



"St. Kliment Ohridski" University

CORPORATE SUSTAINABLE PROFILE: THE EVIDENCE FROM THE EUROPEAN INSURANCE INDUSTRY

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Motivation and problem statement

Sustainability is one of the most significant trends in the financial market over the last decade.

As corporations, risk managers, risk carriers and investors, the insurers play an important role in promoting sustainability.

Despite increasing interest from policy makers and financial regulators, studies relating to the insurance industry are still scarce

The study aims to fill this gap by exploring the practice of social and environmental disclosure among selected insurance companies for the purpose of identifying the scope of sustainability awareness.

EU Commission action plan on financing sustainable growth

I Reorienting capital flows towards a more sustainable economy

- Establishing a clear and detailed EU taxonomy, a classification system for sustainable activities.
- Creating an EU Green Bond Standard and labels for green financial products
- Fostering investment in sustainable projects
- Incorporating sustainability in financial advice
- Developing sustainability benchmarks

II Mainstreaming sustainability into risk management

- Better integrating sustainability in ratings and market research
- Clarifying asset managers' and institutional investors' duties regarding sustainability
- Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies

III Fostering transparency and long-termism

- **Strengthening sustainability disclosure and accounting rule-making**
- Fostering sustainable corporate governance and attenuating short-termism in capital markets

European sustainable finance regulations – overview

- Regulation 2019/2088, **The Sustainable Finance Disclosure Regulation (SFDR)**
- Regulation (EU) 2020/852, **The Taxonomy Regulation**
- Directive (EU) 2016/97, **Insurance Distribution Directive (IDD)**
- Directive (EU) 2022/2464, **Corporate Sustainability Reporting Directive (CSRD)**, which amends the existing reporting requirements of the Directive 2014/95/EU, **the Non-Financial Reporting Directive (NFRD)**
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Non-financial / sustainability reporting as defined by NFRD

- “...Large undertakings shall include in the management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to:
 - ✓ environmental matters
 - ✓ social matters and treatment of employees
 - ✓ respect for human rights
 - ✓ anti-corruption and bribery
 - ✓ diversity on company boards..”
- In providing this information, undertakings which are subject to this Directive may rely on national frameworks, Union-based frameworks international frameworks.

Research questions

- How European insurers are advancing in the sustainability reporting agenda?
- Are there any difference among social and environmental disclosures of internationally and regionally active insurance companies?
- Is there a link between the size of an insurance company and its sustainability awareness?
- What are the opportunities and the challenges of sustainability disclosures?

Research sample

- **Sample A**

- **20 Internationally Active Insurance Groups with jurisdiction of Group-wide supervisor located in Europe (source: IAIS, 2021)**
- Internationally Active Insurance Group Criteria:
 - *Internationally active:*
 - Premiums are written in three or more jurisdictions; and
 - Gross written premiums outside of the home jurisdiction are at least 10% of the group's total gross written premiums.
 - *Size (based on a three-year rolling average):*
 - Total assets are at least USD 50 billion; or
 - Total gross written premiums are at least USD 10 billion.
- **Analyzed period: 2016-2021**

- **Sample B**

- **Insurance companies with headquarters in the CEET region**
- **Positive value of SPDI /EPDI / EconPDI at least in one year during the analyzed period**
- **Analyzed period: 2014 – 2021**

Sample A

Insurance company	Country
Aegon	Netherlands
Ageas	Belgium
Allianz Group	Germany
Assicurazioni Generali S.p.A.	Italy
Aviva plc	United Kingdom
AXA S.A.	France
Baloise Group	Switzerland
BNP Paribas Cardif	France
CNP Assurances	France
Grupo Mapfre	Spain
Helvetia Group	Switzerland
Legal & General Group Plc	United Kingdom
Münchener Rückversicherungs	Germany
NN Group N.V.	Netherlands
Prudential plc	United Kingdom
Swiss Life Group	Switzerland
Swiss Re Group	Switzerland
Talanx Group	Germany
Vienna Insurance Group	Austria
Zurich Insurance Group	Switzerland

