

ESG

An overview of Hiscox's approach



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How we think about ESG

A pragmatic approach

We take our role in the world seriously and want to play a responsible part in society. Being an insurer our customers can rely on really matters to us, and if we do our job well, our customers and society benefit when times are tough.

It's this philosophy – and our values – that underpins our approach to ESG.

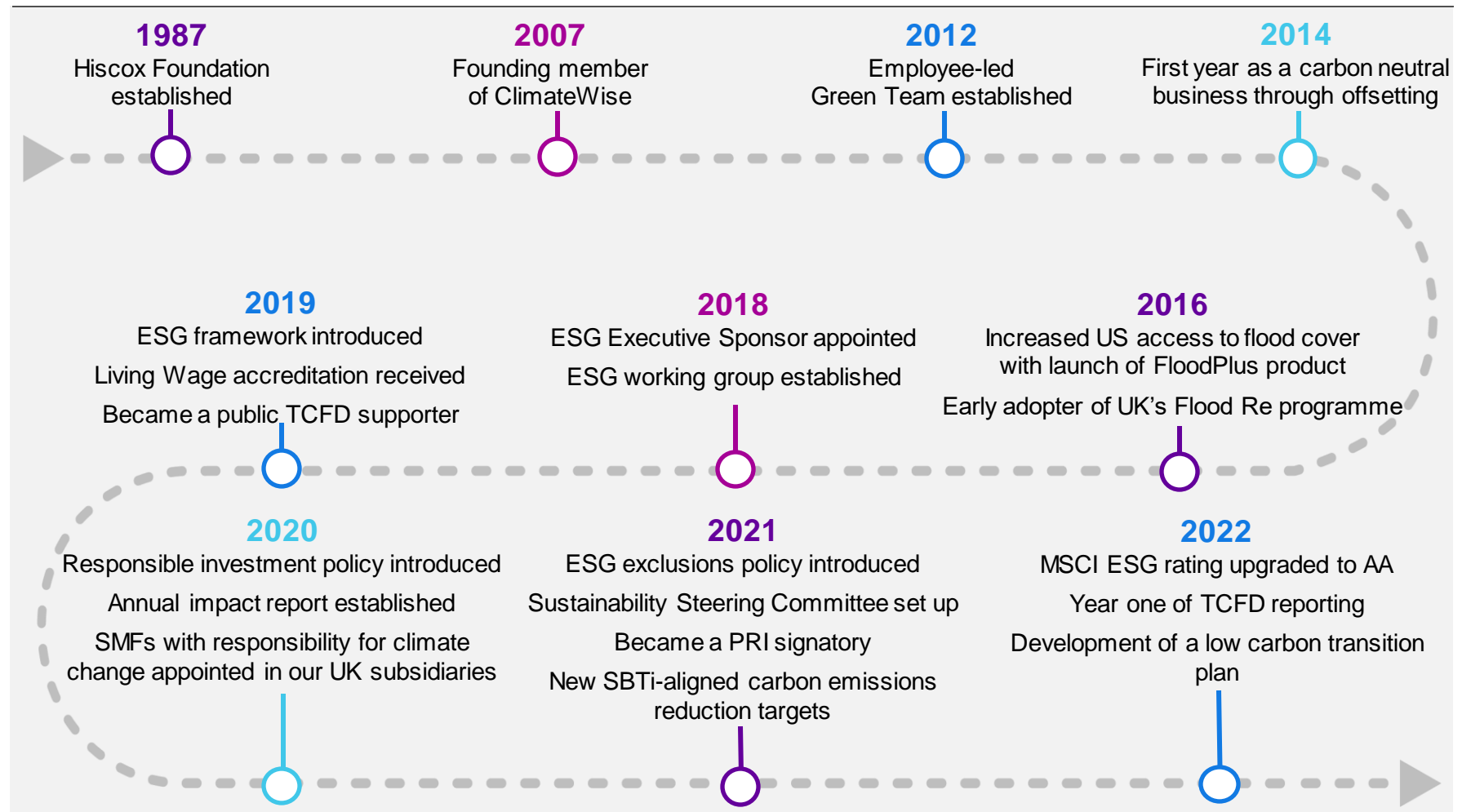
ESG issues touch many different parts of our business. In some, such as catastrophe modelling and research, we want to be market leading. In others, we want to keep pace with regulation and public interest.

The Hiscox ESG framework helps us stay focused and make an impact where it matters most.



