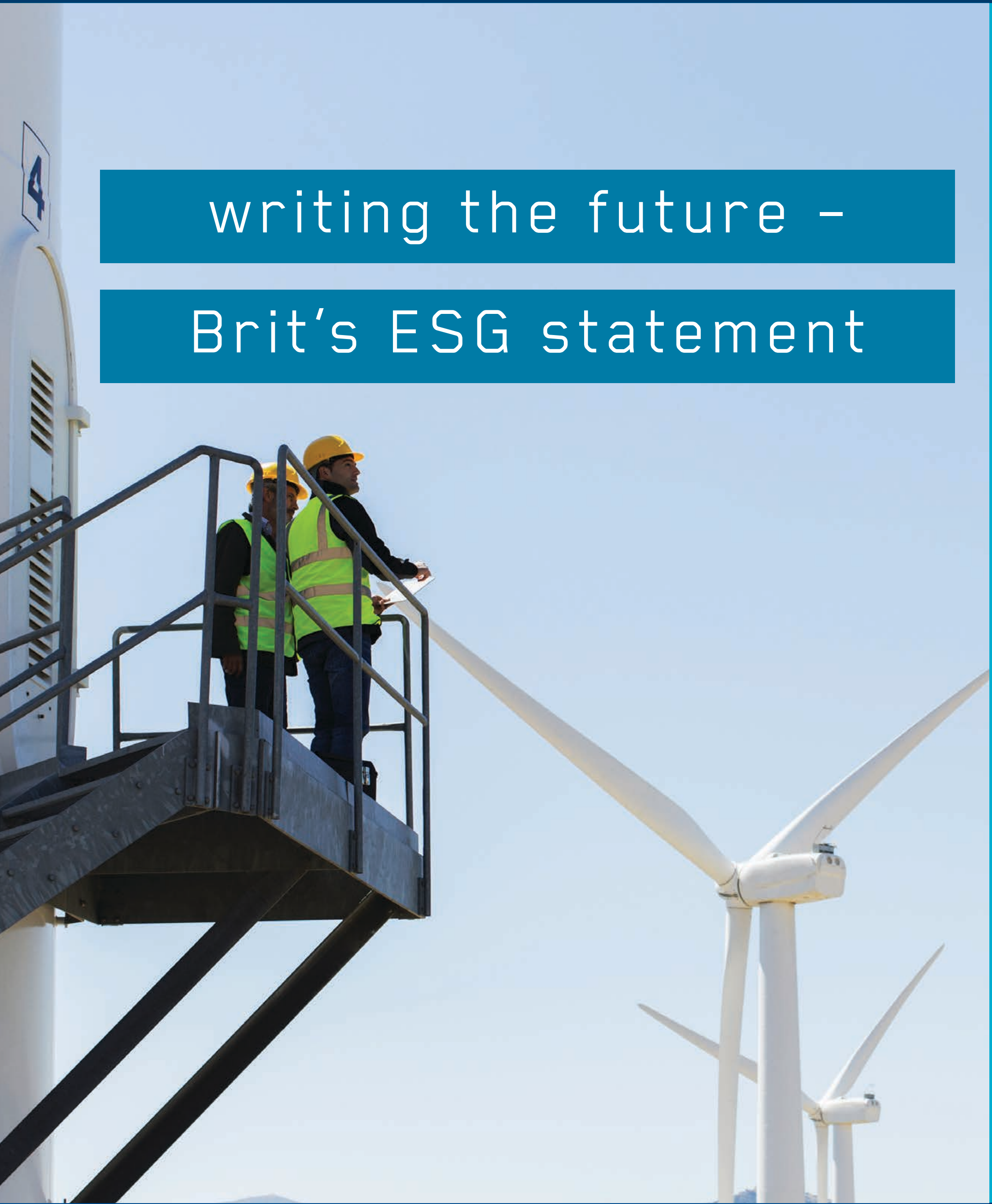
BRIT

writing the future

ClimateWise report 2022



writing the future – Brit's ESG statement

We have an important role in fighting climate change, and we firmly believe that insurance is a social good.

There are five parts to our ESG strategy:

1. Working with our clients and business partners to understand and mitigate the impact of climate change
2. Putting the environment at the centre of our investments and underwriting strategy
3. Transitioning to be a net-zero business
4. Ensuring we manage the risks to Brit
5. Placing inclusion & diversity at the heart of everything we do

We are committed to responsible business practices. Our ESG Committee, comprising members of our senior management team, oversees our approach, and reports directly to our Executive Committee.

We recognise that we're most effective by acting alongside others in our industry, which is why we're active members of ClimateWise. We're also taking part in ESG initiatives within the Lloyd's market and the Fairfax group.

1 Working with our clients and business partners to understand and mitigate the impact of climate change

We have a considered approach to underwriting that supports our clients as they move to low-carbon, environmentally conscious business models.

- We always think long-term to make sure our clients have stability for their businesses
- We offer products which empower our clients when navigating the energy transition, helping them face the future, even in uncertainty
- We are committed to simplifying the claims process with faster payments

2 Putting the environment at the centre of our investments and underwriting strategy

Our approach to investments and underwriting is evolving. We have integrated ESG into our decision-making in both areas and are working towards a more complete use of ESG data where available. Our underwriting and investment strategy will ensure we deliver to and go beyond Lloyd's stated sustainability commitments.

3 Transitioning to be a net-zero business

We are on our own journey to net-zero, through a detailed understanding of our Scope 1, 2 & 3 emissions.

We are reviewing our operations to actively reduce our greenhouse gas emissions and reduce waste and water consumption. We currently offset Scope 1 and 2 emissions and a portion of Scope 3 emissions by investing in socially responsible offset projects.

4 Ensuring we manage the risks to Brit

Our cross-departmental Climate Change Risk Working Party is focussed on collaboratively managing the financial risks arising from climate change through our risk management framework. This covers all three aspects of the PRA/Bank of England's framework – physical risks, transition risks and liability risks. Climate Change risks are captured in our ORSA and are discussed at EC and Board level.

5 Placing inclusion and diversity at the heart of everything we do

Our employees and local communities are a big part of this effort. In line with our commitment to inclusion and diversity we value the unique perspective everyone brings to our business, no matter their age, race, religion, gender, identity or background. We have several active and committed employee resource groups who work together with our dedicated Head of inclusion and diversity we make sure all voices are heard.

our ClimateWise submission for 2022

Introduction

We're a leading global specialty insurer and reinsurer focused on underwriting complex risks.

We have a long and successful track record of leading an extensive range of insurance and reinsurance programmes, based on rigorous risk selection and a disciplined approach to underwriting. We hire the best people and develop their skills so they can grow with us as a business. Combining technical expertise with industry knowledge, we listen, we share, and we collaborate – to create best-in-class insurance solutions for our clients.

Brit is a respected presence at Lloyd's of London and has one of the biggest and most diverse portfolios in the market through Syndicate 2987. In 2022, Brit's stamp capacity will be £2.5bn, a 17.3% increase from 2021, making us one of the fastest growing large managing agents at Lloyd's.

