ECONOMIST IMPACT

Scoring Decarbonization Progress

How companies across four industries are reducing emissions

Financial services sector report

SUPPORTED BY Microsoft

Financial Services Industry (FSI)

- Financed emissions—those deriving from portfolio companies—constitute more than 99% of banks' total carbon footprint. Firms are yet to address these emissions at the speed and scale needed to meet their net-zero targets.
- The first step is for financial services firms to take stock of their financed emissions. Even leaders could benefit from enhanced measurement and tracking of these emissions by accounting for all relevant asset classes.
- To address the bulk of emissions, which stem from their underwriting and investment activities, insurers and reinsurers need to first set out Scope 3 net-zero commitments.

Banks

Banking is one of the leading sub-sectors in reducing operational emissions.[i] However these are negligible compared with other industries, and unlikely to yield major decarbonization wins.

To manage Scope 1 emissions, 90% of banks in our study are improving the resource efficiency of their operations. That includes retrofitting offices or building new, greener offices—for example, through the integration of LED lighting, thermal energy blankets, and smart HVAC (heating, ventilation, and air conditioning) systems.[1] With the highest score on uptake of renewable energy in their consumption mix, banking also outperforms other sub-sectors in managing Scope 2 emissions.[ii] But even taken together, emissions from direct operations and purchased energy use constitute less than 1% of the total carbon footprint.[2]

i. In the Decarbonization Progress Benchmark, the Banking sub-sector consists of the five largest commercial and investment banks by market capitalization in each of the four regions: North America, Latin America, Asia, and Europe. Based on Economist Impact's analysis of various online financial databases. (April 2023)

ii. On Indicator 2.4: *Operational transformation: Reducing Scope 2 emissions*, the Banks sub-sector scores 44.2 and ranks first among all sub-sectors.

Financed emissions—those deriving from portfolio companies—constitute more than 99% of the sub-sector's total carbon footprint. Banks are yet to address these at the speed and scale needed to meet their net-zero targets.[3]

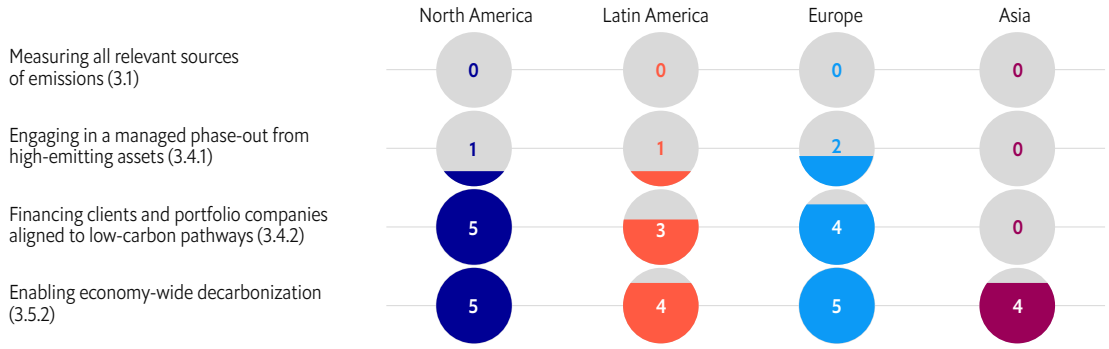
While the exact share of global emissions represented by banks' financed emissions is unknown, it is clearly significant. A recent study estimates that the 18 largest banks and asset managers in the US financed 1.97 billion tons of CO_2e emissions in 2020.[4] If grouped as a country, that would make these financial institutions the fifth-largest global emitter. Such scale is enormous, and points to what Professor Lawrence Loh, Director of Centre for Governance and Sustainability (CGS) at NUS Business School, National University of Singapore, identifies as "the great second-order effect of financial institutions' lending and investment activity" on the emissions of carbon-intensive sectors like energy, transportation, industry, and agriculture.[5] Cognizant of the regulatory, investor, and public pressure to address these financed emissions, banks are setting out their net-zero commitments. Three-fifths of banks analyzed are members of the Net-Zero Banking Alliance (NZBA), and have committed to aligning their lending and investment portfolios with net-zero emissions by 2050.[6]

