Söderberg & Partners

July 2023

Sustainable Non-Life Insurance

A report on the Finnish non-life insurance companies' sustainability work

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2023

Overview

This report includes six non-life insurance companies that operate in Finland. The complete list over companies that are included in the analysis can be found on page 6 and 17.

This first sustainability report on non-life insurance companies in Finland includes separate analyses for different product areas. The categories we have assessed are transport, motor and company insurances, where the main focus of the latter is on property. The focus on product, rather than company level, is established to make the comparison relevant and fair. For customers that aim to sign an insurance contract it is more relevant to receive a comparison between companies that offer insurance for the specific product that is to be acquired. We have therefore created a relative ranking within these three areas, as well as ranking where all companies are assessed regarding how they manage their premiums and engage in cooperations and disseminate knowledge.

How is the analysis made?

The analysis assesses how the non-life insurance companies take sustainability into account in claims management, procurement, climate adaptations, asset management as well as how they increase customers' and co-workers' awareness on the climate impact of non-life damages and their effect on a sustainable development.

The analysis is based on publicly available information and data retrieved directly from the companies involved through our internally developed questionnaires about their sustainability work. The answers from the forms have often been followed up with additional questions.

The assessment of the non-life insurance companies' sustainability work is relative in each product area, which means that the companies' sustainability work is set in relation to each other. A company that have received a green rating works, according to our assessment, more actively with sustainability issues than a company with a yellow respectively red rating.

The perspectives we assess are:

- Awareness and collaboration
- Sustainability in the premium management
- Sustainability in the damage insurance for:
    - Company insurance
    - Motor insurance
    - Transport insurance

Why choose a company with a green rating in one or more areas?

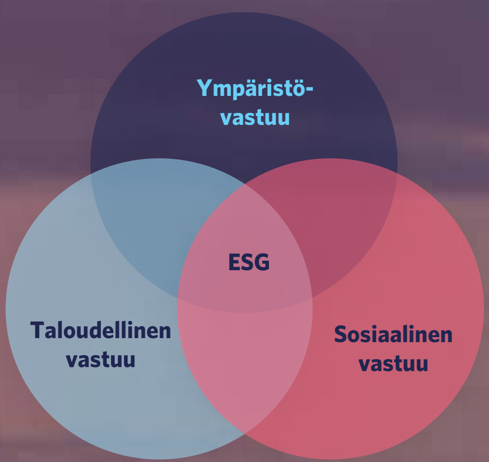
If you choose a company with a green rating within multiple areas you, as a customer, can be sure that the company work actively with managing and minimising the sustainability risks you yourself and society stand before. You also have the possibility to contribute to a better future through your insurance premiums when you choose a company that invests sustainably. The insurance industry has an incredibly important role to play, both in managing the effect of climate change that are already happening today as well as in the transition to a more sustainable society. By choosing a company that actively contributes with knowledge through collective industry initiatives you are also supporting the future development of a more sustainable insurance industry.

Contents

Sustainability considerations for non-life insurance

Definition of sustainability

The term sustainability is often used synonymously to the sustainable development, which is defined as a ”development that meets the needs of the present without compromising the ability of future generations to meet their own needs”[1]. Apart from ”Environmental sustainability”, the term also includes ”Social sustainability” and ”Economic sustainability”, see figure below. In the term “Environmental sustainability”, examples of aspects that are included are environment and climate, biodiversity and an efficient use of earth’s resources. In the term “Social sustainability”, some examples of aspects that are included are human rights, public health, equality, anti-discrimination and labour rights. The term “Economic sustainability” is about how companies or organisations affect their stakeholders from a financial perspective. With stakeholders, aspects such as employees, suppliers and society at large are referred to. The main questions within this aspects are tax evasion and corruption.



Non-life insurance and sustainability

The insurance industry is affected by sustainability risks. These are due to an increased risk for damages on physical items (physical risk) and an increased uncertainty concerning the value of financial assets (transitional risk). These risk together are usually referred to as environmental risks. As a consequence of these, responsibility and reputational risks arise. For example, a company’s inability to reach the increasing demands from customers makes it more difficult for the company to compete on the market.

