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International Cooperative and Mutual Insurance Federation

ICMIF Members
Sustainable Investment Report 2022

Foreword

At the start of COP 27 in Sharm el-Sheikh (Egypt) in November 2022, United Nations Secretary General António Guterres told the world that humanity was on a "highway to climate hell with our foot on the accelerator". He stated his firm belief that the fight for a liveable planet will be won or lost in this current decade.

A powerful statement indeed and one that you would hope would accelerate the changes needed to decarbonise our planet.

Two weeks later, as COP 27 came to a close, there was a genuine breakthrough in the establishment of a loss and damage fund, albeit very light on details and timescales, that will see rich nations pay poorer countries for the damage and economic losses caused by climate change. However, there is still a feeling that COP 27 was a 'missed opportunity' on how to cut greenhouse gas emissions faster, with no formal agreement reached to reduce the world's fossil fuel base.

On a more positive note, the 'Resilience Hub' at COP27, which hosted the majority of insurance-related solutions for climate change, was very well attended and made some major announcements such as the launch of the Global Shield against Climate Risks by the Vulnerable 20 Group of Finance Ministers (V20) and the Group of Seven (G7). The Global Shield is a USD 240 million fund which has the support of the World Bank; the Insurance Development Forum (IDF); the United Nations environment Programme (UNDP); and the German Government. The Global Shield initiative aims to provide and facilitate more and better pre-arranged disaster financing to climate vulnerable developing nations so that they can more cost-efficiently and effectively minimise and address loss and damage caused by climate change. The Shield will bundle activities in the field of climate risk insurance and prevention. Insurance is getting a much higher profile as a serious solution provider in the climate battle.

At the start of 2022, I wrote a blog for the ICMIF website entitled *The future is filled with purpose* in which I quoted John Maxwell…

> "The pessimist complains about the wind. The optimist expects it to change. The leader adjusts the sails."

Whilst the past few years have been challenging, ICMIF members have continued to *'adjust their sails'* in the face of adversity and, at the same time, demonstrating that leading with purpose is not simply something we do; it is in the very nature of our business.

Our sector has a major leadership role to play in helping realign the whole industry to be purpose-driven and showcasing the societal value of insurance to communities and countries. Insurance started out as communities coming together to share life's big risks by mutualising them. It is therefore beholden on the mutual sector to lead the way in the new purpose-driven, responsible business world. There is a great opportunity for mutual values to be the dominant business cycle going forward.

Sustainability strategies, particularly at this time, have competing priorities. Climate concerns compared with the social costs of high energy prices or divesting in defence companies during periods of conflict are difficult decisions to make. The demands on time for sustainability talent have also increased significantly as sustainable regulation ramps up for all insurers, meaning less time is available to look at the many business opportunities resulting from dynamic sustainability strategies.

The *ICMIF Members Sustainable Investments Report* published earlier this year (based on the 2021 survey of ICMIF members) referred to the importance of being 'ahead of the curve' and the environmental, social and ethical reasons for being more sustainable. Indeed, it is well-documented that sustainable initiatives improve a company's financial performance; improve efficiency; reduce costs; and drive change. This allows the business to gain a competitive edge as well as significantly enhance the business's image to employees, potential employees and other stakeholders such as member policyholders and investors.

The cooperative and mutual insurance sector is ideally placed to take a lead in the field of sustainability and sustainable investments to form a 'coalition of the willing' and lead by example.

This report will demonstrate the ways in which ICMIF members are continuing to do just that. As cooperatives and mutuals we are not driven by short-term decision-making, short-term profits or investor demands. Instead, being owned by our members, we can take a more strategic, longer-term view, doing what's right socially, environmentally and ethically too.

ICMIF is pleased to report on the findings of the fourth annual ICMIF Sustainability Investment Framework Survey which was completed by ICMIF members between June and September 2022. This report is a summary of the findings based on members' financial results as at 31 December 2021 and existing research and data already held by ICMIF on members.

Shaun Tarbuck
Chief Executive, ICMIF

Executive summary

When we published the initial findings of the 2021 ICMIF Sustainable Investments survey last year, I spoke about the global sustainability paradigm that has evolved greatly over the past four decades.

Sustainability 1.0 primarily addressed risk avoidance for the insurance industry and explains environmental, social and governance (ESG) issues whilst including them in business practices.

