



RISK BULLETIN

Corporate Sustainability Programs

“The goal of sustainable development is to ‘meet the needs of the present without compromising the ability of future generations to meet their own needs.’ ”

—World Commission on Environment and Development and USEPA

WHAT IS CORPORATE SUSTAINABILITY?

Sustainability has many definitions, but the basic principles and concepts remain constant: balancing a growing economy, protecting the environment, and maintaining social responsibility, so they together lead to an improved quality of life for ourselves and future generations (USEPA). The goal of sustainable development is to “meet the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development and USEPA).

Also commonly referred to as Corporate Social Responsibility, it may encompass all or a subset of the following aspects and performance indicators:

- **Economic:** includes revenues, operating costs, return on investment, employee compensation, donations, and community investments.
- **Environmental:** includes material uses / resource consumption, energy, water, biodiversity, emissions (e.g., greenhouse gases, wastewater discharges), waste generation, recycling, products and services, compliance, transportation, land use, green building construction, retrofits / renovations, and operations and maintenance (O&M).
- **Social:** includes human rights, management policies, training, health and safety programs, equal opportunity, public policies, compliance, and product responsibility.

Because of these three metrics of sustainability, tracking sustainability at the business or corporate level is often termed the ‘triple bottom line’ (3BL).

WHAT ARE THE BENEFITS OF DEVELOPING AND IMPLEMENTING A CORPORATE SUSTAINABILITY PROGRAM (CSP)?

Why should my company get involved?

Although successful CSPs require an innovative mindset and continual commitment to changing traditional business practices, there are numerous actual and perceived social, environmental, and economic benefits, as outlined below.

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How do I distinguish between a CSP and other Risk Management Programs such as an Enterprise Risk Management Program or an Environmental Management System?

Many businesses incorporate sustainability issues within their company's Risk Management or Health, Environmental, and Safety (HES) departments, and sustainability goals are commonly mentioned within enterprise risk management (ERM) or environmental management system (EMS) programs. ERM can be described as a risk-based approach to managing the business by integrating concepts of strategic planning, operations management, and internal control. ERM addresses the needs of various stakeholders, who want to understand the broad spectrum of risks to ensure they are appropriately managed. An EMS is a continual cycle of planning, implementing, reviewing, and improving the processes and actions that an organization undertakes to meet its business goals. CSPs can easily be incorporated within these programs and, when implemented properly, provide indicators for risk reduction, cost savings, and environmental improvement.

What are the perceived and actual benefits of developing and implementing a sustainability program?

Examples of potential benefits in each of the three CSP aspects include:

– Economic Sustainable Development

- Responsible material use and reuse resulting in reduced overhead costs
- Increased productivity and employee satisfaction
- Consumer recognition resulting in increased business
- Improved business planning, growth, and financial reporting

– Environmental Sustainable Development

- Decreased energy use and natural resource consumption
- Increased recycling and re-use options
- Products manufactured to reduce waste and environmental impacts
- Reduced contribution to waste streams in landfills
- Decreased air emissions and carbon footprint
- Decreased wastewater and contaminated stormwater discharges

– Social Sustainable Development

- Employee loyalty
- Ownership of corporate success
- Community support, involvement, leadership, and improvement
- Reduction of company contributions to global problems
- Improved land use planning and space utilization
- Decreased potential worker and community exposures to toxic raw materials



How do I develop a CSP and how do I tailor it to the specific needs of my industry?

– Resources

Companies can use the Global Reporting Initiative (GRI), a widely-used sustainability reporting framework committed to continuous improvement and application worldwide (GRI 2009). This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. GRI has developed a framework noted as their Sustainability Reporting Guidelines. The free guidelines are referred to as G3 and can be referenced at: www.globalreporting.org/ReportingFramework/G3Guidelines

Other resources may be found through various professional and industry organizations.