Sample B

Insurance company	Country
AMS osiguranje	Serbia
Anadolu sigorta	Turkey
Croatia osiguranje	Croatia
Dunav osiguranje	Serbia
Euroins	Bulgaria
Pozavarovalnica Sava	Slovenia
PZU	Poland
Zavarovalnica Triglav	Slovenia

Research methodology

- Content analysis
- GRI framework used
- Disclosure index based on the cumulative result of all selected information (Ehsan et al. 2018).
- The positions of Index coded with 0 (if the information about indicator is omitted) and 1 (if the information is disclosed).
- *Social Performance Disclosure Index, SPDI (Environmental Performance Disclosure Index, EPDI)* determined as a sum of equally weighted Index positions giving the possible maximum Index value of 17 (14).
- *Composit Sustainability performance index, SUSPDI*, has a maximum value of 31.
- $\text{Disclosure rate} = \text{Index average value} / \text{Index maximal value}$

Environmental Performance Disclosure Index – EPDI (14 Indicators)

GRI 301: Materials	301-1 Materials used by weight or volume 301-2 Recycled input materials used
GRI 302: Energy	302-1 Energy consumption within the organization 302-3 Energy intensity 302-4 Reduction of energy consumption
GRI 303: Water and Effluents	303-5 Water consumption
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-4 GHG emissions intensity 305-5 Reduction of GHG emissions
GRI 306: Waste	306-2 Management of significant waste-related impacts 306-3 Waste generated 306-5 Waste directed to disposal

Social Performance Disclosure Index – SPDI (17)

GRI 401: Employment	401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary/ parttime employees 401-3 Return to work and retention rates after parents leave, by gender
GRI 402: Labor /Management Relations	402-1 Minimum notice periods regarding operational changes
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation
GRI 404: Training and Education	404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs 404-3 Percentage of employees receiving regular performance and career development reviews
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken
GRI 412: Human Rights Assessment	412-3 Significant investment agreements and contracts that include human rights clauses/ underwent human rights screening
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria
GRI 415: Public Policy	415-1 Political contributions
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

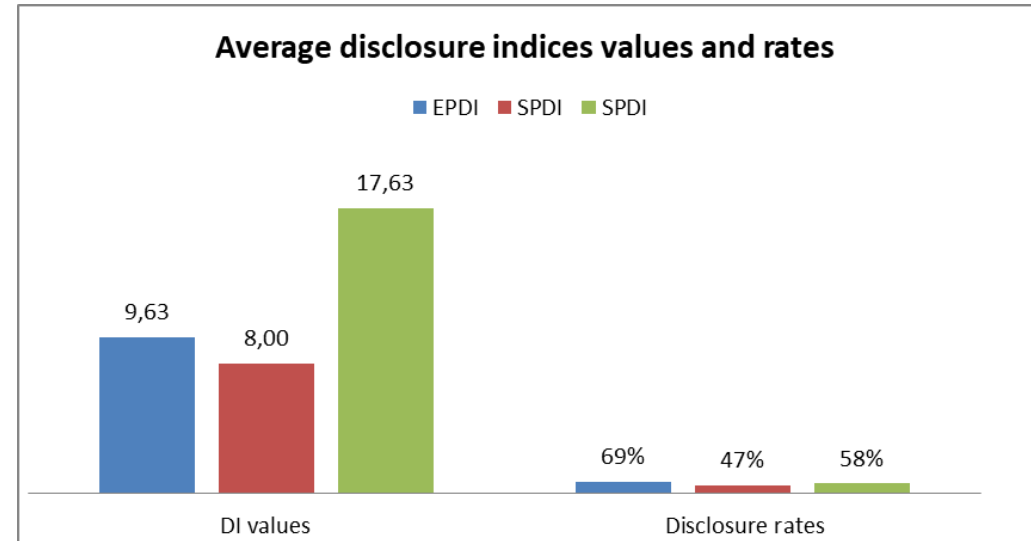
Sustainability reporting general overview: Sample A

