Chairman's statement

> "It has been a pivotal year for Hiscox, with new leadership and an evolved strategy being tested by a turbulent operating environment, and I am very pleased with our performance."

Robert Childs
Chairman

Before I provide my usual commentary on the business, we have announced with our 2022 results that I will be stepping down as Chairman during 2023, and the Board has commenced the search for my successor.

After 37 years at Hiscox and 50 in the industry I am very happy that I will be passing the baton when the business is in such a good place – excellent leadership, strongly capitalised, with favourable market conditions and huge opportunities ahead.

An important job for any Chairman is overseeing a Chief Executive transition and I have been glad not only to ensure a seamless transition from Bronek to Aki, but also to work more closely with Aki in this, his first year as Group Chief Executive Officer. Aki has brought new insights and developed a strong talented Executive team, and when the time comes, I will retire a happy shareholder.

And now for the balance of my report.

Performance

It has been a pivotal year for Hiscox, with new leadership and an evolved strategy being tested by a turbulent operating environment, and I am very pleased with our performance.

Although it has been an active year for catastrophes, both man-made and natural, we have made a strong underwriting profit of $269.5 million thanks to the discipline of our teams.

This good performance has been offset by unrealised investment losses on our bond portfolios, but we expect these to unwind as our bonds mature.

An important job for any Chairman is overseeing a Chief Executive transition and I have been glad not only to ensure a seamless transition from Bronek to Aki, but also to work more closely with Aki in this, his first year as Group Chief Executive Officer. Aki has brought new insights and developed a strong, talented Executive team. Aki has embedded a refined strategy that is reducing the volatility profile for the Group. He has also assembled an impressive team who are delivering technological and operational changes that are being well received by both business partners and our people.

People

We had to navigate a challenging employment market during the year, as the war for talent continued. I am therefore pleased that we have not only maintained top talent, but also attracted many more.

Aki's first key appointment was Paul Cooper, our Group Chief Financial Officer, who joined the business in May. He has over 25 years of financial services experience across both the retail and Lloyd's insurance markets and is already bringing valuable external perspectives to our organisation. I remember Paul from his previous time at Hiscox, when he was Finance Director for Hiscox UK and Europe, and have enjoyed working with him again.

After 15 years with the Group, Amanda Brown, our Chief Human Resources Officer retired during 2022, and I would like to thank her for her sage counsel and

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clarity of thought over the years, which I have personally valued and so too has our Board. She has been succeeded by Nicola Grant, who joined us from ING Group and brings a wealth of experience in engaging and leading large workforces across multiple markets.

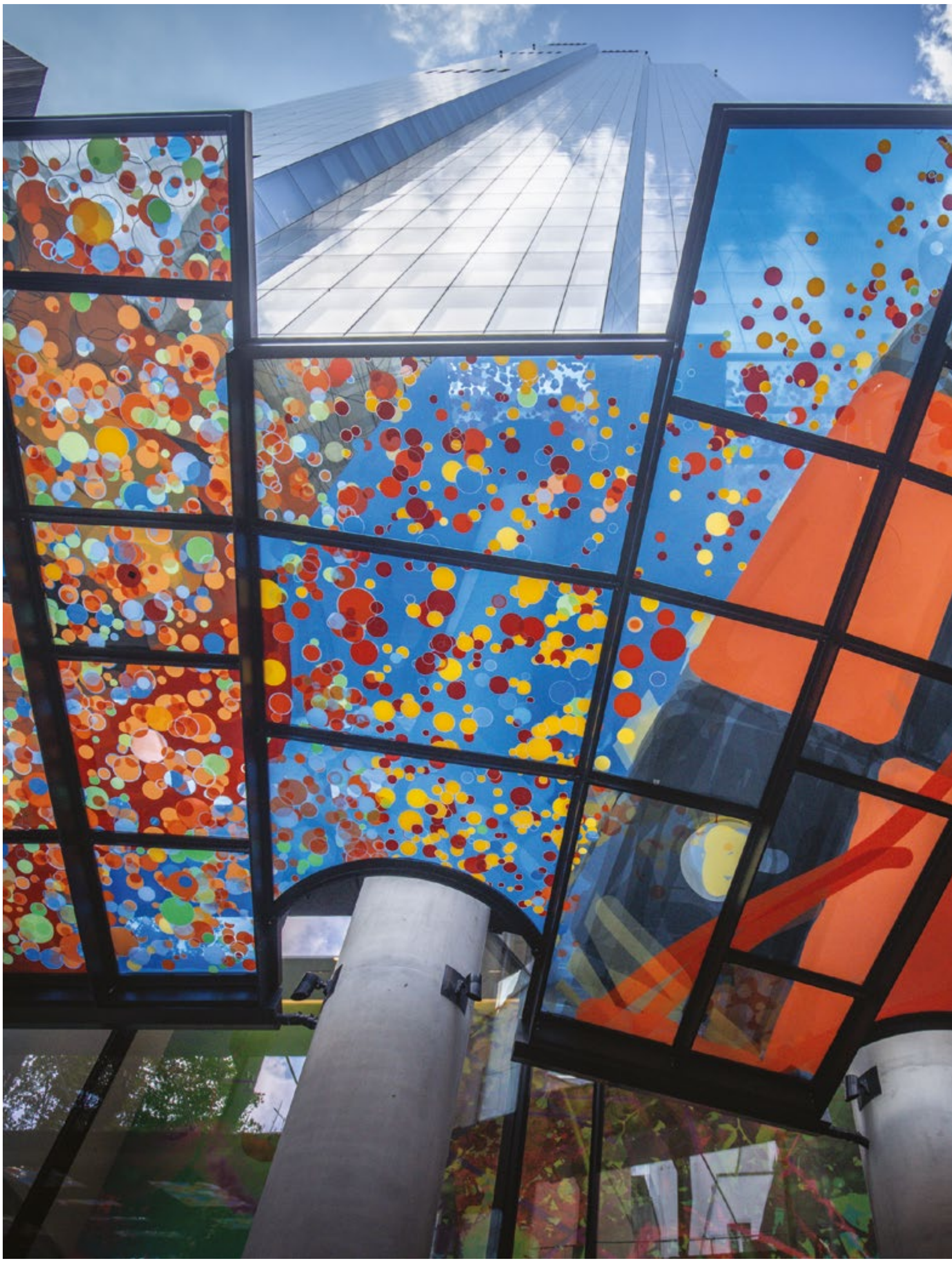
At the same time, Jon Dye joined as Hiscox UK Chief Executive Officer. Jon is a recognised industry leader with solid CEO experience and a fantastic track record of building profitable businesses. His broker relationships, leadership and energy are already making a difference.

These appointments, along with the promotion of Stéphane Flaquet to Group Chief Operations and Technology Officer, have resulted in a very capable new Group Executive Committee formed under Aki's leadership.

Beyond the top team, I am extremely proud that we are reporting our best employee engagement score for ten years. Not only do the overwhelming majority of our people feel proud to work at Hiscox (84%), they would also recommend Hiscox as a great place to work (81%) and believe that Hiscox has an outstanding future (76%). Aki has to take a lot of credit for this, along with his leadership team.

Environmental, social and governance (ESG)

In a year of pronounced geopolitical and macroeconomic challenges, ESG has not been far from our minds and conversations. Aki will cover in his Chief Executive's report the environmental and governance aspects that the business has been thinking about, and the huge amount of work that has been done to support



our colleagues on the 'social' side of ESG. But as Chair of the Hiscox Foundation in the UK, our charitable foundation, I am especially proud that we have donated $1.8 million to good causes this year.

This has included one-off support and multi-year partnerships, in line with our three strategic pillars of charitable giving, as well as targeted donations that recognise the Russia/Ukraine conflict, floods in Pakistan, and the rising cost of living where – to reflect the rising costs that charities are facing – we increased our donations to multi-year partners in line with inflation for the current financial year. It is also why we are working with MyBnk for an extended period to support their delivery of expert-led financial education to school children and young people across the UK, recognising the importance of learning financial capability skills from a young age.

I know that playing an active part in our communities matters to our people too because they spent over 1,400 hours volunteering during 2022, supporting not only some of our office charity partners such as Spear Bethnal Green and Colchester Foodbank, which are chosen by employees, but also causes that are personally important to them.

Outlook

We live and work in turbulent geopolitical times and this is where the insurance market can come into its own. As a specialist insurer offering coverage across classes that include political violence, kidnap and ransom, cyber, the full range of professional indemnity and property damage, we are well placed to help customers manage their risks. The opportunities in our big-ticket businesses are huge and the rating environment is with us in a way that you could argue we haven't seen for decades. We will still be trimming the sails in various places, recognising our lower volatility profile, but there is nothing like a price rise to reduce volatility.

The opportunities are equally huge in our retail businesses, where the hard work over the last three years to replace core systems is reaching a point where they can propel these businesses in their next growth phase. With new leadership in Hiscox UK and strengthened leadership in Hiscox USA and Hiscox Europe, each business is attractively positioned for what lies ahead.

In concluding this, my last Chairman's statement, I truly believe we are on the cusp of something great – ready to make the most of the excellent markets before us.

Robert Childs
Chairman
8 March 2023

Chief Executive's report

"I am very pleased with the progress made across the Group during 2022, as we delivered the strongest underwriting result in seven years. We have a refined strategy, a new experienced and energetic leadership team, we have made significant progress in rolling out new generation technology in the USA and Europe and we are enjoying our highest employee engagement scores in ten years."

Aki Hussain
Group Chief Executive Officer

In my first year as Group Chief Executive Officer, I am pleased to report the Group delivered a strong result during a year of heightened geopolitical uncertainty, economic unpredictability and natural catastrophe losses. An underwriting profit of $269.5 million (2021: $215.6 million) and a combined ratio of 90.6% (2021: 93.2%) is a testament to the disciplined execution of our strategy of building more balanced portfolios to drive reduced earnings volatility. The current complex underwriting environment presents opportunities for businesses like ours, with underwriting excellence at the core, backed by a strong balance sheet. I am excited about the hard market in reinsurance, which is a necessity to reverse multi-year losses suffered by the industry. These are the best conditions we have seen in over a decade and our talented and experienced underwriters have the financial flexibility to deploy capital to make the most of the opportunities ahead.

2022 has been a year of delivery for our Retail business with many key milestones achieved. In the USA, our largest retail market, we completed the strategic repositioning of the broker channel business and substantially delivered the technology transformation programme of our digital partnerships and direct (DPD) business, setting us up for growth acceleration in 2023. In the UK we transitioned to new leadership under Jon Dye, an industry veteran with huge ambition for our business, and in Europe we passed the milestone of half a billion Euros of gross premiums written. Importantly, we have achieved our target of returning the Retail combined ratio to within the 90% to 95% range a year ahead of schedule, which is a testament to the decisive actions we have taken.

The business is in great shape and it is at this juncture that after 37 years of committed service, Robert Childs, Hiscox Chairman, has announced his intention to step down. I have personally greatly valued his ability to drive clarity in our decision-making, his advice and human approach, and the support he has given me ever since I joined the business and particularly now as Group Chief Executive Officer. He has been instrumental in transforming Hiscox into a successful global business and I wish him all the best in his well-earned retirement.

Rates

2022 performance benefitted from a favourable rate environment across all Hiscox businesses, with rates in reinsurance now exhibiting all the signs of a hard market. This is underpinning continued rate strengthening in primary insurance, mainly wholesale.

Hiscox Re & ILS benefitted from an average risk adjusted rate increase of 13% in the period, above our expectations. This is driven primarily by North American property and retrocession, with rates up 14% and 16% respectively, with Florida exhibiting particularly hard market conditions. Specialty lines also experienced double-digit increases, driven by cyber and terrorism, with rates up 42% and 26% respectively. Since 2017, this business has achieved cumulative rate increases of over 50% across the portfolio.

The reinsurance marketplace is undergoing a seismic shift, with 2022 rates above the 2012 level, and we anticipate material improvement across nearly all lines for 2023. Hurricane Ian served as a catalyst, among other factors, following many years of losses across the sector, leading to significant improvement in the rating environment. Capacity continued to reduce during 2022 both in the traditional arena and the ILS space, as a result of another year of industry losses and volatility in the investment markets. This is leading to a true hard market for catastrophe-exposed risks. We are witnessing the best market conditions in over a decade and have deployed additional capital at January renewals, achieving risk-adjusted rate increases of 45% in property and 26% in specialty.

In 2022, Hiscox London Market benefitted from an average rate increase of 6%, which was ahead of our expectations. Since 2017, this business has achieved cumulative rate increases of 70%. Rate growth remained positive for all classes of business except D&O, which is already very attractively priced, having achieved cumulative rate increases of over 240% since the end of 2017. Overall the rate outlook for 2023 is positive, underpinned by the macroeconomic environment and reinsurance costs, with the strongest growth expected in terrorism and property lines.

While pricing in Hiscox Retail is generally less cyclical, in 2022 it benefitted from an average rate increase of 7%. This was led by Hiscox Europe where on average rates were up 8%, underpinned by double-digit rate increases in cyber, commercial property and traditional professional indemnity. In Hiscox USA on average rates were up 7%, with strong rate growth in cyber and allied health. Hiscox UK saw rate increases of 5% on average, with strong rate momentum in cyber, commercial property and entertainment.

Overall, the premium growth achieved by the Group through rate and indexation in 2022 kept pace with our inflation assumptions. As we look forward, the rate outlook for 2023 remains strong, particularly in reinsurance.

Claims

2022 was another year with elevated large losses, both natural catastrophe and man-made, so it is pleasing to see that in spite of these challenges Hiscox maintained strong profitability, delivering a Group combined ratio of 90.6%. There are no material changes to previously announced net loss estimates for Hurricane Ian and the Russia/Ukraine conflict.

As previously communicated, the Group reserved $135 million net of reinsurance including reinstatement premiums for Hurricane Ian, based on an insured market loss of $55 billion. The majority of our exposure is in big-ticket lines: $90 million net in Re & ILS and $40 million net in London Market. This represents a modest exposure for Hiscox London Market, as the business had pulled back from under-priced Florida business in the preceding years. Estimated net losses for the Retail portfolio are modest at $5 million.

