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AAE POSITION: “SUSTAINABILITY ISSUES AND REPUTATIONAL RISK FOR INSURANCE COMPANIES AND PENSION FUNDS”

The Actuarial Association of Europe (AAE) published a paper titled [“Sustainability issues and reputational risk for insurance companies and pension funds”](#).

The pace of change in the sustainability field and associated changes in regulatory and public disclosure requirements emphasise the need to be careful about reputational risks stemming from Environmental, Social, and Governance (ESG) considerations. Stakeholders of insurance companies and pension funds are increasingly applying these new ESG considerations as part of their business analysis. The approaches these undertakings adopt in relation to ESG reporting requirements now meaningfully impact their reputational positions.

Some financial institutions seem to be making ambitious long-term commitments but then taking limited immediate action. This might not be an immediate problem but could become an issue during the transition to a more sustainable economy if consistent actions and specific behaviour cannot readily be attributed to the ambitions and targets announced. Over time the public or NGOs could become more demanding. This might again increase the reputational risks such institutions face.

It is worth keeping in mind that reputational risk can quickly lead to actual litigation risk, such as regulatory sanctions or class actions.

Reputational risk can also be turned into an opportunity and ESG reporting requirements can be used in a positive way to improve the reputation of a company. However, there are several sensitive areas which can endanger the reputations of insurance companies and pensions funds. This paper aims to describe these aspects. It is especially meant to support actuaries and risk managers in the identification, assessment, and evaluation of reputational risks in the context of sustainability issues.

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