April | 2024

Insuring Disaster 2024

Ranking 65 of the world's largest insurers' approaches to responsible investment and underwriting

ShareAction

About ShareAction

ShareAction is a non-profit working to build a global investment sector that takes responsibility for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

Acknowledgements

ShareAction gratefully recognises the financial support of the CIFF Foundation towards the work that contributed to the research, writing and publication of this report. The views expressed are those of ShareAction.

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We are grateful to those who have taken the time to review and provide input into this survey and report: Ariel Le Bourdonnec (Reclaim Finance), Ben Howarth (Association of British Insurers), Catherine Bryan (Synchronicity Earth), Dominik Rothmund (WWF), Felicia Liu (York University), Jacqueline Duiker (VBDO), Jenna Coull (RSPB), Jill Atkins (Cardiff University), Kim Dunn (RSPB), Kevin Chuah (Northeastern University), Lindsay Keenan (Sunrise Project), Peter Bosshard (Sunrise Project), Rebecca Deegan (Association of British Insurers), Regine Richter (Urgewald), Regula Hess (WWF Switzerland), Sara Heinsbroek (VBDO), Financial System Benchmark team, World Benchmarking Alliance and Aidan Shilson-Thomas, Alexandra Pinzon, Bramwell Blower, Caroline Metz, Claire Brinn, Dan Howard, Emily Ahmed, Emma Robertson, Fergus Moffatt, Hannah Picton, Katie Leach, Katie Stewart, Marika Carlucci, Niall Considine, Stuart Laidler, Xavier Lerin (all ShareAction), as well as many other colleagues and external partners.

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Disclaimer

Why Insurance Matters

Risk is unavoidable: you cannot run a business without it. Insurance transfers and spreads risk, protecting people and institutions from adverse events. It is an indispensable part of the economy, and has been for thousands of years[1].

However, much of the activity underwritten (insured) by insurance companies today has incredibly harmful impacts on the world. In the face of climate catastrophe, insurance companies continue to underwrite new fossil fuel projects[2]. Disregarding species loss, insurers underwrite agricultural and extractive activities which cause deforestation and destroy habitats[3]. These projects, and others like them, are often associated with human and labour rights violations, and negative impacts on public health[4].

Insurance is not a side issue here: **many of these projects could not take place without it**, either due to high risks[5], regulatory requirements[6] or both.

Insurance companies are also investors as well as underwriters. They invest the payments (premiums) they collect from individuals and businesses in the real economy. Again, if comprehensive checks and policies aren't in place, these investments can be made in industries with negative social or environmental impacts. The sector's investment power is significant: insurance companies are among the wealthiest institutions on Earth[7].

In summary, there are two main aspects of insurers' business, both of which can have harmful impacts on the world:

- Underwriting (insuring) companies and projects
- Investing in companies

In 2023, estimated insurance losses due to natural catastrophes reached an estimated $118 billion, far in excess of previous projections[8]. The exceptional has become the new normal, and insurers are now on the front line of the worst impacts of a warming and unstable planet. Yet the insurance industry's warped incentives lead it away from addressing the underlying causes of these issues. Instead, it **profits in the short-term from activity, such as fossil fuel extraction, that will ultimately raise its costs and eventually undermine its ability to exist.** This has to stop.

To maintain long term financial value and consider people and planet as seriously as financial return, insurance companies must shift their focus towards supporting climate solutions, ecosystem restoration, improving working conditions and supporting advances in public health.

This report describes the policies and practices of 65 of the world's largest insurance companies – for underwriting as well as investment – in relation to pressing environmental and social issues. It gives an overview of the current state of the sector and makes recommendations to insurance companies and policy makers about changes that urgently need to be made for the benefit of people and planet.

Contents

Key conclusions

1 Environmental and social policies are incredibly weak across the insurance sector

Half of the 65 insurance companies were ranked as a grade E or F, based on 30 key standards assessing their approach to climate change, biodiversity and social issues. This indicates extremely poor performance across both investment and underwriting. The highest grade achieved was a B, which only seven insurers received.

Insurers were ranked in three categories based on their insurance type: property and casualty; life and health; Lloyd's of London managing agents[i]. Just two institutions received more than half the available points in the survey: AXA Group (52%) in the property and casualty ranking; and CNP Assurances SA (51%) in the life and health ranking. Performance at Lloyd's of London is particularly poor, with almost half the managing agents we ranked achieving an F grade – the lowest possible.

Although they still have much to improve on, European insurers perform best as a group. The gap between Asia and Europe has narrowed since our last report in 2021, but US insurers continue to have much weaker policies.

2 Long-term climate ambitions are undermined by weak current commitments

Planetary health is in a critical state. Global temperature records were broken in 2023[9]. Most of the Earth's nine planetary boundaries have been crossed[10]. To help tackle the climate crisis, insurers must set meaningful net-zero emissions commitments *and* have a credible plan to achieve them. While most have now set some kind of long-term net-zero target, our assessment found that in most cases insurers' plans are missing critical components.

Fewer than a quarter of insurers have adequate interim targets for 2030 or robust transition plans covering either investment or underwriting, undermining the credibility of long-term commitments.

Insurers' policies still allow for coal, unconventional oil & gas, and new conventional oil & gas projects to be underwritten and invested in, jeopardising chances of meeting the Paris Agreement target of limiting the global temperature rise to 1.5 degrees Celsius (1.5C)[11]. Those restrictions which are in place are rife with exceptions, allowing investment and underwriting to reach fossil fuel companies 'through the side door'.

i See explainer on page 17

Only four insurers gave any evidence of climate-related engagement with underwriting clients. Numerous insurers have left the Net-Zero Insurance Alliance (NZIA), causing concern that insurers are heading in the wrong direction and wanting to row back on their already weak commitments.

3 Insurers have a significant biodiversity blind spot

Biodiversity loss has been identified as one of the biggest risks to the economy by the World Economic Forum[12], and at least one million species are at risk of extinction[13,14]. Yet biodiversity scores were the worst among all the issues we assessed, for both investment and underwriting.

43% of insurers – including *all* North American property and casualty insurers – received zero marks for biodiversity underwriting. The picture is similar for investment, where only one US insurer (MetLife Inc) scored more than 3%.

Most insurers are not considering biodiversity in policies for key sectors and are not considering areas of global biodiversity importance. When they do, they tend to only consider direct impacts, ignoring indirect impacts and dependencies on nature. Data availability is often cited as a reason for poor performance, but the sector is not using the available data tools consistently.

4 Most insurers are not considering human rights, labour rights, or public health issues

Aside from controversial weapons, the insurers we assessed largely neglected human rights, labour rights, and public health considerations in their policies. Almost two-thirds of insurers have some kind of investment restriction on controversial weapons, as do 40% for underwriting; these are often mandated by law[15]. Far fewer insurers restrict investment or underwriting on the basis of human rights violations, tobacco production, or other social issues.

Indigenous peoples' and local community rights are almost entirely overlooked by insurers: less than 20% of firms have any kind of investment policy or reported engaging with investee companies on this issue. None gave an example of where these issues had been considered in an investment decision, nor a requirement for underwriting clients in priority sectors to adopt and publish relevant commitments.

Insurers reported engaging with clients on social topics much less frequently than on climate-related issues. Very few insurers reported using social metrics to assess investee companies, and none reported engaging with underwriting clients on human or labour rights impacts.

5 Insurers frequently lack the governance structures necessary to address these issues

Most insurers did not report specific board expertise on climate change or biodiversity, indicating insufficient oversight of risks to their own balance sheets as well as to people and planet. While policies link sustainability to remuneration at most institutions, the proportions are often very small or undisclosed, risking their being nullified by other, short-term objectives. Insurers do not in general set formal expectations for external asset managers, or escalation policies for engagement with investee companies. Less than a quarter have a policy governing engagement with underwriting clients, and of these the vast majority cover only climate.

Summary of findings

General findings

Finding 1: Insurers demonstrate troublingly weak performance across the board.

Finding 2: Though still weak, European insurers perform significantly better than their Asian and North American counterparts.

Finding 3: Lloyd's of London's guidance to managing agents is inadequate.

Finding 4: Almost half of insurers don't set formal expectations regarding responsible investment when delegating to external asset managers, and even fewer take an active approach to holding their asset managers accountable.

Climate

Finding 5: Less than half of insurers have set long term net-zero targets for underwriting, and just a quarter are aligned with 1.5C.

Finding 6: Less than a quarter of insurers have published a transition plan covering their investment and/or underwriting activities, and the majority have not disclosed any intent to publish one in the future.

Finding 7: Only half of insurers had set interim emissions reduction targets, and these targets contain crucial gaps.

Finding 8: For both underwriting and investments, fossil fuel restrictions are weak in their scope and strength.

Finding 9: The vast majority of insurers lack restrictions on oil & gas expansion across their investment and underwriting portfolios, and overlook conventional oil & gas.

Finding 10: Restrictions for fossil fuels are rife with exceptions, allowing for fossil fuel expansion through the side door.

Finding 11: Almost all insurers failed to explicitly rule out underwriting highly controversial fossil fuel projects.

Finding 12: Most insurers gave evidence of engagement with investee companies on climate mitigation, but adaptation and resilience remain blind spots.

Finding 13: Very few insurers set out policies or disclose their engagement with underwriting clients on sustainability issues and those that do focus on climate.

Finding 14: Almost all insurers provide coverage for climate solutions, but less than half offer preferential terms for projects that meet climate-related criteria.

Finding 15: The majority of insurers have conducted climate-related scenario analysis, but over a third haven't used the results to inform their approach to underwriting.

Biodiversity

Finding 16: Almost a third of insurers had a total blind spot about biodiversity, and almost three-quarters are failing to take key actions to manage biodiversity-related risks.

Finding 17: The majority of property and casualty insurers and Lloyd's of London managing agents do not offer any biodiversity-related insurance products or services.

Finding 18: Less than half of insurers have any biodiversity-related requirements for underwriting or investing in sectors facing the most critical biodiversity-related risks.

Finding 19: More than two-thirds of insurers had no requirements for underwriting or investing in areas of global biodiversity importance.

Finding 20: Just over a third of insurers assessed impacts or dependencies on biodiversity, but the vast majority limited this assessment to direct impacts.

Finding 21: Only a third of insurers surveyed used any data tools to assess impacts and dependencies on biodiversity, and no single tool was used consistently.

Finding 22: Some insurers cited engagement with investee companies across a wide range of biodiversity topics but more than half gave no examples at all.

Social issues

Finding 23: Controversial weapons is the only social topic for which a majority of insurers impose an investment restriction.

Finding 24: A majority of relevant insurers did not report any social-related underwriting restrictions.

Finding 25: Across both investment and underwriting, insurers rarely consider Indigenous peoples' and local community rights in their policies.

Finding 26: Almost half of insurers did not report engaging with investees on any social topics, and property and casualty insurers engaged less often than life and health ones.

Finding 27: Almost no insurers reported engaging with their clients on human and labour rights impacts.

Finding 28: Insurers rarely reported which metrics they use to measure the performance of investees or clients on social issues.

Finding 29: Insurers are offering specific products, or preferential terms, to meet social goals, but details of these are generally vague.

Governance and engagement

Finding 30: Less than half of insurers had at least one board member with clear, specific climate- and/or biodiversity-related expertise.

Finding 31: Insurers are barely using remuneration policies to incentivise responsible investment and underwriting decisions.

Finding 32: Almost half of those who manage assets directly did not report having an engagement policy with a defined escalation process for their investments.

How to use this report

How to use this report

This report covers 65 of the world's largest insurance companies from Europe, North America, and Asia (Figure 1), divided into three categories according to their structure and lines of business.

We are most interested in underwriting relating to large-scale business infrastructure, including but not limited to fossil fuel exploration/extraction, factories, power plants, mines, and agriculture. We therefore assess:

- The investment policies and practices of 23 of the world's largest life and health (L&H) insurers
- The underwriting approach of 13 of Lloyd's of London's largest managing agents (MA)
- Both investment and underwriting among 29 of the world's largest insurers with a relevant property and casualty business (P&C)

Insurers in the property and casualty category may (and most do) also have a life and health business, but we refer to them using the term 'property and casualty' in this report for brevity. 'Life and health' thus refers to those insurers *without* a relevant property and casualty business.

Throughout the report, findings on underwriting and investment will only include the insurers who we have surveyed on the relevant subject. Unless otherwise specified, findings referencing the *"relevant part of [insurers'] business"* refer to investment for life and health insurers, underwriting for Lloyd's of London managing agents, and both investment and underwriting for property and casualty insurers.

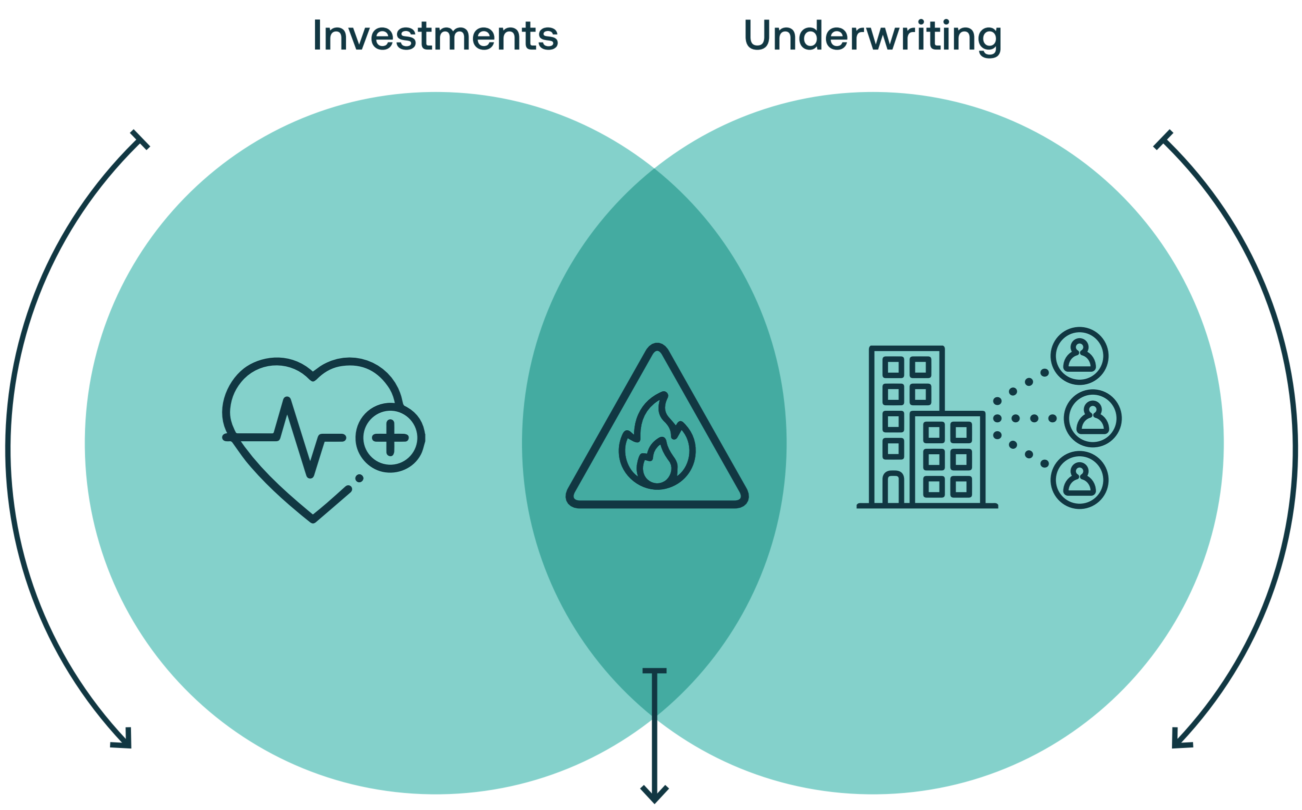
The tables that follow summarise the overall performance of each organisation. **Our grading system has changed: each insurer has been awarded a grade depending on how many 'key standards' it met across the survey.** Firms are then ranked within each category by grade and then by overall score. Since each category of insurers was asked a different set of questions, the requirements for each grade vary by category, and overall scores are not directly comparable from one category to another.

For more detailed information about the selection and categorisation of insurers, the ranking methodology, a complete list of key standards, and the topics in our questionnaire, please refer to Appendix 1.

In summary:

- Insurers are encouraged to use this report, and its recommendations, to benchmark their own performance and inform areas for improvement.
- Asset owners, brokers, and consultants can use the information to challenge insurers, inform the selection of insurers, and as a reference for positive trends set by leading players.
- Policy makers can use the report to identify areas of sector-wide strength and weakness and to determine appropriate policy action to protect investors and the wider public interest.

Our analysis covers



23
Life and health Insurers

29
Property and casualty Insurers

13
Lloyd's of London managing agents

Rankings

Rankings

Property and casualty ranking

Table 1: Ranking 29 of the world's largest insurers with a relevant property and casualty business

Heatmap key

0% — 100%

Insurers with a relevant Property and Casualty business													
Rank	Insurer	Grade	Overall score	Climate Change - Investment	Climate Change - Underwriting	Net-Zero Targets	Biodiversity - Investment	Biodiversity - Underwriting	Social - Investment	Social - Underwriting	Governance & Engagement	Country	Verified full survey
1	AXA Group	B	52%									France	Yes
2	Allianz GE	B	48%									Germany	No
3	Aviva PLC	B	45%									UK	Yes
4	Swiss Re AG	C	42%									Switzerland	Yes
5	Munich Re (Muenchener Rueckversicherungs Gesellschaft AG)	C	39%									Germany	Yes
6	NN Group NV	C	37%									Netherlands	Yes
7	Achmea BV	C	31%									Netherlands	Yes
8	Assicurazioni Generali SpA	D	35%									Italy	Yes
9	MS&AD Insurance Group Holdings Inc	D	32%									Japan	Yes
10	Zurich Insurance Group AG	D	32%									Switzerland	Yes
11	Talanx AG	D	30%									Germany	Yes
12	Desjardins Insurance	D	28%									Canada	Yes
13	Groupama Assurances Mutuelles	D	21%									France	Yes
14	Ageas SA	D	19%									Belgium	No
15	Sompo Holdings Inc.	E	20%									Japan	Yes
16	Tokio Marine Holdings Inc.	E	19%									Japan	Yes
17	Ping An Insurance (Group) Company of China, Ltd	E	17%									China	No
18	China Taiping Insurance Holdings Co Ltd	E	12%									China	No
19	Chubb Ltd	E	11%									Switzerland	No
20	R und V Versicherung AG	E	11%									Germany	No
21	American International Group Inc	E	9%									USA	No
22	The People's Insurance Company (Group) of China Ltd	E	9%									China	No
23	China Pacific Insurance Group Co Ltd	E	8%									China	No
24	Travelers Companies Inc	E	7%									USA	No
25	Liberty Mutual Insurance Co	E	4%									USA	No
26	Powszechny Zaklad Ubezpieczen SA	F	8%									Poland	Yes
27	Lloyd's of London[ii]	F	6%									UK	No
28	Nationwide Mutual Insurance Co	F	0.3%									USA	No
29	Sony Financial Group Inc	F	0.0%									Japan	No

See Appendix 1 for a detailed explanation of the grades and scoring methodology.

Life and health ranking

ii See "Explainer: Lloyd's of London"

Table 2: Ranking 23 of the world's largest life and health insurers on their investments

Heatmap key

0% 100%

Life & Health Insurers										
		Grade	Overall score	Climate Change - Investment	Net-Zero Targets	Biodiversity - Investment	Social - Investment	Governance & Engagement	Country	Verified full survey
1	CNP Assurances SA	B	51%						France	Yes
2	Legal & General Group PLC	B	50%						UK	Yes
3	Nippon Life Insurance Co	B	44%						Japan	Yes
4	Dai-ichi Life Holdings Inc	C	48%						Japan	Yes
5	Phoenix Group Holdings PLC	C	42%						UK	Yes
6	Aegon Ltd	C	39%						Netherlands	Yes
7	Prudential PLC	C	38%						UK	Yes
8	Meiji Yasuda Life Insurance Co	C	36%						Japan	Yes
9	Royal London Mutual Insurance Society Ltd	C	35%						UK	Yes
10	MetLife Inc.	C	34%						USA	Yes
11	Sun Life Financial Inc	C	28%						Canada	Yes
12	Manulife Financial Corp	D	32%						Canada	Yes
13	Swiss Life Holding AG	D	27%						Switzerland	No
14	AG2R la Mondiale	D	26%						France	No
15	Japan Post Insurance Co Ltd	D	25%						Japan	No
16	Great-West Lifeco Inc	D	21%						Canada	No
17	Lincoln National Corp (Lincoln Financial Group)	E	13%						USA	Yes
18	Prudential Financial Inc	E	12%						USA	No
19	New York Life Insurance Co	E	10%						USA	Yes
20	Principal Financial Group Inc	E	8%						USA	No
21	Northwestern Mutual Life Insurance Co	E	3%						USA	No
22	China Life Insurance Co Ltd	F	0.7%						China	No
23	Protective Life Insurance Co	F	0.6%						USA	Yes

Life and health insurers' underwriting activities have consequential impacts on environmental and social issues too, but these are different in kind and scale from the impacts of the major property and casualty insurers (see Appendix 1).

Explainer: Lloyd's of London

Table 3: Ranking 13 of the largest managing agents at Lloyd's of London, on their underwriting performance

Scope of the survey

Heatmap key

0% 100%

Lloyds of London Managing Agents										
Rank	Insurer	Grade	Overall Score	Climate Change - Underwriting	Net-Zero Targets	Biodiversity - Underwriting	Social - Underwriting	Governance & Engagement	Parent in survey?	Verified full survey
1	AXA XL Underwriting Agencies Ltd	B	42%						AXA Group	Via Parent
2	Munich Re Syndicate Ltd	C	28%						Munich Re	Via Parent
3	Axis Managing Agency Ltd	D	17%						-	Yes
4	Chubb Underwriting Agencies Ltd	E	16%						Chubb Ltd	No
5	HCC Underwriting Agency Ltd	E	16%						Tokio Marine Holdings Inc	Via Parent
6	Tokio Marine Kiln Syndicates Ltd	E	16%						Tokio Marine Holdings Inc	Via Parent
7	Hiscox Syndicates Ltd	E	14%						-	No
8	Beazley Furlonge Ltd	F	12%						-	No
9	MS Amlin Underwriting Ltd	F	9%						MS&AD Insurance Group Holdings Inc	No
10	Talbot Underwriting Ltd	F	6%						AIG	No
11	Liberty Managing Agency Ltd	F	5%						Liberty Mutual Insurance Co	No
12	Travelers Syndicate Management Ltd	F	4%						Travelers Companies Inc	No
13	Aegis Managing Agency Ltd	F	0%						-	No

Lloyd's of London is one of the best-known names in insurance, but it isn't an insurance company in the usual sense.

Describing itself as a 'marketplace', Lloyd's of London is best understood as a place where insurance buyers and sellers come together[16]. The sellers are all independent but do business under rules set by Lloyd's. You can think of the Lloyd's headquarters in the City of London as a large, shared office for insurers from different companies.

These sellers are called syndicates, while companies managing one or more syndicates are referred to as managing agents. The speciality insurance products offered by these managing agents cover some of the most environmentally damaging industries on Earth. Taken together, the insurers in the Lloyd's of London marketplace make more money insuring fossil fuels than any other institution in the world[2].
Consequently, Lloyd's of London was included in our survey for the first time.

The proportion of global fossil fuel underwriting paid to Lloyd's syndicates alone[iii]: 9%

This was done in two ways:

1. To benchmark its own commitments and targets, Lloyd's has been ranked alongside property and casualty insurers for both investment and underwriting (Table 1).
2. To get a sense of its overall impact on the world, some of the largest managing agents at Lloyd's have been ranked on their underwriting (Table 3). Nine of the 13 managing agents are subsidiaries of property and casualty insurers included in the survey. To avoid duplication, and because the main influence Lloyd's managing agents have on harmful activities is through their underwriting, their investments were not assessed.

Lloyd's of London receives an F grade for its own policies, and almost half of the managing agents surveyed (6 out of 13) receive an F too, painting an extremely poor picture of one of the most significant entities in the world of insurance.

Lloyd's of London managing agents ranking

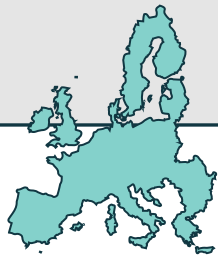
iii This excludes captive insurers – insurers which are wholly owned by fossil fuel companies and issue insurance for projects. The UK government is launching a consultation on captive insurance in Spring 2024[17].

Figure 1: Our survey included insurers on three continents

North America

Property and casualty: 5
Life and health: 10
Total Assets: $5.4tn
Average grade: E

Europe



Property and casualty: 16
Life and health: 8
Total Assets: $7.3tn
Average grade: D

+13 Managing Agents at Lloyd's of London
Average grade: E

Asia

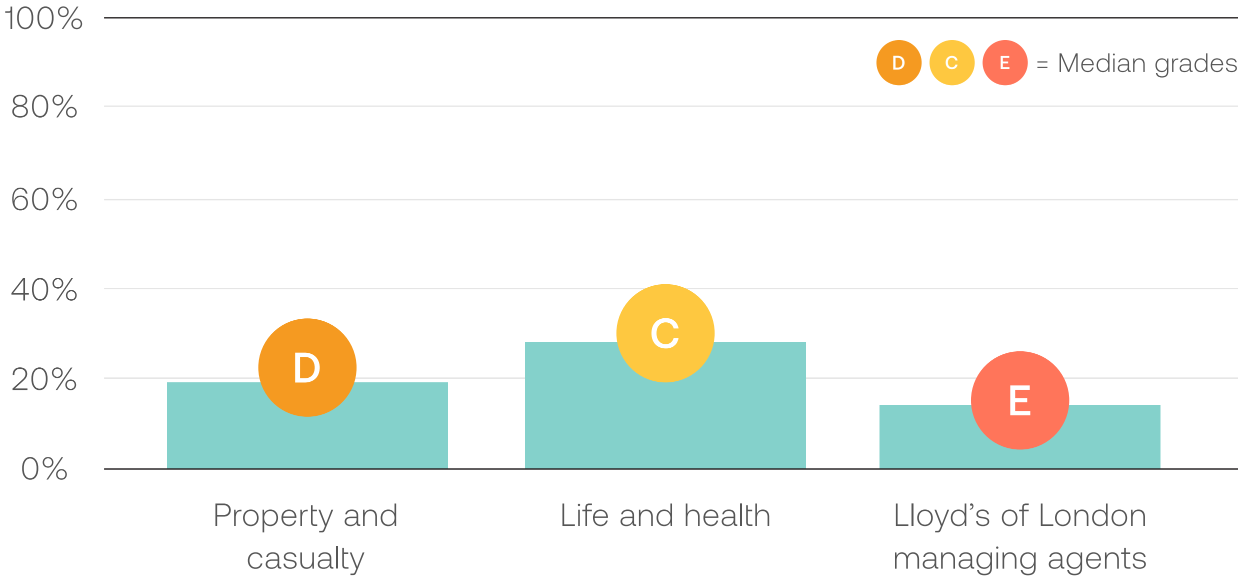
Property and casualty: 8
Life and health: 5
Total Assets: $5.7tn
Average grade: E

General findings

General Findings

Finding 1: Insurers demonstrate troublingly weak performance across the board.

Figure 2: The median score for all insurers was under 20%



Almost half the insurers in our survey received an E or F grade

Even compared with the relatively poor performance of banks[18] and asset managers[19], the global insurance sector lags far behind (Figure 2). The median score is less than 20%, reflecting a lack of seriousness from the insurance sector in confronting the climate crisis, biodiversity loss, and social issues.

Figure 3: Insurers' median performance varied across the themes, but was low in every case

Climate Change - Investment	28.0%
Climate Change - Underwriting	26.7%
Net-Zero Targets	18.1%
Biodiversity - Investment	13.2%
Biodiversity - Underwriting	8.3%
Social - Investment	28.5%
Social - Underwriting	14.6%
Governance & Engagement	16.7%

The median score is under 30% for *every* individual theme (Figure 3). Biodiversity performance is especially weak: insurers have a biodiversity blind spot which mirrors that of other financial institutions (Finding 16). Social investment scores were slightly better than other sections, but these were much more variable than the comparative scores for climate change and biodiversity[iv], reflecting strong performance from a handful of insurers, and 13 failing to score anything at all.

For property and casualty insurers – the only insurers ranked on both investment and underwriting – performance is comparably poor between investment and underwriting on climate-related issues. Their performance on underwriting was worse than on investment for both biodiversity and social issues, but again, all were very low.

