INTEGRATED REPORTING: TOWARDS A GLOBAL ADOPTION?

A look at insurers' annual reports – 2018 edition

MAZARS

Methodology

Our benchmark has been performed on a panel of 20 corporate reports published by insurers and reinsurers in 2016, with the objective to obtain a balanced representation of the market in terms of activities, typologies of the documents and geographical location. The panel of 20 reports is split into the same 3 categories as in 2015 (integrated reports, management reports that include CSR elements and strictly financial reports).

We have based our analysis on a qualitative benchmark. Reporting practices maturity has been analyzed through an assessment matrix inspired by the International <IR> Framework, complemented with Mazars' insights on financial and pre-financial[1] reporting practices approved by the <IR> Insurance Network participants during workshops performed in 2014/2015.

All reports have been first qualitatively characterized following 60 criteria of the assessment matrix. Considering the observed characteristics of these 60 criteria, we have then applied a maturity level from 1 to 5 to allow quantitative analysis. For the purpose of the analysis we have then consolidated the 60 criteria into 15 categories using the average maturity level of each related criteria.

1 - "Pre-financial" is meant to substitute the term "non-financial" when referring to all sets of information which presently do not have a "monetary value" but that, in the future, will have an impact on the financial status of the company.

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Introduction

Mazars is an international, integrated and independent organization, specializing in audit, accountancy, tax, legal and advisory services. The firm is a participant in the global <IR> Network of the IIRC (International Integrated Reporting Council) and, alongside Aegon and Generali has coordinated discussion and thought leadership from an international network of insurers and reinsurers.

Following publication of the International <IR> Framework in December 2013, the IIRC then launched the 2014-2017 "Breakthrough Phase" with the objective of 'achieving a meaningful shift toward early adoption of the International <IR> Framework'. Our previous paper[2] published in 2015 was aligned with this strategy; its principal purpose being to highlight the main differences between integrated reports and financial/CSR reports and, secondly, to introduce industry best practices in terms of integrated reporting and communication. The <IR> Framework has been tested and assessed during these past three years and significant 'breakthroughs' have been achieved. Our present paper, therefore, aims to illustrate the insurance industry trends and marks the end of the "Breakthrough Phase".

Mazars has therefore carried out again the analysis of insurance company reporting using the same methodology[3]. Only the group of companies differs slightly from 2015: 22 reports were analyzed in 2015 against 20 this time, as two companies have been acquired[4] by other groups. The list of companies in our present study can be found in the figure below.

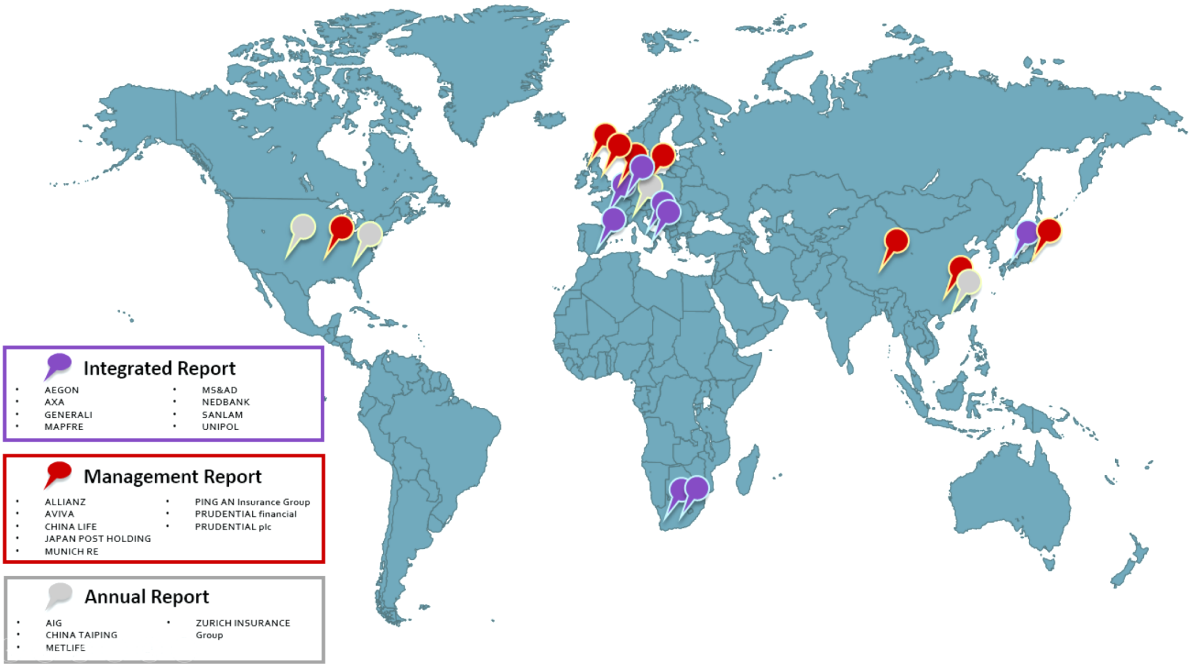


Figure 1: Presentation of the panel for FY2016

2 - Integrated Reporting: How far have we come? A look at insurers' annual reports
3 - For more information on the methodology, please refer to the appendix
4 - EXOR acquired PartnerRe in 2015 and FAIRFAX acquired Zurich Insurance Company South Africa Limited in 2016

This approach was chosen to assess how the 2015 panel of companies pursued the shift towards integrated reporting, what improvements were made and which could be made in the future. Considering the relatively small size of our panel, the study does not aim to report the actual percentage of each practice but rather to identify trends and key features in reporting by current insurers and reinsurers. It should be emphasized that the trends in reporting are interrelated with regulatory contexts. For example, since 2010 in South Africa all companies listed on the Johannesburg Stock Exchange (JSE) have been required to produce an integrated report complying with King III Report on Corporate Governance (King IV since 2017). South Africa became one of the leaders in this type of reporting and it therefore makes sense that the two South African insurers in our panel (Nedbank and Sanlam) have been publishing integrated reports for a few years.

Reporting is too often considered as a tick-the-box exercise resulting in an administrative burden and a multitude of publications, with limited value for organizations and their stakeholders. The purpose of an integrated report is to communicate the underlying ability of a company to create value over time (short, medium and long term). There are clear benefits for both stakeholders reading the report and companies publishing it – but implementing such a forward-looking approach in a clear and concise reporting process is quite often a challenge. Compared with traditional financial reports, integrated reporting is a significant change in the way corporate reporting is designed, but it also instills integrated thinking, which in turn informs agile strategy and models.

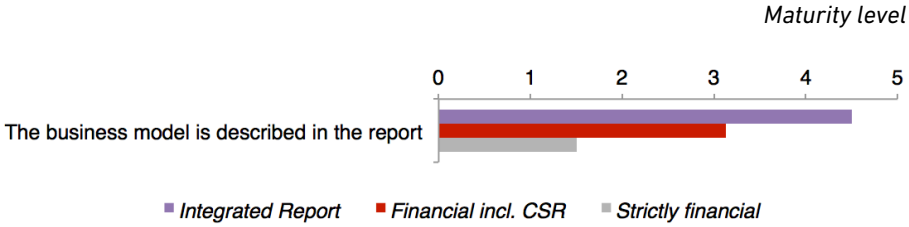
Today, 40% of the reports studied in our panel are integrated reports (versus 23% in our previous paper). Nevertheless, publishing an integrated report does not guarantee exemplary quality of reporting in itself. This paper aims to share learnings and best practices to support implementation of the International <IR> Framework, which is a conceptual framework and best practice examples are still limited[5].

5 - For more information on current practice examples, please consult the <IR> Examples Database : http://examples.integratedreporting.org/home

A progressive move towards integrated reporting

The differing national regulatory environments of the companies we examined had an impact on our study. Regulation in some countries strongly encourages companies to adopt integrated reporting - as mentioned earlier, South Africa has a long history of integrated reporting. Japanese companies are also encouraged by Japan's Corporate Governance Code to publish an integrated report (e.g. MS&AD performed its third publication in 2016). The United Kingdom's legislation also requires the publication of a strategic report, which shares a strong DNA with the integrated report, as illustrated by AVIVA's reporting. More recently in the EU, the adoption in December 2016 of the European Directive 2014/95/UE regarding non-financial and diversity information, which is a further step toward integrated reporting, is expected to increase the number of companies adopting integrated reporting. Global adoption of integrated reporting is expected to flourish in this regulatory environment, although integrated reports are mostly not mandatory globally.

Furthermore, companies publishing a so-called 'Management report', combining financial and Corporate Social Responsibility (CSR) information, are taking a further step towards integrated reporting because this will normally include with regards a description of the business model (see graph below), as well as insight into: the organization's strategy, the connectivity of information, material matters and a concise view of value creation across multiple capitals over time.



Management reports can be considered as a tool to enhance responsible business practices and integrate sustainability into business models. Indeed some companies recently made a shift from a management report to an integrated report: 3 companies out of 8 integrated reports in our sample published an integrated report for the first time in 2016[6].