- Type of the report
- The GRI content index
- Existence of a direct link with a focus on sustainability on the company's website
- The statutory audit / independent assurance
- 'Double materiality' concept
- Topics of high material relevance:
 - Risk management
 - People
 - Data protection
 - Environment and climate protection
 - Sustainable profitability
 - Employee commitment / motivation
 - Customer protection
 - Compliance
 - Products that are transparent and easy to understand
 - Corporate citizenship

Key findings: Sample A

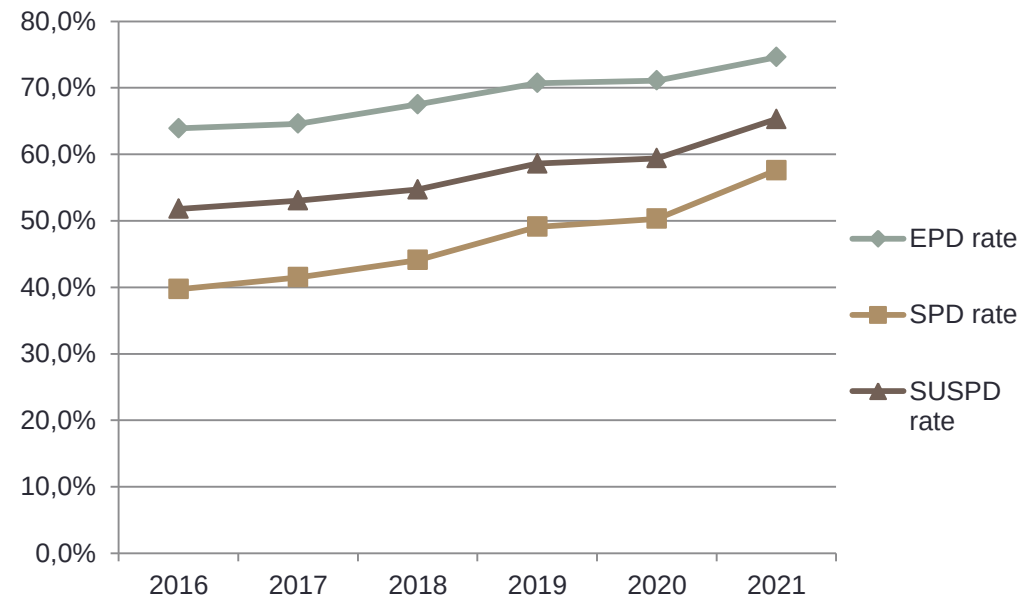
I A gap in the record

European top insurers disclose, on average in the period 2016-2021, against 47% (69%) of the analyzed SPDI (EPDI) parameters respectively.



II Progress in the disclosure rates has been modest but constant

The average SUSPD rates show moderate but constant growth during the six-year period, from 51% in 2016 to 65% in 2021.



III A gap in sustainability reporting practice between analyzed insurance companies

- A contrast in sustainability awareness among insurance companies

Variable	N	Mean	SD	MIN	MAX	SKEW
SPDI	120	8,00	2,52	1	15	0,05
EPDI	120	9,63	3,91	0	14	-1,15