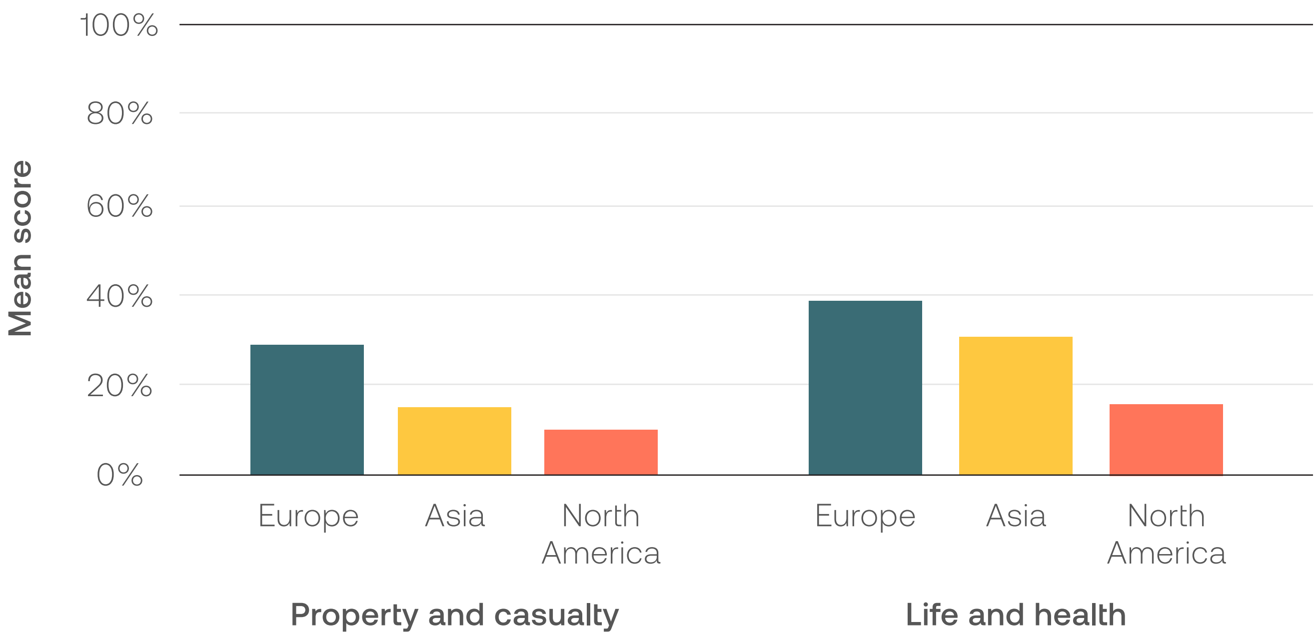
It is important to emphasise that all the questions asked are attainable. The questionnaire was designed around the current state of the sector and included input from external experts. At least one insurer received full marks on 70% of the questions, and at least one insurer achieved 28 of the 30 key standards. Adding up the marks of the best performer on each question gives a result of 77%; far above the highest score achieved by any single insurer, and more than three times higher than the average score. In short: insurers can do *much* better.

Finding 2: Though still weak, European insurers perform significantly better than their Asian and North American counterparts.

Based on the average scores for every theme, European insurers[v] outperform Asian insurers, while Asian insurers in turn outperform North American (US and Canada) insurers (Figure 4).

iv Standard deviation 0.25, compared with 0.16 and 0.20 for climate and biodiversity investment respectively
v Lloyd's of London managing agents, while based in London, often have non-UK parents (many of which feature in the property and casualty ranking). To avoid skewing the regional analysis by setting their region to UK or the home region of their parent, and to avoid complicating comparisons with our 2021 report, they are not included in this finding.

Figure 4: Mean performance is higher in Europe than Asia, and higher in Asia than America



This points to an even weaker corporate culture and regulatory framework in North America compared with Europe in response to the climate crisis, biodiversity loss, and social issues.

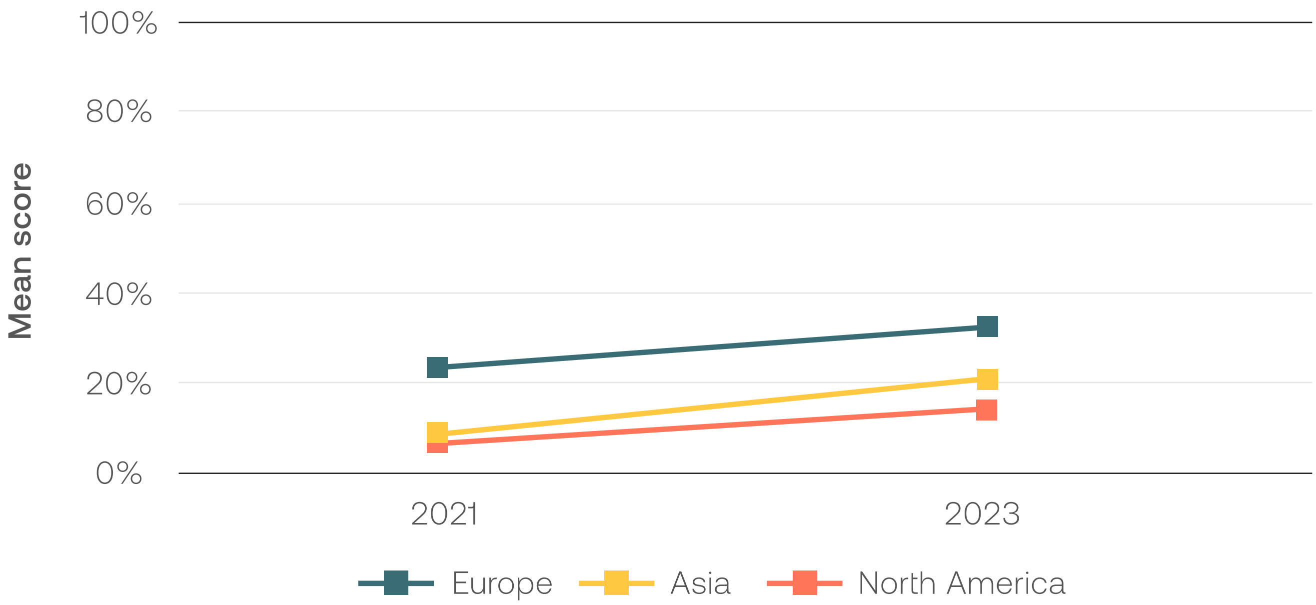
Poor performance in North America is particularly stark looking at specific themes. **No North American property and casualty insurer scored any points at all for biodiversity underwriting,** while the average North American insurer scored less than 3% on biodiversity overall.

Most of these insurers only received credit for biodiversity opportunities (positive investments); MetLife Inc was the only US insurer to score any points accounting for biodiversity risks. It was also the only US insurer with an interim net-zero target, and aside from AIG's long-term net-zero commitment, no other US insurer (in either the life and health or property and casualty categories) scored any points for net-zero targets.

All of this aligns with our data from 2021, which also showed very poor performance among North American insurers and the same regional ordering. However, the gap in regional scores between Europe and Asia is smaller. In 2021, Asian insurers' performance was barely higher than North Americans', while now, they are roughly halfway between North America and Europe (Figure 5).

One striking aspect of regional performance is Japanese insurers' approach to the Taskforce for Nature-Related Financial Disclosures (TNFD): all but one said they were intending to disclose in line with the TNFD framework within the next 12 months, compared with just three from the rest of the world (Finding 21). In addition, Asian insurers performed consistently better than American insurers on positive opportunities across all themes in the survey. Both these factors drive key differences in regional performance

Figure 5: The gap between Asian and European insurers has narrowed since 2021



Finding 3: Lloyd's of London's guidance to managing agents is inadequate

Lloyd's of London sets the rules of the marketplace for managing agents operating under its umbrella. However, most of these rules take the form of optional guidance. Lloyd's of London recently conducted a consultation on a market-wide transition roadmap, which closed in February 2024[20]. However, the roadmap merely outlines a three-year plan, and it is as yet unclear whether it will be mandatory.

Lloyd's of London's 2021 environmental, social and governance (ESG) guidance to managing agents[21] seems to feature relatively ambitious guidance, though this is mainly restricted to climate change (or it simply mentions "ESG" without further clarification). However, mapping it to our questionnaire, we found that a managing agent following this guidance, even at its most ambitious end, would receive an E grade in our survey, and a score of just 13%. This is higher than half the managing agents, but still extremely poor. Moreover, this document is now more than two years old, and recommends "leading insurers" join the Net-Zero Insurance Alliance (NZIA), an initiative from which Lloyd's of London itself has since departed.

The current state of ambition among managing agents is extremely poor; almost half received an F grade. Raising performance among managing agents may therefore require that Lloyd's of London mandate specific requirements for its agents, and that these requirements to be stronger than even the leading end of its current optional guidance. If ambition at Lloyd's of London is moving in the wrong direction, then such actions could be mandated by legislation and regulation, particularly given Lloyd's' historic relationship to the British state[22].

The recommendations in the rest of this report provide a framework for what these requirements could look like.

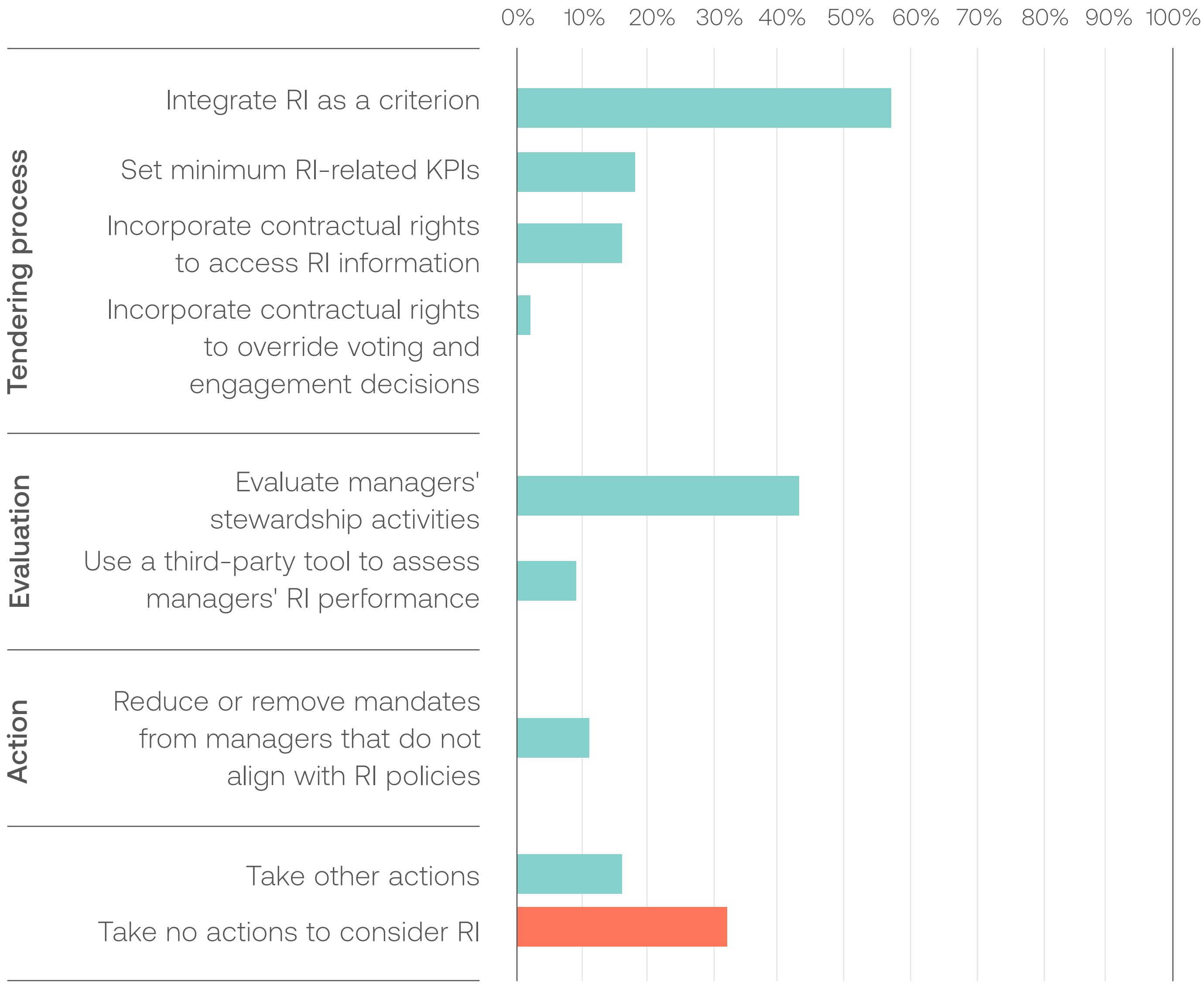
Finding 4: Almost half of insurers don't set formal expectations regarding responsible investment when delegating to external asset managers, and even fewer take an active approach to holding their asset managers accountable.

Forty-four of the 52 property and casualty and life and health insurers in our survey use external asset managers[vi] to manage at least 5% of their investments. Over three-quarters (80%) of these 44 reported having either a policy setting formalised expectations of their external asset managers on responsible investment (RI), or an approach that considered RI but not a formalised policy. Yet just 57% reported integrating RI as a criterion into the tender process for appointing external managers, and even fewer took subsequent steps to hold managers accountable (Figure 6).

As well as setting clear expectations, insurers can hold their asset managers accountable on RI issues by regularly reviewing their performance and acting when managers underperform. Yet only 18% reported setting minimum RI-related key performance indicator (KPIs) for external managers, only 9% used a third-party tool to analyse RI performance, and only 11% reported reducing and/or removing mandates from managers that did not align with the insurer's RI policies.

vi Including affiliated external managers, ie members of the same group of companies, but where they can be appointed and dismissed independently.

Figure 6: Half of insurers reported integrating responsible investment (RI) criteria in their tender process for appointing external asset managers, but only 11% reported reducing or removing mandates because of misalignment with responsible investment policy



Indeed, only half of the insurers who used external asset managers reported even requesting portfolio impact metrics to track the managers' RI performance (Figure 6). Almost all of these insurers requested climate-related metrics; only a handful also requested biodiversity metrics (11%), human/labour rights metrics (11%), and/or health metrics (7%). Two insurers (5%) requested only more general ESG metrics.

This suggests that while responsible investment may be a consideration in the asset manager selection process for some insurers, many are not actively holding their managers accountable for their performance on RI issues or sufficiently using their leverage when managers underperform.

Climate

Climate

Insurers' ambition and action on climate are inadequate to protect the industry and wider society from systemic climate risks.

The escalating impact of climate on the insurance sector is severe – 2023 was the fourth consecutive year in which global insured losses from natural catastrophes exceeded $100 billion[23]. Alongside unanticipated and heightened losses, climate-related impacts contribute to a shrinking pool of insurable assets and clients[24]. This poses a 'dual dilemma' for insurers: 'a looming crisis in profitability, and in affordability for customers.[25]' Fortunately, insurers, deeply embedded in the wider economy and society, wield significant leverage to mitigate and adapt to climate impacts, and to lead the green transition. However, insurance firms have responded to higher-than-anticipated losses from climate impacts by increasing premiums or entirely excluding clients from coverage – creating an 'insurance protection gap'[24] that leaves the wider economy and society vulnerable to climate risks.

This chapter assesses insurers' performance across net-zero targets; transition plans; fossil fuel restrictions; corporate engagement; and scenario analysis. We found that insurers' climate-related policies are insufficient to address the urgency of the climate and environmental crises. Instead, many are continuing with business as usual in their investment and underwriting practices (Figures 7 and 8). Our findings underscore the urgent need for action.

Finding 5: Less than half of insurers have set long term net-zero targets for underwriting, and just a quarter are aligned with 1.5C.

Two-thirds of property and casualty and life and health insurers have set long term net-zero targets for their investments by 2050 or sooner, most of which are aligned with 1.5C. Four Chinese insurers in our survey have set 'peak carbon by 2030' and 'carbon neutrality before 2060' targets for their investments, in line with Chinese government policy[26] (Figure 7). Despite China being a signatory to the Paris Agreement, this trajectory implies around 3C of warming.

Concerningly, targets for underwriting were much less common. **Less than half of property and casualty or Lloyd's of London managing agents have set any net-zero targets for their underwriting business, and barely a quarter had set targets that are explicitly aligned with 1.5C (Figure 7).** Insurance companies enable business activity by underwriting the risks involved. By not setting climate targets, insurers are indicating that they are happy to continue underwriting these risks beyond the planet's boundaries.

Figure 7: A majority of insurers have some form of long-term net-zero target for investment, but not for underwriting

Percentage of insurers that:	For investments (P&C, L&H)	For underwriting (P&C, Lloyd's MA)
Have set any kind of net-zero target (including carbon neutrality 2060)	75%[vii]	45%
Have set a net-zero target for 2050 or sooner that is aligned with 1.5C	58%	26%
Have set any kind of interim target for 2030 or sooner	60%	21%
Have set an interim target to reduce emissions by at least 45% by 2030 covering at least three-quarters of portfolio	25%	2%

These findings show improvement is urgently needed. The insurance industry compares poorly with asset management: we found that 88% of asset managers had made a long-term net-zero pledge in our 2023 Point of No Returns report (including carbon neutrality 2060 pledges)[27]. Nevertheless, they do represent progress from our previous insurance survey[28]: in 2021, just 14% of the 70 insurers surveyed had set climate targets for investment and only two claimed to have set net-zero targets for their underwriting activities.

Moreover, long-term net-zero targets are only the first step. It is crucial that these targets are backed up by robust transition plans and interim targets setting out the route to get to net-zero, and these plans must then be acted upon. Few insurers have set interim targets covering the most important parts of their business – even giving some allowance for assets and business lines where methodologies are still being developed. The interim targets that have been set contain crucial gaps (Finding 7). The withdrawal of multiple insurers from the UN-convened Net-Zero Insurance Alliance[29,30] also gives concern that some insurers may go backwards from setting these targets, rather than putting in place the necessary plans and actions to achieve them.

vii 67% have targets for 2050 or sooner; 8% are for 2060.

Figure 8: Many insurers are not taking key actions on climate

Percentage of insurers that:	For investments (P&C, L&H)	For underwriting (P&C, Lloyd's MA)
Have published a climate transition plan, clearly outlining how they will pivot their business towards a trajectory that aligns with climate science recommendations	27%	17%
Have committed to exclude[viii] thermal coal **and** unconventional oil & gas[ix], **and** restrict companies developing new conventional oil & gas capacity	NONE	5%
Have shown evidence of detailed climate engagement with investee companies since 1 January 2021	60%	n/a
Have shown evidence of engaging with underwriting clients on climate policy[x]	n/a	5%
Have shown sufficient evidence of insuring/investing in the climate transition[xi]	33%	45%
Do NONE of these	37%	52%
Do more than one of these	42%	12%

viii Either absolutely, or using a threshold allowing no more than 10% of total revenues from these activities.

ix This generally has higher costs, technical requirements and environmental impacts associated with production. We include in this definition oil sands, Arctic oil & gas, ultra-deepwater oil & gas, and fracked oil & gas.

x Specifically, requiring at least one of the following key asks, or demonstrating broad engagement on multiple of these areas: a) clients in all material sectors to adopt and publish short term (2025) and/or medium term (2030) GHG emission reduction targets; b) clients in all material sectors to set ambitious targets for positive climate investment; c) client fossil fuel companies to commit to immediately and progressively decrease their production of coal and unconventional oil & gas; and d) client fossil fuel companies to immediately put an end to new fossil fuel supply projects, in line with the IEA's Net Zero by 2050 recommendations.

xi For investments: setting a target with clear methodology for investments with a specific goal of funding the transition. For underwriting: insuring solutions which support the transition (e.g. low-carbon and climate-resilient technologies, or projects), *and* offering preferential terms for projects that meet climate-related criteria.

Finding 6: Less than a quarter of insurers have published a transition plan covering their investment and/or underwriting activities, and the majority have not disclosed any intent to publish one in the future.

Despite the majority of insurers having set long-term net-zero targets, fewer than one in four have set and disclosed the transition plans needed to underpin these targets – or even set interim targets covering most of their assets and underwriting business (Figures 7 and 8).

A credible climate transition plan should set out insurers' strategic ambition, implementation actions, and accountability mechanisms for aligning with a net-zero pathway. In alignment with the Transition Plan Taskforce disclosure standard[31], this includes: (a) setting interim and long-term net-zero targets covering all business lines and all underlying emissions, including scope 3[xii]; (b) outlining a set of implementation and engagement actions for how the entity will achieve the transition in a way that captures opportunities, while avoiding adverse impacts on the wider economy and society; and (c) disclosing accountability mechanisms to ensure that the plan is implemented robustly. Three insurers that met the above criteria in sufficient detail but have not published a plan in a standalone document are counted among those with a plan.

Only two non-European insurers – Dai-ichi Life Holdings Inc (Japan) and Manulife Financial Corp (Canada) – have published a transition plan for either investments or underwriting. This may reflect the heightened regulatory scrutiny in the European Union of the sustainability practices of companies, including financial institutions (Box 2). However, while the European regulatory landscape is advanced compared to others, the opportunity created by the green transition should be a priority for insurers everywhere.

Alarmingly, just 10 of the 50 insurers who have not published a transition plan for either investments or underwriting disclosed any intent to do so in the future. Only one of these – Nippon Life Insurance Co – planned to do so in the next 12 months.

Not a single managing agent in our survey has yet published a transition plan covering their underwriting approach. The Lloyd's of London's consultation on market-wide transition planning for managing agents in January 2024 was therefore urgently needed, given also the

xii A company's scope 1 and 2 emissions are, respectively, those it generates directly, and those from the production of energy it purchases. Scope 3 emissions are all other emissions linked to the company's broader activities. An insurance company's scope 3 emissions include the scope 1 and 2 emissions of their investee companies and underwriting clients. This can lead to some confusion: When we refer to the inclusion or omission of scope 3 emissions in insurers' investment and underwriting targets, we mean whether they include the scope 3 emissions **of their investee and underwritten companies**.

complexity and exposure of Lloyd's' marketplace to hard-to-abate sectors[xiii]. However, there is concern that its plan fails to adequately address the market's heavy reliance on fossil fuel underwriting[32].

Box 1: Leading Practice: Aviva PLC transition plan disclosure

"[Aviva PLC's] Climate Transition Plan covers all material areas of our business including investments, insurance and operations, and aims at steering our entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations."[33]

Aviva PLC's Climate Transition Plan (First Release), disclosed in March 2022, provides a comprehensive overview of the company's ambition and action for its investments, underwriting, and operations. The plan aligns with the Glasgow Financial Alliance for Net Zero (GFANZ)'s transition plans guidance for financial institutions[34], and outlines a trajectory towards achieving net-zero across all scopes of emissions by 2040. Anticipating residual emissions, the company commits to investing £100 million in nature-based solutions by 2030, aligning with broader biodiversity goals.

Notably, Aviva PLC demonstrates a commitment to regularly updating its plan, recognising the imperative of immediate actions *and* the importance of ongoing adjustments to align with the ever-evolving industry standards and risk landscapes. Moreover, Aviva PLC incorporates policies that exert influence on governments and policy makers, thereby acknowledging the importance of supporting the broader transition of the economy and society.

xiii Hard-to-abate sectors are those whose emissions are difficult to reduce due to carbon-intensive production processes and/ or the absence of viable alternative technologies. Key sectors include heavy industry (e.g. steel, cement, chemicals production), and heavy-duty transport (e.g. shipping, trucking and aviation).

Box 2: The European regulatory landscape on transition planning is evolving

The **Corporate Sustainability Reporting Directive (CSRD)**[35] requires large companies, including financial undertakings, to disclose their transition plans for climate change mitigation, unless the company has established that climate change does not have a material impact on their economic activities and that their economic activities do not have a material impact on climate change. In the case where companies do not have a transition plan in place, they should indicate whether, and if so when, they will adopt one. The CSRD has been adopted and will be enforced as of 2025, making it mandatory to disclose a transition plan, if one exists, but does not require one to be developed..

The new **Corporate Sustainability Due Diligence Directive (CSDDD)**[36], if agreed by member states, will go a step further and introduce a requirement for large companies, including financial undertakings, to develop, adopt and implement a transition plan with time-bound targets.

Companies will be required to report in alignment with **The European Sustainability Reporting Standards (ESRS).** The standards, adopted in 2023, cover the full range of environmental, social, and governance issues, including climate change, biodiversity and human rights. The reporting requirements will be phased in over time for different companies.

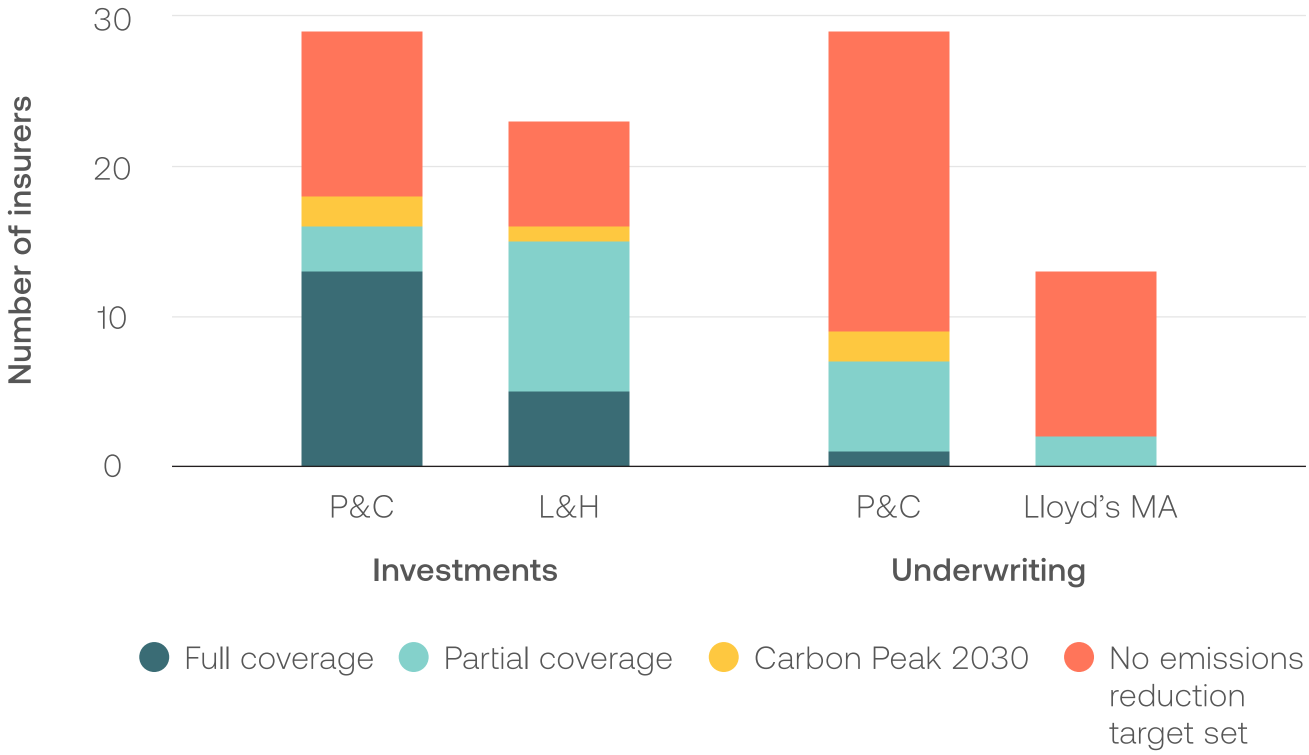
While the CSDDD represents a positive step forward in mandating transition planning, transition plans should consider biodiversity and social issues, in addition to climate change, and cover all business lines to ensure comparability between all companies, financial and non-financial.

Finding 7: Only half of insurers had set interim emissions reduction targets, and these targets contain crucial gaps.

Setting interim targets for 2030 (and subsequently thereafter) is an important step in driving the immediate and deep emissions reductions needed to limit global warming to 1.5C[37,38], and to ensure net-zero goals are achievable and credible. Yet just 33 insurers (51%) have set interim emissions reduction targets for 2030 or sooner, and just three who hadn't yet set interim targets said they were planning to do so. Eight insurers (12% of the total) had set long term net-zero targets but have not yet set targets for 2030 or sooner.

The 33 insurers which had set interim emissions reduction targets for 2030 or sooner were comprised of 15 life and health; 16 property and casualty; and two managing agents (Figure 9). Just seven of the property and casualty insurers had set targets for *both* investment and underwriting, and mostly only partially so; the other nine had done so for investment only. This means that, in total, 31 insurers (60%) had set interim targets for their investments, while just nine (21%) had done so for underwriting. By failing to seek immediate emissions reductions in underwriting, insurance companies are continuing to facilitate activities that risk pushing global temperature rise beyond safe limits.

Figure 9: Interim emissions reduction targets are much more common for investments than underwriting



To ensure targets are robust, it is important that they cover all investments and/or underwriting (where methodologies exist), set an ambitious level of emissions reduction, and measure emissions in the most reliable way. The absence of agreed methodologies for some assets and emissions scopes should not be used as an excuse for inaction. There are many important and obvious steps that can be taken regardless. Yet we found frequent gaps in what insurers' targets covered (Figure 10).

