

## Terms of reference

# IUMI Environmental, Social, Governance (ESG) Working Group

### Preamble

Due to the growing relevance of environmental, social and governance (ESG) issues for marine insurers, the IUMI Executive Committee (EC) decided in 2021 to establish an IUMI ESG Working Group (WG).

The Executive Committee may facilitate the formation of WG or Representative Forums to consider matters of general interest to the Association. These groups shall work in accordance with the agreed terms of reference. The Executive Committee may enact, amend and rescind terms of reference which will be binding on Members in order to ensure the functioning of the WG. The terms of reference shall include terms regarding their composition and mode of operation as well as the scope of work as set under section 5 of these terms of reference.

On this basis IUMI forms an IUMI ESG WG with the following Terms of Reference:

### 1. Purpose

a) IUMI creates an ESG WG composed of members who are responsible

- for developing and regularly updating a mid-term and long-term overall work plan, strategy and vision for IUMI's approach on ESG issues which considers a 10+ year timespan for IUMI's ESG strategy.
- for identifying key ESG topics and issues specifically relevant to the global marine insurance industry (represented by IUMI's membership);
- for educating the IUMI membership about ESG related trends and developments relevant for the marine insurance industry;
- for raising awareness for the increasing importance of marine insurance specific ESG issues. The level of understanding of the subject varies significantly within the IUMI membership. These differences need to be taken into consideration by the ESG WG;
- for establishing and maintaining relationships with stakeholders relevant for IUMI's ESG work;



b) In doing this, the ESG WG will

- inform and seek advice from relevant IUMI bodies, in particular the IUMI Policy Forum but also the broader IUMI membership represented by the national associations and the IUMI Technical Committees on subjects and issues which are important for the planning and work of the ESG WG;
- consider and suggest opportunities to educate the IUMI membership about ESG trends and core developments by suitable means (e.g. webinars, IUMI Eye articles, presentations at the IUMI annual conference).

If specific lobbying on ESG issues is deemed appropriate, this will be done by the IUMI Policy Forum in coordination and cooperation with the ESG WG. The Policy Forum will continue to own individual lobbying matters that fall within its remit. At the same time, the Policy Forum and the ESG WG shall each have the ability to refer items for discussion to each other. Individual lobbying issues will continue to be owned by the Policy Forum.

The ESG WG shall focus its work on tangible and specific topics with concrete relevance for IUMI and IUMI's membership.

## 2. Composition

The ESG WG consists of a limited number of individuals from the IUMI membership and beyond (e.g. IUMI EC Members, IUMI Technical Committee Members and representatives from IUMI Professional Partners as well as other industry experts) with relevant expertise and interest related to ESG topics. Members of the ESG WG are appointed by the IUMI EC. Members are appointed for a four-year term with re-appointment possible based on the expectations listed below and based on the recommendations made by the Chairperson.

In addition, the IUMI Secretary General is a member of the ESG WG, and the IUMI Policy Director will act as the ESG WG's Secretary.

## 3. Mode of Operation

a) The ESG WG will establish electronic communication and share views on relevant topics, strategy and vision for IUMI's ESG approach. Physical meetings will be held when deemed necessary but at least twice annually in connection with the IUMI Spring Meeting (in March) and the IUMI annual conference (in September).

b) The ESG WG will be chaired by the IUMI President or his/her nominee. The Chairperson reports to the IUMI EC. The IUMI EC will take all necessary decisions based on the ESG WG's recommendations.



c) The Chairperson is responsible for guiding and coordinating the ESG WG's work and strategy. The Chairperson is further in charge of liaising with the EC and seeking the EC's consent on the WG's recommendations. The Chairperson must ensure that members of the ESG WG are being kept informed of any developments with regard to IUMI's ESG approach and specific ESG issues.

d) The overall steering of the ESG WG is done by the IUMI EC and the decisions on general principles will be taken by the EC based on the ESG WG's recommendations.

#### 4. Expectations

Members of the ESG WG shall give priority to participation in the WG's meetings and participate in electronic communication. Each member is expected to actively contribute to the WG's objectives by taking on specific tasks and actions. Sufficient expertise in at least one of the marine lines of business (cargo, hull, offshore energy) is required coupled with an interest and background in ESG matters.

#### 5. Definition/scope of IUMI's ESG work in the marine insurance context

These core issues arise for marine insurers in the light of ESG developments:

##### Climate Change

Climate change already impacts the frequency and severity of claims that our industry is facing. The position is set to get worse. The global marine insurance sector is already disproportionately exposed to windstorms and coastal flooding, so there could be a potentially adverse impact on our sector in the future. Considerations related to climate action impact 13 of the 17 SDGs.

##### Assets

The nature of the assets that we protect is changing and will continue to do so. The marine insurance sector supports the movement of cargoes and goods worldwide, and the sea-based assets which carry them. We also protect exploration and extraction of fossil fuels through offshore energy insurance. A future shift in the type of goods carried, and the technology and propulsion of assets used to carry them, has ramifications for the risks that we insure.

##### Sustainability of industry sectors

Insurance is directly reliant on the sustainability of industries and clients. A major disruption to specific industrial sectors could erode the premium base of part of our own industry, and could also cause a short term increase in claims activity.

##### Economic developments

April 2021

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Increasingly, pressure is exerted by governments and by investors on the private sector to rapidly advance the transition to a more sustainable economy. The growing importance of ESG factors is reflected in the rising number of sustainability indices such as the Dow Jones Sustainability Indices. These are significant drivers for companies to develop and apply strict sustainability policies to ensure continued attractiveness to investors.

Lars Lange, IUMI SG, Hamburg, April 2021