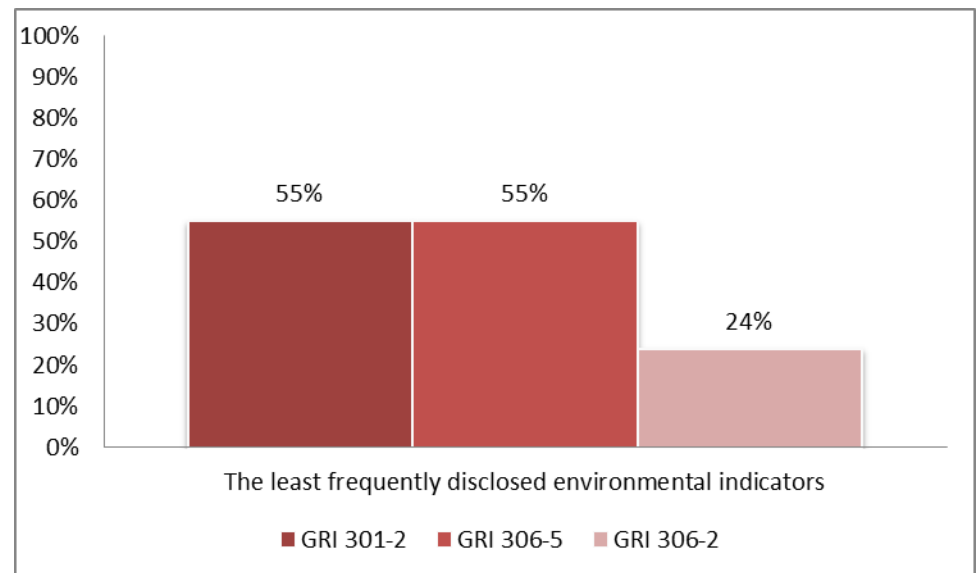
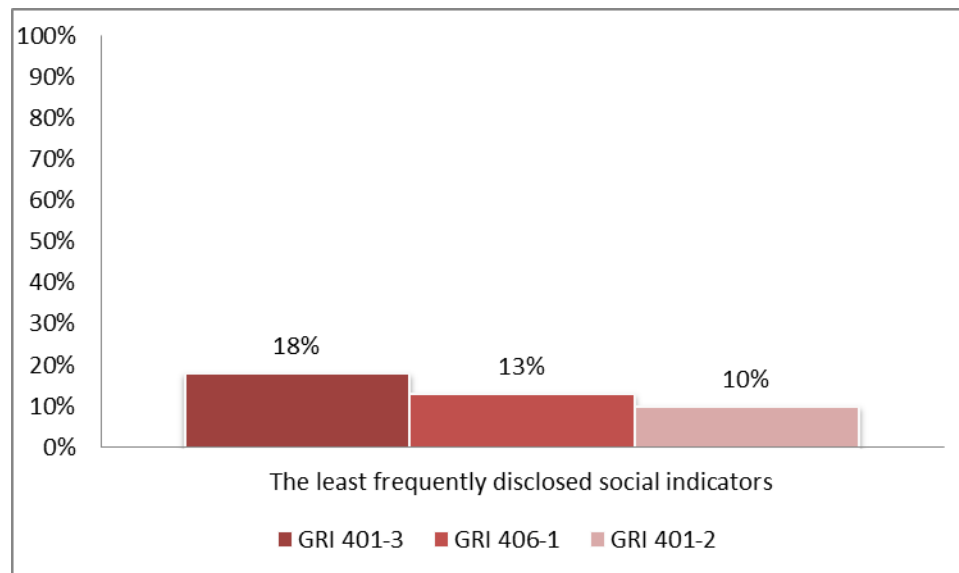
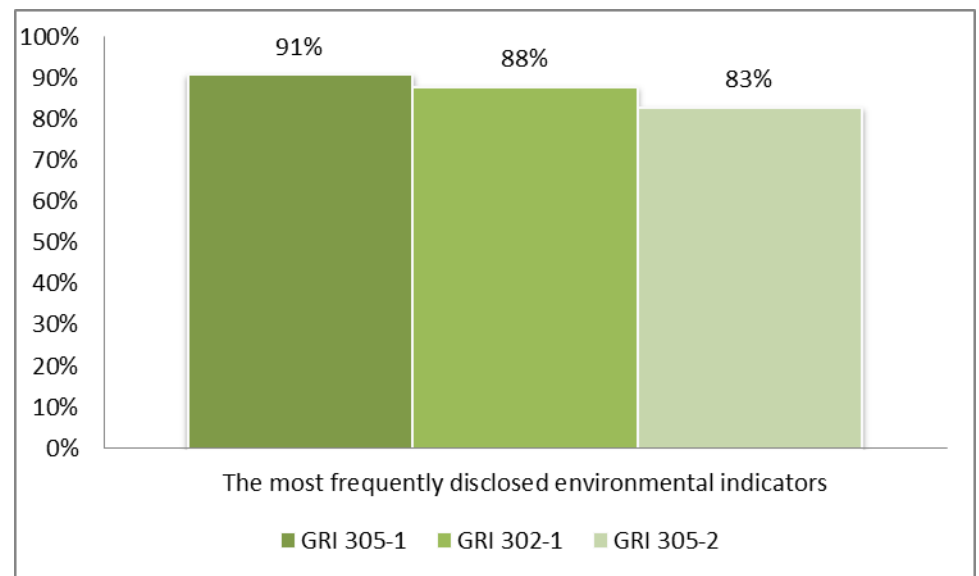
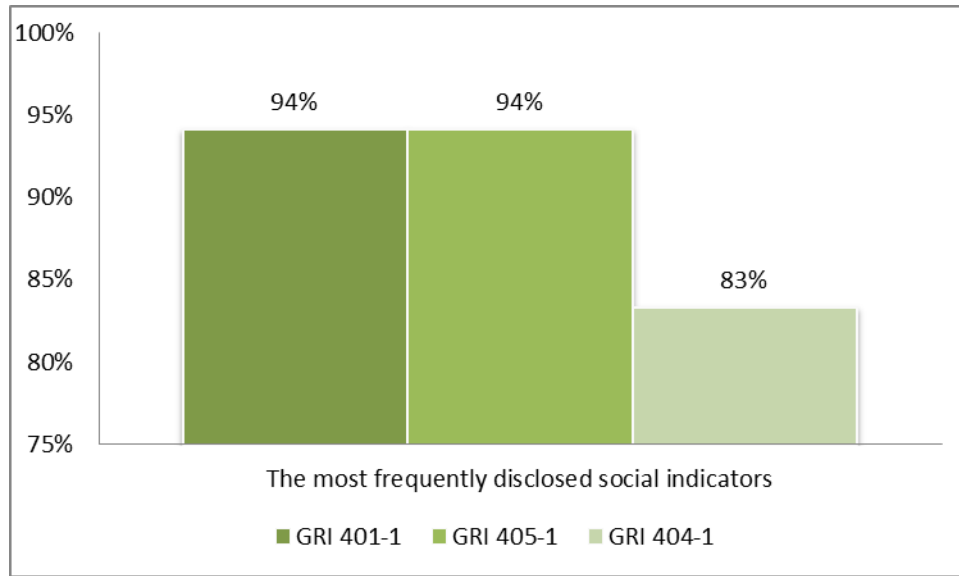
- Business indicators, such as total asset value and market capitalization, positively correlated to sustainability disclosure.