As a matter of fact, although the International <IR> Framework defines guiding principles and content elements of an integrated report, companies are allowed flexibility in their implementation and some of them have also gradually moved toward integrated reporting. As an example, AXA published its first integrated report in 2016, an idea first suggested by the AXA Stakeholder advisory panel in 2014 and, as mentioned in the company's report, 'This shift reflects AXA's commitment, since 2014, to gradually align our content and analysis with the objectives of the International integrated reporting Council'[7].

6 - AXA, MAPFRE and UNIPOL
7 - AXA 2016 Integrated Report, page 2

Aligning conciseness and completeness: a complex balance

Integrated reporting cannot provide all the answers. This reporting is strongly driven by a focus on conciseness, reliability, and completeness in a balanced way, but it still addresses the challenging issue: "How an organization's strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long terms"[8].

Most integrated reports use visual aids, notably to help readers understand at a glance the distinctive factors correlated to the company's business model as well as its value creation story.

As shown in Figure 2, the inputs illustrated through various capitals (e.g. human, intellectual) bring a better understanding of resource allocations that cannot be summarized in corporate reporting solely by financial information any more. The value creation process includes the external trends considered as material for the company, commonly shared by insurers and reinsurers, and therefore connects elements through a holistic vision. Although the items are illustrated through narratives (and a few Key Performance Indicators (KPIs) as inputs) in this scheme, UNIPOL's report then introduces KPIs to underlie the Business Model Outputs[9].

8 - Source : IIRC website
9 - Unipol, Integrated Report 2016, pages 62-63

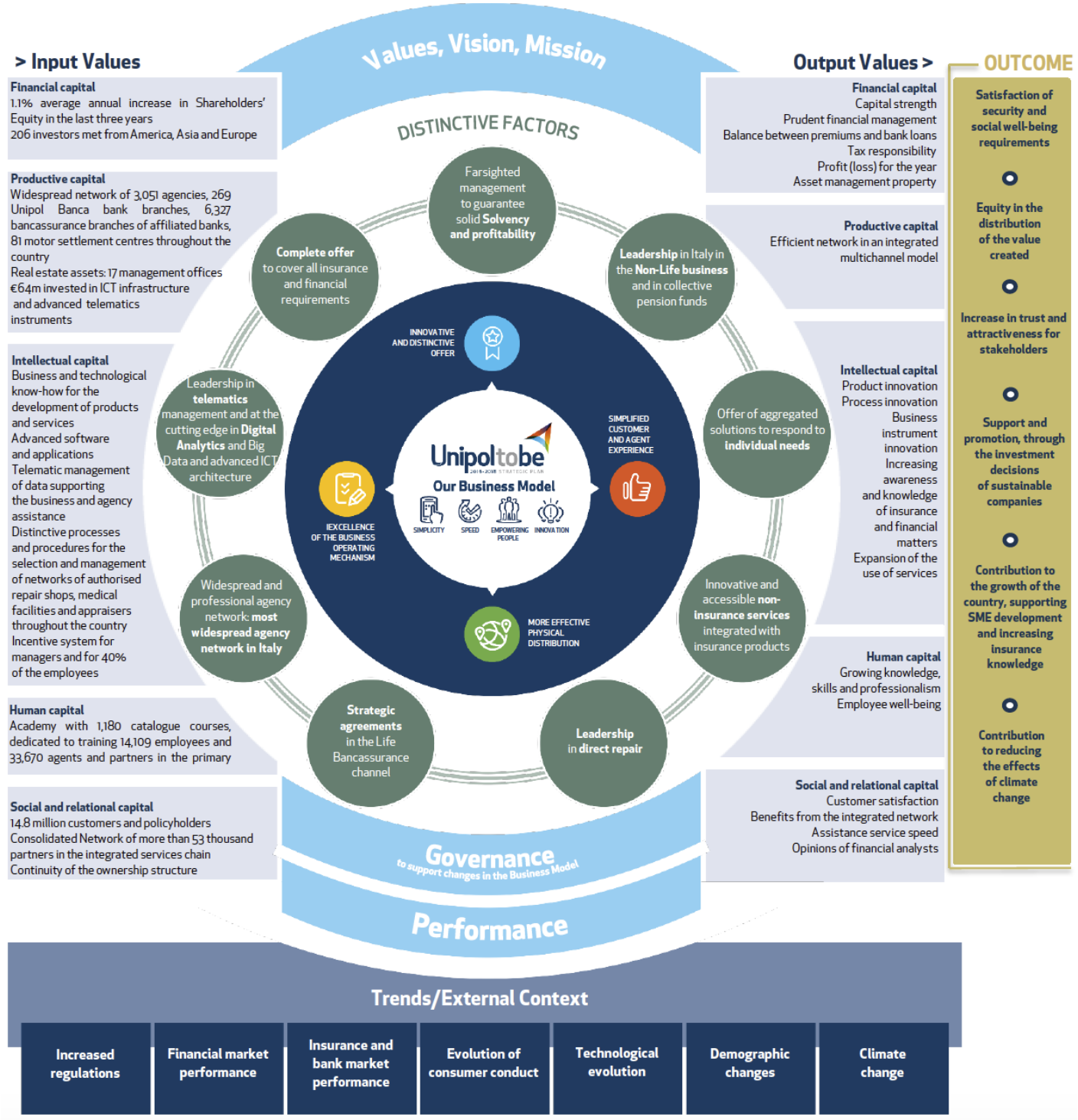


Figure 2: Value creation (UNIPOL, 2016 Integrated Report, page 22)

In addition, some integrated reports connect narratives and KPIs to illustrate the resource allocation story, but still in a concise way to highlight the main levers of value creation within a single graph. The monitoring of these levers using KPIs should enhance comparability and reliability as shown in Figure 3.

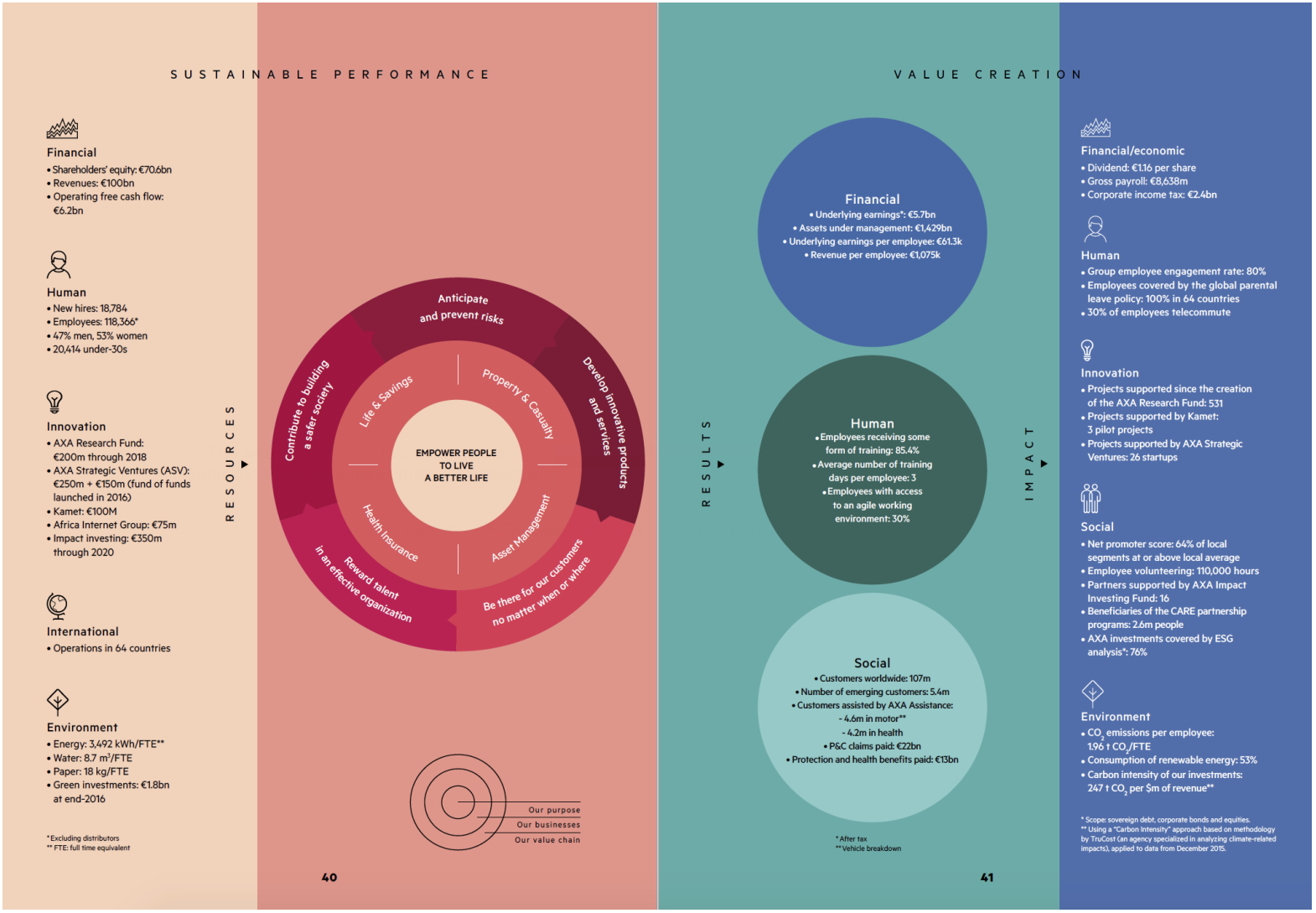


Figure 3: Value creation (AXA, 2016 Integrated Report, pages 40-41)

Most integrated reports from our panel describe how inputs are processed by the business activities into outputs and outcomes, although KPIs used to monitor these outputs and outcomes are rarely displayed.