Physical risks often affect companies’ whose production is dependent on climate parameters or the predictable and sufficient availability of natural resources. Due to global supply chains, these effects are no longer geographically specific.

Transitional risks can lead to financial difficulties for carbon intensive companies due to the transition to a carbon emission lean economy and due to changes in consumer preferences.

Reputational risks can arise when a company’s own climate footprint hinders it from gaining trust, recruiting talents and attracting investors.

Responsibility risks arises when companies neglect climate related risks in their decision making.

The extreme weather that we already see today in the form of drought, forest fires and floods are to become more frequent when temperature rises both in the sea and on land. The increasing sea level, with expected flooding of large coastal areas and loss of land is going to continue for a long time.

[1] Report of the World Commission on Environment and Development: Our Common Future (1987), WCED.

The increasing sea levels and the force of advancing water can do large damages on buildings and infrastructure. The increasing costs makes it important for insurance companies to take into consideration the climate adaptations that companies in exposed areas do.

The extreme weather is often difficult to predict, which leads to great risks for insurance companies. The total economic cost of global natural catastrophes during 2022, was estimated by Munich Re to be 270 billion dollar, of which only 120 billion dollars were covered by insurances. The average yearly loss of insured goods between 2017 and 2021 amounted to 97 billion dollars. In other words, the loss of insured goods in 2022 overstepped the average by 24%. With this in consideration, the losses have been continuously increasing since the 80's. According to data from Swiss Re Institute, the losses due to natural catastrophes have only exceeded 100 billion dollars four times between 1970 and 2021.

The increasing frequency of damages can in the long run mean that the insurance companies have to increase their risk premiums and deductibles as well as to a greater extent decline insurances to customers in high-risk sectors or specific customers. The price increases can be made with sustainability criteria in mind, by for example increasing the premiums to companies with high sustainability risks and denying insurances to companies that lack transition plans. This can create incentives for companies to manage their risks and redirect their businesses to be more sustainable.

Nevertheless, it is possible that the price adjustments continue to be made from a pure risk perspective, which could limit coverage for companies that initially may pose high risk due to limited damage-history. This can be the case for new technologies such as infrastructure for sustainable energy. It can even put whole industries that are exposed to high risks at a disadvantage, such as weather dependent food producers and mining companies that extract vital inputs for energy production.

Increasing costs in the insurance industry can even lead to some companies refraining from insurances or signing an insurance with little coverage. This can lead to reputational risks for the industry at large. The European Insurance and Occupational Authority, EIOPA, monitors the development of these economic and societal aspect as well as the more direct effects of climate change.

The companies that are at the forefront in their sustainability work have established processes for integrating sustainability aspects in their risk analyses.

2023

Results & Ratings

In the following chapter, the sustainability ratings are described within each product area for the insurance companies. The ratings are summarised in the table bellow and the grey areas represents products that are not offered by the company. In cases where the companies have not responded, we have used the information we were able to find on the companies' respective websites about their product offerings.

	Business Insurance	Motor Insurance	Transport and Cargo Insurance	Investments	Awareness and Collaborations
Fennia	🔴	🔴	🔴	🔴	🔴
If	🟢	🟢	🟢	🟢	🟢
LähiTapiola	🟡	🟡	🟡	🟢	🟡
Pohjantähti	🟡	🟡	🔴	🟢	🔴
Pohjola Vakuutus	🟡	🟢	🔴	🟡	🟡
Turva	🔴	🔴	🔴	🔴	🔴

Results

Sustainability in non-life insurance

Within this perspective, the insurance companies' integration of sustainability aspects in claims management, risk analysis and procurement as well as whether they work proactively to prevent damages is assessed. A separate assessment is made for each product category.