SusDI 2020	Pearson coefficient	Sig. (2-tailed)
Total asset 2020	0,871	,000
Market cap. 2020	0,478	.033

- According to the hierarchical clustering method, companies classified into three clusters.

Cluster 1	Cluster 2	Cluster 3
Allianz	Legal & General	Ageas
AXA	Aviva	VIG
CNP Assurance	Generali	
Swiss Re	Aegon	
Swiss Life	Prudential	
NN group	Zurich Insurance	
Mapfre	Munich RE	
Helvetia	PNB Paribas	
Talanx	Baloise	

IV A gap in reporting practices between the E and S components



Source: Author's calculations

Economic Performance indicators - EconPDI(12)

GRI 201: ECONOMIC PERFORMANCE	201-1 Direct economic value generated and distributed 201-2 Financial implications and other risks and opportunities due to climate change 201-3 Defined benefit plan obligations and other retirement plans 201-4 Financial assistance received from government
GRI 202: MARKET PRESENCE	202-2 Proportion of senior management hired from the local community
GRI 203: INDIRECT ECONOMIC IMPACTS	203-1 Infrastructure investments and services supported 203-2 Significant indirect economic impacts
GRI 204: PROCUREMENT PRACTICES	204-1: Proportion of spending on local suppliers
GRI 205: ANTI-CORRUPTION	205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken
GRI 206: ANTI-COMPETITIVE BEHAVIOR	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

Key findings: Sample B

I Overall sustainability disclosure still insufficient

Regional insurers disclose, on average during the period 2014-2021, against 32%, 20% and 31% of the analyzed economic, social and environmental parameters respectively.

