

KEY TAKEAWAYS

Embedding ESG into insurers' corporate culture

Wednesday 1 March 2023

The issues

- Insurers have a major role to play in addressing ESG-related risks. To successfully do so, cross functional buy-in is needed.
- Embedding ESG-related change into corporate culture requires all functions to work together for a common purpose, at the direction of the Board.
- Employees, regulators, investors and customers are all watching and need to be able to monitor progress. Sustainability reporting is one aspect of this. Having a diverse, motivated and fulfilled executive team and workforce is another. Insurers' legal and compliance functions have a role to play.
- The Central Bank of Ireland has been critical of aspects of insurers' corporate culture; in particular of a perceived absence of diversity and on its impact on consumers and investors.
- Sustainability reporting obligations, in particular the mandatory requirements being introduced by the Corporate Sustainability Reporting Directive (CSRD), will be a driver for change. It is important to be able to engage with your Boards on them.
- The processes and infrastructure in place for reporting of sustainability information on a voluntary basis against sustainability frameworks and standards can be adapted and built on as part of your CSRD implementation project.

Our recommendations

- Support your Boards with implementing employment policies and practices that foster a positive workforce culture.
- Encourage a move away from a siloed function-by-function approach – would a cross-functional ESG committee make sense?
- Consider your firm's whistleblowing policy – is it up to date? Having a culture that encourages employees to speak up, knowing that issues will be investigated when they do, is consistent with sound social and governance credentials.
- Explore with your Board whether it has assessed the alignment of D&I strategy with wider strategic objectives. There should be no disconnect between the strategy and operation of the D&I policy.
- Be mindful of culture-related expectations in upcoming guidance on climate change risk and of relevant UK developments. The trend is towards a need for robust matrixes, targets and consequences (including as to remuneration) where commitments are not met.
- Put a project plan and team in place in respect of your CSRD implementation project.
- Leverage off the work already being undertaken in your group to report sustainability information on a voluntary basis when putting a system in place to collect the data required to report against the standards being introduced by CSRD.

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