

28 May 2025

GRI Sector Standards Project for Financial Services – Insurance

To whom it may concern,

Global Sustainability Standards Board | GRI Sector Standards for Insurance Exposure Draft

The Insurance Council of Australia (**ICA**) welcomes the opportunity to provide feedback on the GRI Sector Standards for Insurance Exposure Draft 2025, which outlines disclosures intended to reflect material sustainability impacts for organisations in the insurance industry. The ICA represents Australia's general insurance sector, including insurers and reinsurers who play a vital role in supporting economic resilience, managing climate risk, and promoting adaptation across communities and industries.

The ICA is the national body of the general insurance industry in Australia, representing around 90% percent of private sector general (re)insurers. Australia's general insurance sector provides protection for 41 million homes, buildings and vehicles against unexpected events.

Our members are committed to enhancing transparency and accountability through sustainability reporting. The ICA supports the development of standardised sustainability reporting frameworks that promote consistency and comparability across the financial services sector. The ICA acknowledges the Global Sustainability Standards Board's (**GSSB**) efforts in aligning the GRI Standards (**Standards**) with international initiatives and recognises the potential benefits of adopting such a framework to ensure insurers remain compliant with local and international regulations.

Material Topics Identification

The ICA supports the development of global standards to identify material topics that reflect an organisation's impact. Developing insurance industry specific GRI Standards provides a powerful framework for the industry to demonstrate its positive impact and long-term value to the economy, environment and society. Information about an organisation's impact in relation to the topics set out within the *Exposure Draft Standards* can help to enhance transparency to support informed assessments and decisions.

However, considering the diverse nature of insurance operations and wider impact from their customers, investees and respective value chains, we recommend providing further guidance on the process of determining material topics. Insurance businesses vary considerably in size, scope and operating models. As such, determining materiality on the full breadth of sustainability issues through underwriting, investment, and claims management activities can be complex. More detailed guidance on how insurers should assess and prioritise material topics within their specific business context would significantly improve consistency and comparability in disclosures.

While the proposed Standards are voluntary and we support efforts to increase transparency of impacts on customers and investees, we caution that full disclosure across all proposed topics may present operational and commercial challenges. Insurers must ensure compliance with applicable data protection laws, while safeguarding sensitive proprietary information. We recognise the significant internal resources required to implement the Standards, which can be particularly challenging for insurers to build capacity.

Reporting on Investment Activities

The ICA supports the inclusion of disclosures related to investment activities in the Standards, recognising the importance of sustainable finance in the insurance sector's value chain. Investment portfolios can have significant social and environmental impacts, and it is appropriate that the Standards reflect the expectations for insurers to integrate sustainability considerations into investment due diligence and decision making.

However, in the near term, the lack of granular data across insurance value chains and methodology gaps to assess sustainability impacts across asset classes can limit the industry's ability to fully comply with the Standards beyond an insurer's operations. The ICA recommends that the Standards provide guidance on how insurers can report in circumstances where data is unavailable, incomplete, or estimated.

The ICA suggests greater clarity could be provided on the expectations regarding insurers' influence over investees. For instance, further guidance could be provided on how insurers can apply due diligence when they are not in a position to leverage influence, particularly in the context of minority equity investments or passive holdings.

Disclosures on Impacts from Customers and Investees

The ICA supports the disclosure recommendations set out in the Standards for an organisation to report how it manages material impacts related to their customers and investees. These disclosures can promote consistency and comparability across the industry and demonstrate the industry's commitment to sustainable development. A challenge the industry may face when disclosing the impacts of customers, investees and entities beyond the first tier relates to the structure of portfolios tending to be managed at product-level, rather than by individual customer or industry segment.

For example, insurers tend to categorise underwriting by product line and geography, with limited capacity to track individual clients' economic activity or impact. This makes it difficult to disclose detailed information about insurance portfolios and assets under management, including breakdowns by customer type, sector and geographic location. As insurers typically do not track by customer, this makes it challenging for them to identify customer exposure, classify client income by economic activity type and analyse portfolios by industry code or customer – noting this would also be commercially sensitive information. Guidance on how to address these data gaps would help insurers to address these challenges.

In the instance of involvement with negative impacts, whether the insurer is directly linked through its operations, products or services, or indirectly through its value chain, determining and implementing the appropriate remediation actions and ensuring they are effective can be complex and resource intensive. This complexity is heightened when insurers have limited control and can only influence or advocate for action by other actors in the value chain. In such cases, it is unclear whether measures such as education, awareness-raising, or advocacy would be considered sufficient. The ICA recommends that the Standards provide further clarity on how insurers are expected to assess their level of involvement in adverse impacts, and what constitutes an appropriate response, including where responsibility is shared with other actors in the value chain.

Topic-Specific Questions

While the ICA welcomes the broad scope of disclosure topics covered under the GRI Sector Standards for *Insurance Exposure Draft*, our submission focuses on those most relevant to ICA members. These are outlined below:

Climate Change

The ICA supports the emphasis on climate-related disclosures in the Exposure Draft and agrees with aligning reporting expectations with global frameworks, such as the International Sustainability Standards Board (ISSB).

