



# SPECIAL REPORT/CSR AND CORPORATE GOVERNANCE



A British Army soldier on patrol in Afghanistan. Armour's corporate policy is to recruit armed forces veterans with years of service

Ministry of Defence

## CSR can benefit all

For firms in insurance and related sectors, CSR can mean ensuring those who have a lot to give get the chance to do so



Stephen Boyd, chief operations officer  
Armour Intelligence

The insurance and re-insurance market has long been a leader when it comes to corporate social responsibility (CSR). The fact it deals with the aftermath of major disasters has seen it go above and beyond the payment of claims.

In past weeks AIG's disaster relief fund (DRF) has donated more than \$1m to local organisations in New York, New Jersey, Connecticut and Pennsylvania that were affected by hurricane Sandy.

Lloyd's works with the children in Tower Hamlets and almost every broker and underwriter will have a CSR initiative.

### Policy

As part of the Armour Group of insurers, reinsurers, asset managers and service companies we have a clear CSR policy, encompassing all aspects of good business practice from ethical behaviour through support to the local community to environmental sustainability – even the tea bags are recycled. What makes Armour Intelligence unique in its field, however, is our approach to our staff.

As a growing business that specialises in the detection and deterrence of fraudulent activity our role gives us an opportunity to help a vital section of the community that has been rising up the news agenda in recent years.

As corporate policy we recruit armed forces veterans with years

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## Implementing a sust

A business transaction may be economically beneficial



Andreas Spletel,  
head of sustainability  
and political risk  
Swiss Re

There has been growing awareness recently among many stakeholders economic activities, while creating tangible benefits on one side, may also damage the environment and have disruptive effects on social structures. If unmitigated, such environmental and social impact may come to pose a threat to societies' long-term sustainable development.

For companies, this situation can cause dilemmas: a particular business transaction may be economically beneficial and perfectly fine from a legal point of view, yet it may have significant environmental and social downsides. At Swiss Re, we believe addressing such dilemmas requires a well-defined approach and the willingness to make decisions based on ethical principles.

With our sustainability risk framework we have an advanced risk-management methodology in place that is specifically designed to identify and address such "sustainability risks" in our core business. The framework applies to all Swiss Re's business transactions (ie, insurance and re-insurance, as well as investments) to the extent we can influence its various elements.

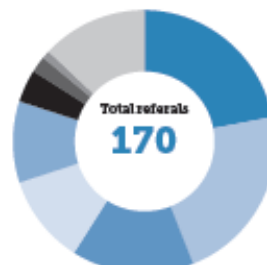
Swiss Re's sustainability risk framework consists of the following elements:

- Eight policies on sensitive sectors or issues;
- The sensitive business risks (SBR) process, a due diligence tool for case-by-case assessments;
- Company exclusions; and
- Country exclusions beyond compliance with international trade controls.

### Policies

At present, the framework comprises policies on eight sectors and issues we consider to be of particular relevance: the defence industry, oil and gas (including oil sands), mining, dams, animal testing, forestry and logging and nuclear

Graph 1: Swiss Re's sensitive business risk referrals by sector in 2012



- Defence
- Human rights and environmental protection
- Oil and gas
- Mining
- Dams
- Forestry and logging
- Animal testing
- Nuclear weapons proliferation
- Other issue/industry

Source: Source: Swiss Re, 2012  
Corporate Responsibility Report



Rockets: the defence industry is one of eight sectors and issues for which Swiss Re's sustainability risk framework has a specific policy

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## Swiss Re sustainability

### Defence industry

- Particularly cruel weapons that inflict indiscriminate harm to humans and the environment, often after conflict has ended;
- The provision of certain services by private security companies.

### Oil and gas

- Human rights abuses;
- Significant adverse environmental or social impact, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are affected.

### Mining

- Human rights abuses;
- Significant adverse environmental or social impact, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are affected;
- Poor occupational health and safety record and risk of increasing HIV penetration.

### Dams

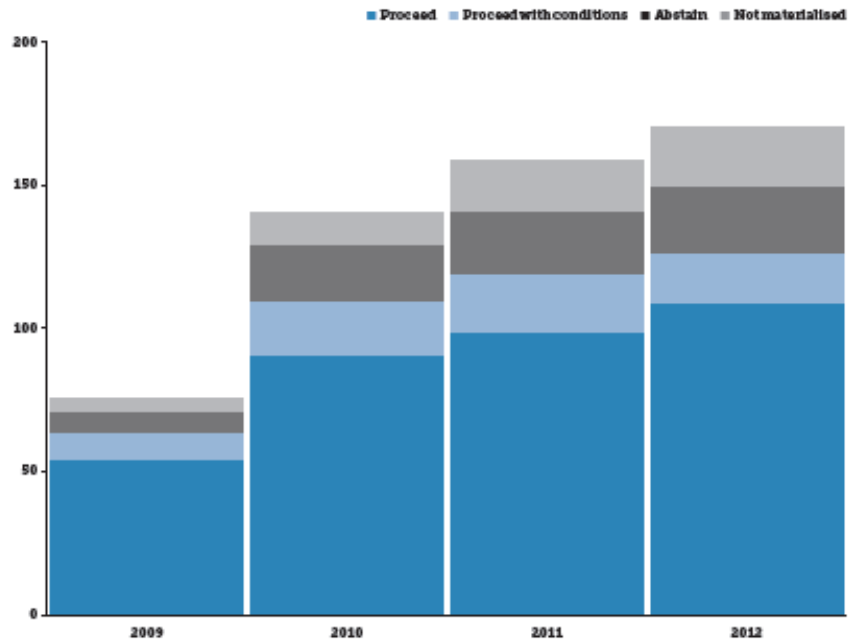
- Human rights abuses;
- Significant adverse environmental or social impact, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are affected;
- Non-involvement of relevant stakeholders;
- Non-involvement of neighbouring states.

