

icmif

International Cooperative and Mutual Insurance Federation

ICMIF Members Sustainable Investment Report 2021



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Executive summary

The global sustainability paradigm has evolved greatly over the past four decades. Sustainability 1.0 primarily addressed risk avoidance for the insurance industry and explains environmental, social and governance (ESG) issues whilst including them in business practices. Sustainability 2.0 saw the move from avoiding risk and expands the ESG journey to developing qualitative criteria based on ESG practices to better manage the insurance business for a sustainable future. Enter in Sustainability 3.0 – a desire to qualitatively comprehend the impact of ESG, by working towards a set of Sustainable Development Goals (SDGs - as set out by the UN in 2015), and to measure and implement action to achieve net-zero.

The results of the ICMIF membership Sustainability Investment Framework survey (2021) allow us to catch a glimpse of the astounding work that ICMIF members are doing by ensuring their investments are made sustainably. This report shows that of the 25% of members who took part in the survey represent a strong contingent actively sitting in the Sustainability 3.0 realm. There are many members which are still working their way onto this progression, and this report will assist in quantifying what the journey could look like.

Key findings:

- ICMIF members confirmed that USD 576 bn of their assets under management are investments aligned to sustainable investment frameworks.
- There are multiple investment frameworks, but the members who responded to our survey show that the UNEP-Convened Principles for Responsible Investing (PRI) and its newer form the Net-Zero Asset Owner Alliance (NZAOA) are the primary frameworks adopted by ICMIF members.
- Impact investing has grown by over 118% from last year (2020), to USD 10.7 bn with four members stating that around 10% of their total assets under management (AUM) is invested in impact investing.
- Green bonds (and other sustainable bonds) and renewables investing have also seen more than 100% increases in investment since last year.
- ICMIF members are aligning their strategic goals with the Paris Agreement.
- Sustainability reporting is growing with the majority of members stating that they actively report on sustainability in some way.

‘I am consistently very pleased with the ability of cooperative and mutual insurers through ICMIF and on their own to actually help each other move ahead in these areas. And so, we were ahead of the game in 2014. We’re ahead of the game now. We have a catalytic impact on each other based on the fact that we share best practices, that we challenge and I think that’s a key reason why we’re ahead now and I hope it will be a key reason why we continue to lead in this area.’

Rob Wesseling, CEO, Co-operators (Canada)

Foreword

It was Al Gore who said, “we are at the early stages of the sustainable revolution, but to reach this we need a new paradigm and radical transparency”.

2021 was a year to remember, from the continued management of the pandemic since 2020, to the overall awakening of the world to the fear that six years had been lost in terms of reversing global warming since the signing of the Paris Agreement by world leaders at the UN Climate Change Conference (COP21) in 2015. However, all is not lost. The 2021 United Nations Climate Change Conference, commonly referred to as COP26, resulted in a few surprises that foster hope for the future and our ability to save the world from the worst effects of climate change. This year, the results of the 2021 ICMIF Sustainability Investment Framework Survey are testament to how our members have gone from strength to strength since the inception of this survey in 2019. This manifesto shows solid forward momentum from the mutual and co-operative insurance sectors to a greener future.

As Lord Adair Turner, Chairman of the Energy Transitions Commission said: “we lost the first five years, now we need to hit the accelerator” and in 2021, the United Nations (UN) Secretary-General António Guterres announced the establishment of a taskforce to check all net-zero commitments from nation states, civil society and businesses to ensure they actually do deliver on these commitments; and to ensure that there is no more hiding or greenwashing. Building on Guterres’ 2021 announcement, Rishi Sunak, the UK Chancellor announced that all UK financial services institutions will have to have a net-zero commitment by 2023.

The announcement of the Glasgow Financial Alliance for Net Zero (GFANZ) at COP26 by Mark Carney probably grabbed the most headlines. This carefully worded launch states that USD 130 trillion of assets in financial services is heading towards net-zero commitments. The benefit of the GFANZ is that it brings together all the net-zero groups within the United Nations Environment Programme Finance Initiative (UNEP FI), representing asset owners, asset managers, insurers, brokers and bankers. These groups are all industry-led with the UNEP FI being the convening body. The large portion of the USD 130 trillion comes from the 4,300 UN Principles for Responsible Investment (PRI) signatories which represent USD 121 trillion. However, only 71 (of which 28 are insurers) of these signatories (including six ICMIF members) representing USD 10 trillion in assets, have made net-zero commitments under the UN-convened Net-Zero Asset Owner Alliance (NZAOA), which is the next stage of action. In addition to the six ICMIF members that have joined the NZAOA, five other ICMIF members have made net-zero commitments, so that gives a total of 11 ICMIF members firmly committed to net-zero, representing nearly USD 700 billion in assets.

