HISCOX

Hiscox Climate Report 2023

Hiscox Climate Report 2023

Introduction

Principles

This report includes information on our progress over the 12 months since our last climate report was published. The information contained in the pages that follow covers our climate-related activity between July 2022 and July 2023.

Cover photo: melting iceberg in the Jökulsárlón Lagoon, Icleand.
Report design: somethingbrighter.com

Hiscox is a diversified international insurance group with a powerful brand, strong balance sheet and plenty of room to grow. We are headquartered in Bermuda, listed on the London Stock Exchange, and currently have over 3,000 staff across 14 countries and 34 offices. Our products and services reach every continent, and we are one of the only insurers to offer everything from small business and home insurance to reinsurance and insurance-linked securities.

Foreword

Aki Hussain

Group Chief Executive Officer
Sustainability Steering Committee Chair

The challenges and opportunities associated with ESG and sustainability have continued to evolve over the past year, and so too has our approach to addressing them. 2022 was my first year as Group Chief Executive Officer and Chair of our Sustainability Steering Committee, and as such, I am enjoying playing such an active role in our ESG journey. We have made significant progress in a number of key areas, as you will see in the pages that follow, and there are a few developments I am particularly proud of.

We continue to embed ESG in our underwriting processes. While we already had dashboards in place to monitor our exposure to some of the worst carbon emitters, in line with our ESG exclusions policy, Hiscox London Market have led the way in establishing an ESG data provider that can support underwriting decisions and over time will help us factor ESG in appropriately to our exposures.

Earlier this year we also announced ESG 3033, our new ESG-focused Lloyd's sub-syndicate. The sub-syndicate complements Hiscox London Market's existing underwriting portfolio and provides access to additional capacity for qualifying clients with positive ESG credentials, such as renewable power generators and energy storage providers. It's an approach that supports our focus on embracing new risks in an evolving world so we're really excited about the opportunities it will bring.

In investments, we have also made good progress. We have eliminated our investment exposure within all directly-held bonds that fall outside of appetite, and we have fully embedded ESG into our investment processes. Net-zero wording is now in all core bond investment manager mandates; we have enhanced the ESG credentials of our emerging market bond portfolio; and an investments-focused ESG dashboard informs decision-making. Our sustainable assets including green or ESG bonds are now over $300 million, with over 5% of our bond portfolio in green or ESG-labelled bonds.

For many years we have contributed to a range of global independent ESG standards (see page 8) and in 2022 we saw improvements in two key measures: our CDP score increased from B- in 2021 to B in 2022, and our MSCI ESG rating was upgraded from A to AA. These scores are the outputs of the team's work to embed the right processes and policies, and I thank them for all their efforts.

We are pragmatic about supporting the transition to a low carbon economy, as you will see from this report. I hope you enjoy finding out about our approach to ESG and sustainability, and for more go to our website.

Recent highlights
Key achievements from the last year

Launch of ESG sub-syndicate
Launched a new ESG-focused Lloyd's sub-syndicate to support clients with positive ESG credentials such as renewable power generators and energy storage providers.

ESG materiality mapping
Enhanced understanding of sustainability issues, including climate issues, through materiality mapping to identify our most relevant risks and opportunities.

Evolving our procurement practices
Commenced a pilot with a global provider of business sustainability ratings, as part of our work to further reflect sustainability in our procurement practices.

Capturing customer insight
Introduced new ways to reflect sustainability in our customer research including brand tracking.

Contributed to industry initiatives
Participated in the Sustainable Markets Initiative (SMI), ClimateWise, Association of British Insurers (ABI) and Lloyd's Market Association (LMA) working groups on climate and other ESG issues.

GHG emissions reporting
Second year of reporting against ambitious GHG targets, with a 28% decrease in operational GHG emissions in 2022 against the 2020 baseline.

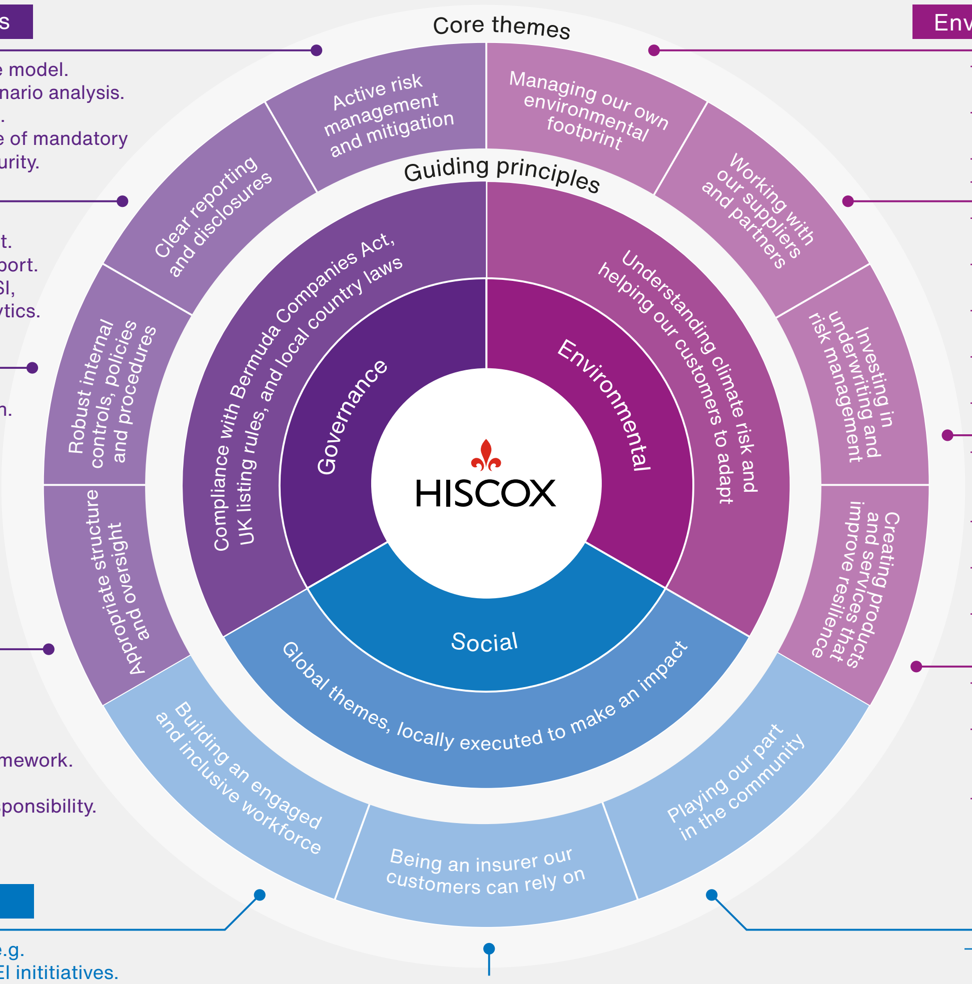
Enhanced disclosure
Continued focus on enhancing sustainability and climate-related disclosures, resulting in improvements in public scores including CDP and MSCI.

Supported climate charities
Donated over $1.8 million and spent over 1,400 hours volunteering for good causes including the Country Trust's 'Plant Your Plants' campaign, which focused on better understanding soil health and biodiversity in the UK.

Hiscox ESG framework

Setting out the principles that guide us, and the themes that are important to us

ESG issues touch many different parts of our business and the Hiscox ESG framework helps us stay focused and make an impact. It ensures we are pragmatic and consistent, teaming Group-wide themes with local market relevance. We also evolve as regulation changes and public interest in emerging issues grows.



Governance examples

- Three lines of defence model.
- Stress testing and scenario analysis.
- Emerging risks forums.
- Embedded programme of mandatory training e.g. cyber security.

- Climate report.
- Gender pay gap report.
- Financial condition report.
- ESG reporting i.e. DJSI, CDP, MSCI, Sustainalytics.

- Shareholder-aligned remuneration approach.
- Suite of relevant policies and procedures e.g. whistleblowing, financial crime.
- Risk and control self-assessment framework.

- Established Board committees, steering committees and working groups.
- Risk management framework.
- ORSA.
- SMFs with climate responsibility.
- Board diversity and Board independence.

Environmental examples

- Carbon reporting and offsetting.
- Emissions reduction targets.
- Waste management.
- Hiscox green team.

- Responsible investment policy.
- Claims supply chain e.g. AnyJunk.
- Caterers and facilities management.
- Supplier code of conduct
- ESG exclusions policy.

- Natural catastophe research and modelling, e.g. wildfire.
- Risk curve stress testing and analysis.
- Sustainable Steering Committee.
- Exposure management forums.

- Access to insurance, e.g. FloodPlus
- Underwriting sustainable ventures, e.g. wind farms.
- Piloting new technologies, e.g. Leakbot.

Social examples

- Employee networks, e.g. WeMind, and other DEI inititiatives.
- Employee engagement forum.
- Annual employee engagement survey.
- Culture dashboards.
- Training and development.

- Claims philosophy, underpinned by our values.
- (Re)insurance as a public good.
- Support measures e.g. vulnerable customers champions, exposure management tools, financial concessions.
- Rigorous privacy and data security.

- Three pillars of charitable giving.
- Impact report.
- The Hiscox Foundation.
- Hiscox Gives.
- Corporate sponsorship.

Our approach to climate issues

As a global insurer and reinsurer, almost every part of our business is affected by climate-related risks

Our purpose is to give people and businesses the confidence to realise their ambitions. Climate change presents a major challenge to that. We take that challenge very seriously, because, as a global insurer and reinsurer, whose customers range from individuals to businesses of all shapes and sizes, including other insurers, almost every part of our business is affected by climate-related risks.

This is why we are helping our customers and business partners to adapt through our products and services, and why we are evolving as regulatory obligations and external expectations change. It is also why we are a signatory to the Paris Agreement, which advocates collective action to limit global warming to less than 2˚C above pre-industrial levels this century.

The principal climate-related risks affecting insurers can be divided into three areas.

Physical risk
Higher claims are likely to result from more frequent and more intense natural catastrophes, such as floods and storms, due to climate change. These claims will not only come from damage to property but also from other knock-on effects, such as global supply chain disruption or scarce resources.

Transition risk
These are the financial risks which could arise from the transition to a lower-carbon economy, such as a slump in the price of carbon-intensive financial assets. Insurers may also need to adapt to other potential impacts, such as reductions in insurance premiums in carbon-intensive sectors.

Liability risk
Those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible. Where such claims are successful, those parties against whom the claims are made may seek to pass on some, or all, of the cost to insurance firms through policies such as professional indemnity or directors and officers' insurance. While in the long term as a property casualty insurer, Hiscox is certainly exposed to a myriad of climate risks, our view is that our exposures can be managed through time as a result of how we conduct our business.

For example, the vast majority of our underwriting contracts are annual in nature and thus can be revised frequently and our investment portfolio is very liquid and can be adjusted constantly.

This flexibility is our key tool for managing the multi-decade challenge of climate risks holistically. A fuller discussion of the relevant categories of climate-related risks specific to Hiscox and how we manage these can be found in our latest CDP climate questionnaire.

Our approach is guided by the ESG framework. ESG issues touch many different parts of our business, and so our ESG framework helps us stay focused and make an impact by:
- doing what we can to reduce the environmental footprint of our operations;
- taking climate-related risks into account in how we underwrite and invest;
- conducting or participating in research to increase our understanding of climate-related risks;
- working with our customers, brokers and other key stakeholders to help them to better understand climate-related risks and opportunities and how to respond to them;
- creating products and services that improve resilience to the effects of climate change;
- reporting on our progress on managing ESG issues, of which climate-related issues play an important part;
- participating in regulatory driven scenario analysis and stress testing.

How we do things is as important as what we do when it comes to climate-related risks and opportunities, and our 3,000+ employees all have a crucial part to play in that. Our efforts are driven by our ESG working group, overseen by our Sustainability Steering Committee, and supported by established. structures and processes that ensure appropriate oversight of ESG issues, up to and including Board level.

We also work closely with other organisations to help shape and inform national and international climate policy, to promote greater understanding of climate related risks and opportunities, and to encourage economies and communities to become more resilient to climate change.

ESG disclosure scores and commitments

Being a responsible business matters, but we recognise that we cannot achieve lasting change on our own

Latest ESG disclosure scores

How we perform on ESG issues is measured externally via ESG standards which rate and benchmark us against our peers and other industries. We participated in a number of independent, global ESG standards in 2022 and will do so again in 2023.

CDP DRIVING SUSTAINABLE ECONOMIES
2022: B grade 2021: B- grade

ClimateWise Insuring a sustainable future
2022: 83% 2021: 72%

Dow Jones Sustainability Indexes
2022: 45/100 2021: 40/100

MSCI
2022: AA grade 2021: A grade

SUSTAINALYTICS
2022: 28.7 2021: 27.1

Commitments and memberships

We contribute to a range of industry-specific, national and international climate-related initiatives through the public commitments we make and the memberships we maintain.

Carbon footprint standard – Carbon Neutral Organisation

clean city awards scheme — ESTD 1994 —

ClimateWise Insuring a sustainable future

COP21·CMP11 PARIS 2015 UN CLIMATE CHANGE CONFERENCE

PRI Principles for Responsible Investment

PSI

Sustainable Markets Initiative

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

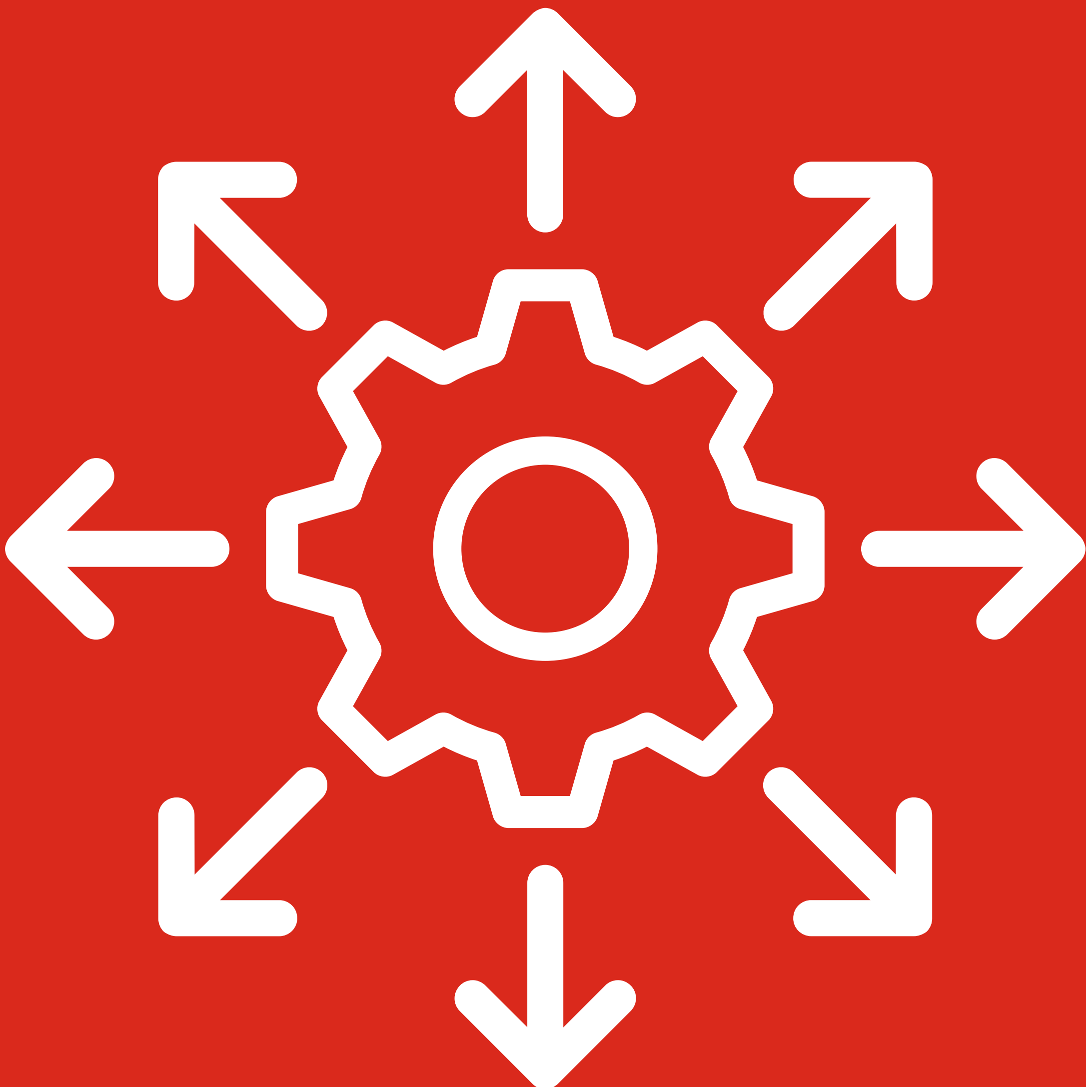
Hiscox values

We have had a strong set of values for decades and we work hard to ensure we live and breathe them in every part of our business

As our business grows and evolves, we undertake an exercise to review and refresh our values every five years or so, which we did in 2019 and which is when our new values of ownership and connected were introduced. These values underpin everything we do, including our work around climate risk and preparedness.

Principle 1
Be accountable

Understanding the risks and opportunities to our business that result from climate change is critical to our success. The structures and processes we have in place ensure they are managed appropriately, up to and including at Board level, and we publicly report each year on the progress we've made.



Principle 1.1
Ensure that the organisation's Board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.

Our continued success depends on how well we understand and manage the biggest risks to our business – and those linked to climate change are among the most significant. We have embedded an effective risk management and governance structure, with robust and rigorous processes for identifying, measuring, monitoring, managing and reporting risks across the Group, including climate-related risks.

The Board is at the heart of our risk management and governance efforts and is responsible for setting the Group's risk strategy and appetite, as well as overseeing risk management. Climate-related risks, among other major exposures, are monitored and measured both within our business units and at Group level, so we understand how much overall risk we take and what is being done to manage it. We look at how different risks interact and whether these may result in correlations or concentrations of exposure that we need to know about, monitor and manage.

While there are certain nuances to climate risk, we consider it to be a cross-cutting risk with potential to impact each existing risk type, rather than a standalone risk. By design, our Group risk management framework provides a controlled and consistent system for the identification, measurement, mitigation, monitoring and reporting of risks (both current and emerging) and so is structured in a way that allows us to continually and consistently manage the various impacts of climate risk on the risk profile.

Strategic direction defined by the Hiscox ESG framework

Since 2019, we have been embedding the Hiscox ESG framework to help keep us focused and ensure our decisions and actions have the most impact (see page 6). Environmental and climate-related matters form a key part of this strategy, both in terms of how we underwrite and invest, and in how we operate our business – from setting annual budgets and business plans, to risk assessment and management.

This framework is published on our website, in our twice-yearly analyst and investor presentations, and is regularly shared with our employees, brokers, partners and clients. More information on how we engage with our key stakeholders on climate-related issues can be found in Principles 4 and 6.

ESG as part of the Group operating plan

Since 2020, ESG has formed part of the Board-approved Group operating plan. This plan outlines the performance of key business areas during the prior year, and their strategic priorities for the year ahead. Areas covered include business units, risk, IT, finance and marketing, and the plan is used by senior management to guide the Group's annual business strategy.

ESG objective for senior leaders

In 2022, we further clarified the role of our senior leaders when it comes to ESG and climate-related issues, introducing a new personal objective for all Group Executive Committee members. This ensures ownership and accountability of ESG and climate-related issues at a business unit/functional level through our existing appraisal structure.

Non financial performance measures

In 2022-23 we conducted a comprehensive remuneration policy review to ensure that our Executive remuneration fully supports the achievement of our strategic objectives and motivates continued high performance on behalf of shareholders – including our financial results but also our wider role as a responsible employer, insurer and corporate citizen.

As such, we have introduced non-financial performance measures under our incentive plans for the first time. The introduction of these measures is designed to align with good remuneration practices among UK-listed companies, and appropriately reinforce our ESG responsibilities. For the 2023 annual bonus, employee and customer engagement metrics were introduced, and in the future further ESG measures including climate-related metrics may form part of the non-financial performance measures considered.

Climate ownership in our UK entities

Governance	The entity Board understands and is able to assess the financial risks from climate change to oversee these risks from within the firm's overall business strategy and risk appetite. The Board has the right knowledge and tools to discharge this duty.
Risk management	The entity Board is able to identify, manage and monitor transitional and physical risks associated with climate change, including but not limited to climate litigation. Risks and opportunities are considered in relation to strategy, balance sheet, and operations.
Scenario analysis	Periodic stress testing is enhanced to include transitional and physical scenarios and considers both the short- and long-term impacts to business planning, strategy and operations.
Disclosures	That a consistent and appropriate approach to the disclosure of the financial risks from climate change is embedded.