The Russia/Ukraine conflict tragically continues to be a live event. The human cost of this event is immense and long-lasting and our thoughts are with

"The reinsurance marketplace is undergoing a seismic shift, with 2022 rates above the 2012 level, and we anticipate material improvement across nearly all lines for 2023."

An actively managed business

Total Group controlled premium 31 December 2022: $4,935.4m

Period-on-period in constant currency

Small commercial

+5%↑

$1,705m

- Professional liability
- Errors and omissions
- Private directors and officers' liability
- Cyber
- Commercial small package
- Small technology and media
- Healthcare related
- Media and entertainment

Reinsurance

+25%↑

$1,145m

- Property
- Marine
- Aviation
- Specialty

Property

-17%↓

$466m

- Commercial property
- Onshore energy
- USA homeowners
- Flood programmes
- Managing general agents
- International property

Art and private client

+4%↑

$458m

- Home and contents
- Fine art
- Classic car
- Luxury motor
- Asian motor

Specialty

-5%↓

$451m

- Kidnap and ransom
- Contingency
- Terrorism
- Product recall
- Personal accident

Global casualty

+9%↑

$388m

- Public directors and officers' liability
- Large cyber
- General liability

Marine and energy

+12%↑

$322m

- Cargo
- Marine hull
- Energy liability
- Offshore energy
- Marine liability

Hiscox Retail

	2022 $m	2021 $m
Gross premiums written	2,272.1	2,290.0
Net premiums written	1,976.8	1,969.3
Underwriting profit	101.9	34.9
Investment result	(98.9)	26.9
(Loss)/profit before tax	(3.4)	54.9
Combined ratio (%)	94.8	98.9

all those who are directly or indirectly impacted. Hiscox's estimated ultimate loss from all risks in the Ukraine and Russia remains unchanged at $48 million net of reinsurance[1], with just under three quarters of it attributable to Hiscox London Market. The majority of London Market's and all of Re & ILS's reserves comprise incurred but not reported (IBNR) losses. Hiscox London Market exited the aviation hull insurance business in 2018 and political risk/trade credit business in 2017.

While inflationary pressures continue to persist across our markets, the impact on our business is relatively contained due to the short-tail nature of our book, with the average duration of our liabilities at 1.9 years. Hiscox has a conservative reserving philosophy; continuously monitoring claims inflation trends and evaluating reserve adequacy to ensure we maintain profitability and a robust balance sheet position. In the first half of the year we proactively strengthened our best estimate by $55 million as a precautionary net inflationary load, and this remains unchanged after undertaking a similar review at the full year.

Throughout the course of 2022 we continued to proactively take action to manage volatility from the back-book, in particular in longer-tail lines where we have either exited portfolios or refined our underwriting strategy. In March, our Hiscox Re & ILS business executed an LPT, buying protection for our casualty reinsurance portfolio that is in run-off. Following that, in July, Hiscox London Market undertook an LPT to reinsure circa $116 million of reserves for 1993 to 2018 year of accounts. These deals, together with the two LPTs completed in 2021, mean that 23% of 2019 and prior years' gross reserves are reinsured up to a 1-in-200 downside risk.

At a Group level we also hold margin above best estimate as an additional buffer to compensate for the uncertainty in timing and cost of claims. At the end of 2022, the margin stood at 8.9%, down from 11.0% in the first half of the year. Through a combination of executing a number of LPTs and proactive action on addressing inflation, uncertainty on prior-period losses is reducing, consequently we have moderated the margin to be more in line with our target range of 5%-10%, although remaining at the upper end of the range. Furthermore the favourable prior-period run-off is reflected in reserve releases of $239 million in 2022, which are from all business segments.

With regards to the new business we are writing, we mitigate inflationary pressures through a combination of exposure indexation and rate increases. Our current pricing and reserving assumptions incorporate expected inflation which is a multiple of experience in recent times. Therefore, the increased premium we are collecting across the Group is keeping pace with inflation and our view of risk assumptions.

Hiscox Retail

Hiscox Retail comprises our retail businesses around the world: Hiscox UK, Hiscox Europe, Hiscox USA and Direct Asia. In this segment, our specialist knowledge and ongoing investment in the brand, distribution and technology reinforce our strong market position in an increasingly digital world.

> "Hiscox Retail achieved a combined ratio of 94.8%, returning to the 90%-95% combined ratio range a year ahead of the stated target, despite the complex macroeconomic environment."

[1]Including impact of reinstatement premiums.

Hiscox Retail grew gross premiums written by 5.1% in constant currency to $2,272.1 million (2021: $2,290.0 million) and added over 55,000 net new customers. Our commercial lines, which constitute over three quarters of Retail gross premiums written, grew 6.7% in constant currency, with strong momentum across the UK and Europe. We moderated our growth in Hiscox USA as we completed the US broker portfolio repositioning and substantially delivered the US DPD technology implementation. On a go-forward basis, Hiscox Retail grew 6.6% in constant currency. With these programmes complete, Hiscox Retail growth is expected to trend towards the middle of the 5%-15% range in 2023.

Hiscox Retail achieved a combined ratio of 94.8%, returning to the 90%-95% combined ratio range a year ahead of the stated target, despite the complex macroeconomic environment. We expect to operate within this range[2] going forward.

Our Retail business has been undergoing a multi-year technology transformation programme. The UK is developing next-generation e-trade capabilities for less complex broker intermediated business, complementing the direct-to-consumer digital platform. In 2022 we migrated the vast majority of the US DPD business onto the new technology stack, and core platform replacement is also underway in Germany and France, with Benelux to follow in 2023. Convenience for the customer is at the heart of our distribution philosophy. Whether our customers want to connect to a Hiscox employee or complete the customer journey entirely online, our combination of talented people, supported by these technology investments, creates the platform and opportunity to serve millions of customers. The technology enables greater levels of algorithmic underwriting, process automation, improved efficiency and will create operating leverage over time.

We will invest incrementally in brand across our Retail business in 2023. The Hiscox brand already has a strong market position, and it is the right time to bolster it further to drive growth over the long term.

Hiscox UK

Hiscox UK provides commercial insurance for small- and medium-sized businesses, as well as personal lines cover, including high-value household, fine art and luxury motor.

Hiscox UK gross premiums written were up 2.8% on a constant currency basis, but reduced by 6.4% to $778.0 million (2021: $831.1 million) in US Dollars due to the depreciation of the Sterling. The business delivered a solid performance, with commercial lines showing strong growth of 8.5% in constant currency, boosted by rate improvements and excellent retention rates.

2022 marked strong growth in the number of online sales for UK direct commercial and we expect this trend to continue. The pace of our digital capability development, including e-trading for brokers, has significantly picked up this year and we continue to drive several strategic initiatives to improve our core digital capabilities.

The impact of the UK weather has been within our expectations.

Hiscox Europe

Hiscox Europe provides both personal lines cover, including high-value household, fine art and classic car, and commercial insurance for small- and medium-sized businesses.

Hiscox Europe is the strongest growing business segment in the Hiscox Retail portfolio. Gross premiums written were up 13.6% in constant currency to $543.7 million (2021: $532.0 million), surpassing the €500 million milestone for the first time. All five markets in Europe delivered double-digit growth in constant currency, demonstrating our attractive, differentiated position and underpinned by strong growth in commercial lines of 16.2%.

Hiscox Germany, Europe's largest market, grew gross premiums written by 11.3% in constant currency to cross the €150 million mark. Hiscox Germany is a market leader in cyber, and continues to innovate and develop products that meet changing customer needs. In 2022, our German business launched a modular cyber product for businesses with less than €2.5 million in revenue. The modular approach allows customers to add cover as their needs change, and delivers a more efficient claims service should the need arise. After some early success, we plan to roll-out this new product in our other European markets.

The introduction of new core technology in our European businesses remains on track. This multi-year project is being implemented in phases with efficiencies gained as it progresses. Germany and France are already well underway and with Benelux to follow in 2023. The implementation is less complex than in the USA, as it is a country-by-country

[2]Under IFRS 4.

roll-out, and the digital business in Europe is nascent, although the potential is significant. We look forward to seeing significant benefits upon completion of the project not only for the business, in areas such as automation and efficiencies in policy administration, but also for customer experience in terms of market connectivity.

Hiscox USA

Hiscox USA focuses on underwriting small commercial risks distributed through brokers, partners and direct-to-consumers using both traditional and digital trading models. Our aspiration here remains to build America's leading small business insurer.

2022 was a year of transition for Hiscox USA, as the business delivered on two major change initiatives – the broker portfolio repositioning, through which we have exited circa $160 million of business since 2019, and the re-platforming of the US DPD business, which is now substantially complete. Hiscox USA's gross premiums written grew 2.1% to $897.9 million (2021: $879.2 million), up from 1.2% at the half year, as the effect of the broker business repositioning was weighted towards the start of the year.

While the overall growth of the US broker business was impacted by the tail of planned actions, in the second half, we have seen green shoots as our regional underwriting teams are back on the front foot, re-engaging with brokers to write profitable business in our go-forward lines. Our refreshed US senior leadership team and an enhanced business development function will strengthen the momentum behind this.

In the US DPD business, all direct-to-consumer customers have been on the new technology platform since June. Direct to consumer growth, as expected, was lower during the peak period of migration in the first half of 2022, but has started to accelerate notably since the end of the third quarter as the combination of new technology, a focused marketing drive and improved conversion rates take effect.

The migration of our partnership business, which represents two-thirds of US DPD, commenced in the second half of 2022, with the vast majority of partners now live on the new platform. Mirroring the direct experience, growth slowed during the peak migration period in the latter part of 2022. The partnerships business is now in the embedding phase which is expected to extend into the second half of 2023, as over 50,000 agents and producers who have access to the new portals, need time to develop familiarity with the technology and for partners to begin re-marketing the Hiscox platform. Consequently, we anticipate the production from new and existing partners to gradually ramp up through 2023, after a subdued first quarter 2023. We therefore expect US DPD to grow towards the middle of 5% to 15% range in 2023. Once embedding of partnership business is complete, growth is expected to accelerate.

Our partnerships team has already started to take actions to increase activity, at both the partner and agency level, to encourage the marketing of our platforms and to increase usage as we emerge from this period of technology migration. Following a two-year hiatus to the onboarding of new partners, in January 2023 we added 15 new partners to our digital platform and expect them to

> "In the first half of 2023 we will launch a new ESG-focused Lloyd's sub-syndicate. It will be complementary to Hiscox London Market's existing portfolio and will provide access to additional capacity for qualifying clients with positive ESG credentials, such as renewable power generators and energy storage providers."

Hiscox London Market

	2022 $m	2021 $m
Gross premiums written	1,114.9	1,171.4
Net premiums written	735.1	711.5
Underwriting profit	110.0	89.6
Investment result	(54.4)	15.8
Profit before tax	53.0	104.8
Combined ratio (%)	84.8	89.1

commence production in the second and third quarter.

The near- and long-term market opportunity is incredibly attractive. I expect momentum to build through the year as marketing takes effect; as new and existing partners and agents ramp up production and as technology benefits such as the potential for higher conversion rates begins to have a discernible impact.

Hiscox Asia

DirectAsia grew gross premiums written by 12% in constant currency to $52.5 million (2021: $47.7 million). Momentum picked up markedly in Singapore with the top line growing 19.5% due to the opening up of international travel, boosting travel insurance sales and motor partnerships. Thailand's premium growth was underpinned by partnership business.

Hiscox London Market

Hiscox London Market uses the global licences, distribution network and credit rating of Lloyd's to insure clients throughout the world.

Hiscox London Market delivered a strong result in 2022, despite another active year of large losses. Our focus on building balanced portfolios delivered strong growth in selected lines, namely public D&O, general liability, upstream energy, terrorism and cargo; and at the same time reduced our exposure to what was under-priced catastrophe-exposed business in the binder portfolio. Overall, gross premiums written declined 4.8% to $1,114.9 million (2021: $1,171.4 million), with 3.3 percentage points due to planned reductions in property binder portfolios and the impact of Russian sanctions, which mainly affected our upstream energy and space portfolios. In addition, flood growth was tempered as competitive dynamics changed with National Flood Insurance Programme (NFIP) reducing prices, while we maintained our risk-based pricing approach. We expect competitive dynamics to improve following Hurricane Ian and as the demand for a flood-specific product continues to grow in the US market given recent events. Net premiums written increased 3.3%, as strong rate momentum made retaining more premium attractive. Hiscox London Market delivered a $110.0 million underwriting profit, up 22.8% on the prior period. The combined ratio of 84.8% showed a 4.3 percentage point improvement year-on-year, despite a $40 million net loss from Hurricane Ian and $34 million net loss from the Russia/Ukraine conflict. This is the third consecutive year in which Hiscox London Market's combined ratio has been below 90%, which is a testament to the underwriting focus on creating more balanced and profitable portfolios.

Since 2018 we have reduced our property binder exposure by just under a half, non-renewing business which did not meet our profitability hurdles. The positive impact is clear to see in the robust underwriting result. I am pleased to report that the multi-year major changes in the property binder book are now substantially complete and we consider the remaining book to be rate adequate. On completion of this activity and in light of the ongoing attractive market conditions, we expect Hiscox London Market to grow gross premiums written in 2023, while continuing to maintain a disciplined approach.

We are also investing in our digital capabilities. Advances have been made in the digitalisation of pricing and underwriting models across general liability and terrorism. Throughout 2022 and into 2023 we have also been redesigning our FloodPlus and BindPlus systems so that they can be deployed in the Cloud, an important step which will make them scalable for future growth. At the same time, we have continued to make underwriting and pricing changes to maintain profitable growth in both lines. We will continue to drive further automation across our business to enhance our ability to select and price risks more effectively.

