via a skill matrix, or putting in place climate considerations in the board selection process. Those that evidence strong leadership in this area typically score higher across other Themes.

Case study | Sanlam – a fully integrated approach to governance

Sanlam has a highly engaged and active board, which takes a significant interest in covering climate, nature and broader ESG matters in a way that supports the organisation's strategic and operational goals. This approach cascades and translates to the board's strategic and operational objectives through sub-committees, and monitors the executive teams' adoptions and accountability to the responsibilities to achieve these goals through their incentives and rewards. This results in a highly integrated approach throughout the company and its subsidiaries.

Figure 3: Sanlam's sustainability integration and disclosure framework

This approach ensures successful integration with all areas of the organisation, with the board ensuring that Sanlam operates as a responsible corporate citizen by considering both the financial aspects of the business and the impacts of the business operations on stakeholders and natural resources. ESG considerations have been incorporated into the Group's risk management framework, strategic direction, and approaches to responsible investing and underwriting.

The board's active involvement is clear in the steps it has taken to further Sanlam's commitment to sustainability. This includes investments in key specialisations and teams, the publication of corporate statements, and initiating industry research projects that have yielded a track record of interesting findings that have been a catalyst to industry dialogue with various companies throughout South Africa. The strengthening of the relevant committees has enabled Sanlam to also be self-reflective and ensure that they provide more robust governance and support for ESG issues.

As a Group, Sanlam has been able to adapt its governance approach to ensure it is fit for purpose for its asset management, asset ownership and insurance businesses, as well as understanding the role of oversight they must take in their own operations and facilities management. By focusing on immediate, mid- and long-term goals, a clear link is created between governance and oversight. Shorter-term actions and changes are aligned to business planning cycles being implemented; medium-term reduction targets and project planning are aligned to forward-looking business planning; and long-term strategies have a more future-state vision in mind in terms of climate risks and opportunities.

Finally, the board's endorsement of the Group's facilities sustainable development strategy shows an impressive level of engagement in every aspect of the Group's approach to sustainability.

Sub-Principle 1.5: Describe the impacts and implications of climate- and nature-related risks and opportunities on our business model and performance, strategy and any decision-making processes.

Sub-Principle 1.6: Describe how environmental resilience plans are incorporated into business decision-making, including disclosure of any material outcomes of climate risk scenarios.

Sub-Principle 1.7: Describe the outcomes of our materiality analysis and any material climate- and nature-related risks and opportunities that affect our prospects.

Key strengths

Insurers generally understand material climate risks in great detail and have begun to integrate them into their Enterprise Risk Management (ERM) Frameworks. **Allianz** and **Beazley** have carried out strong double materiality assessments that demonstrate a strong link between climate and strategy, with a description of how this influences decisions across key business functions (eg, underwriting/investment decisions such as exclusion policies). The focus is typically on decarbonisation and risk management, with some members going further to link strategy to financial implications of climate risks and assessing the resilience of their financial projections to those risks.

The strongest scoring members link climate and nature considerations throughout their business strategy and decision-making, and clearly align these to the purpose of the business. Some members have gone further to undertake detailed climate risk and opportunity assessments and integrate the findings into business models. **NFU Mutual** has demonstrated detailed analysis of biodiversity impacts, and links together its transition plan, business strategy, climate change strategy and scenario analysis to demonstrate its strategic thinking. Scenario analysis is used to support testing of the business strategy and mitigation plans developed. These considerations also look at different time horizons and the different risks and opportunities presented in the business plan through various stages of the decarbonisation journey. The risks and associated response plans are linked to strategic objectives.

Development points

While some members show strong use of scenario analysis, and have taken steps to develop scenarios that are relevant for them (or modify off-the-shelf scenarios), generally insurers could strengthen their top-down approach to scenario analysis and the linking of the results to their strategy and risk management. The majority of members are still developing how to articulate the ‘big picture’ implications of the analysis they have conducted on their strategic objectives. Loss adjusters and brokers were less mature in respect of scenario analysis, however they can still consider the risks inherent in various scenarios in a qualitative manner, and could consider operational risk scenario analysis as a model for doing so.

A key development point for members going forward is conducting double materiality assessments. While these are becoming more common, still relatively few members have completed one.

Case study Flood Re – incorporating time horizons into strategy

Flood Re is a unique organisation, in that it was set up as a time-limited intervention with a planned market exit in 2039. This timeline focuses Flood Re's approach to strategy on discrete blocks of activity that can be achieved over different time horizons, and is strongly integrated into its activities and plans, for instance:

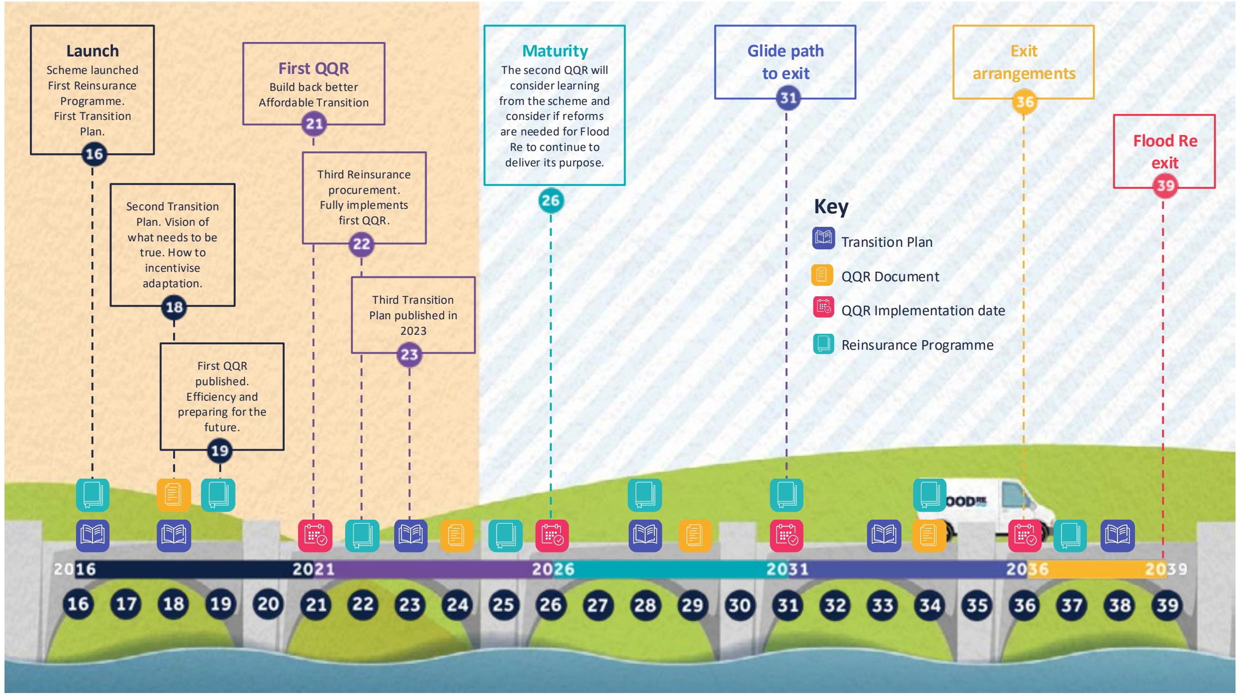
- **Short-term:** Flood Re's focus is on behavioural shifts by major stakeholders driven by perceptions and understanding of climate change's growing costs. Stress and scenario tests in its own risk and solvency assessment (ORSA) set out a series of adverse scenarios and how Flood Re would seek to manage them.

- **Medium-term:** Flood Re is seeking to deliver behavioural, industry-wide and public policy change to increase the understanding of flood resilience and how stakeholders can play a part in managing the impacts of flood risk in the UK.

- **Long-term:** Flood Re is conducting research to understand the population of UK properties that will be difficult to insure after its planned market exit, including the impacts of climate change on UK flood risk.

Despite Flood Re having uniquely defined time horizons, their consistent use ensures a joined-up strategy that makes strong use of detailed scenario analysis and risk analysis to drive the organisation's strategy.

Figure 4: Flood Re's roadmap to exiting the insurance market



Sub-Principle 1.8: Establish appropriate processes to identify, assess and prioritise climate- and nature-related impacts, risks and opportunities.

Sub-Principle 1.9: Put in place mechanisms to monitor and manage climate- and nature-related risks and opportunities.

Sub-Principle 1.10: Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks.

Key strengths

The majority of members are able to clearly identify climate-related risks and how they might materialise for their organisation, and understand how this may impact their business plan and prospects going forward. Reflecting the mature risk management capabilities of the insurance industry, this analysis is backed up by strong processes and procedures, and robust governance for risk management. **Sanlam** demonstrates how these processes are adapted for the different elements of its Group and the different risk management challenges they face. Many members are now linking risk management into their ORSA processes, and both **Brit** and **esure** demonstrate how their ORSA processes guide and are guided by consideration of climate risks. Similarly, there are strong mechanisms in place to monitor climate-related risks, and members are clearly developing their understanding of climate risk year on year, enabling better identification and monitoring. The leading members are able to evidence a comprehensive set of robust and highly mature processes that are fully embedded in organisational decision-making, alongside the tangible outcomes of this work. **Tokio Marine HCC**'s Chief Risk Officer (CRO) report includes a quarterly update on the sustainability risk profile, which enables effective decision-making. Other particular highlights from members include linking risk profiling methodologies to sustainability frameworks and codes of conduct.

Development points

Although strong at risk identification, prioritisation and monitoring, members are weaker in terms of the mechanisms in place to manage climate risks. This reflects the increased challenge of management and 'action' relative to identification; but even so, members could generally benefit from providing more detail on their approach to reporting and escalation of risks.