These illustrations provide relevant examples to highlight several approaches to implementing the International <IR> Framework that show both the complexity of the business model and the value creation story in a concise and balanced way.

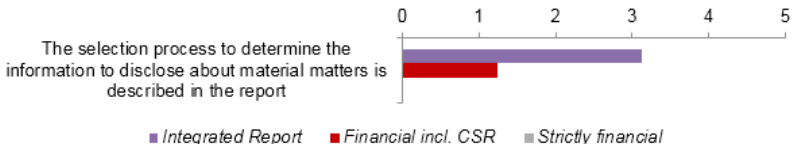
Good practices

For a long time corporate reporting has been focused on financial information before being supplemented by sustainability reporting, taking into account intangible assets such as human capital, relationship capital or brand capital. Nevertheless, an integrated report does not aim to be a combination of financial statements and sustainability reporting: reporting in silos cannot reflect the complexity of an organization, particularly with regard to its value creation story over time.

Material matters are covered, but the materiality determination process remains obscure

One of the main determining factors of integrated reporting, compared with other corporate reporting, relies on the materiality analysis (i.e. the selection of the most relevant issues that have or may have an impact on the business and therefore on the organization's ability to create value). An integrated report introduces a more selective and hierarchical disclosure of financial and other information closely related to the business.

Although material matters' disclosure is broadly achieved in integrated reports, the way companies select whether information should be disclosed as material is not specifically explained, especially with regard to the evaluation of the magnitude of issues or the



likelihood of occurrence (short, medium and long-term).

Maturity level

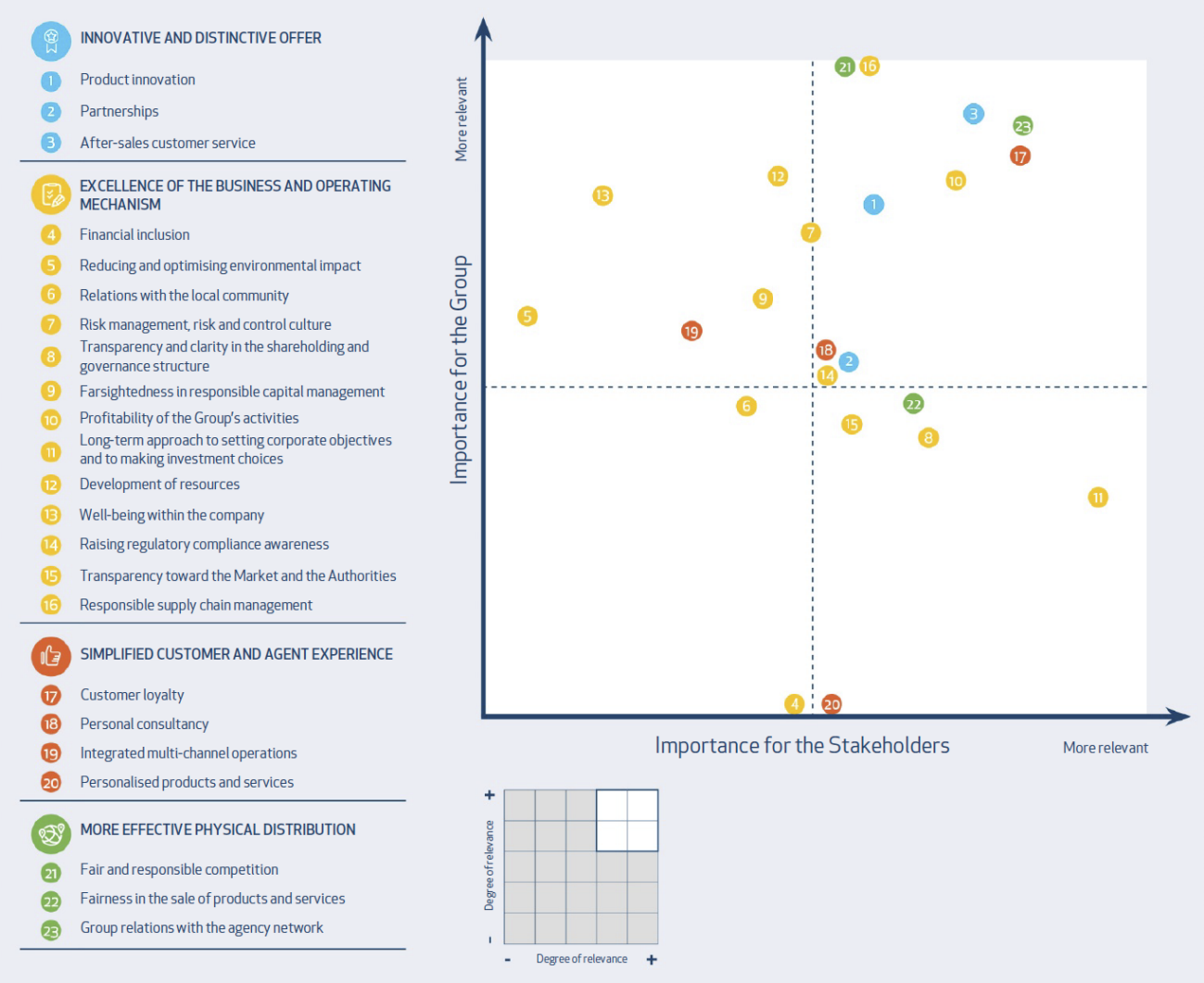


Figure 4: Materiality matrix (UNIPOL, 2016 Integrated Report, page 13)

About 35% of the panel uses a materiality matrix. Although a materiality matrix is not required by the Framework, those from our panel are based on the degree of relevance for both Shareholders and the organization.

Nevertheless, defining how 'relevance' is assessed is not systematically described in the integrated reports studied, neither is the determination process for selecting stakeholders (e.g. degree of authority and knowledge of the insurance sector, ability to provide an original and innovative approach to the challenges faced by the organization[10]). Besides, some of the materiality analysis is only performed on CSR matters (MAPFRE) or on non-financial issues (AEGON). Still, AEGON's integrated report does describe its materiality assessment process, performed by an independent reviewer[11] on a panel of 241 individuals from 29 organizations and 10 stakeholder groups, and classifies material matters according to the ability of the organization to influence or control them.

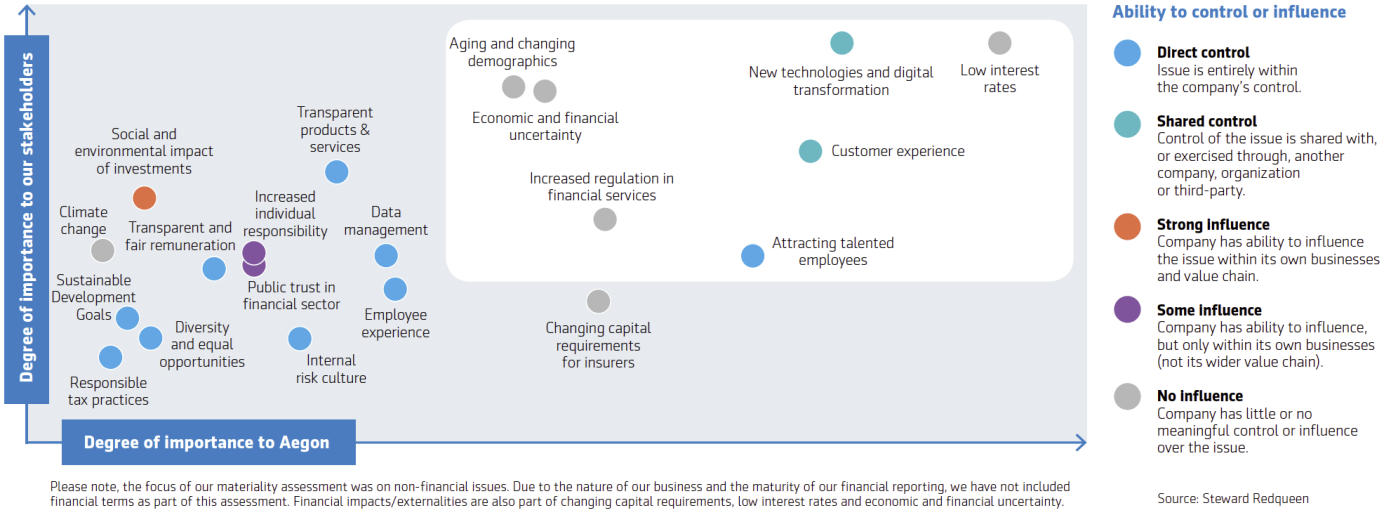


Figure 5: Materiality matrix (AEGON, 2016 Integrated Report, page 22)

Since information disclosures within an integrated report are strongly driven by materiality analysis, the materiality determination process should be transparent for any reader and could be described in a methodological note available in the appendix or similar link.