In further relation to investments, ICMIF’s Chair Hilde Vernailen announced at the 76th President of the United Nations (UN) General Assembly on 26 October 2021 that 40 ICMIF members had USD 576 billion of investments that are aligned to global sustainable frameworks, representing 37% of their combined investments.

In closing, Adam Smith, some would argue the founder of modern economics, and author of the *Theory of Moral Sentiment* has been largely ignored by our mainly shareholder company driven economy. Smith asserts that the role of sympathy articulates a fundamental principle which we appear to have overlooked – *‘that for society to function fairly, the invisible hand must be guided by a moral compass’*. This report shows that it is up to the mutual sector to deliver this moral compass.

I implore you to take this report as a challenge to you and your organisation to better understand the impact your investments can have on the global sustainability agenda. The good choices you make now, can help ensure we all have a better tomorrow.

Yours in sustainable action,

Shaun Tarbuck
Chief Executive, ICMIF



Introduction

As the world reflects on COP26 which took place in Glasgow in 2021, the largest ever global political gathering in the UK, general consensus is that the goal of limiting global warming to within 1.5 degrees C of preindustrial levels (1850) is still within our reach. Back in November 2021, the eyes of the world were fixed on Glasgow and the Glasgow Climate Pact, but now the world is waiting. The hard work must start now and it starts with strategic and decisive action. As the ever-growing 'climate anxiety snowball' increases and the climate movement grows, the shift in momentum is tangible. The people have spoken, change is coming and as cooperatives and mutuals our sector is ideally placed to lead the march on this change.

Against this backdrop, as the planet slowly frees itself from the 'shackles' of the COVID-19 pandemic, there is a fast-growing global force driving public and private finances to be more sustainable. As UN Secretary-General Antonio Guterres recently said, "we are in a race against time". It was in the Brundlant Report also called *Our Common Future*, a publication released in 1987 by the World Commission on Environment and Development (WCED), that sustainability was defined as succinctly as 'meeting the needs of the present generation without compromising the ability of future generations to meet their needs'.

But as well as all the environmental, social and ethical reasons for being more sustainable, it also makes good business sense to be 'ahead of the curve'. Indeed, it is well documented that sustainable initiatives improve a company's financial performance; improve efficiency; reduce costs; and drive change. This allows the business to gain a competitive edge as well as significantly enhance the business's image to employees, potential employees and other stakeholders such as members and investors.

The cooperative and mutual insurance sector is ideally placed to take a lead in this area to form a 'coalition of the willing' and lead by example.

This report will demonstrate ICMIF members are doing just that. As cooperatives and mutuals we are not driven by short-termist decision-making, short-term profits or investor demands. Instead, being owned by our members we can take a more strategic, longer-term view, doing what's right socially, environmentally and ethically too. ICMIF is pleased to report on the findings of the third annual ICMIF Sustainability Investment Framework Survey which was issued to all ICMIF members in August 2021. This report is a summary of the findings based on members' financial results as at 31 December 2020 and existing research and data already held by ICMIF on members.

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

Definition and scope of the survey

The survey was sent out to all ICMIF members and was conducted as an online survey in July - August 2021. The majority of the respondents are mutual insurers with the rest being cooperatives, mutual holding companies and other mutual/cooperative forms. These results are also supported by specific information in the public domain where members did not respond.

In total 155 surveys were issued to ICMIF members, and 39 members replied to the survey representing 25.2% of the ICMIF membership. More significantly, those that responded represented 78% of ICMIF's members assets under management for 2020, equating to USD 1.6 trillion.

The responses received came from Europe 51%, America's 31%, APAC 13% and Africa 5%.

Previously, Shaun Tarbuck, ICMIF's Chief Executive spoke at the UN General Assembly in 2014 and committed the entire insurance industry to USD 400 billion in sustainable investment frameworks by 2020. This survey shows that ICMIF members alone, have surpassed this commitment, and that the momentum continues to grow.

Key findings

Assets

Between 2014 and 2016, the entire insurance industry invested sums of USD 40 billion rising to USD 117 billion in sustainable investment frameworks. The second ICMIF Sustainability Investment Framework Survey (carried out in 2020) showed that in 2019, 24% of ICMIF members had invested USD 286 bn aligned to sustainability frameworks. And our results from the 2021 survey showed that, ICMIF members confirmed that USD 576 bn of their assets under management are investments aligned to sustainable investment frameworks. This is USD 176 bn more than the USD 400 bn commitment made for the entire insurance industry at the UN General Assembly in 2014.

