EMA ESG Insurance

Benchmarking Survey 2024

December 2024

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Foreword

The insurance sector is undergoing a significant transformation as a result of increasing regulatory demands, stakeholder expectations, and the undeniable need to address environmental, social and governance (ESG) risks. The 2024 KPMG EMA ESG Insurance Benchmarking Survey offers a broad-ranging look at the state of ESG adoption among insurers across the EMA region. This survey explores how insurers are responding to regulatory changes, their progress towards achieving net zero, and the extent to which they have already integrated ESG into their core business operations.

Our findings reveal that, while many insurers are actively developing ESG strategies, there are considerable gaps in full integration and operationalization. In many cases, ESG remains siloed within compliance functions, lacking the strategic implementation that would enable companies to unlock its full potential. Additionally, while insurers recognize the importance of climate risk and sustainability, their approaches vary significantly across regions and business lines.

The road ahead will require insurers to not only meet evolving regulatory requirements but also to leverage ESG as a driver of sustainable growth. In the KPMG organisation, we believe that the future of the insurance industry will be shaped by those who can seamlessly incorporate ESG into their long-term strategy, governance frameworks and risk management processes. KPMG professionals are dedicated to helping insurers navigate these complexities and seize opportunities for competitive advantage through ESG excellence.

Jacques Cornic

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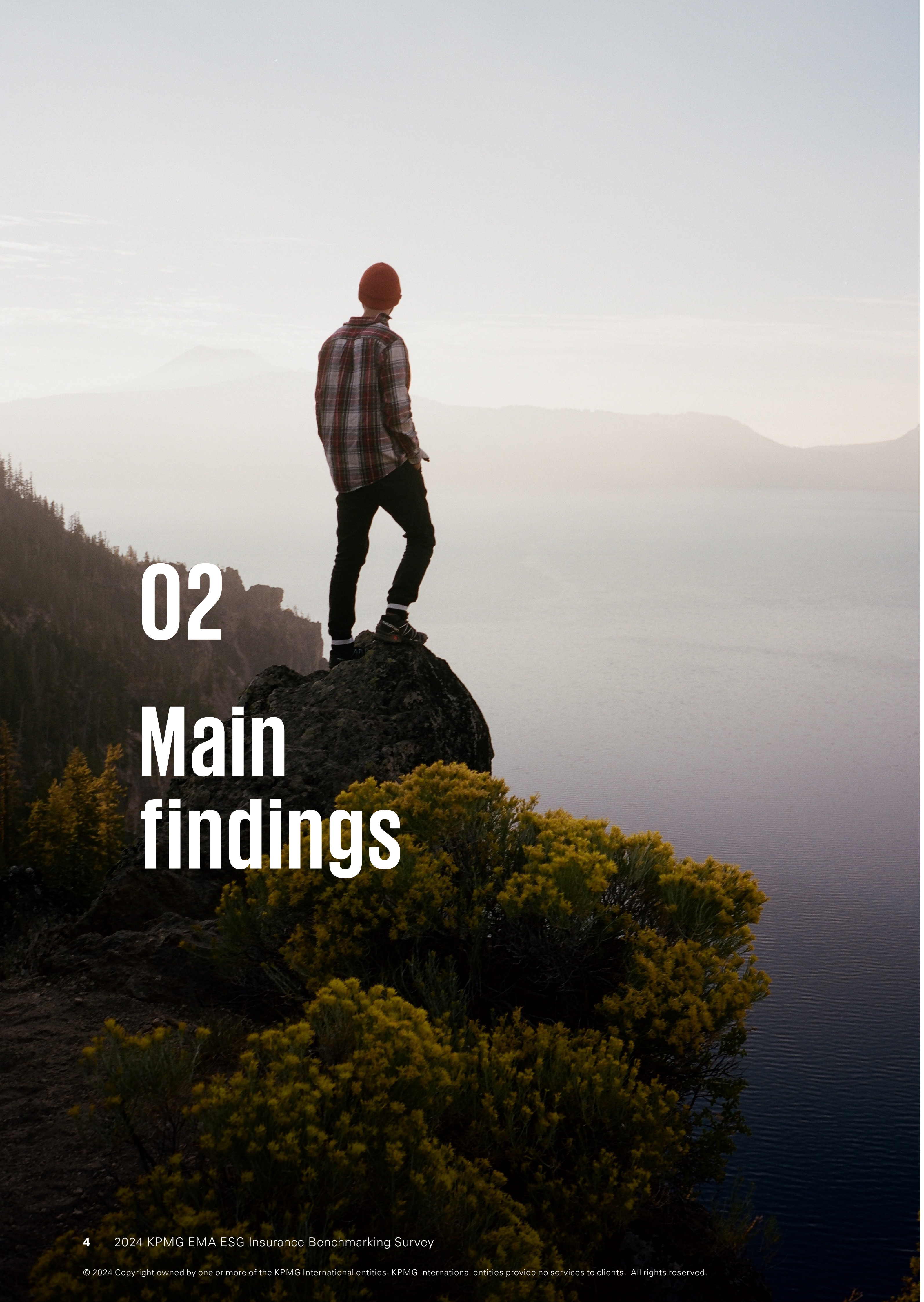


02 Main findings

The EMA ESG Insurance Benchmarking Survey, conducted in summer 2024, gathered insights from approximately 80 insurance groups across the EMEA region (Europe, Middle East, and Africa), including a mix of large international and mid-sized companies.

High level of ESG awareness, but a lack of strategic integration

79%

of insurance companies have established a global ESG strategy

13%

of insurers surveyed state that their ESG strategy is fully embedded within the overall business framework

While ESG is recognized as a critical issue, many insurers are still in the early stages of aligning it with their operational and strategic objectives.

49%

of respondents reported that their ESG strategy is "embedded but with significant room for improvement"

14%

stated their strategy is not embedded at all

This gap between awareness and full integration presents a clear opportunity for insurers to advance ESG as a core business priority, particularly in aligning ESG with risk management and sustainable growth objectives.

Investment priorities focus on compliance over strategic growth

When it comes to budgeting for ESG-related initiatives, most of the insurers surveyed are focused on compliance and regulatory preparedness rather than leveraging ESG to enable a competitive advantage:

25%

of insurers plan to invest between EUR 1 million and EUR 10 million over the next 3-5 years in ESG initiatives

The most prioritized area in ESG investment allocation is compliance with regulations such as CSRD and SFDR

19%

of insurers view ESG as a "key value driver" for their business

44%

of insurers balance ESG with other priorities

36%

of insurers see ESG primarily as a regulatory requirement

This focus on compliance suggests that, while insurers are preparing for imminent reporting obligations, there is room to shift ESG from a risk-avoidance tool to a strategy for differentiation and growth.