While there is some discussion of using scenario analysis to support risk identification and prioritisation, it is evident that for some members there is room for improvement in respect of scenario analysis. It is important to note here that ClimateWise is scenario-agnostic and does not assess the relative strength or realism of scenarios that its members use. However, it should be recognised industry-wide that all scenarios are uncertain. Where members have scope to improve is in terms of their discussion around the challenges and limitations of scenario analysis and explaining how this leads to a selection and calibration of scenarios that they believe is appropriate to their organisation. Stronger reports are able to articulate the constraints and developments required to be able to more accurately assess material risks and describe their intent to improve integration of this analysis in risk management processes in future.

Similar to other Themes, and recognising that it remains a relatively new development, members are yet to effectively tackle integrating nature into their risk management frameworks.

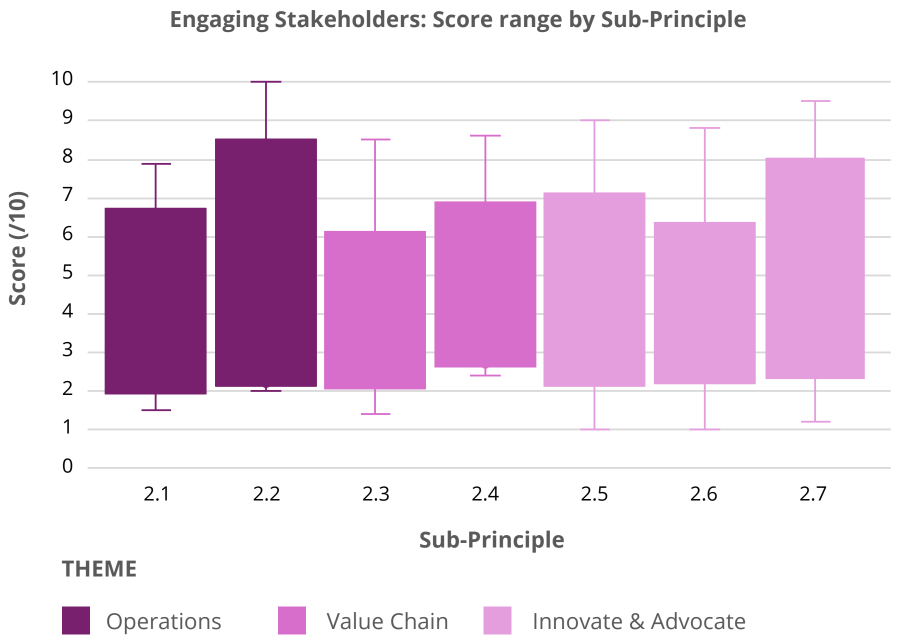
Case study Zurich – scenario analysis as a risk management tool

Zurich's approach to risk management exemplifies the value scenario analysis can bring by allowing management to consider the potential medium- to long-term impacts of climate change under a range of plausible scenarios. Zurich evaluates different risk drivers (acute and chronic physical risks, policy and legal, technology, market and sentiment), the impact channels through which these may materialise (changes to extreme weather events, land degradation, changes in productivity, demand and costs, and competition and pass-through effects) and the corresponding economic impact of these changes on a macro- and micro-economic basis to understand potential impacts to both sides of its balance sheet.

To achieve a consistent Group view on potential climate change pathways, scenarios selected for Zurich's analysis underpin all assessments Group wide (except where local regulatory requirements exist). Within this Group view, assessment granularity and timeframes can be tailored to the specific requirements of the assessment, resulting in an approach that supports risk management as well as underwriting and investment assessments. A further benefit of this Group-wide approach is that data can be consistently sourced and tracked with clarity over key assumptions. Zurich demonstrates its maturity in respect of scenario modelling with a detailed understanding of the limitations and assumptions used and the impact this may have on its analysis.

Figure 5: Zurich's Enterprise Risk Management Framework

Principle 2: Engaging Stakeholders



Developing a comprehensive understanding of operational emissions has been an important part of understanding how organisations can reduce their impact on the climate, and for many organisations is a relatively mature area. Although the insurance value chain typically has fairly low operational emissions relative to underwriting and investments, it remains an important area within which members can show tangible change. From the foundation of ClimateWise, employees were seen as having an important role in addressing climate change. Sub-Principle 2.2 goes beyond any reporting standard to recognise the opportunity ClimateWise members have in supporting their employees with training, tools and expertise to fulfil this role.

Unlike other industries where the value chain centres on tangible goods, the insurance value chain deals with intangible products. In this respect, product design is often highly technical desk-based work, distribution and claims management through agents, brokers and digital platforms.

Innovation, advocacy and the convening of members for research has been a cornerstone of ClimateWise since its launch in 2007. In this Theme, ClimateWise remains ahead of other frameworks and regulations, although newer frameworks including TNFD and TPT encourage explanations of how organisations prioritise and enact engagement activities with governments, regulators, public sector organisations, communities and civil society.

Summary

Members have generally taken a highly active role in involving their employees when addressing climate change, and this involves giving them the space and capabilities to take a leading role in initiatives. Significant efforts are being made to decarbonise operations, but with some weaknesses in terms of considering the range of options available; this will grow increasingly important as organisations put in place systems to prioritise action. Given the challenges of translating real-world interactions with the value chain into a financial services context, ClimateWise members show an impressive approach to understanding and interacting with their value chains in order to improve environmental sustainability of the insurance industry as a whole. ClimateWise members are at the forefront of highly respected research, both in terms of insurance-specific product development and risk modelling, and more general approaches to collaboration to support the wider financial sector and general public. Research remains one of the key areas of focus for ClimateWise, alongside disclosure and convening, and members regularly collaborate on impact-orientated research.

Sub-Principle 2.1: Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Sub-Principle 2.2: Engage our employees on our commitment to address climate change and nature, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate and nature-informed choices outside work.

Key strengths

Most members have taken the first steps in understanding the operational decarbonisation options they have and are beginning to evaluate them and execute the prioritised list of actions. Within its impact reporting, **Aon** demonstrates having addressed opportunities arising from climate risks as client solutions. The more advanced members are able to evidence comprehensive carbon reduction plans covering all aspects of their operations, including clear commitments to externally validated targets. Many members have calculated emissions for several years and are able to evidence and analyse historical trends, and understand the impact of earlier actions, ensuring an evidence-based approach to future assessments. **Hiscox** has provided historical data and Streamlined Energy and Carbon Reporting (SECR) emissions, which allows it to understand its operational emissions variation against a baseline. Members also focus on emissions reduction over carbon offsets, underscoring an industry-wide dedication to accountability and transparency. The decision-making processes internally are supported at leading members by training programmes and increased resource allocation.

The more advanced members are highly active in involving their employees in the solution, giving them the space to take a leading role in initiatives, and track the impact of this engagement over time. **Aviva** encourages employees to set a personal sustainability goal as part of their annual goal-setting process, and provides its employees with a range of tools to meet action on climate change.

Some members have established strong and consistent communication channels with employees, request and implement employee suggestions, and align charity partnerships with nature and biodiversity priorities.

Development points

Some members are still at the beginning of their journeys, and while they have been taking sensible action to reduce emissions for a number of years, they have yet to consider a formal approach to target setting, validation or consideration of the options available to them. This generally reflects a lack of maturity rather than a lack of intent or action, and it is important to note that many members that are weaker in terms of their own operations are significantly stronger in terms of decarbonising the value chain, and vice versa. This potentially reflects competing priorities and a focus from each organisation on where it believes it can have the most impact.

Although many members would benefit from comprehensively assessing their options and conducting a cost–benefit analysis, particularly as more complex, longer-term and expensive options become necessary, it is important to ensure that this is not the only lens and that employee engagement remains a priority.

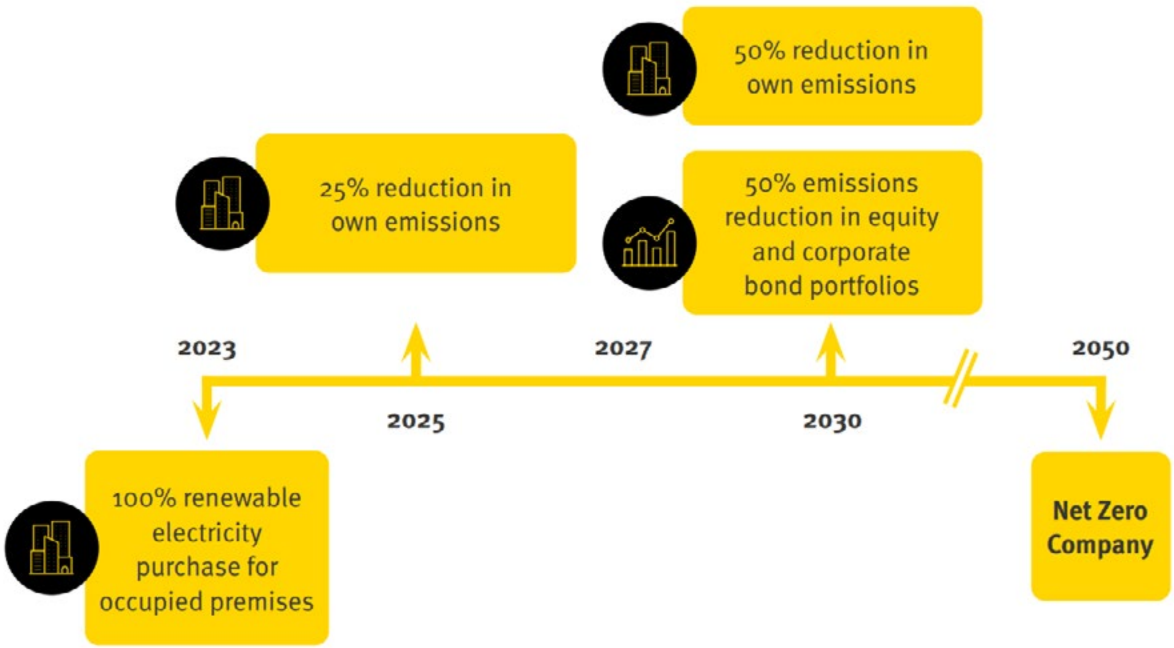
Case study NFU Mutual – reducing the operational impact on nature and biodiversity

NFU Mutual has set transparent public targets aligned to the Science Based Targets initiative (SBTi) to set out its aims of reducing climate change and its impact. The member can demonstrate strong evidence of a range of initiatives undertaken to support progress against those targets.