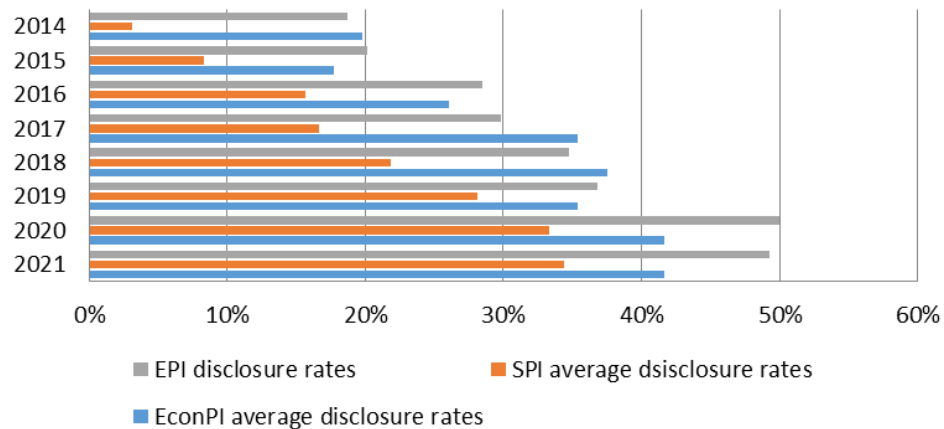
II Evident growth in the values of sustainability performance disclosures during the Covid pandemic period

A higher disclosure rate is observed related to: GRI 201, 403 and 404.

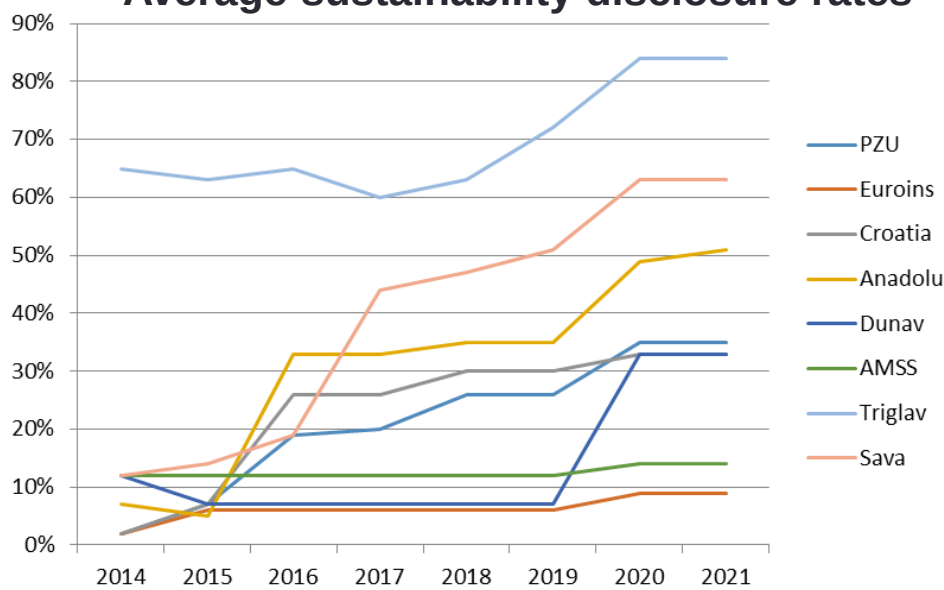
III A gap in sustainability reporting practice between insurance companies operating in the region

Slovenian insurers are regional leaders in the sustainability disclosure practice.