Through Ki Syndicate 1618, Syndicate 2988, and Sussex Re, Brit has over $1.3bn of underwriting capacity. These platforms, supported by diverse capital sources, show our commitment to improving our relevance to clients and brokers and strengthening our long-term relationships in the market.

Ki, in collaboration with Google and UCL, is the first fully digital, algorithm-driven syndicate at Lloyd's. It was one of the biggest syndicate launches in Lloyd's history and raised $500m in start-up capital from Blackstone and Fairfax.

Brit is fully owned by Fairfax and has a hybrid working model to support employee well-being and reduce commuting. The majority of our workforce is based in a modern, energy-efficient building on Leadenhall in London.

contents principles

principle 1

be accountable

Making the ClimateWise Principles part of our strategy, and how we oversee climate risks and opportunities.

1.1 Our key priorities and accountabilities

Accountability flows through every part of Brit when it comes to climate change, the risks it poses, and the opportunities it presents. Each operating unit has ultimate responsibility for climate change and anything associated with it. It's their job to consider it within our business strategy.

In 2014 climate change was officially identified as an emerging risk in our industry. Since then, we've worked to understand the facts and uncertainty of climate change. We're determined to keep up with the science and use industry-leading ESG data.

Brit's priorities

In May 2021 it became a key priority to establish an ESG strategy that can be embedded in the business and shared externally. We also discussed:

- Immediate priorities (2021)
  No new insurance cover for thermal coal-fired power plants, thermal coal mines, oil sands or Arctic energy exploration from 1 January 2022.
- In the medium-term (2021 – 2022)
  Develop the ESG strategy further than Lloyd's' stance.
- In the longer-term (2022 – 2023)
  Put ESG at the forefront of underwriters' minds, making sure they have a thorough understanding of their portfolios from an ESG perspective.

Ki's 2022 ESG strategy covers four key components:

- Underwriting.
- Investment.
- Inclusion & Diversity.
- Corporate Social Responsibility.

We've set up an ESG working group, reporting directly to the Ki Management Committee.

Ki's priorities

Underwriting: Developing how we monitor our underwriting portfolio based on our ESG credentials, using third party ESG rating agencies.

Sustainability Linked Funds at Lloyd's: We entered into a US$130m Letter of Credit Agreement with Barclays Bank with flexibility to increase to US$245m, based on our Multi-Asset Mandate with a minimum BBB MSCI rating.

Inclusion & Diversity: Partnership with Code First Girls to support gender diversity in software and data engineering, with over 200 women sponsored to take online courses and 5 joining Ki & Brit for internships in 2022.

CSR: Tree planting initiative, in partnership with Ecologi, to plant 10 trees for every policy written with Ki. With over 100,000 trees to be planted by the end of 2022.

The Brit Group

The Sussex Board will continue to implement ESG considerations in the Sussex platform, and provide oversight of progress. A Sussex-specific ESG statement has been approved by the Board so we can be held to account by ESG-conscious investors.

With underwriting, we assess and monitor the ESG aspects of risks within our portfolio.

On the investment side, an ESG criteria has been integrated into the ETF asset allocation for the Specialty Fund.

Where we hold Money Market Funds, we review the managers' approach to ESG. Finally, an ESG lead has been appointed for Sussex, – Karl Grieves (Finance & Operations Director).

Ongoing board engagement

As per 2021, our approach on ESG engagement with the board is for most of the Board and ROC (Board- level Risk Oversight Committee) meetings for 2022 to include a focus on one or more key areas.

Results from the PRA's Climate Change Biennial Stress Testing Exercise ("CBES") Phases I5 and II6 were presented to the BSL Board for approval (see section 2.1 for further details).

Current plan for BSL Board engagement (H2 2022)

Meeting	ESG component
Board – 27 July	Ratification of ESG statement; overview of Net Zero aspirations
Board – 26 August	Review of 3rd party ESG requests; discussion of supporting clients through transition risk
Board – 28 October	Update on ESG scoring pilot; review of Net Zero work
ROC – 13 December	Climate Change update including further analysis done on litigation risk

The role of the Risk Oversight Committee (ROC) in more technical oversight

The ROC oversees climate change risk. It reports to the BSL Board, with membership including four Non-Executive Directors of the Board, including the Chairman.

The committee was provided with confirmation of compliance with the PRA's supervisory statement on managing financial risks arising from climate change in Q4 2021.

Later this year, the ROC will receive its annual climate change update, but we have discussions more frequently e.g. in Q1 as part of the ORSA and Q3 as part of the validation of the syndicates' Solvency Capital Requirement.

BSL Investment Committee

ESG / climate risk has been a regular item on the BSL Investment Committee agenda since 2020 and a standard agenda item since 2021.

They discuss:

- Updates on ESG guidelines and positioning within our investment mandates
- Updates on the ESG approach of our investment managers
- Regulatory updates around responsible investment / ESG / climate risk.

We report climate risk metrics to the Investment Committee each month and include ESG reports from external managers (where received) in the packs.

On 16 September 2020, we provided Board training to the BSL Board on responsible investment including the financial risks of climate change. This was the first such session and we've built on it since then.

On 16 May 2022, we provided Board training10 to the Non-Executive Directors of Brit Limited and BSL Board on investments and capital, including a session on responsible investment.

Board member experience

Brit's board members have confirmed it's crucial for senior management and board members to develop a deeper understanding of ESG.

Several of our Board members have extensive experience in this area, including:

Pinar Yetgin – non-executive director and Chair of Risk Oversight Committee, Brit Syndicates Limited Board

Pinar is involved in a number of climate-related roles at NatWest

Pinar is also a Climate Zero member and in 2021 started the Certificate in Green and Sustainable Finance programme.

Gordon Campbell – non-executive Chairman, Brit Limited Board

Gordon has been involved in climate change activities for several decades, first as Mayor of Vancouver and subsequently as the Premier of British Columbia. Some notable efforts in those roles include:

- The Clouds of Change report in the early 90s for Vancouver.
- Climate Change strategy introduced in British Columbia in 2007-2008.
  - This included North America's first revenue-neutral Carbon tax and a comprehensive set of policies that encourages people and local governments to make positive climate choices.
  - It strives at putting together a strategy for action that encouraged people, companies and benefits to the climate. Companies had a reason and relatively inexpensive way of making productivity gains and reducing emissions.
- Ensuring government offices were all zero net carbon buildings within three years of the program.

1.2 Management's role in assessing climate-related issues

ESG Committee

This includes representation for Underwriting, Underwriting oversight, Investments, Risk, Operations, Facilities and Communications. Members are from all departments and include a mix of senior management and more junior staff.

The committee meets with an agenda that covers our five themes as well as any new topics. We have varied the structure and frequency of the meetings – in 2021 we met with the full committee monthly and also had detailed discussions in our E3 subgroup – External ESG Engagement – which reviews any complex requests from third parties about our ESG activities.