We also continue to innovate. For example, as economies across the globe are looking to transition to more sustainable energy production models, we are developing our strategy of participating in this shift. In the first half of 2023 we will launch a new ESG-focused Lloyd's sub-syndicate. At its early stage it will be nested within Syndicate 33 and lean on its existing stamp capacity. It will be complementary to Hiscox London Market's existing portfolio and will provide access to additional capacity for qualifying clients with positive ESG credentials, such as renewable power generators and energy storage providers. To further enhance the scale of this ESG syndicate, we will partner with third-party capital on our specialist ESG positive portfolio to supplement Syndicate 33's capacity. To build the portfolio we will utilise our existing underwriting talent and broker relationships to access clients while continuing to develop deep in-house expertise in the specialist sectors

Hiscox Re & ILS

	2022 $m	2021 $m
Gross premiums written	1,037.9	807.8
Net premiums written	268.1	274.2
Underwriting profit	57.6	91.1
Investment result	(34.0)	8.8
Profit before tax	21.5	98.5
Combined ratio (%)	81.6	68.0

focused on the transition to the green economy, such as electric vehicles and renewables.

The outlook for 2023 is positive, as we are looking to broaden out in specialty and casualty lines through disciplined growth in attractively priced business. We will do this by working with our key broker relationships to seek and support attractive and profitable growth opportunities on their merit, and driving the entrepreneurial spirit of our talented underwriters.

Hiscox Re & ILS

The Hiscox Re & ILS segment comprises the Group's reinsurance businesses written in London and Bermuda and the insurance-linked security (ILS) activity written through Hiscox ILS.

Hiscox Re & ILS gross premiums written increased by 28.5% to $1,037.9 million (2021: $807.8 million) crossing the $1 billion milestone for the first time, as we benefitted from further hardening market conditions. Much of the growth was supported by ILS inflows in the first half of the year, while broadly maintaining our net written premium position. Excluding reinstatement premiums, gross premiums written grew 34.4%.

The business delivered a particularly strong performance in retrocession and North American and international property catastrophe lines, underpinned by increased demand and continued pressure on the supply of capacity in both the traditional and ILS space.

ILS assets under management (AUM) was $1.9 billion as at 31 December 2022 ($1.4 billion at 31 December 2021). During the first half of the year we secured net AUM inflows of $511 million. This was partly offset by $79 million net outflows in the second half. Despite the positive inflows of AUM in 2022, there is uncertainty within the market regarding the availability of new or replacement ILS capital in the near term, as a result of multiple years of significant loss events, latterly combined with economic volatility in the form of rapidly rising rates and decade-high inflation. In part, it is this uncertainty that drove improved rates and tightening of terms and conditions during the January 2023 renewals. It is into the resulting highly attractive market that Hiscox is deploying its own organically generated capital to fill the gap in the market that has been left by a combination of third-party capital contraction and retrenchment by some reinsurers.

Hiscox Re & ILS delivered a strong combined ratio of 81.6%, despite the $90 million net loss from Hurricane Ian. We continued to drive underwriting discipline by further reducing our exposure in the risk excess class. We have also successfully reduced our participations on aggregate excess of loss deals and will continue this disciplined underwriting action in 2023 designed to reduce exposure to secondary perils.

Investments

The total investment result was a loss of $187.3 million (2021: profit of $51.2 million), or a negative return of 2.6% (2021: positive return of 0.7%). Assets under management as at 31 December 2022 were $7.1 billion (2021: $7.3 billion).

Concern over inflation dominated the economic picture during 2022, as it remained at the highest levels in decades and proved persistent, exacerbated by disruptions to the global supply chain, lockdowns in China and the Russia/Ukraine conflict. Central banks responded with sharp rises in interest rates, pushing rates to levels last seen before the 2008 financial crisis. Despite high inflation and tightening monetary policy, unemployment remained low and economic growth was resilient across many regions. However, having seen interest rates rise sharply in developed markets, the focus shifted from inflation to the impact of higher interest rates on the economy. Growth expectations were revised down across the globe, and expectations of recession rose in key economies.

The upward move in risk-free rates, along with a weakening growth outlook, led to a repricing across a wide range of markets. Diversification was of limited help to portfolios given the broad spread of losses affecting most asset classes. Bond markets sold off as risk-free rates rose, leading to some of the weakest bond returns in decades. Credit spreads widened leading to losses on corporate bonds. Global equity indices ended the year down almost 20%, albeit a rally into year-end moderated the losses. Against this backdrop, the investment loss of $187.3 million was not unexpected. However, with 93% of our fixed income portfolio in investment grade bonds, most of the losses were mark-to-market. Our risk asset portfolios fell, though some exposures made absolute gains helping to alleviate the losses at the margin.

The reinvestment yield on the bond portfolio rose again in the final quarter to reach 5.1% as at 31 December 2022, up from 4.8% at the end of September 2022. The change during 2022 from the starting yield of just 1.0% is transformational for forward-looking returns. The short-dated nature of our portfolio means reinvestments

Strategic focus

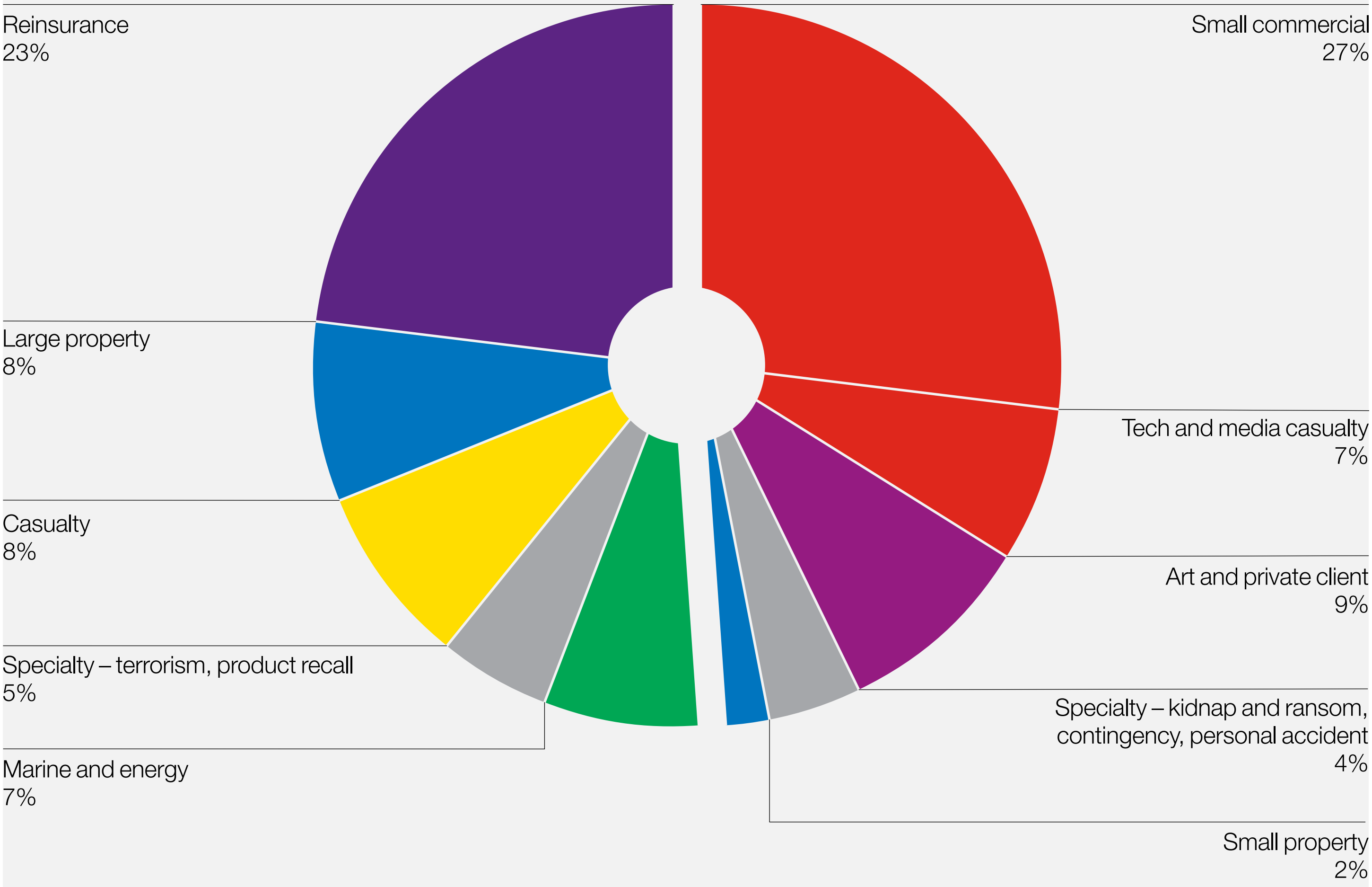
Total Group controlled premium for 2022
100% = $4,935.4 million

Big-ticket business

Larger premium, globally traded, catastrophe-exposed business written mainly through Hiscox London Market and Hiscox Re & ILS.

Retail business

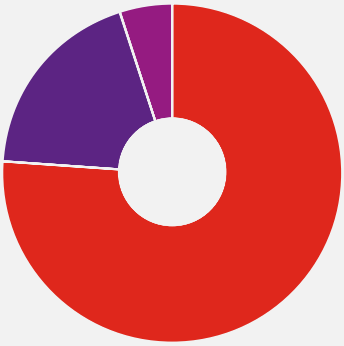
Smaller premium, locally traded, relatively less volatile business written mainly through Hiscox Retail.



Portfolio – asset mix
Investment portfolio $7.1 billion as at 31 December 2022

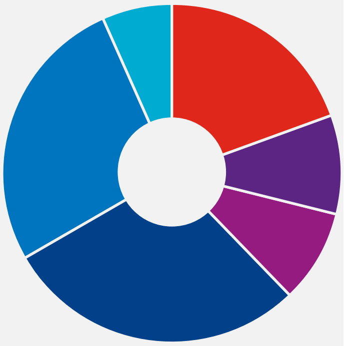
Asset allocation (%)

Debt and fixed income holdings	76.3
Cash and cash equivalents	18.9
Equity and investment funds	4.8



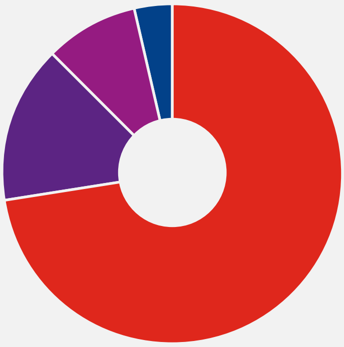
Debt and fixed income holdings credit quality (%)

Gvt	19.6
AAA	9.3
AA	8.9
A	29.0
BBB	26.6
BB and below	6.6



Debt and fixed income holdings currency split (%)

USD	72.5
GBP	15.1
EUR	8.8
CAD and other	3.6



"The Board believes that paying a dividend is one important indicator of the financial health of the Group. Having carefully considered the capital requirements of the business, the Board has recommended to shareholders for approval the payment of the final dividend at 24.0 cents per share."

are quickly raising the cash coupon component of returns. The portfolio has much improved prospects for investment returns in 2023 and beyond. We have maintained a relatively defensive portfolio coming in to 2023. Duration remains short and credit quality remains high. Risk asset exposures are modest, with no direct exposure to UK commercial real estate, giving us room to add risk should opportunities arise. Otherwise we continue to look to incrementally improve long-term risk and capital-adjusted outcomes through further diversification.

Dividend, capital and liquidity management

In the continuing uncertain macroeconomic and geopolitical environment, Hiscox remains strongly capitalised against both regulatory and rating agency requirements.

The Hiscox Group Bermuda Solvency Capital Requirement (BSCR) ratio is estimated at 197%, as at 31 December 2022. The slight reduction to prior year follows an increase in capital allocation to Hiscox Re & ILS at January 2023 renewals as we deployed capital in a highly attractive market, in line with expectations. We remain comfortably above the S&P 'A' rating threshold and significantly above the regulatory capital ratio requirement.

As the year progresses, we will continue to assess the opportunity and may deploy further capital if the market conditions persist. As we write the vast majority of our reinsurance business in the first half, there is an element of seasonality in the half-year solvency position which is smoothed out at the year-end due to continued capital generation, currently underpinned by improved underwriting conditions and investment result outlook.

The Group's available liquid resources are sufficient to execute against the business plan and act as a buffer to cover opportunities or market events, with fungible liquidity of around $1 billion. During September 2022, the Group issued £250 million of five-year unsubordinated unsecured notes[3]. The transaction was in excess of three times oversubscribed, demonstrating strong sentiment and market confidence in the Group. The issuance of the notes was timed to coincide with the redemption of £275 million unsubordinated debt[4] during December 2022. The funds raised mean that the Group continues to have strong liquidity and appropriate leverage of 20.6%.

The Board believes that paying a dividend is one important indicator of the financial health of the Group. Having carefully considered the capital requirements of the business, the Board has recommended to shareholders for approval the payment of the final dividend at 24.0 cents per share. This brings our total dividend for the year to 36.0 cents per share. The record date for the dividend will be 5 May 2023 and the payment date will be 13 June 2023. The Board proposes to offer a Scrip alternative, subject to the terms and conditions of Hiscox's 2022 Scrip Dividend Scheme. The last date for receipt of Scrip elections will be 22 May 2023 and the reference price will be announced on 31 May 2023. Further details on the

[3]Fixed rate of 6.00 per cent paid annually in arrears.
[4]Fixed rate of 2.00 per cent paid annually in arrears.

dividend election process and Scrip alternative can be found on the investor relations section of our corporate website, **www.hiscoxgroup.com**.

People

During the year I took important steps to refresh our leadership team – the Group Executive Committee (GEC) – and the full team is now in place. Jon Dye, our new UK Chief Executive Officer, and Nicola Grant, our new Group Chief Human Resources Officer, joined the GEC in September; as well as Stéphane Flaquet who was appointed to the newly created role of Group Chief Operations and Technology Officer. Paul Cooper also joined the Executive team earlier in the year as our new Group Chief Financial Officer. The GEC contains a wealth of experience and knowledge combined with energy and passion and I look forward to working with them to deliver on the many opportunities that lie ahead of us.

