State of the Insurers

Beyond profitability: Sustainability in Insurance

2024 edition

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Executive summary

This special edition of the State of Insurers publication series provides a detailed analysis and comparison of the primary Environmental, Social, and Governance (ESG) disclosures reported by the four largest Dutch insurers: Achmea, a.s.r., Nationale Nederlanden, and Athora Netherlands. The report aims to highlight the opportunities and challenges these insurers face and offer insights into how they navigate the increasingly complex ESG landscape.

A significant finding is the insurers' commitment to achieving net-zero emissions by 2050, underscoring their focus on managing environmental risks. Achmea, a.s.r., and Nationale Nederlanden, as members of the Net Zero Insurance Alliance, have pledged to align their insurance portfolios with this goal, reflecting a sector-wide push towards sustainable practices. This commitment is relevant when considering the decline in total GHG emissions from 2019 to 2020, motivated mostly by COVID-19 lockdowns. As business activities resumed however, small increases in emissions were observed, with Achmea reporting the highest emissions in 2023 due to increased travel, while Athora Netherlands maintained the lowest emissions through measures like remote work and fleet electrification.

Despite these efforts, insurers face significant challenges in providing comprehensive and comparable data on financed and insured emissions due to variations in data quality and granularity. This highlights the need for standardised reporting practices to improve climate-related disclosures. In addition, insurers are making strides in sustainable investments, with a notable focus on green bonds to reduce carbon footprints. Although green bonds still represent a small portion of their investment portfolios, Nationale Nederlanden leads in absolute investment in green bonds, while Athora Netherlands has the highest representation of green bonds in its total investment assets. Additionally, a.s.r., Nationale Nederlanden, and Achmea have issued green bonds, indicating a clear move towards sustainable investment.

Social disclosures are also gaining importance as insurers focus on diversity, equity, and inclusion (DEI) initiatives. The upcoming Corporate Sustainability Reporting Directive (CSRD) is expected to enhance transparency and comparability of social impacts, promoting the development of social disclosures among insurers. This focus on DEI is exemplified by various initiatives insurers implement to improve gender representation and foster inclusive workplace cultures. Moreover, insurers are embedding social considerations into their investment strategies and community support initiatives, investing in affordable housing, social bonds, and financial literacy programs to contribute to the financial wellbeing of communities. This reflects a broader commitment to socially responsible practices within their value chains. Concurrently, insurers are leveraging Artificial Intelligence (AI) to enhance customer service and claims handling, with initiatives such as a.s.r.'s AI robots for call analysis, Achmea's AI bot for customer queries, and Nationale Nederlanden's machine learning for personalized claims processing, all aimed at improving efficiency, productivity, and customer satisfaction.

On the governance front, insurers are advancing their structures to incorporate ESG principles, ensuring sustainability and ethical conduct are central to their decision-making processes and long-term value creation. Dutch insurers are showcasing advanced governance disclosures and establishing ESG governance frameworks with specialized committees and taskforces at the C-suite level to support strategic sustainability objectives and ensure comprehensive integration of ESG considerations across all organizational levels. Additionally, leading insurers are integrating ESG metrics into executive compensation, aligning variable remuneration with sustainability targets. This approach ensures that leadership incentives are in line with organizational sustainability goals, reinforcing accountability and commitment to sustainable practices.

This report highlights the strides made by Dutch insurers in the ESG disclosures, detailing their achievements and ongoing challenges.

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Introduction

Environmental, Social, and Governance (ESG) considerations have become increasingly important across various industries, and the insurance sector is no exception. ESG factors now play a crucial role in guiding investment decisions, shaping risk management policies, and influencing engagement with customers, employees, and stakeholders.

As sustainability reporting, including climate-related disclosures, continues to evolve and be formalised, it remains a priority for insurance companies. In the Netherlands, insurance companies recognise the importance of integrating ESG considerations into their business strategies and reporting frameworks. This shift is driven by regulatory pressures, heightened stakeholder expectations, and the recognition of the impact of ESG factors on long-term financial performance and risk management.

With the end-2024 deadline of the Corporate Sustainability Reporting Directive (CSRD) fast approaching for large, listed EU PIEs and large EU Issuers, the analysed leading Dutch insurers are also grappling with challenges – from accurately analysing their ESG performance across their value chains to sourcing the required data – to ensure compliance with the CSRD in a timely manner.

Climate-related emissions are particularly relevant as insurers commit to net-zero emissions by 2050, with many adopting the Partnership for Carbon Accounting Financials (PCAF) methodology to calculate emissions. However, inconsistent application of methodologies and data quality issues still pose significant challenges, namely:

1. **Data quality and availability:** Data collection poses significant challenges. As such, insurers use a variety of methodologies to calculate their emissions, leading to challenges in comparability. The Partnership for Carbon Accounting Financials (PCAF) methodology is commonly referenced, but inconsistencies remain due to the use of different calculation methods and varying data quality.
2. **Scope and detail:** Difference in the level of detail provided for different types of emissions, with GHG emissions of own operations more comprehensive and detailed, compared to financed or insured emissions.

Governance and social disclosures are also improving. Insurers are enhancing transparency regarding board and senior management oversight of ESG strategy. Social disclosures, focusing on diversity, equity, and inclusion, are becoming more important but are less developed than climate-related disclosures.

While significant progress has been made, addressing data quality, regulatory harmonisation, and connectivity issues are crucial for the insurance industry to meet stakeholder expectations and regulatory requirements effectively.

As part of a comprehensive report on the State of Insurers that will be released this summer, this publication will analyse and compare (where possible) the primary ESG Key Performance Indicators (KPIs) reported by the four largest Dutch insurers, with the aim to highlight the opportunities and challenges they face and to provide insights into how they navigate the increasingly complex ESG landscape.

Scope of this report

This inaugural version of the Beyond profitability: Sustainability in Insurance report focuses on the analyses of yearly ESG-related data of the following insurers within the Netherlands: Achmea B.V. (Achmea), ASR Nederland N.V. (a.s.r.), Athora Netherlands N.V. (Athora Netherlands), and NN Group N.V. (Nationale Nederlanden).

The publication will examine the key metrics reported by the in-scope insurers across the Environmental, Social, and Governance (ESG) pillars from 2019 to 2023, in accordance with the data provided in the respective annual reports.

Given the different business activities, geographical distribution and nuances between the reported annual figures, the data for each insurer was analysed as follows to allow for better comparability:

(i) **a.s.r.**: Analysed at a group level, as a.s.r. does not operate outside the Netherlands.

(ii) **Achmea:** Analysed at a group level, as international activities account for a minor portion of the portfolio.

(iii) **Athora Netherlands:** Analysed at the Netherlands level for comparability purposes, as the Group is based in Bermuda.

(iv) **Nationale Nederlanden:** Analysed at a group level, as there is no annual report available on the consolidated Dutch enterprise level.

Sustainability in insurance

The global insurance industry faces an increasingly complex landscape regarding climate-related disclosures and sustainability reporting. Rapidly evolving sustainability standards and rising demands for transparency have prompted insurers to enhance their sustainability disclosures [1]. The following sections of this report will outline the main KPIs of the leading Dutch insurers in regard to Environmental, Social, and Governance (ESG) disclosures.

Environmental

Key Takeaways

- **Insurers have continued to demonstrate their commitment to Net-Zero Emissions:** Insurers have continued their efforts to manage emissions in their operations, investments, and underwriting activities, which is in line with the pledge that Achmea, a.s.r. and Nationale Nederlanden have committed to as signatory members of the Net Zero Insurance Alliance.

- **COVID-19 as the key driver behind GHG Emissions reduction over 2019-2021:** Total GHG emissions declined during 2019-2021, mostly motivated by COVID-19 pandemic lockdowns. In the latest years, insurers face small increases in their GHG emissions as business resumes. Bearing in mind the size of the organizations, Achmea reported the highest emissions in 2023 due to increased travel, while Athora Netherlands consistently reported the lowest emissions, benefiting by measures such as e.g. remote work and fleet electrification.

- **Varying data quality and granularity poses a significant challenge for climate-related reporting:** Despite improvements in reporting climate-related figures, insurers face significant challenges in providing comprehensive and comparable data on financed and insured emissions, due to varied varying data quality and granularity.

- **Green bonds for a greener future:** Although these still represent a small portion of the insurers' investment portfolio, there appears to be a growing trend towards investing in green bonds, with Nationale Nederlanden making the largest absolute investment and Athora Netherlands having the highest representation of green bonds in total investment assets portfolio. In addition, a.s.r., Nationale Nederlanden and Achmea reported issuing of green bonds.

Environmental considerations continue to be a primary focus for insurers, as they not only manage risks related to their own operations and investments, but also evaluate the impact associated with the assets they insure and the liabilities they underwrite.

