



SUSTAINABILITY AND ESG REGULATORY LANDSCAPE IN THE CEET REGION

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Motivation and problem statement

ESG as a global phenomenon, ESG data is going mainstream

The role of insurance industry in the transition to a net-zero, resilient and socially just economy

The interest of the regulators globally in sustainability issues

For the most countries of CEET region, ESG / sustainability agenda still an ambitious development challenge

The aim of the survey:
to assess the current status of the insurance regulations and/or initiatives promoting sustainable insurance growth in the CEET region

Aim and scope of the survey

The purpose of the survey:

- *to assess the current status of the insurance regulations and/or initiatives promoting sustainable insurance growth in the CEET region,*
- *monitor the progress of sustainability initiatives in national insurance markets,*
- *collaborate with policymakers and stakeholders on sustainability and ESG frameworks development,*
- *address the importance of insurance industry for achieving the UN Sustainable Developments Goals and sustainable growth financing.*

Survey period: January-May 2023

Sample: 30 authorities from 27 CEET jurisdictions were invited to respond

Responsiveness rate: 82% (data from 22 CEET countries received)

The questionnaire

- i Preliminary information: Respondent data*
- I. The existence and assessment of sustainability and ESG regulations and/or initiatives in insurance sector in CEET region.
- II. Current national policy approaches to achieve Sustainable Development Goals (SDG) and to finance sustainable growth.
- III. The country's insurance sector's awareness and preparedness to implement ESG frameworks.
- IV. Identification of supervisory building capacity needs for promotion of SDGs and implementation of ESG framework.


Respondent jurisdiction details

Country	Cluster	Organization	IAIS member	EU member
Bulgaria	CEE-EU	Financial Supervision Commission	Yes	Yes
Croatia	CEE-EU	Croatian Financial Services Supervisory Agency	Yes	Yes
Czech Republic	CEE-EU	Czech National Bank	Yes	Yes
Estonia	CEE-EU	Estonian Financial Supervision and Resolution Authority	Yes	Yes
Hungary	CEE-EU	The Central Bank of Hungary	Yes	Yes
Latvia	CEE-EU	Financial And Capital Market Commission	Yes	Yes
Lithuania	CEE-EU	Central Bank of Lithuania	Yes	Yes
Poland	CEE-EU	KNf-Polish Financial Supervision Authority	Yes	Yes
Slovakia	CEE-EU	National Bank of Slovakia	Yes	Yes
Slovenia	CEE-EU	Insurance Supervsion Agency	Yes	Yes
Albania	SEE	Albanian Financial Supervisory Authority	Yes	candidate country, open negotiation
Bosnia and Herzegovina	SEE	- Insurance Agency of Bosnia and Herzegovina -Insurance Agency Of Republic of Srpska	No	2024 Cand. country, open neg
Kosovo	SEE	Central Bank of the Republic of Kosovo	Yes	potential candidate
Macedonia	SEE	Insurance Supervision Agency	Yes	candidate country, open negotiation
Montenegro	SEE	Insurance Supervision Agency	Yes	candidate country, open negotiation
Armenia	EE	Central Bank of Armenia	Yes	No
Georgia	EE	Supervision Services Of Georgia	Yes	2024 Candidate country
Kazakhstan	EE	Astana Financial Services Authority	Yes	No
Moldova	EE	National Commission For Financial Supervision	No	2024 Cand. country, open neg
Ukraine	EE	National Bank of Ukraine	Yes	2024 Cand. country, open neg
Turkey	EE	Insurance and Private Pension Regulation and Supervision Agency of Turkey	Yes	Cand. country, open neg.
Israel	CEET	Capital Markets, Insurance and Savings Authority	Yes	No


Key insights



Insurance sector considerations of ESG issues and risks have still not gained momentum in the CEET region.



According to the ESG regulatory / supervisory framework development, the CEET countries in this survey belong to different maturity stages.




The role of insurance in achieving SDGs is not fully recognized and understood by supervisors.



There is a need to develop and promote national sustainable finance strategies / roadmaps focused to financial sector contribution to SDGs.



The perception of the materiality of E, S and G factors among supervisors is different, but there are aspects common regionally.



Limited resources, technical assistance, data and internal capabilities are the most relevant topics and pressing risks / challenges in setting supervisory priorities in the ESG domain.

