



ÖSTERREICHISCHE
FMA · FINANZMARKTAUFSICHT

SUSTAINABLE FINANCE:

ASSET MANAGEMENT IN ZEITEN DES KLIMAWANDELS

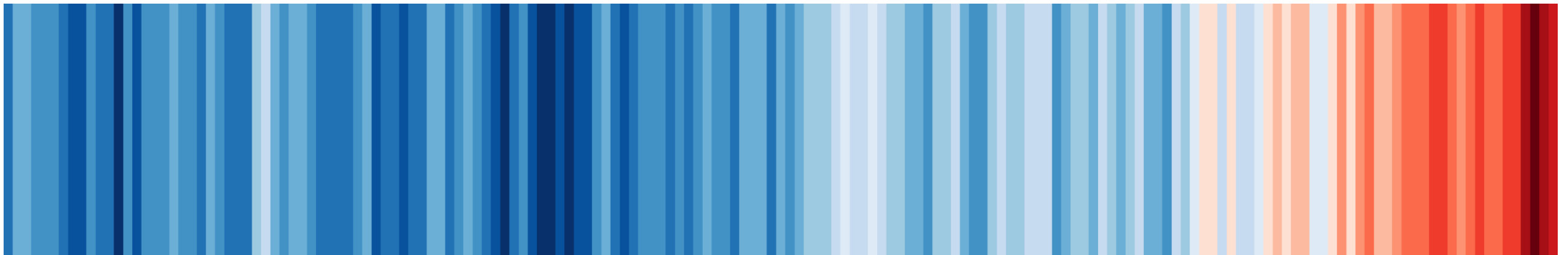
AL JUDr. Stanislava Saria, PhD.
Versicherungs- und Pensionskassenaufsicht

Institutional Money
Wien, 10.9.2019



KLIMAWANDEL ⇔ ASSET MANAGEMENT?

- Als Anbieter von **Versicherungsprodukten** sind Versicherer von den direkten Auswirkungen des Klimawandels unmittelbar und immer stärker betroffen.
- Mittelfristig steht möglicherweise aber auch ihr **Geschäftsmodell** auf dem Prüfstand, wenn sie in bestimmten Sparten den Deckungsschutz nicht bzw. nicht für eine leistbare Prämie anbieten könnten.
- Sollten existenzielle Risiken nicht mehr versicherbar sein, hätte das **gesellschaftspolitische und volkswirtschaftliche Konsequenzen**.
- Als langfristige Investoren achten Versicherer darauf, dass auch ihre **Veranlagungen** langfristig werthaltig, verfügbar und liquide sind. Im Hinblick auf den Action Plan Financing Sustainable Growth der EK ist das Thema Klimawandel nun zunehmend auch aus **Investorensicht** in den Fokus gerückt. Denn durch eine aktive Berücksichtigung der ESG-Faktoren in der Veranlagung können Kapitalflüsse in Richtung klimafreundlicher Branchen gelenkt werden.



Warming stripes for 1850-2018 using the WMO annual global temperature dataset.

Q: Ed Hawkins, University of Reading, <https://www.climate-lab-book.ac.uk/2018/2018-visualisation-update/>

KLIMAWANDEL ⇔ NEUE RISIKEN?

Physische Risiken

Physical risks, arising from increased damage and losses from physical phenomena associated with both climate trends (ie changing weather patterns, sea level rise) and events (ie natural disasters, extreme weather).

Transitorische Risiken

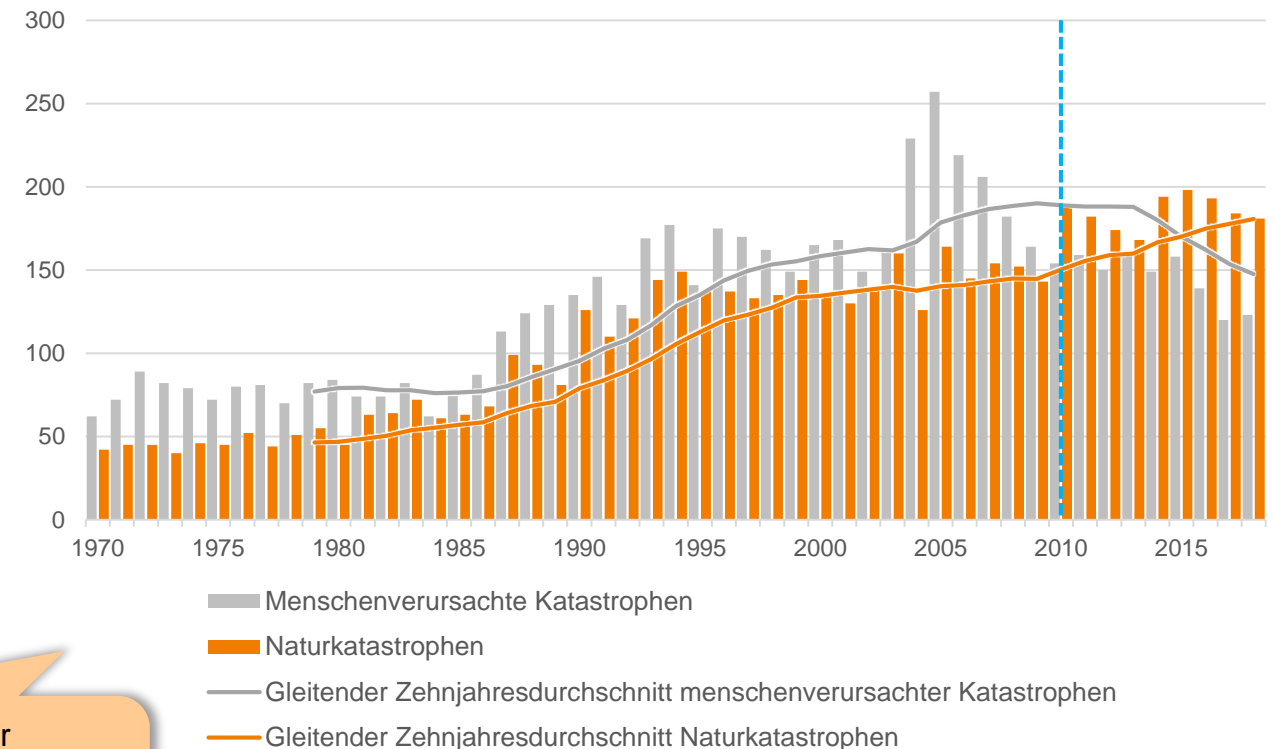
Transition risks, arising from disruptions and shifts associated with the transition to a low-carbon economy, which may affect the value of assets or the costs of doing business for firms. Transition risks may be motivated by policy changes, market dynamics, technological innovation, or reputational factors.

