



Sustainability in the Italian insurance industry

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Forum per la
Finanza Sostenibile

Ania
Associazione Nazionale
fra le Imprese Assicuratrici



Etica Funds is an Italian asset management company, the only organization which offers just socially responsible investment funds in Italy. Etica Funds was founded in 2000 on the belief that analysing the environmental, social and governance (ESG) aspects of securities issuers as well as the financial aspects might offer added value also in terms of performance. Etica Funds offers a responsible approach to the financial markets, screening the securities in its

portfolio against ethical criteria. It also exercises its subscribers' shareholder rights in the companies in which it invests, talking to them and urging them along the path towards more responsible behaviour. By embracing social and environmental criteria, codified in a transparent methodology, the company is able to manage risk more effectively, and reap sizable investment opportunities. Etica Funds is a full member of several international and national networks for excellence in ethical finance. We take great pride being the first Italian asset management company to have made a concrete commitment to climate change by joining the Montréal Carbon Pledge on carbon accounting and the reduction of the carbon footprint of our equity investments. We rigorously analyze data and information to find the most virtuous companies and countries in which to invest to create value for our customers. Our capabilities are backed up by numerous prizes and awards and by continuous growth. This blend of financial and extra-financial skills has allowed us to achieve our broader objective: to represent the values of responsible finance in the world of investment. As the last phase of the sustainable and responsible investment process we measure the impact of our funds' equity investments. This impact can be seen as a genuine integration of financial and ESG factors, since the ethical funds' equity portfolio is built following a financial logic on a pre-screened list of issuers who meet ESG criteria.



Prometeia Advisor Sim is part of Prometeia Group which has over 40 years of experience in quantitative analysis and is market leader for Risk & Wealth Management solutions. Prometeia Advisor Sim is the leading financial advisory firm for Italian institutional investors: more than 100 institutional investors work with our experts, a 50+ highly specialized team, appreciating their competence and ability to provide innovative, customized solutions. Its clients are Insurance

companies, Pension funds, Social security agencies, Health funds, Foundations, Family offices and HNWI. Headquartered in Bologna, Prometeia Advisor Sim has offices in Milan and Rome. Since its establishment in 2006, Prometeia Advisor Sim has adopted principles of social responsibility in carrying out its activities with the aim of generating a positive impact for customers, employees, the environment and the community in which it operates. Prometeia Advisor Sim recognizes the importance of promoting sustainable and responsible investment policies and encouraging the alignment of investors' objectives with the broader goals of the Society. Prometeia Advisor Sim provides institutional investors with solutions to address the challenges of sustainable development and integrate ESG factors within efficient financial management. Prometeia includes sustainability considerations in every phase of our business and offer our Clients a holistic perspective that encourages the inclusion of ESG criteria at all stages of the investment process, from the definition of policies to the choice of strategies and tools to achieve financial and sustainability objectives.



Reale Mutua's actions are inspired by the principles of mutuality and authentic sustainability. Our company supports the experiences of its insured/shareholders by generating positive and measurable impacts for the communities affected by the company's operations. Mutuality and Sustainability shape the way of doing business of all companies belonging to Reale Group providing a distinctive reliability,

seriousness, quality of service and ability to best interpret the needs of customers and local territories. Mutuality, the centrality of people and the sustainable development goals of the United Nations Agenda 2030 are the guidelines that guide Reale Group's sustainability strategy, which is based on the values contained in the Group's Code of Ethics.



The Guide Value (Accessibility, Forward looking, Respect, Solidarity, Responsibility), those has been identified through a participated process, are expressed in the Value Chart and declined in the Ethic Code in behavioural principles towards stakeholders. The commitments hired in Ethic Code are developed in the Sustainability Policy, approved by Board of Directors in March 2018 and periodically update. It formalizes principles, behaviours and goals of the company's culture. Sustainability Policy,