In response to the growing demand for climate-related information, insurers are increasingly committed to greater transparency, and many have pledged to achieve net-zero emissions by 2050. Despite the more established reporting of climate-related figures, such as greenhouse gas (GHG) and financed emissions, insurers face challenges in providing comprehensive insights into their insured emissions. In addition, although the adoption of the Partnership for Carbon Accounting Financials (PCAF) methodology is widespread among insurers for calculating financed and insurance-associated emissions, its varied application poses challenges for comparing emissions data across companies.

Furthermore, the availability and quality of data needed for accurate emissions calculations continue to pose significant obstacles, as insurers often rely on inconsistent third-party data providers, resulting in limited coverage and inconsistencies in reported climate data [1]. As a result, comparability across climate-related disclosures for insurers presents significant challenges and consequently, the analysis below should be read whilst bearing in mind the underlying nuances and complexities in climate-related disclosures across insurers.

Own operations

GHG emissions serve as a commonly disclosed indicator of an insurer's environmental impact offering insights into their carbon footprint and readiness for the shift towards a low-carbon economy. a.s.r., Achmea, Athora Netherlands and Nationale Nederlanden have disclosed the greenhouse gas (GHG) emissions divided in Scope 1, Scope 2 and Scope 3 (at varying levels of detail for its portfolio per insurer) [2].

GHG emissions are divided into three scopes for businesses and organizations [6]:

- **Scope 1:** It comprises direct emissions from activities, such as fuel combustion or direct emissions from refrigerant use. For insurers, this includes namely emissions from company-owned or controlled vehicles (e.g. lease fleet) [7], heating systems, and refrigeration units at their facilities.

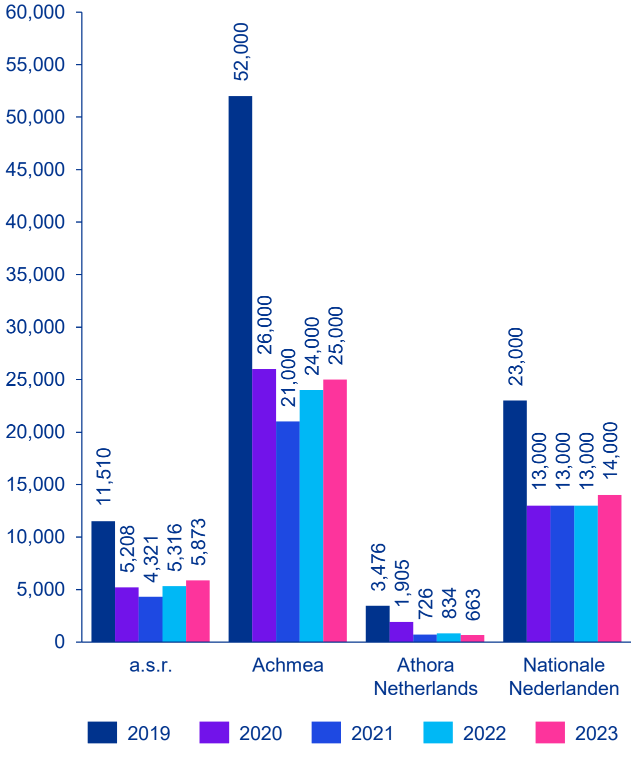
- **Scope 2:** It includes indirect emissions related to power use. For insurers, this includes e.g. emissions from purchased electricity to power offices and data centers, as well as use of purchased electricity by company-owned or controlled vehicles [7].

- **Scope 3:** It includes indirect emissions from all upstream and downstream activities. For insurers, Scope 3 emissions encompass e.g. emissions purchased goods and services, and emissions associated with the investments made by the company, such as those related to insured and financed emissions.

Scope 2 emissions can be assessed through a **location-based method** that reflects the average emission intensity of grids on which energy consumption occurs or a **market-based method** which reflects emissions from electricity that companies have purposefully chosen (or their lack of choice) [8].

Scope 3 is further divided into 15 categories, with **category 15 focused on investment-related emissions, referred to as financial and insurance emissions** [6].

Graph 1: GHG emissions, excluding financed and insured emissions, 2019-2023 (in tons of CO_2)[1,2,3]



As illustrated in Graph 1, GHG emissions experienced a decline from 2019 to 2021, followed by a minor increase in 2022 and 2023 for the majority of the insurers, with the exception of Athora Netherlands that has experienced a decrease of 20% in 2023. The impact of COVID-19 hinders comparison of emissions over time, since the implementation of lockdown measures in the first quarter of 2020 severely reduced commuter mileage, work-related trips, and flights.

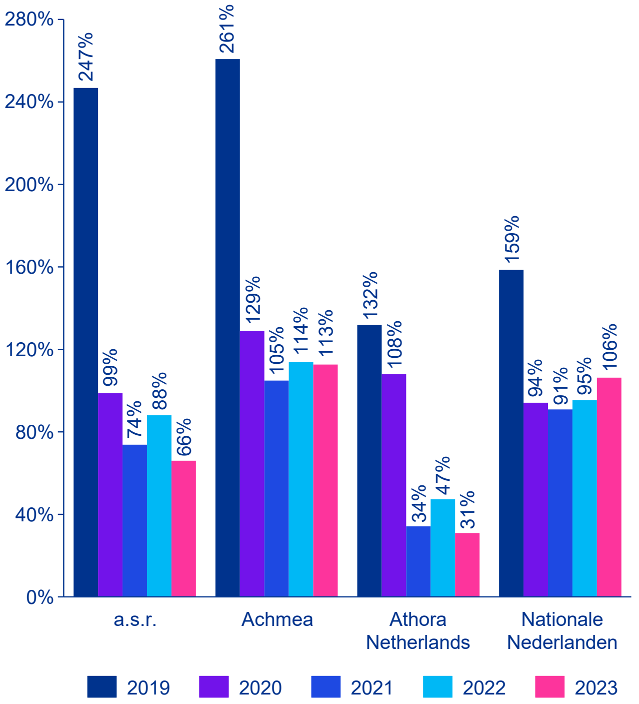
Achmea has reported the highest GHG emissions totaling 25,000 tons of CO_2 in 2023, representing a 4% increase compared to the previous year (refer to Graph 1). This rise was primarily attributed to increase in work-related and commuter mileage, partially mitigated by reduced energy consumption resulting from energy-saving initiatives. Similarly, a.s.r. and Nationale Nederlanden (which only discloses scope 3 emissions for 2021 to 2023) also experienced a rising trend in GHG emissions from 2022 to 2023, with approximately 10% and 8% increases, respectively. In contrast, Athora Netherlands consistently reported the lowest GHG emissions over the 5-year period, with a steady decrease when compared to the initial values of 2019. This decline was largely motivated by an increase in remote work practices, staff reductions, and the electrification of the lease car fleet.

[1] The GHG emissions were calculated by combining Scope 1, Scope 2 (location-based) and Scope 3 emissions, excluding financed and insured emissions. Following ESRS 2, next year insurers are expected to report total GHG emissions based on location-based and market-based emissi-ons, separately.

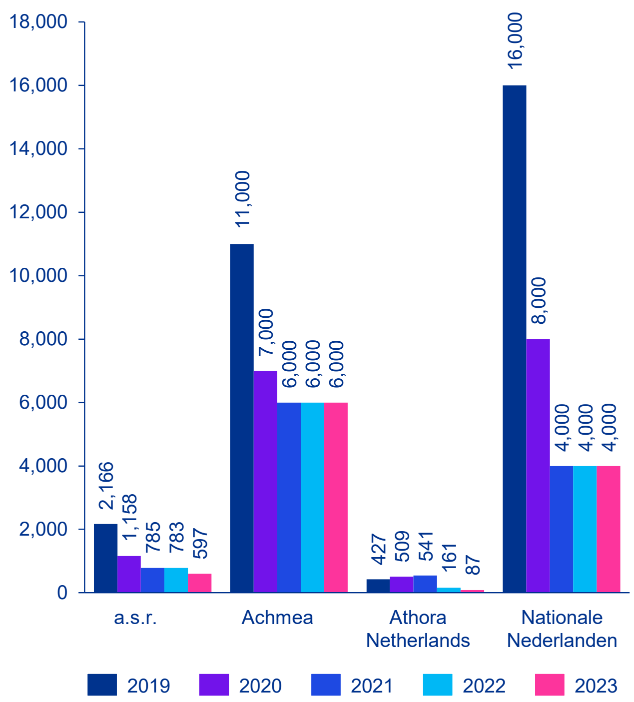
[2] Nationale Nederlanden only disclosed Scope 3 emissions for the years 2021-2023, hence the GHG emissions from 2019 and 2020 consider only Scope 1 and 2 emissions.

[3] The figures from Achmea from 2019-2023 do not specify whether the reported Scope 2 emissions are based on location or market approach. However, the total emissions presented include the Scope 2 emissions to provide a comprehensive overview of the insurers' emissions.