Despite strong commitments among an increasing number of banks, regional gaps persist. None of the examined banks in Asia, and only two in Latin America, have publicly set out net-zero targets. In addition, all banks are lagging in actually addressing their portfolio's carbon footprint at the speed and scale needed to achieve net zero by 2050. Indeed, recent defections from the NZBA indicate that some firms may have over-committed, frustrating peers who consider ongoing fossil fuels investments as at odds with a joint commitment to decarbonize.[7]

Banks cannot address emissions that they don't measure.

The Partnership for Carbon Accounting Financials (PCAF) provides guidance for taking stock of financed emissions from six asset classes: listed equity and corporate bonds; business loans and unlisted equity; project finance; commercial real estate; mortgages; and motor vehicle loans.[8] None of the banks in our benchmark measures or tracks all emissions across these six asset classes, while 80% of banks in Asia are failing to track emissions for any of them (see Figure 1). Barriers such as the lack of reporting requirements for both banks and their portfolio constituents, and limited or non-existent disclosure by clients on their emissions footprint,

Figure 1: Banks are yet to meaningfully address their financed emissions
Number of banks out of 5 in each region actively taking the following decarbonizing measures



Source: Economist Impact's Decarbonization Progress Benchmark (2023)

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make measuring and tracking emissions difficult. A full and comprehensive stocktake of emissions is important to develop a meaningful action plan to reduce them, and the rigor of accounting methodologies matters. In one analysis, emissions calculated for certain portfolios using the most granular approach were double those measured using the least granular accounting method.[9]

A managed phase-out of financing for high-emitting projects remains the exception rather than the rule. Meanwhile, the capital allocated to financing low-carbon projects is still far from that needed to drive economy-wide decarbonization.

The Glasgow Financial Alliance for Net Zero (GFANZ)[iii] identifies a managed phase-out of high-emitting physical assets as a key net-zero financing strategy. However, only four of the banks that Economist Impact assessed are actively engaging in a managed phase-out from high-emitting projects. Bankrolling high-emitting projects, such as new fossil fuel developments,[10] remains highly profitable.[11] In 2022 alone, the 60 largest banks by managed assets provided US$150 billion to companies leading the expansion of oil, gas and coal.[12] However, banks cannot complete their decarbonization journeys by gradually divesting from high-emitting assets in order to green their balance sheets. They need to go further, supporting the low-carbon transition of the hard-to-abate constituents of their portfolios and increasing capital allocated to low-carbon clients and projects.[13]

Accordingly, GFANZ recommendations also call on banks to support clients and portfolio companies who are aligning or have aligned their business models to a low-carbon pathway. Banks are making some headway here. Three-fifths of those in our study are actively supporting the decarbonization of their clients and portfolio constituents. For example, Bank of America is supporting the decarbonization of clients in the power sector by providing financing for enhancement and expansion of renewables; battery storage; and carbon capture, utilization and storage (CCUS) solutions.[14] To its retail customers, HSBC is offering green mortgages as well as electric vehicle and energy efficiency loans.[15] The sustainable loan portfolio of Banco Bradesco comprises loan operations for renewable energy, energy efficiency, construction, sustainable transport and tourism, water, fisheries, forestry, sustainable agriculture and waste management sectors.[16] Of the banks analyzed in our study, 90% are promoting economy-wide decarbonization by supporting the development and scaling of climate solutions such as early- and later-stage climate technologies and services, low-carbon economy infrastructure, and nature-based solutions.

However, low-carbon financing is not occurring at the speed and scale needed to enable deep decarbonization of banks' portfolios. When it comes to energy supply financing in 2021, banks invested only $0.8 in low-carbon energy for every $1 in fossil fuel projects. To align their investments with 1.5°C-consistent climate scenarios, banks would need to raise this figure by 2030 to at least $4 for every $1 of fossil fuel investment.[17]

iii. The overarching collaborative of financial institutions consisting of the Net-Zero Banking Alliance.

