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Insurance CSRD Survey

Summer 2024 edition

MAKING AN IMPACT THAT MATTERS since 1845

Four months from go-live for FY24 reporters, our survey sheds light on industry readiness and emerging market practice

Our inaugural Re/Insurance CSRD Benchmark published in March 2024 captured data from 16 re/insurers and identified early trends in the CSRD journey.

For this second edition we interviewed 23 organisations in the insurance value chain over Summer 2024. Our survey provides cutting-edge insights on industry readiness and emerging market practice on some of the most complex challenges across the following themes:

- Programme maturity, governance, and assurance
- Double materiality assessment
- Transition plan, policies, actions and targets
- Scope 3 GHG emissions
- Implementation and technology considerations

Overall, there is significant diversity in readiness, and we expect market practices to shift in the coming years as transition reliefs cease, new regulatory guidance is released, and market standards are developing.

If you are interested in comparing notes on sustainability reporting, how to embed it in your operating model and and how to unlock long-term value, please do not hesitate to contact us.

Click here to see the benchmark

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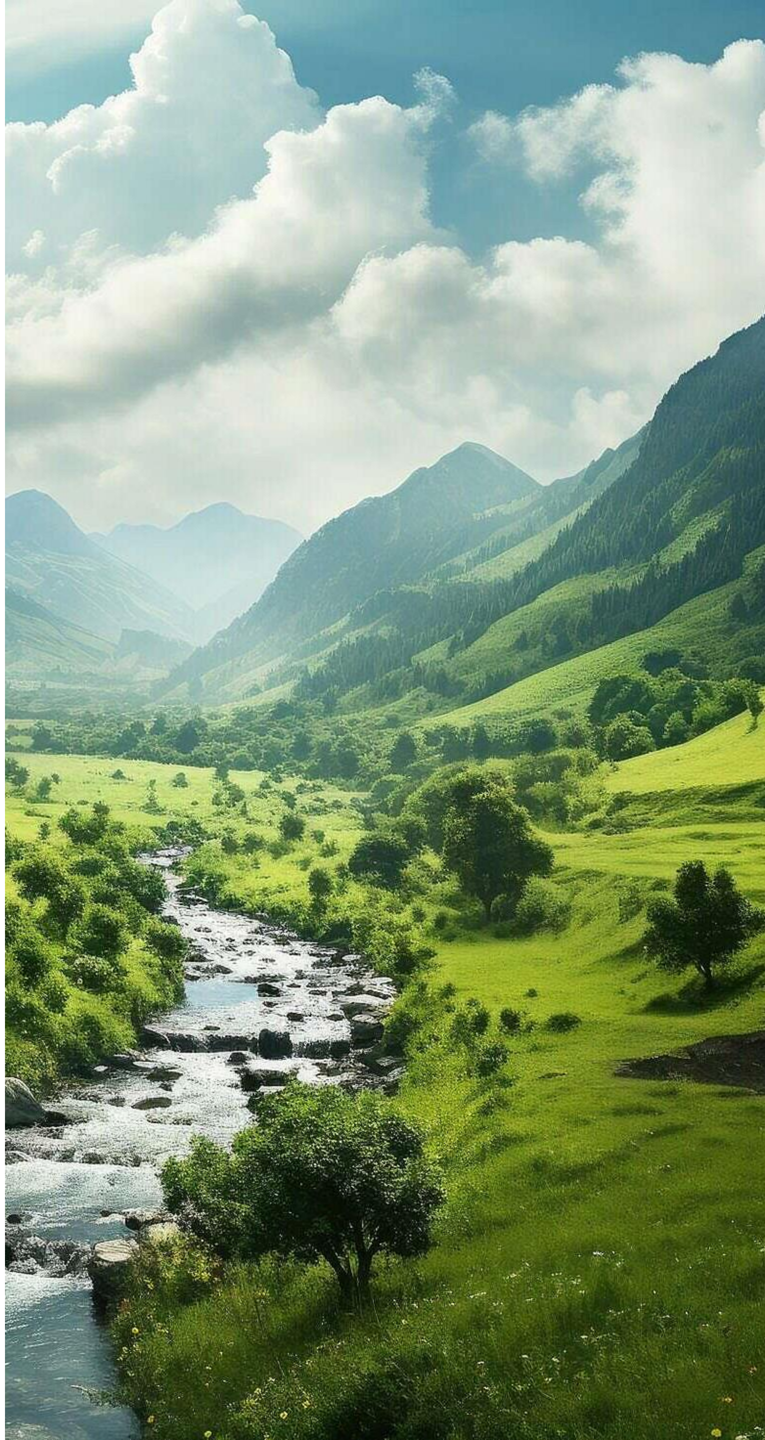


We interviewed 23 organisations to get a pulse of the insurance market's CSRD readiness

They include insurers, reinsurers, a broker and a market-place across the life & pensions, health and non-life sectors

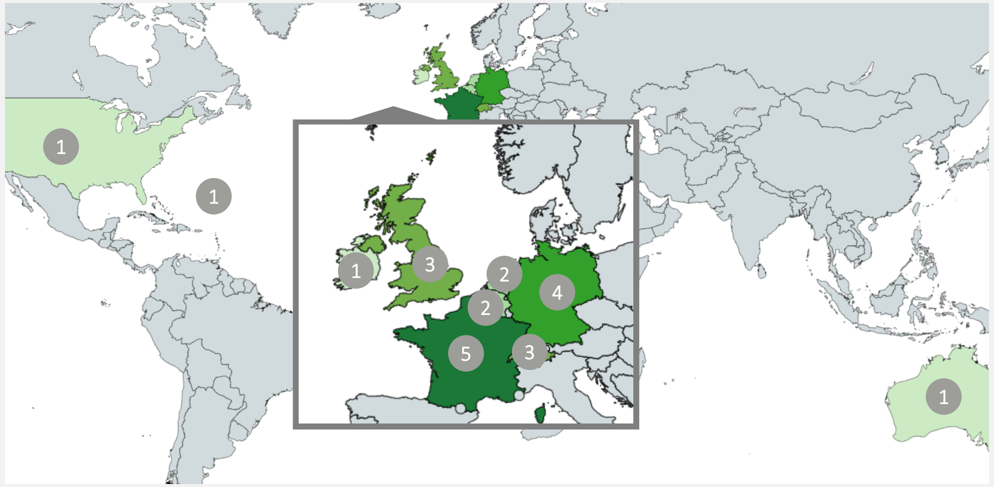
Sub-sector

Sub-sector	HQ Location		Total
	EU	Non-EU	
Life & Health	3	1	4
Non-Life	2	2	4
Composite	9	4	13
Broker, marketplace	-	2	2
Total	14	9	23
Incl. re-insurance	5	6	11

Consolidated total assets

Consolidated total assets (€)		<200bn	200-700bn	>700bn
Total	23	18	3	2

Headquarter location



First reporting year

17 out of 23 survey respondents or 74% plan to start reporting under CSRD in FY24 whether at Group or local level.

Sector	Headquarter Location		Total
	EU	Non-EU	
EU and Non-EU Group reporting			
FY24	12	1	13
FY25	2	1	3
FY28	-	7	7
Total	14	9	23
EU Legal entity reporting within non-EU Group[1]			
FY24	N/A	4	4
FY25	N/A	4	4
Total	N/A	8	8

1. Each survey participant is counted as 1 even in the case of multiple legal entities reporting under CSRD. Total of 8 respondents out 9 given one plans to early adopt CSRD for Group reporting using ESRS in FY24

Reporting options

- Two Swiss Groups with a high number of local CSRD EU reporters currently plan to early adopt CSRD respectively in FY24 and FY25 and apply ESRS for their Group sustainability statement in order to use the **subsidiary exemption available for non-EU Group applying ESRS-equivalent standards** and respectively not report locally from FY24 onwards or discontinue local sustainability statements from FY25 onwards. This is primarily to save effort and cost in a context where the delta between CSRD and Swiss regulations, such as Article 964 and the Climate Ordinance is not deemed significant.
- One other non-EU Group is also considering applying the **temporary artificial European consolidation** option to save effort.