Since the end of 2019, our Hiscox UK subsidiaries have adopted a strategic climate action plan, to manage and monitor climate change risks over a range of business planning time frames. The action plan is owned by the entity Chief Executive Officer who has overall regulatory responsibility for managing the financial risks from climate change under the UK's Senior Managers Certificate Regime (SMCR).

The committed actions were fully embedded by the end of 2021 and the climate action plans we have developed address the key pillars of activity – governance, risk management, scenario analysis and disclosures; in line with what is set out in the PRA's Supervisory Statement 3/19. At a high level, the expected outcomes are set out above.

UK entity Board discussions regarding climate change take place bi-annually and progression towards the strategic climate action plan commitments are monitored quarterly, with input from across the Group, including from the functional areas of investments, underwriting, exposure management, finance and risk. This allows us to consider the risks that climate change present to all aspects of Hiscox's risk profile and balance sheet.

In addition, during 2023 we have conducted a comprehensive review of our climate action plans to further enhance accountability and drive progress. This review was led by the subsidiary Board SMFs, with the outputs shared not only through the relevant entity Boards but also through the Sustainability Steering Committee.

Additionally, the entities utilise centralised tools and activities such as catastrophe modelling (Hiscox view of risk), capital modelling, risk modelling and investment management to monitor and manage climate-related risks. These in turn drive key risk management tools used by the Board such as our stress and scenario testing and emerging risk process.

ESG governance structure

How we manage and monitor ESG issues to ensure appropriate accountability and oversight. This structure is supported by other established roles and teams that contribute to our ESG story. These include our employee-led networks including our green teams, our governance committees, and specific management groups such as our Natural Catastrophe Exposure Management Group. These areas are represented in elements of this structure.

Board

- Oversight of long-term ESG vision, strategy, priorities and performance against agreed metrics and targets.
- Ensures governance and accountability is in place with sufficient support.
- Periodic discussion on ESG strategy, trends, opportunities, vulnerabilities, and emerging issues.

Risk Committee

- Advises the Board on ESG strategy, key priorities, risk profile, risk exposures and opportunities.
- Recommends proposals for consideration by the Board as required.

Group Risk and Capital Committee (GRCC)

- Quarterly reporting on ESG matters from the Sustainability Steering Committee.

Group Executive Committee (GEC)

- Periodic ESG sessions.
- Sets business unit or function ESG-related strategy and priorities, and drives delivery through business units and functions.

Sustainability Steering Committee (SSC)

- Sub-committee of the GRCC, responsible for execution of the agreed ESG strategy, overseeing actions and delivery at a Group level.
- Typically meets quarterly and embeds sustainability risks and opportunities.
- Oversees effective use of resources and tracks Group and entity-level sustainability performance.
- Ensures senior management-level involvement and accountability for sustainability issues, with senior representation from areas including underwriting, investments and operations.

ESG working group

- Operational body, providing central point of coordination and expertise for ESG-related activities across the Group.
- Manages ESG-related Group reporting, disclosures and communications.
- Meets monthly and provides input and recommendations to management on ESG matters.
- Focuses on ESG-related research, including external monitoring and expectations.

ESG oversight at Board and Group Executive Committee level
During 2022-23, the Board received the following ESG/climate-focused sessions:
- an overview of annual performance, including ESG disclosures and progress against sustainability plans;
- a summary of sustainability plans for the year ahead;
- an awareness and education session on emerging issues including nature and biodiversity, and verification and assurance.

Board and committee structure
The Board meets at least four times each year, and to help it better manage the business it appoints and authorises a number of committees to oversee different aspects of the Group's operations. Each committee is run by a Board member, who reports directly to the Board.

The role of the Risk Committee in climate matters
Our Risk Committee has responsibility for assessing the climate-related risks and opportunities we face. It advises the Board on how best to manage the Group's risks, by reviewing the effectiveness of risk management activities and monitoring the Group's actual risk exposure. The Risk Committee relies on frequent updates from within the business and from independent risk experts for its understanding of the risks facing both our business and the wider industry.

This includes updates from various forums that scan and collate information, both external and internal, on potential emerging themes, risks and opportunities. Each has a different purpose and remit, but link together with existing processes including:
- underwriting – exposure radar in casualty exposure management group;
- enterprise view – risk team emerging risk;
- compliance – regulatory horizon scanning;
- indemnity – claims and actuarial reserving;
- market – strategic and business planning.

The internal emerging risk management process was enhanced in 2020 by the introduction of detailed and local-specific emerging risk discussions with management teams. This discussion is typically performed at least annually, with the intention of the most material and imminent emerging risks being integrated into the risk dashboard for the Risk Committee's review. In addition, the output of the emerging risk process will feed into the annual review of the operating plan, the long-term strategy planning process, as well as the forward-looking assessment scenarios and the stress tests and reverse stress test scenarios.

Climate change is considered to be an emerging risk that could have a material impact on the Group, by altering the frequency and severity of weather events such as storms and flooding. It could also present an opportunity, driving greater demand for cover against changing extreme weather events and creating a need for innovative new products to meet emerging needs resulting from climate change.

We are focused on addressing the increasing expectations on demonstrating good practice regarding environmental, social and governance issues. Pressures are emerging both top-down (governments, regulators, economic forums) and bottom-up (employees, consumers, action groups etc.). We are already aware of the risk, and our response is being coordinated across the Group, including through the ESG working group and Sustainability Steering Committee.

To support our risk management structure and processes, we invest in technology, to ensure the right modelling and data is available to support our pricing and exposure. As losses increase, the benefits of having the right level of insurance should become clearer, which could also encourage customers to focus on the quality of cover and service rather than cost.

We consider the various impacts climate change could have on our risk profile, including transition risks impacting the loss experience of those risks currently within our appetite. The financial impact on investments is another potential impact. A range of activities are already underway to help the Group respond to the changes posed by climate change (see Principles 2 and 3).

The Risk Committee also oversees the risk management framework, including the development and operational implementation of Hiscox's risk management policies and procedures, and advises the Board on how best to manage the Group's risk profile.

Stress testing and scenario analysis

We maintain a regular cycle of stress testing and scenario analysis to ensure we manage risk well and evolve at the same pace as the risks we cover. We have embedded an internal programme of stress testing, which is performed annually to assess the resilience of the business plan in extreme, adverse scenarios. This includes modelling the impact of weather-related events of varying sizes so we can understand the Group's potential loss exposure.

The periodic stress-testing process was enhanced in 2021 for the UK entities specifically under the aforementioned strategic climate action plan. Future developments include the addition of transitional risk scenarios and longer-time horizons. These enhancements will assess the impact on strategy, operations and the solvency profile.

In 2022, Hiscox Syndicate 33, Syndicate 3624 and Hiscox Insurance Company Limited (HIC) participated in the Bank of England's General Insurance Stress Test Exercise (GIST). The objectives of the GIST 2022 exercise were to assess resilience to severe but plausible natural catastrophe, as well as cyber scenarios, to gather information about firms' modelling and risk management capabilities and to enhance the PRA's and firms' abilities to respond to future shocks.

While the exercise did not aim to assess the financial impact specifically from climate change, the climate-related (atmospheric) scenarios it explored – US hurricanes, European/UK windstorms and UK flood – represented severe but plausible realisations of current climate conditions chosen to reflect firms' exposures and business models.

Industry-wide stress tests such as the GIST support our established and embedded programme of internal stress testing and scenario analysis, and contribute to their continued evolution. As such, industry-wide stress testing complements our existing plans to boost our climate risk preparedness.

"Our risk management strategies and processes continue to evolve with our business, and we work hard to ensure we have a strong risk culture throughout the organisation, supported by regular and robust internal training and awareness campaigns."

Hanna Kam
Group Chief Risk Officer
Member of the Sustainability Steering Committee

Group policies

We have a range of policies that hold us to account when it comes to environmental and related matters, some of which are set out below. More information on each policy is available by clicking the link.

Environmental policy	Our environmental policy outlines our approach to managing the environmental impact of our business activities and those that arise from our ownership and occupation of office premises. We actively manage and aim to minimise our environmental impacts, due to the resources we consume and the amount of waste our activities produce, as well as complying with relevant environmental legislation and other commitments such as the ClimateWise Principles.
ESG exclusions policy	We aim to reduce steadily and eliminate by 2030 our insurance, reinsurance and investment in thermal coal-fired power plants and thermal coal mines, Arctic energy exploration projects (beginning with the ANWR region), oil sands and controversial weapons. We will review the policy each year and refine it to reflect our progress, as well as external expectations on these practices, as necessary.
Supplier code of conduct	We want to work with like-minded businesses who align with our values and support our goals. Our supplier code of conduct, which we published during 2022, sets out the behaviours and standards we expect from all suppliers providing goods and services to or on behalf of Hiscox, and any third parties subcontracted by our suppliers. Any supplier that has any commercial dealings with Hiscox, including brokers, coverholders, third-party administrators, outsourced service providers and specialists, and any of their subcontractors must state compliance with this code of conduct.
Health and safety policy	Our health and safety policy helps ensure we provide a work environment and activities that ensure the health, safety and welfare of all our employees and those who are affected by our operations across all Hiscox Group activities and locations.
Modern slavery statement	Hiscox complies with the provisions of the Modern Slavery Act. Our modern slavery statement outlines our zero-tolerance approach to slavery or human trafficking in our supply chains or in any part of our business.
Respect for human rights	While we are guided by the principles of the UN's Universal Declaration of Human Rights and the International Labour Organisation's core labour standards, we are also currently developing a standalone human rights policy for the Group which we aim to publish during 2023.
Responsible investment policy	Our responsible investment policy for the Group outlines our expectations of our in-house investment team and our external asset managers. This includes our investment processes and stewardship activities as we look to invest in companies that have sound ESG practices, how we evaluate our managers' ESG integration, and our approach to impact investing.

Principle 1.2
Management's role in assessing and managing climate-related issues.

C-suite oversight and ownership of climate-related issues
Our Sustainability Steering Committee is responsible for executing our ESG strategy across our operations, overseeing actions and delivery at a Group level, and for identifying both the risks and opportunities arising from sustainability issues.

This ensures our senior managers are involved in and accountable for sustainability issues, and tracks our sustainability performance, both at a business unit and Group level. The Committee is chaired by our Group Chief Executive Officer, and its members include our Group Chief Operations and Technology Officer, UK Chief Executive Officer, Chief Underwriting Officers from some of our business units, Chief People Officer, Chief Risk Officer and our Director of Investor Relations. Its meetings are held quarterly and are also attended periodically by representatives from across the Group, such as our ESG working group.

Our approach to risk management
The Group's success depends on how well we understand and manage our exposures across key risk types. These consist of strategic risk, insurance (underwriting and reserve) risk, market risk, credit risk, operational risk and regulatory, legal and tax risks. Climate-related risk is covered within these criteria.

Our risk management framework operates as a continuous process that is embedded in the Group's culture, supported by a central risk team which is led by our Group Chief Risk Officer, who reports directly to the Risk Committee, with matters escalated to the Board as necessary.

The risk team monitors and reviews the risk profile and the effectiveness of our risk management activities, including compliance with, and recommendations for any changes to, our defined risk strategy and risk appetite. In turn, the central risk team is supported by several Group-wide and local forums focusing on specific risk types.

2022 saw a continued focus on improving the efficiency of the risk management framework, mainly through the streamlining and automation of repeatable cycles. This creates further capacity for risk reviews and deep-dives and for more support to be available to change programmes across the Group, as well as ensuring appropriate support and challenge is provided to the first line of defence in assessing, understanding and responding to risks associated with the current geopolitical and economic environment.

Risk management framework
Understanding and managing the significant exposures we face.

Hiscox Own Risk and Solvency Assessment (ORSA) framework
The Group's ORSA process is an evolution of our long-standing risk management and capital assessment processes. The ORSA process involves a self-assessment of the risk mitigation and capital resources needed to achieve the strategic objectives of the Group and relevant insurance carriers on a current and forward-looking basis, while remaining solvent, given their risk profiles. The annual process includes multi-disciplinary teams from across the business, such as capital, finance and business planning.

Once we have assessed our risks through the risk management framework and through our Own Risk and Solvency Assessment (ORSA) framework, we manage them through a combination of the following:

- a diversified portfolio;
- a clearly defined risk appetite;
- underwriting discipline based on sound decisions aligned with the Group's overall strategic objectives and risk appetite;
- mitigation of the effect of catastrophes and unexpected concentrations in risk through reinsurance;
- tailored modelling resources;
- stress and scenario testing.

Catastrophic and systemic insurance losses from damage caused by a range of catastrophes, including events such as typhoons, wildfires, hurricanes and earthquakes, are identified as significant enough to be considered principal risks to the business. In fact, some of our most significant future disaster scenarios are based on natural catastrophe events – see Principle 3.

Risk management developments in 2022

The Risk Committee also provided input into a number of important risk management developments during 2022:

- a risk management maturity framework was introduced during the year to help set the organisation's maturity goals against six key dimensions of risk management, as well as monitor ongoing progress made against these goals. The maturity model has been introduced at both Group and business unit level;
- maintaining a strong risk culture across the organisation is recognised as a key component of effective risk management at Hiscox. During the year, the Group risk team developed processes to more systematically assess risk culture across the Group considering aspects such as tone from the top, risk transparency, the organisation's use of lessons learned and its ability to identify and respond to uncertainty. As part of this work, an 18-month plan has also been developed to further enhance the organisation's risk culture which will continue to be monitored through the processes developed during the year. These processes now include a risk culture survey for all staff to be completed as part of annual risk management training which has been rolled out;
- there has been a strong focus during the year on performing targeted risk reviews at both Group and legal entity level (including those driven by regulatory developments). Particular emphasis has been placed on performing reviews to assess the risks for the organisation associated with inflation given the current macroeconomic conditions being observed.

Three lines of defence model

1st

Owns risk and controls

Responsible for ownership and management of risks on a day-to-day basis. Consists of everyone at every level in the organisation, as all have responsibility for risk management at an operational level.

2nd

Assesses, challenges and advises on risk objectively

Provides independent oversight, challenge and support to the first line of defence. Consists of the Group risk team and the compliance team.

3rd

Provides independent assurance of risk control

Provides independent assurance to the Board that risk control is being managed in line with approved policies, appetite, frameworks and processes, and helps verify that the system of internal control is effective. Consists of the internal audit function.

Beyond the Board, committees and the risk team

Business areas potentially impacted by, or with a vested interest in, climate issues (such as risk modelling, risk management, communications, marketing, investments and property services) work together on some climate-related activity, such as proxy report responses (see page 8 and Principle 6.1), but are responsible for integrating climate-related matters into their work and escalating issues to an appropriate level of management.

An example of how this risk integration creates results for both Hiscox and our customers can be seen in our work to boost flood insurance solutions and customer access to them in the UK and USA. More information on this is included on page 63.

Our ambitions

Performance against our 2022-23 ambitions

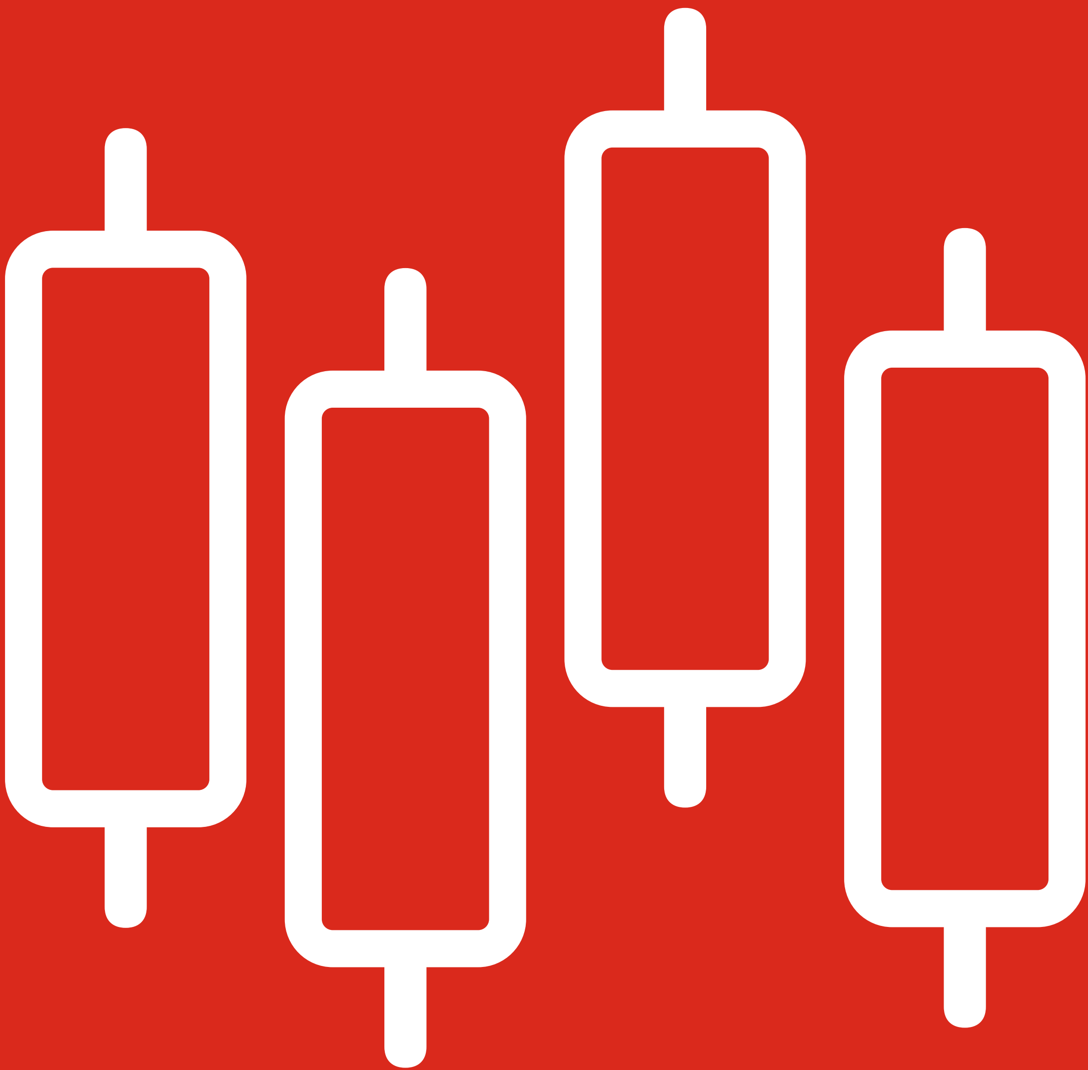
Ongoing	**Embed our new Board-approved, SBTi-aligned GHG reduction targets and take action towards achieving them.** We have continued to embed our GHG targets, including through our half-year footprinting process, and in reporting dashboards including our investment ESG dashboard. We will look to build on this work further in 2023-24.
Achieved	**Continue to build on the governance structures established for climate-related and sustainability issues, specifically the remit and work of the Sustainability Steering Committee.** In line with our annual review of committee terms of reference, we have further refined the remit of the Sustainability Steering Committee and made enhancements to our internal processes to ensure there is appropriate balance between environmental, social and governance matters.
Ongoing	**Continue to enhance our independent verification processes for climate-related and sustainability information.** In 2022-23 we have taken important steps towards enhancing our existing verification process for GHG emissions. As a result, we have evolved the verification of our Scope 1-3 emissions (excluding investments) to a reasonable assurance level for the first time, and obtained limited assurance of our investment emissions for the first time. We will consider other ways to enhance our verification and assurance processes over time.

2023-24 ambitions

- Evolve existing ESG measurement and monitoring internally through a consistent dashboard that can surface the most significant risks and opportunities.
- Complete, and where appropriate publish, an ESG double materiality map for the Group.

Principle 2
Incorporate climate-related issues into our strategies and investments

As an insurer, our priority has to be to bring useful products to market and have the ability to pay claims when the worst happens. An awareness and integration of climate-related risks into our strategies and investments is therefore essential to achieving that.



Principle 2.1
Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

As a global insurer, we have a responsibility to – and are of interest to – a range of stakeholders. This includes not only our investors and our investment managers, which are discussed in detail below, but also our employees, customers, suppliers and business partners, analysts, regulators and the media. Our work with employees is discussed in more detail in Principle 4 and 6, with customers in Principles 6.1 and 6.2, with (and through) the media in Principle 6.1, and with regulators in Principle 5.1. In addition, the chart on page 36 shows how we evaluate the potential impact of natural catastrophes, which have climate implications, and Principles 3.1 and 6.2 discuss our growing portfolio of flood products around the Group in response to the challenges arising from the changing nature of natural catastrophes including the climate-related impact on natural catastrophes. The carbon footprint of our business is also of relevance here, and more information on that can be found on page 42.

