



SUSTAINABILITY

# Sustainability Strategy 2022-2025

Creating long-term enterprise  
value by doing the right thing

MS Amlin





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\*UN Sustainable Development Goals <https://sdgs.un.org/goals>

The legal entity is MS Amlin Underwriting Limited but for the purpose of this document it shall be referenced as MS Amlin.



## CEO's Letter



### **'We live in interesting times' is an overused phrase these days, but it is true today, perhaps like no other point in living memory.**

Instability appears to threaten our collective and individual way of life. Whether financially and economically, social and politically, not to mention environmentally. The scale of the challenge is immense, yet there is, as there always must be, hope. Hope in the future, hope in our ability to develop solutions, and hope

for our creativity and desire to work together to secure not simply a stable future, but one where we thrive.

This strategy document is intended to place a marker in the ground, acting as a statement of positive and ambitious intent about how MS Amlin plans to support our clients, partners and our business, as we identify and navigate ourselves on the path towards a brighter tomorrow.

This document and the subject at its heart, sustainability, touches every aspect of our business and rightly so. Its scope is broad, the challenge is sizeable and will not be easily solved in a mere matter of years; however the opportunity ahead of all of us is enormous.

As we all know, insurance is one of the major enablers of growth and trade. Without it investment withdraws, appetite remains unsated and development is hobbled. MS Amlin has a major role to play, agitating for positive change, supporting the transition of the economies and clients we support as we move towards our goal of net zero, enabling the decarbonisation of the value chains and sectors where we are most active, and empowering

our people to make pragmatic as well as challenging decisions to move our business and our clients forwards.

Examples of change are not difficult to find; agriculture, renewable energy and property are sectors that will require product reshape and a keen eye to identify rapidly emerging risks and opportunities.

The path ahead will test us, we will all feel uncomfortable at times because without some discomfort, we will not deliver on our promises to grow our business, as well as that of our clients.

This strategy and the actions we will take over the next three years are significant steps on that path.

**I hope you will join us on the journey.**

**Johan Slabbert**

**Chief Executive Officer**  
MS Amlin Underwriting Limited



## Q&A with Head of Sustainability and ESG

### Why is sustainability important to you as a business and an employer?

If it matters to our stakeholders, it matters to us. Besides the fact that we have a corporate responsibility to act ethically, in a manner that avoids harm to society and the environment, our employees have told us that they are passionate about, and prioritise sustainability, in their personal lives. Furthermore, our clients are increasingly wanting to talk about sustainability, and how we might support them in addressing their current and unmet needs. This presents a huge opportunity for closer collaboration and engagement with our employees and our clients. When our stakeholders are engaged in defining sustainability approaches and solutions and are measured on the success of these initiatives, they are more likely to be motivated and effective in driving the change. This is why we asked our people to select our sustainability priorities and enlisted strong support, and created the right accountability, at the most senior levels of the business. It's also why we are focusing significantly on embedding sustainability within our core underwriting processes [Covered more on pages 23 and 26].

### What does sustainability mean for your (re)insurance business?

In simplest terms, the world is transitioning to a lower-carbon future and that poses both risks and opportunities for our business. We (re)insure assets and entities, which work better when properly looked after; and we (re)insure risks from losses from damage caused by natural catastrophes. For the latter, in a world unaligned with the Paris Agreement, the most devastating

storms could occur twice as often as today, heatwaves could be three months longer in areas already exposed to wildfires, for each 1°C of global warming extreme daily precipitation may intensify by ~7% leading to more intense downpours and flash flooding, vector-borne infectious diseases (such as malaria) could affect ~500m more people and coastal flooding could threaten assets worth up to 20% of the global GDP by 2100. Our business model is at risk if we cannot appropriately price for new exposures, where there is limited loss history and / or evidence of inadequate pricing [Covered more on pages 11 and 30].

### Were there learnings that MS Amlin can apply from the COVID-19 Pandemic?

Sustainability is not an add-on to our business strategy, it's part of and supports MS Amlin's overall strategy and growth plans. Our Sustainability Ambition is a conscious decision and we recognise that without it, our business can end up missing out on opportunities and being exposed to unquantified risks. There are a number of parallels between the pandemic and the impacts of climate change. Both are systemic, dynamic, indiscriminatory yet affect the vulnerable the most, and exacerbate existing issues in society. COVID-19 has caused a societal shift, changing the focus from risk mitigation to resilience building, recognising inequality as a 'threat magnifier'. We believe that MS Amlin can play a role, from the sharing of risk assessments through to supporting in risk engineering to help clients adapt e.g. according to the US National Institute of Building Sciences, building retrofits to make structures more resistant to US and Caribbean hurricanes can create \$6 in value to society for every \$1 spent [Covered more on page 16].

### You started working at MS Amlin just after COP26 – what were the main takeaways from Glasgow?

The UK Green Finance Strategy focuses on financial institutions being responsible stewards of capital. COP26, under the UK presidency, set out to secure global net-zero by 2050 and mobilise finance to support this ambition. The Paris Rulebook, which describe how the Paris Agreement can be delivered and secures agreement between all the Paris signatories on how they would reduce emissions, was agreed at COP26. Commitments in a range of other areas were also made, e.g. 103 countries signed up to the Global Methane Pledge to reduce methane emissions by 30% by 2030; 137 countries committed to halt and reverse deforestation by 2030; and over 40 countries declared their support for the global coal to clean power transition statement that seeks to phase out coal power generation by 2030 for developed markets and 2040 for emerging markets.