Haftungsrisiken

Liability risks include the risk of climate-related claims under liability policies, as well as direct claims against insurers for failing to manage climate risks.

2010 gab es weltweit erstmals mehr Naturkatastrophen als menschenverursachte Katastrophen. Seitdem überwiegen jedes Jahr Naturkatastrophen; die Tendenz ist weiter steigend.

Globale Anzahl der Katastrophen (1970 - 2018)



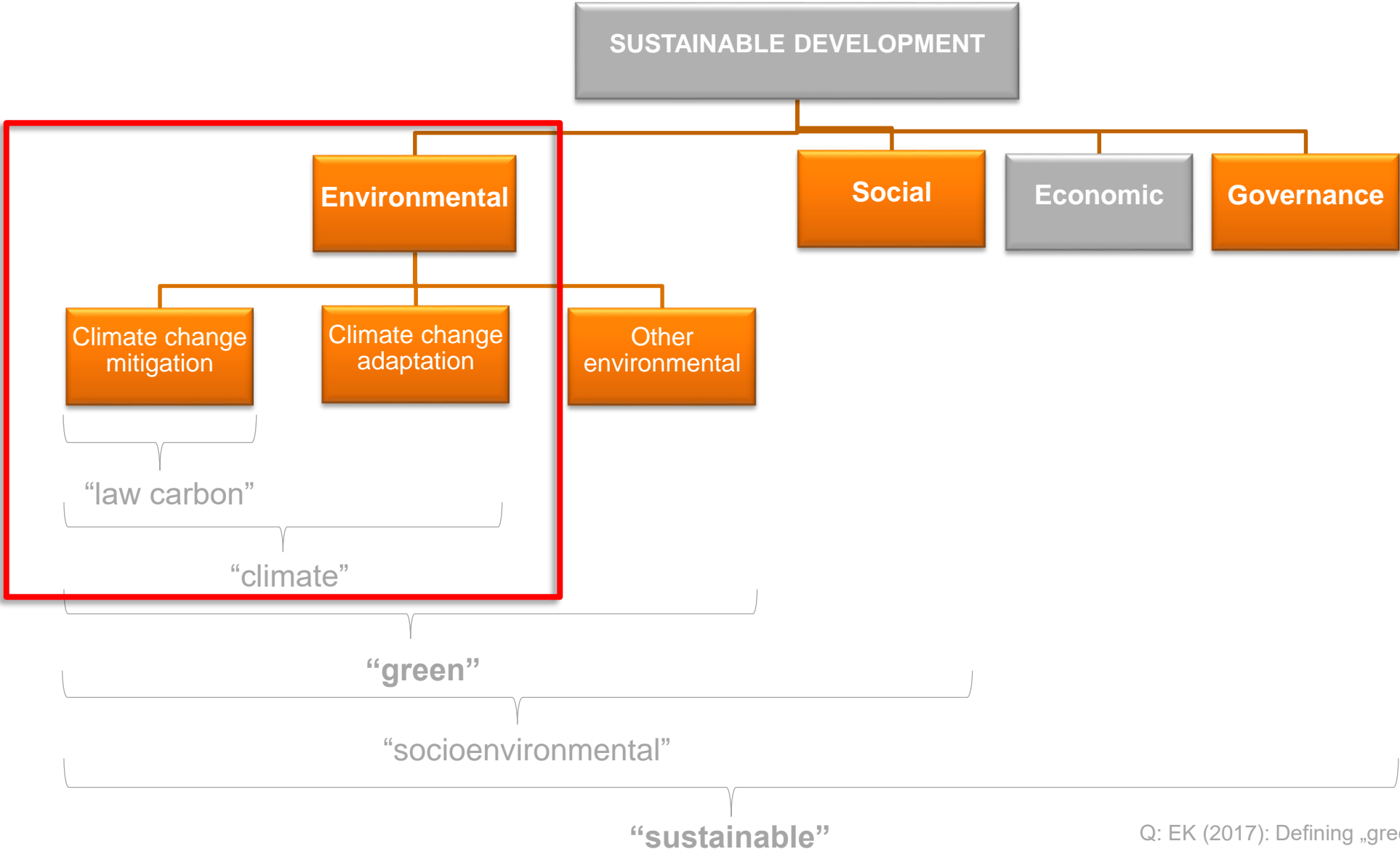
Q: Swiss Re, sigma-Bericht 2/2019

NACHHALTIGKEITSPAKET DER EK

- ✓ Leitlinien zum Governance System, LL 29 (EIOPA)
- ✓ **Action Plan Financing Sustainable Growth** (EK)
- ✓ Verordnung über die Offenlegung von Informationen über nachhaltige Investitionen und Nachhaltigkeitsrisiken
- ✓ Taxonomie-Verordnung,...
- ✓ EIOPA's Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD (30.4.2019)
- EIOPA's Opinion on Sustainability within Solvency II (an die EK bis 30.9.2019)



SUSTAINABLE = CLIMATE RELEVANT = GREEN?



