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Insuring Disaster

A ranking of 70 of the world's largest insurers' approaches to responsible investment and underwriting

ShareAction»

About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

Visit shareaction.org or follow us @ShareAction to find out more.

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The data in this report was collected between November 2020 and February 2021. Any notifications of changes, information or clarification not drawn to ShareAction's attention prior to the deadlines are not included in the report. Insurers who did not respond were informed of the answer options selected for them by email and were given the opportunity to comment or make additional disclosures.

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Executive summary

Overview

Our world faces an increasing number of environmental and social challenges, and we are in a race against time to solve them. From the impacts of climate change, such as rising sea levels and more frequent natural disasters, the accelerating loss of biodiversity, and abuses of human rights, systemic and interlinked risks are emerging all over the world, affecting every sector across the economy and threatening the livelihoods, homes and jobs of millions of people.

It is the core business of the insurance industry to assess and manage risk, as well as to contribute to risk prevention or reduction. Insurers therefore have a clear interest in addressing these environmental and social risks. Insurers have started to tackle some of these issues, including through collaborative initiatives, such as the Principles for Sustainable Insurance[1]. Many insurers have joined the Net-Zero Asset Owner Alliance[2], and discussions have started on the formation of a Net-Zero Insurance Alliance.[3]

The world is not yet on a trajectory to achieve climate targets or halt biodiversity loss, social problems persist, and human rights violations continue to take place.[4] In fact, insurers are being accused of being part of the problem. For example, a recent report by Insure Our Future shows that many large insurers continue to invest in and insure companies and projects linked to fossil fuels, the primary cause of the climate crisis.[5] What more could – and should – the insurance industry do? In this report, ShareAction ranks 70 of the world's largest insurance companies on their responses to the climate, biodiversity and human rights challenges. We have been researching and ranking the responses of different sectors of the investment industry to global issues for more than ten years, and in 2018 we assessed 80 of the largest global insurers' responses to climate-related risks and opportunities.[6] This year, for the first time, we also include biodiversity and human rights in our assessment of the insurance industry.

How to use this report

This report and its recommendations are intended to help:

- **Insurers** to benchmark their individual performance and inform areas for improvement. We include examples of positive trends to demonstrate how leading peers are responding to some of the issues we raise.
- **Investors** to challenge the insurance companies they hold shares in, encourage them to improve their performance and highlight positive trends set by leading players. Investor engagement with the insurance industry can help improve the environmental, social, and governance (ESG) risk profile of insurance sector holdings – and, thanks to the insurance sector's key role in enabling the functioning of all sectors, better ESG performance in the insurance sector will help reduce risk across the entire economy.
- **Policymakers and regulators** to identify areas of sector-wide strength and weakness and decide on policy action that helps protect consumers of insurance services and the public interest.

Summary findings

Chapter 1: Most of the world's largest insurers are still failing to adequately address systemic risks such as climate change and biodiversity loss.

Insurers' current approach to responsible investment and underwriting is insufficient. Almost half (46 per cent) of those surveyed received the lowest rating (E), with another 17 per cent receiving a D rating. No insurer received an AA or AAA rating. Performance is stronger on general governance compared to the areas of climate change, biodiversity and human rights. More progress appears to have been made on investment compared to underwriting – but generally performance is poor across the board. European insurers show the strongest performance in our survey, while US and Chinese insurers in particular are lagging behind.

Chapter 2: Insurers' boards are ill-equipped to appropriately manage the environmental and social impacts of their organisations.

For half of the insurers surveyed, we found no evidence of board-level involvement in responsible investment and underwriting, and most boards have not received any relevant training or incentives. There is also poor board-level gender diversity, with only 25 per cent female representation at board level. Only a small minority of insurers and their managers have robust stewardship strategies to ensure their engagement with clients and investee companies is sufficiently ambitious. General transparency on stewardship activities is also poor, with less than a third publishing any information at all. Insufficient attention is paid to responsible investment in the hiring and monitoring of asset managers.

Chapter 3: Progress on climate change is insufficient, with most insurers lacking a clear and comprehensive policy.

Although more progress has been made on climate change than the other two areas we looked at, there is still a long way for insurers to go, especially in terms of their underwriting activities. Fewer than half have a climate change policy, and only a third refer to their underwriting activities in these policies. 13 per cent have made net-zero commitments, but these usually only cover investment activities. Climate-related engagement is much more common with investee companies than with clients. Fewer than half of surveyed insurers have carried out scenario analysis, use any kind of climate-related metrics, or have adopted policies introducing restrictions on coal. None of the assessed insurers have introduced restrictions on conventional oil and gas, and only a small percentage exclude tar sands, shale oil or Arctic oil. None have adopted a formalised approach to biomass. More than half of assessed insurers have not started to report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Chapter 4: The vast majority of insurers have not yet started to develop their approach to biodiversity loss.

There is a lack of progress on most critical issues associated with biodiversity loss. The vast majority of assessed insurers have not yet developed an approach to managing nature-related risks to their portfolios and show little understanding of how their investment and underwriting activities are

driving, or may be affected by, the biodiversity crisis. Only a third of survey respondents engage with portfolio companies on biodiversity, and even fewer raise nature-related concerns with clients. Most insurers only assess companies' overall environmental performance using third-party ESG scoring, suggesting that specific biodiversity-related risks and impacts are not adequately integrated into investment decision-making. None of the assessed insurers have published a comprehensive strategy for measuring impacts and dependencies on biodiversity or setting targets to minimise these impacts.

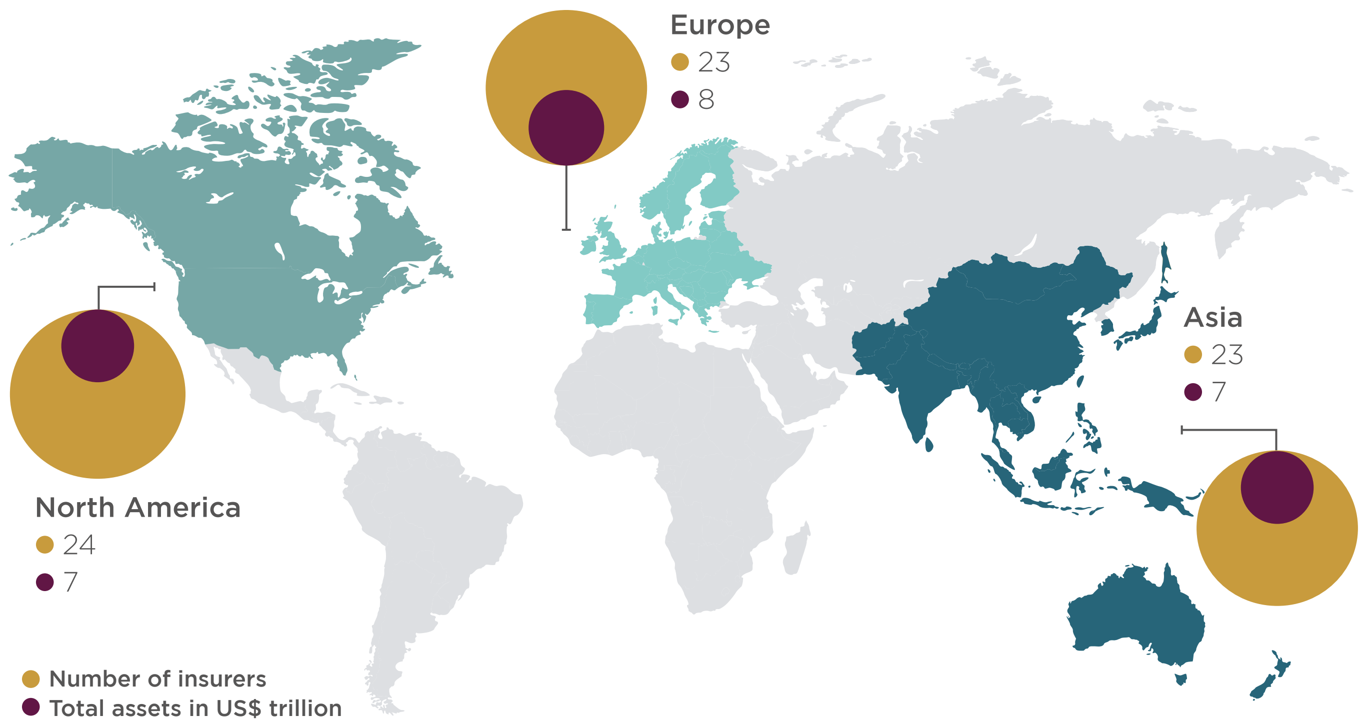
Chapter 5: Most of the world's largest insurers show severe negligence of their impact on human and labour rights across their investment and underwriting activities.

Three-quarters of assessed insurance companies do not have an investment policy covering human and labour rights. North American insurers are the worst offenders: not a single one of the 24 insurers from the US or Canada has a policy. Only 13 per cent of assessed insurers have made a commitment not to invest in companies that are knowingly in breach of human and labour rights, showing that the industry is willing to turn a blind eye to direct and deliberate corporate human rights violations. Insurers also show poor engagement practices on human rights, with just 15 per cent of assessed insurers proactively engaging with investee companies on this issue. Two thirds of insurers with a P&C business do not have an underwriting policy covering human and labour rights, and many of those that do fail to make concrete commitments.

Methodology

Scope

Figure 1: Number of insurers and total assets (US$ trillion) across regions



This report features 70 of the most influential insurance companies worldwide across 15 countries. We selected managers based on their total assets (reported as of 31 December 2019), according to the Eikon database. We excluded:

- brokers;
- insurers that mainly offer pension products;
- companies that operate independent insurance subsidiaries but operate mainly in other sectors; and
- subsidiaries of insurance companies where there is a parent company that operates predominantly in insurance.

The final list includes 39 pure life and/or health insurers, and 31 property and casualty (P&C) or multiple business line insurance providers (we refer to this type of insurer as 'insurers with a P&C business' throughout this report). We present our findings in two separate rankings, as parts of our questionnaire are not applicable to pure life and/or health insurers; for example, exclusion criteria for coal-related projects.

Survey process

We sent a questionnaire to the selected insurers in October 2020. The survey covered governance, climate change, biodiversity and human rights and looked at both investment and underwriting activities. The questionnaire was developed with input from external experts, who are listed on the first page of this report.

47 per cent of the insurers (33 out of 70) either responded directly or agreed to review a pre-populated questionnaire. For the 53 per cent who chose not to participate, we populated their survey response based on publicly available information and invited them to review this.

Non-disclosers generally perform worse in our surveys than disclosers, which can partly be explained by the fact that there will likely be some private information that we are unable to take into account. However, it is also reasonable to assume that an unwillingness to engage with our survey suggests the company gives a lower level of importance to the issues we raise.

We collected information from November 2020 to February 2021; any information published after February was not taken into account in the scoring process – however, we have included some later information in the analysis for this report to ensure it is as up-to-date as possible. The full questionnaire can be viewed in the Appendix.

Rating and scoring

Scores were assigned to individual answer options within the survey. Some questions have a higher weighting than others in their section, depending on their importance or relevance. The weighting for each section is summarised in the table below:

Figure 2: Score weightings across sections of the insurance survey questionnaire

The sections on climate change, human rights and biodiversity are each split into sections on investments and underwriting. For insurers with a P&C business, these two sections are weighted equally, so each contributes 11.5 per cent towards the total score. For pure life and/or health insurers, they are weighted as follows, due to the reduced impact this type of insurer is able to have on those topics:

- Climate change – Investments: 15 per cent / Underwriting: 8 per cent
- Biodiversity – Investments: 23 per cent / Underwriting: 0 per cent
- Human rights – Investments: 23 per cent / Underwriting: 0 per cent

It is increasingly accepted that climate change is of relevance to the products offered by life and/or health insurers, but the link with biodiversity and human rights is less clear, and we have therefore not scored life and/or health insurers on their underwriting activities in relation to these topics. Any remaining questions or answer options that do not apply to pure life and/or health insurers were normalised, to ensure that this type of insurer is not penalised in our ranking.

After each insurer was allocated an absolute score, rating bands were calculated relative to peers based on the number of standard deviations from the mean score. Each participant was assigned a rating based on their aggregated score, from AAA through to E. We did not award any AAA or AA ratings, as no insurers were found to demonstrate leading practice throughout their entire approach.[i]

Figure 3: Performance descriptions for rating bands

Rating	Band	Description
AAA	Gold standard	Best practice performance in managing risks and opportunities as well as impacts across all assessed themes
AA-A	Leaders	Strong management of risks and opportunities as well as impacts across multiple themes
BBB-B	Challengers	Management of risks and opportunities, building capacity in accounting for impacts across some themes
CCC-C	Building capacity	Building capacity in management of risks and opportunities across some themes
D	Business-as-usual	Little evidence to suggest adequate management of material risks and opportunities
E	Laggards	Evidence suggests poor management of material risks and opportunities

i This is a change from the methodology we used in our 2018 Asset Owners Disclosure Project assessments of the insurance and pensions industries. As a result, rating bands awarded are not directly comparable. We will continue to use the methodology used in this latest assessment for our future surveys.

Chapter 1: Ranking and performance across the world

Most of the world's largest insurers are still failing to adequately address systemic risks such as climate change and biodiversity loss.

The insurance industry's approach to responsible investment and underwriting is insufficient. Almost half (46 per cent) of the insurers surveyed received the lowest rating (E), with another 17 per cent receiving a D rating. No insurer received an AA or AAA rating. Performance is stronger on general governance compared to the areas of climate change, biodiversity and human rights. More progress appears to have been made on investment compared to underwriting – but generally performance is poor across the board. European insurers show the strongest performance in our survey, while US and Chinese insurers in particular are lagging behind.

Ranking

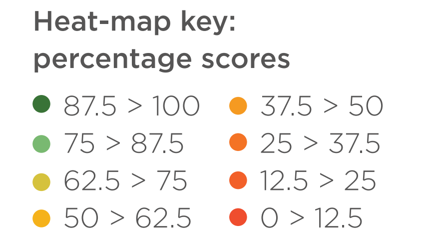


Figure 4: Ranking of 31 of the world's largest insurers with a property and casualty (P&C) business, with performance heat maps

Insurers with a property and casualty business

Rank	Name	Rating	Score	Governance	Climate change investments	Climate change underwriting	Biodiversity investments	Biodiversity underwriting	Human rights investments	Human rights underwriting	Total assets (US$ billion)	Country	Disclosed
1	AXA	A	47.5%								875	France	Yes
2	Allianz	A	44.8%								1134	Germany	Yes
3	Aviva	A	43.3%								610	United Kingdom	Yes
4	NN Group	BB	34.3%								279	Netherlands	Yes
5	Desjardins Insurance	B	29.9%								217	Canada	Yes
6	Generali	B	29.5%								577	Italy	Yes
7	Zurich	CCC	27.3%								405	Switzerland	No
8	Swiss Re	CC	23.5%								239	Switzerland	No
9	Munich Re	CC	23.1%								322	Germany	Yes
10	Achmea	CC	23.0%								94	Netherlands	No
11	MS&AD Insurance Group Holdings	CC	19.9%								216	Japan	Yes
12	Groupama Assurances Mutuelles	C	16.8%								105	France	Yes
13	Sompo Holdings	C	16.5%								111	Japan	Yes
14	AG2R la Mondiale	D	13.8%								124	France	Yes

Insurers with a property and casualty business

Rank	Name	Rating	Score	Governance	Climate change investments	Climate change underwriting	Biodiversity investments	Biodiversity underwriting	Human rights investments	Human rights underwriting	Total assets (US$ billion)	Country	Disclosed
15	Liberty Mutual Insurance	D	11.5%								126	USA	Yes
16	Tokio Marine Holdings	D	11.1%								235	Japan	Yes
17	Ping An Insurance	E	7.7%								1181	China	No
18	Talanx	E	7.1%								199	Germany	Yes
19	Ageas	E	5.3%								123	Belgium	Yes
20	Travelers	E	5.0%								110	USA	No
21	Principal	E	4.5%								276	USA	No
22	Chubb	E	4.1%								177	Switzerland	No
23	Allstate	E	3.9%								120	USA	No
24	American International Group (AIG)	E	3.9%								525	USA	No
25	R+V Versicherung	E	3.4%								138	Germany	No
26	Sony Financial Holdings	E	2.0%								141	Japan	No
27	China Pacific Insurance Company (CPIC)	E	1.5%								220	China	No
28	Powszechny Zaklad Ubezpieczen (PZU)	E	1.3%								91	Poland	No
29	Genworth Financial	E	1.3%								101	USA	No
30	Nationwide	E	0.7%								210	USA	No
31	People's Insurance Company Group of China (PICC)	E	0.6%								163	China	No

Figure 5: Ranking of 39 of the world's largest life and health insurers, with performance heat maps

Heat-map key: percentage scores

- 87.5 > 100
- 75 > 87.5
- 62.5 > 75
- 50 > 62.5
- 37.5 > 50
- 25 > 37.5
- 12.5 > 25
- 0 > 12.5

Life and health insurers

Rank	Name	Rating	Score	Governance	Climate change investments	Climate change underwriting	Biodiversity investments	Human rights investments	Total assets (US$ billion)	Country	Disclosed
1	Legal & General	A	52.2%						561	United Kingdom	Yes
2	Aegon	A	37.9%						494	Netherlands	Yes
3	CNP Assurances	BBB	32.0%						494	France	Yes
4	Dai-ichi Holdings	BB	26.2%						558	Japan	Yes
5	Royal London	B	24.9%						115	United Kingdom	Yes
6	MetLife	CCC	20.3%						740	USA	Yes
7	Sumitomo Life	CCC	20.0%						282	Japan	Yes
8	Nippon Life	CCC	18.1%						627	Japan	Yes
9	Prudential	CC	17.5%						454	United Kingdom	Yes
10	Swiss Life	CC	15.0%						236	Switzerland	Yes
11	Manulife	CC	14.1%						623	Canada	Yes
12	Sun Life Financial	C	11.8%						229	Canada	Yes
13	Cathay Life	C	11.4%						171	Taiwan	Yes
14	Voya Financial	D	10.1%						116	USA	Yes
15	Phoenix Group	D	9.4%						322	United Kingdom	Yes
16	New York Life	D	9.3%						339	USA	Yes
17	AIA Group	D	9.3%						284	Hong Kong	No
18	Great-West Lifeco	D	7.8%						347	Canada	No
19	T&D Holdings	D	6.9%						154	Japan	No
20	Meiji Yasuda Life	D	5.3%						325	Japan	Yes
21	Prudential Financial	D	4.9%						897	USA	No
22	Japan Post Insurance	D	4.6%						666	Japan	No
23	Fubon Life Insurance	E	3.4%						123	Taiwan	No

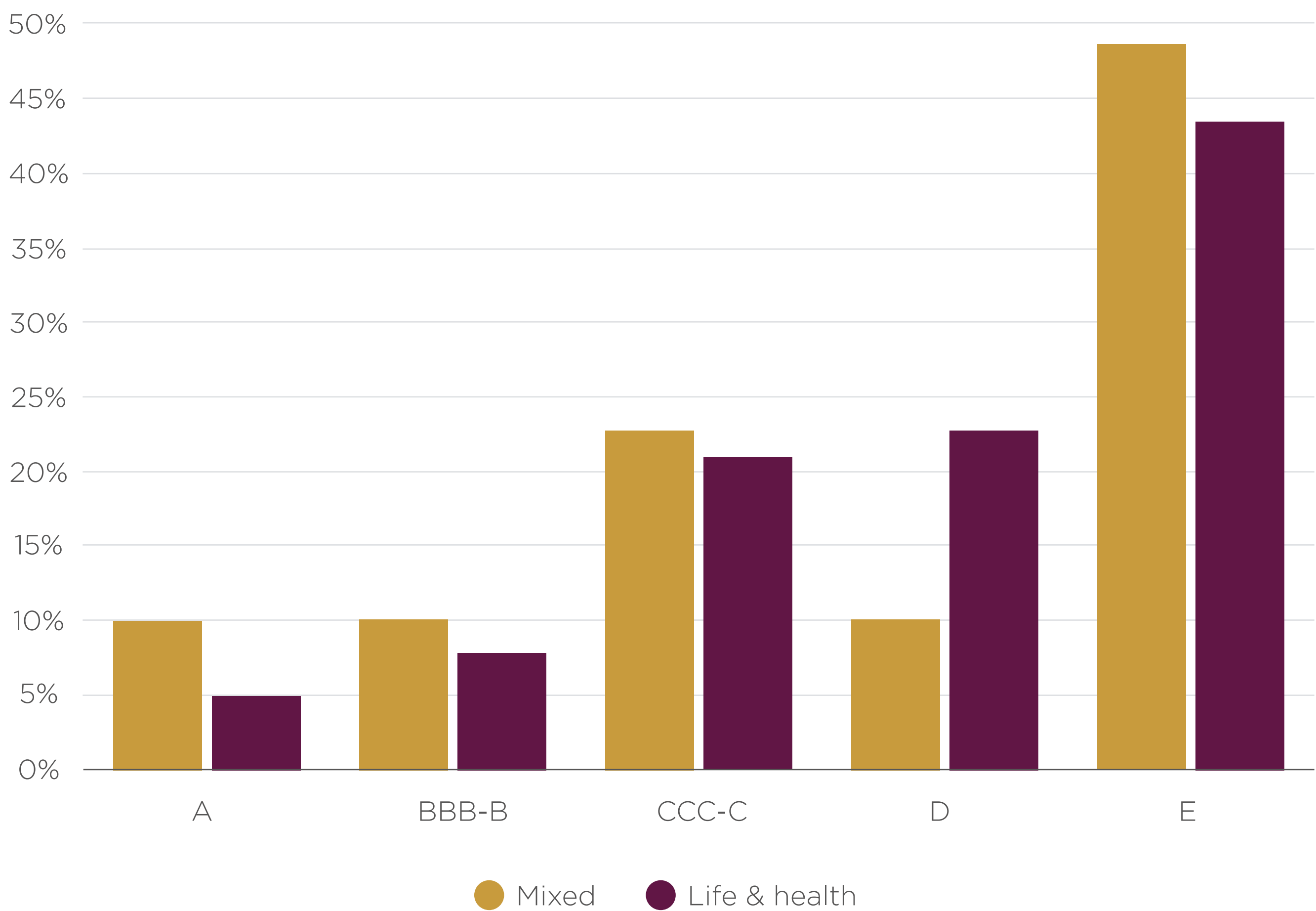
Life and health insurers

Rank	Name	Rating	Score	Governance	Climate change investments	Climate change underwriting	Biodiversity investments	Human rights investments	Total assets (US$ billion)	Country	Disclosed
24	Hanwha Life	E	3.4%						123	South Korea	No
25	Aflac	E	3.0%						153	USA	No
26	Brighthouse Financial	E	2.8%						227	USA	No
27	Samsung Life Insurance	E	2.7%						271	South Korea	No
28	MassMutual	E	2.7%						268	USA	Yes
29	Protective Life Insurance Company	E	2.0						120	USA	No
30	China Life Insurance	E	1.7%						535	China	No
31	China Taiping Insurance	E	1.7%						118	Hong Kong	No
32	Lincoln Financial Group	E	1.7%						335	USA	No
33	Kyobo Life	E	1.3%						98	South Korea	No
33	Pacific Life	E	1.3%						129	USA	No
35	Talcott Resolution	E	1.0%						150	USA	No
36	Northwestern Mutual	E	0.7%						250	USA	No
37	Taikang Insurance Group	E	0.3%						91	China	No
37	New China Life Insurance	E	0.3%						126	China	No
39	RiverSource	E	0.0%						122	USA	No

Finding 1.1: Almost half of surveyed insurers are rated 'E', indicating poor management of material risks and opportunities.

