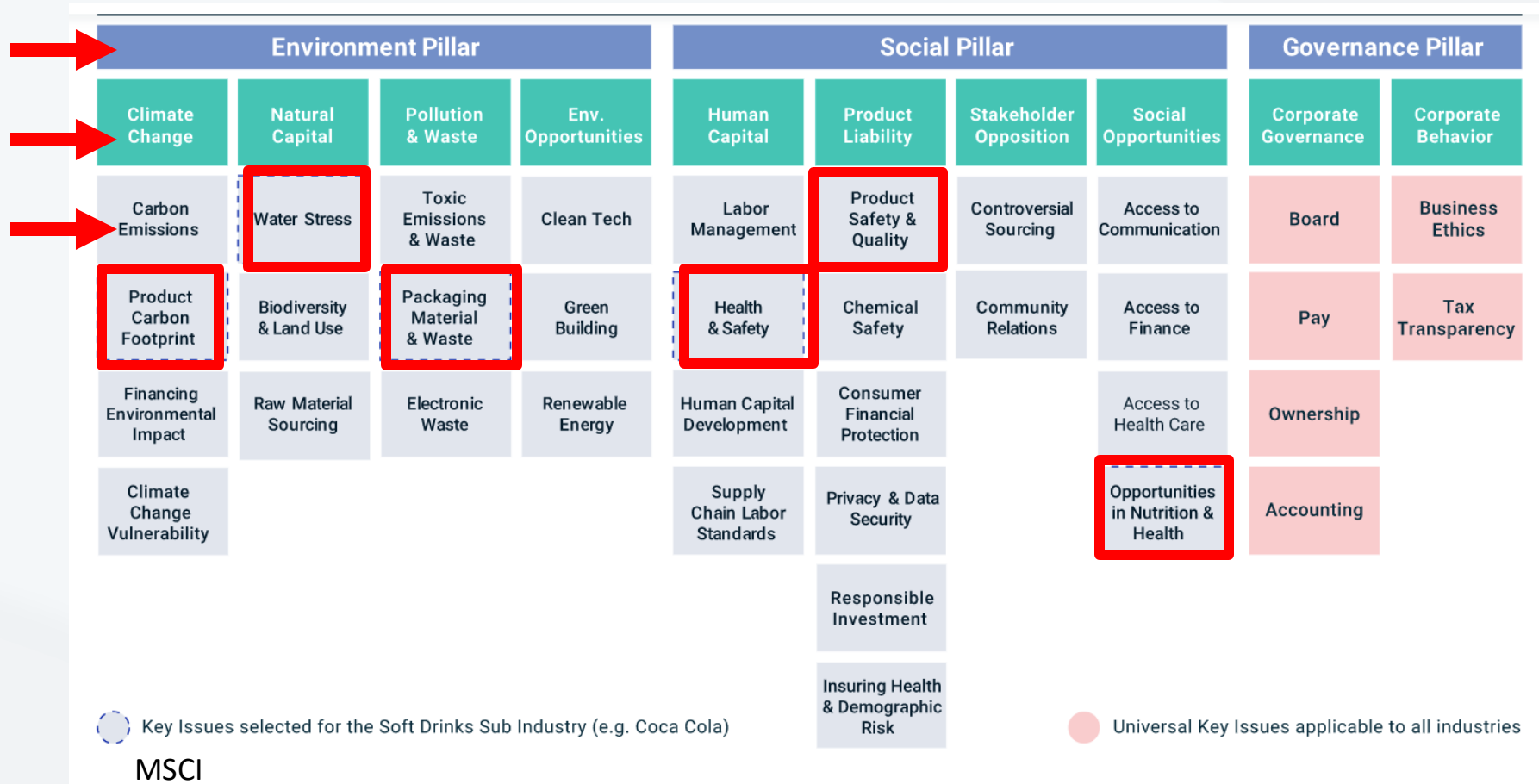


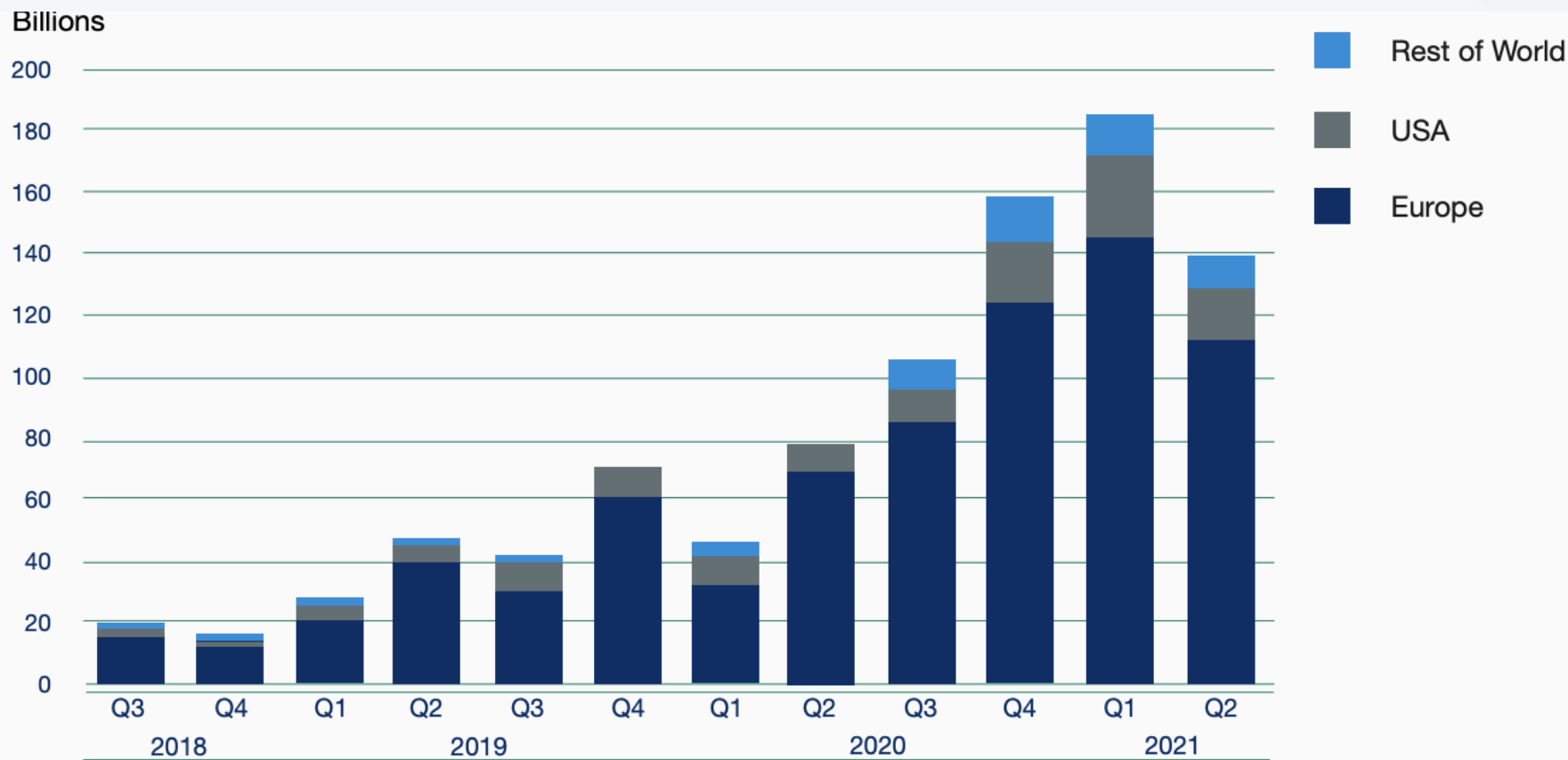
How should companies think about ESG?

Insurance Association of the Caribbean
6 June, 2022
Dr Axel Kravatzky

SEN



ESG-themed funds are growing rapidly – esp. Europe

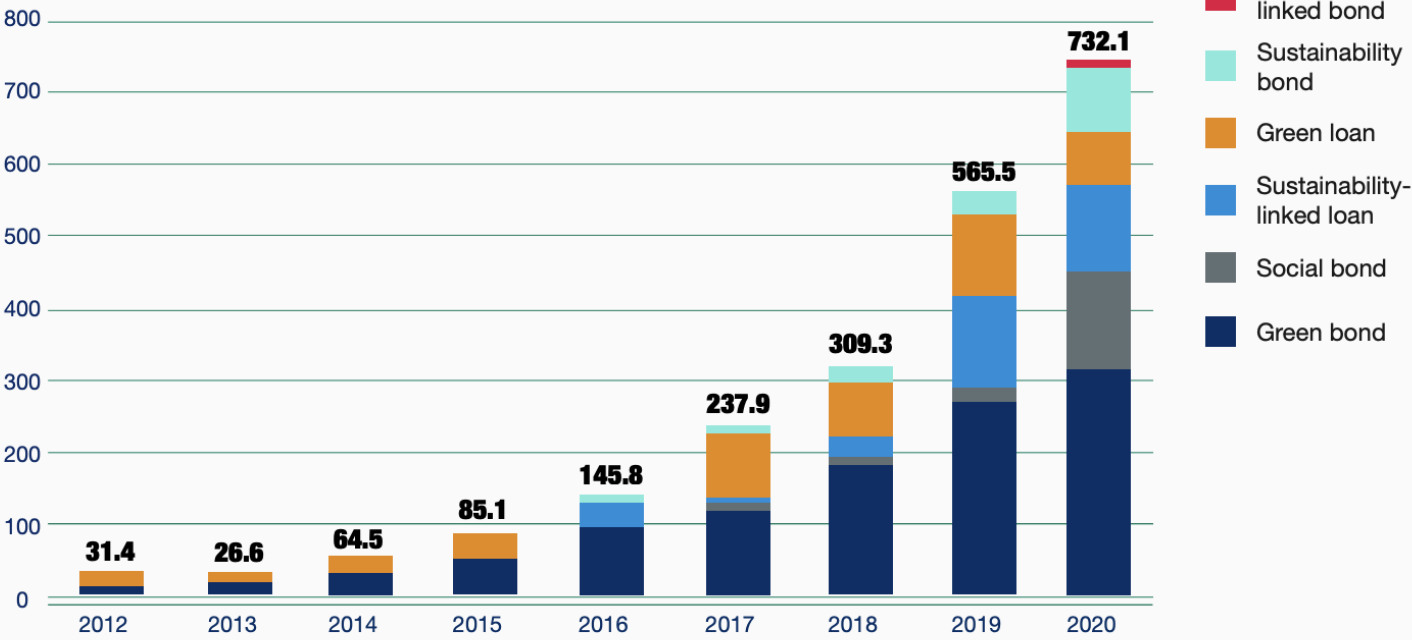


[connecting-esg-capital-markets-and-cfos-nov21.pdf \(sustainability.com\)](#)

