



## **August Insight – Italian Insurers shift gear in Sustainability**

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For this issue of Eurosif Insight, we spoke to **Pietro Negri, Head of Sustainability at the Italian Association of Insurers and Chairman of the Italian Forum for Sustainable Finance** to learn about the positive turn in the Italian Insurance industry.

**Eurosif: What inspires regulators in Italy to take this step? Have they been following in the footsteps of European regulators?**

**PN:** I think it is fair to say that European regulators who have been interested in sustainability in the past years, now feel their time has come. Advancements in this respect, have mostly been made of small steps that regulators have taken in uncharted territories. While showing a certain degree of boldness in some instances, they have been certainly wary of the potential consequences of being innovators in this field. Taking this into account, makes us all the prouder of this new national developments. Last July, the Italian insurance supervisor, IVASS, launched a regulation directed at ensuring that Italian insurance companies take good consideration of environmental and social issues in their work. The 38/2018 Regulation and its article 4, sub-paragraph 2 clearly imposes these considerations to the Boards of insurance groups in their strategic work. In terms of changes, the remuneration policy of Board members is also going to be impacted following article 41, which calls for the Shareholders Meeting to determine the remuneration of Board members.

Already at the end of last year, the Italian regulator was studying recent developments implemented by its counter parties in Europe and took special interest in the work carried out by the French insurance sector. The work carried out by the French Federation of Insurers, carried out interesting studies demonstrating that 60% of the companies involved in a survey on ESG has declared that the impact of these variables already deserved much attention in their investment decisions. There were 18 operational recommendations devised to better integrate ESG criteria in investment choices. Some of the most important ones are: strengthening the governance on ESG by attributing supervision directly to the Board or by setting up a special committee; developing internal competences and improving the reporting system.

**Eurosif: Is it fair to conclude that Italy has been doing its homework and capitalised on the work and experience already available?**

**PN:** Certainly, and IVASS based its thinking also on the directive on non-financial reporting 2014/95, and the impacts generated or undergone as of part of scope 3 for companies, and imposed the same ask to insurance players, regarding the management of their impacts. This enhances the level of responsibility and accountability management, while considering potential repercussions and strengthening the governance of the insurance sector. This regulation allows for making an important step towards improving and better defining risk management as part of the governance of insurance companies.

**Eurosif: The European Commission will certainly look favourably at these developments and such drive demonstrated by member states.**

**PN:** The letter sent by Olivier Guersent to EIOPA and ESMA's respective Chairmen, is good evidence of the European political will to formalise the integration of sustainability risks and sustainability factors by amending legislations like MiFID II, IDD and Solvency II. In that respect, EIOPA will work to develop draft regulatory standards under Article 50(2)(a) of the Solvency II Directive to further specify the requirements set out in Article 42(1)(a) of that Directive. Guersent asks for a closer collaboration of the two bodies, with the assistance of the European Commission, to

deliver on this call for technical advices, in order to contribute to a successful outcome in the preparation of the delegated acts.

**Francesco Biciato, Secretary General of the Forum for Sustainable Finance commented:**

‘The adoption of this regulation represents a crucial policy development not only for the insurance Industry, but for the entire Italian SRI market’.

It directly addresses board of directors’ members, in order to promote an appropriate awareness of the materiality of ESG risks at a decision-making level. Moreover, we see IVASS regulation in accordance with the European Commission Action Plan, which underlines the importance of fostering sustainable corporate governance.

This policy development proves that the Italian financial Industry is ready for SRI: not only the volumes of ESG-managed assets are growing, but the SRI community is more and more wide, active and multi-stakeholder. We can see this trend reflected within our Members’.