This survey results show that USD 576bn of assets under management are aligned to sustainable investment frameworks. This is up from USD 286bn (+101%) in 2019 and USD 203bn (+184%) in 2018

ICMIF Members Sustainable Investment Framework

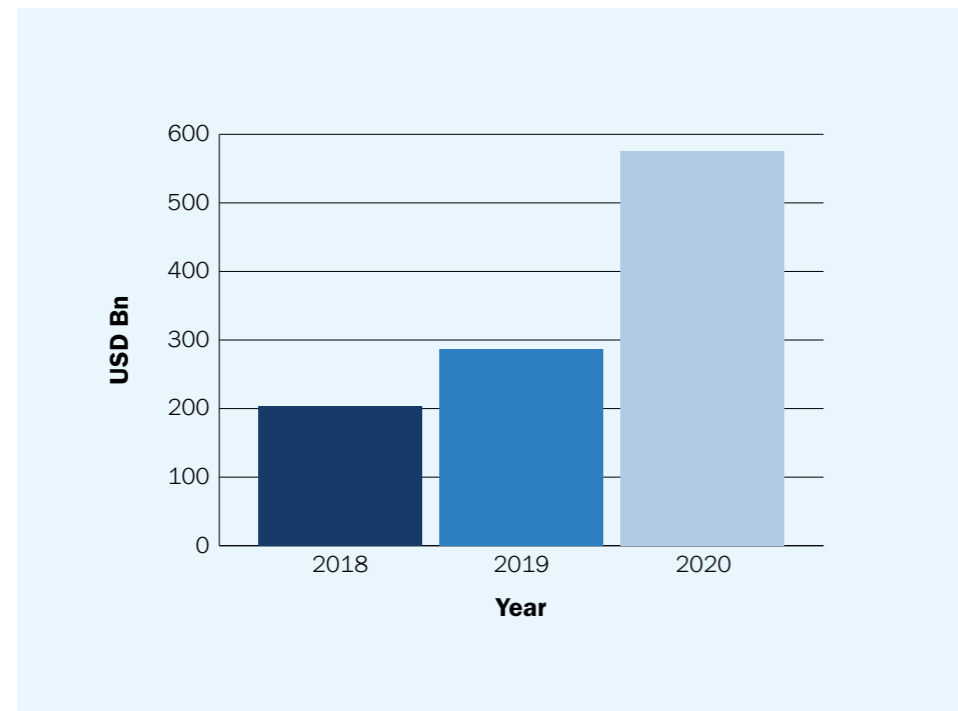


Diagram 1

Sustainable investment frameworks

The most common sustainable investment framework used by ICMIF members is the United Nations Environment Programme Finance Initiative Principles for Responsible Investment (UNEP FI PRI) and the Principles for Sustainable Insurance (PSI) with 42.9% of members replying they had signed up to these frameworks. Other notable commitments include the UN-convened NetZero Asset Owners Alliance (NZAOA); the Global Reporting Initiative (GRI); and the UN Global Compact Principles (GCP). In order to obtain the trajectory of member commitments in this regard, the survey aimed to understand the aspirations of members in this area and requested a forecast of investment spending over the next five years.

Whilst 37% of members anticipated a less than a 5% increase and a further 31% estimated between 6-10%; 16% thought that they would increase their investment by between 11-49% with a further 16% of members anticipating an increase of between 51-100%.