The insurance industry is on the cusp of a major reporting transformation as CSRD is poised to reshape sustainability disclosures

Challenges remain as insurers navigate data complexities, evolving methodologies, and the need for robust technology

The benchmark took a pulse of the market and flagged some common themes and challenges.

CSRD readiness: A mixed picture

74% plan to begin CSRD reporting in FY24, but only 6% of those have completed a mock report at the time of this survey (summer 2024), highlighting a gap between intention and readiness.

CFOs are taking the lead

86% of respondents identify the CFO as solely or jointly accountable for CSRD programme execution, indicating a continued shift towards operationalising sustainability reporting within finance functions.

Double Materiality Assessment (DMA) challenges

78% have completed their DMA (noting FY24 is the first year of reporting for 74%). A lack of insurance-specific guidance and access to relevant data were cited as key challenges.

E1 and S1 are universally material

All deemed E1 Climate Change and S1 Own Workforce as material topics, reflecting a sector-wide focus on these key areas. However, beyond this, different business models lead to a divergence in what is considered material.

Transition reliefs used by most

90% of respondents plan to apply transition reliefs allowed by ESRS 1 Appendix C and/or transitional provision related to chapter 5 on value chain.

They aim at tackling the immediate compliance requirement and building valuable experience to inform the approach and plan for later years of reporting.

Limited assurance prevails over reasonable assurance

21% are considering voluntary reasonable assurance in the first year of CSRD reporting.

Most see this as too challenging given current data and reporting maturity levels. Early adopters of reasonable assurance are focusing on a limited set of KPIs with existing assurance history.

Scope 3 emissions: A phased approach

The insurance sector is divided on disclosing Insurance-Associated Emissions (IAEs). While a few pioneers are forging ahead (25% of FY24 reporters), the majority remain undecided on timelines and methodologies, hampered by data limitations. Only a third surveyed plan to disclose IAEs within the next four years.

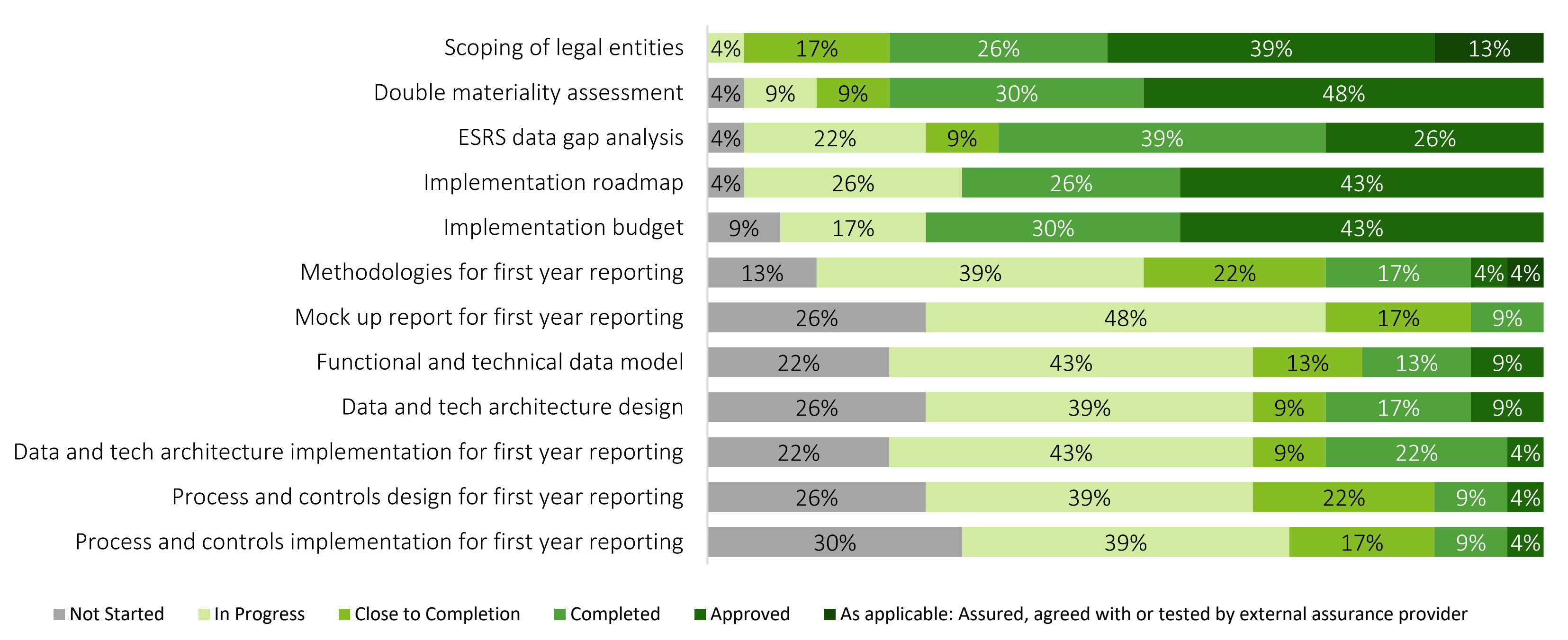
Tactical solutions dominate in year one

Participants are favouring a phased approach, with a majority (63%) opting for tactical solutions in year one, leveraging a reuse and extend approach to existing technology (70%).

Leading firms are simultaneously building a strategic roadmap, while planning for a more sustainable future solution.

There has been significant progress over the past 6 months, but many are still catching up

Four months ahead of go live, only one respondent has finalised a mock up report, and most are going tactical

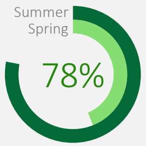


Programme status

Most respondents have their completed scoping, double materiality assessment, gap analysis, roadmap business processes and controls. Most are at an advanced first year implementation budget stage.

However, four months ahead of go-live **only one** (6% of those planning to report in FY24) **has completed a mock up report** for first year reporting (since then we are aware that some participants have completed one) and **none have the DMA disclosure assured**.

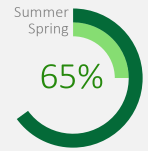
Many companies are opting for a tactical approach to data and technology for first-year reporting, but there is still significant work to be done in building the business case for a more robust solution.



Have completed a **double materiality assessment**, a 44bp increase[3] since Spring

4.5 months[1] To complete the DMA on average

Range: 1.8 - 12



Have now completed the **ESRS data gap analysis**, a 40bp increase[3] since Spring

2.2 months[2] To conduct the ESRS data gap analysis on average

Range: 0.9 - 8

Leaders are mostly EU Groups reporting in FY24, with over €100bn of total consolidated assets.

A number of non-EU respondents voiced that while the DMA was performed over 2-3 months, they had **underestimated the time to get the DMA outcome approved**, especially by Group's governance. Bringing Group along the journey from the outset of the programme is critical.

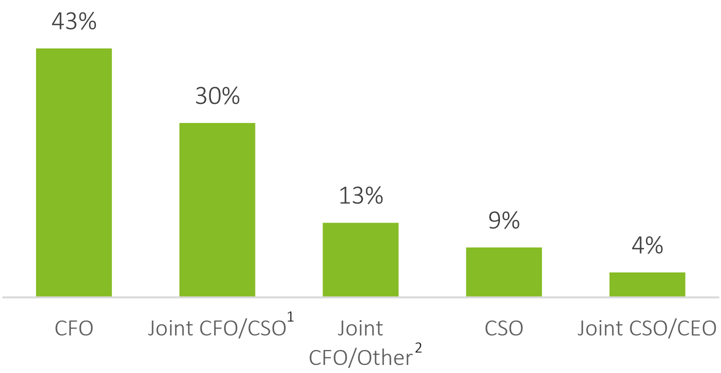
For time efficiency, 64%[2] **started the ESRS data gap analysis in parallel to the DMA on a no-regret basis**. They often focussed on the highly likely material E1, S1and G1 topics and then completed the analysis following the DMA completion. The refinement exercise included adding material topics and removing data points not related to material sub-topics and/or sub-sub-topics.

