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International Cooperative and Mutual Insurance Federation

ICMIF Members **Sustainable Investment Report 2023**

Introduction

At a press conference in July 2023, United Nations Secretary-General, António Guterres proclaimed the era of global warming had ended and the era of "global boiling" had arrived.

This was after the unprecedented high temperatures experienced that month across the planet and July 2023 proved to be the hottest month since global records began in 1880. This trend continued in August and again in September, with all three consecutive months proving to be the hottest on record for each month ever. Indeed, September 2023 beat the previous record for that month by 0.5°C, the largest jump in temperature ever seen in any given month from one year to the next.

The insurance industry, traditionally tasked with assessing and mitigating risk, now finds itself at the forefront of the global climate change crisis. Indeed, the impact of climate change is no longer a distant, theoretical concept but the reality is that it is unfolding right before our very eyes and putting huge pressure on insurance companies to adapt and innovate.

At the ICMIF Centenary Conference in October 2022, I issued a rallying call to all ICMIF members in the fight against climate change, saying: "'We are all in this together and we all have a role to play". In June this year, I reiterated this message in my blog *Overcoming our greatest challenge*.

I noted in the blog that, whilst many governments and businesses were making 2050 net-zero commitments, the reality is that if we don't make significant headway in the next few years, there may not be an insurance industry left by 2050.

Many ICMIF members are making huge contributions to help build adaptation and resilience in their particular regions of the world.

Indeed, at a time when it seems to many that economic growth is the priority over environmental protection, it is imperative that the mutual and cooperative insurance sector continues to lead by example and form a '*coalition of the willing*'.

The cooperative and mutual insurance sector is ideally placed to take a lead in this area to and lead by example.

I believe this report will demonstrate how ICMIF members are continuing to do just that. As mutuals and cooperatives we are not driven by short-termism decision-making, short-term profits or investor demands. Instead, being member-owned means we can take a more strategic, longer-term view and do what is right socially, environmentally and ethically too.

ICMIF is pleased to report on the findings of the fifth annual ICMIF Sustainability Investment Framework Survey which was issued to all ICMIF members in June and July 2023. This report is a summary of the findings, based on members' financial results as at 31 December 2022 and existing research and data already held by ICMIF on members.

Finally, we would respectfully like to thank all our members for their time in completing this annual survey, it is very much appreciated.

Shaun Tarbuck
Chief Executive, ICMIF

Executive summary

The results of the 2023 ICMIF Sustainability Investment Framework member survey once again demonstrate the excellent work being undertaken by ICMIF members on their journey towards sustainable investing.

Key findings: -

- ICMIF members confirmed that USD 1,003 billion of their assets under management (AUM) are investments aligned to sustainable investment frameworks compared to USD 759 billion reported in our 2022 survey – an increase of 32%.
- This alignment of USD 1,003 billion to sustainable investment frameworks represents 79.4% of AUM for the members that responded to the survey, compared to 51% 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) were the most popular frameworks with 36% aligned to these frameworks (39% in 2022).
- Our survey saw 60% of responding members report that they invest in impact investing, up from 55% in the 2022 survey. Impact investing by ICMIF members has grown a staggering 575% from last year, to USD 105.6 billion with five members stating that over 10% of their total AUM are invested in impact investing and one member is investing 68% of its AUM in impact investing.
- Fifty seven percent of responding members invest in sustainable bonds including green bonds, social and/or resilience bonds, amounting to USD 18.3 billion, compared to USD 16.9 billion in the 2022 survey.
- Forty six percent of ICMIF members have made net-zero commitments, up from 37% last year.
- Sustainability reporting is growing with 77% of members stating that they actively report on sustainability in some way.
- Fifty nine percent of ICMIF members said they were either compliant or expected to be Task Force on Climate-related Financial Disclosures (TCFD) compliant in the next few years.

This report demonstrates once again that the speed of growth of our members in terms of 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 ICMIF members and responses were received in June and July 2023.

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

In total, 136 surveys were issued to ICMIF members, and 35 members replied to the survey, representing 26% of the ICMIF membership. More significantly, those that responded represented 74.4% of ICMIF members' assets under management for 2023, equating to USD 1.3 trillion.

The responses received came from Europe (43%), the Americas (29%), Asia–Pacific (20%) and Africa (8%).