Sustainability 2.0 saw the move from avoiding risk and expands the ESG journey to developing qualitative criteria based on ESG practices to better manage the insurance business for a sustainable future.

Finally, Sustainability 3.0 represents a desire to expand the qualitatively criteria and incorporate where possible quantitative data to comprehend the impact of ESG, by working towards a set of Sustainable Development Goals (SDGs) as set out by the United Nations in 2015, and to measure and implement action to achieve net-zero.

The results of the 2022 ICMIF membership Sustainable Investment Framework survey allow us to recognise the excellent work being undertaken by ICMIF members in ensuring their investments are made sustainably. This year's report shows that 42% of members who responded to the survey now report against the SDGs, compared with 34% last year.

Other key findings: -

- ICMIF members confirmed that USD 759 bn of their assets under management (AUM) are investments aligned to sustainable investment frameworks compared to USD 576 bn reported in our 2021 survey – this is an increase of 32%.
- This alignment of USD 759 bn to sustainable investment frameworks represents 51% of our members' AUM that responded to the survey, compared to 38% last year.
- There are multiple investment frameworks, but the members which responded to our survey show that the United Nations Environment Programme Finance Initiative Principles for Responsible Investment (UNEP FI PRI) and the Principles for Sustainable Insurance (PSI) with 39% (43% in 2020) were the most popular frameworks.
- Our survey saw 55% of our members invest in impact investing, up from 46% in 2020. Impact investing by ICMIF members has grown by 46% from last year (2021), to USD 15.6 bn with three members stating that over 10% of their total AUM are invested in impact investing and one of these is actually investing 21% of their AUM in impact investing.
- Fifty eight percent of responding members invest in sustainable bonds including green bonds, social and/or resilience bonds, amounting to USD 16.9b compared to USD 12.1 bn in 2021, up 40%.
- Thirty seven percent of ICMIF members have made net-zero commitments, up from 18% last year.
- Sustainability reporting is growing with 75% of members stating that they actively report on sustainability in some way.

This report demonstrates once again that the direction of travel and velocity of growth of our members in sustainable investments is very positive. Whilst not all our members are yet fully engaged, those that are, are leading the way and inspiring and encouraging others to follow.

Definition and scope of the survey

The survey was sent out to all risk-bearing ICMIF member organisations and was conducted in June and July 2022.

The majority of the respondents were mutual insurers with the rest being cooperatives, mutual holding companies and other mutual/cooperative forms. These results are also supported by specific information in the public domain where members did not respond.

In total, 157 surveys were issued to ICMIF members, and thirty eight members replied to the survey, representing 20% of the ICMIF membership. More significantly, those that responded represented 74% of ICMIF 's members' AUM for 2021, equating to USD 1.5 trillion.

The responses received came from Europe (42%), the Americas (29%), APAC (18%) and Africa (11%).

Key findings

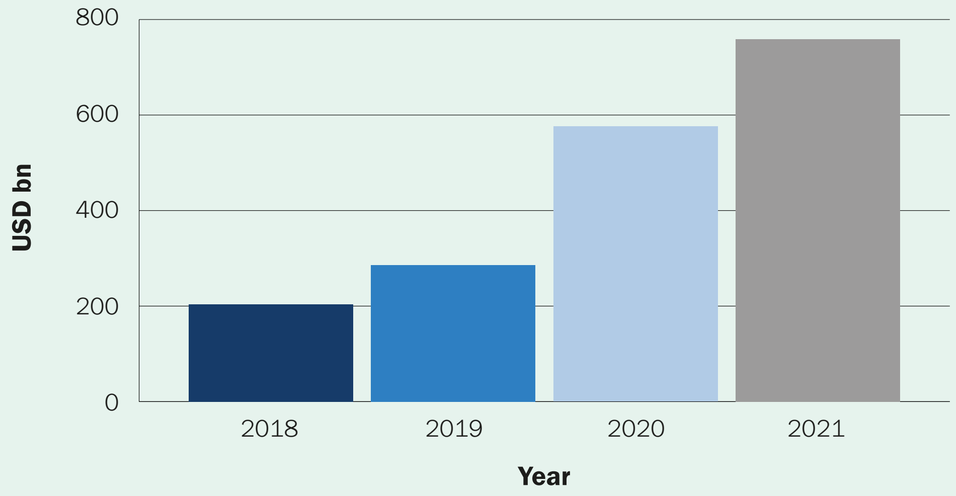
Assets

Our survey showed that for the calendar year ended 2021, USD 759 billion of ICMIF members' assets under management were aligned to sustainable investment frameworks. In respect of the members who replied, this represents 51% of their AUM, which is up from 38% last year.