At the forefront of my mind is always that people are our greatest asset. The future success of Hiscox depends on our ability to attract, nurture and retain high-calibre talent. A key focus this year has therefore been to enhance our employee value proposition to not only encourage these behaviours but exceed our employees' expectations. I am proud of the benefits that are available at Hiscox such as HSX:26, under which every permanent employee owns a part of the Group through the share grant we launched earlier in the year, and our sabbatical programme which entitles staff with five years of continuous service to an additional four weeks of paid leave. We also refreshed our global diversity, equity and inclusion (DEI) strategy and vision across the Group and put in place a new Group DEI policy to better reflect our intent and approach. In addition, in recognition of the difficult economic circumstances currently facing our workforce we also paid out a cost of living lump sum to our UK, European and Bermudian employees most impacted by the rising costs of energy, food and fuel.

The refined strategy, improving financial performance and distinctive benefits are having a positive effect; this is captured in our 2022 employee engagement scores which are our highest in ten years. Our people believe in the strategy and in our outstanding future. Clearly an engaged employee base bodes well for the drive and energy needed to seize the opportunities ahead and grow our business.

Finally, I want to highlight the completion of our long-anticipated London office move. On 31 October our London-based team moved into new office space at 22 Bishopsgate. This is the location where we have the largest concentration of people and is a meaningful milestone for Hiscox. The carefully thought out space has been designed as a place for us to carry out our business in a modern and collaborative environment, enabling new ways of working with each other and with our business partners.

Environmental, social and governance (ESG)

During 2022, we focused on further embedding our ESG structures, processes and policies and I was particularly proud to see our efforts to date recognised in an MSCI ESG rating upgrade from A to AA.

We started the year with the publication of our new greenhouse gas (GHG) targets for the Group and since then, we have made solid progress towards embedding them in the business. We have started to develop a low-carbon transition plan for the Group to set out in more detail the journey towards meeting our ambitious targets, and intend to publish more information on this in line with UK regulatory requirements. We are also making good progress towards the first of our interim targets for transitioning our investment portfolio, with approximately 20% of our corporate bond portfolio having net-zero/Paris Agreement-aligned targets as at year-end.

We are continuing to consider the right approach for Hiscox when it comes to sustainable underwriting and investing, taking into account both our ESG exclusions policy and our responsible investment policy. In big-ticket underwriting, we 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 process 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 is derived from restricted areas, and we continue to monitor our portfolio composition against our ESG focus areas, capturing programmes declined for ESG reasons in regular internal reporting. We have also made strong progress on the investment side where ESG is fully embedded in our investment processes: net-zero wording is now in all segregated 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

"Our people believe in the strategy and in our outstanding future. Clearly an engaged employee base bodes well for the drive and energy needed to seize the opportunities ahead and grow our business."

Committee reporting. Our sustainable assets including green/ESG bonds are now over $300 million, with over 5% of bond portfolios in green and ESG-labelled bonds.

I am especially excited about the potential for our ESG-focused Lloyd's sub-syndicate.

2023 outlook

I am very optimistic about the outlook for 2023. Our Retail business is primed to accelerate growth towards the middle of 5%-15% range in 2023. We have completed the necessary underwriting actions in the US broker business and substantially completed the technology transition in US DPD; the UK is reinvigorated under new leadership and ambition, and Europe continues to go from strength to strength. Marketing spend has increased in all Retail markets to support our growth efforts.

The reinsurance market conditions are the best we have seen in over a decade. Hiscox is a net beneficiary of reinsurance rate hardening. The scale and breadth of our business, as well as the long-standing relationships developed with our reinsurance panel, have been an essential part of ensuring we secured the required retrocession protection to support our 2023 business plan.

Hiscox Re & ILS has the expertise, strong balance sheet and financial flexibility to capitalise on the current trading conditions. As a result of deploying our organic capital at 1 January 2023 renewals, our net premiums written in January 2023 were up 49% year-on-year. In 2023, net premium written growth is expected to exceed gross premium written growth.

Our London Market business is building a solid and dependable track record of profitability, and with the property portfolio changes now mostly complete, I expect to see the business grow as we continue to deploy underwriting aggregate with discipline in the improving market conditions. In addition, with the work underway to create leading capabilities in digital trading and underwriting the energy transition, there is excitement in the business about the coming years and the opportunity to play a key role in the London Market.

We expect the investment result, which has been a headwind over the last 12 months, to become a tailwind in 2023, as bond reinvestment yields reached 5.2% at the end of February.

Last but not least, change in how we present our numbers to the market is coming in the form of IFRS 17; however, this is purely a change in accounting standard, which has no impact on our business fundamentals. The strategy and the economics of the business are unchanged.

Finally, I would like to thank our employees, business partners and shareholders for their continued support.

Aki Hussain
Group Chief Executive Officer
8 March 2023

Q&A:

with Paul Cooper
Group Chief Financial Officer

Opportunity knocks

Hiscox is financially sound and poised for significant growth across its many business units. The challenge for the finance function is to help realise that rich potential. >

Paul Cooper joined Hiscox as Group Chief Financial Officer in May 2022, after working in Chief Financial Officer roles at M&G Plc, Arrow Global and Canopius. Paul had previously served as Finance Director for Hiscox UK and Europe from 2006 to 2011 during a key phase in the Company's growth.

Q&A:

with Paul Cooper
Group Chief Financial Officer

Q: You're what's known in the business as a 'boomerang' – you left Hiscox in 2011 before returning a decade later. What were your impressions of the Hiscox culture the first time around, and has it changed much in the interim?
A: The first time around, the business seemed very entrepreneurial, very ambitious, always trying new things. It had a really strong vision for growing the business, not only in the Lloyd's space, but also across retail and internationally. The people here were a pleasure to work with, and they all wanted to do the best for the Company. There was a real sense that people wanted to get on, that they liked coming to work. I think what's very pleasing on my return is that those aspects still prevail. If anything, they've been reinvigorated under Aki's leadership. He's got loads of energy, and I think he's employed people who have the same vigour. We're all here to deliver on the potential that Hiscox undoubtedly has.

Q: How would you characterise the condition of the Group's finances?
A: The business itself is really well placed. It's a diverse business with a number of different business units and what's pleasing is that they all have very strong potential, they're all very well set in terms of performance and capability. And that's against the background of a strong rating environment. Pricing is going in the right direction, and has been for four or five years, and that looks set to continue. So, the commercial aspect is strong, the culture is strong, and the balance sheet is really strong too. Liquidity is good. With all that in place, my focus can be on how I help the business grow and drive more value, rather than – if I were joining a company undergoing turnaround – shoring up the balance sheet and fixing things.

Q: Where do you see opportunities for growth?
A: Everywhere – absolutely everywhere. As I said, all of the business functions are firing on all cylinders. If you take the Re & ILS business, for example, they're going through one of the most attractive rate environments they've seen in decades. From their perspective, the opportunity for growth is very significant. There's just a question of risk appetite – while those rates are very attractive, you don't want to bet the house on going after them and end up with an unbalanced portfolio. Rates are also continuing to harden in the London Market, so we see real opportunities for growth in that area too.

Then there's our Retail business. Europe is fantastically positioned – it's been growing in all of its six markets. The UK has been re-energised under the leadership of Jon Dye, who knows the market well and has the pedigree to deliver a really profitable business. And then the US business has an amazing opportunity in a significant market that is currently fragmented, under-served and ripe for disruption from a digital perspective. I think we'll see big gains there over the coming years.

Q: Is much change currently required within the finance function?
A: Finance is a function that demands constant change – it's always going to be either a recipient of change because the business itself is evolving, or it needs to be proactively improving itself to help drive developments elsewhere. As a general philosophy, I'm always looking at what we need to change in order to be better. Right now, more specifically, there are some major changes required for the implementation of a new accounting standard called IFRS 17, which is placing an enormous demand on all finance professionals in the insurance industry. There's a significant level of attention on it, and its scale and complexity are not to be underestimated.

Q: In layman's terms, what is IFRS 17?
A: There are a number of elements, but essentially it changes the way that you measure some aspects of the profit-and-loss account and the balance sheet. The biggest part of that is that you now discount your claims liabilities. There's also a lot more presentation and disclosure required. From now on, we will have to report on a much more granular level. The biggest challenge in the short term is that this has placed significant demand on us to make changes to systems and data, which in turn adds to the demands being placed on the finance function. IFRS 17 is a big deal, layered with complexity. It will take time to bed in, but it does mean that, in future, transparency levels will be greater, so our performance will be easier to understand and easier to compare with other businesses.

“We’ve had quite a sizeable investment in systems and processes in recent years, so the question now is, how do you maximise those? We have more and more data available, and I think there’s a competitive edge to be gained by optimising its use and understanding its dynamics.”

“The business itself is really well placed. It’s a diverse business with a number of different business units and what’s pleasing is that they all have very strong potential, they’re all very well set in terms of performance and capability. And that’s against the background of a strong rating environment.”

Q: Aside from that, what have your other major priorities been in your first year in the role?

A: One accomplishment has been to engage more with capital markets and develop a closer relationship with equity analysts. We also essentially refinanced our debt in September, and that’s no small exercise. In the grand scheme of things, though, I would say that the big priority is to do things faster: report in a faster time, improve our forecasting capability, improve our management information so that we can better understand performance. We’ve had quite a sizeable investment in systems and processes in recent years, so the question now is, how do you maximise those? We have more and more data available, and I think there’s a competitive edge to be gained by optimising its use and understanding its dynamics. We’ve made a good start in that space, and it’s already showing. There are aspects of performance that we can measure now that we simply wouldn’t have been aware of six months ago.

Q: You’ve come back into the role at an interesting time from a political and macroeconomic perspective. What has that meant for the business?

A: Clearly, the most notable thing has been the Russia/Ukraine conflict. From a reserving perspective, that’s all been well covered off, and we’ve managed our exposures very well. But on the asset side of things, it has stoked inflation, and that’s had an impact on central banks, which have responded by driving up interest rates. As a consequence, we’ve had unrealised losses on bonds in our investment portfolio, which has obscured the strong underlying insurance performance of the business. In time, we’re confident that those losses will be reversed. It’s clear that markets understand and appreciate that this situation is not permanent, so our share price has not really been impacted.

Q: What will your approach be to developing people within the finance function?

A: That’s a really interesting question. Traditionally, and I don’t ascribe this only to Hiscox, finance people tend to become technical experts in a particular area – they become the best reserving actuary, or the best capital actuary, or the best financial planning and analysis (FP&A) person. The problem is that at a certain level of seniority, you really need to have a broader, more diverse experience. By necessity, if you want to be a chief financial officer, you’ve got to know how things work across financial reporting, actuarial, FP&A, capital, reserving, and so on. A management position requires not only a depth, but also breadth of understanding. At the very least, you need to know how to get the right people in to give you the right insights and help you get to the right judgements, and that does require experience. I’d like to see more emphasis placed on people moving around within finance, so that they get that greater breadth of understanding.

Q: Outside of work, what gives you energy?

A: Loads. I love to run with the dog. I socialise with good friends and family. And I watch Arsenal play football – although that creates a different stress! I’m a season-ticket holder. They’ve been very good recently, but that brings an angst of its own – worrying about when they’re going to fall from grace, rather than why they’re doing so badly. It’s almost worse! ■

Capital

"Our capital resilience is the result of our long-held active capital management approach and, in light of current and upcoming market conditions, positions us well for funding future growth."

Gareth Jones
Interim Group Head of Capital Management

The Board monitors the Group's capital strength, ensuring Hiscox remains suitably capitalised for regulatory and rating purposes, and to fund future growth opportunities.

Monitoring of the Group's capital requirements is based on both external risk measures, set by regulators and rating agencies, and our own internal guidelines for risk appetite.

The Group measures its capital requirements against its available capital, which is defined by the Group as the total of net tangible asset value and subordinated debt. At 31 December 2022, available capital was $2,427 million (2021: $2,599 million), comprising net tangible asset value of $2,096 million (2021: $2,226 million) and subordinated debt of $331 million (2021: $373 million).

The Group can source additional funding from its borrowing facilities which comprise a revolving credit and Letter of Credit facility, as well as a Tier 1 Funds at Lloyd's facility. Standby funding from these sources comprised $931 million (2021: $941 million), of which $331 million was utilised as at 31 December 2022 (2021: $331 million).

Our key rating agencies, A.M. Best, S&P and Fitch, calculate capital adequacy by measuring available capital after making various balance sheet adjustments. Available capital is compared with required capital, which incorporates charges for catastrophe, premium, reserve, investment and credit risk. Our interpretation of the results of each of these models indicates that we are comfortably able to maintain our current A ratings. In December 2021, S&P published details of significant proposed changes to the model used to assess capital adequacy within the insurance sector, for public consultation. However, further rounds of industry consultation with S&P have since been required, and S&P is now expected to publish the conclusions of their additional consultation in the first quarter of 2023, with the intention of introducing the new framework for adoption later in the year should no further rounds of consultation be required. While some uncertainty remains as to the final details of the new S&P model, based on the information which S&P has provided to the industry so far, we expect the Group's rating to remain unchanged. We monitor our capital positions from our rating agencies very closely and factor them into our capital management plans; being an A-rated business is important to us and our intention is to maintain our current strong ratings.

The Group manages the underwriting portfolio so that, in a 1-in-200 aggregate bad year across all major risk types, it will still be able to meet its regulatory capital commitments. A market loss of this magnitude would be expected to bring about increases in the pricing of risk, so the Group's capital strength and financial flexibility following this scenario means we would be well positioned to take advantage of any opportunities that might arise as a result.