Anticipated increase in % of AUM invested in sustainable frameworks

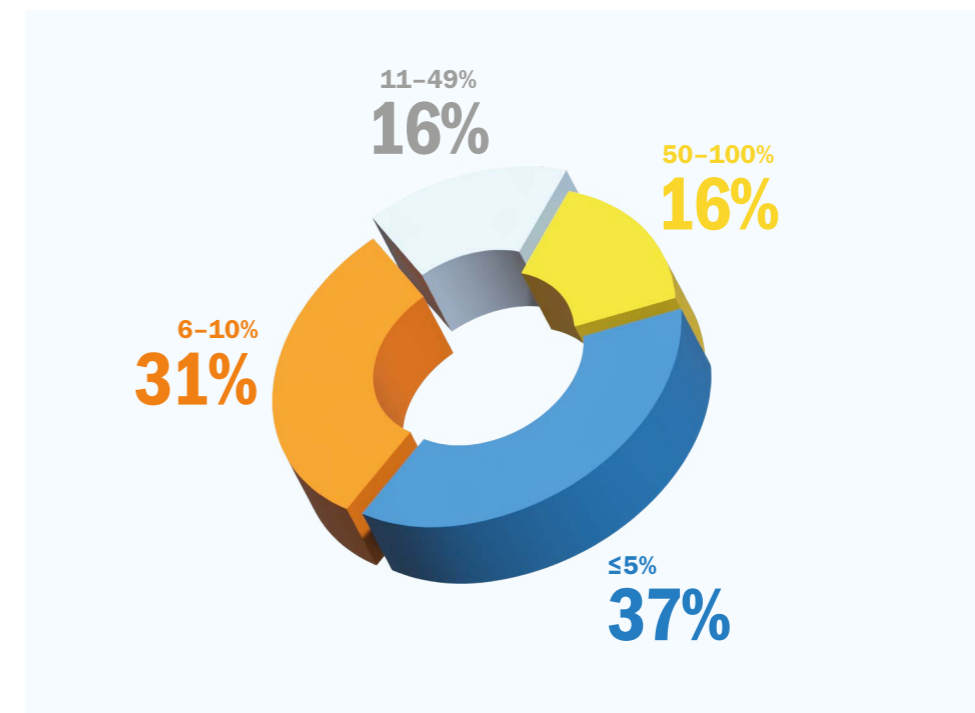


Diagram 2

Nature of sustainable investments

Impact investing

It is important to note that 46% of responding members said that they invest in impact investing, amounting to USD 10.7bn or 3.1% of their own AUM and four ICMIF members confirmed they invest 10% or more of their AUM in impact investing. This investment of USD 10.7 bn relates to an increase of 118% compared to our 2020 survey where members had invested USD 4.9bn in impact investing which was 2.0% of their AUM. This is showing phenomenal growth from the 2019 & 2018 survey results which showed only USD 3.5bn invested in impact investments or 1.9% of AUM.

Impact investing

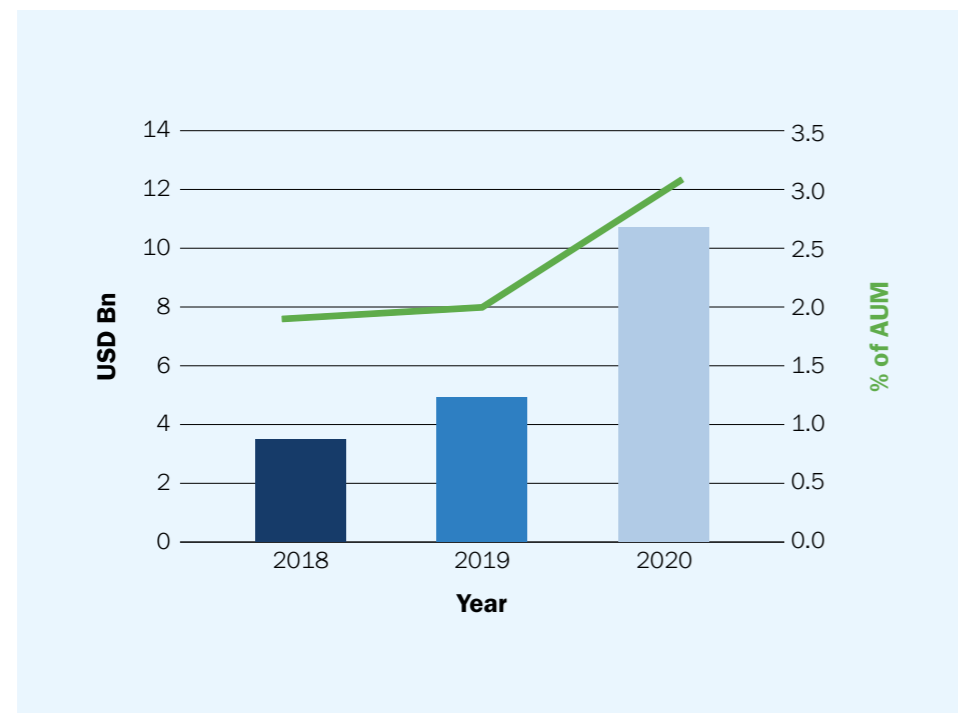


Diagram 3

Sustainable bonds

Fifty-six % of responding members invest in green/blue bonds, social and or resilience bonds, amounting to USD 12.2bn or 1.1% of their AUM. Two members confirmed they invest 10% or more of their AUM in green/blue, social and resilience bonds. This investment of USD 12.2 bn in these types of bonds relates to an increase of 118% compared to the 2020 survey where members had invested USD 5.6bn in green bonds, which was 0.7% of their AUM. The 2019 survey results showed USD 4.6bn invested in green bonds or 0.5% of responding members' AUM. This growth in these investments is another strong statement from the mutual and cooperative insurance sector to the commitment to increasing its sustainable investment footprint.

