

THE CHALLENGES OF ESG/CSRD REPORTING OBLIGATIONS FOR INSURERS

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1 INTRODUCTION

The European Parliament adopted the Corporate Sustainability Reporting Directive (CSRD) in 2022, which came into effect in 2024 and will be applicable for reporting first time in 2025. The CSRD replaces and greatly improves the reporting obligations previously provided by the Non-Financial Reporting Directive (NFRD). The CSRD aims to provide stakeholders with clearer, more comprehensive, and standardized sustainability data, ensuring that insurers are held accountable for their role in promoting sustainability within the broader financial ecosystem.

The aim of this paper is to provide an overview of the reports to be published by insurers under the CSRD and the challenges associated with it, highlighting the scope of GHG emission calculation methods as a specific example.

2 MATERIAL AND METHODS

We have collected and analyzed the relevant and effective European Union legislation and standards, in particular the following:

- Corporate Sustainability Reporting Directive (CSRD, EU Directive 2022/2464) amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.
- European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG), especially ESRS E4 – Financial Services Sector, ESRS E1 and ESRS G1 – Climate risk disclosures.
- EU Taxonomy Regulation (EU Regulation 2020/852).

We have collected, compared and evaluated those GHG emission calculation methods, which may be suitable for insurers:

- ISO 14097 – Framework for Climate-related Assessments for Investments and Financing Activities
- PCAF – Partnership for Carbon Accounting Financials
- GHG Protocol – Corporate Value Chain (Scope 3) Standard
- SBTi – Science Based Targets initiative (Financial Institutions Guidance)
- Net-Zero Insurance Alliance (NZIA) Target-Setting Protocol

We have also studied the international scientific papers and other industry reports and practical guides, although the available literature is very limited, because of the new and relatively narrow nature of the research area.

Due to profession, the corresponding author also have personal, practical experience in data collection and report preparation in the field of this paper.

3 RESULTS

Under the CSRD regime insurance companies are required to disclose a wide range of sustainability-related information and data, such as environmental information (greenhouse gas–GHG–emissions, climate-related risks and opportunities, environmental impact of investments, sustainable products and services), social information (social impact of products and services, diversity, equity and inclusion, community involvement), governance information (corporate governance, risk management, executive compensation), sustainability risks and opportunities information (climate-related financial disclosures, transition to a low-carbon economy), insurance sector specific disclosures (underwriting and investment activities, insurance coverage for climate-related risks), sustainability governance and strategy, EU taxonomy alignment information. Insurers first had to define and create the required databases that enable these reports to be prepared.

If we look at one of the most basic reporting requirements, the calculation of GHG emissions, we find five main models that appear suitable for insurers. However, each has its strengths and weaknesses. Some are very good regarding investments, but weak in the underwriting aspects, and vice versa. It is likely that no single method is suitable to fully meet the expectations of a specific insurer.

4 CONCLUSIONS

By 2025, insurance companies will need to ensure they are fully compliant with the standardized CSRD reporting requirements. These expectations present new challenges for insurers, as they must collect or at least reliably estimate data that was previously partially or not collected at all. In addition, insurers must find and/or create the right methods to process and properly present their data.

A good example of this is finding the appropriate model for calculating GHG emissions, which is one of the most fundamental elements of CSRD reports.

Each company must find, develop and tailor the reporting methods that best suit their operations and customer base.

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