Almost half (46 per cent) of all surveyed insurers are rated 'E', meaning that evidence suggests poor management of material risks and opportunities. An additional 17 per cent are rated 'D', with little evidence to suggest adequate management of material risks and opportunities. Only 16 per cent of insurers are awarded a rating between A and B, showing relatively strong performance. However, even the leading insurer scored just over 50 per cent of the available points. On average, insurers scored only 12 per cent of all available points.

Figure 6: Percentage of insurers in each rating band



The low scores are clear evidence that there is a long way to go towards mainstreaming responsible investment and underwriting in the insurance industry.

This is concerning for shareholders in insurance companies who expect their investee companies to appropriately manage ESG risks and to account for their impacts on people and planet. There is little evidence to suggest that the insurance sector as a whole is meeting this expectation thus far, which can have knock-on effects on the economy and investors' portfolios as a whole.

ShareAction therefore encourages institutional investors to increasingly focus their engagement activities on their holdings in the insurance sector.

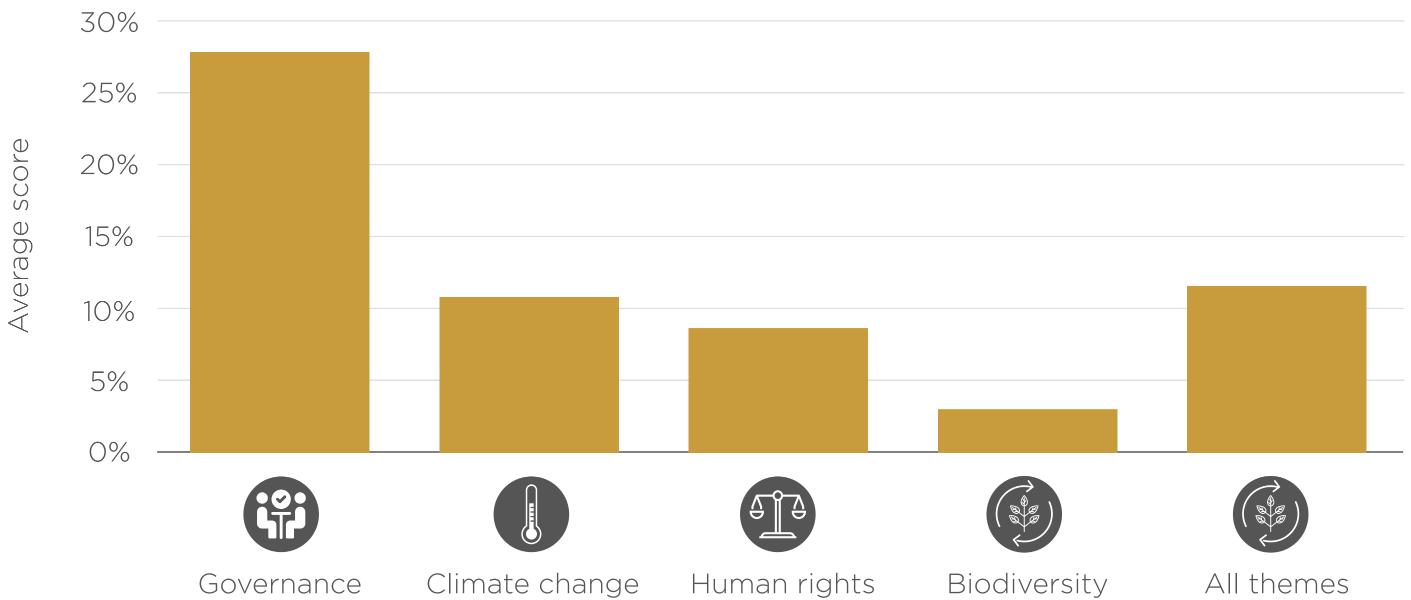
This poor performance is also concerning for insurance companies' clients – whether individuals or corporations – who trust their insurer to be a qualified expert in risk management. Evidence from this survey suggests that the insurance sector is not doing as much as it could to protect its clients from key systemic risks, such as climate change and the rapid loss of biodiversity. Nevertheless, some of the better performing insurers have started to develop products to help manage and protect clients from ESG risks, and laggard insurers will have to catch up or risk losing increasingly ESG-aware clients.

Finding 1.2: Insurers' performance is strongest when it comes to general governance in relation to responsible investment and underwriting, but weak across thematic areas.

The average score for the section covering governance is 27 per cent – more than twice as much as the overall average score. Meanwhile, performance on thematic areas is very poor. This is particularly striking on the topic of biodiversity, where insurers achieved an average score of just 3 per cent.

Biodiversity is clearly a novel topic within the insurance sector, but it is vital insurers get to grips with it quickly. Biodiversity loss is "among the top global risks to society", according to the OECD.[7] Inaction on the biodiversity crisis threatens the destabilisation of the global economy and society. The financial costs of biodiversity loss over the last decade have been estimated as between US$4–20 trillion, and these losses are expected to escalate as the crisis accelerates. The forthcoming 2021 Conference of Parties to the UN Convention on Biological Diversity could generate transition and regulatory risks.[8]

Figure 7: Average score by theme



While it is promising that insurers have started to integrate responsible investment and underwriting concerns into governance processes, this is only a first step. They now need to use these processes to ensure that they address systemic societal issues in an appropriate manner.

Finding 1.3: Performance on investment is generally better than on underwriting for insurers with a P&C business.

Figure 8: Comparison of scores within investments and underwriting sections by theme for insurers with a P&C business

This finding is surprising, considering it is the core role of the insurance industry to manage uncertainty and thus enable their clients to take greater risks than they perhaps otherwise would. One might expect that the types of systemic risks explored in this survey would be an essential part of the analysis that feeds into development and pricing of products. This does not appear to be the case – instead, insurers' approach in terms of their investment activities is more advanced. One reason for this might be that insurers have been able to learn from other asset owners and asset managers how to incorporate ESG issues into investment decisions and have benefitted from the general mainstreaming of sustainable finance, while the underwriting side requires a much more insurance-centric approach.

Finding 1.4: No insurer demonstrates leadership across its entire responsible investment and underwriting approach.

While there are pockets of leadership across different insurance companies' approaches to responsible investment and underwriting, no insurer demonstrates best practice across its entire approach. For that reason, no insurance company was awarded a AAA or AA rating.

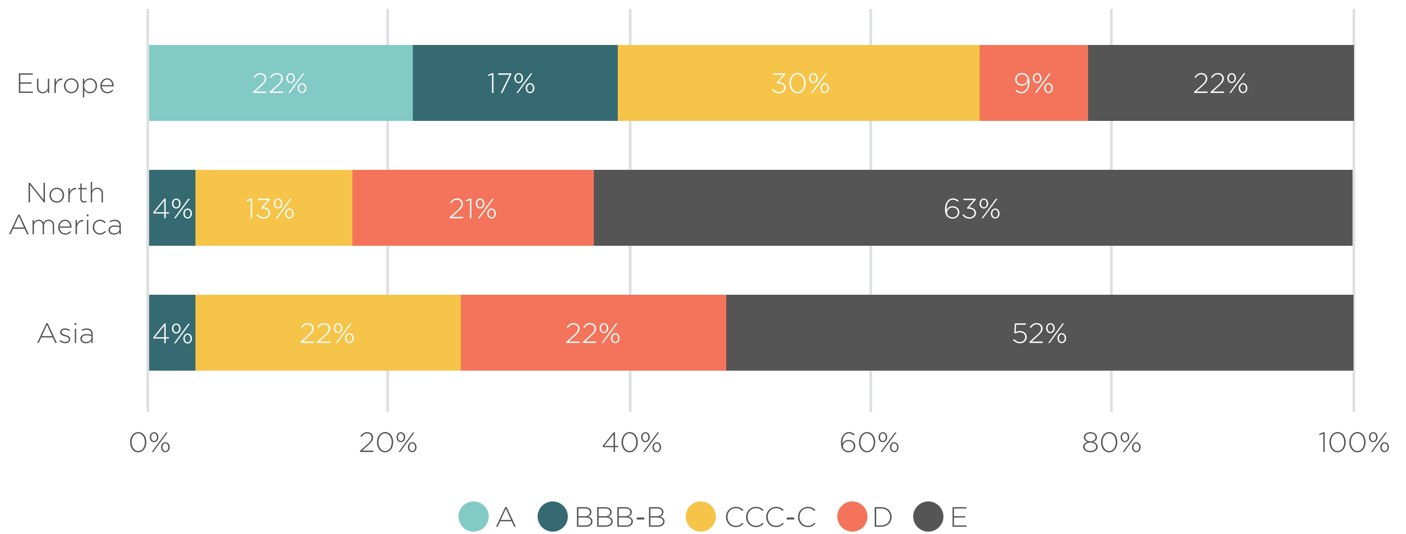
Regional performance

Finding 1.5: European insurers are the best performers in this survey.

All five A-rated insurers are based in Europe, and 39 per cent of European insurers received a rating of B or higher. In contrast, only one North American insurer and one Asian insurer received a rating of B or above. The stronger performance of European insurers is likely attributable to the strong regulatory signals on sustainable finance within Europe.

The EU's Sustainable Finance Agenda includes the creation of a low-carbon taxonomy and regulations on increased disclosure, all of which set clear priorities and expectations of insurers and other financial services companies. The European Insurance and Occupational Pensions Authority also explicitly expects insurers to manage and mitigate ESG risks through their underwriting activity and to develop a sustainable approach to their investments, based on the principles of stewardship.[9] The fact that European insurers with a stronger regulatory backdrop perform better compared to non-European peers is a strong indicator that policymaker involvement is preferable to a pure market approach.

Figure 9: Percentage of insurers in each rating band by region*



* For North America, percentages do not add up to 100 per cent due to rounding

Finding 1.6: Particularly poor performance was observed among insurers based in the USA, with 75 per cent of US insurers E-rated.

75 per cent of insurers based in the USA are rated E, compared to 52 per cent in Asia, and 22 per cent in Europe. In stark contrast to Europe, there has been far less progress on sustainable finance legislation in the US. There was until recently also a strong policy signal that climate change was not a priority for the US administration and the US Securities Exchange Commission (SEC). However, there is hope that this is about to change under the Biden administration, as demonstrated, for example, by the creation of a new climate and ESG position at the SEC.[10]

Finding 1.7: In Asia, Japanese insurers outperform peers, but overall performance is poor.

In Asia, Japanese insurers stand out for their performance compared to peers, particularly in comparison with Chinese insurers. Four of the 10 surveyed Japanese insurers achieved a CCC-C rating and only one received an E, while all six Chinese insurers are rated E, as are all three South Korean insurers. There is generally poor performance in the Asia region, with only one insurer rated B or above (BB).

Chapter 2: Governance

Insurers’ boards are ill-equipped to appropriately manage the environmental and social impacts of their organisations.

For half of the insurers surveyed, we found no evidence of board-level involvement in responsible investment and underwriting, and most boards have not received any relevant training or incentives. There is also poor gender diversity, with only 25 per cent female representation at board level. Only a small minority of insurers and their managers have robust stewardship strategies to ensure their engagement with clients and investee companies is sufficiently ambitious. General transparency on stewardship activities is also poor, with less than a third publishing any information at all. Insufficient attention is paid to responsible investment in the asset manager selection and monitoring process.

Accountability, training, incentives and reporting

Finding 2.1: For half of the insurers surveyed, we were unable to find any evidence of board-level involvement in their approach to responsible investment and underwriting.

Only 51 per cent of insurers indicate that their board is involved in some way in the development or approval of policies and targets linked to responsible investment and underwriting. Only 20 per cent indicate that the board sets the agenda on these topics. This is concerning, because it should be the role of the board to develop a sustainable corporate strategy that manages the company’s environmental and social impacts, as well as to understand how ESG issues might affect the company’s long-term profitability.

In terms of board-level committees, 31 per cent of insurers indicate they have discussed sustainability-related issues in their group risk committees, 19 per cent in group governance and nominating committees, 11 per cent in group audit committees, and 21 per cent in dedicated sustainability committees.

It is particularly concerning that more insurers have not discussed these topics in their group risk committees, as issues like climate change pose significant risks to all types of insurers. It is also worrying that group audit committees have not yet played a bigger role. Group risk and audit committees in particular need to step up to ensure these topics are managed appropriately within their organisation.

Our questionnaire did not distinguish between the supervisory board and the executive board, and some respondents therefore discussed the role of their executive board. Ideally, the supervisory board, as the highest authority within a company, should take the lead in decision-making on sustainability-related issues.

Finding 2.2: Most boards appear to be ill-equipped to deal with sustainability-related challenges.

Only 17 per cent of insurers have at least one board member with specific sustainability-related expertise, while only 23 per cent indicate that there is at least one board member with clear accountability for responsible investment and underwriting.

AXA: sustainability expertise on the board

Seven of the 15 members of AXA's Board of Directors have experience in sustainability and environmental stewardship. Jean-Pierre Clamadieu, a senior independent director, is Chairman of the Executive Committee of the World Business Council for Sustainable Development and Group Chairman Denis Duverne has an extensive track record in responsible investment and underwriting. He also dedicates a significant part of his time to advance responsible finance topics.

So far, most insurers have done little to remedy this situation, with only 29 per cent indicating that at least some board members have received training on sustainability-related issues – although for 20 per cent of insurers, the entire board has received this training.

Much more remains to be done in terms of hiring board members with sustainability-related experience, and training board members, before the boards of the largest global insurance companies can be considered ready to address the impacts their organisations are having and the risks they face.

Finding 2.3: Training on responsible investment and underwriting for employees is far more common than for board members.

While board-level expertise on sustainability-related issues is generally low, it is encouraging that the same does not appear to be the case for employees. Out of those insurers that actively participated in our survey, only 9 per cent indicate that no awareness-raising on responsible investment and underwriting has taken place in their organisations. A quarter (27 per cent) indicate that sustainability-related training is mandatory for some employees beyond the sustainability team, while 45 per cent state that such training takes place periodically.

The numbers are less impressive when considering the entire sample of insurers included in the survey: for 47 per cent, we could find no evidence of awareness-raising on responsible investment and underwriting taking place. This might be due to disclosure levels on internal training being relatively low, however. We encourage insurers to publicly disclose what types of training employees receive to reassure shareholders and other stakeholders that these issues are taken seriously and relevant internal capacity is being built.

Cathay Life: mandatory sustainability training for all staff

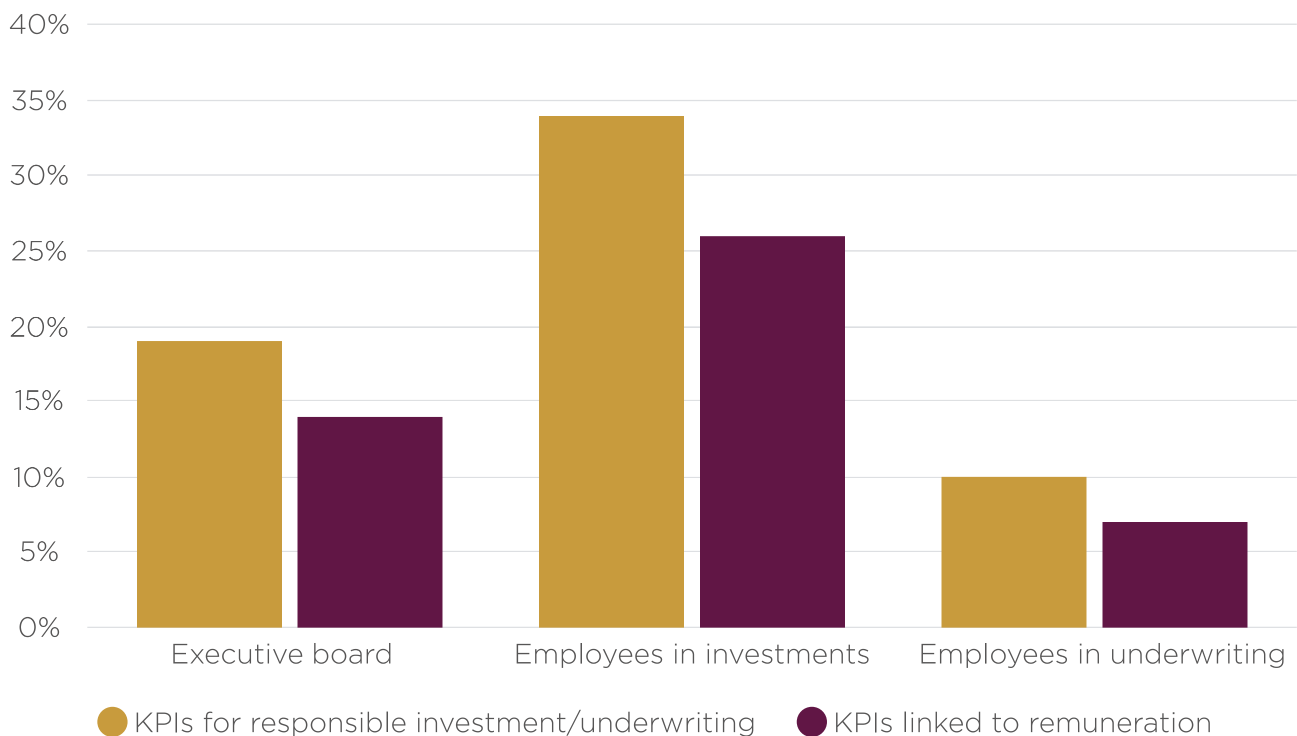
An example of **leading practice** comes from Cathay Life, which has made sustainability-related training mandatory for all employees. This covers the organisation's sustainability strategy, the Principles for Sustainable Insurance, responsible investment and underwriting, and corporate governance and is given annually or, for employees on the investment side, twice a year.

Finding 2.4: Few insurers have objectives linked to responsible investment and underwriting for their executive board or employees, and even fewer integrate these objectives into remuneration policies.

19 per cent of insurers have key performance indicators (KPIs) or objectives linked to responsible investment and underwriting for the executive board. For employees generally, such objectives appear to be considerably more popular on the investment side, rather than for employees on the underwriting side. 34 per cent of employees on the investment side have such objectives, compared to 10 per cent on the underwriting side.

14 per cent of insurers state that they link these KPIs to the remuneration policy or incentives for the executive board. The same applies to employees on the investment side for 26 per cent of companies, and employees on the underwriting side in 7 per cent.

Figure 10: Percentage of insurers with KPIs for responsible investment and underwriting



Generali: Sustainability KPIs

As an example of **leading practice**, Generali includes KPIs in the scorecards of the executive committee and employees on both the investment and underwriting sides of the company. On the investment side, KPIs are linked to the target of 4.5 billion euros of new green and sustainable investments by 2021, while on the underwriting side the target is a seven to 9 per cent increase in premiums from environmental and social products by 2021. These targets form part of the scorecards of approximately 200 employees in senior positions.

Diversity and inclusion

Finding 2.5: Insurers from Asia have 11 per cent female representation on the board while those from North America and Europe have 32 and 34 per cent respectively.

Our questionnaire covered diversity and inclusion, with a particular focus on disclosure (where legally permitted) and strategies to improve organisational diversity and inclusion.

The case for better female representation at board-level has been well established, both in terms of its effect on increasing firm performance as well as promoting greater opportunities for women. Indeed, research has shown that strong growth among European companies is most likely to occur where there is a higher proportion of women in senior management teams[11]. Companies with more women on their boards have also been found to outperform their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity[12].

However, despite the evidence, our research finds across the world's 70 largest insurance companies that women are underrepresented at the board level, with the average percentage of women on the board at 25 per cent. Asia is the region with poorest performance in this regard, with an average of only 11 per cent female appointments at the board level.

Figure 11: Board-level gender diversity across regions

Region	Average percentage female
Europe	34%
North America	32%
Asia	11%
Global average	**25%**

Finding 2.6: Just eight insurers disclose the level of racial diversity at board level.

Racial diversity at the board level is a significant factor in bringing a diverse range of views and experiences to the table. There is mounting evidence to suggest that board level diversity improves a firm's financial performance. In 2018, a McKinsey report stated: "Diverse companies are 33% more likely to have greater financial returns than their less-diverse industry peers".[13]

Our assessment indicates that the insurance sector is failing to engage with the topic. In countries where it is legally permissible to collect and publish racial diversity information, only eight of the assessed insurers have done so. While these insurers provided the percentage split for racial diversity at the board level, a number of other insurers gave less specific diversity information, such as about nationality or the percentage of 'minorities'.

Of the 20 US-based insurers we assessed, only 4 (20 per cent) disclosed information on racial diversity, indicating that the US insurance industry appears unresponsive to calls for greater corporate board-level representation in the wake of Black Lives Matter protests.[14]

Finding 2.7: Only 50 per cent of assessed insurers are taking action to improve their operational workforce diversity and inclusion.

Figure 12: Actions taken to improve employee diversity and inclusion sorted by frequency

Action taken to improve diversity and inclusion	Frequency
Recruitment process has been adapted to promote greater workforce diversity	34
Setting of time-bound diversity and inclusion targets and/or KPIs to improve performance	31
Adoption of a shared parental leave policy that exceeds statutory requirements	27
Publication of examples of positive outcomes of improved diversity and inclusion performance	20
Assessment of the extent to which employees feel included in the workplace and/or identify challenges to inclusion	17

34 insurers refer to promoting diversity through their recruitment processes, however relatively few demonstrate evidence of having taken concrete action to improve workforce diversity through recruitment. The most frequent example given is unconscious bias training for those involved in the recruitment process. Other examples of strong practice from assessed insurers are: advertising jobs through diverse networks, gender-balanced interview panels, and advertising roles as open to flexible working patterns.

Among time-bound diversity and inclusion targets companies set, the most commonly used target relates to the percentage of women in leadership positions.

Stewardship

Finding 2.8: Only a small minority of the surveyed insurers and their managers have robust strategies to escalate their engagement with portfolio companies.

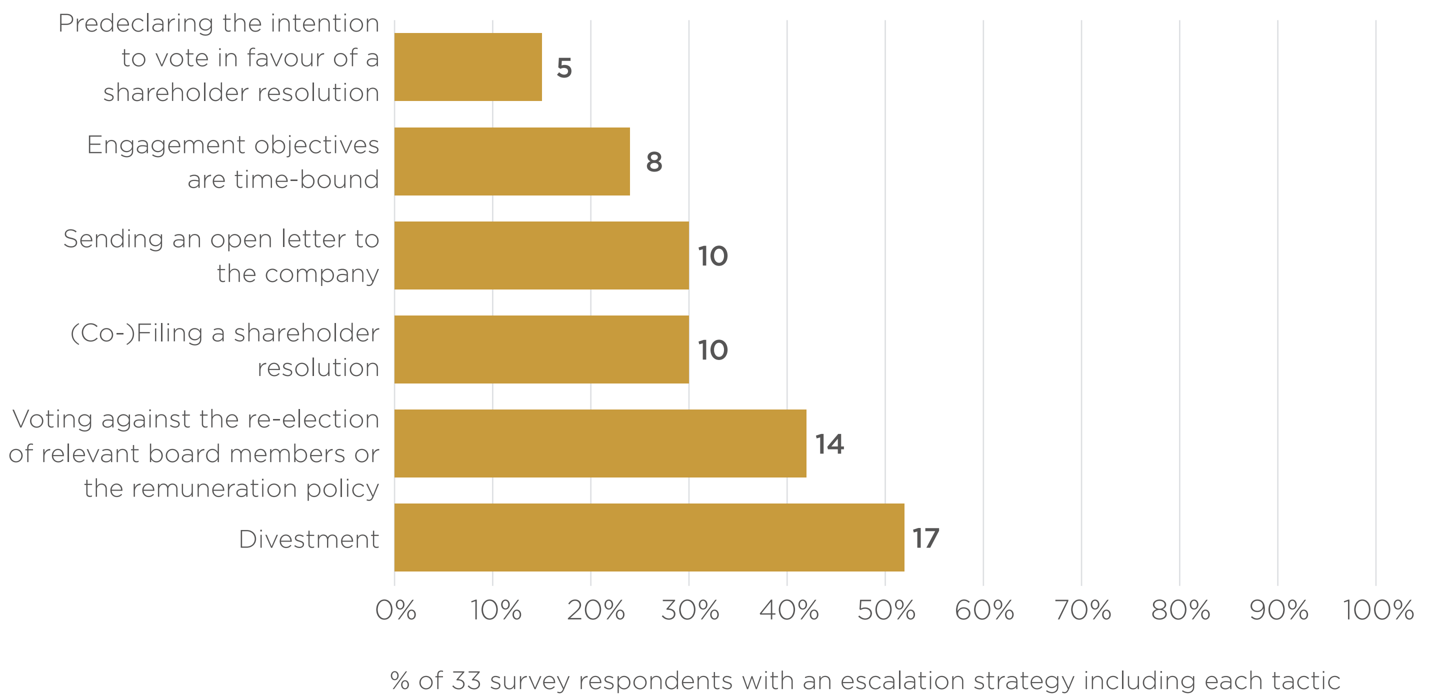
Transparent and consistently implemented procedures to escalate engagement are a key component of a successful stewardship strategy.