(1) Data captured for 20 respondents out of 23 (2) Data captured for 22 respondents out of 23 (3) Directional comparison only, given the Spring benchmark covered 16 participants vs. 23 this time

The trend to transfer sustainability reporting accountability to the CFO is increasing

ESG governance continues to evolve. The increased CFO accountability for ESG reporting reflects the demand for regulatory reporting delivery expertise. Boards and Audit Committees are also stepping up a gear in their engagement on CSRD

CSRD accountable executive



(1) Including CRO for 4% (2) Other include: CEO, CRO, General Counsel and Corporate Affairs

The CFO has full or joint accountability for 86% of respondents, and 9% of participants have transferred sustainability reporting accountability from the CSO to the CFO over the past 6 months. This is explained by the objective of operationalising sustainability reporting, the finance function's experience in external assurance, and the importance of ESG performance management for both the CSO and CFO.

The CSO has full or joint accountability for 43% of respondents, suggesting the importance of a dedicated sustainability function to unlock strategic value from CSRD.

When other executives have joint accountability – CRO, CEO, General Counsel and Corporate Affairs - it often reflects company-specific governance and operating model.

Non-EU Group CSRD programme governance

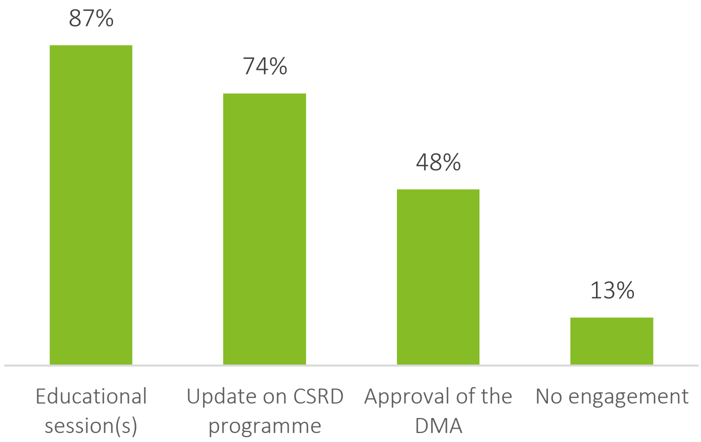
6 | have a **local-led** programme with substantial Group enablement

3 | Have a **Group-led** programme with local input

All 9 non-EU participants have given Group a substantial role in their CSRD programme governance, whether as enabler or programme leader. This is primarily to ensure alignment on public disclosures, climate transition planning, policies and methodologies, and to unlock cost efficiencies.

Two UK insurers other than the 3 UK survey participants have decided on the contrary to have a local-led programme with limited Group enablement. They, as well as one of the 3 UK survey participants, are focusing their Group reporting effort on **getting ready for ISSB reporting** (the IFRS' International Sustainability Standards Board) instead.

Board engagement



Most Boards are now actively engaged, especially at the legal entity Board level.

All 13% of respondents who have not yet engaged with the Board have already planned for such engagement (which is imminent) and have a non-EU parent. 2/3 are reporting for the first time in FY25.

A number of respondents voiced increased expectations from Boards and Audit Committees towards **reasonable assurance readiness** and **sustainability reporting timetable acceleration** to align with financial reporting.

21% are considering seeking reasonable external assurance voluntarily

This reflects increased scrutiny from Boards and Audit Committees. In parallel, there was resounding concerns on auditors' readiness

Most do not plan to seek reasonable external assurance

The European Commission is expected to evaluate in 2027 whether to introduce reasonable assurance for CSRD reporting. Whilst the timeline is undefined at this stage, if adopted, it is unlikely to take effect before FY30, allowing firms sufficient time to prepare. However, the Commission is increasingly focused on reducing regulatory burden. This could result in the implementation of reasonable assurance being further delayed.

Most respondents do not plan to seek voluntary reasonable assurance on the sustainability statement under CSRD ahead of its requirement and instead plan to seek mandatory limited assurance. Reasonable assurance remains extremely challenging for most organisations due to extent of CSRD disclosures and maturity of their current reporting architecture, data quality and controls.

Those who are planning to seek reasonable assurance voluntarily commented on increased scrutiny from Boards and Audit Committees, with risks of green-washing or social-washing top of mind. Most of them plan this **for a selection of KPIs only, especially those they have disclosed and obtained limited assurance on for some time already, for example certain categories of GHG emissions.**

The goal post is evolving and uncertain

"**Expectations and standards are not stable.** It creates a lot of uncertainty on the CSRD project outcomes and audit opinions"

"**CSRD was not written for insurers, and the Financial institutions standard is not expected before Summer 2027. It is not helping**"

"Regulations are still under development"

"We're not clear on what could lead to a qualification"

Assurance providers are also on the learning journey

"External assurance providers are also struggling to interpret the guidance"

"Auditors are not yet at the required knowledge level"

"Are we paying them an audit fee to fund their learning?"

The assurance readiness effort is often underestimated

"Engaging with assurance providers requires significant effort, particularly in communication, alignment, and project management, leading to increased costs"

"We were surprised by the level of documentation required for the double materiality assessment; we spent considerable time remediating it"

"It is important to engage them as early as possible on DMA as well as methodology and interpretation"

"Is our Audit Committee ready for a qualified opinion? No"

The survey reveals a clear prioritisation of certain sustainability topics

Consistent with our Spring benchmark, E1 Climate change, S1 Own workforce, and G1 Business conduct are most frequently material

Environmental

ESRS E1 Climate change	**100%**
Climate change adaptation	91%
Climate change mitigation	91%
Energy	59%
ESRS E2 Pollution	**18%**
Pollution of soil	5%
Pollution of water	5%
Pollution of air	14%
Pollution of living organisms and food resources	5%
Substances of concern	5%
Substances of very high concern	5%
Microplastics	5%
ESRS E3 Water and marine resources	**14%**
Water	14%
Marine resources	9%
ESRS E4 Biodiversity and ecosystems	**36%**
Direct impact drivers of biodiversity loss	27%
Impacts and dependencies on ecosystem services	18%
Impacts on extent and condition of ecosystems	18%
Impacts on the state of species	14%
ESRS E5 Resource use & Circular economy	**23%**
Resources outflows related to products and services	23%
Resources inflows, including resources use	23%
Waste	23%

Social

ESRS S1 Own workforce	**100%**
Equal treatment and opportunities for all	77%
Working conditions	64%
Other work-related rights	55%
ESRS S2 Workers in the value chain	**36%**
Equal treatment and opportunities for all	18%
Working conditions	23%
Other work-related rights	18%
ESRS S3 Affected communities	**0%**
Communities' economic, social and cultural rights	0%
Communities' civil and political rights	0%
Rights of indigenous people	0%
ESRS S4 Consumers and End-users	**82%**
Social inclusion	45%
Information-related impacts	64%
Personal safety	45%

Governance

ESRS G1 Business conduct	**91%**
Corporate culture	68%
Management of relationships with suppliers	32%
Whistleblower protection	64%
Political engagement	23%
Corruption and bribery	77%
Animal welfare	5%

Data captured for 22 respondents out of 23

100% (always material) | 80-99% | 60-79% | 40-59% | 20-39% | 1-19% | 0% (never material)

Beneath these topics and across others, however, there is significant variation seen, often driven by the nature of the business model.

Within **environmental topics**, materiality beyond E1 varied significantly depending on the underwriting and investment portfolios in question

- Commercial and speciality re/insurers more often found E2 and E3 material due to significant exposures to lines such as construction or marine.
- Life insurers found E4 material more often due to large equity portfolios with exposure across industries. Many firms cited data concerns that prohibited further engagement with the topic, but established frameworks such as TNFD supported the materiality assessment.
- E5 was most commonly material to re/insurers with large personal lines and motor books, most often because of the nature of the claims process for these lines.

All identified **social material impacts** in own workforce, but there was variation on sub-topics depending on the presence of non-employees in own workforce. Some major suppliers were included in this category in S1 rather than S2 workers in the value chain, which depended on the nature of outsourcing agreements. Finally, while S4 was commonly material, those that didn't find this material were typically in B2B speciality business.

Nearly all identified **governance-**related topics as material. These were mainly around corporate culture, managing supplier relationships and with established regulatory topics like corruption and bribery and whistleblowing.

Some have identified **entity-specific topics** not already covered by the such as insurance-associated emissions when not deemed part of ESRS E1 (especially in Germany). We expect the Financial institutions specific standard will help clarify additional topics for the sector.

