

REGULATOR UNVEILS UPDATED CODE OF CORPORATE GOVERNANCE AT SUSTAINABLE FINANCE WEEK

10 JUNE 2021

Day three of Sustainable Finance Week saw Guernsey's Financial Services Regulator announce an updated Code of Corporate Governance to take into account the effects of climate change.

Company boards will now be asked to consider the impact of climate change on their strategy and risk profile and, where they judge it appropriate, make climate change related disclosures.

Guernsey Financial Services Commission Director General William Mason said the commission's aim in amending the code is to ensure Bailiwick firms are prepared to engage with the issue in a way that is proportionate to the nature of their businesses.

"We have today issued our code of corporate governance which is binding on financial services firms in the Bailiwick. We are asking firms to consider the impact of climate change on the firm's business strategy and risk profile and, where appropriate, make timely climate change-based disclosures," said Mr Mason.

"Why are we doing this? It is designed to encourage timely thought at board level about how and when businesses will need to adapt to the extent that businesses have not already adapted to the major world economies' commitment to net zero emissions targets, somewhere between 2050 and 2060."

He added: "At the Commission we believe in having low administrative burdens but strong policy outcomes as a result of our regulation."

The amendments to the Code will come into effect from 1 October 2021.

The announcement came as breaking news during the third and final day of Sustainable Finance Week. The theme for the final day was a focus on the insurance industry, and how insurance helps mitigate the impact of climate change through climate funding, resilience, adaptation.

Panelists discussed the positive impact of international collaborative bodies, including speakers from numerous global NGOs, and looking particularly at the science behind climate change, the real-world implications of hurricanes and volcanoes, and how insurance structures can drive capital flows to climate mitigation projects.

Meredith Jones, global head of ESG, Responsible Investing at day three event sponsor Aon Insurance Managers, said: "The challenges facing the insurance industry are very different from 5 or 10 years ago. Unpredictability, changing population density is causing the cost of disasters to go up. What's particularly challenging for industry is smaller scale Hurricane Katrina type events that seem to be happening with increasing frequency."

Stephen Nolan, Managing Director of the UN Sustainable Insurance Forum discussed how the work of the UN FC4S and UN Sustainable Insurance Forum provides a holistic approach to managing a wide range of global and emerging risks in the insurance business.

He spoke of the importance of corporate governance in integrating climate risk. Mr Nolan added that there are challenges including the need to upskill people to better apply incoming policies and regulations, more consistent data on ESG risks and global conversions on policy and regulations.

Barnaby Molloy, a Director at Guernsey Finance, said "Once again, we have welcomed guests of an incredibly high calibre from across the globe for some excellent quality debate.

"We were delighted to hear from Prajwal Baral, a Senior Advisor at the UN Convened Sustainable Insurance Forum on the financial materiality of biodiversity and how nature related risks relate directly to the insurance industry.

"However, what stood out for me today was today's timely announcement from the Director General of the GFSC.

“A need for action has very much been the theme of the week and what was outlined at today’s event, in the updated Code of Corporate Governance, signifies just that.”

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