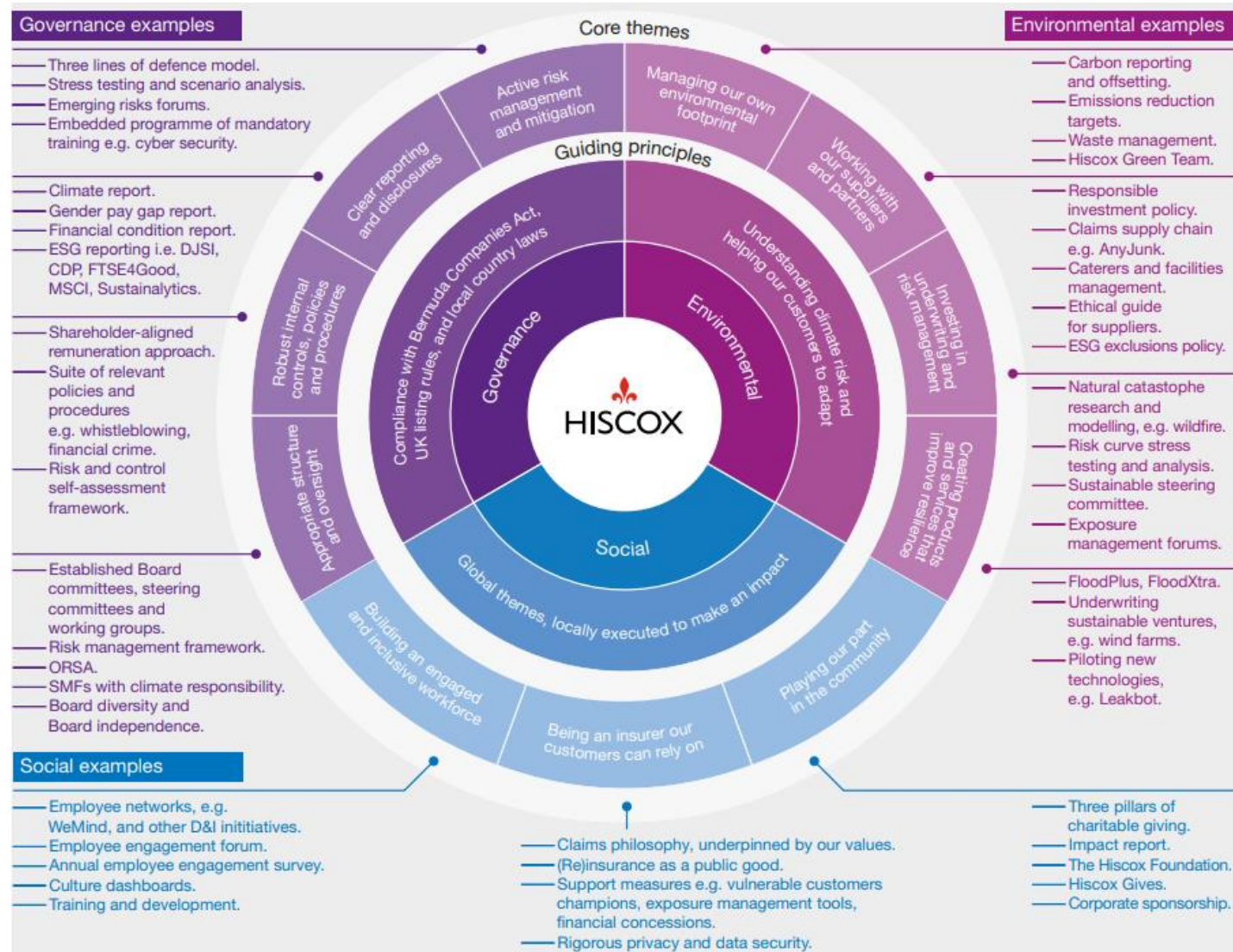
Our ESG journey

A long-term focus on where we can make a difference



Our ESG strategy

The Hiscox ESG framework



Embedding sustainability in how we do business

A cross-function focus



Investments

- Eliminated our exposure within all directly held bonds in line with ESG exclusions policy
- Investment in sustainable and impact assets including green bonds has reached over \$250m
- Annual ESG assessments for all our asset managers
- Integrated ESG data provider, which is deepening our use of data



Underwriting

- Defined categories to track risks by ESG status, starting in Hiscox London Market
- Responding to new ESG guidance from Lloyd's
- Refining our view of climate risks and opportunities through targeted action plans
- Participation in CBES, ClimateWise and Sustainable Markets Initiative providing new insights