The proposed disclosures on climate strategy and transition planning are comprehensive and directionally appropriate. The ICA is supportive of disclosing policies within transition plans and criteria to assess the quality of supplier and investee transition plans, however the inclusion of any exclusion rationale may be burdensome for reporting and reduce the clarity of the report.

The ICA acknowledges that the proposed disclosures go beyond existing mandatory climate-related disclosure requirements, with recommendations to disclose how the organisation assesses the impacts of insurance and investments on workers, local communities and Indigenous Peoples, as well as biodiversity. We support a holistic view of climate and nature, recognising that climate transition plans may impact or depend on nature, and note that the inclusion of nature in transition plan development may create additional capability requirements and gaps remain in data resources while nature-related standards for the finance sector are still developing.

While noting the Standards are voluntary, the ICA has reservations about the inclusion of Insurance Associated Emissions (IAE) in GHG emissions reduction target setting and progress tracking as setting IAE reduction targets poses significant challenges for insurers. Given the limited control insurers have over customer behaviour, influencing or advocating for government emission reduction measures is likely to be more impactful than insurers attempting to directly reduce these emissions. This reflects the ISSB's proposed amendment to IFRS S2, which allows for the optional exclusion of IAE due to current limitations in data availability, estimation methodologies, and the high cost of developing assured reporting at this early stage.

Biodiversity

The ICA recognises the growing importance biodiversity and nature-related risks to insurers, particularly as nature loss has direct implications for the resilience of insured assets and the sustainability of investment portfolios. Activities that support and safeguard nature are emerging as effective strategies for insurers to protect insured assets and build resilience to climate change impacts. However, biodiversity data remains underdeveloped and there are significant challenges in measuring and reporting these aspects accurately. While the ICA supports the inclusion of biodiversity within the Standards and the proposed reporting expectations, we suggest developing sector-specific metrics and methodologies to facilitate consistent reporting.

The proposed reporting on management disclosures and policy integration to halt and reverse biodiversity loss is welcomed yet given international reporting standards will be aligned with TNFD, we propose the Standards could benefit from aligning with the TNFD recommendations that push for strategic positioning and risk governance around nature-related issues. One expectation that GSSB could include in the Standards is product-level innovation such as new insurance products for natural assets or climate adaptation, circular economy principles and incentive mechanisms to influence policyholder behaviour as part of biodiversity strategy disclosures.

Financial Health and Inclusion

The ICA supports the inclusion of social issues disclosures; it aligns with best governance practices and ensures accountability and ethical conduct. We recommend establishing clear definitions and guidelines to ensure consistent interpretation and reporting across the industry.

The proposed expectations for disclosure provide a strong foundation for reporting an insurer's impact on financial health and inclusion, however, to enhance clarity we recommend providing a

clear definition of “Customers Experiencing Vulnerability”. We would welcome the opportunity to continue working with the GSSB on this topic, as the ICA and its members work to deliver a Vulnerability Framework, providing a contemporary definition of vulnerability and industry guidance as part of our updates to the Australian General Insurance Code of Practice. In addition to including how the organisation addresses the needs of identified customer groups through product and service design, insurers can incorporate actions to improve access to products and services that prevent misuse or weaponisation of products.

Insurance organisations can enhance financial health and inclusion by addressing the protection gap, which can impact vulnerable and underserved communities in areas of high-risk harder. To report on internal governance structures responsible for financial inclusion, the recommended disclosures could be strengthened by including expectations to report on disaster recovery support for vulnerable customers.

Local Communities and Rights of Indigenous Peoples

The ICA supports the proposed recommendations in the Standards to disclose the organisations approach to managing impacts from customers and investees on local communities and the rights of Indigenous Peoples.

Incorporating Sustainability in Investment

The ICA supports the GRI's focus on transparent sustainability reporting investment and acknowledges its importance for long-term risk management and value creation. It is the general insurance industry's fiduciary duty to incorporate sustainability factors into strategic and investment decisions, aligning risk-adjusted returns with long-term resilience.

In practice, insurers incorporate screening policies and ESG data into investment decisions, with a growing use of sustainability-linked bonds and thematic investments, though reporting on assets under management by sustainability theme may vary due to a lack of classification. Governance frameworks include ESG oversight at board or executive level and the proportion of dedicated sustainability staff can differ depending on the size of the organisation.

Conclusion

The ICA appreciates the opportunity to provide feedback on GSSB's proposed GRI standards. Overall, we support the GRI standards as they support standardised reporting for the insurance industry to help addressing real-world challenges and provide the required information to assist decision-makers.

We encourage the GSSB to continue developing sector-specific guidance and welcome opportunities to contribute to future work. As the insurance industry plays an important role in promoting economic stability and development through insuring, investing and risk management strategies across a wide range of sectors in the economy, we support globally consistent and achievable standards to help monitor and manage progress.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Aaron Finnegan, Climate Change Adviser afinnegan@insurancecouncil.com.au.

Yours sincerely,



Andrew Hall
Executive Director & CEO