Sustainable Finance Issuance is growing rapidly

Chart 2: Growth in Sustainable Debt Issuance 2012-2020 (US\$)

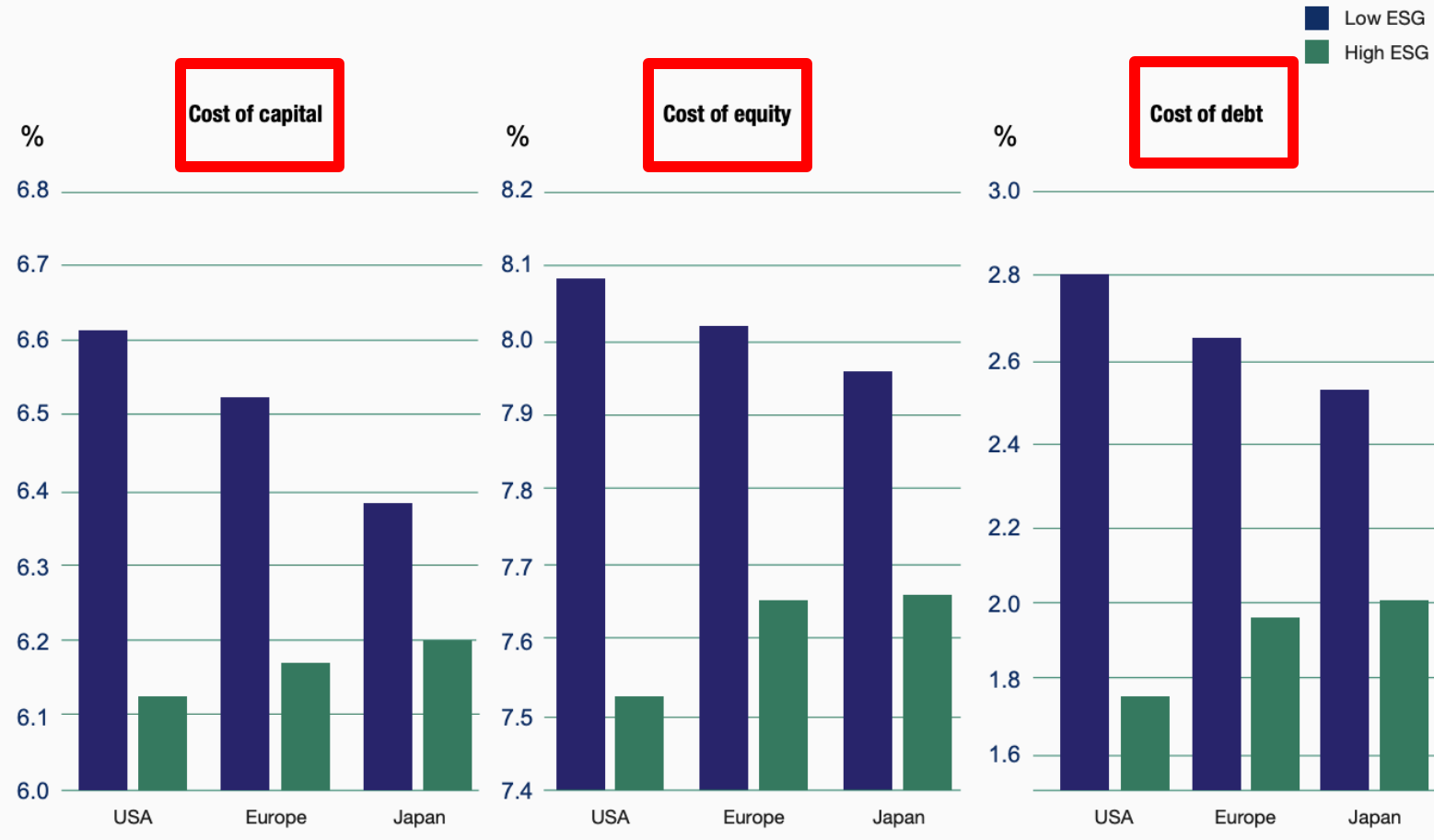
Issuance (\$ billion)



Annual sustainable debt issuance grew from \$31.4 billion to \$732.1 billion over the period 2012-2020. Source: BloombergNEF, Bloomberg LP¹⁵

[connecting-esg-capital-markets-and-cfos-nov21.pdf \(sustainability.com\)](#)

Chart 3: Costs of Capital, Equity, and Debt Compared to ESG Performance



[connecting-esg-capital-markets-and-cfos-nov21.pdf](#) (sustainability.com)

The costs of capital, equity, and debt compared to MSCI ESG Ratings performance ranging from low ESG performance to high ESG performance for companies in the U.S., Europe, and Japan. Source: MSCI²⁰

Latin America & the Caribbean

- Worldwide Green Bond Market: **US\$ 1.1 trillion**
- Latin America & the Caribbean: **US\$ 21.7 billion**
- 1 CARICOM based company: **US\$18.8 million**
- 2030 estimate by IFC : **US\$23 trillion**

Orient & Locate



Risks, Opportunities

2 Challenges




3

2


1





Is 20th Century Governance
leading us into the abyss?



- 
- Step 1: ESG Trends
 - Step 2: ESG in Insurance
 - Step 3: Two Challenges

Step 1

6 Disruptions that cannot be ignored

Digital technologies



Digital Transformation



- Changed consumer behaviours
- Changed employee expectations and behaviours
- Empowered investors

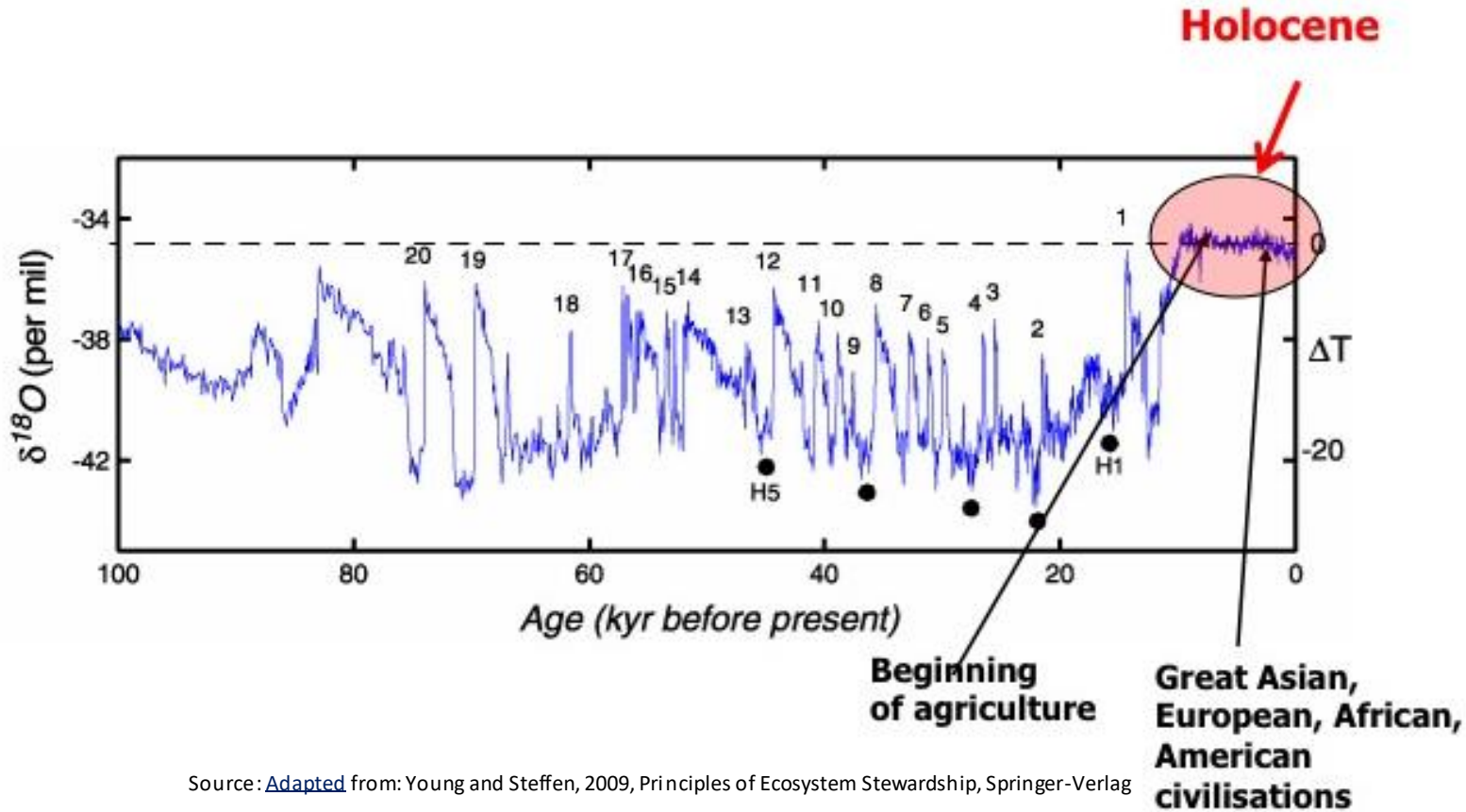
[ESG as a Business Model for SMEs by Mark Fenwick, Tronel Joubert, Sanita van Wyk, Erik P. M. Vermeulen :: SSRN](#)



Natural Environment

10,000 years of stable temperature

From Holocene to Anthropocene



Planetary Boundaries

- 9 processes that regulate the stability and resilience of the Earth system
- Crossing these boundaries increases the risk of generating large-scale abrupt or irreversible environmental changes