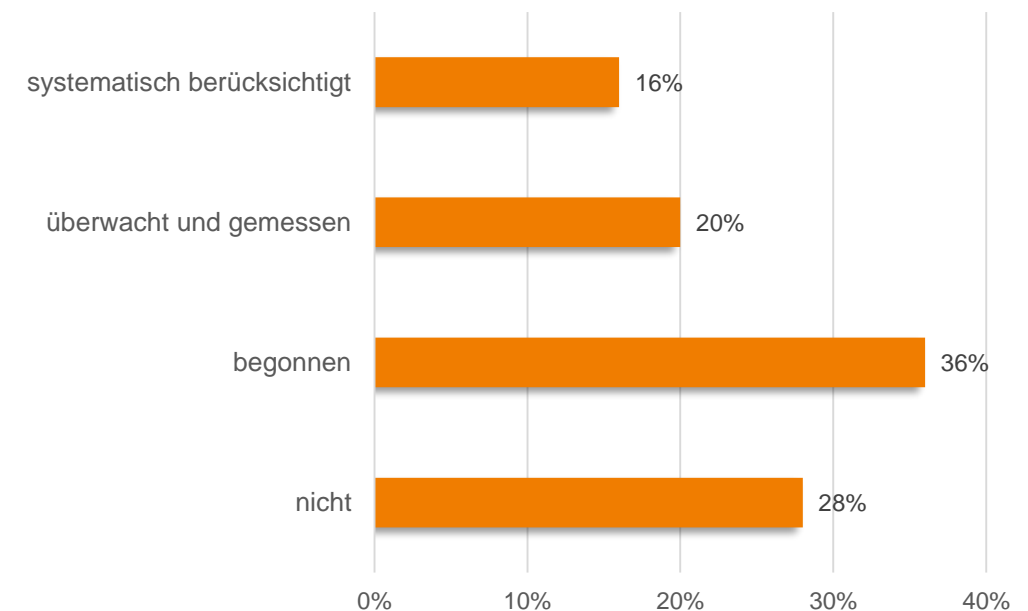
Q: EK (2017): Defining „green“ in the context of green finance.

AKTUELLE PRAXIS

1) BERÜCKSICHTIGUNG IN DER UNTERNEHMENSSTEUERUNG?

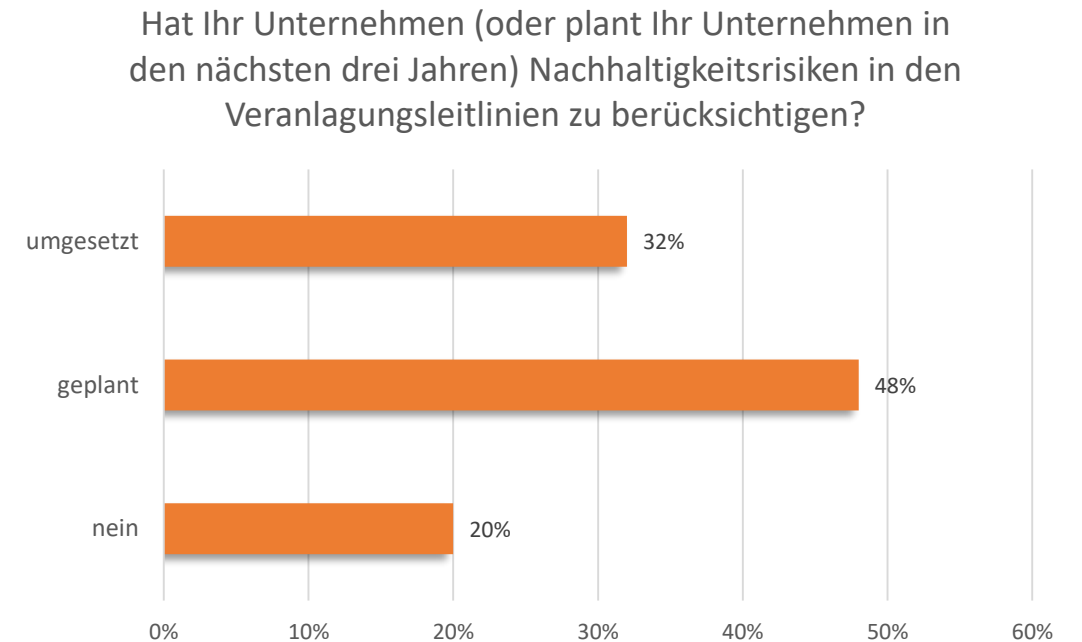
- **Drei Viertel** der österreichischen VU berücksichtigen bereits ESG-Risiken **in ihrer Unternehmensorganisation** oder haben damit zumindest begonnen.
 - Im EU-Vergleich stehen ö VU jedoch noch am Anfang.
 - Ca die Hälfte der VU macht ESG zum **Vorstandsthema**.
 - Wichtigstes ESG-Risiko ist für die VU das **Klima-Risiko**.
- Ein Drittel der öVU rechnet infolge des Klimawandels mit einem **Anstieg der Prämien**.
- 44% der öVU planen, das **ESG-Angebot in der FLV/ILV** auszubauen.
 - Das Angebot der öVU an nachhaltigen Fonds ist mit 16% im europäischen Vergleich noch gering.

Wie werden Nachhaltigkeitsrisiken in Ihrer Organisation berücksichtigt?



2) BERÜCKSICHTIGUNG IN DER ANLAGEPOLITIK?

- Rund 1/3 aller VU unterscheiden zw. „grünen“ / nicht „grünen“ **Assets**.
- < 1/3 aller VU unterscheiden zw. „braunen“ / nicht „braunen“ **Assets**.
- **Ein Drittel** der österreichischen VU berücksichtigt **ESG-Risiken** in der Veranlagung, rund die Hälfte plant dies in den nächsten drei Jahren.
 - Am meisten berücksichtigen **Lebens-VU** ESG-Risiken (71% der LV).
 - 20% der VU betrachten **physische Risiken** als Risikofaktor in der Veranlagung.
 - ¼ der VU unterscheidet Investments mit hohem Exposure zu **transition risks**.



3) METHODEN DER BERÜCKSICHTIGUNG?

Screening	Ausschluss von Sektoren oder Emittenten aufgrund von ESG-Kriterien (Blacklisting)
Divestment	Gegenstück zum Thematic investment, bei dem Investoren alle ihre Investments in einem bestimmten Sektor oder Branche verkaufen
Engagement	Aktives Halten (Investoren setzen ihre Beteiligung ein, um aktiv Einfluss auf die Strategie des Unternehmens auszuüben). Mögliche Alternative zu "divestment" (anstelle eines Verkaufs können Investoren ihren Anteil beibehalten und versuchen, das Management zur Annahme einer besseren ESG-Politik zu bewegen)
General ESG integration	Explizite Berücksichtigung von ESG-Risiken in der Analyse
Best-in-class investing	Form eines inklusiven "Screenings". Investoren schließen bestimmte Sektoren oder Sparten aus ihrem Anlageuniversum nicht aus, sondern kaufen bloß Unternehmen innerhalb der Sektoren/ Branchen auf, die die ESG-Kriterien am besten erfüllen.
Thematic investment	Auswahl eines Themas mit ESG-Bezug (zB Wasserversorgung) und Schaffung eines spezialisierten Portfolios von entsprechenden Vermögenswerten

- ESG-Ausschlusskriterien (**Black list**) und/oder **Ratings** sind derzeit die am häufigsten verwendeten Anlagestrategien der öVU in Bezug auf Nachhaltigkeit.

