

CHIEF OF ESG: Launching an Office of Sustainability During a Pandemic

As Liberty Mutual's first Chief Sustainability Officer, Francis Hyatt explains his lessons learned and strategies for success across the company in environmental, social and corporate governance sectors.

By Francis Hyatt, Liberty Mutual

In September 2019, I was on vacation when I got the call from our CEO, David Long, to discuss Liberty Mutual's environmental, social and corporate governance (ESG) strategy and team. Given my position at the time, I expected that he wanted to talk through potential candidates for our first-ever Chief Sustainability Officer (CSO). Ten minutes into the conversation, he surprised me by asking me to take on the role and to lead our soon-to-be-formed Office of Sustainability.

I've been with the company for nearly 30 years and have had about 19 different positions. Prior to my being the CSO, I served as the Executive Vice President of Enterprise Talent and Human Resource Services, which is why I thought Long was interested in discussing hiring and recruitment for the new team. But he saw my knowledge of the company, its values and its people as key qualifications for the role of CSO.

While many ESG issues had been priorities for our company, creating an Office of Sustainability enabled better focus, alignment and ownership across the business as we gain a better understanding of the opportunities that exist for Liberty Mutual in the ESG space. Integrating an ESG mindset into every part of our business, or recruiting and rallying a bigger team, was critical to success in the role. With sustainability a growing priority for many companies—and one likely to involve HR leaders to some degree—I've provided some context and key lessons from my own learning curve for those stepping into similar responsibilities.

Build a Shared Ownership of the ESG Strategy

A CSO benefits from being rooted in the business, but also needs to be curious and knowledgeable about the external forces impacting society. If you don't have a keen understanding of the business, then you won't understand the potential ESG impact and unique difference your business and industry can make. Given my background and experience at Liberty Mutual, I knew I could help drive alignment of our ESG strategy internally.

From day one, my primary objective was to ensure that the leaders of Liberty Mutual worked together to develop our ESG strategy and that the Office of Sustainability worked in partnership with other business units. From board members to claims handlers, we needed to collaborate in order to create a positive impact on society and the environment. My team worked with business leaders to promote a better understanding of what ESG meant to them and why it matters for the business. Our mission was to make ESG the lens through which all strategies were viewed. We knew that without a strong foundation and companywide support, our plans would fall flat.

We learned early on in these planning conversations that it's easy, in the zeal to drive change and execute on initiatives, to inadvertently overlook the concerns and interests of others and how changes to the business will affect them. Co-creation is key. Make sure you take the time to listen, educate and to empathize with others to seek points of collaboration. Together, you can create a



common understanding of ESG that helps move the whole organization forward.

We know that our role as a global insurer and investor exposes us to a broad spectrum of ESG matters, and it also allows us to make a positive difference across material ESG issues. Because of that, it's tempting to want to boil the ocean when it comes to addressing some of the world's biggest problems, but we quickly realized that we could make the most meaningful impact focusing on the communities where we live and work, and prioritizing our employees' well-being and engagement.

In the world of social impact, there's a tendency to emphasize the E of ESG, with many leaders focused on environmental change and climate impact. For Liberty Mutual, climate action remains a consistent priority. We were the first U.S. property and casualty insurer to sign on to Principles for Responsible Investment and we committed to including ESG factors in the investment decision-making process. In addition to managing climate risk in our underwriting, we are expanding our investments in renewable energy production and decreasing our exposure to fossil fuels.

For example, in 2020 we provided capital to Sunnova Energy, a growing residential solar and energy service provider, and also invested in Jupiter, a provider of predictive data analytics for climate risk. Our partnership with Jupiter directly supports our commercial clients by allowing us to better understand how to identify, mitigate and manage climate-related risks and better meet their needs with new insurance products and services.

Equally important, we're focused on the S and the G. Around the region, we partner with cultural and recreational programs that create inclusive and accessible environments for those with disabilities, like our universally accessible playgrounds. Over the last nine years, we've committed more than \$700 million in equity to low-income housing tax credits—helping to support 50,000 affordable housing units across the U.S. Our employee volunteers, the Liberty Torchbearers, volunteered more than 460,000 hours of community service in 2019 alone through programs that are available to employees as year-long opportunities or can be used on annual days of service.

Because people trust us not only with their insurance needs, but also with their money and their privacy, we also prioritize the G of ESG. We've put an immense amount of effort and rigor into ensuring that our company is a place where employees act responsibly and do business the right way. We train employees globally to understand our privacy principles, new regulations, security controls and to identify suspicious cyber activity.



Bring Others Along for the Ride

To ensure open lines of communication, we made sure there was a clear system of governance that accounted for all the business units and key decision makers across the enterprise. The board has ultimate accountability for our ESG framework, and the ESG Operating Committee (formalized by me and my team) works with our businesses to further embed it strategically and operationally to ensure 360-degree alignment. We hold regular meetings with the Emerging Risks Committee, a diverse group of climate scientists, risk analysts and investment experts who identify and mitigate climate-related risks, such as frequency of natural catastrophes and changing demographic patterns that could increase a policyholder's potential exposure to climate-related risks. These efforts helped make systemic changes.

No one predicted what 2020 would bring. Had we not previously created a shared understanding of what Liberty would focus on under the E, S and G, and how each of those areas tied to our strategy and our communities, our ESG journey would have come to a disruptive halt. Our strong foundation, partnerships and collaboration allowed for our newly formed Office of Sustainability to stay its course. As Long knew when he first offered me the job, it was not just about establishing an Office of Sustainability, it was about bringing the entire enterprise along that ESG journey.