J. Lokrantz/Azote based on Steffen et al. 2015.

2 degrees Celsius is too much

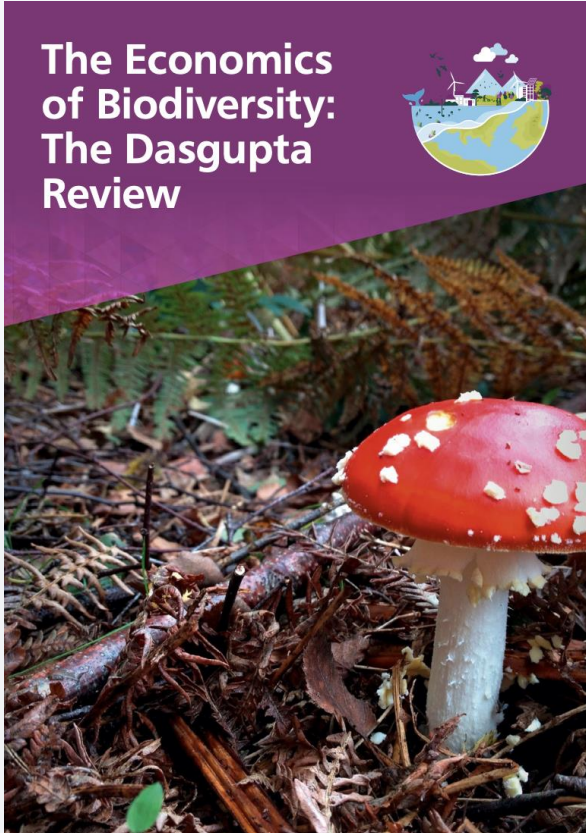


- Michael Taylor, Professor of Climate Science and Dean of the Faculty of Science and Technology at The University of the West Indies (The UWI), Mona Campus
- 2 degrees Celsius is too much for Small Island Developing States (SIDS).
- Even at 1.5 degrees Celsius, the islands of the Caribbean “are only guaranteed half a chance of a liveable future.”

Coral Reefs

- According to the [2018 report by the Inter-governmental Panel on Climate Change](#), a 1.5 degrees C of global warming would cause coral reefs to decline by 70-90 percent.
- [“A 2-degree warmer world would lose more than 99 percent of its corals.”](#)
- 2021 the Global Coral Reef Monitoring Network [report](#):
between 2009 and 2018 the world lost 14 percent of its corals.

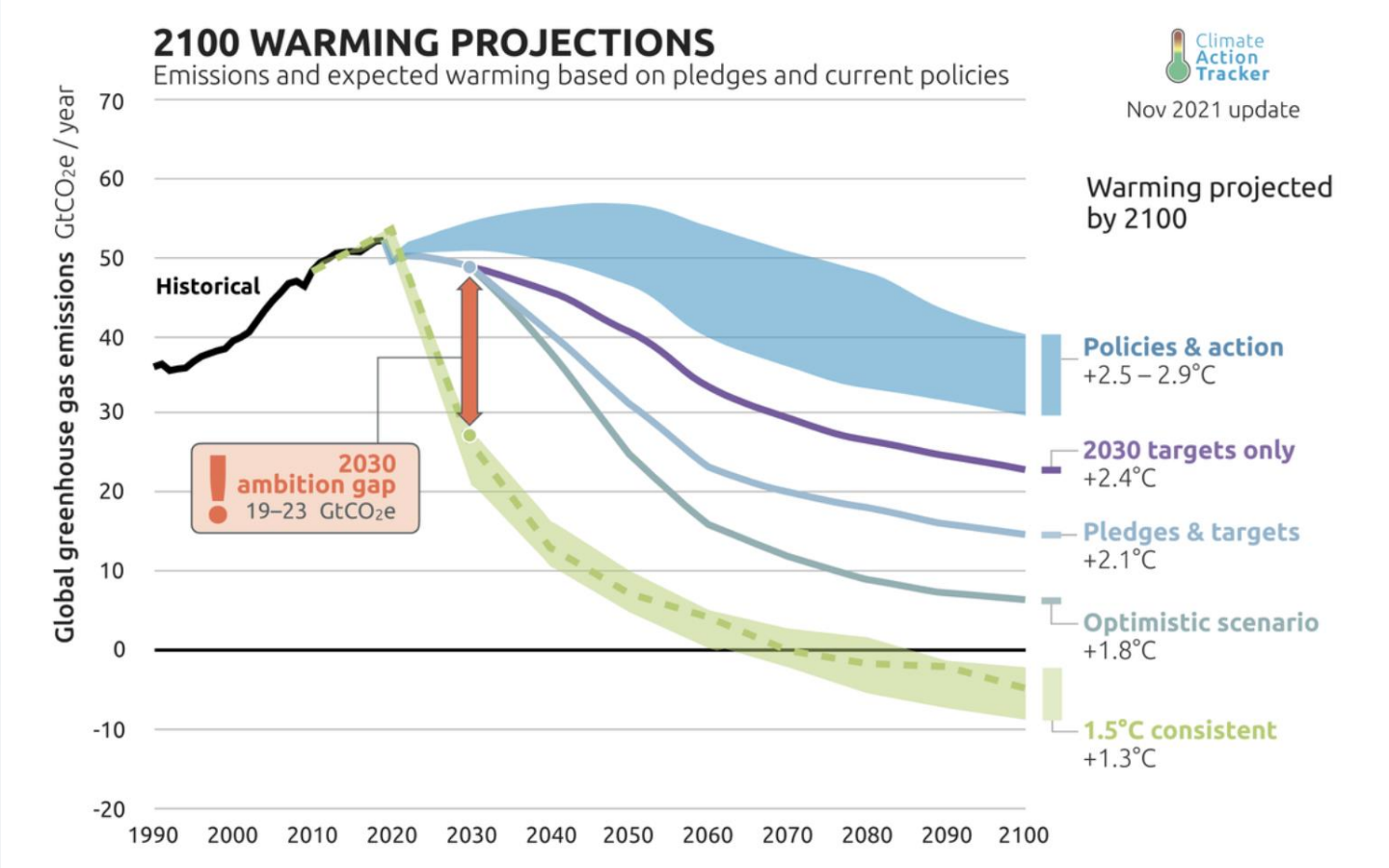
Loss of biodiversity



- In February of 2021 a major study on biodiversity was published, “The Economics of Biodiversity: the Dasgupta Review.”
- “between 1992 and 2014... the stock of natural capital per person declined by nearly 40%.”
- “Governments almost everywhere exacerbate the problem by paying people more to exploit Nature than to protect it, and to prioritize unsustainable economic activities.”

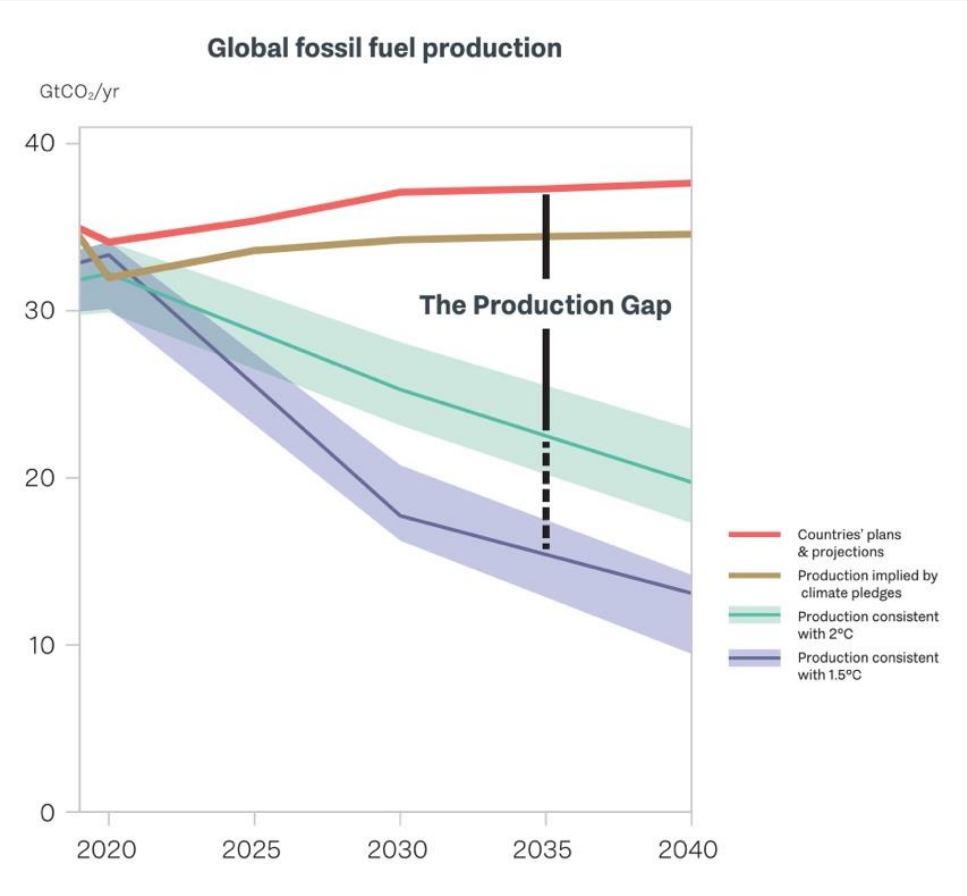


The Ambition Gap



[Temperatures](#) | [Climate Action Tracker](#)

The Production Gap



2021 Production Gap Report



Social

Edelman Trust Barometer 2022



2022 EDELMAN TRUST BAROMETER

Methodology

27-market global data margin of error: General population +/- 0.6% (n=31,050); half-sample global general online population +/- 0.8% (n=15,525).
Country-specific data margin of error: General population +/- 2.9% (n=1,150); half-sample +/- 4.1% (n=575).