Figure 10: Insurers' interim targets frequently failed to cover all their assets and/or underwriting, don't aim for sufficient emissions reductions, or don't use the most robust methodologies

58% of interim targets for investments (18 out of 31) **cover all assets**	13% of targets cover less than half the insurer's investments. The main way insurers limited the scope of their targets is by only including assets managed directly by the insurers themselves and excluding assets delegated to external asset managers. Given that asset managers often have weak targets themselves – we found the average interim target covered just 41.5% of assets in our 2023 Point of No Returns survey[27] – this is potentially a substantial gap. Insurers should demand that their asset managers set suitable targets too.
11% of interim targets for underwriting (1 out of 9) **cover all insurance business**	However, two-thirds of the remainder cover the insurer's most significant business lines. Insurers commonly took varying approaches; both in terms of which sectors were included and by setting different levels of ambition for emissions reductions for different sectors.
40% of targets for investment or underwriting (16 out of 40) **are set using absolute emissions**	The choice of how emissions are measured has a significant impact on results. Only absolute emissions reductions truly correspond to the goal of real-world emissions reductions. The methodologies behind Implied Temperature Ratings[37–39] are complex and still evolving. Other metrics such as intensity-based ones can be driven by factors beyond carbon emissions alone, which can distort or weaken the real emissions picture. Different types of metrics can even move in opposite directions under identical scenarios[39,40]. We therefore recommend insurers set targets on an absolute emissions basis to ensure the real-world reductions necessary for a 1.5C pathway.
40% of targets for investment or underwriting (16 out of 40) **aim to reduce emissions by at least 50% by 2030,** and 45% (18 out of 40) target a reduction of at least 25% by 2025. These numbers include 7 insurers who have set targets for these levels of reductions for both 2025 and 2030.	More positively, some insurers had set targets showing urgency and ambition. Halving emissions by 2030 is necessary to stay within a 1.5C carbon budget. Setting earlier targets for 2025 also demonstrates awareness of limited carbon budgets and the onus to make immediate emissions reductions. However, as target deadlines (such as 2025) approach, it is important that new short-term targets are set, for example every five years. The most ambitious 2030 targets disclosed in terms of emissions reduction levels were: • Achmea BV (P&C): 32% reduction by 2025 and 68% by 2030 for all corporate investments (intensity basis) [interim underwriting target for personal motor line only]; • Aviva PLC (P&C): 60% reduction by 2030 for all investments (intensity basis) [but no interim underwriting target]; • Royal London Mutual Insurance Society Ltd (L&H): 50% reduction by 2025 for 75% of investments (intensity basis); and • CNP Assurances SA (L&H): targeted 25% reduction by 2024 covering 75% of investments, but had already achieved a 49% reduction by the end of 2022 (intensity basis).
35% of targets for investment or underwriting (14 out of 40) **include investee/underwritten companies' scope 3 emissions** in whole or in part[xiv].	Measuring and reducing scope 3 emissions is needed to capture a complete picture of investee and underwritten companies' footprints – especially for companies and sectors such as oil & gas, where they dwarf scope 1 and 2 emissions[xv]. However, methodologies for some assets are still evolving. We therefore encourage insurers to commit to including the scope 3 emissions of the companies they invest in and underwrite in their targets on a consensus-based approach, such as by following the Net Zero Investment Framework guidelines[42].

xiv A company's scope 1 and 2 emissions are, respectively, those it generates directly, and those from the production of energy it purchases. Scope 3 emissions are all other emissions linked to the company's broader activities. When we refer to the inclusion or omission of scope 3 emissions in insurers' investment and underwriting targets, we mean whether they include the scope 3 emissions of their investee and underwritten companies.

xv Oil & gas exploration companies normally sell the fossil fuels they produce and so have limited direct emissions (scope 1) but burning these fuels to generate power is a central part of their value chains. As the oil & gas company is indirectly responsible for these emissions, they are counted as its scope 3 (but the electricity producer's scope 1). For example, Shell's scope 3 emissions account for around 95% of its total emissions[41].

Finally, it is important that insurers demand that investee and underwritten companies first make every effort to reduce emissions as much as possible, rather than relying on carbon offsets to achieve their net-zero targets (either using offsets themselves at portfolio level or allowing underlying companies to do so). Only a handful of insurers said they have currently ruled out the use of offsets. While most have no public position, some said that they're supporting or developing offsets, and others that they may use offsets for 'residual emissions', in line with the Net Zero Asset Owner Alliance's protocol (Box 3).

There may prove a case for using offsets against residual emissions in sectors that can't easily be decarbonised. However, the effectiveness and verifiability of offsets has been questioned[43–46], they can distract from the immediate need to reduce emissions[47], and they may cause more harm than good. One insurer's response also highlights the many technical challenges: "We currently do not have a clear position on this specific topic. We are leaning towards not accepting for now offsets for carbon reductions of our portfolio companies, given the current uncertainties (long term sequestration, additionality, etc.), but might reconsider this in the future, as methodologies, assurance and technologies are maturing." It is likely that insurers' positions and offset markets will evolve by 2050 and it is therefore important to monitor developments, including alternatives to offsets[48,49].

Box 3: The Net Zero Asset Owners' Alliance (NZAOA)[50]

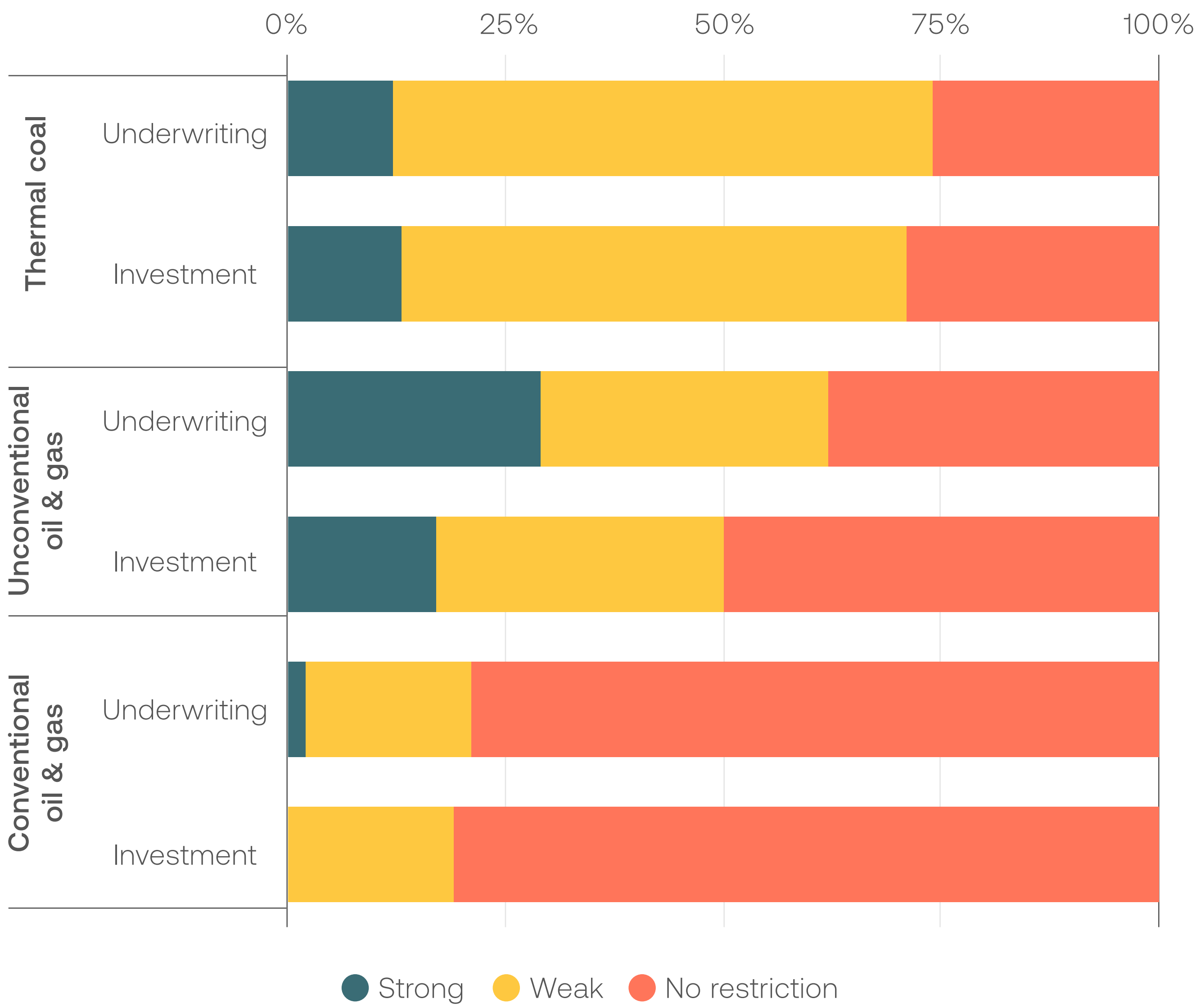
Twenty insurers in our survey are members of the Net Zero Asset Owners' Alliance (NZAOA). The NZAOA states that investors can't count carbon offsets they've purchased (or investments in underlying technologies) towards their near-term decarbonisation targets – until 2030 at least – to encourage companies to concentrate first on abating their emissions as much as possible. There is no such restriction on using offsets to achieve long term net-zero targets, though the focus of this concession is on harder-to-abate sectors. The NZAOA protocol also states that "members are highly encouraged to contribute to a liquid and well-regulated carbon removal certificate market before 2030 as such a market is important for accelerating decarbonisation", and "to invest in projects and technologies of durable CO_2 avoidance and removal to scale future markets rapidly".

Finding 8: For both underwriting and investments, fossil fuel restrictions are weak in their scope and strength.

Most insurers disclosed some form of restriction on fossil fuels in their underwriting (75%) and investments (73%). However, most restrictions are weak, selective, and littered with exceptions, making them inadequate for limiting temperature increase to 1.5C.

Less than a quarter of all restrictions on investing in or underwriting fossil fuels met our criteria for being “strong” (Figure 11). “Strong restrictions” were defined as either: (a) an absolute restriction – i.e. a blanket exclusion on all investment/underwriting – or (b) excluding companies which receive more than 10% of their overall revenue from these activities (Finding 9). This is intended to distinguish between those companies which are genuinely transitioning away from fossil fuels and those seeking to continue or expand fossil fuel production.

Figure 11: Insurers lack strong restrictions across all types of fossil fuels



Thermal coal

Thermal coal[xvi] is the most restricted fossil fuel for both investments and underwriting, with over two-thirds of insurers disclosing some restriction on thermal coal for relevant parts of their business. However, less than a fifth met the criteria for a strong restriction.

Despite coal producing more greenhouse gas emissions than any other single energy source, global coal supply and demand continue to break records. In 2023 global coal production reached an all-time high[51]. This record expansion could not have been financed, built, or operated without insurance coverage. Therefore, insurers are ideally placed to exert necessary pressure on the coal industry.

Figure 12: Revenue threshold restrictions are the most widely used type for thermal coal

Percentage of insurers with each type (NB some combine multiple types)					
Restriction type	Absolute	Phaseout	Revenue threshold	Production threshold	No restrictions
Investments (P&C and L&H)	13%	37%	58%	8%	29%
Underwriting (P&C and Lloyd's MAs)	33%	40%	40%	14%	26%

74% of insurers disclosed some underwriting restriction on thermal coal, but less than a fifth of these are strong restrictions. The majority contain exceptions which leave the door open to thermal coal expansion (Finding 9).

A third of insurers have phaseout plans for underwriting thermal coal – that is, a commitment to end underwriting services by a set date (Figure 12). However, half of these insurers don't rule out insuring expansion projects within the phaseout period. There is no room for insuring (or investing in) thermal coal expansion. Credible coal phaseout plans should exclude providing underwriting services to any company with expansion plans for coal, as well as excluding all

xvi Thermal coal is predominantly used for electricity generation, as well as other energy and heating purposes.

underwriting of coal projects or assets (power and extraction) by 2030 for Europe and the OECD, and 2040 for the rest of the world[11].

The picture is similar for investments. 71% of insurers disclosed some investment restriction on thermal coal, but only a sixth of these are strong restrictions, and just over half contain some form of exception. Thresholds based on revenue are the most common form of investment restriction for thermal coal (58%). When implemented robustly, these are a way for insurers to exclude companies most heavily exposed to the coal sector relative to their overall business. However, the most used thresholds permit insurers to continue investing in companies deriving up to 25% or 30% of their revenues from thermal coal. Not only is such a high threshold ineffective at excluding coal, but it would also permit investment in companies with aggressive expansion plans, as evidenced by the Global Coal Exit List[52].

More than three-quarters of insurers imposing thermal coal restrictions across investments now address both coal extraction *and* power generation. This marks a notable improvement from the 2021 survey, where fewer than half included formalised guidelines for coal power[28].

Box 4: Leading practice: Aviva PLC thermal coal underwriting restriction[53]

Aviva PLC has a strong policy restricting underwriting of thermal coal:

"Effective immediately, we will no longer offer insurance for:

- Construction of coal-fired power stations
- Construction or operation of thermal coal mines
- Power generation risks which generate power from coal".

Metallurgical coal

Not a single insurer explicitly mentioned metallurgical coal[xvii] in their fossil fuel restriction policies for investment or underwriting. Metallurgical coal is more methane-rich than thermal coal. The International Energy Agency (IEA) estimates that methane emissions from mining coking coal are greater than from all gas pipelines and liquefied natural gas facilities in the world combined[54]. Given its role in hard-to-abate steel production, metallurgical coal follows a different transition pathway from thermal coal – demand will fall at a marginally slower rate than for thermal coal. However, existing sources of production are sufficient to cover demand through to 2050[11], according to the IEA. Therefore, insurers should consider restricting

xvii Metallurgical coal, also known as coking coal, is used to produce coke, the primary source of carbon used in steelmaking.

new metallurgical coal mining and support the development of alternative forms of steel production.

Unconventional oil & gas

According to the Global Oil and Gas Exit List (GOGEL), 50% of the oil & gas industry's planned expansion comes from 'unconventional' sources[55,56]. Unconventional sources – oil sands; Arctic oil & gas; ultra-deepwater oil & gas; fracked oil & gas – can have especially harmful effects on the health of nearby communities[57] and the local environment. Moreover, they can be more energy-intensive to extract than conventional sources[58]. While more restrictions on unconventional fossil fuels met the criteria for 'strong', they were selective: less than a sixth of insurers restrict underwriting or investment in all the types of unconventional oil & gas listed.

Figure 13: Insurers implemented different types of restrictions on unconventional oil & gas

Percentage of insurers with each type (NB some combine multiple types)					
Restriction type	Absolute	Phaseout	Revenue threshold	Production threshold	No restrictions
Investments (P&C and L&H)	13%	21%	33%	2%	50%
Underwriting (P&C and Lloyd's MAs)	31%	26%	33%	5%	38%

62% of insurers have some underwriting restriction on unconventional oil & gas, with restrictions on Arctic fossil fuel extraction and oil sands being the most prevalent. Fracked oil & gas[xviii] constitutes over half of the global unconventional oil & gas market[56], yet just one in seven insurers have an underwriting restriction on fracked oil & gas.

A third of underwriting restrictions on unconventional oil & gas are revenue thresholds (33%) (Figure 13), the most common being for companies deriving up to 20-30% of their revenues

xviii Fracked oil & gas are hydrocarbons extracted via the process of hydraulic fracking, in which large volumes of water, sand, and chemicals are injected into tight rock formations, creating small cracks that release oil & gas. Fracked oil & gas types include shale oil, shale gas, tight oil, and tight gas.

from unconventional oil & gas. This leaves significant scope for underwriting expansion. Just under a third (31%) of restrictions are absolute, yet only one insurer – NN Group NV – applies the exclusion to all unconventional oil & gas categories listed in our survey.

Half of insurers have investment restrictions on some form of unconventional oil & gas. This is an improvement on our 2021 survey[28], in which only 14% of insurers did so. However, less than 1 in 5 insurers have a strong restriction, and over half of restrictions apply solely to 'new' investments - without a strategy to phase out existing investments, current holdings in companies that would otherwise breach insurers' exclusion policies may persist indefinitely, thereby limiting their effectiveness. Moreover, absolute restrictions are less common than for underwriting. Only 1 in 7 insurers (13%) have absolute restrictions for investing in at least one type of unconventional oil & gas, and only one insurer – Dai-ichi Life Holdings Inc – applies such an exclusion to all types of unconventional oil & gas listed in our survey.

Box 5: Leading Practice: Assicurazioni Generali SpA's unconventional energy policy for investments

"Generali is committed to progressively reducing its exposure to the unconventional oil and gas sector with respect to exploration and production activities (i.e. the upstream segment) in addition to some specific midstream activities, to support the goal of reaching a carbon-neutral investment portfolio by 2050.[59]

Investments: Identification of issuers operating in the unconventional oil and gas sector[xix]:

Fossil fuels from tar sands

- Companies active in the upstream segment: Revenues from exploration and production > 5%
- Companies active in the midstream segment (pipeline): Controversial pipelines

Oil and gas extracted by fracking

- Companies active in the upstream segment: Revenues from exploration and production > 10%

xix Based on information available from [Assicurazioni Generali SpA's] data providers.

Oil and gas from the Arctic Circle

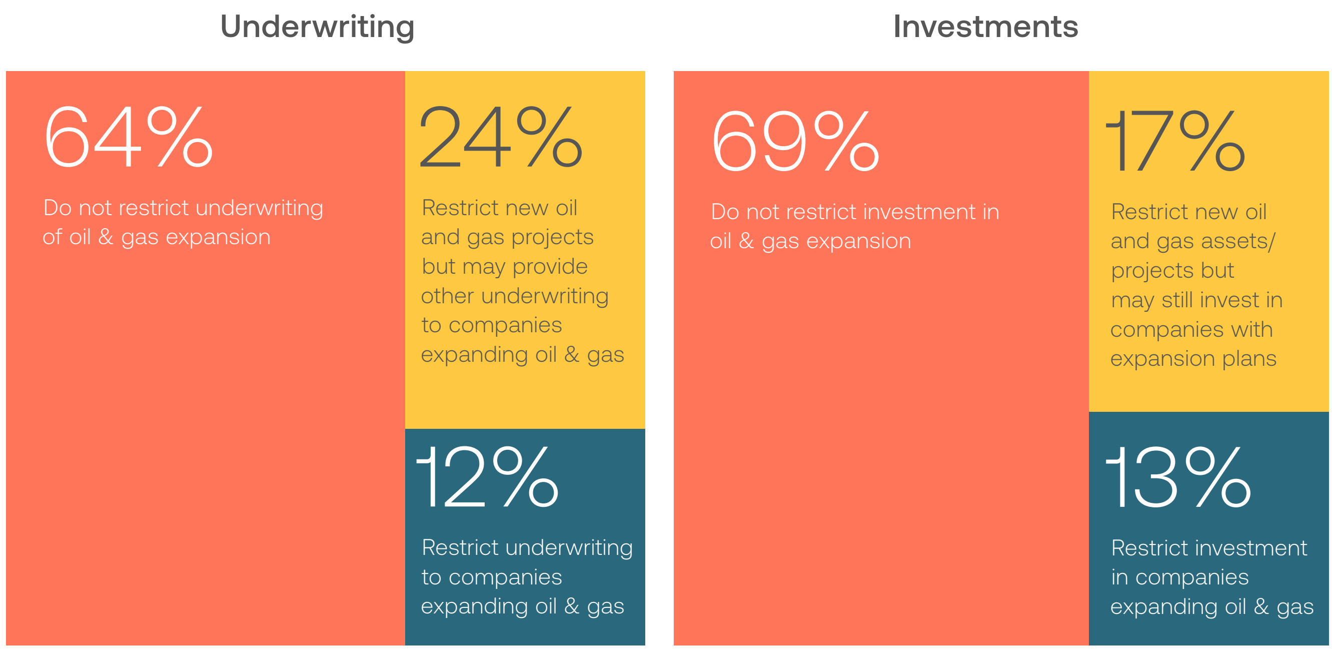
- Companies active in the upstream segment: Revenues from exploration and production > 10%

Restrictions are applied both to new investments and to existing investment exposure, with an approach of divestment for equity exposures and run-off for fixed income exposures."

Finding 9: The vast majority of insurers lack restrictions on oil & gas expansion across their investment and underwriting portfolios, and overlook conventional oil & gas.

The IEA's report Net Zero by 2050: A Roadmap for the Global Energy Sector[11] states that new oil & gas extraction beyond sites that are currently approved or under development is incompatible with 1.5C. Despite widespread commitments to align with this pathway, fewer than one in three insurers restrict oil & gas expansion in their investments or underwriting (Figure 14), and the majority of these contain some form of exception that leaves room for oil & gas expanders to continue to receive support (Finding 10).

Figure 14: Only about a third of insurers place any restrictions on oil & gas expansion in their underwriting and investments



13% of insurers have investment restrictions at the company-level for oil & gas expansion plans (Figure 14). The majority of those restricting expansion only target asset-specific/project finance and can therefore continue to fund oil & gas expansion through routes which are not directly related to a specific project. This may include General Corporate Purposes financing, where raised capital goes into a general 'pot' without specified allocation requirements. Non-specific finance constitutes the overwhelming majority of fossil fuel financing. For perspective, 96% of financing from banks to the fossil fuel industry from 2016 to 2022 was categorised as General Corporate Purposes[58].

The picture is similar for underwriting. While 36% of relevant insurers have some form of underwriting restriction, only a third of these restrict underwriting at the company level. In addition, all bar one restriction has some form of exception that allows oil & gas expanders to continue to receive underwriting services - the most common being for companies with 'credible' transition plans (Finding 10). This weakness could explain why 93% of insurers in our survey did not evidence ruling out underwriting two major new North Sea expansion projects, the Jackdaw and Rosebank oil and gas fields (Finding 11).

Conventional oil & gas accounts for an estimated two thirds of global oil & gas production[56], yet most insurers' restriction policies overlook conventional sources. While half of insurers restrict investment to unconventional oil & gas, less than one in five (19%) restrict conventional sources. Similarly, almost two-thirds (62%) of insurers have restrictions on underwriting unconventional oil & gas, but only one in five (21%) restrict conventional sources. Effective restrictions should include all segments of the oil & gas market.

Despite a commitment to net-zero, Lloyd's of London's latest three-year plan does not actually contain the words 'fossil fuels'. Lloyd's' initial ESG guidance in 2020[60] included a commitment to ask its managing agents to exclude new, and phase out existing, thermal coal and some unconventional energy types, but this was subsequently dropped and is no longer even advised or requested. Oil & gas expansion is another glaring gap. Proposing a market-wide oil & gas expansion policy restriction is critical: Lloyd's of London insurers accounted for 9% of the world's fossil fuel premiums in 2022[61], and fewer than half have any restriction on underwriting oil & gas expansion.

Box 6: Leading practice: CNP Assurances SA's investment restriction on oil & gas

Since 2021, CNP Assurances SA has applied an exclusion policy in the oil & gas sector (exploration, drilling, extraction, processing, refining), which has been subsequently reinforced[62].

"CNP Assurances now excludes any new investment in the following activities:

Producing companies:

- direct investments in any oil or gas companies that are developing new fossil oil or gas exploration or production projects (conventional or non-conventional),
- direct investments in companies in the industry deriving more than 10% of their revenue from nonconventional fossil fuels (oil sands, shale oil and gas, Arctic oil and gas),
- however, to support companies in their transition to a low-carbon economy, CNP Assurances may continue to invest directly in companies in the industry via subsidiaries dedicated exclusively to the development of renewable energy or via green bonds earmarking the funds raised for the development of renewable energies;

Infrastructure:

- investments dedicated to a new fossil oil or gas exploration or production project (conventional or non-conventional),
- investments in greenfield or brownfield infrastructure dedicated to unconventional fossil fuels,
- investments in greenfield oil infrastructure."

Finding 10: Restrictions for fossil fuels are rife with exceptions, allowing for fossil fuel expansion through the side door.

Over two-thirds of insurers with restrictions have included some form of exception. Robust restrictions should apply to all aspects of the coal, unconventional and conventional oil & gas industries. Yet these loopholes undermine the effectiveness of insurers' policies (Figure 15).

Figure 15: Insurers' restriction policies are littered with exceptions

67% of restrictions don't apply to clients who publish **'credible transition plans'**	Insurers risk exploiting vague or lenient criteria to maintain fossil fuel activities, under the guise of supporting the transition. Given that less than a quarter of insurers have published transition plans themselves, there are questions whether their criteria for assessing clients' plans are sufficiently robust.
37% of insurers with investment restrictions **don't require their delegated asset managers** to impose the same or equivalent ones	Most insurers use multiple external asset managers to manage their general accounts. Not requiring at least equivalent restrictions from external managers leaves the door wide open to investment in fossil fuel expanders, bringing additional reputation and market risk. It highlights the need for insurers to establish more stringent guidelines for delegated asset managers.
29% of underwriting restrictions only apply to **standalone or site-specific insurance**[xx]	Omitting company-level insurance – covering risks and liabilities across the organisation or across multiple projects – means that an insurer can continue to profit from fossil fuel expansion. An insurer could stop underwriting a new coal power plant but provide liability insurance for management in case of climate litigation relating to the project.
19% of insurers' restrictions on Arctic oil & gas **make exceptions for** extraction and exploration in **Norwegian territories**	Arctic oil & gas exploration has received significant backlash, due to concerns over the impact on fragile ecosystems, geopolitical tensions, and infringement on community and Indigenous peoples' rights[63]. 42% of insurers have an Arctic oil & gas restriction for investments and/or underwriting, but such exceptions are problematic, especially given Norway's continued lobbying for oil & gas expansion into Arctic waters, and approval of deep-sea mining[64].

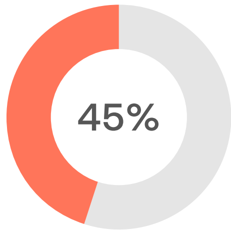
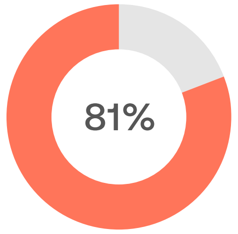
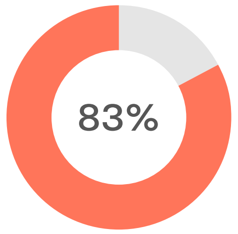
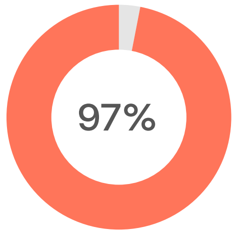
xx Standalone or site-specific insurance refers to a specialised insurance policy that covers the risks associated with a particular fossil fuel facility or extraction site, offering protection against potential environmental damage, accidents, or operational disruptions specific to that location.

Finding 11: Almost all insurers failed to explicitly rule out underwriting highly controversial fossil fuel projects.

We assessed whether insurers have explicitly stated that they will not, under any circumstances, provide insurance services to a list of highly controversial fossil fuel projects[xxi] (Figure 16). This serves as an indicator of the credibility of their fossil fuel exclusion policies. The projects were chosen due to multiple factors, including their disproportionate environmental impact (they are often labelled as 'carbon bombs'[65] due to the high level of emissions they would generate), and human rights abuses. All projects listed are incompatible with remaining within the 1.5C carbon budget.

Only two property and casualty insurers – Allianz SE and Assicurazioni Generali SpA – and no Lloyd's of London managing agents provided evidence that they have explicitly ruled out underwriting all the projects (Figure 16).

Figure 16: Insurers have not explicitly ruled out underwriting controversial fossil fuel projects

Project	Location	Summary	Insurers who have failed to rule out underwriting the project
The Adani Carmichael coal mine	The Galilee Basin, Queensland, Australia	The thermal coal mine aims to extract 2.3 billion tonnes of coal for export, primarily to Asia[66]. Over its 60-year lifetime, the mine will emit 4.6 billion tonnes of carbon dioxide equivalent (CO2e)[xxii]. Additionally, Adani's coal port is positioned within ecologically vital wetlands, sacred Indigenous sites, and the Great Barrier Reef World Heritage Area.	
The East African Crude Oil Pipeline (EACOP)	Lake Albert, Uganda to Tanga, Tanzania	The 1,443 km Uganda–Tanzania crude oil pipeline has been in planning since 2013. The project is expected to emit 379 million tonnes of CO2e, more than 25 times the combined annual emissions of Uganda and Tanzania[68]. The pipeline risks displacing more than 100,000 people, and will pass next to Lake Victoria, which 40 million people depend on for water and food production[69].	
The Trans-Mountain Expansion Project (TMX)	Edmonton, Alberta to British Columbia, Canada	The tar sands pipeline extension spans 1,150 kilometres. The project is expected to emit 84 million tonnes of CO2e per year[70]. Over 80 oil spills were reported on the site between 1961 and 2016[71], and the free, prior and informed consent of Indigenous communities, significantly affected by the development, has not been secured.	
The Jackdaw and Rosebank Oil Fields	The North Sea (between Scotland and Norway)	Rosebank is a planned new oil field in the North Atlantic. It is expected to produce more than 300 million barrels of oil & gas in its lifetime[72]. Burning all its reserves would generate more than 200 million tonnes of CO2e[73]. Jackdaw is the largest undeveloped gas field in the North Atlantic, which will produce 40,000 barrels of oil equivalent per day at its peak[74]. Both projects are at odds with the IEA's assertion that we have enough oil & gas capacity until 2050[11], and will lock in temperature rise to above 1.5C.	

xxi Fossil fuel restriction policies were not sufficient evidence for ruling out highly controversial fossil fuel projects.

xxii As well as carbon dioxide, CO2e includes other greenhouse gases (such as methane) by converting them to an equivalent amount of carbon dioxide, based on their relative contribution to global warming.