Business insurance

Business insurance includes property, consequential damage, legal protection and responsibility. Within this perspective the weight is primarily on property, as the insurance companies have the greatest possibility to have create impact through the claims management within this area. Within property, the insurance companies can for example support the reduction of material usage: for reconstructions, in treating damaged material, and in the damage prevention. All of which has a direct impact on the climate. The table on the next page illustrates a summary of the ratings for the area "Sustainability in non-life insurance" for the insurance companies that provide business insurances.

Green companies

The green rated companies have quantitative goals relating to reparations, recycling and reparations that are followed up on regularly. Sustainability risks are considered to some extent in the underwriting process. They have robust processes to minimise already incurred damages and use environmentally friendly material in reparations. The damage prevention work is integrated in the companies' processes work they work actively with knowledge sharing about damage prevention methods. Sustainability demands are made towards both suppliers and clients.

Yellow companies

The yellow rated companies use several methods to ensure that recycling, reusing and reparations are done in its claims management, but they often lack quantitative targets for this. They actively share advice and spread information about damage prevention and take several measures to limit existing damages. Sustainability is integrated in supplier contract to a varied degree and some companies take sustainability in consideration when assessing clients.

Red companies

The red rated companies showcase very limited information about their sustainability work in this perspective.

POINTS	MOTIVATION
	If has good processes to ensure that recycling, reusing and reparations are done in its claims management. This includes making formal agreements with contractors and setting quantitative targets which are followed up upon regularly. Environmentally friendly materials are used to the largest extent possible in reparations, and several measures are taken to limit damages that have occurred. If conducts general research concerning sustainability related risks by for example using TCFD's principles. Several measures are taken to prevent damages, and all suppliers are required to follow If's code of conduct. Sustainability demands are also made towards clients.
	LähiTapiola uses several methods to ensure that recycling, reusing and reparations are done in its claims management, such as making formal agreements with contractors and collaborating with repair shops. However, the company lacks clear quantitative targets for this. Environmentally friendly designs are often used in reparations and several measures are taken to limit existing damages. Sustainability risks are not yet fully integrated in its processes. It actively shares advice and spreads information about damage prevention, and its suppliers must follow some sustainability standards.
	Pohjantähti promotes recycling, reusing and reparations in its claims settlement through its internal guidelines and collaboration with local workshops, but it lacks clear quantitative targets for this. The company provides advice and spreads information about damage preventation measures and uses several methods to minimize damages once they have occurred. It does not integrate sustainability risks in its assessments. Sustainability is discussed to some degree with its suppliers, and some consideration of clients' sustainability profile is made although the extent to which this is done is unclear.
	Pohjola Vakuutus makes formal agreements with contractors to recycle, reusing and repair to the largest extent possible in its claims settlement. It measures and follows up on this in some product segments but have no quantitative targets yet. The company uses several methods to limit damages that have already occurred and conduct general research regarding climate risks. Damage prevention work is done through information sharing and advice on inspections. Sustainability is formally integrated in procurement, and some consideration is taken of clients' sustainability profile.
	Fennia has not responded on our questionnaire and publish very limited information about its integration of sustainability in their underwriting process, which signals a lack of transparency.
	Turva has not responded on our questionnaire and publish very limited information about its integration of sustainability in their underwriting process, which signals a lack of transparency.

Results

Sustainability in non-life insurance

Within this perspective, the insurance companies' integration of sustainability aspects in claims management, risk analysis and procurement as well as whether they work proactively to prevent damages is assessed. A separate assessment is made for each product category.

Motor insurance

Motor insurance includes individual and multi vehicle insurance contracts as well as coverage for dealers and service providers. The table on the next page illustrates a summary of the ratings for the area "Sustainability in non-life insurance" for the insurance companies that provide motor insurances.

Green companies

The green companies have quantitative goals relating to reparations, recycling and material reusage that are followed up on regularly. These are fulfilled using several methods such as contract enforcements and collaborations with local workshops. Several methods are used to limit damages that have already occurred, and damage prevention work is done through information sharing and advice on inspections. General research is conducted regarding sustainability risks and sustainability is formally integrated in procurement. Sustainability considerations are also made in client assessments.