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Next steps for decarbonizing the banking industry

- **Laggards need to start measuring their Scope 3 emissions from investments. Leaders need to further enhance measuring and tracking these emissions by accounting for all relevant asset classes,[18] as defined in PCAF, in their financed emissions calculations.** Measuring and disclosing the emissions of their portfolios requires banks to learn how to collect specific sustainability data from external sources, including their customers, and to accurately measure the carbon footprint of their entire portfolio under a range of climate scenarios. Even without a single global standard of measurement, collecting relevant data early on across asset classes will provide greater data integrity and transparency as those standards emerge.
- **Phasing out high-emitting project financing and engaging with portfolio constituents to align their business models with a low-carbon transition pathway is an important lever to reduce Scope 3 emissions from investments.** A managed phase-out approach can help portfolio companies reduce emissions and retire high-emitting assets early, rather than simply divesting and pushing those assets onto other balance sheets. Additionally, banks need to support high-emitting portfolio constituents in aligning their business models with a low-carbon transition pathway and increase capital allocated to low-carbon projects and/or clients.

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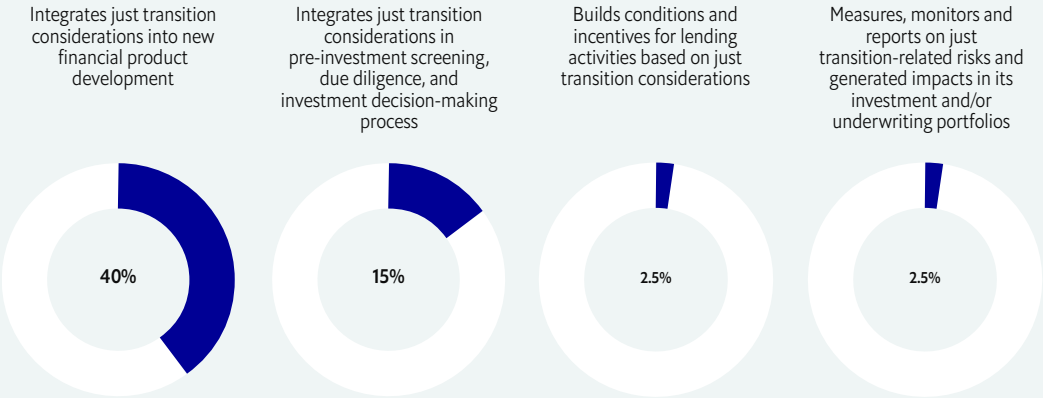
Just transition and the financial services industry

Given the second-order effect of lending, investing and underwriting activities on the emissions of carbon-intensive sectors like energy, industry, and agriculture, banks, insurers and reinsurers have a significant role to play in enabling an economy-wide low-carbon transition that provides equitable outcomes for all. Some of these are already integrating just transition considerations into new financial products such as green or sustainability bonds,[iv] energy efficiency loans, and parametric insurance.[v] However, they can do more:

- **Conduct a just transition impact assessment during pre-investment screening, due-diligence, and investment decision-making.** Several banks, insurers and reinsurers already have sophisticated stress-testing models to map out the physical and transition risks posed by climate change. They should also integrate just transition considerations into these models to better assess the impacts of new investment/underwriting decisions on all relevant stakeholder groups associated with the asset.
- **Mitigate negative employment impacts through green jobs creation and training.** The transition will eliminate certain jobs without direct replacement.[19] To support a just transition, financial services can include retraining and job creation for affected communities as a key metric in project due diligence. For example, banks should collaborate with the power sector to facilitate the transition towards renewable energy while increasing investment in transition-aligned jobs.[20]
- **Support economy-wide decarbonization through innovative product offerings that provide social protection against transition risks.** Health and life insurers can provide policies that cover emerging health risks driven by climate change. Insurers and reinsurers can extend parametric insurance to cover risks beyond natural disasters, such as coverage for installed renewable energy infrastructure and support for climate-exposed sectors of the economy.[21] Banks can support a just low-carbon transition for small and medium-sized enterprises with innovative product offerings such as co-financing for energy audits, ESG (environmental, social, and governance) rating-linked loans,[vi] and favorable terms for green asset financing.[22]

Figure 2: Enabling a just transition?