In 2022 we switched to quarterly full committee meetings with the other two months a quarter being a sub-set of the committee focused on the underwriting aspects. The committee deliberately doesn't include members of our Executive Committee (EC) to facilitate broad discussion. The committee reports to the EC regularly.

EC oversight

Each of the five ESG themes has an EC member responsible for it:

- Investments – Gavin Williamson, CFO
- Underwriting – Christiern Dart, CUO
- Financial Risk – Shane Kingston, CRO
- Brit as a business – Lorraine Denny, Chief Engagement Officer
- Strategy & external engagement – Mark Allan, CEO of Ki

These EC members are responsible for ensuring that climate-related issues are embedded into the relevant operating division committees.

Climate Change Risk Working Party

Their focus is on collaboratively managing the financial risks arising from climate change through our risk management framework. The Working Party meets at least twice a year.

ESG External Engagement working group

The E3 group was created in Q2 2021 in response to the growing number of ESG queries from external third parties. The group met monthly if there are items for consideration. These would include requests for information not covered by our standard responses, or a line of questioning that an underwriter (or other member of staff) wanted senior sign-off on. The ESG can meet at short notice for time-critical queries.

In Q2 2022 we removed the monthly meetings as we were comfortable that questions and escalations were broadly being handled by BAU management. The members of the group can meet at any time, but all recent escalations have either been covered by the underwriting management team (preferred route) and/or discussed at the ESG committee.

ESG External Engagement working group

Business planning is a core element of the annual underwriting process and is overseen by the Chief Underwriting Officer and includes all senior underwriters.

As part of the 2023 Business Planning process, we continue to commit to Lloyd's ESG statement and responsible business practices. Additionally, we'll submit an ESG strategy and underwriting framework as part of the annual planning strategy submission. This will highlight the ESG initiatives already in place, as well as the underwriting framework involved in the future integration of ESG scores from an external data provider into the underwriting process. This will only be complete after the 2022 ClimateWise submission so is not included in this year's evidence.

The ESG scores are anticipated to provide a guide around Brit's portfolio during the first year of implementing the scores, with in-depth analysis during the second year. This analysis will be used to optimize risk selection and business mix.

principle 2

incorporate climate-related issues into our strategies and investments

We look at this from three perspectives: natural catastrophe risks, liability claims and investment losses.

2.1 Finding out how climate change affects businesses, investments and key stakeholders

We're constantly reviewing the full range of risks and have been moving from a qualitative assessment to quantitative measures and implications. With the rapid increase in relevant data, we expect to see increasingly detailed quantitative analysis.

Our focus is on both the risks and opportunities.

Our view of the climate change risk – managed by our Enterprise Risk Management (ERM) team

Climate change will have a major impact on multiple parts of our business, and on our stakeholders, so we make it part of all of our business decision. We always look at suggestions from Lloyd's, Fairfax, and the regulators on additional aspects we should consider.

We're managing climate risks with our Risk Management Framework ("RMF") and are embracing the latest regulatory guidance.

We're managing climate change risks in line with our Risk Management Framework ("RMF"). Since the last ClimateWise report, we've taken further action and are now compliant with regulatory expectations for managing financial risks associated with climate change – PRA SS3/1914.

Climate change related risk management continues to be an area of focus for management, and the various Risk Oversight Committees and Boards.

The three main areas of risk are:

- Natural catastrophe risks – the increased frequency and severity of weather-related natural catastrophes like hurricanes and wildfires.

  As a general insurance business, this risk is considered the most impactful, and most pronounced in the US, which is where majority of our business is underwritten. As noted in the underwriting view below, initiatives have been taken to optimise the gross portfolio given these uncertainties.

- Liability claims: For example, there's potential for claims against firms for their contribution to climate change.

- Investment losses have the potential to arise from exposure to industries perceived to be contributing to climate change or from the transition to a low-carbon economy. We've got a well-diversified investment portfolio, with the majority of assets being cash, government bonds and investment grade corporate bonds. This significantly mitigates the risk of investment losses. Our monthly investment reports include details on our exposure to climate sensitive sectors.

Climate change may already be having an impact on weather events, and the risk is expected to increase over medium to long term. A sudden change in government policy or legal precedent, or in societal expectations, may however result in a market-wide shock sooner than that.

Scenario Analysis

S2987 (which is Brit's largest syndicate) participated in the PRA CBES exercise. The CBES exercise was designed to assess the impact of climate change on physical and asset risks over 30 years.

It also required general insurance participants to consider the impact of seven PRA-designed litigation risk scenarios on liability classes as well as articulations of Brit's current and future risk management actions. The results were shared across Brit at various committees as noted below, to ensure key stakeholders were aware of the results and could consider climate change-related risks in future decisions:

- Physical risk projections reviewed by the Natural Catastrophe Committee.
- Asset projections reviewed by the Investment Operations Committee.
- Litigation analysis reviewed by a sub-committee of the Non-Natural Catastrophe Committee.
- Overall results reviewed by the Climate Change Risk Working Party as well as the Deputy CRO and CRO.
- Shared with Brit's Executive Committee.
- Presented to the Brit Syndicates Limited Board via a training session for sign off.

In addition to the above, climate change related scenario analysis is also included in each syndicate's ORSA, as presented to the BSL ROC.

Underwriting view

With a high-level focus on the impacts of climate change and ethical business practice, Lloyd's published its initial Environmental, Social and Governance (ESG) report in December 2020, with a plan to become a sustainable insurance marketplace.

We also started developing our own strategy around sustainability in 2020, aligning it with the core principles set out in the Lloyd's statement. Through additional training on sustainability and climate-related risks, our underwriters are actively encouraged to consider, assess and take note of the ethical, sustainable and governance approach of risks within their portfolio.

Together with this, ESG appetite and underwriting considerations are documented in the Underwriting Guidelines and Class Philosophies to ensure a suitable level of due diligence within the underwriting process at a product level, reducing exposure to businesses which have poor sustainability practices. In the longer term, these will form part of a referral framework which will be used to influence appetite business/growth strategy going forward.

From an underwriting standpoint, we continue to review our product offerings to ensure they promote improvements in ESG standards across our client base. The Energy division continues to provide insurance coverage for both the construction and operational exposures of renewable energy producers through the Renewable Energy Class, which is planning to continue growing in 2023.

Brit are also looking to grow the Nuclear Class, as nuclear energy and technologies are contributing towards several UN SDGs indirectly, and to the Affordable and Clean Energy Goal more specifically. Nuclear power is essential for energy transition, environmental sustainability and driving forward the economy through its power density, zero emissions, small land footprint and minimal waste. Brit has been a longstanding provider of nuclear insurance cover, member of NEIL since 2000 and NRI in 2008.

