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## **Rebuttal to Chubb Corp. Statement in Opposition to Shareholder Resolution Requesting Sustainability Report**

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### **Chubb Shareowners are encouraged to vote FOR the following resolution:**

*Shareholders request that Chubb issue an annual sustainability report describing the company's short- and long-term responses to ESG-related issues. The report should include objective quantitative indicators and goals relating to each issue where feasible, be prepared at a reasonable cost, omit proprietary information, and be made available to shareholders by December 31, 2014.*

### **Overview**

Chubb published its first and only Global Reporting Initiative (GRI) sustainability report 2008, but replaced it with website disclosures in lieu of a comprehensive report in subsequent years. Unfortunately, Chubb failed to capitalize on their significant investment in initiating this reporting process, and instead elected to provide ESG information on its website using an incomplete and non-standardized approach in subsequent years.

The board continues to state that current web disclosures are more cost effective. The board also concludes "...that posting ESG-related content on the corporate website is a much more effective means of communicating this information to interested stakeholders than publishing a sustainability report of the sort requested in the proposal, both in terms of cost and reaching interested constituencies."

Web disclosures serve an important function in keeping stakeholders informed. Our concern relates to the content of the reporting rather than its location. Many companies provide GRI reports, indexes and data on the Internet. In Chubb's case, the information presented on company web pages presents a positive (but incomplete) story primarily to customers and secondarily to shareholders, on a subset of important ESG issues, including diversity and community engagement. As shareholders, we find much of this information useful. However, we believe Chubb's continued reluctance to disclose ESG-related content using the widely accepted GRI guidelines means that issues of critical concern to

investors are being overlooked in the disclosure process. As a result, the Chubb website disclosures do not meet the needs of the shareholder constituency.

GRI sustainability reporting informs shareholders, in a more standardized and comparable way than Chubb's current ad hoc approach, about significant long-term environmental and social risks and opportunities. The process of producing a GRI compliant report helps companies to establish data gathering systems that help them control costs and reduce risk, and improve how the firm is managing those risks. Sustainability reporting often provides insight into emerging risks that are not covered comprehensively in the 10-K. In Chubb's case, reporting continues to be weakest where the risk is greatest—climate change impact.

**Chubb Corporation does not adequately disclose its sustainability-related risks, opportunities, policies, and practices—particularly those associated with climate change.**

Chubb's website reporting<sup>1</sup> as it relates to climate change and sustainability is limited primarily to the environmental impact of Chubb's operations. For example, Chubb updated their website in 2014 with some basic GRI indicators addressing facility greenhouse gas (GHG) emissions, waste minimization, energy efficiency and paper savings. However, no goals have been established for improvement in these areas.

Selective reporting on the impact of corporate operations does little to address the more critical issue of how climate change may impact the company's continued ability to profit from their core business. One indication that Chubb's climate-related disclosure is sub par is the firm's CDP scores. Indeed, CDP (formerly called the Carbon Disclosure Project) disclosure and performance scores are used by many investors as one indicator of good climate change management—and Chubb has consistently earned below average scores<sup>2</sup> for both disclosure and performance. The performance score dropped in 2013 when compared to 2012, while peer companies the Hartford Financial Services Group<sup>3</sup>, Allstate<sup>4</sup> and Ace<sup>5</sup> all earned favorable scores.

The insurance industry in particular should treat climate change as a corporate-wide strategic issue. Chubb acknowledges, briefly and vaguely, the potential for an increase in climate related risk on their "Environmental Stewardship" page and in their last several annual reports states that climate change "may affect our ability to manage exposure under the insurance policies we issue as well as the impact that laws and regulations intended to combat climate change may have on us."

The company also briefly comments on the potential impact of climate change on underwriting operations in the Risk Factors and Natural Catastrophe sections of the 2013 10K<sup>6</sup>. However, acknowledgment of the risk is not adequate. Shareowners require more specific information on actionable steps being taken to manage the risk of increasingly hard to predict costs related to severe weather. For example, Chubb does not disclose what specific steps it is taking to mitigate the risk to

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<sup>1</sup> <http://www.chubb.com/corporate/chubb17671.html>

<sup>2</sup> <https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=3293>

<sup>3</sup> <https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=8116>

<sup>4</sup> <https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=582>

<sup>5</sup> <https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=21320>

<sup>6</sup> <http://www.chubb.com/investors/chubb16740>, p. 20 and 44

its underwriting and investment operations that come from the rapidly increasing catastrophic loss potential driven by climate change and sea level rise. This is particularly crucial given Chubb's extensive coastal exposure.

Sustainability issues also threaten the performance of investments that insurers rely on to meet their liabilities. A discussion assessing the potential for emergent correlated risks between insurers' underwriting and investment portfolios is not apparent. For example, real estate, municipal bond, or equity investment portfolios could be negatively impacted by future large storms like Hurricane Sandy, which could simultaneously boost Chubb's insured losses. There is no indication that environmental, social and governance (ESG) issues, including climate change, are considered in the management of Chubb's extensive portfolio of investments.

### **Chubb risks lagging behind its peers on sustainability reporting.**

A GRI sustainability report provides key information for data aggregators of ESG and financial information, such as Bloomberg, MSCI and indexes such as the Dow Jones Sustainability Index. Institutional investors rely heavily on these providers to evaluate Chubb and its competitors.

Within this context, the common standards set by the GRI guidelines are necessary for many of the same reasons as standard accounting practices; and rapid adoption of these standards indicates that GRI reporting is becoming standard practice. **93% of the 250 biggest companies in the world report their sustainability performance using the GRI Guidelines, according to an international study released by KPMG in December 2013.**<sup>7</sup>

Property and casualty insurers have particularly important ESG-related risks and opportunities due the mega trend of rising seas and more severe weather related to changing climate. Major competitors Ace<sup>8</sup>, Allstate<sup>9</sup> and the Hartford<sup>10</sup> are industry peers who provide their stakeholders with comprehensive sustainability reports using GRI guidelines.

### **Conclusion**

Without appropriate sustainability / ESG disclosure, shareholders, investors, and analysts cannot effectively determine how Chubb is managing its ESG risks and opportunities. This is true whether the reporting takes place on web pages or via a paper or a pdf-based electronic report. We urge you to vote FOR this sustainability reporting Proposal on Chubb's proxy ballot.

***Note: This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card; the proponent is not able to vote your proxies, nor does this communication contemplate such an event.***

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<sup>7</sup> <http://news.iwfinancial.com/corporate-sustainability/kpmg-report-highlights-growth-in-sustainability-reporting-among-larger-companies/>  
<http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/building-busines-value-part-3-v2.pdf> (pg. 11)

<sup>8</sup> <http://static.globalreporting.org/report-pdfs/2012/bdd584e9a12d959609b37d7e570b1902.pdf>

<sup>9</sup> <http://www.allstate.com/social-responsibility/gri.aspx>

<sup>10</sup> <http://www.thehartford.com/about/environmental-responsibility>