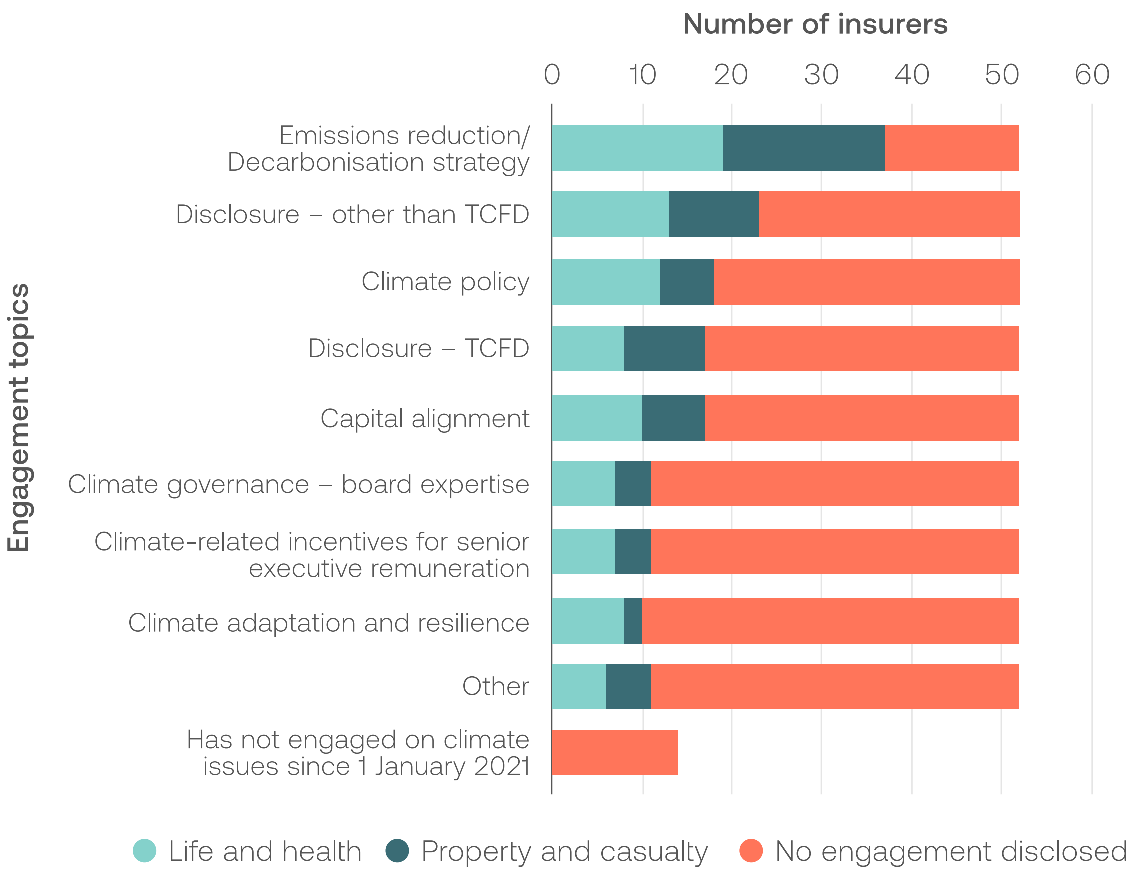
Insurers' failure to rule out supporting highly controversial projects reflects both the inconsistency and weakness of their fossil fuel restrictions. Notably, not a single Lloyd's of London managing agent and only three property and casualty insurers evidenced explicitly ruling out Jackdaw and Rosebank, reflecting the scarcity and weakness of oil & gas expansion restrictions.

Respondents were also asked to provide evidence for any other controversial projects that they have ruled out. Not one of the 35 respondents provided an example of any other projects.

Finding 12: Most insurers gave evidence of engagement with investee companies on climate mitigation, but adaptation and resilience remain blind spots.

Almost three-quarters (73%) of insurers provided evidence that they had had some engagement with investee companies on climate-related topics since 1 January 2021 (Figure 17). The proportion of life and health insurers engaging on all topics was higher than for property and casualty insurers, most notably on climate policy, where 52% of life and health but only 17% of property and casualty insurers engaged. While most insurers disclosed engaging on emissions reductions and decarbonisation strategies, less than half evidenced engaging on any other topics.

Figure 17: Emissions reduction and decarbonisation strategy was the most common topic on which insurers engaged with investee companies



With insurance payouts for natural disasters doubling in the past ten years[61], it is surprising that while almost two-thirds of property and casualty insurers engaged on decarbonisation, only two, Achmea BV and Allianz SE, engaged with investee companies on climate adaptation and resilience: a company's capacity to reduce their exposure to, as well as withstand and recover from physical climate risks. While the urgent need to draw down emissions to net-zero by 2050 is critical, many significant climate impacts are locked in – evidenced by the growing discourse and economic support globally for loss and damage funds[xxiii]. Adaptation and resilience policies and engagement can reduce the number of payouts for climate-related impacts.

Finding 13: Very few insurers set out policies or disclose their engagement with underwriting clients on sustainability issues and those that do focus on climate.

Despite insurance being their core business, almost all insurers failed to publish policies or even disclose any engagement with underwriting clients on critical policy areas. Engagement with underwriting clients is a key lever through which insurers can support the transition and hold companies to high environmental and social standards.

A quarter of property and casualty insurers and Lloyd's of London managing agents (10 out of 42) had some form of policy governing engagement with underwriting clients. Nine of these ten insurers communicated formalised guidelines for engaging about the climate. As a sign of how badly other issues are neglected, just two – AXA Group and its managing agent AXA XL Underwriting Agencies Ltd – also gave guidelines for biodiversity, and none did so for human and labour rights or public health.

Disclosure of engagement activities with underwriting clients was also lacking: two-thirds did not supply evidence of engagement at all; none gave a full list of insurance client companies they engaged with or denied coverage; just four provided case studies of engagement; and just one – Zurich Insurance Group AG – gave a quantitative assessment of engagement outcomes, including the number of companies it had denied insurance coverage.

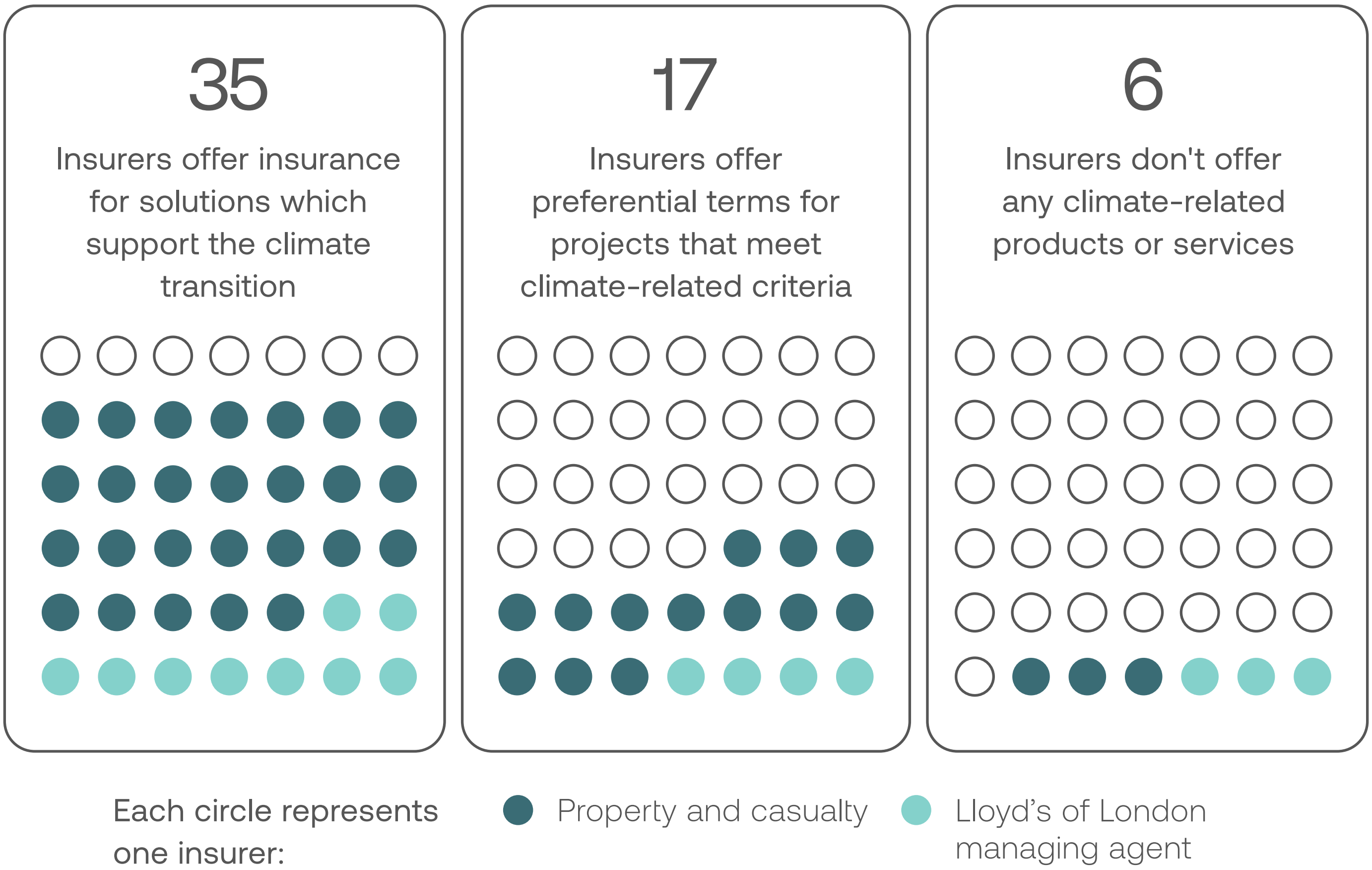
On specific climate issues, only two property and casualty insurers – AXA Group and Talanx AG – reported engaging with underwriting clients to adopt and publish short- or medium-term (eg 2025, 2030) greenhouse gas emission reduction targets, or to put an end to new fossil fuel supply projects in line with the IEA's Net Zero by 2050 recommendations. Only one property and casualty insurer – AXA Group – has outlined a time-bound commitment to engage with clients, extending beyond the fossil fuel sector, on a comprehensive range of climate issues: *"From now until 2026, AXA will be engaging with our top 200 largest commercial clients globally, to increase their knowledge about climate impacts, transition efforts and associated risks as well as sources of emissions, solutions, and the benefits of*

xxiii 'Loss and damage' refers to the unavoidable and irreversible impacts of climate change, such as rising sea levels, prolonged heatwaves, and crop failures. These consequences are locked in and are unlikely to be mitigated or adapted to.

disclosure'[75]. This singular instance suggests that **even those insurers with commitments to decarbonise their own underwriting portfolios are failing to consider the economy-wide transition within their climate policies.** In doing so, they are neglecting their duty as guardians of risk and reducing the industry's – and the planet's – resilience to systemic climate-related risks.

Finding 14: Almost all insurers provide coverage for climate solutions, but less than half offer preferential terms for projects that meet climate-related criteria.

Figure 18: While insurers are providing insurance to green solutions, very few offer preferential terms to climate-related projects



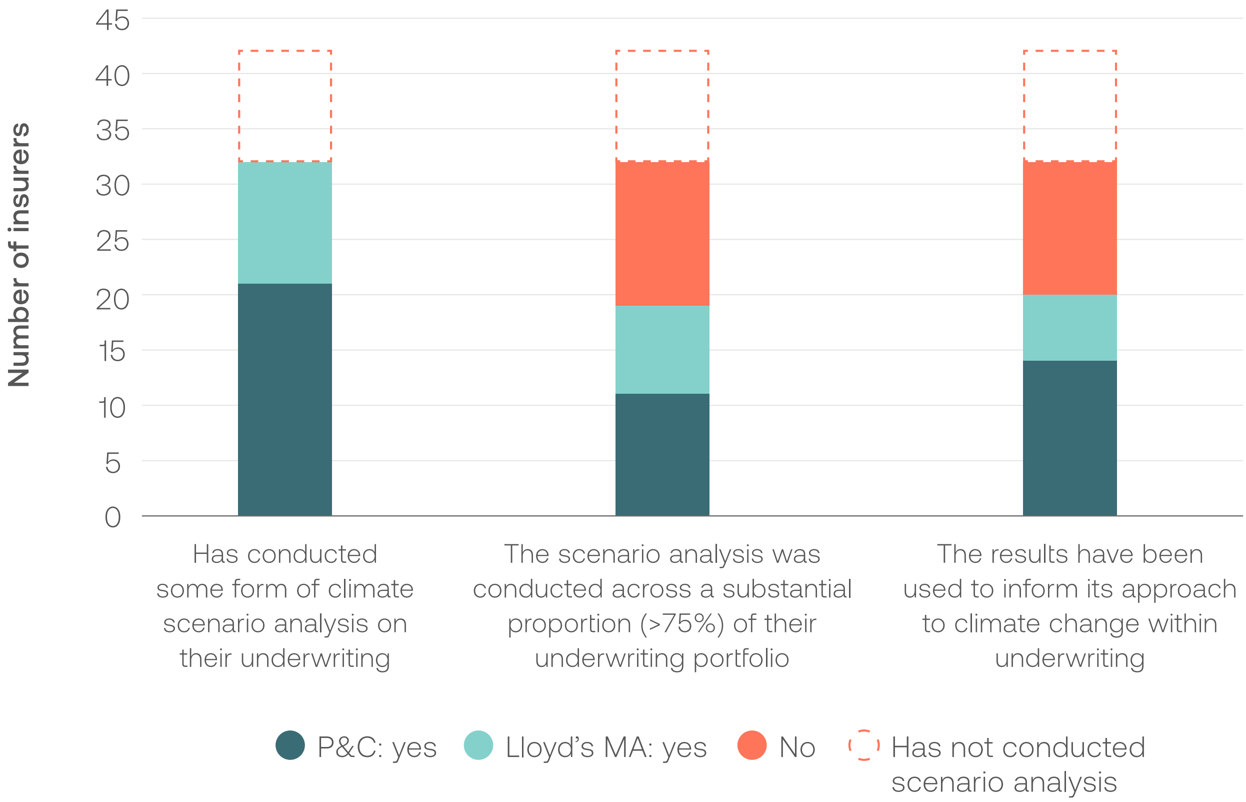
80% of insurers offer insurance for solutions which support the climate transition – including climate mitigation and adaptation products and services (Figure 18). However less than half of insurers (40%) disclosed clear evidence that they provide preferential terms – i.e. different cover limits, claim thresholds, premium discounts, and additional risk management services – to projects with positive climate outcomes or that meet climate-related criteria. This, coupled with insurers' failure to set strong restrictions on underwriting companies misaligned with the transition (Findings 8 and 9), suggests that insurers are willing to capitalise on interest in climate solutions but unwilling to actively support sector transitions through (dis)incentivisation.

Instead of withdrawing insurance coverage from areas affected by climate change, insurers should consider refraining from providing coverage to sectors and entities contributing to climate change and focus instead on offering insurance to those actively supporting the climate transition. By offering preferential terms for projects with a climate positive impact, insurers can enhance the resilience of their own portfolios and the wider economy and support the development of green sectors for risk transfer.

Finding 15: The majority of insurers have conducted climate-related scenario analysis, but over a third haven't used the results to inform their approach to underwriting.

76% of insurers have conducted some form of climate scenario analysis in their underwriting portfolio. Insurers, particularly property and casualty insurers, have experience of developing frequency-severity catastrophe models to assess the resilience of their business lines. However, catastrophe models often focus on specific hazards at a given time, and do not consider interconnected and cascading impacts such as climate feedback loops and systemic risks. Scenario analysis can provide this broader perspective by considering a diverse set of risks (physical *and* transition) over a range of plausible future scenarios. Conducting scenario analysis helps insurers to identify vulnerabilities, refine pricing strategies, and strengthen their overall resilience to safeguard the financial stability of the organisation and maintain trust with policyholders.

Figure 19: Most property and casualty insurers and Lloyd's of London managing agents are not using scenario analysis comprehensively



Almost three quarters (72%) of property and casualty insurers have conducted some form of scenario analysis for their underwriting portfolio (Figure 19). This is a marked improvement from 39% in our 2021 survey[28]. However, only 38% provided evidence that they conducted the analysis over a substantial proportion[xxiv] of their underwriting portfolio. Given the systemic nature of climate risk, insurers should assess the resilience of their entire underwriting (and investment) portfolios.

Close to a third (27%) of insurers that performed scenario analysis did not show evidence that they used the results to inform their approach to climate change within their underwriting activities. A similar proportion (30%) also failed to publish any detailed results of this analysis. These results are particularly surprising for property and casualty insurers, given their exposure to substantial direct losses from the increased severity and frequency of extreme weather events.

The adoption of regulatory standards by policy makers is crucial to drive significant changes, given the apparent reluctance of the insurance sector to take sufficient action independently. At the COP28 UN climate change conference in 2023, policy makers and regulators from across the globe declared an intention to adopt climate-related disclosure rules based on the International Sustainability Standards Board (ISSB) standards, including IFRS S2[76]. This standard is the first to mandate – rather than recommend – that companies conduct climate-related scenario analysis, evaluating their resilience to both physical and transition risks and opportunities.

xxiv Based on the proportion of underwriting business lines and jurisdictions explicitly included.

Box 7: Assicurazioni Generali SpA: Leading practice on scenario analysis

Assicurazioni Generali SpA has conducted and disclosed comprehensive portfolio stress testing[77] on its investment and underwriting portfolios.

Methodology: In alignment with the Solvency II framework - a European Union directive implementing a risk-based framework for the insurance sector - the analysis calculates the impacts of transition and physical climate risks over a variety of time horizons up to 2050. Six scenarios are used, including a range of best- and worst-case warming scenarios based on the Network for Greening the Financial System (NGFS) and Intergovernmental Panel on Climate Change (IPCC) variables.

Disclosure: Assicurazioni Generali SpA openly shares its methodology and results, while acknowledging that there are underlying uncertainties, assumptions, and simplifications. Findings highlight escalating concerns about physical and transition risks, especially in scenarios with lower emissions reductions. By 2050, flood risks in specific European areas may increase by over 300%, while droughts and wildfires could increase over 200% in select Caribbean and US regions.

Application of results: Stress test findings are integrated into climate risk management, influencing the business's risk tolerance and the scope of ESG policies. Furthermore, the metrics and targets for monitoring progress towards the low-carbon transition are guided by results (and disclosed in full).

Climate conclusions and recommendations

Insurers' level of ambition and action is insufficient to address the urgency of the climate and environmental crisis. While more insurers are now setting long-term net-zero targets, they are not backing them up with sufficient action or even detailed plans to achieve them. Insurers are not just permitting but facilitating the expansion of global fossil fuel capacity: too few are setting strong restrictions on fossil fuel investment and underwriting, and exceptions to restrictions are all too common.

Recommendations for insurers

Insurers should:

- Set 1.5C-aligned interim and long-term net-zero targets that use an absolute emissions-based methodology in preference to emissions intensity or portfolio coverage. To ensure targets are robust, it is important that they cover all investments and/or underwriting and measure emissions in the most reliable way.

- Publicly disclose a comprehensive transition plan covering both underwriting and investment portfolios. Plans should align with a 1.5C net-zero pathway and outline in detail how the insurer will pivot its assets, operations, and entire business model towards a trajectory that aligns with climate science recommendations. To avoid allegations of greenwashing, insurers should fully disclose the dependencies and assumptions that underpin their plans.
- Require credible transition plans from investee companies and underwriting clients, particularly in material sectors, to ensure alignment with group-level policies.
- Avoid investing in or underwriting fossil fuel expansion and expedite reducing exposure to the most environmentally damaging fossil fuels, such as coal and unconventional oil & gas. Exclusion and phase-out policies should be aligned with science-based guidance, should have no exceptions, and should be applied uniformly across all the insurer's investments (including assets managed both internally and externally) and underwriting business lines.
- Leverage their stewardship power as asset owners, together with their delegated asset managers, to engage (and escalate where necessary) with investee companies to align their business models with a 1.5C trajectory.
- Integrate climate-related policy dialogues into their underwriting client relationships and be willing to stop providing insurance coverage for clients misaligned with the net-zero transition. They should share expertise, provide incentives for sustainable practices, and support industry-level lobbying practices in support of the climate transition.
- Communicate publicly and transparently about their engagement activities to send signals to the market. For example, they should identify companies they have excluded from investment or underwriting services.
- Conduct comprehensive scenario stress testing across all relevant business lines and jurisdictions, including investments and underwriting. Results and methodology should be disclosed in full and acknowledge underlying assumptions and uncertainties. The results should be used to inform the insurers' approach to climate change.
- Set specific and ambitious targets for their exposure to investments that support the climate transition. To ensure robustness, insurers should publish a framework that outlines which sectors, activities, and types of financing are included in their targets and disclosures.
- Allocate a fair share and defined portion of their portfolio to companies and projects supporting the climate transition. They should recognise their responsibility to extend support beyond their own net-zero transition, encompassing the wider economy and society. In practical terms, insurers can provide preferential terms to green projects, and continuously innovate their insurance products and services to align with evolving climate standards and incentivise clients to transition.

Recommendations for policy makers

Policy makers should:

- Move quickly to follow the European Union's example and establish a green taxonomy, and define transitional and unsustainable activities to enable improved risk assessment by insurance companies and help preserve financial stability.
- Within the European Union, expand the current EU taxonomy to define both environmentally unsustainable activities that cannot transition and "intermediate" activities for which improvement is achievable within specific timeframes.
- Agree on the application of 100% capital requirements for assets exposed to sustainability risks, in particular fossil fuel-related assets, to cover for the higher risks they entail for financial stability and steer investors away from harmful investments.
- Ensure the development, adoption, implementation and supervision of both corporate transition plans and prudential plans across financial sector actors, as well as streamlining and harmonising relevant requirements included in different legislation to enable companies to create a single plan that looks both at impact and risk assessment.
- Set a timeframe for making corporate transition plans mandatory outside as well as inside the European Union, following the Transition Plan Taskforce's publication of its final Disclosure Framework. Jurisdictions should align their language and requirements as much as possible to improve consistency and compliance.
- Speed up the publication of climate targets and action plans across jurisdictions to provide consistency and comparability for investors and support an orderly and just transition to net-zero.

Biodiversity

Biodiversity

The majority of insurers are failing to recognise the biodiversity crisis. There are very few nature-related policies and products currently in place.

Global biodiversity loss threatens human wellbeing and financial sustainability, and all major drivers of biodiversity loss have been accelerating over the last 50 years[78]. The widespread degradation of species and ecosystems has become financially material[79], with the loss of key ecosystem services (e.g. flood and coastal protection) negatively affecting the insurance industry[80]. The Kunming-Montreal Global Biodiversity Framework[81], agreed in December 2022, provides an international framework with the targets needed to address this global challenge. Target 15 specifically highlights the need for the financial sector to disclose and mitigate negative impacts. In September 2023, the Taskforce for Nature Related Financial Disclosures (TNFD) released disclosure recommendations for businesses and financial institutions to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.

Given the growing expectation and support now in place to act on biodiversity, this report provides a timely overview of the performance of the world's leading insurers on this crucial aspect of responsible finance.

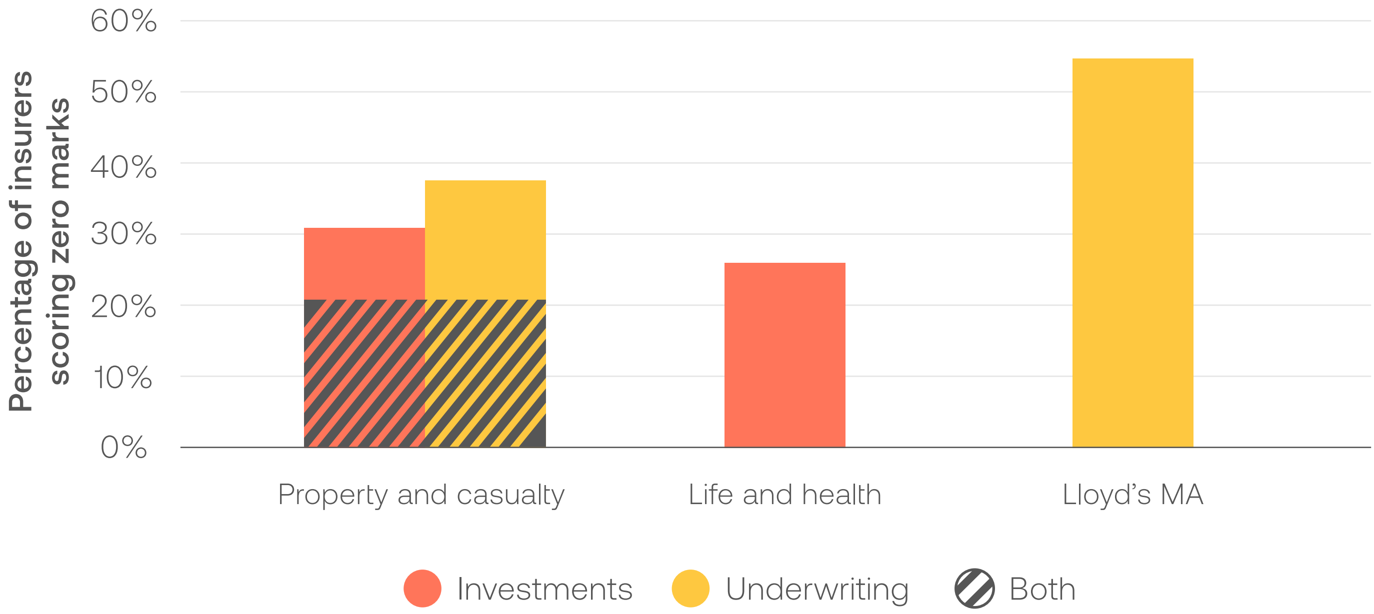
This chapter reviews the insurers' investment and insurance policies relating to biodiversity risks and opportunities. **Many insurers scored zero on this section of the survey**, indicating how under-developed biodiversity policies are for this part of the financial industry. The few leaders in this area did have some corporate sector policies in place, both for investments and underwriting, and some exclusions or screening processes for clients and investee companies operating in areas of global biodiversity importance. Engagement with investee companies was limited. While disclosure following the TNFD guidelines is not mandatory, some insurers are disclosing impacts and dependencies. However, the insurance sector is failing to use the full range of data tools available. Similarly, only a few insurers are offering biodiversity-related products, and many of these are linked to climate change solutions rather than primarily focusing on biodiversity conservation.

Finding 16: Almost a third of insurers had a total blind spot about biodiversity, and almost three-quarters are failing to take key actions to manage biodiversity-related risks.

Nineteen of the 65 insurers (29%) showed no evidence of considering biodiversity *at all* in their underwriting and investment decisions. This includes six property and casualty insurers (21%) who scored zero marks on biodiversity for *both* investment and underwriting, as well as more than half of the Lloyd's of London managing agents (Figure 20).

A further 10% of property and casualty insurers scored zero on investment and a further 17% scored zero on underwriting. This means that, in total, almost half the property and casualty insurers scored zero on at least one of the biodiversity sections – including all four American firms (Finding 2).

Figure 20: One in five property and casualty insurers received zero marks on both the underwriting and investment sections of our survey and many more scored zero on one of these sections



Not only are many doing nothing: **most** insurers in our survey displayed an inadequate response to global biodiversity loss. Almost three-quarters of insurers surveyed weren't taking any key actions to manage risks to biodiversity from their investment and underwriting decisions (Figure 21).

Figure 21: Insurers are failing to take key actions to protect biodiversity

Percentage of insurers that:	For investments (P&C, L&H)	For underwriting (P&C, MAs)
Have specific biodiversity-related requirements covering at least two key sectors	17%	17%
Have placed restrictions on companies operating in areas of global biodiversity importance[xxv]	NONE	12%
Assessed direct impacts *and* dependencies on biodiversity[xxvi]	17%	5%
Have made a timebound commitment to reduce negative biodiversity impacts or threats from their investments[xxvii] – eg from deforestation	8%	n/a
Do NONE of these	71%	71%
Do more than one of these	12%	5%

Just six insurers took more than one of these actions for their investments, and just two – Allianz SE and Swiss Re AG – did so for their underwriting. The lack of consideration of biodiversity risks in the policies of the world's largest insurers is concerning. European insurers are likely to receive increasing scrutiny about this, given that EU member states have given the European Insurance and Occupational Pensions Authority (EIOPA)[82] a mandate to report on insurance and biodiversity-related risks under the framework of the Solvency II review[xxviii].

xxv Using at least two definitions, including IUCN protected areas and/or Key Biodiversity Areas.

xxvi We define biodiversity-related impacts and dependencies as the ways in which businesses impact (both positively and negatively) and rely upon natural ecosystems. Impacts and dependencies can arise directly from business operations or indirectly from the use of products and services (i.e. upstream or downstream impacts and dependencies).

xxvii Measured in terms of actual biodiversity impact, and covering corporate debt, equity, and infrastructure.

xxviii The EIOPA staff paper published in March 2023 specified that the following text is proposed for amendments to the Solvency II Directive "Mandates as regards sustainability risk: [...]: 3. EIOPA shall evaluate whether and to what extent insurance and reinsurance undertakings assess their material exposure to risks related to biodiversity loss [...]. EIOPA shall subsequently assess which actions could be taken in order to ensure that insurance and reinsurance undertakings do so, where necessary, taking into account existing measurement tools. EIOPA shall submit a report on its findings to the Commission by [one year after the entry into force of this amending Directive]".

Finally, though the biodiversity and climate crises are inextricably linked and we cannot tackle climate change without halting habitat loss[83,78], less than half of insurers integrated biodiversity and climate risks in any way in their policies and reporting. We applied a very broad definition of integration, including simple presentation of biodiversity and climate content alongside each other in the same report. Effective and robust integration of climate and biodiversity policies will be crucial to effectively address these interconnected crises. It could also enable insurers to make faster progress on biodiversity if they are able to learn from progress made on climate.

Finding 17: The majority of property and casualty insurers and Lloyd's of London managing agents do not offer any biodiversity-related insurance products or services.