- Die meisten öVU bedienen sich dabei **ESG-Definitionen externer Dienstleister:**

- das österreichische Umweltzeichen
- Sustainalytics
- RFU
- ÖKOM
- Ö-Gut
- MSCI, WWF



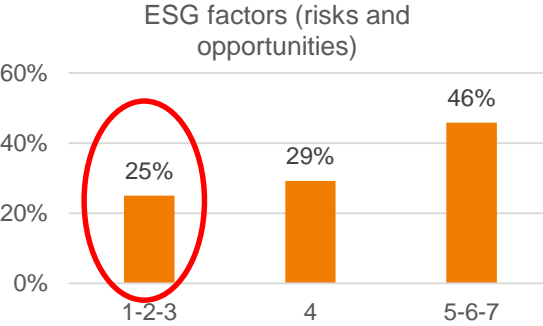
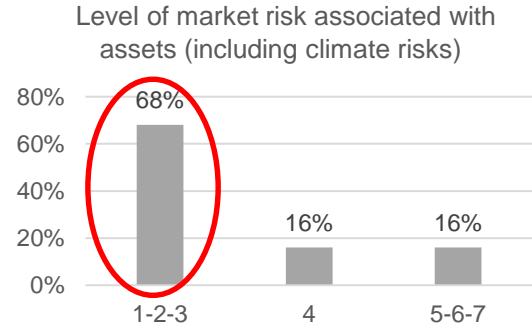
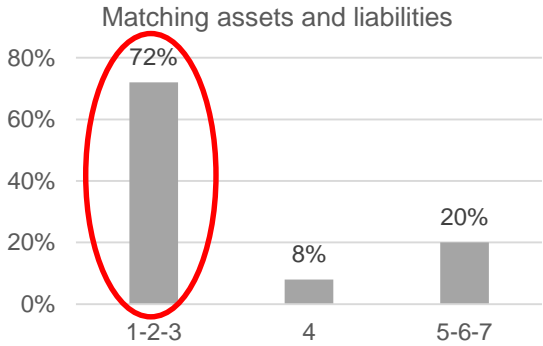
- Bei der Umsetzung von ESG-Investmentstrategien gibt es **keine bevorzugte Anlageform**. Es wird sowohl in

- klimafreundlich ausgerichtete Investmentfonds als auch in
- Aktien, Anleihen (zB Green Bonds) und Beteiligungen im Direktbestand investiert.

4) BERÜCKSICHTIGUNG DER ERTRAGSZIELE?

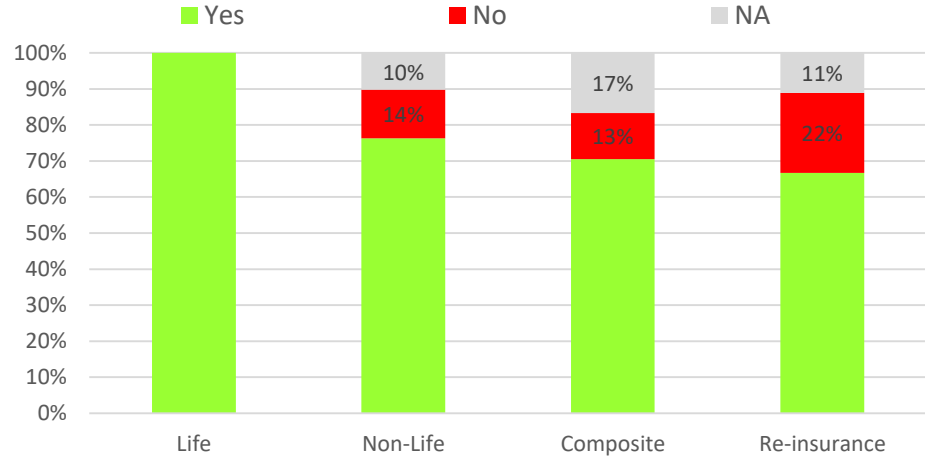
- Bei den Investmententscheidungen wichtig sind Ertrags-Risiko-Profil, ALM-Kriterien und das Marktrisiko im Hinblick auf die SII-Eigenkapitalanforderungen. **Nur für rund ein Viertel der VU spielen ESG-Faktoren eine wichtige Rolle.**

Please rank the following investment criteria according to importance on a scale from 1 (highest importance) to 7 (lowest importance)



- Für rund drei Viertel aller VU gelten für nachhaltige Investments **dieselben Risiko- und Ertragsziele wie für andere Investments.**

Should sustainable investments, as defined by your investment policy, be subject to similar targets and measures of expected risk / return as other investments?

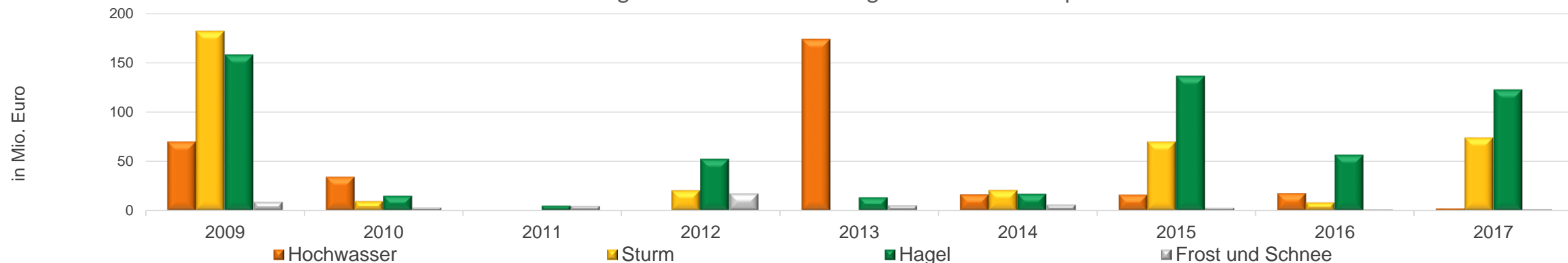


5) BERÜCKSICHTIGUNG IM UNDERWRITING?