F1: According to the ESG regulatory/supervisory framework, the CEET countries in this survey can be grouped into three broad archetypes.

Established

Some EU countries

- have legislation and non-legally binding documents to address ESG integration in investment activity, insurance product offer and ESG/sustainability disclosure;
- have adopted and apply specific guidelines to identify, measure and manage climate-related risks.

Advancing

Some EU countries

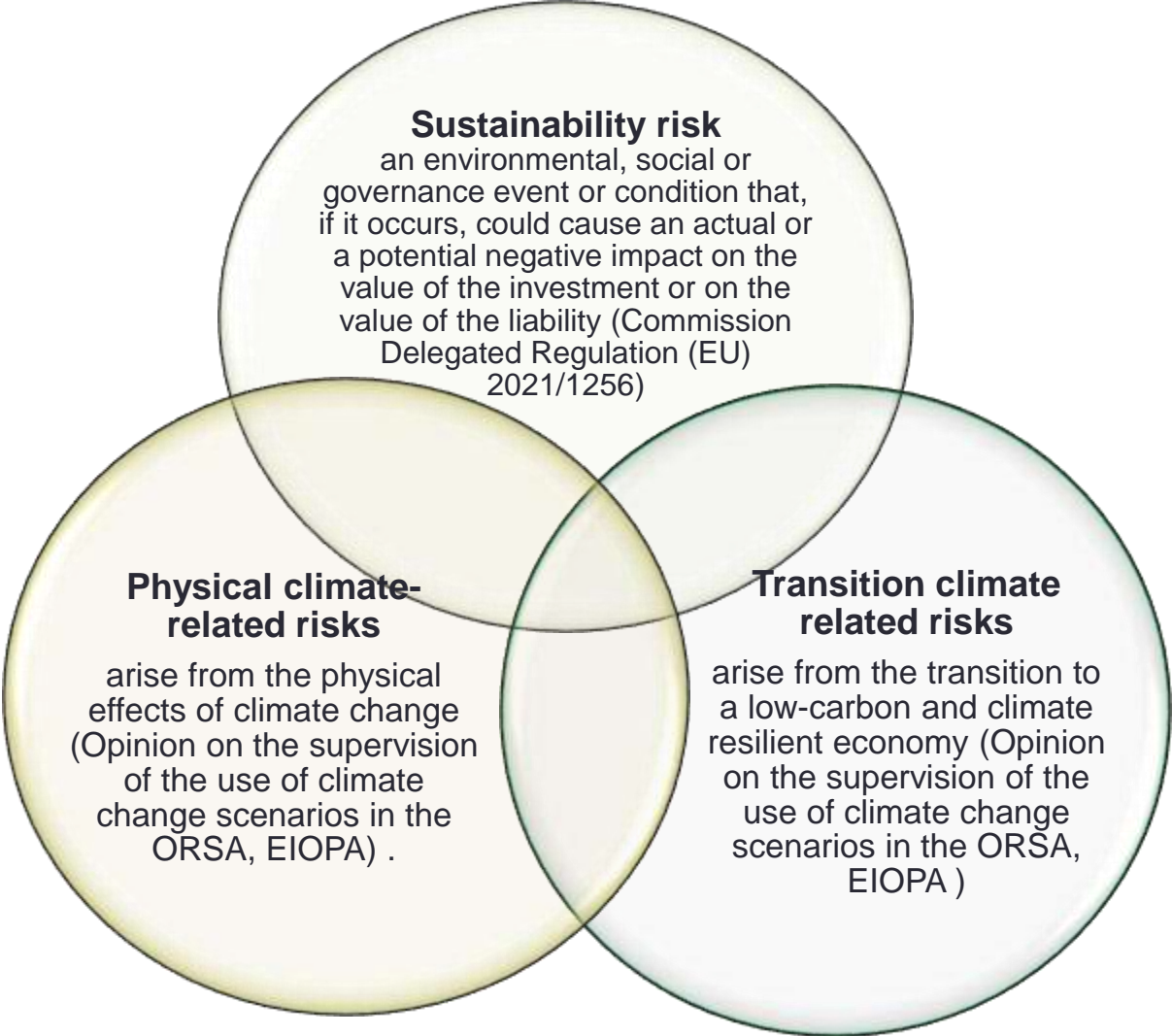
- there is EU binding legislation in place;
- the integration of climate-related risks in the regulatory and supervisory frameworks is lagging.