In the absence of evidence of time-bound, clearly defined engagement milestones, and a strategy for escalating pressure on unresponsive companies, it is impossible to determine the effectiveness of stewardship conducted by insurers and their managers.

Of the 33 companies that participated in the survey, 15 per cent do not have an escalation strategy for listed equity, and only 24 per cent set time-bound engagement objectives.

Their shareholder voting rights give investors in listed equity a number of escalation tools, yet most respondents appear not to be using these. 42 per cent of survey respondents indicate that they consider voting against the re-election of certain board members or the remuneration policy, although only 15 per cent provided evidence of having done so. 30 per cent of insurers indicate that filing or co-filing a shareholder resolution is one of their escalation tools, however, fewer than half of them gave evidence of having used it in practice. Only 15 per cent of respondents state that they may choose to publicly voice the intention to vote against management ahead of an AGM and even fewer cited instances when this step was taken. Additional commentary provided by respondents also suggests that the decision to predeclare voting intentions is only taken on rare occasions.

Figure 13: Engagement escalation tactics



Interestingly, divestment is the most commonly selected escalation tool among survey respondents (17 insurers). While divestment is an essential part of an escalation strategy, it is important that investors take full advantage of their voice as shareholders and intensify pressure on the companies that they hold before divesting. These findings indicate that there is a need for more active and continued involvement from insurers and their managers in driving change in corporate performance to ensure a managed and fair transition to a more sustainable economy.

Other examples of escalation cited by survey respondents include targeting higher levels of corporate hierarchy while conducting dialogue with companies, working with other investors, and taking legal action.

Legal & General: publishing company assessments online

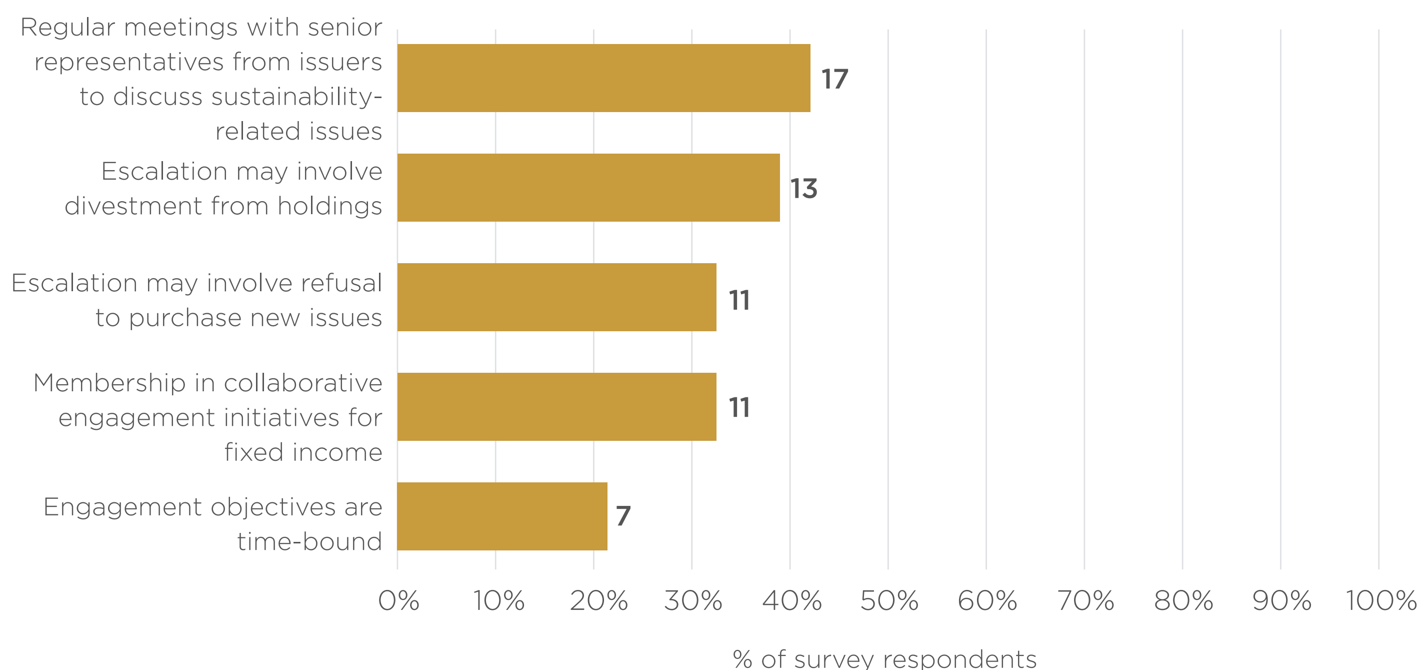
Legal & General makes its ESG assessments of companies publicly available on its website, which may be helpful in leveraging public pressure in company engagement. This disclosure includes the assessment methodology, overall company scores and performance on 28 data points spanning governance, transparency and environmental and social issues. In addition, Legal & General Investment Management's voting policy states that from 2022, they will vote against any investee company that scores poorly on transparency criteria. This will include companies that do not meet minimum disclosure requirements across ESG reporting standards and verification, including CDP reporting, as well as tax, director and remuneration disclosures. To demonstrate its own commitment to transparency, LGIM intends to publish the list of targeted companies on its website.

Finding 2.9: Insurers and their managers have a less robust approach to corporate bondholder engagement than they do with respect to listed investee companies.

Debt as well as equity holders have responsibilities to engage on ESG issues.[15] Studies suggest that bond investors may in some aspects be more powerful than equity holders in driving company performance, thanks to the potential leverage that withholding debt financing can provide.[16][17] This is particularly important in the insurance industry, where the typical portfolio is heavily weighted towards fixed income.

Of the 33 insurers that responded to our survey, 51 per cent indicate that they, or their managers, meet regularly with senior representatives from bond issuers to discuss ESG topics, and one third say that they take part in collaborative initiatives for fixed income, mostly citing Climate Action 100+ engagement.

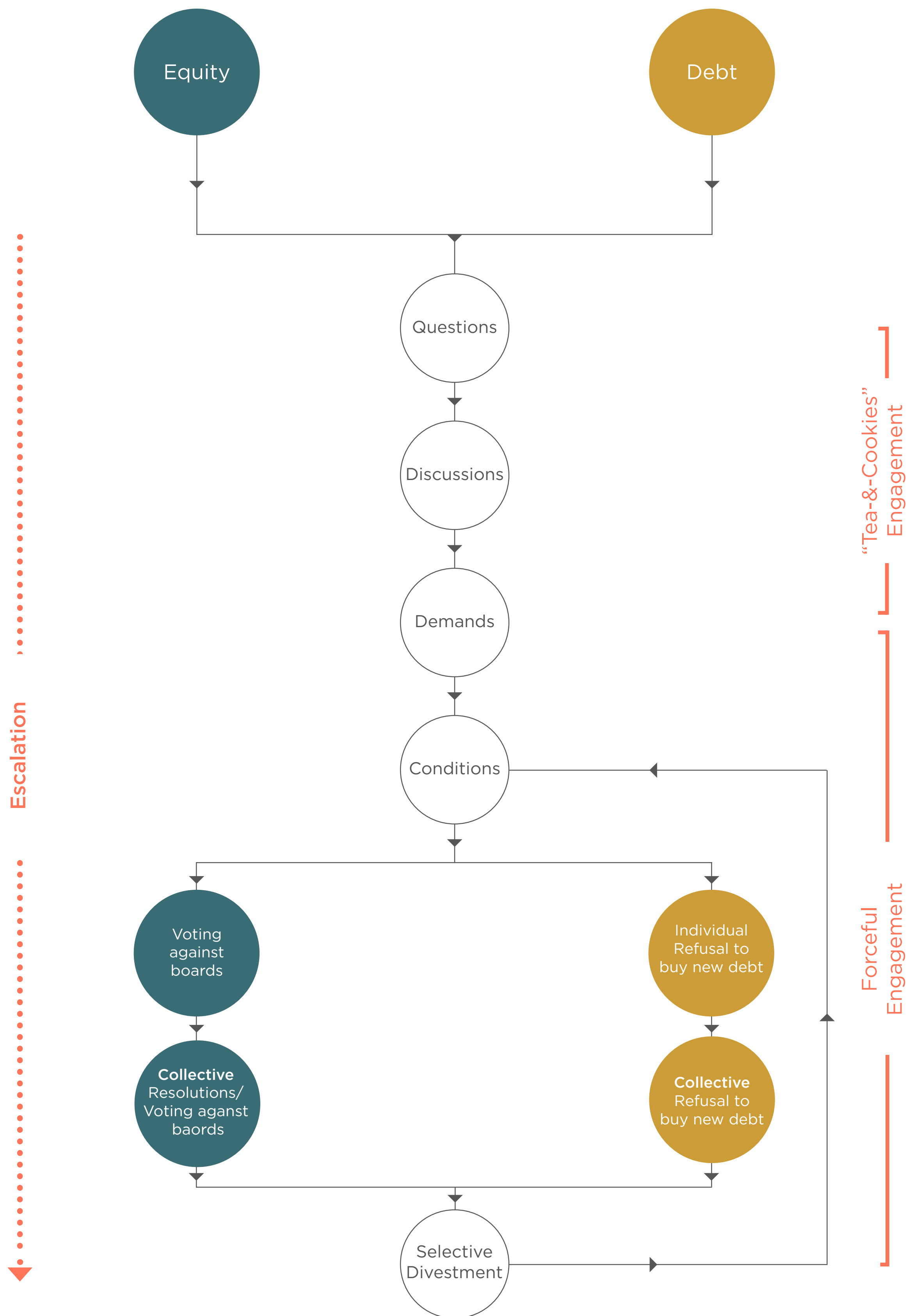
Figure 14: Approach to engagement with corporate bond issuers



Escalation of bond engagement appears to be relatively rare, with approximately a third of survey respondents declaring that their escalation strategy involves divestment from holdings or refusal to purchase new issues. Only 21 per cent of insurers provide evidence of having taken either of these steps in the past. As in the case of listed equity, in the absence of time-bound engagement goal setting at most insurance companies, it is unclear how effective the dialogue with corporate issuers is and what triggers increased pressure on companies.

We believe that bond investors should use the levers available to them to conduct forceful engagement, in line with the framework presented below.

Figure 15: Equity and bond stewardship - steps



Source: ShareAction

Finding 2.10: There is generally little transparency around insurers' and their managers' engagement escalation strategies and their implementation.

Our research suggests that insurers and their managers generally provide little detail on their escalation practices in publicly available policy documents and reporting. None of the non-participating companies were found to disclose examples of unsuccessful engagement on environmental and social topics and how this engagement was escalated. With the exception of a single company, insurers' PRI Transparency Reports were the only source of information on engagement escalation for companies which did not respond to our survey.

While the 2020 PRI Reporting Framework includes an indicator relating to listed equity escalation strategy, it does not allow for an assessment of how, and to what extent, selected escalation tools are used in practice.[18] For bondholder engagement, disclosure on performance on all PRI indicators is voluntary, and it is rare for insurers to make their full responses publicly available.

It is therefore crucial that insurers publish their own comprehensive disclosures on their overall escalation strategy, including detail on steps, timelines and triggers for escalation, and how it is implemented in practice.

Finding 2.11: Less than a third of insurers or their managers publish annual disclosures of their stewardship activities including information on the volume, topics and case studies of ESG engagements.

Our research shows that the majority of insurers do not disclose sufficient information on the engagement activities conducted on their behalf, with the most comprehensive reporting usually originating from the investment management divisions of insurers with an internal asset management function.

Across the whole sample of insurers surveyed, 36 per cent provide at least top-level public disclosure of their engagement activities. 29 per cent include examples of ESG engagements in their reporting, with the quality of disclosure varying widely between companies. A number of insurers in this category publish only a handful of short case studies, including only a single example of engagement on environmental or social issues. In the majority of stewardship reports, these disclosures are anonymised, specifying the industry and country the company operates in only.

While 20 per cent of insurers disclose some information on the outcomes of engagement, this is typically limited to a small sample of case studies, and only 6 per cent include cases of unsuccessful engagement in their reporting.

Figure 16: Quality of ESG engagement disclosure

	% of surveyed insurers
No public disclosure of ESG engagement	64%
Number of engagements and/or targeted companies	30%
Sample of case studies	29%
Breakdown of engagement activities by topic	23%
Information on the outcomes of engagement	20%
Full list of companies engaged with	7%
Examples of unsuccessful engagement and the use of escalation strategy	6%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

% of surveyed insurers

Legal and General Investment Management and Aviva Investors: Annual engagement reports

Legal and General Investment Management and Aviva Investors publish annual reports which include representative samples of engagement case studies on a wide range of ESG topics, complete with the names of the companies concerned. These detail the outcomes of engagements and the use of escalation strategy. Legal and General Investment Management also includes company ESG scores calculated based on a transparent, proprietary methodology.

Given the organisational complexity of insurance companies, there is a strong need for improved transparency on stewardship strategies and the activities of the asset managers that engage with companies on behalf of the insurer. Insurers' disclosures should clarify which business units or firms are responsible for the management and stewardship of their proprietary assets, and provide a comprehensive overview of their stewardship activities, or, at the very least, include direct links to managers' engagement reporting.

Finding 2.12: Only 20 per cent of insurers disclose full proxy voting records and only 7 per cent provide consistent and comprehensive disclosure of voting rationales.

Only 14 of the surveyed insurers or their managers disclose full records of proxy votes cast at company annual general meetings. Of these, only three make their voting decisions public within one day of the vote, another two publish their votes within one month, and a further five provide quarterly or twice-yearly disclosure. Of the insurers that disclose their voting records, only half do so through a searchable online database, with the other half publishing their voting records in PDF documents, which are more difficult for stakeholders to navigate.

Publishing voting rationales is a key part of proxy voting disclosure. While eight insurers include some commentary on particular voting decisions, only five provide comprehensive rationales that set out investor views on the issue and are specific to companies concerned.

At a minimum, investors should disclose their rationales for all votes on shareholder proposals on environmental and social issues, and all votes against management on other items. It is important that disclosures are made with the aim of communicating the investor's position on the subject of the proposal to a wider stakeholder group. Rationales that simply state that a proposal is "not aligned with shareholder interests" or "does not add value" do not fulfil that objective.

Allianz Global Investors and Legal and General Investment Management: comprehensive voting disclosures

Internal asset managers of Allianz and Legal & General, Allianz Global Investors and Legal and General Investment Management, are clear leaders in terms of the quality and timeliness of proxy voting disclosure. Both companies publish voting decisions within one day of the vote in a user-friendly database which allows viewers to search by market, sector, voting decision, alignment with management, and proposal type. They include comprehensive rationales for votes on shareholder resolutions and against management on routine voting items, which set out their position on the subject of the proposal in the context of company performance. Direct links to relevant policy documents allow users to judge whether particular voting decisions are consistent with the manager's overall strategy.

Royal London: transparency over managers' voting records

There is also a particular need for greater transparency around the voting behaviour of insurers' external managers. Royal London has a dedicated voting webpage, which includes links to the voting records of Royal London Asset Management, as well as of five of the company's external managers, allowing stakeholders to build a more complete picture of how the insurer's shares are voted on.

Finding 2.13: Although 41 per cent of insurers have publicly available voting policies, these documents tend to include broad principles on ESG topics in general. Specific guidelines explaining the investor's approach to proposals on climate change, human rights and nature loss are relatively rare.

While 41 per cent of the surveyed insurers have a publicly available voting policy, either at parent company level or for their associated asset manager, only 16 per cent publish specific voting guidelines on environmental or social issues.

Voting guidelines on climate-related disclosures tend to be more precise and detailed than on any other ESG topic. Ten insurers' voting policies state that they generally support shareholder proposals that ask for improved disclosure of climate-related risks. It is less common for policies to contain clear voting instructions for resolutions asking companies to take concrete action, with only five insurers stating that they are generally supportive of proposals around emissions reductions aligned with the goals of the Paris Agreement, scenario analysis and setting science-based targets.

Voting policies tend to focus less on other environmental matters, with only five insurers indicating support for proposals asking for the disclosure of some aspects of company footprint on nature.

Legal and General, NN Investment Partners and Desjardins: voting guidelines on wider environmental issues

More progressive policies include Legal and General Investment Management's corporate governance guidelines, which state that companies are strongly encouraged to report via the CDP Water and Forest questionnaires, and NN Investment Partners' Proxy Voting Policy, which indicates support for proposals asking companies to develop comprehensive recycling programmes and take proactive steps to mitigate their environmental footprint. Desjardins Global Asset Management (DGAM)'s policy states that it will vote FOR proposals requiring the adoption of quantifiable objectives related to pollution reduction.

Only six insurers have voting policies that indicate general support for proposals asking for the disclosure of diversity data or corporate impacts on human and labour rights, and of those, only four support more action-oriented resolutions, such as the development of anti-discrimination, or human rights policies more broadly.

Desjardins, Legal and General and Groupama: strong positions on social issues

DGAM's voting policy states that the investor will vote FOR companies adopting codes of conduct or measures affecting: 1) labour rights as set forth by the International Labour Organization, and in particular prohibition of forced and child labour, prohibition of discrimination, and rights of association and collective bargaining, 2) anti-discrimination policies, 3) fundamental rights in areas of conflict, 4) assurance of adequate working conditions in all company facilities and by its subcontractors throughout the world. DGAM will also vote FOR any resolution calling on an internationally recognised certification organisation to monitor human rights compliance in company facilities and those of its subcontractors' facilities, and to draft recommendations.

Legal and General Investment Management and Groupama Asset Management are unusual in that their voting policies address the concerns around rising inequality and economic difficulties resulting from the Covid-19 pandemic. The introduction to LGIM's corporate governance guidelines, LGIM states that it expects companies to consider the interests of all stakeholders and encourages boards to demonstrate restraint in relation to executive remuneration; it also commits to monitor and take these factors into account in its voting decisions during 2021. Meanwhile, Groupama AM made a clear commitment to vote throughout the 2020 proxy voting season against remuneration proposals at companies where employees had suffered pay cuts as a result of the pandemic and/or the company received government aid, but executive compensation did not change.

A holistic approach to stewardship requires that investors not only support relevant shareholder resolutions, but also that sustainability-related concerns inform decisions on routine voting items. Yet only five insurers include provisions for voting against the re-election of board members or remuneration policies where progress on wider sustainability-related issues is insufficient, and a further three indicate they may vote against directors where board gender diversity does not meet a certain threshold.

Aviva and AXA: voting against directors, reports and accounts at companies which fall short of ESG standards

Leading practice in this area includes Aviva Investors' commitment to vote against directors with sustainability responsibilities, or against the reports and accounts of companies in sectors with a high impact on the climate, where the company has not committed to publish science-based climate targets. AXA Investment Management's policy also states that it may withhold support from directors or management resolutions on reports, accounts and remuneration at companies in high-risk sectors with no environmental or social performance metrics in performance-related pay.

Notably, none of the 20 US insurers within the scope of our survey were found to have a publicly available voting policy, while 17 out of 23 (74 per cent) European insurers or their internal managers published voting guidelines. 8 out of 10 (80 per cent) Japanese insurers also had a publicly available

policy, which may be a sign of the positive role that regulatory frameworks, such as the Japanese Stewardship Code, can play in pushing the industry forward, even in the absence of legally binding measures.

Engagement with governments, policymakers and regulators

Finding 2.14: Around a third of insurers engage with policymakers and regulators to advocate for better integration of ESG issues into regulation governing the insurance industry, with insurers that operate in more progressive regulatory environments showing stronger initiative in this area.

Of all the insurers surveyed, 31 per cent provided evidence that they engage with regulators, either in response to our survey or in reports. The most common examples included engagement on the EU Sustainable Finance Action Plan, corporate governance and stewardship codes at national level, US Securities and Exchange Commission regulation, and input into consultations conducted by the European Commission and the European Insurance and Occupational Pensions Authority.

Our research shows that European insurers tend to be more proactive in engaging with financial regulators than insurers from other regions, with 65 per cent of European insurers providing detail on their engagements. Only two of the 20 US companies surveyed indicated that they engage with regulators, without providing detail on particular engagements or positions taken, and they appear to do so predominantly through industry associations.

Legal and General: transparency on policy advocacy

In its 2019 Active Ownership report, Legal and General Investment Management provides detail on the public policy advocacy activities it undertook. This includes a summary of engagements by topic, as well as examples of key engagements conducted with different regulatory authorities, detailing LGIM's views and focus areas.

Finding 2.15: On the whole, insurers are less likely to advocate for stronger environmental and social policy than they are to engage on regulation governing the insurance industry.

Advocating for stronger environmental and social policy can be a powerful tool complementing dialogue with individual companies, given the power of policymakers to both change the rules of the game and ensure compliance. It presents an opportunity for insurers to realise goals otherwise only achievable through long-term resource-intensive engagement with large numbers of clients and portfolio companies. Yet only 26 per cent of insurers indicated that they encourage better regulation in the real economy in their dialogue with policymakers, with engagement on social issues appearing far less common than on environmental matters.

Examples of engagement on public policy commonly included calls for the implementation of net-zero targets by governments, establishing a viable carbon price, a green recovery after the Covid-19

pandemic, and stepping up climate-related action ahead of the 2021 UN Climate Change Conference, known as COP26.

Strikingly, some European insurers reported that they have championed stricter environmental regulation in the US or a stronger focus on ESG from the US Securities Exchange Commission, however, US insurers did not share any evidence that they are making efforts to drive positive changes in environmental or social policy in their own region.