10 - Criteria used by GENERALI during its material issues determination process. GENERALI, 2016 Sustainability report, page 17
11 - AEGON 2016 Integrated Report, page 22

Resource allocation and trade-offs between capitals are briefly described

Innovation, brand and talent resource management are intangible assets that are often a core feature of insurers and reinsurers' business models. A legitimate question then arises: how do organizations integrate the value creation from non-financial resources and, more precisely, do organizations possess the necessary knowledge to embrace the challenges they face? Integrated reporting puts a high focus on intangibles as a future source of value creation. Insurers' reports should, therefore, emphasize the importance of human capital as a key resource and describe the trade-offs between capitals to underline the impact of human resource allocation on value creation. In this section, we focus on how organizations highlight human capital as an essential part of value creation.

A relevant illustration lies in AVIVA's strategic report where the company's objective is to become a '320-year-old disruptor' - it, therefore, counts on its people to achieve this digital transformation with a philosophy of "test and learn". In its dedicated chapter "Our people", the company spotlights its 29,500 employees and describes the measures, already in place or planned, to meet this purpose. For example, Aviva reinforced agile communications by launching #Uncut in 2016 where 'senior leaders are streamed live on a weekly basis answering any question, from anyone, anywhere about anything'.

Another example showing which levers are identified by companies to attract and retain employees, while enhancing their performance and development, is illustrated by SANLAM's integrated report, in which the company points out people development as one of the sustainability themes that supports its five-pillar strategy. The report clearly demonstrates how the company aims to develop a win-win relationship between employer and employee in a dedicated sub-section[12] (see the figure below).

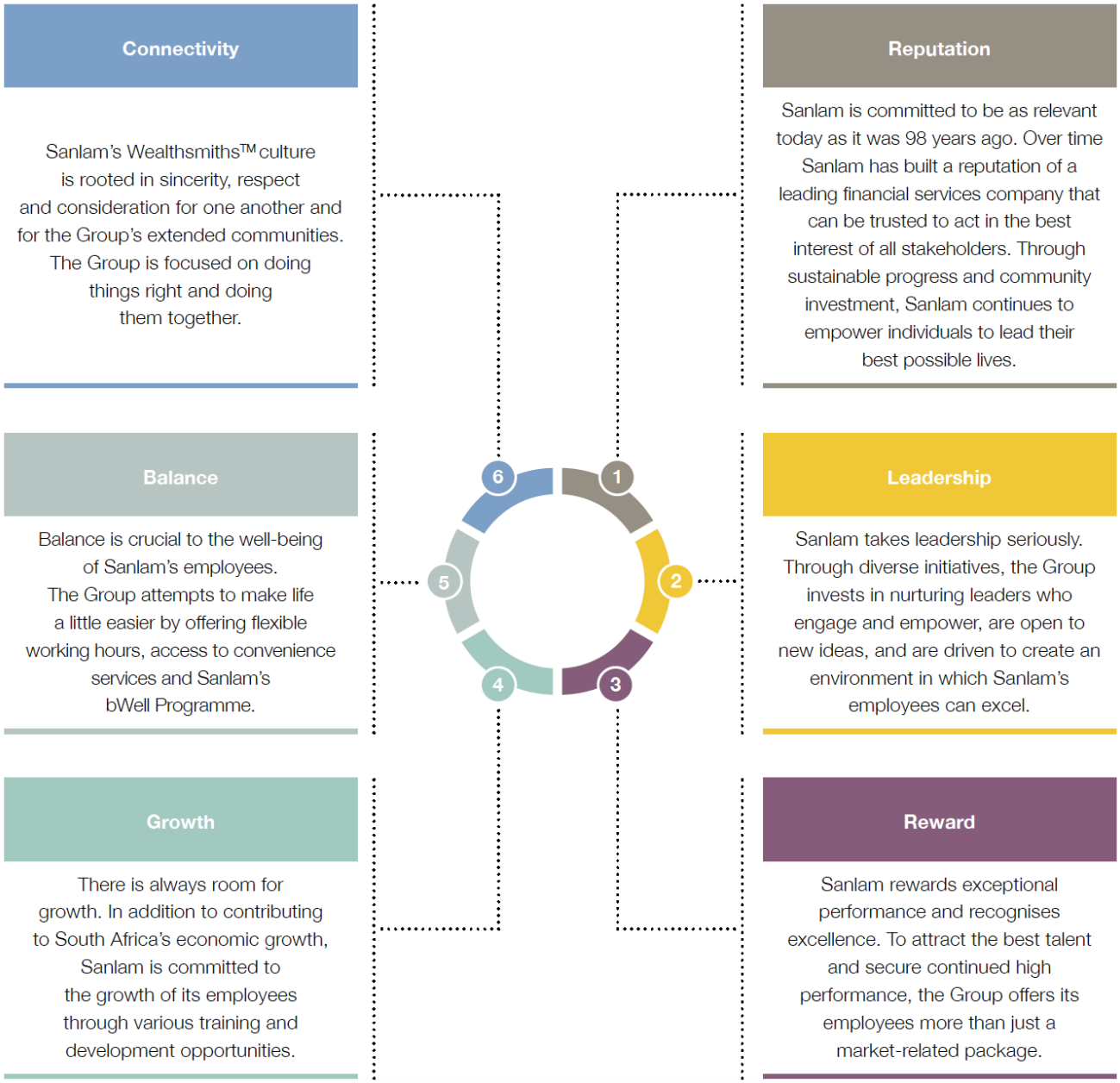


Figure 6: SANLAM, 2016 Integrated Report, page 57

12 - SANLAM Integrated Report also provides further information by referring to its supplementary People development report as well as its Remuneration report online

The organization goes even further, publishing a matrix about trade-offs between capitals, as illustrated below with the input of Human and Financial capitals to sustain people development.

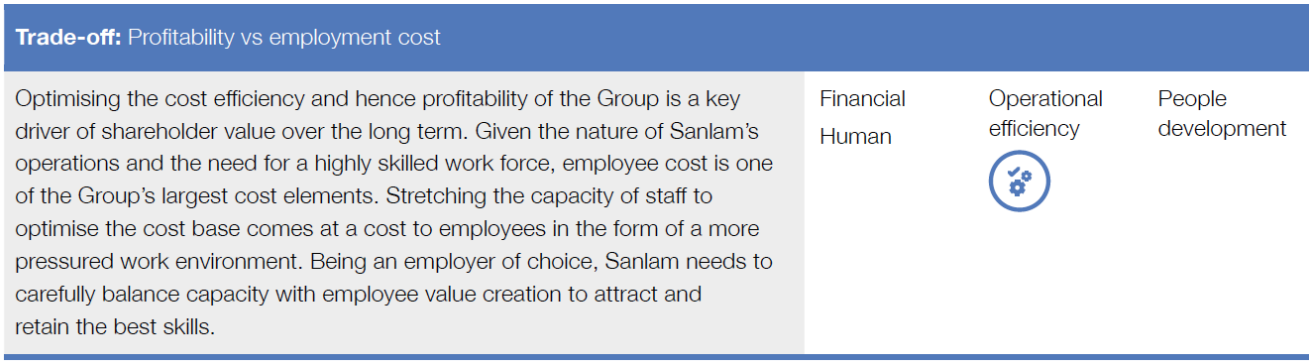


Figure 7: SANLAM, 2016 Integrated Report, page 47

Yet, in the integrated reports we analyzed, the commitment of each organization to strengthening intellectual capital to pursue a long-term strategy is not obvious: some reports briefly raise this topic, but they rarely address this subject fully.

Furthermore, the human capital resource elements are most often addressed in a purely descriptively way. This makes it challenging for some readers who may need metrics to appreciate the measures and investments made by the company on these items (e.g. average number of training days per employee, average training cost per employee, number of employees who benefited from some form of work-life balance measures etc.), as well as the direct and indirect benefits (e.g. internal mobility rate, global turnover, group employee engagement rate, employee satisfaction level etc.).

In conclusion, if strategic objectives are currently described in corporate reports, the relationship between current and future resource allocation (notably through financial or non-financial KPIs) could be enhanced for half of the integrated reporters in our sample, and is largely non-existent for more than 65% of our overall panel.

Strengths and weaknesses

General aspects

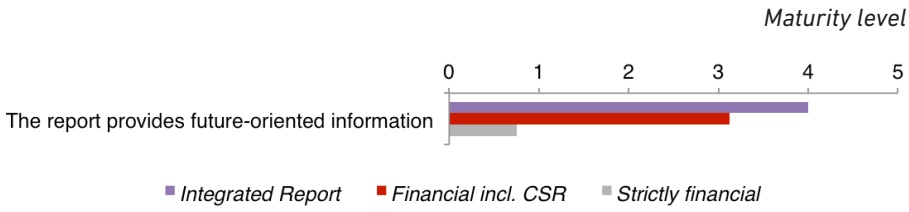
As noticed in our previous publication, the structure and logical flow of insurers' reports are often driven by company- specific logic (related to the business activities). Integrated reports tend to have a more consistent and easier structure based on a mix of certain content elements (e.g. strategy, business model and value creation process, risks and opportunities) addressed from a materiality perspective.