Across other product offerings, our teams are continuing to implement initiatives focussed around transitioning sectors, including:

- The FI team offering Californian Carbon Offset insurance;
- The FI and D&O teams are using a new external data platform which contains financial and ESG information about prospective clients. ESG scores are reviewed and factored into the underwriting decision process; and
- The Cargo team are insuring many more green energy power plants, including solar, wind and hydro plants

We recognise the potential that increasing frequency and severity of natural catastrophes, due to climate change, continues to be an area of future uncertainty. Working in conjunction with the Underwriting teams, our Exposure Management department continually strive to identify and quantify the potential impact of increasingly frequent weather-related catastrophe events. Uncertainty around climate change also exists, and this continues to be monitored by Brit's internal Climate Change Risk Working Party.

We are constantly reviewing the opportunities, both for the development of new products and services to support our clients on their transition journey, and the new and increased need for people, companies and countries that have new/more climate-related natural disasters.

In light of the increasing severity and frequency of natural catastrophic events, we've reviewed the historical gross performance of the US Property portfolio and implemented a strategy to improve the robustness via minimum rate increases, improved terms and conditions, reviewing locations/territories of insureds and updating inflationary and valuation assumptions.

Investments

We've integrated ESG considerations into our investment guidelines, our mandates with external managers and our reporting. Sustainability is key to our long-term investment approach, and considers the potential for economic loss, including the impact of climate change.

Our investment approach also considers potential opportunities. This allows investments in companies that may currently be lagging from an ESG perspective, but only if they are improving.

To fully integrate ESG into the investment strategy, it's important to understand our portfolio exposures. We're enhancing our ESG reporting to understand the portfolios managed on our behalf. We're also reviewing the equity positions in our portfolios, to make sure we understand if companies aren't making positive changes to mitigate climate change and move towards a lower carbon future.

In 2021, we found our underlying companies to have a low/medium ESG risk profile, with c.57% of companies in the portfolio having carbon commitments.

Our ESG investment initiatives are part of our ongoing conversations with Fairfax which also gives us insight into the approach of the full Fairfax family.

The integration of ESG within our investment portfolios for the assets within the Ki business also impacts on the funding for the business, as the interest rate paid on funding for the Ki Letter of Credit is linked to meeting certain ESG metrics on our investment portfolio.

R&D

We're working with external parties on ESG-related products.

Prompting action around investments

An ESG update is a standing item on the Investment Committee agendas, including specific deep-dives where required. This fits with the increasing importance of responsible investing. We have built on the September 2020 BSL Board training on responsible investing with the Non-executive director training on capital and investments in 2022, which included a session on responsible investment.

As mentioned above, we integrate ESG considerations into our investment mandates, although we do expect this to be an area of continual evolvement.

We're in the process of integrating ESG considerations into our investment mandates.

- During manager selection, potential managers have to have strong ESG credentials.
- Our multi-asset mandate includes a portfolio average minimum BBB MSCI ESG rating restriction, as well as revenue screens on specific ESG concerns such as oil sands, thermal coal and controversial weapons.
- We expanded similar guidelines to other external mandates, and some will also include a lower carbon intensity to the index and an aim to reduce carbon intensity.
- Where we select comingled funds or exchange traded funds, we assess the ESG restrictions in the funds, and invest in funds with specific ESG criteria.
- We focus on asset classes where ESG considerations can be most impactful, such as equity and corporate bonds, although we recognise the vital role governments have in implementing policy in this area.

External engagement through partner-interactions, and reporting and disclosure

We work with our suppliers to enhance their climate disclosures and research. This includes working with our natural catastrophe modelling software providers (AIR) to ensure they appropriately allow for climate change within their modelling. We've also engaged with our investment managers to develop climate change-related reporting and metrics.

As detailed in our 2021 submission, our Climate Change Risk Working Party performed a gap analysis in 2020 on Brit's disclosures against the TCFD framework which was presented to the ESG Committee and shared with the Finance team. As a result, since YE2020 our climate change disclosures in our Annual Report have been strengthened in comparison to YE2019. We're not required to be fully compliant with the TCFD framework but we do use it as a guide to best practice and have continued this in 2021/22.

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

Risk

A key part of risk management at Brit is setting tolerances and appetite.

- Risk tolerances is the maximum amount of risk Brit is willing to accept to meet its strategic objectives.
- Risk appetite reflects the maximum amount of risk Brit wants to take in the current market environment.
- The actual amount of risk taken is monitored against the tolerances and appetites.

Our Risk Management Framework (RMF), including the risk tolerances and appetite, reflects our strategy, and aims to make sure that risk is accepted in the areas which are expected to maximise shareholder value, while continuing to protect policyholders against extreme events. The process applies to all underwriting entities (in particular the Lloyd's syndicates and Brit Re).

Physical risk

Physical risk from natural catastrophes is controlled through Board tolerances and management appetites. These are set annually and monitored on a quarterly basis.

We continuously monitor scientific studies, regularly review the completeness of existing models and how we apply risk, considering historical natural catastrophe trends, as well as future expectations.

Liability risk

Brit's exposure is limited through limits on gross underwriting exposure and through the purchase of reinsurance. We monitor adherence to these limits quarterly.

Since 2020 we've worked to understand liability risk in three phases:

- **Phase 1 (Identification):** Underwriters across all divisions were asked to identify liability classes that could be exposed to losses under four scenarios:
  - contribution to climate change
  - failure to adapt
  - failure to disclose / greenwashing
  - failure to comply.
- **Phase 2 (Targeted assessment based on PRA CBES scope):** Scenario analysis was performed based on the PRA's defined scope and took into account contract wordings. The scope of the analysis was limited to 7 PRA scenarios across our top three industries (Financial Services, Oil & Gas and Transport) within four classes (D&O, E&O, General Liability and Professional Indemnity)
- **Phase 3 (Review of remaining classes):** Scenario analysis is ongoing for other class/industry combinations that could be impacted by climate change litigation risk.

Investment

Brit has a diversified investment portfolio, with limits on exposure to individual issuers. Exposure to concentrated positions is monitored and reported quarterly to the Investment Committee and Board. Additionally, we've developed metrics to monitor investment exposure to potentially at-risk industries such as oil and gas or transport – these are reported to the Investment Committee monthly.

In 2021 we began to receive ESG reports from some investment managers and began discussing enhanced ESG reporting with other managers. These reports concentrate on understanding the carbon intensity of the portfolio, along with wider ESG scores.

The speed different managers are engaging on this topic varies, but overall it's clear they understand the requirement of their clients – so we're confident the available data will improve over time.

ESG scoring

We're currently engaged in the final negotiations with an external data company, who will provide ESG scores across each of the three subsets, as well as providing around 300 underlying datapoints that make up the E, S and G scores. This comes on the back of a detailed review of multiple providers. While none is perfect, the one we've chosen has a strong combination of coverage and depth.

We had hoped to have negotiations finished before submitting this report so we could give more details. Once we've finalised the details, we'll share who this is (it has to stay confidential for the moment).

The aim is to ingest these scores on prospective risks, which will provide underwriters with an assessment of structured external environmental, social and governance considerations, as well detailed qualitative information driving these scores.