The Group is regulated by the Bermuda Monetary Authority (BMA) under the Bermuda Group Supervisory Framework. The BMA requires Hiscox to monitor its Group solvency and provide a return in accordance with the Group Solvency Self Assessment (GSSA) framework, including an assessment of the Group's Bermuda Solvency Capital Requirement (BSCR). The BSCR

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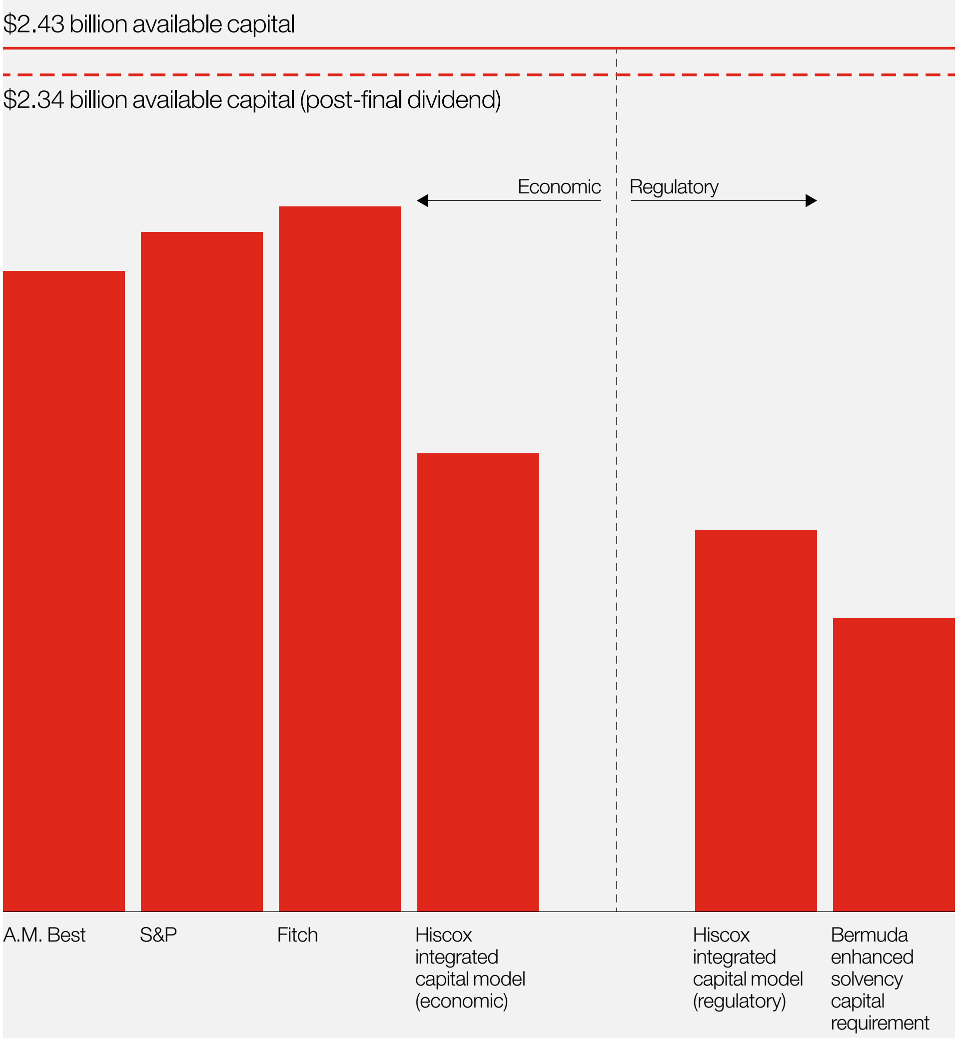
The Hiscox businesses are rated 'A' by A.M. Best and S&P and A+ by Fitch. Read more in note 3 to the financial statements.

Read more about our financial condition in our financial condition report hiscoxgroup.com/about-hiscox/group-policies-and-disclosures.

model applies charges for catastrophe, premium, reserve, credit and market risks to determine the minimum capital required to remain solvent throughout the year. The GSSA is based on the Group's own internally-assessed capital requirements and is informed by the Group-wide Hiscox integrated capital model (HICM) that, together with the BSCR, forms part of the BMA's annual solvency assessment. The HICM provides a consistent view of capital requirements for all segments of the business and at Group level.

The Group's estimate for the year-end 2022 BSCR solvency coverage ratio is 197% (2021: 202%). The Group continues to operate with a robust solvency position and expects to maintain an appropriate margin of solvency going forward. In addition, each of the respective insurance carriers holds appropriate capital positions on a local regulatory basis.

Projected capital requirement



Rating agency assessments shown are internal Hiscox assessments of the agency capital requirements on the basis of projected year-end 2022. Hiscox uses the internally developed Hiscox integrated capital model to assess its own capital needs on both a trading (economic) and purely regulatory basis. All capital requirements have been normalised with respect to variations in the allowable capital in each assessment for comparison to a consistent available capital figure. The available capital figure comprises net tangible assets and subordinated debt.

Risk management

"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

The Group's core business is to take risk where it is adequately rewarded to maximise returns to shareholders. The Group's success is dependent on how well we understand and manage our exposures to key risks.

Risk strategy

Our robust risk strategy positions us to capture the upside of the risks we pursue and effectively manage the downside of the risks to which we are exposed. It is based on three key principles:

- we maintain underwriting discipline;
- we seek balance and diversity through the underwriting cycle;
- we are transparent in our approach to risk, which allows us to continually improve awareness and hone our response.

Risk management framework

The Group takes an enterprise-wide approach to managing risk. The risk management framework provides a controlled system for identifying, measuring, managing, monitoring and reporting risk across the Group. It supports innovative and disciplined underwriting across many different classes of insurance by guiding our appetite and tolerance for risk.

Exposures are monitored and evaluated both within the business units and at Group level to assess the overall level of risk being taken and the mitigation approaches being used. We consider how different exposures and risk types interact, and whether these may result in correlations, concentrations or dependencies. The objective is to optimise risk-return decision-making while managing total exposure, and in doing so remain within the parameters set by the Board.

The risk management framework is underpinned by a system of internal control, which provides a proportionate and consistent system for designing, implementing, operating and assessing how we manage our key risks. This framework is regularly reviewed and enhanced to reflect evolving practice on risk management and governance. During 2022, we continued to further embed and strengthen our system of internal control.

Risk appetite

The risk appetite sets out the nature and degree of risk the Group is prepared to take to meet its strategic objectives and business plan. It forms the basis of our exposure management and is monitored throughout the year.

Our risk appetite is set out in risk appetite statements, which outline the level of risk we are willing to assume, both by type and at an aggregate level, and define our risk tolerances: the thresholds which would represent a 'red alert' for senior management and the Board.

Risk appetites, which are set for the Group as a whole and for each of our insurance carriers, are reviewed annually, enabling us to respond to internal and external factors such as the growth or shrinkage of an area of the business, or changes in the underwriting cycle that may have an impact on capacity and rates.

Risk management across the business

The Group coordinates risk management roles and responsibilities across three lines of defence. These are set out in the model on page 45. Risk is also overseen and managed by formal and informal committees and working groups across the first and second lines of defence. These focus on specific risks such as catastrophe, cyber, casualty,

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.

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 its long-standing risk management and capital assessment processes.

sustainability, reserving, investments and credit, as well as emerging risks. The Group Risk and Capital Committee and the Group Underwriting Review Committee are sub-committees of the Risk Committee and make wider decisions on risk. More information on these Committees can be found on pages 63 to 65.

The Own Risk and Solvency Assessment (ORSA) process

The Group's 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.

The role of the Board in risk management and key developments during 2022

The Board is at the heart of risk governance and is responsible for setting the Group's risk strategy and appetite, and for overseeing risk management (including the risk management framework). The Risk Committee of the Board advises on how best to manage the Group's risk profile by reviewing the effectiveness of risk management activities and monitoring the Group's risk exposures, to inform Board decisions.

The Risk Committee relies on frequent updates from within the business and from independent risk experts. At each of its meetings during the year, the Risk Committee reviews and discusses a risk dashboard and a critical risk tracker which monitors the most significant exposures to the business, including emerging risks and risks that have emerged but continue to evolve. The Risk Committee also engages in focused reviews on our key risks and monitors emerging risks throughout the year. In 2022, additional risks considered include associated risks with Cloud provider concentration, reversal of globalisation trends impacting the complexity and cost of regulatory compliance, and potential disruptions arising from infectious diseases outbreaks. An overview of the processes for identifying emerging risks through the Grey Swan Group is described on page 65. Stress tests and reverse stress tests (scenarios such as those shown on pages 46 to 47, which could potentially give rise to business failure as a result of either a lack of viability or capital depletion) are also performed and reported on to the Risk Committee.

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.

The Risk Committee also supports the Board in its review of the effectiveness of the Group's risk management and internal control systems as part of its annual declaration of compliance with the Bermuda Monetary Authority's Group Supervision Rules and via the annual Group-wide risk and control self-assessment and associated second-line review.

The Board, through the Risk Committee, has conducted a robust assessment of the emerging and key risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and is satisfied that no material changes to the key risks are required.

The role of the Group risk team

The Group risk team is responsible for designing and overseeing the implementation and continual improvement of the risk management framework. The team is led by the Group Chief Risk Officer who reports to the Group Chief Executive Officer and the Risk Committee of the Board.

The team works with the first-line business units to understand how they manage risks and whether they need to make changes in their approach. It is also responsible for monitoring how the business goes about meeting regulatory expectations around enterprise risk management.

2022 has seen 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.

Casualty extreme loss scenarios

As our casualty businesses continue to grow, we develop extreme loss scenarios to better understand and manage the associated risks. Losses in the region of $75-$825 million could be suffered in the following extreme scenarios:

Event		Estimated loss
Multi-year loss ratio deterioration	5% deterioration on three years' casualty premiums	$235m
Economic collapse	An event more extreme than witnessed since World War II*	$375m
Casualty reserve deterioration	Estimated 1:200 view of a casualty reserve deterioration on current reserves of c.$2bn	$825m
Pandemic	Global pandemic considering broader and alternative impacts than Covid-19	$100m
Cyber	A 1:200 cyber event, such as a major Cloud outage or mass ransomware attack. Includes 'silent cyber' exposures**	$350m
Marine scenarios	Range of events covering collision and sinking of vessels and any resultant pollution	up to $75m
Offshore platform	Total loss to a major offshore platform complex	up to $100m
Terrorism	Aircraft strike terror attack in a major city	up to $350m
Property catastrophe†	1-in-200 year catastrophe event from $280bn US windstorm	$500m

*Losses spread over multiple years.
**'Silent cyber' refers to losses incurred from non-cyber product lines from a cyber event.
†As a point of comparison.

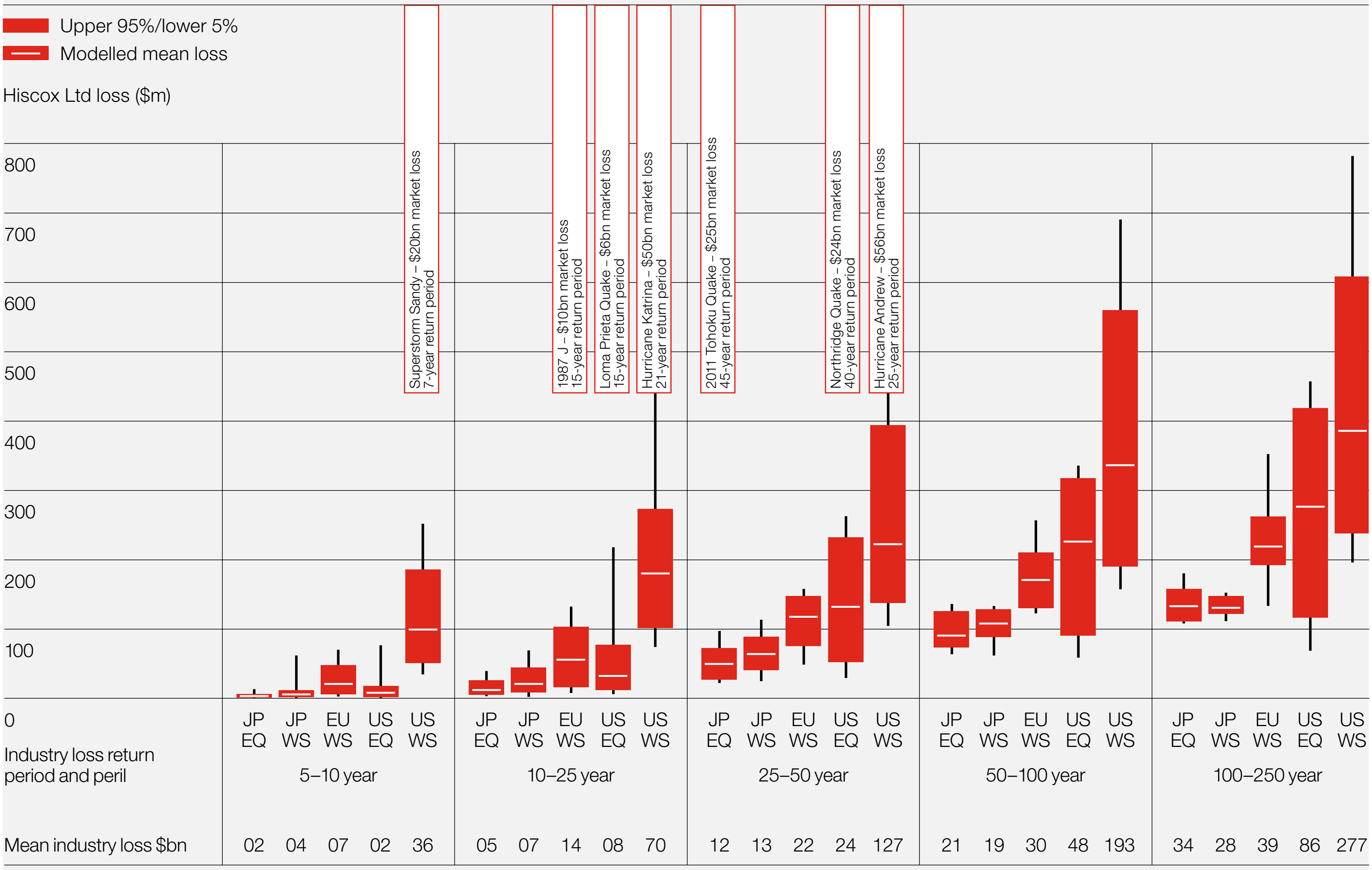
More information on our approach to risk management can be found at hiscoxgroup.com/about-hiscox/risk-management.

