

Solicitors' Corporate Social Responsibility FAQs and Faxback

(Carbon Emission Offsetting)

There is a direct correlation between insurance and carbon emissions. The items solicitors insure during the course of their commercial activities, such as buildings, cars and travel are also likely to make the largest contribution to their "Carbon Footprint".

Stakeholders are protected by a solicitor firm's attitude to risk management including its professional indemnity insurance. It is often the same stakeholders who have become increasingly concerned that law firms account for their contribution to the environment within their commitment to Corporate Social Responsibility (CSR) programmes.

"Law firms have traditionally had a culture of contributing to society through pro-bono, community investment and philanthropy. In addition to supporting their local communities, they are now devoting greater attention than ever before to environmental and workplace issues"¹

Solicitors are finding that potential clients ask about the firm's environmental credentials. Blue chip companies and banks in particular, are increasingly concerned to appoint law firms that reflect their stated corporate values in terms of diversity and environmental impact. An increasing number of SME businesses, private clients and employees are also taking an active interest in solicitors corporate social responsibility programmes.

In response to a recent article and survey in *Legal Week*, 71 percent of respondents said they would like their firm to move towards becoming carbon-neutral.²

TL Risk Solutions has devised a cost effective solution that enables solicitors practices to off-set their residual carbon footprint through their professional indemnity insurance. Our solicitors professional indemnity facility is designed to provide discounts from insurance premiums which can be used to purchase carbon credits through a recognised entity. This simple solution will allow firms to demonstrate to their clients and other stakeholders, by way of a gold standard or kite-mark, that they are taking their CSR responsibilities seriously.

¹ Joanna Goodman – *Corporate Social Responsibility (In Law Firms)* – Published by Ark Group in association with the *Managing Partner Journal*, 2007

² Rudkin c. *None so zealous as the converted as professions learn to love CSR* – *Legal Week* 30 November 2006

Why should insurers be interested?

Insurers view climate change as **the** major risk exposure for the future.

Lloyd's chairman Lord Levene recently referred to research suggesting that by 2065 insurance losses from climate change are projected to equal the total value of everything that humanity produces in the course of a year and that is simply unsustainable.³

The Association of British Insurers has produced a report outlining their concerns in this area and insurers are looking to provide solutions to encourage policyholders to become carbon neutral by reducing the risks resulting from climate change from the emissions of greenhouse gases.⁴

Certain insurers hold the view that legal practices that promote good CSR within their culture are also likely to have a similar approach to risk management and are therefore a more attractive risk to underwrite from a professional indemnity perspective.

What is carbon offsetting?

Carbon offsetting is the function of trading carbon emissions through a regulated carbon market. Carbon emission trading is mandatory within the European Union for high polluting industries such as power generation. A voluntary carbon emissions market has also developed for commercial businesses that wish to contribute to carbon reduction. For example, the amount of carbon produced by a solicitors firm can be estimated and offset by purchasing carbon allowances from the European Union Emissions Trading Scheme (EU ETS).⁵ Similarly, a carbon offset can be made by "investing" in EU ETS accredited Clean Development Mechanism (CDM) projects that encourage certain developing countries to reduce their carbon emissions.

A CDM project could for example be the protection and management of a tropical rainforest (forests are the largest natural source of carbon retention and sequestration). Encouraging local people to engage in the protection of their rainforests, as opposed to contributing to deforestation has the same effect of reducing the amount of carbon entering the atmosphere.⁶ There are developed markets and accredited schemes for managing forest retention whilst rewarding local people to maintain stewardship of such important natural resources.

³ Jon Hughes and Rebecca Bole – *Safe as houses* – The Ecologist, June 2007

⁴ ABI report - *Financial Risks of Climate Change*

⁵ one tonne of carbon emitted equals one EU ETS carbon allowance .

⁶ deforestation is the largest contributor of greenhouse gas emissions

How can my firm offset without the burden of the administrative cost or the complexities in the direct trading of carbon credits?