Beyond reducing its climate impact, NFU Mutual is working to help conserve and enhance nature and biodiversity through its own activities and influence. As a commercial landowner, NFU Mutual believes it has an innate responsibility to protect, and where possible improve, the nature and biodiversity of its owned sites. Across its Stratford-upon-Avon sites, NFU Mutual has 14 hectares of open green space, with over 1,000 trees of 79 different species. It operates several initiatives to encourage nature and biodiversity and prevent nature loss, including wildflower gardens to encourage flying insects; log piles to provide habitats for insects, fungi, mosses and lichens; bird feeding stations; bee hotels; bird boxes and owl boxes.

The member has also established an internal nature and biodiversity working group, conducted stakeholder training and completed a baseline biodiversity assessment at its Head Office site. In addition, a Taskforce on Nature-related Financial Disclosures (TNFD) scoping exercise has been undertaken for NFU Mutual's direct and upstream operations, identifying occupational property portfolios as the initial focus area for nature and biodiversity activity.

Figure 6: NFU Mutual's emissions targets



Sub-Principle 2.3: Understand and disclose the sources of emissions and adverse climate- and nature-related impacts on our upstream and downstream value chain that might in turn impact our business.

Sub-Principle 2.4: Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

Key strengths

Insurer members were able to identify the impacts of climate-related risks to their insurance business and investment activities, and were able to articulate the different sources of risk and different timescales assessed for each type of activity. **Benefact** has considered where the concentration of each climate-related risk sits in the value chain and has sought to understand the different approaches that can apply to each of its suppliers. Many of the loss adjuster, broker and association member-types benefit from simpler value chains in this Theme, and have undertaken exercises to understand their Scope 3 emissions for major categories, with some providing extremely comprehensive coverage of measurement and target setting. Particularly strong in this area are groups that operate at several points across the value chain and bring a strong holistic view of the challenges and solutions at each step.

Engagements with various stakeholder groups across the value chain on climate-related issues are strongest for the member-associations that are members of ClimateWise. For the **Association of British Insurers** and **Chartered Insurance Institute** these interactions and engagements form a core part of their strategy, and they are able to evidence their work with their members on climate issues. For other members, engagement remains important and they have also begun to develop robust third-party selection processes that incorporate ESG criteria.

In some cases, members are requiring suppliers to have decarbonisation plans and regularly assess the proportion of their suppliers that have set externally validated targets, with plans in place to engage with or replace suppliers that do not. **Convex** has engaged in a detailed exercise assessing the ESG profile of its reinsurance clients and has built its own view of their ESG profile. There was some valuable and nuanced discussion of the relative social value of engaging with smaller suppliers that would not be expected to set externally validated targets, and these considerations demonstrate considerable maturity in supplier selections.

Finally, members are able to evidence formal policies in place to limit climate risk exposure across three core areas of operations, underwriting and investment.

Development points

While members are strong at analysing their immediate value chain, it has typically proved more challenging to evaluate the broader value chain (eg, suppliers of suppliers). This is a developing process as third-party analysis improves throughout industries, and organisations are generally strengthening their ability to comprehensively report emissions divided into Scopes 1, 2 and 3, which will support future analysis of ClimateWise members.

Some members have also not undertaken any formal analysis of the resilience of the value chain to climate-related risks, and any knock-on effects this may have on their own organisation or business plans. There is some evidence that awareness of the importance of supply chain resilience is increasing as a result of operational resilience measures that members are taking, however not all members have fully made the link between these exercises and incorporated this analysis into their strategy and risk management.

Finally, although members are taking a wide range of actions to contribute to economy-wide transition, they have typically not set formal objectives and priorities in how they do so and the outcomes they are seeking to achieve. It is commendable to note the resources focused on taking action, however forming a view on where organisations can have the most impact may support decision-making about how to most efficiently utilise resources and budgets.

Case study

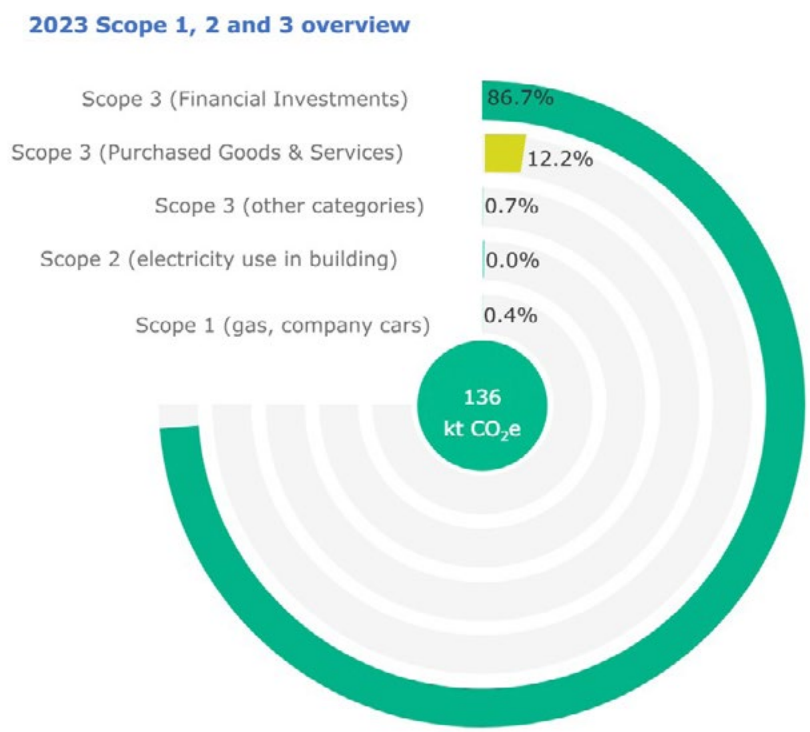
esure – understanding climate and nature impacts in the supply chain

esure has demonstrated best-in-class practices in terms of measurement and reporting of Scope 3 emissions and nature impacts. It takes this a step further by working hard to decarbonise its supply chain processes, from working to define lower carbon approaches, to establishing expectations of suppliers in tender processes, to its ongoing supplier management. This includes:

- **Reducing supplier carbon emissions:** focusing on its most carbon-intensive suppliers and areas where it can have the most impact, esure has ensured that 100 per cent of its branded bodyshop repair network maintains carbon-neutral status in line with PAS 2060 Carbon Neutrality verification, and 97 per cent of esure's total network repairers are carbon neutral (branded and non-branded) body shops.
- **Decarbonising service delivery:** digitising and improving the efficiency of services by reducing and eliminating costly and emissions-intensive travel to customers' homes by investing in remote claims validation and dynamic scheduling.
- **Electric vehicle-enabled network:** ensuring it has the electrical vehicle repair capabilities required.
- **Supplier engagement:** identifying and engaging with its top 20 emitters in the supply chain and engaging at the industry and system level for further improvements.

Finally, esure takes time out to celebrate successes via its Sustainability Partner of the Year award, which explores its suppliers' wider sustainability programmes.

Figure 7: esure's greenhouse gas (GHG) emissions



Sub-Principle 2.5: Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate- and nature-related issues.

Sub-Principle 2.6: Promote and actively engage in public debate on climate- and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate- and nature-related issues and providing support and tools to our customers/clients so that they can assess their levels of risk.

Sub-Principle 2.7: Where appropriate, work with policymakers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.