Variances emerge at the granular sub-sub-topic level

European headquartered respondents have found a greater number of sub-sub-topics material than their non-European counterparts

Key material sub-sub-topics , vary significantly and show some alignment with business model, geographic spread, and consumer base.

Higher scoring sub-sub-topics, such as E4 climate change, corruption and bribery prevention, secure employment, gender quality, and privacy, tend to align to topics most participants are already considering or link to a broader ESRS category, such as the link between E4 and E1 regarding climate change.

European participants, including those based in the UK and Switzerland, represent most the of the sub-sub-topics found material in their DMA relative to non-European peers. This is not surprising given regulations, such as the German supply chain act, GDPR across the EU (privacy), and the environmental liability directive in the EU (land use change), have a stronger link to many sub-sub-topics.

Environmental

ESRS E3 Water and marine resources		14%
Water & marine resources	Water consumption	14%
	Water withdrawals	9%
	Water discharges	9%
	Water discharges in the ocean	9%
	Extraction & use of marine resource	9%

ESRS E4 Biodiversity and ecosystems		36%
Direct impact drivers of biodiversity loss	Climate change	27%
	Land-use change, fresh water-use change, & sea-use change	23%
	Direct exploitation	14%
	Invasive alien species	14%
	Pollution	18%
Impacts on the state of species	Species population size	14%
	Species global extinction risk	14%
Impacts on the extent and condition of ecosystems	Land degradation	18%
	Desertification	18%
	Soil sealing	18%

Governance

ESRS G1 Business conduct		91%
Corruption & bribery	Prevention & detection including training	68%
	Incidents	59%

Social

ESRS S1 Own workforce		100%
Working conditions	Secure employment	59%
	Working time	55%
	Adequate wages	55%
	Social dialogue	41%
	Freedom of association, the existence of work councils & the information, consultation & participation rights of workers	41%
	Collective bargaining	31%
	Work-life balance	59%
	Health and safety	55%
Equal treatment and opportunities for all	Gender equality & equal pay for work of equal value	68%
	Employment & inclusion of people with disabilities	55%
	Measures against violence & harassment in the workplace	59%
	Diversity	68%
	Training & skills development	55%
Other work-related rights	Child labour	32%
	Forced labour	32%
	Adequate housing	27%
	Privacy	55%

ESRS S2 Workers in the value chain		36%
Working conditions	Secure employment	14%
	Working time	9%
	Adequate wages	14%
	Social dialogue	9%
	Freedom of association, the existence of work councils & the information, consultation & participation rights of workers	9%
	Collective bargaining	9%
	Work-life balance	14%
	Health and safety	18%
Equal treatment and opportunities for all	Gender equality & equal pay for work of equal value	14%
	Employment & inclusion of people with disabilities	9%
	Measures against violence & harassment in the workplace	9%
	Diversity	14%
	Training & skills development	9%
Other work-related rights	Child labour	18%
	Forced labour	18%
	Water & sanitation	14%
	Privacy	18%

ESRS S3 Affected Communities		0%
Communities' economic, social and cultural rights	Adequate housing	0%
	Adequate food	0%
	Water and sanitation	0%
	Land-related impacts	0%
	Security-related impact	0%
Communities' civil and political rights	Freedom of expression	0%
	Freedom of assembly	0%
	Impact on human rights defenders	0%
Rights of indigenous peoples	Free, prior, & informed consent	0%
	Self-determination	0%
	Cultural rights	0%

ESRS S4 Consumers and end-users		82%
Information-related impacts	Privacy	55%
	Freedom of expression	18%
	Access to (quality) information	41%
Personal Safety	Health and safety	32%
	Security of a person	23%
	Protection of children	18%
Social inclusion	Non-discrimination	23%
	Access to products and services	41%
	Responsible marketing practices	36%

100% (always material) | 80-99% | 60-79% | 40-59% | 20-39% | 1-19% | 0% (never material)

Data captured for 22 respondents out of 23. Not all of them responded to the question on sub-sub topics, which underestimates the % of material sub-sub topics

Two thirds have engaged directly with external stakeholders to some extent

The number of internal functions engaged with reflects the cross-functionality of ESG matters

Internal functions engaged with

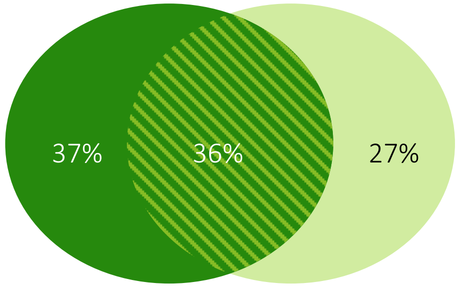
Function	% of respondents
Risk	100%
HR	100%
Investments	96%
Sustainability	96%
Finance	96%
Compliance/Legal	91%
Procurement/Supply Chain	87%
Underwriting	83%
Facilities/Operations	78%

Stakeholder engagement is a cornerstone of the DMA. Given how cross-functional CSRD is, in most cases the above functions were engaged in the DMA. Here are some reasons why it was not always the case:

- 17% have not engaged with underwriters. They either have engaged directly with clients to incorporate the voice of the customer, or are life insurers and do not deem the underwriting function as critical for the DMA or are brokers
- 4% have not engaged with Sustainability as they do not have a separate Sustainability function
- 4% have not engaged with their investments team as their investment portfolio is not significant

(1) Data captured for 22 respondents out of 23

Method of engagement with external stakeholders[1]



Direct engagement

Use of internal proxies

The level of direct engagement with external stakeholders is positively correlated with the maturity of the CSRD programme. Although not prescribed by CSRD, it is deemed good practice: those using only internal proxies may miss out on the true views and interests of stakeholders.

All 36% respondents who engaged with external stakeholders without any proxy are EU FY24 reporters.

The 27% who only used internal proxies are equally from the EU (mostly France) or non-EU (mostly Switzerland). They highlight their pragmatism for this first DMA, for example in the context of local reporting within a non-EU group, or for certain complex sustainability topics requiring pre-engagement education for a meaningful outcome

External stakeholder engaged with directly[1]

The engagement methods included surveys and interviews, the latter including a presentation of draft DMA results. The samples used varied widely, from one to ten per stakeholder category up to 1,000+ retail clients and 250+ corporate clients. Not all regulators have accepted to be interviewed or surveyed for the DMA.

Use of existing MA and DD processes

Close to 50% and close to 60% have used respectively an existing, non-CSRD aligned materiality assessment (MA) - e.g. GRI-informed DMA, NFRD Risk assessment - and existing due diligence (DD) processes - e.g. procurement DD processes incl. supplier questionnaires, HR surveys, climate risk assessments, audit findings- to inform the CSRD aligned DMA.

The DMA process is seen burdensome, and many would welcome more guidance

The DMA determines what to report on and is therefore under significant scrutiny by both management and the assurance provider

Challenges

Respondents ranked the 10 proposed challenges:

1. Lack of guidance for the insurance sector
2. Impact materiality assessment
3. Difference of views – Group vs. Local
4. Access to relevant stakeholders and availability of information
5. Difference of views - Top-down management /governance bodies vs. bottom-up DMA
6. Agreement on DMA methodology
7. Documentation of judgements to meet external assurance requirements
8. Educational journey
9. Diversified underwriting portfolio
10. Diversified investment portfolio

Data captured for 22 respondents out of 23

The lack of guidance from regulatory bodies has been frustrating for many, especially re how to **define the value chain, its boundaries, and in which depth to cover it**. The financial institution reporting standard, expected to be released in 2027, could offer further guidance.

Reaching internal consensus has been difficult, especially in the case of various business models within the same group. In a few instances, **governance bodies questioned the materiality of certain "border-line" topics and asked further analysis** post bottom-up DMA outcome, which resulted in some topics being de-scoped. Some non-EU firms experienced differing views between Group and local reporters.