Share of banks, insurers and reinsurers in the benchmark supporting a just transition through their investments, lending, and/or underwriting



Source: Economist Impact's Decarbonization Progress Benchmark (2023)

iv. Proceeds are used for eligible socially beneficial projects such as affordable housing, and promoting access to healthcare and education.
v. "Fundamentally, parametric (or index based) solutions are a type of insurance that covers the probability of a predefined event (such as but not limited to natural disasters) happening instead of indemnifying actual loss incurred. It is an agreement to make a payment upon the occurrence of a triggering event, and as such is detached from an underlying physical asset or piece of infrastructure." https://corporatesolutions.swissre.com/insights/knowledge/what_is_parametric_insurance.html
vi. Incentivizing firms to align their operations to sustainable pathways to receive favorable financing conditions from the bank.

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Insurance and reinsurance

The insurance industry has a unique role in underwriting and managing risks associated with both climate change and decarbonization. However, with several firms analyzed in the benchmark lacking Scope 3 net-zero commitments,[vii] the sub-sector is yet to meaningfully address these risks.

Through their underwriting activity, insurers and reinsurers de-risk projects and often drive capital towards carbon-intensive sectors of the economy. Therefore, like banks, they have a significant responsibility to manage climate-related risks generated by these sectors. At the same time, to support decarbonization across sectors, they will need to help de-risk early-stage technology development and deployment in areas like energy storage, CCUS and low-carbon fuels, and contribute to the development of carbon markets.[23]

For firms in the financial services industry within the benchmark, a strong correlation of 0.7 between *Commitment to decarbonization and Action plan on Scope 3 emissions* suggests that firms with net-zero commitments in place are more likely to have an action plan to reduce relevant categories of Scope 3 emissions than those without such commitments. However, many insurers and reinsurers do not have Scope 3 net-zero commitments in place. Indeed, Insurance ranks last among our examined sub-sectors on *Scope 3 commitments*, with 75% of firms making no commitments to reduce financed emissions (constituting the bulk of Scope 3 emissions).[viii] Politics may be partly to blame. In the US, several insurers and reinsurers have backtracked on their net-zero pledges and exited the Net-Zero Insurance Alliance (NZIA) after being accused of violating antitrust laws by supporting clients in managing their emissions.[24]

A full stocktake of portfolio-associated emissions is needed to map out the emerging risk landscape for the insurance industry and its clients. However, firms are yet to calculate all emissions on both sides of their balance sheet: assets and liabilities.

Insurers and reinsurers are exposed to climate change-related risks on both sides of their balance sheets. Similar to banks, their investment portfolios contain carbon-intensive assets and their underwriting books—notably in their property and casualty line—are exposed to extreme weather events through covered liabilities.[25] In order to understand how these physical and transition risks on either side of the balance sheet would impact their bottom line and that of their clients, they need to take full stock of their financed emissions.

Firms analyzed in the benchmark are far from achieving this. Ranking next-to-last among our sub-sectors under *Measurement and tracking* (Scope 3 emissions), the Insurance sub-sector remains particularly weak in this area.[ix] Most firms are measuring only some, if any, relevant portfolio-associated emissions. While the guidance on underwriting associated emissions is relatively new and, therefore, these emissions are yet to be factored into their accounting, the sub-sector is also lagging in measuring emissions from all relevant asset classes in its investment books, as outlined in the PCAF guidelines for financed emissions.[26]

vii. In the Decarbonization Progress Benchmark, the Insurance and reinsurance sub-sector consists of the five largest speciality, property and casualty, life, and diversified insurance providers, reinsurance providers, and healthcare plan providers (only in North America) by market capitalization in each of the four regions: North America, Latin America, Asia, and Europe, per market capitalization data from Pitchbook (April 2023). https://my.pitchbook.com/dashboard

viii. On Indicator 1.2.2: *Scope 3 commitment*, Insurance scores 11/100 and ranks eighth among all examined sectors.

ix. On Indicator 3.1: *Measurement and tracking* (Scope 3 emissions), the Insurance sub-sector scores 39.5/100 and ranks second to last.

