

ISS ESG 

INSURANCE AND ESG

[ISS-ESG.COM](https://www.iss-esg.com)

INTRODUCING ISS ESG

Help financial institutions apply responsible strategies in investment, financing and insurance.

ESG SOLUTIONS

ESG Ratings & Rankings • ESG Screening & Controversies • ESG Climate Solutions • ESG Index Solutions

Impact & UN SDGs • Policy Development • Engagement Services • Advisory Services

D A T A • A N A L Y T I C S • I N S I G H T



DEVELOP
responsible
policies



REPORT
on RI and ESG
approaches to clients
and stakeholders



INTEGRATE
ESG into
decision-making



VOTE
in shareholder
meetings



ENGAGE
with companies
on ESG issues





ESG TOPICS IN INSURANCE

KEY ISSUES

Sustainability in own operations

- Employee relations: mental health, work-life balance, employment security
- Customer responsibility: marketing, sales practices, claims management, controversies
- Insurance for low-income customers and regions
- Insurance for high-risk groups

Sustainability in asset management

- Consideration of ESG factors in asset management and own investments
- Socially responsible investment products and impact investments
- Engagement with portfolio companies
- Controversial investments

Sustainability in insurance underwriting

- Consideration of ESG factors in underwriting
- Green insurance products for retail and corporate clients
- Green claims management
- Contribution to the achievement of the SDGs through products and services
- Controversial underwriting



CUSTOMER RESPONSIBILITY



CUSTOMERS



Insurance for low-income customers and regions

- Microinsurance
- Index insurance
- Catastrophe pools
- Alternative risk transfer (cat bonds)

Insurance products for high-risk groups

- People with pre-existing conditions
- People with disabilities
- Elderly customers



CUSTOMERS



Controversial practices

- Misselling (unnecessary or unsuitable products)
- Misleading product information
- Overcharging (wrongful premium calculation)
- Inadmissible contractual clauses
- No or insufficient pay-out in case of claim



CUSTOMERS



Responsible treatment of customers

- Comprehensive, accurate, not misleading, and easily understandable marketing material regarding costs and conditions
- Ensuring responsible sales practices by not incentivising quantity over quality (in terms of commission and targets), training, monitoring
- Easy and fair claims management, internal reviews, independent ombudspersons



INSURANCE UNDERWRITING



UNDERWRITING



Green insurance products

- Lower premiums for hybrid or electric cars, eco-efficient buildings, certified appliances/machinery, companies with environmental management systems

Green claims management

- Repair instead of replacement, use of environmentally-friendly and/or recycled materials, upgrade to ecolabelled appliances/machinery, rebuilding to green standards



UNDERWRITING



ESG risks in underwriting

Insuring clients involved in controversial...

...activities:

- Fossil fuels, fracking, oil sands, arctic drilling, nuclear energy, weapons, pesticides, GMO, tobacco

... practices:

- Human rights violations (e.g. involuntary resettlement)
- Labour rights violations (freedom of association, non-discrimination, forced labour, child labour, health and safety, wages, working hours)
- Environmental damage (water, air and soil pollution, biodiversity/habitat loss, contribution to climate change)
- Business ethics violations (corruption, antitrust, accounting fraud, tax evasion)



UNDERWRITING



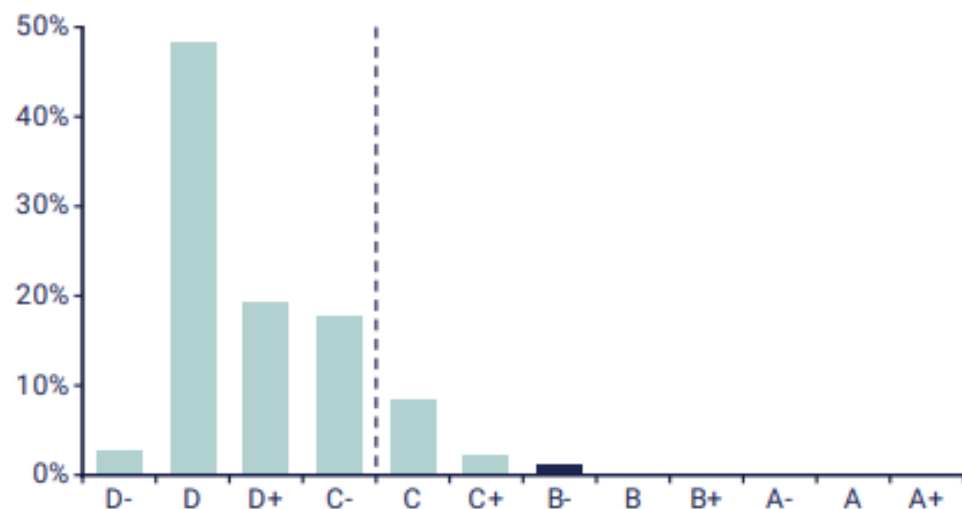
ESG guidelines and processes for underwriting