Graph 2: Total GHG emissions relative to Gross Written Premiums, 2019-2023 (in percentages)



Graph 3: GHG Scope 1 emissions, 2019-2023 (in tons of CO_2)



Even though Achmea reports higher absolute emissions compared to its peers, it is crucial to consider Achmea's substantial size. Graph 2 provides a more equitable basis for comparison, showing that Achmea's emissions as a percentage of its gross written premiums (GWP) are slightly higher but comparable to Nationale Nederlanden's figures from 2020 onwards. Additionally, it is worth noting that a.s.r.'s GHG weighted emissions as a percentage of its GWP in 2019 are nearly as high as Achmea's.

Although all in-scope insurers calculate and categorise GHG emissions into three different scopes (i.e., Scope 1, 2 and 3), the insurers report their emissions with varying levels of detail – with a.s.r., Achmea, and Athora Netherlands offering enhanced insights into the factors driving the observed trends. For comparability purposes, the total GHG emissions in Graph 1 include only Scope 2 measured by the location-based approach , which is the most commonly reported method. In addition, both Athora Netherlands and Nationale Nederlanden report their Scope 2 emissions according to the market-based approach. The below paragraphs will explore each Scope 1, 2 and 3 for the Dutch insurers in further detail.

In the past five years, a.s.r. and Athora Netherlands have reported a decreasing trend in its Scope 1, whilst Achmea and Nationale Nederlanden have reported stable values since 2021. For a.s.r., the decrease in emissions has been significantly driven by the transition of its head office from gas to a fully carbon-neutral building, utilizing heat pumps and renewable thermal energy storage since mid-2019. Additionally, in 2023, changes within its lease car fleet, notably increasing the share of electric cars to 79% from 64% in 2022, contributed to lower Scope 1 emissions. This reduction is a result of a 2021 policy requiring all new lease cars to be fully electric, with the aim of achieving a fully electric fleet by 2026. As a result, a.s.r.'s total

Scope 1 emissions amounted to 597 tons of CO_2 in 2023. Similarly, Athora Netherlands's Scope 1 emissions decreased due to the reasons mentioned above, namely remote work policies, staff reductions, and the electrification of their car fleet, leading to a reported value of 87 tons of CO_2.

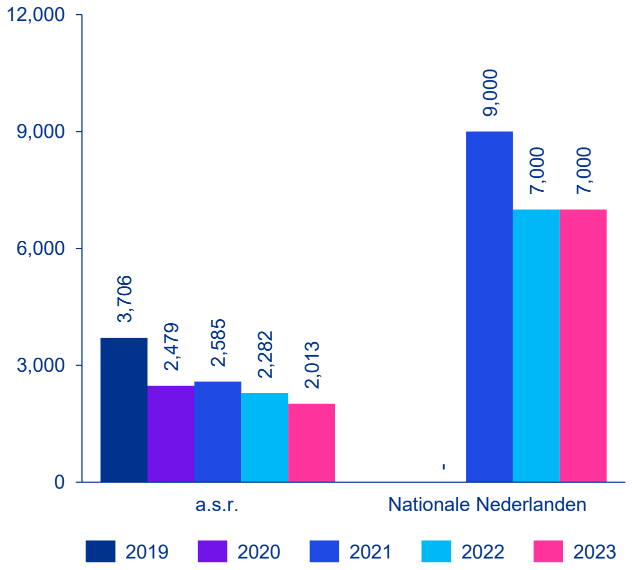
Over the reporting period, a.s.r., Nationale Nederlanden and Athora Netherlands reported Scope 2 separately by approach, market-based and/or location-based emissions, whereas Achmea provided only a consolidated Scope 2 GHG emissions figure. For this reason, the analysis of the Scope 2 emissions will be conducted separately for Achmea.

[4] The figures from Achmea from 2019-2023 do not specify whether the reported Scope 2 emissions are based on location or market approach. However, the total emissions presented include the Scope 2 emissions to provide a comprehensive overview of the insurers' emissions.

While Nationale Nederlanden reported both location-based and market-based Scope 2 emissions, Athora Netherlands exclusively reported market-based Scope 2 emissions and a.s.r. reported only location-based Scope 2 emissions. The insurers generally showed a decrease in their Scope 2 emissions from 2022 to 2023, with the exception of Nationale Nederlanden that reported where its Scope 2 emissions remained the same compared to 2022.

The trend in Scope 2 emissions appear to be driven by the insurers' adoption of more renewable energy sources and/or implementation of more energy-efficient measures. For example, a.s.r.'s energy consumption is entirely carbon neutral, with its electricity generated using solar panels and the excess supplied to the grid. a.s.r. has had carbon-neutral energy consumption throughout the period 2019-2023 and is therefore not depicted in Graph 5 above. Athora Netherlands reported a significant reduction in electricity and gas usage for its own buildings compared to previous years, despite an increase in gas consumption in 2023 due to the A9 motorway reconstruction in Amstelveen affecting the ground-coupled heat exchanger. However, Athora Netherlands expects to substantially reduce its gas consumption in 2024, following the headquarters' relocation to a building with no gas-based heating.

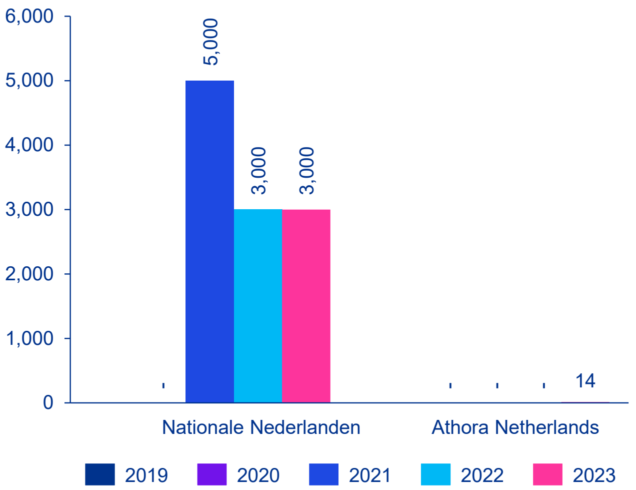
Graph 4: GHG Scope 2 location-based emissions, 2019-2023 (in tons of CO_2)[5,6]



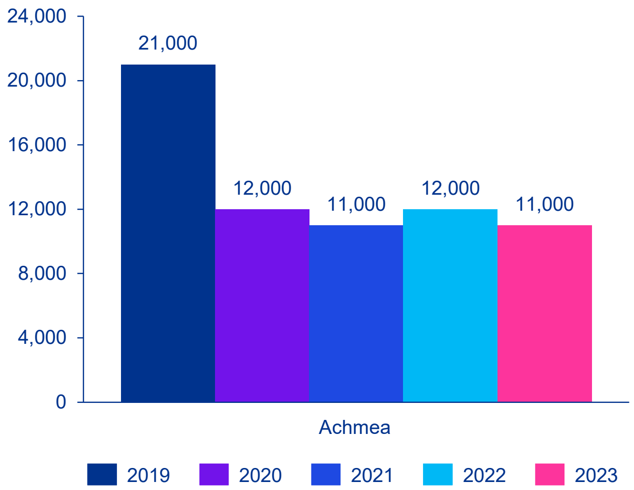
Although Achmea does not report Scope 2 GHG emissions separately in terms of a location-based and market-based approach, there is a significant decrease of their Scope 2 emissions throughout the period of analyses, with a significant variance between 2019 and 2020 (Graph 6). The COVID-19 pandemic resulted in decreased office usage, which directly lowered overall energy consumption, thus reducing emissions tied to physical energy use.

Achmea's sustainability policies, such as the installation of solar panels in Apeldoorn, also contributed to a lower carbon footprint related to Scope 2 emissions. Solar panels decrease reliance on grid electricity, which in turn reduces Scope 2 emissions since solar-generated electricity produces no GHG emissions. However, the separate impacts of COVID-19 and policy changes cannot be precisely quantified, making it difficult to compare the 2020 figures directly to previous years.