Key strengths

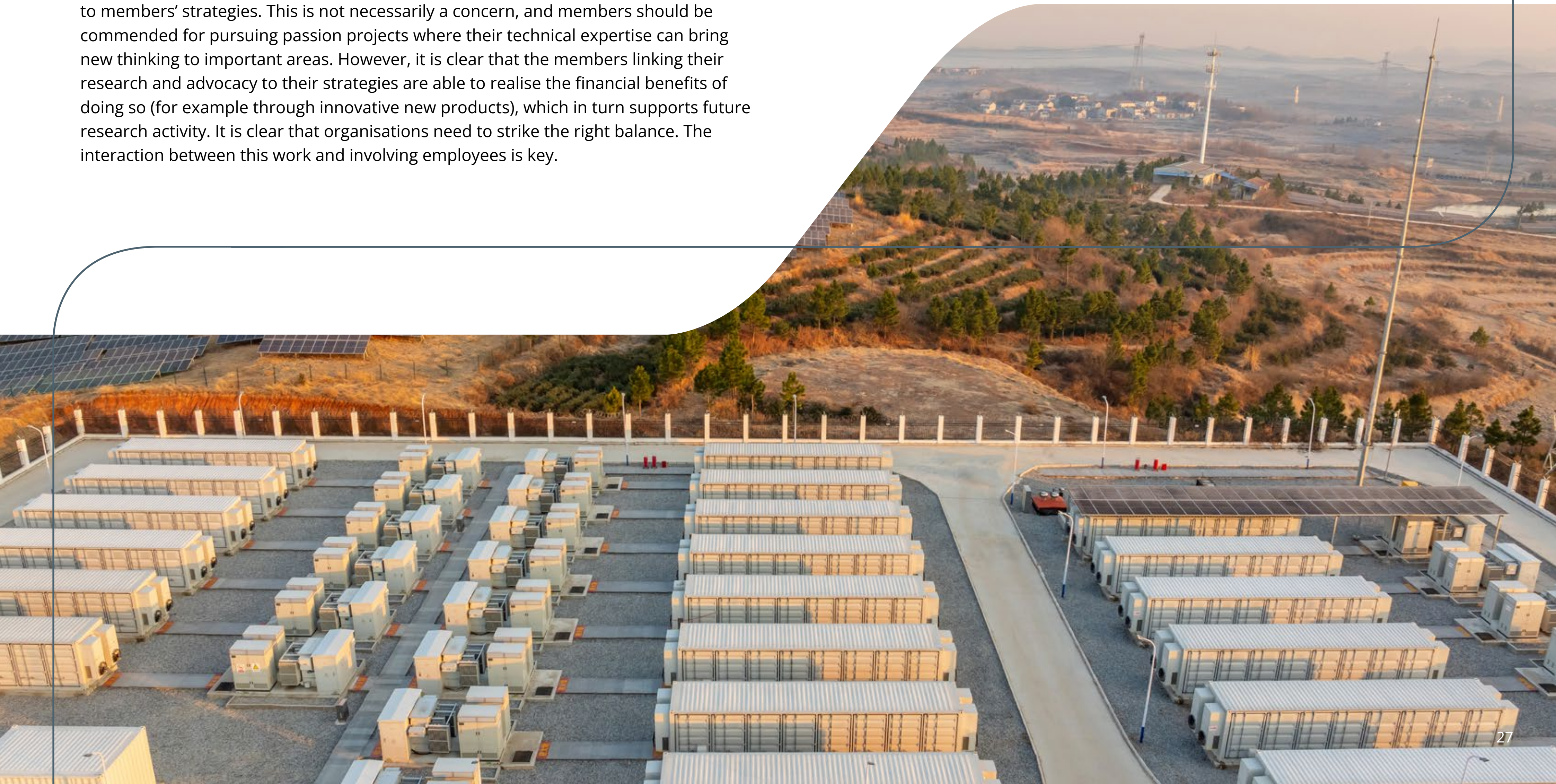
This Theme was a particular strength for membership associations, for whom research and collaboration is a key part of their strategy. The **Association of British Insurers** has developed a detailed climate change roadmap that sets out how it engages with its membership. Other members were able to evidence a significant contribution to the body of knowledge as a whole on climate change, going well beyond insurance and financial services, for example **Howden**'s body of research collaborating with universities to support an economy-wide transition. Significant investment in research and development is evidenced by some members and this is now translating into innovative new products, use cases and proofs of concept that are helping to decarbonise the insurance industry as a whole, and supporting the decarbonisation of the industries our members insure. **Gallagher** has clearly demonstrated how its research findings are shared with key stakeholders and the valuable impact this can have.

Research spans both internal and external approaches through various partnerships our members have formed, and the output of these activities is often made publicly available. **Flood Re**'s research and engagement with industry on the Build Back Better programme demonstrates the industry-wide engagement that is possible. The most mature members are able to integrate this research activity into their strategy and use their cutting-edge research to support product development.

Members are able to evidence a range of engagement activities involving different stakeholder groups and often based on two-way collaborations, which includes participation in events, conferences and panels to share relevant information on climate- and nature-related topics and promote a point of view. ClimateWise members often take senior roles and contribute to research committees of other member-led organisations, as well as collaborating directly with other players in the insurance industry, governments, regulators, non-governmental organisations (NGOs) and communities.

Development points

Advocacy activity still appears to be relatively unstructured and not strongly tied to members' strategies. This is not necessarily a concern, and members should be commended for pursuing passion projects where their technical expertise can bring new thinking to important areas. However, it is clear that the members linking their research and advocacy to their strategies are able to realise the financial benefits of doing so (for example through innovative new products), which in turn supports future research activity. It is clear that organisations need to strike the right balance. The interaction between this work and involving employees is key.



Case study Lloyd's of London – a global platform for innovation

Lloyd's Futureset is a global platform and community dedicated to creating and sharing risk insight, expertise and solutions to the world's most challenging risks. Through cutting-edge research, events and access to leading experts, Futureset aims to spark innovation, build understanding and drive forward resilient solutions.

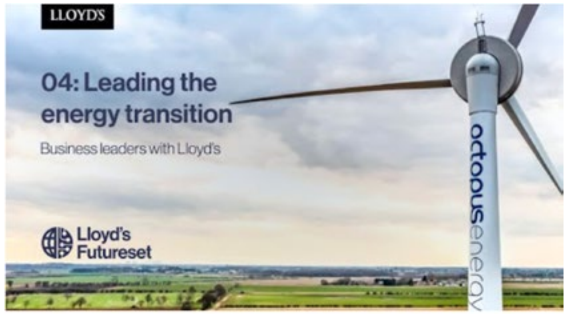
In 2023, Lloyd's research and leadership agenda focused on three areas of critical importance for the insurance industry and its customers: sustainability, resilience and cyber. Its work spanned the publication of five new research reports and insights, and convening industry, government and insurance experts at 16 educational events and small workshops.

Through this programme, Lloyd's has established six new initiatives together with market participants and partners to address insurance gaps and innovation opportunities and drive forward resilient solutions.

The breadth, detail and relevance of the research conducted demonstrates Lloyd's commitment to innovation and advocacy for a more resilient and risk-aware society.

Figure 8: Recent episodes from Lloyd's Futureset video series

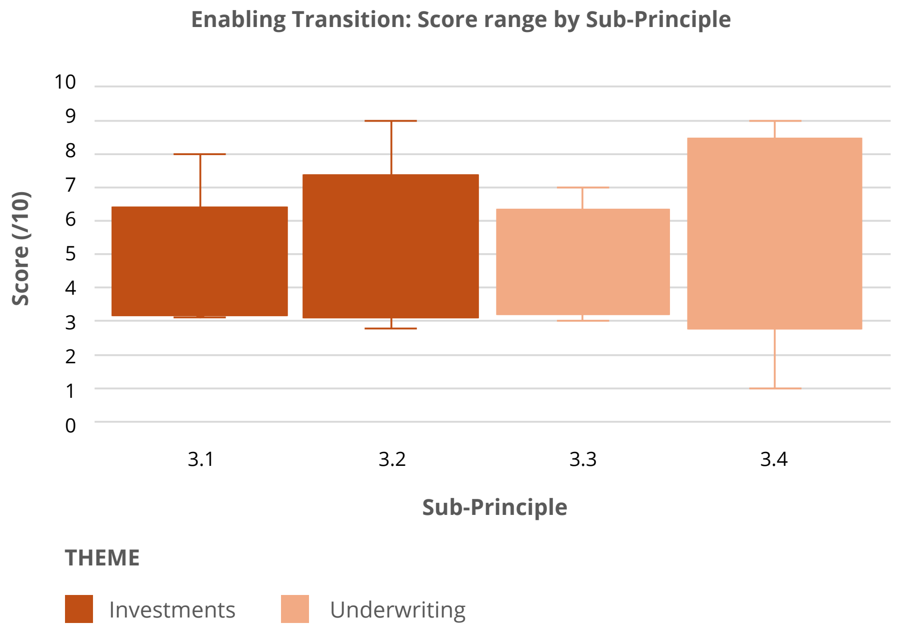
Episode 5: Mobilising finance for nature



Episode 4: Leading the energy transition

Episode 3: Private sector collaboration

Principle 3: Enabling Transition



Developing the ClimateWise Principles to consider transition more explicitly involved alignment to aspects of global frameworks and necessitated a focus on the two key areas where insurers can have the most impact: investments and underwriting. With the exception of the Prudential Regulation Authority's (PRA) SS3/19, earlier reporting frameworks and requirements have typically been industry-agnostic and lack a specific focus on investments or underwriting, leading to the convening of several industry groups. There is now a growing body of frameworks specific to financial services, and IFRS S2 (V17) explicitly references investments and asset allocations, with other regional regulators (particularly Bermuda and Singapore) expanding the PRA's requirements in this area. With the advent of the Partnership for Carbon Accounting Financials' (PCAF) guidance on insurance-associated emissions (IAEs), there is also a growing consideration of how insurers can enact change through their underwriting activities that is being reflected in IFRS S2 (V17) and the requirements of regional regulators, particularly Bermuda and Switzerland. These industry-specific considerations for transition have been incorporated into the new Principles.

Summary

This is the first time the ClimateWise Principles have required members to explicitly consider their investments and underwriting portfolios separately, and take into account the distinctions between them in terms of relative influence and relevant timescales. Scores for the Investments Theme are highly correlated to members' approach to investments, with those with in-house investment activities achieving noticeably higher scores. However, there is scope for other members to engage with outsourced investment management in a meaningful way, and some of these members evidence a strong approach to holding asset managers to account. Scores for underwriting reflect a broadly industry-standard approach to modelling, with some outliers in terms of the development of bespoke models: members' approaches to encouraging policyholder behaviour range from those that have not yet considered using their approach to underwriting to support decarbonisation, to those that have a detailed approach highly integrated into the pricing and product development.

Sub-Principle 3.1: Integrate consideration of climate- and nature-related risks and opportunities into investment strategies and decision-making.

Sub-Principle 3.2: Take action to manage the implications of climate- and nature-related risks and opportunities on, and of, our investments.