Initiating

Western Balkan, Eastern European and Transcaucasia countries

- have not yet started integrating ESG factors and risks into their regulatory/supervisory actions
- may have initiated / plan to initiate work through EU assesion process requirements and/or international collaboration

F2: A regulatory/supervisory framework on environmental risks / climate-related risks is developing rapidly.

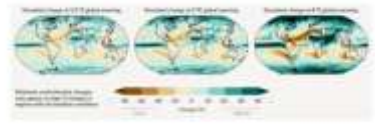


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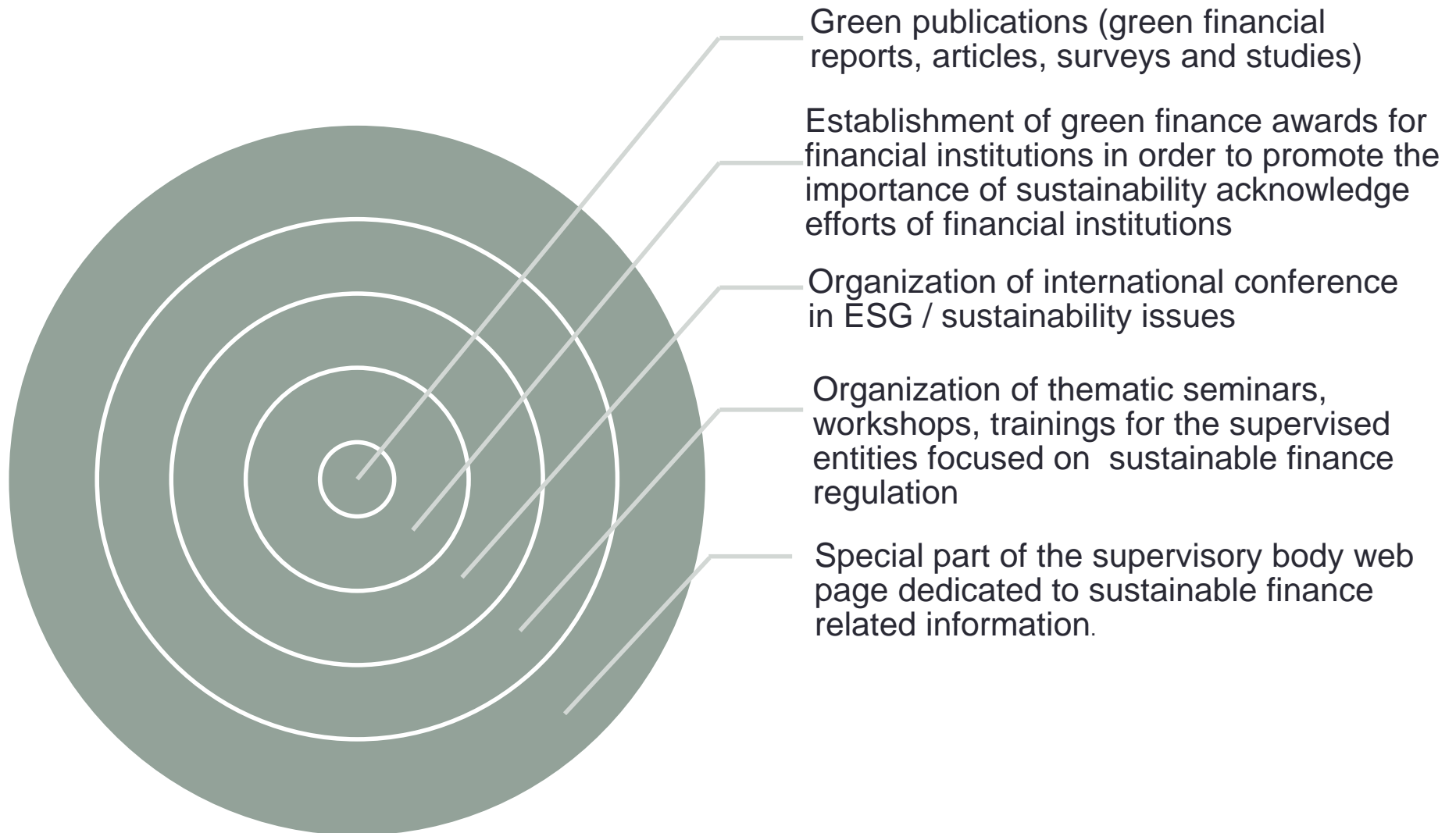
of the respondent supervisory authorities have established qualitative criteria for the assessment of the impact of climate-related risks