- Zeitreihen-Daten zu **Schadensfällen** iZm „klimabezogenen“ Naturkatastrophen (für „klimabezogene“ Naturkatastrophen wurden unternehmensinterne Definition bzw. jene der European Environment Agency herangezogen) von 1998 bis 2018 zeigen eine **starke Saisonalität**:
 - Mehr als 70% der Schäden in Höhe von insgesamt 1,9 Mrd. Euro im Zeitraum 2009 bis 2017 ereigneten sich in vier Jahren (2009, 2013, 2015 und 2017).
- **Hagel ist mit Abstand die kostspieligste Schadensursache (45%)**
 - knapp 80% aller Schadenszahlungen betreffen Versicherungen von **Immobilien**; rund 20% die **KfZ-Versicherung**

- Im Underwriting messen die öVU den Nachhaltigkeits-Risiken eine größere Bedeutung als in der Veranlagung bei und agieren in diesem Bereich noch bewusster als die europäischen Peers.
- Fast die Hälfte der öVU, und somit doppelt so viele Unternehmen wie die europäischen Schaden-/Unfallversicherer setzen
 - „**Greening**“-Aspekte als Abschlussanreiz (besondere Tarife für Elektroautos oder energieeffizientes Wohnen) oder
 - „**Browning**“-Komponenten (zB Ausschluss von Kohle oder geächteten Waffen) ein (vier öVU schließen außerdem bestimmte, nicht ESG-konforme Versicherungsrisiken aus).

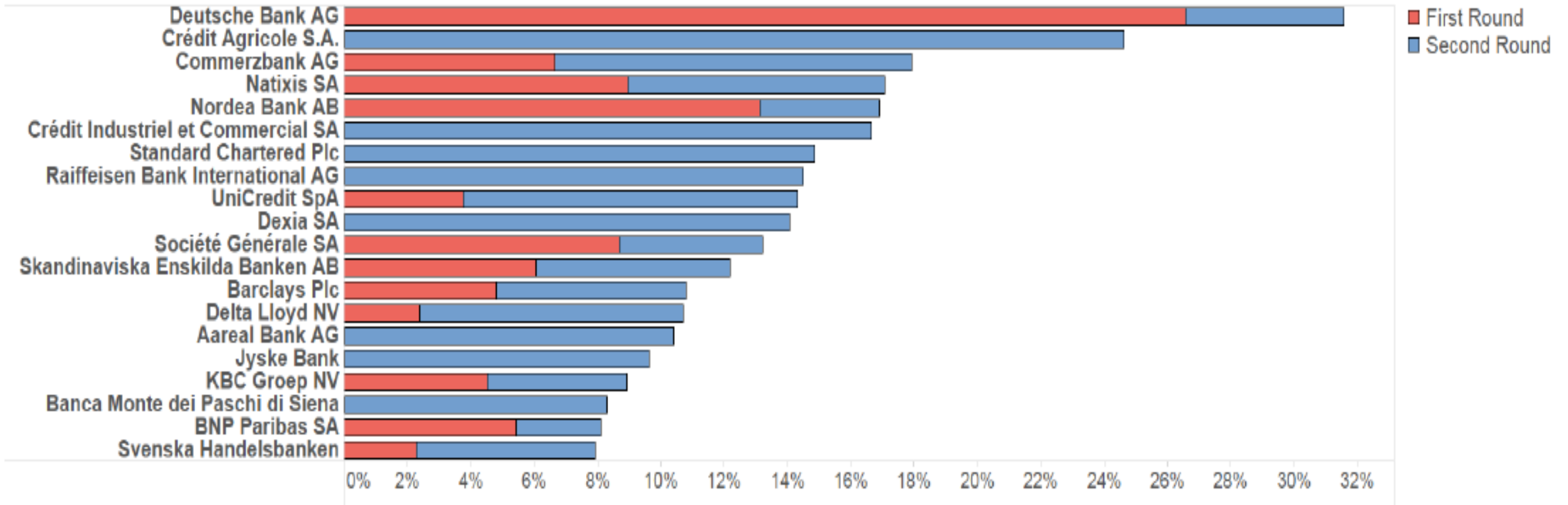
Forderungen an VU für klimabezogene Naturkatastrophen



GEPLANTE VORHABEN

1) MÜSSEN SIE KÜNFTIG IHREN CO₂-FUßABDRUCK KENNEN?

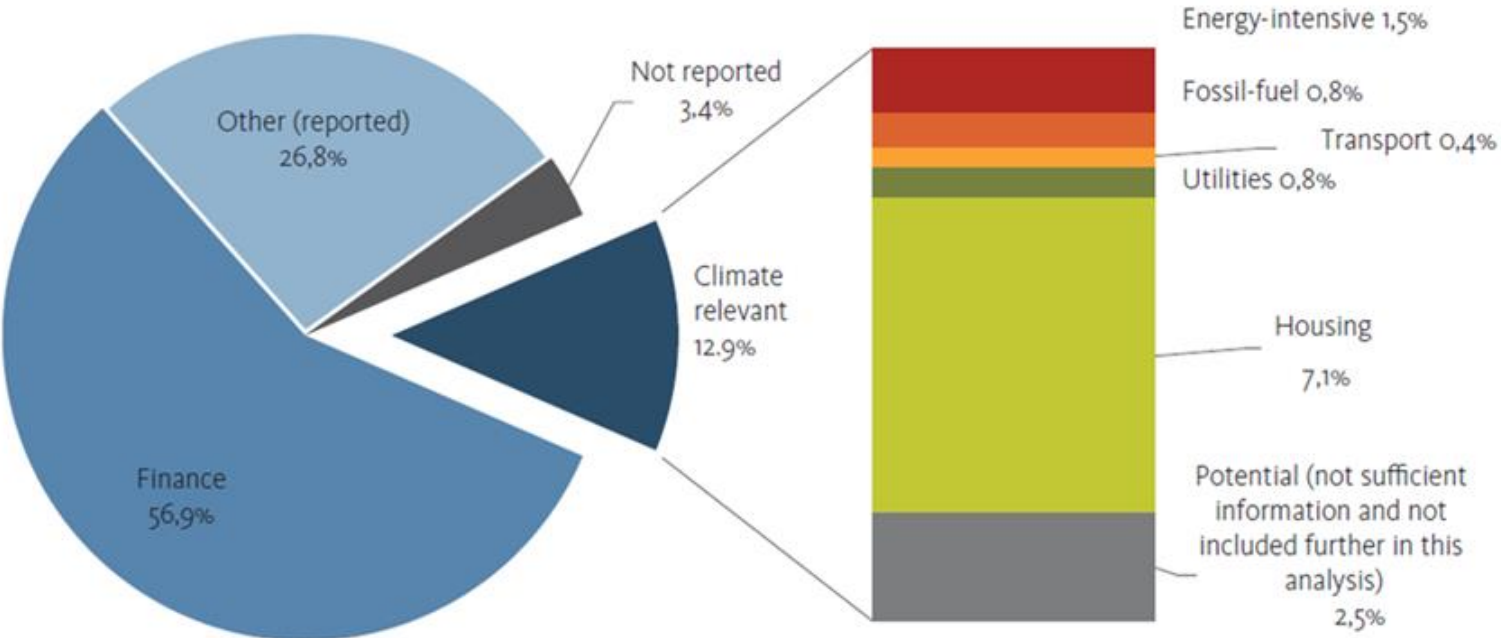
First and second round losses distribution for the 20 most-severely affected EU-listed banks under the Fossil-fuel + utilities 100%-shock