Graph 5: GHG Scope 2 market-based emissions, 2019-2023 (in tons of CO_2)[5,7]



Graph 6: Achmea's reported Scope 2 GHG emissions, 2019-2023 (in tons of CO_2)

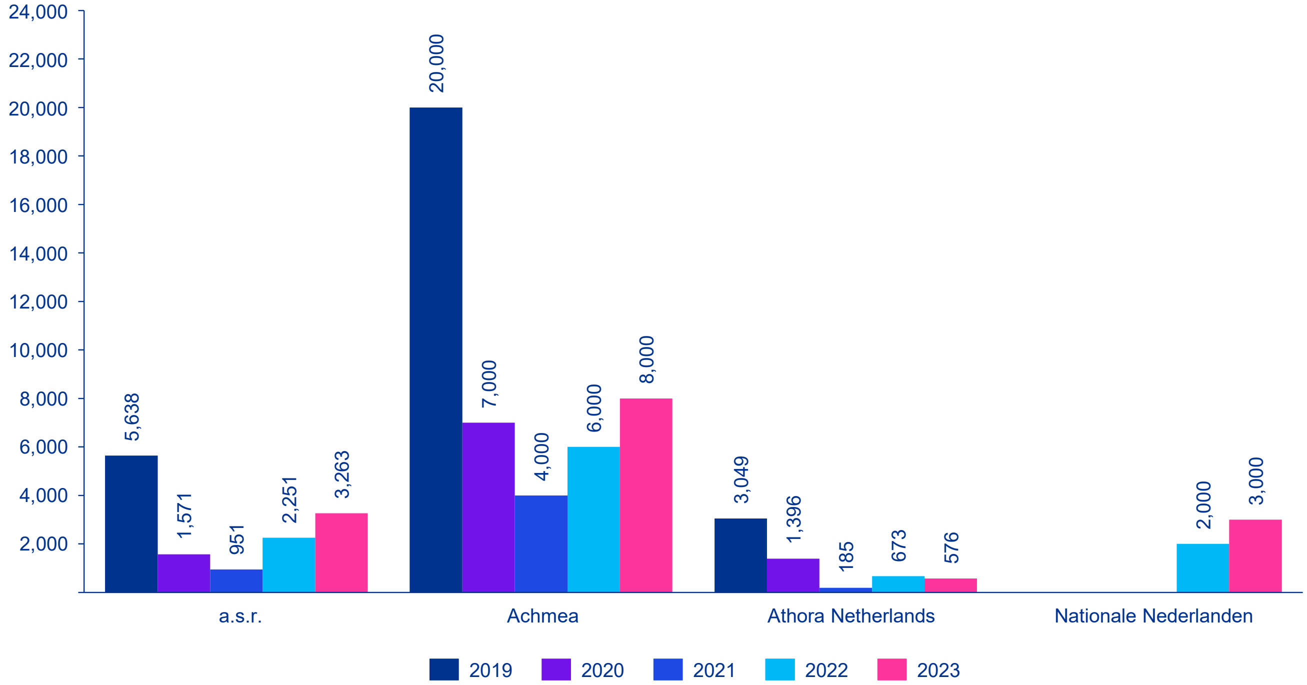


[5] In both graphs, Nationale Nederlanden's figures for 2019 and 2020 and Achmea's figures from 2019-2023 were excluded since the insurers do not clarify whether the Scope 2 reported emissions relate to a Scope 2 location-based or market-based approach.

[6] Athora Netherlands only reports on market-based emissions, which is why it was excluded from this analysis.

[7] a.s.r. market-based emissions were null throughout the period in analysis and are excluded from the graphs.

Graph 7: GHG Scope 3 emissions, 2019-2023 (in tons of CO_2)[8]



Scope 3 emissions saw a slight increase for all in-scope insurers compared to the 2022 figures, except for Athora Netherlands which reports a slight decrease. For a.s.r., Scope 3 emissions rose by 1,012 in 2023, totaling 3,263 tons. This increase was mainly due to higher employee travel resulting from increased office attendance post-COVID-19. Achmea also cited work-related travel and commuter mileage as reasons for the increase in Scope 3 emissions, which amounted to 8,000 tons of CO_2 in 2023. Although limited details were provided on the reasons behind the reduction of its Scope 3 emissions, it is worth noting that, similar to its peers, Athora Netherlands requires all suppliers to comply with general procurement terms and conditions to gain better insight into their CO_2 emissions and the impact on the insurer's Scope 3 emissions. Refer to the subsequent Investment portfolio and Insurance portfolio sections for further analysis of the insurers' Scope 3 emissions.

[8] Nationale Nederlanden only disclosed Scope 3 emissions for the years 2021-2023.

Investment portfolio

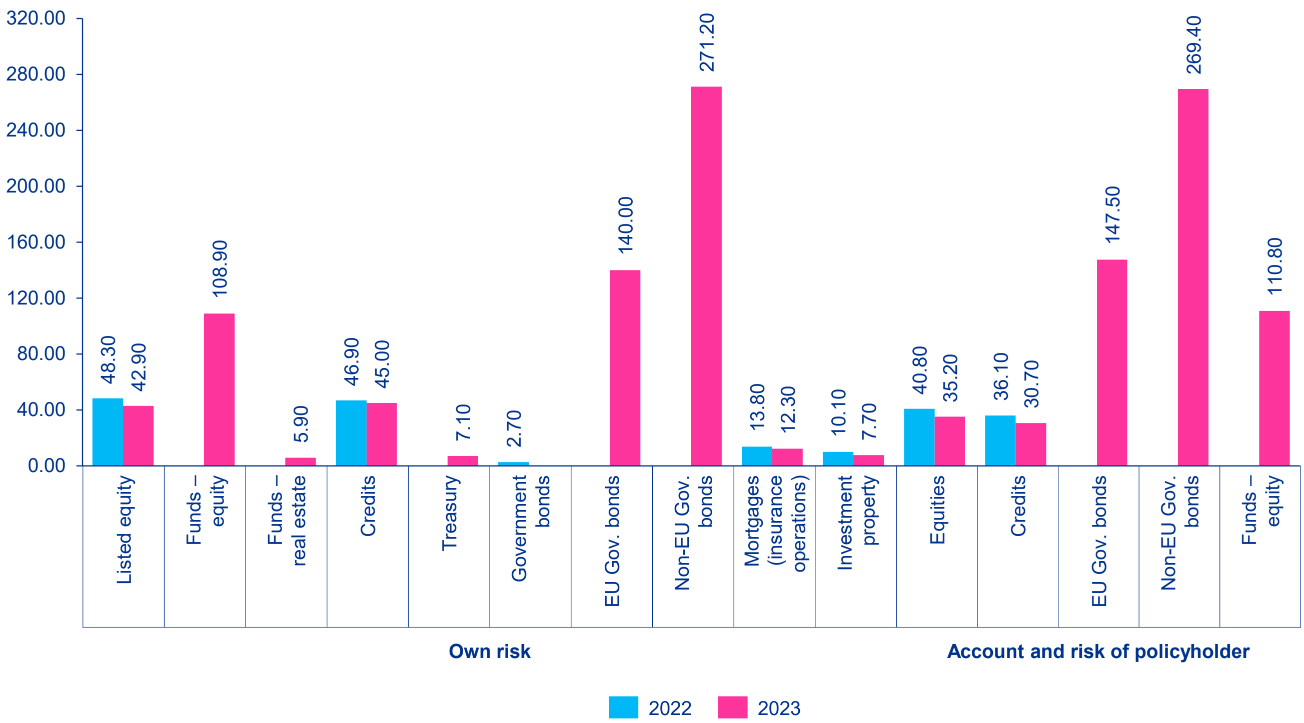
For insurers, the investment aspects of Scope 3 emissions are significant since they reflect the financed emissions associated with the companies and projects they invest in. However, data quality issues, varying accounting methods, and differing disclosure details hinder the accurate comparison of financed emissions across insurers. Therefore, the next section will summarise the trends observed in 2022 and 2023 by the in-scope insurers individually. Athora Netherlands is also not included in this analysis due to varying levels of disclosure detail in 2022 and 2023.

When analysing the financed emissions intensity of assets measured in both years, Achmea also shows a slight decrease. However, it is important to note that additional asset classes were measured in 2023, in comparison with 2022, namely treasury, equity, and real estate and funds, as shown in Graph 9. The absence of consistent data prevents the inclusion of comparative figures for these categories, making it difficult to accurately compare financed emissions between the two reporting years.