8 Read more about our key risks.

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 of the Board. These include climate-related scenarios such as those shown in the chart below.



This chart shows a modelled range of net loss the Group might expect from any one catastrophe event.
The white on the red 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 would be expected to occur on average five times in 100 years.

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

Stakeholder engagement

Shareholders

Our shareholders value our clear strategy, strong underwriting discipline and sound capital management, and we maintain ongoing engagement with them.

Regular investor dialogue

We maintain regular dialogue with capital markets stakeholders, predominantly via our Group Chief Executive Officer, Group Chief Financial Officer and Director of Investor Relations, who meet with existing shareholders, potential investors and research analysts regularly to discuss our strategy, trading conditions, business performance and other factors affecting our operations.

We run several comprehensive investor roadshows a year in the UK and USA and participate in a range of investor conferences. During 2022, the Company conducted around 370 meetings and met with around 150 investors, representing approximately 76% of our issued share capital.

Financial reporting

We report to the market on Company performance four times per year, providing shareholders with an overview of recent business performance and trading conditions. These are available on our corporate website and as an email alert for subscribers.

Annual Report and Accounts

Our Annual Report and Accounts gives shareholders a more detailed view of the business and includes some additional corporate governance disclosures beyond our statutory requirements.

Annual General Meeting (AGM)

Our AGM provides another regular investor touchpoint. At the 2022 AGM, all resolutions were passed with a significant majority.

Employees

We want to build teams that are as diverse as our customers and create a vibrant work environment where all employees can thrive.

Annual employee engagement survey

Our annual employee engagement survey gives all our employees the opportunity to provide honest feedback on how they feel about Hiscox, with the results discussed at all levels including Board level and informing future plans.

Board-level Employee Liaison

Non Executive Director, Anne MacDonald, also serves as the Group's Employee Liaison, working with the Group's employee engagement network to ensure that workforce views are considered in Board decision-making.

Employee networks

Many of our employees are actively engaged in at least one of our 18 employee network chapters, including WeMind, Pan-African, parents and carers, and Pride. These networks are supported by our Directors, who contribute to panel debates and other employee events.

Communication updates

Employees have access to Company-wide 'connected' events, annual 'launch' events and 'box' meetings, many of which are led or attended by our Directors to share news, align on strategy and objectives and celebrate successes.

Partners' meetings

Hiscox Partner is an honorary title given to employees who make significant contributions to the development and profitability of the Group. Up to 5% of the total workforce are Hiscox Partners, and have the opportunity to influence the direction of our business through regular formal and informal Partners' meetings, which Directors also attend.

Brokers

The risks we write through brokers account for around 85% of our business, so we look to build strong and lasting relationships with those that share our values.

Annual Hiscox broker events

We hold an annual preferred broker summit for our UK brokers, to share insight and expertise, and a London Market broker academy to educate and inform. These events are supported and often attended by our Executive Directors.

Broker satisfaction survey

Each year we measure broker satisfaction with our products and services, including through qualitative broker interviews, with the results shared and discussed at Board level and informing future plans.

Attending key industry events

We participate in key industry events in every part of our broker-facing business, including at Executive Director level. This includes: BIBA, a UK insurance and broker conference; the CIAB, a US marketplace meeting for commercial property and casualty brokers and insurers; and in our big-ticket businesses, Monte Carlo, Baden Baden, and RIMS.

Thought leadership

We produce thought leadership that enhances our broker relationships and our position as experts in our chosen areas. In 2022, this included cyber security trends and mitigation strategies, the insurance implications of self-driving cars, the importance of passion in building a small business and the latest online art buying trends.

Customers

We have over 1.5 million retail customers worldwide and providing each of them with products they can rely on is what we are here for.

Customer satisfaction

We talk to thousands of customers each year, through both quantitative surveys and qualitative research – including feedback after they have bought a product or made a claim – which are reviewed by our leadership teams and help to continually improve our offering.

Consumer awareness

We also measure the health of our brand through regular brand tracking surveys which assess consumer brand awareness and perception. These are shared with senior management and inform marketing and sales activities.

Informing our marketing and communications

Marketing and communications activity across our markets is informed by the qualitative and quantitative research we carry out with both existing and potential customers. For example, a current focus in the UK is reviewing our marketing and communications in line with the FCA's new Consumer Duty regulations, where we will also take into account customer insights and feedback.

Customer-focused products and tools

We use a combination of customer insight and claims experience to develop not only our risk transfer products, but also risk mitigation tools. These include our cyber exposure calculator and the Hiscox CyberClear Academy, a NCSC-approved cyber training programme for customers.

Regulators

We are a global business with a responsibility to engage with regulators in all jurisdictions where we operate. The Group is regulated in Bermuda and has regulated subsidiaries worldwide.

Regular dialogue

Our Chief Compliance Officer and compliance teams worldwide lead our relationships with our regulators and maintain regular dialogue with them, with involvement from senior management and the Board when required. Regulatory dialogue includes the annual supervisory college, hosted by the Bermuda Monetary Authority as our Group supervisor, which gives an important annual opportunity for us to present a consistent message to all of our regulators on issues of common interest, and in 2022 was attended by members of the Group's senior management team, including all of the Executive Directors.

Regulatory change

We contribute to the regulatory change process, both directly and through active membership of trade associations, such as the Association of Bermuda Insurers and Reinsurers (ABIR) and the Association of British Insurers (ABI). Our Executive Directors are important contributors to this work.

Scenario analysis and stress testing

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. In 2022, this included participation in the Prudential Regulation Authority's market-wide General Insurance Stress Test (GIST) in the UK.

Regulatory reporting

The Group and its subsidiaries met all material regulatory reporting obligations for 2022.

Suppliers

Our suppliers are an important extension of our in-house expertise, which is why we aim to work with like-minded businesses that share our purpose.

Robust procurement processes

We want to work with businesses that align with our values and support our goals, and we reflect this in our robust procurement processes. These processes ensure we assess suppliers against a wide range of criteria, encompassing financial stability, culture and ethics, as well as innovation and development. For larger contracts, these processes also include a degree of Executive Director involvement or oversight.

Supplier code of conduct

We expect our suppliers to adhere to high standards in areas such as risk management and compliance, in line with our regulatory requirements, and when it comes to environmental, social and governance issues, such as diversity, equity and inclusion (DEI) and environmental practices.

Active dialogue

We maintain active dialogue with our suppliers to ensure our expectations, ambitions and ways of working remain aligned. This dialogue is often driven by the relationship managers for each contract and supported or facilitated by our Group procurement experts, and for larger contracts will include senior management or Executive Director involvement.

Q&A:

with Stéphane Flaquet
Group Chief Operations and Technology Officer

Tech savvy

The future of technology at Hiscox will see a growing focus on business outcomes, a convergence of approaches between retail and big-ticket and a change of mindset around the management of data. >

After building a career in operations and change leadership, Stéphane Flaquet joined Hiscox in 2010 as Chief Operating Officer for Europe, before moving to London in 2012 to head up the Group technology function. After time as Managing Director for Hiscox Europe, Chief Transformation Officer for the Group and Interim CEO of Hiscox UK, he took on the newly created role of Group Chief Operations and Technology Officer during 2022.

Q&A:

with Stéphane Flaquet
Group Chief Operations and Technology Officer

Q: How has the role and profile of technology at Hiscox changed in recent years?
A: It's been a massive change. Key to this is that the technology function has emerged as a core function across all business areas. Technology can be a source of competitive advantage, but for that to happen you need to have close proximity between the technology team and the rest of the business.
If you've got the IT leader in the room for most of the conversation, they'll be able to do a better job of enabling the business. We now have technology leaders sitting within all our business unit leadership teams, which is a big change. You can see it in the way our business unit CEOs now talk about IT in their communications, in their operating plans. It's no longer acceptable for a leader to say: *"I don't understand tech".* A decent understanding of technology is as important as people leadership, business economics, financial management, and so on. Our leaders are willing to learn because they realise the potential of technology to transform their business in so many ways.

Q: How do you ensure you're delivering effective technology change?
A: In IT, delivery times can be quite long, so you need to plan ahead. But as we know, the pace of innovation in tech is increasing and the pace of adoption is increasing even faster, so you also need to be able to iterate super quickly. Getting the balance between the two is really tricky. If you're too short term, you're always on the back foot, trying to respond to business demands. If you're too long term, by the time you deliver something, you're delivering what the business needed three years ago. We need to be having different conversations and using different delivery mechanisms. There is business transformation that requires multi-year planning, but there is other change delivery that can be done in two-week iterations. And this is not a tech conversation, this is an overall business agility ambition.

What those two levels of delivery have in common is the need to always have in mind what the business outcome is that you want to get to. In IT, it's so easy to get caught in the buzz. But the role of IT leaders is not just finding the next cool piece of kit and spending a lot of Hiscox's money on it. It's about using tech in a way that makes our business better – that is the really cool thing. That's where the proximity between the technology team and the rest of the organisation is so key. IT is a means to an end. It's not a goal in itself. So focusing on tangible business outcomes is critical. That has been front of mind as we successfully re-platformed our retail businesses in the UK, the USA and now Europe.

Q: Is there a difference in your approach between retail and big-ticket business?
A: Historically, technology was more important in retail than in big-ticket – high-volume, low-margin business is where tech traditionally had a key role to play. But what we've seen over the past few years is a convergence in the use of technology between retail and big-ticket. For example, one of the great successes is how the London Market is now distributing some of its products directly to the local producers using the kind of application programming interface (API) and pricing capability you would expect in retail. Historically, in big-ticket it's all about technical excellence, pricing, analytics, modelling, and you now see a lot more of that going into the retail space. I think we're seeing a real meeting in the middle where these previously very different business types are using the same core capabilities. Having a strong enterprise architecture function that is able to connect the dots, drive re-use and economies of scale is even more critical in that context of convergence.

Q: What is your vision for how the use of data should change in the coming years?
A: Insurance has always been about

> IT is a means to an end. It's not a goal in itself, so focusing on tangible business outcome is critical. That has been front of mind as we successfully re-platformed our retail businesses in the UK, the USA and now Europe."

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data and will always be about data, but technology transformation can dramatically impact the way we use it and the value we get from it. We currently have lots of pockets of good practice all across the organisation, so now we're focusing on connecting the dots between them. So rather than looking at underwriting data, or claims data, or marketing data, or brand awareness data, we want a 360° view of all those different components. That is only going to be achieved if we start treating data as a product, rather than as a by-product of any particular activity. We need people to own that product, take responsibility for its integrity and accuracy and then make it available to other data owners. That's a completely different mindset and is one of the capabilities that we are building.

Q: How do you see technology in the workplace evolving?
A: It's obvious to say, but our relationship to technology, both personal and professional, has fundamentally changed in the last few years. I think one of the few good things about the pandemic is how the adoption of technology has accelerated. During 2022 we moved into our new office here in London, and now I enter the building using my phone, book a desk using an app, order lunch using an app. We don't have phones on our desk, I hardly have papers anymore, I just carry my laptop and my iPhone and this is my life and I can do everything that I want with this. But I still think there is more we can do. We need to recreate the same simplicity and convenience for our people that we all have in our personal life, and we need to offer our customers the same seamless experience. This is a never-ending journey because our expectations as customers are constantly rising, and rightfully so.

Q: Beyond your technology brief, what are your other priorities?
A: One major priority is to strengthen our operational capabilities in retail. Retail is the fastest growing part of our organisation, and to support that growth we're focused on making sure we have all the right capabilities in place, dialled up to the appropriate level: from the voice of the customer, to management information, strategy leadership, automation, process management, technology enablement, all of that. We also currently have very distinct retail businesses, and they're all operating slightly differently, so an element of operating model convergence is needed and I think technology can play a really exciting role in that.

Q: Outside of work, what gives you energy?
A: Now that my kids have mostly left the nest, the best thing that happened to me over the last three years is that I got a dog for the first time, a chocolate Labrador called Mosey. He has changed my life completely. I can't believe that I've lived for almost 47 years of my life without a dog. What a waste! ■

Environmental, social and governance (ESG)

"The challenges of ESG are not easy to solve, which is why I like the pragmatic approach that Hiscox is taking to address them. That means operating responsibly, but also working with others to drive meaningful progress."

Jon Dye
Chief Executive Officer, Hiscox UK and Sustainability Steering Committee member

Our approach to environmental, social and governance standards (ESG) is shaped by a clearly stated ambition: to be here for the long term, for our customers, colleagues and communities, operating in a sustainable way for the future.

We take our role in the world seriously and want to play a responsible part in society, but we are pragmatic about what that looks like. The language of ESG is rapidly evolving, but the issues it encompasses are not new, and in many cases our responses to them are already embedded in our business. For example, having a deep understanding of climate change through catastrophe modelling and research is a fundamental part of our business and an area where we want to be market leading. In other areas, progress comes through regulation or public interest, but we also see future opportunities to innovate and serve our customers.