Q: Battiston et al (2016), A climate stress test

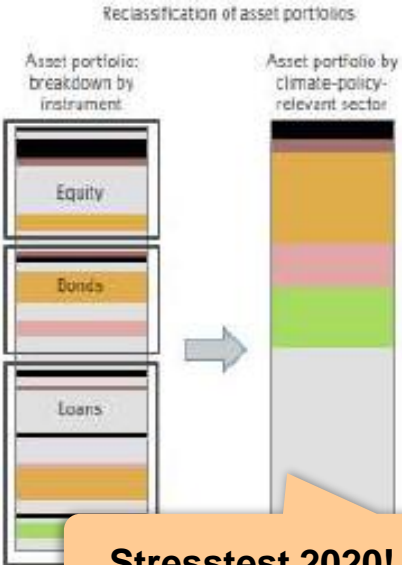
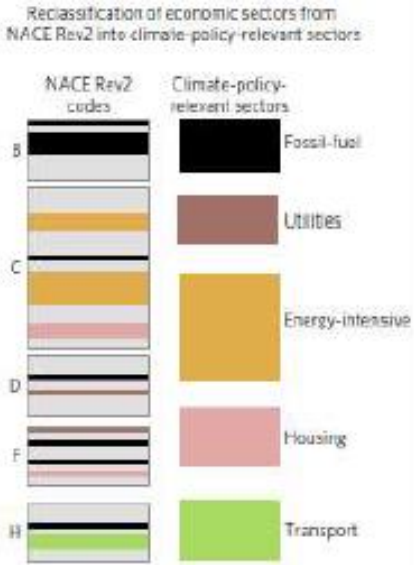
2) WIE KANN ER GEMESSEN WERDEN?

Climate related asset exposures of the European insurance sector



Q: EIOPA Financial Stability Report, Dec. 2018

- Ergebnis: Klimaschutzpolitisch relevante Sektoren:
 - Fossile Brennstoffe
 - Versorgung
 - Transport
 - Energieintensive Sektoren
 - Wohnbau



Stresstest 2020!

3) SÄULE 2: MÜSSEN ESG-RISIKEN „GEMANAGT“ WERDEN?

■ EC's request for advice vom 24.7.2018:

- The **tasks and the role** of the risk-management function or procedures for risk assessment, the compliance function, the internal control function or system, the internal audit function and/or the actuarial function ... and tasks or responsibilities of bodies ... in relation to sustainability risk limits and overseeing their implementation;
- **steps of procedures and processes** to ensure the effectiveness and adequacy of sustainability risk integration;
- **skill, expertise and knowledge** required for the assessment of sustainability risks;
- **regular reviews** of the mechanisms put in place to integrate sustainability risks and regular internal reporting;
- **adequate support** to (e.g. analysis, research and legal advice), and resources across, all relevant functions and ... the requirements on cooperation with each other.

■ EIOPA's Technical Advice (an die EK am 30.4.2019):

- Article 269 (1): “The risk management function shall include all of the following tasks:
 - a) assisting the administrative, management or supervisory body and other functions in the effective operation of the risk management system;
 - b) monitoring the risk management system;
 - c) monitoring the general risk profile of the undertaking as a whole;
 - d) detailed reporting on risk exposures and advising the administrative, management or supervisory body on risk management matters, including in relation to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments;
 - e) identifying and assessing emerging risks **and sustainability risks**.

4) ESG-RISIKEN IM ORSA?

■ EIOPA`s Technical Advice (an die EK am 30.4.2019):

Article 260 Risk management areas

“1. The areas referred to in Article 44(2) of Directive 2009/138/EC shall include all of the following policies:

(a) Underwriting and reserving:

(i) actions to be taken by the ... undertaking to assess and manage the risk of loss or of adverse change in the values of insurance ... liabilities, resulting from inadequate pricing and provisioning assumptions **due to internal or external factors, including sustainability risks;**

(...)(c) Investment risk management:

(vi) actions to be taken by the insurance or reinsurance undertaking to ensure that sustainability risks relating to the investment portfolio are properly identified, assessed and managed. (...)

1.a The policies on the areas referred to in paragraph 1 shall include, where appropriate, consideration of sustainability risks.

