

Key themes: Effective change management and sustainability disclosure

We were delighted to host risk and sustainability professionals at our office on Ludgate Hill and facilitate a very engaged conversation about the practical challenges of embedding sustainability into business strategy.

We created a [LinkedIn group](#) for the Sustainability Risk Function to connect with like-minded individuals, encouraging them to share insights and feedback. Their contributions play a key role in shaping and growing the group.

Topic one. Making the business case and following through with effective change management.

Setting strategy can be tough and lonely

Having introduced the primary challenges with embedding a sustainability strategy within an insurance company it was recognised that the stance adopted by management is largely focused on how they want to position their underwriting which is clearly at the core of their business. It was recognised that businesses in many cases are not setting sustainability strategy in a top-down manner. Initiatives are driven bottom-up to respond to the pressure of either regulatory requirements or commercial needs.

Attendees represented a wide variety of insurance business models, and this provided rich colour as to the different approaches being taken. Everyone recognised that sustainability involved business change, and this is inherently challenge. It takes time and cannot be rushed, but senior management sponsorship is key to ensuring the organisation stays the course.

Short vs long term focus

We discussed the tension inherent between long-term initiatives, such as sustainability, and the need to maintain income and stability for the organisation in the short-term. There has to be compelling business rationale to be an early adopter in this area. Many organisations are choosing to stick 'in the pack' as a result. This is even more acutely felt in the legacy reinsurance sector where latent issues may be 'buried in the reserves' for years.

Embedding vs overlaying

A key lesson is that sustainability cannot be 'done to' underwriters and responsible underwriting frameworks can become too complex to implement. It is probably more helpful to work within what is already there in terms of underwriting guidelines, authorities and referral processes, adapting these to incorporate sustainability factors.

The discussion recognised that external ESG data sources are only part of the answer in terms of helping inform underwriters. Underwriters are generally looking to be empowered, by being provided with insights and not told 'what to do' based on a range of proprietary data sources which are still inconsistent and partial in their coverage.

Carbon intensive vs the rest

Another perception was that underwriters are most engaged within marine and energy portfolios, where clients are also recognising the need to present their sustainability credentials and transition plans. Even in these sectors, the infrastructure investments is required by insureds, which implies insurers need to be thinking in terms of longer-term partnerships to affect change.

Topic two. Sustainability disclosure – how to draw finance into the maturing of the reporting process.

The second topic of discussion was how finance and sustainability functions are interacting in delivering on non-financial reporting given the rapid escalation in disclosure requirements building on our article - [Enhanced sustainability reporting | Crowe UK](#).

The attendees covered a wide range of organisations with different reporting commitments, but it was clear that 2024 has seen a step change in the level of involvement from financial reporting teams.

Sustainability teams are still largely driving the agenda, given the focus on delivering credible content, but finance has been much more involved at every step in the process and no longer just in terms of the final public disclosures.

Those with a European Union footprint reported that the [Corporate Sustainability Reporting Directive](#) was making a significant difference to the level of finance function engagement. A number of controls have been in place historically for legacy reporting such as against the [Taskforce for Climate-related Financial Disclosures](#), but these are now being strengthened. Companies have been using early engagement with their external auditors, managed via their finance teams, to ensure that their reporting plans are on-track prior any formal independent assurance work being done. This however remains a fast-evolving area, with many organisations only just starting to address these requirements.

Conclusion:

Both parts of the meeting highlighted that implementing sustainability is a change management exercise and requires the sustainability team to be closely engaged with colleagues on a cross-functional basis. Although engagement takes time and appears to be relatively slow, it provides the path for embedding sustainability into core activities more effectively over the long run.

Start the conversation



Alex Hindson

Partner and Head of Sustainability

T: +44 (0)20 7842 7326

E: alex.hindson@crowe.co.uk

[LinkedIn](#)

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