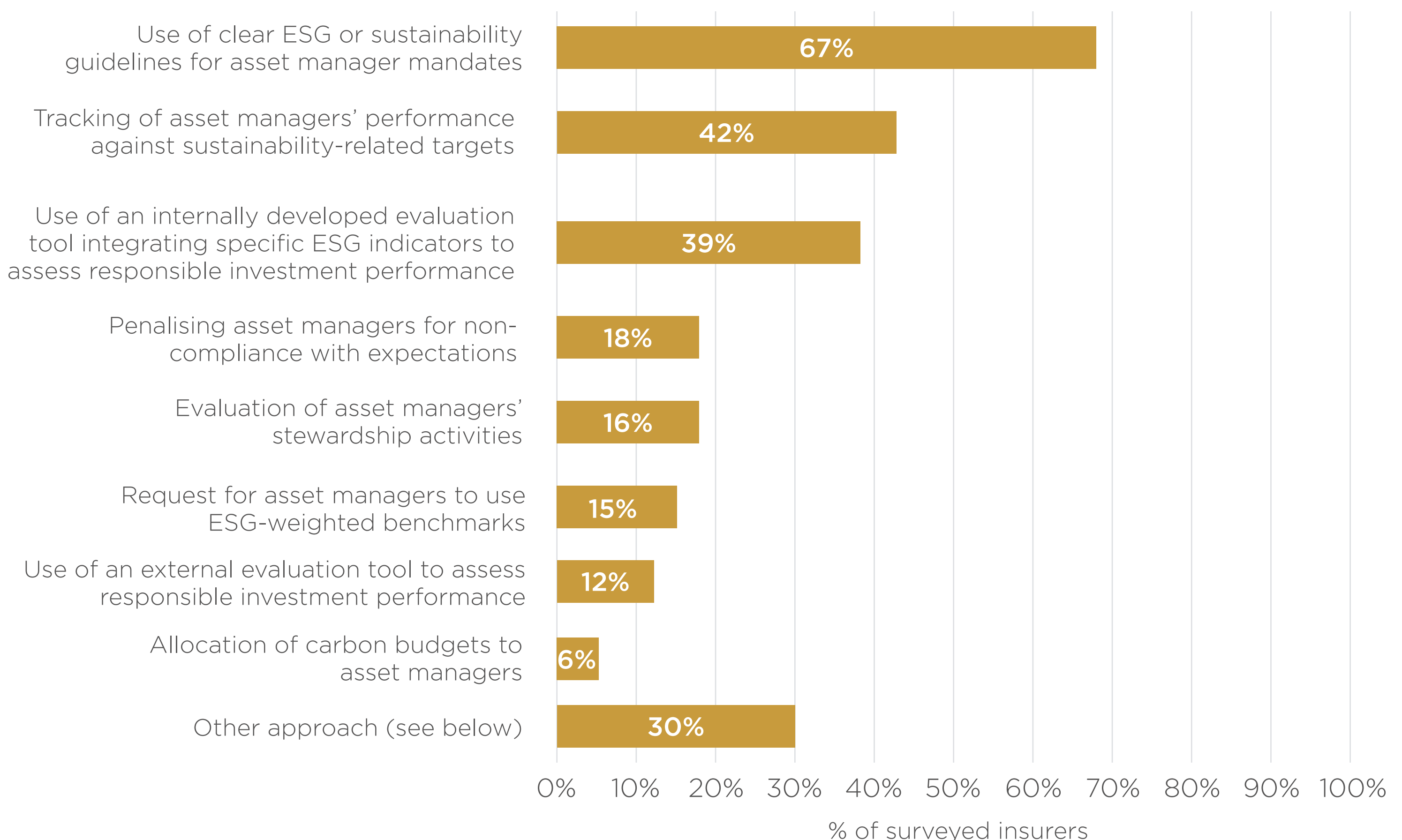
Service provider selection, monitoring and accountability

Finding 2.16: Insufficient attention is paid to responsible investment in the asset manager selection and monitoring process.

When selecting asset managers, only a quarter (24 per cent) of insurers that actively participated in the survey indicate that they purposefully choose asset managers with a strong approach to responsible investment. Another quarter (24 per cent) report not analysing managers' responsible investment policies at all. This is concerning, as it appears that many insurers do no or very little due diligence to ensure their assets are being managed responsibly.

In terms of monitoring asset managers' responsible investment performance once they are in post, the most popular approaches of the insurers that participated in the survey are listed in Figure 17:

Figure 17: Approaches to asset manager monitoring



As for other approaches, insurers mention the following:

- Use of a responsible investment management system based on the PRI;
- Consideration of who is a PRI member / an expectation for the asset manager to sign up;
- Requesting reporting on how ESG incorporation affected investment decisions and portfolio performance; and
- Requirements for specific asset classes, such as real estate.

We note that using PRI membership as a criterion in asset manager monitoring is questionable, as most large asset managers are now members without necessarily having an advanced approach to responsible investment.[19]

When looking at the broader sample of all insurers included in this survey (not just those that actively participated), the percentage of insurers integrating ESG or sustainability into manager selection and monitoring processes appears to be considerably lower. However, many asset owners do not report sufficiently on asset manager relationships, so it is difficult to draw any conclusions about how widespread asset manager selection and monitoring based on ESG factors is. ShareAction encourages all insurers to publicly report how responsible investment is integrated into the manager selection and monitoring process, as well as contracts.

Chapter 3: Climate change

Progress on climate change is insufficient, with most insurers lacking a clear and comprehensive policy.

Although more progress has been made on climate change than in the other areas addressed in our survey, there is still a long way for insurers to go, especially in terms of their underwriting activities. Fewer than half have a climate change policy, and only a third refer to their underwriting activities in these policies. 13 per cent have made net-zero commitments, but these usually only cover investment activities. Climate-related engagement is much more common with investee companies than with clients. Fewer than half of surveyed insurers have carried out scenario analysis, use any kind of climate-related metrics, or have adopted policies introducing restrictions on coal. None of the assessed insurers have restrictions on conventional oil and gas, and only a small percentage exclude tar sands, shale oil or Arctic oil. None have adopted a formalised approach to biomass. More than half of assessed insurers have not started to report in line with the TCFD recommendations.

Investments

Finding 3.1: 56 per cent of assessed insurers do not have an investment policy covering climate change.

Figure 18: Percentage of insurers with investment policy covering climate change across regions

Region	% of assessed insurers with a climate policy
Europe	78%
Asia	35%
North America	21%

The majority (78 per cent) of assessed European insurers have an investment policy covering climate change. This is in stark contrast to Asia and North America, where only 35 per cent and 21 per cent of insurers have climate policies respectively.

Having a publicly available policy is the first step in ensuring that climate-related risks are adequately managed. The fact that a number of these large insurers, particularly in Asia and North America, have not taken this first step, indicates that they do not have a consistent approach to climate change in their investments, and decisions are left to the discretion of asset managers.

Figure 19: Percentage of insurers with investment policy covering climate change across countries.

Country	Total number of insurers	Insurers with climate policy	Percentage
France	4	4	100%
United Kingdom	5	4	80%
Canada	4	3	75%
Switzerland	4	3	75%
Japan	10	6	60%
Germany	4	2	50%
China	6	1	17%
USA	20	2	10%

Within North America, Canadian insurers are further ahead than insurers in the US; three out of four Canadian insurers have a climate change policy covering investments as opposed to only two out of twenty of insurers from the US.

We found a similar imbalance in Asia, with 60 per cent of insurers in Japan having a policy, while only 17 per cent in China do.

Finding 3.2: Eleven of the 70 assessed insurance companies have made net-zero commitments.

Public commitments by corporates and financial institutions to achieve no net impact on greenhouse gas emissions, reaching a state of 'net-zero' by a specified date, have become increasingly popular in recent years, thanks to a number of high-profile initiatives created to support these ambitions.

When ShareAction assessed the insurance industry's response to climate change in 2018, none of the insurers we assessed had made a net-zero commitment, although 11 per cent had made some reference to working towards achieving the goals of the Paris Agreement.[ii]

In 2021, however, 16 per cent (11) of the assessed insurers have made a net-zero commitment. Nine of these have been made through the Net-Zero Asset Owner Alliance, a UN Environment Programme Finance Initiative backed coalition of institutional investors making a commitment to transition their investment portfolios to net-zero greenhouse gas emissions by 2050. The other two made their commitments through the Institutional Investors Group on Climate Change's Net-Zero framework.

Ten out of the eleven net-zero commitments have come from European insurers, further reinforcing this report's finding that European insurers are leading on their approach to climate change.

ii 80 per cent of the insurers covered in the 2021 assessment were also covered in the 2018 assessment.

A new Net-Zero Insurance Alliance was announced in April 2021, set up by seven of the world's leading insurers and reinsurers, working with the UN Environment Programme Finance Initiative. It will build on the work of the Net-Zero Asset Owner Alliance, delivering sector-specific support for insurers looking to outline their ambition for net-zero greenhouse gas emissions.

While it is positive to see net-zero commitments grow in popularity, it is ShareAction's view that net-zero commitments should not be a proxy for sufficient action on climate change. Stakeholders should continue to ask tough questions on how companies with net-zero goals plan to implement them. In particular, stakeholders should question which scenarios companies' commitments are based on and to what extent these scenarios rely on removing carbon dioxide from the atmosphere (negative emissions) in later years over emissions reductions in the immediate future. Stakeholders should continue to scrutinise interim targets and monitor whether these are being met.

Finding 3.3: Only 3 of the 70 assessed insurers refer to ensuring a just transition in their investment policies.

The notion of a 'just transition' was incorporated in the Paris Agreement to signal the importance of addressing equity and inclusivity as the world decarbonises its economy. A just transition will mean the benefits of the transition are shared widely, and those who stand to lose economically – countries, regions, industries, communities, workers or consumers - are supported.

Our analysis found that only three of the assessed insurers explicitly address the social dimension of climate change and incorporate the just transition idea into policies on responsible investment. Two of these insurers specifically refer to a just transition as part of their coal phase-out engagement strategy.

Some pockets of the financial sector have argued that divestment from coal – the single biggest global source of greenhouse gas emissions – is not desirable given it may have negative social consequences in developing economies. Often this reasoning is flawed. Firstly, the expansion of coal infrastructure anywhere in the world is incompatible with the Paris goals, failure to meet which will disproportionately negatively affect low-income countries. Secondly, coal is not a prerequisite for economic development and has historically received too much credit for poverty reduction. For example, in both China and India, development has not always been correlated with the expansion of coal power.[iii]

iii "In China, the eradication of extreme poverty occurred mostly between 1981 and 1987 – before the large-scale deployment of coal power infrastructure. In India, 95,000 MW of new coal power capacity was installed between 2001 and 2011, yet the proportion of electricity-poor households in the country remained largely unchanged throughout that timeframe." ShareAction HSBC Investor Brief 2021 Available online at: https://shareaction.org/wp-content/uploads/2021/02/ShareAction-HSBC-Investor-Brief-2021-2.pdf

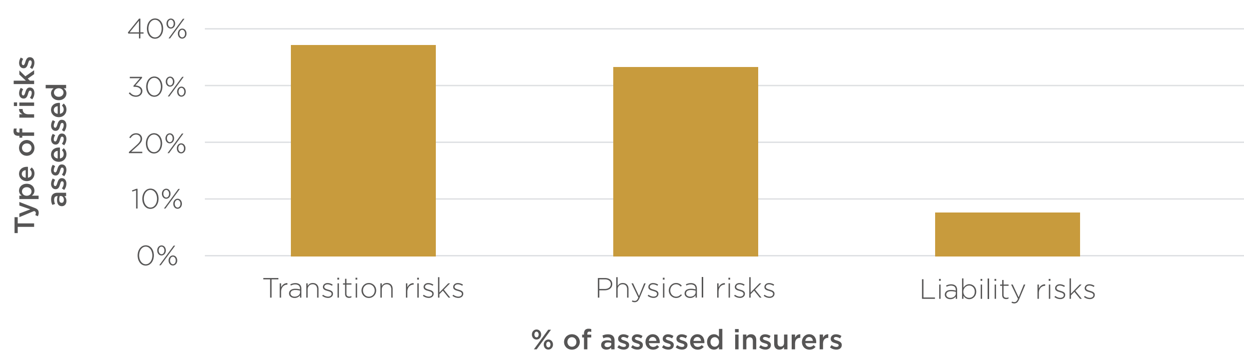
Finding 3.4: Only 40 per cent of assessed insurers have carried out climate scenario analysis of their investment portfolio.

Our research found that despite the insurance sector's focus on risk, the world's largest insurance companies are largely failing to assess the impact of climate change on their investment portfolios.

Scenario analysis allows investors to explore how physical, transition and liability risks associated with climate change might affect their portfolios over time. It helps inform strategic thinking and the assessment of various strategic outcomes and can prove invaluable in promoting internal awareness and supporting communications with clients and other stakeholders.

Our analysis found that just 40 per cent of insurers have carried out scenario analysis of their investment portfolio. Only 18 (26 per cent) have done so using two or more scenarios, including one for global temperature rise of 2°C or lower, as is recommended by the TCFD.

Figure 20: Percentage of insurers assessing types of risks assessed in scenario analysis.



Our research found that insurers commonly assessed investment portfolio resilience against transition and physical risks, while liability risks were assessed far less frequently.

Allianz and Aviva: leading practice on scenario analysis

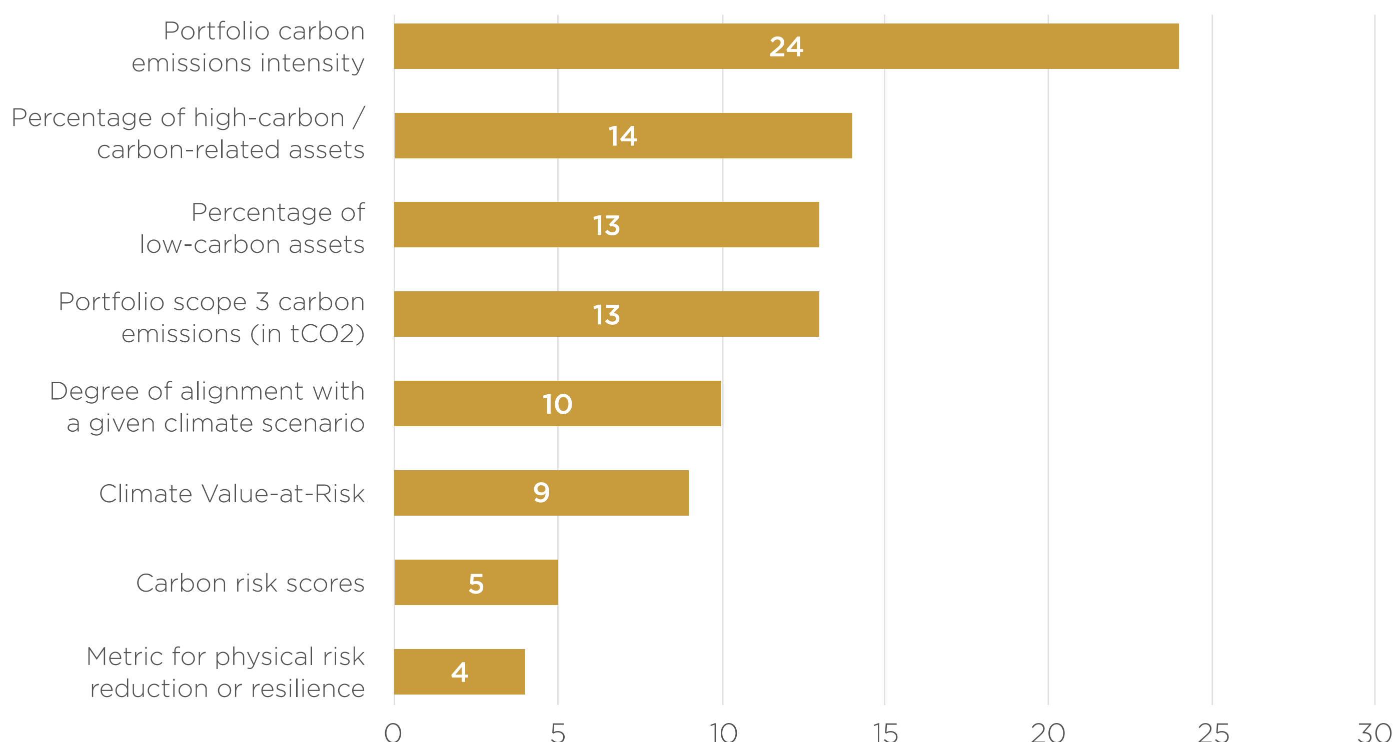
Allianz conducts scenario analysis portfolio stress testing across multiple time horizons up to 2050 and multiple warming scenarios from 1.5°C to 4°C, using internally developed models and external tools. It uses reference scenarios by the Intergovernmental Panel on Climate Change (IPCC), EU, International Energy Agency, International Renewable Energy Agency, or the Network for Greening the Financial System.

Allianz has also conducted a macroeconomic analysis of transition scenarios to highlight disrupted sectors, and used this to inform its approach. It outlines the strategic actions it has taken as a result of the scenario analysis in its public sustainability report[20]. Allianz has further published the results of its approach to modelling carbon risks for its listed equity portfolio across different carbon prices under different transition scenarios.
Aviva has developed a climate value-at-risk measure, in conjunction with the UNEP FI and other data providers, to assess portfolio resilience to physical and transition risks in a number of different IPCC scenarios. Aviva has set up an inter-disciplinary team of internal and external experts to oversee the process.

The industry is also showing lacklustre engagement with the developers of climate reference scenarios (such as the IEA, IPCC). Only 8 of the assessed insurers engage with developers of these scenarios on creating a 1.5°C scenario which does not rely heavily on negative emissions technologies or on adapting existing scenarios to not rely heavily on negative emissions technologies.

Finding 3.5: Just 47 per cent of assessed insurers use climate-related metrics for their investment portfolio.

Figure 21: Most frequently used climate-related investment metrics by insurers



34 per cent of insurers we surveyed measure their carbon emissions intensity, making this the most frequently used metric. Among the emissions-based methodologies, Weighted Average Carbon Intensity (tonnes of carbon dioxide equivalent emitted for each US$ million of revenue) was the most widespread. In terms of asset class coverage this most frequently covered an insurer's investments in listed equity and corporate bonds.

This finding echoes ShareAction's latest research on the asset management and pensions sectors, which similarly found emissions-based metrics were the most widely used.[21,22]

The widespread use of emissions-based metrics is likely a result of corporate carbon footprint information being commonly available through third party data providers, as well as being a recommendation of the TCFD.

We also found that insurers are relying on a number of third-party tools for a variety of climate metrics: most frequently MSCI (with particular use of climate Value-at-Risk, a forward-looking tool to measure climate related financial risks and opportunities in an investment portfolio. As well as warming potential, a tool calculate a portfolio's impact on climate change by quantifying what

degree of warming it is currently aligned with. Also frequently used by insurers is the 2° Investing Initiative portfolio alignment measurement tool – Paris Agreement Capital Transition Assessment (PACTA), a tool to measure the alignment of financial portfolios with climate scenarios.

Finding 3.6: Only 14 per cent of assessed insurers have set climate-related investment targets, the majority of which are interim targets to realise a net-zero ambition.

All nine of the assessed insurers that have made commitments through the Net-Zero Asset Owner Alliance have set at least one climate-related investment target. Eight have set portfolio decarbonisation targets for 2025, using carbon emissions intensity as a metric. Of these, two have set additional targets relating to percentage of assets in high-carbon and/or low-carbon investments.

Apart from those insurers with net-zero targets, only two insurers have set climate-related investment targets, both of which are carbon emissions intensity targets.

These findings reveal that while only 47 per cent of insurers are using climate-related metrics to assess their investment portfolio, even fewer (14 per cent) are actually translating these into concrete decarbonisation targets.

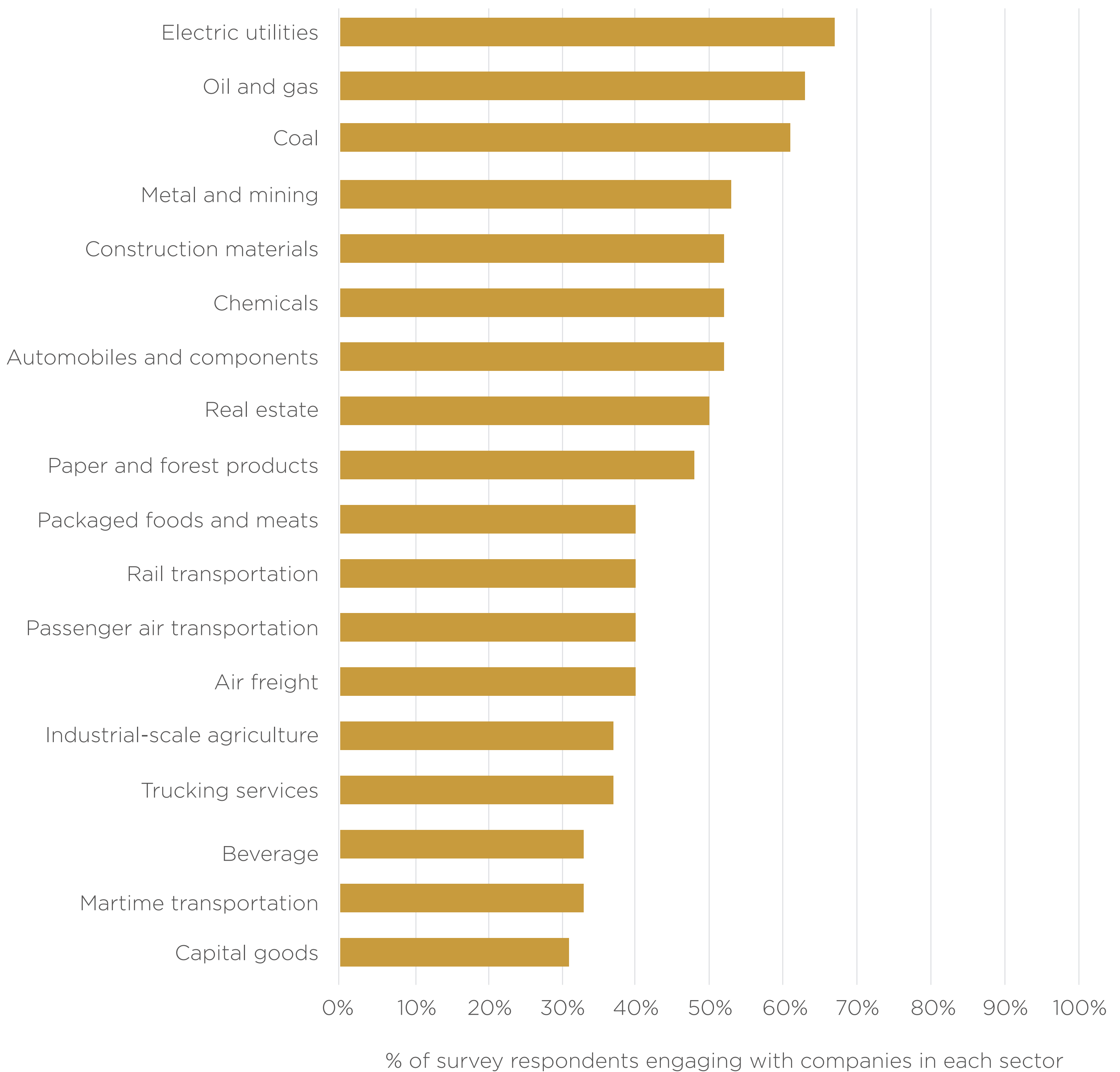
Finding 3.7: When conducting engagement on climate-related topics, insurers generally focus on companies active in coal, oil and gas and electric utilities, with transport and agriculture receiving less investor attention.

Of the insurers that responded to the survey and had investments in each respective sector, over 60 per cent indicated that they engage with portfolio companies in the electric utilities industry (excluding renewable electricity generation and distribution), oil and gas companies, and companies active in coal.

Only 40 per cent reported that they engage on climate-related topics with passenger air transportation and air freight companies, and only 37 per cent that they hold dialogues on climate issues in relation to industrial-scale agriculture.Sectors attracting the least attention in this context included capital goods (31 per cent), beverages and shipping (33 per cent each).