Article 262 Overall solvency needs

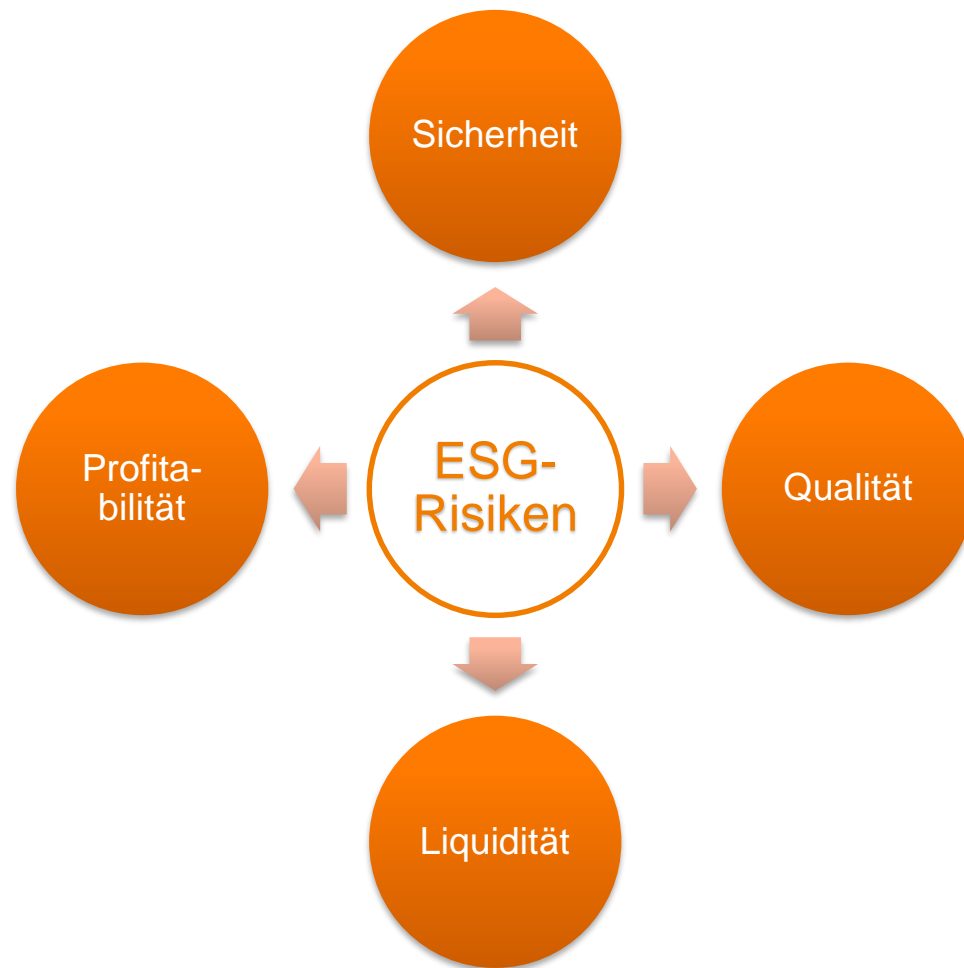
“1. The assessment of an insurance or reinsurance undertaking's overall solvency needs, referred to in Article 45(1)(a) of Directive 2009/138/EC shall be forward-looking and include all of the following elements:

(a) risks the undertaking is or could be exposed to, including operational risks, taking into account potential future changes in its risk profile, due to:

- i. the undertaking's business strategy,
- ii. the economic and financial environment, **or**
- iii. the effect of sustainability risks, including climate change,** ~~including operational risks;~~

...

5) MÜSSEN ESG-RISIKEN IN DIE VERANLAGUNG INTEGRIERT WERDEN?



■ EIOPA`s Technical Advice (an die EK am 30.4.2019):

Article 275bis

Integration of sustainability risks in the prudent person principle

1. Within the prudent person principle, insurance and reinsurance undertakings shall **take into account sustainability risks** when assessing the security, quality, liquidity, and profitability of the portfolio as a whole.
2. Without prejudice to paragraph 1, insurance and reinsurance undertakings shall
 - **take into account the potential long-term impact of their investment strategy and decisions on sustainability factors** and, where relevant,
 - insurance undertakings shall reflect the environmental, social and governance **preferences of the target market** identified according to Article 25 of the Directive 2016/97.

6) INWIEWEIT IST HIERFÜR DIE TAXONOMIE MAßGEBLICH?

- Article 4.2a Taxonomy Regulation:

- Financial market participants, **when offering financial products as “sustainable investments”**, or as investments having similar characteristics, shall specify
 - **how** and
 - **to what extent** the investment meets the criteria for sustainable economic activities as set out in the Taxonomy Regulation.

- This information shall enable investors to identify
 - the share of investments funding environmentally sustainable economic activities
 - as a percentage of all investments selected for the financial product.

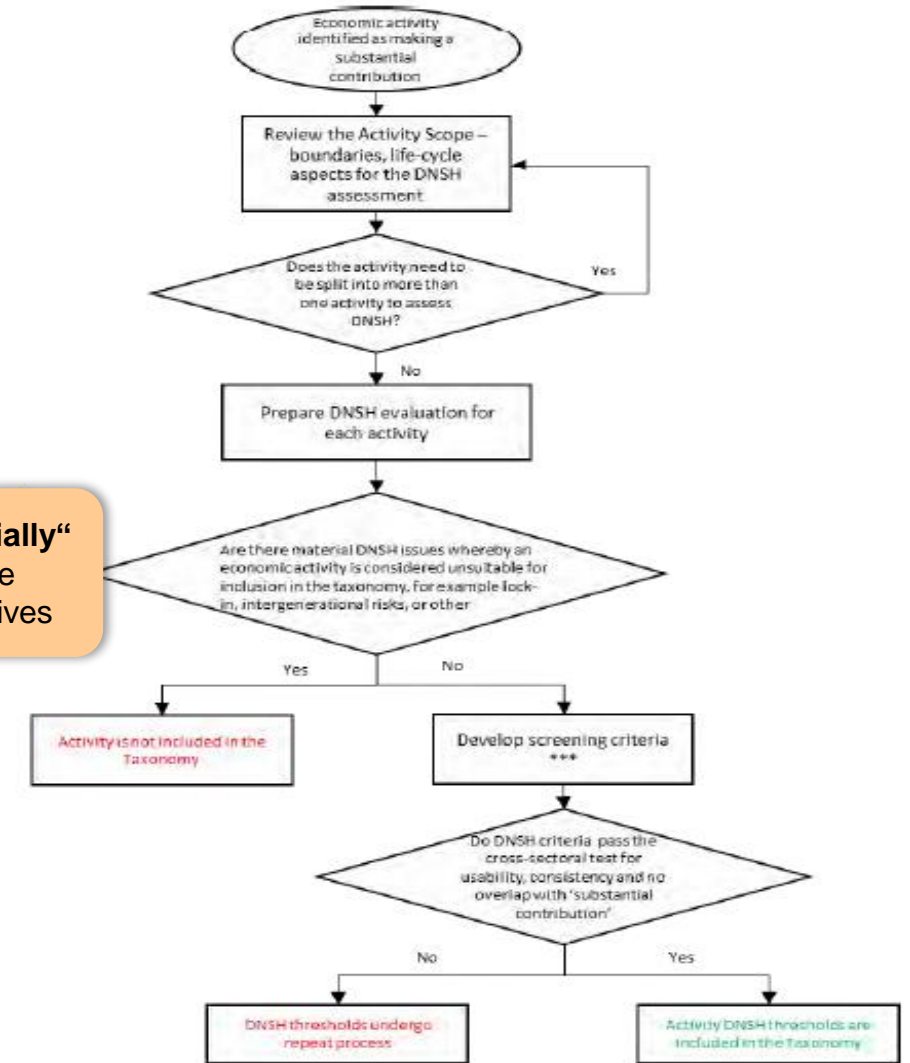


7) WIE ERFOLGT EIN ASSET SCREENING?