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respondent supervisory authorities have in place quantitative criteria for the assessment of the impact of climate-related risks

F3: Running awareness-raising campaigns and events is seen as the most relevant non-regulatory action on ESG promotion.

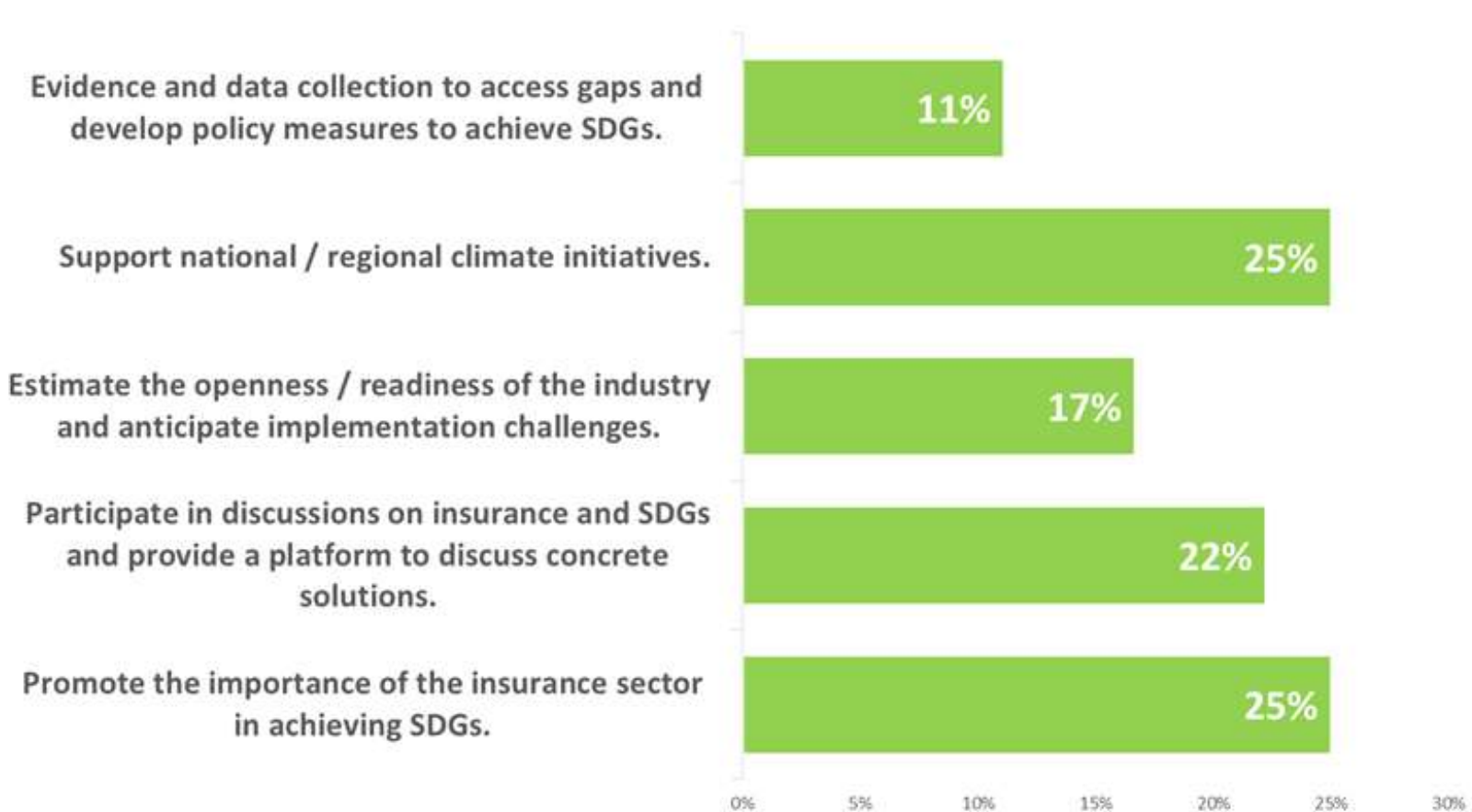


F4: There is a need to develop and promote national sustainable finance strategies focused to financial sector contribution to SDGs.