Key strengths

The most sophisticated responses detail processes that reflect a deep understanding of the impact of climate change on investment portfolios, while also demonstrating ways of reducing the negative impact of the activities that are financed. Leading members make decisions informed by analysis, set measurable targets and demonstrate progress, including clear actions on nature and biodiversity. Members evidence sophisticated processes based on deep understanding of their portfolios and often make effective use of proprietary models and data. **Zurich**'s clear strategic asset allocations are informed by climate analysis and portfolio segmentation, and this leads to weighing up of options and decisions being made in an informed manner.

Relative to other areas, members generally appear to be further along in integrating nature-related considerations into the investment decision-making than other areas. This is perhaps because of investments in the real economy where nature impacts areas easier to understand and engage with, and suggests that in some respects members may have the template for an approach to integrating nature into their own governance, strategy and risk management. **QBE** showcases good progress on nature and biodiversity through its investments in nature-based solutions.

There is clear evidence of leading members adopting a stewardship approach and actively engaging with investee companies and lobbying. The more sophisticated members have put in place policies to formalise their approach to engagement, in particular concerning actions that can be taken beyond engagement.

Development points

Weaker submissions discuss integrating climate and sustainability into investment research at a high level, but lack practical details on implementation, assessment, or monitoring, although in most cases there is evidence of basic execution, eg, through negative screening and exclusion policies.

While it is clear that a lot of action is being taken in respect of investments, and for most members this represents a significant proportion of their emissions, demonstrable outcomes are often limited or unclear. Members that have struggled to articulate the impact of their actions could improve by offering more specific details on how sustainability factors are assessed and managed, and outlining clear development plans.

** Note: This Theme only applies to (re)insurer members and Lloyd's of London.*

Case study Benefact Group – leveraging the expertise of its asset manager

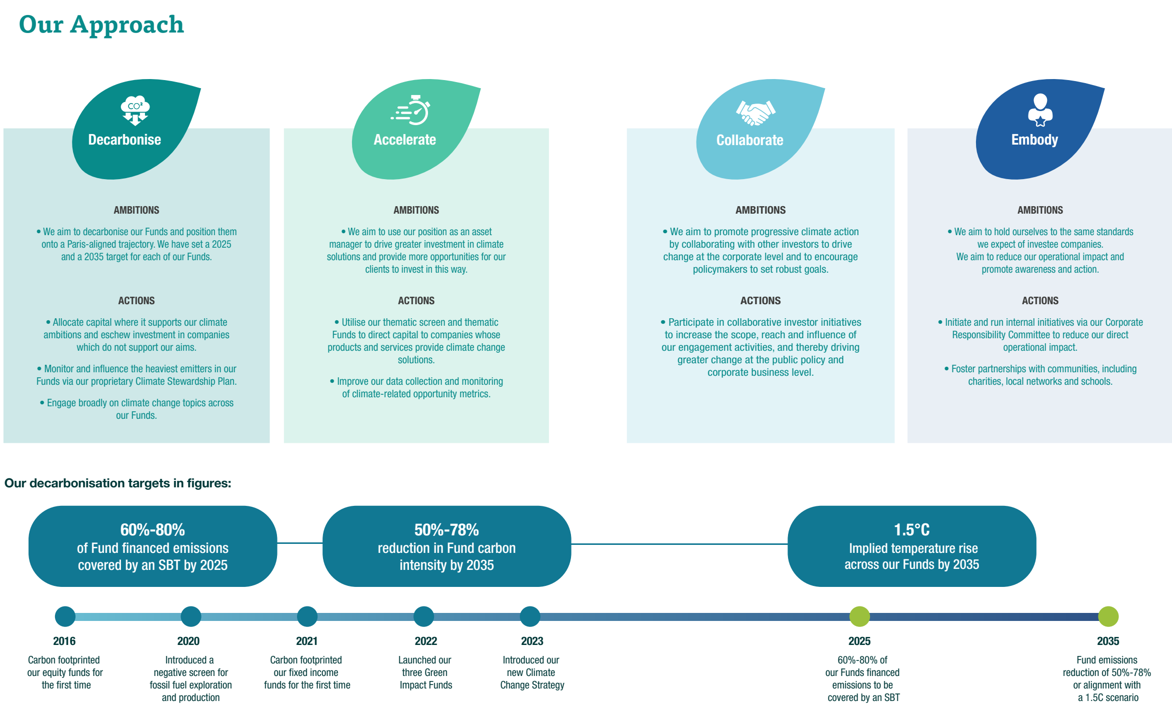
EdenTree Investment Management is a subsidiary of Benefact, and adopts the Group's strong social purpose in everything it does. EdenTree's approach to responsible investment management includes:

- excluding companies that derive more than 10 per cent of revenue from fossil fuels
- positive climate screening to challenge environmental performance in investee companies, including emissions reduction targets and performance, and reviewing the organisation's risk management
- allocation to green infrastructure assets and two thematic funds.

Most impressively, EdenTree goes beyond the basic asset management approaches adopted by other members to thoroughly investigate the governance, strategy and risk management of its investee companies in respect of climate risks. EdenTree recognises the importance of strong governance and risk management capabilities, and where these are lacking it can act as a brake on investment. This requires a strong degree of capability from the EdenTree team which leverages external validation – such as the Science Based Targets initiative (SBTi) and CDP – with clear evidence of how this research involves investment strategies.

For those organisations that pass its rigorous screening process, EdenTree has in place a Climate Stewardship Plan that supports its assessment and engagement with selected companies.

Figure 9: EdenTree's Climate Stewardship Plan



* *Note: This Theme only applies to (re)insurer members and Lloyd's of London.*

Sub-Principle 3.3: Develop and use models to incorporate climate- and nature-related issues and describe how the outputs of the models inform our underwriting decisions.

Sub-Principle 3.4: Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate- and nature-related issues of the insured structures through pricing of policies.

Key strengths

Most members have processes to identify and assess climate-related risks, integrated within their risk management framework. Many have demonstrated the integration of climate risks into catastrophe/probabilistic models, with the models used ranging from high-level top-down qualitative analysis, through off-the-shelf third-party models, and at the most sophisticated end detailed bespoke models with customisable granularity and timescales, and robust control over inputs and assumptions. Engaging and educating underwriters with respect to the climate and nature implications of their books of business is recognised by a number of members. **Lloyd's of London** has developed a roadmap for the market on 'Insuring the transition' and also provides toolkits on how transition considerations can be incorporated into underwriting decisions. Leading members have developed a baseline understanding of their insurance-associated emissions (IAEs) and used this analysis to review the balance of their underwriting portfolios, with public disclosure in a few cases.

Climate-related risks are increasingly being used in decision-making across areas such as exposure management, capital management, pricing and underwriting. It is positive that members have implemented various initiatives to incentivise policyholders to reduce climate risk exposures by using the resources available. **Inigo** is supporting clients by providing insights and introducing clauses that encourage rebuilds to be more sustainable. **RSA** demonstrated efforts to understand its clients' transition plans and environmental management measures.

Development points

While there is a generally strong approach to underwriting at a high level, many members could consider improving by putting in place differentiating processes for different product segments, business divisions or geographies. A number of members have started to explore the implications of calculating IAEs and are seeking to address the associated data challenges. Progressing in understanding the carbon footprint of their portfolios will depend on the judicious use of proxy and third-party data to move from analysis to decision-making. Members could specify underwriting metrics and consider transition or liability risks, with evidence supporting claims and handling uncertainties in models. Underwriting is at the core of insurance members' business models, and any change will take considerable time and require ongoing engagement and senior management sponsorship.

A common theme throughout reporting is that addressing nature risk should be considered, and supporting evidence should be provided for changes in portfolio management strategy, underwriter engagement, as well as policy terms and conditions. Members are beginning to consider nature impacts in insurance policy terms, although there is some evidence of developing approaches, particularly for insurers with large agriculture exposures.

** Note: This Theme only applies to (re)insurer members and Lloyd's of London.*

Case study

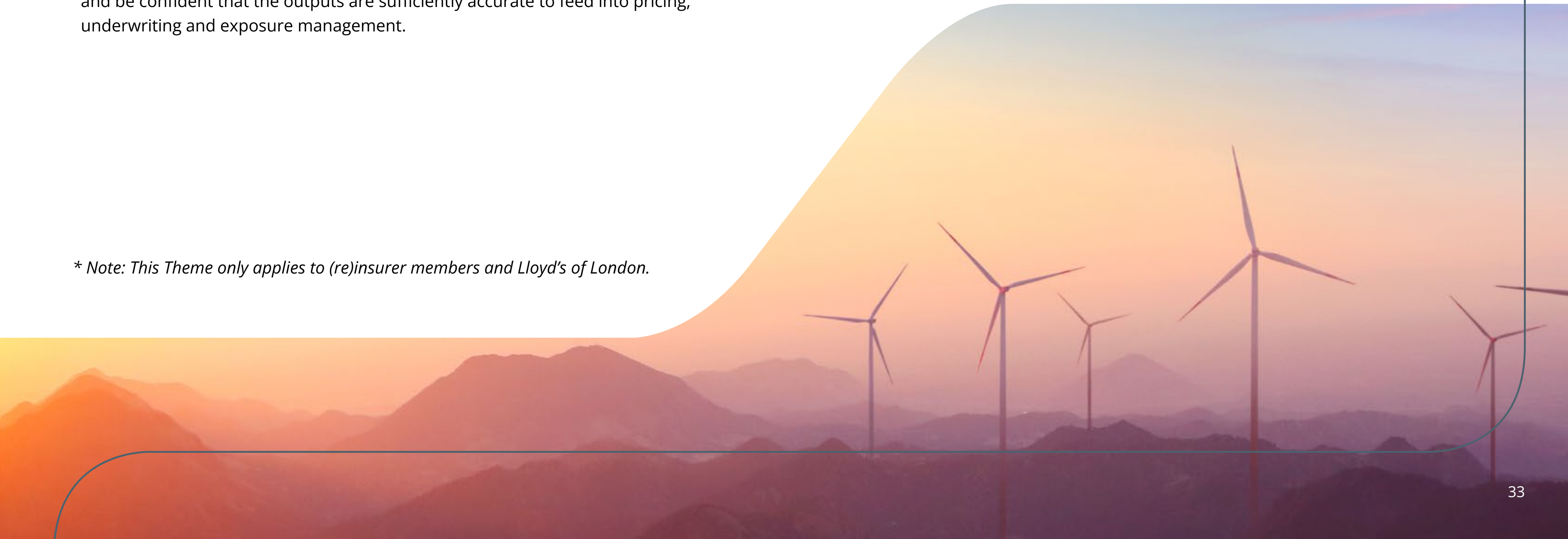
Conduit Re – integrating modelling into pricing, underwriting and exposure management

Conduit Re demonstrates strong links between its underwriting and governance, strategy and risk management: with underwriting tolerances, objectives, strategy and plan all being approved by the board. There are also processes in place to identify treaties that may be out of appetite, with a series of approvals for specific treaties that require approval by the chief underwriting officer.