We haven't set out specific ESG target scores, but our ESG expectations remain in line with the Lloyd's ESG position – as outlined in section 2.1.

Our initial anticipation is that the scores will provide context on Brit's portfolio and help underwriters to assess risk. Once a suitable amount of historic ESG data has been accumulated, we'll do a detailed analysis of the portfolio to plan and optimise risk selection and business mix.

In the longer term, we'll look to incorporate ESG scoring within the underwriting framework through referral rules and appetite guidelines.

Our increased focus on ESG has highlighted the importance of qualitative ESG factors when reviewing a risk. This has been reinforced throughout 2022 and is now more front of mind for underwriters than ever before.

Monitoring performance

The table below summarises the S2987's quantitative metrics

Risk	Metric		31.12.21	31.03.22
Physical Risk	All perils net AEPs as % of ECA	1-in-3	13%	15%
		1-in-30	16%	21%
		1-in-250	62%	73%
Investment Risk	Industry holdings ($'m; % of AUM)	Energy	$138.1m; 5.0%	$137.5m; 5.3%
		Utilities	$39.9m; 1.4%	$31.5m; 1.2%
		Transportation	$28.2m; 1.0%	$28.1m; 1.1%
Litigation Risk	Number of claims		New monitored metric for 2022	5

Incorporating objective measures of ESG-related behaviour into policies and practice

The Board is responsible for overseeing our risk management and internal control systems, which management is responsible for implementing.

There's a strong risk governance framework. The Board, Risk and Audit Committee agendas are designed to make sure all significant areas of risk are reported on and discussed. The Risk Oversight Committees monitor and review the risk profile and the effectiveness of all risk management activities and, in particular, monitor adherence to agreed risk limits noted earlier.

Our Internal Audit function provides assurance to the Risk Oversight Committees, Audit Committees and Boards, while external experts are regularly used for independent assessments.

Renumeration

Managing the financial risks from climate change are part of the Climate Change Senior Management Function Holder's objectives. We monitor performance every year and is considered as part of the renumeration process.

Specific climate-related metrics are not currently incorporated into underwriter remuneration, however adherence to the plan is a key part of underwriter remuneration. This will feed into the overall assessment of each underwriter's performance.

We check compliance with underwriting guidelines through both a peer review process and, periodically, the Managing Agent's Internal Audit department which is entirely independent of the underwriting units.

Climate metrics / ESG criteria are not currently incorporated into investment renumeration. For our investments & treasury team, since 2021, we have set out ESG objectives, which the team will be measured against, although there is no explicit incorporation into renumeration.

Similarly, for our outsourced investment management providers, ESG forms part of our manager review process and we're in the process of integrating ESG considerations into the mandates.

principle 3

lead in the identification, understanding and management of climate risk

Our established framework helps us identify key climate-related risks, so that we can monitor the market and internal developments.

3.1
Ensure processes for assessing and managing climate-related risks and opportunities are integrated into the business (including investments)

Our view of risk

Climate Change was first recognised as an emerging risk in 2014 and became a high priority risk in 2018.

We have an established emerging risks framework which involves:
- Research of key publications.
- Brainstorming of potential emerging risks.
- Prioritisation of key risks.

Once identified as a key risk, the market and internal development are then monitored.

The following processes are in place for managing climate related risks:
- Quarterly monitoring of the metrics noted in section 2.2 by the BSL ROC and Investment Committee as relevant.
- Sharing results from scenario analysis such as CBES, litigation risk or ORSA scenarios with relevant committees such as the Underwriting sub-committees and Board.
- The cross departmental CCRWP meets twice a year to discuss the framework, new findings and department initiatives.

Brit has remained actively engaged with emerging regulatory requirements and requests.

Underwriting

Underwriters are encouraged to consider risks and opportunities related to climate change through two processes.

1. Their ongoing review by underwriters of their books of business.
2. The challenges and advice from their peers during regular Divisional meetings and Quarterly Business Review sessions.

In addition, the annual business planning process requires an analysis of emerging risks and opportunities, along with climate-related changes. This has been considered there informally for several years, and formally to fit with Lloyd's ESG statement and submit an ESG Underwriting Strategy as part of the 2023 business planning process.

We make sure our plans fit the current Lloyd's requirements, but we also work on likely emerging requirements from the regulator to make sure we're ready to implement those.

A key aspect of that is preparing our brokers for likely changes so they are not seen as a surprise.

Investments

Please reference Principle 2 in terms of the activities around investments, including selecting, measuring, reporting.

Claims

On the claims side we have two streams of work, linking with broader industry discussion on these topics.

Reduce the impact of handling physical damage claims. This is driven by a desire to reduce the time to handle claims but has a valuable by-product of reducing the travel of claims adjusters. We can use images to identify where buildings are total losses, plus we make sure claims in nearby locations are handled by the same adjustor. This work is a live partnership with GIC, a not-for-profit organisation covering the whole of the US and beginning to supply imagery for other geographies.

We're also involved in discussions around "green claims" so we can do more environmentally. We want to encourage this to be discussed more broadly, and use our position in the market to influence our industry to see the value in doing this.

3.2
Support research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues

Our underwriting teams work with our clients and business partners to understand and try to mitigate the impact of climate change as we attempt to transition to a low-carbon, environmentally conscious business model. Examples include:

- Offering products to help clients make the energy transition, such as through our Renewable Energy offering.
- Our Marine & Energy Liability team is leading the way in the development of hybrid policies covering both traditional and new energy solutions.
- We're committed to simplifying the claims process with faster payments and the use of drone images to make dynamic and immediate loss adjusting. Using drones removes the need to travel or the amount of trips we need to make overall.
- The cross-departmental Climate Change Risk Working Party is focussed on collaboratively managing the financial risks of climate change through the risk management framework.
- The PRA CBES stress testing exercise required extensive research and business engagement:
  - The Risk Aggregation team considered numerous scientific studies to understand how climate change could impact the 12 peril-regions in scope.
  - The investments team considered how our current asset portfolio could be impacted by looking at exposure by industry type.
  - The ERM team engaged with underwriters and in-house counsel to understand how contract wordings could respond to the PRA climate change litigation scenarios.
- Brit's current and future management actions for managing climate change-related risks and opportunities were also articulated as part of CBES.
- Separately, we engaged external counsel to review selected contract wording within the Specialty division to consider how they might respond to various climate change litigation scenarios.
- Climate change risks are captured within the ORSA and discussed at the EC and Board Level, with feedback loops into underwriting for any ideas or new proposals

Our brokers are becoming more attuned to clients' questions around climate risk, through how it impacts their operations as well as through general discourse about the subject. As a result, our underwriters are responding to more and more queries about how Brit now help.

Climate-related data

Much of the underwriting of climate-related risks suffers from a lack of clear data, either due to a changing environment which makes the historic data less relevant, or new types of risks (e.g., renewables, hydrogen-powered ships etc) where there's no historic data.