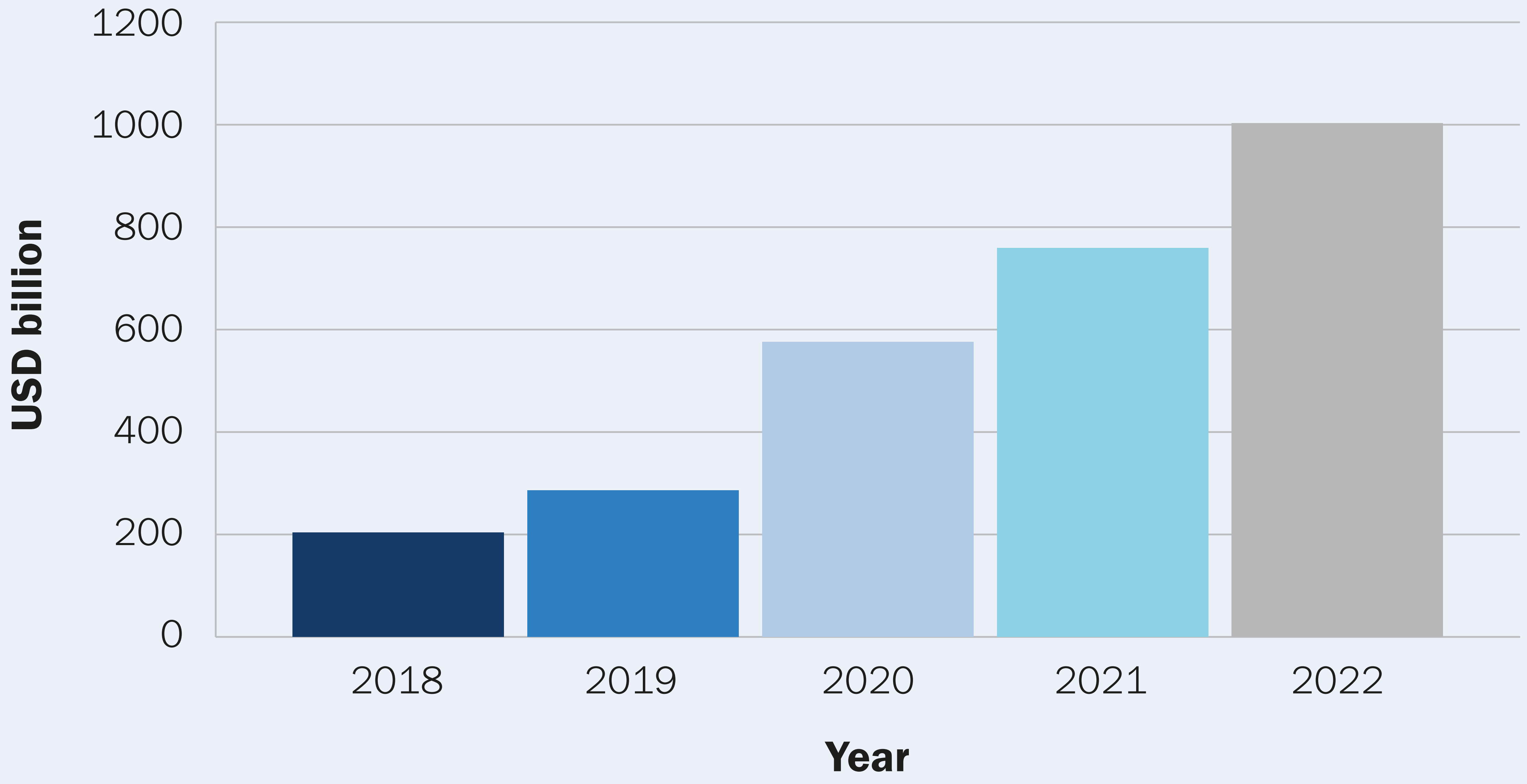
Key findings

Assets

Our survey showed that for the calendar year ended 2022, USD 1003 billion of ICMIF members' AUM are aligned to sustainable investment frameworks. In respect of the members who replied to our survey, this represents 79% of their AUM, up from 51% last year.

This is an increase of 32% since last year's survey and USD 244 billion more than the USD 759 billion reported last year.

ICMIF members' investments in sustainable investment frameworks



Sustainable investment frameworks

The most common sustainable investment framework used by ICMIF members is the United Nations Environment Programme Finance Initiative Principles for Responsible Investment (UNEP FI PRI) and also the Principles for Sustainable Insurance (PSI) with 35.7% (39.1% in 2021) of members saying 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).