Business strategy and planning

ESG and specifically climate issues form part of the Board-approved Group business plan for the year ahead. This plan outlines the performance of key business areas during the prior year, and the strategic priorities for the year ahead. Areas covered include underwriting, investments, risk, IT, finance and marketing, as well as sustainability, and the plan is used by senior management to guide the Group's annual business strategy and financial planning where appropriate.

The 2022 Group business plan included an overview of key climate-related areas of focus for the year ahead such as:

- an annual review of the Group ESG exclusions policy and the responsible investment policy, both of which were completed during 2022 and again in 2023, with any recommended changes to the policies approved through the appropriate governance channels;
- the development of a broader suite of climate risk metrics and transition pathway-aligned targets for the investment portfolio, which has been considered during 2022 as part of the creation of an ESG dashboard for investments, and shared with all relevant working groups and committees, up to and including the Investment Committee;
- enhancements to existing processes for measuring and monitoring the Group's carbon emissions, which in 2022 included the introduction of a half-year footprinting process to provide mid-year oversight of the data and which further improved data quality.

These outputs were included as part of the 2022 performance review within the 2023 Group business plan, with new strategic deliverables (including climate-related deliverables) set for the year ahead.

Our approach in investments

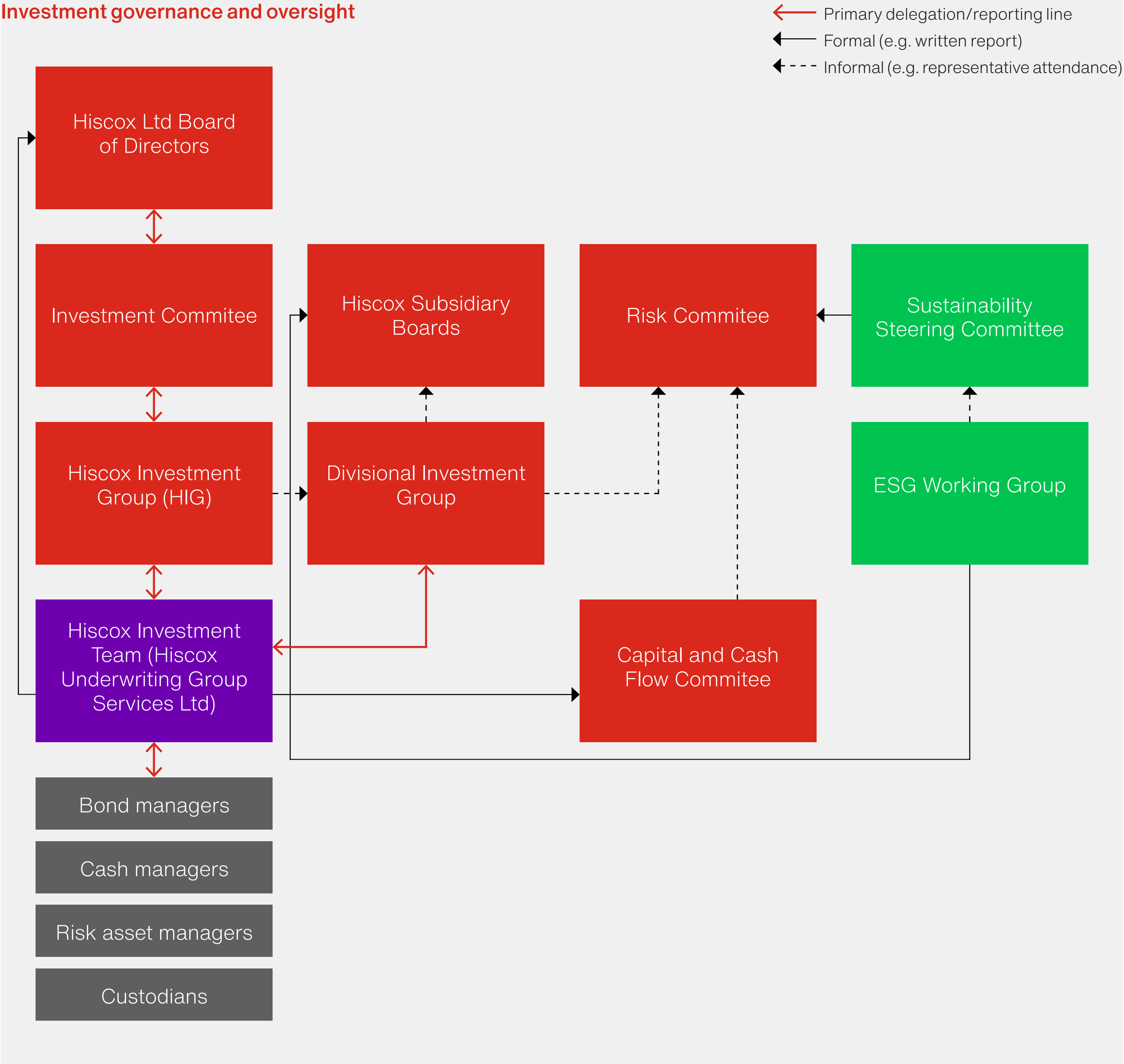
Hiscox is a signatory to the Paris Pledge for Action, a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and a founding member of ClimateWise. We are also a signatory to the UN supported PRI (Principles for Responsible Investment) both as an asset owner and as an asset manager. These commitments help to inform our long-term investment strategy, as well as how we monitor, measure and report on our progress.

We maintain a relatively small in-house investment team, which oversaw financial assets and cash totalling $7.1 billion as at 31 December 2022, investing mainly in bonds, cash and equities on behalf of the Hiscox Group. All of the team have ESG integration into the Group's investment practices as personal objectives, which are reviewed regularly as part of our staff performance appraisal processes, alongside the ESG training programmes we have in place for our senior team members. This includes members of the team gaining the CFA Certificate in ESG Investing.

Located in London, the team is charged with optimising Hiscox's investment portfolio in line with its policies and targets. The priority for the investment portfolio is always to provide liquidity to pay claims and capital to support the business, and a conservative stance ensures that we remain in a good position to fulfil both roles. The secondary objective is to maximise our investment result in the prevailing market conditions subject to a prudent risk appetite.

In addition Hiscox has set an ambitious target to transition its investment portfolios to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels. See page 43 for more information.

Investment governance and oversight



Board oversight of our investments
The professional investment partners manage the day-to-day investment risks on Hiscox's behalf, our in-house investment team maintains a strategic view of investment risk.

Any significant findings are raised to the Investment Committee. This Committee has responsibility for oversight of the Group's investments and comprises Board members, including the Group Chief Executive Officer and Group Chief Financial Officer. When appropriate, it will consider the findings of other Board Committees and incorporate these into future investment strategy. More information on the Board and Committee structure can be found in Principle 1.1.

Any significant risks are fed into the risk management process via the central risk team. Risks are added to the risk and control register and assessed alongside other business risks. See Principle 1.1 and 1.2 for more details of our risk management process.

Our portfolio profile
The majority of Hiscox's investments are in short-dated bonds (76.3% at the end of 2022) with a smaller proportion in cash (18.9%), and the smallest in equity type funds (risk assets 4.8%). While bond holders do not generally have a vote, primary bond issues provide essential short- to medium-term financing to businesses, and bond investors such as us can have a meaningful, active engagement approach with issuers. Where possible, we expect our investment managers to engage with portfolio companies on our behalf.

Short- to medium-term bond investments typically have low direct correlations with the longer-term issues of climate change risk. However, we believe that ESG issues and issuers' approaches to managing climate risks and opportunities should still be key considerations in the evaluation of each issuer, including the sustainability of issuers' business models and cash flow generation abilities.

Although it is harder for asset owners to influence ESG issues for government bonds, we expect our managers to understand ESG threats and opportunities across all securities in which they invest on our behalf. Within risk assets, including equities, Hiscox typically invests indirectly through commingled funds.

When selecting funds, ESG factors are considered as part of the research process – for example, fund management companies' ESG approaches are scrutinised alongside more traditional risk and return factors.

ESG data providers review, selection and integration
Having integrating a new ESG data provider into our systems during 2021-22, this has enabled us to develop a draft ESG dashboard covering all of our liquid investments which significantly enhances our ability to monitor our position against a range of ESG metrics.

The dashboard is based on the recommendations of the Investment Consultants Sustainability Working Group, but we have added to this to expand the range of metrics covered. Our investment portfolio monitoring includes key metrics such as:
- exposure to ESG exclusionary areas, if any;
- tracking progress towards the Group's target on the Paris/net-zero alignment of the corporate bond portfolio;
- average temperature alignment;
- carbon intensity;
- climate stress testing results;
- governance metrics of the underlying companies, such as board composition;
- controversy flags, such as for poor working conditions;
- exposure to sustainable investments such as green bonds, impact investments and companies with natural capital-related revenues.

Depending on the metric, these are measured in absolute terms and versus a global equity index for comparison. The dashboard is updated quarterly and can be viewed at entity, investment manager or individual portfolio level. Further metrics and time series analysis are also under development, and we will continue to build on this important work in 2023-24.

At the end of 2022, we had over $300 million in sustainable assets, including over 5% of our bond portfolio invested in green, social, sustainability or ESG KPI linked bonds. Impact investing is something we will continue to explore where the risk and return balance is appropriate. Our current investment managers in this area have a strong ESG focus and produce impact reporting.

Hiscox Group responsible investment policy

We have a Board-approved responsible investment policy and an ESG exclusions policy which applies Group-wide, and these policies work hand-in-hand to ensure our approach to climate is reflected in our business strategy and most importantly in how we operate day-to-day. Our responsible investment policy, in conjunction with our Group ESG exclusions policy, sets out the principles applied to our portfolios and ensures ESG considerations are taken into account in our external manager selection and monitoring processes. The policies also guide our selected external asset managers, setting out our expectations of how ESG issues and opportunities should be incorporated into their investment and ownership decisions undertaken on our behalf, while ensuring reporting and disclosure of ESG issues and engagement activities. The majority of our portfolios are directly invested, and our investment guidelines with our selected investment managers include requirements to incorporate material ESG factors into their investment and stewardship activities and to abide by our ESG exclusions policy.

The exclusions policy states our intention to not directly invest into securities of companies that contribute disproportionately to climate change or are involved in undesirable practices, these include those that generate more than 30% of revenues from thermal coal extraction or power generation, Arctic energy exploration activities, oil sands or controversial weapons. Where Hiscox invests in pooled funds and has no direct control over portfolios, desired exclusions are shared with the investment manager and they are requested to apply them wherever possible.

Hiscox outsources the management of the Group's investment assets to a range of specialist third-party fund management experts and investment managers, who deal with securities and stock selection on a day-to-day basis and manage many of the investment risks on our behalf. The Chief Investment Officer and the investment team retain the primary fiduciary duty to protect and enhance the value of our assets, including the integration of ESG issues into their investment processes. This includes understanding and protecting against the investment risks resulting from climate change. Along with much of the insurance industry, our approach to including climate change in our investment decisions continues to evolve and our investment team directs its third-party managers to evaluate all risks, including ESG issues, that are pertinent to the return and risk of its assets. There are a multitude of risks that could affect our investments, and climate change affects a number of these directly or indirectly. Its effects are included within the risks that our investment managers are expected to review and manage.

Combining the expertise of the in-house investment team with the input of our fund managers ensures we make decisions on investments and climate-related risks in a pragmatic, practical and useful way. Our investment partner selection and monitoring processes includes assessment of the firm, their investment capabilities and track record, alongside their ability to manage and report on ESG risks and opportunities on our behalf. As good business practice, Hiscox expects its asset managers to invest in companies that have sound ESG practices. Organisations that understand and successfully manage material ESG factors and associated risks and opportunities tend to create more resilient, higher-quality businesses and assets, and are therefore better positioned to deliver sustainable outcomes over the long term. Those companies that do not have such controls are considered less suitable for investment.

We believe that ESG factors can have an impact on risk and returns across asset classes, sectors, geographic regions and companies, and should therefore be integrated into the investment process. Hiscox's asset managers are expected to have apprised themselves of the Hiscox ESG framework and the Hiscox values (see pages 6 and 9 respectively), with a view to reflecting them in our investment activities as far as possible. Regular reporting and annual reviews of, and engagement with, external managers on their ESG approaches helps to ensure that the applicable ESG integration methodologies represent best practice and are consistently applied.

Investments and our approach to staff pension funds
Hiscox has two pension arrangements – a closed final salary scheme and a Group personal pension plan. Under the former, trustees are responsible for investment decisions and under the latter, it falls to individual members. The pension trustees believe that good stewardship and ESG issues may have a material impact on investment risks and returns, and that good stewardship can create and preserve value for companies and markets as a whole.

The trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The trustees take into account the expected time horizon of the pension scheme when considering how to integrate these issues into the investment decision-making process.

The trustees have given its appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with each manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The trustees consider how ESG, climate change and stewardship are integrated within investment processes regarding appointing new investment managers and monitoring existing investment managers' performance. The trustees meet each manager annually and those that are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis. From 2021, the scheme's investment advisor, Isio, has kept managers' ESG policies under rolling review. If a manager has not acted in accordance with its own policies and frameworks, then these would be grounds for Isio to conduct additional monitoring and engagement.

The trustees worked with Isio to set ESG beliefs at the outset and reviewed the scheme's ESG policies and the engagement performed by investment managers on their behalf, and these will be reviewed by trustees periodically to ensure they remain fit for purpose. Fidelity, which manages our Group personal pension plan, has committed to reduce carbon emissions within FutureWise, the default investment strategy for Hiscox members, by half by 2030, and to net zero by 2050 or before.

Members of the group personal pension plan have access to a number of sustainable funds to choose from among other investment options. These include a sustainable global equity fund; a global climate and environment fund; a positive change fund; an ethical fund; and a reduced carbon bond fund.

Information about these investment options is readily available to staff, for example if employees wish to consider changing their pension investment arrangements, tools are available online to help guide their choices and reference to sustainable investing is also made during staff pension presentations which typically take place annually. We are pleased to see that these funds are being used by employees.

2022 investment portfolio sustainability review
We review the ESG integration activities of our investment managers and portfolios at least annually. We expect our managers to engage with companies on Hiscox's behalf, with a view to improving ESG standards by changing corporate behaviour to minimise both climate and investment risks.

We expect all of our investment managers to sign up to organisations and principles which demonstrate their commitment to ESG integration, and so we are pleased that this is the case for almost all of them. Over 99% of our assets are managed by managers who are signed up to the Principles for Responsible Investment (PRI), and over 90% of our assets are managed by signatories to the Net Zero Asset Managers Initiative. We are also a PRI signatory.

In 2022, we conducted specific ESG review meetings at least twice a year with all of our core bond managers to ensure their ESG processes are sound and developing, as we look to continually improve the ESG position of our portfolios. As part of the establishment of a new emerging markets debt mandate and a high yield bond mandate, ESG engagement and monitoring were key factors in the selection and appointment of both managers.

We also reviewed the ESG practices of the pooled funds in which we invest to ensure the funds are developing acceptable ESG policies, some of which have gone further than our own policies, particularly with regard to carbon intensive sectors.

ESG exclusions policy

(Re)insurers have a role in ensuring an orderly transition to a low carbon economy and we want to play our part. Our Group-wide exclusions policy, which officially came into effect from 1 January 2022, outlines how we intend to do this. Ultimately our ambition is to phase out all investment and underwriting exposure to thermal coal-fired power plants and thermal coal mines, Arctic* energy exploration activities and oil sands by 2030, in line with the 2015 Paris Agreement and UN Sustainable Development Goals.

This policy has been designed to contribute to the insurance industry's role in supporting the transitioning economy and supports our wider ESG activity, including our annual cycle of carbon reporting and offsetting, and our emissions reduction programme.

Our ESG exclusions targets for underwriting and investments
- No longer provide new insurance cover to thermal coal-fired power plants, thermal coal mines, Arctic* energy exploration activities, oil sands or controversial weapon.
- Not directly invest into securities of companies that generate more than 30%. of revenues from thermal coal extraction or power generation, Arctic* energy exploration activities, oil sands or controversial weapons.
- No longer reinsure portfolios where 30% of the premium base derives from thermal coal-fired power plants or thermal coal mines, Arctic* energy exploration activities, oil sands or controversial weapons.

Progress against our ESG exclusions policy
- In big-ticket underwriting, we now monitor all risks according to their ESG profile and continue to decline and non-renew risks in line with our exclusions policy. Through this same tracking, we are able to monitor the positive risks we are supporting such as wind and solar energy, and electric vehicles.
- In reinsurance, we have exited from all business where 30% or more of subject premium derived from restricted areas, and we continue to monitor our portfolio composition against our ESG focus areas, capturing programs declined for ESG reasons in regular internal reporting.
- In investments, we have shared the policy with our fund managers, to ensure it is considered in relation to pooled funds, and we have eliminated our investment exposure within all directly-held bonds that fall outside of appetite. In addition, we have now fully embedded ESG into our investment processes: net-zero wording is now in all core bond investment manager mandates; we have enhanced the ESG credentials of our emerging market bond portfolio; and an investments-focused ESG dashboard is now a regular feature of Investment Committee reporting.

*Arctic National Wildlife Refuge (ANWR) region.

Our approach in underwriting
We have extensive and embedded processes in place that ensure we regularly evaluate the implications of climate change on business performance and specifically from an underwriting perspective. This includes through forums such as our Emerging Risks Forum, our Grey Swan Group, and our Natural Catastrophe Exposure Management Group, as well as through policies such as our ESG exclusions policy. More information on these can be found in Principle 3.

Sustainability Steering Committee
Our Sustainability Steering Committee is designed to ensure frequent senior management oversight of sustainability and climate-related issues and their actual or potential impact on business performance both now and longer term. More information can be found in Principle 1.

Principle 2.2
Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

Disclosing natural catastrophe modelling outputs
As a (re)insurer with exposure to losses arising from natural catastrophes – including climate-related natural catastrophes – it is imperative that we consider these implications for our business. A key consideration for our business is to identify potentially catastrophic and systemic insurance losses from damage caused by a range of catastrophes, including natural events such as hurricanes and earthquakes, which could be significant enough to be considered principal risks to the business.

It is why we publish our expectations for specific modelled losses twice a year during our half-year and full-year financial results presentations to the market (see page 36). These are presented to analysts and investors and made available to customers and other interested parties via our website. Some of our most significant future disaster scenarios are based on natural catastrophe events.

Disclosing climate-related operational impact
We also measure and disclose the impact of our broader business operations, either ourselves or through independent global ESG standards. More information on this can be found on page 8 and in Principles 4 and 6. Additional information on the metrics we use to assess climate-related risks and opportunities (in line with our strategy and risk management processes), and the targets we use to manage climate-related risks and opportunities, can be found in our latest CDP climate questionnaire responses, which we publish here.

Financed emissions
As part of our carbon reporting data collection and verification processes, since 2021 we have measured and disclosed the emissions arising from our investment portfolio (our financed emissions). For 2022, this data was independently verified to a limited assurance level for the first time and a copy of the verification statement is published on our website, while the data can be found on page 42.

Near-term climate risks and opportunities
More frequent and more intense natural catastrophes arising from climate change, such as floods and storms, could result in changes to current claims patterns. These claims will not only come from damage to property but also from other knock-on effects, such as global supply chain disruption or scarce resources. However, given the majority of the policies we write are annual (re)insurance policies, we regularly consider our exposures to climate-related risks which gives us the opportunity to adjust pricing and appetite accordingly. An overview of our modelling of extreme natural catastrophe loss scenarios can be found on page 46 of our 2022 Annual Report and Accounts.

There are also the financial risks which could arise from the transition to a lower-carbon economy, such as a slump in the price of carbon-intensive financial assets. Our ESG exclusions policy, which will see us reduce our exposures to the worst carbon emitters in both underwriting and investments, prepares us for this as do our new GHG emission reduction targets. For more information, see page 56 of our 2022 Annual Report and Accounts.

We have significant expertise in areas such as flood, where we have a suite of products and considerable risk experience; renewable energy where we are supporting a number of major wind and solar energy projects; and in the decommissioning of offshore carbon assets which is an area we insure. These are lines of business where we could see increased opportunity over time, and in some cases are already benefiting from changing customer trends, for example in US flood, where demand is growing and our product offering, use of data and technology means we are well placed to serve more customers with flood cover.

Medium- to long-term climate risks and opportunities
Climate-related risks have the longer-term potential to impact regulatory risk, credit risk, legal risk, reputational risk, and technology risk. We have several emerging risks forums across the organisation which are designed to identify emerging, longer-term risks and opportunities, including climate-related risks and opportunities. Alongside our in-house modelling and research expertise, these groups ensure our work takes into account climate-related issues over a range of business planning time frames.

There is also the longer-term litigation risk: that those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible Where such claims are successful, those parties against whom the claims are made may seek to pass on some, or all, of the cost to insurance firms through policies such as professional indemnity or directors and officers' insurance.