Governance structures are evolving, but leadership remains fragmented

Governance is a critical element of successful ESG integration. The survey reveals:

60% **of insurers have established a board-level committee or cross-functional working group to oversee ESG initiatives**

However, leadership responsibility varies significantly across organizations:

35%
of respondents have appointed a dedicated Chief Sustainability Officer (CSO)

22%
rely on the CEO to manage ESG-related functions

17%
delegate responsibility for ESG to the CFO, reflecting a blend of financial and sustainability oversight in driving ESG initiatives

This fragmentation in ESG leadership may hinder insurers' efforts to develop cohesive, long-term ESG strategies. The growing prevalence of CSOs, however, points to a future where dedicated sustainability leadership becomes the norm.

Net zero commitments and climate risk management are still in the early stages

While climate risk is a priority for insurers, many companies are still in the early stages of making significant commitments to net zero:

23%
of respondents reported that they are focused on reducing scope 1 emissions and/ or decarbonizing their investment portfolios

56%
have not yet signed up for any major voluntary climate alliances such such as the Forum for Insurance Transition to Net Zero or the UN Principles for Responsible Investment

57%
of insurers integrate both historical and forward-looking data when modeling climate risks in their underwriting processes, highlighting a proactive approach

43%
still rely solely on historical trends or do not consider climate risks in underwriting

The lack of widespread commitment to voluntary alliances suggests that, while insurers recognize the importance of climate risk, many have yet to align fully with global standards and initiatives aimed at mitigating climate impact.

Mixed progress in addressing data collection for ESG reporting

Data collection remains a critical factor for ESG reporting success. The survey shows that:

44%
of insurers have not identified a solution to support their data collection efforts for the Corporate Sustainability Reporting Directive (CSRD)

28%
are using existing tools

15%
have implemented new solutions

The inability to effectively capture and manage ESG data impedes progress in areas such as sustainable investment, risk management, and transparency.

Insurers are making progress by leveraging existing tools or implementing new solutions, but data challenges still hinder comprehensive ESG reporting for many.

Insurance products are evolving to meet ESG criteria

The development of ESG-aligned insurance products is an area where insurers are showing considerable progress:

36%
of insurers have developed products under article 8 of the Sustainable Finance Disclosure Regulation (SFDR)

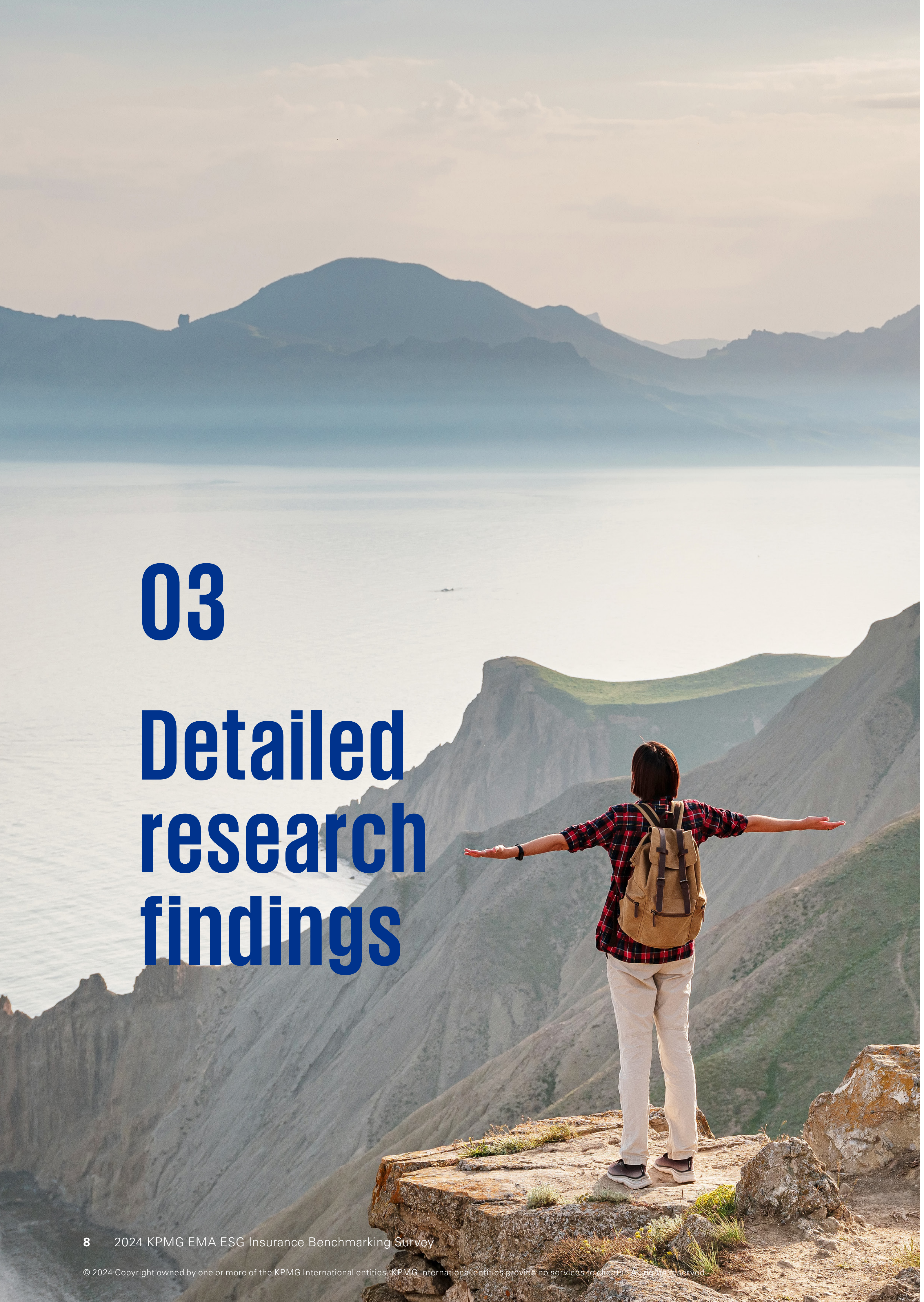
21%
have expanded their offerings to include both article 8 and article 9 SFDR products

Additionally,

51%
of insurers are actively developing non-life insurance products that focus on mitigating climate change, demonstrating a strong commitment to sustainability

49%
of respondents have not yet developed sustainable claims management processes, signaling that further work is needed in order to integrate ESG across all aspects of insurance operations

This evolving landscape of insurance products with environmental and social characteristics reflects the growing demand from consumers and regulators for greater transparency and responsibility.



03

Detailed research findings

3.1 ESG strategy and ambition

A well-defined ESG strategy is critical for insurers looking to address the growing expectations from regulators, investors, customers and other stakeholders regarding their environmental, social and governance performance. The 2024 KPMG EMA ESG Insurance Benchmarking Survey reveals that, while 79% of insurers have established a global ESG strategy, the depth of integration and ambition within these strategies varies significantly across companies.

This section explores how insurers are approaching the development and execution of their ESG strategies, the drivers behind their ambitions, and the challenges they face in embedding ESG into their core business models.