- Regulation / guidelines on the national level to achieve SDGs without specific focus on financial market policy
- In a few cases, supportive frameworks aiming at creating a sustainable finance ecosystem:
 - *Sustainable Finance Framework* (Turkey),
 - *Strategy and Action Plan on Sustainable Finance* (Lithuania),
 - *MNB Green Program* (Hungary),
 - *Capital market / Financial sector development strategy* (Poland, Georgia, Latvia),
 - *CONCEPT for transition of the Republic of Kazakhstan to Green Economy* (Republic of Kazakhstan),
 - *NBU Sustainable Finance Development Policy* (Ukraine).

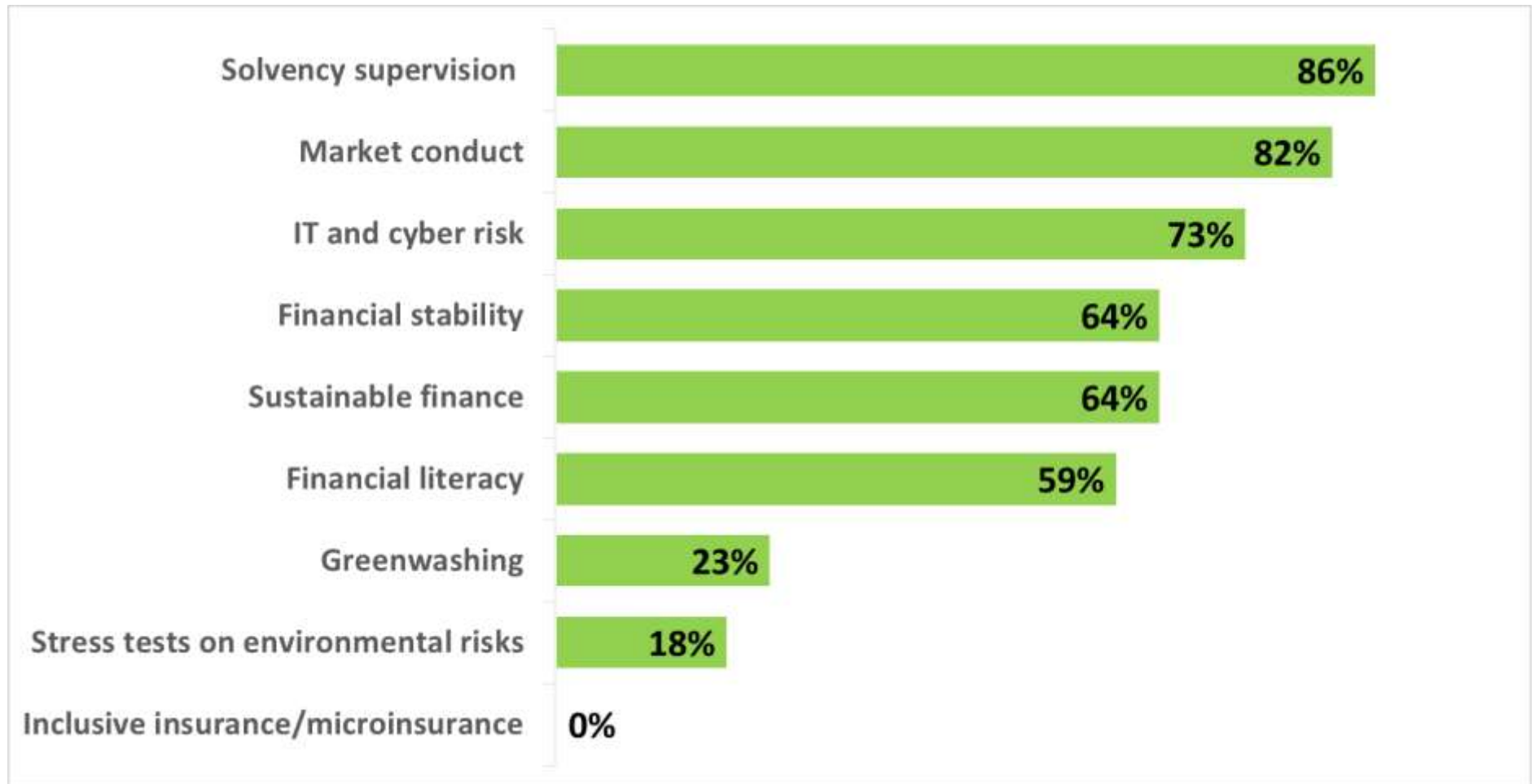
F5: The role of insurance in achieving SDGs is not fully recognized and understood by supervisors.