Yellow companies

The yellow rated companies use several methods to ensure that recycling, reuse and reparations are done in its claims management, such as making agreements with contractors. Some of the companies have targets related to this. They provide advice and spread information about damage preventative measures and use several methods to minimize damages once they have occurred. Their suppliers have to follow some sustainability standards. Sustainability risks are not integrated in their risk analyses, and only some companies make sustainability assessments of their clients.

Red companies

The red rated companies showcase very limited information about their sustainability work in this perspective.

POINTS	MOTIVATION
●●● (green)	**If** has good processes to ensure that recycling, reusing and reparations are done in its claims management. For instance, it makes formal agreements with contractors and sets quantitative targets which are followed up upon regularly. Several measures are taken to limit damages that have occurred and to prevent damages, and the company has quantitative targets that are tied to damage prevention measures. It conducts general research concerning sustainability related risks by for example using TCFD's principles. All suppliers are required to follow If's code of conduct. Sustainability demands are also made towards clients.
●●● (green)	**Pohjola Vakuutus** makes formal agreements with contractors to recycle, reusing and repair to the largest extent possible in its claims settlement. It measures and follows up on quantitative targets related to this within the product segment. Several methods are used to limit damages that have already occurred, and general research is conducted regarding sustainability risks. Damage prevention work is done through information sharing and advice on inspections. Sustainability is formally integrated in procurement and Pohjola engages with suppliers to make them improve their work. Some consideration is taken of clients' sustainability profile.
●●● (yellow)	**LähiTapiola** uses several methods to ensure that recycling, reusing and reparations are done in its claims management, such as making formal agreements with contractors. It also measures and follows up upon quantitative targets related to this. Environmentally friendly designs are often used in reparations and several measures are taken to limit existing damages. The company actively shares advice and spreads information about damage prevention, but sustainability risks are not integrated in its assessment. Its suppliers have to follow some sustainability standards, but they make no evaluation of clients.
●●● (yellow)	**Pohjantähti** promotes recycling, reusing and reparations in its claims settlement through its collaboration with local workshops and requirements for contractors. However, the company lacks clear quantitative targets for this. It provides advice and spreads information about damage preventative measures and use several methods to minimize damages once they have occurred. It does not integrate sustainability risks in its analyses. Sustainability is discussed to some degree with its suppliers, and some consideration of clients' sustainability profile is made although the extent to which this is done is unclear.
●●● (red)	**Fennia** has not responded on our questionnaire and publish very limited information about its integration of sustainability in their underwriting process, which signals a lack of transparency.
●●● (red)	**Turva** has not responded on our questionnaire and publish very limited information about its integration of sustainability in its underwriting process, which signals a lack of transparency.

Results

Sustainability in damage insurance

Within this perspective, the insurance companies' integration of sustainability aspects in claims management, risk analysis and procurement as well as whether they work proactively to prevent damages is assessed. A separate assessment is made for each product category.

Transport and cargo

Transport and cargo insurance includes goods insurance as well as transport responsibility. The table on next page illustrates a summary of the ratings within the area "Sustainability in non-life insurance" for the insurance companies that provide transport and cargo insurances.

Green companies

The green rated companies have developed processes for integrating sustainability in their claims settlements. This can include having strict supplier policies, conducting dialogues with clients on damage prevention, conducting risk analysis and sponsoring research. Sustainability is considered to some extent in client assessments.

Yellow companies

The yellow rated companies have good processes for integrating sustainability in their claims settlements. They give general damage prevention advise, are holding dialogues with clients and are working together with partners to promote recycling. Some consideration to sustainability is taken in client assessments.

Red companies

The red rated companies are not integrating sustainability to any significant extent.

