Guidance Note GOI GN 2.1: Corporate Culture

1. Introduction

1. As part of prudent business management, an insurer should seek to establish a strong corporate culture of ethical behaviour and compliance with legal and regulatory requirements.

2. This Guidance Note provides guidance on an insurer's approach to establishing an appropriate culture as referred to in section 4 of GOI 2 (Governance).

2. Guidance

1. Effective implementation of an insurer's governance framework can only occur if it is supported by the insurer's corporate culture and by clear and objective performance goals and measures, taking due account of, among other things, the insurer's long-term interests and viability and the interests of policyholders and other stakeholders.

2. Corporate culture reflects the shared values within the insurer and includes norms for responsible and ethical behaviour applicable to all employees of the insurer.

3. In establishing an effective corporate culture, the board of directors should take the lead in setting the appropriate "tone at the top". This includes adherence to the insurer's corporate values by the board of directors itself, and implementing a strong risk culture aimed at avoiding excessive risk taking.

4. The corporate values, norms and supporting policies should be communicated throughout the insurer. These should also be reflected in the insurer's business objectives and strategies, and supported by professional standards and code of ethics that set out what the insurer considers to be acceptable and unacceptable conduct. In this regard, the board of directors should take account of the interests of policyholders and other relevant stakeholders.

5. The board of directors should define and oversee the implementation of norms for responsible and ethical behaviour. It should not allow behaviour that is incompatible with the protection of policyholders and that could lead to reputational risks or improper or illegal activity, such as financial misreporting, fraud, money laundering, bribery and corruption. The norms for responsible and ethical behaviour should make clear that employees / board members are expected to conduct themselves ethically in addition to complying with laws, regulations and the insurer's policies.

6. In setting the tone at the top the board of directors should ensure that employees are aware that appropriate disciplinary or other actions will follow unacceptable behaviours. It should ensure that these disciplinary actions are applied consistently and transparently.

7. The board of directors should ensure that the corporate culture promotes timely and frank discussion and escalation of problems to senior management or the board. The board of directors should set and oversee the implementation of transparent policies and processes which promote and facilitate that employees can communicate concerns or information about illegal or unethical behaviour confidentially and without reprisal directly or indirectly to the board of directors and that employees are

protected from retaliation when they voice concerns about breaches of the insurer's code of ethics or other policies. The board of directors should determine how and by whom legitimate concerns shall be investigated and addressed (senior management, board of directors or an external party).

8. In monitoring and assessing its corporate culture, the board of directors of an insurer should recognise the many factors that can drive unethical behaviour. While incentive arrangements are a major force for behaviour, both good and bad, they are not the only one. Behaviour can be driven by the "need to belong", by misperceptions about how others view their actions, and a range of other psychological factors. It is important to understand how these factors can distort behaviour and steps that can be taken to reduce the likelihood that such factors may lead to unethical behaviour.

9. Insurers, not required to do so by the Companies Act, 2008, should consider whether to establish a Social and Ethics Committee to assist the board of directors with implementing its target corporate culture.