The actions realized by the supervisory authorities to support government efforts in achieving the UN SDGs



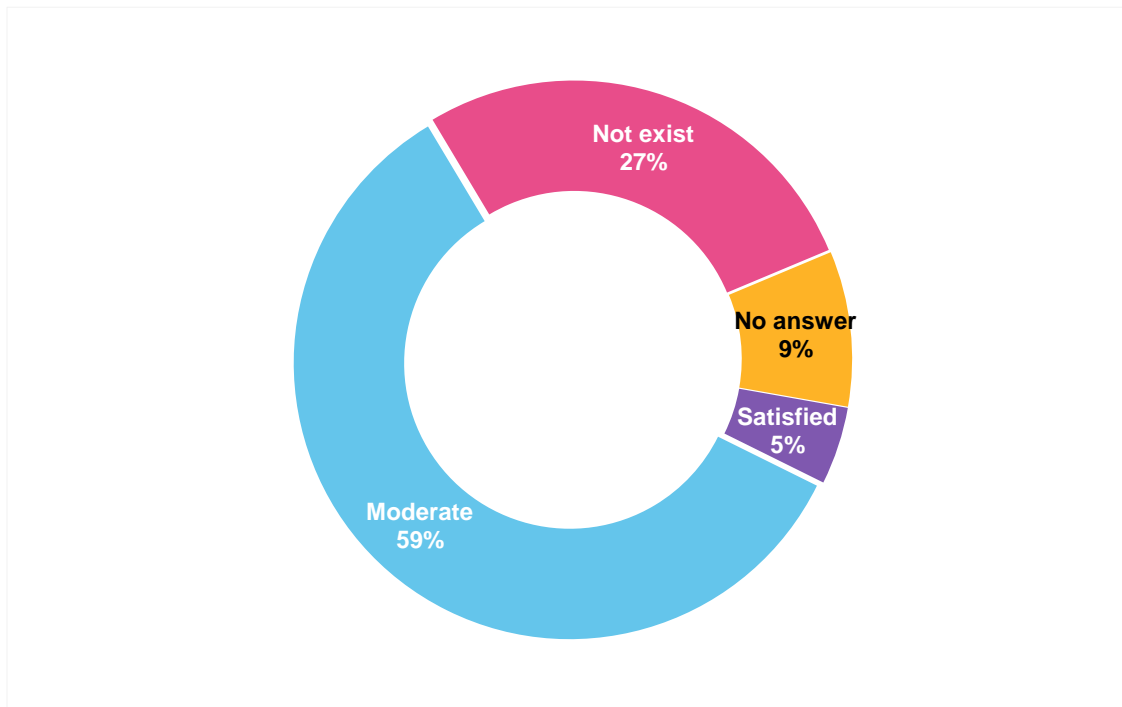
F6: In setting supervisory priorities, authorities should give more attention to sustainable finance.