In their first step, ESG strategies often focus on risks and negative impacts but to fully embrace a strategy a business should also see the opportunities.

Viviane Leflaive
Partner, KPMG in France

79%

of insurers have established a global ESG strategy. However, the depth of integration and ambition within these strategies varies significantly across companies

ESG strategy and ambition: defining ESG strategy as a pathway to compliance and growth

The majority of insurers surveyed have recognized the need for a formal ESG strategy. However, the primary motivations for establishing such strategies often focus on regulatory compliance rather than long-term value creation. This compliance-driven approach can limit the potential of ESG strategies to deliver broader benefits, such as innovation, improved risk management and enhanced customer loyalty.

Compliance as the primary driver

36% **of respondents indicated that regulatory compliance is the primary driver behind their ESG strategy**

This is largely in response to emerging regulations such as the Corporate Sustainability Reporting Directive (CSRD) and Sustainable Finance Disclosure Regulation (SFDR), which mandate more detailed ESG reporting and disclosure.

While ESG is recognized as a critical issue, many insurers are in the early stages of aligning it with their operational and strategic objectives.

The focus on compliance means that many insurers view ESG as a reporting and risk management exercise rather than an opportunity for differentiation and growth. Companies that prioritize compliance may implement ESG practices to avoid penalties or reputational risks but fail to leverage ESG for competitive advantage or strategic innovation.

Limited alignment with business strategy

50% **of respondents stated that their ESG strategy is only partially integrated into their overall business strategy, suggesting that many insurers still treat ESG as a separate function rather than embedding it into their core operations**

This lack of integration can result in missed opportunities to align ESG goals with broader corporate objectives, such as revenue growth, market expansion or customer engagement.

13% **of insurers reported that their ESG strategies are fully embedded within their business models, indicating that a minority of companies have success-fully aligned sustainability with their long-term vision and strategy**

For these companies, ESG is not just about meeting regulatory requirements but also about driving innovation, enhancing risk resilience and creating value for stakeholders.

Developing a holistic ESG framework

A broad-ranging ESG strategy requires insurers to consider a wide range of factors, including climate change, diversity and inclusion, corporate governance, and community impact. The most effective ESG strategies are those that take a holistic approach, integrating environmental, social and governance considerations into every aspect of the business.

43% **of insurers surveyed are integrating ESG into their business strategy, including areas such as customer engagement and the development of sustainable products**

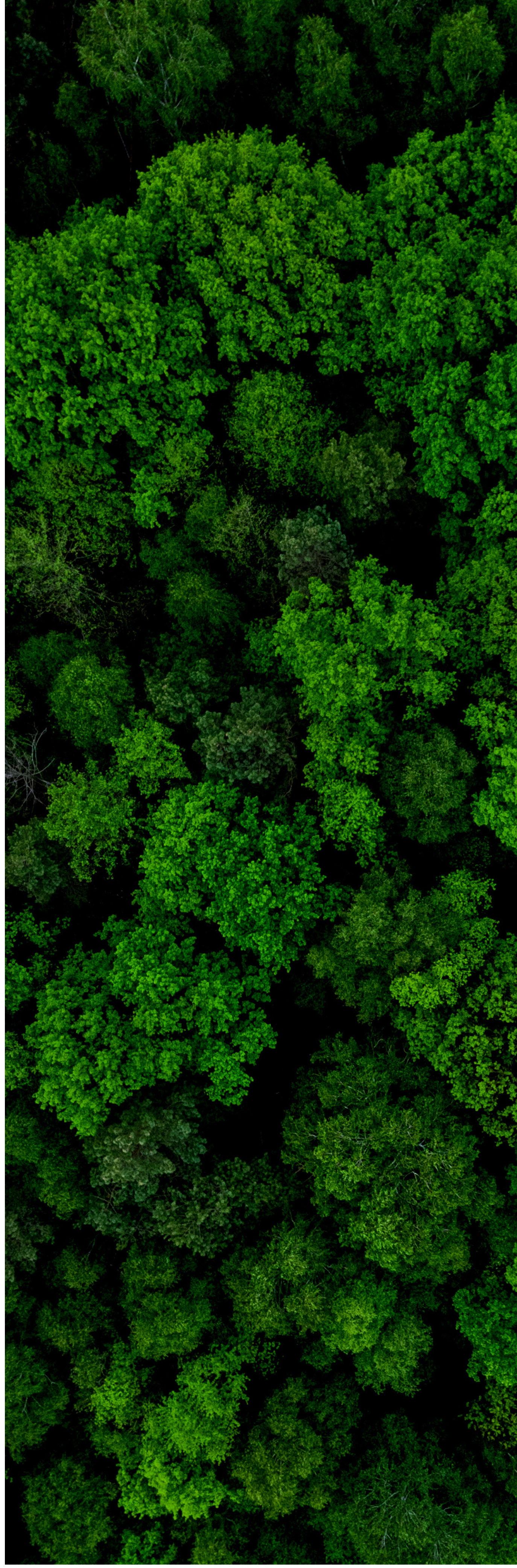
Additionally,

46% **are focused on achieving net-zero goals, reflecting the strong emphasis on environmental impact reduction**

However, only

25% **of respondents have integrated ESG into their overall operations, including their supply chain**

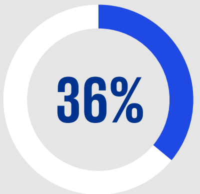
This indicates that many insurers are still in the early stages of embedding ESG across all operational areas, leaving room for a more unified and integrated approach that spans the entire business.



ESG strategy and ambition: from short-term compliance to long-term value creation

The ambition of an ESG strategy reflects the extent to which an insurer seeks to go beyond basic compliance and uses ESG as a lever for innovation, competitive differentiation and long-term growth. The survey indicates a wide range of ambition levels, with some insurers focusing on short-term regulatory goals while others aim for more transformative, long-term impacts.

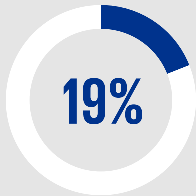
Short-term focus on regulatory compliance



of respondents reported that their ESG strategy primarily focuses on near-term compliance with existing regulations, particularly in response to the CSRD and SFDR. These insurers tend to prioritize reporting and disclosure requirements over broader, long-term goals

While compliance is critical, insurers that adopt a short-term view may find themselves struggling to keep up with the rapid pace of change in regulatory frameworks and market expectations. In the long term, companies that limit their ESG ambitions to compliance may miss opportunities for innovation, customer loyalty and value creation.

Long-term vision and strategic ambitions



of insurers surveyed view ESG as a key driver of long-term value creation and thus tend to have more ambitious sustainability goals. Companies with a long-term vision are more likely to integrate ESG into their core strategy, aligning their sustainability goals with broader business objectives such as enhancing customer engagement, entering new markets and improving brand reputation

Ambitious insurers are setting science-based targets for emissions reductions, developing insurance products with environmental and social characteristics, and integrating ESG metrics into their risk management and investment frameworks. These companies see ESG as a strategic asset that can drive innovation, differentiate their products and attract new customers, particularly in a market where consumers and investors increasingly favor companies with strong sustainability credentials.