This is an increase of 32% since last year's survey and is USD 183 billion more than the USD 576 billion reported last year.

The growth year-on-year is extraordinary; 2019 growth, against the baseline of 2018, was 40%; in 2020, the yearly growth was 109%; and the growth seen in 2021 was 32%, despite these challenging times that we live in.

ICMIF members' investments aligned with sustainable frameworks"



Sustainable investment frameworks

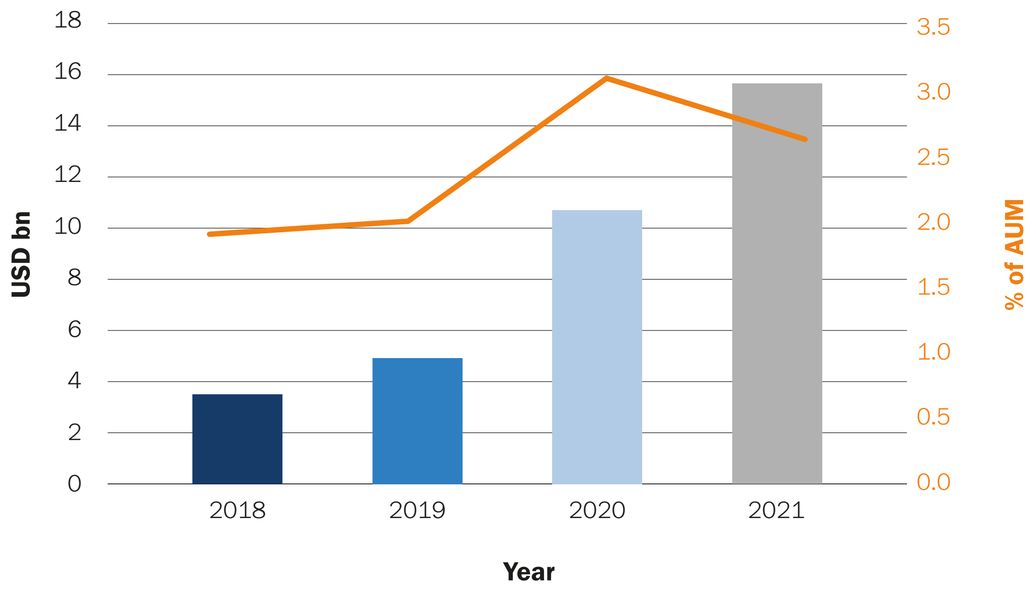
The most common sustainable investment frameworks used by ICMIF members is the United Nations Environment Programme Finance Initiative Principles for Responsible Investment (UNEP FI PRI) and the Principles for Sustainable Insurance (PSI) with 39.1% (42.9% in 2020) of members saying that they had signed up to these frameworks. Other notable commitments include the UN-convened Net-Zero Asset Owners Alliance (NZAOA) and the Global Reporting Index (GRI).

Nature of sustainable investments

Impact investing

Our survey saw 55% of our members invest in impact investing which is up from 46% in 2020. In 2021, this amounted to USD 15.6 billion or 2.6% of their own AUM against USD 10.7bn in 2020 or 3.1% of their AUM also.

Impact investing



There are three ICMIF members that are absolutely leading the field in this area with investments of more than 10% of their own AUM in impact investments. These members are from Canada, Brazil and France with 21%, 16% and 17% respectively.

In particular, the Canadian company has set itself a target to dedicate 60% of its portfolio to impact investments and investments that support the transition to a resilient, sustainable, low-emissions society by 2030.

Canadian member:

"We exist to provide financial security for Canadians and our communities. Anything that threatens that security – whether climate change, social inequality, mental or physical health challenges, or food insecurity – we are committed to proactively addressing."

Sustainable bonds including green, social and resilience bonds

Fifty eight percent of responding members invest in green bonds, social and /or resilience bonds, amounting to USD 16.9 billion or 1.7% of their AUM, up from 56% or USD 12.1 billion or 1.1% of their AUM in 2020.