Progress and Learning Amidst a Pandemic

1. Be prepared to pivot when the moment calls for it.

Reading the headlines about the beginnings of the COVID-19 outbreak, I don't think anyone could have foreseen the impact it would have on them personally or professionally. Almost a year later, I'm still working remotely and navigating the Office of Sustainability from my home office—all the while having several of my

children back under my roof. As a CSO with a background in HR, I believe that agility, humanity and compassion can really help you navigate through the worst of times.

Despite all the disruption caused by the pandemic, our ESG strategy did not waiver—we stayed the course on our priorities and several new members of our Office of Sustainability were onboarded as planned to help bring our goals to life.

At the same time, even as we had grown more accustomed to our remote work environments, we faced yet another challenge as video and images reinforced that bigotry and racial injustice continues to exist in our society. We acted quickly to prioritize our support for the Black community—our employees, families and friends, customers and philanthropic partners. We took a public stand against hate-filled behavior and language, and re-emphasized our global commitment to treat everyone with empathy, dignity and respect. We granted \$1 million to the Equal Justice Initiative to fund a fellowship to help change the national dialogue about race, and we launched robust race and ethnicity workshops and listening sessions for employees.

We also introduced our multiyear diversity, equity and inclusion plan to help Liberty Mutual employees grow their careers. This plan includes goals to increase representation of women to 50 percent and people of color to 33 percent at all levels in the U.S. by 2025.

All that to say, it's not that we got every aspect right, nor did we get everything done. But our shared foundation and enterprise-wide buy-in for the E, S and G to play equitable roles in our

strategy, made it easier to pivot quickly.

And we're not finished: we'll continue to look at representation across all leadership and management levels and to explore ways to look at various dimensions of diversity such as race, gender, people who identify as two or more races, veterans and LGBTQ+, among others. We know companies with a diverse workforce and an inclusive workplace have better outcomes, drive more growth and are better equipped to support the development of local economies.

2. Keep your eye on the ball, even in difficult times.

While we pivoted resources to focus on these critical S issues, we never lost sight of our goals in E and G. We kept our eye on the ball and continuously embraced the unforeseen in order to stay true to our core strategy. Amid a global pandemic we:

- Published our first ESG report.
- Stood up our ESG Operating Committee to operationalize our ESG strategy.
- Revised our Supplier Code of Conduct.
- Launched a global compliance and ethics vision.
- Scaled our compliance team to be global.
- Held a successful companywide global integrity week.
- Actively participated in 2020 New York Climate Week.
- Became a signatory of the United Nations-backed Principles for Responsible Investment (PRI), a leading international network of institutional investors.
- Continued collaborating with key partners like CERES to publicly demonstrate our commitment to ESG.

The flexibility that COVID-19 required of the corporate world forced us to challenge corporate norms. The pre-pandemic corporate world relied heavily on travel and large meetings. These norms weren't necessarily aligned with more sustainable business practices. The pandemic forced a shift to a new mindset, requiring us to remain patient and flexible far longer than anyone anticipated. It showed us that

Liberty Mutual's Office of Sustainability Management Structure

The Liberty Mutual board of directors has oversight responsibility for Liberty's ESG framework and holds the Executive Leadership Team accountable on key issues facing the organization. We created the ESG Operating Committee in early 2020 to operationalize Liberty Mutual's ESG strategy and to set targets for review by the Executive Leadership Team. The structure is intended to be cyclical so that decisions and guidance can be trickled down across our global entities and through middle management to our broader employee base. That's how we instill an ESG mindset across the entirety of the business.



What Does It Mean to You Personally to Be Liberty Mutual's First-Ever Chief Sustainability Officer?

"As a kid and a son of immigrants, I never would have predicted that I'd be Chief Sustainability Officer of a global insurer. I grew up initially wanting to be a lawyer. In fact, I passed the Massachusetts bar. No matter what I did, my parent's guidance always rang true: stay true to what you believe, never forget where you came from and let your values shape how you work and lead. I was raised with the core value of making a difference—working to ensure everyone has the same opportunity for success that my own family had. That really resonates for me with my current role at Liberty Mutual. I see insurance as a force for good—and by extension, the Office of Sustainability at Liberty Mutual works to tie our values to the work we do each and every day." —Francis Hyatt

it's important to create a nimble culture that ultimately fosters innovative thinking in order to act quickly. The more we can be willing to test and learn, and embrace greater flexibility, the better we all be able to move the needle toward a more sustainable and just world. There will always be curveballs and external factors that put pressure on teams. But if you know the work you need to do, and the core strategy is there, then weathering the storms of tomorrow won't deter you from your long-term goals.

Looking Forward

Looking back over 18 months in my role as Chief of Sustainability, I offer three takeaways from my own journey: bring others along for the ride, remain flexible and stay focused. Sustainability Offices exist because the work is central to the business. At the same time, I challenge you to be courageous enough to talk about why ESG matters and be open to educating others on the complex issues we face.

The world faces enormous challenges in securing an equitable and sustainable future. We've seen a rise in extreme natural disasters, forcing our own industry to double down on climate-risk management. There's increased pressure from government and regulators for mandated ESG disclosures and increased corporate transparency. When the world was reminded that bigotry and hate still exists in our communities, organizations committed to equity and pledged to look holistically at the barriers to equality that their workforce and stakeholders face day-to-day.

But that was just the beginning. In many ways, 2020 set the stage for strong ESG action over the next 10 years. The pandemic made the business case for a stronger and more urgent focus on ESG. In a world facing competing crises, organizations that have ESG values at the core of their work are proving more resilient and more adaptable to change, charting a sustainable course for future generations. 🇺🇸



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