While in the long term as a property casualty insurer, Hiscox is certainly exposed to climate-related risks, we believe our exposures can be managed through time as a result of how we conduct our business. For example, through the flexibility we have in our predominantly annual underwriting contracts, and through the liquidity of our investment portfolio which lends itself to constant adjustment. This flexibility is our key tool for managing the multi-decade challenge of climate risks holistically.

Principle 2.3
Incorporate the material outcomes of climate risk scenarios into business (and investment) decision-making.

With every natural catastrophe event that occurs, we learn more about the climate-related risks that our business is exposed to. Work is undertaken by our strategy, catastrophe modelling and underwriting teams to refine our modelling and underwriting approach as appropriate, and example(s) of this are outlined further in Principle 3.1.

In addition, every two years one of our UK regulators, the Prudential Regulation Authority (PRA), conducts a General Insurance Stress Test (GIST) which we participate in alongside many of our peers. We participated in 2019, when the stress test included, for the first time, a climate change element, and we participated in it again during 2022. The objectives of the GIST 2022 exercise were to assess resilience to severe but plausible natural catastrophe, as well as cyber scenarios, to gather information about firms' modelling and risk management capabilities and to enhance the PRA's and firms' abilities to respond to future shocks.

While the exercise did not aim to assess the financial impact specifically from climate change, the climate-related (atmospheric) scenarios it explored – US hurricanes, European/UK windstorms and UK flood – represented severe but plausible realisations of current climate conditions chosen to reflect firms' exposures and business models. We also participated in the CBES exercise in 2021-22.

Industry-wide stress tests such as the GIST and CBES support our established and embedded programme of internal stress testing and scenario analysis, and contribute to their continued evolution. Lessons learnt are fed back into the business to further boost our climate risk preparedness and support existing climate-related and ESG activity plans.

Our ambitions

Performance against our 2022-23 ambitions

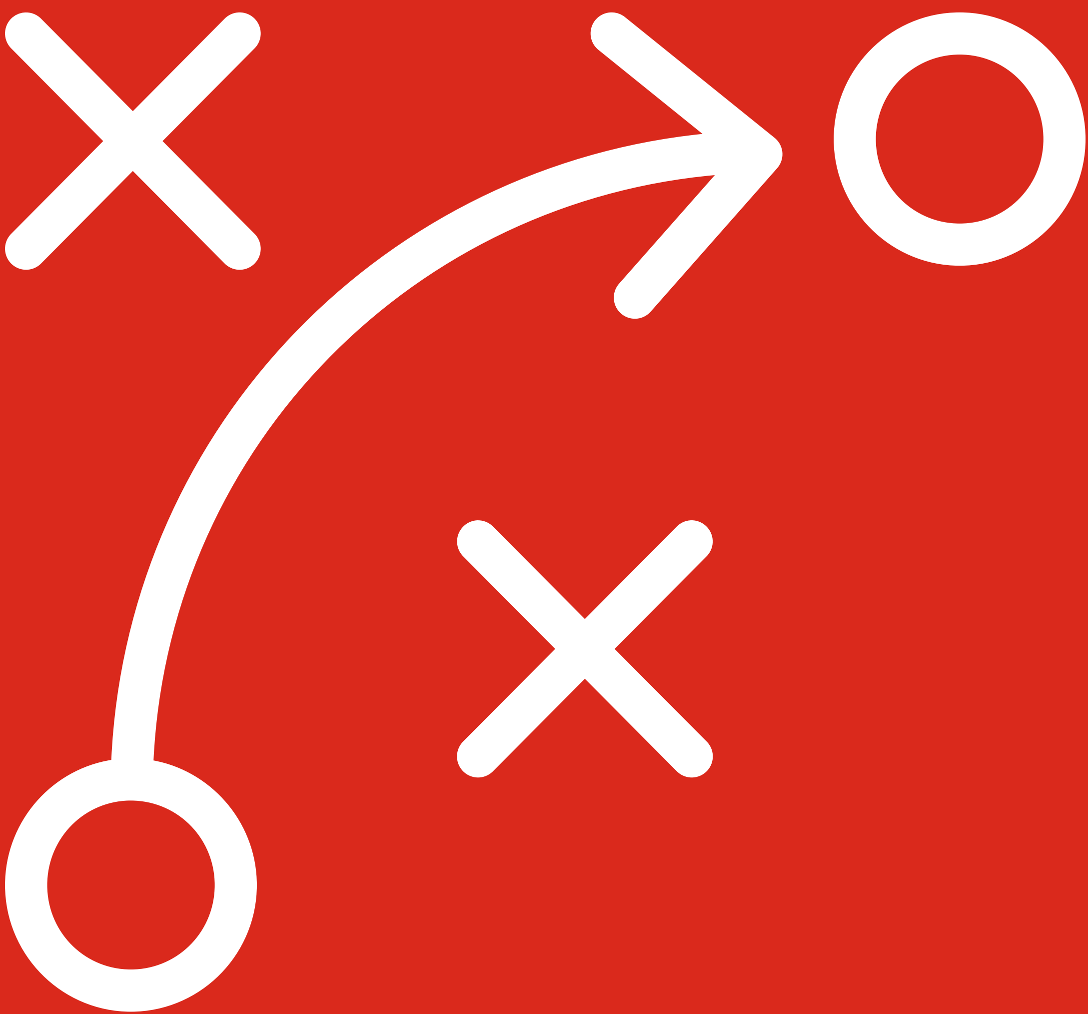
Achieved	**Undertake our next annual review of the ESG capabilities of our investment managers, including integrating our net-zero objectives into our directly held investment mandates.** We continue to regularly review the ESG capabilities of our investment managers, and have integrated our net-zero objectives into our core directly held investment mandates – where we will monitor progress against these objectives over time.
Achieved	**Apply ESG guidelines specifically designed for our emerging market debt mandates.** These guidelines have been defined during 2023 and through 2023-24 we will focus on applying them appropriately.
Achieved	**Continue to develop our systems, modelling capabilities and ESG dashboard to monitor our progress and evaluate, manage and report on ESG risks and opportunities.** During 2022-23 we have made further enhancements to existing processes, such as our ESG investment dashboard, where we have introduced new metrics and improved the granularity of data.
Achieved	**Include impact as a specific consideration in the manager selection process for some of our searches to see where we may expand our exposure.** We now consider impact in each new manager search, and are actively considering how to expand our exposure in areas such as equities and private credit.
Achieved	**Complete an annual review of our responsible investment policy and ESG exclusions policy.** We continue to regularly review these policies, with recommendations and updates escalated through the established investment and ESG governance structures. Annual reviews have been conducted in both 2022 and 2023, and will next be completed in 2024.
Ongoing	**Fulfil our commitments as a PRI signatory, including the necessary reporting.** We complete our first year of PRI reporting in 2023 and will continue to engage with and report against the PRI.

2023-24 ambitions

- Undertake our next annual review of the ESG capabilities of our investment managers.
- Continue to develop our systems, modelling capabilities and ESG dashboard to monitor our progress and evaluate, manage and report on ESG risks and opportunities.
- Complete an annual review of our responsible investment policy and ESG exclusions policy.
- Include impact as a specific consideration in the manager selection process for some of our searches to see where we may expand our exposure.
- Explore further ESG training for investment team members.
- In preparation for the implementation of TNFD, investigate the impacts on and exposures related to biodiversity within our portfolios, and examine any relevant metrics which could be added to the ESG dashboard.
- Fulfil our commitments as a PRI signatory, including the necessary reporting.

Principle 3
Lead in the identification, understanding and management of climate risk

Hiscox underwrites physical exposures susceptible to natural perils, which means it is crucial we understand as much as possible about climate risks and integrate that knowledge into our business activities.



Principle 3.1
Lead in the identification, understanding and management of climate risk.

Hiscox underwrites physical exposures susceptible to natural perils, which means it is crucial we understand as much as possible about climate risks and integrate that knowledge into our business activities.

Hiscox has a strong culture of successfully using climate risk modelling to aid our assessment of current and future risks, and as a key contributor to our business strategy. We conduct our own internal research, and support external research on climate, weather and catastrophe patterns. These findings are shared within the Group and through our long-standing collaborations with other organisations, and incorporated into our business activities – our pricing, capital, reserving and reinsurance models are, to a large extent, underpinned by our catastrophe research and modelling activities, as well as our own customer and claims data.

Our philosophy
While there are certain nuances to climate risk, we consider it to be a cross-cutting risk with potential to impact each existing risk type, rather than a stand-alone risk. Climate-related risks, among other major exposures, are monitored and measured both within our business units and at Group level, so we understand how much overall risk we take and what is being done to manage it. We look at how different risks interact and whether these may result in correlations or concentrations of exposure that we need to know about, monitor and manage.

By design, our Group risk management framework provides a controlled and consistent system for the identification, measurement, mitigation, monitoring and reporting of risks (both current and emerging) and so is structured in a way that allows us to continually and consistently manage the various impacts of climate risk on the risk profile. For example, relevant climate considerations are included in our risk and control register and our risk and control self-assessment process, as well as in our risk policies. This means that climate-related risk drivers are assessed and recorded against the risks on our risk and control register, and ensures that we do not consider any single climate risk factor in isolation.

Structure and oversight
Our Risk Committee has the main responsibility for assessing the climate-related risks and opportunities we face. It advises the Board on how best to manage the Group's risks, by reviewing the effectiveness of risk management activities and monitoring the Group's actual risk exposure.

The Risk Committee relies on frequent updates from within the business, including those arising from the management committees and working groups that report up through the Risk Committee, some of which are outlined below, and from independent risk experts for its understanding of the risks facing both our business and the wider industry.

Group Underwriting Review (GUR)
The GUR is a Group management committee focused on assessing progress against the Group's strategic underwriting priorities, reviewing and challenging the Group's underwriting portfolio and loss ratio performance, and approving key underwriting risks. It also serves as an escalation point for underwriting governance and control issues. The committee meets at least five times a year, is chaired by the Group Chief Executive Officer, and attended by other senior leaders including the Group Chief Financial Officer, Group Chief Underwriting Officer, Group Chief Risk Officer – with experts invited from actuarial, claims, underwriting risk and reinsurance.

A number of working Groups feed into the GUR, including some with particular climate relevance such as the Natural Catastrophe Exposure Management Group (see below) and the Casualty Exposure Management Group, which considers among other things risks associated with climate litigation.

In focus: the Natural Catastrophe Exposure Management Group
We review natural catastrophe risk at least quarterly, through our Natural Catastrophe Exposure Management Group. This group is chaired by the Group Chief Underwriting Officer and attended by other Hiscox senior managers with responsibility for catastrophe-exposed business. This group looks at the risk landscape, exposure monitoring and capital modelling for climate-related perils, and recommends, based on the latest observations and scientific knowledge, which models should be used for each peril, and, if necessary, how they should be adapted to reflect our best view of the risk. They also identify new areas of risk research. All changes to modelling policy and all of our research prioritisations and results are signed off and authorised by this group, decisions are recorded, and models are adapted to reflect policy. Their work not only enables us to continuously refine our models, using data to make better decisions; it also supports future product development.

For example, we have calibrated and delivered a loss model that will improve the pricing capabilities for one of our flood insurance products, FloodPlus. We also included the use of additional model sources for location-level pricing. In addition, we are working with data providers to augment FloodPlus with first floor elevation data, and are exploring the use of machine learning to augment the information we receive from vendor flood hazard maps.

Group Risk and Capital Committee (GRCC)
The GRCC is a Group management committee focused on risk and capital management. It covers all types and categories of risk, including but not limited to underwriting, reserving, market, credit, operational and strategic risk as well as risk aggregation, concentration and dependencies.

The committee meets four times a year, is chaired by the Group Chief Executive Officer, and attended by other senior leaders including the Group Chief Financial Officer, Group Chief Underwriting Officer, Group Chief Risk Officer, and the Group Head of Capital Management – with other experts invited from across the business as required. A number of committees feed into the GRCC, including some with particular climate relevance such as the Sustainability Steering Committee and the Grey Swan Group.

In focus: the Grey Swan Group
The focus of the Grey Swan Group is to consider various enterprise emerging risks identified from across the business and to provide a forum for discussion to ensure Hiscox has the relevant grey swans identified and the right actions in place to deal with them. A number of elements feed into this process including enterprise emerging risk scanning; regulatory horizon scanning; casualty exposure management; strategic and business planning; claims and actuarial reserving; and any other relevant business unit or function inputs.

Rapidly evolving expectations on company's responses to ESG and climate change is considered as part of this group, in addition to other matters unrelated to ESG or climate change.

The risk management processes we have established and embedded for climate-related matters feed into the annual review of the operating plan, the long-term strategy planning process, as well as forward-looking assessment scenarios and stress tests and reverse stress test scenarios.

Catastrophe risk modelling
Catastrophe risk models quantify risk by calculating the hazard, using factors such as wind speed, ground motion or water depth; by defining the portfolio of assets involved; by building types, value and contents; by calculating the damage to buildings, contents, business continuity; and by applying financial structures (deductibles, reinsurance layers) to estimate the loss to insurers and reinsurers. Examples of climate-related events and phenomena which generate potential risks for our business include:

- potential changes in frequency and severity distribution of tropical cyclones, especially in the North Atlantic and North-western Pacific basins;
- the changing nature of flood risk;
- increases in wildfire frequency and size;
- potential changes to the path and the geographical distribution of European winter storms.

This is why the work of our Natural Catastrophe Exposure Management Group (outlined on page 31) is so important. This group looks in detail at the latest information on natural catastrophes and recommends which models should be used for each peril and, if necessary, how they should be adapted to reflect our best view of the risk. They also identify new areas of risk research, and while we accept that all research outcomes and models of climate-related risks may be uncertain, we aim to minimise these effects through good management and careful analysis.

Climate risks and opportunities

We consider the potential impact from climate-related issues over a range of time horizons.

Near-term climate risks and opportunities (0-5 years).	— Increased claims may result from more frequent and more intense natural catastrophes, such as floods and storms, due to climate change. These claims will not only come from damage to property but also from other knock-on effects, such as global supply chain disruption or scarce resources. However, given the majority of the policies we write are annual (re)insurance policies, we can adjust pricing and appetite accordingly. — There are financial risks which would arise from the transition to a lower-carbon economy, such as a drop in the price of carbon-intensive financial assets. Our ESG exclusions policy, which will see us reduce our exposures to the worst carbon emitters in both underwriting and investments, prepares us for this – as does our new GHG emission reduction targets. — We are looking at opportunities in renewable energy where we are supporting a number of major wind and solar energy projects; and in the decommissioning of offshore carbon assets which is an area we insure. These are just some examples of lines of business where we could see increased opportunity over time, and in some cases we are already benefiting from changing customer trends. An example of this is US flood, where demand is growing and our product offering, use of data and technology means we are well placed to serve more customers with flood cover.
Medium- to long-term climate risks and opportunities (5+ years, up to 2050).	— Climate-related risks have the longer-term potential to impact regulatory risk, credit risk, legal risk, reputational risk, and technology risk. We have several emerging risks forums across the organisation which are designed to identify emerging, longer-term risks and opportunities, including climate-related risks and opportunities. Alongside our in-house modelling and research expertise, these groups ensure our work takes into account climate-related issues over a range of business planning time frames. — There is also the longer-term risk that those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible. Where such claims are successful, those parties against whom the claims are made may seek to pass on some, or all, of the cost to insurance firms through policies such as professional indemnity or directors and officers' insurance. — While in the long term as a property casualty insurer, Hiscox is certainly exposed to climate-related risks, we believe our exposures can be managed through time as a result of how we conduct our business. For example, through the flexibility we have in our predominantly annual underwriting contracts, and through the liquidity of our investment portfolio which lends itself to constant adjustment. This flexibility is our key tool for managing the multi-decade challenge of climate risks holistically.

Hiscox view of risk

Tailoring the Hiscox approach to risk

The Natural Catastrophe Exposure Management Group's activity enables us to develop the Hiscox view of risk (HVoR). The HVoR is constructed through a combination of the results of our own research, as well as comparisons with actual loss data, vendor modelling systems with adjustments made where we believe the models could be deficient. The overall aim is to generate a representative model of real-world risk. The HVoR defines the most significant climate-change-related risks and attempts to account for the latest scientific understanding of climate change.

For example, we have worked to quantify the impact of climate change on Asian typhoon and US wildfire perils, to understand recent major events in the context of a changing climate. The Hiscox governance process ensures that underwriter decisions are checked for compliance with our latest policy. We are lining up the next perils to quantify a climate change view of risk, using our climate change framework, and plan to investigate the strength of the climate signal compared to the noise in climate variability. That assessment will in future occur with every new view of risk. Real-world claims data is monitored, and results fed back into the system to close the loop and continue to improve accuracy.

How we use risk models

Hiscox licenses a number of different natural catastrophe risk models. We believe that out-of-the-box models should only be used as a starting point when measuring risk, and as such the models we use are evaluated and assessed in terms of how they apply to our business before implementation.

Using results to inform pricing

The result of our research into climate-related risks, as expressed in the HVoR, is used to inform pricing, measure loss potential and set capital. As the adaptations agreed by the Natural Catastrophe Exposure Management Group are used to update the models that the underwriters use, so pricing guidance changes in order to inform their work and becomes an important factor in their decisions on what insurance they can offer, and at what price.

2022-23 natural catastrophe activity

2022-23 natural catastrophe activity resulted in a global economic loss of $275 billion and $125 billion of insured industry loss, reaffirming a trend of 5-7% annual increases (Swiss Re, Sigma 2023). Hurricane Ian was the costliest event of 2022, resulting in insured industry losses estimated at $50-65 billion. The storm made landfall as a Category 5 hurricane in an area of high economic value, urbanisation and population growth, demonstrating the role these factors play as the main drivers of heavy losses inflicted by natural catastrophes.

Furthermore, record breaking losses from hailstorms in France, floods in Australia and South Africa, winter storms in Europe and the US as well as droughts in Europe, China and the Americas, help to drive a consecutive year in which insured industry losses from natural catastrophes exceeded the $100 billion mark.

To improve the underwriting performance within our natural catastrophe-exposed business, we regularly update the Hiscox view of risk and evolve our modelling approach. For example, our analysis on US inland flood catastrophe models has resulted in adjustments to our pricing, capital and reserving for the peril.

After implementing a Hiscox view of risk to account for the impacts of climate change on both the California wildfire and Japanese typhoon perils, we reviewed all major global perils. We identified climate change to-date signals in both US and European flood with high confidence, and possible signals in US severe convective storms and Australian cyclones. Last year we adopted higher activity rates in our US hurricane models to reflect the increased frequency of events in recent years.

Understanding underwritten emissions

Our new GHG emission reduction targets include our commitment to align with best practice as it emerges in disclosing underwritten emissions. We are actively participating in the development of such standards through our partnerships with ClimateWise and others (see Principle 5), as we believe this is an area where industry collaboration is key, and so do not yet disclose underwritten emissions for the Group. See pages 42 to 43 for more information on our GHG targets and latest emissions disclosure.

Developing a climate change framework

Often, an insurer's take on climate change will be: 'if my risk levels change by xxx amount in 2050, what will my current portfolio look like?' We think this approach is problematic, because there is uncertainty around global temperatures and different perils' sensitivity to climate change. Equally, it does not account for how strong the climate signal is, or how clearly climate change is impacting the frequency, severity, or location of a peril compared to climate variability factors such as El Niño, while the timescales involved in climate change are often too long to affect decisions today. Instead, we prioritise our climate change research projects according to the timescales of greatest interest, the strength of the climate signal, the sensitivity of different perils to changes in global temperature, and where we have exposures.