Two ICMIF members confirmed they invest 10% or more of their AUM in this type of investment. These two companies, one from Sweden and one from Canada, invested 18% and 16% respectively of their AUM in sustainable bonds.

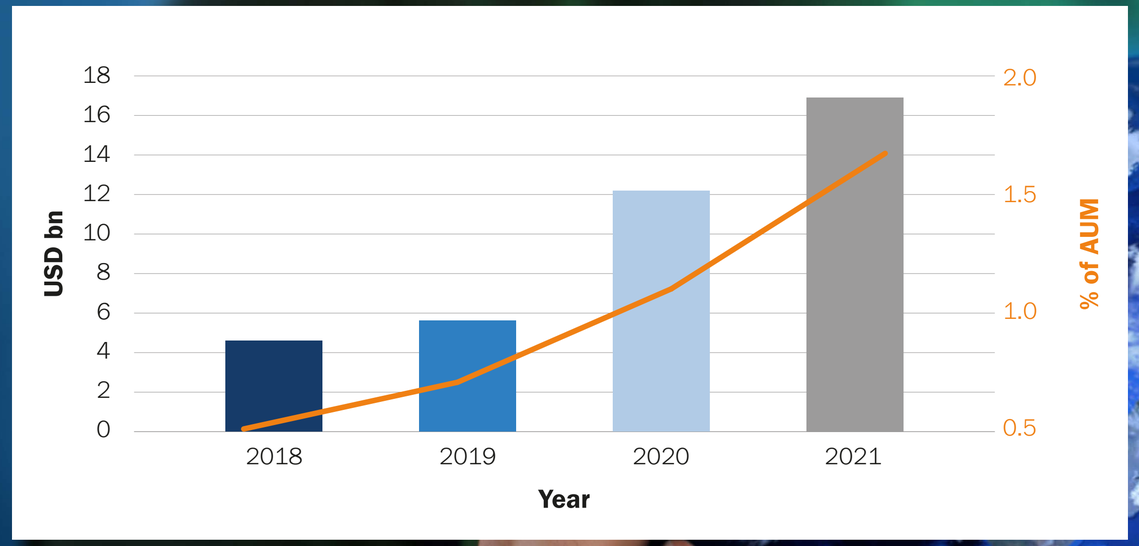
Investment in renewable energy

We found that 47% of our members who responded to our survey said that they invest in renewable energy stocks/projects amounting to USD 5.9 billion or 1.1% of their AUM.

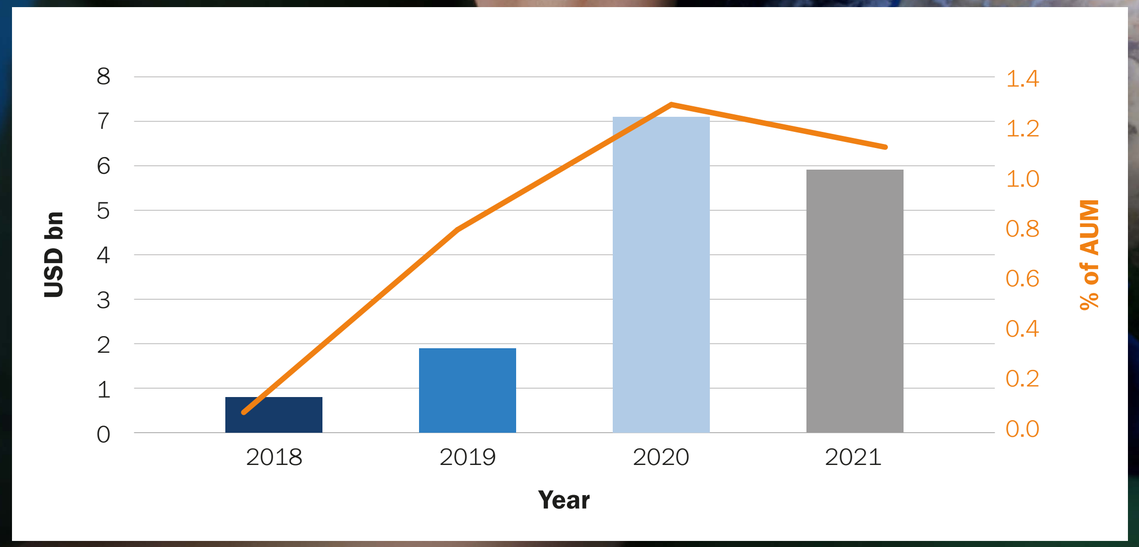
This figure, as you can see from the chart on the right, has actually fallen marginally from last year where the numbers were that 64% of our members had made such investments amounting to USD 7.1 billion or 1.3% of their AUM.