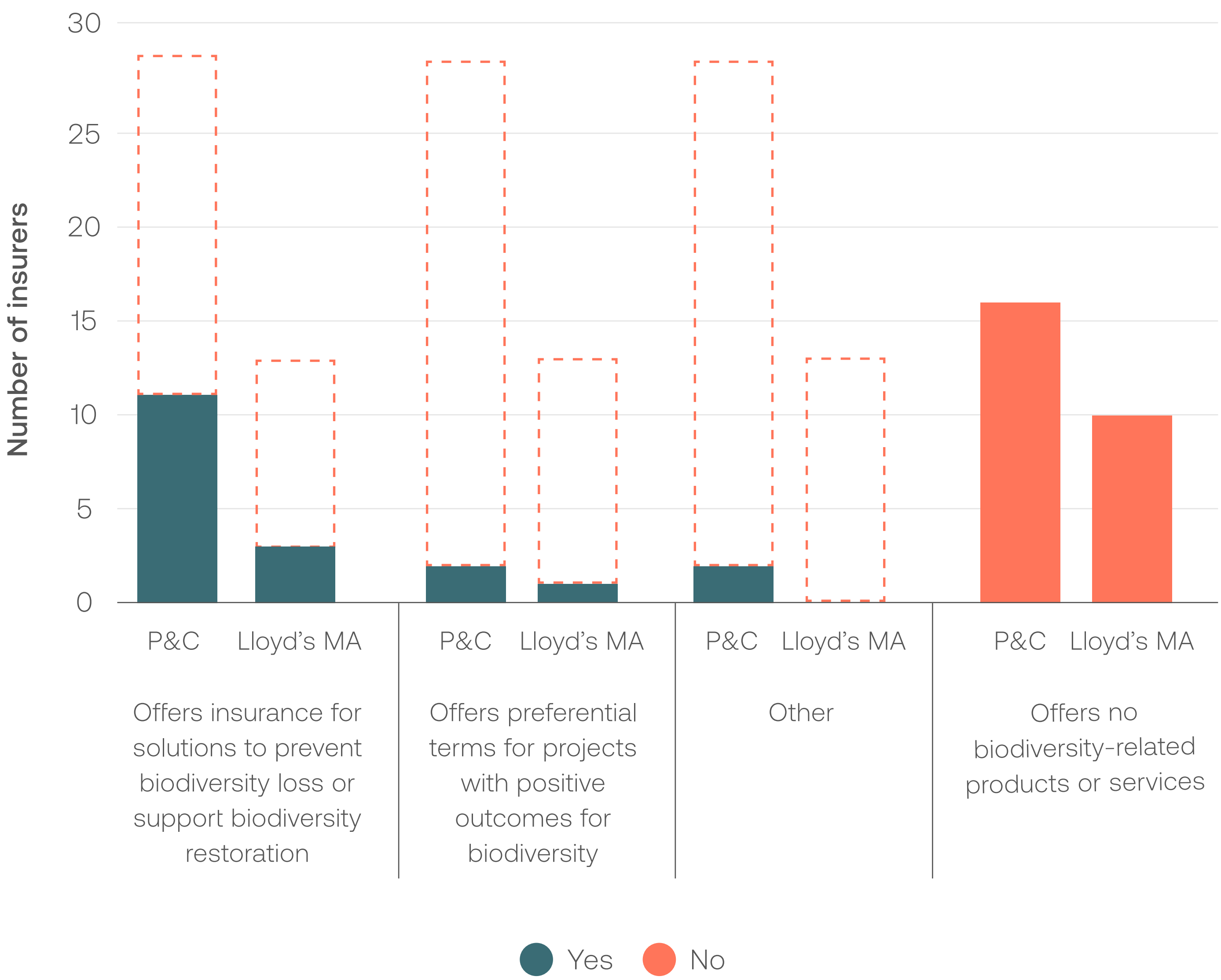
The urgent need to stem biodiversity loss and restore nature creates new opportunities for both investments and insurance products. However, only a minority of insurers are embracing this opportunity (Figure 22), and the range of insurance products available is limited. Insurance products specifically designed to support biodiversity conservation and restoration include cover for emergency rescue and restoration of coral reefs, for accidental fire damage to grassland from controlled burns, and 'wildlife liability' insurance which provides a payout for damage to crops or livestock resulting from wild animals, supporting human-wildlife coexistence. A recent report by WWF and Deloitte details innovative progress on insurance cover for natural assets, nature-based solutions and against human-wildlife conflict[84].

Of the 11 property and casualty insurers offering insurance products specifically to support biodiversity conservation or restoration efforts, five are providing cover linked to reducing carbon emissions or increasing carbon sequestration (ie nature-based solutions to climate change). These include the three Chinese insurers, Ping An Insurance (Group) Company of China, Ltd, China Taiping Insurance Holdings Co Ltd and China Pacific Insurance Group Co Ltd. Products include forest carbon sink insurance (such as for mangroves, bamboo forest and young plantations) and marine carbon sink insurance (such as cover for the carbon sink provided by a shellfish farming zone).

Only two property and casualty insurers, Chubb Ltd and AXA Group (and the AXA XL Underwriting Agencies Limited managing agent), offered products with preferential terms for projects with positive outcomes for biodiversity. Chubb Ltd charges reduced premiums for crop insurance in particular regions when cover crops are used, which can have some insect and soil biodiversity benefits[85]. AXA Group's Green Business Program aims to provide products that limit biodiversity loss, including "information sharing" to "encourage environmentally sustainable behaviours"[86].

The emergence of insurance products targeted at biodiversity is in its early stages, but we found clear evidence that insurers are moving to increase the percentage of their business that supports biodiversity conservation and restoration.

Figure 22: Both property and casualty insurers and Lloyd's of London managing agents are more likely to offer insurance for solutions that are primarily focused on biodiversity conservation than offer preferential terms



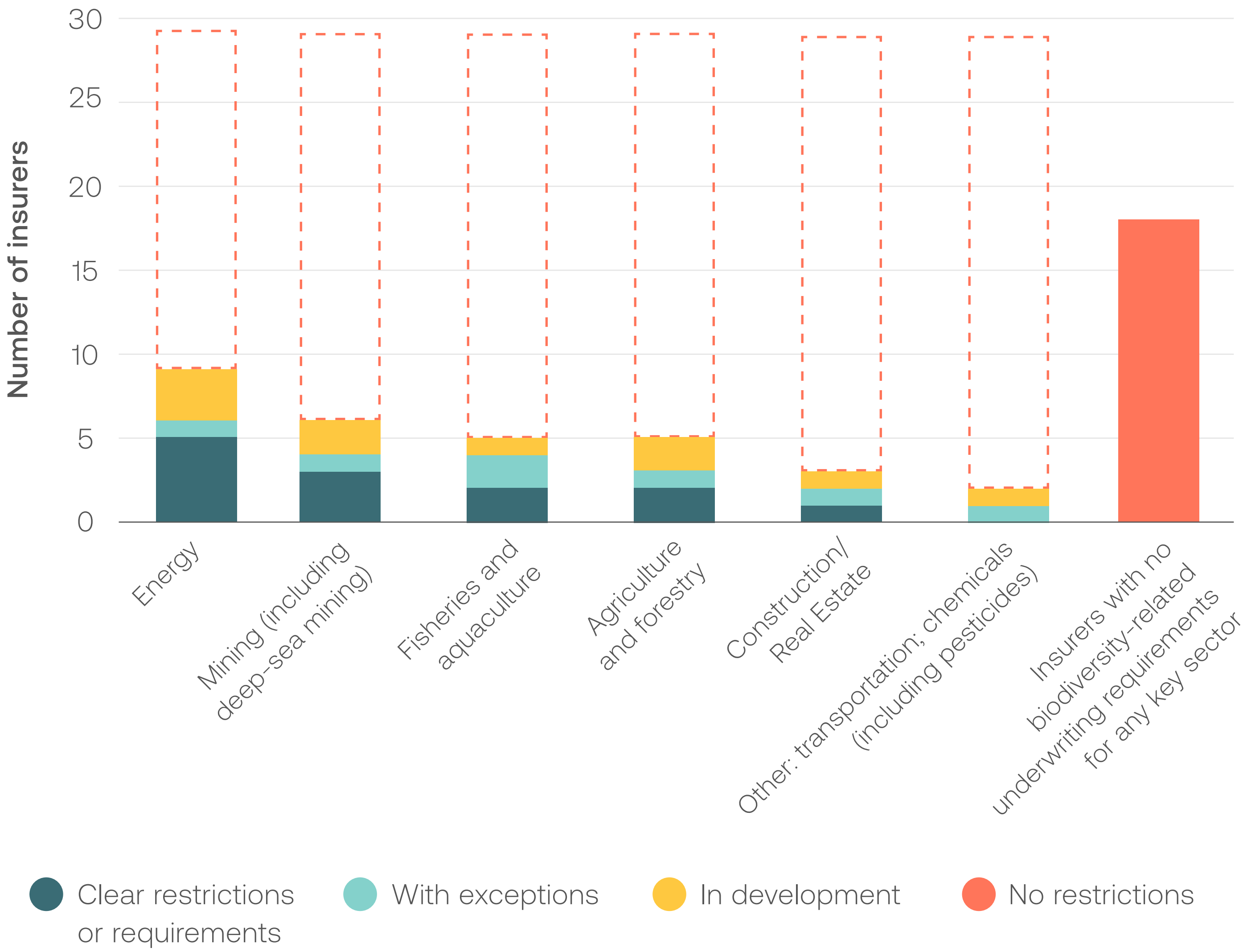
Finding 18: Less than half of insurers have any biodiversity-related requirements for underwriting or investing in sectors facing the most critical biodiversity-related risks.

Different industry sectors have different potential impacts and dependencies on biodiversity, so a tailored approach is needed for each sector[87,88]. Yet, for both underwriting and investment, we found that less than half of insurers had any sector-specific biodiversity-related policies. This is, nevertheless, an improvement from the results of our 2021 survey, which found 90% of insurers had no sector-specific biodiversity policies for investments, and 90% had no sector-specific biodiversity policies for underwriting.

Sector-specific biodiversity-related underwriting policies were most common for the energy sector (Figure 23). Often, these primarily considered the sector's climate impact, but they also recognised that energy extraction and infrastructure can have localised negative impacts on species and ecosystems. Incorporating biodiversity into existing policies in this way is a key first step towards developing robust management of environmental risks and opportunities[89]. However, it is crucial that financial institutions are considering *all* drivers of biodiversity loss and the consequences of this loss for their business.

Only two property and casualty insurers (Allianz SE and Swiss Re AG) had biodiversity-related underwriting policies for all three sectors with the greatest impacts and dependencies on nature[87]: mining; agriculture & forestry; and fisheries & aquaculture. None of the Lloyd's of London managing agents we analysed had biodiversity-related policies for all three of these critical sectors, although Munich Re Syndicate Ltd (and its parent, Munich Re) had policies in development for both mining, and agriculture & forestry.

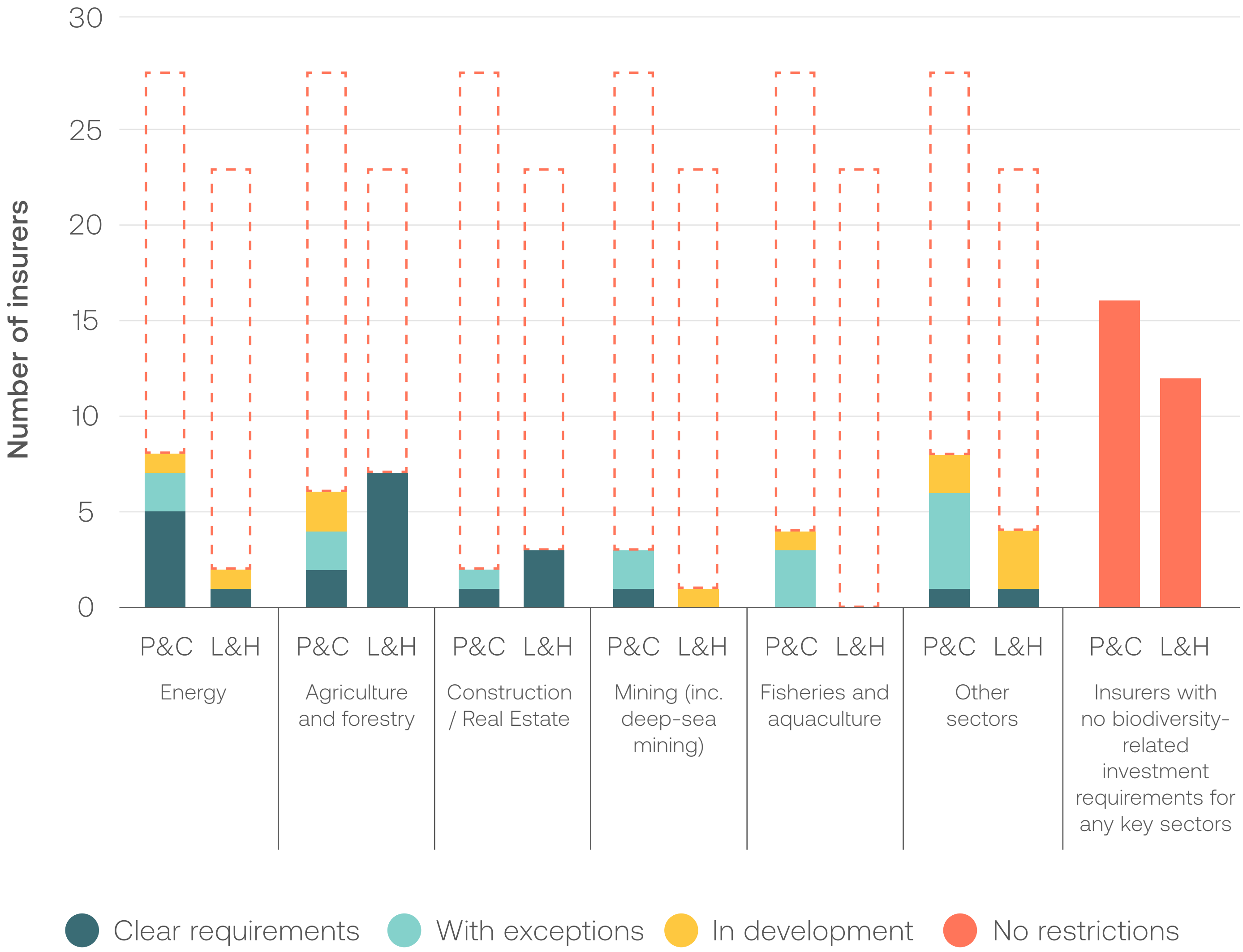
Figure 23: Fewer than half of property and casualty insurers had sector-specific biodiversity-related requirements for underwriting



Just 46% of property and casualty and life and health insurers had sector-specific policies for investments. Just two – Achmea BV and Allianz SE – had investment policies covering mining, agriculture & forestry, and fisheries & aquaculture.

In the case of property and casualty insurers, the most common biodiversity-related investment policies were for the energy sector (Figure 24) – as for their underwriting. In contrast, agriculture & forestry policies were the most common for life and health insurers, and energy policies were rare.

Figure 24: Fewer than half property and casualty and life and health insurers had sector-specific biodiversity-related requirements for their investments



Firms' sector policies frequently concentrated on a few very specific risks, and therefore did not adequately address the full range of biodiversity impacts:

- Agriculture & forestry policies tended to limit investment or insurance cover in the case of destruction of primary forest habitat, illegal logging, and sometimes specifically mentioned high risk commodities (eg soy, beef, palm oil, timber).
- Mining policies referenced improper storage of mine tailings; pollution to soil or water (eg from cyanide or mercury); water use; and habitat damage arising from infrastructure, roads or erosion/landslides linked to a mine.
- Aquaculture & fisheries policies considered pollution; Illegal, Unreported and Unregulated Fishing (IUU); use of wild-caught juveniles; and specific practices such as commercial whaling and shark-finning.
- Multiple policies across different sectors limited investment or insurance cover in the case of: negative impacts on species listed in one of the top three categories of threat on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species[xxix]; absence of mitigation measures; excessive use of chemicals; or lack of certification by an established scheme (eg Marine Stewardship Council, Forest Stewardship Council, Roundtable on Sustainable Palm Oil).

Moreover, most sector policies only mentioned additional assessments or screening related to these risks: only a few contained strict exclusions (Swiss Re AG showed leading practice on this issue (Box 8)).

Finally, we asked the property and casualty insurers and Lloyd's of London managing agents whether they could provide an example of a region, project or company they had refused to insure because of potential impacts on ecosystems and biodiversity – such as land, freshwater or marine use change, deforestation, pollution, natural resource use or invasive species – since 1 January 2021. Just one gave an answer: "Zurich Insurance Group AG has confirmed to the Deep Sea Mining Campaign that we do not have any appetite to insuring these types of mining activities."

xxix The IUCN Red List of Threatened Species[90] is the most comprehensive information source on the global extinction risk status of animal, fungus and plant species. Species listed as "Critically Endangered", "Endangered", or "Vulnerable" on this list are recognised by the IUCN as threatened.

Box 8: Leading practice: Swiss Re AG's approach to underwriting critical sectors

Swiss Re AG has developed specific policies for the following sectors[91]:

- Agriculture, forestry and food
- Defence
- Hydro dams
- Mining
- Nuclear material non-proliferation
- Oil & gas
- Thermal coal

The Agriculture, Forestry and Food policy notes the significant dependency and impact of this sector on global biodiversity. Swiss Re AG "does not support activities that:

- Show a high negative impact on biodiversity and ecosystems;
- Operate in particularly exposed sub-sectors of palm oil, timber and paper, and do not comply with Swiss Re's sustainability certificate requirements (eg Forest Stewardship Council (FSC) and Roundtable on Sustainable Palm Oil (RSPO)). These requirements apply to countries particularly exposed to deforestation risks. The requirements can include that a company must have all operations certified by leading agencies or a credible plan to increase its share of certified operations."

In addition, Swiss Re AG states that "In engagements with clients, Swiss Re encourages companies to take part in sustainability certification, to prioritise plantations in areas where forest regeneration is highly unlikely, such as degraded farmland, and to pay particular attention to the needs of smallholder farmers."

Similarly, the Hydro Dams policy notes that Swiss Re AG does "not support hydro dams that:

- Are situated within protected areas (UNESCO World Heritage Sites, protected areas under IUCN categories I-IV[92] or Ramsar wetlands);
- Cause irreversible environmental damage beyond the necessary conversion of the area;

- Lack credible environmental and social impact assessments for large-scale greenfield projects”.

The Mining policy states that Swiss Re AG “does not support activities:

- With severe and systematic negative impact on health and the environment due to improper management of tailings, hazardous materials and substances, and mine waste;
- That do not have credible environmental and social impact assessments for large-scale greenfield projects;
- That retrieve mineral deposits from the deep seabed (eg deep-sea mining projects).”

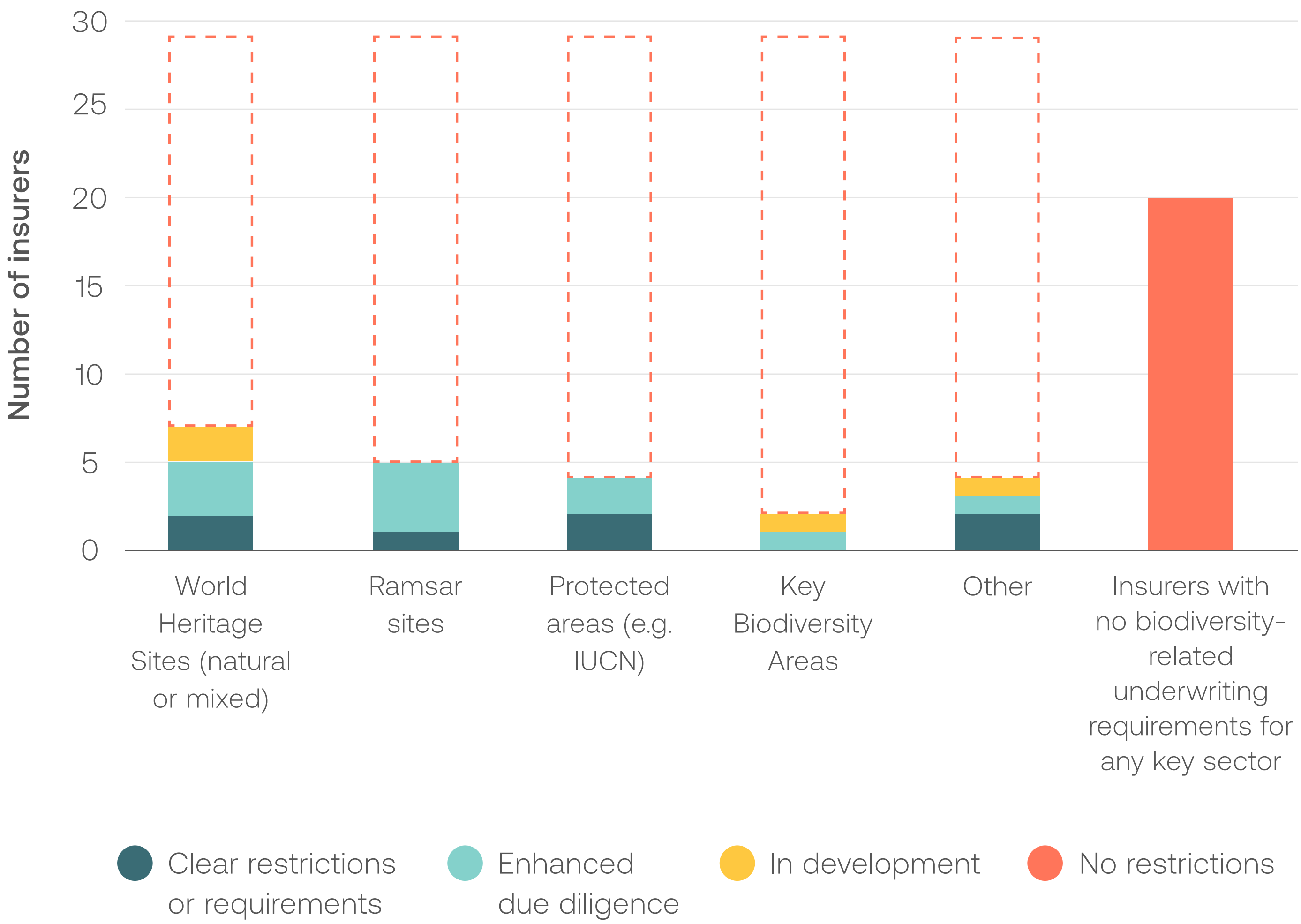
Finding 19: More than two-thirds of insurers had no requirements for underwriting or investing in areas of global biodiversity importance.

Only 31% of property and casualty insurers or Lloyd’s of London managing agents placed restrictions, required additional due diligence, or monitored whether the companies they underwrite have operations in areas of global importance for biodiversity (Figure 25). These include areas such as Key Biodiversity Areas[93] – sites of particularly threatened, geographically restricted or irreplaceable biodiversity and ecological processes – and protected areas, which apply effective area-based conservation measures.

Areas of global biodiversity importance have been identified as especially biodiversity-rich, sensitive to disturbance or important for ecosystem services, and are considered a priority for conservation efforts. As well as safeguarding biodiversity, key benefits of conserving these areas include improving access to food and clean water, providing economic opportunities, improving public health and supporting adaptation to climate change[94].

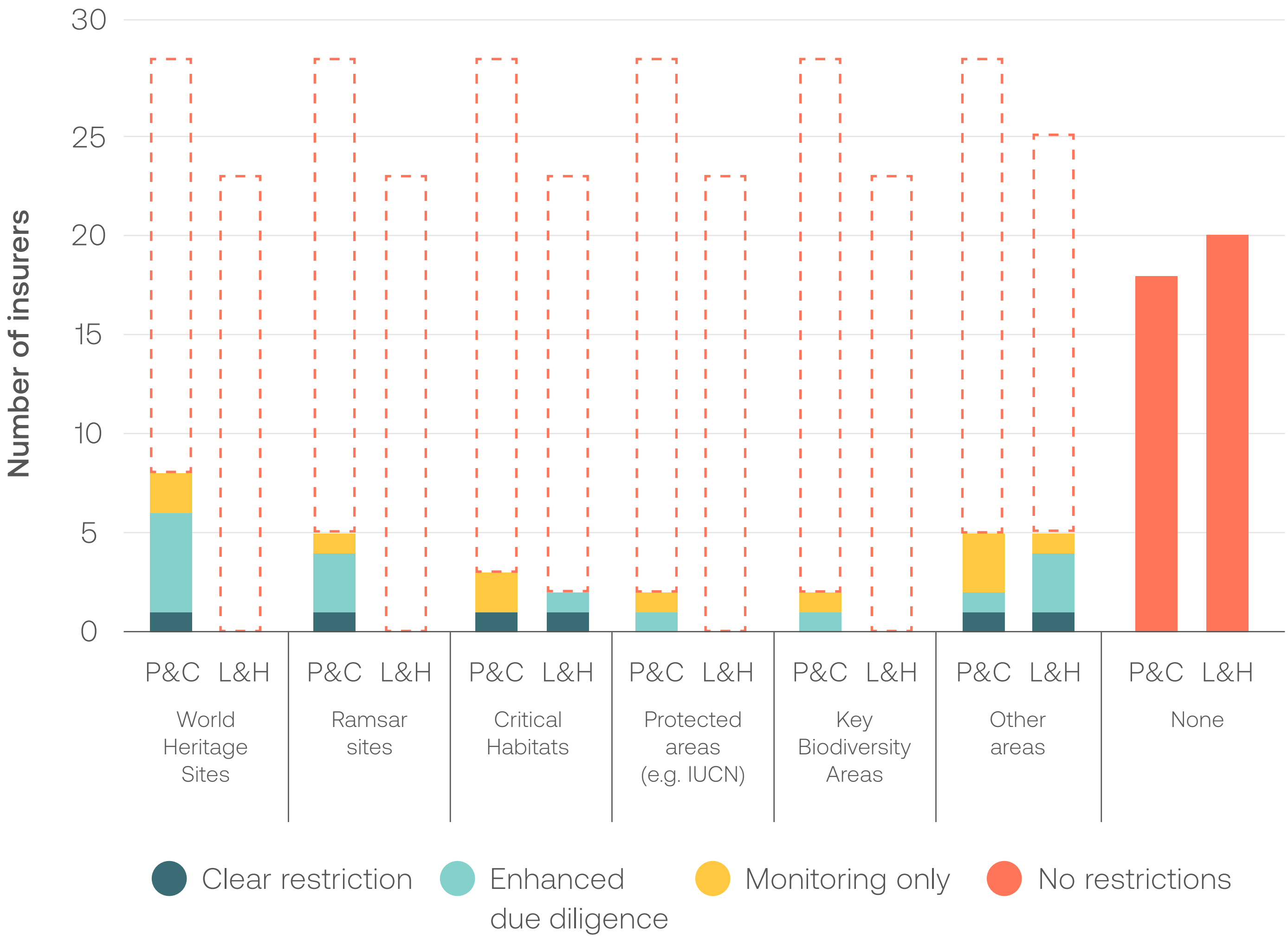
Four (14%) of the property and casualty insurers (Allianz SE, MS&AD Insurance Group Holdings Inc, Sompo Holdings Inc, and Zurich Insurance Group AG) have in place what we classified as “enhanced due diligence” for one or more type of area of global biodiversity importance (Figure 25). This refers to policies in which proximity of corporate activity to an area of global biodiversity importance leads to additional screening or review, or where underwriting decisions may be made on a case-by-case basis, according to the materiality of the impact on the area of global biodiversity importance. Without specific data on the companies, projects and screening outcomes, it is not possible to know how much, if any, damage to any area of global biodiversity importance is tolerated, although it seems likely that variation between screening outcomes is greater than when clear restrictions are applied.

Figure 25: Less than a third of property and casualty insurers have requirements for underwriting in areas of global biodiversity importance



While slightly more property and casualty insurers have requirements for investments in areas of global biodiversity importance (38%) compared to their underwriting policies, life and health insurers clearly lagged behind (Figure 26). Just 13% of life and health insurers had any requirements for investments in areas of biodiversity importance, and not one considered Key Biodiversity Areas[93] or protected areas (e.g. those under IUCN categories I to IV[92], which have generally experienced less human modification and where corporate activities tend to be more restricted). This is surprising given established evidence that access to green spaces and reliable ecosystem services are fundamental for human health[95,96,78] and that the World Health Organization recognises that the health of the environment, animals and humans are closely interlinked[97].

Figure 26: Life and health insurers have substantially fewer biodiversity-related location-based investment requirements than property and casualty insurers



Box 9: Leading practice: Chubb Ltd's and Achmea BV's policies on areas of global biodiversity importance

Chubb Ltd and Achmea BV show progress on incorporating areas of global biodiversity importance into their underwriting and investment policies, respectively.

Although the scope and strength of their policies could be increased, both demonstrate important steps forward in terms of integrating biodiversity concerns into existing policies.

Underwriting

Chubb Ltd's 2023 policies indicated that it will not underwrite oil & gas in designated protected areas, IUCN categories I to IV.

These policies may be increasing in scope, both in terms of sector coverage and the range of areas of global biodiversity importance that are considered. In 2023, Chubb Ltd announced new guidelines[98], stating that "By the end of 2023, Chubb will develop and adopt standards for projects in category VI areas in the World Database of Protected Areas as well as for oil and gas extraction projects in the Arctic, Key Biodiversity Areas, mangrove forests, and global peatlands that are not currently listed in the World Database on Protected Areas."