that is inspired by SDGs and Global Compact principles, engages the Company about: integration of sustainability in strategy and processes; protection of human and worker rights; environment protection, with special attention to marine and terrestrial ecosystems and fight against climate change; financial inclusion and education; fairness and transparency towards consumers; fairness of business practices, with special attention to lobbying and tax strategy; equal opportunity protection. Sustainability Policy has provided also special protection towards ESG risks and the development of positive actions in every main Policies of the Group, starting from Investments Policy and Underwriting Policy. The Group creates shared value not only defining products and services to develop the ecosystems, but also selecting thematic investments for SDGs. Finally to promote sustainability in the financial sector, Unipol joins Principles for Responsible Investment (PRI), UNEP FI Principles for Sustainable Insurance (PSI), it is member of Forum per la Finanza Sostenibile, has subscribed collective engagement Climate100+ and European Alliance for a Green Recovery.

The first edition

Insurance companies are key players in the financial panorama and their special characteristics make them unique and particularly relevant in terms of ESG policies. They play a **dual role as institutional investors, on the one hand, and providers of insurance products and services, on the other hand**, and, as such, they can make a decisive contribution to the UN 17 Sustainable Development Goals (SDGs) as well as to achieving climate neutrality by 2050¹.

Building on the research conducted by the Italian Sustainable Investment Forum (ItaSIF) on sustainable investments by pension schemes and Banking Foundations, ItaSIF has initiated, jointly with the Italian insurance association (ANIA), a survey of the Italian insurance industry with the aim of analyzing how **sustainability aspects are included in governance, investment and underwriting policies**.

Methodology: reference sample and questionnaire

The sample is comprised of:

- **ItaSIF members** belonging to the following categories: insurance companies; SGRs or banks that are part of an insurance group;
- **ANIA members** involved in the Standing Committee on Sustainability or the Sustainability Working Group.

The survey was conducted between April and July 2022, through an **online questionnaire** created on the SurveyHero platform. The questionnaire has **three sections**: (I) general and governance aspects; (II) investments; (III) risk underwriting.

The first section addressed the entire sample; the second and third sections, on the other hand, differed on the basis of the responses given, involving different questions depending on the inclusion or non-inclusion of ESG criteria. Below are the themes covered.

Section I - General and governance aspects

Governance bodies established to promote sustainability and their place in the corporate organizational chart; use of sustainability indicators to assess the achievement of ESG goals in remuneration policies; and participation in national and/or international initiatives to promote sustainable development goals.

Section II - Investments

Presence of products classified as Art. 8 or 9 according to SFDR (Sustainable Finance Disclosure Regulation); disclosure of information relating to the Principal Adverse Impacts (PAIs) on sustainability factors resulting from investment decisions; management model; impact of the IDD (Insurance Distribution Directive) on the internal organization; inclusion or non-inclusion of ESG criteria in investment decisions; main criticalities and opportunities of sustainable investments; coverage rate of the sustainable investment policy; inclusion of the SDGs and the goal of climate neutrality (net-zero) by 2050 in sustainable investment policies; measurement of the carbon footprint; adoption of SRI strategies; presence of a policy of divestment from high-risk ESG sectors; percentage of investments directed at funding – or associated with – eligible economic activities included in the framework of the European taxonomy of environmentally sustainable economic activities; percentage of investments directed at funding – or associated with – economic activities carried out in accordance with the delegated act on climate aspects and, as such, taxonomy-aligned.

Section III - Risk Underwriting

Inclusion or non-inclusion of ESG criteria when defining the offering of insurance products other than investment products; main criticalities and opportunities for the inclusion of ESG criteria; how ESG criteria are defined and included; proportion of premiums related to the eligible activities included within the framework of the European taxonomy and proportion of premiums related to activities carried out in accordance with the delegated act on climate aspects and, as such, taxonomy-aligned.

1. ANIA 2021, *AllontAniamo i rischi, rimAniamo protetti*: <https://bit.ly/3UDORFC>

Findings of the survey

Insurance companies play a fundamental role in the achievement of sustainable development goals and in the transition to a low-carbon and climate-resilient economy, through their **dual role as institutional investors and as providers of insurance coverage**. Therefore, initiating a research to analyze the state of the inclusion of sustainability criteria in both investment activity and risk underwriting is of great importance. ESG criteria are integrated to a large extent in the **governance bodies** of insurance companies: 62% of the 21 respondents say they have established a dedicated corporate function, mostly reporting directly to the apical functions or in the General Counsel area. Moreover, in relation to the **remuneration policies**: the variable part of remuneration includes in almost all companies (81% or 17 out of 21) the use of sustainability indicators to assess the achievement of ESG objectives.