The list of supervisory priorities of the CEET authorities for the year 2023



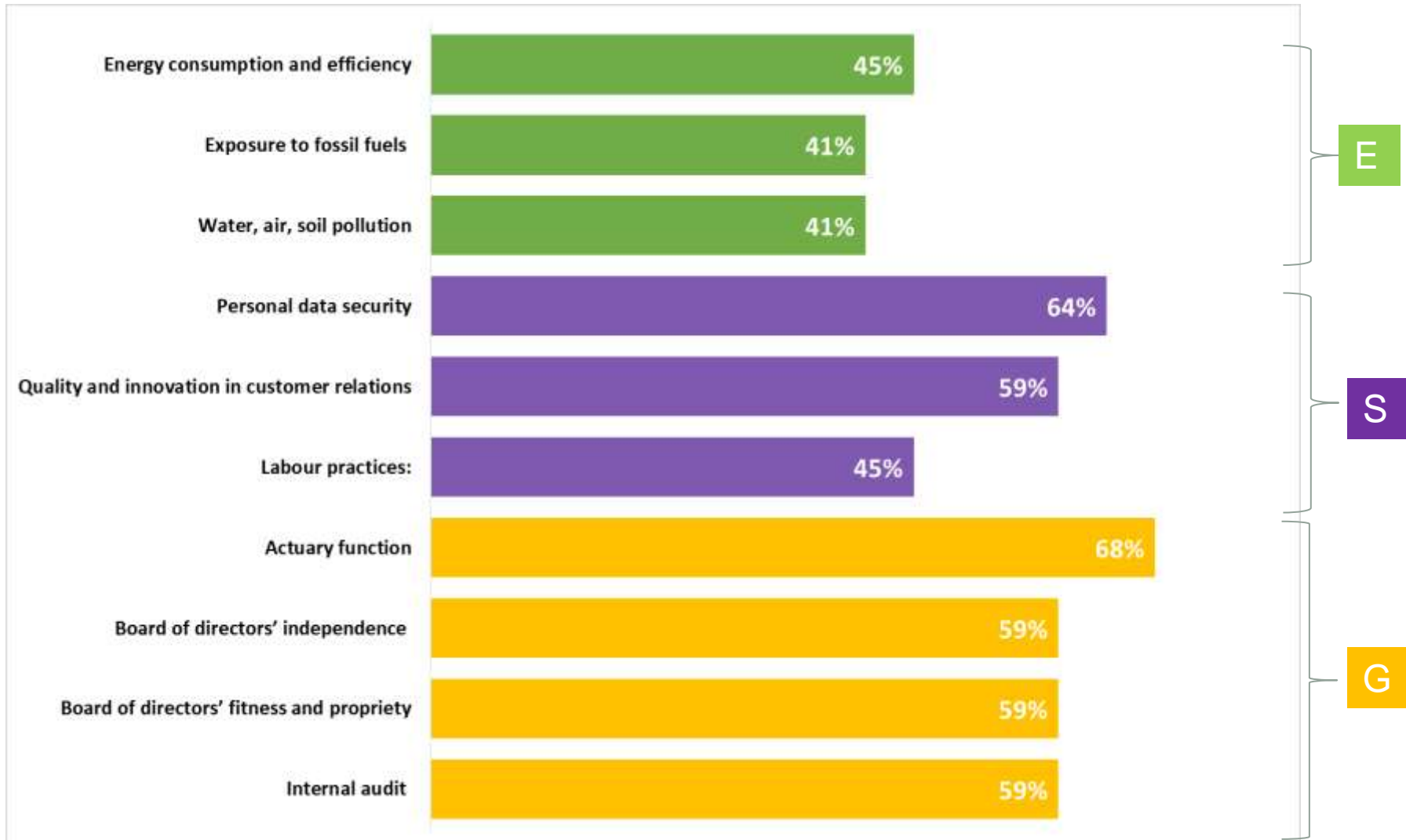
F7: Fragmented regulatory view on national insurance sector awareness and preparedness to implement ESG frameworks.

Regulatory perspective on the national insurance sector's awareness and preparedness to implement ESG frameworks



F8: Governance issues are the most materially important factors in the insurance industry.

The most important ESG issues within the national insurance sector



F9: Authorities have limited capacity, resources, and expertise to develop a regulatory framework and oversee the integration of ESG issues.