# Sustainability risk framework

and fine from a legal point of view, yet have significant environmental and social downsides



Graph 2: Number of sensitive business risk referrals, 2009 to 2012



Source: Swiss Re, 2012 Corporate Responsibility Report

## risks; main concerns

- Animal testing**
  - Unethical and inhumane treatment.
- Forestry and logging**
  - Illegal logging;
  - Significant adverse environmental or social impact, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are affected;
- Nuclear weapons proliferation**
  - Activities associated with nuclear energy or similar in countries that are outside the established framework and international regime of global non-proliferation efforts.
- Human rights and environmental protection**
  - Human rights violations and abuses such as murder, torture, deprivation of liberty, forced labour or harmful child labour;
  - Countries that lack an operational, effective and internationally recognised government;
  - Companies that are causing ongoing, severe and unmitigated damage to the environment, flora and fauna of a particular place and biodiversity in general, especially in industries and activities that have had a problematic track record in this area in the past.

be escalated to the next management level.

Last year the number of transactions referred to the SBR process rose to 170. We issued negative recommendations in 23 cases and positive recommendations with conditions in 18 cases: all those conditions were eventually met.

The decisions we take as part of the sustainability risk framework are based on internationally recognised ethical principles. Swiss Re is a signatory to the UN Global Compact, which derives its human rights principles from the Universal Declaration of Human Rights, its labour principles from the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, its environment principles from the Rio Declaration on Environment and Development and its anti-corruption principles from the UN Convention against Corruption.

This web of ethical principles helps us take decisions that consider universal fundamental rights. However, this is not sufficient for making

decisions in a business context. What we also need to consider are the social and economic implications of our decisions in their respective cultural contexts. Last but not least, we need to take into account the implications for our business. Balancing these various aspects requires the careful and consistent assessment of a transaction and its local effects, often in collaboration and dialogue with external experts and local stakeholders.

Thus our decisions are neither subjective nor entirely objective. In essence, they reflect our recognition of global fundamental rights, of human suffering and our commitment to limiting the unwanted negative impact of our business transactions.

### Company exclusions

The policies of our sustainability risk framework contain certain criteria that may lead to the exclusion of a company from both our insurance and reinsurance transactions and investments, to the extent such an exclusion is permissible (eg, by

virtue of mandatory law or internal policies) and possible (eg, if existing documentation relating to such transactions and investments provide for it). These activities include: the manufacturing of anti-personnel mines; verifiable complicity in systemic, repeated and severe human rights violations; infliction of repeated, severe and unmitigated damage to the environment; and proliferation of nuclear weapons.

### Country exclusions

Swiss Re also excludes certain countries from its business, beyond compliance with international trade controls. The criteria for these country exclusions are a particularly poor human rights record and no prospect of improvement. Our goal is not to underwrite risks directly or make investments into entities that are based in these countries. At the end of 2012, the countries excluded from our business for human rights reasons were North Korea, Somalia and Sudan. ■

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**[Armour Intelligence] needs the most professionally trained intelligence, investigations and surveillance experts, people who enable us to meet our aim of providing a top-quality service to the insurance industry. Therefore we look to former Royal Military Police personnel, trained to Home Office standards; they are used to operating under tight time constraints, hostile environments and even enemy fire**

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of service to the nation in demanding environments around the world. All have seen action, whether in Afghanistan or Iraq, or in theatres as diverse as the Balkans, the Middle East, Africa and Northern Ireland. They are vastly experienced, superbly trained, have a great work ethic and have a great deal still to give at the end of a military career – typically in their 40s.

While the rise of tremendous charities such as Help for Heroes has grabbed the nation's hearts, what these servicemen and women

do not want is sympathy or hand-outs. What they need is the opportunity to use their expertise in a second career.

As a leader in our field we need the most professionally trained intelligence, investigations and surveillance experts, people who enable us to meet our aim of providing a top-quality service to the insurance industry.

Therefore we look to former Royal Military Police (RMP) personnel, trained to Home Office standards; they are used to operating under tight time constraints, hostile environments and even enemy fire.