- Client risk and impact analysis (management, performance)
- Exclusion of certain activities (e.g. controversial weapons, tobacco, coal, fracking, arctic drilling)
- Contractual requirements/clauses:
 - Compliance with human and labour rights, health and safety management system
 - Environmental management, climate change strategy (emission intensities, risk exposure, scenario analysis, reduction targets, action plans), biodiversity strategy
- Support, engagement and awareness-raising with clients
- Compliance monitoring, improvement plans

INSURANCE SECTOR PERFORMANCE

Distribution of Ratings

176 companies in the industry



Top 10 (as at September 2019)

Company	Country	Grade
CNP Assurances S.A.	France	B-
Swiss Re AG	Switzerland	B-
Munich Re	Germany	C+
Kommunal Landspensjonskasse	Norway	C+
AXA S.A.	France	C+
Aegon N.V.	Netherlands	C+
AIA Group Ltd.	Hong Kong	C
Allianz SE	Germany	C
Hannover Rück SE	Germany	C

Prime rate: 12%

PERFORMANCE EXAMPLES

- 13 sector guidelines, e.g. oil and gas, nuclear, mining, infrastructure, agriculture and fisheries, defense), but also thematic policies on e.g. human rights or animal welfare
- Underwriting policies for certain sensitive business areas, e.g. hydro power, mining, oil and gas; client risk and impact assessment
- Policies for agriculture and forestry; overarching human rights policy; exclusion of certain palm oil companies, tar sand projects, logging in World Heritage Sites, companies engaging mainly in animal testing
- 8 sector guidelines on e.g. forestry, paper, mining, oil and gas, as well as overarching human rights and environmental protection guidelines; independent environmental and social impact assessments; development of management strategies
- Overall, more and more exclusion of coal business, tobacco, controversial weapons



WHY ESG/SUSTAINABILITY?

THE CASE FOR SUSTAINABILITY

GOOD REPUTATION

- › customer concerns and preferences are changing, especially among millennials and women
- › market opportunities for sustainable product offers
- › avoid reputational damage due to involvement in controversial activities/practices through corporate clients
- › avoid reputational damage through own controversial behavior with regard to (retail) customers

GOOD BUSINESS

- › Sustainability is not idealism but plain business sense
- › Consideration of ESG factors means using opportunities (new products) and reduce risk exposure through risk management
- › With business as usual the world as we know it will change drastically, businesses might not survive, we might not survive
- › ESG risk is thus survival risk

GOOD CORPORATE CITIZEN

- › We all have a responsibility as citizens, consumers and professionals
- › Responsibility to reduce our negative impact and contribute to positive development through our choices and behaviours





IN CONCLUSION: IT'S THE
RIGHT THING TO DO!



RESEARCH METHODOLOGY

RATING CRITERIA DEVELOPMENT AND REVIEW

Focus on Materiality

- › 5 Key Issues per Sector
- › 600+ Detailed Industry Specific Criteria
- › Sector Specific Expertise of Analysts

Constant Further Development

- › New Scientific Findings
- › Technological Developments
- › Regulatory Changes
- › Social Debate

Global Relevance

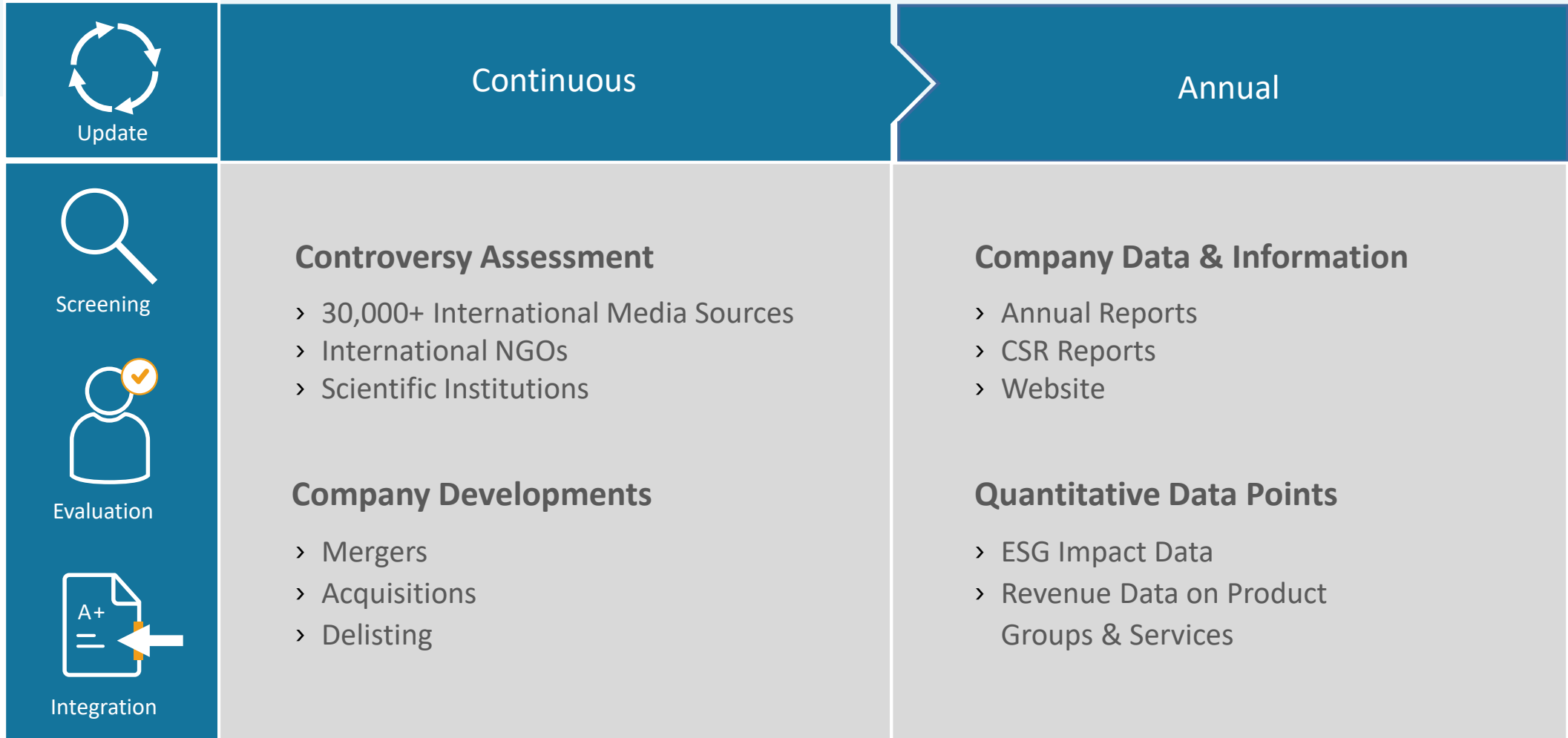
- › International Norms and Conventions
- › UN SDGs
- › Global Reporting Initiative
- › SASB