Additional key challenges highlighted included:

- Dependencies between the DMA and target setting
- Documenting the DMA on a gross rather than net basis
- Engaging with too many stakeholders with too little time, and with English-only materials; lack of planning
- Getting buy-in on the importance of sustainability reporting
- Lack of external data providers to substantiate the DMA, lack of time to perform a proper industry research
- Excel-based documentation approach with limited tool enablement (e.g. workflow management)
- Preparing the DMA disclosure in a clear, meaningful way.

Key lessons learned

Secure more buy-in higher up, earlier on to ensure one streamlined approach and understanding to the CSRD journey

- **Start with a top-down management view to guide the bottom-up analysis which should prioritise the analysis of "border line" items, rather than the obviously material or immaterial topics**
- For EU reporters in a non-EU group, involve Group from the outset to ensure agreement on DMA methodology

Have a clear legal view on what constitutes 'business relationships' to accurately map the value chain. The DMA depends on accurate value chain mapping

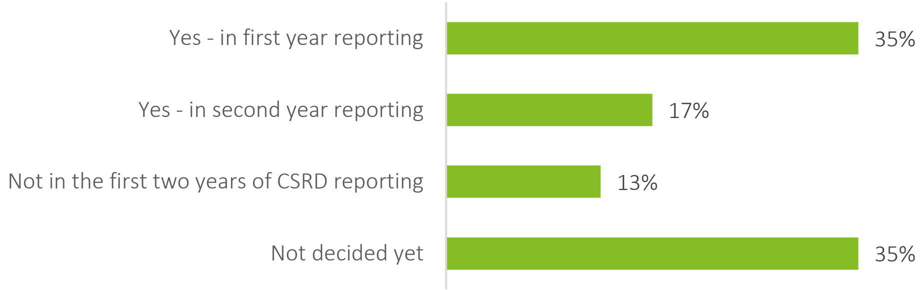
Form a clear stakeholder engagement and upskilling plan informed by an understanding of internal resource capability and the identification of stakeholders who can provide relevant insights, especially with time-intensive data collection process

Engage with the assurance provider early on to agree on DMA methodology and documentation approach

CSRD is starting to act as a catalyst for forming transition plans

While the 1.5-degree target of the Paris Agreement is becoming increasingly challenging to achieve, CSRD presents an opportunity for companies to proactively develop and implement transition plans that contribute to global climate goals

Plan to disclose a 1.5°C. aligned climate transition plan



Only half of survey participants plan to disclose a 1.5°C aligned transition plan for climate change mitigation within the first two years of CSRD reporting, whether at group or local level, with one of them not certain yet it will be 1.5°C. aligned. Concerns voiced during interviews relate to target setting, lack of control over certain decarbonisation levers, reputational and litigation risks, availability of information, compatibility with limiting global warming to 1.5°C, challenge of cascading down a non-EU Group transition plan into a local transition plan for the EU reporters, and time constraints.

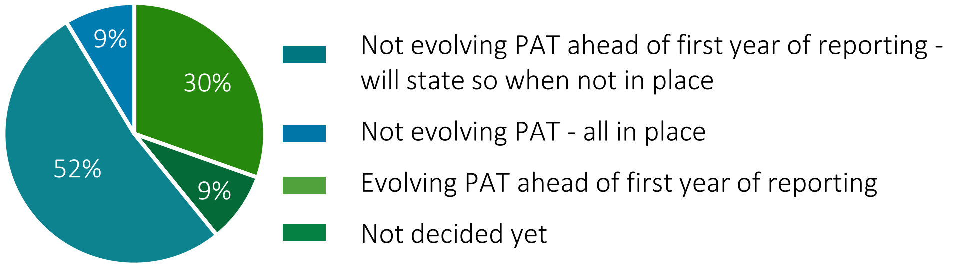
The insurance sector remains divided on climate action. **Many industry voices have already highlighted that we have unofficially reached this 1.5°C target, but how this gets reflected in future COPs and NDCs remains unclear.** There is also debate on the concept of facilitating emissions and the level of influence insurers really have.

CSRD and ISSB/TPT are nevertheless catalysts for developing and disclosing climate transition plans, and a number of insurers have already started to increase disclosures. Successfully integrating climate mitigation targets into business strategies requires top-down direction, with clear steer from the Board and alignment with the overall corporate strategy, with bottom-up delivery from within the business units.

ISSB – International Sustainability Standards Board
COPs – Conference of the Parties
TPT – Transition Plan Taskforce
NDCs – Nationally Determined Contributions

Evolving policies, actions and/or targets (PAT) ahead of first year of reporting

26% **of participants have refreshed their sustainability strategy as a result of CSRD**, especially to incorporate the outcome of the DMA and to include nature-related risks. A few explained it is an ongoing process as they continued to evaluate material topics



Close to third of respondents are evolving policies or targets already head of first year reporting. The ESRS gap analysis indeed identified a need for additional policies and an uplift in existing policies, such as climate change policies. One EU reporter referred to a target setting refresh performed independently from CSRD.

Those who do not plan to do so commented on the lack of time, the disclosure relief on PAT disclosures allowed under CSRD, their plan to evolve the PAT ahead of second year reporting, existing three-year sustainability strategy review cycle, as well as the challenge of setting targets for certain topics such as S4 consumers and end-users.

First CSRD-aligned sustainability reports are about to be published but it is too early to identify a **transformative sustainability impact.**

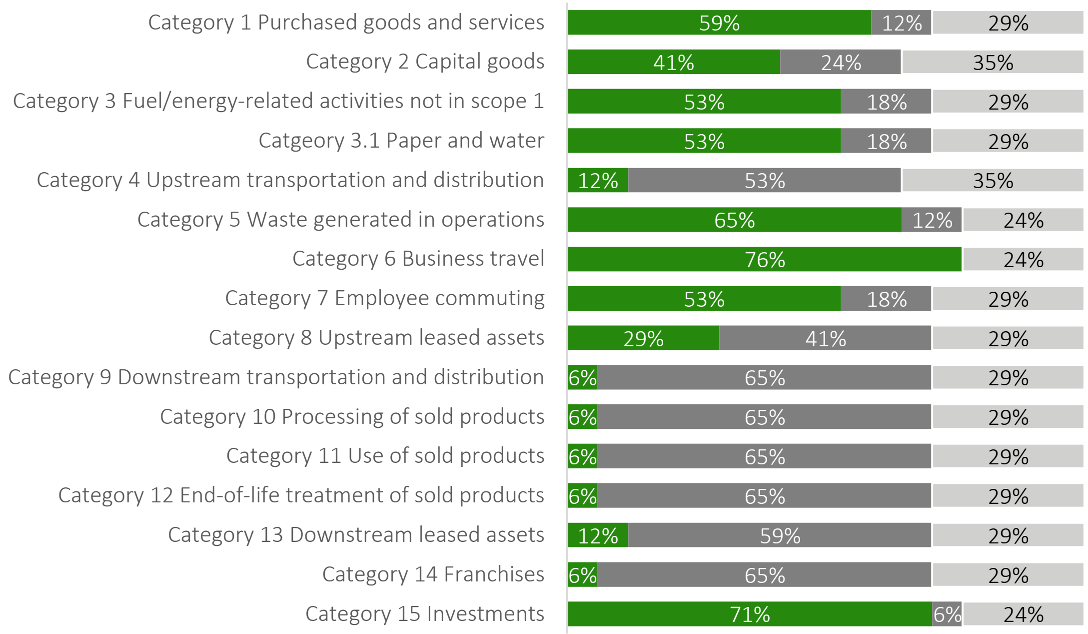
Scope 3 emissions categories and Insurance-associated emissions (IAE)

Uncertainty surrounds IAE methodologies and disclosure timelines, similarly, re/insurers are prioritising readily-measurable Scope 3 categories with data constraints making many topics high effort to disclose

Scope 3 categories planned to be disclosed the first year[1]

Participants are taking a phased approach to Scope 3 emissions disclosure, prioritising readily measurable categories within their direct control, most of which have already been disclosed in the 2023 sustainability report and/or submitted to CDP: Category 1 to 8

There is a relatively **high maturity in the measurement and disclosures of financed emissions** (Category 15, investments portfolio). **Whether to disclose claims emissions** (mostly deemed to be included in Category 11) or **Insurance-associated emissions, remains highly debated in the market.**