POINTS	MOTIVATION
	If has developed an internal code of conduct that is used in procurement and claims settlement which is based on UN Global Compact. The company holds dialogues with clients with a high damage frequency to understand their processes and gives advice on measures to prevent further damages. Along the direct client work, it also finances research projects focusing on damage prevention. Sustainability demands are also made towards clients
	LähiTapiola works together with their partners to recycle damaged goods. The company is giving general damage prevention advise to clients and is holding individual dialogues with clients who have a high claims frequency. It takes sustainability into consideration when evaluating clients on a case-by-case basis.
	Pohjantähti is not integrating sustainability in its processes to any significant extent in its transport insurance.
	Pohjola Vakuutus is not integrating sustainability in its processes to any significant extent in its transport insurance.
	Fennia has not responded on our questionnaire and publish very limited information about its integration of sustainability in their underwriting process, which signals a lack of transparency.
	Turva has not responded on our questionnaire and publish very limited information about its integration of sustainability in its underwriting process, which signals a lack of transparency.

Results

Premium management

Within this perspective, the insurance company's respect to sustainability aspects in their premium management is assessed. It is also about if the asset managers tries to affect the portfolio's assets in a more sustainable direction, for example with engagements with underlying assets or external asset managers. The table on next page illustrates a summary of the ratings within the area "Sustainability in premium management" for the non-life insurance companies.

Green companies

The green rated companies have thorough processes for integrating sustainability in their management of the premiums. They have access to well founded sustainability analysis in the management. Some companies have specific sustainability portfolios and others have integrated sustainability in multiple ways throughout their investment universe. The companies' assets under management are included in a net-zero goal, either through internally set goals or external managers' goals. In most cases they also have accompanying sub-goals, which is important for the practical implementation of their goals. Some companies conduct their own engagements with the underlying assets, others use external providers. The insurance companies with mostly external asset management have clear demands on the managers relating to sustainability integration, engagements and participation in industry collaborations.

Yellow companies

The yellow rated companies have good processes for integrating sustainability in their premium management. They have access to various data sources and use several methods to integrate sustainability into investment decisions. However, the minimum level of integration across all capital not always clear. Nonetheless, the companies have set net zero targets for their assets. Engagements dialogues are held to some extent.

Red companies

The red rated companies are not very transparent about how they integrate sustainability in their investment processes. Some companies put demands on external mangers to participate in industry collaborations and apply some integration methods, others are not integrating sustainability to any significant extent.

POINTS	MOTIVATION
	If manages most of its premiums internally but with a share externally managed. The managers have multiple data sources that are used in their internal analyses of the assets and use a range of methods for integrating sustainability. The sustainability level of the portfolio is followed up on monthly. If have joined the Science Based Target initiative and is in the process of clarifying the goals. The managers do not conduct engagement dialogues themselves but are using external suppliers. They have no regularly held meetings with these and thus only discuss the engagements ad hoc. A general assessment is made of external managers, and these are expected to follow If's own policy.
	LähiTapiola manages most of its premiums internally, with a smaller share externally managed. The mangers have good data coverage across asset classes. Sustainability is integrated across all managed capital, and they have enhanced criteria for their specific sustainable investment portfolios. However, this is only followed up upon on a bi-annual basis. The mangers actively engage with their portfolio companies regarding sustainability issues and have set a net zero target for 2050. Sustainability factors are part of their evaluation of external mangers. For example, they require them to be signatories of the UN Principles for Responsible Investments.
	Pohjantähti manages most of its premiums externally and has only a small share of internally managed capital. The mangers have good data coverage but do not describe how they integrate ESG considerations across asset classes. Sustainability is also decisive in choosing external mangers. Several criteria are considered in the process, such as if managers have signed UN Principles for Responsible Investments. The company engages with managers who do not meet its demands and perform its own screening, although the latter is only done on a bi-annual basis. A net zero goal is set for the organization, and a fair share of external mangers have done similar commitments.
	Pohjola Vakuutus mainly manages its premiums internally, and has good data coverage of its investments, although the managers do not describe how the data is integrated across asset classes. They otherwise have several methods for integrating sustainability into their investment decisions, but they do not describe any minimum requirements for all capital. A net zero target has been set for 2050. The managers conduct some engagement dialogues inhouse and through external managers, but it is unclear to what extent this is done.
	Fennia has not responded on our questionnaire and publishes only a little information about its investments. It, for example, requires external managers to sign UN Principles for Responsible Investments and integrate sustainability in their investment processes. This is done across asset classes. However, due to its lack of transparency there is limited information to base the rating on.
	Turva has not responded on our questionnaire and publish very limited information about its investments, which signals a lack of transparency.