Reviewing this more carefully, we found that the possible reasons for this were that we believe members found analysing investments by this category difficult as there were a number of inconsistencies from year-to-year reported by members, as well as members stating they did not label investments in this category, or simply did not respond to this year's survey.

Green bonds, social and resilience bonds



Renewable energy



ICMIF members and their alignment with the Paris Agreement on climate change

In 2015 at COP21, the Paris Agreement was signed by 196 countries in a legally binding, international treaty on climate change.

At the high-level climate talks at COP26 last year, in Glasgow (Scotland), parties to the Paris accord agreed to slash global carbon dioxide emissions nearly in half by 2030, in line with the 1.5°C goal.

One of the main announcements at COP26 in Glasgow in 2021 was the formation of the Glasgow Finance Alliance for Net Zero (GFANZ). GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonisation of the global economy. Indeed, GFANZ acts as an *'umbrella'* bringing all the financial institutions together under the net-zero groups within the UNEP FI and represents asset owners, asset managers, insurers and bankers together in the drive to net-zero. This is an exciting step forward, to bring collective action together and keep the world more honest and moving in the right direction.

Several ICMIF members have joined the UN-convened Net-Zero Asset Owner Alliance (NZAOA), of which a Swedish member was a founding member. We also anticipate several more members will follow suit and join NZAOA and/or the newly-formed Net-Zero Insurance Alliance (NZIA).

Our survey also asked members if they had made net-zero commitments. Thirty seven percent of members who replied said they had, with 86% saying they had targeted 2050 as their commitment.

This was up from the 2021 survey when just 18% said they had made such a commitment with again 86% of those committing to 2050 or earlier.

"We are founding signatories to the IIGCC Net Zero Investment Framework and have adopted both long-term and short-term climate targets, aiming to halve the carbon intensity of our investment portfolio by 2030 and achieve net-zero by 2050."
UK member

"We made a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050. We have also committed to totally divest our exposure to coal-related sectors in our investment portfolio by 2030. Additionally, we are also managing our investment portfolio with ESG considerations to align better with our sustainability vision and to fulfil long-term obligations to our customers and stakeholders."
Singapore member

Interestingly, of those members that had not made a net-zero commitment yet, almost one in four (11/30) said they had no plans to make that commitment currently. Proving that, under challenging market conditions, there is still work to be done in this area.

Sustainability reporting and the Sustainable Development Goals

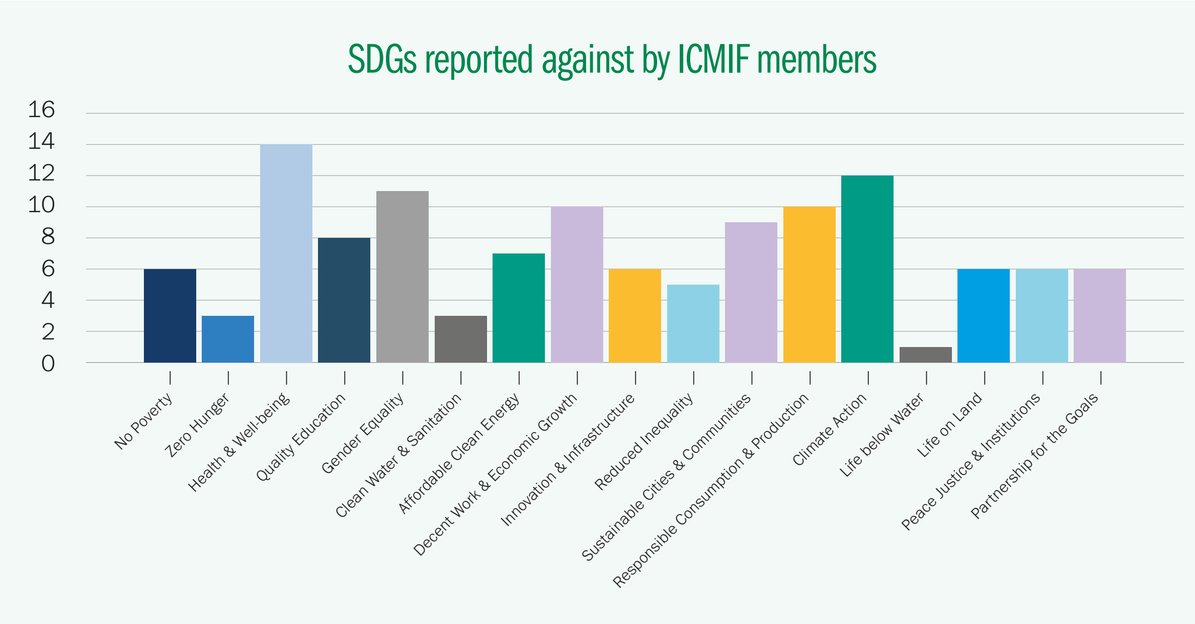
Sustainability reporting is fast becoming an integral part of recognising a company's performance and measure of its accountability in an ever-changing world. It allows businesses to demonstrate to their internal and external stakeholders their commitment to sustainable development reporting on their environmental and social performance.