Annual online survey in its 22nd year

Fieldwork conducted: Nov 1 – Nov 24, 2021

28

countries

36,000+

respondents

1,150+

respondents/country

GLOBAL AVERAGES vary based on the number of countries surveyed each year:

GLOBAL 27 does not include Nigeria*

GLOBAL 22 does not include Colombia, Kenya, Nigeria, Saudi Arabia, S. Africa and Thailand

GLOBAL 24 Not asked in China, Russia, Thailand

the sensitive nature of the question prevented this data from being collected in these markets

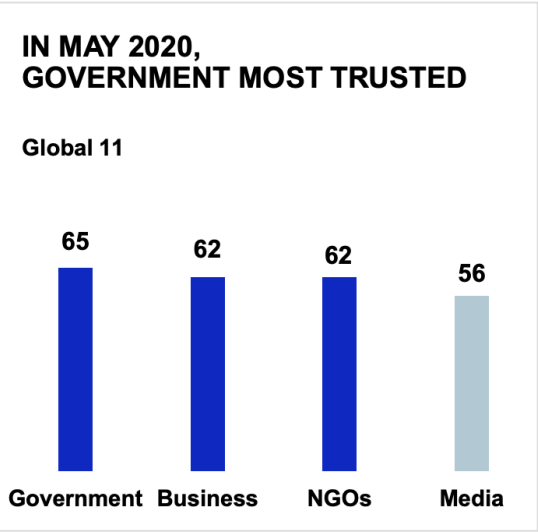
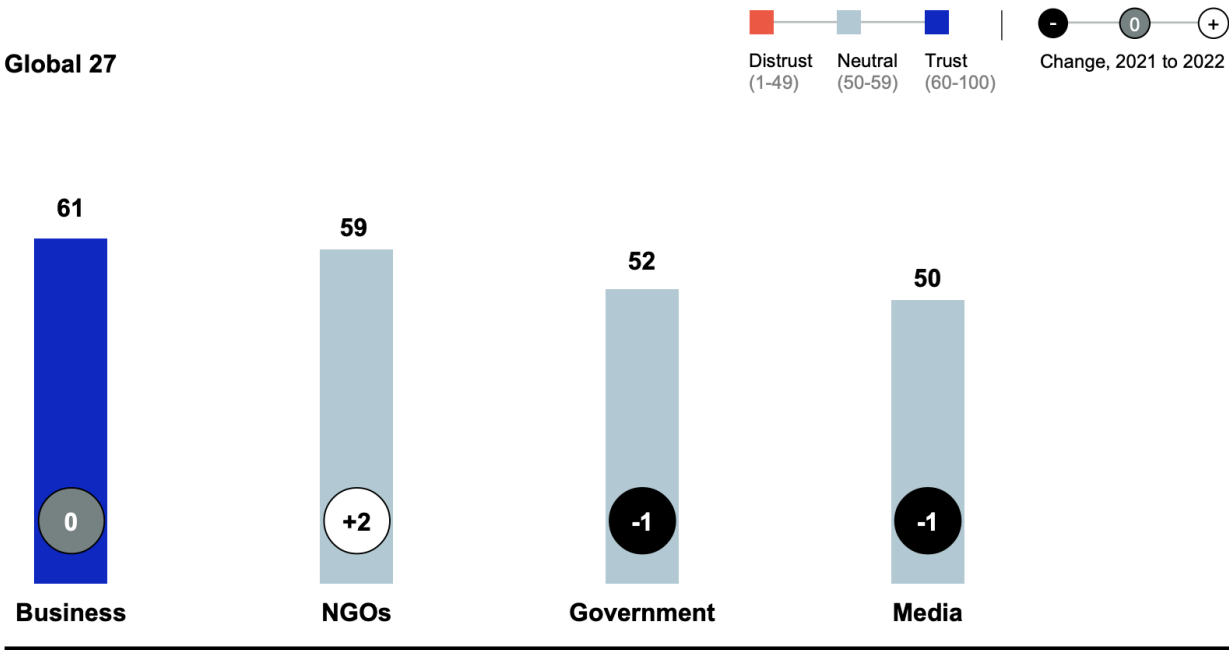
Other global averages detailed in technical appendix

**To prevent skewing the global results, Nigeria is not included in any global averages because the online population is not representative of the true population*

Argentina
Australia
Brazil
Canada
China
Colombia
France
Germany
India
Indonesia
Ireland
Italy
Japan
Kenya
Malaysia
Mexico
Nigeria
Russia
Saudi Arabia
Singapore
S. Africa
S. Korea
Spain
Thailand
The Netherlands
UAE
UK
U.S.

TRUST DECLINES FOR GOVERNMENT AND MEDIA; BUSINESS STILL ONLY TRUSTED INSTITUTION

Percent trust

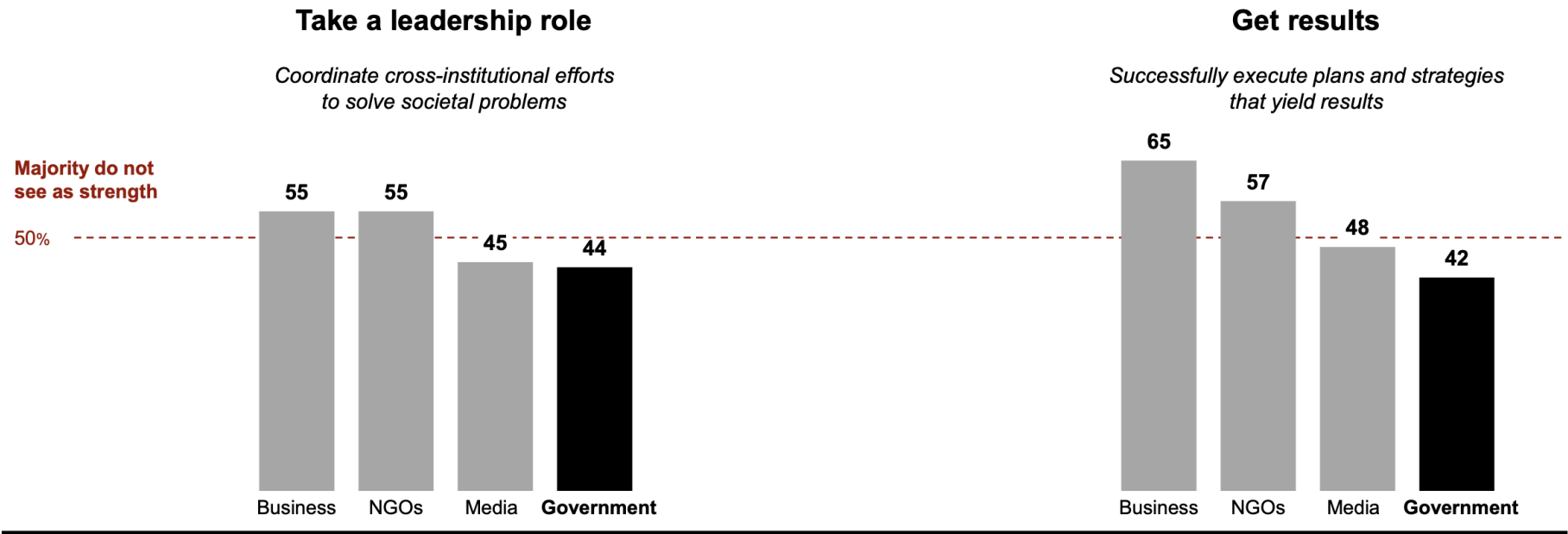


2022 Edelman Trust Barometer. TRU_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right. 9-point scale; top 4 box, trust. General population, 27-mkt avg.

2020 Edelman Trust Barometer Spring Update. TRU_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right. 9-point scale; top 4 box, trust. General population, 11-mkt avg.

GOVERNMENT NOT SEEN AS ABLE TO SOLVE SOCIETAL PROBLEMS

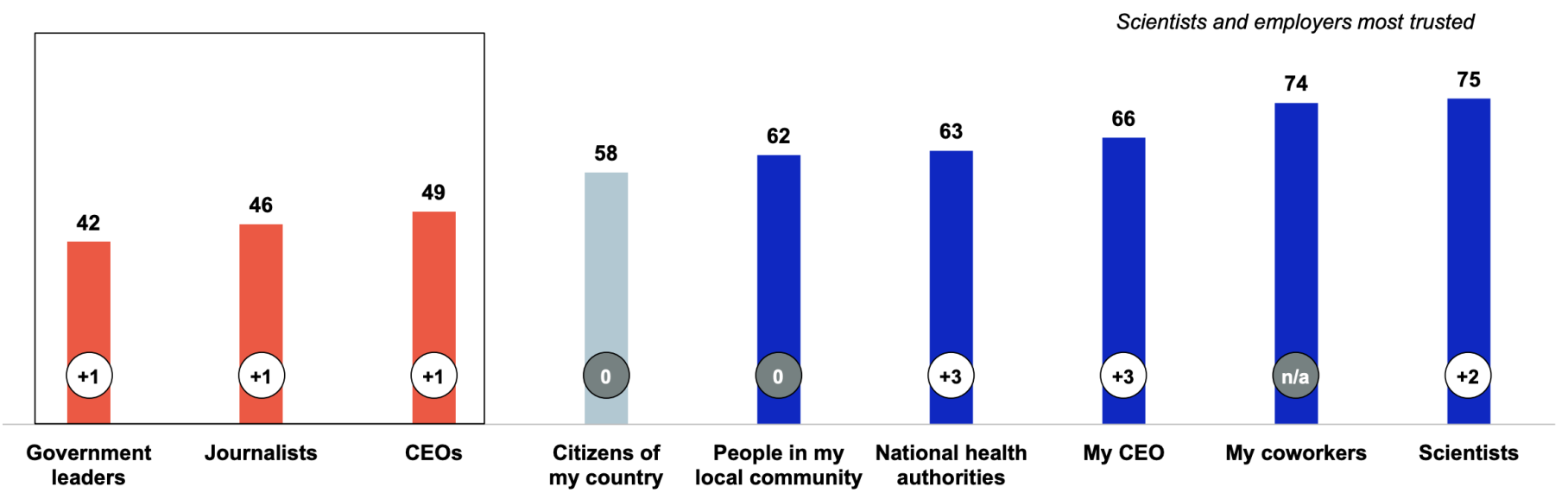
Percent who say each is a strength of institutions



2022 Edelman Trust Barometer. CMP_ARE_[INS]. Thinking about [institution] as they are today, please indicate whether you consider each of the following dimensions to be one of their areas of strength or weakness. 5-point scale; top 2 box, strength. Question asked of half of the sample. General population, 24-mkt avg. Data not collected in China, Russia and Thailand.