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Due to both regulatory and climate-related portfolio risk, European insurers and reinsurers are leading the sub-sector in phasing out underwriting coverage for, and investment in, fossil fuel projects.

The increase in severity and frequency of extreme weather events is driving up insurance claim payouts for the sector.[27] Cognizant of this trend, 80% of European firms in the benchmark are actively excluding high-emitting client and projects from their underwriting portfolios. Each of these insurers has announced phasing out coverage for and investment in coal-based business models and/or coal-related projects.[28] However, insurers and reinsurers in Asia and Latin America are lagging behind:[x] 70% of firms in those regions do not have any policies in place to support a managed phase-out. For Asia, pulling out investment or coverage from coal projects is particularly difficult due to the region's reliance on coal to meet its energy needs and the risk of stranding assets.[29] At the same time, assets in Asia Pacific are also more vulnerable to the risks of climate change than in other regions of the world.[30] Reflecting on the financial services sector in Brazil, Thiago Menezes, General Coordinator of the Climate Change Secretariat in the Ministry of the Environment points out that "firms are lagging in conducting stress tests and scenario analyses to measure the impacts of various climate change-related physical and transition risks on their portfolios." He believes that understanding the scope of climate-related risks is a critical first step in developing strategies that can proactively manage and mitigate them.

The insurance industry is currently lagging in providing support to clients who are undergoing a low-carbon transition.

In addition to gradually phasing out investment and coverage for carbon-intensive projects and clients, insurers and reinsurers need to support existing portfolio constituents in their low-carbon transition journeys. Leaders in the sub-sector are already providing advisory services and climate risk modeling tools to support clients in developing customized, low-carbon pathways.[31] Other services include insurance coverage and a premium discount for electric vehicles; insurance coverage for development of batteries;[32] and de-risking emerging low-carbon technologies.[33] However, only 40% of firms in the benchmark are supporting the decarbonization of existing clients and portfolio partners.

Next steps for decarbonizing the insurance industry

- **Setting Scope 3 net-zero commitments is an important first step for the industry in managing its Scope 3 emissions from underwriting and investment activities.** The NZIA recently published its "target setting protocol", under which members committed to setting and publicly disclosing their first set of underwriting portfolio decarbonization targets by mid-2023.
- **As risk managers and carriers, insurers and reinsurers need to rethink their service and product offerings for a decarbonized economy.** They can provide climate risk advisory services and new risk-transfer products based on emerging risks. Some leaders in the sub-sector are already supporting the low-carbon transition among their clients by offering insurance products that promote renewable energy uptake and climate risk insurance.[34]

x. North American firms were excluded from this analysis since three out five are health insurers which do not have significantly large investment portfolios.

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Leader Case Study: Allianz

Allianz, the German insurance and reinsurance giant, is one of the financial services sector's strongest performers on the Decarbonization Progress Benchmark. It is one of the few firms in the sub-sector with a 1.5°C-aligned Scope 3 net-zero commitment in place. Allianz has committed to achieving net-zero emissions by 2050 across its direct operations (Scope 1 and 2) and most material Scope 3 categories, including its proprietary investments and insurance underwriting activities.[35] Strong corporate governance mechanisms on decarbonization may have a role to play here. Allianz is among the 16% of firms analyzed that tie executive compensation to decarbonization targets via both short- and long-term incentives.[36] Despite its strong performance in setting out net-zero commitments, however, it recently exited the NZIA after facing political pressure.

