



How ESG impacts the role and exposure of Directors & Officers (D&O)

By

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ESG Is Now a Board Liability Issue

- ESG is governance risk
- Governance risk becomes liability risk
- Directors' face increasing personal exposure
- Insurance is last line of defence



Why ESG Became a Board Issue ?

- Investor and stakeholder pressure increasing
- Disclosure requirements expanding
- Regulatory scrutiny increasing
- Litigation trends emerging



Malaysia ESG Landscape

- Bursa mandatory sustainability disclosure
- MCGG board sustainability oversight expectations
- SC focus on climate and disclosure integrity
- Principles-based but expectations rising
- **Liability arises through governance and disclosure failure.**

Directors Duties and ESG

- Duty of care → ESG risk oversight
- Duty of loyalty → long-term sustainability
- Oversight failure → liability risk
- Disclosure misstatement → major claim driver





Top 10 ESG Mistakes Boards Make

- Treating ESG as PR not governance
 - Weak disclosure controls
 - No ESG expertise at board level
 - Ignoring climate risk
 - Poor data and verification
 - No ESG in ERM
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- **Where ESG Liability Comes From**
- Disclosure failure / greenwashing
- Governance and oversight breakdown
- Regulatory investigation
- Shareholder / derivative litigation
- **Disclosure now a legal risk**

ESG Liability Heat Map

- Highest risk – Disclosure / greenwashing
- High risk – Governance oversight failure
- Medium risk – Climate transition execution
- Emerging risk – Social and supply chain

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D&O Insurance Market Shift

- ESG now core underwriting factor
 - Disclosure quality impacts pricing
 - Regulatory exposure increasing
 - Side A importance rising
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D&O Coverage Considerations

- Side A – personal protection
- Side B – company reimbursement
- Side C – entity securities exposure
- Conduct exclusions and regulatory triggers
- **Greenwashing & disclosure exposure**
- **Derivative suit dynamics**

What Underwriters Look For

- Board ESG governance maturity
- Disclosure verification controls
- Climate risk integration into ERM
- Independent ESG assurance
- Regulatory track record



Reinsurance Market Perspective

- ESG litigation aggregation risk
- Climate systemic exposure
- Disclosure correlation across markets
- Treaty level scrutiny increasing
- Pricing & Capacity influenced

– Board ESG Risk Framework

- Board ESG oversight
- Integration into ERM
- Disclosure governance discipline
- Independent verification
- Board ESG education
- **Weak governance increases liability**
- **Strong governance reduces claims**
- **Insurance is last line of defence**



Insurance Strategy for Boards

- Review D&O wording carefully
- Assess Side A adequacy
- Understand ESG exclusions
- Align insurance with real exposure

Core Takeaway Framework

- ESG is governance
- Governance drives liability
- Liability drives insurance
- Boards must act before crisis



Q & A



Thank You