Role of leadership in driving ambition

Leadership plays a critical role in setting the ambition level of an ESG strategy. Insurers with strong executive leadership on ESG are more likely to set ambitious targets and integrate sustainability into their long-term strategy.

- The involvement of the CEO, CFO and Chief Sustainability Officer (CSO) is essential for driving ambitious ESG initiatives. Companies with dedicated sustainability leadership (such as a CSO) tend to have more comprehensive and long-term ESG strategies, as these leaders ensure that sustainability is considered in decision-making across all functions of the business.
- Board-level oversight is also critical for ensuring that ESG strategies are ambitious and aligned with the company's long-term goals. Companies with dedicated ESG committees or board-level ESG governance structures are better positioned to set ambitious, measurable targets and hold leadership accountable for achieving them.

ESG strategy and ambition: challenges in embedding ESG strategies

Despite growing recognition of the importance of ESG, insurers face several challenges in embedding their ESG strategies into core business operations. These challenges range from a lack of data and expertise to difficulties in aligning ESG goals with financial performance.

Lack of ESG expertise and resources

One of the key barriers to embedding ESG strategies is a **lack of expertise and resources** within the organization. Many insurers are still building their internal knowledge base on ESG, and the specialized skills required to implement complex sustainability initiatives are often in short supply.

44% of respondents reported that they do not have sufficient internal resources to manage their ESG strategy effectively, particularly in areas such as data collection, climate risk modeling and supply chain management

This resource gap can slow the pace of progress and limit the ability of insurers to fully embed their ESG strategies into their business models.

Data and technology gaps

Another significant challenge is the **lack of consistent** data on ESG performance.

44% of respondents indicated that they have not yet identified a suitable solution for collecting and managing ESG data, particularly in relation to non-financial reporting and climate risk assessments

Without reliable data, insurers struggle to measure progress against their ESG goals and demonstrate transparency to regulators and stakeholders. Insurers thus ought to invest in **data analytics tools** and **technology platforms** that can provide real-time insights into their environmental, social and governance performance.

Aligning ESG with financial goals

Many insurers find it difficult to align their ESG strategies with their financial performance goals.

19% of insurers view ESG as a key driver of long-term value creation

44% are focused on balancing ESG with other financial priorities

This tension between sustainability and profitability can limit the extent to which ESG is embedded in decision-making. Companies that succeed in integrating ESG into their business models tend to view sustainability as complementary to financial performance, rather than in conflict with it. These insurers are more likely to explore **sustainable investment opportunities**, develop **green insurance products**, and implement **circular economy principles** in their operations.

ESG strategy and ambition: opportunities for enhancement

The survey identifies several key opportunities for insurers to enhance their ESG strategies and move beyond compliance toward more ambitious, value-creating sustainability goals:

Developing ESG transformation programs

The ESG transformation programs are essential for operationalizing ESG strategies and ensuring that sustainability is embedded in all aspects of the business, from product development to supply chain management.

81% of respondents indicated that they are in the process of developing or have not yet developed an ESG transformation program

By investing in transformation programs, insurers can align their ESG strategies with broader business objectives, integrate sustainability into risk management frameworks and ensure that their operations are compliant with evolving regulations.

Designing innovative products and services

Developing **insurance products** with environmental and social characteristics is another opportunity for insurers to align their ESG strategies with market demands.

36% of respondents indicated that they are developing products that meet the criteria for article 8 of the SFDR, which promote sustainability in the financial sector

By offering products that incentivize sustainable behaviors – such as **green underwriting** or **sustainability-linked insurance products** – insurers can differentiate themselves in the market and contribute to broader societal goals.

Transition planning

Developing and implementing a robust transition plan is crucial for insurers to meet long-term sustainability goals and address the risks associated with climate change. Transition plans help align insurers' strategies with global commitments like the Paris Agreement, providing a structured approach to reducing carbon emissions and managing the shift to a low-carbon economy.

37% of respondents indicated that they are already in the process of implementing a transition plan

Insurers who accelerate their transition planning will not only mitigate risks but also position themselves as leaders in sustainability, meeting both regulatory demands and customer expectations.

Key recommendation

Insurers should move beyond compliance-driven ESG strategies and set ambitious, long-term sustainability goals that align with their broader business objectives. This includes developing transformation programs, setting science-based targets and offering innovative products that support the net-zero transition and promote social sustainability.

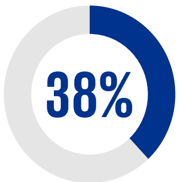
3.2 ESG governance

A strong governance framework is essential for the successful implementation of ESG initiatives, yet the survey indicates variability in the way insurers are approaching governance.

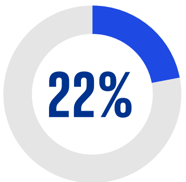
60%

of respondents have established board-level committees or cross-functional working groups tasked with overseeing ESG initiatives.

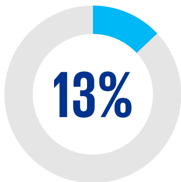
For climate transition



38% place the responsibility with the Chief Executive Officer (CEO)

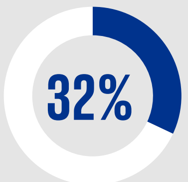


22% place final responsibility with the Chief Sustainability Officer (CSO)

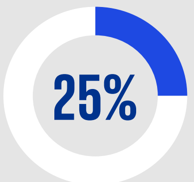


13% place the final responsibility with the Chief Financial Officer (CFO)

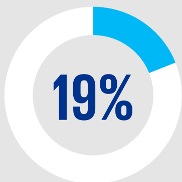
For double materiality assessments



32% place the responsibility with the Chief Executive Officer (CEO)

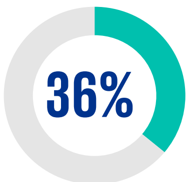


25% place final responsibility with the Chief Sustainability Officer (CSO)



19% place the final responsibility with the Chief Financial Officer (CFO)

For non-financial reporting



36% of insurers designate the CFO as the accountable party, highlighting the growing role of financial leadership with respect to ESG governance.

ESG governance: frameworks and internal control systems

An effective ESG governance framework requires more than just leadership and committees; it also depends on having the right systems, policies and processes in place to ensure transparency, accountability and compliance. **The survey reveals that although many insurers are making progress:**

70%

of respondents do not yet have dedicated control systems for non-financial reporting

Non-financial reporting and regulatory compliance

As regulatory expectations for ESG reporting continue to evolve, insurers must establish robust internal control systems to manage and verify the accuracy of non-financial disclosures. Key regulations, such as the CSRD in the EU, require insurers to disclose information related to sustainability, climate risks and social factors in line with global reporting frameworks such as the Global Reporting Initiative (GRI) and the TCFD.