Results

Awareness and collaboration

Within this perspective, the insurance company's engagement in industry collaborations are assessed, as knowledge dissemination within the industry is important in driving the sustainability work forwards within the insurance market. The rating is adjusted according to the number of business areas that each company have, to ensure that companies that only offer non-life insurances are not put at a disadvantage when being compared to companies that offer other types of insurances, management and banking operations. This is done because companies with multiple business areas tend to benefit from collaboration memberships within the entire group. The companies' work to increase their co-worker's sustainability knowledge is also assed, which has a determining role in how the actual implementation of guidelines and code of conducts regarding sustainability is made. The table on the next page illustrates a summary of the ratings within the area "Awareness and collaboration" for the insurance companies.

Green companies

The green companies are engaged in a large number of collaborations. They are actively engaged in multiple of them, for example as a member in the board or through contributions to working groups. Apart from the official industry collaborations, the green companies are often engaged in more local initiatives, which are valuable when they are specifically connected to non-life insurances, as they can increase awareness in the local communities. The green companies also work actively with knowledge dissemination concerning sustainability within their own organisation through both mandatory and regular courses in different formats and informal information exchanges. The varied information sources create a good opportunity for the co-workers to apply the information in their daily work.

Yellow companies

The yellow companies are passive members of several industry collaborations or actively engaged in few. They use several means to spread knowledge within their organisations and offer regular courses for their employees. The courses include specific topics that are linked to insurances, such as damage prevention measures or climate risks.

Red companies

The red companies are part of a few collaborations and are not actively engaged in these. They are not transparent on if and how they work to increase their employees' knowledge of sustainability within non-life insurance.

POINTS	MOTIVATION
	If is actively engaged in several industry collaborations, which entail board representations and engagements in working groups. It is also actively engaged in the local community to promote damage prevention. All employees, including the board and management, undergo mandatory regular trainings. The trainings come in different formats and include insights about ESG in underwriting, their supplier policy and damage prevention measures and advisory.
	LähiTapiola is a member of several industry collaborations but is not actively engaged in these. All employees, including the board and management, are offered digital courses, but these are not mandatory. The course subjects include damage prevention and advisory and general sustainability considerations in non-life insurance.
	Pohjantähti is actively engaged in an industry collaboration but is not members of so many. All employees, including the board and management, undergo mandatory regular trainings. The trainings come in different formats and include insights about climate risks and damage prevention measures and advisory.
	Pohjola Vakuutus is a member of several industry collaborations but is not actively engaged in these. All employees, including the board and management, undergo mandatory regular trainings. The trainings come in different formats and include insights about climate risks, their supplier policy and ESG-regulation and reporting.
	Fennia has not responded on our questionnaire, which signals a lack of transparency. It is a member of some industry collaboration and is engaging in the local community to promote sustainable innovations.
	Turva has not responded on our questionnaire, which signals a lack of transparency. It is a member of some industry collaborations.

Method & Assessment

Overall method

The aim of the report is to assess the non-life insurance companies' sustainability work. To acquire the data for the analysis we have sent out forms to the non-life insurance companies with questions on their sustainability work as well as, when necessary, using publicly accessible material on the companies' sustainability webpages and their sustainability reports. The answers on the form have often been followed up with additional questions to get correct answers. The analysis covers the following companies:

— Fennia

— If

— Lähitapiola

— Pohjantähti

— Pohjola

— Turva

We do separate analyses for the three most common insurance products to make a fairer comparison of the companies according to the different conditions they have in respective product area. We hope this will give additional value to our customers that often choose an insurance within a given product category.