We created a risk map to combine exposures with each peril's sensitivity to global temperatures and compare that to the strength of the climate change signal to come up with a list of perils and regions that are either: urgent and actionable, urgent, or actionable. Through the framework, we were able to focus our efforts onto two regions: US wildfire and Pacific typhoon. With every view of risk project we undertake, we assess the latest science and update the climate change framework to help determine if we need to adopt a climate change view of risk for each peril

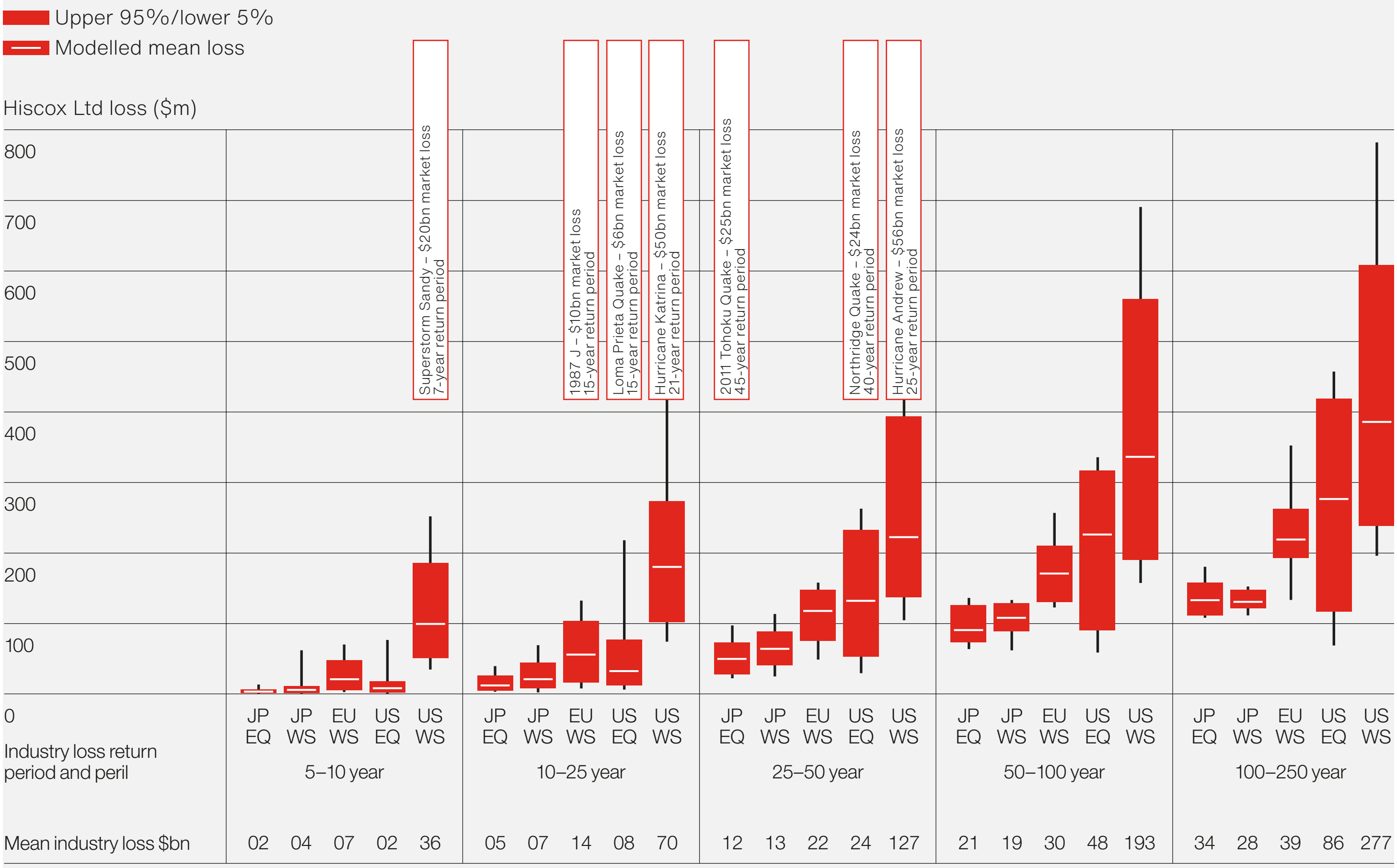
Principle 3.2
Support and undertake research and development to inform current business strategies on adapting to and mitigating climate-related issues.

We support and undertake a range of research and development work to help inform our current business strategies when it comes to climate change. In Principle 2, we outline how we do this from an investment perspective. In Principle 3.1, there are examples of how we use each new natural catastrophe event to evolve our current thinking of climate-related risks to our business. In Principle 5.2, you can find more information on how we work with external partners – including but not limited to the Lighthill Risk Network – to further our understanding of climate-related issues.

Property extreme loss scenarios

Boxplot and whisker diagram of modelled Hiscox Ltd net loss ($m) January 2023.

Stress tests and reverse stress tests are regularly performed and reported on to the Risk Committee. These include climate-related scenarios such as those shown in the chart below, which could potentially give rise to business failure as a result of either a lack of viability or capital depletion.



This chart shows a modelled range of net loss the Group might expect from any one catastrophe event.
The white line between the bars depicts the modelled mean loss.

The return period is the frequency at which an industry insured loss of a certain amount or greater is likely to occur. For example, an event with a return period of 20 years has a 5% chance of occurring during the year.

JP EQ – Japanese earthquake, JP WS – Japanese windstorm, EU WS – European windstorm, US EQ – United States earthquake, US WS – United States windstorm.

Q&A:

In 2023 Hiscox launched our first specialised Lloyd's sub-syndicate to provide additional insurance capacity and support to clients who demonstrate outstanding ESG credentials. **Paul Lawrence, Hiscox London Market's Chief Underwriting Officer and member of the Group's Sustainability Steering Committee**, explains the idea behind sub-syndicate ESG 3033, and the ambition for it to quickly grow into a portfolio of ESG focused, blue chip clients.

Q: What is sub-syndicate ESG 3033?
A: It's a sub-syndicate of our Lloyd's Syndicate 33 (where we underwrite most of our clients' insurance). ESG 3033 has been launched to recognise those businesses we provide insurance for who can show they have an outstanding ESG record. It brings additional insurance capacity to those clients to help them cover their risks and, in time, we hope there will be premium savings for those businesses who show how their ESG performance makes them a more attractive risk.

Q: Why have you introduced the new syndicate?
A: We want to partner with businesses who are working towards the net zero transition and demonstrating a commitment to strong governance, as well as having a robust social agenda toward their employees and the communities within which they operate. Having a specialised syndicate is an important step in making that happen and encouraging others to improve their ESG performance. It also fits our ambition within Hiscox when it comes to meeting our own ESG commitments.

Q: What types of businesses will benefit from the new syndicate?
A: It's industry agnostic; we'll consider any businesses who can demonstrate exceptional ESG performance and who have a good ESG rating from a third-party data provider. We are also happy to underwrite anywhere in the world where Lloyd's licences are valid, providing insurance for all the lines of protection we offer apart from cyber, war and critical catastrophe risk.

Q: How many clients do you hope will have their insurance underwritten through the new ESG syndicate?
A: We have already had our first clients come through – a wind farm in Europe and a solar farm based in the USA. The feedback we have had so far both from insurance brokers and our clients has been incredibly positive, so we're off to a very good start and expect this momentum to accelerate over time.

Q: Will the commitment to underwriting by a client's ESG score be extended to other businesses outside the ESG syndicate?
A: By the end of 2023, every client we provide insurance for will have an ESG score. It helps us understand each client's risks much better, and where they are on their own ESG journey. That in turn then means we can have more valuable conversations with our client's about ESG issues, which is one of our own commitments as a business as we think about our contribution to getting to net zero. Then, over time, we expect that ESG scores will become a factor we consider when we set insurance premiums.

Our ambitions

Performance against our 2022-23 ambitions

Ongoing	**Continue to review and refine our existing physical risks and casualty exposure management processes to ensure climate change remains appropriately reflected, particularly when it comes to stress testing and scenario analysis.** We have recently reviewed the latest IPCC synthesis report (AR6), as part of our ongoing assessment of physical risks and casualty exposure management processes, and it supports our assessment that the Hiscox view of risk is capturing the effects of climate change to date.
Ongoing	**Further embed climate change assessment in the business planning process to ensure the continued consideration of potential climate change impact on our underwriting, reinsurance and investment strategies.** Through the ongoing monitoring of climate change science against the Hiscox view of risk we have continued to ensure that the catastrophe models used to price risk are considering climate change and, by extension, are considered as part of the business planning process.

2023-24 ambitions

- Continue to develop climate change scenarios that can be used to assess our portfolio against a range of climate futures, helping to inform our short to medium term underwriting strategy.
- Further develop our sustainable underwriting strategy for the Group.

Principle 4
Reduce the environmental impact of our business

As part of our commitment to be a good corporate citizen, we carefully manage our environmental impact and work with our customers, suppliers and business partners to help them adapt to the changing climate.

Principle 4.1
Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

To achieve our ambition to continually reduce our environmental impact, it is important we have the support of everyone involved in our business, including our employees, contractors, suppliers, investors and customers. We expect our suppliers and contractors to follow best practices in sustainability and social responsibility, and we work with business partners that share our values.

What we expect from our suppliers
We have a Group procurement team which helps our business to ensure we hire the best companies for the required task. Our procurement process considers a range of factors as you would expect, and over time we are enhancing our requirements of suppliers and in particular their responsible business practices when it comes to climate and ESG-related issues. We also have a supplier code of conduct, which is publicly available on our website and covers a range of issues – from anti-bribery to labour practices – including our environmental expectations.

As a business, we endeavour to use renewable and cleaner energy sources wherever possible to make a positive impact on the environment, and we want to work with suppliers that share our passion for responsible business, so we encourage suppliers to consider any efficiencies or improvements to their own operations and services that will have a positive impact on the environment. Our supplier code of conduct is shared with suppliers during the tender process and suppliers are reminded of it periodically. Companies bidding for large contracts from us must prove they meet ISO standards, including for quality, environment and information security, as well as answer questions on their ethical, social, health and safety and data protection practices.

During 2021, as part of our project to set new carbon emission reduction targets as a Group, we started to consider new requirements of our suppliers, such as to:
- measure and report their Scope 1 and 2 carbon emissions annually;
- set GHG reduction targets for Scope 1 and 2, preferably in line with a 1.5°C trajectory and report progress regularly;
- develop and share a carbon management plan, including a plan to measure and reduce Scope 3 (value chain) emissions over a defined time frame – preferably to 2030;
- sign up to relevant industry/business commitments focused on climate change, preferably those that demonstrate a commitment to net-zero emissions by 2050 at the latest.

These new expectations are in-keeping with our work regarding our new targets, and we will continue to find new ways to reflect positive ESG and climate practices through our procurement processes in 2023-24.

How we currently work with suppliers
We also make a number of commitments in our Group environmental policy about the resources and products we buy. These include:
- minimising our climate change impacts by purchasing, where we can, energy from renewable sources;
- seeking to replace air conditioning gases with environmentally-friendlier alternatives;
- operating energy-efficient office equipment and communications systems;
- using our leverage to further best practices in sustainability and social responsibility, for example by investing in companies with sound ESG practices.

We look to reduce our environmental impact in our everyday business life. For example, we're reducing paper consumption by issuing service providers at our offices with electronic copies of our environmental policies and e-work permits. We also encourage all our suppliers to invoice us electronically, and the accounts payable department are going paper-free. Similarly, we encourage employees to book their travel and submit their expenses online to cut down on printing.

We also look to work with suppliers that can have a positive environmental and social impact where we can. For example, during 2022 we have introduced a new UK office supplier – Wildhearts – which will not only save us money on essentials like pens and notepads but enable us to make a difference in the developing world. Wildhearts is a social enterprise who use their trading profits to fund a variety of good causes and change lives – lives like Betty who lives in Kampala, Uganda. Betty borrowed the equivalent of £40 in local currency, which allowed her to set up a fruit and vegetable stall at a local market and, with the profits, was able to send her children to school for the first time. We will look to establish other responsible business partnerships over time.

Another example of our commitment to reducing the environmental impact of our business is in how we handle claims. We have a partnership with AnyJunk, an environmental waste firm, which ensures that rubbish removed from our UK property claims, will not go to landfill. Over the last 12 months, AnyJunk has collected over 160,000kg of rubbish arising from Hiscox claims, with 97% of this waste avoiding landfill.

In addition, we consider environmental impact through our products and services. For example, when it comes to UK flood cover, Hiscox is a longstanding participant in Flood Re, the government backed scheme designed to improve both the access and affordability of insurance for high risk properties. As such, we support the 'Build Back Better' provision introduced to Flood Re in 2022. This provision enables customers to access further funds, above reinstatement costs, after a flood to install flood resilience measures that are designed to reduce the cost and impact of future flooding. From 2023 all relevant Hiscox UK policies will include the 'Build Back Better' provision, however for our high value home insurance product this is an approach we have taken for some time because we have always believed that prevention is better than cure.

We want to further understand the ESG footprint of our suppliers, as we believe their performance across ESG can be a source of competitive advantage for them in our decisions as to who we do business with. That's why this year we have commenced a pilot with a global provider of business sustainability ratings, as part of our work to further reflect sustainability in our procurement practices.

Our intention is to use their ESG ratings not only as part of our buying decisions but also as part of how we manage the performance of our suppliers. As such, during 2023 we will start by working with new suppliers on their requirement to gain a particular independent ESG rating, and we will use our learnings from this first step of the process to inform our plan to roll-out the requirement further to our existing supplier base. This work will be a key area of focus for our procurement team during 2023-24.

Principle 4.2
Scope 1, 2 and 3 GHG emissions disclosures.

Disclosure in line with recognised standards
We have measured our global CO_2 emissions annually for many years and have them independently verified to a limited assurance level.

The process of assessing, auditing and compiling data regarding our carbon footprint is completed in line with nationally and internationally recognised standards:
- ISO 14064 Part 3 (2019): Greenhouse Gases: Specification with guidance for the verification and validation of greenhouse gas statements;
- the WRI/WBCSB GHG protocol;
- HM Government Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance March 2019, which covers our UK business operations, using the government's conversion factors to produce activity data, such as distance travelled, fuel used or tonnes of waste disposed.

"If you have a house, there's a risk your house might flood. You buy insurance to transfer that risk. But if we can mitigate that risk, if we can help you as a homeowner prevent a flood taking place, that's good for you, it's good for us and it's good for society."

Joanne Musselle
Group Chief Underwriting Officer
Member of the Sustainability Steering Committee

Evolving our GHG disclosures over time
We have collected CO_2 emissions data in the UK since 2010, and for all our global operations since 2013. In 2021, we made changes to our emissions reporting to reflect our new GHG targets for the Group. This means that since 2021 we have reported a more comprehensive Scope 3 emissions inventory against both operational and non-operational emissions, including financed emissions (or those emissions arising from our investments).

As a result, our reported operational Scope 3 emissions now cover operational suppliers (office and other related services), capital purchases, fuel and energy related activities, waste generated in operations, business travel, employee commuting and remote working. Non-operational emissions encompasses those that do not directly contribute to the emissions associated with daily business activity, including non-operational purchased goods and services and transportation and distribution.

In 2022, while we saw a 28% decrease in our operational GHG emissions against our 2020 baseline year, our total operational footprint increased by 13% in 2022 compared to 2021.

We also saw an increase in upstream transport and distribution emissions, as we have this year started to account for transport emissions related to purchased goods and services and capital goods as part of our Scope 3 footprint.

Business travel emissions this year also reflect the expected rebound in travel-related emissions that we reported last year, as work patterns continue to normalise.

What are Scope 1, 2 and 3 carbon emissions?

Scope 1
Direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company, such as company cars or air conditioning at company sites.

Scope 2
Indirect emissions from the generation of energy purchased and consumed by the company, including electricity, steam heating and cooling.

Scope 3
All other indirect GHG emissions that occur as a consequence of the company's activities e.g. emissions from business travel. This is often divided into operational and non-operational Scope 3 emissions.

GHG emissions

Scope	2022 (tCO_2e)	2021 (tCO_2e)	2020 (tCO_2e)	2022 vs 2020 baseline
Scope 1	786	678	615	28%
Scope 2 (market-based)	927	866	1,111	-17%
Total Scope 1 and 2	**1,713**	**1,544**	**1,726**	**-0.8%**
Scope 3 (operational)	19,298	17,116	27,461	-30%
Scope 3 (operational) per FTE	5.83	5.80	8.91	-35%
Total operational footprint	**21,011**	**18,660**	**29,187**	**-28%**
Scope 3 (non-operational)	9,862	8,458	7,046	40%
Investments	127,497	125,156	135,275	-6%

Our Scope 1-3 emissions excluding investments are independently verified to a reasonable assurance level, with investment emissions verified to a limited assurance level. A copy of the verification statement can be found here.

GHG emissions are calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition). Hiscox uses market-based Scope 2 emissions for reporting in line with its new GHG reduction target. Operational Scope 3 emissions cover operational suppliers (office and other related services), capital purchases, fuel and energy related activities, waste generated in operations, business travel, employee commuting and remote working. Non-operational emissions are those that do not directly contribute to the emissions associated with daily business activity, including non-operational purchased goods and services and transportation and distribution.

An assessment across all categories of Scope 3 emissions has taken place and the material categories are disclosed as part of our full GHG inventory (above). Note some emissions totals may not tally due to rounding.

The investment emissions are calculated using the Enterprise Value Including Cash (EVIC-based) method of attributing financed emissions to investors, and calculations use MSCI's carbon data as the ultimate source. Our 2020 operational emissions baseline for business travel has been restated to project pre-Covid travel patterns.

Board-approved, SBTi-aligned GHG targets

Getting to net zero is a shared challenge, and we need to play our part in achieving this global goal. As a Group, Hiscox has had stretching GHG emission reduction targets for a number of years, but in 2022 we published new targets, using SBTi methodologies, that align with a 1.5°C net-zero world by 2050.

Progress against these targets will be recorded through our annual carbon reporting cycle, driven by our ESG working group and overseen by our Sustainability Steering Committee, with at least annual updates to the Board. We will also continue to offset the emissions we generate via accredited offset schemes, to ensure we remain operationally carbon neutral through offsetting as we have been since 2014.

Our new targets

We continue to focus on reducing the emissions we have control over, and to work closely with our partners where that control is shared. Where common standards and methodologies do not yet exist we want to help shape the solution.

- Reduce our Scope 1 and 2 emissions by 50% by 2030, against a 2020 adjusted baseline*.
- Reduce our operational Scope 3 emissions by 25% per FTE by 2030, against a 2020 adjusted baseline*.
- Transition our investment portfolios to net-zero GHG emissions by 2050.
- Engage with our suppliers, brokers and reinsurers on our net-zero targets and on their plans to adopt Paris-aligned climate targets.
- Monitor emerging standards around underwritten emissions and collaborate across our industry on their development, aligning with best practice in this area as it emerges.

Interim milestones and actions

We recognise that achieving these targets will take collective, consistent effort. While we will further define our transition plan over time, there are areas where we already have a glide path, or where work is already underway.

- In addressing our Scope 1 and 2 targets, we are already engaging with our facilities managers across the Group to continue to transition our offices to renewable electricity contracts. Where we have total control over our utility providers, this is easier to do, but where that control is shared, or where it belongs to our landlords, we will petition for change. To understand this further, during 2022 we conducted a deep-dive on renewable electricity usage across the Group, and identified key sites to focus on for continued adoption of renewable electricity in support of our Scope 1 and 2 targets.
- On operational Scope 3, which is dominated by business travel, we are currently focused on improving the consistency of travel data across the Group to enhance our understanding of both volume and class of travel, to ensure our action plan is appropriately targeted.
- On Scope 3 more broadly, where emissions are dominated by our investments, the Board has agreed that we will aim for more than 25% of our corporate bond portfolio by invested value to have net-zero or Paris-aligned targets by 2025 and that we will target an additional 25% by AUM coverage every five years as we aim to be on a linear path to 100% portfolio coverage by 2040. We are making good progress towards the first of these interim targets, with approximately 20% of our corporate bond portfolio having net-zero/Paris-aligned targets as at 31 December 2022.
- We have also established a half-year footprint exercise, in order to provide a mid-point for assessing emissions and to further enhance our data collection processes. We completed this exercise in 2022 and will do so again in 2023.

*Baseline year adjusted in light of Covid-19-related lockdown measures, to reflect a more normal year in terms of business travel etc.

Carbon offsetting
Beyond targeted action, we also offset the emissions we could not reduce through an accredited carbon offsetting scheme as we look to remain operationally carbon neutral as we have been since 2014.

Our global emissions are currently offset through a collaboration with Axis Wind Farms (Rayallaseema) Pvt. Ltd, a VCS-accredited wind energy project based in India (VCS 2052). The main purpose of this project is to generate clean electricity through renewable wind energy, and the project is located in the Anantapur district of Andhra Pradesh. Over the ten years of its first crediting period, the project will replace approximately 202,492 tCO_2e of anthropogenic GHG emissions per year, thereby displacing 216,153 MWh/year of electricity from the generation-mix of power plants connected to the Indian grid, which is mainly dominated by thermal or fossil fuel based power.

We do not currently use an internal price on carbon but we use other methods to drive positive change (see Principles 4.3 and 4.4).

Environmental action
Our employees support a range of environmental charities around the world. In Bermuda, where we are headquartered, we have long-standing partnerships with a number of groups including Keep Bermuda Beautiful, a charity that works to eliminate litter on the island with the support of volunteers. Hiscox has a designated area of beach through the charity's Adopt an Area initiative.

Principle 4.3
Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

In addition to the carbon emissions that we measure (see Principle 4.2) we also assess and seek to reduce our water usage and waste. Our water usage decreased from 19,731m^3 in 2021 to 37,647m^3 in 2022. In terms of waste, we generated 141 tonnes in 2022 compared with 188 tonnes in 2021 and 41% of the waste we generated was recycled.

