Climate Change: amendments to Guernsey's Finance Sector Code of Corporate Governance

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The Guernsey Financial Services Commission (the **GFSC**) has published an amended version of the Guernsey Finance Sector Code of Corporate Governance (the **Code**) which asks boards of companies to which the Code applies to consider the impact of climate change on their strategy and risk profile and, where they judge it appropriate, make climate change related disclosures.

This amendment to the Code was consulted on as part of the Commission's Spring Green Consultation, issued on 11 March 2021. A copy of the new Code can be found here.

The Commission's aim in amending the Code is to ensure firms in the Bailiwick of Guernsey are prepared to engage with this issue in a way that is proportionate to the nature of their businesses, whether it be through client demand for more sustainable solutions or the impact of climate change policies on their asset bases, for example.

Who does the Code apply to?

The Code provides a framework which applies to all companies which hold a licence from the GFSC under the various regulatory laws or which are registered or authorised as collective investment schemes in Guernsey.

The Code does not cover entities licensed under Guernsey's regulatory laws which are Guernsey branches of foreign domiciled companies or which are partnerships. Companies which report against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance are deemed to meet this Code.

What does the Code require?

The code of corporate governance for the finance sector is structured around eight key principles and then provides additional guidance on how to meet these principles. They are:

- **the board** – companies should be headed by an effective board of directors which is responsible for governance;
- **directors** – directors should take collective responsibility for directing and supervising the affairs of the business;
- **business conduct and ethics** – all directors should maintain good standards of business conduct, integrity and ethical behaviour and should operate with due care and diligence and at all times act honestly and openly;
- **accountability** – the board should have formal and transparent arrangements in place for presenting a balanced and understandable assessment of the company's position and prospects and for considering how they apply financial reporting and internal control

principles;

- **risk management** – the board should provide suitable oversight of risk management and maintain a sound system of risk measurement and control;
- **disclosure and reporting** – the board should ensure the timely and balanced disclosure to shareholders and/or to regulators of all material matters concerning the company;
- **remuneration** – the board should ensure remuneration arrangements are structured fairly and responsibly and that remuneration policies are consistent with effective risk management; and
- **shareholder relations** – the board should ensure that satisfactory communication takes place with shareholders and is based on a mutual understanding of needs, objectives and concerns.

Falling within the risk management principle, the Code now requires under a new Climate Change heading that the Board should consider **the impact of climate change on the firm's business strategy and risk profile and, where appropriate in the judgement of the board, make timely climate change related disclosures.**

When will the amended Code come into effect?

The amendment to the Code will come into effect for financial years starting from 1 October 2021.

What action should you take?

- Undertake a review of your firm's business strategy and risk profile and understand the impact of climate change, seeking appropriate advice where necessary.
- Take steps now to enhance your board and senior management team's understanding of climate risk.
- Consider generally if you are clear on your disclosure and reporting obligations under the Code.
- And refresh internal procedures and training to ensure you are prepared.

We recognise the complexity of climate change and have developed solutions for our clients to navigate climate risk. Given the potential impact of physical and transitional climate-related risks on many portfolios and businesses, certain climate change assessment and reporting standards are increasingly being codified as legal requirements.

Ogier Global ESG and Impact Services is a dedicated advisory business offering flexible solutions to our clients no matter where you are on your climate journey. Whether you are starting out or looking to improve your internal processes to manage climate risks, or ensure alignment to regulations and standards – our team can you support you.

To help asset managers understand the what, why and how of climate-related risk, we'll be soon launching our new cloud-based digital product, **ESG Align**, offering online training and compliance assessments. Our Understanding Risk module will demonstrate the links between sustainability and long-term asset growth, and help professionals identify the opportunities. Please contact esg.align@ogier.com to find out more.

Read more about Directors' duties and corporate governance in Guernsey and the changing

ESG landscape and see our ESG and Impact Services brochure here.

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