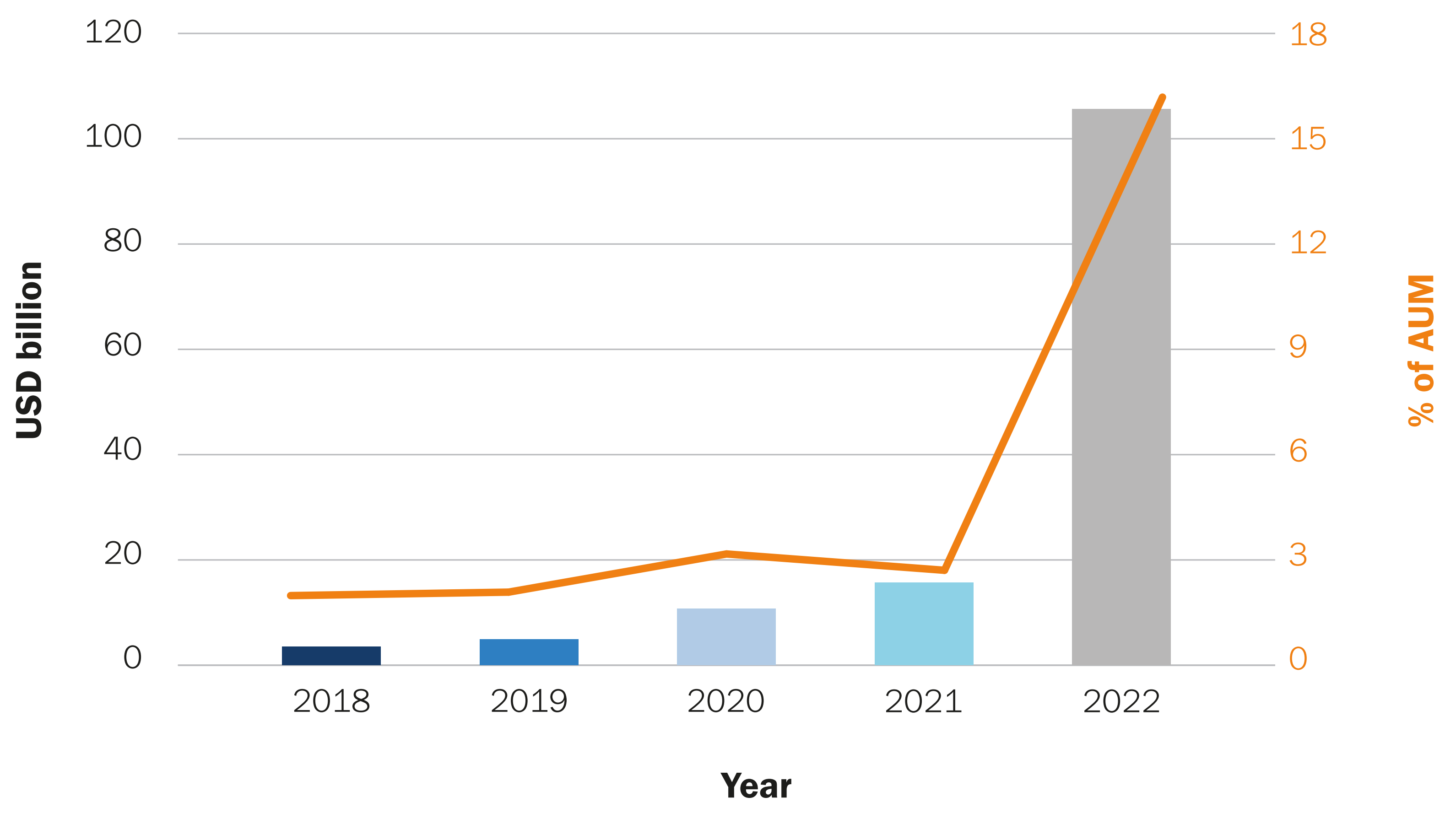
Nature of sustainable investments

Impact investing

In addition to seeing a 5% increase in our members investing in impact investing in 2022, the sum invested in this category increased almost seven-fold.

Our survey results showed 60% of our members who replied to the survey said they invest in impact investing, up from 55% in 2021. In 2022, this amounted to USD 105.6 billion or 16.3% of their own AUM against USD 15.6 billion in 2021 or 2.6% of their AUM also.

Impact investing



This year's survey showed that five members have impact investments that exceed 10% of their own AUM compared to three members last year. One member, in particular, reported that their impact investments amounted to 67.9% of their AUM.

Sustainable bonds including green, social and resilience bonds

Fifty seven percent of responding members said they invest in green bonds, social and/or resilience bonds, amounting to USD 18.3 billion or 1.9% of their AUM, a similar amount to the 58% or USD 16.9 billion, or 1.7% of their AUM in 2021.

Two members confirmed they invest 20% or more of their AUM in this type of investment, having increased their investments in this asset type by 14% and 5% respectively.