TL Risk Solutions has undertaken significant research into this area. We view the trading of offsets as being comparable to the trading and transfer of risk. Furthermore, we believe that the cost of carbon offsetting can be accomplished by way of our facility insurers offering a carbon offset contribution discount from their professional indemnity insurance renewal terms. Five percent of a firm's typical professional indemnity premium invested in verified offsets should be sufficient for most firms to negate their carbon surplus - in other words, to become carbon neutral.

Correlation between Risk Management and Carbon offsetting

Risk Management >> *Risk Transfer* >> *Insurance* >> *Protection*
[-Identification
-Evaluation
-Reduction
-Retention]

Carbon Emissions Management >> *Carbon Transfer (offsetting)* >> *Carbon Credits* >> *Carbon neutrality*
[-Identification
-Evaluation/Calculation
-Reduction including use of renewable energy resources}

How much CO2 does my firm produce and what is the cost of offsetting?

As a rough rule of thumb, the typical law firm will produce between 3 and 4 tonnes or CO2 per person per year. Energy efficiency can reduce this to around 2.5 tonnes per year. Carbon offsets are currently trading at around £18 per tonne⁷. Therefore a firm of 20 principals and employees will be producing around 60 tonnes of carbon emissions, the offset cost of which, at current prices, is £1,080.

⁷ Figures supplied by Pure Trust

How can law firms manage their carbon emissions?

Most of us want to do our bit towards reducing the risks associated with man-made climate change but how can this be achieved?

- By calculating the amount of carbon equivalent that the firm emits from its activities (see the link on our website to the Pure carbon calculator at www.tlrisksolutions.com/co2calc)⁸
- Incorporating efficiency measures to reduce energy consumption and increase the use of renewable sources of energy (see attached sheet).
- The rewarding part of the equation is to then offset residual carbon. TL Risk Solutions has developed a method whereby this can be achieved through allocating a proportion of each firm's insurance premiums by way of a premium discount to purchase carbon credits that have been generated from emissions reductions that are regulated, verified and for which there is a clear audit trail
- If a further carbon credit "top-up" is required to negate any residual carbon offsets required to become fully carbon-neutral, the cost can be calculated and a "top-up" sum paid in addition to the insurer discounts available within the insurance premium
- These premium discounts can then be applied in a tax efficient manner to purchase offsets via Pure Trust, a carbon off-setting charity based here in the City of London (see www.puretrust.org)
- Firms will be able to achieve a verified quality kite-mark to demonstrate CSR carbon-neutral status, subject to certain conditions.

Next Steps

If you would like further details concerning TL Risk Solutions carbon offset scheme then please complete and return the faxback form (see over).

Further details

Please contact **Trevor Moss**

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A Different Perspective

⁸ TLRS are in active discussion with Pure to offset carbon emissions (see www.puretrust.org.uk)

Fax Back/Email form

In principle, are you interested in offsetting your carbon footprint as part of your insurance purchase? Yes/No

Which insurances would you be interested in using as a vehicle to provide carbon emission offsets?

Professional Indemnity Insurance Yes/No

Office Premises and General Liability Insurances Yes/No

Motor Insurance Yes/No

Other Insurances (Please specify)

Would you like TL Risk Solutions to quote for your forthcoming Professional Indemnity Insurance renewal (to include carbon emission offsets if available as part of insurers offering) Yes/No

Would you like a hard copy of our report *Solicitors' Professional Indemnity Insurance: "The market in 2007"*? Yes/No

(This is also available on our website at www.tlrisksolutions.com/news)

For a copy of our professional indemnity proposal form visit our website at www.tlrisksolutions.com/proposalform

Your contact details

Firm's name:

Address:

Telephone number:

Your name:

Position/Title:

Email:

Fax number:

Email address:

Total number of partners and staff in the firm:

**Please fax back to Trevor Moss on 020 7553 5912
or email to trevor.moss@tlrisksolutions.com**