Investments

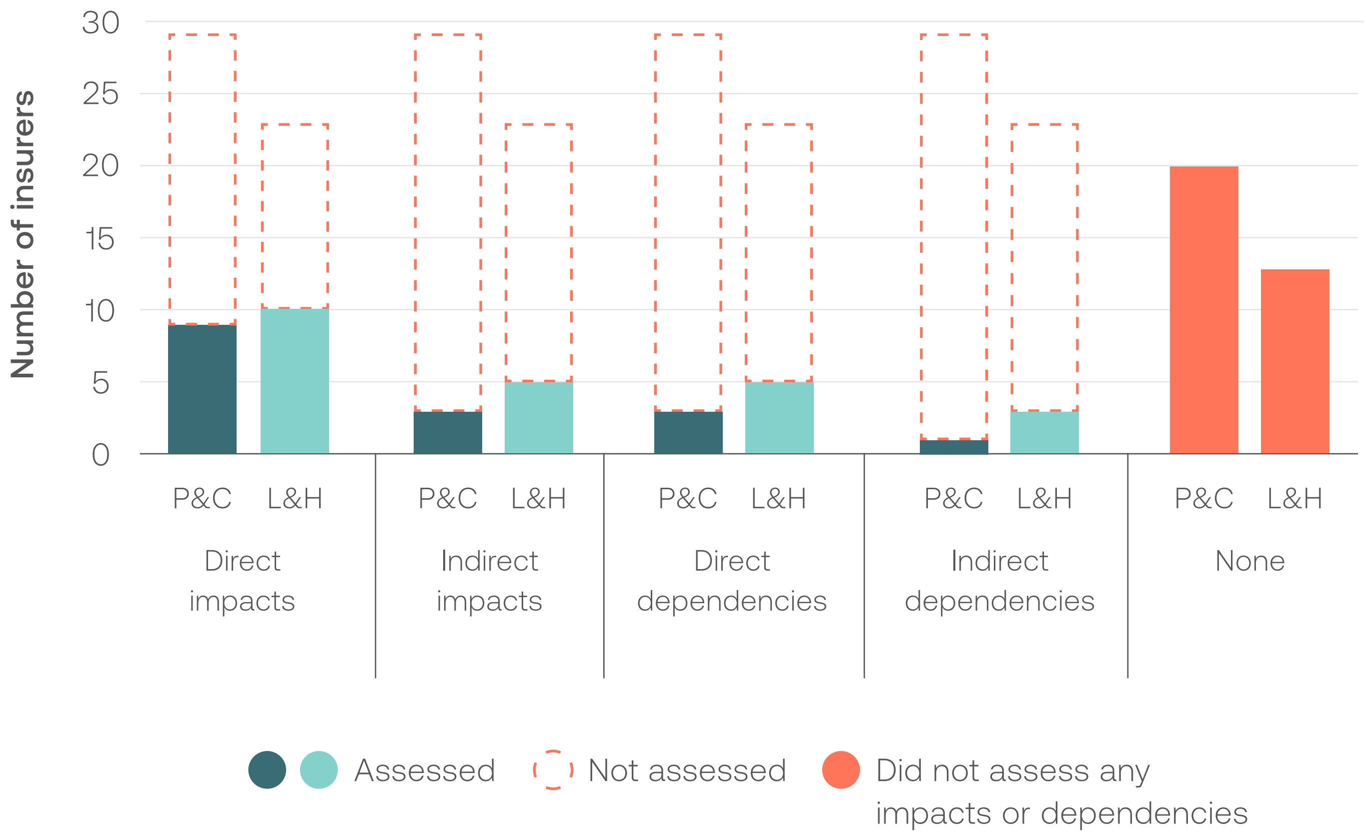
Achmea BV did not report any investment restrictions related to biodiversity, but its engagement guidelines have broad coverage of sites of global biodiversity importance and species at risk of extinction, and include a focus on marine ecosystems, which are often overlooked.

Achmea BV's engagement guidelines state that companies should have a policy to protect biodiversity and natural capital, adhering to the principles of the UNESCO World Heritage Convention, the Ramsar Convention on Wetlands and the CITES treaty (Convention on International Trade in Endangered Species of Wild Fauna and Flora). They indicate that companies should prevent negative impacts to species listed as threatened on the IUCN Red List, prevent the release of exotic species in sensitive ecosystems, and prevent adverse impact in areas classified by the IUCN as category I-V. Further, they highlight that companies should minimise the negative effects of offshore exploration and extractive activities on the marine system and habitat of marine mammals. Companies are expected to develop an Environmental Impact Assessment and/or a Rapid Biodiversity Assessment, in accordance with the standards of the Global Reporting Initiative.

Finding 20: Just over a third of insurers assessed impacts or dependencies on biodiversity, but the vast majority limited this assessment to direct impacts.

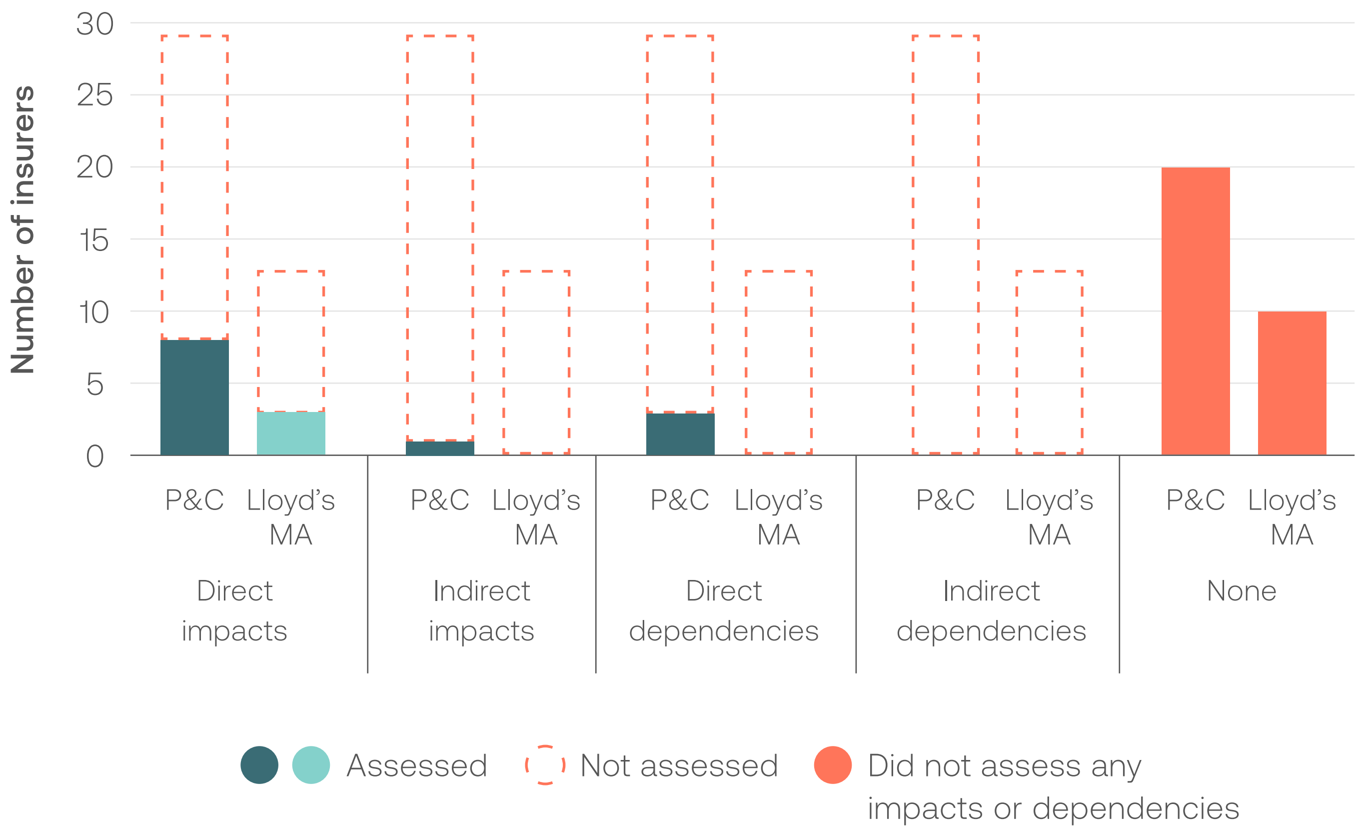
43% of the life and health and 31% of the property and casualty insurers surveyed assessed the impacts or dependencies of their investments on biodiversity, in line with Target 15 of the Kunming-Montreal Global Biodiversity Framework[81]. Encouragingly, however, three-fifths of these insurers considered some indirect impacts or direct dependencies on biodiversity, as well as direct impacts (Figure 27).

Figure 27: Life and health insurers were more likely than property and casualty insurers to assess impacts and dependencies from their investments on biodiversity



The proportion of property and casualty insurers that assessed these impacts and dependencies for their underwriting was similar to that for investments at 28%. However, just 23% of Lloyd's managing agents did so. More concerningly, many fewer insurers looked beyond direct impacts for their underwriting: just three property and casualty insurers and no managing agents did so (Figure 28).

Figure 28: Only one in four insurers assessed impacts and dependencies from their underwriting activities on biodiversity



Disclosure of impacts and dependencies is necessary for a complete understanding of risks and opportunities, as recognised by the most recent version of the TNFD framework[99]. This is a clear area for future development, and an active area of focus for insurers. For example, NN Group NV informed us that they have published an assessment of impacts and dependencies since the data collection window for our report[100].

Box 10: Leading practice example: AXA Group and MS&AD Insurance Group Holdings Inc publish data on biodiversity risk assessments in combined climate and biodiversity reports.

In their 2023 combined Task Force on Climate-Related Financial Disclosures/ Taskforce on Nature-related Financial Disclosures report, MS&AD Insurance Group Holdings Inc mapped the ecosystem impacts and dependencies of their "underwriting and investment/loan portfolio companies". They provide a methodological summary, stating that they used ENCORE[101] for the dependency mapping and the Science Based Targets Network Sectorial Materiality Tool[102] to carry out the assessment of impacts on natural capital. They present two heat maps, both covering 11 key sectors to which they are exposed, with the level of impact or dependencies graded from very low to very high. The report indicates that this information is used to inform decision making about whether to conduct a transaction within a specific industry sector.

Similarly, AXA Group's 2023 Climate and Biodiversity report[86] details their biodiversity footprint analysis of one investment portfolio, illustrating their use of the Corporate Biodiversity Footprint (CBF) tool produced by Iceberg Data Labs to assess the impact of their investments. The illustration provides the footprint estimates (km^2 Mean Species Abundance/€million) for bonds and equities in the portfolio. AXA Group state that "the CBF analysis is not yet appropriate for investment decisions or target-setting purposes", but they also detail the steps being taken to improve their analysis, including working with stakeholders to improve data availability, including more drivers of biodiversity loss (invasive species, sea-use change, pollution) and improving their impact and dependency assessments, as well as contributing to the development of reporting frameworks.

Finding 21: Only a third of insurers surveyed used any data tools to assess impacts and dependencies on biodiversity, and no single tool was used consistently.

While 35% of life and health or property and casualty insurers used at least one data tool to assess their investments for biodiversity-related risks, just 19% of property and casualty insurers and Lloyd's of London managing agents did so for underwriting (Figure 29). More than half of these insurers used just one data tool. Yet no single tool on its own currently gives a full picture of biodiversity.

These numbers are disappointingly low compared to our 2023 survey of asset managers[27], which found that almost three-quarters of asset managers surveyed were using at least one tool to assess biodiversity-related risks. Nevertheless, together with Finding 20, they demonstrate considerable progress from our 2021 insurance survey[28], in which none of the insurers said they used any data tools to support their biodiversity risk assessments (Insuring Disaster, Finding 4.6) and just five respondents indicated that they were planning to carry out an impact assessment.

Figure 29: ENCORE and IBAT are the two most-used biodiversity data tools, but many more insurers don't use any tools to assess risks to biodiversity from their investments or underwriting

As we found with asset managers, the most popular tool is ENCORE, however it is less widely used by insurers than asset managers, 27% of which used it in 2023[27]. It is notable that use of the Integrated Biodiversity Assessment Tool (IBAT) is low, given the facility this tool offers to enter location data[103] (compared with sector-level data provided by ENCORE) and the emphasis on location data in the TNFD framework[99,81]. The Finance for Biodiversity Foundation have recently updated their guide which details the specific features of each of these tools[105].

Another important gap in insurers' approaches to biodiversity impacts and dependencies is in their delegation to external asset managers: just seven insurers required their external asset managers to have some commitments to identifying and assessing biodiversity-related impacts and dependencies, including the use of data tools. While approaches to risk management vary, it is crucial to the success of insurers' responsible investment policies that any delegated external asset managers have at least an equivalent approach; this should therefore form a central part of the tender process.

Access to biodiversity data will be crucial for effective disclosure under the TNFD framework. The failure to use biodiversity data tools seems linked to insurers' low level of engagement with TNFD. Just 12 (18%) said they were intending to disclose in line with the TNFD framework within the next 12 months. Interestingly, nine of these 12 were either Japanese insurers or managing agents with Japanese parent companies, indicating a strong regional approach to the adoption of TNFD, and much more hesitancy elsewhere. A further nine insurers were either considering disclosure in line with TNFD or planning to do so later.

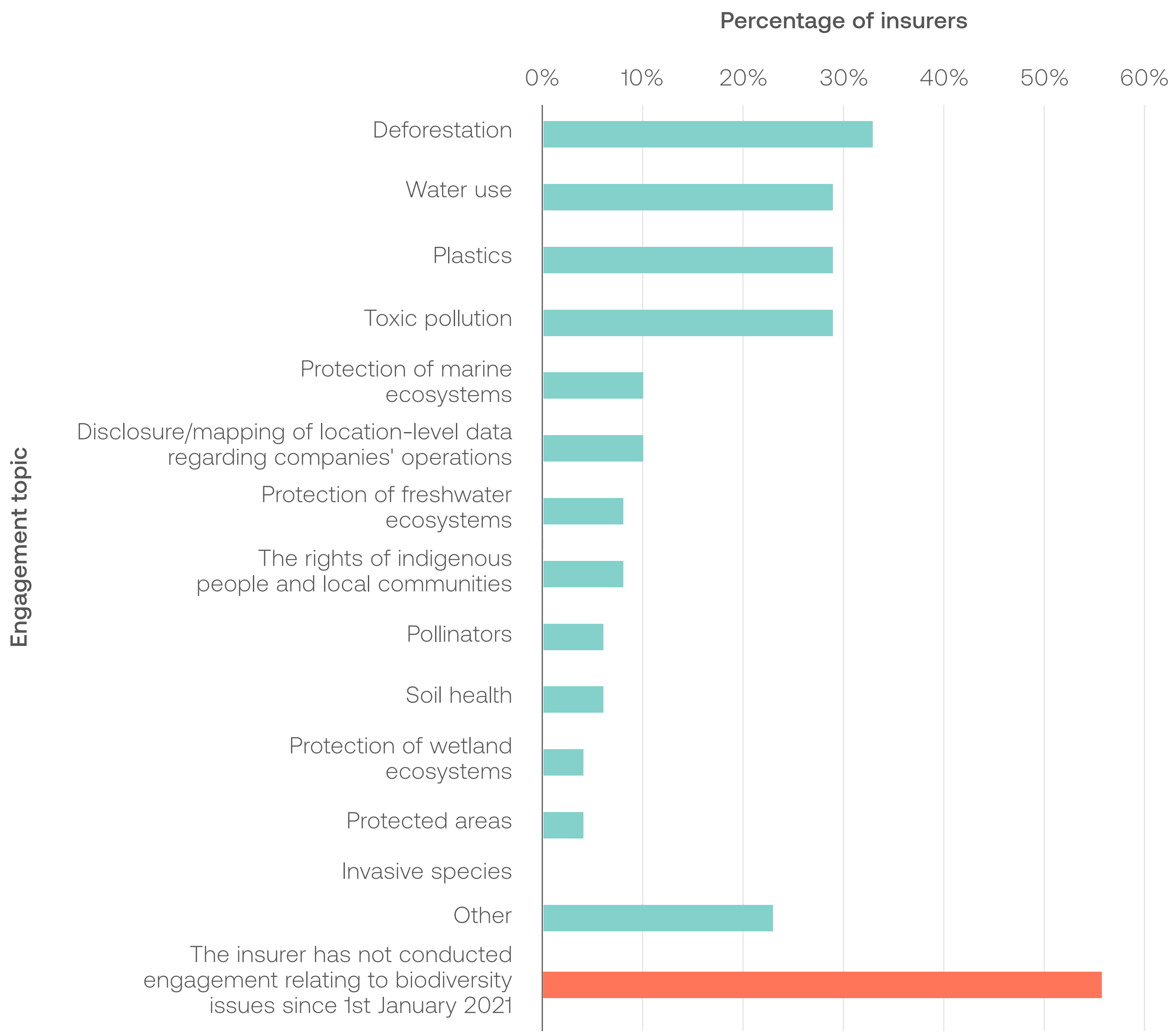
xxx For example, Global Biodiversity Score (GBS), Biodiversity Impact Analytics-Global Biodiversity Score (BIA-GBS) and Biodiversity Footprint Financial Institutions (BFFI).

Finding 22: Some insurers cited engagement with investee companies across a wide range of biodiversity topics but more than half gave no examples at all.

While a quarter of life and health and property and casualty insurers mentioned engaging with investee companies on four or more topics, more than half (56%) mentioned none. This contrasts strongly with the 75% of insurers who reported engaging on climate issues.

Insurers most commonly cited engaging on specific single issues, mainly deforestation, water use, plastics, and toxic pollution (Figure 30). Engagement on broader topics, such as the protection of ecosystems was much rarer, as were the topics of protected areas and disclosure of location-level data – as might be anticipated given insurers' own lack of commitments regarding location-based approaches to protecting biodiversity (Finding 19).

Figure 30: Insurers' engagement on biodiversity tended to concentrate on a few specific issues



As biodiversity is a broad and complex subject, a selective initial approach may be understandable. However, since financial institutions frequently cite data gaps as a barrier to progress[27,18] – and indeed they were identified as the biggest obstacle by insurers in our 2021 survey[28] – it is important that insurers engage with investee companies to provide informative data. The European Sustainability Reporting Standards (ESRS), adopted by the European Commission in July 2023, includes a set of indicators specifically on biodiversity (ESRS E4)[35]. This should increase the availability of data on biodiversity impacts and dependencies as large companies (and insurers) should start reporting on biodiversity (if it is material for their business model and activity) from the 2024-25 financial year.

Biodiversity conclusions and recommendations

We acknowledge that biodiversity is a new issue to many insurance companies, and their policies are still being developed. Yet the recognition that biodiversity loss needs to be urgently addressed on a global scale is far from new. Given the catastrophic impact of climate change on biodiversity, and the crucial role of natural ecosystems in preventing and adapting to climate change[83], it is crucial that insurers tackle the twin crises of climate change and biodiversity loss together, and with the same urgency.

We found that insurers are starting to make limited progress on biodiversity compared with our 2021 survey, but their responses to the biodiversity crisis remain considerably weaker than their responses to climate change. While biodiversity loss must be addressed with more local precision, and brings new challenges not yet addressed by climate policies, rapid progress is already being made and we expect this to be an area of significant change over the next couple of years. Robust assessments of biodiversity impacts and dependencies will be critical to accurate identification of the biggest risks and the most promising opportunities, both from a financial perspective and for the wellbeing of people and planet. Insurance for nature has a central role to play in supporting rapid response and recovery of ecosystems that are sensitive to human disturbance and increasingly vulnerable in a changing climate.

Recommendations for insurers

Insurers should:

- Disclose on their biodiversity impacts and dependencies in line with the TNFD guidelines, making effective use of the data tools already available, and increase capacity and resource to improve this disclosure each year.
- Implement robust risk assessment and comprehensive biodiversity policies that restrict activities damaging areas of global biodiversity importance. These should particularly consider (but not be limited to) the protected areas network and Key Biodiversity Areas (KBAs).

- Advocate for companies and projects to make the necessary location data available to allow them to minimise adverse biodiversity impacts in the most critical sites.
- Develop sector-specific investment and underwriting policies, to reduce and avoid the specific negative impacts that different industries have on nature and biodiversity.
- Explore providing insurance cover for intact natural assets and for ecosystem restoration. These are areas of opportunity for insurers. Nature-based solutions to climate change and the ecosystems that provide resilience to extreme weather events (eg coral reefs, mangroves), will be particularly important in the coming years[80], but the industry must also take steps to ensure such solutions do not have negative biodiversity impacts.

Recommendations for policy makers

Policy makers should:

- Mandate that insurance firms and other financial institutions report against the Taskforce on Nature-related Financial Disclosures by the end of 2027 and publish a clear iterative roadmap for implementation by the end of 2024. This reporting should be aligned with global nature preservation and restoration targets.
- Within the European Union, expand the scope of transition plans in the CSDDD from climate only to cover wider sustainability issues more broadly (including biodiversity), as part of the general review of CSDDD, which is to be conducted by 2030 at the latest.

Social issues

Social issues

The majority of insurers do not consider human and labour rights when making underwriting and investment decisions that affect individuals and communities around the world.

This chapter analyses insurers' approach to integrating various human rights, labour rights, and public health-related risks and opportunities into their investment and underwriting decisions.

It covers social issues-related investment and underwriting restrictions, how insurers approach the principle of Free, Prior and Informed Consent (FPIC)[xxxi], engagement with investee companies and underwriting clients, metrics for performance measurement, and positive social underwriting opportunities.

There are many international frameworks and guidelines that insurers (and their asset managers) can use to understand how social issues are linked with their clients' and investee companies' business operations, and how they can address social issues through their underwriting and investment policies (Appendix 2).

A significant minority of eligible insurers demonstrated a degree of engagement on key social-related risks. However, there were only limited investment and underwriting restrictions, and an even lower degree of engagement with Indigenous peoples' and local communities.

xxxi A right that means Indigenous peoples can give or withhold consent to a project that may affect them or their territories. It also enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated (Finding 25).

Figure 31: Insurers are failing to take key actions to protect from social harms

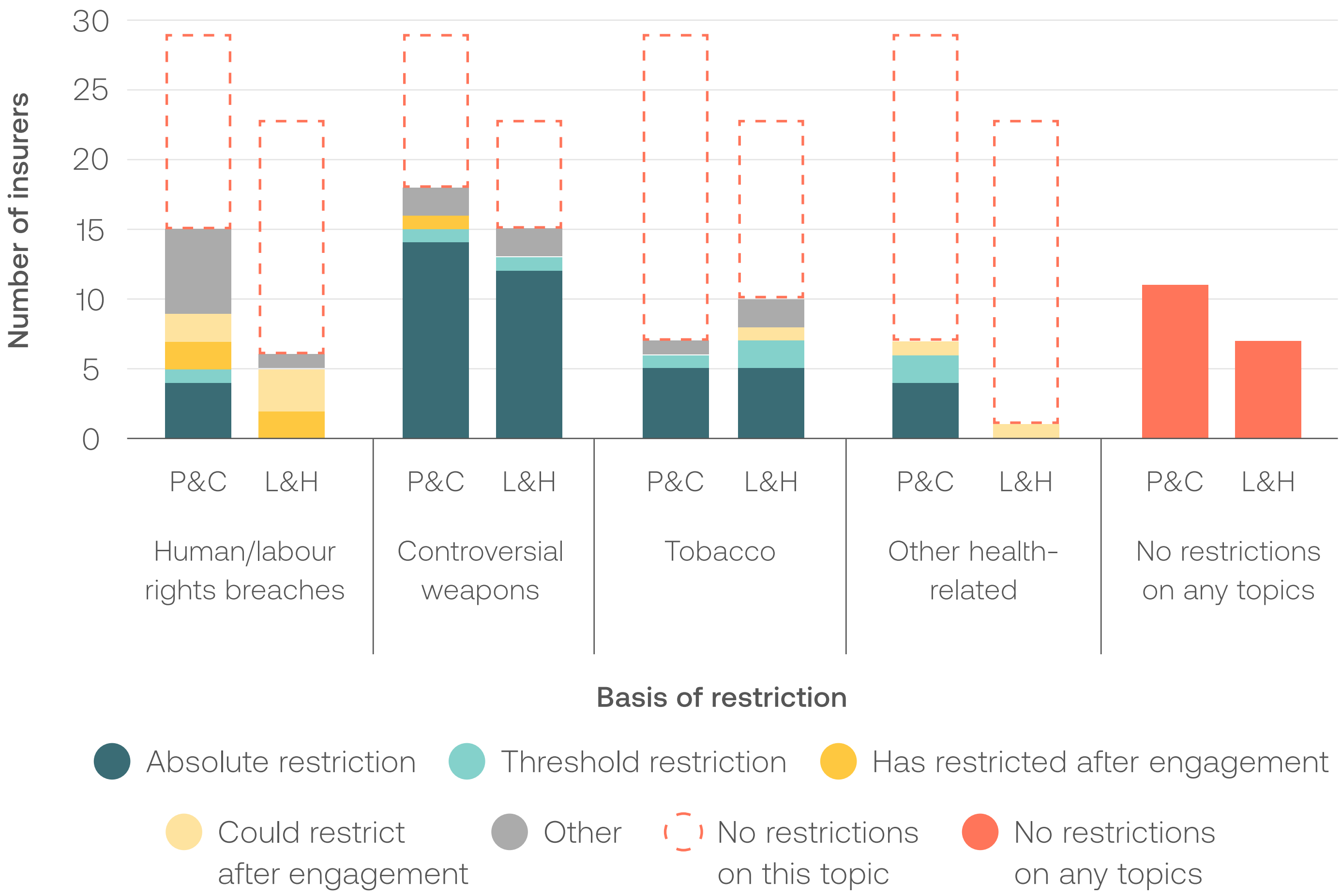
	Percentage of insurers that:	For investments (P&C, L&H)	For underwriting (P&C, MAs)
	Have a policy that excludes controversial weapons and tobacco	25%	12%
	Imposed restrictions on the basis of other controversial issues: human rights, worker health, community health, consumer health (beyond tobacco), or conventional weapons	29%	17%
	Have a policy that considers Free, Prior and Informed Consent[5] or requires clients to protect Indigenous/local community rights	13%	10%
	Reported engagement with investee companies on at least two distinct social topics since 1 January 2021	44%	n/a
	Do NONE of these	40%	71%
	Do more than one of these	31%	10%

Finding 23: Controversial weapons is the only social topic for which a majority of insurers impose an investment restriction.

Restrictions on underwriting and investment can help reduce negative societal impacts, by limiting the support insurers give to companies breaching human and labour rights, selling health-harming products (eg tobacco), or producing or selling weapons.

One third of insurers (across property and casualty and life and health) report no investment restrictions at all. The two-thirds with restrictions all limit investment in controversial weapons (such as nuclear weapons, biological and chemical weapons, or cluster munitions – see Appendix 3), usually as an absolute (total) exclusion. These insurers usually cover other topics – such as tobacco or human rights – in their restriction policies, but not consistently; no topic other than controversial weapons is covered by a majority of insurers.

Figure 32: Most insurers had some type of investment restriction, but insurers with restrictions based on human or labour rights breaches were in the minority



Despite their knowledge of the harms and exposure to the costs, life and health insurers show little consideration of health risks (Figure 32). A majority permit investment in tobacco, while fewer than 10% reported any other restrictions based on worker health, consumer health[xxxii] or community health[xxxiii].

On a more positive note, three insurers reported restrictions on investment in food speculation (AXA Group, R und V Versicherung AG, and Ageas SA), a topic with important public health

xxxii In the absence of a formal, generally recognised definition, in ShareAction's Investor Guide on Health[106], consumer health refers to the products made, sold and marketed by companies and their impact on human health. Key industries for which this consideration is relevant include tobacco, alcohol, food retail and manufacturing, as well as gambling and pharmaceuticals.

xxxiii The Investor Guide on Health[106] also explains how companies can influence health by shaping the environments people live in. Pollution and other environmental side effects from business activities can affect the health of local communities. For instance, air pollution is particularly relevant for the transport, construction, and utilities sectors, while the activities of agriculture, pharmaceutical, and healthcare companies most commonly shape patterns of anti-microbial resistance.

and security implications[107] and particular salience following Russia's full-scale invasion of Ukraine in 2022[84].

88% of European insurers in the survey reported a social-related investment restriction, compared to 54% of Asian insurers and only 33% of North American insurers. The regional discrepancy may be partly explained by the policy environment in Europe; several European countries have some form of prohibition on financing controversial weapons[15], while EU regulatory frameworks reference social as well as environmental factors (Box 2).

Only 45% of the insurers that had a restriction policy and that use delegated asset managers reported that they required them to use the same (or broadly equivalent) restrictions. One quarter reported that they required some restrictions, and 30% reported that they did not require managers to make restrictions related to social issues. This means that even when insurers have policies as an asset owner (and for their internally managed assets), some of their assets may still be invested in companies or projects that do not align with these policies.

Box 11: Leading practice example: AXA Group[108]

AXA Group has developed sector guidelines and investment restrictions that cover tobacco manufacturing, controversial weapons manufacturing, and food (soft) commodities derivatives.

In addition, AXA Group utilises ESG scores for the main asset classes: equity issuers, debt of corporate issuers, debt of sovereign issuers, and real assets. These scores include an adjustment for controversies. AXA Group screens companies with poor ESG performance so that investments in issuers with an ESG score below a certain threshold or labelled "high controversy" can be avoided.

The human rights policy states: "The ESG assessment of the companies in which AXA Group has invested, or contemplates making an investment, incorporates the following Human Rights-related inputs:

- fundamental principles such as those of the UN Global Compact, the ILO, as well as OECD recommendations, and
- the reputation and potential controversies regarding these companies"[108].

