

➤ INSURANCE:

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE

In partnership with:

➤ AtradiusBonding

Taking ESG to the heart of business

Insurers and surety providers have a unique role when it comes to enshrining core ESG principles, and supporting their customers to build a more sustainable future for all stakeholders.



Pietro Lanzillotta,
Director, Atradius Bonding

COVID-19 showed the world what a huge impact a global crisis may cause to the society. The last two years have been a dramatic proof of what a global pandemic and natural disasters may cause to our world and that we need to fight these with our actions.

We need to act now on climate change and other challenges to build a safer, more prosperous future for humanity. To do this, it is essential for insurers to put environmental, social and governance risks and opportunities at the heart of their strategy.

“This is all of our futures,” says Pietro Lanzillotta, director at Atradius Bonding, the specialists in surety, credit insurance and debt collections. “Around the world, governments are all putting the climate crisis at the very top of their agendas and as insurers we need to be there with them. We need to provide a steer. We need to help business get better.”

In many ways, insurers are in a unique position to do this due to their role as risk carriers and risk advisors. They are a big, important investor that can choose to support only environmental, social and governance (ESG) compliance companies via a responsible underwriting and investment.

CLIMATE CRISIS POSES MYRIAD RISKS

Already, insurers are becoming increasingly aware of ESG risk factors, and their potential impacts on their investment portfolios and lending policies as the number and types of ESG factors grow. Perhaps the most obvious ones are the risks posed by climate change and an increase in extreme weather.

On the underwriting side, the enormity of this exposure is seen in the regional and global losses that are driven by an increase in catastrophic weather events fuelled and exacerbated by global heating. S&P Global Ratings’ research estimates that 60% of S&P 500 companies own assets at a “high risk” from the physical impact of climate change.

It is clear that by integrating ESG into their risk assessment and underwriting processes insurers may be able to mitigate some of these losses and much of

the rising interest in ESG from insurers is clearly driven by risk management.

SEIZE ON BOOST IN INTEREST

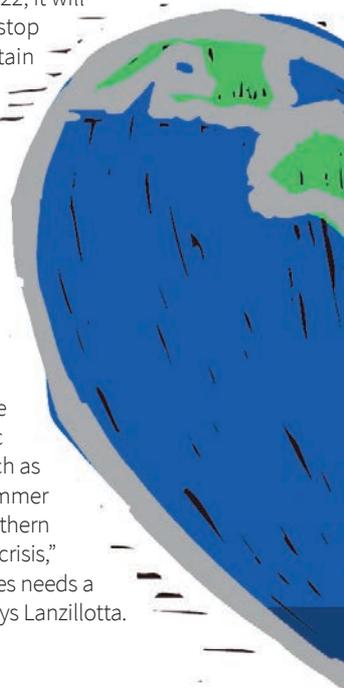
But ESG is also a business and investment opportunity. Insurers that place ESG at the heart of their decision making – and make all the required sustainability disclosures – will grow their business. Surveys have already demonstrated that organisations that embrace the principles of stakeholder capitalism enjoy better results at the bottom line.

Many large insurance companies are also now choosing to focus on ESG as a result of increased regulatory pressure from governments, along with increased demand from their customers as the growing importance of corporate commitments to net zero means the C-suite is willing to allocate capital to ESG as part of post COVID-19 recovery plans.

In December 2020, Lloyd’s published its first ESG report and announced that for the first time it would be setting targets for responsible underwriting and investment. From 1 January 2022, it will be asking managing agents to stop accepting new business on certain coal and oil activities and to phase out existing coverage by 1 January 2030.

“There has been a real boost in interest in ESG since the COVID-19 pandemic,” says Lanzillotta. “I think we have all learned a lot about what it is to go through a major crisis together as a society.”

“Plus, I think the links are becoming clearer between these terrible natural and catastrophic events we see on the news – such as the floods in Germany in the summer or the hurricanes hitting the southern United States – and the climate crisis,” he adds. “Facing these challenges needs a compound effort from us all,” says Lanzillotta.



ATRADIUS BONDING: THE STATS

MORE THAN

50 years

experience on the surety market

MORE THAN

45k

customers

MORE THAN

140k

bonds issued each year

“An effort by companies, insurance providers, banks – and governments.”

For their part, not only can insurers refuse to provide or renew coverage for businesses, they can price their coverage to mitigate the large losses potentially associated with certain ESG risks.

“Insurance companies need to assess the quality of companies they work with, assess what they are doing and how they are addressing the problems that face us all,” says Lanzillotta. “Those companies that are not rising to the challenge? Well, they will be less welcome.”

RESPONSIBILITY TO DO GOOD

Already, Atradius takes ESG criteria into account before approving long-term surety and credit insurance products. This involves a rigorous due diligence process and open and transparent communication between all stakeholders – including the publication of issued insurance policies. More specifically, Atradius Bonding is active in two ESG areas of those listed by Allianz that are also two of the most critical for the sake of our future: renewable energy and real estate.

Thanks to Atradius expertise and long-term knowledge, the company has earned the trust of major cooperations active in the renewable and real estate sector. Atradius has demonstrated their ability to meet the needs of their customers operating on large and complex projects and work together on providing more social and eco-friendly environment.

“As an expert on the surety market and thanks to the synergy created with most of our customers, who are major players in the ESG market, we are able to act as a first controller on how these beneficial will be done. In fact, the insurers are in the position to be the first level of filtering to understand if a player is able to fulfil the ESG requirements or not,” says Lanzillotta.