30% **of respondents reported that they have developed internal processes for non-financial reporting, including the integration of ESG metrics into financial disclosures**

However, many insurers are still in the early stages of developing the necessary infrastructure to support comprehensive ESG reporting.

Insurers are increasingly relying on data collection tools and technology platforms to support ESG reporting. These systems allow insurers to gather data from across the organization and from external stakeholders (such as suppliers and clients) to provide a complete picture of their ESG performance. Without these tools, companies risk falling behind in meeting regulatory and stakeholder expectations for transparency and accountability.

Double materiality and risk assessments

An important trend in ESG governance is the concept of double materiality, which requires insurers to assess both the financial impact of ESG risks on the company (financial materiality) and the impact of the company's activities on society and the environment (impact materiality). This dual perspective has become increasingly relevant as insurers respond to the evolving expectations of sustainability reporting.

According to the survey:

96% **of insurers surveyed identified climate change as a material topic**

78% **of insurers surveyed also prioritize their own workforce as a material topic**

65% **of insurers surveyed consider business conduct as a material topic**

However, less attention is currently being paid to:

- Workers in the value chain – only 28%
- Resource use and circular economy – only 21%

Internal audits and performance monitoring

An essential component of ESG governance is the establishment of internal audit processes to ensure compliance with ESG policies and to monitor the performance of sustainability initiatives. The survey indicates that:

56% **of insurers surveyed have established specific KPIs to monitor their ESG performance, with key areas of focus including governance and risk**

Regular internal audits help insurers make sure that their ESG commitments are being met and that their policies and procedures align with regulatory and stakeholder expectations. For example, internal audits can verify the accuracy of climate-related disclosures, assess the effectiveness of sustainability initiatives and identify areas for improvement.

18% **of respondents reported that they do not yet have specific KPIs to track ESG performance**

This indicates that some insurers are still in the early stages of developing comprehensive ESG audit and monitoring frameworks

ESG governance: challenges

Despite the progress that many insurers have made in setting up ESG governance structures, the survey identifies several key challenges that companies face in this area:

Fragmented leadership responsibilities

One of the most significant challenges highlighted in the survey is the fragmentation of leadership responsibilities for ESG. While some companies have appointed dedicated CSOs or set up ESG committees, others continue to assign responsibility for ESG to various executives (e.g., CEO, CFO), which can lead to inconsistent execution and a lack of coordination across the organization.

Insurers that lack centralized leadership for ESG may struggle to implement cohesive strategies and ensure accountability. Fragmentation can also hinder cross-functional collaboration, as different departments may have varying interpretations of ESG priorities and responsibilities.

Lack of expertise and resources

Another common challenge is the lack of internal expertise and resources dedicated to ESG governance. Many insurers are still building their knowledge base in this area and, while there is growing interest in ESG, companies often lack the specialized personnel or dedicated budgets needed to implement comprehensive governance frameworks.

44% of respondents reported that they do not have sufficient resources to manage ESG governance effectively, particularly in areas such as data collection, reporting and stakeholder engagement

This resource gap can delay progress on key initiatives and leave insurers vulnerable to regulatory and reputational risks.

Evolving regulatory environment

The rapidly evolving regulatory environment poses another significant challenge for insurers. With new ESG-related regulations being introduced in many jurisdictions (such as the CSRD in the EU), insurers must continuously adapt their governance structures and reporting practices to remain compliant.

33% of respondents indicate that their ESG strategies are mainly focused on compliance. This approach limits their ability to go beyond regulations and fully integrate ESG into their governance structures.

The lack of consistent global standards for ESG reporting further complicates compliance efforts, as insurers operating in multiple regions must navigate different sets of requirements.

ESG governance: means of improvement

Despite the challenges, there are several key opportunities for insurers to strengthen their ESG governance frameworks:

Centralizing ESG leadership

One of the most effective ways to improve ESG governance is by appointing a dedicated **Chief Sustainability Officer (CSO)** or similar role to oversee sustainability initiatives across the organization. Centralized leadership ensures accountability, promotes cross-functional collaboration and helps align ESG goals with the company's broader strategy.

Enhancing board oversight

Insurers should continue to enhance board-level oversight of ESG risks and opportunities, either through dedicated ESG committees or by integrating ESG into existing governance structures. This will help ensure that sustainability considerations are given the same level of importance as financial and operational risks.

Investing in data and technology for ESG reporting

To meet evolving regulatory requirements, insurers must invest in **data collection and reporting technologies** that allow them to capture accurate, real-time information on their ESG performance. These tools will enable insurers to meet both regulatory obligations and stakeholder expectations for transparency and accountability.

Embedding ESG into risk and strategy

ESG governance should be integrated into the broader risk management and strategic planning processes of the organization. This includes using **double materiality assessments** to identify both the financial impact of ESG risks on the business and the impact of the company's operations on society and the environment.

3.3 ESG in insurance products

ESG is increasingly becoming a focus within insurance operations, with insurers offering products that align with sustainable finance principles. The survey shows that:

36% of insurers have developed insurance-based investment products under article 8 of the SFDR

51% of insurers are actively developing non-life insurance products related to mitigating climate change

Growth in ESG-aligned products

The growth in ESG-aligned products within insurers has been focused on Insurance-Based Investment Products (IBIPs), largely driven by the requirements of the Sustainable Finance Disclosure Regulation (SFDR).

36% **of insurers surveyed have developed products solely under article 8, which promotes environmental or social characteristics**

21% **of insurers surveyed have developed products under both article 8 and article 9**

25% **of insurers surveyed have not yet developed products other than under article 6**

25% of respondents indicated that 0% of their IBIP investments are aligned with the EU taxonomy, while 13% reported that more than 3% of their IBIP investments are taxonomy-aligned.

Underwriting and risk management

57% **of respondents model both historical and forward-looking risks when assessing climate-related risks in their underwriting processes**

This proactive approach reflects a growing awareness of the need to incorporate future scenarios into risk models to better prepare for climate-related events.

However:

43% **of respondents still rely solely on historical data or do not consider climate risks at all, which may leave them ill-prepared to assess the impact of future climate risks, especially as the frequency and severity of extreme weather events increase**

Integration of ESG into claims processes

49% **of insurers surveyed have not yet developed sustainable claims management processes**