The companies get an individual rating in each area that concerns their operations. This does not result in a total rating, as all companies are assessed in different areas. As all companies are responsible for premium investments, through internal or external management, as well as have the possibility and responsibility to disseminate knowledge within their own organisation and industry, all companies are assessed in these perspectives. The companies have themselves declared what products they offer through the form. In case we have not received responses, we have estimated this using publicly available information.

The analysis include the following parts:

— Awareness and Collaboration

— Sustainability in premium management

— Sustainability in damage insurances for:

  — Company insurance

  — Motor insurance

  — Transport insurance

A relative analysis

It is important to point out that the analysis is a relative one to help the customers choosing the most sustainable option that is offered at this point. In other words, the sustainability ratings are set in relation to the each other in each perspective described above. A company that have a green rating in an area work according to our assessment more actively with sustainability than a company that have a red rating.

Description of the assessment parameters

Söderberg & Partners' analysis is based on a relative analysis. This lets us identify and give green ratings to the non-life insurance companies that have gotten furthest and are the most innovative in their sustainability work compared to their peers. This is to facilitate for the insured party to choose the most sustainable products. In this chapter, the chosen perspectives are defined.

Sustainability in non-life insurance

A separate assessment is made within this perspective for business insurances, motor insurances and transport and cargo insurances. Within the perspective, the insurance companies' integration of sustainability aspects with claims settlement, risk analysis, procurement and damage prevention is assessed. In the assessment, companies that have clear quantitative goals tied to reduced material use which are followed-up on regularly, are valued. Companies with a high rating also have a supplier policy where sustainability plays a crucial role and a continuous follow-up on the compliance. The companies also work proactively with assessing sustainability risks and the effect of different damage prevention measures. This allows for an effective advisory and directed advice to clients, which are accompanied by financial incentives.

The following parameters have been identified as important in this perspective:

— Sustainability in claims management

— Damage prevention work

— Sustainable procurement

— Environmental considerations in insurance selection

Awareness and collaboration

The perspective includes the companies' engagements in industry initiatives as well as how well they disseminate knowledge to their employees concerning sustainability. As the insurance industry needs to handle large sustainability risks it is of uttermost importance that the companies collaborate and share knowledge to develop industry standards. Today there are several collaborations for sustainable investments and sustainable insurances, such as UNPSI, Swesif and Climate Wise. The employees' abilities within sustainable non-life insurance have a defining role in the actual implementation of guidelines and codes of conduct. To enable the best practical implementation of internal courses it is important that these are adjusted for different functions and targeted to non-life insurance.

The following parameters have been identified as important in this perspective:

— Knowledge and awareness

— Collaboration

Sustainability in investments

Non-life insurance companies manage large sums of capital. Within this perspective, the level of sustainability integration in the premium management is assessed. This includes both how they use sustainability analyses to consider risks and opportunities in the portfolio construction and how they influence the underlying assets in the portfolio in a more sustainable direction through dialogues with the underlying companies or the external manager.

ESG-integration means that the managers systematically weigh in sustainability related risks and opportunities in their investment decisions. Companies with a high rating often have both dedicated sustainability investment as well as a high minimum level for the other assets under management. The availability of ESG-data, analytical tools and internal sustainability analyses are important factors for asset managers to have sufficient information for makin well founded decisions. If the companies use external asset managers, they are assessed on the demands that are made on the managers and the follow-up on these demands. The companies with the highest rating often have an internal policy and follow-up on the sustainability level of the external asset managers.

Proactive dialogues with the aim to influence the underlying portfolio companies indicates that the asset managers not only act once there are clear signs of breaches, but instead conduct dialogues as a preventative measure with the aim to make the underlying companies manage their sustainability risks and rearrange their operations to positively contribute to sustainability. In the cases where the premiums are externally managed, the companies have the possibility to conduct proactive dialogue on how they expect the managers to integrate sustainability.

