

WIZ VIRTUAL ANNUAL SYMPOSIUM 2021

(PROUDLY POWERED BY WOMEN IN INSURANCE IN THE SADC REGION)



DR. YESIDE OYETAYO GUEST OF HONOUR NIGERIA



DR. GRACE MURADZIKWA
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KUSHATHA MOSWELA
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CHRISTABEL BANDA
ZAMBIA



ALEXANDRA VIOLA
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THOKOZILE MAHLANGU
SOUTH AFRICA



TEMWANI DIKA SIMWAKA
MALAWI



EUNICE MUJEKENYEKI
ZIMBABWE



Thur 21 and Fri 22
OCTOBER
2021

THEME:

Having Conversations that Matter - Women Advancing Insurance for a Better World.

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HOW CAN INSURERS ADDRESS ESG RELATED RISKS

Eunice Mujekenyeki

Old Mutual Zimbabwe Group Chief Risk Officer



PRESENTATION OUTLINE

BACKGROUND &
WORLD TRENDS

BEST PRACTICE
GUIDANCE

ESG RISKS &
RESPONSES

RECOMMENDATIONS
FOR INSURERS



BACKGROUND & WORLD TRENDS

Environmental, Social & Governance – Increasing Prominence

Businesses are environmentally and socially conscious, plus sound corporate governance principles.

Asset Management & Banking Sectors - Leaders

ESG Investing, Green Investments, ESG Lending, ESG Scoring

Politically - Green Parties



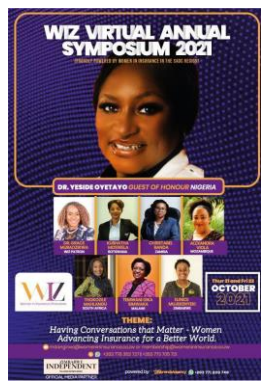
BACKGROUND & WORLD TRENDS

Academic Qualifications - CFA Institute Certificate in ESG Investing, Bachelor's Degrees in Environmental Finance, International Association for Sustainable Economy (standard setting body for all ESG professionals globally)

Reduced financing of projects involving environmentally damaging activities.

The Industrial and Commercial Bank of China in June 2021 said it will not go ahead with financing a US\$1.2 billion Coal Power Plant in Zimbabwe in favour of clean energy like solar and wind power.

World is going green - Insurance Sector????



BEST PRACTICE ESG GUIDANCE

World Economic Forum,
Sustainability Accounting Standards Board (SASB),
Global Reporting Initiative
Task Force on Climate-related Financial Disclosures (TCFD)

September 2020, WEF White Paper on ESG practices.

Four pillars aligned to the Sustainable Development Goals (SDGs):



BEST PRACTICE ESG GUIDANCE Cont'd....

Planet

• Environment

Principles of Governance

• Governance

People & Prosperity

• Social



ESG RISKS - Planet (E)

Planet – Considerations & Risks

1. Environmental concerns
 - Pollution
 - nature loss
2. Climate Change Risk
 - Adverse Weather Events – Increased Weather Related Claims, Loss of Investment Assets
 - Transition Risk – policy risk, new laws Carbon Tax, Climate Change Bill
3. Reputational Risk – Only funders of environmentally damaging projects.

Planet – Insurer's Response

- Investments in environmentally friendly projects
- Managing carbon footprint, greenhouse gas emissions, land use sensitivity
- Reduce Printing
- Customers & Suppliers – ESG compliant
- Climate Change Risk Management Policy
 - Risk transfer to Reinsurers
 - Climate Change Projects



ESG RISKS - Planet (E) Insurer's Response

Planet – Metrics

1. Green Investments Target
2. Carbon Footprint Target – reduce greenhouse emissions, use of fossil fuel powered cars and generators – Replace with Electric Cars, Solar Power Back Up Arrangements
3. Green Buildings
4. Responsible Education



ESG RISKS - People (S)

People – Considerations & Risks	People – Insurer’s Response
<ol style="list-style-type: none">1. Dignity and Equality – Staff Turnover Risk2. Health and Well-being – Employee Health & Safety Risk, Litigation3. Skills for the future – Future-Unfit4. Diversity Risk	<ol style="list-style-type: none">1. Workforce Diversity and inclusion by age group, gender and ethnicity,2. Pay equality i.e. women to men, minor to major ethnic groups3. Health and safety of employees4. Training for future skills5. Incidents of child, forced or compulsory labour tracking for suppliers and customer.



ESG RISKS - People (S) Insurer's Response

People – Metrics

1. Diversity Targets – age, gender, race
2. Safety Practices & Targets - Workplace Injuries
3. Staff Turnover Ratio
4. Future Skills Training Budget & Actual Spend



ESG RISKS - Prosperity (S)

Prosperity – Considerations & Risks

Responsible to the Communities

1. End poverty and inequality
2. Decent employment, sustainable livelihoods, and access to financial services for all people,
3. Innovation and transforming business models to create shared value,
4. Investments in sustainable and resilient infrastructure
5. Shared prosperity and equitable growth

Main Risk - economic challenges, high poverty levels, reduced demand for products and services leading to Social Unrest



ESG RISKS - Prosperity (S) Insurer's Response

Prosperity – Insurer's Response (Actions)

- 1. Enhance prosperity within the market and the environment
- 2. Innovation and risk mitigation - sustainable development and economic growth.
- 3. Strong stakeholder relationships

Prosperity – Insurer's Response (Metrics)

- 1. Employment and wealth generation - Absolute number and rate of employment (new hires),
- 2. Innovation of better products and services - Total costs related to research and development, number of new products and services introduced per reporting period,
- 3. Community and social vitality - Total tax paid, number of CSR initiatives



ESG RISKS - Principles of Governance (G)

Governance – Considerations & Risks

1. Quality of Boards of Directors
2. Director Independence
3. Oversight of operations, risks & opportunities
4. Ethical behaviour
 - Conflict of Interests
5. Director and management compensation

Governance – Insurer's Response

- Board and its committees: Economic, & ESG skills; executive or non-executive; independence; tenure of directorships; number of each director's other directorships; gender
- Reporting unethical or unlawful behaviour
- Opportunities and risks balanced with economic, environmental and social issues.

Major Mitigant - Sound Corporate Governance Guidelines Developed by the Regulator – Insurers need to Comply with the Requirements



ESG RISKS - Governance (G) Insurer's Response

Governance – Metrics

1. Quality of Boards of Directors (composition & Skills mix, gender diversity)
2. Board Meeting Attendance
3. Ethical behaviour - Total number and nature of incidents of corruption; monetary losses from unethical behaviour
4. Risk and opportunity oversight - Economic, environmental and social topics in capital allocation framework.



ESG RISKS - REFLECTIONS ???

**Business with companies that damage the environment? – Impact Reduced
Business/Investment Options – Growth Risk (target market reduced)**

Lower premiums for ESG compliant customers? Lower business returns

Weather insurance to only those ESG compliant? Lower new Business

Invest into Green projects? – PA status, regulatory compliance

**Foreign funding to be channelled towards ESG compliant investments – Partnership
Opportunities**



CONCLUSION & RECOMMENDATIONS

ESG Practices – Rising Global Trend

Adoption Recommended

Proactive Compliance

ESG Framework/Policy including Metrics, Training Programs
Climate Change Project

Big Bang Approach



Phased Approach



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