In a 2019 investor briefing, ShareAction highlighted the relative lack of scrutiny that shipping has faced in comparison to other carbon-intensive industries, and the resulting risks to investors and banks financing unsustainable industry practices. The briefing provided recommendations for investors engaging with shipping companies and with banks that lend to them. Given the structural barriers to decarbonisation and the heavy reliance of the shipping industry on fossil fuels, it is important that shipping no longer remains a marginal consideration for investors engaging on climate-related issues.

Figure 22: Engagement on climate-related topics

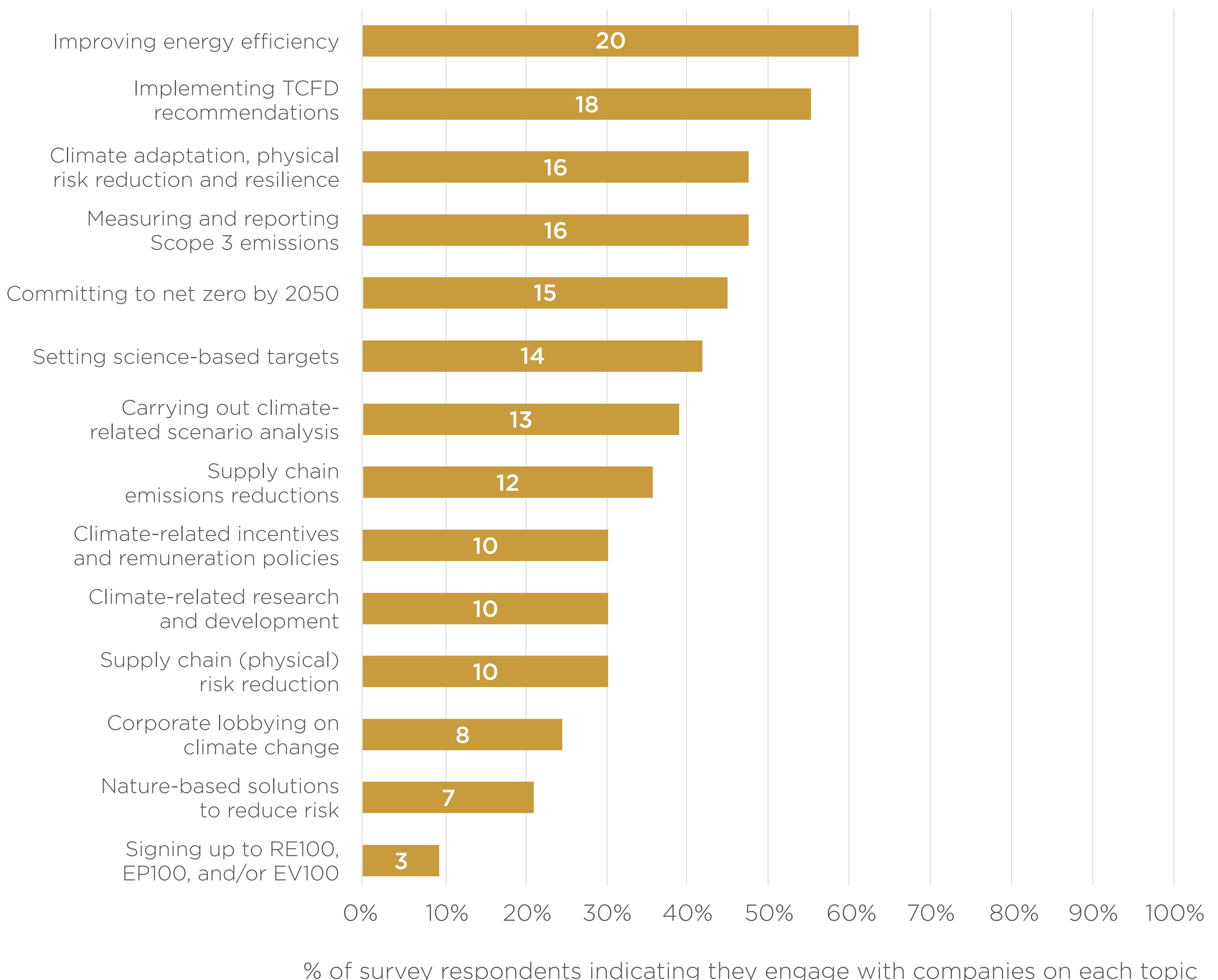


For insurers that did not participate in the survey, we found most evidence of engagement with companies in the coal sector and in relation to insurers' real estate assets (11 per cent of non-responders each). These two sectors were followed by the automotive sector (8 per cent), electric utilities, and oil and gas industry (5 per cent each).

Finding 3.8: Most common climate-related engagement asks include improving energy efficiency and implementing the TCFD recommendations.

Overall, survey responses indicate relatively strong engagement focus on transparency at the expense of more direct encouragement for companies to take decisive steps towards decarbonisation. While energy efficiency was the topic that the largest number of survey respondents engage with portfolio companies on, very few insurers included it among their top three priority asks. Among the 21 insurers that stated their three most important engagement topics, TCFD disclosure featured most prominently (16 insurers), followed by science-based targets (nine insurers), and climate adaptation and resilience (four insurers). Given the urgency of the climate crisis, it is crucial that engagement on transparency is accompanied by strong investor pressure on companies to reduce emissions in direct operations and along value chains, in line with the goals of the Paris Agreement.

Figure 23: Topics of climate-related engagement with portfolio companies



Low levels of engagement on research and development (30 per cent), climate-related remuneration policies (30 per cent) and corporate lobbying on climate change (24 per cent) are also concerning. As pay policies among the vast majority of the largest listed oil and gas companies continue to directly incentivise growing oil and gas production volumes,[23] it is key that investors make every effort to ensure the alignment of financial incentives and political activities with stated company objectives.

To maximise the chances of a successful low-carbon transition, it is also important that investors engage more forcefully on climate-related research and development, particularly as Covid-19 continues to force many companies to change their priorities, potentially stunting technological advances in clean energy.[24,25]

Finding 3.9: 43 per cent of the assessed insurers have policies restricting investment in coal power and 34 per cent have policies relating to thermal coal mining.

Coal is the single largest contributor to global warming and emits significantly more carbon dioxide per unit of energy than oil and gas. Carbon Tracker analysis shows that to stay on a 1.5°C warming pathway, emissions from coal must fall by around four-fifths this decade, that is twice as fast as emissions from oil and gas[26].

Yet, over half of the world's largest insurance companies have no formal restrictions on investments in thermal coal mining or energy production.

While a third of the assessed insurers have an exclusion policy for investment in coal mining and just under half have formalised guidelines for coal power, the strength of screening criteria varies significantly between policies.

An effective coal exclusion policy should include in its scope companies for which coal is a key part of the business model, as well as key industry players with more diversified activities. This can be ensured by applying screening criteria based on the absolute size of coal operations, the share of a company's coal-related business relative to its revenue or power production, and criteria relating to coal-related business expansion plans. However, only around a third of insurers with coal policies apply a combination of relative, absolute and expansion criteria to screen out the most harmful and risky investments in coal mining or coal power. Within this group, only two insurers have policies fully aligned with the authoritative Global Coal Exit List screening recommendations for both coal mining and power. The recently updated GCEL criteria cover companies with coal share of revenue or power production over 20 per cent, annual thermal coal production over 10 million tonnes (MT), coal-fired generation capacity over five gigawatts (GW), and any planned expansion of coal-related business.

Figure 24: Thermal coal – investment exclusion criteria

COAL MINING			
Relative threshold (% of revenue)	30%-25%	≤20%
	14 insurers	9 insurers
Absolute thresholds (MT annual production)	20MT	≤10MT
	4 insurers	4 insurers
No expansion plans	11 insurers	

COAL POWER		
Relative threshold (% of revenue or power production)	30%-25%	≤20%
	13 insurers	3 insurers
Absolute thresholds (GW coal-fired capacity)	10GW	5GW
	3 insurers	2 insurers
No expansion plans	11 insurers	

16 per cent of the assessed insurers have made a commitment to a global phase-out of all investment in thermal coal, either by 2030 (6 per cent) or 2040 (10 per cent). While these commitments are welcome and necessary, it is important that coal policies chart a detailed exit strategy, which includes progressively more stringent exclusion criteria. Insurers must also call on their remaining portfolio companies to develop plans for the closure, rather than sale, of their coal assets before 2030 in EU and OECD countries, and before 2040 in the rest of the world.[27] Companies that fail to announce their phase-out plans by a pre-determined date in the near term should be excluded from portfolios.

AG2R La Mondiale: strong policy on coal

AG2R La Mondiale's climate policy excludes companies with coal share of revenues or power production above 25 per cent, annual coal production over 10 MT, more than 10GW of coal-based power installed capacity, and companies with coal expansion plans. Every two years, AG2R La Mondiale will lower the exclusion threshold by 5 per cent, with a view to excluding coal from all portfolios by 2030.

The insurer commits to conduct dialogue with power producers and mining operators in its portfolio, to encourage them to adopt a plan to close all of their coal assets by 2030. It also encourages companies to take into account the social consequences of the withdrawal from coal and work towards responsible site disposal.

Finding 3.10: None of the assessed insurers have introduced restrictions on investment in conventional oil and gas, and only 14 per cent have exclusion policies for tar sands, shale oil or Arctic oil.

While coal is clearly becoming a mainstream concern within the financial industry, this is much less the case for other types of fossil fuels. Strikingly, none of the assessed insurers have imposed investment restrictions on conventional oil and gas. This is perhaps particularly surprising given the commitments made by 16 per cent of the surveyed companies to transition to carbon-neutral investment portfolios by 2050, in line with a maximum global temperature rise of 1.5°C.

While there are a number of possible pathways to staying below 1.5°C warming, it is clear that there remains very little room for oil and gas under any 1.5°C pathway that does not excessively rely on negative emission technologies.[28] All companies in the oil and gas sector must commit to credible transition plans, aligned with 1.5°C scenarios, which include cuts to production and absolute reductions in greenhouse gas emissions without excessive reliance on carbon dioxide removal technologies . None of the assessed insurers have yet made their investments in the oil and gas industry conditional on these essential steps.

Exclusion policies for unconventional oil and gas are also much less common than for thermal coal. Only 14 per cent of insurers impose restrictions on investment in tar sands, two of these insurers also include guidelines for shale oil, and just one restricts investment in Arctic oil. The level of ambition in terms of the exclusion criteria applied also varies widely between existing policies.

None of the four Canadian insurers included in this analysis place restrictions on investments or underwriting of tar sands, despite Canada being the global centre of commercial tar sands development. All of the assessed companies that exclude companies with business models reliant on unconventional oil and gas, both from current and future investments, are headquartered in Europe.

Achmea: refusing to invest in unconventional oil and gas

Achmea's policy prohibits investment in companies that derive more than 5 per cent of their revenues from the extraction of oil from tar sands, Arctic oil and gas, and shale oil and gas, as well as from the use of these fuels for electricity generation. Achmea publishes a list of excluded companies, which is updated twice a year.

Finding 3.11: None of the assessed insurers has adopted a formalised approach to investment in biomass.

Biomass has been neglected and misunderstood by investors, as highlighted in a 2019 research paper by ShareAction. Incorrectly treated as a renewable resource, biomass emits more carbon dioxide than coal at the point of combustion and, given the slow pace of forest carbon recovery, is not compatible with the urgent need for transition to net zero emissions by 2050.

The results of this survey reinforced the impression made by ShareAction's earlier study that investors lack understanding of the issue. None of the assessed insurers has a publicly available policy on investments in biomass, or a statement on the issue that considers its impacts on climate. Only one insurer briefly outlines expectations for portfolio companies on biomass in its engagement guidelines, which include compliance with the Roundtable on Sustainable Biomaterials Principles and mitigating adverse impacts of biomass production on food availability and protected areas. Furthermore, one insurer indicated that it conducts engagement with US policymakers to advocate for the use of biomass as a carbon-neutral fuel. This is a cause for serious concern and a sign that there is an urgent need for increased awareness of the risks and impacts of biomass power generation.

Underwriting

Finding 3.12: Most insurers' climate policies and targets do not cover their underwriting activities.

Only 30 per cent of insurers included in the survey have a policy on climate change that covers their underwriting activities (compared to 44 per cent that cover investment activities). This is concerning, considering underwriting insurance contracts is an insurance company's core business, and climate change is likely to have (and indeed already is having) a severe impact on the industry.

Only two insurers claim to have set net-zero targets for their underwriting activities. However, neither of these has published a clear plan outlining how they will achieve this. They reference their decisions to stop insuring certain fossil fuel-related activities or companies, but this is something many other insurers do too, without claiming to have a net-zero strategy. More work needs to be done to determine what exactly net zero means for an insurer, and the Net-Zero Insurance Alliance, which is currently being established, is very welcome in this regard.[29]

Many of the insurers that do not currently have a policy on climate change are pure life or health insurers, and there appears to be a perception, at least by some of the respondents, that climate change is not as relevant to this type of insurance. While it is true that climate change will affect life and health insurers differently from property and casualty insurers, it is nevertheless crucial that these insurers adopt policies on climate change too.

Life and health insurance and climate change

Climate change can have a considerable impact on the core business of life and health insurers. A report by the Institute and Faculty of Actuaries summarises the various factors at play:[30]

- changes to economic growth and performance in wider economies, and effects of these on the demand for insurance products and their pricing
- changes to current mortality and morbidity and uncertainty around future trends
- changes to the insurance regulatory environment
- uncertainty around timing, magnitude and response to climate change.

These factors can have a material impact on product design and pricing, financial and strategic planning, reserving, risk management and current demographic assumptions used in risk modelling.

Life and health insurers can also help increase their clients' resilience to climate-related impacts by sharing their own risk assessments and providing advice. For example, some insurers have been developing early warning systems to alert people ahead of natural disasters.

Finding 3.13: Almost half of the insurers surveyed offer climate-related products or services.

43 per cent of surveyed insurers offer at least one type of climate-related product or service. Figure 25 lists some of the most popular low-carbon and climate resiliency-related products and services cited by surveyed insurers.

Figure 25: Climate-related products and services

Percentage of insurers	Product or service
19%	Risk engineering to increase resilience and help clients adapt to physical risks
13%	Sharing of risk assessment data with clients
13%	Publication of research and knowledge sharing on transition, physical or liability risks
7%	Climate-related advisory services
Percentage of insurers with a P&C business	
48%	Specialist insurance of low-carbon infrastructure
26%	Preferential pricing on insurance premiums for low-carbon clients or projects
26%	Introduction of circularity into claims processes by utilising repaired items and undertaking part repairs where possible
10%	Training to help clients with climate-related governance and/or target-setting
10%	Advice on litigation risk and liabilities arising from climate change

Insurers are starting to develop new types of services to help their clients become more resilient to the physical impacts of climate change. This type of risk engineering helps clients to better adapt to a changing climate and should therefore lead to a reduction in claims.

Allianz, Prudential, AXA, AIG and Munich Re: leading the field in providing climate-related risk mitigation services

- Allianz aims to reduce the impacts of climate risks by incentivising preventative measures to increase clients' resilience and compensating for climate-related damages. Examples of this include the risk-consulting services offered by the insurer and its work with GIZ, the German development agency, to pilot innovative insurance solutions in emerging and developing markets.

- As a life and health insurer, Prudential offers an air pollution index on its AI-powered Pulse platform, and the Prudence Foundation has launched the Disaster Tech Innovation Programme in partnership with the Asia Venture Philanthropy Network to raise awareness of technology solutions that protect and save lives before, during and after natural disasters.

- AXA Climate has developed an early warning system, which uses satellite and other weather data to anticipate and initiate contingency planning before a natural catastrophe occurs.

- AIG's risk engineering team helps clients by supporting their own risk management practices and strategies in an effort to avoid preventable losses. For example, AIG risk engineers use risk modelling to identify areas vulnerable to flooding and recommend solutions, such as physical defences and emergency planning, that will provide adequate protection when flooding occurs.

- Munich Re's NatCatSERVICE is an analytical tool that helps integrate climate-related risks into its clients's strategies. NatCatSERVICE is one of the most comprehensive databases for analysing and evaluating losses caused by natural disasters worldwide, with more than 45,000 data sets.

The emergence of this flurry of new types of products and services that help manage climate-related risks and can even contribute to clients' climate resilience is laudable. Insurers should continue and accelerate the development of such products to enable them to reach more clients in more regions and sectors, and insurers who are yet to introduce such products need to catch up.

Finding 3.14: Pure life and health insurers are not using scenario analysis to assess climate-related risks in their underwriting portfolios.

Three of the assessed life and health insurers indicated that they are using climate scenarios to assess the general impact of climate change on underwriting, one of which has conducted stress testing on their insurance business. However, none have altered their approach to underwriting as a result of their assessment or published the results of their analysis.

Finding 3.15: Just 39 per cent of assessed insurers with a property and casualty business are carrying out scenario analysis on their underwriting activities.

As experts in risk, including risk arising from natural events, the insurance sector is uniquely positioned to identify and address risks arising from environmental changes. However, our research shows that despite this expertise, insurers are doing relatively little to assess the impact climate change is having on their underwriting activities, and the impact their underwriting decisions are having on the climate.

Our assessment found just 39 per cent of insurers are carrying out climate scenario analysis on their underwriting activities.

Figure 26: Number of insurers using specific climate scenarios

Scenarios used	Number of insurers
>2°C scenario	7
<2°C scenario	7
2°C scenario	5

Only one of the seven assessed US insurers with a property and casualty business has carried out climate scenario analysis, which is particularly alarming in the context of recent wildfires in the US, which in California in 2020 alone caused insured losses of an estimated US$8 billion[31].

Finding 3.16: Only 45 per cent of assessed insurers with a property and casualty business are using climate-related underwriting metrics, while just 19 per cent are setting targets.

Only 45 per cent of the world's largest insurance companies with a property and casualty business are using metrics to measure their exposure to climate-related underwriting risks.

The most commonly used metric is aggregated risk exposure to weather-related catastrophes. 35 per cent of insurers with a property and casualty business reported using this metric.

Two insurers reported measuring physical risk reduction or resilience. Only one of these had set a target relating to this metric.

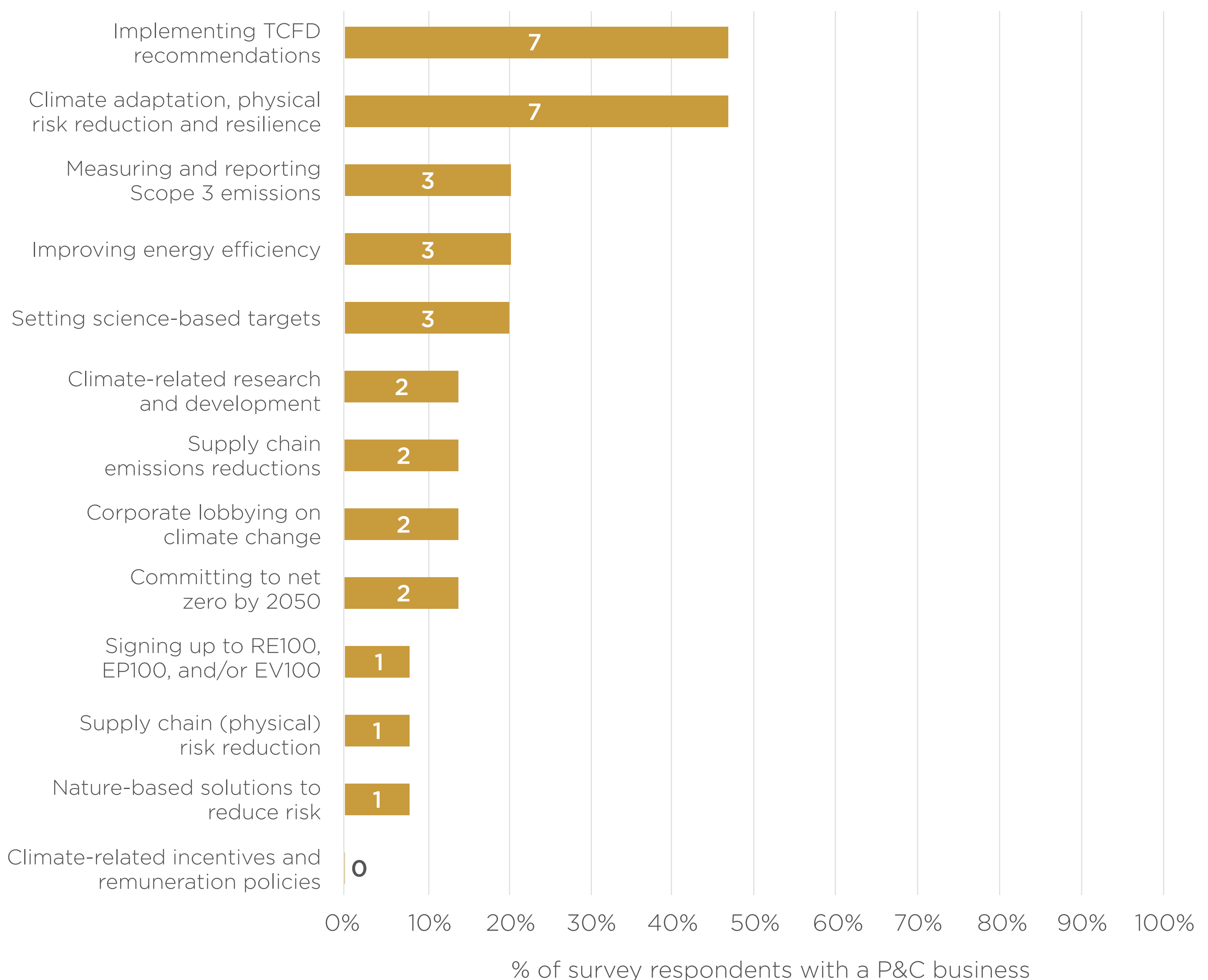
Two insurers also reported measuring the percentage of premiums derived from high-/low-carbon clients or projects. Only one has set targets relating to this.

Finding 3.17: Climate-related engagement with clients on the underwriting side of the business tends to focus on TCFD implementation, climate adaptation and risk reduction, and is less common than engagement on the investment side.

Survey data reveals that insurers have a much more sophisticated approach to investment stewardship compared to engagement with clients on the underwriting side. The two most common topics of engagement were TCFD implementation and climate adaptation, physical risk reduction and resilience. Seven out of the 15 insurers with a property and casualty business that participated in the survey indicated that they engage with clients on each of these areas.

Only one insurer reported engaging on supply chain physical risk reduction or nature-based solutions to reduce risk. This is somewhat surprising given insurers' role as risk carriers, as well as the growing awareness of the potential of nature-based solutions in addressing climate change while simultaneously delivering gains for biodiversity.[32]

Figure 27: Topics of climate-related engagement with clients



We found almost no information on non-disclosing insurers' engagement activities on the underwriting side, with the exception of a handful of engagement-related provisions made as part of insurers' coal policies.

Finding 3.18: 48 per cent of the assessed insurers with a P&C business have policies restricting investment in coal power and 42 per cent have policies relating to coal mining.

Insurers are better placed than any other type of private financial institution to exert pressure on the coal industry, as coal projects cannot be financed, built or operated without insurance coverage.[33] According to a report by Willis Towers Watson, due to some insurers' retreat from coal, the industry is currently facing premium increases of up to 40 per cent,[34] while some controversial projects have had difficulties securing coverage at all.[35] What's more, an insurer's strong position on coal underwriting is likely to have a positive effect on its stock valuation, according to an analysis by Société Générale SA.[36]

Yet less than half of insurers with a P&C business included in this study have policies that place restrictions on the underwriting of thermal coal. 26 per cent of the P&C insurers that have coal exclusion policies for their investment activities have published no similar guidelines for underwriting, allowing for insurance to be sold to coal industry clients that are otherwise considered too risky to invest in.