(1) Data captured for 17 respondents out of 23

Yes No Not decided

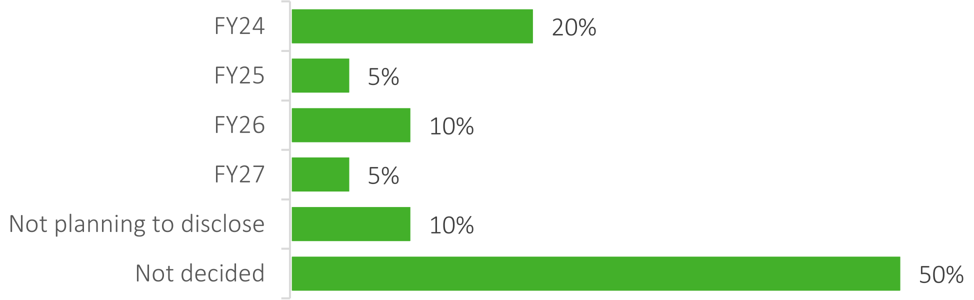
Insurance-associated emissions[2]

The re/insurance sector stands at a crossroads in addressing IAE – the greenhouse gases emitted by a re/insurer's underwriting activities. While a group of pioneering firms are stepping forward with early disclosures on commercial lines and motor personal lines governed by the PCAF IAE standard, a notable portion of the industry remains undecided on both timelines and methodologies for measuring and reporting these emissions.

The lack of readily available and refined data poses a significant barrier to widespread IAE disclosure and therefore most respondents plan to apply transitional provision related to chapter 5 value chain.

25%[2] of FY24 reporters plan to start disclosing IAE in the FY24 sustainability statement, and a third[2] of respondents plan to start disclosing IAEs in the next four years. The lines of business are primarily those covered by the PCAF IAE standard, commercial lines and personal motor lines, as well as health insurance. All are using an in-house calculation engine, for example using python modelling, and one a combination of in-house and external solution.

Those not planning to disclose are all non-EU headquartered.

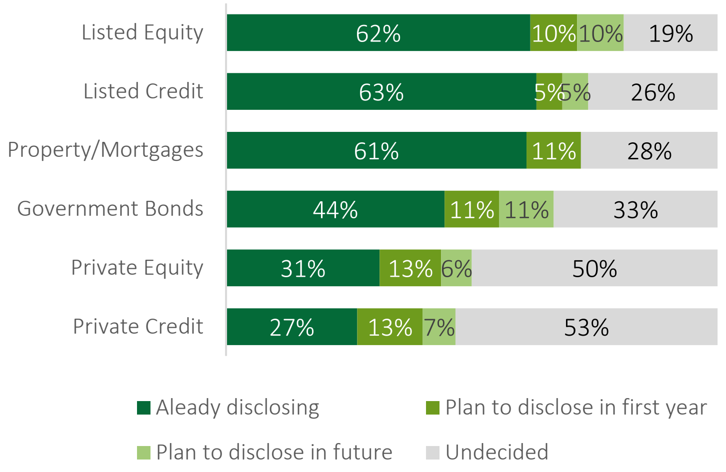


(2) Data captured for 21 respondents out of 23 as IAEs are N/A for two participants (broker, primary life insurer with no non-life business)

Financed emissions and EU taxonomy investment KPIs

The industry is generally more advanced in this area, given the focus on financed emissions under SFDR and TCFD, and the stability of the PCAF Financed Emissions Standard published in 2020

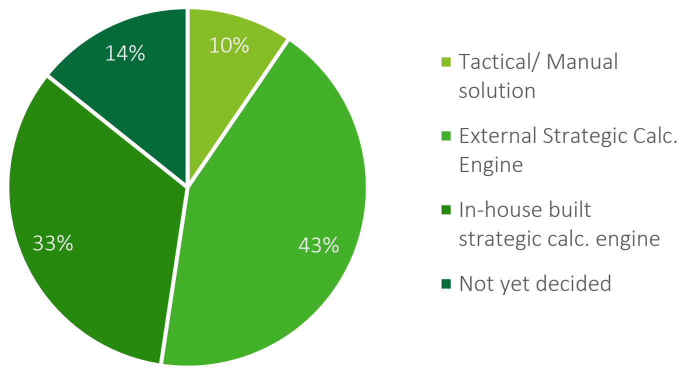
Disclosures by asset class



Firms are most comfortable in disclosing emissions for Listed Equity, Listed Credit and Government bonds given the data is readily available for these asset classes. **Private assets lag behind:** Disclosures for private equity and credit are less common, as a result of challenges in gathering and reporting ESG data. A significant proportion of respondents remain undecided or unanswered.

"Scope 3 of scope 3" is an emerging topic of discussion. Finance emissions should include the reporter's (asset owner) proportion of investees' scopes 1, 2 and 3 when material. However, reporting of scope 3 emissions is currently limited, and does not include all categories for those counterparties that do disclose a value.

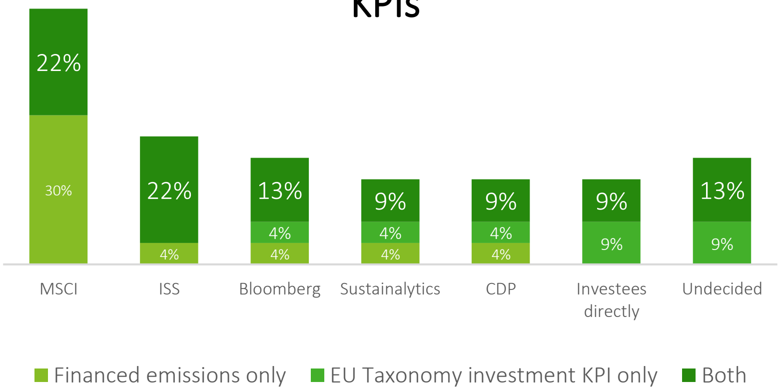
Financed emissions calculation tooling



There is a dynamic landscape of financed emissions calculation tooling, with a relatively even split between in-house development and external solutions for measuring financed emissions, whilst the rest of respondents use other methods including manual solutions.

Overall, we see growing interest in firms trying to bring together the calculations to realise efficiency, increase data quality and improve governance and controls.

External data sources used for financed emissions and EU Taxonomy Investment KPIs



All respondents who directly engage with investees (e.g. for private portfolio companies) also use an external data vendor for the rest of their portfolio.

Some participants have voiced challenges regarding data quality and data quality controls from data providers.

The insurance industry grapple with four major implementation challenges

While the insurance industry is no stranger to regulatory change, CSRD presents a unique set of challenges

Top drivers of effort, implementation challenges and skills gaps identified

Least Frequently Identified → Most Frequently Identified

	6	5	4	3	2	1
Top 6 forecast drivers of effort	Establish policies, actions and targets	Stakeholder alignment and governance	Prepare narrative For first reporting year	Develop methodology for new KPIs	Implement technology solution	Data collection
Top 6 expected implementation challenges	Financed emissions calculation	Integrating current systems architecture	Defining cross functional roles and responsibilities	Insurance associated emission calculations	Insurance sector technical data point interpretation	Data availability and quality
Top 6 key skill gaps identified	Climate change knowledge	Governance topics knowledge	Technology knowledge	Environmental knowledge beyond climate change	Social topics knowledge	Data knowledge

Key Themes

1 Data (collection, availability / quality, knowledge)

2 Technology implementation

3 New and industry specific metrics

4 Stakeholders and cross functional management

1 The data dilemma:
Unsurprisingly, data – its collection, availability/quality, and corporate knowledge, emerged as the top concern. This is understandable given the sheer scope of the data required, including new and untested sources, across a mix of both internal and third-party providers. The challenge is further amplified given the risk of misstatement and the assurance implications.

2 Bridging the technology gap:
While many insurers already report on ESG metrics, existing tactical solutions will likely prove insufficient. Re/insurers are acutely aware that the scale and complexity of CSRD, including control environment requirements, will demand a technology change. Particularly for areas like insurance-associated emissions, which will necessitate new data and technology capabilities.