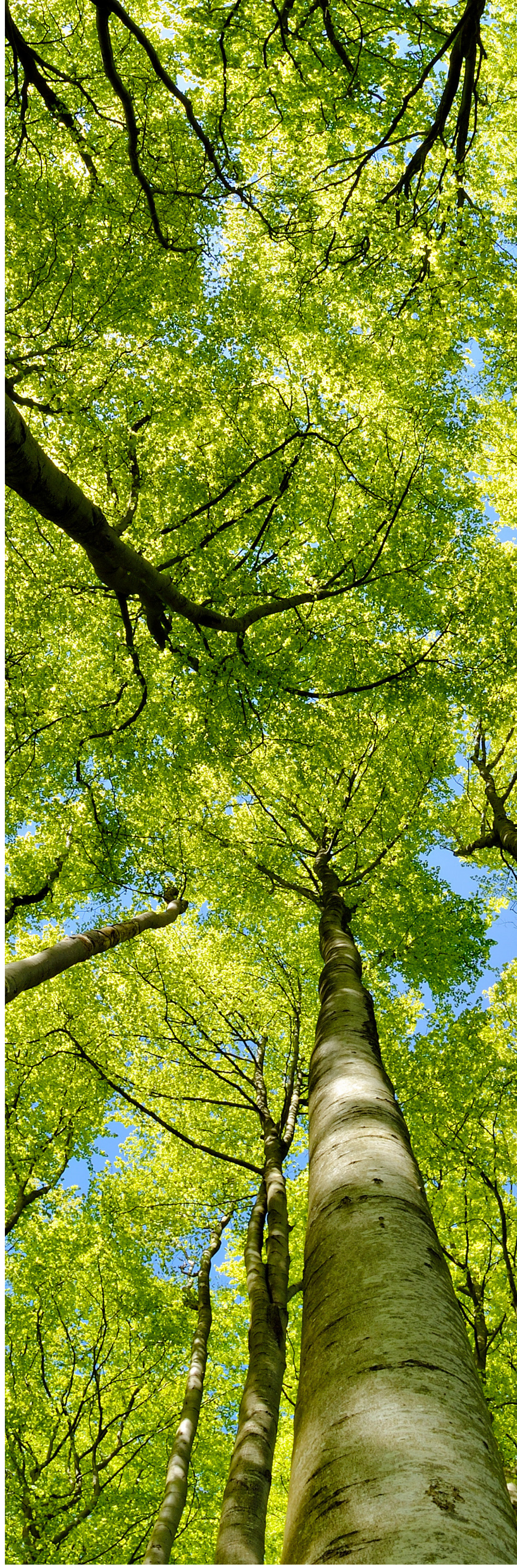
The lack of sustainable claims management processes highlights a key area where insurers can further integrate ESG. Sustainable claims management could involve measures such as promoting the use of recycled materials in repairs, digitizing documentation to reduce paper use and ensuring that suppliers meet ESG criteria.

39% **of insurers surveyed have digitized documents connected to the claims management process**

21% **of insurers surveyed promote circular economy in the settlement of claims**

Key recommendation

Insurers should expand their focus on ESG-aligned products to include the entire insurance lifecycle, from underwriting to claims. By integrating ESG principles into their claims processes, insurers can ensure that sustainability is embedded in every aspect of their operations.



The survey shows that the minority of insurers are broadening their ESG focus, moving beyond climate change to address biodiversity and social issues. This shift reflects a more comprehensive approach to sustainability, with insurers developing innovative products that tackle both environmental and societal risks.

For instance, according to the EMA ESG Insurance Benchmarking Survey:

51% of insurers surveyed are developing products to mitigate climate change, such as insuring low-emission energy infrastructure (e.g., buildings, vehicles).

40% focus on products that adapt to climate change, insuring resilient buildings and vehicles where clients adopt preventive measures.

25% of insurers surveyed are developing products with a focus on social objectives, aligning with the broader ESG agenda.

15% of insurers surveyed are supporting the transition to a circular economy by promoting the use of second-hand parts in insurance claims.

8% of insurers surveyed are specifically designing products aimed at protecting biodiversity, such as safeguarding against pollution or conserving natural ecosystems like mangroves and coral reefs.

3.4 Corporate functions

Corporate functions, including risk management, human resources, data management and technology, play a critical role in embedding ESG principles into the core of an insurance company's operations. While there has been progress in certain areas, the **2024 KPMG EMA ESG Insurance Benchmarking Survey** reveals notable gaps in how these functions support and drive ESG integration across organizations.

This section explores the key findings related to each corporate function and provides recommendations for improvement.

HR and people	**Risk management**	**Data and technology**

The success of ESG integration hinges on the collaboration and alignment across corporate functions. From HR to risk management, every department should play a pivotal role in embedding sustainability into the core of business operations.

Christoph Krallmann
ESG Insurance Leader, EMA region and Partner,
KPMG in Germany

Corporate functions: HR and people

Human resources play a pivotal role in fostering an ESG-centric culture within organizations, particularly by aligning workforce practices with sustainability goals. As ESG becomes an essential business driver, insurers need to equip their employees with the necessary skills and awareness to engage with ESG strategies effectively.

ESG training and education

The survey shows that:

47% **of insurers provide ESG-specific training to their employees, which indicates a positive shift toward building internal ESG capacity**

This reflects a positive trend towards embedding ESG practices across entire workforces, helping companies build stronger internal capabilities to meet sustainability goals.

10% **of insurers only provide ESG training for the management board and the supervisory board**

This suggests that some companies are limiting ESG education to top-tier decision-makers, potentially missing opportunities to engage employees at all levels in sustainability efforts.

17% **of insurers do not conduct any ESG-specific training, leaving a significant portion of the workforce without the necessary knowledge to engage effectively with ESG initiatives**

The lack of training could hinder companies' abilities to meet ESG standards and regulatory requirements, emphasizing the need for broader and more inclusive ESG education.

Aligning talent management with ESG goals

Talent management practices are also beginning to shift in response to ESG priorities. Many insurers are adjusting their recruitment and retention strategies to attract talent with the skills and values aligned with ESG principles.

- Several respondents indicated that their hiring processes now include assessments of candidates' familiarity with sustainability and their alignment with the company's ESG values. However, these practices are still in the early stages, and only a small percentage of companies are actively prioritizing ESG-aligned talent acquisition.
- Performance management systems are also evolving, with some insurers beginning to incorporate ESG-related metrics into their employee performance reviews and incentive structures. This aligns employee goals with the company's broader ESG objectives, ensuring that individual actions contribute to long-term sustainability goals.

Promoting diversity and inclusion

The social component of ESG is closely linked to diversity, equity and inclusion (DEI) initiatives. The survey indicates that:

78% **of respondents consider workforce-related sustainability as one of the most material topics in their ESG strategies**

This suggests that insurers are increasingly recognizing the importance of creating diverse and inclusive workplaces, which are key drivers of innovation, employee engagement and long-term success.

Employee well-being and **fair labor practices** are becoming central to insurers' social sustainability goals, with a focus on ensuring equal opportunities, fostering an inclusive culture and improving employee health and safety.

However, formal DEI metrics and reporting structures remain underdeveloped for many insurers. Only a minority of respondents track DEI outcomes as part of their ESG reporting, indicating that there is room to strengthen governance around social sustainability metrics.

Corporate functions: risk management

As discussed in the previous section, risk management is a critical function in embedding ESG within insurers' operations. The integration of ESG risks, such as climate-related risks, social risks (e.g., labor rights) and governance risks (e.g., corporate ethics) into the overall risk management framework is essential for identifying, assessing and mitigating risks that could materially impact an insurer's financial performance and reputation.