SOCIETAL LEADERS NOT TRUSTED



Percent trust



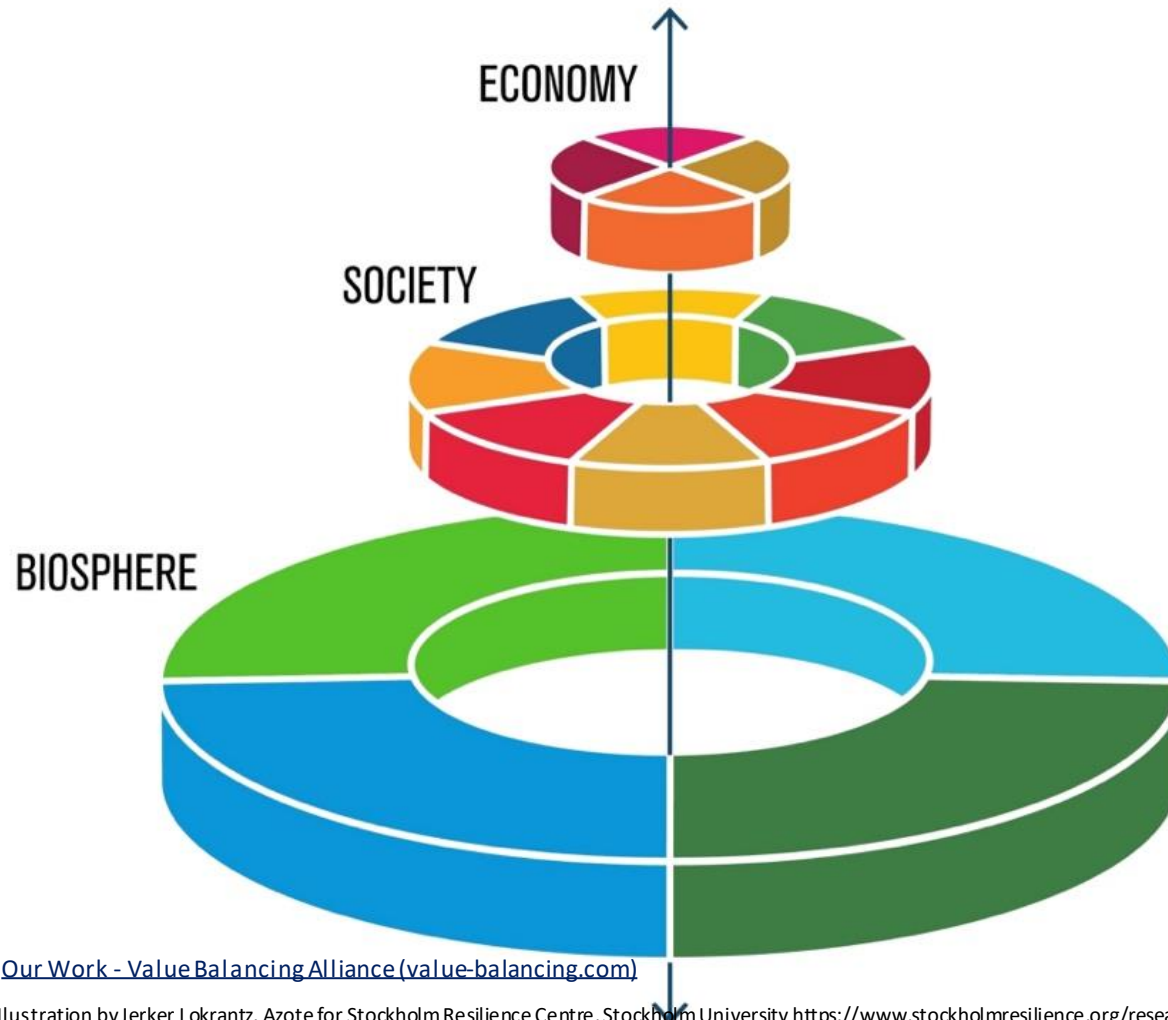
2022 Edelman Trust Barometer. TRU_PEP. Below is a list of groups of people. For each one, please indicate how much you trust that group of people to do what is right using a 9-point scale where one means that you “do not trust them at all” and nine means that you “trust them a great deal”. 9-point scale; top 4 box, trust. Some attributes asked of half the sample. General population, 27-mkt avg. “My coworkers” and “my CEO” only shown to those who are an employee of an organization (Q43/1).

Edelman 14

| Environment Pillar | | | | Social Pillar | | | | Governance Pillar | |
|--------------------------------|-------------------------|----------------------------|--------------------|------------------------------|------------------------------------|------------------------|-------------------------------------|----------------------|--------------------|
| Climate Change | Natural Capital | Pollution & Waste | Env. Opportunities | Human Capital | Product Liability | Stakeholder Opposition | Social Opportunities | Corporate Governance | Corporate Behavior |
| Carbon Emissions | Water Stress | Toxic Emissions & Waste | Clean Tech | Labor Management | Product Safety & Quality | Controversial Sourcing | Access to Communication | Board | Business Ethics |
| Product Carbon Footprint | Biodiversity & Land Use | Packaging Material & Waste | Green Building | Health & Safety | Chemical Safety | Community Relations | Access to Finance | Pay | Tax Transparency |
| Financing Environmental Impact | Raw Material Sourcing | Electronic Waste | Renewable Energy | Human Capital Development | Consumer Financial Protection | | Access to Health Care | Ownership | |
| Climate Change Vulnerability | | | | Supply Chain Labor Standards | Privacy & Data Security | | Opportunities in Nutrition & Health | Accounting | |
| | | | | | Responsible Investment | | | | |
| | | | | | Insuring Health & Demographic Risk | | | | |

 Key Issues selected for the Soft Drinks Sub Industry (e.g. Coca Cola)
  Universal Key Issues applicable to all industries

MSCI



[Our Work - Value Balancing Alliance \(value-balancing.com\)](https://value-balancing.com)

Illustration by Jerker Lokrantz. Azote for Stockholm Resilience Centre, Stockholm University <https://www.stockholmresilience.org/research/research-news/2016-06-14-how-food-connects-all-the-sdgs.html>

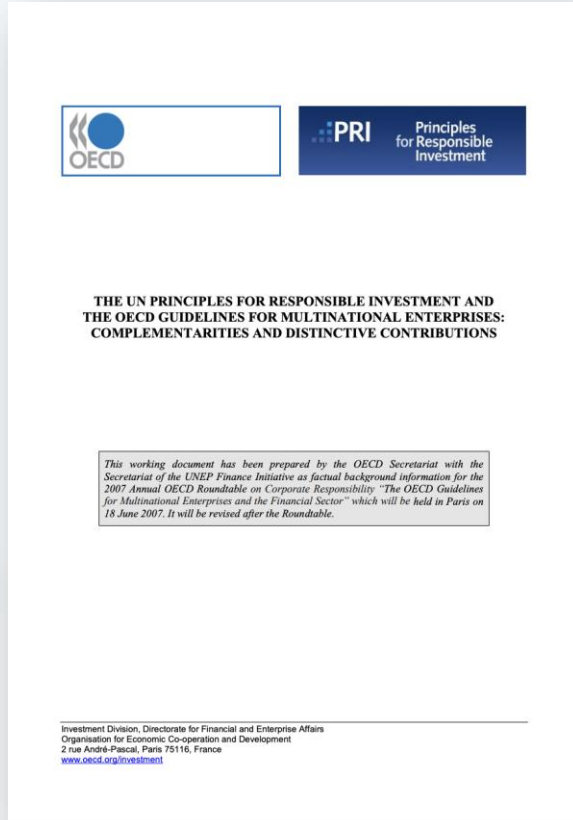
A blue-toned photograph of a financial chart. A silver pen is pointing at a peak in the chart. The chart shows a line with several peaks and valleys. A semi-transparent grey box with the word "Investors" is overlaid on the left side of the chart. The background is a light blue grid.

Investors

2,47

The PRI six core principles (2007)

Require institutional investors to:

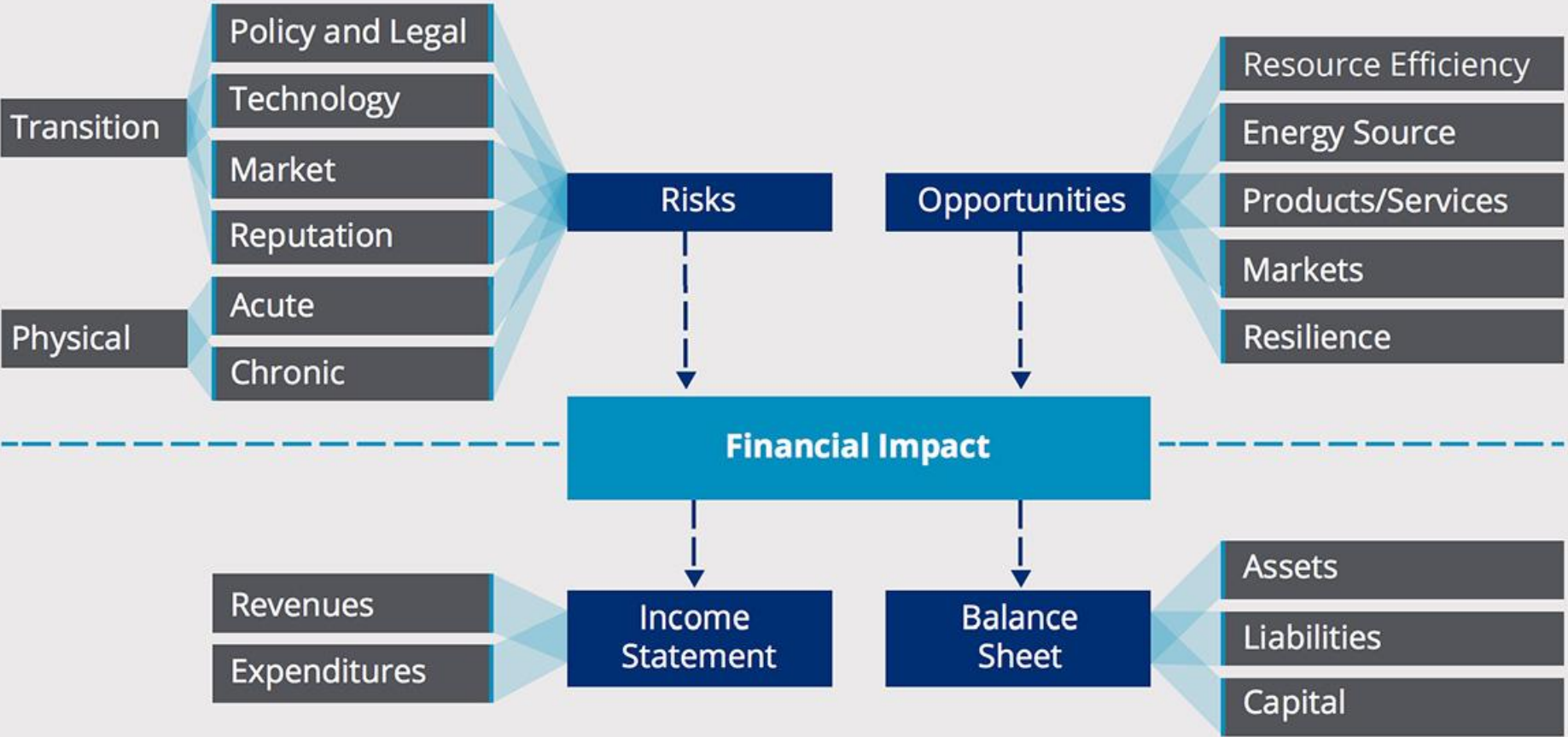


- 1. Incorporate ESG issues
- 2. Active owners
- 3. Disclosure on ESG issues
- 4. Promote acceptance
- 5. Work together
- 6. Report