As mentioned earlier, management reports contain a number of features required by the International <IR> Framework and therefore constitute a significant improvement compared with traditional financial reports. However, a significant difference between integrated reporting approaches and other corporate reporting lies in the importance a company attaches to developing integrated thinking at a strategic level, therefore instilling a holistic vision shared among all teams and departments, including support functions, involved in the preparation of the report.

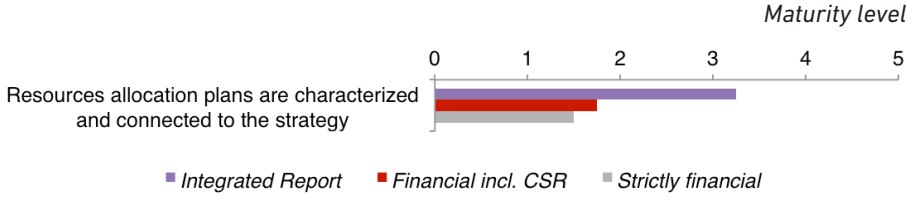
Guiding principles

Strategic focus and future orientation

Another purpose of the integrated reporting approach is to provide comprehensive information about the organization's strategy and future outlook.



This information is often included in a dedicated chapter on strategy (45% of the overall panel, and 63% considering IR reporters only), but prospective information is also regularly spread throughout the document. As mentioned in the previous chapter, even though strategic drivers and future key factors are described in the reports and resource allocation is often mentioned, we observe that current reporting practices could better link resource allocation plans and strategy (for 75% of the panel).



Our strategy

Accelerate to excellence

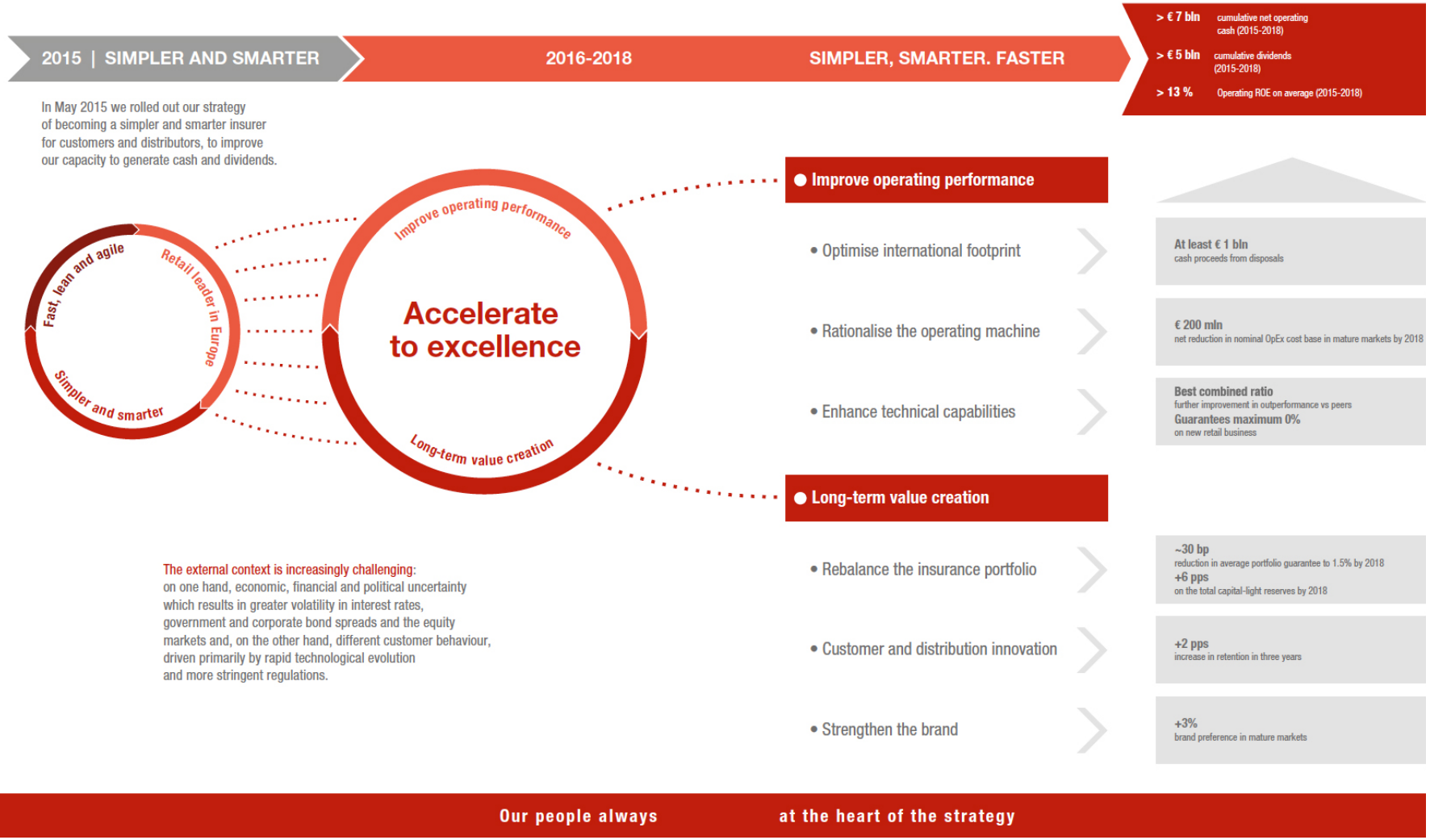
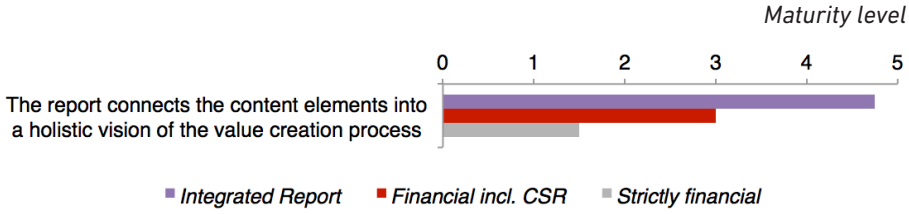


Figure 8: Strategy and future orientation (GENERALI, 2016 Integrated Report, pages 24-25)

Connectivity of information

Integrated thinking provides companies with the opportunity to expose their activities within a holistic framework and tackle their organization about interdependencies of external and internal factors that impact the value creation process. Financial reports barely introduce the interconnections between strategy, value creation process, risks, opportunities and performance across different timescales. By contrast, the connectivity of most of the integrated reports from our panel was strong on these items.



For instance, the connectivity of integrated reports is characterized by clear explanations of the consistency between long-term factors and key strategic drivers that affect the business, as well as the ability to create value for all stakeholders over time. As illustrated below, Nedbank's report describes its medium to long-term target for each stakeholder in order to achieve its 'deep green aspirations'.