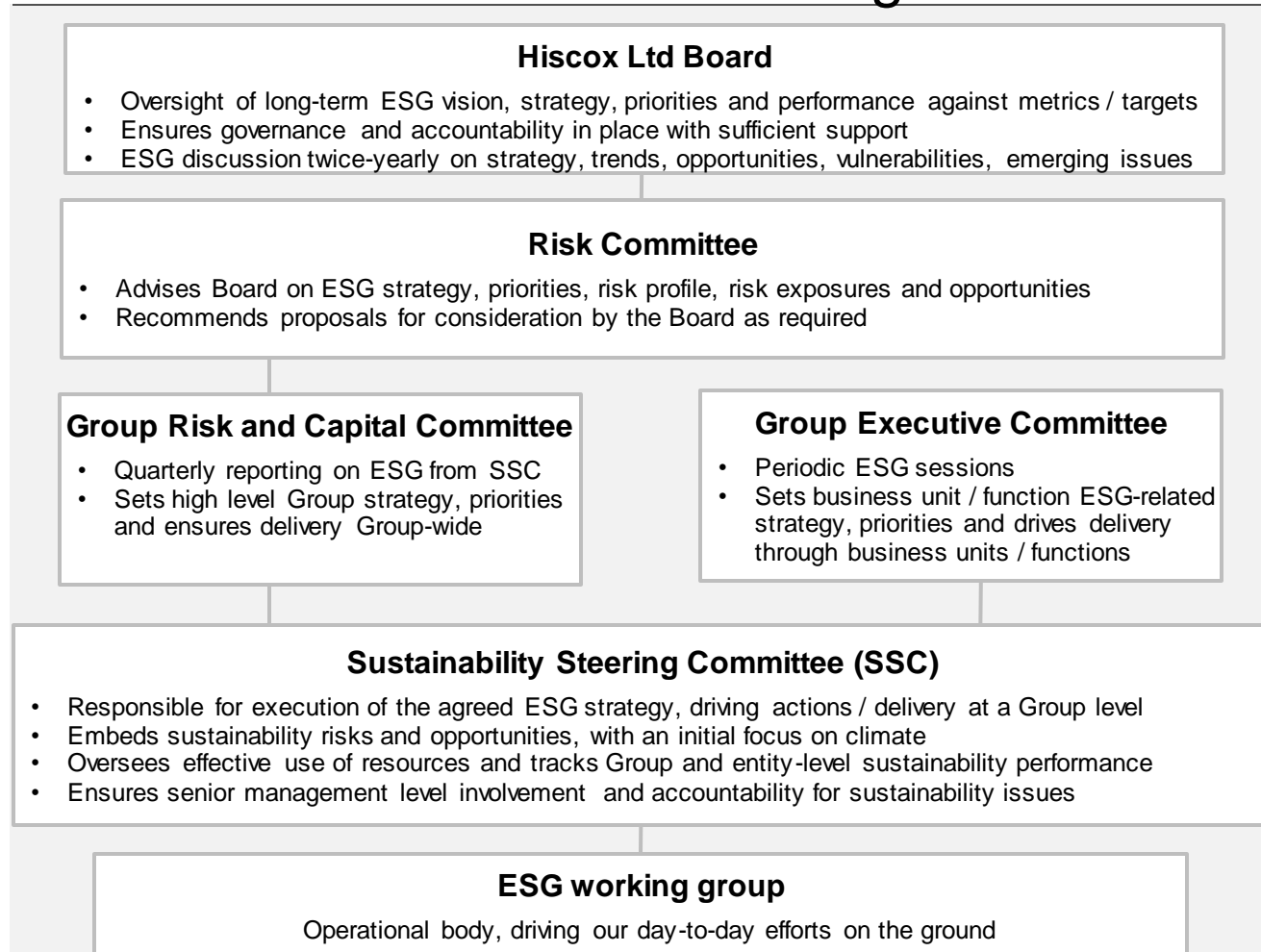


Operations

- Embedding new net-zero by 2050 GHG targets
- Enhancing our sustainable procurement processes
- Developing our low carbon transition plan in line with regulatory requirements

Governance structure

ESG working group and Sustainability Steering Committee, with Executive and Board oversight



Contributors to our ESG story



Our employee networks
Run by employees for employees.