Allianz does not stop at decarbonizing its direct operations—achieved through greater use of renewable energy and improved energy, water, and waste management in office buildings.[37] To address the bulk of emissions from its financing activities, it is one of the few firms examined in the sub-sector that is actively excluding "coal-based companies" from its investment and insurance portfolios.[xi] Allianz does not offer standalone insurance for coal infrastructure or for certain oil and gas projects, including new oil and gas fields, oil pipelines, and oil power plants. Beyond phasing out coverage and investment from carbon-intensive projects, Allianz is also supporting the low-carbon transition efforts of clients and portfolio companies. As an insurer, it consults large commercial clients on current and emerging risks, including those from natural catastrophes.[38] It also provides insurance coverage for electric vehicles and renewable energy solutions.[39] As a re-insurer, it offers GeoUnderwriting solutions that allow underwriters to better track and assess climate-related risks.[40] It also actively engages with companies in its proprietary investment portfolio to identify sustainability risks and opportunities.[41]

Despite being one of the leading firms from the financial services sector assessed under the Decarbonization Progress Benchmark, there is room for improvement. As with industry peers, Allianz is yet to take full stock of its financed and insurance-associated emissions. It is currently developing a methodology to measure the carbon footprint of its underwriting activities.[42] Allianz also does not track emissions from all asset classes in its proprietary investment portfolio.[43]

xi. As per the firm's latest coal statement (Feb 2023), coal-based companies are defined as:
1. Businesses deriving more than 25% of their generated electricity from thermal coal (utilities) or revenues (mining companies and coal service providers); or
2. Businesses planning new coal (e.g. plants and mines) (utilities, mining companies, and coal service providers);or
3. Businesses having more than 5 GW of thermal coal power plant capacity installed or mining more than 10 million tonnes thermal coal annually (utilities and mining companies).

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Banking Sub-Sector

In order to assess the progress that different sectors of the economy are making on decarbonization, Economist Impact's Decarbonization Progress Benchmark evaluated a total of 160 of the largest publicly listed firms across four sectors of the economy (40 in each): Energy, Financial Services Industry, Retail, and Manufacturing. One of the two underlying sub-sectors of the Financial Services Industry is Banking. It consists of the five largest commercial and investment banks by market capitalization in each of the four regions under study: North America, Latin America, Asia, and Europe.

Overall score

43.1 /100

Overall ranking

3 /8

Overall Banking sub-sector rankings for level 1 indicators

	LOW							HIGH
1. Corporate governance and commitment						3		
2. Operational Transformation						3		
3. Value Chain Transformation								1
4. Social Sustainability and Just Transition							2	

Banking sub-sector emissions split (%)*

Operational emissions (Scopes 1 and 2) | Value chain emissions (Scope 3)

1 | 99

Sector summary

#	Level	Indicator	Score /100	Overall ranking /8
1	1	**Corporate governance and commitment**	37.1	3
1.1	2	Corporate governance	43.8	6
1.2	2	Commitment to decarbonization	30.0	1
1.3	2	Policy outlook and influence	45.0	5
2	1	**Operational Transformation**	68.4	3
2.1	2	Measurement and tracking	77.5	7
2.2	2	Action plan for operational transformation	85.0	1
2.3	2	Operational transformation: reducing scope 1 emissions	90.0	2
2.4	2	Operational transformation: reducing scope 2 emissions	44.2	1
2.5	2	Decarbonization innovation in key operations		
3	1	**Value Chain Transformation**	47.1	1
3.1	2	Measurement and tracking	40.0	6
3.2	2	Action plan for value chain transformation	32.5	3
3.3	2	Phasing out carbon-intensive product offerings		
3.4	2	Driving decarbonization across value chain partners	42.0	2
3.5	2	Investing in decarbonization innovation	75.0	2
4	1	**Social Sustainability and Just Transition**	20.2	2
4.1	2	Impact assessment, targets and planning	5.8	2
4.2	2	Implementation strategy	22.5	1
4.3	2	Policy outlook and proactive collaboration with the government on just-transition issues	27.5	8