In 2021 we took a number of routes to overcome this, including looking at emerging risks differently, by partnering with insurance companies who are more experienced in space and engineering, as well as risk management firms with qualitative and quantitative experience. We then look to create new data sets.

This work became more focused in 2022 as we identified that the best near-term approach was likely to be with a proven major data provider. On the "ESG scoring" side we have engaged with a large number of service providers and look forward to embedding the relevant data into our processes. The negotiations we are concluding with one supplier will act as the central source of ESG data, but we anticipate once this is in place to be considering other sources for specific classes and situations (e.g., related to greener claims).

Lloyd's Lab

We've been involved in the Lloyd's Lab since its inception. During 2021 we worked with a number of companies focused on climate-related issues, as detailed in our 2021 submission – e.g. Paolo Cuomo, our Director of Operations and a regular mentor of Lloyd's Lab participants – worked closely with CarbonChain to introduce them to the Brit (and other) hull underwriting teams to understand how the unique supply chain data can support better understanding of the carbon footprint of different supply chains.

Similarly we look at participants in Cohort 8. Several were of potential interest and we investigated their relevance – e.g., Paolo Cuomo spoke at length with Kita, who provide insurance for voluntary carbon markets.

In June 2022, Brit began supporting Swiss Re's Lloyd's Lab project which focuses on developing a qualitative ESG tool to highlight both positive and negative news online. The tool also allows insurers to segment their portfolio by high, medium and low risk, and to drill down into the key ESG related issues that the account is exposed to. Members of the Brit Underwriting Steering Group meet with Swiss Re on a weekly basis to receive a demo, discuss the tool and provide feedback.

We've offered to take part in a more formal pilot scheme following the tool's completion, and potentially utilise it to assess the Brit portfolio.

Lloyd's NZUWTK

In addition to the above, we've been working with Lloyd's on their Net Zero Emissions scoring framework, taking part in the pilot scheme running throughout the summer of 2022. The pilot involves gathering emissions data on sample accounts to calculate an overall transition score. This is a key plank of Lloyd's plans around monitoring and overseeing syndicates' transition journeys. The main changes will be in 2023 but the work we did as part of the pilot (along with 9 other MAs) was critical in getting the right balance of boldness and pragmatism.

This support included our MD for Specialty and key members of our Underwriting management and oversight team (GUS).

The FinTech Pledge

We continue tol follow the FinTech pledge we signed in April 2021. (https://www.britinsurance.com/financials-and-governance/working-with-fintechs-and-insurtechs). This was driven by our desire to engage more rapidly with insurte`chs offering new data and services, including those related to the ESG space. By remaining signatories to the pledge, we are confirming our desire to act rapidly and fairly with start-ups. This increases the desire of the start-ups to engage with us on rapid pilots which is vital in areas like climate data where no-one has real experience around the best solutions, so it is vital to learn quickly together.

At the core of the pledge is the "decide fast" requirement that means large insurers don't treat insurtech start-ups inefficiently – this allowed us to rapidly say "thank you but no" to companies such as CarbonChain and Kita. In a "non-pledge world" the interesting ideas coming from companies such as them meant we might have kept asking them back for further meetings even though it was unlikely we would sign deals in the near term.

New products and partnerships

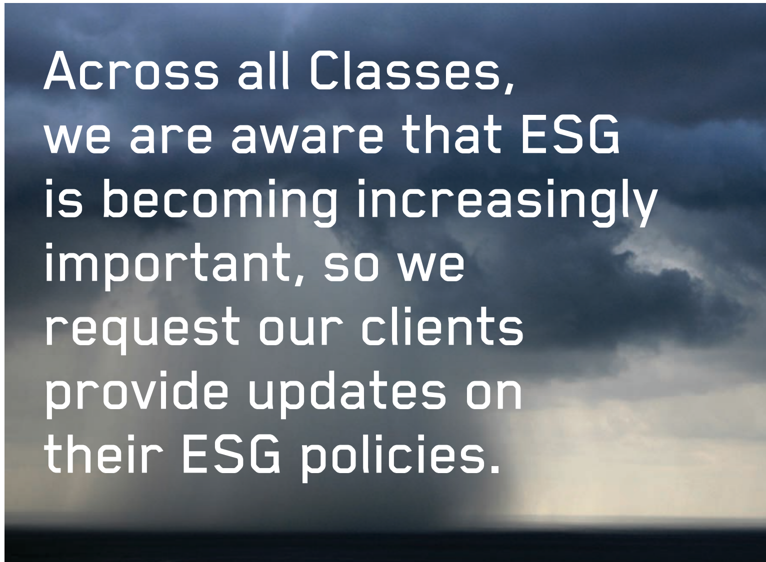
Across all Classes, we are aware that ESG is becoming increasingly important, so we request our clients provide updates on their ESG policies. Across the business, we have undertaken various initiatives to align ourselves to the broader Lloyd's market, as well as implementing specific measures/ products that will support this transition. Some specific examples:

- **Energy:** The team continue to work with the Joint Rig Committee and the Corporation to understand and clearly define 'Arctic drilling' and 'oil sands operations'.
- **Renewable Energy and Nuclear:** Growth of Renewable Energy and Nuclear Classes.
- **Cargo:** No coal power plant construction is written, and assureds are questioned on their ESG strategies. The team are writing more Green Energy power plant builds - Solar, Wind, Energy From Waste, Hydro etc. and have set up a separate stats code to monitor the segment.
- **Property D&F:** No new coal mining business is being written.
- **General Liability:** Three live policies relating to thermal coal and one relating to oil sands will lapse on expiry. In 2019, the Class wrote a construction project relating to some early works and rail infrastructure for a high-profile and controversial mining site. This policy expired on 30th June 2021 and was not renewed.

  The team also look at each individual insured's ESG strategy before quoting. Unless they show concrete evidence they're reducing their carbon footprint, we won't provide terms.
- **D&O WW and FI:** No new clients with thermal coal mining, oil sands or arctic explorations exceeding the Lloyd's threshold. The teams are using a new external data platform which contains financial and ESG information about prospective clients. ESG scores are reviewed and factored into the underwriting decision process. The FI team are also offering Californian Carbon Offset insurance.

Our involvement on the "Joint Rig Committee" is important as it has proven a focus for ESG discussions within the LMA (Lloyd's Market Association) community. It's the area that most directly impacts the underwriting landscape and the products and services that are being offered to clients. Due to the subscription nature of most of the large risks written at Lloyd's, Brit can have more influence by working on cross-market initiatives such as this than by taking unilateral steps.

Related to this, Paolo Cuomo, our Director of Operations, worked with the LMA in H2 2021 as they shaped their 2022 approach to covering ESG topics across the market.



principle 4

reduce the environmental impact of our business

Brit's aim is to "write the future" sustainably. This has to consider both commercial and environmental aspects.

4.1 Encourage our suppliers to improve their environmental sustainability

Brit's aim is to "write the future" sustainably. This has to consider both commercial and environmental aspects.