Investment in renewable energy

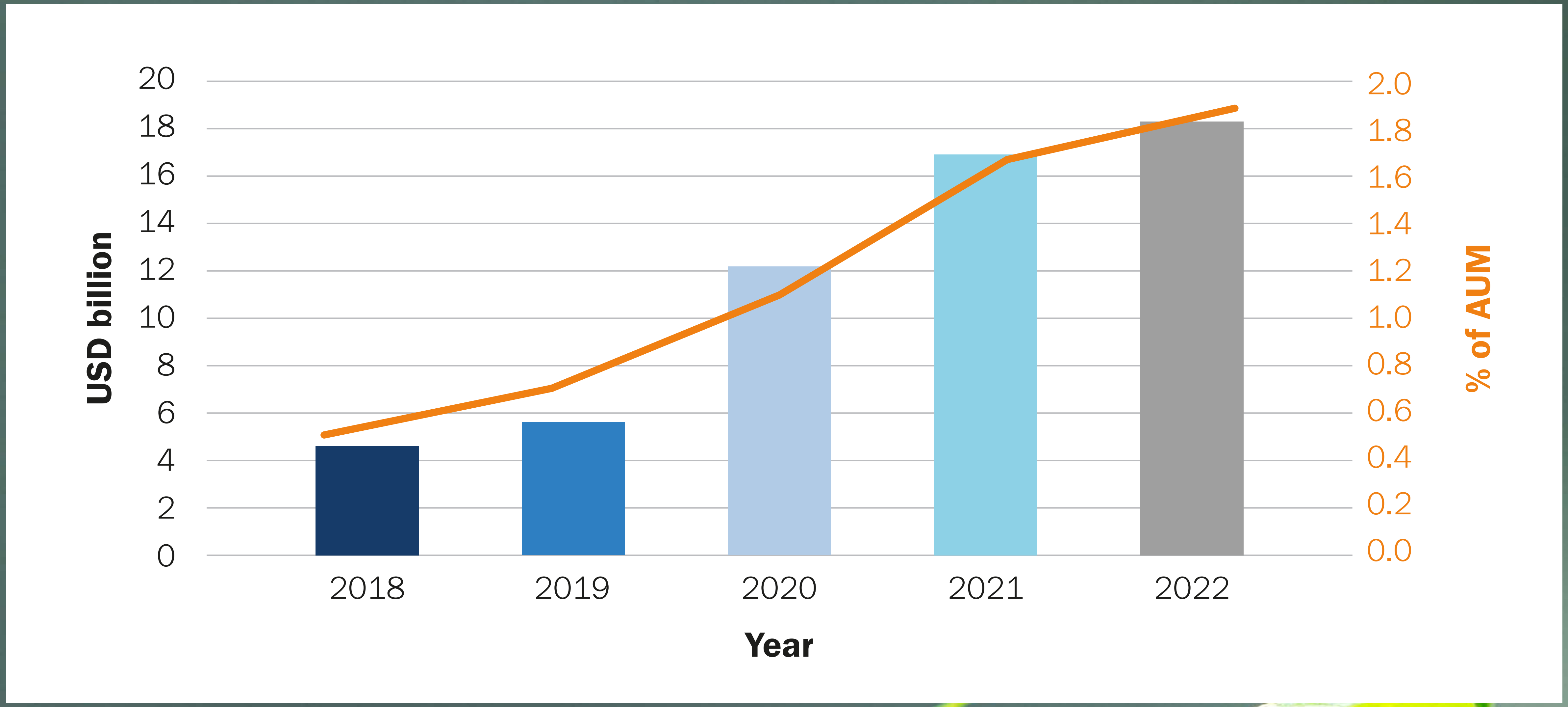
Our survey found that 57% of our members who responded say that they invest in renewable energy stocks/projects amounting to USD 5.6 billion or 1.0% of their AUM.

Just as last year's numbers showed small declines in investments in this asset class, the same is true in 2022.