* The split between Scope 1 & 2 and Scope 3 emissions presented here informs the relative weightage assigned to Pillar 2: Operational Transformation and Pillar 3: Value Chain Transformation on the benchmark for the Banking sub-sector. A larger share of Scope 3 emissions in total carbon footprint translates into a higher relative weight for Pillar 3: Value Chain Transformation in the overall benchmark score for a sub-sector. This approach ensures that scores for firms and sub-sectors broadly represent the magnitude of effort needed to address a particular pool of emission, and enables comparison of sub-sectors that may have extraordinarily diverse paths to decarbonization.

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Regional data

#	Level	Indicator	North America	Latin America	Europe	Asia	Global
1	**1**	**Corporate governance and commitment**	**51.5**	**19.0**	**61.9**	**16.1**	**37.1**
1.1	2	Corporate governance	55.0	30.0	53.0	37.0	43.8
1.2	2	Commitment to decarbonization	51.9	8.0	59.9	0.0	30.0
1.3	2	Policy outlook and influence	45.0	30.0	80.0	25.0	45.0
2	**1**	**Operational Transformation**	**75.3**	**76.0**	**83.5**	**39.0**	**68.4**
2.1	2	Measurement and tracking	80.0	100.0	80.0	50.0	77.5
2.2	2	Action plan for operational transformation	100.0	80.0	100.0	60.0	85.0
2.3	2	Operational transformation: reducing scope 1 emissions	100.0	80.0	100.0	80.0	90.0
2.4	2	Operational transformation: reducing scope 2 emissions	48.2	60.0	68.7	0.0	44.2
2.5	2	Decarbonization innovation in key operations	NA	NA	NA	NA	NA
3	**1**	**Value Chain Transformation**	**62.6**	**40.4**	**56.0**	**29.5**	**47.1**
3.1	2	Measurement and tracking	50.0	50.0	50.0	10.0	40.0
3.2	2	Action plan for value chain transformation	50.0	20.0	50.0	10.0	32.5
3.3	2	Phasing out carbon-intensive product offerings	NA	NA	NA	NA	NA
3.4	2	Driving decarbonization across value chain partners	54.7	38.7	54.0	20.7	42.0
3.5	2	Investing in decarbonization innovation	100.0	50.0	70.0	80.0	75.0
4	**1**	**Social Sustainability and Just Transition**	**44.3**	**12.3**	**21.0**	**3.0**	**20.2**
4.1	2	Impact assessment, targets and planning	6.7	6.7	10.0	0.0	5.8
4.2	2	Implementation strategy	55.0	15.0	15.0	5.0	22.5
4.3	2	Policy outlook and proactive collaboration with the government on just-transition issues	50.0	10.0	50.0	0.0	27.5

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Insurance & Reinsurance Sub-Sector

In order to assess the progress that different sectors of the economy are making on decarbonization, Economist Impact's Decarbonization Progress Benchmark evaluated a total of 160 of the largest publicly listed firms across four sectors of the economy (40 in each): Energy, Financial Services Industry, Retail, and Manufacturing. One of the two underlying sub-sectors of the Financial Services Industry is Insurance & Reinsurance. It consists of the five largest specialty, property and casualty, life, and diversified insurance providers, reinsurance providers, and healthcare plan providers (only in North America) by market capitalization in each of the four regions under study: North America, Latin America, Asia, and Europe.