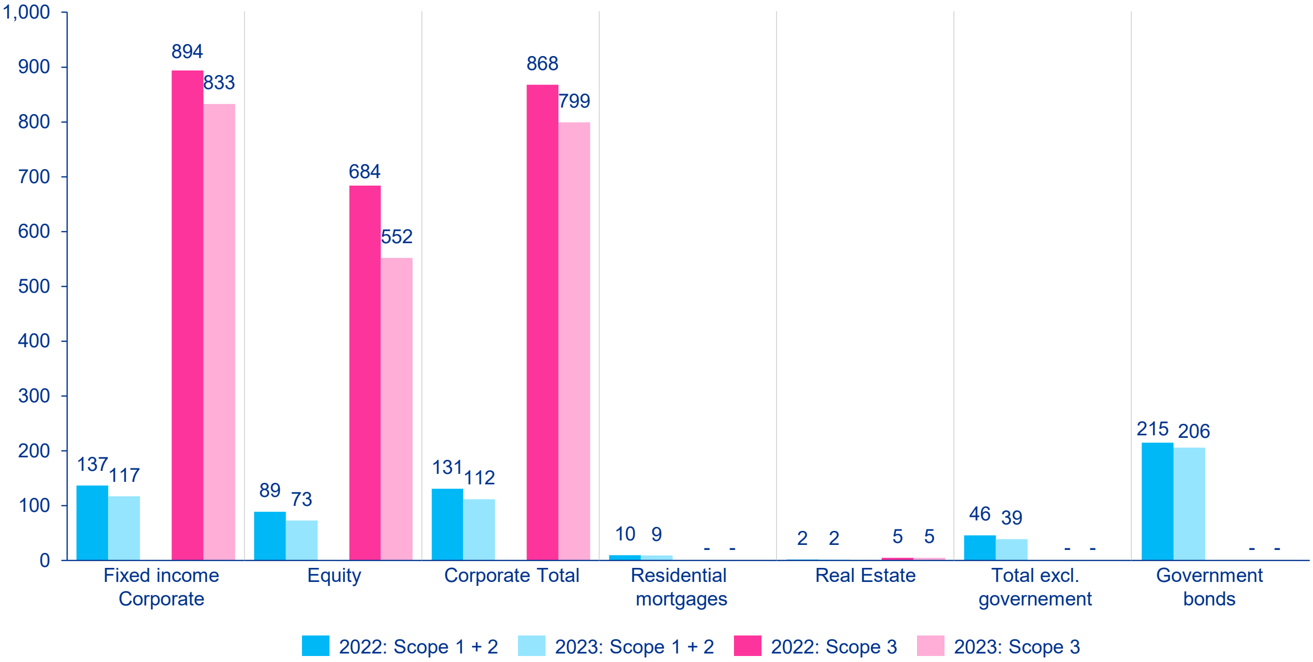
In 2023, a.s.r. illustrates a decrease when compared to the previous year. Although this decrease is reflected across all product categories, it was mostly driven by the approximately 12% decrease in financed emissions of asset management.

Graph 8: Financed emissions reported by a.s.r., 2022-2023 (in tons of CO_2 per million Euro invested)

Graph 9: Financed emissions intensity reported by Achmea, 2022-2023 (in tons of CO_2 per million Euro invested)



Graph 10: Financed emissions intensity reported by Nationale Nederlanden, 2022-2023 (in tons of CO_2 per million Euro invested)



Nationale Nederlanden also discloses financed emissions of its proprietary assets' classes in 2022 and 2023, clearly separating Scope 3 emissions underlying these investments from Scope 1 and 2.

Graph 10 shows a decrease in emissions of their investment portfolio across all asset classes in 2023. Furthermore, while a.s.r. and Achmea do not provide further details on the reasoning behind the reduction in financed emissions, Nationale Nederlanden attributes the reduction in its financed emissions to changes in corporate portfolio holdings driven by their coal phase-out strategy and oil & gas policy. Additionally, the decrease was partly influenced by changes in the emission intensities of existing portfolio companies, though to a lesser extent. The decline in the financed emissions intensity of the insurer's real estate investments is due to the sale of relatively energy-intensive funds and a reduction in energy intensity within existing fund positions.

Despite insurers' commitments to reducing financed emissions and substantial progress in financed emissions intensity disclosures, it is crucial to ensure comparability and accurate estimation in the market. To enable a meaningful trend analysis of financed emissions across insurers, the following developments are expected in the future:

- Reduction of estimation uncertainty to a level that allows for meaningful comparisons on emission trends (i.e., comparing different reporting years). Due to major differences in data quality, measurement methods and estimation assumptions this is not yet possible.
- The integration of advanced technologies and better data processing tools will facilitate the collection and analysis of emissions data.
- The International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures will require financial institutions, including insurers, to disclose financed emissions. These regulations aim to standardise reporting and make it more transparent and consistent [2].
- Ongoing industry-led collaborations, like those seen with Partnership for Carbon Accounting Financials (PCAF), will help develop and refine the methodologies and standards for reporting financed emissions. Such efforts ensure that best practices are shared and adopted across the sector.

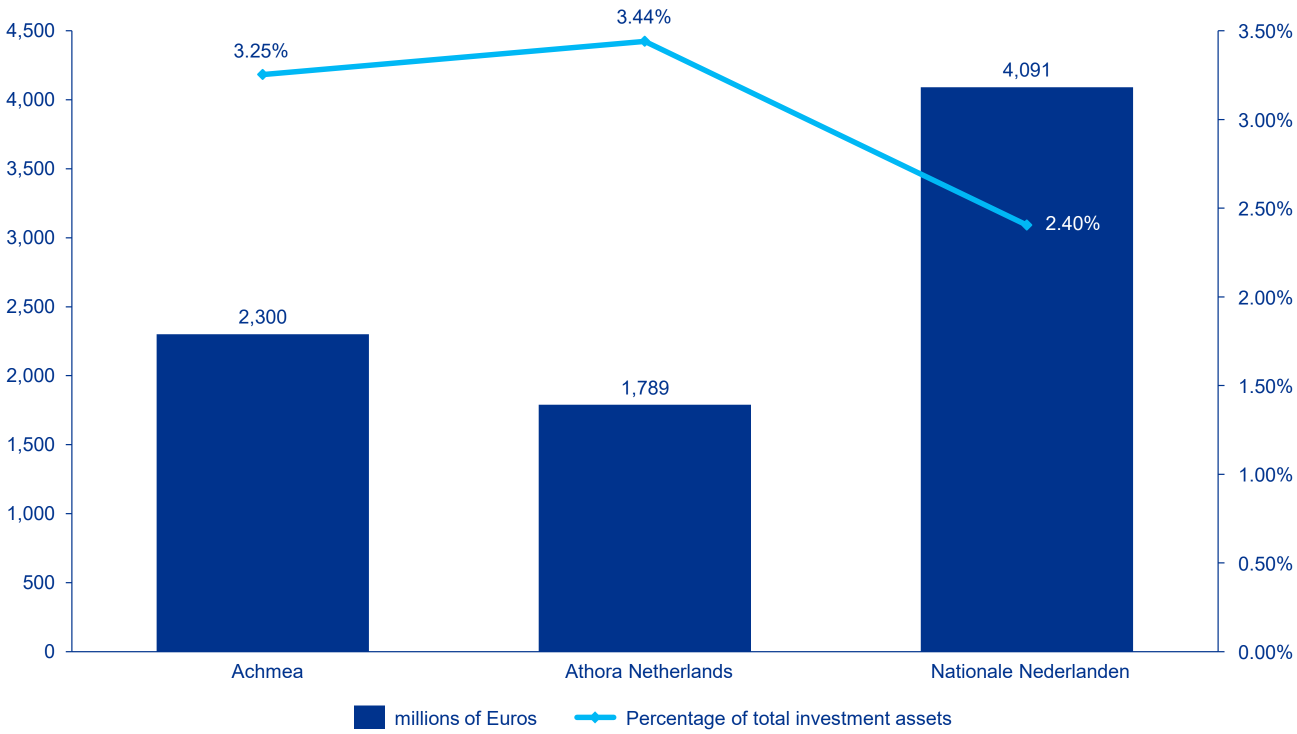
Sustainable investments

When evaluating the emissions of insurers' investment portfolios, there appears to be a trend and shift towards green bonds, as insurers aim to reduce their carbon footprint by investing in low-emission projects and divesting from high-emission sectors, to align their portfolios with global climate goals. Green bonds are vital for promoting sustainable development, funding projects with positive environmental impacts like renewable energy, energy efficiency, and pollution prevention. a.s.r. has been excluded from the analysis since the insurer does not report on investment in green bonds during the period of analysis.

Achmea has increased their investment in green bonds to € 2,300 million in 2023, representing 3.25% of their total investment assets. Athora Netherlands has invested €1,789 million in green bonds and has the highest representation of green bonds as a percentage of its total investment assets at 3.44%. It is also worth noting that Athora Netherlands in 2023 also invested €1,322 million in other bonds with social, sustainable, or sustainability-linked objectives, representing 2.5% of total investment assets. Although Nationale Nederlanden has the highest absolute investment of €4,091 million in green bonds for 2023, this investment only accounts for 2.4% of their total investment assets.

In regard to issuance of bonds, a.s.r., Nationale Nederlanden and Achmea reported on issuing of green bonds in the past two years. a.s.r. was the first of the in-scope insurers to issue a green bond in accordance with the Green Finance framework, while Achmea issued their green bonds in 2022, as did Nationale Nederlanden. The bonds amounted to €600 million for a.s.r. and €500 million for both Achmea and Nationale Nederlanden.

