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ESG Viewpoint: Generali

RepRisk interviews Lucia Silva, Group Head of Sustainability and Social Responsibility at Generali

Generali is the leading insurer in Italy and one of the largest insurance providers globally with an international presence in almost 60 countries. It offers Life and Property&Casualty insurance solutions in addition to managing over EUR 500 billion of assets.

Lucia Silva joined Generali in 2015 and is responsible for the definition along with the implementation of the Group Sustainability strategy and policies. Prior to this, she spent several years at consulting firm KPMG where she first worked as a sustainability consultant and later headed the Europe–Middle East–Africa Corporate Responsibility (CR) network, managing and coordinating around 100 countries on sustainability topics. Concurrently, she held direct responsibility for CR in KPMG Italy. Lucia holds a Master degree in Governance, Business Ethics and Risk Management from Libero Istituto Universitario Carlo Cattaneo University along with a degree in Philosophy from Statale di Milano University.

1. RepRisk: Could you please provide some insight into your specific role at Generali and explain the work that your team does?

Lucia Silva: As the Head of Sustainability and Social Responsibility at Generali Group, my main responsibilities are the definition along with the implementation of the Group sustainability strategy and policies. This involves the engagement and coordination of internal and external stakeholders on sustainability issues. In recent years, the activity of the function has been moving from a reporting-focused approach to a more strategic one aimed at fully integrating sustainability into the core business. To this purpose, as an example, we are leading the Responsible Business Lab, an internal working group that involves functions from the investment and underwriting business to find solutions to specific sustainability challenges.

2. RR: Generali has a group wide risk management system in place. Please elaborate a bit more on how the system works and what the main considerations are behind it.

LS: The principles defining the Group risk management system are provided in Generali Group's Risk Management Policy covering all risks on a current and forward-looking basis. The principles are implemented in a consistent manner across the Group. Generali Group's risk management process includes the following phases: 1. *Risk Identification*, which ensures that all material risks to which the Group is exposed and also emerging risks are properly identified; 2. *Risk Measurement*, where the identified risks are measured through their contribution to the Solvency Capital Requirement, as well as other modelling techniques; 3. *Risk Management and Control* based on the Group Risk Appetite Framework (RAF), including risk appetite statement, risk preferences, risk metrics, tolerances, and target levels; and 4. *Risk Reporting*. The main risk reporting tool is the Own Risk and Solvency Assessment (ORSA), which includes the assessment of the risk profile and of the overall solvency needs. As regards new developments concerning social and environmental risks, we are enhancing the reputational risk framework within internal regulation and we are addressing the identification and management of risks impacted by specific ESG factors.

3. RR: Generali has been a RepRisk client since 2017. How do you use RepRisk in your day-to-day business?

LS: Generali, as a responsible insurer, has committed to manage the insurance business in an increasingly sustainable way. RepRisk contributes to achieving an efficient screening of ESG risk in insurance portfolios with just a few clicks — enabling the integration of the ESG perspective in the underwriting risk assessment in sensitive business sectors. Considering the global scope of Generali, what we especially appreciate of RepRisk is the combination of quantitative and qualitative information on almost all the insurable universe (also non-listed companies and projects). Moreover, the granular sector classification based on NACE, the statistical classification of economic activities in the European Community, is essential to identifying if a counterparty is active in a sensitive business sector.

4. RR: How do you think integrating ESG criteria creates value for Generali?

LS: Today, more than ever, sustainability is a matter of risk and opportunity management. Integrating ESG factors into the daily business decision-making means having a strategic approach that allows companies to create value that remains in the long term, preventing at the same time a number of risks ranging from the operational, to financial and reputational ones. As an example, just think how many implications climate change can have on the business of an insurance company, including of course the management of physical and transition risks. Moreover, the financial community pays more and more attention to ESG criteria in its investment decisions. In our twofold role of investor and investee company, we must be credible in the way we integrate ESG factors in our business if we want to be recognized as a responsible player. Being sustainable is now mainstream. There’s no other choice, and we are ready for that.

5. RR: What do you see as the upcoming trends or emerging issues from an environmental and social risk perspective for the insurance sector? Are there any new developments in this area for Generali?

LS: Emerging risks typically refer to technological changes (big data, blockchains, and autonomous machines), environmental trends (climate change), geopolitical developments, and regulatory developments. To this purpose, we created dedicated cross-functional working groups aimed at identifying such risks and, in some cases, promoting business solutions to manage them. For example, with reference to climate risks, this year we defined a strong position on coal with actions on investment and underwriting. Moreover, the new three-year business plan just launched by Generali includes targets for the growth in green and social insurance products for the retail market (both life and non-life) and a commitment for new green and sustainable investments.