As in the case of investment exclusion policies, it is important that underwriting policies on thermal coal encompass a mix of screening criteria. However, only a third of P&C insurers' policies on coal mining include a combination of absolute, relative and expansion criteria, and only 13 per cent of coal power policies do so. Furthermore, we found that just a single policy (applicable to coal power only) is currently aligned with the updated criteria set out by the Global Coal Exit List.

Figure 28: Thermal coal – underwriting exclusion criteria

COAL MINING		
No project-specific insurance	9 insurers	
Relative threshold (% of revenue)	30%-25%	≤20%
	7 insurers	3 insurers
Absolute thresholds (MT annual production)	20MT	≤10MT
	3 insurers	1 insurer
No businesses with expansion plans	4 insurers	

COAL POWER		
No project-specific insurance	12 insurers	
Relative threshold (% of revenue or power production)	30%-25%	≤20%
	6 insurers	2 insurers
Absolute thresholds (GW coal-fired capacity)	10GW	5GW
	1 insurer	2 insurers
No businesses with expansion plans	4 insurers	

As a growing number of major insurers withdraw from coal, smaller players, which are likely to try to fill the gap, will need higher levels of reinsurance to offset the growing risks of coal projects, causing reinsurance to play an ever more important part in sustaining the coal industry.[37] It is crucial that reinsurers' coal policies apply to treaty business, which involves more complex contracts covering all the risks of a certain type of client with diverse activities, as well as facultative reinsurance, i.e. covering a specific risk or package of risks. Most of the assessed P&C insurers that provide reinsurance and restrict underwriting for coal apply their screening criteria to facultative coverage. However, only one company has a policy for their treaty business. This gap in coverage risks undermining the progress being made through restricting direct and facultative insurance.

Swiss Re: phasing out reinsurance for thermal coal

Swiss Re is the first insurer to develop an exit strategy for thermal coal in its treaty business as part of its Sustainable Business Risk Framework. While at present the company does not provide facultative reinsurance to businesses with more than 30 per cent exposure to thermal coal utilities or mining, it has committed to tighten its policy by introducing new exposure thresholds for treaty reinsurance across its property, engineering, casualty, credit and surety and marine cargo lines of business by 2023. The thresholds will be lowered gradually and will lead to a complete phase-out of thermal coal exposure in OECD countries by 2030 and in the rest of the world by 2040.

Finding 3.19: None of the assessed insurers with a P&C business have adopted restrictions for the underwriting of conventional oil and gas, and only 19 per cent apply exclusions to unconventional sources.

Overall, our research shows that the vast majority of assessed P&C insurers have taken no steps to limit their insurance coverage of the riskiest oil and gas projects, and none have set thresholds for conventional oil and gas. The few existing policies on unconventional oil and gas tend to be much less developed than those on coal, and the screening criteria less well-defined. While most insurers with unconventional oil and gas policies place restrictions on tar sands underwriting, there is otherwise little alignment in the level of detail, exclusion criteria and policy scope. Only four insurers state that they will not provide insurance to specific projects linked to unconventional oil and gas.

Finding 3.20: None of the assessed insurers with a P&C business are paying sufficient attention to the risks associated with biomass insurance.

None of the assessed insurers has a publicly available policy for the underwriting of biofuel production or energy generation, and none mention biomass in their underwriting climate strategies, reinforcing the impression that insurers appear to have very little interest in or understanding of the risks associated with biomass.

Task Force on Climate-related Financial Disclosures

Finding 3.21: 56 per cent of assessed insurance companies have not begun reporting in line with the TCFD recommendations.

The Task Force on Climate-related Financial Disclosures (TCFD) is a voluntary reporting framework on the financial impacts of climate change on businesses in both the financial and non-financial sectors. The TCFD's Supplemental Guidance for the Financial Sector outlines specific recommendations for asset owners and insurance companies, both of which apply to insurers' approaches to investment and underwriting respectively.

Despite the TCFD being widely adopted as the standard framework for climate-related disclosure, and endorsed by several national regulatory bodies, our research found that 56 per cent of the assessed insurers do not report in line with its recommendations.

The lack of reporting on material climate-related risks shows that most of the world's largest insurance companies are leaving stakeholders in the dark as to whether they are appropriately managing these long-term risks in their investment and underwriting activities.

Some insurers have started reporting in line with the framework. 34 per cent have taken the first step in adopting the recommendations, reporting some general information on how they are managing the financial risk and opportunities associated with climate change. However, a number of these appear to be ignoring the supplemental guidance for financial institutions and instead only reporting on their operational risks.

Only 10 per cent of assessed insurers have a developed approach to the TCFD, with more comprehensive disclosure and implementation of the recommendations, such as conducting scenario analysis and publishing the results of the assessment.

50 per cent of assessed insurers are official supporters of the TCFD recommendations; however, a third of these do not actually report in line with the framework. This suggests that some insurers are prioritising publicly signalling support for climate disclosure over actually disclosing information to stakeholders.

Aviva: extensive reporting in line with TCFD recommendations

'Aviva's Climate-Related Financial Disclosure' reports, which are published annually, are structured in line with the TCFD recommendations and provide comprehensive detail on the company's approach. For example, under Governance, the report outlines how the organisation approaches oversight of climate-related risks through the relevant boards, committees, and directors, as well as outlining how it oversaw the implementation of the climate change strategy that year. The section also outlines its approach to climate-related training and remuneration.

Figure 29: Breakdown of insurers' progress on TCFD reporting

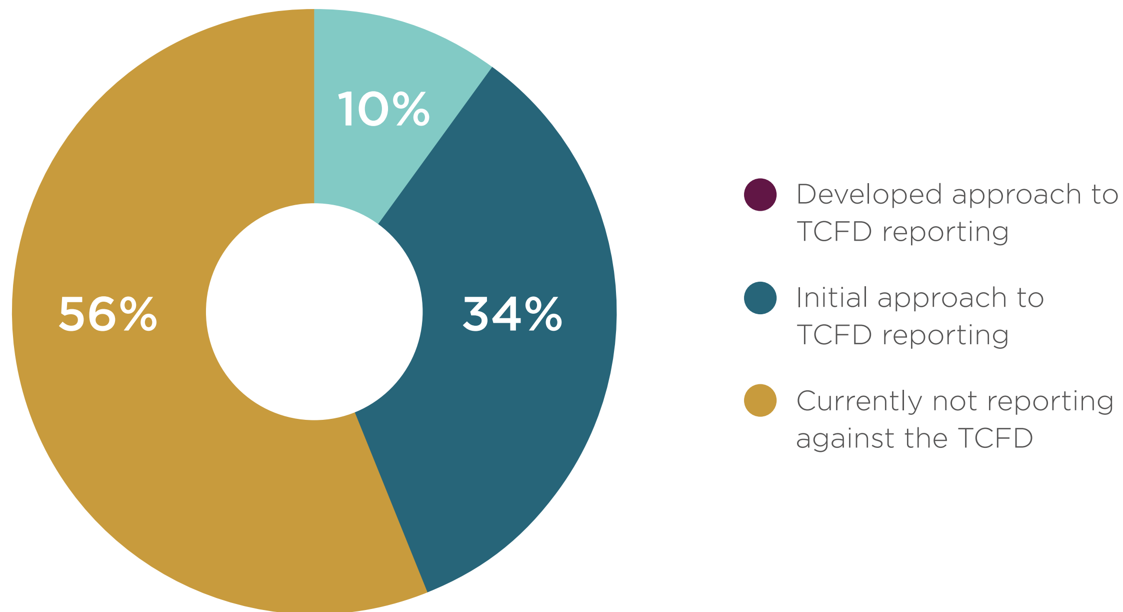


Figure 30: Percentage of insurers conducting TCFD reporting across regions

Region	% of assessed insurers
Europe	65%
Asia	39%
North America	29%

There is a stark contrast in ambition between regions. European insurers most frequently report in line with the TCFD recommendations, with 65 per cent of assessed insurers reporting on the TCFD. France and the UK show the best performance in this area.

39 per cent of insurers from Asia are reporting in line with the framework, with Japan leading the way. Seven out of ten of the Japanese insurers assessed are reporting in line with the TCFD.

Only 29 per cent of assessed insurers from North America are reporting in line with the TCFD.

These results correlate strongly with policy signals on climate disclosure at the national level, suggesting that greater ambition by government and regulators is driving forward climate reporting in some countries.

In France, article 173 of the French Energy Transition Law was the first national regulatory framework requiring financial organisations to disclose information on their management of climate-related risks as well as other ESG factors. As a result, all of the four French insurers we assessed report in line with the TCFD.

In the UK, the government's Road Map towards mandatory climate-related disclosures sets out plans for mandatory disclosure in line with the TCFD recommendations by 2025, with regulations and expectations for the insurance sector coming into force in 2021[38].

More broadly, the EU Sustainable Finance Action Plan also appears to be driving forward disclosure in Europe.

In Japan, while there is presently no regulation mandating climate disclosure by insurance companies, the government's Financial Services Agency is considering implementing mandatory climate-related disclosure from companies listed on the Tokyo Stock Exchange[39]. In addition, in 2019, a TCFD consortium was launched with the aim of facilitating corporate disclosure of climate-related information from companies. These strong policy signals indicate why Japan is showing strong TCFD reporting relative to the rest of Asia.

Chapter 4: Biodiversity

The vast majority of insurers have not yet started to develop their approach to biodiversity loss.

There is a lack of progress on most critical issues associated with biodiversity loss. The vast majority of assessed insurers have not yet developed an approach to managing nature-related risks to their portfolios and show little understanding of how their investment and underwriting activities are affecting, or may be affected by, the biodiversity crisis. Only a third of survey respondents engage with portfolio companies on biodiversity, and even fewer raise nature-related concerns with clients. Most insurers only assess companies' overall environmental performance using third-party ESG scoring, suggesting that specific biodiversity-related risks and impacts are not adequately integrated into investment decision-making. None of the assessed insurers have published a comprehensive strategy for measuring impacts and dependencies on biodiversity or setting targets to minimise these impacts.

Investments

Finding 4.1: None of the insurers surveyed has yet published a comprehensive biodiversity strategy outlining how nature-related impacts and dependencies are measured and managed across their investment portfolios.

While a small number of the surveyed insurers refer to biodiversity in their stewardship policies, none has published a comprehensive strategy that details the process for measuring and managing impacts and dependencies on nature or includes targets for minimising impacts on biodiversity loss across portfolios.

Four of the surveyed insurers have included high-level position statements on biodiversity loss in their overarching responsible investment framework documents, typically providing a brief outline of what the organisation sees as the guiding principles for portfolio companies. Only three respondents indicated that they were planning to release a policy on biodiversity in the next 12 months.

There are, however, some encouraging signs that the level of ambition is rising, with some of the surveyed companies demonstrating making biodiversity-related commitments as part of the Finance for Biodiversity Pledge. By joining the Pledge, financial institutions commit to do the following by 2024 at the latest:

1. Collaborate and share knowledge on assessment methodologies, biodiversity-related metrics, targets and financing approaches for positive impact.
2. Incorporate criteria for biodiversity into ESG policies, while engaging with companies to reduce negative and increase positive impacts on biodiversity.
3. Assess financing activities and investments for significant positive and negative impacts on

biodiversity and identify drivers of its loss.

4. Set and disclose targets based on the best available science to increase significant positive and reduce significant negative impacts on biodiversity.
5. Report annually and be transparent about the significant positive and negative contribution to global biodiversity goals linked to financing activities and investments in portfolios.

As of April 2021, 38 financial institutions have joined the Pledge, including six insurance companies. While some of the assessed insurers' investment arms or insurance subsidiaries are on the signatory list, only AXA has made commitments at group level.

Importantly, while insurers are strongly encouraged to become signatories to the Pledge, these commitments should be made in addition to, rather than as a substitute for, a robust internal strategy, in order to ensure a coherent approach and individual accountability.

None of the insurers surveyed has yet set overarching nature-related targets for their investment portfolios, which is perhaps unsurprising, as methodologies for measuring biodiversity footprint across asset classes are still in development. However, our research also suggests that no insurer has started setting any biodiversity-related, issue-specific sub-targets, although a handful of companies has made more concrete commitments in relation to their real assets. None of the 70 insurers surveyed has set targets relating to deforestation, hazardous waste or water use across their portfolio, and there are no targets for certification or for the development of relevant policies at portfolio companies.

Finding 4.2: Only a handful of insurers have published industry-specific investment guidelines that include biodiversity-related concerns for priority sectors.

A strong understanding of the business activities that have the highest potential for driving biodiversity loss is fundamental to building a portfolio-wide strategy on biodiversity. We recommend that as a first step, investors focus their attention on priority sectors identified on the basis of their inherent reliance on ecosystem services and impacts on nature.[40] Yet only 10 per cent of the assessed insurers or their managers have publicly available industry-specific investment or engagement guidelines which integrate biodiversity considerations. Most of these sector-specific guidance documents only outline key biodiversity issues that are part of the risk screening process, without communicating conditions for the escalation of engagement or decreasing exposure.

The overall lack of investment or engagement guidelines in relation to agriculture is particularly concerning, given the high priority of the sector from both an impacts and dependencies perspective. In addition, the only three soft commodity policies that have been published by insurers in our sample focus exclusively on palm oil. None of the surveyed companies had a policy for other forest-risk commodities, such as soy or beef.

Figure 31: Number of insurers with biodiversity-related guidelines for high-priority sectors.

Industry[iv]	Number of insurers with sector guidelines including biodiversity-related concerns
Mining and extractives	5
Paper and forest products	4
Utilities	3
Real estate	3
Palm oil	3
Agriculture, food and beverages	2
Fisheries and aquaculture	2
Chemicals	1
Financials	1
Textiles and apparel	1
Transportation	1

Legal and General: Sector guidelines with a holistic approach to climate- and nature-related issues

Legal and General Investment Management has published leading practice sector guidelines for portfolio companies, outlining its expectations with regard to the transition to net zero. While the main focus is on decarbonisation, the guidelines have a holistic approach, highlighting key environmental considerations for each sector and selected nature-related criteria against which companies' pathways to net zero are assessed against. Examples include:

- Food sector: comprehensive zero-deforestation and regenerative agriculture policies, traceability of 'forest risk commodities' across supply chain, commodities purchased under zero-deforestation principles
- Apparel sector: traceability of fibres and compliance with zero-deforestation principles, targets to grow sourcing from organic/regenerative producers, a comprehensive zero-deforestation policy as a minimum requirement.

iv This classification does not include guidelines on investment in real assets such as agricultural land, timberland and forestry.

Finding 4.3: Only a third of survey respondents engage with companies on biodiversity loss, with biodiversity-related engagement asks more often focused on disclosure than action.

Of the 33 insurers that responded to our survey, only a third specified any biodiversity-specific asks that they make of portfolio companies as part of their stewardship activities. Improved disclosures of the impacts of business operations and value chains on biodiversity were the two most common subjects of engagement, while only five respondents indicated that they engage with companies on the development of biodiversity-related targets.

Despite the mapping of value chains and conducting impact and dependency assessments being critical to insurers' own understanding of biodiversity-related portfolio risks, two and three insurers respectively engage with companies on these topics.

Figure 32: Biodiversity-related engagement asks made of portfolio companies by survey respondents.

Biodiversity-related engagement asks	Number of survey respondents engaging on each topic
Improved disclosure of the impacts of business operations on biodiversity	10
Improved disclosure of the impacts of value chains on biodiversity	8
Improved disclosure on progress towards biodiversity commitments and targets	8
Development of biodiversity-related policies	7
Development of biodiversity-related targets	5
Biodiversity regulatory compliance	4
Certification for direct business operations or suppliers	4
Conducting internal biodiversity-related impact and dependency assessments	3
Value chain mapping	2
Ensuring a conservation or mitigation hierarchy approach is used	1
Environmental profit and loss accounting	0
Corporate lobbying against environmental policy	0

Survey responses suggest a strong focus on agriculture, mining and extractives for the third of insurers which indicated that they engage on biodiversity with companies in at least one high-priority sector. However, while the agricultural industry appeared to be targeted most frequently, some key topics, such as pollinators and soil health, appear to receive very little attention.

Only five insurers indicated that they conduct commodity-specific engagement. While no further detail was provided, overall evidence suggests that most engagement in this area to date has focused on palm oil.

Overall, survey responses indicate that biodiversity-related engagement tends to focus more on drivers of biodiversity loss occurring in land, than in the ocean or freshwater systems.

Figure 33: Engagement on biodiversity-related topics – industry focus

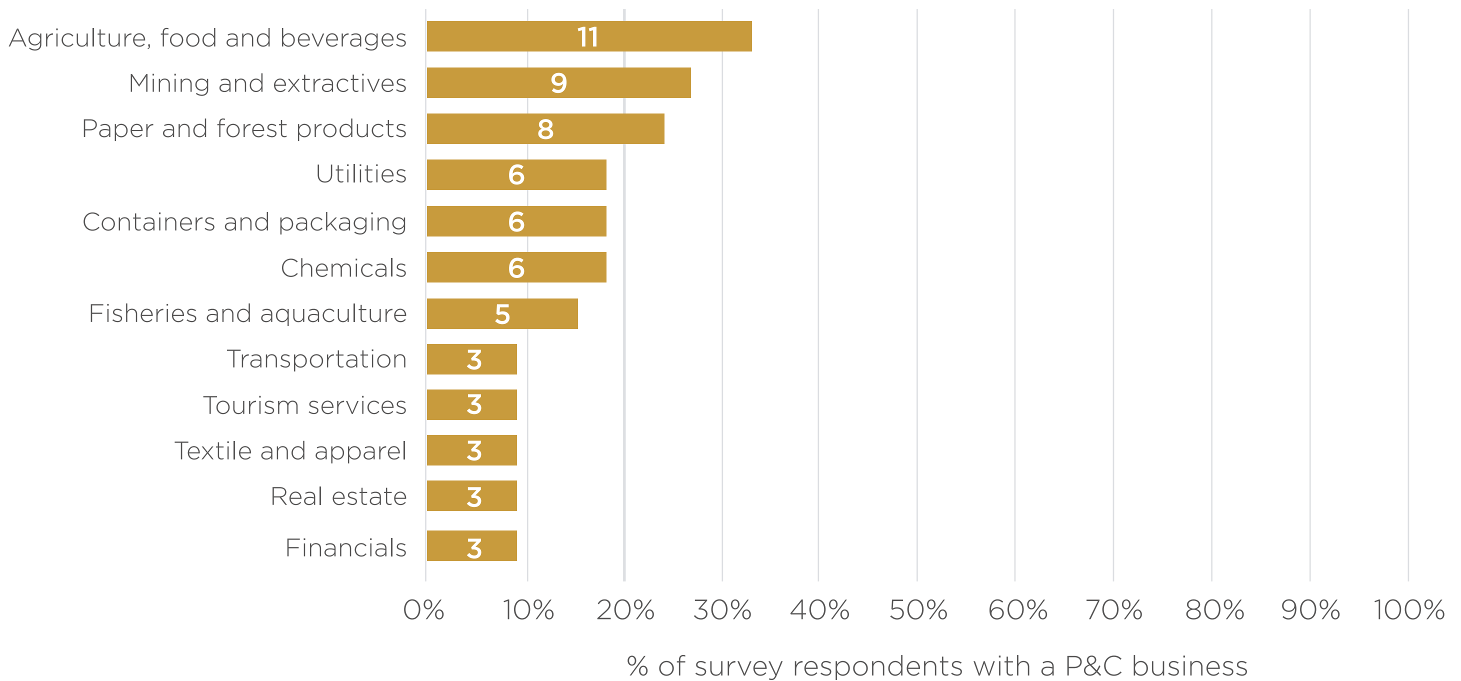
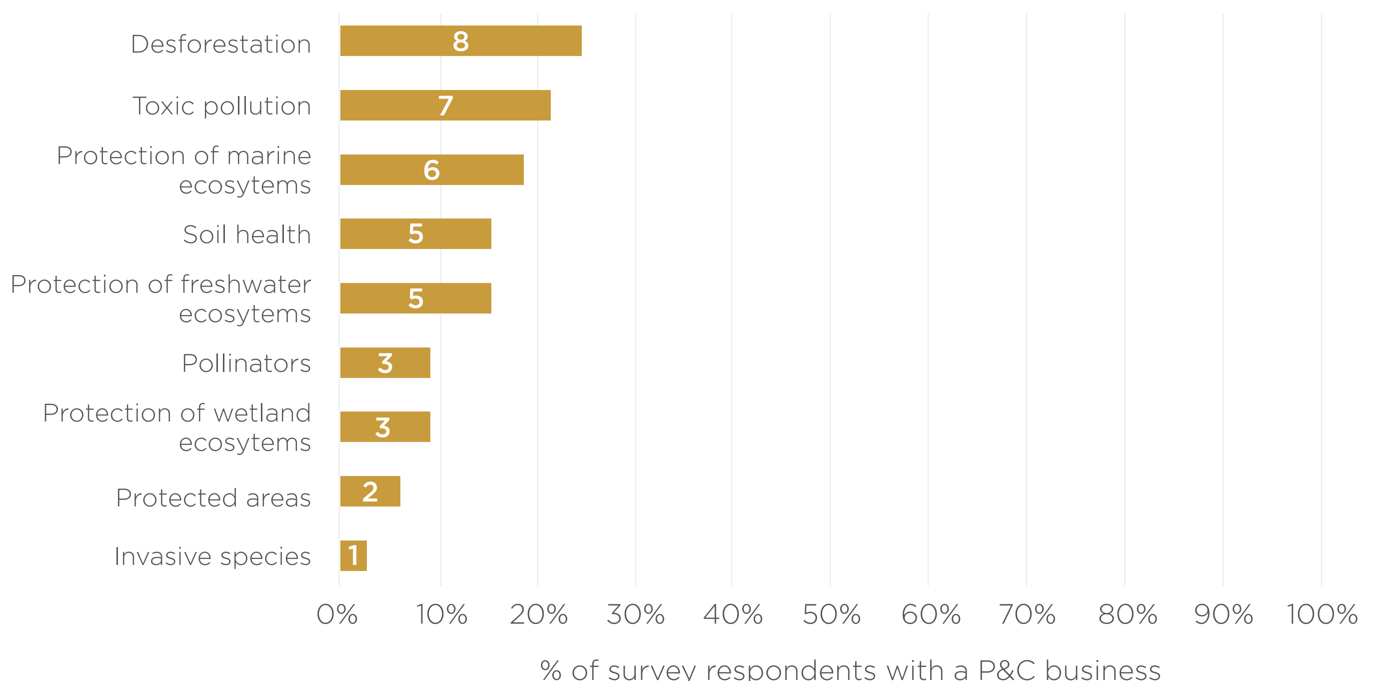


Figure 34: Biodiversity-related topics engaged on by survey respondents.



Consistent with the overall findings on engagement transparency, public information regarding biodiversity-related engagement conducted by non-responders is very scarce. Only three insurers in this group mention engaging on biodiversity in their public reporting or policy documents.

Achmea: stewardship strategy outlines clear expectations of portfolio companies

Achmea's engagement guidelines cover a breadth of nature-related topics and set out clear expectations of portfolio companies. All companies are expected to adhere to the principles of international treaties such as the UNESCO World Heritage Convention, the Ramsar Convention on Wetlands and the CITES treaty, and prevent adverse impact on populations of animals featured in the IUCN Red List and areas classified by the IUCN as category I-V. They also engage with companies on water use and resource use, and companies are urged to prevent all emissions of polluting substances to soil, water and atmosphere.