Employee networks

Finding new ways to connect and collaborate



UK Parents

WOMEN
AT HISCOX



Pan-African
The Hiscox employee network

PRIDE



Parents and
Caregivers



LATINO
The Hiscox Employee Network

GENERATION HISCOX



- 15 employee network chapters focused on:
 - mental health
 - parents and carers
 - generations
 - Latino
 - pan-African
- Driving initiatives including use of pronouns, and an internal 'voices' campaign to promote the sharing of personal D&I experiences
- Promoting events such as International Women's Day, Black History Month and Mental Health Day

Highlights from the last 12 months

Significant progress in key areas



- Began implementation of new underwriting and investment exclusion policies
- Established new Board-approved, SBTi-aligned greenhouse gas targets for the Group
- Reduced our operational emissions by 36% year on year
- Now in our seventh year as a carbon neutral business



- Donated \$1.5 million to good causes and spent over 1,000 hours volunteering
- Paid \$1.25 billion in claims worldwide in 2021
- Employee engagement – 73% of employees proud to work for Hiscox, 90% believe in our corporate values



- Employee engagement network ensures workforce views are reflected in Board decision-making
- Boosted existing disclosures by becoming PRI and PSI members
- Fifth year of UK gender pay reporting – mean gap at 19.1% following steady year-on-year reductions
- All Group Executive Committee members now have an ESG objective

Ambitious GHG targets for the Group

Net-zero, Paris-aligned

- Reduce our Scope 1 & 2 emissions by 50% by 2030, against a 2020 baseline*
- Reduce our Operational Scope 3 emissions by 25% per FTE by 2030, against a 2020 baseline*. We will remain operationally carbon neutral, as we have been since 2014
- 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 as it emerges

GHG emissions

During 2021, our total operational footprint decreased by 36%. Natural gas usage increased, driven by staff returning to our offices post-pandemic and better quality data from a number of sites. When it comes to electricity usage, we have benefitted from continued adoption of renewable energy sources. Business travel emissions has seen a significant drop due to the fact that 2021 was the first full year of post-pandemic travel patterns. We expect to see a rebound in travel emissions as work patterns normalise.

Scope	2021 (tCO ₂ e)	2020 (tCO ₂ e)	Year-on-year change
Scope 1	678	615	10%
Scope 2 (market-based)	866	1,111	-22%
Total Scope 1 & 2	1,544	1,726	-11%
Scope 3 (operational)	17,116	27,461	-38%
Total operational footprint	18,660	29,187	-36%
Scope 3 (non-operational)	8,458	7,046	20%
Investments	125,156	135,275	-7%

*The 2020 baseline has been adjusted for Covid-19 to ensure it reflects a more normal year with regards to business travel, etc.

Key policies

Responsible investment and ESG exclusions

ESG exclusions policy

- Ambition to reduce steadily and eliminate by 2030 our insurance, reinsurance and investment exposure to:
 - thermal coal-fired power plants and coal mines,
 - Arctic energy exploration activities,
 - oil sands, and
 - controversial weapons
- Aligns with Lloyd's ESG ambitions
- Supported by a repeatable process of building climate risk into our products and stress testing
- Balanced by growing big-ticket exposure to sustainable ventures – wind farms, crop insurance, renewables

Responsible investment policy

- Guided by ESG exclusions policy
- Annual reviews of ESG integration and engagement with all third party managers
- ESG embedded in investment team objectives
- ESG training in place for senior investment team members
- Developing ESG data analytics tools across whole portfolio
- 100% of our third party managers currently signed up to PRI or equivalent – and we became PRI signatories in 2021

Performance and measurement

Public scores, memberships and accreditations



2021: 72%
2020: 66%



2021: B-
2020: C



2021: 40/100
2020: 35/100



FTSE4Good

2021: 3.3/5
2020: 4.1/5



2021: A
2020: A
Upgraded to AA in August 2022



2021: 27.0%
2020: 25.6%

Memberships and accreditations



Environmental activity

An overview

Operations

- Long-standing annual cycle of carbon reporting
- Carbon neutral business (through offsetting) since 2014
- Ambitious net-zero, Paris-aligned emission reduction targets for the Group, using SBTi methodologies
- Network of employee-led country Green Teams, driving local initiatives that promote recycling and reduce waste
- SMFs with climate change responsibility for HIC and HSL

Products and partnerships

- Leading suite of flood products – FloodPlus, FloodXtra, Flood Re
- Services that improve resilience – Leakbot
- Partnerships to reduce claims waste to landfill – AnyJunk

Research and insight

- Market-leading catastrophe research team, responsible for developing ‘the Hiscox view of risk’
- Publish progress annually in our TCFD-aligned climate report
- Group CEO involvement in the Sustainable Markets Initiative Insurance Task Force
- Members of ClimateWise, Lloyd’s Market Association ESG working group, and LightHill Risk Network – sharing insight across the industry