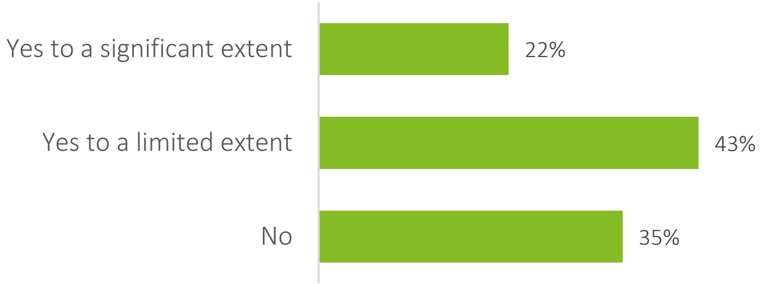
3 Unchartered methodology waters:
CSRD introduces new methodology and metrics that are not yet standardised or well understood by the industry. Furthermore, sector specific guidance is not expected until 2026, leaving insurers grappling with significant uncertainty. This is particularly acute in areas like insurance-associated emissions, and biodiversity, where new data sets, analytical approaches, and experience are essential but often lacking.

4 Embedding ESG Culture and Mindset:
While established financial reporting standards and governance are equally applicable to CSRD, the framework demands a new level of cross-functional collaboration. Establishing robust data governance, a consistent control framework, and a coherent narrative across diverse ESG topics – particularly nuanced areas like biodiversity and affected communities – requires careful stakeholder alignment and collaboration.

Considering other disclosure frameworks is good practice

It helps drive reporting synergies, interoperability, and can build a consistent narrative

Consideration of other ESG frameworks in CSRD programme



65% of respondents consider other ESG frameworks as part of their CSRD programme

Considering other ESG frameworks acts as accelerator and guidance helping reporters to leverage existing disclosures for CSRD, create reporting capability synergies, better understand the full picture of sustainability and how to report, and foster consistency between local and group reporting.

ESRS have already taken existing ESG reporting frameworks and standards such as CDP, GRI, SASB, and others into account as part of the development process.

Regulations and standards considered by respondents

Country-specific and local regulations, *e.g. California ESG regulations, France's Autorité de Contrôle Prudentiel et de Résolution (ACPR), Ireland's Central Bank of Ireland (CBI)'s Climate Guidance, Canada*

EU's Sustainable Finance Disclosure Regulation (SFDR)

EU Taxonomy

International Sustainability Standards Board (ISSB), incl. Transition Plan Taskforce (TPT)

Task Force on Climate-related Financial Disclosures (TCFD – now part of ISSB)

Task Force on Nature-related Financial Disclosures (TNFD)

U.S. Securities and Exchange Commission (SEC)

Frameworks and Initiatives considered by respondents

Climate Bonds Initiative (CBI)

Green House Gas (GHG) Protocol

Partnership for Carbon Accounting Financials (PCAF)

Carbon disclosures Project (CDP)

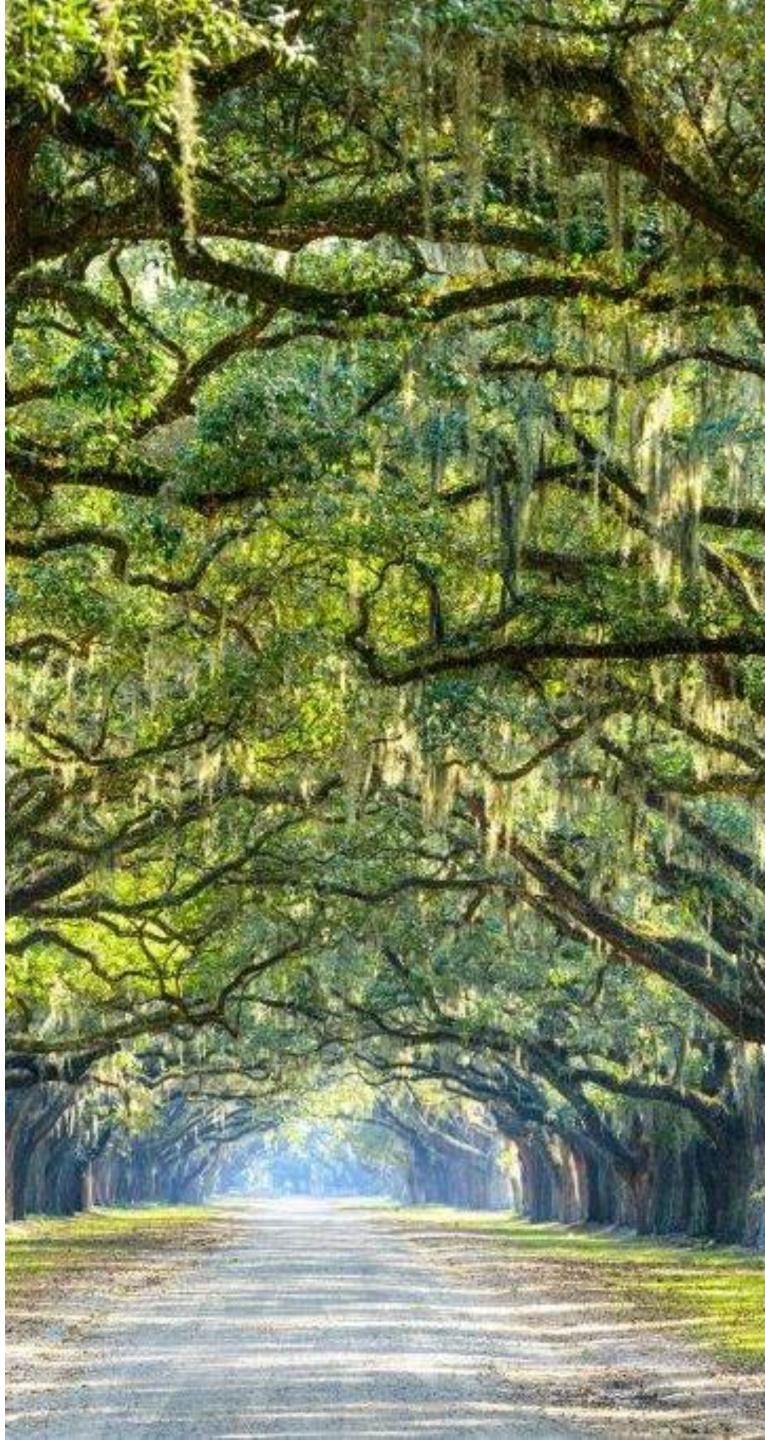
UN Sustainable Development Goals

UN Principles of Sustainable Insurance

UN Principles for Responsible Investment (PRI)

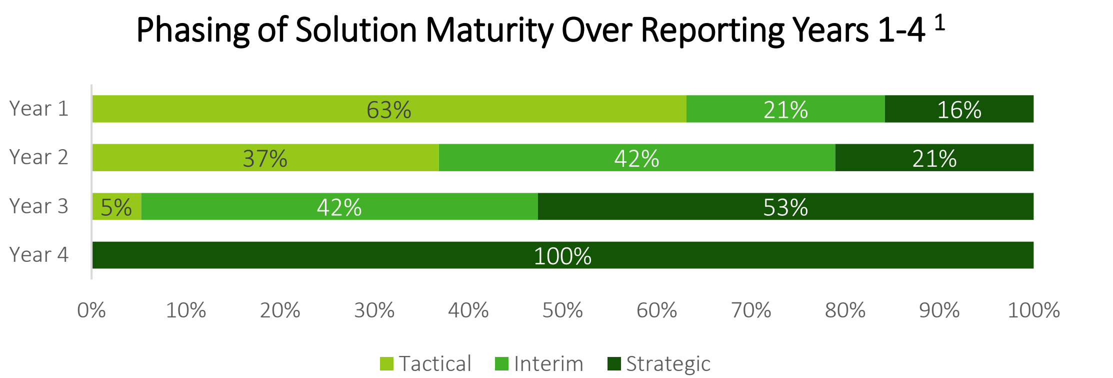
Global Reporting Initiative (GRI)

Transition Finance Market Review (TFMR)