Use of standardized data sources and methods

The survey shows that:

34% **of respondents use EIOPA-recommended data sources such as the Climate Impact Explorer to project occurrences of natural catastrophe events**

17% **rely on internal data collection for these projections, indicating a blend of reliance on both external standards and internal resources**

This shows a divide between insurers who follow established frameworks and those who leverage their internal expertise.

Methods employed to fill in the transitional risk-related fields in the quantitative reporting templates for assets

35% **follow the CPRS classification as recommended by EIOPA for completing QRTs related to transitional risks.**

9% **have developed internal methodologies based on external ESG risk ratings**

7% **apply the CPRS classification but introduce internal adaptations for their specific context**

These responses highlight that, while a majority follow standard guidelines, some insurers prefer tailored or adapted approaches.

Integration of sustainability risks into Solvency II

Insurers show a strong commitment to addressing both transitional and physical risks with an emphasis on investment-related exposures.

79% **of insurers are in favor of incorporating transitional risks from investments within their Solvency II frameworks**

56% **of insurers are in favor of incorporating physical risks from investments within their Solvency II frameworks**

For insurance activities:

66% **of insurers are in favor of incorporating physical risks from insurance activities within their Solvency II frameworks**

51% **of insurers are in favor of incorporating transitional risks from insurance activities within their Solvency II frameworks**

These results suggest that, while investment risks are prioritized, considerable attention is also being given to risks arising directly from insurance business activities.

Roles assigned to risk management function in ESG reporting

The survey reveals varying levels of risk management function (RMF) involvement across key ESG areas:

Double materiality assessment (CSRD)

38% **of respondents indicated that their RMF is either the "owner" of the materiality assessment of risks or defines methods for doing so**

16% **of respondents indicated that their RMF is either the "owner" of the materiality assessment of opportunities or defines methods for doing so**

This indicates that, while some RMFs are actively involved, a significant gap remains in the ownership of opportunity materiality assessments, suggesting a need for greater integration.

Human rights compliance

47% **of respondents indicated that their RMF is not involved in ensuring compliance with legislation pertaining to human rights. This highlights a critical gap in ensuring that ESG frameworks fully incorporate social and governance risks**

Corporate functions: data and technology

Data and technology are essential enablers of ESG integration, particularly in the areas of risk management, regulatory compliance and transparency. However, the survey highlights significant challenges that insurers face in building the data infrastructure needed to support ESG reporting and decision-making.

Data collection and ESG reporting

One of the most pressing issues identified in the survey is the lack of adequate data systems for ESG reporting.

44% **of respondents indicated that they do not have a suitable data solution in place to support the collection and analysis of ESG data, particularly in line with the requirements of the Corporate Sustainability Reporting Directive (CSRD)**

For many insurers, the lack of standardized data on ESG risks, particularly climate risks, makes it difficult to assess exposures and report on progress effectively. Insurers need access to high-quality, consistent data to meet both regulatory requirements and stakeholder expectations for transparency.

Additionally, the disparate sources of ESG data – ranging from internal operations to external suppliers and investments – complicate the process of consolidating information for comprehensive reporting. The complexity of managing multiple data sources has led some insurers to delay the implementation of robust data systems.

Implementing new technologies for ESG

Despite the challenges…

28% **of respondents have implemented existing technology solutions to support their ESG initiatives**

15% **have adopted new, dedicated ESG reporting tools**

These tools help insurers collect, analyze and report on ESG-related data in line with evolving regulatory requirements.

- Advanced analytics and **artificial intelligence (AI)** are being increasingly leveraged to assess ESG risks in real-time, allowing insurers to make more informed decisions about underwriting, investments and claims. For example, AI-driven tools can help insurers analyze vast amounts of climate data to better understand potential risks and price their policies accordingly.

- **Blockchain technology** is also emerging as a potential solution for tracking ESG-related metrics, particularly in the context of supply chain transparency and sustainable investment tracking. By using blockchain, insurers can ensure that their ESG data is tamper-proof and verifiable, which is particularly important for meeting regulatory compliance and investor demands.

Key recommendation

- Insurers should expand ESG-specific training across all corporate functions to cover all employees. They ought to consider leveraging external training providers to introduce new insights and best practices. Additionally, companies should formalize DEI reporting and align talent management practices with their ESG values by incorporating sustainability metrics into performance reviews and recruitment processes.

- Insurers should adopt forward-looking risk models that integrate both physical and transition risks, supported by robust data systems and methodologies. CROs should expand their oversight to include social and governance risks, ensuring a holistic approach to ESG risk management.

3.5 Transition to net zero

Achieving net zero is a significant goal for many insurers, though the survey suggests that most companies are still in the early stages of this journey:

Net zero targets in general

23% **of respondents are focused on reducing scope 1 emissions and/or decarbonizing their investment portfolios, with…**

41% **…having set quantitative (e.g. science-based) targets**

The transition to net zero presents significant challenges for insurers, with…

53% **reporting difficulties in defining action measures, setting clear targets, and identifying decarbonisation levers**

Despite these challenges, the focus on scope 1 emissions and portfolio decarbonization shows that insurers are taking concrete steps to align with global climate goals, albeit at varying paces.

"The path to net zero is not just a regulatory requirement, but a strategic opportunity for insurers to lead in sustainable finance. By aligning investment portfolios with climate goals, embracing green underwriting, and integrating sustainability into claims management, insurers can drive meaningful change while enhancing operational efficiency and securing long-term growth.

Lisa Sparapan
Principal
KPMG in Italy

Transition to net zero: commitment, scope and coverage

A key finding of the survey is that 23% of respondents are actively focused on reducing scope 1 emissions (direct emissions from owned or controlled sources). However, fewer insurers are addressing the more complex and indirect emissions that come under scope 2 (indirect emissions from purchased energy) and scope 3 (indirect emissions across the value chain).

Participation in net-zero alliances

Insurers have the opportunity to strengthen their net-zero commitments by joining voluntary initiatives such as the **Net-Zero Insurance Alliance** (NZIA) and the **Net-Zero Asset Owner Alliance** (NZAOA). These alliances bring together leading insurers and asset owners committed to aligning their portfolios with the goals of the Paris Agreement.

The survey reveals that…

56%

of respondents have not yet joined a major net-zero alliance, suggesting that many insurers are hesitant to make public commitments or align with industry-wide standards

Participation in these alliances not only helps insurers meet regulatory and stakeholder expectations but also signals to the market that they are committed to sustainable practices.

Note: In April 2024, the Forum for Insurance Transition (FIT) substituted the NZIA. The FIT is a forum aimed at supporting the acceleration of the transition to a zero-carbon economy. It is important to note that the transition plan is required by CSRD and CS3D and should be consistent with any plan that will be developed (e.g., under solvency 2 rules) to manage the ESG factors within financial risks

Scopes

Scope 1 emissions are typically easier for insurers to control, as they relate to direct energy use, such as office buildings and company-owned vehicles. Many insurers have already begun investing in energy efficiency measures, such as transitioning to renewable energy for office operations or switching to electric company fleets.