Sustainable bonds

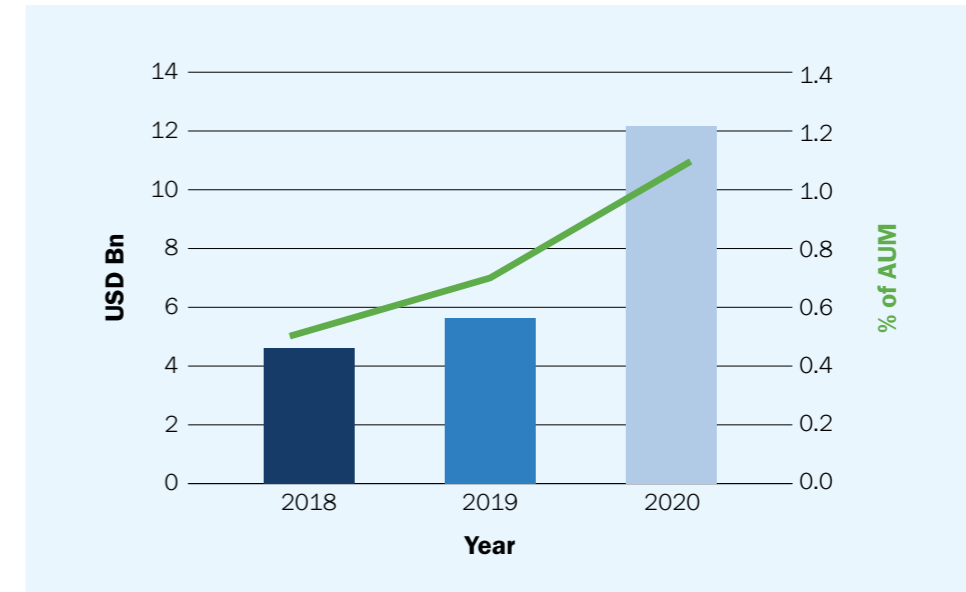


Diagram 4

Investment in renewable energy

Sixty-four % of members who responded to our survey say that they invest in renewable energy stocks/projects amounting to USD 7.1bn or 1.3% of their AUM. Two members confirmed they invest 10% or more of their AUM in renewable energy stocks/projects. This investment of USD 7.1 bn relates to an increase of 274% compared to the 2020 survey where members had invested USD 1.9bn in renewable energy, investing 0.8% of their AUM. The 2019 survey showed USD 0.8bn invested in renewable energy or 0.07% of members' AUM.

Renewable energy

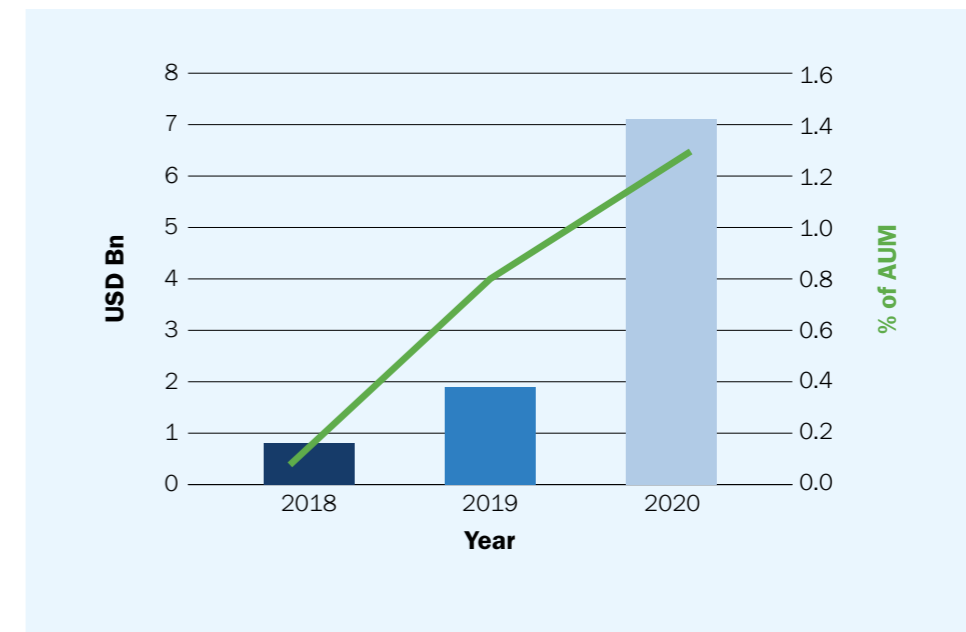


Diagram 5

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

In 2015 at COP21, the Paris Agreement was signed by 196 countries in a legally binding, international treaty on climate change. Last year, we watched as COP26 in Glasgow was expected to deliver what Paris had promised six years earlier. The announcement of the formation of the Glasgow Finance Alliance for Net Zero (GFANZ) at COP26 attracted a lot of attention during the two weeks of the conference. GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonisation of the global economy. Indeed, GFANZ acts as an ‘umbrella’ bringing all the financial institutions together under the net-zero groups within the UNEP FI and represents asset owners, asset managers, insurers and bankers together in the drive to net-zero. This is an incredible step forward, to bring collective action together and keep the world more honest and moving in the right direction. There are several ICMIF members which have joined the UN-convened Net-Zero Asset Owner Alliance (NZAOA), of which Folksam was a founding member. We also anticipate several more members will follow suit and join the newly formed Net-Zero Insurance Alliance (NZIA).