[38783873.pdf \(oecd.org\)](https://www.oecd.org/investment/38783873.pdf)

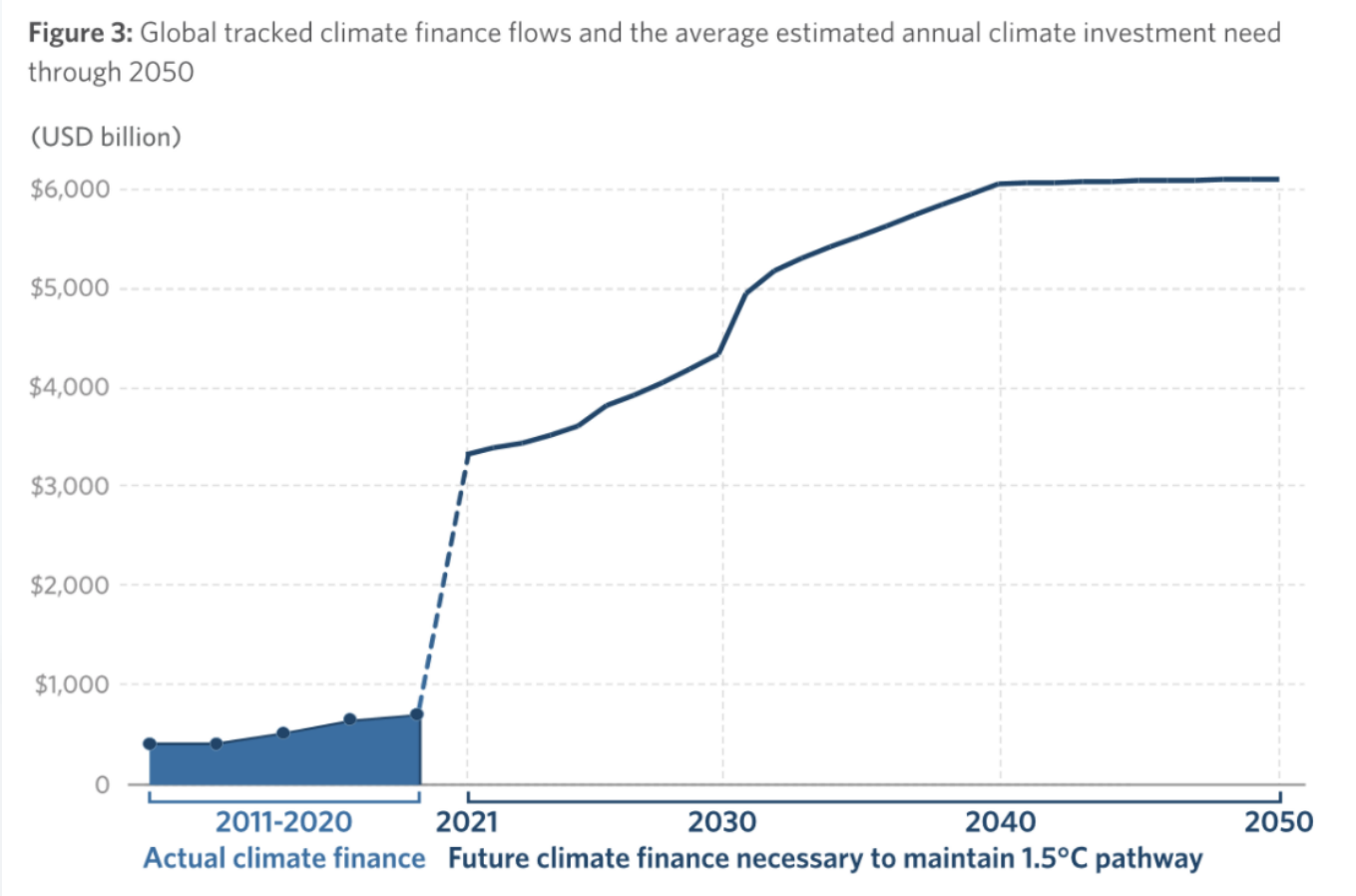
Figure 1

Climate-Related Risks, Opportunities, and Financial Impact



[Task Force on Climate-Related Financial Disclosures | TCFD\) \(fsb-tcfd.org\)](https://fsb-tcfd.org)

Climate finance must increase by at least 590% - to USD 4.35 trillion annually by 2030 – to meet climate objectives



[Global Landscape of Climate Finance 2021 - CPI \(climatepolicyinitiative.org\)](https://climatepolicyinitiative.org/)

Green Bonds in Jamaica



- In **June of 2021**, the Jamaican Stock Exchange launched its Green Bond Project entitled “facilitating and enabling environment for a Caribbean Green Bond Listing on the Jamaican Stock Exchange.”
- The **24 month** long project is funded through a grant by the South-Korean-based Green Climate Fund (GCF) and is a collaboration between the Climate Change Division, Ministry of Housing, Urban Renewal, Environment & Climate Change, and the JSE.
- The project objective is to strengthen Jamaica’s commitment to climate action as outlined in its **Nationally Determined Contributions (NDCs)**. It has received strong endorsements from the project’s partners, the Government of Jamaica, the Government of Dominica and private sector stakeholders

A magnifying glass with a black handle and a silver rim is positioned over a light blue surface. A small, rectangular piece of white paper with a torn edge is placed under the lens. The word "REGULATIONS" is printed in bold, black, serif capital letters on the paper. The magnifying glass's lens is centered over the word, making it appear larger and more prominent. The background is a solid, light blue color.

REGULATIONS

Two groups of ESG Reporting Frameworks

Different in **PURPOSE** and **MATERIALITY POSITIONS** of the five 'ESG Reporting Frameworks':

Two distinct categories:

Frameworks designed for an investor audience and with a purpose of managing environmental, social and governance issues as **risks to financial returns** (Enterprise value)

Frameworks designed for a multi stakeholder audience and with a purpose of accountability and advancement towards **sustainable development**



EU regulatory framework for sustainable finance

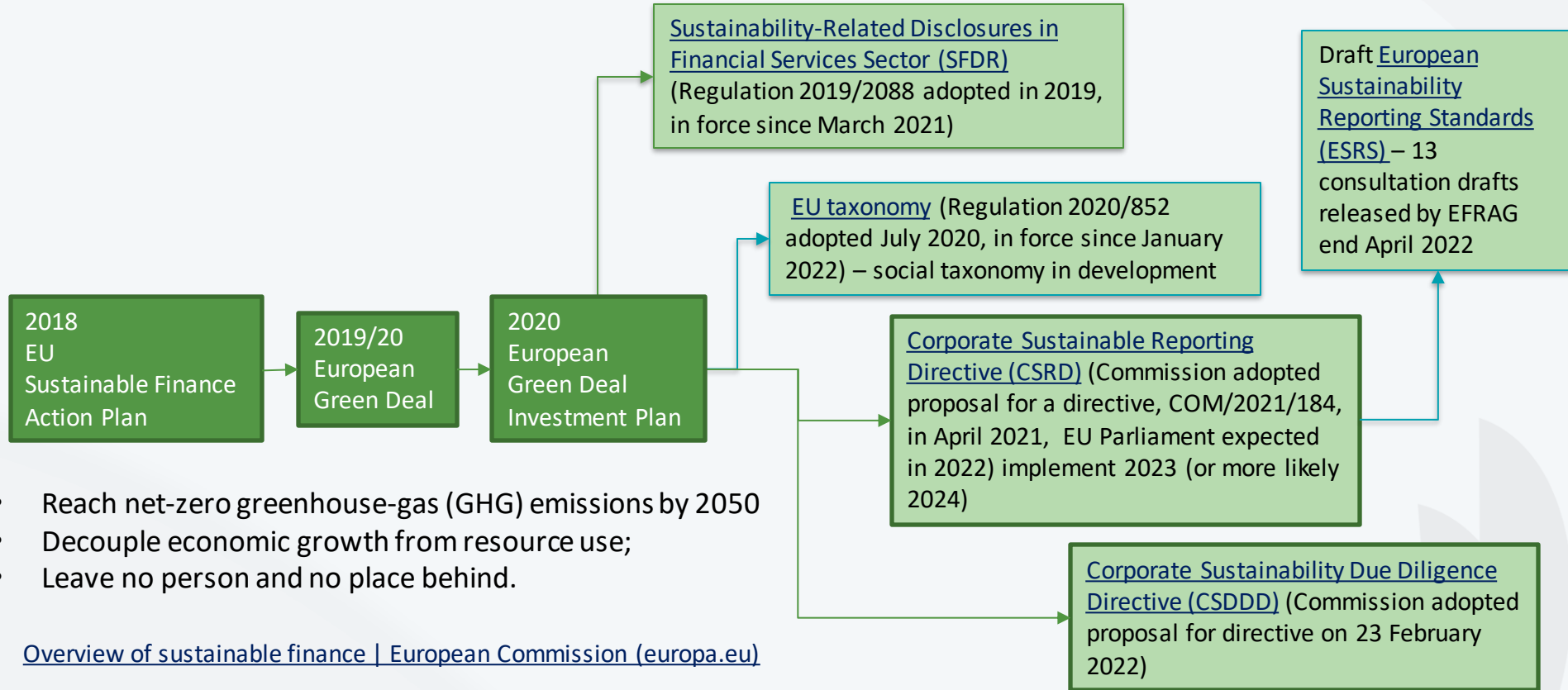




Figure 1: The SDG Impact Standards



[SDG-Impact-Standards-for-Enterprises-Version1-0-July-2021.pdf \(undp.org\)](#)



GOVERNANCE

Policies

market mechanisms

Gove

Administration

MANAGEMENT

Responsibilities

Board

nonprofit

Staff

Policies

Best practices

Committees

Composition

For

General Governance Trends

STAKEHOLDERS

2019 US Business Roundtable:
“We share a **fundamental commitment to all our stakeholders**”.

2020 World Economic Forum (WEF)
Manifesto: “**The purpose of a company is to engage all its stakeholders in shared and sustained value creation**”.