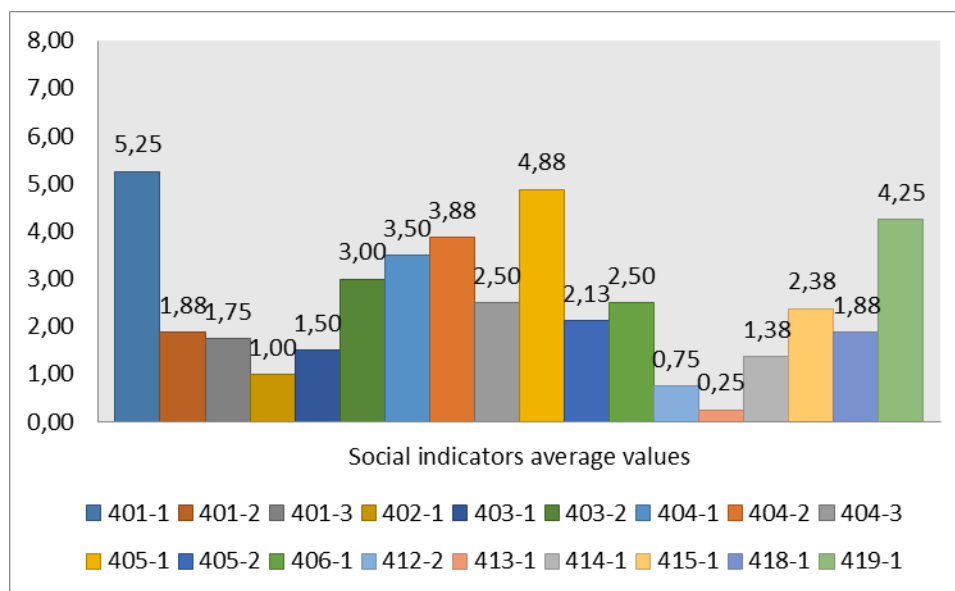
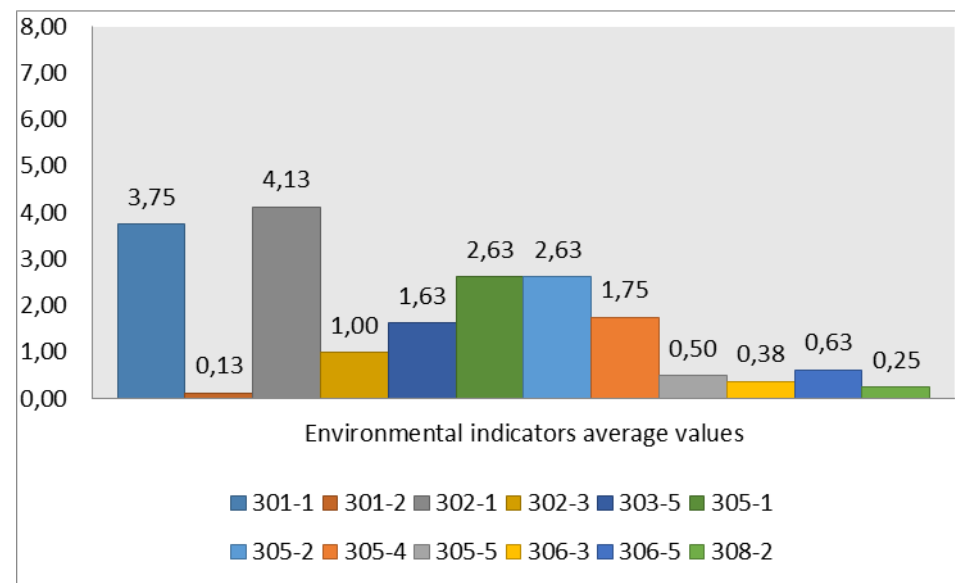
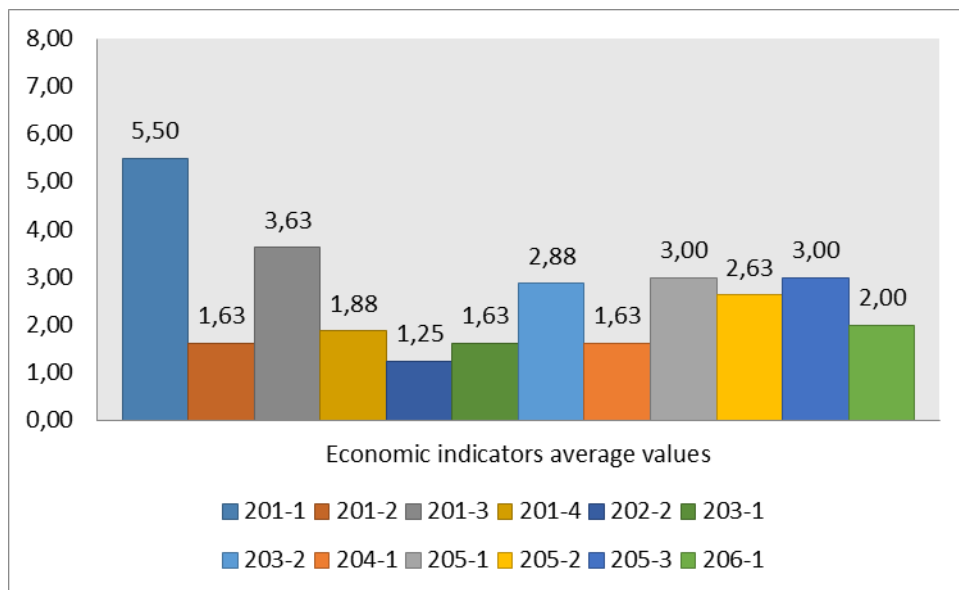
Disclosure trend 2014-2021