We want to reduce our environmental imprint even more by streamlining our supply chain and minimising our carbon footprint through them.

- All material vendors supplying goods and services to Brit are asked to continuously improve the environmental and sustainability elements of their product.
- When we choose new suppliers, it's important they understand how their business affects the environment, and that they understand their corporate and social responsibilities. When they're part of our supply chain, they have to adhere to our best practises around ESG.
- We ask all material vendors to periodically submit their ISO accreditations along with environmental and corporate social responsibility policies. We also ask for evidence of them promoting it in their business.
- Each supplier gets our ESG report annually, and we ask them to do the same. This will become a non-negotiable part of our vendor assessment criteria if they want to work with us.
- Paperless communication is now strongly encouraged throughout Brit and with all material vendors. This is being extended to travel booking and expense management.

We have already started this with one of our key suppliers – Sodexo – who supply all our catering. This includes working with them to ensure Red Tractor-assured produce, MSC certified fish, and a focus on food miles.

4.2
Disclose our Scope 1, Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognised standard

Our offices are in The Leadenhall Building which won the PFM Sustainability award in 2020 for the efforts that the building management team contribute within this area.

The building achieved ISO14001 certification with an outstanding score in 2019. Since then there has been a continuous set of initiatives e.g. to reduce water consumption and improve the building's environmental performance. These are driven by the combined efforts of tenants (including Brit), building management and the landlord.

Significant efforts were made in 2020/21 (as detailed in last year's report). These continued in 2021/22, in particular to ensure we made the most of opportunities from hybrid working. Reduction in IT equipment on desks (following our removal of phones) ensures reduced energy usage, as well as better management of monitors when not in use.

A change in schedule means that our Scope 1, Scope 2 and building-related Scope 3 emissions are not available for inclusion in this report. Below you can see those calculated in 2021 by Savills which are the baseline for our emissions reduction efforts.

We are also working with several Fairfax sister companies around their approach to measuring the emissions from staff commuting. While this is not a formal part of Scope 3 emissions the idea is that measuring it allows a discussion with staff on a source of emission more under their control than most other Scope 3 emissions.

We also work with Fello, our travel provider, to calculate air-travel-based emissions.

Type of emissions	Activity	tCO_{2e}	% of Total
Direct (Scope 1)	Natural Gas	209	41.61%
	Subtotal	**209**	**41.61%**
Direct (Scope 2)	Electricity	293	58.39%
	Subtotal	**293**	**58.39%**
Indirect (Scope 3)	Electricity – T&D	25	5.02%
	Road travel	–	0.00%
	Subtotal	**25**	**5.02%**
Total gross emissions (tCO_{2e})		**502**	**100.00%**

Future Scope 3 calculations

As the ClimateWise community is aware, there remains a lack of alignment on the accurate definition of Scope 3 emissions for insurers. We have agreed with our ESG SteerCo in the meantime that we focus efforts on the data work needed to deliver the Lloyd's NZUWTK. We believe if the consensus view on Scope 3 does end up including a portion of insureds' emissions that this work will be highly relevant.

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

Travel
We work with a travel provider so everything is centralised and we can easily create reports about business travel. They also make sure all duty of care requirements to travellers are met. They only use airlines on the EU Air Safety list.

Our global travel policy encourages lower carbon-intensive flights. We restrict business class travel to flights longer than 4 hours. Also, we make sure we communicate the importance of this to our teams.

Since Covid 19 we've heavily invested in digital and video conferencing systems.

Using IT to reduce travel
There's been a full roll-out of laptops with Microsoft Teams. This reduces the need to commute to offices and to travel domestically or overseas.

As we've moved out of the pandemic, we've made sure our policies balance personal choice, the need for interaction, and the positive impact of reduced travel.

The "new normal" is hybrid working, so all meeting rooms have mixed-modal technology so staff at home do not feel disadvantaged or forced to travel purely because of the meeting dynamics. This is of course particularly important in the context of those staff whose home office is not London.

Carbon Offset
For 3 years we've partnered with ClimateCare to offset carbon emissions from air travel, hotel stays and utilities. This has allowed Brit to contribute towards a number of different projects, including:

- Gyapa efficient cook stoves (Ghana)
- Burn efficient cook stoves (East Africa)
- Aqua Clara (Kenya)
- Bondhu Chula Stoves (Bangladesh)
- Grid Scale Renewable Energy (India)

We doubled our official carbon offset figure for 2020 to account for the vast majority of employees working from home during the pandemic.

We're also compliant with the UK's Energy Savings Opportunity Scheme (ESOS) Phases 1 and 2.

We'll continue to focus on all these areas and constantly review employee-proposed opportunities such as the Cycle to Work Scheme.

4.4 Engage our employees to tackle climate change

Brit Learning of the week
We've been surprised by the lack of high-quality ESG online courses, but we've worked with our Learning & Development team to find a suitable one: "Carbon and the Climate". We made it our "Training of the Week" to get buy-in from our teams.

We're talking to AXA XL's Head of ESG about several of the ESG and sustainability training modules developed by AXA Climate School that we would like to use. Once the relevant ones are selected, they will be set as mandatory training.

Environmental Volunteering Day
We have a strong track record of people doing charity days. Our 2022 budget includes support for 100 Brit staff to take part in environmental charity days with Hands On London (https://www.handsonlondon.org.uk/). The initial plan for early summer had to be postponed but the aim is to run this before the autumn.

We hope that by bringing Brit employees together to support the environment and climate action, it'll help reinforce the message that we all have a role to play in our commitment to make climate-informed choices outside of work.

Recycling
We encourage recycling and reducing plastic in the office. Globally across our offices, we recycle plastic. We've stopped buying plastic straws and stirrers and have phased out single-use plastic bags and polystyrene.

In London, where single-day cups are used, we've made sure they're made from reused materials to encourage everyone to be more environmentally aware and climate conscious.

During 2022 we renovated our staff kitchens to increase the number of dishwashers, allowing a meaningful move from disposable cups. This action was flagged by our internal 'feedback process', showing our teams we're listening and that they have a role to play in identifying sustainability ideas.

principle 5

inform public policy making

We're dedicated to promoting and actively engaging in the public debate about climate action and sustainability in our industry.

5.1 Promote and actively engage in public debate on climate-related issues and the need for action

Work with policy makers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

We're dedicated to promoting and actively engaging in the public debate about climate action and sustainability in our industry.

We're engaged in a wide range of climate-related activities and are playing a leadership role on many of these.

Committees / Focus-Groups / Associations

We've got representatives on the following:

- ClimateWise, including a committee member
- Fairfax ESG community
- Lloyd's Pilot for developing its NZUWTK (Net-zero Underwriting Toolkit).

Fairfax ESG Community

We're a leading member of this community, created in 2021, working with our parent company Fairfax. Each Fairfax company, including us, completed a survey to help form ESG direction across the group.