Our survey also asked members if they had their strategic objectives aligned to the Paris Agreement on climate change and 49% reported they had objectives aligned to the Agreement. Most members stated that they aligned their investment portfolios to the 1.5-degree target.

‘We have decided upon a ‘Climate smart vision’ where we outline our commitment to the Paris Agreement and objective to align our institutional portfolios with the required emission trajectory year 2030 in order to meet the Paris agreement’s 1.5-degree goal’.

Swedish mutual member

‘In June 2021, we launched our climate strategy ‘The Road to Paris’ that sets a clear direction for our investments towards 2030. Our goal is to align our investment with the Paris Agreement by 2030.’

Danish mutual member

In the past, Costa Rica has been recognised by the United Nations in 2019 as one of the ‘Champions of the Earth’ due to the country’s efforts to combat climate change. It therefore stands to reason that an ICMIF member in Costa Rica is taking the lead in decarbonising their business. Since 2013, they have been part of the National Carbon Neutrality Programme, being the first Costa Rican insurer certified as carbon neutral, including its central offices and all its branches. In 2020, the company obtained the Carbon Neutral Plus recognition, which is the highest recognition from the Climate Change Directorate.

In moves consistent with the Paris Agreement, a number of ICMIF members have also signed up to alliances such as ‘The Partnership for Carbon Accounting Financials’ (PCAF); the Net-Zero Asset Owner Alliance; and Accounting for Sustainability (A4S) as they drive their strategy to decarbonise.

Members which have set a specific target date for net-zero investment alignment:

18% (7/39) of members said they had set a date to be net-zero with respect to their investments with 86% of those targeting 2050.

ICMIF members that have made net zero commitments or signed global principles currently are as follows*:-

ICMIF member	Country	Principles for Responsible Investing (PRI) signatory	PRI NZ AOA signatory	PRI NZ Asset Manager signatory	PSI signatory	PSI – Net Zero Insurance Alliance (NZIA) signatory	Net Zero commitment made
ICMIF members		4,300 financial organisations	39 insurers	236 asset managers	118 insurers	22 insurers	
1	Folksam	Sweden	X	X			X
2	Co-operators	Canada	X	X		X	X
3	Achmea	Netherlands	X			X	X
4	Desjardins	Canada	X		X		X
5	LF	Sweden	X			X	X
6	LocalTapiola	Finland	X		X		X
7	Royal London	UK	X		X		X
8	Beneva	Canada	X				
9	MAIF	France	X	X			X
10	MACIF/AEMA	France	X				
11	Unipol	Italy	X			X	
12	R+V	Germany	X			X	X
13	MAS	New Zealand	X				
14	ARC	South Africa	X	X		X	X
15	Die Mobiliar	Switzerland	X			X	X
16	Securian	USA	X				
17	HUK Coburg	Germany	X	X			
18	NFU Mutual	UK	X				X
19	Unive	Netherlands					X
20	P&V	Belgium	X				
21	Nonghyup Life	Republic of Korea				X	
22	Nonghyup P&C	Republic of Korea				X	
23	AFA	Sweden	X				
24	Vaudoise	Switzerland	X				
Total		21	5	3	11	2	13

* at the date of publication

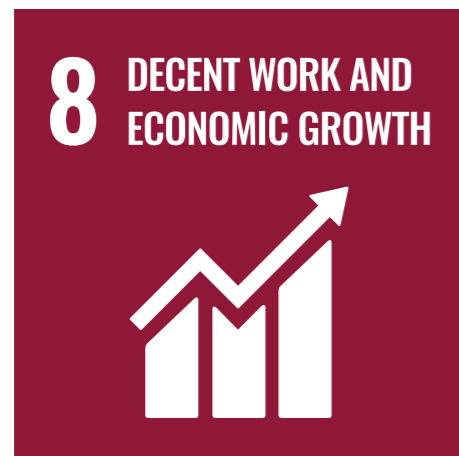
Sustainability reporting and the SDGs

Sustainability reporting is fast becoming an integral part of recognising a company's performance and measure of its accountability in an ever-changing world. It allows businesses to demonstrate to their internal and external stakeholders their commitment to sustainable development reporting on their environmental and social performance. Fifty-one % of replying members say that they report on their sustainability measurements in a separate sustainability report, whilst 23% produce an annual integrated report. Twenty-six % say they produce neither but recognise their importance.