Graph 11: Investment in green bonds and representativeness of green bonds in total investment assets, 2023 (in millions of Euros and percentages)

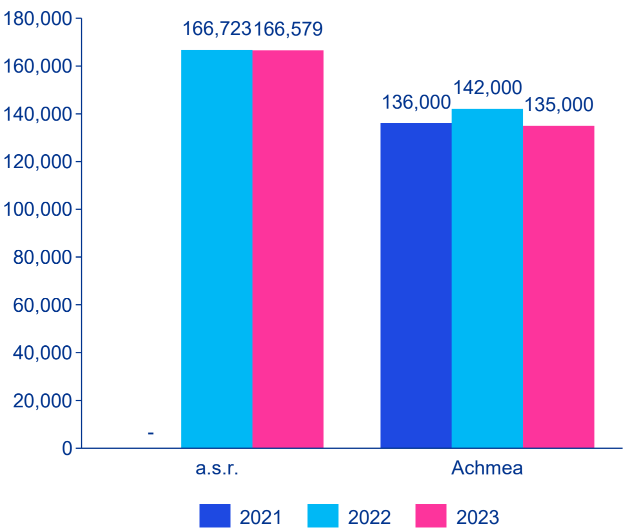


Insurance portfolio

Similarly, to financed emissions, insurance emissions are defined as Scope 3 emissions (downstream) [3] and refer to the emissions associated with the insurance activities. Insurers uniquely need to consider both, due to their roles in investment and underwriting. To set and meet the insurers' net-zero commitments, it is important for insurers to understand their own insured emissions and set a baseline before setting realistic reduction plans – as a robust transition plan is integral to an insurers' overarching climate strategy. This is especially important given that Achmea, a.s.r. and Nationale-Nederlanden (NN) as signatory members of the Net Zero Insurance Alliance pledged to align their insurance portfolios with net-zero greenhouse gas emissions by 2050.

To address industry demand, PCAF released a report on insured emissions for commercial and motor vehicle insurance [4], which is followed by the insurers that measure and report on this type of emissions.

Graph 12: Insurance portfolio emissions of insurers, 2021-2023 (in tons of CO_2)



As it is currently not mandatory under both the existing reporting requirements and the CSRD requirements to report on insured emissions, only a.s.r. and Achmea report on insured emissions. In addition, since Athora Netherlands is a monoline life insurer, these emissions are not reported by the insurer. Life insurance often covers a broader range of risks compared to Non-Life insurance, and these risks can vary in terms of their environmental impact. For example, Life insurance policies may cover individuals with diverse lifestyles, health conditions, and financial activities, leading to a wider scope of potential emission sources to account for. In addition, while a.s.r. and Achmea follow the PCAF methodology for commercial lines and personal motor portfolios, there is no uniformity in the methods for calculating emissions related to life insurance products, given their unique characteristics and longer timeframes.

Specifically, a.s.r. reports on the emissions from its private passenger car insurance and commercial insurance portfolios, while Achmea focuses on its retail motor vehicle portfolio. Despite a minor increase in insurance-related emissions reported by Achmea in 2022 due to heightened mobility following the COVID-19 pandemic, in 2023 the insurer saw a slight contraction in the insured portfolio and a decrease in emissions per vehicle, primarily driven by a rise in electric vehicles within their portfolios. A.s.r.'s insurance portfolio emissions were consistent in 2022 and 2023.

Property and Casualty (P&C) Portfolio

For Non-Life insurers, understanding the consequences of physical risks on their insurance portfolio has been a longstanding cornerstone of its pricing and underwriting practices. The results of their stress-testing and scenario analyses, conducted as part of their Own Risk and Solvency Assessment (ORSA), are reported and provide another view on how the impact of environmental risks are managed in the insurers' P&C portfolio.

A.s.r. acknowledges that most risks arise from inaccurately pricing products in its P&C portfolio. To mitigate these risks, a.s.r. chooses short-term contracts, diversifies customers across different business sectors, reinsures significant risks, and adjusts the underwriting policy. Similarly, these strategies are also adopted by Nationale-Nederlanden, which actively monitors claims experience for its Non-Life business, while adjusting pricing and contracts, as well as relying on the group's catastrophe reinsurance programme.

Achmea anticipates that in the short term (0-5 years), the impact of physical risks will be minimal, as these risks are managed through annual adjustments of contracts, premiums, and reinsurance agreements. However, over the medium to long term (more than 5 years), Achmea expects increased volatility in results due to the heightened frequency and severity of events and higher own retention, which would require premium adjustments in response to shifts in the reinsurance market and claim trends. Achmea also discloses further insights on the vulnerability of their P&C business per portfolio and weather events. For example, the vehicle portfolio is most vulnerable to hail risk, while the home and business building/content portfolios are mostly vulnerable to winter storms.

Health and Life portfolios

Typically, Life and Health portfolios have less exposure to physical risks when compared to P&C portfolios, though the impact of the risks remains through property assets in their portfolios or operations. Thus, the disclosure of physical risk exposure by Life and Health insurers is limited due to relatively scarce research on the correlation between physical risks and human health. Nonetheless, climate change has the potential to influence the emergence and spread of diseases and pandemics, which could impact healthcare costs, absenteeism, and disability rates. Rising temperatures may also lead to higher mortality and morbidity due to extended heatwaves which will affect Life and income insurance obligations.

For its Health portfolio, a.s.r. has recognised and evaluated the key health risks linked to climate change, especially those influencing labour and healthcare expenditures. A specialised team at a.s.r. diligently tracks the emergence of new diseases linked to climate change. However, the expected financial repercussions are limited, since heightened absenteeism or disability is likely to occur within the deductible period. Moreover, the impact on healthcare expenses is mitigated by the existing health risk equalisation system in the Netherlands. Regarding the Life portfolio, climate change is expected to have limited effects for a.s.r.'s portfolio, primarily because these contracts often have short-term lifetime or mature before long-term climate changes impact insured risks. Hence, future pricing can be adjusted to reflect additional risk or uncertainty. Similarly, Nationale-Nederlanden anticipates a comparatively minor impact from climate risks in its Life portfolio compared to other factors like demographic changes. This is because the insurer has greater exposure to longevity risk, partly balanced by mortality risk.

Social

Key Takeaways

- **CSRD expected to accelerate the development of Social disclosures:** Social disclosures, though less developed than climate-related disclosures, are gaining importance as insurers focus on diversity, equity, and inclusion initiatives to highlight their social impact. The introduction of the Corporate Sustainability Reporting Directive (CSRD) will increase the requirement for data disclosure on social impacts affecting workers, communities, and consumers, thus enhancing the transparency and comparability of social initiatives among insurers and promoting the development of these disclosures.

- **Insurers are increasingly committed to an inclusive leadership:** Insurers are making significant strides in promoting gender diversity in senior management. Athora Netherlands, for example, has seen a 60% increase in women in senior management over five years, while other insurers are implementing various initiatives to improve gender representation and foster inclusive workplace cultures.

- **Increasing focus on investing in the wellbeing of its communities:** Insurers are embedding social considerations into their investment strategies and community support initiatives. They invest in affordable housing and social bonds, engage in financial literacy programs and contribute to the financial wellbeing of communities. These efforts are part of a broader commitment to socially responsible practices within their value chains.

- **AI as a key enabler for customer experience:** Insurers are leveraging Artificial Intelligence (AI) to enhance customer service and claims handling. Initiatives include a.s.r.'s Health division using AI robots to analyse calls and speed up claims, Achmea's AI bot handling over 60% of customer queries, and Nationale-Nederlanden's OHRA brand employing machine learning for personalised claims processing. These advancements aim to improve efficiency, productivity, and customer satisfaction.

Social disclosures, while in general are less developed than climate-related disclosures, are gaining traction. Insurers are increasingly reporting on their social impact, focusing on areas such as diversity, equity, and inclusion (DEI). These disclosures highlight efforts to promote a diverse workforce, equitable treatment, and inclusive policies, which are becoming critical components of comprehensive sustainability reporting. Improved social disclosures can enhance the understanding of insurers' broader impact on society and help build stakeholder trust.

Dutch insurers have continued to address social issues like workplace diversity, inclusion, and fair treatment of employees and customers. The introduction of the CSRD will call for greater data disclosure on the social impacts on people's rights and interests, affecting workers, communities, and consumers linked to a company's operation and value chain. Whilst the disclosure on workforce initiatives is more mature and comparable, there is relatively more qualitative information on the social impact of initiatives for the consumers & end users as well as value chain workers & affected communities – thus limiting the comparability across insurers. Nonetheless, the following section aims to provide a snapshot of the insurer's socially responsible practices within their organisations and across the value chain.

Workforce

The insurers' DEI agenda is a key social consideration for its workforce, and an area in which insurance companies have invested considerable efforts in recent years. Despite optimistic about their progress, 75% of CEOs acknowledge the need for leadership changes to improve workplace diversity and anticipate increased scrutiny of diversity efforts in the coming three years [5]. Given the broad spectrum of topics that fall within DEI in the workplace, there remains further room for insurers to address and report on their DEI agenda. Due to the limited availability of consistently reported DEI-related metrics across insurers, this section will explore the topic of gender diversity among the Dutch insurers – namely through the 'women in senior management positions' indicator.