Average sustainability disclosure rates



IV Regional insurers' disclosures differ significantly between the economic, social and environmental parameters.

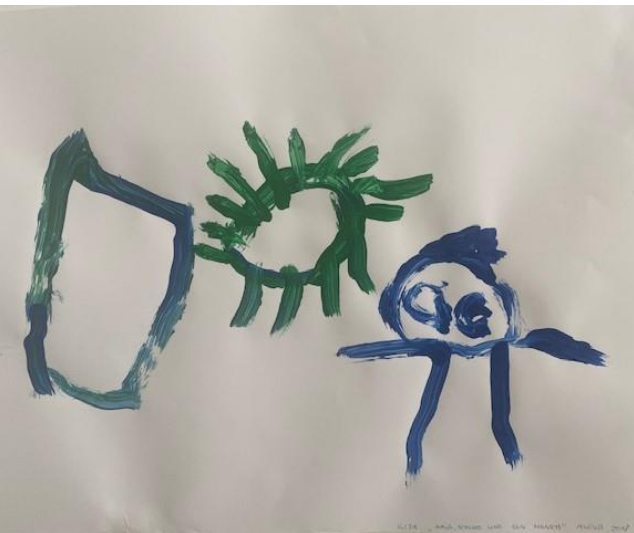


Conclusion: Is it easy being sustainable?

- The insurance sector understands the importance of sharing sustainable performance with shareholders, customers and the public and setting climate and social targets.
- Insurance companies belong to different sustainability maturity stages.
- Challenges in sustainability reporting related to:
 - Significance
 - Reliability of indicators
 - Balance of information
 - Comparability
 - Clarity
- A scope to strengthen social and environmental disclosures
- **The role of standardization**

Well, is it worth being sustainable?

- *The social performance disclosure in companies whose shares are constituents of the BELEXline index is relevant for the financial success of the company measured by P/E (Pavlovic, Dencic-Mihajlov & Stankovic, 2020).*
- *The sustainability-based portfolio of companies listed on the BSE outperforms the conventional one and benchmarking indices (Stankovic, Dencic-Mihajlov, Stankovic & Petrovic, 2023).*



Thank You For Your Attention

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