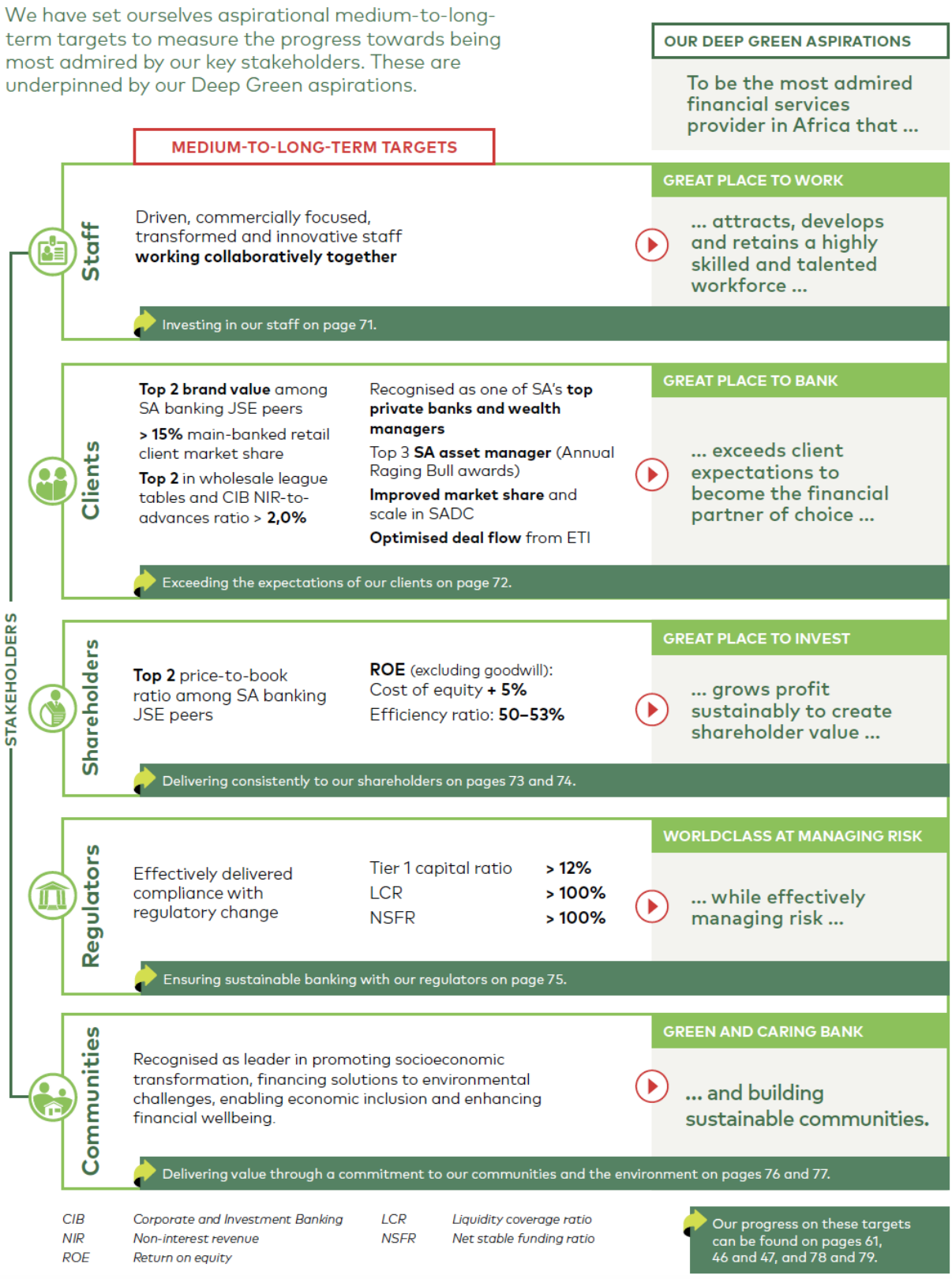


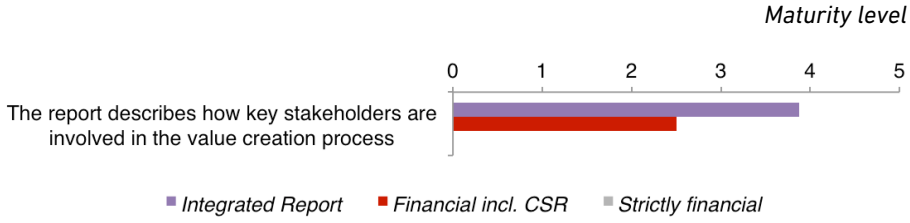
Figure 9: Medium-to-long-term targets (NEDBANK GROUP, 2016 Integrated Report, page 16)

Integrated reporting is expected to bridge time horizons. Nevertheless, we noticed that most of our panel's integrated reports do not yet systematically attempt to link medium or long-term time scales by using qualitative or quantitative information on future expected performance with the strategy and general outlook.

Stakeholder relationships

Integrated reporting cannot ignore key stakeholder interests when describing the value creation process.

While this is largely missing within traditional financial reports, stakeholder relationships are increasingly introduced in CSR chapters of financial reports and in management reports, often in the form of stakeholder mapping (30%) or narratives (50%). Beyond being identified, most corporate reports tend to describe the interdependencies between value creation and stakeholders' interests.



In AEGON's integrated report, the map below describes how stakeholder needs have been taken into account within the strategy definition.

Channels	Stakeholders				
	Customers	Employees	Investors	Business partners	Communities
Surveys	●	●	●	●	
Face-to-face/individual meetings	●	●	●	●	●
Teleconferences			●	●	
Roadshows		●	●	●	●
Workshops		●			
Focus groups	●	●		●	
Annual Shareholders' Meeting	●		●	●	●
Working groups		●		●	●
Aegon.com	●		●	●	●
Social media	●			●	●
Company intranet		●			
Multi-stakeholder meetings				●	●
Engagement level	Extensive	Extensive	Extensive	Moderate	Basic

Extensive: Frequent engagement involving senior management and regular, formal interaction.
Moderate: Regular engagement involving senior management or subject matter experts with ad hoc or occasional interaction.
Basic: Ad hoc or occasional engagement not involving management and usually through conferences, seminars, letters, emails, telephone or training and information sessions.

Figure 10: Stakeholders overview (AEGON, 2016 Integrated Report, page 4)

Nevertheless, few corporate reports clearly map the main stakeholder relationships and outline how the organization takes them into account on a sustainable medium or long-term basis.

Materiality

Materiality is one of the underlying concepts of integrated reporting and a differentiating factor compared with financial reports. Although disclosure of material matters in the insurance and reinsurance sector could be perceived as widespread, specificities of each business model imply to prioritize each matter, and focus on the interesting ones from a stakeholder's point of view.

For example, in order to introduce the matters considered as most material, and still produce an ambitious and hard-hitting report, we noticed that AEGON chose to raise the subject of global aging in the introduction of its integrated report and asked an independent expert to write an opening column on this matter.

According to our panel, material trends are better covered in integrated reports than in other corporate reporting but, surprisingly, current insurance matters such as financial market volatility or demographical evolution (among others global aging) are not systematically developed in integrated reports.

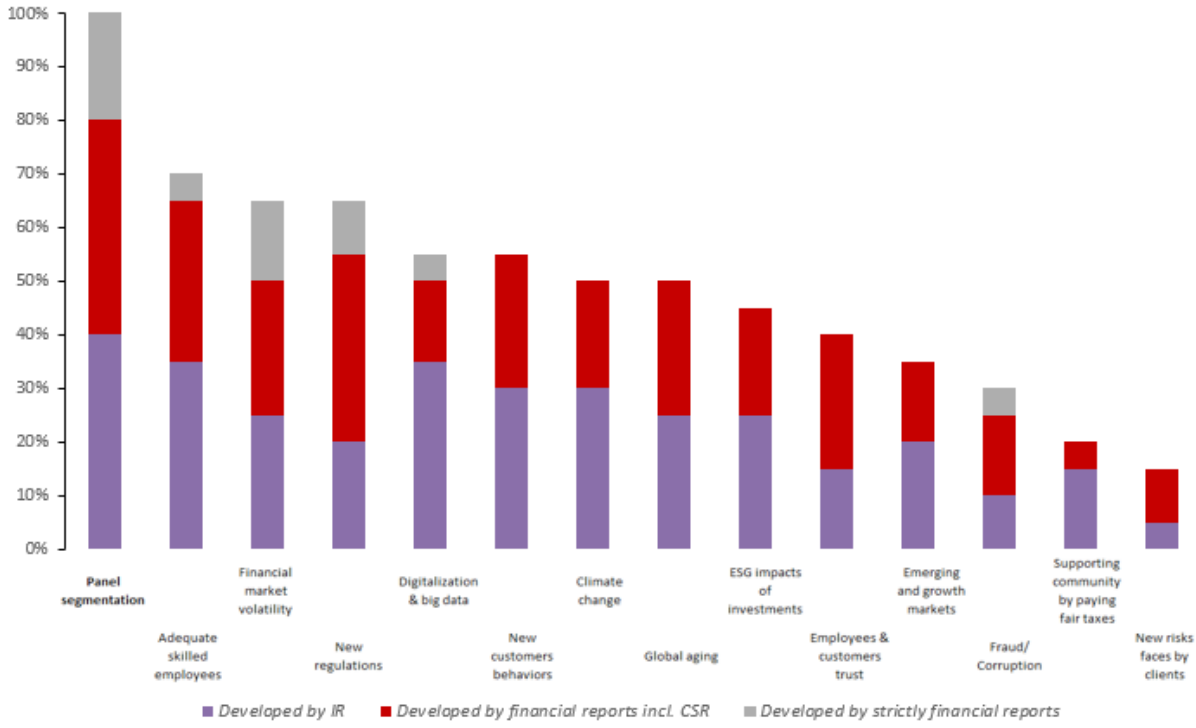


Figure 11: Material trends/factors developed in the reports (% of the panel)

Changes in technology (e.g. digitalization, new customer behaviors etc.) and regulation in financial services are forcing companies to adopt new business models in order to keep up with a fast-paced changing environment. For example, in AXA's integrated report, its material factors are strongly linked to its growth strategy and identified as 'priority markets': Asia, as an emerging and growth market, but also Health and Retirement Savings since global aging impacts insurance business activities. As a matter of fact, innovation is a key lever for most insurers to consolidate their position in the market.

Conciseness

An integrated report responds to a dual objective: be concise and 'sufficient [...] without being burdened with less relevant information'[13]. From a quantitative point of view, the integrated reports included in our panel have less pages than financial reports with lengths varying from 48 pages before appendix (MS&AD) to 200+ pages.