The following parameters have been identified as important in this perspective:

— ESG integration

— Analysis

— Responsible ownership

Glossary

Carbon Disclosure Project
CDP is an international cooperation project that aims to lower companies' climate impact and increase awareness on climate change.

Climate Action 100+
An investor led initiative where members lead engagements with the world's largest greenhouse gas emitting companies to make them transition their operations.

ClimateWise
ClimateWise supports the insurance industry to better communicate and answer to the risks and opportunities concerning the increasing division between the total economic losses and insured losses due to climate change.

Engagement dialogues
Engagement dialogues, in some cases called "responsible ownership" or "engagement and stewardship" means that the assets managers engage with portfolio holdings to make them improve their sustainability work.

ESG
A common acronym within sustainable investments that stands for Environmental, Social & Governance. The investors consider environmental, social and governance questions.

ESG-integration
Integration, or ESG-integration, means that an asset manager weights in the risks and opportunities related to sustainability in their financial investment analysis.

Exclusions
A strategy which means that one refrains from investing in individual companies or industries.

IPCC
Intergovernmental Panel on Climate Change (IPCC) is the UN's climate panel. The organisation was founded to provide the world with a scientific perspective on the present knowledge on climate change and it's environmental and socio-economic consequences.

Montréal Carbon Pledge
By signing the Montréal Carbon Pledge, investors pledge to yearly measure and make public the carbon emissions of their investment portfolios.

Net Zero Asset Owner Alliance
The UN assembled climate leader group 'Net-Zero Asset Owner Alliance' consist of global asset owners that have pledged to lower their emissions and limit the global warming to 1.5 °C. The asset owners have pledged to a net-zero emission of green house gases in their portfolios by 2050. The intitiative was launched at the UN General Secretary's climate meeting in September 2019.

Paris agreement
A climate agreement that was concluded in Paris in 2015 where countries agreed to limit the global warming to well bellow 2 °C. In article 2.1c, the signatories have set up a goal on financial flows' alignment with a carbon lean societal development.

PRI
An abbreviation of the UN's investors initiative "Principles for Responsible Investment", which states that investors should:

1. Integrate sustainability factors (environmental, societal and governance factors) in analyses and decision making on investments.

2. Be an active owner.

3. Urge companies they invest in to be transparent and work with sustainability factors.

4. To work for that the principles should be accepted and implemented in the financial industry.

5. Cooperate with other investors and stakeholders regarding responsible investments.

6. Report on how PRI's principles are implemented and how the work with responsible investments develop.

PSI
An acronym for the UN's Principles for Sustainable Insurance, which states that companies should:

7. Integrate relevant sustainability questions for the insurance industry in their decision making.

8. Work together with customers and business partners to increase awareness on sustainability questions, manage risks and develop solutions.

9. Work together with the authorities, law makers and other important stakeholders to promote measures in society concerning sustainability.

10. Show responsibility and transparency by making public their work on implementing the principles

Science Based Targets initiative
A framework for companies to set science based climate goals that are aligned with necessary measures to fulfil the Paris agreement.

SFDR
Sustainable Finance Disclosure Regulation, on sustainability related information for the financial market actors, strive for a greater insight in how financial market actors take sustainability into consideration in their investment decisions.

— Article 8: Products that promote social or environmental characteristics

— Article 9: Products that have sustainable investments as their objective

Sustainable investments
According to EU, a sustainable investment contributes to the environmental and/or social sustainability and do not harm it in any way. It must also follow common practice and rules within governance and international norms and standards.

TCFD
Task Force on Climate-Related Financial Disclosures (TCFD) have as a goal to develop uniform voluntary climate related information that can be useful for investors and loan givers to understand how companies manage climate related risks and opportunities.

UN Global Compact
International principles aimed at companies to regard human rights, labour rights, the environment and anti-corruption. The principles are based on the Universal Declaration of Human Rights, the Rio Declaration, UN Convention against Corruption and ILO Conventions on Labour Rights.

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