Seventy five percent of replying members said that they report on their sustainability measurements in their annual report and or in a separate sustainability report, compared to 74% last year.

The UN Sustainable Development Goals (SDGs) were first adopted by the United Nations in 2015 as a call to action to end poverty; protect the planet; and ensure that, by 2030, all people enjoy peace and prosperity. Forty two percent of responding members report against the SDGs compared to 34% last year.

The five most popular SDGs reported against by our members were very similar to last year with SDG 12 Responsible Consumption and Production now included also. In descending order of popularity, they were:

- **SDG 3 Health & Well-being**
- **SDG 13 Climate Action**
- **SDG 5 Gender Equality**
- **SDG 8 Decent Work & Economic Growth**
- **SDG 12 Responsible Consumption and Production**



In general, most companies that reported against the SDGs focused on between three and six SDGs, though a Canadian member measured and reported against 12 SDGs.

Unlike the results of last year's survey, all the SDGs are now reported against in some form by our members. Last year, SDG 6 Clean Water & Sanitation and SDG 14 Life below Water were not reported at all in our survey.

Of the 22 members that do not currently report against the SDGs, six members said they had plans to incorporate SDG reporting into their business within the next two to three years. This means that, in respect of this survey alone, 58% of this sample expect to be reporting against the UN SDGs within the next two to three years, compared to 62% last year.

Task Force on Climate-Related Financial Disclosures reporting

The old adage *'what gets measured gets done'* is still as relevant now as it ever was.

Governments across the world are recognising how imperative it is that investors receive meaningful transparent information on the impact of climate change to business. With this in mind, in June 2021, the G7 Finance Ministers committed to making the Task Force on Climate-Related Financial Disclosures (TCFD) reporting mandatory for their countries; with the G20 countries expected to follow soon. The four pillars of TCFD reporting are governance, strategy, risk management and targets.

So far, the UK and France claim to be the first G7 countries to have made it mandatory for their largest businesses to adopt TCFD reporting and New Zealand was the first G20 country to implement mandatory TCFD reporting.

In addition to this, during COP26 in Glasgow, a new international standard, the International Sustainability Standards Board (ISSB), was announced. The aim of the ISSB is to ensure that *'climate accounting'* really does become a reality. This Board will issue high-quality disclosure standards to meet investor needs; thus paving the way for greater consistency in reporting and also for mandatory reporting in the future. The new ISSB comes under the governance of the existing global accounting standard setting association, the International Financial Reporting Council.

It's clear that tougher stricter rules ensuring transparency of reporting the impact of climate change are coming.

We asked our members about compliance with the TCFD recommendations, and the results were very similar to last year. Twenty four percent said they were compliant with the TCFD recommendations, compared to 28% last year. Asked if they would be compliant in the next few years, 26% said they would be, compared with 23% last year.

Overall, 50% of members who completed our survey said they are compliant or expected to be in the next few years, compared to 51% from last year's survey.