Insurance & Reinsurance sub-sector emissions split (%)*

Operational emissions (Scopes 1 and 2) | Value chain emissions (Scope 3)

1 | 99

Overall score

31.1 /100

Overall ranking

7 /8

Overall Insurance & Reinsurance sub-sector rankings for level 1 indicators

	LOW							HIGH
1. Corporate governance and commitment		7						
2. Operational Transformation					4			
3. Value Chain Transformation			6					
4. Social Sustainability and Just Transition			6					

Sector summary

#	Level	Indicator	Score /100	Overall ranking /8
1	**1**	**Corporate governance and commitment**	25.8	7
1.1	2	Corporate governance	38.3	7
1.2	2	Commitment to decarbonization	12.1	8
1.3	2	Policy outlook and influence	41.3	7
2	**1**	**Operational Transformation**	67.7	4
2.1	2	Measurement and tracking	90.0	2
2.2	2	Action plan for operational transformation	72.5	5
2.3	2	Operational transformation: reducing scope 1 emissions	75.0	6
2.4	2	Operational transformation: reducing scope 2 emissions	24.1	5
2.5	2	Decarbonization innovation in key operations		
3	**1**	**Value Chain Transformation**	33.4	6
3.1	2	Measurement and tracking	39.5	7
3.2	2	Action plan for value chain transformation	28.0	5
3.3	2	Phasing out carbon-intensive product offerings		
3.4	2	Driving decarbonization across value chain partners	27.4	5
3.5	2	Investing in decarbonization innovation	43.2	5
4	**1**	**Social Sustainability and Just Transition**	12.8	6
4.1	2	Impact assessment, targets and planning	0.0	5
4.2	2	Implementation strategy	8.8	6
4.3	2	Policy outlook and proactive collaboration with the government on just-transition issues	33.7	5

* The split between Scope 1 & 2 and Scope 3 emissions presented here informs the relative weightage assigned to Pillar 2: Operational Transformation and Pillar 3: Value Chain Transformation on the benchmark for the Insurance & Reinsurance sub-sector. A larger share of Scope 3 emissions in total carbon footprint translates into a higher relative weight for Pillar 3: Value Chain Transformation in the overall benchmark score for a sub-sector. This approach ensures that scores for firms and sub-sectors broadly represent the magnitude of effort needed to address a particular pool of emission, and enables comparison of sub-sectors that may have extraordinarily diverse paths to decarbonization.

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Regional data

#	Level	Indicator	North America	Latin America	Europe	Asia	Global
1	**1**	**Corporate governance and commitment**	**17.5**	**13.7**	**46.0**	**26.0**	**25.8**
1.1	2	Corporate governance	28.0	19.0	66.0	40.0	38.3
1.2	2	Commitment to decarbonization	4.1	0.0	28.3	16.0	12.1
1.3	2	Policy outlook and influence	35.0	40.0	60.0	30.0	41.3
2	**1**	**Operational Transformation**	**68.6**	**38.5**	**74.4**	**47.7**	**67.7**
2.1	2	Measurement and tracking	100.0	80.0	100.0	80.0	90.0
2.2	2	Action plan for operational transformation	100.0	30.0	90.0	70.0	72.5
2.3	2	Operational transformation: reducing scope 1 emissions	100.0	40.0	80.0	80.0	75.0
2.4	2	Operational transformation: reducing scope 2 emissions	21.4	20.0	52.2	2.9	24.1
2.5	2	Decarbonization innovation in key operations	NA	NA	NA	NA	NA
3	**1**	**Value Chain Transformation**	**24.4**	**20.4**	**54.2**	**34.0**	**33.4**
3.1	2	Measurement and tracking	30.0	60.0	40.0	30.0	39.5
3.2	2	Action plan for value chain transformation	30.0	10.0	40.0	30.0	28.0
3.3	2	Phasing out carbon-intensive product offerings	NA	NA	NA	NA	NA
3.4	2	Driving decarbonization across value chain partners	9.3	16.0	53.3	29.3	27.4
3.5	2	Investing in decarbonization innovation	40.0	0.0	80.0	50.0	43.2
4	**1**	**Social Sustainability and Just Transition**	**22.0**	**5.0**	**19.0**	**5.0**	**12.8**
4.1	2	Impact assessment, targets and planning	0.0	0.0	0.0	0.0	0.0
4.2	2	Implementation strategy	12.5	5.0	15.0	5.0	8.8
4.3	2	Policy outlook and proactive collaboration with the government on just-transition issues	50.0	10.0	50.0	10.0	33.7

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