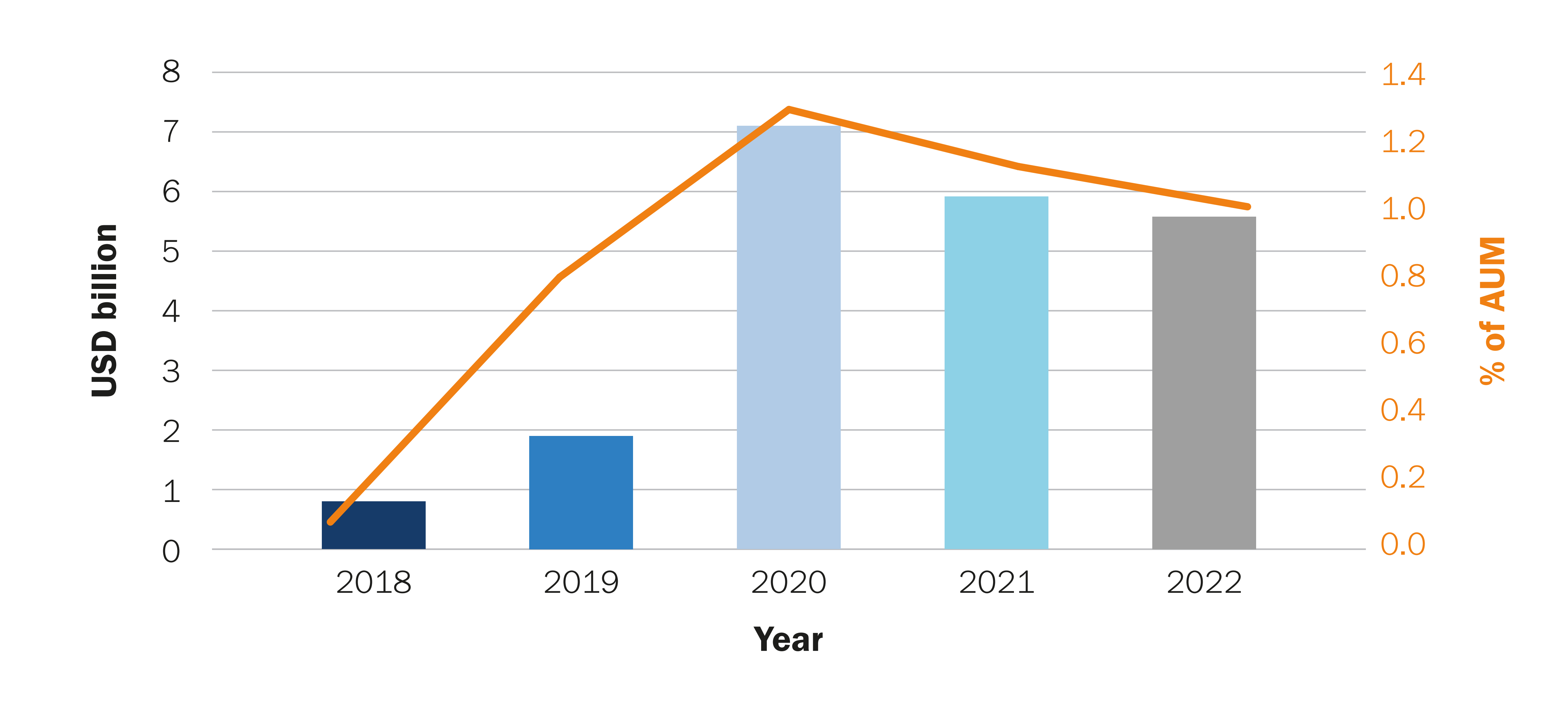
Although the numbers of members investing in this asset class rose from 47% in 2021 to 57% in 2022, the total investment in 2021 was USD 5.9 billion and, as a percentage of AUM in that year, was 1.1% also.

On reviewing this more carefully, we found that a possible reason for this was that we believe that 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 the UN Climate Change Conference (COP21), the Paris Agreement was signed by 196 countries in a legally binding, international treaty on climate change.

At the last COP27 climate talks last year, in Sharm el-Sheikh (Egypt), progress was made in establishing a loss and damage fund to help vulnerable countries deal with the impact of global warming.

However, the general consensus after COP27 is that the 1.5°C goal will not be achieved even though it remains the official global target. Indeed, at the current rate people are burning fossil fuels, *Reuters* reported that "only seven to eight years remain before the 1.5°C limit is passed."

With these worrying statistics we asked our members if they had made net-zero commitments?

Forty six percent of members who replied to the survey said they had, with 81% saying they had targeted 2050 or earlier as their commitment.

This was up from last year, when 37% said they had made such a commitment with (again) 86% of those committing to 2050 or earlier.

Sustainability reporting and the Sustainable Development Goals

Sustainability reporting is fast becoming an integral part of how a company's performance and its accountability is measured and recognised. It allows businesses to demonstrate to their internal and external stakeholders their commitment to sustainable developmst reent by reporting on their environmental and social performance.