By forming strong partnerships with its cedants, Conduit Re has taken steps to overcome data challenges by engaging with cedants to share granular exposure information that can be assessed individually. This enables Conduit Re to develop a range of models and demonstrate a range of outputs, including annual average loss (AAL) and probable maximum loss (PML), over different return periods, and be confident that the outputs are sufficiently accurate to feed into pricing, underwriting and exposure management.

Conduit Re is also beginning to demonstrate how it is impacting industry beyond its immediate supply chain, by articulating its ambitions and commitments for stakeholders including cedants, and suppliers through the Sustainable Markets Initiative's (SMI) supply chain pledge. This is a strong example of impacting the 'second order' value chain – encouraging Conduit Re's cedants to encourage their own clients, which will in turn require an assessment of the next step in the value chain.

Note: This Theme only applies to (re)insurer members and Lloyd's of London.



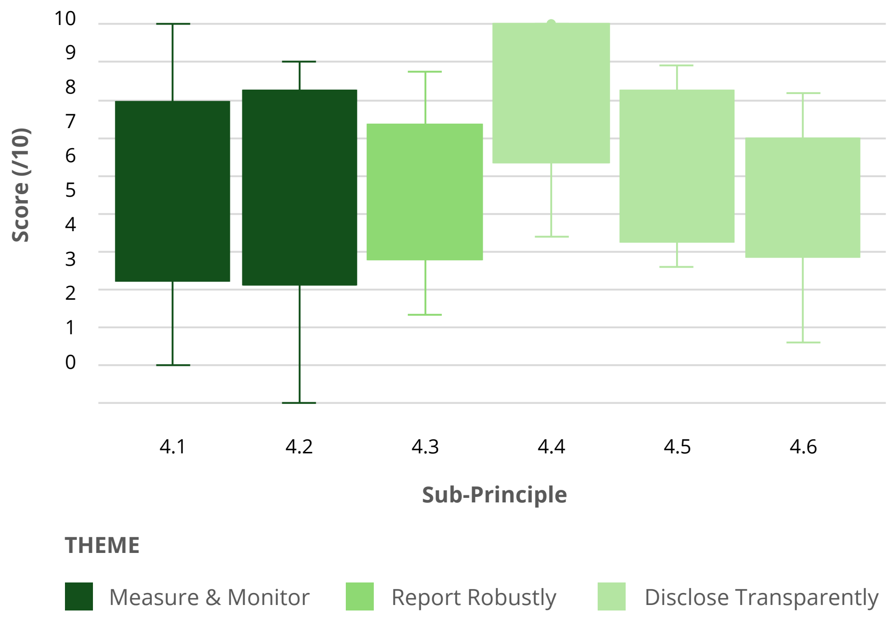
Sub-Principle 3.5: Disclose the organisation's climate- and nature-related transition plans and the objectives, priorities and commitments they are looking to address.

Sub-Principle 3.6: Describe how the transition plan is overseen, resourced and implemented.

Members were not required to submit against this Principle for 2024, but will be asked to do so from 2025. Some members elected to submit a response to this Theme and a copy of their transition plan on a voluntary basis, however there are insufficient numbers to draw any meaningful conclusions about member-wide trends in transition planning.

Principle 4: Disclosing Effectively

Disclosing Effectively: Score range by Sub-Principle



This Principle encourages members to put in place robust approaches to calculating metrics, setting targets and reporting sustainability information. Effective disclosure is increasing as a focus, with a growing trend of bringing climate and sustainability disclosures in line with financial disclosures in terms of reporting processes, oversight, clarity of limitations and even assurance. This Principle draws on TNFD, IFRS and ESRS in particular for the way they encourage organisations to assess the quality of the data they are using, and make reasonable efforts to ensure that reporting is accurate as well as putting in place policies for restatement. As well as ensuring controls over accuracy, disclosures should as far as possible be accessible and well presented. Additionally, this Principle aligns to IFRS and ESRS in continuing the trend of formalising climate reporting at or near to the level of financial reporting by requiring alignment to financial accounting periods. Compared to financial reporting there is typically more uncertainty and longer-term projections in respect of climate information, and reporting frameworks also require an explanation of the limitations, assumptions and data used.

Summary

As a principles-based framework, ClimateWise does not mandate any particular set of metrics or targets and instead encourages members to do their own thinking to determine the most meaningful metrics for them and the users of their reports. Members generally have robust and well-thought-out approaches to measurement and target setting evidenced. Reporting is overall strong, with most members having some experience of incorporating climate information into their accounts; some are required to report SECR GHG disclosures in statutory accounts, and this generally leads to stronger processes being put in place. Beyond ensuring the accuracy of reports, it was impressive to see the high standard of reporting that makes use of a variety of tools to explain information, including innovative visualisations that support readers' understanding.

Sub-Principle 4.1: Measure and disclose the impacts and potential impacts on our business of material climate- and nature-related risks and opportunities, including the results of the resilience analysis.

Sub-Principle 4.2: Disclose the metrics used to measure and manage our contribution to climate- and nature-related risks, and targets for monitoring progress.

Key strengths

Members provide a wide range of metrics related to operations, underwriting and investments, and it is clear that members are able to look beyond GHG emissions measurement towards a broader suite of metrics that can help determine the tangible impacts their efforts are having on the climate and some aspects of the environment. The strongest reports include a robust discussion around the development, methodology, uses, impact and limitations of key metrics, and it was through this Theme that many members tangibly demonstrated how they measure the impacts of their engagement activity as well as the decarbonisation actions. **Tokio Marine Kiln** had clear evidence that the range of metrics monitored is used to support the business strategy; especially the dashboards that link risk ratings to the medium- and long-term strategy. All members are able to report Scope 1 and 2 GHG emissions, with most reporting at least some elements of Scope 3. The more mature members are able to provide a comprehensive disaggregation of Scope 3 emissions by source and geography, in many cases with several years of historical data with which to assess trends. For instance, **Lancashire** has been tracking emissions over the last four years and exhibited strong evidence that the actions to reduce emissions are working. Many members are also reporting targets that have been validated by the Science Based Targets initiative (SBTi) – or equivalent – and seeking external assurance on some of their metrics, although this tends to be on a limited rather than reasonable assurance basis.

There are some very strong examples of data visualisation, which brings to life how members are using data analysis to enact meaningful change. **Sedgwick** has particularly highlighted an effective use of metrics in its case study on surge planning, as well as throughout the report to support the narrative. A small number of members have made their information publicly available in convenient formats, with **QBE** and **Aviva** publishing fully comprehensive 'databooks' that set out methodologies, assumptions, limitations, and trend analysis across a comprehensive range of metrics.

Development points

Those members that have not yet calculated Scope 3 GHG emissions should consider doing so to better understand their environmental footprint, and should consider disaggregating Scope 3 into relevant categories in order to best understand the sources of Scope 3 emissions. Given the relative importance of financed emissions, this is particularly true for the carbon footprint of investments and underwriting for insurance members. When setting targets, members have generally focused on areas where they feel they have the most direct control, and should consider targets that cover as much of the portfolio as is feasible.

Some members that have not set decarbonisation targets are able to provide a robust discussion as to why they do not feel it is appropriate; in many cases this relates to newer organisations that are still growing rapidly and awaiting a stable premium volume to ensure targets have a meaningful baseline. However, some members do not adequately explain why not setting targets is appropriate for their organisation.

For most members there could be a clearer link to the strategy behind data collection and measurement. The stronger reports generally focused on a smaller number of meaningful metrics, with weaker reports listing a wide array of metrics with no explanation of how they are (or might be) used, or could not meaningfully relate them to their strategy.

Case study QBE – a publicly available Data Book

QBE's Sustainability Data Book provides a summary of their non-financial performance data and supplements their Sustainability Report, as part of the annual reporting suite. It presents performance trends over several years and allows users to access non-financial performance data in one location and readily extract relevant performance data for analytical purposes.

It details performance across a range of qualitative and quantitative targets, including climate-related targets that the business has set for its operations and investment activities (see Figure 11: Extract from QBE's Sustainability Scorecard). QBE has also taken the step of obtaining independent limited assurance of the key information presented in its Data Book.

Figure 10: Extract from QBE's Sustainability Scorecard

Focus Area 1 - Foster an orderly and inclusive transition to a net-zero economy.