The most relevant topics for supervisory capacity building in the field of sustainable / ESG regulation



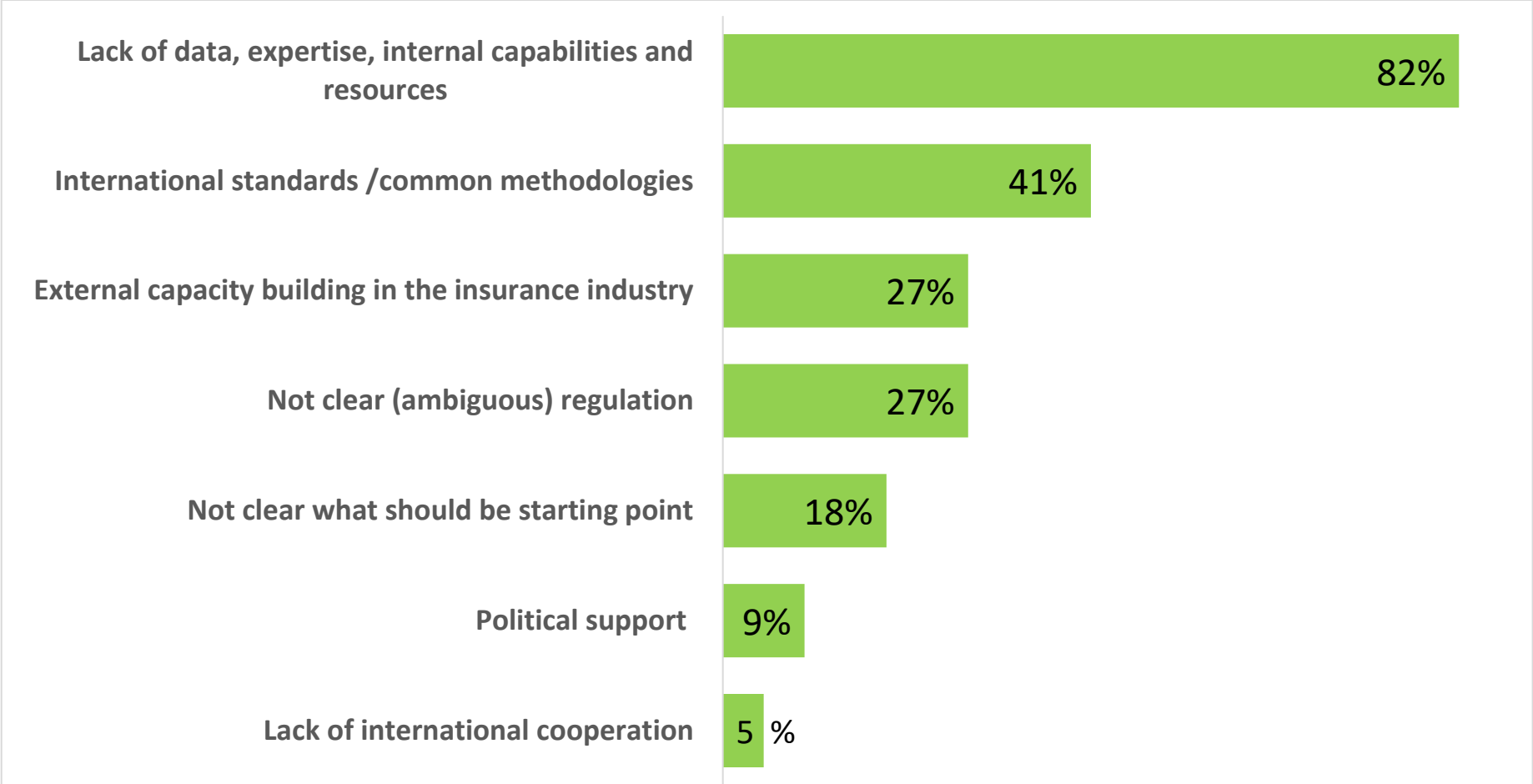
F10: There is an emerging need for ESG training and education.

Identified areas for ESG / sustainability education and training



F11: The availability of high-quality ESG data is a constraint in setting supervisory strategies.

The most pressing risks / challenges in setting supervisory priorities and developing strategies in the sustainability /ESG regulation domain



Recommendations

Governments

- *Defining of national sustainable finance strategies (NSFS)*
- *Building regulatory framework on ESG principles and standards*
- *Intensive and strong collaboration with financial sector stakeholders*
- *Awareness campaign, education, research and projects support*

National supervisory authorities

- *Promoting ESG-related guidelines and standards*
- *Prioritizing training programs and facilitating knowledge transfer*
- *Fostering technical dialogue among insurance supervisors*
- *Conducting follow-up sessions to assess the implementation and effectiveness of ESG measures*



Thank You For Your Attention

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