The survey then delved into the role of insurance companies as **institutional investors**, showing that **all of the respondents included sustainability criteria in their investment decisions**; the figure acquires even more significance when considering that it refers to **73% of the Italian insurance market** in terms of premiums. The main reason why insurance companies make sustainable investments is the possibility of **combining the social and environmental impact with an appropriate financial return**. The **regulatory environment** is a further source of momentum: in particular, the survey shows that insurance companies are looking closely at Regulation 2088/2019 (SFDR) and Regulation 2020/852 (Taxonomy). Most respondents include products classified as Art. 8 or 9 according to SFDR in their offerings.

Sustainable investment policies account for the **majority of total investments** and are applied through various SRI strategies, with a prevalence of **exclusions**. The strategy of engagement appears to be relevant, even if it is less widespread and could be further encouraged by participation in the many active national and international collective/collaborative initiatives, including the permanent working group promoted by ItaSIF.

Insurance companies also play a decisive role in the fight against climate change. The research shows widespread awareness on the issue of carbon emissions; in fact, **66%** of respondents **measure their carbon footprint** and use the results primarily to identify the actions needed to reduce investment-related emissions.

With reference to the inclusion of sustainability aspects in **risk underwriting**, the survey shows **almost all of the respondents take ESG criteria into consideration** when offering insurance products other than investment products or have launched assessments on this, which are quite advanced. Hopefully, the survey initiated this year can help spread an increasing awareness of the importance of ESG aspects, thus making insurance companies more and more leading players in sustainable finance, not only through investments, but also in underwriting. In this way, the insurance industry can also act as a “catalyst” to guide and promote sustainable behavior of customers, making a key contribution to the sustainable transition of our economy.

The Italian Sustainable Investment Forum (ItaSIF) is a not for profit association founded in 2001.

Its membership base is multi-stakeholder: its members are financial actors and other organizations interested in the environmental and social impacts of financial activities. ItaSIF mission is to promote the awareness and the strategies linked to sustainable investments, with the aim to encourage the inclusion of environmental, social and governance criteria into financial products and processes.

ItaSIF activities are divided into three main areas: research, projects and advocacy.

Within these sectors ItaSIF:

- runs research and education activities and facilitates working groups to promote best practice and contribute to the analysis and growth of sustainable investments;
- informs and advises the financial community, the media and society as a whole, on sustainable finance through the organisation of communication campaigns, conferences, seminars and cultural events;
- engages with Italian and European institutions to encourage the implementation of a regulatory framework promoting sustainable investments.

Since 2012, ItaSIF has organized the Italian SRI Weeks, one of the leading initiatives in Italy on sustainable and responsible investment.

ItaSIF is a member of Eurosif, the association for the promotion of sustainable investment in the European market.

ANIA, chaired by Maria Bianca Farina since 2015, is a voluntary non-profit association: its main purpose is to develop and spread the culture of safety and prevention in Italy, in order to protect both people and companies, and society as a whole, more and better. Founded in 1944, ANIA groups together those who have always managed and covered the most diverse risks. The Association represents its members and the Italian insurance market towards the main political and administrative institutions, including the Government and Parliament, trade unions and other social bodies. It associates 134 companies that represent about 85% of the insurance market in terms of premiums. Moreover, it studies and cooperates in the resolution of technical, economic, financial, administrative, fiscal, social, juridical and legislative issues concerning the insurance industry. ANIA has a Permanent Forum with consumers and a Foundation. The latter's objective is to spread information on risk prevention and promote citizens' and undertakings' safety and protection. Furthermore, ANIA is particularly sensitive and active on sustainability, in all its nuances: environmental, economic and social. The Association is constantly engaged in this respect with information and promotion projects and initiatives via the traditional and digital communication channels and through the organization of events.

Study realized by



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