INITIATIVE/TARGET	PROGRESS
Set interim target(s) for our underwriting portfolio.[1] Formal engagement with priority commercial customers.	→
Target an increase in our Climate Solutions investments to 5% of the total investment portfolio by 2025.	→
Target a 25% reduction in the Scope 1 and 2 carbon intensity of our developed market equity portfolio by 2025 (relative to a 2019 baseline).	→
Maintain a low carbon risk[2] rating in the Scope 1 and 2 weighted average carbon intensity of our investment grade corporate credit portfolio.	✓
Engage at least annually with the top 20 highest emitters in our investment grade corporate credit portfolio and with all of our external investment managers.	✓
Use 100% renewable electricity for our operations by 2025.	✓
Reduce Scope 1 and 2 carbon emissions by 30% by 2025 (1.5 trajectory aligned science-based target).	✓
Reduce energy use by 25% by 2025 (from 2019 levels).	→
Maintain carbon neutrality on defined inventory related to our global operations.	✓
Reach net-zero for QBE's operational emissions by 2030, expanding our commitment on operational Scope 1 and 2 to include material Scope 3.	→
Commence formal engagement on net-zero progress with strategic suppliers in our global supply chain in 2023, with the goal of setting our own targets by 2025.	→

1 Updated in June 2023 following QBE's resignation from the Net Zero Insurance Alliance in May 2023.

2 Carbon risk rating measures exposure to carbon intensive companies. MSCI Carbon Risk is categorised as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525) and Very High (>=525).

Sub-Principle 4.3: Maintain and enhance a robust reporting regime, processes and internal controls over climate-related disclosures in order to avoid material errors or material misstatements.

Key strengths

Members were able to evidence robust climate reporting frameworks, in the strongest cases leveraging the controls and processes from their more mature financial reporting, while recognising the different challenges that reporting climate information presents and making appropriate adjustments to procedures as a result. Many members have begun to seek limited assurance of reported information.

The strongest submissions in terms of processes included Basis of Preparation and Methodology documentation with committees formed to provide oversight and control over reporting. This is combined with evidence of process review by control functions and documentation of recommendations being acted upon. **Benefact** has engaged control functions and external consultants for challenge as part of its reporting process. Given the rapidly evolving reporting universe, members were also strong in terms of horizon scanning to understand and prepare for upcoming mandatory reporting.

The strongest submissions in terms of controls include reporting criteria, information related to accountabilities such as Responsible-Accountable-Consulted-Informed (RACI) charts and project delivery plans demonstrating sign-offs. A number of members have evidence logs to substantiate disclosures made. Good reporting processes also included effective use of horizon scanning to identify new and emerging requirements. Some members have invested in proprietary or third-party reporting tools to manage the increasingly complex reporting process and to establish a stronger audit trail over data flows.

Development points

Some members may benefit from formalising their reporting procedures with details of controls, in order to capture and flesh out the end-to-end process and enable a more thorough consideration of where controls and review are needed. The majority of members would benefit from providing more evidence of how the reporting process operates in practice in terms of oversight and challenge.

For those members undertaking external assurance of some metrics (and not others) it is worth considering adopting an assurance policy, explaining why only some metrics have been assured.

All members need to consider how to best integrate nature-related factors into their existing climate disclosures.

Case study

Beazley – focus on reporting processes and controls

Beazley's approach to sustainability reporting is backed by a robust set of controls and processes put in place as part of its approach to assurance of its disclosures. As such, Beazley has made strong steps towards aligning the quality of its sustainability reporting with that of financial reporting. This includes a formally approved Basis of Preparation document and Methodology document for reporting, details of reporting uncertainty, a formal Restatement Policy, and controls including:

- testing the accuracy of information in reporting
- reviewing and challenging data quality
- peer review of information by an independent third party
- sampling audits to check the accuracy of both statements and metrics
- an independent review of calculation methods and internally developed tools.

Despite the progress made, Beazley recognises the need for continuous enhancement and has begun to develop process flows that map out the roles and responsibilities in the preparation of reports and metrics. It also ensures data quality is checked throughout the year and not just during reporting periods.

Sub-Principle 4.4: Annual submission against the ClimateWise Principles.

Sub-Principle 4.5: Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.

Sub-Principle 4.6: Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.

Key strengths

Reporting is generally to a high standard and clearly subject to review and controls for most members, although these are not always transparent or consistently applied. **Renaissance Re** demonstrated strong integration of climate disclosures in financial reporting, with the associated review, controls and challenge expected.

The strongest submissions included detailed reporting processes and procedures that described how the reporting process was managed in practice, including evidencing the review and sign-off by management and in some cases dedicated disclosure committees. Several members had put in place 'lessons learnt' processes, or benefits from internal audit reviews, to drive continuous improvement in reporting. **Santam**'s integrated reporting incorporates all the latest horizon scanning and is extensive in addressing issues.

Development points

Many members could make a strong and more obvious link to their information in statutory accounts to demonstrate how this information is being provided on an integrated basis. Members could benefit from establishing clear reporting policies that outline how they address a number of common challenges including assumptions, uncertainty, restatement of prior disclosures and the treatment of events occurring after the completion of the reporting process. The majority of members still need to consider how best to address the reporting of nature-related information.

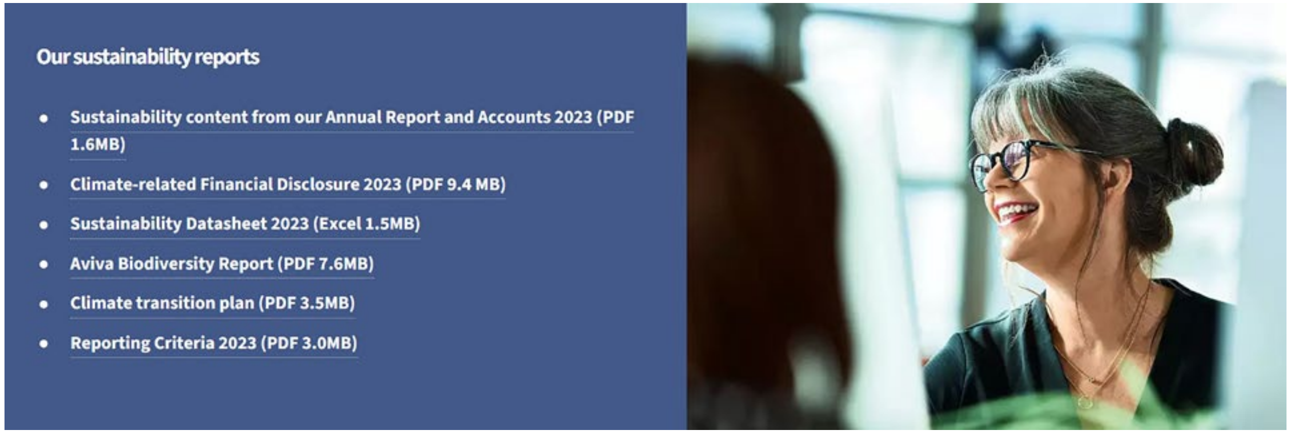
Case study Aviva – reporting driven by detailed criteria

Aviva's suite of climate and sustainability reporting considers the requirements of its stakeholders, relevant regulations and sustainability rating and benchmark providers. It focuses on the concepts and key performance indicators (KPIs) that reflect Aviva's most material climate- and sustainability-related issues.

Aviva's approach to reporting is underpinned by its belief that clearly stated ambitions and performance information are essential for enhancing the quality, reliability and comparability of climate and sustainability reporting. As such, Aviva demonstrates a commitment to reporting data to improve its disclosures for internal decision-making and disclosing meaningful data for external stakeholders.

As well as publishing best-in-class sustainability reports, Aviva publishes a comprehensive set of reporting criteria, which covers material frameworks and methodologies that it considers important in terms of communicating its approach to calculating KPIs and other metrics.

Figure 11: Extract from Aviva's website



Scoring Methodology

As part of redeveloping the ClimateWise Principles in 2024, a scoring maturity matrix was created to support the yearly ClimateWise submission scoring activities. The maturity matrix allows for scoring at Sub-Principle level and provides weighting dependent on ClimateWise member type.

Each Sub-Principle is scored from 1 to 10 dependent on the member's progress against the maturity matrix. Scores are grouped at the level of maturity the member is able to evidence against each Sub-Principle, and are defined as:

Red (0–2 points): the Sub-Principle is not met or is met only in the most basic ways

Yellow (3–5 points): improving the level of evidence and application; however, this may be done in an unstructured or ad-hoc way

Green (6–8 points): good practice

Blue (9–10 points): best/leading practice.

Where members can demonstrate with appropriate evidence that they meet the Sub-Principles in ways not accounted for in the scoring maturity matrix, they will receive a higher score.

Demonstration of the scoring maturity in practice for Sub-Principle 1.1

Sub-Principle 1.1: Ensure that our Board has oversight of climate and nature-related risk and opportunity management, including any transition plans.