The survey has helped form the objectives of a newly formed cross-Fairfax ESG Working Group which has been created to work with policy makers internationally to develop and maintain strategies that take climate risk into consideration.

Round Tables & Conferences

We've taken part in several round tables and conferences, contributing to climate discussions with our peers and other businesses. These forums have been from both an Underwriting and Investments perspective and include topics like climate change risk management, carbon emission assessments, SDG-mapping, ESG reporting issues and ESG approach.

These forums have included The Better Insurance Network climate conference, OxBow Partners breakfast briefs, and various LMA events.

Surveys

We've also taken part in a number of external surveys including The Insurer's 2021 London Market ESG review.

Working with Regulators

We participated in the PRA's CBES stress testing exercise in 2021. The results from this directly supports the Financial Policy Committee (FPC) and Prudential Regulation Committee (PRC) in their statutory objectives.

We also participated in an interview with the PRA's Insurance Climate Specialism in 2021 to articulate our strategy to meet the SS3/19 expectations.

We regularly participate in Lloyd's thematic reviews on topical issues such as the impact of climate change. Responses help inform the Lloyd's view on market best practice.

Later in 2022, we'll also be contributing to the PRA's General Insurance Stress Test which includes a focus on natural catastrophe risk, the most material risk impacted by climate change.

Other

- Several of our staff and NEDs are members of ChapterZero.
- We are engaged with Lloyd's and the LMA on multiple initiatives including the NZUWTK pilot.
- Brit representatives attend the Lloyd's CRO Forum.
- We participated in the production of a video with Lloyd's and Black & Veatch on the importance of insurance in building sustainable solutions. (https://www.youtube.com/watch?v=Xa1V1y-Obug)

Employee initiatives

We encourage and celebrate ESG-related activities for our teams to do in their own time, potentially funding them if they have a charitable angle.

Board members

Several of our Board members have extensive experience in driving corporate and public policy – they bring their experience as we define the optimal ways to influence.

5.2
Support research on climate change to inform our business strategies and help our customers

Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

Supporting and undertaking external-facing research on climate change / Internal self-study and research

As detailed in our 2021 report, we were involved in a number of key activities driven by our BritX innovation team (including 'Feeling the Heat' and SERI) and our Energy underwriting team as they executed on an updated strategy around renewables.

SERI

We took part in the cross-industry Standard for Environment, Risk and Insurance (SERI) initiative. The SERI initiative was a key focus for us in 2021, both to support the aims of the initiative and as a platform to encourage other insurers, and associated businesses, to engage with ESG.

We set out with a vision to empower decision-makers to enable net-zero as well as develop climate-ready products.

We received a government grant from UK Research and Innovation (UKRI) a non-departmental government body.

We detailed in last year's report much of the SERI work as it was live at the time. While our participation has ended, the resulting papers which looked at the role insurance plays in a changing climate as well as product innovation in the insurance sector remain relevant.

principle 6

transparency

We're passionate about communicating our beliefs and strategy on climate-related issues to our customers.

6.1 Communicate our beliefs and strategy on climate-related issues to our customers and clients

We're passionate about this when communicating with our customers and clients.

We've made great progress this year by effectively communicating our climate-related beliefs and strategies through our website and social media. We launched a dedicated ESG page on our corporate website and also post articles on our LinkedIn page.

Much of the last 18 months has been focused on our Inclusion & Diversity message. As we move to more communication on sustainability, we'll leverage the huge learnings we gained from this.

Brit Website

The ESG page educates our customers and clients on our key objectives with the environment and climate change.

- Our five-part ESG Strategy
- Information on our internal responsible business practices and ESG committee
- Our ClimateWise membership.
- How we put the environment at the centre of our investments and underwriting strategy
- Information on our cross-departmental Climate Change Risk Working Party which covers all three aspects of the PRA/Bank of England's framework.
- Our ESG statement

We've published our ESG strategy on our public-facing website and have made it available as a downloadable pdf for our clients.

LinkedIn Posts

We use social media platforms such as LinkedIn to communicate our beliefs and strategies on climate related issues to our customers. Lots of our employees are passionate about this, so we're able to share these views in our posts.

Using LinkedIn, we're able to capture these views in informative posts. Off the back of our I&D posts in 2021, we'll put the same effort into a range of ESG and Sustainability posts – e.g., ESG Greenwashing litigation being on the rise in an already hardened D&O market.

Brit ESG Statement

Brit signed off on an ESG statement in 2021. This allowed a consistent message to customers and clients with our stance and objective when it comes to ESG. The statement has a lot of focus on climate action and can be found in the introduction section of this report. It has proven useful both to satisfy simple requests from third parties and as the basis for more detailed discussion.

6.2
Inform our customers and clients of climate-related risks and provide support and tools so that they can assess their own levels of risk

We try to help our insureds to understand and navigate climate-related risk depending upon the size and sophistication of the client.

Conversations around climate risk are constantly raised in client meetings, but with our larger and more sophisticated insureds, we are more in a position to probe and learn, rather than offer advice.

We sometimes give rate discounts for strong responses to climate-related risks, although we're more likely to decline to offer certain coverage if we're not satisfied with the answers.

Risk Management Services
We offer a number of Risk Management Services to clients to reduce both the likelihood and severity of incidents.

- This includes ~2.5% of premium towards engineering survey fees in our Property D&F book. While there is no specific requirement for a climate-related angle on the surveys, this is both increasingly likely to come up in the surveyor's approach and may be a requirement to formally apply in the future.
- Similarly our Private Client product includes surveys and appraisals which, where appropriate, will talk about climate-related risk to their assets and steps that could be taken to reduce that risk
- Camargue offers a big suite of RM services and education to brokers and stakeholders around the South African market. It is a big and unique part of their offering.

'Green Claims'
The topic of 'green claims' – e.g., supporting clients in rebuilding in a more sustainable way after an event.

principle 7

enhance reporting

Insurers have a critical role to play in all aspects of ESG.

7.1
Submission against ClimateWise Principles

We believe insurers have a critical role to play in all aspects of ESG. The right approach allows us to support our clients as they transition to lower carbon business models.

We benefitted hugely from the work done to prepare our first ClimateWise report in 2021 and the feedback we received. We are pleased to share our responses against all seven Principles in our second ClimateWise submission.

7.2
Public Disclosure of the ClimateWise Principles as part of our annual reporting

Key elements of Brit's progress against the ClimateWise Principles will be included in our Annual Report.

Since 2020, our climate-related financial disclosures have been aligned to those recommended by the TCFD given our aspiration to be transparent on ESG-related topics.

We published an external summary of our 2021 ClimateWise report. This covered all the principles but excluded confidential elements. This is actively referenced on our website, alongside our published ESG statement (https://www.britinsurance.com/culture/esg) and available for download. We plan to do the same with the 2022 report following submission to ClimateWise.

BRIT

writing the future

The Leadenhall Building
122 Leadenhall Street
London EC3V 4AB
UK

+44 (0)20 3857 0000