DIALOG-ORIENTED RATING PROCESS



UP-TO-DATE RESEARCH AND REPORTS



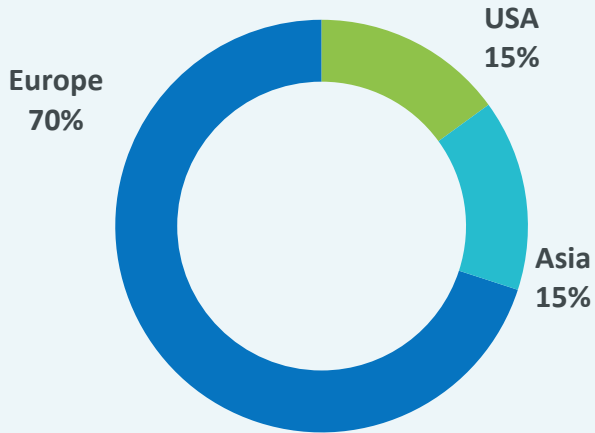


ISS ESG

ISS ESG BY THE NUMBERS

STAFF

200 professionals, with 140 analysts speaking more than 25 languages



CLIENTS

ESG
500+

Asset Owners & Asset Managers Globally

PROXY VOTING

200 Clients

Using SRI/Sustainability Voting policies

ISSUER UNIVERSE

25,000

CLIMATE

20,000

CONTROVERSIES / NORMS

>11,000 (2020)

10,000 (2019)

7,000 (2018)

ESG RATINGS



RESEARCH. ANALYTICS. INSIGHT.

Data across ESG & Corporate Governance



SCREENINGS

- Norm-Based Research
- Controversial Weapons
- Energy & Extractive Screening
- Ethical Screening
- Global Sanctions Screening



RATINGS & RANKINGS

- Corporate & Country Rating
- Sustainability Bond Rating
- E&S Disclosure QualityScore
- Governance QualityScore



CLIMATE

- Scope 1&2 and Scope 3 Emissions
- Emissions Intensity
- Potential Avoided Emissions
- Acute & Chronic Physical Risk Exposure
- 2°C alignment
- Carbon Risk Rating



IMPACT & SDGs

- Sustainability Solutions Assessments (UN SDGs)
- Impact Assessment Data



GOVERNANCE DATA

- Director / Board Data
- Director Skills & Bios
- Director Pay Data
- Executive Compensation Data & Profiles



SUSTAINABLE SOLUTIONS ASSESSMENT

Determine the impact of companies' product and service portfolios on the UN SDGs.



Identify companies that:

- Make a positive or negative contribution towards attaining 15 sustainability objectives.
- Provide solutions towards specific sustainability challenges, such as climate change, water conservation or gender equality.

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SOCIAL
OBJECTIVES

- Alleviating poverty
- Combating hunger and malnutrition
- Ensuring health
- Delivering education
- Attaining gender equality
- Providing basic services
- Safeguarding peace

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ENVIRONMENTAL
OBJECTIVES

- Achieving sustainable agriculture & forestry
- Conserving water
- Contributing to sustainable energy use
- Promoting sustainable buildings
- Optimising material use
- Mitigating climate change
- Preserving marine ecosystems
- Preserving terrestrial ecosystems