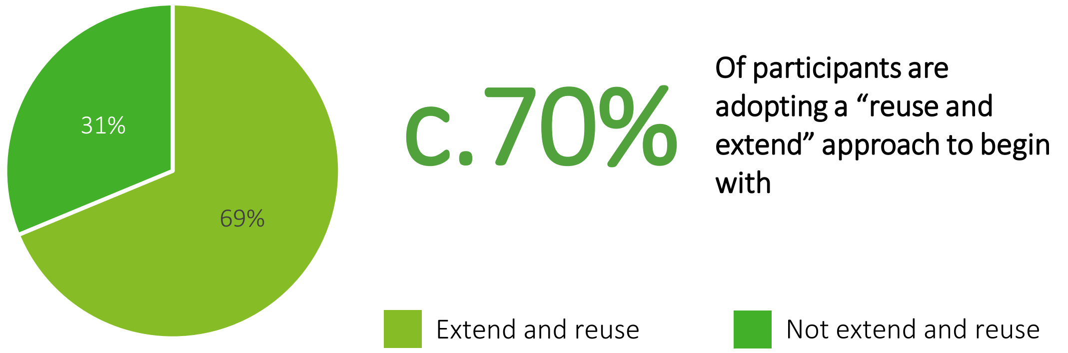


Reporters are phasing their technology implementation

They aim at balancing early compliance with a strategic vision for sustainable reporting by year four



(1) Data captured for 19 respondents out of 23 respondents



(1) Based on 16/23 respondents who have defined their technology solution approach.

Navigating the complexities of CSRD requires a strategic roadmap, and our survey reveals a clear preference for a phased implementation approach within the insurance industry, balancing compliance with sustainability.

Year one: The tactical imperative. With limited market experience and a pressing need to meet initial reporting deadlines, it's no surprise that a majority of re/insurers plan to adopt tactical solutions for the first year. This iterative approach allows for insights into the practicalities of CSRD reporting, informing future strategic decisions around people, processes, data, and technology.

Building towards a strategic vision. While a tactical approach addresses immediate needs, leading firms are simultaneously laying the groundwork for a more robust and sustainable solution. This entails setting a clear vision at the outset and building a transformation roadmap that delivers to this vision. This allows organisations to develop in an agile manner, whilst maintaining a single coherent end-to-end design.

In the early stages of the CSRD reporting journey, a clear trend is emerging: Re/insurers are choosing pragmatism over reinvention. With 70%[1] of survey respondents adopting a "reuse and extend" approach, the focus is on maximizing the value of existing technology investments.

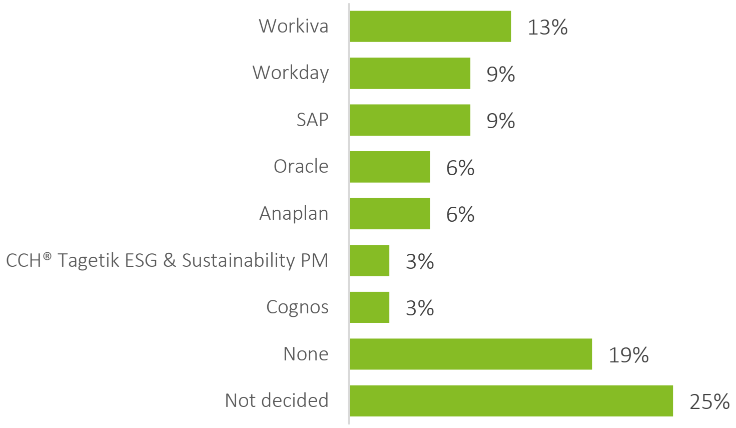
Rather than starting from scratch, companies are leveraging their existing Enterprise-performance management (EPM) and ESG reporting tools as the foundation for CSRD. This strategy offers several advantages. It supports a consolidated technology landscape, reducing complexity and cost. Additionally, it enables valuable learning and refinement based on early experiences with CSRD reporting, driving continuous improvement.

It is worth noting that several are using purpose-built tools for the DMA (e.g. within Workiva) to enable the process, streamline documentation, support audit requirements and put in place a strong control environment.

Most have not planned on the strategic technology architecture for CSRD

In the face of CSRD's complexities, a pragmatic approach prevails. The technology landscape remains diverse with no one solution dominating. With respect to data hyper-scalers and pure-play technology, a “wait and see” approach is being taken

EPM / BI tools usage for CSRD



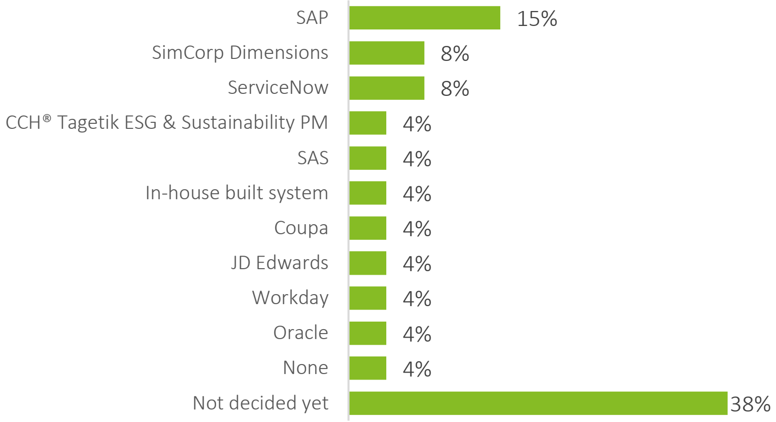
EPM solutions are set to play a significant role in CSRD reporting architecture. This is likely due to the “reuse and extend” approach being adopted, with EPM already a cornerstone of finance architectures.

Out of those who have made a decision, c.70% plan to use an EPM solution, leveraging their capabilities to consolidate multiple data sources and "last mile" narrative reporting to produce compliant disclosures.

There is a diverse technology landscape. Of the respondents who have decided:

- 7 different EPM vendor solutions are being leveraged for CSRD;
- c.30% of them selected more than one tool

ERP / transaction tool usage for CSRD



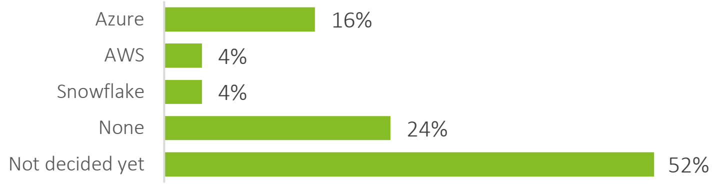
While traditional ERP systems like SAP hold a prominent position, their dominance is not yet mirrored in the CSRD reporting space.

A large number of respondents are undecided on ERP selection. This reflects the early stage of the journey and suggests a view that existing solutions may not readily provide the necessary data for early CSRD disclosure.

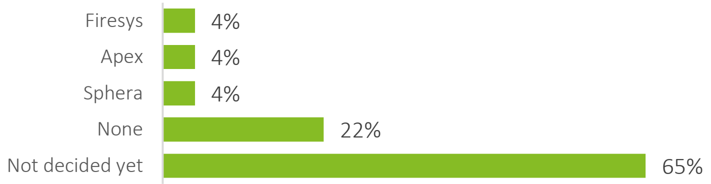
SAP is the most popular choice, reflecting the ERP currently used by the participants, and likely due to its strong presence in the European re/insurance market.

The presence of ServiceNow in the responses signals a growing trend of leveraging the platform's capabilities in areas such as operational control reporting and IT/technology carbon footprint measurement.

Hyper-scaler[1] usage for CSRD



Pure-player[2] usage for CSRD



There is across the industry a keen interest in these solutions, but also a prudent desire to balance investment against evolving reporting requirements.

This measured approach is understandable. The relative nascency of CSRD reporting, coupled with the transition reliefs available in the initial years, allows re/insurers the space to strategically develop their technology roadmap.

Leading firms are adopting a pragmatic, phased approach, to deliver incremental value, minimizing risk and maximizing resource utilisation. This iterative approach also fosters valuable learning and upskilling opportunities, paving the way for a more robust and sustainable CSRD reporting capability.

(1) Hyper-scaler: Distributed computing environment that offers ability to perform tasks and scale on demand (2) Pure-player: Off-the-shelf solution that has ESG reporting as a core offering

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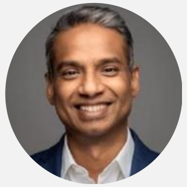

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