ESG

Target setting and reporting on material impacts on and by an organization of ‘Environmental, Social and Governance’ matters is increasingly expected by investors and stakeholders worldwide.



PURPOSE

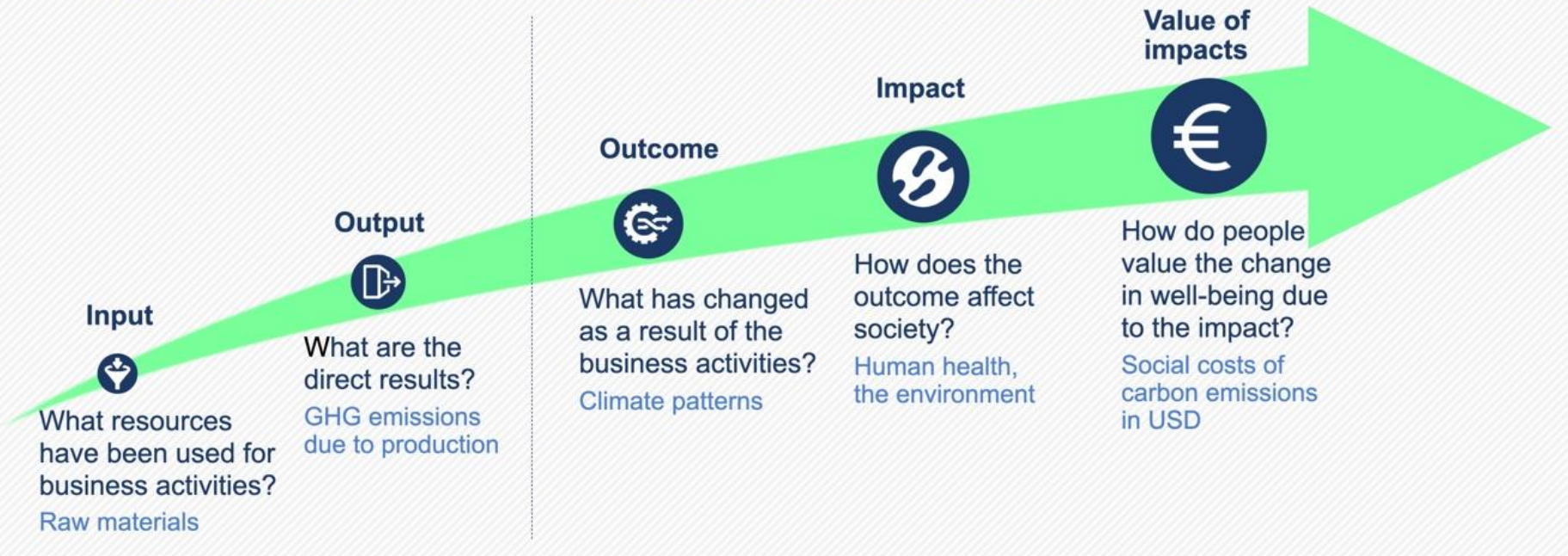
WEF 2021 “The definition of governance is evolving as **organizations are increasingly expected to define and embed their purpose at the centre of their business.**”



ENVIRONMENTAL SOCIAL GOVERNANCE

Traditional reporting

Impact measurement & valuation



Organizations need to play their role & here is the foundational instrument



Key Points Summary



Enterprise Value drivers

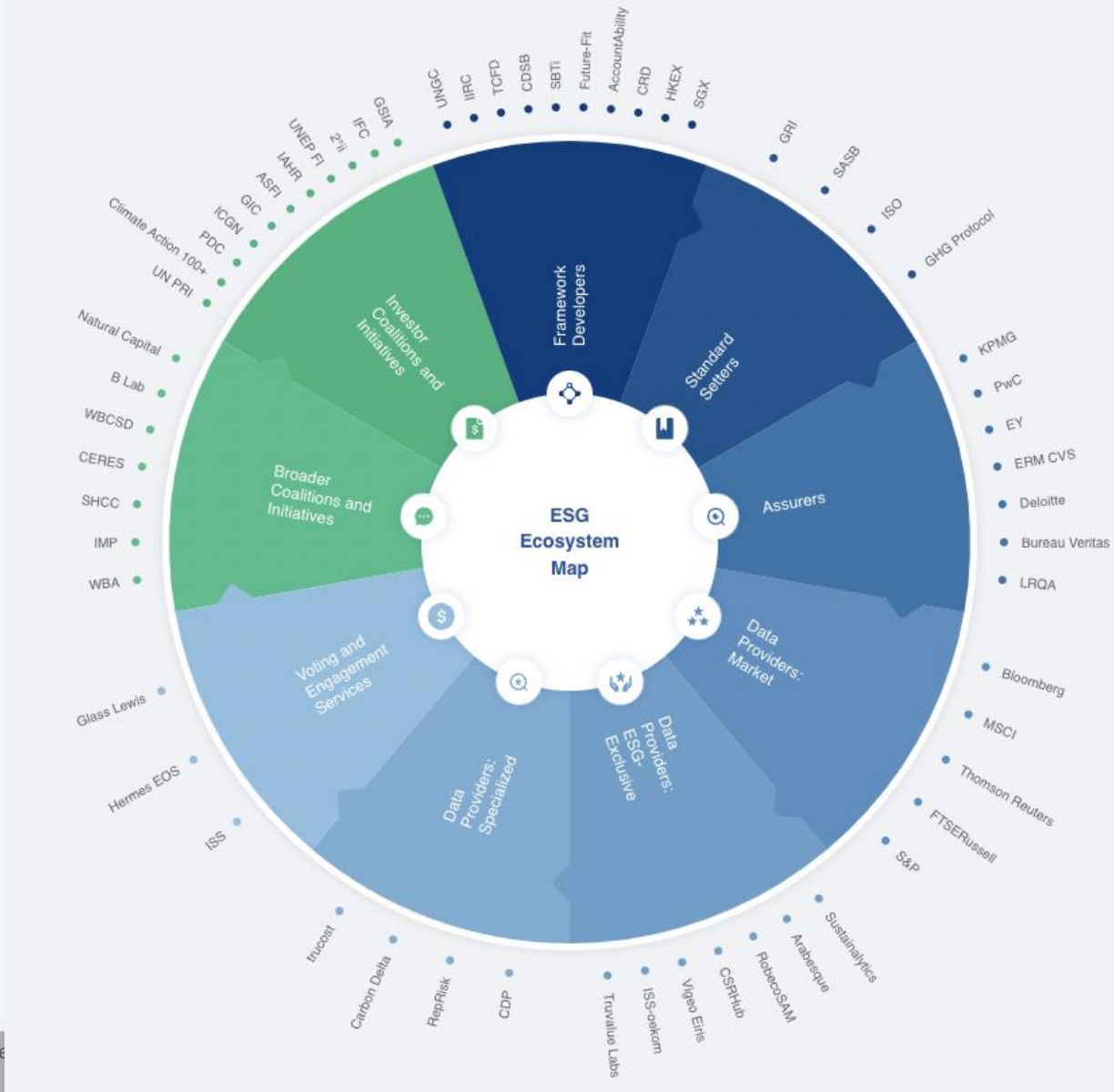
ESG is connected to cash flow in five main ways (McKinsey)



1. Top-line growth
2. Cost reduction
3. Benefits from subsidies and support from government;
4. Productivity uplift
5. Investment and asset optimisation

Witold Henisz, Tim Koller & Robin Nuttal "Five ways that ESG creates value - Getting your environmental, social, and governance (ESG) proposition right links to higher value creation. Here's why." Nov 2019

The Global ESG Ecosystem



[ESG Ecosystem Map \(weforum.org\)](https://www.weforum.org/esg-ecosystem-map)

Step 2: ESG in Insurance

INSURANCE POLICY

TERMS AND CONDITIONS

delighted you've got chosen us for your insurance policy. We are committed with the level of benefit and protection that you would expect from everything you would expect from you have got.

are taking new almost make erroneous protections the of

3 Roles of Insurance Industry

- **Carrier** of financial risk – underwriting
- **Manager** of physical risk – understand, prevent, reduce, transfer
- **Investor** role – asset manager

[Principles for Sustainable Insurance, 2012](#)



PSI
Principles
for Sustainable
Insurance

A global sustainability framework and initiative of the
United Nations Environment Programme Finance Initiative



1972-2012:
Serving People
and the Planet



RIO+20
United Nations Conference
on Sustainable Development



3

2

1

#3 – CSR as ESG - exclude some areas, invest in staff, communities, environmental initiatives, philanthropic



#2 – ESV as ESG – Exclusions, ESG Index investing, Greenwashing danger



#3 – Purpose driven ESG – sustainability focused



Early ideas of “Insurance SDGs”

Agriculture

- Provide agriculture insurance to X% more of the 230 million uninsured smallholder farmers globally by 2030

Health

- Provide protection insurance and health risk management to X number more impaired lives by 2030

Natural ecosystems

- Increase area of natural ecosystem insurance coverage by X (surface area / number of ecosystems / types of biogeographic zones / % of protected areas) by 2030

Motor

- Reduce greenhouse gas emissions by X% in motor portfolio by 2030

Property (Energy)

- Reduce greenhouse gas emissions by X% of energy producers and consumers covered by 2030