These expectations are complemented by engagement guidelines specific to particular types of business activities, e.g.:

- Mining and extractives: engagement activities aim to ensure companies abstain from business practices that cause deforestation of high conservation value forests, surface water tailings disposal and the elimination of peatland, both in direct operations and throughout supply chains.
- Fisheries: engagement aims to ensure companies limit their fishing to the fish species which their catches are focused on, take measures to prevent unintended loss of fishing gear, and respect Marine Protected Areas.

Finding 4.4: Only a small number of insurers engage collaboratively on biodiversity-related issues or form partnerships with expert organisations.

Only six survey respondents indicated that they engage collectively on biodiversity as part of collaborative nature-related initiatives. Examples they gave included the PRI and Ceres Investor Initiative for Sustainable Forests, Plastic Solutions Investor Alliance, Mining Tailings and Safety Initiative, the PRI working group on Sustainable Palm Oil and the FAIRR initiative.

Collaborative engagement with portfolio companies is strongly encouraged, as it allows investors to pool knowledge and resources, and boost the legitimacy and effectiveness of engagement. However, given the varying quality or, in some instances, lack of centralised reporting on the progress and outcomes of engagement, it is also important that insurers integrate the relevant detail into their own annual disclosures and outline the additional impact that their membership contributes.

Given the complexity of biodiversity loss and the low levels of internal expertise on the topic within financial sector companies, it is important that insurers make use of the research and experience of conservation NGOs and other civil society organisations operating on the frontline of the biodiversity crisis. Despite the readily accessible knowledge banks developed within the conservation community, only six insurers indicated that they partner with NGOs to access the expertise required for effective engagement on biodiversity-related topics.

AXA: working with WWF France on biodiversity

AXA has formed a three-year partnership with WWF France to develop and strengthen its biodiversity strategy. They have published joint recommendations for how the finance sector can tackle biodiversity loss, including a proposal for the launch of a TCFD-like taskforce for the protection and restoration of biodiversity which led to the establishment of the Taskforce on Nature-related Financial Disclosures Informal Working Group in 2020. WWF is also helping AXA deliver on its commitment to direct US$350 million to activities that create nature-positive outcomes through its Climate and Biodiversity Impact Fund.

As governments stand to play a critical role in the transition to a nature-positive economy, there is also a growing need and potential for a stronger stewardship of sovereign bonds on biodiversity-related topics. The dependence of the value of a country's sovereign bonds on the management of its natural capital is currently largely ignored, with bonds mispriced in sovereign bond markets. [41] The reliance of many sovereign issuers on land-based natural capital creates risks for both investors and regional economies, in light of the ongoing expansion of agriculture and the soft commodity trade. However, our research shows that insurers are yet to recognise the importance and potential benefits of engagement on their sovereign bond holdings, with only two survey respondents indicating that they have engaged with sovereign issuers on biodiversity in the past.

Investor engagement on deforestation with the Brazilian government

The dialogue conducted by a group of leading investors with Brazil's government and central bank on the issue of Amazon deforestation is the latest high-profile example of how engagement with sovereign issuers can be used as a tool in the efforts to tackle biodiversity loss.

An investor coalition, including the internal asset managers of a handful of the assessed insurers, held talks with Brazilian government representatives in July 2020, which resulted in a temporary fire ban and prompted Brazilian companies to issue statements calling for an end to deforestation.

This was a laudable initiative, but unfortunately did not prevent deforestation in Brazil from reaching the highest level in a decade in 2020. As the Brazilian government releases its new deforestation strategy, so far deemed largely inadequate by scientists and civil society groups, it is key that investors maintain a critical dialogue and scale up pressure on government representatives to ensure that token commitments are replaced with strong policies to end tropical deforestation.

Finding 4.5: Most survey respondents rely on third-party ESG scores in their assessment of company performance on biodiversity, yet only two engage with providers to ensure scoring adequately captures nature-related risks.

Overall, biodiversity appears to be a minor consideration in most insurers' ESG analysis and integration processes. Only 18 per cent of survey respondents indicated that they carry out in-house assessments of portfolio companies' biodiversity-related performance, and a similar proportion stated that have a proprietary scoring system which integrates biodiversity-specific indicators.

Survey responses suggest that a significant proportion of insurers rely on ESG scoring sourced from third-party data providers, however, only two respondents indicated that they engage with providers to ensure biodiversity considerations are sufficiently incorporated into scoring methodologies.

Insurers should be aware of the varying and limited insight that third-party ESG data can offer into the biodiversity-related impacts of companies on the ground. As the ESG data market grows, in response to skyrocketing demand, it is important that the clients of data providers take an active part in ensuring better transparency, methodology alignment and adequate inclusion of nature-related considerations.

Figure 35: Approaches to company-level biodiversity risk assessment

Approach to company-level biodiversity risk assessment	Number of survey respondents
The organisation uses ESG scoring sourced from third-party data providers which explicitly considers biodiversity	13
The organisation has a proprietary ESG scoring system which integrates specific biodiversity-related indicators	7
The organisation carries out in-house assessments of portfolio companies' biodiversity-related performance	6
The organisation engages with third-party data providers to ensure that biodiversity is adequately captured in ESG scoring	2

Finding 4.6: None of the assessed insurers has yet conducted a comprehensive biodiversity-related dependency or impact assessment of their investment portfolios, however, a small number are planning to do so in the next 12 months.

Our research suggests that insurers' overall level of understanding of the systemic risks that the loss of nature poses to investment portfolios is lacking. None of the companies assessed has yet conducted a formal assessment of portfolio dependencies and impacts on nature. While a small number of insurers indicated that they have started investigating the impacts of their investments on biodiversity, their focus so far has been on company disclosure and policies on deforestation.

Efforts are currently underway to produce a systematic framework to evaluate and manage organisations' impacts and dependencies on biodiversity as part of the Taskforce on Nature-related Financial Disclosures, which is due to be ready for widespread adoption by corporate and financial actors in 2023. However, it's important that insurers do not wait for this framework to be finalised and use the tools already available to them to start building a better understanding of nature-related risks as soon as possible.

Disappointingly, none of the insurers that responded to our survey indicated that they use existing tools, such as ENCORE, TRASE or IBAT to support their risk assessments. However, in a tentative sign that the industry is moving forward on the topic, six survey respondents suggested that they are considering conducting a nature-related dependency assessment in the next 12 months, and five indicated that they are planning to carry out an impact assessment.

As biodiversity-related metrics and impact measuring methodologies are still relatively nascent, there is also a need and opportunity for insurers to provide input and support the mainstreaming of existing and emerging frameworks.[vi]

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v **ENCORE** – an open-access tool that provides users with a view of how economic activities might depend on or affect natural capital, including information on materiality. In 2021, an additional module will be added to allow financial institutions to assess the alignment between their agriculture and mining portfolios with global biodiversity goals.
TRASE – an open-access platform that helps financial institutions understand their exposure to deforestation risk in their portfolio companies' supply chains.
IBAT – a map and reporting tool that allows users to gain insight into the impacts of business operations on species and key biodiversity areas. From 2021, it will incorporate the Species Threat Abatement and Restoration (STAR) metric data, allowing users to measure extinction risk exposure for specific sites.

vi A comprehensive guide to biodiversity measurement approaches, produced by the Finance and Biodiversity Community, can be found at: https://www.financeforbiodiversity.org/pledge-signatories-launch-guide-on-measuring-biodiversity

AXA Investment Management: investor collaboration for the development of biodiversity impact measurement tools

In January 2020, AXA IM, BNP Paribas AM, Mirova, and Sycomore AM launched a call for expressions of interest for a partner to develop and implement an tool to measure the impact of investments on biodiversity. Later that year, they announced the creation of a partnership with Iceberg Data Lab and I Care Consult to expand the Corporate Biodiversity Footprint, a metric that quantifies corporates' impact on biodiversity across their activities, to help investors integrate nature into their risk assessments and research.

Finding 4.7: The main challenges to integrating biodiversity into investment processes include the scarcity of data and lack of standardised measuring methodologies.

The biggest challenges financial actors face in developing a stronger approach to biodiversity loss is the perceived scarcity of nature-related data and a lack of standardised measurement approaches, according to information provided by 14 insurers.

Another common barrier emphasised by survey respondents was the inherent complexity of the topic. This appeared to be compounded by a lack of guidance relevant to the finance sector on the wide range of issues biodiversity encompasses. Insurers also pointed out that the insufficient focus on nature was caused by the lack of resources and competing priorities, reinforcing the finding that increased internal capacity and expertise are urgently needed to enable the finance sector to respond adequately to the biodiversity crisis.

A further concern was the lack of a level playing field with other financial institutions, highlighting the importance of market regulation and the need for a strong global framework for biodiversity that charts a clear pathway for the private sector.

These findings are consistent with the conclusions of ShareAction's 2020 scoping study, which offers further insight into the underlying causes of inaction, as well as the levers and opportunities that could be used to mobilise the financial sector to tackle biodiversity loss.

Underwriting

Finding 4.8: The vast majority of insurers do not have an approach to managing risks associated with biodiversity loss on the underwriting side of their business.

Only five out of the 31 insurers with a P&C business have public ESG integration frameworks for underwriting that include biodiversity-related considerations. These documents include either an outline of biodiversity-related concerns for a small number of key sectors, or a short overview of selected biodiversity-related risks and opportunities across their underwriting business.

Publicly available sector-specific guidelines that integrate biodiversity considerations are most common in relation to mining and extractives (five insurers), and utilities (four insurers), with only a single insurer having an underwriting ESG framework that covers biodiversity-related concerns in relation to the agricultural sector.

Swiss Re: underwriting policy that integrates biodiversity-related considerations

Swiss Re's publicly available Sustainable Business Risk Framework states that the company will not provide insurance coverage to projects and activities that:

- could cause damage to UNESCO World Heritage Sites and/or protected areas, including High Conservation Value forests, High Carbon Stock forests, wetlands protected by the Ramsar Convention, IUCN listed protected areas or habitats for species on the IUCN Red List
- inflict repeated and/or ongoing severe and unmitigated damage to the environment
- pursue large-scale projects without a credible environmental impact assessment
- inflict lasting damage to the health of local communities through environmental pollution
- violate indigenous peoples' rights.

This umbrella policy is complemented by concrete sector-specific guidelines, which take into account biodiversity considerations.

Overall, the rudimentary responses to our survey suggest low levels of interest and understanding of how insurers' underwriting activities may be affected by biodiversity loss, and how they may be contributing to the crisis. None of the respondents had carried out nature-related impact and dependency assessments of their underwriting portfolios so far and only two indicated that they were considering doing so in the next 12 months.

Given the generally weak understanding of the relevance of nature loss to underwriting within the industry, it is unsurprising that none of the insurers surveyed has yet published a comprehensive strategy for managing the biodiversity-related risks and impacts of their insurance activities.

Finding 4.9: There is very little evidence of insurers engaging with clients on biodiversity-related topics.

Of the 15 insurers with a P&C business that responded to our survey, only four indicated that they conduct engagement with their clients on biodiversity-related topics, with improved disclosure of business operations' impacts on biodiversity and regulatory compliance being the most common topics of engagement.

Figure 36: Biodiversity-related engagement asks made of clients by survey respondents

Engagement topics	Number of survey respondents engaging on each topic
Improved disclosure of the impacts of business operations on biodiversity	3
Biodiversity regulatory compliance	3
Ensuring robust third-party Environmental Impact Assessments are conducted	2
Improved disclosure of the impacts of value chains on biodiversity	2
Improved disclosure on progress towards biodiversity commitments and targets	2
Ensuring a conservation or mitigation hierarchy approach is used	1
Corporate strategy on biodiversity	1
Conducting internal biodiversity-related impact and dependency assessments	1

For the 16 insurers with a P&C business that did not participate in our survey, we could only find evidence of one conducting biodiversity-related engagement.

Swiss Re: making insurance coverage conditional on the client's response to key environmental concerns

Swiss Re engages with clients on identified sustainability issues and remediation plans, most frequently by making insurance coverage conditional on the client's response to the issues identified as most acute. The insurer frequently requests relevant documents that are not publicly available, such as environmental and social impact assessments, and reaches out to independent technical experts for advice on issues that are of concern.

Finding 4.10: A small number of insurers are looking at ways of integrating nature considerations into their insurance products.

Seven insurers that responded to our survey indicated that they see opportunities to reduce insurance risk through more active environmental management and better protection of biodiversity, though in most cases this did not appear to have been the subject of a formal assessment. While the majority did not provide detail, responses included mentions of nature-based solutions in flood mitigation and differential pricing for clients with environmental certifications, or those adopting measures to prevent environmental damages.

There is potential for the insurance industry to benefit significantly from an improved understanding of the correlations between ecosystem degradation and catastrophe risk, and a small number of leading insurers are looking into ways of applying that understanding in the creation of insurance products.

Swiss Re and AXA XL: insuring environmental assets

Swiss Re and AXA XL are contributing technical expertise to projects exploring the potential of insurance products to advance the restoration of natural assets that provide coastal protection.

In 2019, a broad partnership, including the Mexican government, Swiss Re, local authorities and business owners, implemented the first-ever insurance policy on a coral reef. As part of the innovative financial mechanism, The Coastal Zone Management Trust, established by the state government, buys a one-year parametric policy,[vii] which guarantees an insurance pay-out to the trust when wind speeds exceeding 100 knots are recorded in a defined area, as happened with Hurricane Delta in 2020. This allows for a swift assessment of the damage caused to the coral reef and initial repairs, which may be followed by longer term recovery work to restore the reef's value as a coastal barrier.[42]

Research conducted by AXA XL, the Nature Conservancy and the University of California at Santa Cruz aimed to investigate whether a similar mechanism could be developed for the protection and restoration of mangroves. The analysis concluded that there were many opportunities for the creation of a mangrove insurance product, in the short term to be mainly marketed to public sector clients. The findings supported the idea that a similar concept may work for a variety of other ecosystems, including coastal dunes, barrier beaches and salt marshes.

vii A parametric insurance policy is triggered not by financial loss, but rather when a specified set of conditions are met.

Chapter 5: Human rights

Most the world's largest insurers show severe negligence of their impact on human and labour rights across their investment and underwriting activities.

Three quarters of assessed insurance companies do not have an investment policy covering human and labour rights. North American insurers are the worst offenders: not a single one of the 24 insurers from the US or Canada who responded to a survey has a policy. Only 13 per cent of assessed insurers have made a commitment to exclude investment in companies that are knowingly in breach of human and labour rights, indicating that the industry is willing to turn a blind eye to direct and deliberate corporate human rights violations. Insurers are also showing poor engagement practices on human rights, with just 15 per cent of assessed insurers carrying out proactive engagement with investee companies. On the underwriting side, two thirds of insurers with a P&C business do not have an underwriting policy covering human and labour rights, and many of those that do fail to make concrete commitments.

Investments

Finding 5.1: Only 27 per cent of assessed insurers have an investment policy covering human and labour rights.

The majority of assessed insurance companies do not have an investment policy covering human and labour rights.

Figure 37: Proportion of insurers with human rights investment policies across regions

Region	% of insurers with a policy
Europe	57%
Asia	26%
North America	0%
Total	**27%**

North American insurers show particularly poor performance in this regard. Not a single one of the 24 insurers from the US or Canada has an investment policy covering human and labour rights. In Asia, only 26 per cent of assessed insurers have such a policy, with Japan showing the strongest performance in the region, at 40 per. European insurers lead the way, with 57 per cent having a policy covering human and labour rights.

Finding 5.2: 31 per cent of assessed insurers have a controversial weapons exclusion for their investment activities, while policy commitments on other fundamental human rights issues remain relatively infrequent.

Figure 38: Proportion of insurers with specific policy commitments

Policy commitment	% of insurers
Exclusion of investments in companies that derive revenue from controversial weapons*	31%
Exclusion of companies knowingly in breach of human and labour rights	13%
Engagement with companies contributing/linked to human and labour rights breaches	10%
Exclusion of investments in sovereign bonds issued by countries involved in human rights violations	10%
Publication of the names of excluded companies	9%
Engagement with companies on the implementation of the UN Guiding Principles on Business and Human Rights	7%
Engagement with policymakers and regulators on human and labour rights	0%

*Note that not all controversial weapons exclusions were included in finding 5.2, only those that are part of a formal investment policy as part of a human and labour rights strategy.

Our assessment found that 31 per cent of insurers exclude investments in controversial weapons, making this the most popular human rights-related commitment.

Controversial weapons include weapons of mass destruction such as nuclear, chemical and biological weapons, and weapons that cause indiscriminate or excessive harm, such as cluster munitions and anti-personnel mines. A number of international conventions prohibit the production, use, and trade of these weapons for states that have ratified these treaties. This includes: the Treaty on the Non-Proliferation of Nuclear Weapons, the Biological Weapons Convention, the Convention on Certain Conventional Weapons, the Chemical Weapons Convention, the Ottawa Treaty, the Convention on Cluster Munitions, and the Treaty on the Prohibition of Nuclear Weapons[43]. While some countries have enacted legislation to extend the remit of the Conventions to explicitly cover investment in these weapons, in most jurisdictions this is not the case.

The most commonly excluded weapons were cluster munitions and anti-personnel mines, followed by chemical and biological weapons. Nuclear weapons were the least frequently excluded.

It is possible that exclusions of nuclear weapons by institutional investors will become more common, as the UN Treaty on the Prohibition of Nuclear Weapons (TPNW) that came into force in early 2021 filters down to national-level commitments on nuclear weapon phase-out. However, like the treaties on other controversial weapons, the TPNW does not explicitly prohibit investment in nuclear weapons manufacturers in states that have not ratified the treaty.

Aviva: field-leading policy on weapons

Aviva's policy excludes investment in manufacturers of those weapons most commonly categorised as 'controversial weapons', including cluster munitions, chemical weapons, biological weapons, and nuclear weapons. However, Aviva's policy goes further than many investors' exclusions by covering those weapons covered by the Convention on Certain Conventional Weapons (including incendiary, laser-blinding and non-detectable fragments) as well as depleted uranium. Aviva also excludes investment in companies which derive more than 5 per cent of their revenue from the manufacture of civilian firearms. This policy is applied to both actively and passively managed funds.

While it is positive that a number of insurers are excluding controversial weapons from their investments, it is disappointing that the insurance industry on the whole seems to be neglecting other fundamental human and labour rights issues.

It is alarming that only 13 per cent of assessed insurers have a policy to exclude investment in companies that are knowingly in breach of human and labour rights. This suggests that the majority of the insurance industry is willing to turn a blind eye to direct and deliberate corporate human and labour rights violations.

Despite the insurance sector holding a relatively high proportion of the investment portfolio in fixed income, exclusions of sovereign bonds issued by countries involved in human rights violations are very uncommon. Only 10 per cent of assessed insurers have made a commitment to do so. Furthermore, only 9 per cent of assessed insurers publicly list the companies they exclude. Without such information, stakeholders are left in the dark as to whether an insurer is adequately integrating human rights into their asset allocation processes.

Only 10 per cent of assessed insurers have a policy to engage with investee companies contributing or linked to human and labour rights breaches, and even fewer – only 7 per cent – have made a commitment to engage with companies on the implementation of the UN Guiding Principles on Business and Human Rights.

None of the assessed insurers have made a policy commitment to engage with policymakers and regulators on human and labour rights, such as supporting mandatory corporate human rights due diligence. Indeed, only a three of the assessed insurers' in-house managers signed the recent letter by the Investor Alliance for Human Rights calling for mandatory human rights due diligence.[44]

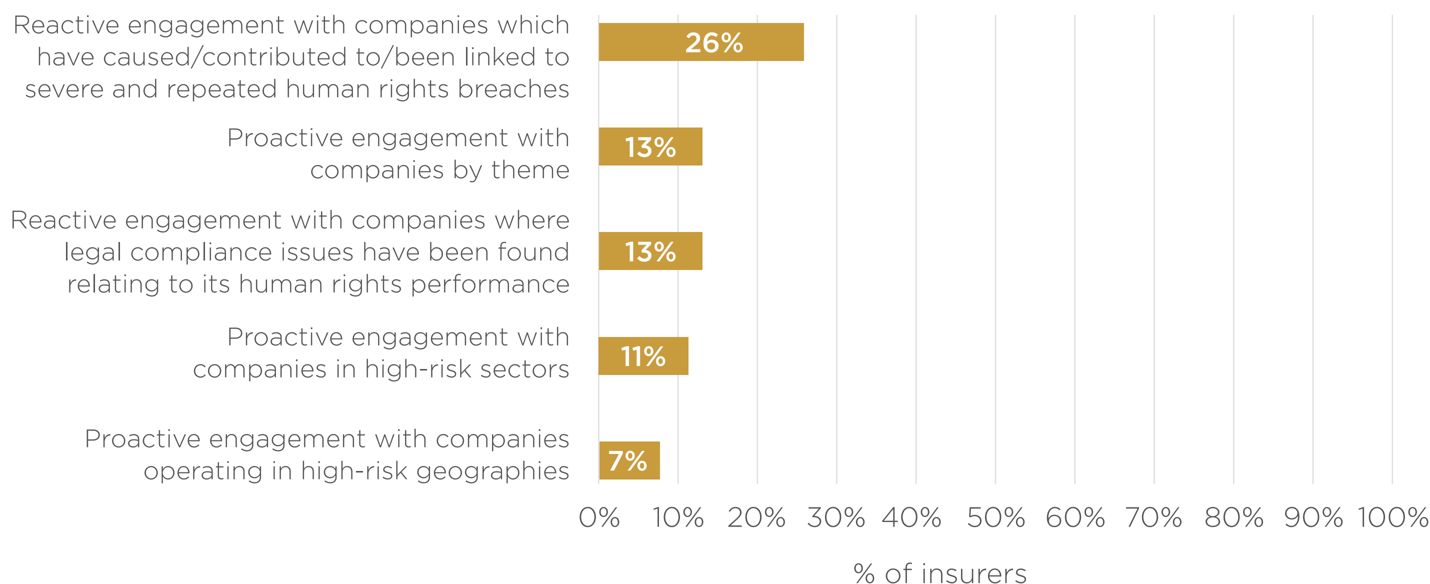
Finding 5.3: Only 15 per cent of assessed insurers are demonstrating a proactive approach to engagement on human rights.

In our assessment we divided types of engagement into two distinct but not exclusive categories: proactive and reactive engagement.

Reactive engagement involves engaging where human rights abuses have already occurred at investee companies, to manage material human rights risks. While it is important for investors to have strong processes for reactive engagement in place, it is not sufficient to rely on a reactive approach. Firstly, reactive engagement takes places after an abuse has occurred and so is by nature too late to mitigate the abuse. It can only seek to remedy past abuse or mitigate future abuses. Secondly, given that human rights abuses are often under-reported, relying on reactive engagement can lead to engaging with an incomplete understanding of the real scale of abuse that has taken place.

Proactive engagement, on the other hand, involves carrying out human rights due diligence to identify companies where there may be salient human rights impacts, and engaging with them to seek to prevent or mitigate any adverse impacts caused by the company's operations. A strong approach to human rights engagement consists of both proactive and reactive engagement.

Figure 39: Proportion of insurers carrying out specific types of engagement



Our assessment finds that 15 per cent of assessed insurers carry out some kind of proactive engagement, either by theme, or based on sector or geography.

Finding 5.4: Insurers most commonly seek human and labour rights disclosure as the main outcome of their engagement, while action-orientated engagement outcomes are less commonly sought.

Our survey assessed what engagement outcomes insurance companies sought when engaging with investee companies. The most common objective was improved human and labour rights-related disclosures by investee companies: 20 of the insurers indicate that they seek to improve these.