According to KPMG International Insurance CEO Outlook [5], 75% of CEOs believe that achieving gender equity in senior management is key to business growth [5]. Achmea, Athora Netherlands and Nationale-Nederlanden reported an increase in the representation of women in senior management positions from 2019 until 2023 – with Athora Netherlands making the most significant progress with a 60% increase within the 5-year period. To achieve a more balanced male/female ratio and foster a culture where all employees feel safe and valued, Athora Netherland's Diversity and Inclusion Policy promotes mutual respect and hiring of diverse talents. In 2022, Athora Netherlands also appointed a Diversity Officer, and in 2023 they established a diversity committee to drive cultural change and enhance diversity engagement.

a.s.r. saw a steady increase in the representation of women in senior management positions from 2019 to 2022. However, in 2023, this figure dropped significantly to less than half of its 2022 value. Despite this setback, a.s.r. remains committed to ensuring at least one-third of its management, Management Board, and Supervisory Board members are women, with the same goal for male representation.

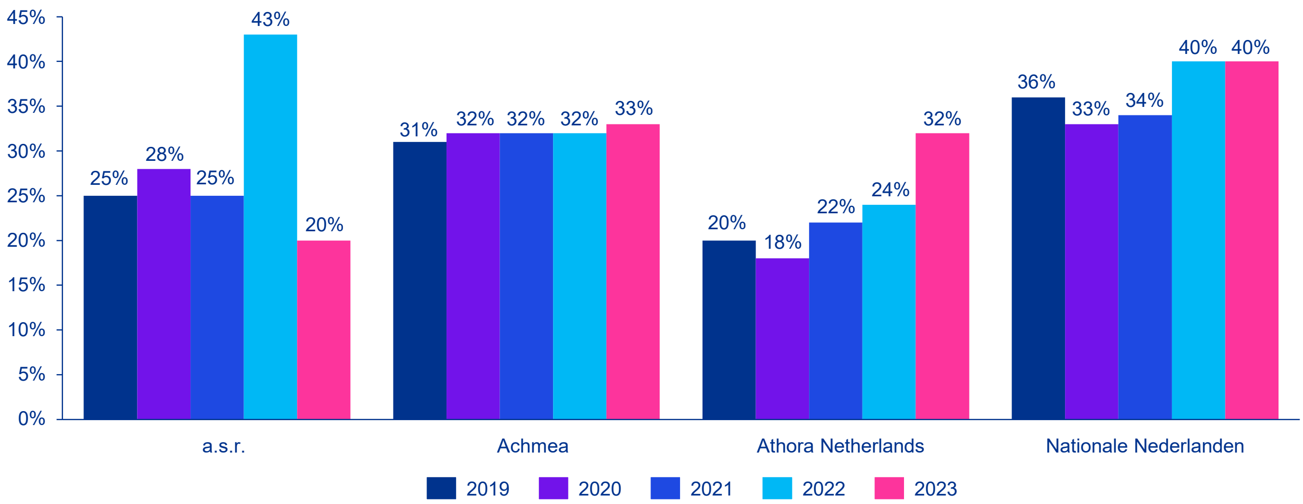
To meet these diversity objectives, a.s.r. implements its diversity, equity, and inclusion policy in the recruitment process and annual employee reviews. Key measures include annual fleet reviews, succession planning, and the Leadership Education (LE) programme.

Achmea has seen a modest increase in female representation within its senior management since 2019 – having surpassed their target by 1% and achieving a 33% representation of women in 2023. This progress is attributed to various initiatives, such as setting a target of 35% women in senior management by 2025, implementing career development talks like 'Speak Up Dear!' and cross-mentoring programmes aimed at empowering female employees and fostering their leadership skills.

Nationale-Nederlanden has steadily worked to improve gender diversity in senior management. Although there was a slight decrease in 2020 due to adjustments in measuring this indicator, the insurer reached 40% female representation in senior management by 2023. Its annual reports highlight several initiatives contributing to this progress, including the development of a female talent pool, succession planning, recruitment and offboarding strategies, mentoring programmes, and leadership development initiatives such as the 'Our Women in Leadership Network'.

In addition, the aforementioned DEI initiatives are delivered in conjunction with the insurers' broader training and development programmes – thereby ensuring that the workforce have the necessary skills and capabilities to create an inclusive and safe workplace culture. A.s.r., Achmea, Athora Netherlands, and Nationale-Nederlanden all conduct training programmes that cover a range of relevant topics – from unconscious bias, fostering a supportive work environment to creating a greater understanding of how to manage ESG and sustainability risks.

Graph 13: Women in senior management positions, 2019-2023 (in percentages)



Value chain workers and affected communities

Insurers can impact stakeholders in the value chain and affected communities directly. Whilst both community support (in the form of volunteering or financial contributions) and the review of human & labour rights in the procurement process have become common practice amongst all insurers, insurers are now also growing their impact via socially responsible investments.

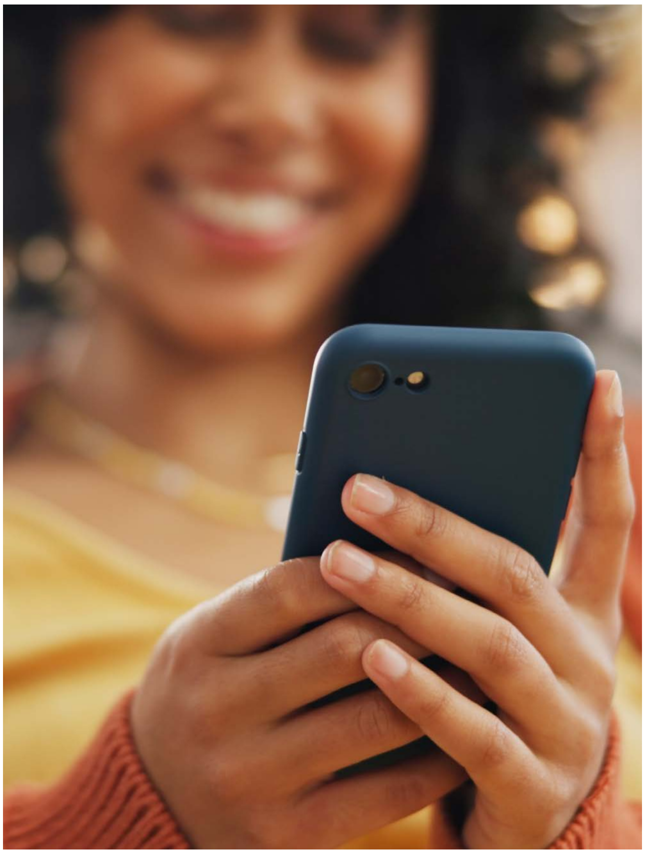
Community support and engagement have positive social impact both on the communities affected and the employees who are taking part in such activities. A common material theme across the four insurers is financial wellbeing – with all having implemented related initiatives to improve the financial literacy of their communities. A.s.r., Achmea and Athora Netherlands all have initiatives where their employees volunteer as guest teachers at schools to teach about finance, whilst Nationale-Nederlanden has partnerships with charitable partners. Nationale-Nederlanden has contributed €9.4 million in cash contributions and €1.1 million in total volunteer hours via their charitable partners and strategic collaborations to improve the financial wellbeing of the community.

Even though the review, management and engagement on human and labour rights are already embedded in the procurement process of all Dutch insurers, insurers have continued to make strides to ensure their practices are in line with the latest standards. a.s.r. renewed their Supplier Code of Conduct in 2023, which now includes expectations on working conditions and human rights principles. Athora Netherlands has also taken steps to align their outsourcing and vendor management policies as well as practices with their Fundamental Investment Principles in 2023. Nationale-Nederlanden carried out a broader human rights salience assessment as well as a CSRD human rights due diligence assessment in 2023 – which included a review of the relevant internal policies against the relevant international standards and regulations.

Insurers also address social issues via their investment portfolio, with all insurers having already embedded social considerations as part of their sustainable investment strategy/practices. A.s.r., Achmea and Nationale Nederlanden all invest in affordable housing for different segments – e.g. for senior citizens (a.s.r.), for healthcare providers & residents (Achmea) and for households that do not meet the criteria for social housing (Nationale-Nederlanden). Insurers also invest in other instruments – with Achmea investing €42 million in five impact funds which focus on different social issues (e.g. improving healthcare in Africa to microfinancing in developing countries) and both Athora Netherlands as well as Nationale-Nederlanden also investing in social bonds.

Consumers and end users

With a customer-centric approach to digital transformation now as the industry norm, insurers have continued to explore how Artificial Intelligence (AI) can enhance their customer experience – mainly in the space of customer service and claims handling. For example, a.s.r.'s Health division and Achmea have tested AI models, including Large Language Models (LLMs) and smart robots. Whilst a.s.r.'s Health Division RPA smart-robot 'Jade' was used in 2023 to analyse customer calls and accelerate claims handling, Achmea's FBTO launched AI bot managed over 60% of customer queries without human intervention. Similarly, OHRA – a Nationale Nederlanden brand – employs AI for automated claims handling and uses a machine learning model called 'Menselijke maat' to identify cases requiring personalised attention from an employee. For a.s.r., key initiatives include the 'Dienstenwinkel', further development of 'Mijn a.s.r.' platform, and integration with payroll systems for streamlined administration. Additionally, a.s.r. launched the 'Appsentiemanager', a digital tool for SME employers to report employee sickness and recovery via mobile devices, aiding in the reintegration process. Additionally, Nationale-Nederlanden, Achmea and Athora Netherlands use their own Generative AI platform, with Achmea and Athora Netherlands having introduced the first versions and pilots in 2023. Whilst such use cases are expected to mainly drive efficiency and productivity gains in organisations, more time and investigation is required to obtain further insights on their impact for the insurers.