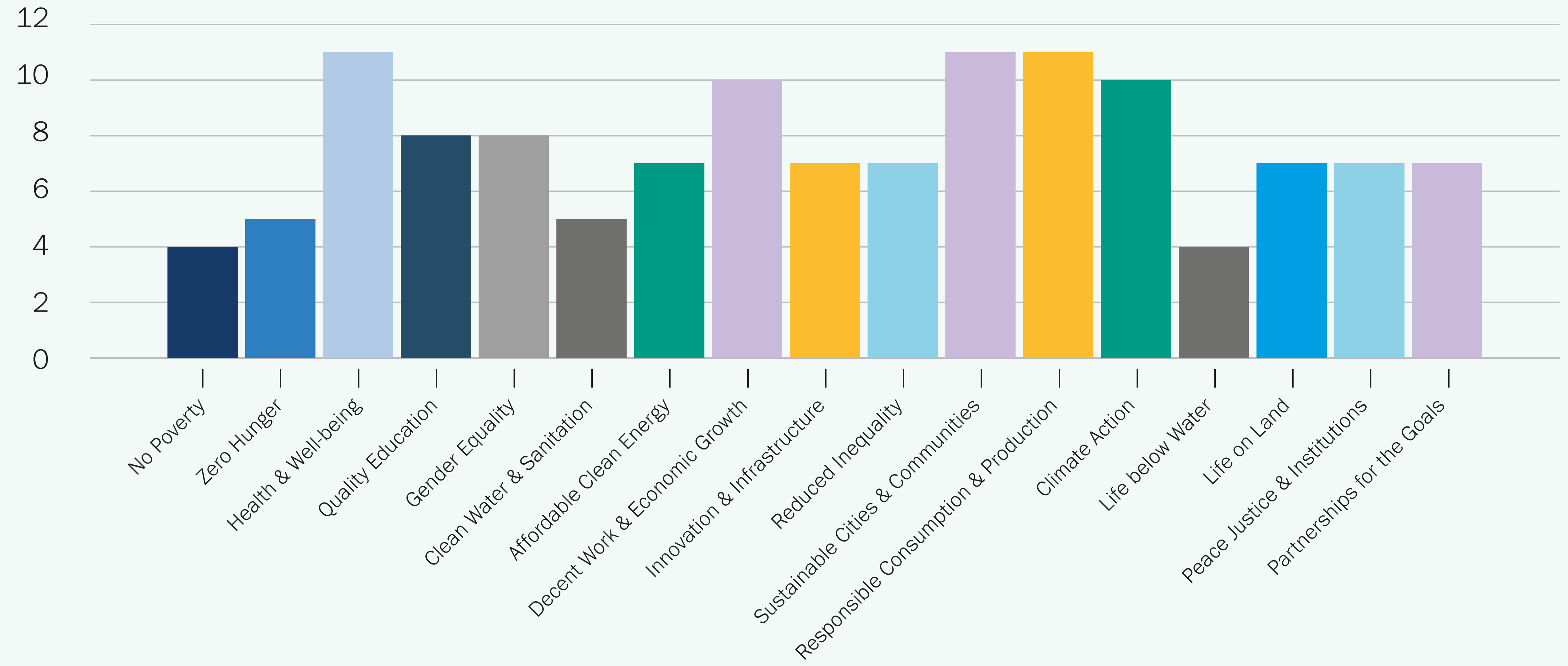
Seventy seven percent of members that responded to our survey, say they report on their sustainability measurements in their annual report and/or in a separate sustainability report, compared to 75% last year (74% 2020).

The 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. Thirty seven percent of responding members say they report against the SDGs compared to 42% last year (34% 2020).

The five most popular SDGs reported against by our members were very similar to previous years. Compared to 2021, Gender Equality was replaced marginally by Sustainable Cities and Communities. In descending order, they were:

- **SDG 3 Health & Well-being**
- **SDG 8 Decent Work & Economic Growth**
- **SDG 11 Sustainable Cities and Communities**
- **SDG 12 Responsible Consumption and Production**
- **SDG 13 Climate Action**

SDGs reported against by ICMIF members



Whilst the number of companies reporting against the SDGs had fallen marginally to 37% from 44%, the number of SDGs that members are now focusing on has increased quite significantly. Last year, one member reported against more than 10 SDGs, 12 in fact. The remainder of members in last year's survey reported against three to six SDGs.

In our most recent survey, two members told us that they reported against all 17 SDGs and a further five say they reported against more than 10 SDGs.

Of the 22 members that do not currently report against the SDGs, seven 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, 57% of this sample expect to be reporting against the UN SDGs within the next two to three years, compared to 58% last year.

TCFD and ISSB reporting

Governments across the world are recognising how imperative it is that investors receive meaningful, transparent information on the impact of climate change to business.

