


Insurance risks: ESG supply chain violations in Western countries

27 July 2023  Tim Johnson

< Previous

[How does Chilean freight crime affect insurers?](#)

Next >

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Countries including the United Kingdom and United States of America are seeing increased vulnerability to critical violations, due to a rise in foreign migrant workers' exploitation, according to [ELEVATE'S Supply Chain ESG Risk Ratings Report](#). As such, these countries are more likely to experience risk events and disruptions that are in conflict with governance frameworks and legislation.

The report, sourced from 20,000 global supplier audits, concludes that states such as Texas, Florida and New York have a higher risk of forced labour than Pakistan, India, Thailand, and Indonesia. Although the UK saw its Forced Labour Index decrease by 58% over the last year, the welcoming of Ukrainian refugees increases the potential for forced labour occurrences.

Contributing to this, the report highlights a decrease in audit transparency, with suppliers in 50 sourcing geographies being less transparent post-pandemic.

Kevin Franklin, Managing Director – Advisory at ELEVATE, an LRQA company, commented:

'Even historically lower-risk Western markets have started to slip. It is now clear that simply homeshoring or nearshoring manufacturing in countries previously thought to be 'safe' from egregious ESG risks is not enough'.

Considerations for insurers

Considering the report's findings, insurers may want to consider and assess whether policyholders have systematic and proactive supply chain risk management practices in place.

For more insight on developments and emerging trends across the [ESG](#) dimensions, why not take a listen to our [podcast series](#), [ESG in 3D](#).

Contents

[The Word, July 2023](#)



[Global civil unrest on the rise and insurance claims?](#)



[Insurance business transfers: Clarity is key - \(another\) reminder from the courts](#)



[Changing seas \(literally\) - Arctic melt sparks regulatory and insurable loss concerns](#)



[How does Chilean freight crime affect insurers?](#)



[Insurance risks: ESG supply chain violations in Western countries](#)



[Nevada state bans 'defense within limits' insurance policy provisions](#)



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