Facilities management is one of our critical supplier partnerships and environmentally friendly measures we have in place include:
- use of chemical-free cleaning products, by utilising ionized water to clean workspaces. This not only keeps hazardous chemicals out of the environment, it is also proved to kill bacteria and viruses quicker and reduces our single-use plastic consumption;
- analytics for energy usage for building systems such as air conditioning, heating, electric and water usage. This not only allows us to measure how efficient the estate is but also where opportunities lie, thanks to close building metering, system integration, building asset optimisation and automation of processes.

Travel
Hiscox's travel policy focuses on business travel for the right reasons and encourages the use of alternatives where possible. However, as an international business, we engage in unavoidable travel, particularly as the regulatory environment of the insurance industry means that some business should be conducted in person and in certain geographies.

Post-Covid-19, business travel has rebounded over time, but like many businesses, the pandemic accelerated our adoption of video conferencing and our use of digital workplace tools such as WebEx and Microsoft Teams, which have shown just how much can be achieved collaboratively across locations and timezones without physical travel. During 2022-23, we continued to enhance our digital workplace proposition as part of our focus on making Hiscox a great place to work.

Clean City Awards Scheme
In London, we once again passed our assessment for the Clean City Awards Scheme (CCAS), which looks to improve sustainability by promoting better waste management among businesses based in the City of London. The scheme helps to encourage best practice on minimising waste through increased recycling and reuse, while also providing a forum for members to exchange ideas on how to be more environmentally friendly.

The Hiscox impact report
Our annual impact report again showcases some of the fantastic fundraising and volunteering efforts of our staff across the Group. The report shows that in 2022 we donated $1.8 million to more than 280 good causes that support our charitable giving pillars of environment, social mobility and causes our people are passionate about.

Local climate-related initiatives
Our offices around the world make their own decisions on how they can best reduce the overall energy we consume and the carbon we produce. We encourage them to do so, as we firmly believe that through a series of small local steps, our Group can take a leap forwards in reducing its carbon footprint. For example, solar panels on the roof of our building in York generated 11,765 kWh in electricity over the past 12 months.

Also in the UK, we continue to offer our Hiscox Cycle to Work Scheme, enabling eligible employees to purchase a bicycle and related equipment via salary sacrifice, making income tax and National Insurance savings at the same time as reducing their environmental impact and improving their physical and mental health. The latest Cycle to Work scheme runs during 2023, and while the scheme has proven popular in previous years, we will report on 2023 adoption in our 2024 climate report.

During 2022, our London office moved to new premises and this has also resulted in a number of environmentally positive improvements.
- 90% of our disposable catering items have been removed from site. This includes single use cutlery and coffee cups in the staff café and across all tea points. China and reusuble cutlery is now used as a much more sustainable alternative.
- Coffee grounds and cooking oil are both collected as separate waste streams, which enables them to be recycled sustainably.
- Changes to our on-site café service now mean that hot food is made to order, which has dramatically reduced food waste.
- In addition, the catering equipment no longer required from our previous office was auctioned off, raising over £8,000 for charity.

Principle 4.4
Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate informed choices outside work.

We take our role in the world seriously and doing the right thing is important to us. Our environmental policy encourages everyone who works for us to become better aware of environmental issues and to take positive action in their own communities to help reduce climate change.

Hiscox green teams
We continue to embed a network of country-specific green teams across the Group to help us make positive environmental changes, with teams in the UK and Bermuda already having an impact and teams in the USA and Europe slowly gaining traction. Their work in recent years has resulted in practical actions being taken to improve office recycling practices, reduce single-use plastics and promote climate informed choices both inside and outside of work. In addition to focused campaigns, the green team newsletters to all staff are designed to educate and inform on green issues, including sustainable tips for Christmas and Easter, simple sustainable swaps you can make at home, and the environmental benefits of going vegan.

Internal communications and events
We raise environmental issues and share news with our employees via email, at events and through our employee intranet, The Gallery. For example, we promote the work of our green teams during our new joiner presentations, we share environmental information through our ESG and green team newsletters, we invite some of the environmental charities we support to come in and present to our teams and we invite our teams to get involved in some of these good environmental causes. Our Bermuda team also hold ‘green tea’ events, where a climate issue is presented and debate and discussion around it is then encouraged.

Charitable giving

Our employees also give their time and money generously to good causes including climate-related causes. In 2022, we gave $1.8 million to more than 280 charities and we celebrate these efforts in our annual impact report. Our employees also spent over 1,400 hours volunteering to support good causes during 2022.

The UK and USA Hiscox Foundations supported a number of charities which align with our three pillars of giving: social mobility, the environment and causes Hiscox people are passionate about.

We have shown our commitment to protecting and preserving the environment by partnering with a range of charities within this space, ranging from The Country Trust and their campaign to promote awareness and understanding of our valuable soil to charities which work to protect our oceans such as Ocean Generation and Bermuda Waterstart. We also support charities which protect and maintain the ecosystems around our local Hiscox communities, such as the Wildlife Trusts around our largest UK offices in London, York and Colchester.

In addition to providing funding to these charities our people have taken up a huge range of volunteering opportunities to give something back and reinforce efforts with a hands on approach. Initiatives range from clearing brambles from reed beds in Walthamstow Wetlands, London to creating compost and new garden beds in Governors Island, New York. Whether taking part individually or as a team, our people love to get involved and support these charities working to protect the environment.

More information on our work with environmental causes can be found in our latest annual impact report.

Ethical savings and investments

We aim to be a responsible investor as well as an insurer, and our staff pension scheme includes the opportunity for employees to invest in green or ESG funds if they choose to. These are discussed with employees during regular pension presentations. More information on our pension funds can be found on page 25.

Hybrid working practices

We have embedded hybrid working practices that balance the ability to work remotely with the culture, collaboration and energy of our offices. This has required new technology and tools to ensure a seamless remote working experience, but it has also meant a re-engineering of our existing office space – with greater use of hot-desking and the creation of 'neighbourhoods' that bring teams and like-minded functions together.

All employees now split their work time between home and office and we have introduced 'team charters' to help formalise our expectations of each other in this new structure team-by-team. We also continue to invest significantly in more energy efficient hardware and in our adoption of cloud computing, which is also more energy efficient and supports employees working from any location.

Desktop hardware that is being replaced as part of our digital workplace programme is being reused for home workers where appropriate, and end of life technology is wiped and donated to charity organisations where it can be used as part of community programmes to support vulnerable and disadvantaged groups. These measures are having a positive impact on both cost and carbon through lower utilities usage per employee.

Q&A:

Service and price count but Hiscox's **Chief Procurement Officer – Karl Poulsen –** explains how ESG factors are also becoming part of Hiscox's decision-making when it comes to supplier choice.

Q: How is Hiscox's procurement function incorporating ESG factors into its work with suppliers?
A: We're currently investing in a new electronic tender process – source-to-pay (S2P) – across many of our supplier spend categories which allows us to draw in more data; one of those key data feeds will be around suppliers' and potential suppliers' ESG performance.

Q: What's a good ESG score?
A: The independent provider we're using scores suppliers. on a scale from 1-100. Roughly speaking, anything over 45 is satisfactory, and anything over 65 is excellent. At the other end of the scale, between 20-44 is not so good and less than 20 is poor.

Q: Does that mean an ESG rating now influences who you will work with?
A: Over time ESG will certainly become a bigger consideration when it comes to deciding where to place our business. Like many businesses, we've traditionally focused mainly on price and service, and they are still important of course, but other issues like cultural fit and sustainability credentials have a part to play too.

Q: Which suppliers does this new ESG rating approach include?
A: Initially, it will be targeted across all our suppliers who are not directly involved in servicing our customers. We spend most of our money for indirect suppliers in professional services – such as consultancy, auditing and project management – as well as IT services. The good news is, most suppliers in these areas are already quite far along in their ESG journey. Ultimately, we will also look to include our direct suppliers – those who help manage our customers' claims – in the process.

We will weight a supplier's ESG rating sector by sector. I expect the ESG weighting to be higher in an area like distribution which we know to be very carbon intensive compared, for example, to the recruitment of remote working project managers.

Q: How have suppliers reacted to the new approach?
A: We've started a test and learn programme this year, recognising that the ESG ratings system is a big change for many of our suppliers, and have been working with a couple of areas in IT and professional services.

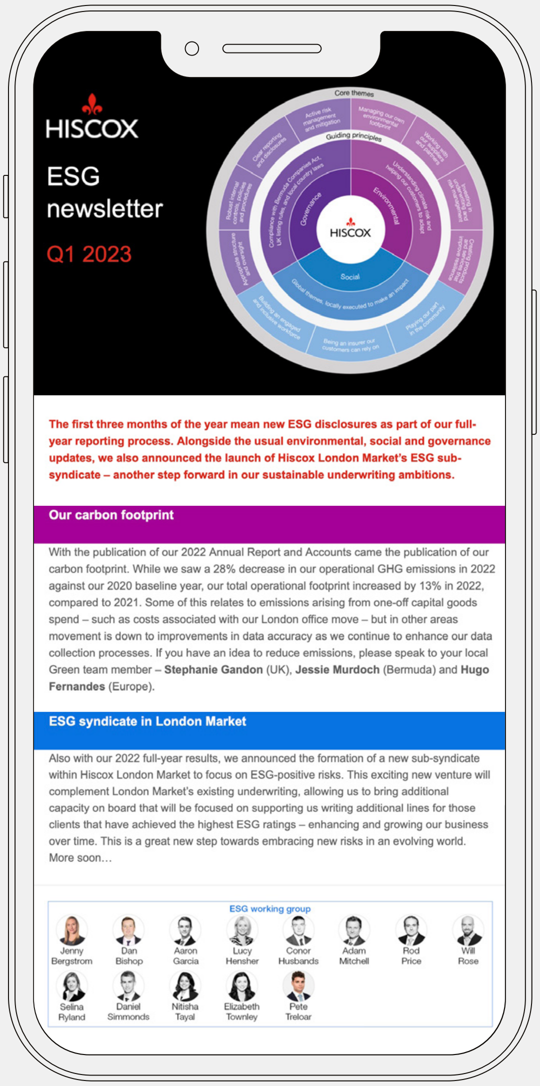
We're getting quite a lot of suppliers who find the process easy and their ESG scores are good but they still have an improvement plan to evolve their scores further. And that's great because we don't want this to be a 'tick box' exercise. That why's in our regular conversations over the course of a supplier's contract, the supplier's improvement plan and how we monitor that will eventually form part of the ongoing service discussions.

Q: What about suppliers with a low ESG rating?
A: There are always red flags. For example, if a business has no controls to deal with modern slavery, then we won't be doing business with them. But importantly, it's not just about looking at what ESG policies are in place – it's also the controls that exist around those policies and how those controls are evidenced.

Q: What's the longer-term plan for the ESG ratings?
A: Our aim is that by the end of 2024 and early 2025, ESG ratings are used in all supplier procurement across the whole Hiscox business. We hope it will lead to benefits in areas like carbon reduction, improved controls in issues such as modern slavery and the broader social agenda, and create a virtuous circle where we're helping to drive continuous improvement in the supply chain.

Sharing ESG and climate-related news

We regularly communicate ESG and climate-related news with our people through internal newsletters and intranet articles, including our ESG and green team newsletters.



HISCOX

ESG newsletter

Q1 2023

The first three months of the year mean new ESG disclosures as part of our full-year reporting process. Alongside the usual environmental, social and governance updates, we also announced the launch of Hiscox London Market's ESG sub-syndicate – another step forward in our sustainable underwriting ambitions.

Our carbon footprint

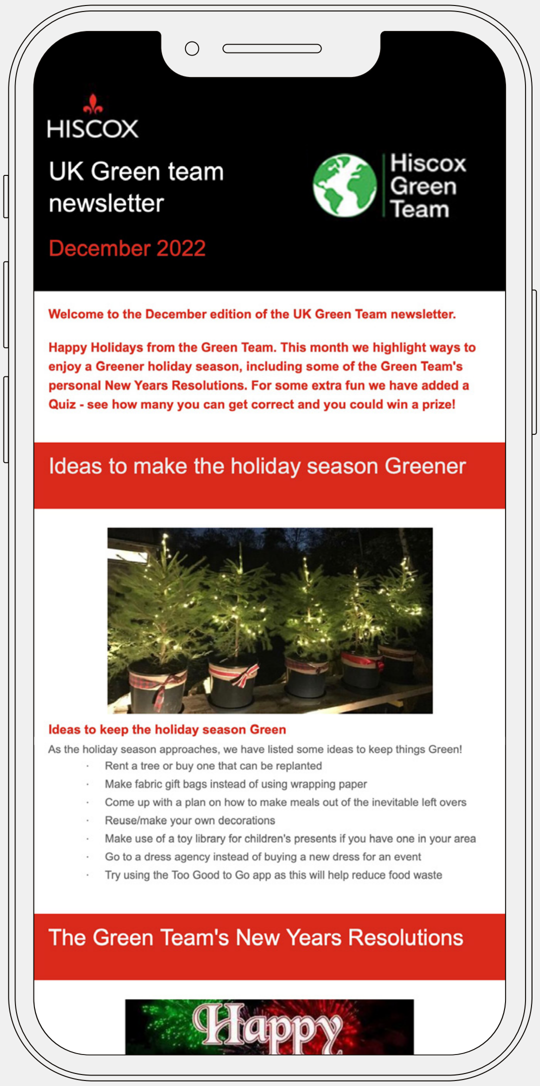
With the publication of our 2022 Annual Report and Accounts came the publication of our carbon footprint. While we saw a 28% decrease in our operational GHG emissions in 2022 against our 2020 baseline year, our total operational footprint increased by 13% in 2022, compared to 2021. Some of this relates to emissions arising from one-off capital goods spend – such as costs associated with our London office move – but in other areas movement is down to improvements in data accuracy as we continue to enhance our data collection processes. If you have an idea to reduce emissions, please speak to your local Green team member – **Stephanie Gandon** (UK), **Jessie Murdoch** (Bermuda) and **Hugo Fernandes** (Europe).

ESG syndicate in London Market

Also with our 2022 full-year results, we announced the formation of a new sub-syndicate within Hiscox London Market to focus on ESG-positive risks. This exciting new venture will complement London Market's existing underwriting, allowing us to bring additional capacity on board that will be focused on supporting us writing additional lines for those clients that have achieved the highest ESG ratings – enhancing and growing our business over time. This is a great new step towards embracing new risks in an evolving world. More soon…

ESG working group

Jenny Bergstrom, Dan Bishop, Aaron Garcia, Lucy Hensher, Conor Husbands, Adam Mitchell, Rod Price, Will Rose, Selina Ryland, Daniel Simmonds, Nitisha Tayal, Elizabeth Townley, Pete Treloar



HISCOX

UK Green team newsletter

Hiscox Green Team

December 2022

Welcome to the December edition of the UK Green Team newsletter.

Happy Holidays from the Green Team. This month we highlight ways to enjoy a Greener holiday season, including some of the Green Team's personal New Years Resolutions. For some extra fun we have added a Quiz - see how many you can get correct and you could win a prize!

Ideas to make the holiday season Greener

Ideas to keep the holiday season Green

As the holiday season approaches, we have listed some ideas to keep things Green!

- Rent a tree or buy one that can be replanted
- Make fabric gift bags instead of using wrapping paper
- Come up with a plan on how to make meals out of the inevitable left overs
- Reuse/make your own decorations
- Make use of a toy library for children's presents if you have one in your area
- Go to a dress agency instead of buying a new dress for an event
- Try using the Too Good to Go app as this will help reduce food waste

The Green Team's New Years Resolutions

Happy

Our ambitions

Performance against our 2022-23 ambitions

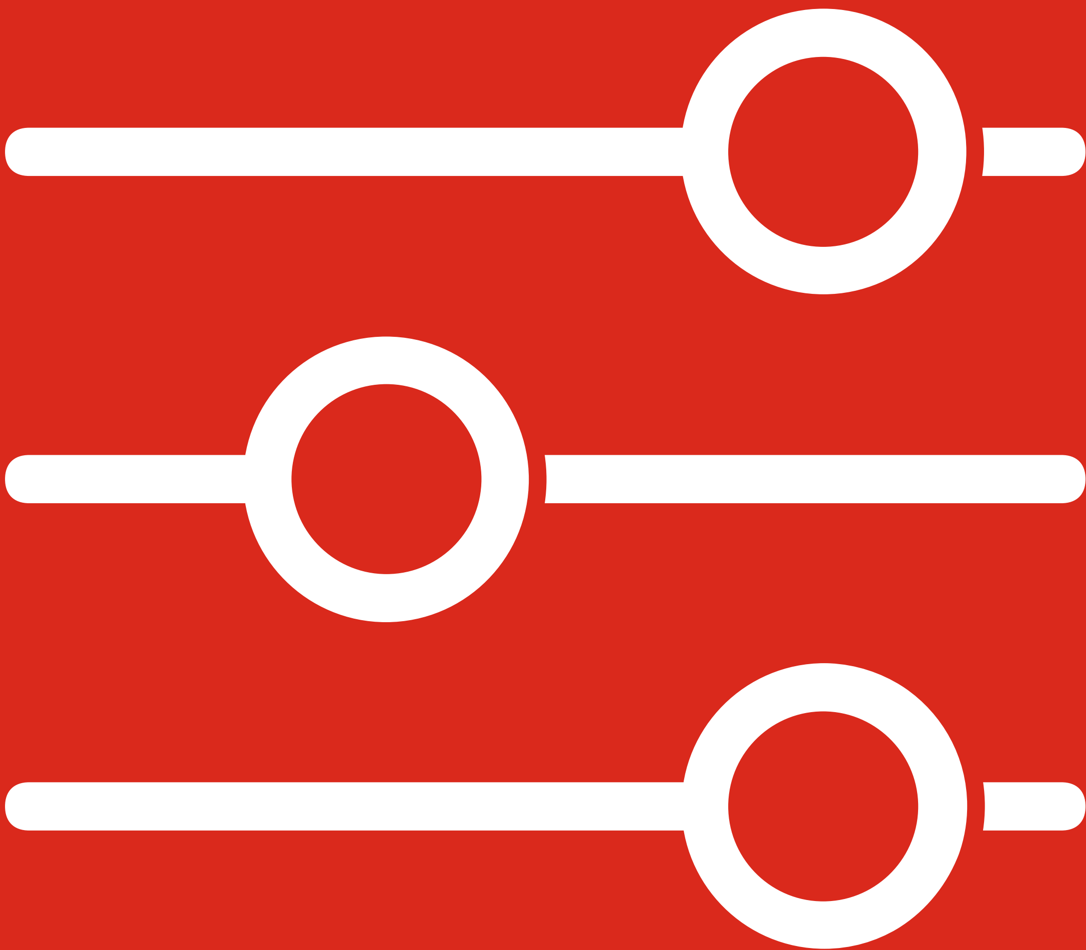
Ongoing	**Publish a low-carbon transition plan in line with our regulatory requirements.** Work is underway on defining our low-carbon transition plan but like others we await further clarity from the UK Government on transition plan requirements. This work will continue in 2023-24 as we look to meet evolving UK requirements in this area.
Ongoing	**Continue to expand our network of country green teams.** We continue to build on the green teams we have established in the UK and Bermuda to encourage employee engagement on green issues and positive environmental practices in our offices, particularly in Europe where we have appointed an Executive Sponsor to help drive progress. This will remain a focus of our work in 2023-24.
Ongoing	**Explore new approaches to carbon offsetting.** We have started to assess our carbon offset strategy as part of our wider transition plans, and this work will continue in 2023-24.

2023-24 ambitions

- Continue to enhance our procurement and supplier management practices around climate-related issues, including through our adoption over time of the use of independent tools in assessing supplier's ESG credentials.
- Continue to define a low-carbon transition plan for the Group.

Principle 5
Inform public policy making

We work with policymakers and engage in public debate on climate change issues, both individually and as an active member of relevant industry bodies, particularly Lloyd's, the ABI and ClimateWise. We also collaborate with other bodies because we recognise that we cannot change policy alone, but will have more influence working with others.



Principle 5.1
Promote and actively engage in public debate on climate-related issues and the need for action, working with policy makers to help them develop and maintain an economy that is resilient to climate risk.

There is continued and growing awareness that climate-related risks pose a threat not only to the stability of individual insurance companies, but also as a systemic shock to the market. There has been an increasing focus from our UK and European regulators in particular, through their market-wide exercises, to better understand the impact of climate-related risks and proactively responding to the increased focus by embedding climate risk management within our existing Group-wide risk management framework and governance structures, incorporating climate-related issues into business strategy and reporting on material risks.