Protecting our capacity to generate clean, renewable power and facilitate the sector’s growth is essential to our efforts to act on climate change. Global renewable energy capacities are estimated to more than triple by 2050 and the installations that generate this power need protecting from

THE 9 TYPES OF ESG

Allianz divides ESG into the following categories:

- Climate change and weather extremes
- Renewable energy investments
- Alternative mobility and EV vehicles
- Real estate
- Sustainable lifestyles
- The future of work
- Digitisation and sector coupling
- Emerging customers and regions
- Changes to ecosystems

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physical, developmental and operational risks.

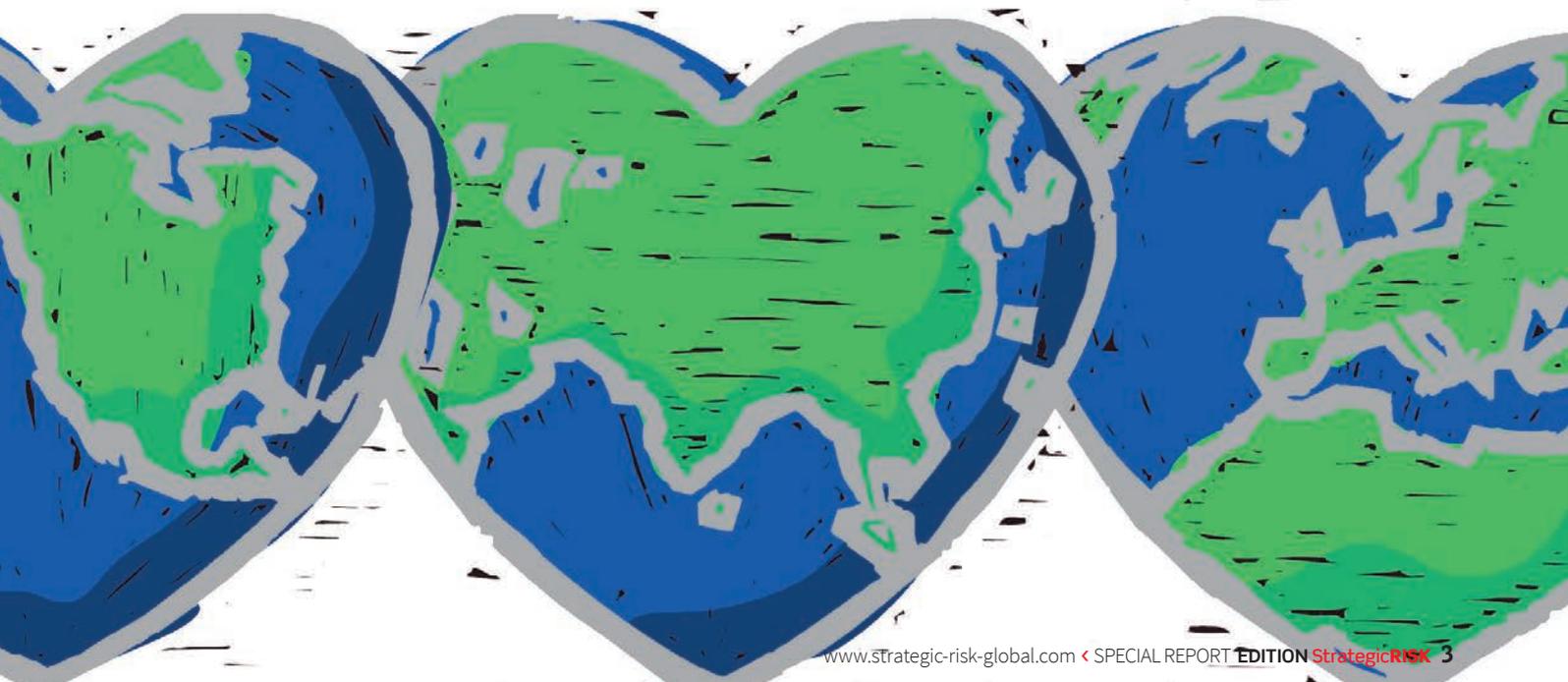
But it isn’t just about producing power, it’s about using it more efficiently. Of course, the installation of energy efficiency measures in homes and businesses requires investment by those individual property owners, but insurance also has a role to play as a mediator, service provider and risk bearer.

“Governments need companies to take more responsibility and so they are pushing corporates towards insurance,” says Lanzillotta. “It is a compound effect. As a surety insurance company we exist to help our customers operate their businesses effectively and safely, and face the future with confidence.”

To do this Atradius Bonding puts ESG at the heart of its value chain and acknowledges its responsibilities on human rights across all its operations, its suppliers and the communities it operates in.

“Right now, facing the future with confidence means putting ESG at the core of what we do. In an uncertain world we need to provide all the certainty we can,” concludes Lanzillotta. “We firmly believe in taking responsibility and doing all we can to help the world face the challenges ahead.”

“We want to help our customers to grow their businesses, contributing to international trade and a more prosperous, safer, greener – more inclusive – future for us all.” **SR**



› Atradius Bonding



Tailor made products and solutions that fit your needs and strategy

Our steady expertise and knowledge of the surety market is a guarantee for our customers to manage their risks and secure their performance. Whether you are working in the field of renewable energy, waste management, real estate or transportation, we are the right choice.

Atradius wide range of products and solutions can be the key to help you boost your business development and strengthen your contractual relationships or secure compliance with regulatory bodies.

We offer a unique bonding partnership, able to support your business needs and contribute to a sustainable development.

For more information please visit our website and contact the local team in your country.