

Balancing our future

Triple Bottom Line was the focus of a seminar jointly convened with the University of Sydney School of Physics and held in Sydney during November 2005.

Chaired by CSIRO's Barney Foran, the seminar focused on risk as managed by IAG as one of the region's largest insurers and an innovative software solution devised by the Integrated Sustainability Analysis group, represented by Foran, Dr Christopher Dey and Dr Manfred Lenzen of the School of Physics, University of Sydney.

In the first presentation, *Insuring the future: Triple Bottom Line and Insurance Australia Group*, Rick Jackson, CEO Personal Insurance, presented IAG's approach to sustainability as being "just good business". With \$858 billion worth of assets, IAG sees itself as being in a position to influence industry practices in creating a greener, safer community. To the significant benefit of IAG's stakeholders, such policies will lower the frequency and severity of claims over time and thus offer an enhanced value proposition to all groups of stakeholders.

IAG's four stakeholder groups include: shareholders, customers, employees and societal value. Jackson pointed out that at least half of those present were likely to do business with IAG in some way – via the brands NRMA Insurance, CGU, SGIO, SGIC in Australia, and NZI and State in New Zealand, IAG insures around one in every three cars and one in every four houses in Australia.

For IAG, the sustainability cycle is a 'virtuous cycle', and rests on the following pillars:

- cultural alignment: embedding sustainability as core business;
- suppliers: helping suppliers to be greener and safer;
- internal operations: helping IAG reach its environmental and safety targets, community involvement;
- product development: promoting safety and environmental responsibility through products; and
- customer interactions: promoting principles of insurance as a community product to customers in terms of risk reduction.

Jackson gave examples of programs operating in each of these core areas of the business, such as Risk Radar, green procurement, Community-Help, Be Safe, environmental waste reduction, St John's partnership, promoting safety and environmental responsibility through products, Home Help, Greensafe Car Profiler, and NRMA Insurance Road Safety Month in NSW.

IAG creates opportunities in these areas through:

- access to data and understanding of risk;
- a supply chain of over 11,000 suppliers; and
- products, customers and scale: integrating sustainability into products and the customer interface – over four million customers across Australia.

A detailed understanding of risk flowing from huge data resources and a willingness to share this knowledge of risk with customers and community led to an improved understanding and mitigation of risk.

The data has been collected over many decades, and includes Australia's most costly insured natural disasters such as the 1999 Sydney hail storm, the 1998 Newcastle earthquake and the 1974 Cyclone Tracy in Darwin. The Ash Wednesday bushfires in South Australia and Victoria and the Canberra bushfires in 2003 rank seventh and eighth in total cost to the community. Of the top 20 disasters, 10 have been caused by storms or hail, four by cyclone, three by bushfire, two by flood and one by earthquake. A similar analysis for New Zealand would in all probability show a preponderance of earthquakes.

Data from claims enables IAG to chart climate changes around the region and possible scenarios out as far as 2050. These will lead to recommendations regarding building materials, vehicle part materials and other product specifications aimed at increasing sustainability.

NSW highway signs are increasingly LED variable displays, which carry messages aimed at educating drivers about risks on the roads and how to avoid them.

In the workplace, scholarships and apprenticeship programs, industry consultant assistance and management programs and best practice recommendations are aimed at delivering benefits to repairers, insurers, customers and the community.

The second presentation profiled the University of Sydney's Integrated Sustainability Analysis software. In a masterly and clear explanation by Dr Manfred Lenzen, on behalf of a team of specialists from the School of Physics, he defined integrated sustainability analysis as:

"a scientifically rigorous, quantitative, consistent and comprehensive approach to Triple Bottom Line accounting. The ISA method builds on and adds depth to existing Triple Bottom Line (TBL) accounting methods that are based on audits of local activities. ISA can be used by companies, government and organisations of all sizes."

Users of the methodology behind ISA say it captures wider positive effects by reporting on indicators such as profits, employment, and family income. It also helps with risk management using important indicators like greenhouse gas emissions, land disturbance and water use, and calculates their effect in TBL terms throughout an organisation's full supply chain. It enables comparisons to be made between

business units within an organisation to encourage internal consistency. Proper benchmarking is possible because the method is consistent and repeatable using an organisation's expenditure and revenue accounts as the input.

This methodology was developed from findings by CPA Australia and the University of Sydney and based on comparable information on sustainability practices of Australian listed companies. It is science-based and rigorous, using regularly published, publicly available National Accounts data.

Better TBL reporting claims to reduce financial risk, regulatory risk and the risk of adverse consumer response to deliver better outcomes for accountability resulting in the enhancement of reputation and brand. TBL provides a framework for measuring and reporting corporate performance against economic, social and environmental benchmarks. TBL creates financial reporting transparency on the organisation's decisions that explicitly takes into consideration impacts on the environment and people. **J**

For further details and contact details for Dr Lenzen, Dr Christopher Dey, or Dr Joy Murray, visit www.isa.org.usyd.edu.au

THE JASSA PRIZE

All original articles published in JASSA are eligible for the JASSA Prize, awarded annually for the article judged as making the best contribution to the securities industry.

As well as the major JASSA Prize of \$1000 there are up to three merit awards.