We are also developing tools and metrics to monitor exposure to this risk and explicitly considering physical, transitional and liability risks and their potential impacts over a range of business planning time frames. We actively engage in the public debate on climate-related issues and the need for action on a local, regional, national and international level. Some of this is done through the public commitments we make, which cumulatively effect change; some it is done through the memberships and partnerships we contribute to, which foster a collaborative approach to informing public policy making; and some of it is done through regulatory engagement on specific topics. Together, these help to drive progress over time.

Our public commitments

Paris Agreement

Hiscox is a signatory of the landmark 2015 Paris Climate Agreement, which brings together nations for a common cause to combat climate change. It is through this pledge that we demonstrate our support for the goal to limit global warming temperature rises to less than 2°C. We considered our commitment to the Paris agreement through the process of developing new GHG reduction targets for the Group, which we published during 2022, reported against for the first time in 2023, and which align with a less than 2°C scenario.
For more information, see page 43.

Partnerships through which we inform public policy making

Principles for Responsible Investment (PRI)
The Principles for Responsible Investment (PRI) is a United Nations supported international network of investors working together to implement its six aspirational principles. As part of our continued commitment to responsible investing, Hiscox is a signatory as both an asset owner and as an asset manager. This affirms our desire to play an active role in developing a more sustainable global financial system and through the PRI we believe we will be able to make a difference and contribute to the debate on ESG and investments with global policy makers. We will report against the PRI's six principles for the first time in 2023.

Principles for Sustainable Insurance (PSI)
The Principles for Sustainable Insurance (PSI) is a global sustainability framework and initiative of the United Nations Environment Programme Finance Initiative. As part of our continued commitment to sustainable underwriting practices, Hiscox is a signatory and we will complete our first year of PSI reporting in 2023.

Task Force on Climate-related Financial Disclosures (TCFD)
The work of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD), consisting of members across the G20, is focused on developing voluntary, consistent climate-related financial risk disclosures to enable companies to provide relevant information to investors, lenders, insurers, and other stakeholders. We have been reporting against the TCFD-aligned ClimateWise Principles since 2019 and are public supporters of TCFD. Reporting against TCFD will become mandatory in the UK from 2025, and the Financial Conduct Authority (FCA) required TCFD disclosure from UK premium-listed firms with effect from accounting periods beginning on or after 1 January 2021. We complied with this new disclosure rule and published TCFD disclosures in both our 2021 and 2022 Annual Report and Accounts. We developed this additional disclosure in collaboration with senior stakeholders and will continue to endeavour to enhance our disclosures in future reports.

Our memberships and partnerships

ClimateWise
Hiscox is a founding member of ClimateWise, which is an important driver of industry progress on climate issues. Our participation in ClimateWise as a global insurance industry network focused on climate-related issues, includes involvement in the Managing Committee and in relevant ClimateWise workstreams to provide specific expertise, for example our Head of Underwriting Insight participated in the net-zero underwriting workstream.

ClimateWise's net-zero underwriting workstream is focused on analysing insurance underwriting mechanisms to increase support towards net-zero emissions and help contribute towards efforts to accelerate a smooth transition to a low carbon economy. To propel net-zero underwriting practices, the workstream is considering the following measures:
- set emission scope boundaries for the insurance industry;
- measure net-zero alignment with carbon footprinting, transition pathway evaluation and temperature score;
- understand net-zero implications for each insurance underwriting line of business;
- react to different insured clients, assets and activities.

In addition, as a member of ClimateWise we contributed to another focused workstream on secondary perils: things like floods, wildfire, and severe convective storms, which are increasing in their frequency, severity and impact, causing significant economic loss and negatively impacting communities and policyholders. This project with the CISL in collaboration with Deloitte supported some of our existing work to further our understanding of secondary perils, and we were pleased to contribute to wider industry progress in a changing climate by sharing some of our insights and experiences.

Sustainable Markets Initiative (SMI)
During 2022-23, our Group Chief Executive Officer has continued to represent Hiscox on The Sustainable Markets Initiative Insurance Taskforce, which was established in 2021, while other members of the team contribute to focused workstreams of activity. As a global 'coalition of the willing', the taskforce comprises insurance industry representatives who share the vision to accelerate global progress towards a sustainable future by putting nature, people, and the planet at the heart of global value creation. Recent work has included the development of an SMI Net Zero Underwriting Toolkit, designed to provides a holistic approach which insurers across the industry can apply to their underwriting portfolios to understand the climate impact of an insurance policy and support more sustainable underwriting portfolio decisions. Other work we have been involved in includes:
- contributing to the development of an industry supply chain pledge to promote sustainable procurement processes;
- contributing to industry work to further develop innovative customer solutions, with a specific focus on agriculture and infrastructure, where we are providing expertise in areas including parametric insurance.

Practical support for climate-related disasters

Helping to plug the insurance protection gap for countries and communities around the world is a key aim of the Lloyd's Disaster Risk Facility, for which Hiscox is proud to be a founding member, and chair of the facility. Alongside five other Lloyd's syndicates who work together as part of the facility, we aim to design and support initiatives in areas of the world where insurance is unaffordable, or simply does not exist at all. Additionally, the facility focuses on providing crisis and climate-related disaster risk financing solutions to reduce vulnerability, and support the risk transfer mechanisms across all stages of the disaster cycle from emergency response through to reconstruction. Following a disaster caused by natural or anthropogenic hazards, pre-arranged finance (such as insurance) can significantly reduce the cost, impact and recovery time, by ensuring financial support reaches those who need it most.

The Lloyd's Disaster Risk Facility operates globally with streams of distribution including the Lloyd's chaired Sustainable Markets Initiative, and the Insurance Development Forum (IDF), which is a public-private partnership, and led by the insurance industry. Examples of support include participation on the IDF's Sovereign and Humanitarian Solutions working group, which together with the United Nations Development Programme (UNDP) and InsuResilience Solutions Fund (ISF), aims to address the insurance needs of the most climate vulnerable sovereigns, and humanitarian organisations operating in these nations. As such, Hiscox is, alongside other industry participants and the UNDP, currently engaged with the governments of the United Republic of Tanzania, Nepal and Madagascar, to assist with the development of various risk transfer mechanisms, from agriculture insurance of small subsistence farmers to insurance of key public assets such as schools and hospitals.

Reinsurance is also provided for the major risk pools across the globe, providing capacity to: the South East Asian Risk Disaster Insurance Facility (SEADRIF) for flood risk in Laos; the African Risk Capacity (ARC) for drought, flood and cyclone risks across more than 20 nations in Africa; the Caribbean Catastrophe Risk Facility (CCRIF SPC) for excess rainfall, hurricane and earthquake risk in the Caribbean and Latin America; and the Pacific Catastrophe Risk Insurance Company (PCRIC), which supports small island nations, and responds to the risk of earthquake, tsunami and cyclone in the south Pacific region.

The Lloyd's Disaster Risk Facility has a global scope and is peril agnostic, engaging with clients located all over the world. The facility has supported the United Nations Children's Fund (UNICEF), by providing support to their Today and Tomorrow initiative, which focuses on providing rapid pay-outs following cyclone events in eight countries across four global cyclone basins - Bangladesh, Comoros, Haiti, Fiji, Madagascar, Mozambique, Solomon Islands, and Vanuatu. These insurance pay-outs are then used in the immediate aftermath of such an event, responding to the needs of vulnerable children and helping to mitigate the impacts. Most recently, the Facility has also partnered with Aon and the International Federation of Red Cross and Red Crescent Societies (IFRC) to design and support an insurance solution for the IFRC's Disaster Response Emergency Fund (DREF), with the ambition that this insurance will be in place during 2023.

"*In a world experiencing climate change, population growth, and economic and geopolitical uncertainty, the risk environment is the highest we've faced in a generation. As a risk solutions provider we must use our unique expertise and capacity to pool our resources, and provide solutions for risks faced by the most vulnerable. Insurance has many applications, and should not be limited to the developed world or for personal use. Risk financing mechanisms exist which can protect our planet's natural assets, support investment in the energy transition and reduce the rising cost of debt,*" says Chair of the Lloyd's Disaster Risk Facility, Panayotis Koulovasilopoulos, who is also a Senior Underwriter within Hiscox Re & ILS. "*As an industry we must continue to push the boundaries of how we apply our expertise, investing in product innovation, with the objective of closing the insurance protection gap and therefore contributing to societal and economic resilience against an ever-changing universe of risks.*"

Lloyd's Disaster Risk Facility (DRF)
The Lloyd's Disaster Risk Facility launched in 2015 to enable the Lloyd's market to assist disaster-struck countries and communities with relief financing. The facility works with the humanitarian and public sector, and multilateral organisations around the world to make a difference where it matters. It is now a consortium of six Lloyd's Syndicates, including Hiscox, which since 2022, has chaired the Facility committee. See page 53 for more information.

Our regulatory engagement

EIOPA's Sustainable Finance Disclosure Regulation (SFDR)

The SFDR, which came into effect in March 2021, establishes sustainability disclosure obligations for the financial markets, and particularly mandates the integration of sustainability risks in investment processes and products. As such, we are impacted via the Hiscox ILS platform which carries out marketing activity within the EU.

By applying the Hiscox Group ESG exclusions policy, as well as adopting a Hiscox ILS ESG policy, and integrating an ESG scoring methodology and counterparty screening due diligence process into our ILS portfolio construction, Hiscox ILS has implemented a framework in which sustainability risks are integrated into investment processes. As a result, in January 2023, Hiscox ILS classified the Kiskadee Diversified Fund as an Article 8 fund for the purposes of SFDR.

Participation in the PRA's General Insurance Stress Test (GIST)

During 2022, Hiscox Syndicate 33, Syndicate 3624 and Hiscox Insurance Company Limited (HIC) participated in the PRA's General Insurance Stress Test exercise (GIST). The objectives of the 2022 exercise were to assess the industry's resilience to a range of scenarios, to gather information about firms' modelling and risk management capabilities, and to enhance the PRA's and firms' abilities to respond to future shocks.

While the exercise did not aim to assess the financial impact specifically from climate change, the climate-related (atmospheric) scenarios it explored – US hurricanes, European/UK windstorms and UK flood – represented severe but plausible realisations of current climate conditions chosen to reflect firms' exposures and business models.

Industry-wide stress tests such as the GIST support our established and embedded programme of internal stress testing and scenario analysis, and contribute to their continued evolution.

A particular area of focus currently is stress testing and scenario analysis based on a range of global warming scenarios, including a below 2°C scenario. As such, we continue to review a range of scenario impacts through internal workshops, from which potential management actions can be identified, and our strategy and risk management approach can be further refined. This includes planned activity for 2023 to review our underwriting portfolios against a range of global warming scenarios, including a below 2°C scenario, using both our own and credible third-party data around future target states for climate. We will provide a further update on our progress in this area in our 2023 Annual Report and Accounts.

Prudential Regulation Authority's (PRA) expectations on managing financial risks to climate change

In the UK, our subsidiary entities are progressing with their strategic commitments to meet regulatory expectations with regard to managing the financial risks from climate change under the PRA's Supervisory Statement 3/19, with particular regard to Board strategy and ownership of climate risk management. We have been embedding the PRA's requirements over the past few years and various initiatives are being actioned systematically through the subsidiary entity's annual strategic climate action plan which covers four key areas of activity; governance, risk management, scenario analysis and disclosures.

We have leveraged the framework that the PRA has set up and then broadened it further to consider various aspects of climate change for our business. The action plan outlines the activities we aim to undertake to manage the multi-decadal challenge of climate risks holistically across the risk profile. Within this framework, each of the UK carriers has a dedicated senior manager with overall regulatory responsibility for managing the financial risks from climate change under the UK's Senior Managers Certificate Regime (SMCR). As part of our business planning, every year we closely track the progress made by each management team.

Significant progress has been made in progressing our activities, approach and ownership in order to embed climate considerations in our governance structures, processes and decision-making across various functional areas including finance, underwriting, exposure management, investments and risk.

The wider Board's focus continues to be on the following areas:

- reviewing the proportion of portfolios and assets influenced by climate change;
- monitoring climate risk through exposure management and emerging risk forums and participating in industry forums and research;
- considering metrics through which to monitor physical and transition risks to enable effective management of climate risk and to identify business opportunities;
- considering longer-term stress testing and scenario analysis to understand impacts on business planning, strategy and operations.

We will continue to evolve, refine and monitor our approach systematically through this framework and have committed to a cycle of regular Board reporting on progress.

European Insurance and Occupational Pensions Authority (EIOPA) guidance on climate change risk scenario analysis

Regulation in the EU in the area of sustainable finance continues to evolve. In April 2021, the European Commission announced that its Renewed Sustainable Finance Strategy will focus on a number of actions, including a better integration of climate and environmental risks into the framework of financial institutions. Specifically, EIOPA published their opinion on the integration and use of climate change risk scenarios by insurers. EIOPA, in a similar way to UK regulators, considers that the (re)insurance industry will be impacted by climate change-related physical and transition risks and should embed a forward-looking management of these risks to ensure the long-term solvency and viability of the industry. Supervisory expectations are under development that would expect insurers to identify material climate change risk exposures and integrate climate change within internal risk management structures.

Additionally, EIOPA considers that insurers should subject material climate change risks to at least two long-term climate scenarios, where appropriate:

- climate change risk scenario where the global temperature increase remains below 2°C, preferably no more than 1.5°C, in line with the EU commitments;
- climate change risk scenario where the global temperature increase exceeds 2°C.

We will continue to monitor the development of European plans and proposals and we will leverage where applicable activities in the UK which respond to similar regulatory expectations to comply with any future implementation requirements.

Potential increase in climate-related expectations in the USA

We continue to monitor with interest the development of climate-related expectations on insurers in the USA and in particular the development of proposals for the introduction of mandatory disclosures. US Securities and Exchange Commission (SEC) have proposed a rule that will require mandatory disclosures by public companies which, if adopted, will require most US companies to make climate risk and greenhouse gas emission disclosures. We continue to monitor US climate-related expectations and regulation in order to comply with any future implementation requirements.

In addition, we welcomed the establishment of a Climate Change and Resiliency Task Force by the NAIC. We recognise the lag in climate reporting, policy and regulation within North America in comparison to Europe and Asia Pacific and are responding to new climate-related requirements in the US and monitoring developments regularly.

Where relevant, existing Group climate risk mitigation activities will be leveraged and rolled out across the Group to our US carriers. Climate risk is considered a key focus in emerging risk discussions with the US management team and discussed within the 2023 US legal entity's ORSA. We also continue our work to develop a climate change framework with the goal of preparing metrics that our business units and leaders can use to support strategic decision-making.

Changing climate-related expectations in Europe with the introduction of the Corporate Sustainability Reporting Directive (CSRD)

In January 2023, the CSRD came into force, a directive aimed at modernising and strengthening the rules concerning the social and environmental information that companies are required to report.

The new rules will ensure that investors and other stakeholders have access to robust and consistent information that can be used to assess investment risks arising from climate change and other sustainability issues.

We are already considering our requirements in line with CSRD and have commenced work on a double materiality ESG assessment that aligns with the CSRD requirements.

Contributing to the public debate from a research and modelling perspective

We engage with public debate about climate change in a number of ways, from technical research and policy responses to reacting to world weather events. It is often discussed in press interviews and investor meetings, and key spokespeople on the subject also contribute to roundtables and other events where appropriate. In addition, members of our natural catastrophe research team represent Hiscox at key global events.

Principle 5.2
Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.

Our research team is responsible for ensuring that the Hiscox view of risk remains appropriate for the effects of climate change that we see to date, and we use the latest IPCC reporting to assess climate change signal strengths for the major modelled peril regions that we insure. The most recent IPCC AR6 synthesis report was published in March 2023 and we have used the consensus findings in that report to refine our climate change framework, particularly noting the increase in hurricane driven precipitation.

As well as monitoring climate change science at the macro level, we have investigated the phenomena of rapid hurricane intensification, which saw Hurricane Ian gain strength extremely quickly on its approach to land. This is a feature that is complex and difficult to predict, but something we should consider in the event of future landfalling hurricanes. We have also undertaken research looking for statistical trends in the North Atlantic Accumulated Cyclone Energy (ACE) index, to test whether there are any indicators that we may already be experiencing some of the expected increase in climate change induced hurricane activity. The findings suggest that in the short term we are not yet seeing a significant trend, and our current view of risk remains appropriate. The 2023 update to the vendor North Atlantic Hurricane model was released in June, and we will be testing the revised event rate sets against our existing view of risk as part of the in-depth validation work required to implement the new model and science.

Research into our North American climate-linked peril regions will always be a focus, given these are our most materially exposed regions, but we are expanding our priorities to investigate European flooding and wildfire. The European peril regions are an important area of the business and European flooding and wildfires already demonstrate strong climate change induced increases.

More broadly, we publish our own insight and research where appropriate and participate in industry events and other collaborations to share what we have learnt. We also share climate-related insights and research with key stakeholders including our brokers and customers through articles and blogs. We work with a wide variety of risk modelling vendors and/or data providers in the market, not only on an ongoing basis but also on specific projects.

We also engage with the broking community, which has their own research and modelling expertise, and liaise with them on a regular basis to discuss various aspects of research, mostly related to climate risks. In addition, we are proud of our association with the Lighthill Risk Network (see page 61) and continue to look at new meaningful ways we can collaborate with them. We already participate in the Lighthill Risk Network steering committee and liaise with them to encourage the sharing of expertise, and sponsor projects, for example, updating data in open-source models.

Our ambitions

Performance against our 2022-23 ambitions

Ongoing	**Contribute to the Sustainable Markets Initiative and ClimateWise workstreams, specifically in the areas of supply chain impact, industry measurement and parametric insurance.** We have continued to contribute to these industry initiatives where appropriate, and in 2023-24 we will endeavour to find new ways to play a more active part in relevant workstreams that support industry progress.
Ongoing	**Endeavour to find ways to further enhance our existing TCFD disclosures through our 2022 Annual Report and Accounts.** We have continued to focus on building enhanced TCFD disclosures in our Annual Report and Accounts, and our 2022 TCFD disclosure included additional information on risk management structure and oversight, and training and building expertise. We will build on this progress further in our 2023 Annual Report and Accounts.

2023-24 ambitions

- Publish a double materiality ESG map in line with emerging CSRD requirements.
- Make further enhancements to the Group's TCFD disclosures and consider our UK legal entity level TCFD requirements ahead of mandatory reporting in 2025.

Principle 6
Support climate awareness amongst our customers

We communicate to our customers across the globe using a variety of methods to share our expertise and help inform their decisions about insurance cover for climate-related risks.

Principle 6.1
Communicating our beliefs and strategy on climate-related issues to our customers/clients.

Our purpose is to help our customers manage their risks so they can fulfil their ambitions, whether that is to grow their business or simply to sleep safe at night. Our approach to climate-related issues is an important part of that purpose, and in this regard we are guided by the Hiscox ESG framework (see page 4). This strategy, along with proof points of our approach, are shared with customers and clients in a number of different ways – both directly and indirectly.

Through our actions
We try to avoid using paper where we can. For example, we send our customers policy-related communications, such as renewal notices, electronically; customers can receive paper copies only on request. We also no longer print any of our thought leadership reports, such as The Hiscox Online Art Trade Report and the Hiscox Cyber Readiness Report – choosing instead to distribute digitally only. Where paper is used, it is certified by the Forest Stewardship Council.

Through the media
We contribute to the climate debate by publishing relevant insight and research – either our own or by working with others – and also through sharing news and views. During 2022-23, this has included:

- a blog on the benefits of storing CO_2 when it comes to climate change;
- a blog on whether space travel is the answer to Earth's climate crisis;
- our latest impact report, which alongside the social impact that Hiscox makes through our colleagues, customers and communities, details some of the climate-focused initiatives we are involved in, such as London Wildlife Trust and The Country Trust's Plant Your Pants campaign.

Through investor communications
ESG and climate-related issues are increasingly part of our direct dialogue with analysts and investors. To support those conversations, we have produced an investor-focused ESG presentation, which is publicly available on our Hiscox Group website. This presentation complements other ESG and climate-related communications to analysts and investors which take place as part of our preliminary and interim results presentations each year. A copy of some slides from this presentation can be found on page 62 and the presentation is updated twice a year.

Through our customer engagement
We regularly engage with our customers in order to capture crucial customer insight, and in 2022-23, we introduced new ways to reflect sustainability in our customer research including brand tracking.