The Sustainable Development Goals (SDGs) were first adopted by the United Nations in 2015 as a call to action to end poverty; protect the planet; and ensure that, by 2030, all people enjoy peace and prosperity. Thirty-three % of responding members say they are embedding the SDGs in their company strategy and reporting against the SDGs. Sixty-seven% say they have not started as yet.

The most popular SDGs reported against, in descending order, were:-

- SDG 3 Health & Well-being
- SDG 13 Climate Action
- SDG 8 Decent Work & Economic Growth
- SDG 5 Gender Equality



SDGs reported against by ICMIF members

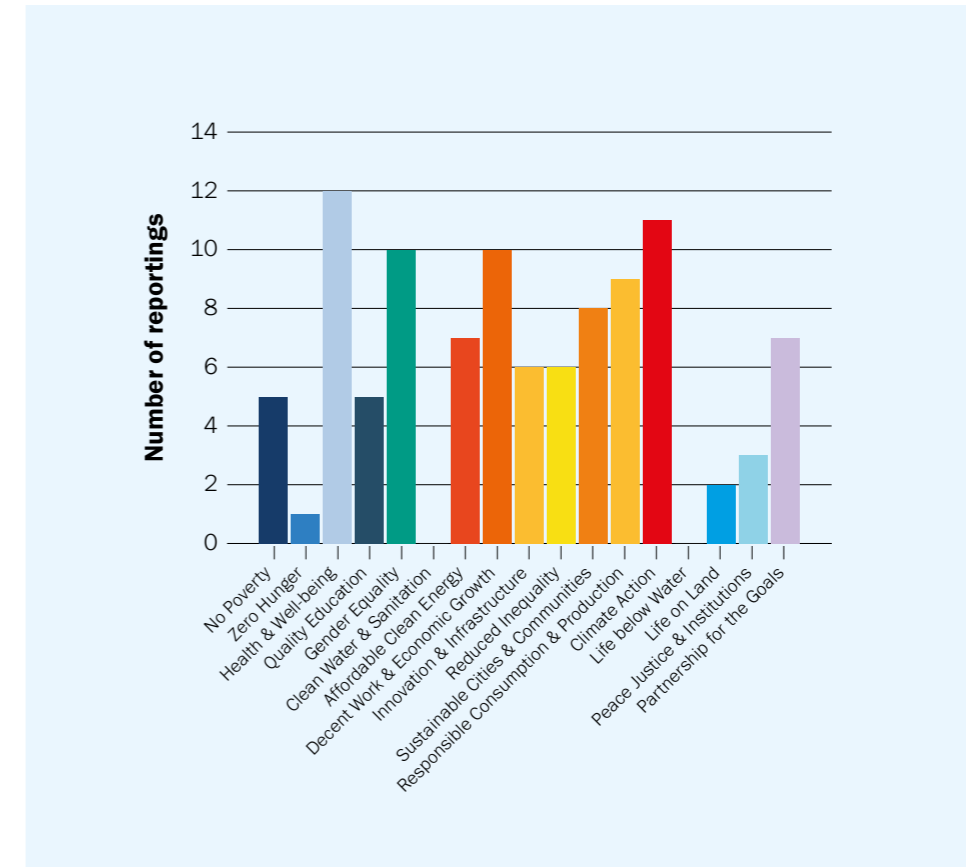


Diagram 6

There were no real surprises in the results and the most popular SDGs were SDG 3 Health and Well-being, accounting for 11.8% of all the reporting, while SDG 13 Climate Action accounted for 10.8%, closely followed by SDG 5 Gender Equality and SDG 8 Decent Work and Economic Growth at 9.8%. Interestingly, there were two SDGs that members did not report against according to our survey. These are: SDG 6 Clean Water & Sanitation; and SDG 14 Life below Water. We are, however, aware of some ICMIF members that are focused on these two SDGs but which didn't respond to the survey.

Of the 26 members who do not currently report against the SDGs 11 members said they had plans to incorporate SDG reporting into their business within the next two to three years. This means that, in respect of this survey alone, 62% of this sample expect to be reporting against the UN's SDGs within the next two to three years. This is consistent with further desktop analysis and conversations with CEOs that ICMIF has carried out that shows that 51 members plan to report against the SDGs in the future.

TCFD reporting

The old adage ‘*what gets measured gets done*’ has never been so relevant as it is now.

Governments across the world are recognising how imperative it is that investors make meaningful transparent information available publicly on the impact of climate change to their business. With this in mind, in June 2021, the G7 Finance Ministers committed to making the Taskforce on Climate Related Financial Disclosures (TCFD) reporting mandatory for their countries with the G20 countries expected to follow soon.