Figure 40: Desired outcomes of engagement

Desired engagement outcome	Number of survey respondents
Improved human and labour rights-related disclosures	20
Development of human rights policy	13
Supply chain due diligence	12
Operational due diligence	10
Impact assessments	7
Linking remuneration to human rights-related KPIs	1

We found that engagement that seeks actual action-orientated outcomes was less common. Only 12 insurers engage on increased supply chain due diligence, and only 10 on operational due diligence. The most action-orientated outcomes, carrying out impact assessments and linking remuneration to human rights-related KPIs, were infrequently engaged on, with only seven and one respondents respectively engaging on these outcomes.

Figure 41: Number of insurers engaging on specific themes

Engagement theme	Number of survey respondents
Occupational health and safety	12
Gender diversity	11
Child labour	10
Modern slavery and forced labour	8
Discrimination and harassment	7
Public health	7
Living wage	7
Data privacy	6
Racial or ethnic diversity	6
Employment contract practices	6
Freedom of association and collective bargaining	6
Community rights, including indigenous rights and free, prior and informed consent	5
Grievance mechanisms	5
Just transition	4
Precarious work	3
Social mobility	1

Finding 5.5: Only a third of survey respondents use specific human rights indicators to assess investee company performance.

Figure 42: Workforce-related metrics metrics used by insurers

Workforce-related metrics	Number of survey respondents	Frequency
Workforce diversity	5	Most frequent
Workplace injuries/fatalities	5	
Gender pay gap data	4	
Workforce unionisation	3	
Staff training hours	3	
Staff turnover	3	
Wage data	3	
Number of grievances raised/resolved	3	Least frequent

Our assessment finds that only a third of survey respondents use using specific human and labour rights related metrics to assess investee company performance.

Underwriting

Finding 5.6: 68 per cent of insurers with a property and casualty business have no underwriting policy covering human and labour rights.

Insurers can have a direct impact on a number of social issues through their underwriting activities. This can include, for example, providing insurance products to low-income people who customarily do not have access to the services offered by formal financial institutions (commonly referred to as microinsurance), helping reduce the incidence of emerging manmade health risks, and the provision of insurance products to aging populations.[45]

While all these areas are important, our survey focused on how insurers manage their impact on human and labour rights through their clients' activities. This encompasses the insured entities' employees, customers, suppliers, and the communities and countries of operation. Human and labour rights impacts cover, for example, workplace conditions, gender or racial discrimination, child or forced labour in supply chains, forced relocation of communities, and governments widely perceived to commit human rights abuses.

Our assessment of the world's largest insurers reveals the majority are neglecting the impact of their underwriting activities on human and labour rights.

Among the 31 insurers with a property and casualty business, only ten (32 per cent) have an underwriting policy that broadly covers human and labour rights.

A qualitative assessment of these policies further reveals a lack of concrete commitments. Many of these underwriting policies refer to a list of high-risk sectors where human rights violations may arise. However, only one insurer has made a commitment to engage with clients in these high-risk sectors. Furthermore, just two insurers commit to carrying out impact assessments on projects they plan to underwrite. Two insurers commit to monitoring clients' human rights impacts.

This poor performance of the insurance sector on human and labour rights underwriting broadly mirrors the findings of the human and labour rights investment section of this report. However, the scale of neglect is even more evident with underwriting.

Finding 5.7: There is little evidence to suggest insurers with a property and casualty business are carrying out engagement with clients on human and labour rights.

Figure 43: Number of survey respondents engaging on specific topics

Engagement topic	Number of survey respondents
Carrying out human rights direct operations due diligence	3
Improved disclosure of human rights impacts and remediation	3
Carrying out human rights supply chain due diligence	2
Carrying out human rights impact assessments	2
Development of human and labour rights policies	1
Improved disclosure in line with the UN Guiding Principles for Business and Human Rights	1
Linking remuneration to human and labour rights-related KPIs	1

As can be seen in Figure 43, only a handful of insurers indicate that they engage with clients on human and labour rights. For those that do, carrying out human rights direct operations due diligence, and seeking improved disclosure of human rights impacts and remediation are the most frequent topics for engagement.

Conclusions and recommendations

For insurers

The findings presented in this report show that, within the insurance industry, much work remains to be done to raise the standard of responsible investment and underwriting. While some insurers demonstrate leadership in particular areas, none are performing strongly across all of the topics we addressed. The scale and urgency of current ecological and social crises demand far more than a 'business-as-usual' approach from insurers, who are encouraged to use the ranking and findings in this report to benchmark their own performance and drive improvements where needed.
In the coming months, we will seek to work with insurance companies to provide resources and tailored recommendations to help them make progress.

Recommendations in the context of this report:

Governance

- Involve the **board** in the development of policies and targets linked to responsible investment and underwriting and appoint a board member with specific expertise on the topic. Discuss sustainability-related issues at board-level committees, including risk and audit committee meetings.
- Introduce mandatory sustainability-related **training** for employees and the board and involve external experts to deliver this training.
- Link **key performance indicators or objectives** to responsible investment and underwriting for the board and employees, and translate them into financial incentives.
- Disclose in line with the **TCFD recommendations**.
- Adopt policies and processes aimed at improving employee **diversity and inclusion**.
- Disclose an **escalation strategy** for unsuccessful engagements with investee companies and bond issuers. This strategy should include time-bound engagement objectives, a commitment to vote against the re-election of relevant board members or the remuneration policy, (co-)filing shareholder resolutions, pre-declaring the intention to vote in favour of shareholder resolutions, and sending an open letter to the company.
- Disclose a **record of ESG-related engagement activities**, including case studies which demonstrate the use of an escalation strategy.
- Disclose a **proxy voting policy**, which should cover the approach to shareholder resolutions and indicate general support for resolutions asking companies to take action towards tackling climate change, human rights and biodiversity issues. It should also include a commitment to vote against the re-election of board members or remuneration policies where progress on sustainability-related issues is insufficient.
- Disclose a **record of proxy votes** cast in annual general meetings within one month of each AGM and in an online database in an easily searchable format. This disclosure should include voting rationales for all shareholder resolutions and votes against management.
- Engage with **policymakers and regulators** to ensure the rules governing the insurance sector incentivise the integration of ESG issues, and push for stronger legislation related to climate change, environmental protection, and human rights.

- Factor responsible investment into the **asset manager selection and monitoring** process and set clear guidelines asset managers are required to follow.

Climate change

- Develop and disclose a **policy on climate change** which covers investment and underwriting activities, including a commitment to align with a specific climate change scenario and a net-zero target.
- Undertake **climate-related scenario analysis** for investment and underwriting portfolios, using a range of scenarios and considering adaptation and risk reduction activities. Publish the results and use them to inform your organisation's approach to climate change. Engage with developers of climate reference scenarios (such as the International Energy Agency) on creating a 1.5°C-aligned scenario which does not rely heavily on negative emissions technologies.
- Carry out **action-oriented engagement** with a wide range of sectors on a range of climate-related topics.
- Disclose **sector policies** that impose restrictions on high greenhouse gas emitters, both for investment and underwriting activities. This should include policies to exclude companies on the Global Coal Exit List, unconventional oil and gas, and biomass.

Human rights

- Develop and disclose a **policy on human rights** committing your organisation to engage with clients and investee companies on the implementation of the UN Guiding Principles on Business and Human Rights.
- Carry out **proactive and action-oriented engagement** with investee companies and clients by identifying companies whose activities may have salient human rights impacts and seeking to prevent or mitigate those impacts.
- Impose **restrictions** on companies and sovereign bond issuers involved in human rights violations, both for investments and underwriting activities. This should include policies to exclude companies that derive revenue from controversial weapons.

Biodiversity

- Develop and disclose a **policy on biodiversity**, outlining how nature impacts and dependencies are measured and managed across your portfolios.
- Develop and disclose **sector guidelines** for priority industries, such as agriculture, mining and extractives, apparel, utilities, as well as commodity-specific policies.
- Carry out **action-oriented engagement** with portfolio companies and clients on key biodiversity-related topics.
- Carry out biodiversity-related **dependency and impact assessments** to gain a better understanding of the systemic risks that the loss of nature poses to your organisation.
- Work towards setting portfolio-wide science-based targets for nature.

For shareholders in insurance companies

Given the systemic risks associated with the themes this report has covered, shareholders in insurance companies have a lot to lose from inaction. The wide-reaching and systemic nature of these risks means that it is not possible to avoid them simply through diversification or divestment. Shareholders should use their influence to hold insurance companies to account on these risks.

Investors have a key role to play in ensuring that the insurance companies in which they hold shares or bonds manage the systemic risks covered in this report appropriately. As opposed to other sectors investors are exposed to, insurers are able to influence companies' activities across the economy, making it particularly important that they adopt a progressive approach to system-wide challenges such as climate change, biodiversity and human rights. This report aims to help investors in this endeavour.

Recommendations in the context of this report:

- Evaluate the climate-related performance of insurance companies in your portfolios
- Engage in a dialogue with individual insurers whose approach to responsible investment and underwriting is deemed insufficient, clearly outlining your expectations and timelines by when the insurer is expected to meet them
- Base the content of this engagement on the recommendations provided for insurers in the section above
- Participate in collaborative investor initiatives focused on the insurance sector's performance on sustainability-related issues, such as investor-signed letters to specific insurers
- Co-file or vote in favour of ambitious climate-related resolutions filed at insurance companies.

For policymakers

Regulation is a powerful way of driving best practice across an industry. The EU has been at the forefront of the regulatory push for sustainability, setting a global standard of ambition for governments worldwide. Legislative requirements for investors in the EU have helped to drive sustainable finance up the agenda, which may account for the higher scores in our rankings for insurers in that region. The upcoming review of the Solvency II directive offers the opportunity to put forward further requirements for insurers to consider sustainability risks in their investing and underwriting activities.

Industry participants such as insurance companies require clarity on legislative and regulatory direction so that they can plan accordingly. Furthermore, given the complexity of the investment chain, policy should not be designed in a piecemeal manner but should be approached holistically: it is no good, for example, if asset owners are required to use information that others further down the investment chain are not required to collect or disclose.

To be effective, regulation also needs to be accompanied by strong supervision, including clear guidance on expectations and penalties in the case of non-compliance. Furthermore, while it is understandable that the pre-eminent focus of regulatory initiatives so far has been climate change, policymakers need to think about how to address other issues which have the potential to pose significant threats to financial and social stability. It is not feasible to do so on an 'issue-by-issue' basis

– what is needed is a holistic approach to ensuring that the financial sector is fit for the challenges of the decade, and beyond. To do this, policymakers need to think about the underlying incentives and systemic factors that drive decision-making and behaviour within the financial system.

Recommendations in the context of this report:

- Make it mandatory that regulators consider sustainability in their supervisory and operational activities, including being required to have regard to the goals of the Paris Agreement.
- Encourage insurers to understand how they can adopt strategies to align their businesses with the goals of the Paris Agreement and to achieve net-zero emissions. Promote cross-sector research and resources to move towards insurers setting credible net-zero targets.
- Commit to economy-wide mandatory TCFD disclosure, including for insurance companies, and develop a time-bound roadmap for implementation by 2025 or earlier. This should include disclosure of the insurer's transition strategy and targets (including the insurer's underlying methodologies for setting targets and measuring progress).
- Fast-track policy changes aimed at addressing biodiversity risk so that these can be brought in in parallel to those related to climate change.
- Introduce greater transparency for insurance companies' underwriting policies relating to environmental, social and governance factors, with specific detail required for climate change, human rights and biodiversity.
- Require insurers to consider sustainability risks, including their impact on the environment and society, when investing and underwriting. Introduce requirements for insurance companies to respond to companies' environmental and human rights due diligence and sustainability reporting.
- Mandate higher standards for investor stewardship. These should cover environmental and human rights issues.

Appendix: Survey questionnaire

Below is a shortened version of the questionnaire we used to assess insurers. In the full questionnaire, each question also has associated multiple choice answer options. The full questionnaire is available on request.

GOVERNANCE	
ID	Question
ACCOUNTABILITY, TRAINING, INCENTIVES AND REPORTING	
G.1	Is there board-level oversight of the organisation's approach to responsible investment and underwriting? Please tick all that apply.
G.2	Which board-level committees have discussed sustainability-related issues?
G.3	How is awareness of responsible investment and underwriting raised across the organisation? Please tick all that apply.
G.4	Have board members received training on sustainability-related issues?
G.5	Are there any Key Performance Indicators (KPIs) or objectives linked to responsible investment and underwriting for individuals or teams? Please tick all that apply.
G.5.1	Are those KPIs or objectives translated into remuneration policies?
G.6	What is your organisation's approach to the TCFD recommendations? Please tick all that apply.
DIVERSITY AND INCLUSION (D&I)	
G.7	Please provide the percentage of the organisation's total workforce by race.
G.8	Please provide the percentage of the organisation's total workforce by gender.
G.9	What actions has your organisation taken to improve employee diversity and inclusion?
STEWARDSHIP	
G.10	Does the organisation publicly disclose a record of ESG-related engagement activities for all portfolios under management?
G.11	What is the organisation's escalation strategy for listed equity in the case where an investee company fails to meet sustainability-related engagement objectives? Please tick all that apply.
G.12	What is the organisation's approach to engagement in relation to its bond holdings (corporate and sovereign)?
G.13	What is the organisation's escalation strategy for bond holdings in the case where a company fails to meet engagement objectives? Please tick all that apply.

G.14	Does the organisation publicly disclose a record of proxy votes cast in annual general meetings (AGMs) of investee companies? Please tick all that apply.
G.15	Does your organisation have a publicly available voting policy?
G.16	Does the organisation's voting policy explicitly cover its approach to shareholder resolutions? Please tick all that apply.
COLLABORATION	
G.17	Is your organisation a member of any of the following initiatives? Please tick all that apply.
G.17.1	Based on the answer options selected above, please highlight which initiatives the organisation has taken a leading role in (for example by leading engagement with a company, coordinating a working group or supporting the drafting of a public statement).
G.18	Is the organisation engaging with policymakers or regulators to ensure the rules governing the insurance sector incentivise the integration of environmental and social issues?
G.19	Is the organisation engaging with policymakers on legislation or policy related to climate change, environmental protection and/or human rights? (Beyond insurance sector regulation)
SERVICE PROVIDER MONITORING AND ACCOUNTABILITY	
G.20	Whether assets are managed internally (by an associated investment manager) or externally, how does the organisation integrate responsible investment into manager monitoring and ensure their performance is aligned with expectations?
G.21	For assets managed externally, how is reponsible investment factored into the asset manager selection process?

CLIMATE CHANGE	
ID	**Question**
INVESTMENTS	
CC.I.1	Does the organisation have a policy on climate change, covering its investment activities?
CC.I.1.1	If yes, please tick which of the following apply:
CC.I.3	Has your organisation carried out climate-related scenario analysis for any / all of its investment portfolios?
CC.I.3.1	If yes, please tick which of the following apply:
CC.I.3.2	If yes, please specify which asset class or sector were covered by this analysis:
CC.I.3.3	If yes, how does the organisation balance transition and physical risks when deciding which scenarios to prioritise?

CC.I.4	Does your organisation engage with the developers of climate reference scenarios (such as the IEA)? Please tick all that apply.
CC.I.5	Which sectors does the organisation engage with on climate-related topics?
CC.I.6	Which climate-related topics does your organisation engage on with investee companies?
CC.I.6.1	Among the answer options selected, please list up to three priority topics for your organisation:
CC.I.7	Which climate-related metrics does the organisation use?
CC.I.8	Has the organisation set targets in relation to any of the metrics used?
CC.I.9	Please detail the organisation's exposure to the following sectors within its investment activities - both in terms of absolute amount and percentage of total assets under management - covering the entire value chain (not just extraction).
CC.I.10	Does the organisation have policies that impose restrictions on investments in any of the following sectors - please tick all that apply.
CC.I.10.1	Please tick all options that apply in relation to the organisation's policy on thermal coal mining:
CC.I.10.2	What percentage of AUM is covered by this policy?
CC.I.10.3	Please tick all options that apply in relation to the organisation's policy on coal power:
CC.I.10.4	What percentage of AUM is covered by this policy?
CC.I.10.5	Please tick all options that apply in relation to the organisation's policy on oil and gas:
CC.I.10.6	What percentage of AUM is covered by this policy?
CC.I.10.7	Please tick all options that apply in relation to the organisation's policy on biomass:
CC.I.10.8	Does the organisation disclose a list of companies excluded through these sector policies?
CC.I.11	Please detail your organisation's exposure to low-carbon sectors within your investment activities - both in terms of absolute amount and percentage of total assets under management.
CC.I.12	Does the organisation measure the positive impacts of its investment activities on climate change?
CC.I.13	What are the main barriers to increasing your exposure to low-carbon assets?
UNDERWRITING	
CC.U.1	Does the organisation have a policy on climate change, covering its underwriting activities?
CC.U.1.1	If yes, please tick which of the following apply:

CC.U.2	Has the organisation carried out climate-related scenario analysis, covering its underwriting activities?
CC.U.2.1	If yes, please tick which of the following apply:
CC.U.2.2	If yes, please specify which areas of the organisation's underwriting activities were covered in this analysis (for instance in terms of geography, sectors, lines of business, etc.).
CC.U.3	Which climate-related topics does the organisation engage on with clients?
CC.U.3.1	Among the answer options selected, please list up to three priority topics for your organisation:
CC.U.4	Which climate-related metrics does the organisation use in relation to its underwriting activities?
CC.U.5	Has the organisation set targets in relation to any of the metrics used? If yes, please provide detail on the target.
CC.U.6	Please provide an example of how your organisation's climate-related risk assessment has impacted product development and pricing.
CC.U.7	Please detail your organisation's exposure to the following sectors within its underwriting business - both as an absolute amount and the percentage this represents within your insurance business - covering the entire value chain (not just extraction).
CC.U.8	Does the organisation have policies that impose restrictions on any of the following sectors - please tick all that apply.
CC.U.8.1	Please tick all options that apply in relation to the organisation's policy on thermal coal mining:
CC.U.8.2	Please choose the option that applies:
CC.U.8.3	If your organisation has a reinsurance business, please tick all that apply:
CC.U.8.4	Please tick all options that apply in relation to the organisation's policy on coal power:
CC.U.8.5	Please choose the option that applies:
CC.U.8.6	If your organisation has a reinsurance business, please tick all that apply:
CC.U.8.7	Please tick all options that apply in relation to the organisation's policy on oil and gas:
CC.U.8.8	Please choose the option that applies:
CC.U.8.9	If your organisation has a reinsurance business, please tick all that apply:
CC.U.8.10	Please tick all options that apply in relation to the organisation's policy on biomass:
CC.U.8.11	Does the organisation disclose a list of companies excluded through these sector policies?
CC.U.9	Please detail the organisation's exposure to low-carbon sectors or activities within its underwriting business - both as an absolute amount and the percentage this represents within its non-life insurance business.

CC.U.10	Does the organisation measure the positive impacts of its underwriting activities on climate change?
CC.U.11	Which low-carbon and/or climate resilience products and services does your organisation offer to its clients?

BIODIVERSITY	
ID	**Question**
INVESTMENTS	
BD.I.1	Does your organisation have a policy on biodiversity, covering its investment activities?
BD.I.1.1	If yes, please tick which of the following apply:
BD.I.2	Does the organisation have sector-specific investment policies taking into account biodiversity considerations, that cover any of the following business activities? Please attach a document or provide a link for each option selected.
BD.I.3	How does the organisation approach biodiversity-related engagement? Please select all that apply.
BD.I.3.1	Which biodiversity-related topics have been the focus of engagement conducted by the organisation?
BD.I.3.2	Which sectors have been the target of biodiversity-related engagement conducted by the organisation?
BD.I.3.3	If the organisation engages collaboratively, please tick which of the following apply:
BD.I.4	At the corporate level, what are the main outcomes that the organisation is aiming to achieve through its biodiversity-related engagement?
BD.I.4.1	Among the answer options selected, please list up to three priority engagement outcomes for your organisation:
BD.I.5	What is your organisation's approach to building a better understanding of biodiversity-related impacts and dependencies of its investment portfolio? Please tick all that apply and provide detail for each option selected.
BD.I.6	Has the organisation started to conduct biodiversity dependency assessments across its investment portfolios?
BD.I.7	Has the organisation started to conduct biodiversity impact assessments across its investment portfolios?
BD.I.8	Has the organisation set targets for any of the following in relation to its investment portfolios? If yes, please provide detail on the targets and metrics used to measure progress.
BD.I.9	What do you see as the main challenge in integrating biodiversity risks and opportunities into your organisation's investment activities?
UNDERWRITING - NON-LIFE	
BD.U.1	Does your organisation have a policy on biodiversity, covering its underwriting activities?

BD.U.1.1	If yes, please tick which of the following apply:
BD.U.2	Does your organisation have sector-specific underwriting policies taking into account biodiversity considerations, that cover any of the following business activities? Please attach a document or provide a working link for each option selected.
BD.U.3	Which biodiversity-related topics does the organisation engage on with clients?
BD.U.3.1	Among the answer options selected, please list up to three priority topics for your organisation:
BD.U.4	Has the organisation started to conduct biodiversity-related dependency assessments across its underwriting portfolios?
BD.U.5	Has the organisation started to conduct biodiversity-related impact assessments across its underwriting portfolios?
BD.U.6	Does the organisation offer specific biodiversity-related products or services? Please provide detail for each option selected.
BD.U.7	Does the organisation see opportunities to reduce insurance risk through more active environmental management and protection of biodiversity?
BD.U.8	Which parts of the organisation's insurance activities do you consider to be most at risk from continued degradation of biodiversity?
BD.U.9	Does the organisation use biodiversity-related metrics in its underwriting activities?
BD.U.9.1	Has the organisation set targets in relation to any of the metrics used?
UNDERWRITING - LIFE & HEALTH	
BD.U.10	Is the organisation considering the benefits to public health of regular access to healthy ecosystems?
BD.U.11	Is the organisation considering systemic risks to public health associated with nature loss?
BD.U.12	What do you see as the main challenge in integrating biodiversity risks and opportunities into your organisation's underwriting activities?

HUMAN & LABOUR RIGHTS	
ID	**Question**
INVESTMENTS	
HR.I.1	Does your organisation have a policy on human and labour rights, covering its investment activities?
HR.I.1.1	If yes, please tick which of the following apply:
HR.I.2	How does the organisation approach human and labour rights-related engagement?

HR.I.2.1	Which human and labour rights-related topics have been the focus of engagement conducted by the organisation?
HR.I.2.2	Which sectors have been the target of human and labour rights-related engagement conducted by the organisation?
HR.I.3	What are the main outcomes that the organisation is aiming to achieve through its human and labour rights-related engagement?
HR.I.3.1	Among the answer options selected, please list up to three priority outcomes for your organisation:
HR.I.4	How does the organisation assess the human rights performance of investee companies?
HR.I.5	Which human and labour rights-related metrics does the organisation use to measure the human rights performance of investee companies?
HR.I.6	Has the organisation set any human and labour rights-related investment targets?
UNDERWRITING	
HR.U.1	Does your organisation have a policy on human and labour rights covering its underwriting activities?
HR.U.1.1	If yes, please tick which of the following apply:
HR.U.2	How does the organisation approach human and labour rights-related engagement with clients?
HR.U.2.1	Which sectors have been the target of human and labour rights-related engagement conducted by the organisation?
HR.U.2.2	Which human and labour rights-related topics have been the focus of engagement conducted by the organisation?
HR.U.3	What are the main outcomes that the organisation is aiming to achieve through its human and labour rights-related engagement?
HR.U.3.1	Among the answer options selected, please list up to three priority outcomes for your organisation:
HR.U.4	How does the organisation assess the human rights-related performance of clients?
HR.U.5	Which human and labour rights-related metrics does the organisation use to measure the human rights performance of clients?
HR.U.6	Has the organisation set any human and labour rights-related underwriting targets?

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About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

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