Scope 2 emissions, while indirect, are also increasingly being addressed by insurers. This includes switching to renewable energy sources for electricity, heating and cooling. Some insurers have signed corporate renewable power purchase agreements (PPAs) to lock in long-term access to clean energy, reducing both their carbon footprint and energy costs.

Scope 3 emissions present the most significant challenge for insurers, as they include indirect emissions across the entire value chain, such as those generated by suppliers, customers and investments. These emissions are often more difficult to measure and control, especially for insurers that hold vast, diversified investment portfolios. Only…

23%

of respondents indicated that they have developed targets and strategies to address Scope 3 emissions from their investment portfolio

1%

of respondents indicated that they have developed targets and strategies to address Scope 3 emissions from their underwriting portfolio

Transition to net zero: setting targets and action plans

Transition planning and implementation

For insurers, effective transition planning is a key element in achieving net-zero targets. The survey results indicate that…

37%

of respondents are currently in the process of implementing a transition plan, demonstrating commitment to reducing carbon emissions across their operations, investments and insurance activities

However…

34%

of respondents are still in the early stages, considering their transition plans, whereas…

26%

have not yet included it on their agenda

The main challenges include setting clear and measurable targets, particularly for scope 3 emissions, and aligning operational strategies with long-term net-zero commitments. As transition planning progresses, insurers will need to focus on developing detailed action plans that address the decarbonization of their portfolios and operational processes.

Targets defined for transition plans

Apart from general net zero targets insurers are defining various targets as part of their transition plans to align with net-zero goals. According to the survey:

53%

of respondents were unsure about the targets for their transition plans

19%

have set targets for scope 1 emissions as part of their transition plan focusing on their direct emissions from controlled sources

16%

are addressing scope 3 – financed emissions, reflecting efforts to manage emissions from investments

9%

have set targets for scope 2 emissions, focusing on purchased energy

Transition to net zero: overcoming challenges

The transition to net zero presents a variety of challenges for insurers, particularly around defining action measures, setting clear targets and implementing decarbonization levers. The survey identifies several barriers that insurers face as they work toward achieving net-zero goals:

Defining action measures

53%

of respondents identified defining action measures as a major challenge in implementing transition plans.

Insurers often struggle to translate high-level net-zero commitments into clear, operational steps, particularly when it requires coordination across departments. This difficulty can delay progress and risk misalignment with regulatory and stakeholder expectations. Some insurers are seeking external expertise and data-driven solutions to refine their strategies.

Setting targets

51%

of insurers reported difficulties in setting measurable targets, especially for scope 3 emissions due to their indirect nature

Setting targets requires insurers to balance ambition with feasibility. This ensures that targets are not only aligned with international frameworks like the Paris Agreement but are also realistic given the available resources and technological capabilities.

This balancing act is further complicated by the need to synchronize targets with evolving regulatory requirements, such as the European Sustainability Reporting Standards (ESRS). As insurers navigate these complexities, some have opted to participate in voluntary alliances or initiatives to gain access to guidance and best practices for setting robust and credible targets.

Decarbonizing underwriting practices

In addition to investment portfolios, insurers must also consider how their core underwriting business can contribute to net-zero goals. This involves adjusting underwriting criteria to favor low-carbon industries and sectors while reducing exposure to high-emission clients and activities.

51%

of respondents indicated that they are actively developing non-life insurance products that align with climate change mitigation strategies, such as policies covering renewable energy infrastructure, electric vehicles and energy-efficient buildings

However, integrating decarbonization targets into underwriting decisions remains a complex process, particularly when it comes to balancing financial returns with sustainability goals.

There is a growing focus on **green underwriting**, whereby insurers incentivize clients to adopt sustainable practices by offering favorable policy terms or reduced premiums. For example, insurers can offer lower premiums for energy-efficient buildings or renewable energy installations, aligning their risk models with their decarbonization strategies.

Transition to net zero: overcoming challenges

The transition to net zero presents significant growth opportunities for insurers that can successfully integrate sustainability into their business models. Insurers are well-positioned to play a key role in financing the transition, particularly through sustainable investment products, green underwriting and claims management.

Data collection and ESG reporting

As demand for sustainable investment products continues to grow, insurers have the opportunity to develop innovative products that cater to environmentally conscious investors. This includes:

- **Green bonds and sustainability-linked bonds**, which provide capital for climate-friendly projects.
- **Sustainable infrastructure financing**, such as investments in renewable energy, energy-efficient buildings and electric transportation networks.

By offering these products, insurers are not only able to contribute to the net-zero transition but also attract new customers and enhance their market reputation as sustainability leaders.

Implementing new technologies for ESG

Claims management is key to supporting the net-zero transition as it influences both customer experience and the environmental impact of insurer operations. By integrating sustainability into claims processes, insurers can reduce emissions, improve resource efficiency and promote eco-friendly practices. Key opportunities include:

- **Sustainable repair and rebuilding:** partnering with eco-friendly contractors to use sustainable materials, minimizing the environmental footprint of claims.
- **Digitization:** implementing digital claims technologies to reduce paperwork and the need for site visits, cutting carbon emissions and streamlining processes.
- **Recycling and reuse:** encouraging recycling of materials, such as vehicle parts or building supplies, to minimize waste.

Key recommendation

Insurers should accelerate their net-zero transition by setting clear, science-based targets and leveraging their role as institutional investors and underwriters to promote sustainability across their portfolios and client base. By joining voluntary alliances and adopting new data tools, insurers can enhance transparency, accountability and progress toward their net-zero goals.

04

Key recommen-dations and next steps

Key recommendations

01 ESG strategy and ambition

Insurers should move beyond compliance-driven ESG strategies and set ambitious, long-term sustainability goals that align with their broader business objectives. This includes developing transformation programs, setting science-based targets and offering innovative products that support the net-zero transition and promote social sustainability.

02 ESG in insurance products

Insurers should expand their focus on ESG-aligned products to include the entire insurance lifecycle, from underwriting to claims. By integrating ESG principles into their claims processes, insurers can ensure that sustainability is embedded in every aspect of their operations.

03 Corporate functions

- Insurers should expand ESG-specific training to cover all employees and consider leveraging external training providers to introduce new insights and best practices. Additionally, companies should formalize DEI reporting and align talent management practices with their ESG values by incorporating sustainability metrics into performance reviews and recruitment processes.
- Insurers should adopt forward-looking risk models that integrate both physical and transition risks, supported by robust data systems and methodologies. CROs should expand their oversight to include social and governance risks, ensuring a holistic approach to ESG risk management.

04 Transition to net zero

Insurers should accelerate their net-zero transition by setting clear, science-based targets and leveraging their role as institutional investors and underwriters to promote sustainability across their portfolios and client base. By joining voluntary alliances and adopting new data tools, insurers can enhance transparency, accountability and progress toward achieving their net-zero goals.

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