Social activity

How we support customers, employees and communities

Customers

- Paid \$1.25 billion in claims worldwide in 2021
- Support SME growth, with Hiscox DPD business now serving over 910,000 customers globally – addressable market of c.50 million small businesses
- Growing network of vulnerable customer champions to support those requiring additional support when accessing our products and services
- Products and tools to make our customers safer:
 - Hiscox CyberClear Academy, a NCSC-approved cyber training programme for customers – used by over 26,000 people from almost 6,000 businesses since 2017
 - Hiscox Cyber Exposure Calculator to help businesses understand and manage their cyber risk

Employees

- Annual employee engagement survey assesses how connected employees feel to Hiscox
- Employee engagement network ensures workforce views inform Board decision-making
- 15 employee network chapters, e.g. WeMind, LGBT+
- Ongoing focus on training and talent development – over 43,500 training hours completed in 2021
- Growing network of 60+ mental health first aiders
- Living Wage employee
- 50/50 gender diversity amongst all employees
- Comply with Hampton-Alexander and Parker Review provisions
- Race at Work Charter signatory

Communities

- Three pillars of charitable giving:
 - social mobility/entrepreneurship
 - protecting and preserving the environment
 - causes our people are passionate about
- Gave \$1.5 million to good causes in 2021, including through new multi-year partnerships with charities such as Social Ark, Dress for Success and London Wildlife Trust
- Hiscox Gives is our employee-led fundraising and volunteering network – from beach clean-ups in Bermuda to helping primary school children with their reading in London

Governance activity

An overview of key areas of governance

Board structure and oversight

- Seven of 11 main Board members are independent, and independent NEDs also sit on our subsidiary boards and key committees
- Successful Group CEO transition during 2021, and Group CFO transition during 2022
- Met the requirements of the Hampton Alexander Review on gender diversity and Parker Review on ethnic diversity at Board level

Remuneration

- Changing remuneration structure for middle management and below to increase focus on – and incentivise – individual performance
- Dividend payments resumed during 2021

Compliance

- Robust portfolio of policies guide our approach – from tax and the environment to underwriting and investment exclusions
- Comply with all relevant legislative and regulatory requirements, e.g. UK gender pay report, financial condition reports
- Embedded internal programme of annual stress testing, which includes our participation in the PRA's annual General Insurance Stress Test (GIST) and the Bank of England's CBES exercise
- Established programme of mandatory training for all employees, e.g. information security, financial crime, data privacy

Board of Directors



Non Executive Chairman

Robert Childs

Appointed Chairman: February 2013

Appointed to the Board: September 2006



Executive Director

Aki Hussain

Group Chief Executive Officer

Appointed to the Board: September 2016



Executive Director

Paul Cooper

Group Chief Financial Officer

Appointed to the Board: May 2022



Executive Director

Joanne Musselle

Group Chief Underwriting Officer

Appointed to the Board: March 2020



Senior Independent Director

Colin Keogh

Appointed to the Board: November 2015



Independent Non Executive Director

Donna DeMaio

Appointed to the Board: November 2021



Independent Non Executive Director

Michael Goodwin

Appointed to the Board: November 2017



Independent Non Executive Director

Thomas Hürlimann

Appointed to the Board: November 2017



Independent Non Executive Director

Anne MacDonald

Appointed to the Board: May 2015



Independent Non Executive Director

Constantinos Miranthis

Appointed to the Board: November 2017



Independent Non Executive Director

Lynn Pike

Appointed to the Board: May 2015

Group Executive Committee

Driving accountability and progress in all areas



Paul Cooper
Group Chief Financial Officer
Joined Hiscox: May 2022



Robert Dietrich
Chief Executive Officer,
Hiscox Europe
Joined Hiscox: June 1997



Jon Dye
Chief Executive Officer,
Hiscox UK
Joined Hiscox: September 2022



Stéphane Flaquet
Group Chief Operations and
Technology Officer
Joined Hiscox: March 2010



Nicola Grant
Group Chief Human Resources
Officer
Joined Hiscox: September 2022



Aki Hussain
Group Chief Executive Officer
Joined Hiscox: September 2016



Hanna Kam
Group Chief Risk Officer
Joined Hiscox: February 2015



Kevin Kerridge
Chief Executive Officer,
Hiscox USA
Joined Hiscox: December 1996



Kate Markham
Chief Executive Officer,
Hiscox London Market
Joined Hiscox: June 2012



Joanne Musselle
Group Chief Underwriting
Officer
Joined Hiscox: April 2002



Kathleen Reardon
Chief Executive Officer,
Hiscox Re & ILS
Joined Hiscox: January 2021