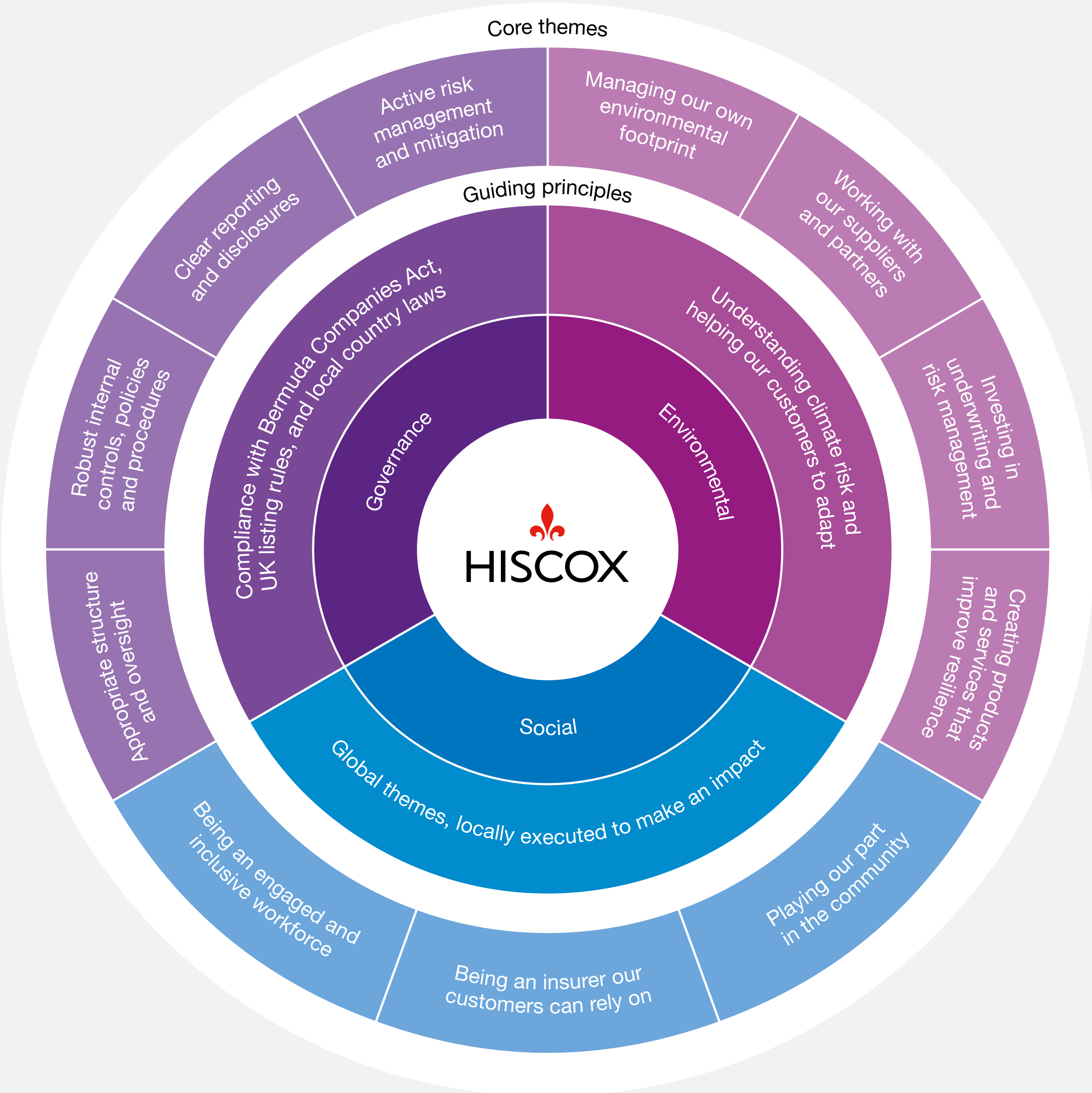
To achieve our ambition, we focus on making positive and persistent improvements to our approach across ESG. For example, during 2022, we established an ESG data provider within our London Market business, which over time will support underwriting decisions in big-ticket lines and help us factor ESG into our future exposures. We also saw a 28% decrease in our operational greenhouse gas (GHG) emissions in 2022 against our 2020 baseline year, and realised the fifth year of incremental improvement in closing our UK gender pay gap, which is now at 16.0% on a mean basis.

Our progress over the past year was reflected in our MSCI ESG rating, which was upgraded from A to AA, and in our CDP score, which improved from a B- in 2021 to a B in 2022.

We will continue to build on this progress during 2023, through a combination of one-off programmes of work and ongoing engagement on key issues. This will include:
- publishing a low-carbon transition plan in line with UK regulatory requirements;
- further defining the Group's ESG risks and opportunities through ESG materiality mapping;
- continued industry collaboration on issues including the measuring of underwritten emissions.

Hiscox ESG framework

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.



Environmental

We carefully manage our environmental impact and work with our customers, suppliers and business partners to respond to the changing climate. This includes finding ways to limit our own consumption of materials such as energy and water and reducing the amount of waste we generate. It also means investing in areas such as research, catastrophe modelling and new technologies that improve our underwriting capabilities and ensure we are well placed to help our customers when it comes to managing the risks they face.

ESG exclusions policy

Our ESG exclusions policy officially came into force at the start of 2022 and is an important pillar of our environmental ambitions. This policy sets out our ambition to reduce steadily and eliminate by 2030 our insurance, reinsurance and investment exposure to coal-fired power plants and coal mines; Arctic energy exploration, beginning in the ANWR region; oil sands; and controversial weapons such as landmines.

Since then we've made solid progress across underwriting, reinsurance and investments:

- 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. Our sustainable assets including green/ESG bonds are now over $300 million, with over 5% of our bond portfolio in green or ESG-labelled bonds.

GHG reduction targets

Central to our efforts to manage our environmental impact is an ambitious set of targets for the reduction of GHG emissions. We announced our new Group-wide GHG targets with our 2021 full-year results, and during 2022 we have focused on embedding them. These targets, which were developed using SBTi methodologies and designed to align with a 1.5°C net-zero world by 2050, are:

- 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 full-time equivalent (FTE) by 2030, against a 2020-adjusted baseline*;
- transition our investment portfolios to net-zero GHG emissions by 2050. The aim is that more than 25% of our corporate bond portfolio by invested value will have net-zero or Paris-aligned targets by 2025, and more than 50% by 2030;
- 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.

In 2022, we took some important first steps in response to these targets:

- we completed a half-year footprint in order to provide a mid-point for assessing emissions and further enhance our data collection processes;
- 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 target;
- we made good progress towards the first of our interim targets for transitioning our investment portfolio, with approximately 20% of our corporate bond portfolio having net-zero/Paris-aligned targets as at year-end.

We will build on this further with the development of a low-carbon transition plan for the Group, in line with UK regulatory requirements.

*Baseline year adjusted in light of Covid-19-related lockdown measures,to reflect a more normal year in terms of business travel etc.
†Operational Scope 3 emissions predominantly consist of purchased goods and services and capital goods, and business travel (air, rail and car travel).

Water and waste

	2022	2021	Year-on-year change
Water usage	10	20	-50%
Waste generated	49	34	44%

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 at **hiscoxgroup.com/responsibility/environment**.

Environmentally-focused commitments

ClimateWise

Paris Agreement 2015

Principles for Responsible Investment (PRI)

Principles for Sustainable Insurance (PSI)

Sustainable Markets Initiative

Task Force on Climate-related Financial Disclosures (TCFD)

Total GHG emissions inventory

We continue to focus on managing and minimising our carbon footprint as a Group. 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 when compared to 2021.

While some of this increase relates to emissions arising from one-off capital goods spend – such as those generated as a result of our London office move – there are other areas where we have seen an increase in emissions due to continued improvements in data accuracy as we continue to enhance our data collection processes.

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.

*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.

A copy of our Streamlined Energy and Carbon Reporting (SECR) GHG emissions table can be found on page 63.

†Although Hiscox's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the 'ESG Parties'), obtain information (the 'information') from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Charitable giving and volunteering

Hiscox Foundation

Hiscox Gives

Social

In everything we do, we strive to be a good employer, a trusted insurer and a good corporate citizen. Our social responsibilities help to inform our customer and claims philosophies, our strategy for charitable giving and our employment practices.

Being a customer-centric business

Being an insurer our customers can rely on is part of our reason for being, and we continue to focus on providing easy-to-understand products that suit specific customer requirements. For example, in Hiscox London Market we enhanced our malicious attack offering with resilience training during the year; in Hiscox ILS we launched a special opportunities portfolio in response to market dynamics; and in the UK we are adapting to the FCA's new customer-focused Consumer Duty regulations.

Our approach is to consider not just the transfer of risk through insurance, but also how we can help our customers mitigate the risks they face. In cyber, we do this through the training and education we offer as part of the Hiscox Risk Academy, and in home insurance we do it through our partnership with LeakBot, an early leak detection system that we've provided to over 8,000 Hiscox UK insured homes to date. You can read more about our approach to risk transfer and risk mitigation on pages 18 to 19.

During the year we also reflected on the impact on our customers of the rising cost of living, leading to enhanced vulnerable customer training in the UK and the development of a cost of living dashboard through which to regularly monitor changing customer behaviours.

The work we do with customers is recognised in our strong customer satisfaction scores for the year (see page 5).

Supporting our communities

Supporting the communities in which we work has been part of our DNA for decades, and our charitable foundation, the Hiscox Foundation, dates back to 1987. We focus our charitable giving around three strategic pillars:

- social mobility and entrepreneurship;
- protecting and preserving the environment;
- causes our people are passionate about.

During 2022, we donated over $1.8 million to good causes and our people spent over 1,400 hours volunteering. This included targeted donations that recognise specific events such as the Russia/Ukraine conflict and the floods in Pakistan. During the year, in recognition of the rising cost of living and the increasing costs that charities are facing, we increased our donations to our UK multi-year partners in line with inflation for the 2022/23 financial year.

Being a great place to work

Building an engaged and inclusive workforce was a strategic priority for us in 2022. We made great strides in reviewing our employee proposition and introduced new rewards for colleagues including our share ownership scheme, HSX:26. We also introduced 'Hiscox days' – an additional two days for employees to do whatever matters most to them. A new sabbatical policy came into force, which provides four weeks' paid leave for every five years of service. These changes were the result of a renewed focus on listening to what employees want, and most importantly responding to it. The impact is reflected in our 2022 employee engagement results – our best in ten years (see page 3).

We also continue to progress our diversity, equity and inclusion (DEI) efforts, as we strive to build teams that are as diverse as the customers we serve. We currently have 18 employee network chapters, including a new 'global abilities' network focused on disabilities and neurodiversity, which we introduced during 2022. More information on our approach to DEI can be found on page 95 to 97.

We have been an accredited Living Wage employer in the UK since 2019, but in 2022 we recognised the additional challenges of high inflation levels and an increased cost of living on our people. As a result, we made one-off cost of living lump sum payments of £1,500/$1,500/€1,500 to the lowest-earning portion of our workforce – benefitting 38% of our people.

Governance

As a global insurer, good governance practices are essential to our day-to-day business of serving customers and paying claims.
That means having appropriate internal controls, policies and procedures, and structures and oversight, but it also means ensuring all employees are accountable for their actions and empowered to raise their hand if something goes wrong. As a Bermuda-domiciled, UK-listed business, we comply with the Bermuda Companies Act, the UK listing rules and local country laws in each of the locations where we operate.

More information on our governance practices – including as they relate to ESG and climate-related issues – can be found in the risk management, TCFD and corporate governance sections of this report.

Social commitments and partnerships

Black Insurance Industry Collective (BIIC)

SEO London

Insuring Women's Futures

UK Living Wage employer

Gender/sex diversity at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management*	Percentage of Executive Management and direct reports†	Percentage of all employees
Men	7	64%	4	7	58%	53%	49%
Women	4	36%	–	5	42%	47%	50%
Not specified/prefer not to say	–	–	–	–	–	–	<1%

Ethnic diversity at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management*	Percentage of Executive Management and direct reports†	Percentage of all employees
White British or other white (including minority-white groups)	10	91%	3	9	82%	83%	74%
Mixed/multiple ethnic groups	–	–	–	–	–	1%	2%
Asian/Asian British	1	9%	1	2	18%	4%	9%
Black/African/Caribbean/black British	–	–	–	–	–	6%	7%
Other ethnic group, including Arab	–	–	–	–	–	–	3%
Not specified/prefer not to say	–	–	–	–	–	6%	4%

*For the purposes of the UK Listing Rules, Executive Management includes the Group Executive Committee (the most senior executive body below the Board) and the Company Secretary, excluding administrative and support staff.
†For the purposes of the UK Corporate Governance Code, senior management (which for consistency we refer to as Executive Management in the tables above) includes the Group Executive Committee and the Company Secretary and their direct reports, excluding administrative and support staff.

Our approach to gender/sex and ethnicity data collection and reporting is consistently applied in the countries where we collect this data, according to local law and custom. We use the Group's online HR management system, Workday, to collect and securely store this data.

In all countries, employees can choose to self-report their gender/sex or specify that they 'prefer not to disclose'.

In the countries where we collect ethnicity data (currently UK, Bermuda, USA and Guernsey), employees can choose to self-report their ethnicity, specify that they 'prefer not to disclose', or not provide an answer at all (leave blank).

The self-reported ethnicity options provided in each country are aligned to the options provided in that country's government census, and have been collated corresponding to the UK Listing Rules' prescribed categories. Any ethnicities reflected in a country's census that do not align with one of the prescribed categories in the table were included in the 'other ethnic group' row data.

The data reported here includes the self-reported data provided by our employees in the countries where we collect the data. For any data categories where an employee has not provided a response, these employees are counted in the 'not specified/prefer not to say' row. We do this so that, to the best of our abilities, all employees in the countries where we collect the data are accounted for.

The data does not include employees in countries where we do not collect the data.

Note: some totals may not tally due to rounding.

Task Force on Climate-related Financial Disclosures (TCFD)

Reporting against the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) is a requirement of the Financial Conduct Authority (FCA) for all premium-listed firms on a 'comply or explain' basis.

We have been reporting against the TCFD-aligned ClimateWise Principles since 2019 and are public supporters of TCFD. Our annual climate report sets out our approach to climate-related matters in every part of our business, including from a governance, risk management, operations, underwriting, investment, and marketing perspective. It is our richest source of climate-related information and expands on the information set out below, so for more information go to: **hiscoxgroup.com/2022climatereport.**

Governance

Structure and oversight

We have an established and embedded governance structure for climate-related matters, with robust and rigorous processes for identifying, measuring, monitoring, managing and reporting climate-related matters (including climate-related risks and opportunities) across the Group. This spans from an operational level up to the Sustainability Steering Committee, the Risk Committee of the Board, and the Board itself – see page 64 for an overview of structure, membership, roles and responsibilities and frequency of meetings, including management's role in assessing and managing climate-related risks and opportunities.