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

We asked our members if they were TCFD compliant, the results were as follows:

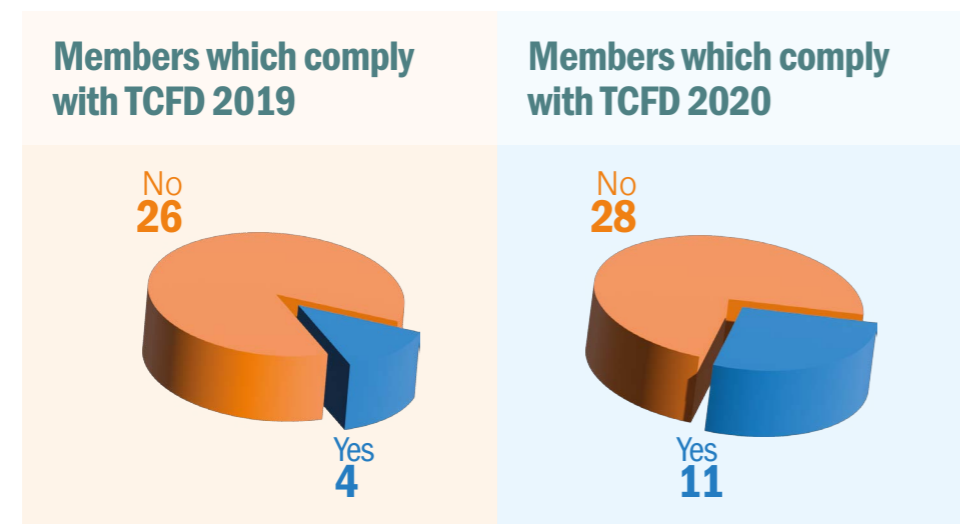


Diagram 8

Of the 72% of members which replied no, 32% of members confirmed they expected to be compliant within three years, while a further 18% of members said they couldn't give a precise date when they would be compliant but were investigating it.

Conclusion

The planet is now entering a phase of post-pandemic recovery, providing us with a real opportunity to build back better, with a stronger and more sustainable foundation. It is promising to see the number of ICMIF members leading the way; taking responsibility for ensuring their investments are increasingly sustainable; and providing inspiration for others within our membership and across the insurance industry. It is clear from this survey that many of our ICMIF members are ‘*beacons of light*’ for others to follow.

However, it is also true that for many ICMIF members this sustainable journey is just starting out. Daunting as it may seem this journey is one they **MUST** take to highlight their mutual values as purpose-driven insurers. Those that do will undoubtedly have a competitive edge over others those that falter.

There is no planet B.

Steve Waygood, Chief Responsible Investment Officer at Aviva Investors, one of ICMIF's Supporting Members, articulated this best in the article he wrote in 2021, *COP26: Tears, fears and hope*, when he writes about an intervention made by Surangel Whipps Jr, the president of the Pacific Island nation of Palau, and say: “Whipps Jr and the plight of Palau reminds us just how connected everything is; how we cannot allow siloed selfishness to get in the way of global collaboration and compassion. Faced with such an existential threat, the former will only come back to bite us later; a short-sighted false economy.”

Adam Smith, founder of modern economics once said, “...for society to function fairly, the invisible hand must be guided by a moral compass.” Our belief is that he was thinking of the mutual sector to deliver this.

Appendix

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

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Sancor	Argentina
P&V	Belgium
Beneva	Canada
Desjardin	Canada
Farm Mutual Re	Canada
Mutual Fire Insurance Company of British Columbia	Canada
Co-operators	Canada
Wawanesa Mutual Insurance Company	Canada
Sociedad de Seguros de Vida del Magisterio Nacional	Costa Rica
LB Group	Denmark
MAIF	France
MACIF/AEMA	France
DEVK	Germany
HUK Coburg	Germany
R+V Group	Germany
IPB Insurance	Ireland
UnipolSai Assicurazioni SpA	Italy
Japan Co-op Insurance Consumers Co-operative Federation (JCIF)	Japan
Kokumin Kyosai Co-op	Japan
Zenkyoren	Japan
CIC Insurance Group Plc	Kenya
Achmea	Netherlands
Univé Services B.V	Netherlands
FMG	New Zealand
NTUC INCOME	Singapore
AVBOB Mutual Assurance Society	South Africa
Länsförsäkringar AB	Sweden
Folksam	Sweden
Vaudoise Assurance	Switzerland
La Mobilière (Swiss Mobiliar Holding Company Ltd.)	Switzerland
Anadolu Sigorta	Turkey
Cornish Mutual	UK
NFU	UK
PG Mutual	UK
Royal London	UK
American Ag	USA
Co-operative Insurance Companies	USA
Securian	USA

ICMIF Members Sustainable Investment Report

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The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organisation committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organisations by sharing strategies and the latest market intelligence.

The logo for ICMIF, consisting of the lowercase letters 'icmif' in a bold, orange, sans-serif font.

International Cooperative and Mutual Insurance Federation