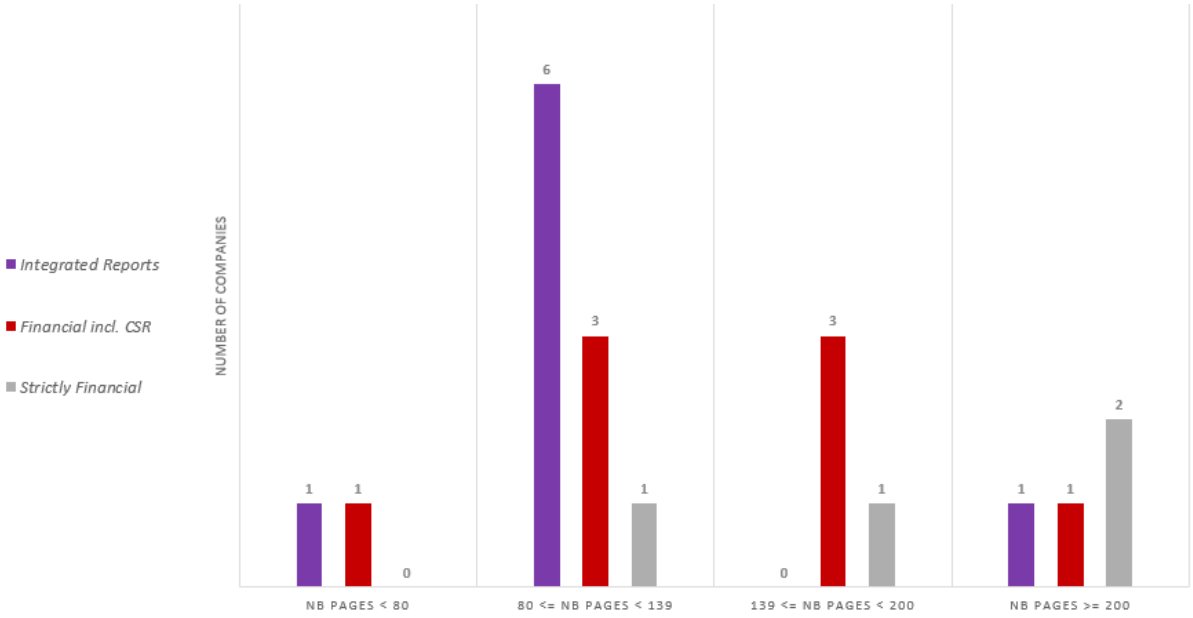
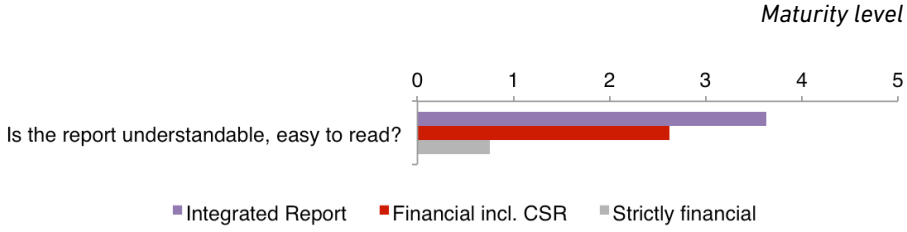


Figure 12: Length of reports from our panel

This is due to the materiality exercise allowing companies to focus only on significant matters and the use of visual aids. As a consequence, integrated reports distinguish themselves by their conciseness and the clarity of their content.



Reliability and completeness

Since an independent auditor's report on integrated reports is not mandatory, the Framework requires reports claiming to be integrated reports to include a *statement* from those charged with governance acknowledging their responsibility, among other things, to ensure the integrity of the report. This brings more credibility to the approach and guarantees the accuracy of the information provided.

13 - International <IR> Framework, paragraph 3E

All integrated reports from our panel refer to the International <IR> Framework, albeit not all of them include a statement as described in the Framework, with the mention of these three following items:

- an acknowledgement of their responsibility to ensure the integrity of the integrated report (75% from the <IR> panel meet this requirement)
- an acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report (only 25% from the <IR> panel)
- their opinion or conclusion about whether the integrated report is presented in accordance with this Framework (only 25% from the <IR> panel)

The International <IR> Framework also gives complementary guidance to enhance reliability, notably by publishing information in a balanced way with both negative and positive matters. In our panel, we identified an innovative approach to challenge the content of the publication with no bias: this year, SANLAM requested feedback on its previous integrated report from its main stakeholders, and published summarized feedback including any areas of improvement (e.g. on the materiality of reporting content, the Cluster was "satisfied, with suggestions to include, for example, quantification of long-term opportunities and risks, more granular detail per country and performance tracking per investment[14]").

Consistency and comparability

Comparability could be enhanced by using more standardized metrics as well as relevant ratios. For example, publishing the average cost of training per employee is more meaningful than publishing the cost of training by itself.

88% of integrated reports from our panel use industry or regional benchmarks and 63% refer to independent information (NGOs, professional associations). For instance, AXA's integrated report mentions the "Han et al" study (2010) showing a positive correlation between insurance penetration and economic growth.

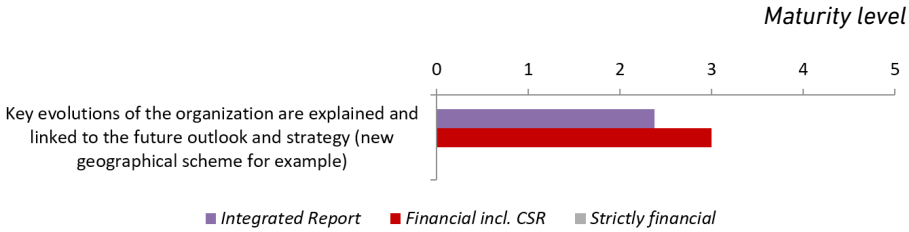
We also noticed that about 55% of our studied panel include main KPIs on past performance only: it is rare for reports to publish performance targets. An organization's ambition of future years' performance could, nevertheless, be illustrated through estimates. Still, with reference to AXA, the integrated report links concrete actions with their KPIs for 2020 (e.g. +€100m invested in academic research on risks by 2018, 10x increase in active users of mobile prevention application by 2020)[15].

14 - SANLAM 2016 Integrated Report, page 7 – How useful is the Integrated Report for Sanlam's providers of capital?
15 - AXA 2016 Integrated Report, page 44 – AXA's Sustainability Plan:"2020 Better Lives Partnership"

Content elements

Organizational overview and external environment:

The external environment is extensively addressed from a descriptive point of view (e.g. societal issues such as demographic change, or economy digitalization and technological changes impacting customer behaviors) but external environment changes, even if they are explained in the report, are rarely linked to the strategy except when they are perceived as key material matters.



On this basis, integrated reports achieve a significantly better maturity level compared with other reports. For example, AEGON identified 7 key material matters among which some are only and directly due to the external environment (low-interest rates, increased regulation in financial service); it then explains how the organization takes these matters into account in its strategy to increase its resilience to external matters.

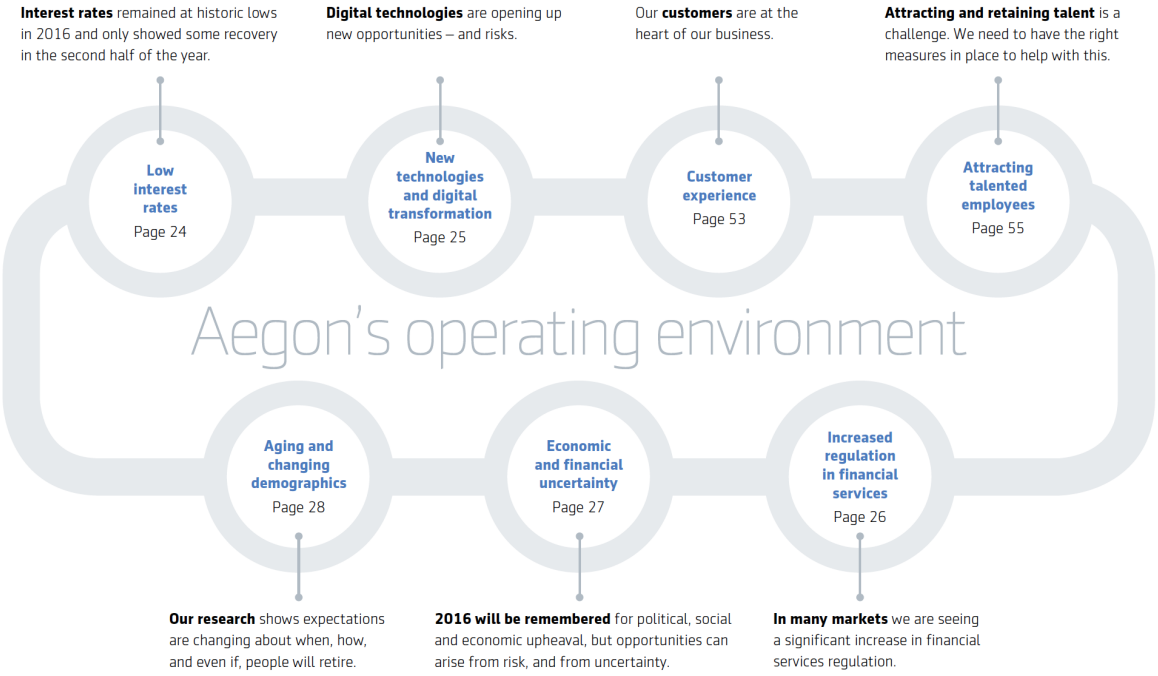
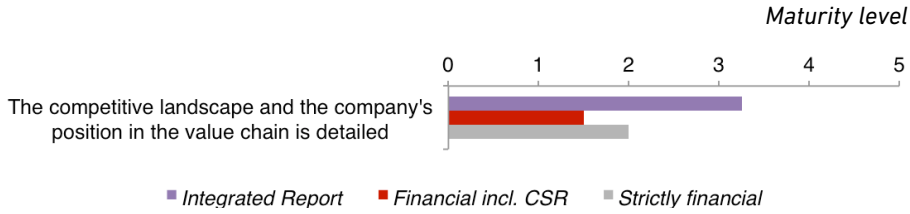


Figure 13: Operating environment (AEGON, 2016 Integrated Report, page 23)

Nevertheless, the external environment is also defined by the competitive landscape, which is barely introduced in corporate reporting from our panel: for instance, reports mentioning the startup ecosystem are rare.