Through our websites
Our corporate website – which is viewed by our customers, broker partners, suppliers, other businesses, analysts, investors and journalists – has a section dedicated to the environment (including climate issues) and is one of our richest sources for explaining how we go about being a responsible business. Our environment page, which has been viewed 1,100 times over the last 12 months (an increase of 25% year-on-year), includes:

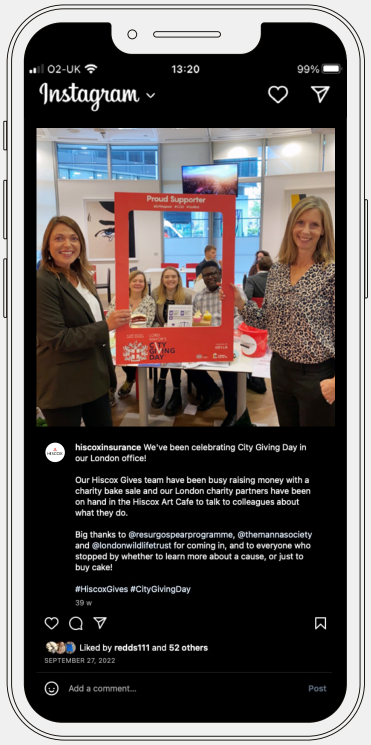
- our annual climate report, which has been downloaded more than 600 times;
- information on our carbon emissions and carbon management plan, including our carbon offset programme;
- links to our ESG-related reports, policies and disclosures;
- links to recent climate-related papers and articles we have published;
- our membership of ClimateWise;
- an explanation of how we help customers adapt to climate change;
- our market resilience white paper, the result of an initiative spearheaded by our Chairman involving 23 other organisations in London to test their preparedness for a major hurricane simultaneously with a large-scale cyber attack;
- information on our 'green teams'.

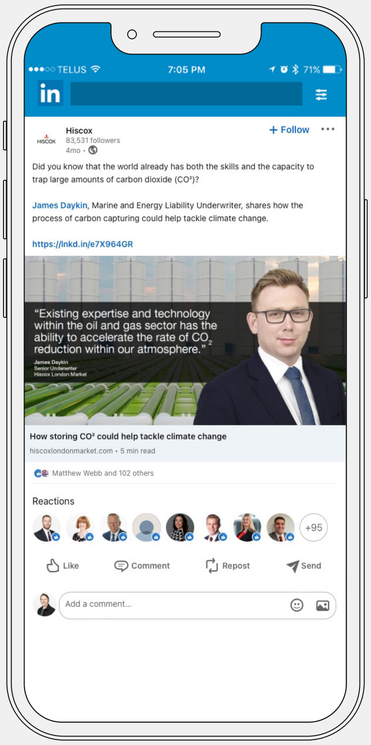
Our website also includes policy statements for all of our ESG and climate-related policies including our environmental policy, ESG exclusions policy, and responsible investment policy. For more information, see Principles 1 and 2.

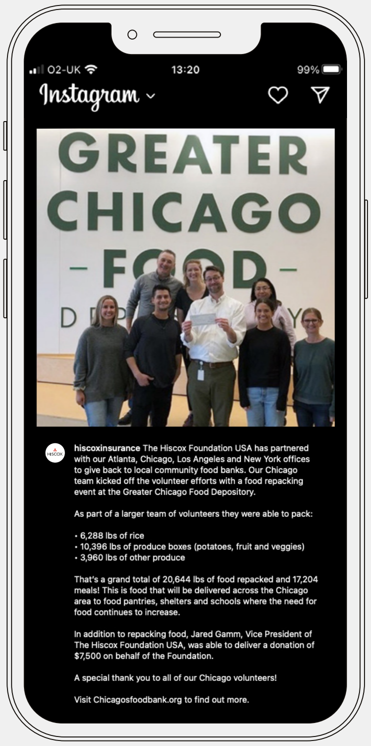
Our annual climate report contains our view of climate risks and the actions we are taking to tackle them. We also have a section on ESG activity in our Annual Report and Accounts, which can be found on pages 54-59 of our 2022 Annual Report and Accounts. This important document is a source of information on Hiscox for analysts, investors, journalists, brokers and customers, and in it we set out how we think about ESG (including climate activity), how we achieve Board oversight of these issues, as well as recent activity. Our 2022 Annual Report and Accounts (which was published in March 2023) also includes a robust disclosure against the Task Force on Climate-related Financial Disclosures (TCFD), in line with our regulatory requirements. See pages 60-67 of the 2022 Annual Report and Accounts.

Through our social media channels

From time to time we also share climate-related news through our social media channels, predominantly LinkedIn and Instagram, including celebrating the environmental causes that our people support through fundraising and volunteering.







Through our public reporting
We understand that investors require a level of information that enables them to make climate-related investment decisions on companies. We also understand that, more generally, the public are increasingly interested in understanding how a company is performing when it comes to climate-related issues. That's why we are committed to being assessed on our progress on environmental issues by participating in a number of independent, global ESG standards. These currently include:
- CDP;
- ClimateWise;
- Dow Jones Sustainability Index;
- Institutional Shareholder Services (ISS);
- MSCI;
- Sustainalytics.

See page 8 for our latest scores.

Through our social media channels
From time to time we also share climate-related information through our social media channels, predominantly LinkedIn and Instagram. We have a very active Instagram feed (@hiscoxinsurance) through which we share news relating to our employees' work on environmental and social causes. Our staff are actively engaged in this, sharing pictures celebrating their fundraising successes.
- A post about our 2022 climate report.
- A post about our support for City Giving Day which included support from London Wildlife Trust who spent the day in the Hiscox London office to talk to our people about the vital environmental work they do.

Principle 6.2
Informing our customers/clients of climate-related risks and providing support and tools so that they can assess their own levels of risk.

We help our customers understand climate-related risks through our publications and our products.

Hiscox publications
We produce a large number of articles and content looking at climate change from many different angles, both for the media (including general, business and trade press) and for our customers and broker partners through our own channels, such as blogs from different parts of the Group with different areas of expertise. Examples of our thought leadership on climate-related risks and opportunities can be found in Principle 6.1. We also contribute to the climate debate through our work with, and support of, the ABI, ClimateWise, the Lighthill Risk Network, and Lloyd's including through the Lloyd's-led Sustainable Markets Initiative.

In 2022-23, they have published some important work on climate-related risks and opportunities, as outlined below.

Lighthill Risk Network
The Lighthill Risk Network provides the insurance industry with access to the latest academic research into risk, while also enabling the scientific community to interact with insurers. Hiscox is one of a small number of core members of the network, and part of its steering group and as such we contribute to the research reports it produces. In 2022-23 this has included a new report, *Best practices for modelling the physical risks of climate change*, which looked at the role of insurance in extreme climate-related events including extreme floods and cyclones.

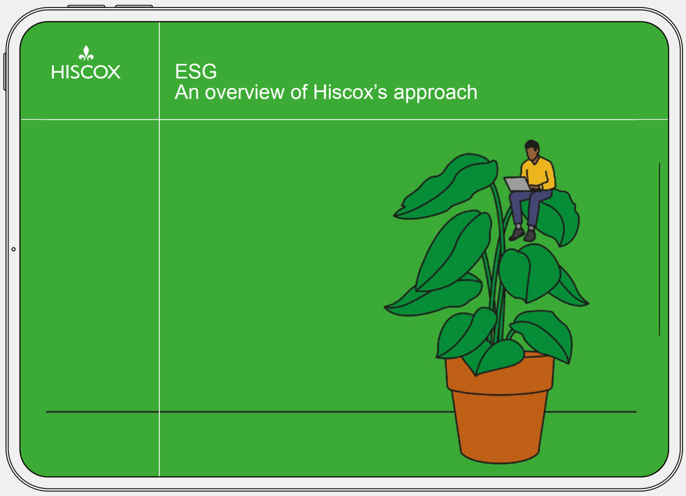
Lloyd's
As a long-standing Lloyd's of London participant, we contribute to a number of Lloyd's focused initiatives. In 2022-23, this has included the insurance task force, which is designed to provide a platform for the sector to collectively advance the world's progress towards a resilient, net-zero economy, and is being led by Lloyd's at the invitation of the former Prince of Wales. Our Group Chief Executive Officer is a member of the task force, and we contribute to a number of workstreams. This work has enabled us to contribute to workstream two, which focuses on sustainable supply chains; workstream five, which focuses on measurement and partnerships; and workstream eight, which focuses on innovative customer solutions. This work will continue in 2022-23.

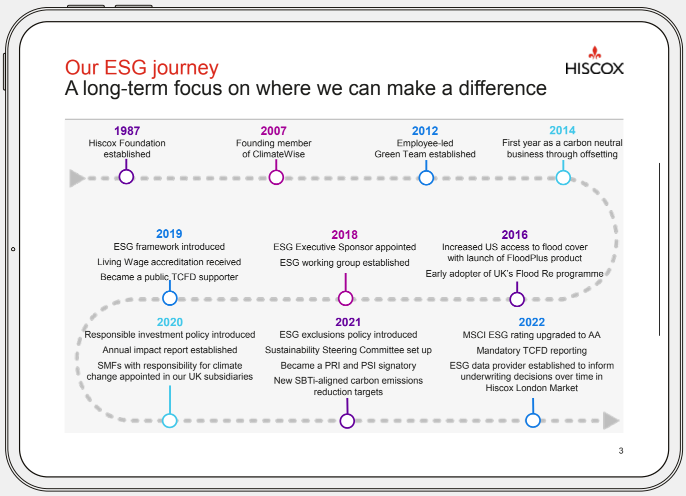
ClimateWise
We are a founding member of ClimateWise. We participate as one of more than 30 contributors to the ClimateWise managing committee, and as a member of the CISL Insurance Advisory Council. During the year, ClimateWise published a number of reports of climate-related relevance:
- their annual Principles Review which highlighted member's performance against their TCFD-aligned Principles;
- a new report entitled Why nature matters: Nature-related risks and opportunities for insurance underwriting;
- a roadmap on the identification and integration of nature-related risks and impacts in underwriting and insurance brokerage.

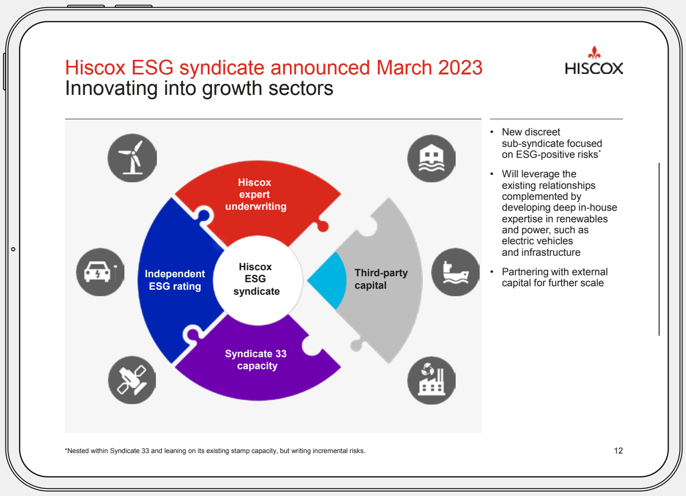
While we did not contribute to this work in 2022-23, we have previously contributed to its net-zero underwriting working group with underwriting expertise, and its secondary perils working group, where we were able to share some of existing work and insight on things like floods, wildfire, and severe convective storms, which are increasing in their frequency, severity and impact, causing significant economic loss and negatively impacting communities and policyholders.

External communications to our investors

Our ESG presentation for investors continues to be shared during investor meetings and is publicly available within the investor section of our corporate website, hiscoxgroup.com. It is updated twice a year, after each interim and preliminary results announcement and includes information on how our climate journey has evolved over time, the steps we are taking to address the environmental element of ESG through our operations, products and partnerships, and research and insight.







The Association of British Insurers (ABI)

We are a company member of the Association of British Insurers (ABI). In 2022-23, the ABI's work on climate-related issues included:

- responding to the UK Government's Energy Security and Green Finance strategies;
- a news release on the record-breaking UK heatwave of 2022 driving a surge in subsidence claim payouts;
- publication of its new three-year strategy, which includes climate-related action;
- reissuing its guide to support customers at risk of flooding;
- tips for protecting against frozen and burst pipes in winter;
- the launch of its Climate Change Clinic;
- the delivery of its annual Climate Change Summit, which Hiscox attends and which in 2023 focused on maintaining momentum towards a net-zero economy.

The ABI also issues alerts ahead of extreme weather events, for example flood guidance from the Flood Forecasting Centre, on its website. These alerts are issued in advance of specific weather predictions and give advice about different types of flood risk from surface water, rivers, groundwater and coastal flooding.

Hiscox products

Climate change is among the greatest risks facing us all, and, so we strive to continually develop new products that address the changing climate-related risks and opportunities. We have worked to try to bridge the insurance gap, and in recent years have focused on devising new ways to help address the lack of adequate flood cover for many homeowners.

- FloodPlus is an award-winning product devised by our London Market team that offers higher limits and wider coverage than those provided by the National Flood Insurance Program (NFIP), the US government-backed scheme. It also offers premium discounts for those who take steps to minimise the risk to their property from flood.
- FloodXtra is our reinsurance product that complements the flood risks we underwrite through our commercial property book in Hiscox USA and through FloodPlus.
- We are also a member of Flood Re in the UK, which enables us to provide flood cover to new and existing customers, including some which we would otherwise struggle to source insurance for because of their high-risk location. As well as offering more vulnerable homeowners the opportunity to protect their homes, the Flood Re scheme also helps people to better understand their flood risk and offers advice on how they can reduce it.

We also provide cover for climate-related technological innovations, as insurance can aid their take-up. Interest is growing for insurance products and services for environmental risks and climate change, and we have responded to that through our new product development process and will continue to do so. This includes:

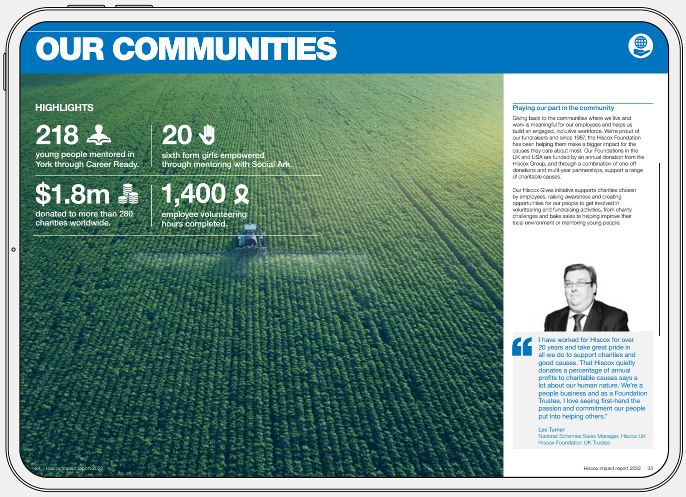
- solar panel cover for policyholders with home insurance;
- enhanced insurance for environmental industry professionals, covering public indemnity insurance for survey work, defence costs for investigation under the Environmental Protection, Health and Safety, and Cover for Corporate Manslaughter Acts and Pollution;
- bespoke insurance for energy assessors who rate the energy efficiency of properties under the government's regulations.

Our commitment to reducing the environmental impact of our business also extends to how we handle claims. We have a partnership with AnyJunk, an environmental waste firm, so that rubbish removed from our UK property claims, such as those affected by flood or fire, will not go to landfill. Over the last 12 months, AnyJunk has collected over 160,000kg of rubbish arising from Hiscox claims, with 97% of this waste avoiding landfill.

In our London Market business, we have also launched an ESG sub-syndicate, ESG 3033, which is focused on ESG-positive risks. This new venture is designed to complement Hiscox London Market's existing underwriting, while allowing us to bring additional capacity on board that will be focused on supporting us writing additional lines for those clients that have achieved the highest ESG ratings. For more information see page 37.

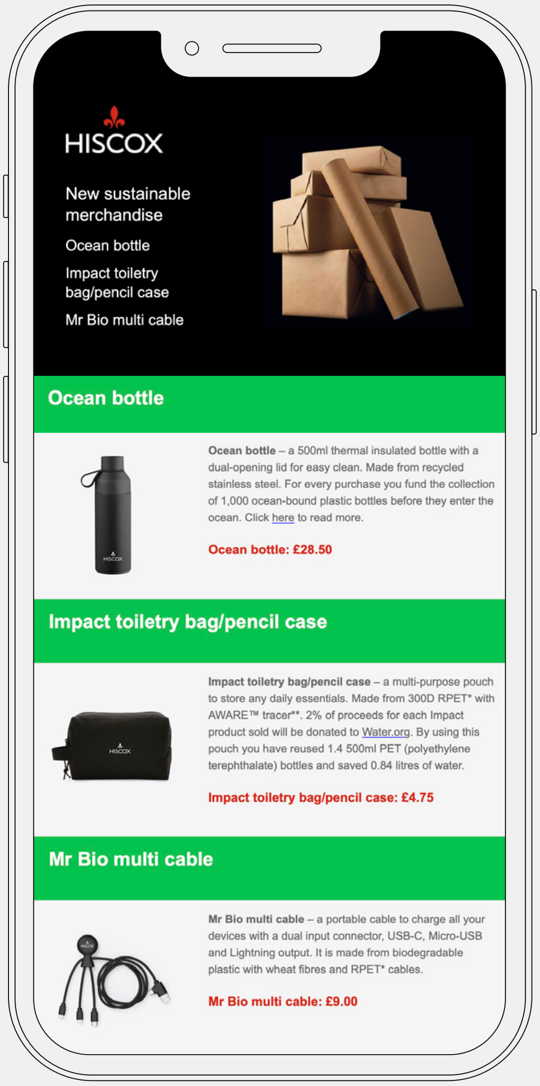
Communicating our impact

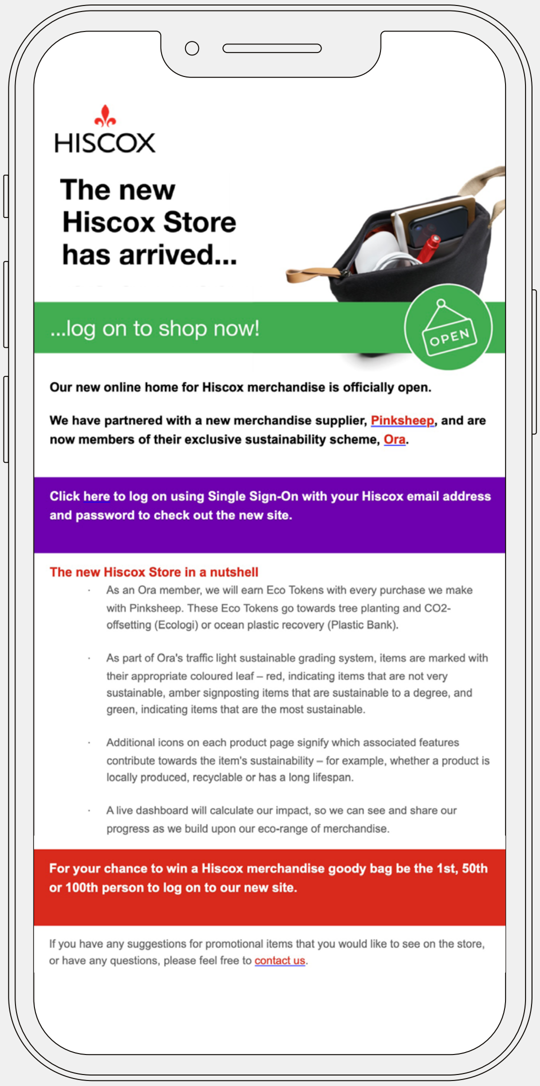
Through our annual impact report we showcase some of the environmental causes we are supporting across the business. Our 2022 report (which was published in July 2023) is available to download via our corporate website and has been shared through social media and directly with key stakeholders. It includes the work we have been doing to champion a range of environmental initiatives in different ways and in different parts of the of the world, and for the first time considers impact in a broader sense: our impact on our customers and our colleagues as well as our communities.



Thinking about the environment in our branded merchandise

During 2022-23 we adopted a new merchandise supplier and refocused our efforts on sustainability. Hiscox branded merchandise is available for our people to buy online through the Hiscox Store and information on new stock is shared through newsletters and email communications.





Our ambitions

Performance against our 2022-23 ambitions

Ongoing	**Continue to contribute to the Sustainable Markets Initiative workstreams with expertise and insight.** Our Group Chief Executive Officer continues to participate in the Insurance Task Force and other members of the team continue to be involved in relevant workstreams. This work will continue in 2023-24.
Ongoing	**Find new ways to engage with key stakeholders on our ESG and climate-related activities.** We continue to engage with key stakeholders on ESG and climate-related matters, and in 2023 this included completing ESG and climate-related regulatory returns, continued investment manager engagement (see Principle 2) and enhancing our existing supplier management practices through a new partnership with a recognised ESG rating provider (see pages 40, 41 and 47). This work will continue in 2023-24.

2023-24 ambitions

- Further establish the Hiscox ESG 3033 sub-syndicate launched in 2023, in line with our ambitions to support the transitioning economy through our products and services.
- Increase the amount of ESG and climate-related content that we publish either through owned or earned channels.

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