Key Takeaways

- **Embedding ESG into the C-Suite and across the organization:** Insurers are advancing their governance structures to incorporate ESG principles, ensuring sustainability and ethical conduct are central to their decision-making processes and long-term value creation.

- **Insurers continue to strengthen their governance ecosystems:** Dutch insurers are demonstrating advanced governance disclosures, providing increased transparency about board and senior management oversight, and integrating sustainability considerations into overall business strategies and decision-making processes. In addition, insurers have established ESG governance frameworks, with specialised committees and taskforces at the C-suite level to oversee and implement strategic sustainability objectives across all levels of their organizations.

- **Sustainability-aligned compensation for Executive Boards:** Insurers are integrating ESG metrics into executive compensation, linking variable remuneration to sustainability targets, thereby aligning leadership incentives with organizational sustainability goals and reinforcing accountability.

The governance pillar of ESG reflects the maturity and robustness of insurers' policies and business practices, and whether these align with principles of sustainability, ethical conduct, and responsible investment. More than regulatory compliance, it requires insurers to proactively integrate ESG criteria into decision-making processes to mitigate risks, enhance long-term value creation, and foster resilience in the face of evolving societal and environmental challenges.

Governance disclosures are at a relatively advanced stage for Dutch insurers, with increasing transparency about board and senior management oversight. Effective governance structures are crucial for integrating sustainability considerations into overall business strategies and decision-making processes.

ESG governance ecosystem

Insurers have integrated sustainability as part of the responsibilities across different levels – including at the C-suite level – and its governance frameworks. This includes the creation of specialised committees and taskforces with the mandate of defining strategic sustainability objectives and promoting transparency in decision-making procedures. Furthermore, committees and taskforces report directly to the Management and Executive Boards and support the C-suite, as they assume ultimate responsibility for ESG.

A.s.r. underscores its commitment to sustainability by integrating it into core processes and activities and by recognizing it as a pivotal strategic focus. Governance is ensured through the establishment of a Sustainability Workforce group, aiding the CEO in overseeing sustainability themes and reporting to the Management Board (MB). Collaboratively, the MB and Sustainability Workforce set strategic sustainability targets, which are then reviewed and approved by the Supervisory Board (SB).

In addition, a.s.r.'s Sustainability Committee enhances governance by addressing sustainability issues and convening quarterly to ensure transparency in decision-making.

Achmea's governance framework focuses on the Achmea Sustainable Together programme, initiated in 2021 by the Executive Board, which oversees the execution of sustainability objectives and corresponding plans across various workflows. The Program Board, chaired by the Chief Risk Officer, directs the programme, ensuring impactful decisions align with the Executive Board's vision.

In addition of being in the process of establishing an ESG committee, Athora Netherlands operates with a Sustainability Office, responding to stakeholder demands for sustainable business practices. To ensure sustainability is embedded throughout its organisation, Athora Netherlands entrusts various departments and offices with the responsibility of effectively implementing sustainability policies and practices. For instance, its Investment Office oversees the implementation and execution of Athora Netherlands's Sustainable Investment Policy, particularly for its own account investments.

Nationale-Nederlanden emphasises sustainability within its strategic direction, with each Management Board member tasked with integrating sustainability into their domains, strengthened by dedicated committees focused on sustainability matters, namely the Responsible Investments Committee and Responsible Insurance Underwriting Committee. Nationale-Nederlanden has also established a Taskforce for Sustainability that advises the Management Board and supports business units on regulatory requirements compliance, integration of sustainability in their products and services, and capability build-up.

ESG based compensation

ESG-based compensation is a mechanism which has been implemented by organisations to drive and stimulate the organisation to achieve its sustainability goals. When considering ESG-based compensation for its Executive Board and/or across the organisation, the level of details provided by the insurers varies. While a.s.r., Nationale Nederlanden, and Achmea offer insights on the process of integrating ESG KPIs into their compensation considerations, this information is not available for Athora Netherlands.

For a.s.r., the annual performance evaluation of Executive Board (EB) members includes assessing both financial and non-financial objectives approved by the Supervisory Board (SB). In 2023, these objectives include sustainability KPIs, such as reducing the carbon footprint (Scope 3) for investments for own account by 65% by 2030. Periodic performance review discussions between the SB and EB members revolve around these objectives, potentially resulting in adjustments to the EB's salary band, ranging from 0% to 6%.

Achmea indicates that sustainability outcomes were translated into goals for the entire organisation, its divisions, individual directors and employees in 2023. An example of its sustainability targets is the reduction of emissions for the average insurance-related carbon emissions per vehicle by 15-20% by 2030 for its Dutch retail customer motor vehicle insurance portfolio.

These targets function as KPIs, guiding both short-term and long-term performance management and forming the basis for variable remuneration, which for the Executive Board cannot exceed 20% of the base salary. The performance management process undergoes annual evaluation and discussion within the Remuneration Committee.

Similar to a.s.r, Nationale-Nederlanden links its strategic targets related to sustainability to the variable remuneration of its EB. These KPIs cover a range of goals, including advancing the transition to a low-carbon economy and diminishing the company's direct environmental impact. This involves implementing a number of local initiatives to decrease GHG emissions, with the aim to achieve a 35% reduction target by 2025 and to reduce GHG emissions from its corporate investment portfolio by 25% by 2025 and 45% by 2030. The fulfilment of strategic targets, including those related to sustainability, can contribute to a variable remuneration for both the CEO and CFO.

The integration of ESG metrics into executive compensation strategies among Dutch insurers highlights the growing importance of sustainability as a business goal. By setting specific targets, a.s.r., Nationale Nederlanden and Achmea align executive incentives with organisational sustainability objectives, ensuring leadership accountability and reinforcing commitment to addressing climate change and promoting sustainable practices.

Table 1: Executive Boards' ESG remuneration type disclosure, 2023

	Achmea	a.s.r.	Athora Netherlands	Nationale Nederlanden
Variable Remuneration	✓	✗	✗	✓
Fixed Remuneration	✗	✓	✗	✗

Legend

✓ Reported as implemented for the respective insurer

✗ Reported as not in place or not mentioned for the respective insurer

Key insights towards a sustainable future for Dutch insurers

When assessing the sustainability trajectory of the leading Dutch insurers, it is crucial to identify key insights that can expedite the progress towards a sustainable future and highlight important lessons learned.

Readiness and future disclosures

Achmea, a.s.r., Nationale Nederlanden, and Athora Netherlands have made significant strides in their ESG reporting, but variability in the level of detail provided in the disclosures remains a challenge. Therefore, Dutch insurers need to prioritise enhancing the depth and quality of their sustainability disclosures, particularly in alignment with the ESRS mandated by the CSRD.

Key areas of focus for future climate disclosures include comprehensive and granular reporting on emissions, detailed transition plans towards a lower-carbon economy and integration of nature-related considerations into their sustainability strategies [1]. Regarding its social disclosures, while workforce initiatives are well-documented, there is a need for more quantitative data on the social impact of initiatives for consumers, end users, and value chain workers. Furthermore, there is a need for more granular disclosure on the governance surrounding sustainability objectives and how these are integrated into the daily responsibilities of board members and senior management, including specific roles and accountability mechanisms.

Lessons learned

Importance of data quality and availability: Measuring emissions, particularly financed and insured emissions, poses an ongoing challenge for insurers. Nonetheless, insurers can leverage data collection initiatives to enhance the quality of their disclosures.

Sustainable investing: Insurers should continue to embed ESG considerations in their investment strategies. Investments in green bonds, renewable energy projects, and environmentally focused impact funds can significantly contribute to environmental sustainability.

A cohesive social strategy: Develop and implement a comprehensive Social strategy that cohesively addresses the needs of the impacted stakeholder groups and is in line with the relevant regulations and commitments.

Integration at all levels: Ensure sustainability responsibilities are embedded in all organisational levels, from C-suite to operational units.

Link compensation to sustainability goals: Integrate ESG metrics into executive compensation strategies to align leadership incentives with sustainability objectives.

Finally, while Dutch insurers exhibit a commitment to sustainability, the journey ahead requires continued focus on refining disclosures and integrating sustainability into the core financial narrative. These efforts will not only ensure compliance with the forthcoming CSRD but also set a precedent for the Dutch insurance industry in embracing a sustainable future.

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