The tobacco policy states that "equity holdings are divested immediately", and that "new investments in corporate fixed income / debt are prohibited and existing bond holdings are to be run off"[109].

The controversial weapons policy targets: “companies involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of controversial weapons and their key components. Companies owning 50% or more of an excluded company are also blacklisted. Affiliates of an excluded company are not blacklisted, unless involved in the production / use / distribution of controversial weapons. If an affiliate is found to be involved in controversial weapons, whether directly (manufacturing) or indirectly (financing a manufacturer), it will feature on the blacklist”[110].

The food commodities policy[111] states that AXA Group strives not to participate in short-term instruments based on food (‘soft’) commodities or enter into speculative transactions that may contribute to price inflation in basic agricultural or marine commodities (eg wheat, rice, soy, corn, meat, dairy, fish).

These policies apply to all of AXA Group’s General Account assets, though restrictions do not extend to index-based vehicles and investments in open funds.

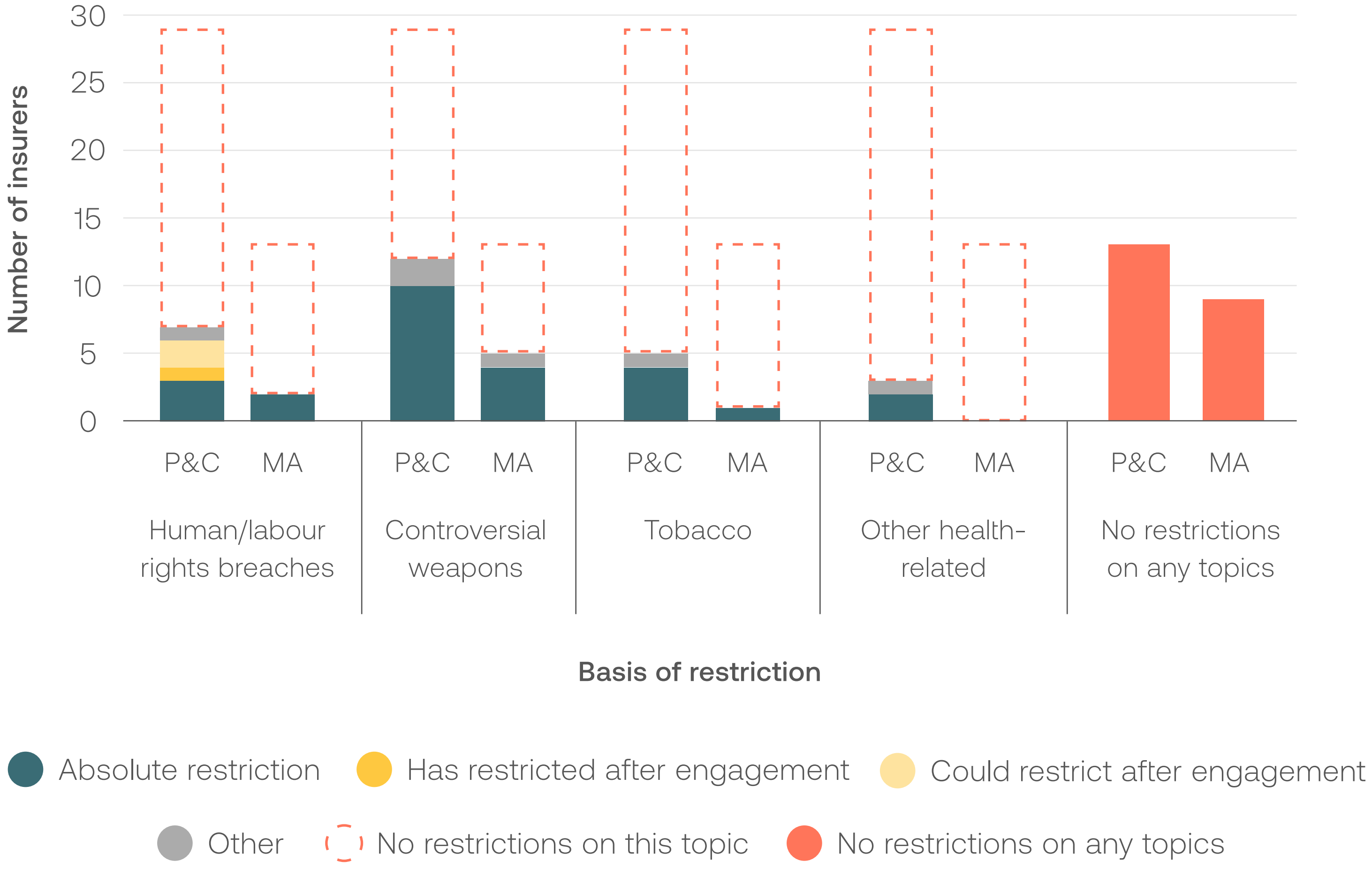
Finding 24: A majority of relevant insurers did not report any social-related underwriting restrictions

On underwriting, the overall picture is even worse. More than half of relevant insurers (property and casualty and Lloyd’s of London managing agents) did not report any underwriting restrictions related to social issues (Figure 33). **15 property and casualty insurers reported no social-related underwriting restrictions whatsoever, compared to 11 that did not report any investment restrictions** (Finding 23).

Lloyd’s of London managing agents perform similarly poorly. Seven of the 13 in the survey reported no social restrictions at all, and half of those with a restriction only applied this to controversial weapons.

Overall, insurers’ policies allow them to underwrite activities that harm society, including activities which are prohibited by international treaties (Appendix 2).

Figure 33: Almost half of property and casualty insurers and about two-thirds of Lloyd's of London managing agents had no restrictions on underwriting based on social issues



Many of the restrictions reported across this and the previous finding – especially on human rights abuses – are entirely theoretical; insurers labelled "could restrict after engagement" (Figures 32 and 33) had policies which theoretically include restriction, but provided no evidence that it has ever actually been undertaken.

Box 12: Leading practice: Swiss Re AG's underwriting restrictions

Swiss Re AG's ESG Risk Framework has a comprehensive list of underwriting restrictions based on considerations related to social issues[91]. These are both general guidelines and sector specific.

Human/labour rights, Indigenous peoples' rights, and health

"For direct or facultative re/insurance transactions, Swiss Re does not support activities that severely and systematically:

- Violate the right to life, liberty, and security, including freedom from slavery and servitude, as well as freedom from torture, degrading or inhumane treatment;
- Violate labour rights, i.e. provide poor health and safety conditions or violate the following Core ILO Conventions: 29 (Forced Labour), 100 (Equal Remuneration), 105 (Abolition of Forced Labour), 111 (Discrimination), 138 (Minimum Age Convention) and 182 (Elimination of the Worst Forms of Child Labour);
- Violate human rights of local communities or specific groups of people (eg indigenous people, minorities defined as per the UN Minorities Declaration). These violations can include, but are not limited to, the right of free, prior and informed consent for indigenous peoples (FPIC)."

For direct or facultative re/insurance transactions, Swiss Re AG does not support activities that (...):

- Are associated with repeated or ongoing severe and unmitigated pollution or waste issues that damage the environment and health;

Defence sector

"For direct or facultative re/insurance transactions, Swiss Re does not support activities that include:

- Development, production, brokering, acquisition, transfer, import, export, carrying in transit or storage (...) of biological and chemical weapons, anti-personnel mines, cluster weapons, and/ or nuclear weapons. An exception for Nuclear Weapons is when they are produced in, and for the benefit of, the armed forces of a nuclear-weapon state according to the Treaty on Non-Proliferation of Nuclear Weapons. This part of the policy is exceptionally subject to a 0% materiality threshold;

- Production of arms in, or transport to, countries that are conflict areas (…);
- Active combat services or direct operational or tactical combat support, such as provided by private military companies."

Mining sector

"For direct or facultative re/insurance transactions, Swiss Re does not support activities:

- In countries where mining is particularly exposed to severe and systematic human rights violations (unless positive proof is provided for underwriting transactions that human rights are respected, such as via an independent human rights audit or social impact assessment) (…);
- In indigenous territories without free, prior and informed consent of indigenous peoples;
- That benefit from non-necessary or non-proportional use of force by security personnel under management of the company;
- With severe and systematic negative impact on health and the environment due to improper management of tailings, hazardous materials and substances, and mine waste."

ShareAction's investor briefing, Clearing the Air[112], describes the connections between the environmental and health impacts of air pollution, which are important for asset owners and asset managers to focus on in their stewardship, underwriting, and capital allocation activities.

Finding 25: Across both investment and underwriting, insurers rarely consider Indigenous peoples' and local community rights in their policies.

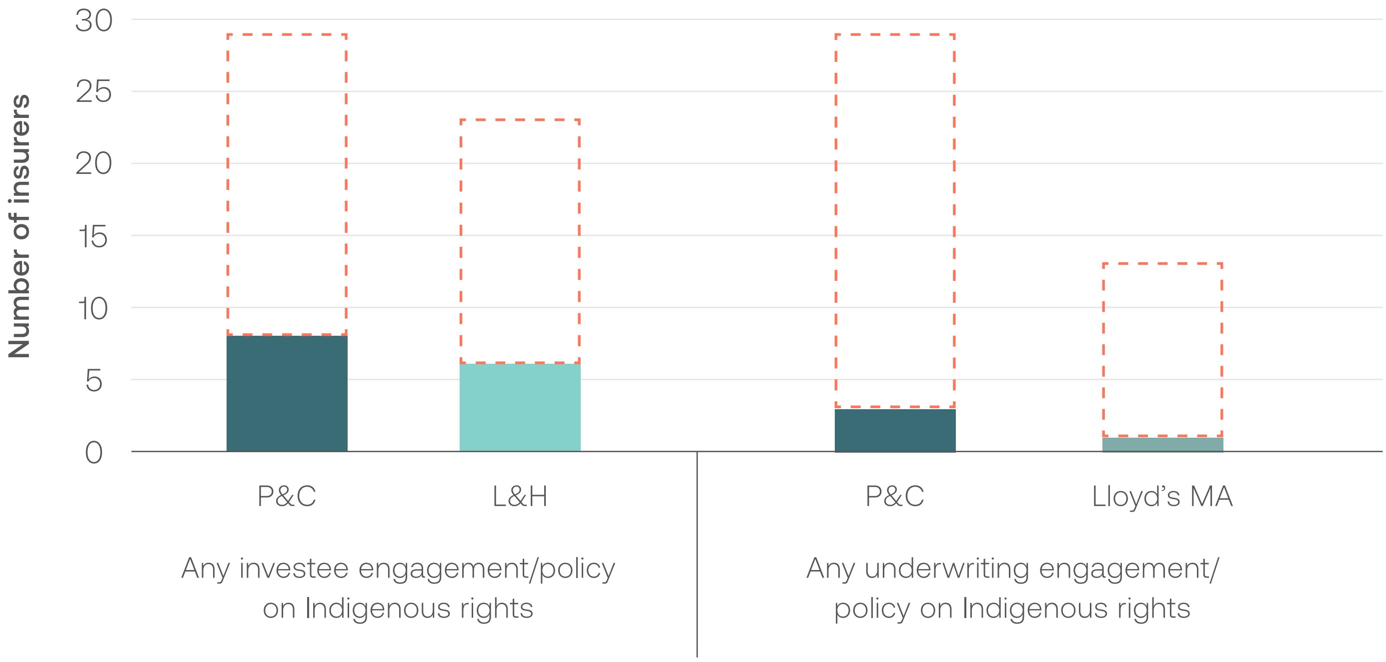
Not a single insurer requires underwriting clients in high-risk sectors to commit to protecting the rights of Indigenous peoples and local communities. Just four insurers reported that they even consider this topic in their underwriting engagement approach.

On the investment side, only 13% of insurers (one life and health and six property and casualty) have a policy that considers Free, Prior and Informed Consent (FPIC). Despite this, not one was able to provide an example of how FPIC had been considered in an investment decision since 2021, suggesting that in practice these policies are rarely taken into account. This trend is also reflected on engagement, with 15% of insurers reporting having engaged with investee companies on FPIC, Indigenous peoples' or local communities' rights since 2021 (Figure 34).

The FPIC principle is a right that originally pertains to Indigenous peoples and is recognised in the UN Declaration on the Rights of Indigenous Peoples. It allows them to give or withhold consent to a project that may affect them or their territories. It also enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated. In the last decade, development experts have recognised that FPIC is also good practice to undertake with other local communities, to protect "everyone's right to self-determination"[113].

Considering FPIC and the rights of Indigenous peoples and local communities is not only a moral imperative, but also a strategic necessity for insurers that want to mitigate risk. Ignoring or neglecting these rights may lead to conflicts and resistance from local communities – causing disrupted operations, delayed projects, financial losses, legal challenges, and reputational damage.

Figure 34: Indigenous peoples' rights are rarely incorporated into investment policies or engagement, and almost never into underwriting ones



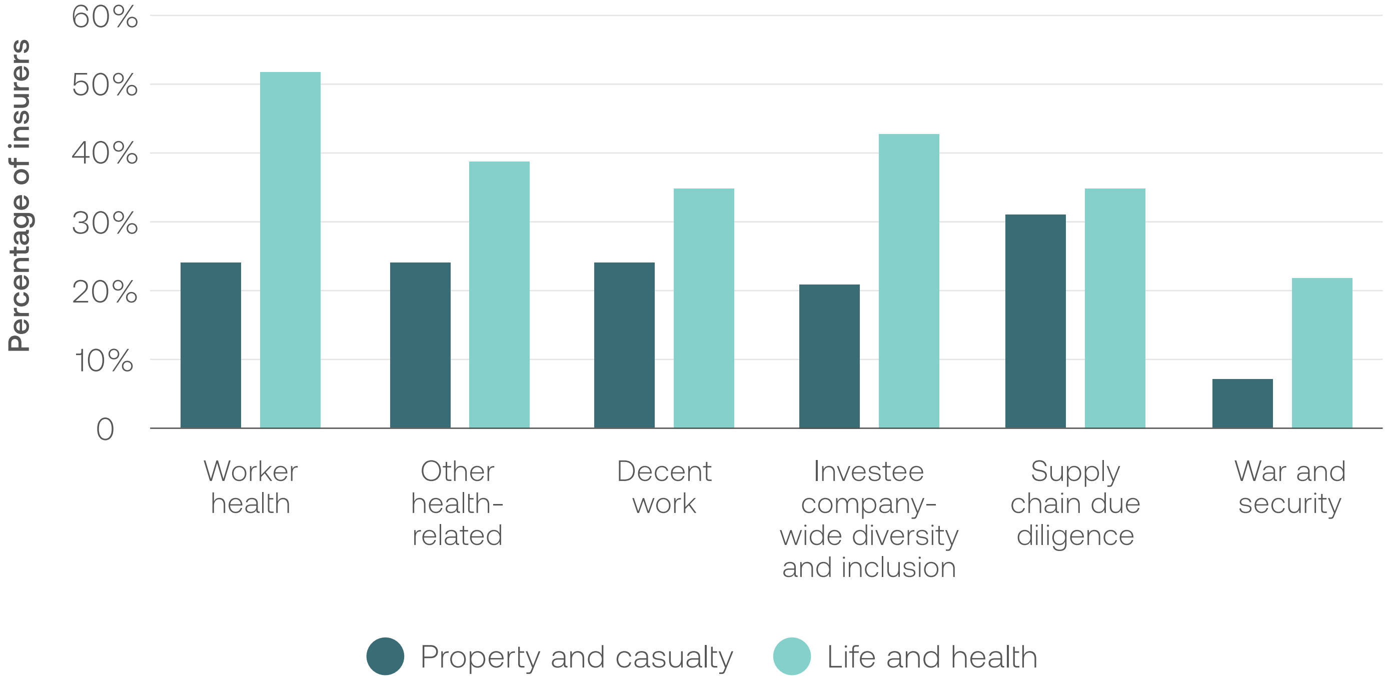
Finding 26: Almost half of insurers did not report engaging with investees on any social topics, and property and casualty insurers engaged less often than life and health ones.

Insurers and their asset managers can use the power of meaningful engagement and escalation to influence their investee companies' practices to bring about positive change on social topics.

Just over half of insurers reported that they (or their asset managers) have engaged with investee companies on at least one social topic since January 2021. European insurers were slightly more likely to have done this than Asian or American insurers – 66% reported engagement compared to 46% and 40% respectively.

For each topic, more life and health insurers than property and casualty insurers reported having conducted engagements (Figure 35). Overall, 70% of the former performed at least one engagement, compared to 41% of the latter. However, aside from worker health[xxxiv] – on which 52% of life and health insurers engaged – fewer than half of life and health or property and casualty insurers reported engagement on each topic.

Figure 35: For each social topic, more life and health insurers reported engaging compared to property and casualty insurers



xxxiv See Workplace Health is Workplace Wealth, ShareAction's investor briefing published in January 2024 which sets out the case for action on worker health and provides a practical guide for getting started.

Box 13: Leading practice: Social engagement at Aviva PLC, Achmea BV and Legal & General Group PLC

Insurer	Topic	Case study
Aviva PLC	Decent work – freedom of association	In response to "questions surrounding employee health and safety and freedom of association, which became prevalent during COVID-19", Aviva Investors conducted an engagement with Teleperformance, a major call centre operator. Aviva's engagements "intensified" in 2022. Following pressure from trade unions, UNI global union, and investors, as well as a complaint to the OECD National Contact Point and a November 2022 probe from the Colombian government, a global framework agreement was reached. This covers freedom of association, surveillance of employees, dispute resolution, and health and safety, and is an important first step towards improving conditions for workers. Aviva has committed to continue to engage with the company and the union to monitor implementation of the agreement.[114]
Achmea BV	Community health – access to medicines	One pillar of Achmea BV's engagement strategy, connected to the UN Sustainable Development Goals, is "Good and available medicines", focusing on "patents and regulations which drive up prices" with "the goal of making medicines affordable and accessible". Achmea BV expressed a view that the role pharmaceutical companies play can help solve issues such as the COVID-19 pandemic, but only if medicines are widely distributed, and priced equitably. In addition, noting that medicines with the potential to combat future pandemics should be prioritised[115]. To this end, they helped lead an investor coalition on access to medicines in the wake of the COVID-19 pandemic in 2020[116], and drew up another letter to a broader group of key pharmaceuticals companies in 2022[117]. The latter committed signatories to vote against executive pay at pharmaceuticals companies which did not align remuneration plans with broadening access to medicine. Achmea BV supported shareholder resolutions on this topic at key pharmaceuticals companies, contributing to its 98% score in our 2023 Voting Matters report.
Legal & General Group PLC	Worker health – paid sick leave	Following a broader series of engagements and investor letters directed at companies that lacked paid sick leave, Legal & General Investment Management (LGIM) focused on US railways which were undergoing major labour disputes on the topic. Strike action was averted through government intervention, however LGIM pointed out that given the sensitive supply chain effects of the sector, "the reliance on government intervention over a basic benefit to stave off market calamity did not seem like a sensible risk-return dynamic worth maintaining". LGIM led an investor coalition specifying the importance of paid sick leave and recommending specific disclosures be made. Through an escalating series of dialogues, LGIM placed pressure on four key railway carriers, helping efforts which have led to three implementing some form of paid sick leave (Norfolk Southern, Union Pacific, and CSX). This benefits thousands of workers, and at the time of writing, LGIM is continuing engagement with the final fourth company[118].

Finding 27: Almost no insurers reported engaging with their clients on human and labour rights impacts.

Engagement with underwriting clients is an important tool insurers can use to influence positive change in their clients' social issues-related practices, to conduct thorough due diligence on their operations and understand the associated risks, and to ensure adherence to legal and regulatory requirements. We asked property and casualty insurers and Lloyd's of London managing agents whether their engagement policies included three key requirements (Figure 36).

Figure 36: Insurers almost never reported requiring their clients (or the clients' brokers) to conduct and publish due diligence on social impacts, nor to prevent, mitigate, or end their adverse impacts

Topic	Policy requirement	Subject of engagement only	Other	None
Clients or brokers conducting/publishing due diligence on their actual or potential adverse human/ labour rights impacts	1 insurer (Swiss Re AG)	3 insurers	None	38 insurers
Clients preventing, mitigating, or ending their adverse human/ labour rights impacts	1 insurer (Swiss Re AG)	3 insurers	3 insurers[xxxv]	35 insurers
Clients or brokers conducting/publishing impact assessments/ due diligence on consumer or community health impacts	None	3 insurers	None	39 insurers

xxxv Tokio Marine Holdings reported requiring "business partners" (who may also be underwriting clients) to incorporate human and labour rights considerations. Tokio Marine's response was provided with a view across the group, and therefore we count HCC Underwriting Agency and Tokio Marine Kiln in this category, for a total of 3 insurers.

Only one insurer (Swiss Re AG) reported requiring clients or brokers to conduct and publish due diligence on their actual or potential adverse human and labour rights impacts, as well as prevent, mitigate, or end their adverse impacts (Figure 36, see also Box 12). They reported frequently requesting relevant documents that are not publicly available, such as social impact assessments, and incorporating the results of such assessments into their decisions. Social impact assessments are mandatory for large-scale greenfield mining and hydropower projects. In addition, Swiss Re reported not supporting business activities that involve high-risk industries in countries where human rights are violated in a severe and systematic way without positive proof that human rights are respected (for example via an independent human rights audit or social impact assessment)[91].

Finding 28: Insurers rarely reported which metrics they use to measure the performance of investees or clients on social issues.

Only 40% of insurers (21 firms) reported using any metrics to measure investee companies' performance on social issues (Figure 37). Only two insurers reported that they ensure all their external asset managers have an equivalent or stronger approach to identifying and assessing social impacts. Five reported ensuring that all external asset managers have some commitments on this subject.

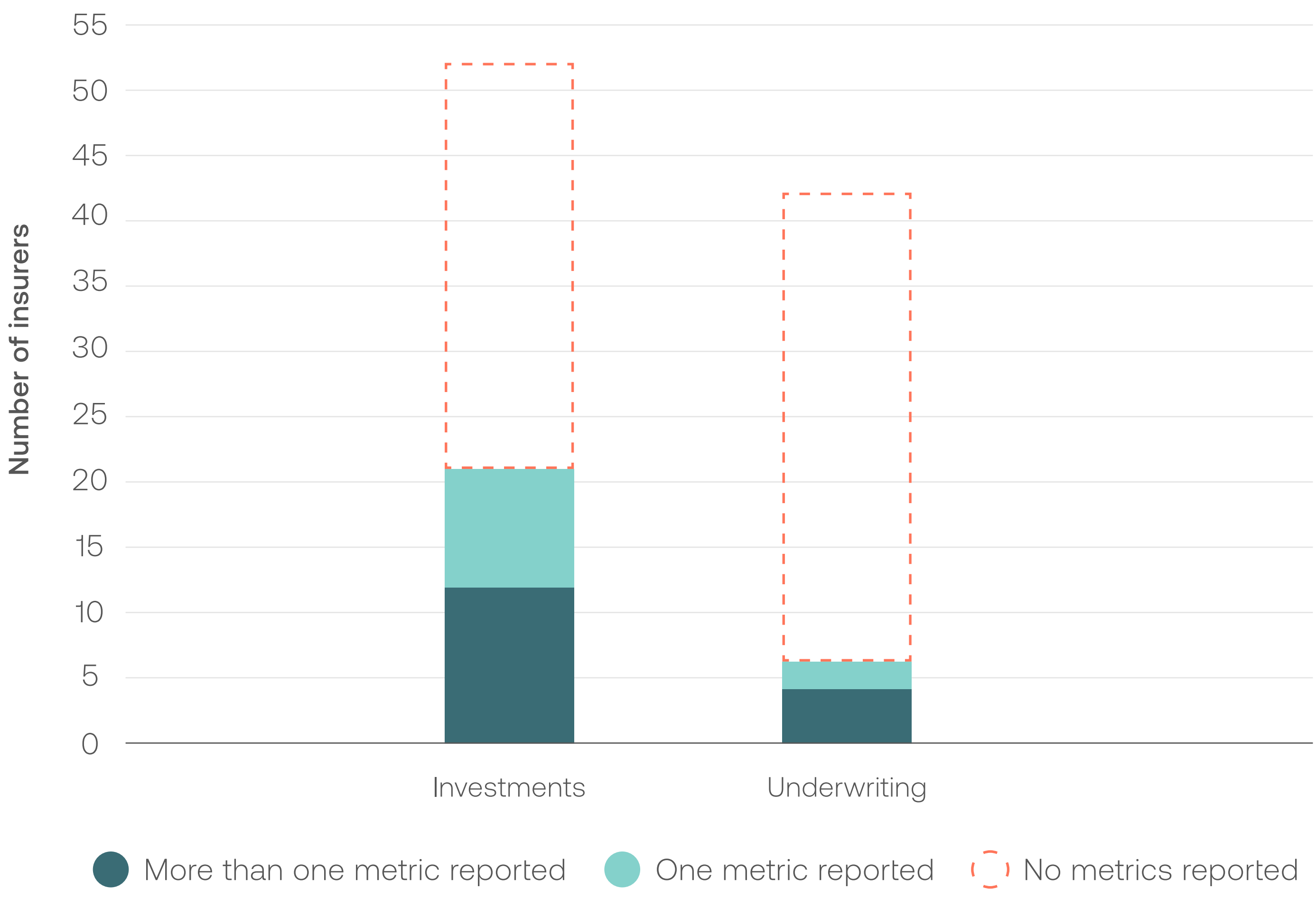
The most used metrics for assessing investees were workforce diversity and controversy reports, closely followed by the gender pay gap, staff turnover, wage data, and (incidents with potential to cause) workplace injuries or fatalities.

For underwriting clients, less than a fifth of eligible insurers reported any metrics. Each of the following metrics were used by one insurer: gender pay gap data, wage data, number of grievances raised/resolved, incidents with potential to cause workplace injuries or fatalities, and number of workplace injuries or fatalities[xxxvi].

The absence of this reporting may suggest that monitoring social issues is not a priority for most insurers. It is difficult to see how insurers who are not collecting data on current practices among investee companies and underwriting clients can hope to positively influence them.

xxxvi Insurers were not given the option to choose 'controversy reports' for the assessment of clients as these are generally less common than for investee companies.

Figure 37: The majority of insurers did not disclose the metrics used to monitor companies' and clients' performance on social issues



Finding 29: Insurers are offering specific products, or preferential terms, to meet social goals, but details of these are generally vague.

We asked property and casualty insurers and Lloyd's of London managing agents whether they offered any specific products, or preferential terms (eg different cover limits, claim thresholds, premium discounts, additional risk management services) for products deemed to have some positive social impact.

NN Group NV gave particularly clear evidence of a product where preferential terms were offered: "safety net insurance", where those rejected for insurance elsewhere could be provided coverage. 25 other insurers (23 property and casualty – 79% – but only two managing agents) gave more general evidence or described some positive social product. A third of these lacked detail or were limited in scope. Ten insurers mentioned either microinsurance or financial inclusion. Of the remainder, common themes included supporting low-income clients with healthcare, disaster relief, and agricultural support.

Four Chinese insurers mentioned supporting underwriting for "rural revitalisation programmes", which emphasise economic development and poverty reduction, but should be viewed in the context of wider policy: this has been a core pillar of the Chinese government's strategy since 2017[119].

Social conclusions and recommendations

Although some insurers display relatively strong performance on social issues – conducting productive engagements with investee companies, considering Indigenous rights in investment and underwriting, and reporting monitoring metrics – on the whole, the insurance sector is neglecting social issues. None of the key standards we have identified in this section were achieved by a majority of insurers. There are some interesting positive developments on investment and underwriting restrictions, and positive underwriting opportunities, but for many insurers these simply follow policy in the relevant jurisdictions, from the enforcement of controversial weapons exclusions in many European countries to underwriting for rural revitalisation programmes in China.

Policy clearly plays a key role. Insurers should restrict investment and underwriting for socially harmful activities, monitor and engage to shift the behaviour of companies, and promote positive social outcomes through underwriting. Where this is not happening, policy could help close the gap.

Recommendations for insurers

Insurers should:

- Adopt restrictions on controversial weapons and tobacco, across all portfolios for investment and for all underwriting clients.
- Consider adopting restrictions based on human rights abuses, labour rights issues, and public health issues.
- Engage with investee companies on social-related issues, using a defined escalation framework which can clearly culminate in a reduction in holdings or divestment if changes in behaviour are not seen.
- Develop and disclose a policy on Free, Prior and Informed Consent, clearly stating how considerations of Indigenous peoples' and local community rights influence investment and underwriting decisions.
- Provide underwriting products with preferential terms if they achieve a certain positive social impact or meet specified social impact criteria.
- Disclose metrics used to assess potential investee companies and underwriting clients on social issues.

Recommendations for policy makers

Policy makers should:

- Ensure international treaty obligations are upheld by insurance companies through legislation, including by those that underwrite or invest in companies that manufacture controversial weapons (Appendix 3).
- Develop a social taxonomy to define socially sustainable activities and enhance insurers consideration of, and requirements on, social factors.
- Legislate for mandatory social-related corporate disclosures, which explicitly integrate health as well as human and labour rights.