While this structure also covers broader ESG matters, climate-related matters are an important component of this and as such are regularly debated and discussed. During 2022, this included:

- discussion and approval at the Sustainability Steering Committee of the 2022/23 ambitions outlined in our 2022 climate report;
- annual review of the ESG exclusions policy and the responsible investment policy, coordinated by the ESG working group (and, in the case of the responsible investment policy, the Group Investment team) and approved by the Sustainability Steering Committee;
- meetings with catastrophe model vendors to discuss latest modelling developments, led by our catastrophe modelling team, which contribute to the work of the Natural Catastrophe Exposure Management Group (see page 64);
- deep-dive session with the Board on how we account for the effects of climate change in our modelling.

In our UK legal entities, this structure is bolstered by the appointment of senior managers with overall regulatory responsibility for managing the financial risks from climate change, in line with the UK's Senior Managers Certificate Regime (SMCR). The climate action plans we have developed as part of SMCR are considered not only through the relevant management meetings and subsidiary boards but also at the Sustainability Steering Committee to ensure appropriate inputs and oversight and drive progress.

Training and building expertise

We also consider the training and development requirements of those with oversight responsibilities and accountability for climate matters to ensure we have appropriate awareness and expertise to drive progress. In 2022, this included an externally facilitated climate training session, available to all Board Directors, to explore the requirements and competencies of a climate-informed board alongside horizon scanning of future expectations and regulatory requirements. This is now an annual feature in the Board calendar so we will continue to build expertise at our most senior level in 2023.

Other opportunities to further build in-house expertise are also considered on a team-by-team, function-by-function basis. For example, senior members of our in-house investment team have upskilled in ESG and climate matters by gaining accreditation in the form of the CFA Certificate in ESG Investing, and by attending a course led by The University of Oxford's Sustainable Finance Group.

We will consider further ESG or climate-specific training in 2023 as appropriate.

Policies and processes

The governance structure we have embedded for climate issues is also supported by a range of relevant policies and processes that we expect both our staff and our third-party providers to adhere to. These include the following:

- the Hiscox Group ESG exclusions policy, more information on which can be found on page 56. Oversight of this policy belongs to the Sustainability Steering Committee, with implementation of it driven at a business unit and function level across both underwriting and investments. The policy is reviewed annually and its 2022 review resulted in no changes;
- the Hiscox Group responsible investment policy, which outlines our expectations of both our in-house investment team and our external asset managers. This includes: our investment processes and

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Find out more about our modelling of extreme natural catastrophe loss scenarios.

64
Find out more about our governance structure for climate-related matters.

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. This policy is owned by the Group investment team with oversight from both the Sustainability Steering Committee and the Group Investment Committee. The policy is reviewed annually and its 2022 review resulted in some small adjustments to reflect progress, such as becoming a Principles for Responsible Investment (PRI) signatory;
- the Hiscox Group environmental policy, which 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 external requirements. While the policy is owned by our Chief Operations and Technology Officer and reviewed periodically, its effective implementation relies on Group-wide adherence to the environmental principles we wish to live by. During 2022, it was updated to reflect the Group's new net-zero aligned GHG targets;
- the Hiscox Group supplier code of conduct, which outlines how our corporate values and commitments to doing business in a socially responsible way extends to our relationships with suppliers and any subcontractors they may use. It covers areas including our commitment to fairness in the supplier selection process; supplier diversity; engagement; our expectations of how our suppliers behave as well as their obligations in adhering to laws and regulations regarding employment, health and safety, human rights and labour practices, the environment, diversity and inclusion, and anti-bribery and corruption. It is owned by our Group procurement team, shared with suppliers during the procurement process and published on **hiscoxgroup.com**. The supplier code of conduct superseded the ethical guide to suppliers during 2022.

These governance policies and processes are complemented by our long-standing active risk management practices, which include climate-related stress testing and scenario analysis (see pages 46 to 47), both through our own established internal programme of stress testing and scenario analysis and also as participants in market-wide activities such as the Bank of England's Climate Biennial Exploratory Scenario (CBES) in 2021 and the PRA's General Insurance Stress test (GIST) in 2022. Examples of the outputs of our internal work include the property extreme loss scenarios detailed on page 46, which show the potential financial impact to the Group of events including Japanese earthquake, Japanese windstorm, European windstorm, US earthquake and US windstorm. Our risk management practices also include the work of our exposure management groups, which is outlined on pages 63 to 65.

Our governance work culminates in regular, repeatable climate-related public reporting and disclosures. This includes owned reports such as our annual climate report, as well as global standards that provide a means of independent peer comparison such as CDP, ClimateWise, Dow Jones Sustainability Index, MSCI and Sustainalytics. An overview of our 2022 performance resulting from these disclosures can be found on page 65. These scores are used to inform areas of improvement for the year ahead, alongside our own ESG plans, with the resulting action plans agreed by the Sustainability Steering Committee.

Strategy

Annual business 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, 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

More information on our approach to ESG and, in particular, climate can be found at **hiscoxgroup.com/responsibility.**

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Find out more about our full GHG inventory, including emissions arising from our investment portfolio.

GHG emissions are calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) and UK government SECR guidelines. Note some emissions totals may not tally due to rounding.

This table shows Group GHG emissions in line with SECR requirements, which differ from our full GHG inventory on page 57. In our full GHG inventory you will find information on emissions arising from investments, business travel and other elements not required under SECR.

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 of the Board;
- enhancements to existing processes for measuring and monitoring the Group's carbon emissions, which were addressed during 2022 through the introduction of a half-year footprinting process to provide mid-year oversight of the data and which further improved data quality.

These outputs are 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.

Climate-related risks and opportunities
We consider climate change to be a cross-cutting risk with the potential to impact each existing risk type. It could have a material impact on the Group, by altering the frequency and severity of extreme weather events that we are exposed to through our underwriting, but it could also present an opportunity, driving greater demand for cover against changing weather trends and creating a need for innovative new products that meet emerging needs.

In addition to the physical impacts of a changing climate, the Group is also aware that the transition to a low-carbon economy, necessary to limit the worst physical impacts of global warming, also presents significant business challenges, as well as opportunities. One example of this is climate litigation risk, where one party may seek to

Near-term climate risks and opportunities (0-5 years)	Medium- to long-term climate risks and opportunities (5+ years, up to 2050)
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.	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 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.	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.
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 benefitting 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.	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.

Streamlined Energy and Carbon Reporting (SECR) GHG emissions

Activity	2022 energy (kWh)	2022 emissions (tCO_2e)	2021 energy (kWh)	2021 emissions (tCO_2e)	Year-on-year change in emissions (tCO_2e)
Scope 1 total		786		678	16%
Natural gas	2,439,188	445	2,342,644	441	1%
Company cars	1,048,235	250	377,056	87	189%
Refrigerants		91		150	-39%
Scope 2 (market-based) total		927		866	7%
Electricity (location-based)	5,311,279	1,313	5,603,303	1,484	-12%
Electricity (market-based)	5,311,279	874	5,603,303	847	3%
District heating	307,720	53	108,999	19	182%
Operational Scope 3 total		19,298		17,116	13%
Total operational footprint (market-based)		21,011		18,660	13%
Total Scope 1 and 2 – UK proportion (market-based)		29%		36%	-20%

recover climate-change-related losses from another who they believe may have been responsible.

The governance and risk management structures we have in place are critical to the delivery of the annual Group operating plan (outlined above) and ensure a coordinated approach to climate and other issues across the Group. These structures are supported by investments in technology – to ensure the right modelling and data are available to support our pricing and exposure – and by in-house expertise – where we combine off-the-shelf climate views with our own claims expertise and insight to form a unique view (what we call the 'Hiscox view of risk').

Therefore, we consider the potential impact from climate-related issues over short-, medium- and long-term time horizons which are defined opposite and which broadly align with business planning timeframes.

In 2022, Hiscox Syndicate 33, Syndicate 3624 and Hiscox Insurance Company (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.

In order to meet future disclosure requirements in this area, 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 two degrees 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.

Risk management

Approach

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

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 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 in place with sufficient support.
- Typically twice-yearly discussion on ESG strategy, trends, opportunities, vulnerabilities, and emerging issues.

Risk Committee

- Advises 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 Sustainability Steering Committee.
- Sets high-level Group strategy, priorities and ensures delivery across the Group.

Group Executive Committee (GEC)

- Periodic ESG sessions.
- Sets business unit or function ESG-related strategy, 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, driving 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 activity 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.

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.

ESG disclosure

We recognise the importance of credible, repeatable and comparable ESG disclosure which is why we contribute to a number of independent ESG standards.

2022: B grade
2021: B- grade

CDP – DRIVING SUSTAINABLE ECONOMIES

2022: AA grade
2021: A grade

MSCI

2022: 83%
2021: 72%

ClimateWise – Insuring a sustainable future

2022: 28.7
2021: 27.1

SUSTAINALYTICS

2022: 45/100
2021: 40/100

Dow Jones Sustainability Indexes

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 (see pages 8 to 11 for a summary of our key risks), 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 (see below).

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.

Metrics and targets

The cornerstone of our climate-related metrics and targets is our Board-approved GHG emission reduction targets, which were created using SBTi methodologies that align with a 1.5°C net-zero world by 2050. This is in keeping with our commitments as a signatory to the 2015 Paris Climate Agreement.

GHG targets

Our GHG targets commit us to:
- reduce our Scope 1 and Scope 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.

*Baseline year adjusted in light of Covid-19-related lockdown measures,to reflect a more normal year in terms of business travel etc.
†Operational Scope 3 emissions predominantly consist of purchased goods and services and capital goods, and business travel (air, rail and car travel). More information on the Group's operational Scope 3 emissions can be found on page 57.

Interim GHG targets and progress

We recognise that achieving these targets will take collective, consistent effort and have started work towards achieving them, as outlined below. This will continue in 2023, when we will also publish our low-carbon transition plan for the Group.
- In addressing our Scope 1 and Scope 2 targets, we have this year introduced a new half-year carbon footprint process in order to further enhance data transparency and provide a new midpoint for internal tracking and review. We have also reviewed all electricity contracts across the Group to further improve our evidence base and oversight as we migrate to renewable electricity contracts wherever possible. 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.
- On Scope 3, where emissions are dominated by our investments, as previously announced we have set a number of interim targets: that we will aim for more than

25% of our corporate bond portfolio by invested value to have net-zero/Paris-aligned targets by 2025, followed by 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 currently making good progress towards the first of our interim targets, with approximately 20% of our corporate bond portfolio having net-zero/Paris-aligned targets as at year-end, and will continue to engage with our managers on further net-zero plans and action.

Progress against these targets will be driven by our ESG working group and overseen by our Sustainability Steering Committee. Progress will also be recorded through our annual carbon reporting cycle, and we will seek to remain operationally carbon neutral through offsetting, as we have been since 2014. More information on our 2022 carbon emissions can be found on page 57.

Metrics and targets beyond GHG

- The monitoring and measurement of underwriting and investment exposure to carbon-heavy sectors including coal-fired power plants and coal mines, oil sands and Arctic energy exploration (beginning with the Arctic National Wildlife Refuge), in line with our Group ESG exclusions policy.
- Annual investment portfolio sustainability reviews, taking into account climate-related issues, in line with our responsible investment policy.
- The growth and exposure of sustainable underwriting products such as flood and renewable energy products.

These activities are owned by the relevant business areas, from underwriting to investments, with progress reported through the embedded ESG governance structures. These metrics and targets are complemented by external key performance indicators, such as our public ESG disclosure scores (see page 65) and our annual climate report, which assess our progress against climate-related activities during the prior year and outlines our plans for climate-related action in the year ahead.

TCFD disclosure mapping compliance statement

Theme
Governance Disclose the organisation's governance around climate-related risks and opportunities.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Read more in our 2022 CDP disclosure
hiscoxgroup.com/cdpdisclosure2022.

Read more about our approach to climate change in our 2022 climate report*, available online at
hiscoxgroup.com/2022climatereport.

*Our 2022 climate report was published in August 2022 and covers our climate-related activities between July 2021 and July 2022. Where we reference information from that report, that information remains correct at 8 March 2023.

Disclosures have been made against the TCFD recommendations, taking into account the TCFD supporting guidance, and in consideration of the FCA listing rules. Where additional information outside of this report aids our TCFD disclosure, links to this information have been provided, and where we have not yet disclosed fully against the recommended TCFD disclosure, we have outlined why this is and the actions already being taken towards meeting the disclosure requirements within the timeframe given.

Recommended disclosure	Status	Reference
Describe the organisation's governance around climate-related risks and opportunities.	Disclosed.	2022 climate report* pages 9 to 12. CDP climate questionnaire 2022.
Describe management's role in assessing and managing climate-related risks and opportunities.	Disclosed.	2022 climate report* pages 15 to 16. CDP climate questionnaire 2022.
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Disclosed.	2022 climate report* pages 24 and 28. CDP climate questionnaire 2022.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Focus on developing low-carbon transition plan to enhance disclosure.	CDP climate questionnaire 2022.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Focus on identifying risks and opportunities to progress towards disclosure.	2022 climate report* page 13. More information on steps being taken towards meeting this disclosure requirement can be found on page 63.
Describe the organisation's processes for identifying and assessing climate-related risks.	Disclosed.	2022 climate report* pages 15 to 16 and 27 to 32. CDP climate questionnaire 2022.
Describe the organisation's processes for managing climate-related risks.	Disclosed.	2022 climate report* pages 15 to 16 and 27 to 32. CDP climate questionnaire 2022.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Disclosed.	2022 climate report* pages 10 to 13 and 15 to 16. CDP climate questionnaire 2022.
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Additional indicators to monitor and manage risk exposure, including TCFD's cross-industry climate-related metrics, to be considered over time.	2022 climate report* pages 21 and 37. CDP climate questionnaire 2022. See Hiscox Group website.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Disclosed.	2022 climate report* pages 36 to 37. CDP climate questionnaire 2022. See Hiscox Group website.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Disclosed.	2022 climate report* pages 36 to 38. CDP climate questionnaire 2022.