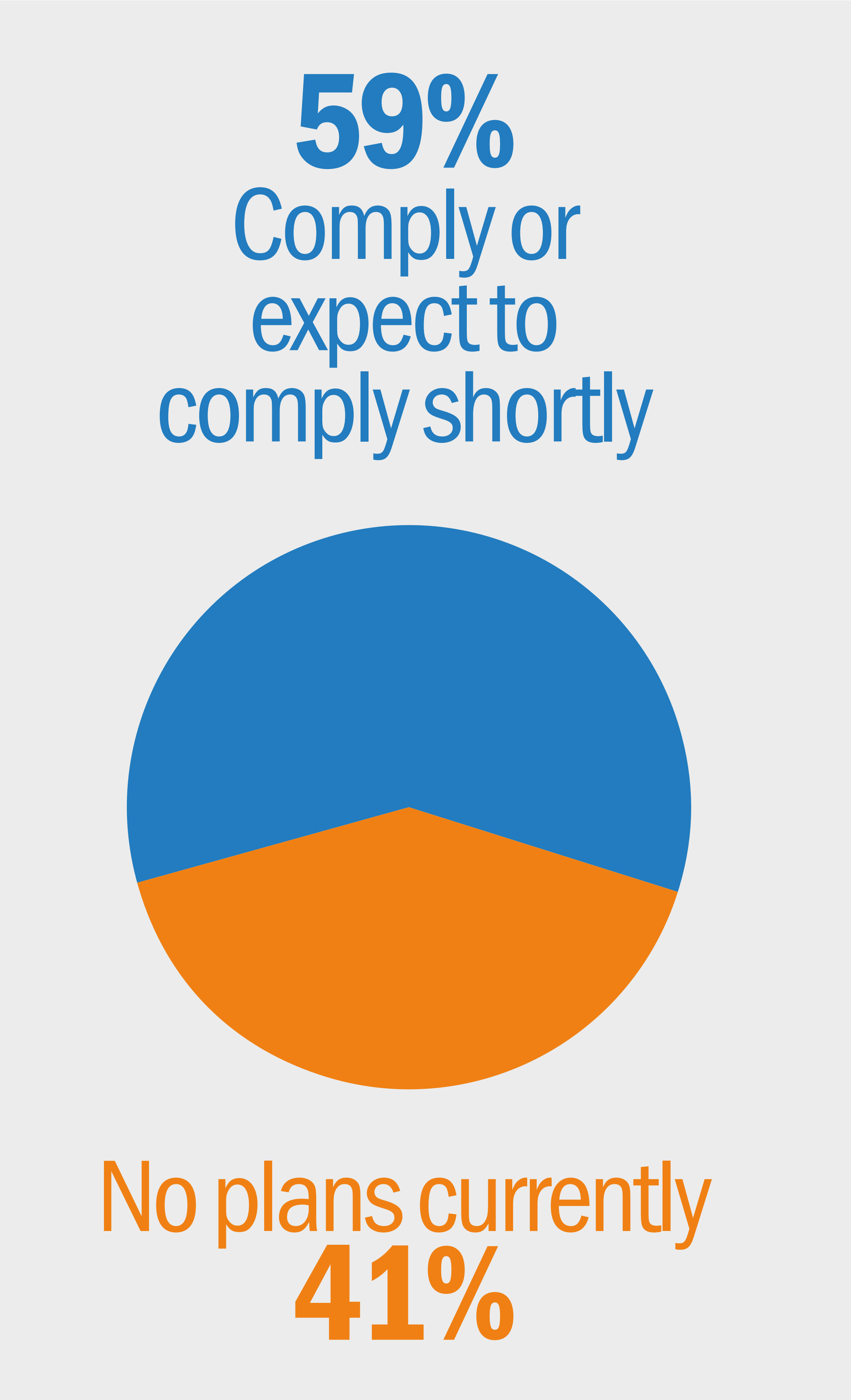
In June of this year, the International Sustainability Standards Board (ISSB) released its inaugural standard which set out requirements for sustainability-related (IFRS S1) and climate-related (IFRS S2) financial disclosures (ISSB Standards). These new standards fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As a result, the ISSB Standards set out comprehensive reporting requirements which, for many companies, will require considerable thought and resources to implement.

In addition to the above, the Financial Stability Board has asked the IFRS Foundation to take over the monitoring of the progress on companies 'climate related disclosures from the Task Force on Climate-related Financial Disclosures (TCFD) from 2024.

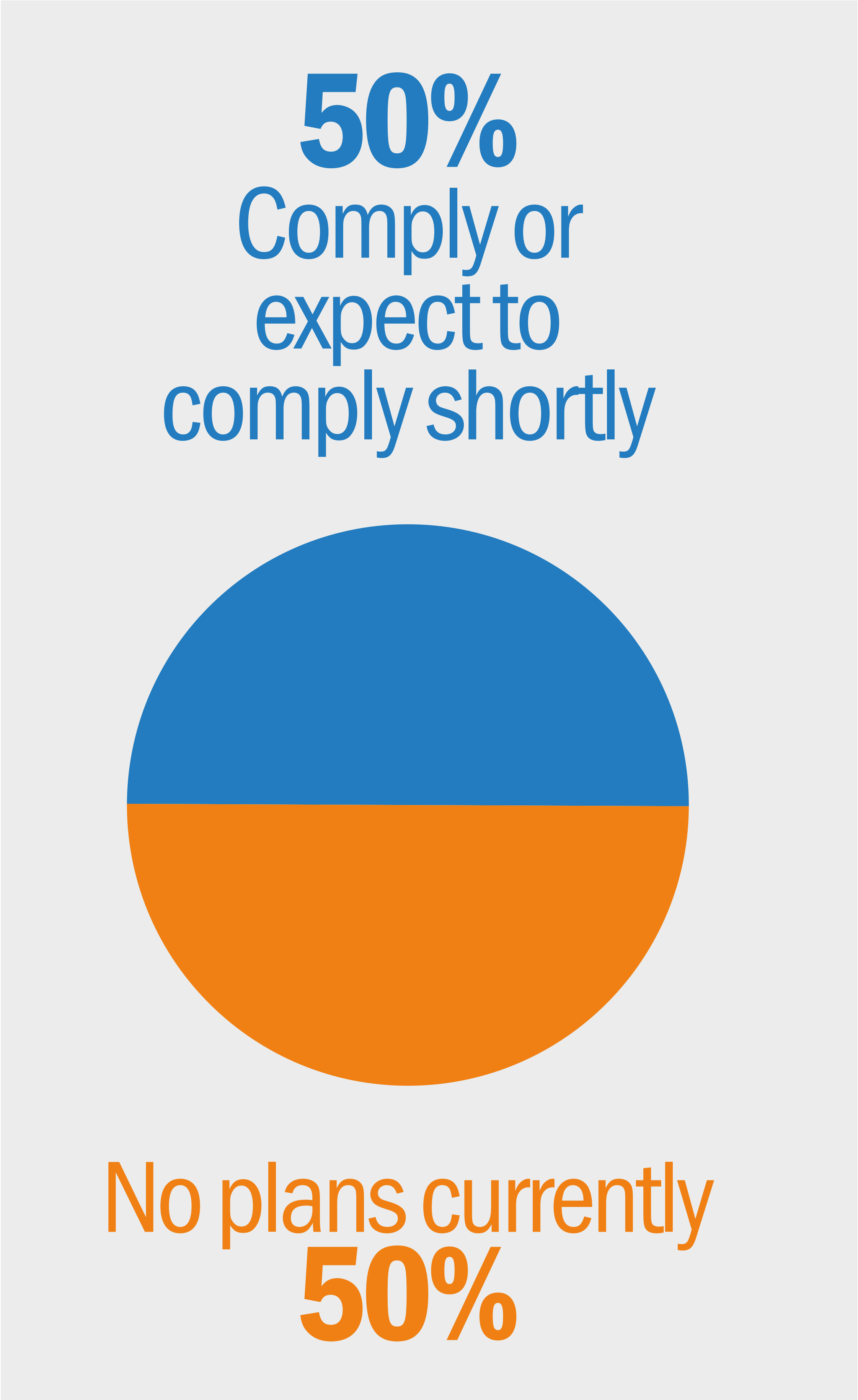
It is clear that transparency of climate reporting is and will continue to be a key reporting topic for business as we move towards ensuring greater consistency in reporting and decarbonised economies in the future.