Governance and engagement

Governance and Engagement

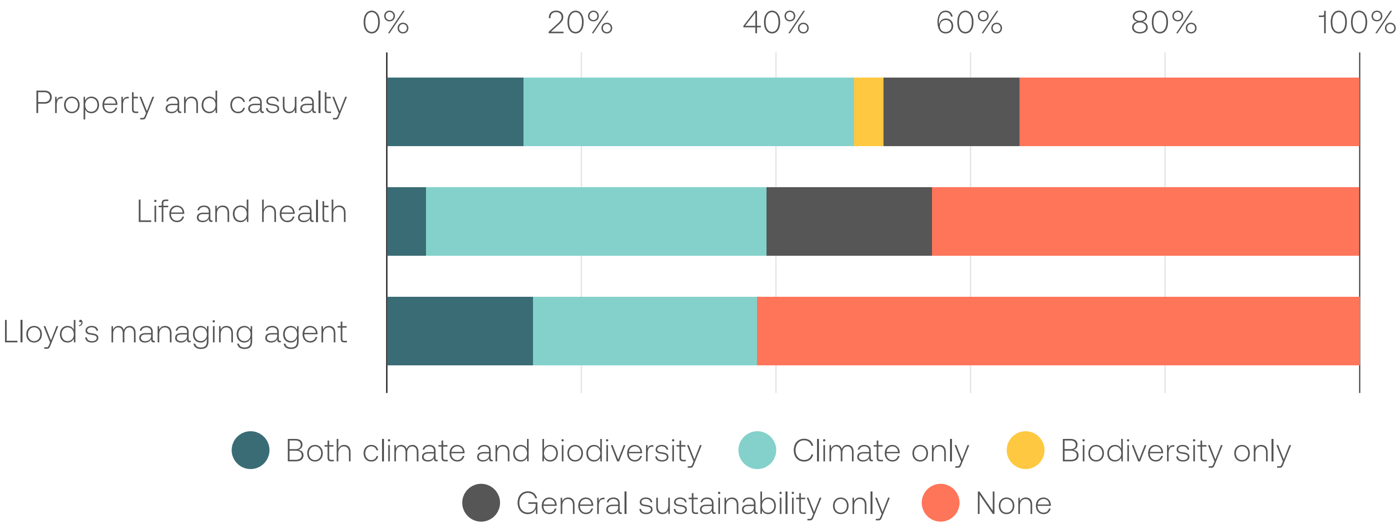
Insurers are not making good use of governance processes and engagement practices to promote responsible investment and underwriting.

This chapter assesses how insurers' responsible investment and underwriting policies and practices are governed, analysing whether boards have members with specific climate- and biodiversity-related expertise, whether remuneration policies incentivise responsible investment and underwriting, and what expectations insurers have of the delegated asset managers who manage their external assets. We also assess insurers' policies for escalating engagement in respect of their internally managed investments.

Finding 30: Less than half of insurers had at least one board member with clear, specific climate- and/or biodiversity-related expertise.

Insurance companies, being fundamentally designed to manage and mitigate risks, should be in a better position than most to understand the need to address climate, biodiversity, and social risks: both to their own businesses and to the planet and its people. The responsibility for the oversight of a company's approach (or lack thereof) to responsible investment and insurance lies with its board of directors. Effective corporate governance on these issues requires them to be embedded into the company's decision-making and long-term strategies. Having appropriate expertise in the room as decisions are made matters[120]. However, we found that just 45% of insurers surveyed could demonstrate they had at least one board member with specific climate and/or biodiversity expertise (Figure 38). A further 12% could only point to general sustainability training.

Figure 38: Less than half of insurers demonstrated specific climate and/or biodiversity expertise on their boards



Finding 31: Insurers are barely using remuneration policies to incentivise responsible investment and underwriting decisions.

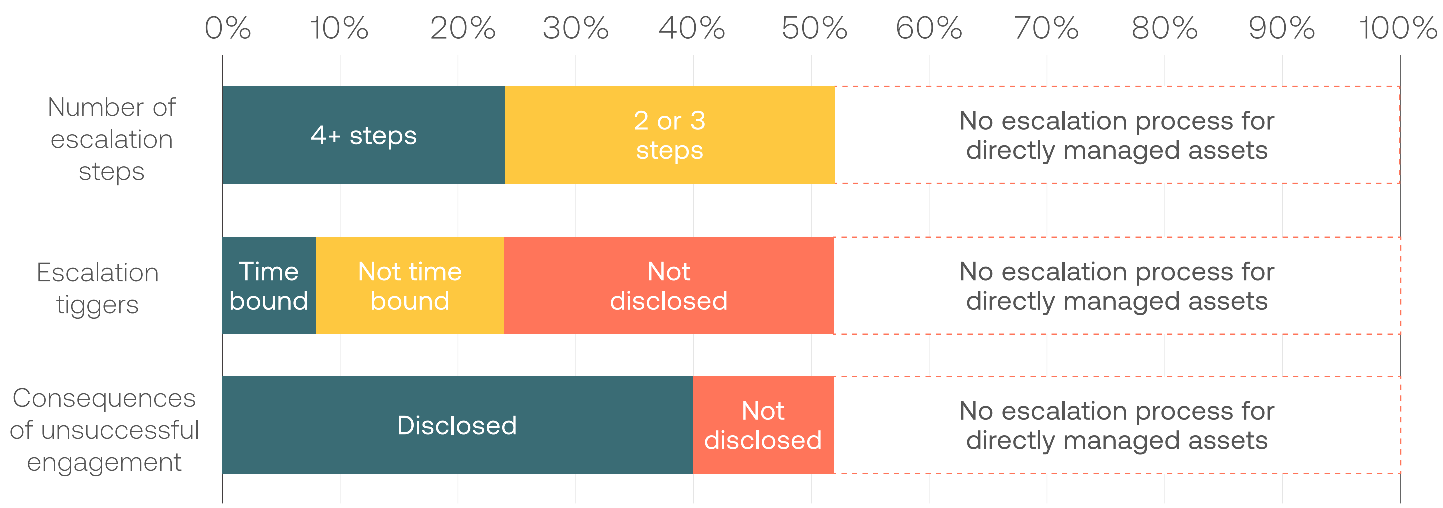
The almost universal prevalence of variable remuneration for management and other senior staff implies that insurance companies believe that pay motivates improved performance. However, in most cases only a tiny proportion of variable remuneration performance metrics are tied to the insurer's climate targets for its investments and/or underwriting. This means that climate targets are likely to be marginalised in practice and senior staff are primarily incentivised to meet other KPIs, such as growing the business' revenues or share price.

Three-fifths of the 65 insurers include variable remuneration components tied to sustainability targets. But only just over two-thirds of these – just 42% of the firms surveyed – are tied to climate targets for the insurer's investment or underwriting portfolio, such as its net-zero goals. The rest related only to targets for the insurer's internal operations, such as the energy supply for its offices, and therefore have a much smaller impact. In addition, while sustainability-related targets were worth 30% of total variable remuneration KPIs in the highest example, most sustainability-related KPIs make up a much smaller proportion of overall pay.

Finding 32: Almost half of those who manage assets directly did not report having an engagement policy with a defined escalation process for their investments.

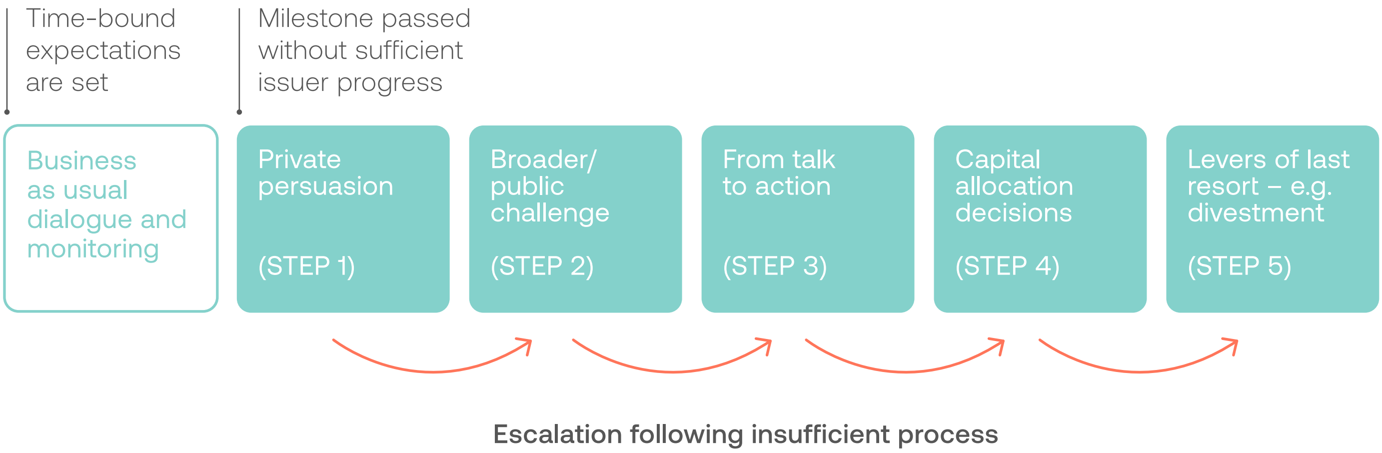
Just under half (25 out of 52) of property and casualty and life and health insurers directly managed at least 5% of their investments internally. Only 13 of these (52%) reported having an engagement policy with a defined escalation process for their internally managed investments. Even where they did exist, escalation processes were frequently very limited: just 24% of insurers set out escalation triggers, and only two of these (8%) were timebound (Figure 39).

Figure 39: Insurers' engagement policies were rarely transparent about escalation triggers, and especially about the timeline



Escalating engagement means using additional, more forceful actions following an insufficient response to concerns raised. Actions can include: public statements; voting against management; requisitioning shareholder proposals; reducing holdings; and, ultimately, full divestment. Setting time-bound expectations for progress ensures that the process doesn't stall, with the engaged company making no progress but experiencing no consequences either.

Figure 40: A model of escalating engagement



For further information about the importance of escalation frameworks and how they can be robustly implemented, see our December 2023 report, Introducing a Standardised Framework for Escalating Engagement with Companies[39].

We also asked insurers whether the consequences of their escalation processes were aligned for investments and underwriting. Of the 16 property and casualty insurers who directly manage assets, just one gave evidence of this (Zurich Insurance Group AG, on engagements with the fossil fuel sector).

Governance and engagement conclusions and recommendations

We found that across all the themes covered in our survey, insurers have an insufficient approach to responsible investment and underwriting. Yet our analysis of their governance shows insurers are not sufficiently equipping themselves or incentivising senior management to respond to the issues facing people and planet. Moreover, the lack of appropriate climate and biodiversity expertise in senior positions appears incompatible with the proper oversight of risks to insurers' own balance sheets.

As wealthy asset owners, insurers wield a lot of power, both in terms of who they choose to manage their assets and which companies they invest in. Despite this, many insurers aren't setting robust expectations and policies for the way their money is managed – whether this is done internally or delegated to external asset managers. Even fewer insurers are reviewing the performance of their chosen asset managers and holding them accountable when they fall short. Yet this should be standard practice in looking after their investments – in much the same way as robust escalation policies with investee companies should lead to divestment if engagement fails to bring about change.

Recommendations for insurers:

Insurers should:

- Structure variable remuneration packages for board members and senior management in a robust way to properly incentivise responsible management. Any variable remuneration should be linked to the achievement of the company's responsible investment and underwriting targets, which should in turn be set out in a transition plan. This should also form a significant proportion of the variable remuneration, and not just a token amount.
- Ensure that their boards include specific expertise to enable them to address environmental and social issues. Key decision makers such as the Chief Underwriting Officer and Chief Risk Officer should receive specific training on environmental and social risks, given, for example, the physical and transition risks to insurers' business, as well as to the planet and its people.
- Ensure their assets are managed in a responsible way, whether this is done internally, or delegated to an external asset manager. Responsible investment management includes setting criteria at the outset for external managers that are at least as strong as the insurer's own internal responsible investment policies; ongoing monitoring of performance; and, ultimately, taking action to reduce or remove mandates if managers become misaligned with the insurer's responsible investment policies.
- Publish a formal client engagement policy for its underwriting which contains guidelines on climate change, biodiversity, human and labour rights and public health
- Publish an engagement report containing a full list of insurance client companies engaged with/denied coverage (for insurers with a property and casualty business)
- Ensure that unsuccessful engagement processes have consequences that apply to both their investments and underwriting operations

Recommendations for policy makers

Policymakers should:

- Require investors, including insurance firms, to publish their stewardship policy. This should include the firm's approach to the responsible allocation, management and oversight of capital and how stewardship activities have contributed to the creation of long-term value for policyholders, clients, and beneficiaries, as well as sustainable benefits for the economy, environment and society. To further enhance its effectiveness, the engagement policy should include an escalation strategy to intensify engagement activities in the case of insufficient response to concerns raised.

- Ensure that senior management are held to account – including financially – when an insurance company fails to address its sustainability impacts from its underwriting and investment activities, as well as its own operations.
- Fully include the financial sector, including their financial activities, within environmental and social due diligence requirements in established and upcoming regulations.

Appendices

Appendix 1: Methodology and key standards

Scope and categorisation of insurance companies

This report covers 65 of the world's largest entities in insurance. We selected insurers based on total asset information available in the Thompson Reuters Refinitiv Eikon database. Insurers often cover a wide range of business lines. The largest insurers by total assets were selected from each of the three categories of insurer we assessed: property and casualty; life and health; and Lloyd's of London managing agents. Insurance brokers and pensions business were excluded.

Property and Casualty

Property and casualty insurance covers loss and damage to personal and business property, as well as related risks such as legal liability, workers' compensation, and so on. The property and casualty insurance we are most interested in is for large-scale business infrastructure, including but not limited to factories, power plants, and mines. All the insurers in this category received at least 5% of their revenue from property and casualty insurance according to Eikon (as at 23 May 2023) and gave some evidence of insurance lines covering the energy, marine or agriculture sectors. We did not include insurers in this category if the only property and casualty business they had was personal motor and home insurance or small business protection, because of the comparatively minor relevance of the impacts of those lines on the themes we assess. Insurers in the property and casualty category may (and most do) also offer life and health insurance.

Life and Health

Life and health insurance provides cover in cases of illness and death. Insurers with very small property and casualty businesses, or businesses which we do not deem relevant (as described in the previous paragraph), feature in this category.

Lloyd's of London managing agents

Lloyd's of London is included in the survey in two places. It is included in the property and casualty ranking to benchmark the strength of its general policies and commitments against that of other leading names in the sector, and 13 of its largest managing agents (representing one or more syndicates at Lloyd's) are benchmarked in a separate ranking. The prominence of Lloyd's of London syndicates in underwriting fossil fuels (as well as other highly impactful industries, such as marine cargo) reinforces the importance of their inclusion in this report.

Setting the survey scope for each category

Property and casualty insurers have substantial environmental and social impacts through their underwriting, as well as their investments. These insurers were therefore assessed on all questions.

Life and health insurers without a substantial property and casualty business might still have significant environmental and social impacts through their underwriting, but these differ in kind and scale from the impacts from property and casualty insurance. We therefore focus only on investment for life and health insurers.

Lloyd’s of London managing agents underwrite the sort of large-scale infrastructure that is also of interest for property and casualty insurers. However, their investments are of a much smaller scale than other insurers, and they overlap with the parent entities’ policies which are already covered in the case of nine of the 13 included. Therefore, we did not include Lloyd’s of London managing agents’ investments in the scope of this survey.

In summary, this report covers:

- The investment policies and practices of 23 of the world’s largest life and health insurers
- The underwriting approach of 13 of Lloyd’s of London’s largest managing agents
- Both investment and underwriting among 29 of the world’s largest insurers with a relevant property and casualty business.

Throughout the report, findings on underwriting and investment only include the insurers who we have surveyed on the relevant subject. Unless otherwise specified, findings referencing the “relevant part of [insurers’] business” refer to investment for life and health insurers, underwriting for Lloyd’s of London managing agents, and both investment and underwriting for property and casualty insurers.

Survey process

ShareAction developed the survey underpinning this report and the ranking in 2023, based on those used in our 2021 report, Insuring Disaster[28]. The updated survey was reviewed by both internal and external subject matter experts. The full survey included 117 questions and can be found here.

The survey was pre-filled in full by ShareAction’s Financial Sector Research team, with answer options pre-selected for each question for each of the insurers, based on publicly available information. Every answer option was populated with supporting text and the references to any source documents or webpages. All insurers in scope of the survey were sent the prefilled survey submission between 25 September and 20 October 2023. Insurers were invited to check the submission and asked to provide additional publicly available evidence to support their answers. We accepted evidence related to any policies that was due to be made public before 31 December 2023. The insurers also had the option to provide further clarification privately, should there be additional relevant information not yet released or commercially sensitive. In a small number of cases (for example where the original message had not been received, or where additional translation was required), a short extension was granted, with all data submitted by 6 November 2023. 35 of the 65 (54%) insurers verified the data.

The Financial Sector Research team then reviewed all submissions in full. Scoring was based on publicly available information, however our researchers used information supplied privately to inform our commentary in the report and the development of future surveys. For each thematic topic in the survey (climate, biodiversity, social, governance and engagement), the data review was divided between at least two team members. Any unclear answers or borderline cases were discussed by all researchers focusing on that thematic topic to ensure consistency in scoring across all answers from all insurers. Any further queries or outliers that arose during the data analysis stage were double checked against source material where appropriate.

Insurers were given a final opportunity prior to publication to respond to our assessment of whether they had achieved each of the key standards. 25 insurers did so, including 2 who did not respond to the original verification request.

Preliminary results were communicated internally with subject matter experts, to inform our analysis and presentation of results. The draft report was also reviewed both internally and externally.

Grades and ranking

As in ShareAction's previous financial sector reports, each institution has been assigned a grade as a measure of their performance. However, for the first time, this report links these grades to meeting specific 'key standards' rather than overall scores. Four key standards have been identified for each of the report's main sections, plus a further two for net-zero targets. These standards are based on indicators which we considered to be the most important and fundamental in each section, as well as being achievable (28 of the 30 standards were achieved by at least one insurer).

Grades have been assigned based on the number of standards achieved. For higher grades, we also required key standards to be achieved across a range of sections. Insurers could essentially 'miss' one theme and still achieve a B grade, but needed to score in every section to receive an A. Since each category of insurers was asked different questions, due to their differing business lines, the requirements for each grade vary by category, but the proportion of standards required was set in the same way. This is summarised in Figure 41. The firms are therefore presented in three separate rankings. Insurers are ranked first by grade and then by overall score within each grade.

Figure 41: Key standards summary

Grade boundary	Required proportion of standards	Number of standards required for each category			Additional requirements
		P&C	L&H	Lloyd's MAs	
A	≥ 80%	24	13	12	At least one standard in each section
B	≥ 60%	18	10	9	At least one standard in 6 out of 8 sections (P&C) or 4 out of 5 sections (L&H, Lloyd's MA)
C	≥ 40%	12	6	6	-
D	≥ 20%	6	3	3	-
E	At least 1	1	1	1	-
F	None	0	0	0	-
Total number of standards available		**30**	**17**	**16**	

List of Key Standards

Figure 42: List of key standards

Theme	Standard
Governance & Engagement	Has at least one board member with specific climate- and/or biodiversity-related expertise
	Has an engagement policy for directly-managed assets with a defined escalation process, setting out escalation triggers and consequences of unsuccessful engagement
	Has integrated responsible investment criteria in tender process for appointing external asset managers, and reviewed responsible investment performance
	Has formalised guidelines for engaging with underwriting clients regarding at least two topics out of climate change, biodiversity, human and labour rights (including worker health), and public health (consumer health, community health)
Climate Change - Investment	Has published a climate transition plan that covers its investments, clearly outlining how it will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with climate science recommendations [1]
	Has made a strong commitment to exclude [2] thermal coal **and** unconventional oil & gas [3], **and** place some restriction on companies developing new conventional oil & gas capacity across all its corporate debt and equity investments
	Has engaged with investee companies on at least three different climate topics including emissions reduction strategy since 1 January 2021
	Has set a specific, measurable, and timebound target using a clear methodology for the proportion of its investments to be invested in the climate transition [4]

Theme	Standard
Climate Change - Underwriting	Has published a climate transition plan that covers its underwriting activities, clearly outlining how it will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with climate science recommendations [1]
	Has made a strong commitment to exclude [2] thermal coal and unconventional oil & gas [3], **and** place stronger restrictions on companies developing new conventional oil & gas capacity in its underwriting
	Has a formal underwriting engagement policy that sets out at least one of the following key climate asks as a requirement, or demonstrates evidence of broad engagement on multiple of these areas: a) clients in all material sectors to adopt and publish short term (2025) and/or medium term (2030) GHG emission reduction targets; b) clients in all material sectors to set ambitious targets for positive climate investment [4]; c) client fossil fuel companies to commit to immediately and progressively decrease their production of coal and unconventional oil & gas; and d) client fossil fuel companies to immediately put an end to new fossil fuel supply projects, in line with the IEA's Net Zero by 2050 recommendations.
	Offers insurance for solutions which support the climate transition [4], and insurance with preferential terms [5] for projects with positive outcomes for the climate or that meet certain climate-related criteria
Net-Zero Targets	Has set a net-zero target for 2050 or sooner that is aligned with 1.5C
	Has set an interim target to reduce emissions by at least 40% by 2030, or 30% by 2025, covering at least three quarters of relevant portfolio [6]
Biodiversity - Investment	Has specific biodiversity-related requirements for investments covering at least two sectors with high biodiversity impacts
	Restricts investment in companies operating in areas of global biodiversity importance, covering at least two definitions of biodiversity importance or effective area-based conservation, eg Protected Areas under particular IUCN management categories and Key Biodiversity Areas
	Has made a timebound commitment to reduce negative biodiversity impacts or threats – or increase positive impacts – across corporate debt, equity, and infrastructure investments, measured in terms of biodiversity impact
	Assesses direct impacts and dependencies from its investments on biodiversity [7]
Biodiversity - Underwriting	Has specific biodiversity-related requirements for underwriting covering at least two sectors with high biodiversity impacts
	Restricts the underwriting of companies operating in areas of global biodiversity importance, covering at least two definitions of biodiversity importance or effective area-based conservation eg Protected Areas under particular IUCN management categories and Key Biodiversity Areas
	Assesses direct impacts and dependencies from its underwriting on biodiversity [7]
	Offers insurance for solutions to prevent biodiversity loss or support biodiversity restoration and/or offers preferential terms [5] for projects that have positive outcomes for biodiversity or meet certain biodiversity-related criteria
Social - Investment	Has a policy that excludes investment in controversial weapons and tobacco
	Has a policy that restricts investment on the basis of other controversial issues (conventional weapons, human rights, worker health, community health, consumer health other than tobacco)
	Has an investment policy that considers Free, Prior and Informed Consent [8]
	Has engaged with investee companies on at least two distinct social topics since 1 January 2021

Theme	Standard
Social - Underwriting	Has a policy that excludes underwriting of controversial weapons and tobacco
	Has a policy that restricts underwriting on the basis of other controversial issues (conventional weapons, human rights, worker health, community health, consumer health other than tobacco)
	Has a policy that requires underwriting clients in priority sectors to adopt and publish policies which commit to protecting the rights of Indigenous people and local communities
	Offers preferential terms [5] for projects with positive social outcomes and/or that meet certain social impact-related criteria

[1] Targets alone should not be considered a plan. In alignment with the Transition Plan Taskforce framework[31], the criteria we used for a credible transition plan are sufficient evidence of 'Ambition,' 'Action' and 'Accountability':

- Ambition – Outlines how the entity will develop its decarbonisation strategy, respond to relevant climate risks and opportunities, and contribute to the transition of wider economy and society. There should be mention of the assumptions and dependencies that underpin the strategy.
- Action – Evidence of an implementation and engagement strategy that includes concrete steps in the short, medium and long term to reduce greenhouse gas emissions (scope 1, 2, and 3), and engage with stakeholders across the value chain (eg policy makers, regulators, and consumers).
- Accountability – metrics and targets (financial and non-financial) for achieving the strategic ambition, and accountability mechanisms for ensuring transition plan is operationalised (eg board oversight, remuneration, skills and training).

[2] Either on an absolute basis, or using a threshold allowing companies with revenues from these activities of no more than 10%.
[3] Unconventional oil & gas, when compared to conventional oil & gas, generally has higher costs, technical requirements and environmental impacts associated with production. We include in this definition oil sands, Arctic oil & gas, ultra-deepwater oil & gas, and fracked oil & gas.
[4] The provision of capital with an explicit goal of funding transition. For example, low-carbon and climate-resilient technologies, assets, or projects
[5] For example, different cover limits, claim thresholds, premium discounts, additional risk management services.
[6] By relevant portfolio, we mean investments for life and health insurers; underwriting for Lloyd's of London managing agents; and both investments and underwriting for property and casualty insurers.
[7] We define biodiversity-related impacts and dependencies as the ways in which businesses affect (both positively and negatively), and also rely on natural ecosystems. Impacts and dependencies can arise directly from business operations or indirectly from the use of products and services (either upstream or downstream).
[8] FPIC is a right that is recognised in the UN Declaration on the Rights of Indigenous Peoples. It allows Indigenous peoples to give or withhold consent to a project that may affect them or their territories. It also enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated.

Scoring

A maximum number of available points was assigned to each question, and each answer option within it. Higher numbers of points were available where the question covered more content or was of greater significance for responsible financial performance. Some questions had been included in the survey to enhance our understanding of the results and/or overall trends in responsible finance and were not scored.

The insurer's overall score is the sum of all the points it scored across all questions for which it was eligible. Since each category of insurers was asked a different set of questions (see "Setting the survey scope…" , above), overall scores are not directly comparable from one category to another.

Available points were distributed across the thematic topics according to the weightings below (Figure 43). As the investment and underwriting sections were not relevant for Lloyd's of London managing agents and life and health insurers respectively, the relative weighting of the thematic sections varies slightly between insurer type:

Figure 43: Overall points by theme

Insurer category	Governance and engagement	Climate and net-zero targets	Biodiversity	Social	TOTAL
P&C	30	60	50	40	180
Lloyd's MA	16	40	30	24	110
L&H	24	30	20	16	90

Figure 44: Overall score weightings by theme.

Insurer category	Governance and engagement	Climate and net-zero targets	Biodiversity	Social
P&C	17%	33%	28%	22%
Lloyd's MA	15%	36%	27%	22%
L&H	27%	33%	22%	18%

Internal and external investment management

Some insurers directly manage their investments internally, some use affiliated asset managers within the same group, and others delegate investment management to external, unconnected, asset managers. Many use a combination of these approaches. While approaches to risk management vary, it is crucial to the success of insurers' responsible investment policies that any delegated external asset managers have – at least – an equivalent approach. Most questions have been designed to apply to both delegated (externally managed) and directly managed assets. A small number of questions in the governance and engagement section specifically asked about the way investment mandates were delegated, or engagement conducted with investee companies in respect of assets managed directly by insurers themselves. Insurers that only used either internal or external management – but not both – were awarded points on these questions according to the average of their score on the rest of the governance and engagement section to ensure they weren't penalised for their business model. One of the key standards specifically refers to internal investment management, and another specifically to the process of delegating to external managers. These are both crucial and fundamental aspects of the way insurers manage their investments and we deemed them too important to ignore. This outweighed the limitation that most insurers could only receive one of these two standards, which was further mitigated by being a small fraction of the total number of standards available in the survey.

Appendix 2: International human and labour rights frameworks

Insurers and their asset managers can integrate the following standards, guidelines, and principles into their policies and their due diligence processes, while engaging with companies and clients to ensure they are meeting these expectations and reporting in line with them.

International Labour Organization (ILO) standards

International labour standards are legal instruments that set out basic principles and rights at work. There are 11 fundamental instruments – 10 Conventions (legally binding international treaties that may be ratified by member states) and a Protocol[121]. The initial Conventions covered subjects such as freedom of association and the right to collective bargaining; the elimination of forced labour and child labour; and the elimination of discrimination in respect of employment. The right to a safe and healthy working environment was added to the ILO's framework of rights at work in June 2022.

OECD Guidelines for Multinational Enterprises and Responsible Business Conduct for Institutional Investors

The OECD Guidelines for Multinational Enterprises provide non-binding principles and standards for responsible business conduct for multinational corporations, including investors, which operate in or from countries adhering to the OECD Declaration on International Investment and Multinational Enterprises[122–124].

United Nations Global Compact (UNGC)

The UNGC is a non-binding initiative to get businesses to adopt sustainable and socially responsible policies, based on 10 social and environmental principles (six of which refer specifically to human and labour rights) and to report on their progress on these[125].

United Nations Guiding Principles on Business and Human Rights (UNGPs)

The UNGPs are a set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations. They rest on three pillars: the duty of the state to protect human rights; the responsibility of corporations to respect human rights; and access to remedy for victims of business-related abuses[126].

Appendix 3: Controversial and conventional weapons

Controversial weapons include weapons of mass destruction and weapons that cause indiscriminate harm, and are covered by several international agreements:

- The 1968 Treaty on Non-Proliferation of Nuclear Weapons
- The 1972 Biological and 1997 Chemical Weapons Conventions
- The 1997 Ottawa Treaty (covers anti-personnel landmines)
- The 2008 Convention on Cluster Munitions
- The 2014 Arms Trade Treaty
- The 2017 Treaty on the Prohibition of Nuclear Weapons

The UN Charter does not forbid its member states to own and use **conventional weapons** when this is done in conformity with international law. However, the 1981 Convention on Certain Conventional Weapons seeks to ban or restrict the use of specific types of weapons that have indiscriminate effects on civilians or cause unnecessary suffering for combatants: incendiary weapons; weapons that produce non-detectable fragments; mines, booby-traps and other devices; blinding laser weapons; and explosive remnants of war[127].

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Registered Charity Number: 1117244

EU Transparency Register number: 75791956264-20