



What questions should CROs be asking their leaders to prepare for Net Zero alignment and implementation?



Baringa is a certified B Corp™ with high standards of social and environmental performance, transparency and accountability.

Strategy considerations

Strategy considerations

4 questions to ask

1. How might underwriting, risk appetite and risk management frameworks be affected? Which policies will need to be reviewed or updated?

Net Zero underwriting targets are a way to align business strategy with future changes in the real economy, which may require changes to existing risk architecture.

2. How are we mitigating against 'greenwashing'?

Net Zero underwriting targets and implementation readiness can take several months as it needs to be underpinned by a consistent approach to Net Zero across the organisation. When done well, these components help re/insurers mitigate greenwashing - and demonstrate credibility to Boards, regulators and investors.

3. What might be the social impacts of target setting and climate action?

Often baselining and target setting is performed as a mathematical exercise, with the social or human impacts of action not fully considered. Unintended impacts of Net Zero targets may be contrary to a company's socially-minded purpose.

For example, while PCAF guidance includes methodologies to measure insurance-associated emissions in motor portfolios, it does not include guidance on how to factor socioeconomic trends within that portfolio – a key consideration for communities where average emissions intensity of cars may be higher due to economic factors such as available income to upgrade to newer cars.

4. How can we use our work on Net Zero to create new commercial opportunities? How are we incentivising success?

Banks have shown in recent years that Net Zero is not an insurmountable or ill-defined task – however it does require a shift in mindset from 'compliance' to 'competitive advantage'.

Strategy - Key focus areas to explore to when addressing these questions

How might underwriting, risk appetite, risk management frameworks and policies be affected?	How are we mitigating against 'greenwashing'?	What might be the social impacts of target setting and climate action?	How can we use the work to create and incentivise new commercial opportunities?
<ul style="list-style-type: none">• Engage underwriting and product/portfolio teams on targets and levers.• Add decarbonisation criteria and tolerances to risk management frameworks.• Align underwriting and other policies with responsible investment, procurement policies and activities.	<ul style="list-style-type: none">• Assess investment in systems, data, policy, technical expertise, strategy and stakeholder engagement.• Assess consistency across operations, investment and underwriting.• Map and engage stakeholders.• Reference the latest available science and industry standards in internal policies.	<ul style="list-style-type: none">• Assess the impact of targets on lower socioeconomic customer groups and geographies (e.g. customers with higher-emissions cars who may live in lower income areas).• Evaluate the impact of pricing and portfolio actions on customers sensitive to cost of living pressures.	<ul style="list-style-type: none">• Analyse opportunities to enter or expand into low-emissions sectors and emerging technologies• Explore new risk transfer solutions• Support risk mitigation and customer transition planning.
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Capability considerations



Capability considerations

4 questions to ask

1. Is our data and IT infrastructure ready for Net Zero?

Credible baselining and target setting requires well-structured data and may also require changes to the way customer and non-customer data is collected, categorised and stored. For example, in commercial lines, early guidance indicates aggregated sectoral exposure data may inhibit accurate targets.

2. Do we have the organisational capability to measure, disclose and manage Net Zero?

GHG measurement for Scope 1 and 2 has typically been the responsibility of a sustainability or operations/real estate team. Scope 3 financed/insurance-associated emissions requires broader capability.

3. Is our portfolio emissions baseline appropriate for target setting?

The purpose of baselining is to calculate (and disclose) financed or insurance-associated emissions. This can be done independent of target setting, however, can result in inefficiencies and circular recalculation due to misalignment of assumptions.

Intensity-based targets (e.g. Tonnes of CO₂-e per \$million GWP) require not just an absolute emissions baseline, but also relevant financial/activity/production data and baselines; and a science-based emissions, technology and economic pathway that aligns with the assumptions used in the baselines.

4. Do we have the capability to engage with larger customers and customer groups on Net Zero?

As we have found working with banks and asset managers in the implementation of NZBA / NZAMi, part of implementing Net Zero targets is working with a firm's largest or most emissions intensive customers to understand their alignment with Net Zero ambitions.

Capability - Key focus areas to explore to when addressing these questions

Is our data and IT infrastructure ready for Net Zero?	Do we have the organisational capability to measure, disclose and manage Net Zero?	Is our portfolio emissions baseline appropriate for target setting?	Do we have the capability to engage with larger customers and customer groups on Net Zero?
<ul style="list-style-type: none"> • Develop data mapping and Net Zero data strategy • Assess data granularity needs. • Identify sector proxies and external data required. • Develop data quality plan to enable integration, updates and credible disclosure (in line with PCAF guidance). 	<ul style="list-style-type: none"> • Build capability and understanding of Net Zero among portfolio/underwriting, regulatory, and investor relations teams. • Identify system needs to measure and manage Net Zero targets long-term (in addition to data, as above). • Engage data owners and stewards early. 	<ul style="list-style-type: none"> • If emissions baseline has not been established, develop baseline, targets and assumptions concurrently to minimise potential rework. • If baseline is complete, review consistency of method, assumptions and other critical settings (credibility). Ensure consistency across both sides of the book by aligning assumptions and any proxy methodology with the assets emissions baseline. 	<ul style="list-style-type: none"> • Training to build staff understanding and capability on Net Zero. • Develop customer transition frameworks, tools and intelligence to enable discussion and portfolio feedback.
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There's no time for insurers to delay when it comes to Net Zero. Baringa has extensive experience globally helping financial institutions across the industry to implement Net Zero programs including banks, insurers and wealth managers.

To discuss how you can progress Net Zero target setting, implementation, and competitive advantage for your business, contact **Stephen Bell** Stephen.Bell@baringa.com or **Joanna Lloyd-Davies** Joanna.Lloyd-Davies@baringa.com