■ Wie werden potentiell nachhaltige Vermögenswerte ermittelt?

1. **Identify the activities** conducted by the company or issuer or those covered by the financial product (e.g. projects, use of proceeds) that could be eligible.
2. For each potentially eligible activity, verify whether the company or issuer **meets the relevant screening criteria** (e.g. electricity generation <100g CO2/kWh).
3. Verify that the **“do no significant harm”** criteria are being met by the issuer (Investors using the Taxonomy would most likely use a due diligence like process for reviewing the performance of underlying investees and would rely on the legal disclosures of eligibility from those investees).
4. Verify the compliance with the **social minimum safeguards** (Article 13 of the Taxonomy regulation).
5. **Calculate alignment of investments with the Taxonomy** and prepare disclosures at the investment product level.

„contributes substantially“
to one or more of the
(environmental) objectives



Activities that are not classified could be assessed (and included) at a later stage. Related to the lifetime of the asset. In order to qualify as sustainable, the activity should not significantly harm other objectives and meet the minimum social safeguards.

Q: EU Technical Expert Group on Sustainable Finance, Taxonomy Technical Report, 6/2019

8) SÄULE 3: WAS MUSS OFFENGELEGT WERDEN?

■ Wann liegt eine Offenlegungspflicht vor?

Regulation on disclosures relating to sustainable investments:

1. an insurance undertaking which makes available an **IBIP**
 - an insurance-based investment product as defined in Article 4(2) of PRIIP-Regulation
 - an insurance product, made available to a professional investor, which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations
2. a manufacturer of a **pension product**
 - a pension product referred to in Article 2(2)(e) of PRIIP-Regulation
 - an individual pension product referred to in Article 2(2)(g) of PRIIP-Regulation

■ Was hat die Offenlegung zu umfassen?

- sustainability risk policies
- adverse sustainability impacts at entity level
- adverse sustainability impacts at financial product level
- remuneration policies in relation to the integration of sustainability risks
- integration of sustainability risks
- promotion of environmental or social characteristics in pre-contractual disclosures
- Transparency in pre-contractual disclosures
- Transparency on websites
- Transparency in periodic reports

9) MÜSSEN ESG-PRÄFERENZEN IM VERTRIEB ERMITTELT WERDEN?

■ EIOPA`s Technical Advice (an die EK am 30.4.2019):

New recital 3 (bis) of the IDD Delegated Regulation to be introduced:

- When identifying the types of conflicts of interest whose existence may damage the interests of a customer, insurance undertakings and insurance intermediaries should also take into account those that may arise in relation to ESG considerations.
- Insurance undertakings and insurance intermediaries should take all appropriate steps to identify and manage any conflicts of interest that may arise in relation to ESG considerations and in the course of carrying out any insurance distribution activities. This is, in particular, but not limited to cases where customers have explicitly informed the insurance undertaking or insurance intermediary about their ESG preferences. This is clarified in the proposed wording with the amendment “where relevant”. However, **conflicts of interest may also arise with regard to customers which do not have ESG preferences, e.g. in the case of pooled investments where assets of customers with and without ESG preferences are managed.**
- Further non-exhaustive examples of conflicts of interest in the context of ESG considerations include **remuneration and incentive structures for external asset managers and proxy advisors** as well as remuneration and incentives schemes to promote the distribution of ESG products or to achieve specific sustainability targets of the insurance undertaking and which are different from the ESG preferences of the target market.
- Insurance undertakings and insurance intermediaries should have in place appropriate arrangements to ensure that the inclusion of ESG considerations in the advisory process does not lead to misselling practices.

10) BERÜCKSICHTIGUNG IM PRODUKTGENEHMIGUNGSPROZESS?

■ EIOPA`s Technical Advice (an die EK am 30.4.2019):

New recital 5 (bis) of the IDD Delegated Regulation to be introduced:

- Manufacturers should **consider ESG factors in the product approval process of each insurance product** and the other product oversight and governance arrangements
 - **if the insurance product is intended to be distributed to customers seeking insurance products with an ESG profile.** For the sake of clarification, the wording states for that purpose “as well as the ESG profile of the product (where relevant)” and “including the ESG preferences of the target market (where relevant)” in this Regulation.
- Considering that the target market should be defined at a sufficient granular level, a general statement that an insurance product has an ESG profile is not sufficient.
- The target market should specify for which group of customers with specific ESG preferences the insurance product is supposed to be distributed.

11) SÄULE 1: (WEITERE) ANREIZE IN SICHT?

■ EIOPA`s Opinion on Sustainability within Solvency II (an die EK bis 30.9.2019):

- Solvency II's inherent **incentives and/or disincentives for sustainable investments**. If EIOPA determines that the current framework contains disincentives, EIOPA is invited to provide criteria to identify sustainable investments that could benefit from a more favourable treatment.
- Sustainability factors in **underwriting practices**: Opinion on the extent to which current practices in product design and in product pricing account for sustainability factors with particular regard to the climate risk the insurance obligations are exposed to.
- The extent to which the calibration of the standard parameters for the **natural catastrophe risk module** of the standard formula captures climate related developments;
- The extent to which rules relating to **internal model design and calibration**, and their application in practice, account for sustainability factors, with particular regard to the climate risk that existing insurance and reinsurance obligations are exposed to;
- The extent to which rules relating to **cash flow projections** for the calculation of the best estimate, in particular regarding loss estimates, and their application in practice, capture sustainability and climate related developments.



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FINANZMARKTAUFSICHT ÖSTERREICH

■ Kompetenz ■ Kontrolle ■ Konsequenz