– Developing a CSP

- A CSP is a single, consolidated disclosure that provides a reasonable and balanced presentation of the organization’s sustainable development performance over a fixed time period.
- The CSP plan and periodic reports should include social, environmental, and economic goals and progress towards achieving those goals.
- Organizations define a consistent and periodic cycle for issuing a report. For many organizations, this will be an annual or semi-annual cycle, often coinciding with financial report disclosures.
- Stakeholders should be able to directly access the current report from a single location.
- The CSP should be specific and attainable for the organization.
- The CSP and correlating report should provide a format to address new and critical issues.
- CSPs are currently voluntary within the private business sector. An example scenario is offered below.
- It is recommended that companies start with modest and achievable CSP goals that will create a foundation for future goals and additional commitments.

I am not sure a CSP would apply to my company’s operations; can you provide an example of a typical program?

New Belgium Brewery in Fort Collins, Colorado has a very good sustainability program (www.newbelgium.com/sustainability). The company has created defined goals it intends to achieve through implementation of its sustainability plan. These goals include:

- Reduction in carbon footprint by 25%
- Reduction in water usage by 10%
- Increase of landfill diversion rate from 89.5% to 95% (note: brewing by-products like spent grain and yeast are NOT included in these figures. If they were included, it would be 99%).

New Belgium Brewery utilizes the company’s strengths in order to obtain these defined goals and benefits, including:

- Increased efficiencies in the brewing process
- Utilization of green design throughout their building
- Implementation of wastewater treatment process going above Clean Water Act requirements
- On-site energy production: Wind-powered electricity since 1999

- Employing a “High Involvement Culture”
- Sustainable “eventing”
- Actionable advocacy
- Constant benchmarking
- Partnering to support innovative technology

I am cleaning up soil and groundwater at my facility; how is sustainability applicable to environmental remediation?

On July 14, 2009, the Sustainable Remediation Forum (SURF) issued the first comprehensive, independent assessment of sustainable remediation — a movement to encourage environmental cleanups to minimize carbon emissions and conserve fossil fuels while still removing potentially dangerous contaminants from soil and water. The environmental remediation industry, scientists, regulators, and responsible parties are now questioning the need to balance benefits to human health and the environment while removing contaminants from soil and groundwater with potential effects of releasing carbon emissions into the air from these remediation activities (i.e., the “carbon footprint”). SURF has issued a White Paper on this issue, which is available on their web site (www.sustainableremediation.org/library/issue-papers).

Can a CSP positively impact my insurance programs?

– Proactive Risk Management Tool

- Companies send a strong message to insurance providers through commitment to a CSP, which proactively demonstrates goals to reduce corporate liability associated with social or environmental damages.
- A well-defined CSP is a tool the insurance provider can use to gauge the business organization’s compliance and commitment to societal, environmental, and financial issues (the 3BL).
- Trends within the insurance sector to address current issues, such as climate and economic changes, may incentivize organizations that are more proactive and aware of their financial, social, and environmental impact. For example, climate change is a topic that if accounted for in a successful CSP may impress an insurance provider, especially since it could affect multiple components of the insurance industry, including: property damage (increased losses from severe weather), health and life (global disease spread and loss of life from severe weather), corporate directors and officers (companies potentially held liable for greenhouse gas emissions) and invested assets (insurers’ investment portfolios contain embedded climate risk).
- Organizations with a well-implemented CSP demonstrate top-down commitment to overall environmental stewardship, which may translate to a reduction in overall environmental exposures.

– Insurance Providers

- The existence of a CSP may reduce *actual* and *perceived* risk incurred by an organization, which may reflect favorably with insurance carriers and positively influence third party claim resolution.
- Recent regulation from The National Association of Insurance Commissioners (NAIC) approved a groundbreaking mandatory requirement that insurance companies disclose to regulators and investors the financial risks they face from climate change, as well as actions the companies are taking to respond to those risks.

CONCLUSION

The traditional business plan mindset is changing from a “financial-only” bottom line to a “triple bottom line” that addresses not only *financial* issues, but also *social* and *environmental* issues. Corporate sustainability programs strive to establish metrics and measure progress towards improved social (*people*), environmental (*planet*), and economic (*profit*) performance. A corporate sustainability program can help ensure the business organization is preparing for the present and future interests of the company, and reduce overall corporate risks through an active and transparent management system.

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Information accurate as of January 2010.



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