2022 survey of the percentage of members who comply or expect to comply with the TCFD recommendations in the next few years

2021 survey of the percentage of members who comply or expect to comply with the TCFD recommendations in the next few years

Conclusion

Pursuing Sustainable Development Goals during the current times of crisis is especially difficult with the war in Ukraine having grave consequences on the environment, food production and energy prices just as the planet recovers from the Covid-19 pandemic. Indeed, just as the world was entering a phase of post-pandemic recovery, the pursuit of the UN Sustainable Development Goals has been made even more difficult.

However, despite current global events, the transformation to a more sustainable economy is very real and definitely underway and it is even possible that the resulting tensions may in the long term add to the urgency of this transition, as we are seeing in the need for renewable energy and energy independence.

As in previous years, it is heartening to see a number of ICMIF members leading the way; taking responsibility for ensuring their investments are increasingly sustainable; and providing inspiration for others within our membership and across the insurance industry.

These members are indeed *'beacons of light'*.

As purpose-driven insurers, the sustainable journey is significant for ICMIF members. It's a journey that will give our members a competitive edge over other insurers, giving those members first-mover advantage.

Like so many times before, UN Secretary General António Guterres said it best in his response to the devastating floods in Pakistan caused by the monsoons in the summer of 2022...

'It is outrageous that climate action is being put on the backburner as global emissions of greenhouse gases are still rising, putting all of us, everywhere, in growing danger'

He continued ...

'Let's stop sleepwalking towards the destruction of our planet by climate change.'

Once again, the growth in sustainable investments is another strong statement from the mutual and cooperative insurance sector to the commitment to increasing its sustainable investment footprint globally.

After all, there is no planet B.

In 2022, ICMIF published a guest blog from Teddy Nyahasha, Chief Executive at ICMIF member OneFamily (UK) which sums up how ICMIF members can and should embrace the future. The blog says:

"Boldness, creativity and a mutual mindset- the driving force that's needed right now. Throughout history mutuals have faced the challenges of their time. They've shown they're fleet of foot and are unafraid to be bold, to be positive and to think creatively to support their members – whether that's pooling risk, campaigning for change or embracing technology. These are the qualities that will be needed if society is to progress forward and secure a stable and lasting recovery for the country following the last few hard years. Modern mutuality could be just the driving force that this country, and indeed the world, needs right now."

Glossary

A4S	Accounting for Sustainability
AUM	Assets under management
GCP	Global Compact Principles
GFANZ	Glasgow Finance Alliance for Net Zero
GRI	Global Reporting Initiative
ISSB	International Sustainability Standards Board
NZAOA	Net-Zero Asset Owners Alliance
NZIA	Net-Zero Insurance Alliance
PCAF	The Partnership for Carbon Accounting Financials
PRI	Principles for Responsible Investment
SDG	Sustainable Development Goal
TCFD	Task Force on Climate-Related Financial Disclosures
UNEP FI	United Nations Environment Programme Finance Initiative

Contributors

We would like to thank the following members who kindly helped with the compilation of this report through the completion of our 2022 survey.

Rio Uruguay	Argentina
P&V	Belgium
Unimed	Brazil
Peel Mutual Insurance Group	Canada
Beneva	Canada
The Mutual Fire Insurance Company of British Columbia (MFI)	Canada
Farm Mutual Re	Canada
Co-operators	Canada
Desjardins	Canada
Halwell Mutual Insurance	Canada
PUBMI	China
GF Forsikring	Denmark
AEMA Group	France
MAIF	France
R+V Group	Germany
HUK-Coburg	Germany
IPB Insurance	Ireland
Unipol	Italy
CO-OP Kyosai	Japan
Kokumin Kyosai Co-op	Japan
Zenkyoren	Japan
CIC Kenya	Kenya
Unive Verzekeringen	Netherlands
Achmea	Netherlands
Farmers' Mutual Group (FMG)	New Zealand
K-MBA	Philippines
Income	Singapore
AVBOB Mutual Assurance Society	South Africa
PPS	South Africa
African Risk Capacity	South Africa
Folksam	Sweden
Länsförsäkringar AB	Sweden
La Mobilière	Switzerland
Vaudoise Assurances	Switzerland
NFU Mutual	UK
Royal London	UK
Shelter	USA
Thrivent	USA

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Published December 2022

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