Example Practices	Red	Yellow	Green	Blue	Appropriate Evidence (example)	Unsuitable Evidence (example)
Members' submissions demonstrate the board's oversight of climate- and nature-related risks and opportunities. This could include information on the Board's oversight of: • **Climate-related risks and opportunities** • **Nature-related risks and opportunities** • **Climate-related impacts** • **Nature-related impacts and dependencies** • **Progress against goals and targets** • **The sustainability reporting processes, including the use of internal and external audit and assurance resources.** As part of this disclosure, the members could describe the process and frequency by which the Board is informed about environmental issues. This may include an organisational chart or equivalent	Limited evidence that the overarching responsibility for oversight is held by the Board for climate-related issues. Climate may be siloed within the business, but there was no documentation provided detailing Board responsibility.	Sufficient evidence is provided to show that members' Board have oversight of climate-related impacts, risks and opportunities; including progress against goals and targets.	Members provide detail on how the Board consider climate-related risks and opportunities, covering all detail within the expectations. Nature-related considerations are starting to be considered but does not cover all expectations. .	Members provide detail on how the Board consider both climate- and nature-related risks and opportunities, covering all detail within the expectations.	Links to Board papers / committee papers / TCFD report	Minutes of Board meetings, generic papers with no reference to climate or nature
Members' submissions describe the roles and responsibilities of the Board regarding climate- and nature-related risk and opportunity management and decision making. This could include individual responsibilities and how responsibility is delegated to committees.	No clear description of roles and responsibilities are provided. For example, member suggests that the Board collectively is responsible or creates a siloed responsibility for one Board member.	Some high-level roles are provided, but climate considerations are still siloed.	It is clear who is responsible for different aspects of climate. There is consideration of responsibility for nature-related issues.	Both climate- and nature-related considerations are integrated into the individual roles and responsibilities of the Board	Links to Board papers / committee papers / TCFD report	Minutes of Board meetings, generic papers with no reference to climate or nature
Members' submissions describe the arrangements for Board- level review & approval of the transition plan, and for the oversight of monitoring & reporting of progress against it.	The Transition plan is briefly mentioned within other climate-related considerations	Evidence suggests that the Board has some oversight over the transition plan	Evidence shows that the Board does review and approve the transition plan, however there are no/limited details on how the Board monitored and reports progress against it	Evidence is explicit that the Board reviews, approves, and have oversight of the Transition Plan.	Links to Board papers / committee papers / TCFD report	Minutes of Board meetings, generic papers with no reference to climate or nature
Members' submissions demonstrate how they ensure that approaches are aligned across the business and business functions. Including, if applicable, members of a group.	Very limited discussion on whether considerations are made to align the business on climate and nature considerations	Some evidence is provided that the member is aware that climate considerations should be integrated throughout the business and business functions (and group, if applicable)	There is strong evidence that the member integrates climate considerations throughout the core business and business functions (and group, if applicable). Nature considerations are also mentioned.	Strong evidence that both climate and nature considerations are integrated throughout the business. The member discusses different business functions (and entities if applicable) and discusses	Climate policy, Board papers, corporate governance documentation	

Based on the image on page 43, the member can demonstrate good practice on some elements of board oversight (highlighted green), but would be required to evidence stronger integration of that oversight throughout the business and covering all appropriate areas (highlighted in yellow). In this example, the member would be expected to score between 4.5 and 6.5 against Sub-Principle 1.1 based on the scoring provided in the image.

After all Sub-Principles are scored, weighting is introduced which is dictated by the ClimateWise member type, as visualised in Appendix 3. Each Sub-Principle is given a weighting between 1.0 per cent and 15.0 per cent, such that the total weightings for all Sub-Principles add up to 100 per cent.

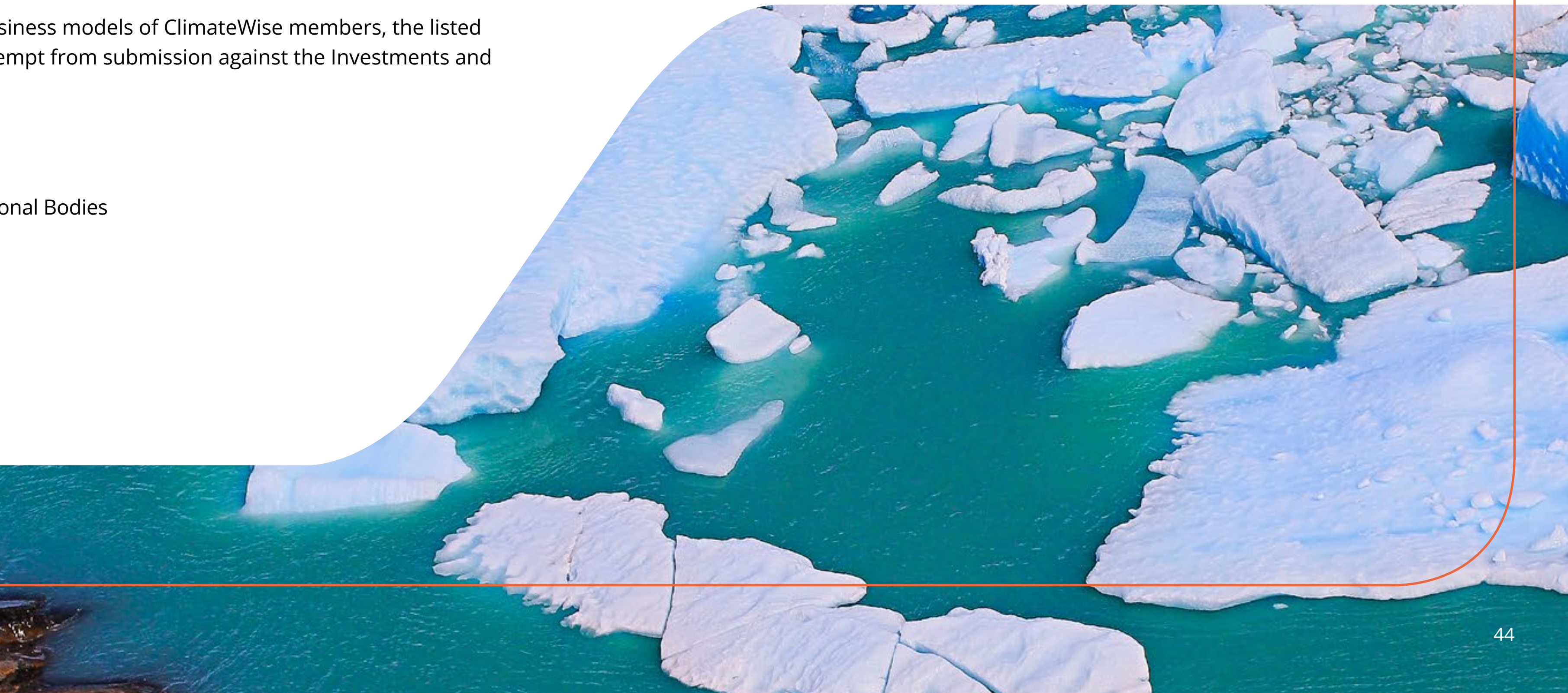
Exemptions

Recognising the different business models of ClimateWise members, the listed member types below are exempt from submission against the Investments and Underwriting Themes:

- Brokers
- Associations and Professional Bodies
- Professional Services
- Loss Adjusters
- Climate Modelling Firms.

If a member decides to make submissions against Sub-Principles or Principles even though they were given an exemption (eg, as a result of recent evolution of the business model), scores are provided.

In 2024, transition plans did not contribute to a member’s overall score. Members had the option to submit against Sub-Principles 3.5 and 3.6 in 2024 in order to receive feedback and understand how to improve.



Weighting by Member Type

Principle	Theme	Sub-Principle	P&C Insurers	Life Insurers	Reinsurers	Brokers	Associations & Professional Bodies	Professional Services (incl. Legal Firms)	Corporation of Lloyd's	Loss Adjusters	Climate Modelling Firms
Steering Transition	Governance	1.1	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
		1.2	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
		1.3	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
		1.4	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	Strategy	1.5	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
		1.6	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
		1.7	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	Risk Management	1.8	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	15.0%
		1.9	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	15.0%
		1.10	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Engaging Stakeholders	Operations	2.1	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.5%	5.0%	5.0%
		2.2	2.5%	2.5%	2.5%	5.0%	5.0%	5.0%	2.5%	5.0%	2.5%
	Value Chain	2.3	2.5%	2.5%	2.5%	5.0%	5.0%	5.0%	2.5%	5.0%	2.5%
		2.4	2.5%	2.5%	2.5%	5.0%	5.0%	5.0%	2.5%	5.0%	2.5%
	Innovate & Advocate	2.5	7.5%	7.5%	7.5%	15.0%	15.0%	15.0%	12.5%	15.0%	10.0%
		2.6	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	12.5%	15.0%	7.5%
		2.7	2.5%	2.5%	2.5%	12.5%	12.5%	12.5%	10.0%	12.5%	10.0%
Enabling Transition	Investments	3.1	5.0%	10.0%	5.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%
		3.2	5.0%	10.0%	5.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%
	Underwriting	3.3	10.0%	5.0%	10.0%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%
		3.4	10.0%	5.0%	10.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%
	Transition Plans*	3.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		3.6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Disclosing Effectively	Measure & Monitor	4.1	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
		4.2	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Report Robustly	4.3	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Disclose Transparently	4.4	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
		4.5	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
		4.6	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

*Transition plans will not contribute to a member's overall score in 2024. Members have the option to submit against Sub-Principles 3.5 and 3.6 in 2024 in order to receive feedback and understand how to improve.

Member Ranking

Anonymised Member	Score 2024	Rank 2024
A	74%	1st
B	68%	2nd
C	67%	3rd (joint)
D	67%	3rd (joint)
E	64%	5th
F	63%	6th
G	62%	7th
H	61%	8th (joint)
I	61%	8th (joint)
J	61%	8th (joint)
K	60%	11th
L	58%	12th
M	56%	13th (joint)
N	56%	13th (joint)
O	55%	15th
P	54%	16th (joint)

Anonymised Member	Score 2024	Rank 2024
Q	54%	16th (joint)
R	53%	18th (joint)
S	53%	18th (joint)
T	53%	18th (joint)
U	51%	21st (joint)
V	51%	21st (joint)
W	49%	23rd
X	46%	24th (joint)
Y	46%	24th (joint)
AA	44%	26th (joint)
AB	44%	26th (joint)
AC	41%	28th
AD	40%	29th
AE	35%	30th
AF	32%	31st
AG	23%	32nd

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