Figure 1: The SDG Impact Standards



[SDG-Impact-Standards-for-Enterprises-Version1-0-July-2021.pdf \(undp.org\)](#)

The Gap between #2 (ESV) and #3 (Purpose driven)



Shareholder(s) vs External Frameworks



“Make the world more resilient”

Christian Mumenthaler – Swiss Re

Two challenges



Company level

→ Decide on path

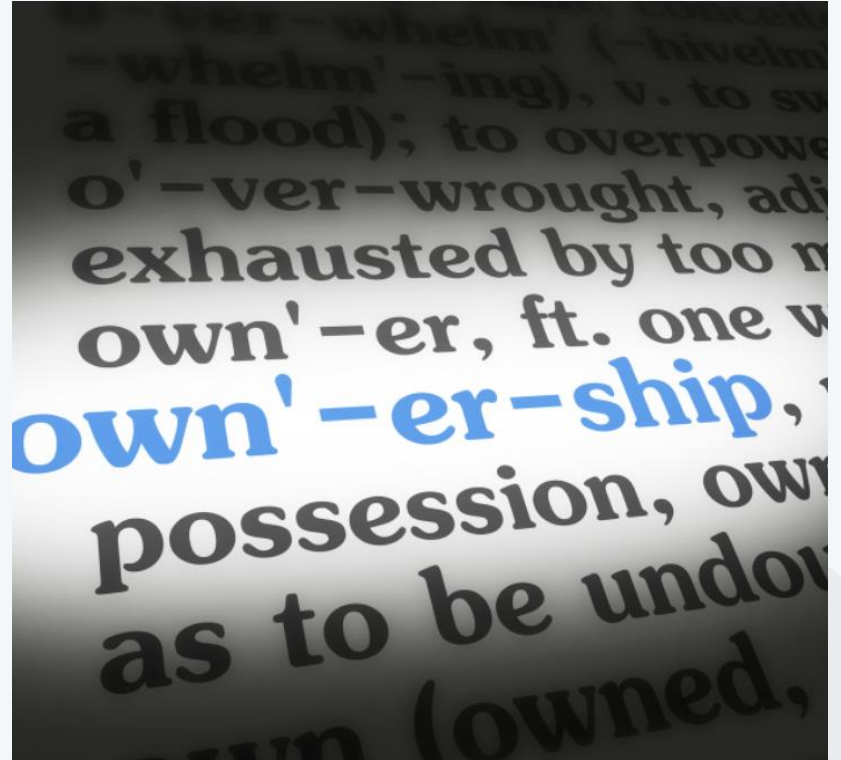


Collective Level

→ Collaboration



#1 – Company Level Ownership Myth



Opinion **Corporate governance**

Shareholders think they own the company – they are wrong

So whose is the business? No one's, just like the river Thames

JOHN KAY

+ Add to myFT



Kay's three arguments

- UK Court of Appeal declared in 1948 that “shareholders are not, in the eyes of the law, part owners of the company.”
- In 2003, the House of Lords reaffirmed that ruling in unequivocal terms.
- Scholarly legal work by Tony Honoré had identified 11 tests of ownership. The relationship between shareholders and the company satisfies only two conditions, three in part, and six conditions are not met at all.

Who owns the company?

“No one does, any more than anyone owns the river Thames, the National Gallery, the streets of London, or the air we breathe.”

John Kay



"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

Directors' Duty of Care

The company acts all use the same expression when it comes to the duty of care of directors:

→ “act honestly and in good faith with a view to the best interest of the company.”

BAR 95.1.a;

JAM 174.1.a;

SLU 97.1.a;

TTO, 99.1.a

ISO 37000 Governance of organizations - Guidance

ISO 37000 key stats

Scoping: 2016-2017

Development: 2017-2021

Countries involved: 77 countries

Liaisons involved: 24 liaisons were involved in its development

Comments: >1,500 unique comments resolved by WG1

Approval: The final ballot attracted 100% approval and all 164 ISO member countries had the opportunity to vote

Publication: The standard was published on 14 September 2021.

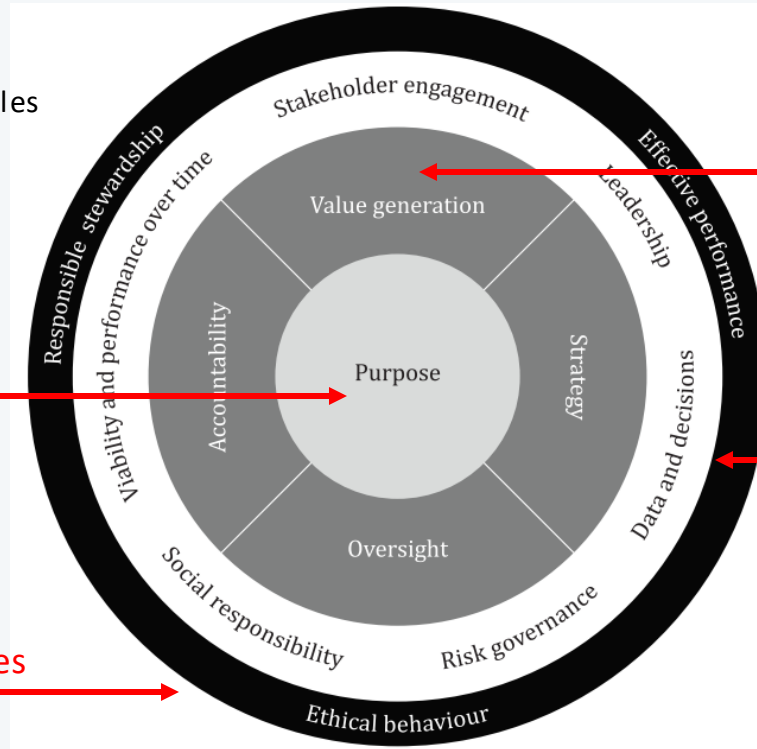


Governance of organizations **Overview**

The ISO 37000 standard distills governance into 11 core principles that are at the heart of any successful organization.

1 Primary governance principle

Key governance outcomes



4 Foundational governance principles

6 Enabling governance principles

Purpose of business

“The purpose of the business is to **produce profitable solutions to the problems of people and planet, not profiting from producing problems.**”

[Principles for Purposeful Business | The British Academy](#)



[Colin Peter Mayer CBE FBA](#)
[Peter Moores Professor of Management Studies](#)
[Saïd Business School](#)
[University of Oxford.](#)



Better Purpose

**You're proud of your
business performance**

**You may even be a
leader in your
category.**

**But is your
organization
positioned to realize its
full potential?**

Better Leaders

You're proud of your leadership team and the top talent that you have assembled.

Now, how do you fine tune their collaboration so that they are working to one purpose guided by international good practices?



Better Brands

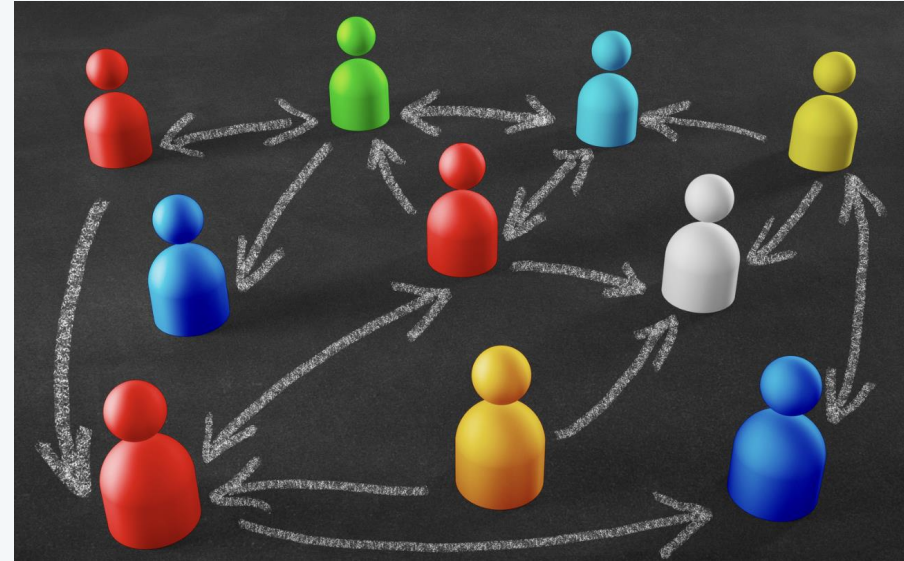
Yes, people love
your services but
is this brand love
fleeting?

Is your brand in a
class by itself?



#2 Caribbean Collective level

- Reduce risk
- Seize opportunity
- Sustainability includes nature, social, and economic dimension
- Greening of financial sector is embryonic – it must and will grow exponentially



Time to pivot – Insurance as leaders

- Developer of ideas and technologies that allow us to overcome the disadvantages of being small island developing states
- Experts in the business of climate resilience...



[20201015 IDB Pivot - Keynote by the Honourable Mia Amor Mottley - YouTube](#)

SYNTEGRA-ESG CAPABILITIES

→ LEANING INTO PURPOSE

FINDING PURPOSE

Find or recalibrate your courageous purpose aligned to your brand through our expert facilitation.

PURPOSEFUL GOVERNANCE

Maximize the effectiveness of your board of directors by tailoring global governance principles & best practices to your needs.

PURPOSEFUL ACTIVATION

Make purpose real everyday with expert guidance on how to live it via brand, culture, employee and customer experience, product, supply chain, government/regulatory, community and environmental impact strategies.

SKILL UP TO PURPOSE

Skill-up at your own pace with customized blended learning, training and development tools focused on board, executive, management and team coaching and other topics such as innovation.

CERTIFYING PURPOSE

Fast track your attainment of highly prized international governance and sustainability certifications (e.g., B-Corp, ESG, ISO Certification). Impact SDG goals more readily with our expert guidance.

TRACKING PURPOSE

Regularly report out your progress with Integrated Reporting (overview of financial performance as well as **Environment** and **Social** impact plus **Governance**). Get better as you go, make course corrections, and build trust with customized KPI tracking tools.

Meet with us:



TRUSTED GUIDANCE

<https://syntegra-esg.com>

LOCAL FORESIGHT. GLOBAL INSIGHT.

Our Leadership Team



Syntegra ESG



Dr Axel Kravatzky

SYNTEGRA-ESG LLC

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www.Syntegra-ESG.com