We asked our members about compliance with the TCFD recommendations, and the results this year, after little change for a few years, showed quite a marked improvement. Thirty five percent said they were compliant with the TCFD recommendations compared to 24% last year (28% 2020).

2023 survey of the percentage of members who comply or expect to comply with the TCFD recommendations in the next few years



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



Concluding remarks

I said last year that I believed pursuing the SDGs during times of crisis is especially difficult, this was against the backdrop of the war in Ukraine. Indeed, that war continues to have grave consequences on the environment, food production and energy prices at a time when the planet is still recovering from the Covid-19 pandemic, in addition to the more recent challenges we all face.

As an industry, the insurance sector has a huge role to play in tackling climate change.

One of the key solutions is the anticipation of risk and the advisory support that insurers can offer about what to do about that risk in advance of it becoming a problem or an even greater problem. As a sector, we are masters at managing risk.

Sustainable investing, green insurance products, climate resilient insurance products, data sharing, transparent climate disclosure and reporting, advocating carbon neutrality and the education of the public in mitigation, adaptation and resilience are all ways in which the insurance industry can contribute to the fight against climate change. Part of our work at ICMIF involves helping our members to do this and celebrating their successes and innovations.

As I said in the introduction, we must continue to work together, both ICMIF and its members and with the wider insurance industry in general. Perhaps Sean Kidney, CEO, Climate Bonds Initiative, put it best when he concluded his presentation at the ICMIF Centenary Conference in Rome last year saying: "we are lucky, we have a privilege, the privilege to be able to do something when most of the world doesn't have that privilege. It's a privilege we must use with care, and we must act on."

I believe, this report shows that ICMIF members are making significant progress in sustainable investments year on year. This provides an opportunity for those that are still focused on *what organisations do* (ESG) to take things to the next level of *what impact organisations have* (SDGs). For this, we need comprehensive frameworks to measure the impact and this is what ICMIF has developed, both with the ICMIF-calibrated Insurance SDG Calculator (co-developed with Swiss Re), and the ICMIF/UNDRR Resiliency Benchmark. Both tools are the first of their kind for the insurance industry and are available to ICMIF members to benchmark themselves and against their peers to drive impact and demonstrate real action.

Shaun Tarbuck
Chief Executive, ICMIF

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.

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P&V Assurances	Belgium
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Co-operators	Canada
Mutual Fire Insurance of BC	Canada
Red River Mutual Insurance	Canada
Promutual Insurance	Canada
Desjardins	Canada
Wawanesa	Canada
GF Forsikring a/s	Denmark
LB Forsikring	Denmark
MAIF	France
Aéma Groupe	France
R+V Group	Germany
HUK Coburg	Germany
Unipol	Italy
Kokumin Kyosai Co-op	Japan
Kyosei Fire & Marine	Japan
Zenkyoren	Japan
JCIF	Japan
CIC Insurance Group Limited	Kenya
Achmea	Netherlands
MAS	New Zealand
AVBOB	South Africa
PPS	South Africa
Folksam	Sweden
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Royal London	UK
NFU Mutual	UK
Thrivent	USA

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