Governance

Most of the reports (including financial ones) describe the organization's leadership structure, including skill and diversity guidelines.

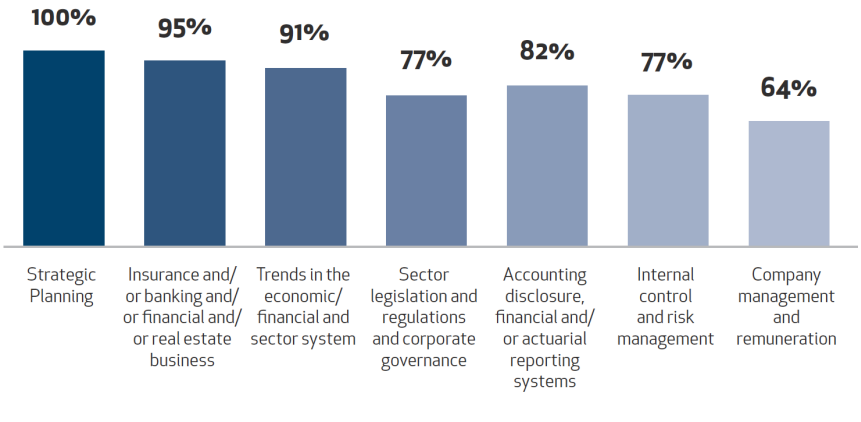
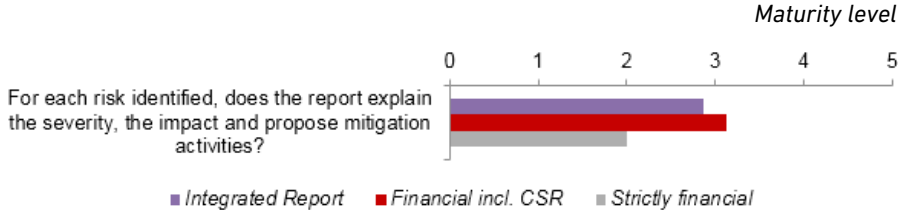


Figure 14: Corporate Governance: Skills of the Board of Directors (UNIPOL, 2016 Integrated Report, page 53)

Skill disclosures should genuinely reflect the ability of a Governance Function holder to contribute to value creation by taking relevant strategic decisions. Generic representation of governance bodies or a presentation of their respective roles and their past/current actions does not illustrate their role in the value creation process.

Risks and opportunities:

Risk disclosures have been required by regulation for a long time: the International <IR> Framework has been commonly applied to this topic by organizations of our panel publishing an integrated report.



Publishing specific risks on material matters and explaining how the organization is dealing with them is a significant area of differentiation of integrated reports, compared to traditional financial reporting.

New customer needs

Risk identified

Strategic risk
Insurance risk

In this currently uncertain economic environment, consumer attitudes to insurance products and services are changing in light of two global trends:

- **digitalization**, which has introduced new selling options and different insurance product management
- **economic uncertainty**, which has changed spending on savings and other insurance products.

Today, customers are demonstrating greater attention to service quality: they no longer rely only on an agent to acquire an insurance product; rather, they have a more independent approach to the decision-making process, which includes visiting the websites of insurance companies, reading customer reviews on social media and checking comparison websites.

Our risk management

We aim to become the **top choice of clients and distributors**. We offer insurance solutions and services that are simple, tailored and even more innovative to meet their needs, also digital ones, and to improve their customer experience. We are analyzing and implementing a real digital transformation in our business units in order to make our global distribution networks more efficient. We are supporting them so that the interaction with clients can be increasingly based on an advisory approach. It means to interpret the clients' needs and offer the best solutions for them.

Sustainability Report 2016, p. 57; 63

Technological evolution

Risk identified

Strategic risk
Operational risk

We are facing a profound change caused by the interaction and the cumulative effects of various developments in technology: the Internet of Things, the constant growth of mobile networks, the adoption of cloud services, the development of cognitive computing and machine learning are all elements that contribute to creating a renewed environment in which to operate.
The unprecedented availability of customer data, combined with the **technological capabilities** of processing data quickly and efficiently in terms of costs, allows the insurance business to create customized prices and identify potential fraud. However, it creates potential risks arising from the management of personal data as well as new challenges within the traditional insurance risk management model.
Technology as an enabling element of the processes may also impair business continuity, representing a potential threat (malfunction of equipment and systems, etc.).

Our risk management

We have implemented an **analytics platform on cloud** in all our business units, leveraging the cutting-edge technologies for the management and analysis of data. The technology was critical to provide a superior user experience, designed to bring us closer to requests for greater digital interaction from our clients. This development is based on a hybrid architecture that offers the latest mobile technology.
To protect our trustworthiness, reputation and survival from threats of natural, human and technological origin, we have also implemented a **Business Management Continuity process** that identifies critical processes and operational risks that may interrupt business operations, as well as risk mitigation measures and solutions to recover and resume vital business processes as soon as possible and with limited financial impact.

Uncertain financial and macro-economic landscape

Risk identified

Financial risk
Credit risk
Strategic risk

In 2016, numerous political events have impacted the global economy: the referendum on the constitutional reform in Italy, Brexit and the US presidential elections. At **macroeconomic** level, Italy remains in difficulty, with expected growth of 0.8%; Eurozone growth forecasts stand at 1.7% in 2016 and 1.5% in 2017. The British economy has not yet shown signs of a slowdown, and the pound has depreciated by 17% with respect to the euro. Consumption has slowed and investments are weak in the United States. US growth forecasts are 1.6% for 2016 and 2.2% for 2017; the Fed will therefore raise benchmark interest rates.
The European **insurance sector** was characterized by good performance in property&casualty premiums (with the exception of Italy), in line with the albeit feeble economic recovery and a certain difficulty in the performance of life premiums, influenced by low interest rates. This situation should also continue in 2017; the only exception is forecast in Italy, which is expected to record an improvement in life premiums.

Our risk management

Macroeconomic and financial expectations, along with yield expectations of policyholders, the Solvency II rules relating to the calculation of economic capital and Group targets on profitability, are the main factors influencing the definition of our **asset allocation strategy**. In addition, the progressive decline of interest rates and the new regulatory environment have made asset management disciplined and focused on consistency between assets and liabilities even more important.
In investment activities, factors such as geographical diversification and a selective focus on alternative investments are key to limit portfolio risks and strengthen current returns.

Figure 15: (GENERALI, 2016 Integrated Report, pages 36-37)

Some integrated reports identify opportunities where specific risks lie, as illustrated in the figure below. Disclosing information about opportunities as well as risks is required by the International <IR> Framework.

Figure 16: (AXA, 2016 Integrated Report, page 42)

Nevertheless, the disclosure of opportunities and their potential as levers of value creation, should be more widespread.

Conclusion

The progressive adoption of integrated reporting these past three years illustrates the important mindset changes that companies experience in preparing to full implement the principles of the International <IR> Framework. Developing Integrating Thinking within the organization and then reflecting the outcome of that in their integrated report can be perceived as a rewarding but ongoing journey.

By studying the differences between the reports of companies on our panel, we noticed the misinterpretations and misapplications of several content elements and guidelines of the International <IR> Framework. For instance, the difficulty, as a reader, of understanding the relationships and tradeoffs between the different capitals and the value creation process acts against the connectivity of information and integrated thinking. For a conglomerate company with multiple business models, reporting in silos is still ongoing.

Nevertheless, as shared within this report, we noticed some good integrated reporting practices from our panel that could provide inspiration for other insurers and reinsurers to improve their reporting.

As a conclusion, our three main areas of advice are as follows:

- Integrated reports globally are not yet implementing the Framework principle of conciseness: referring more often to the corporate website or other online publications for more detailed information could be more widespread.
- Using more visual aids such as diagrams and graphs allows readers to understand at a glance complex concepts such as strategy, business model and value creation.
- Collecting and disclosing relevant KPIs and/or giving examples of concrete actions will better communicate the key messages in the narrative parts of the integrated report.

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