## Why is the Equality, Diversity and Inclusion (ED&I) agenda core to MS Amlin's sustainability priorities?

If we are part of a majority group, we likely see reflections of ourselves all the time e.g. in magazines, on TV, on social media and in coworkers we relate to and leaders we are inspired by. If, however, we are surrounded by people who don't experience the world, or feel or think like we do, this could lead to extreme loneliness, exacerbated if the tools we need to help to explain those feelings to others are difficult to access or, worse still, unavailable. Every time we use inclusive language, we give a positive signal – that this is a safe environment where all employees are respected and valued for their contributions. For example, by adapting benefits packages to support women at key life stages including menopause and introducing mid-career returner programmes to help women move back into work [Covered more on page 23].

## What are the UNSDGs and how do you use them?

The UN Sustainable Development Goals or UNSDGs were created in 2015, alongside the COP21 climate conference in Paris, as an attempt to map out a series of goals that would tackle the world's most important challenges, with a deadline of 2030. They have become an established global framework, designed to achieve business outcomes AND improved sustainability, and are focused on value creation via sustainable economic development. They align the eradication of poverty with strategies that improve health and education, reduce inequality, and spur economic growth, while tackling climate change and preserving nature – recognising that all of these issues are intrinsically linked. The framework is presented in easy to understand, plain English and includes real world issues that our colleagues and clients relate to. We have chosen to adopt the UNSDGs to define our sustainability priorities and develop our ESG metrics [Covered more on page 12].

## Is achieving the UNSDGs and net zero 2050 commercially viable?

In our current economic system, money holds power. This makes capital an undeniable catalyst in achieving sustainable economic development that supports societies and mitigating climate change. Additionally, the financial case for achieving the UNSDGs and transitioning to net zero is strong. There is potential to achieve operational savings, reduced waste, decreased risk, access to new business areas and models, and enhanced market share. For example, despite being the second largest greenhouse gas emitter in the world after the US, China announced its climate commitments voluntarily and spontaneously, evidencing its belief in the commercial viability of sustainability and economic value of net zero. It is also the largest investor, producer and consumer of renewable energy. [Covered more on pages 12 and 26].

## Data is a perennial challenge – how are you tackling this?

In simple terms, what gets measured gets done. Data is an enabler, which is why we have started to define ESG metrics most relevant to our business and are using these to determine the data requirements. Data has and will continue to be a challenge and this is not unique to ESG data. There is, however, substantial scope for us to better leverage already available data sources, frameworks and standards, including proxies & alternatives. We don't need to wait for perfect data and have chosen to focus on good enough, consistent data. For the ESG metrics to have a meaningful impact on our business, our staff, who know our operations best, will continue to be engaged in metrics development, to drive ownership and accountability. As the sustainability agenda evolves, and we start to embed ESG metrics within business as usual processes and deploy them to inform business decisions, usage will justify expenditure on systems infrastructure and more accurate data sources [Covered more on pages 34 and 37].

## What type of strategy is MS Amlin's Sustainability Strategy?

Our Business Strategy is based on 'being a prestigious underwriting business, with a market presence worthy of our heritage and potential'. Our Sustainability Strategy has been designed to support this by 'creating long term enterprise value by doing the right thing'. There are three key component of our Sustainability Strategy:

- 1. Managing risk within appetite** – Ensuring MS Amlin is well placed to fulfil its regulatory and other committed, sustainability related obligations
- 2. Empowering our people** – Embedding sustainability practices, so that MS Amlin will be better placed to attract, motivate, empower and retain employees
- 3. Supporting profitable growth** – Deploying data, analytics and underwriting expertise to: i) support and influence clients aligning with the UNSDGs and transitioning to net zero; and ii) appropriately price for new exposures arising from investment in net zero technology [Covered more on page 13]

## Where can employees, clients and other stakeholders learn more about sustainability at MS Amlin?



Come and speak to me or any of our Sustainability Committee members. Alternatively, have a look at our website where there is a page dedicated to sustainability, our priorities and the work we are doing to improve our sustainability performance.

**Amir Sethu**  
Head of Sustainability and ESG



## Building Blocks of our Sustainability Strategy

**A clear strategy** to deliver our ambition championed by senior management

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Net Zero 2050 **Sustainability Ambition aligned with Paris Goals**

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**MS Amlin Taxonomy** outlining how sustainability applies to our business

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TCFD and UNSDG aligned **Metrics and Reporting**

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Underwriting and Investments processes **support fair transition**

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**Net Zero Operational Emissions** by 2030 at the latest

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**Climate Scenario Analysis** to assess financial risk impacts of climate change on our balance sheet

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**Robust Governance** that embeds sustainability within decision making

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**Corporate Social Responsibility** aligning commercial aspirations with moral obligation

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**Performance Appraisal / Reward** linked to sustainable outcomes

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**Stakeholder alignment** around doing the right thing to create enterprise value

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**36 month Roadmap** of prioritised actions that support delivery of our Sustainability Strategy

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sustainability  
noun [ suh-stey-nuh-bil-i-tee ]

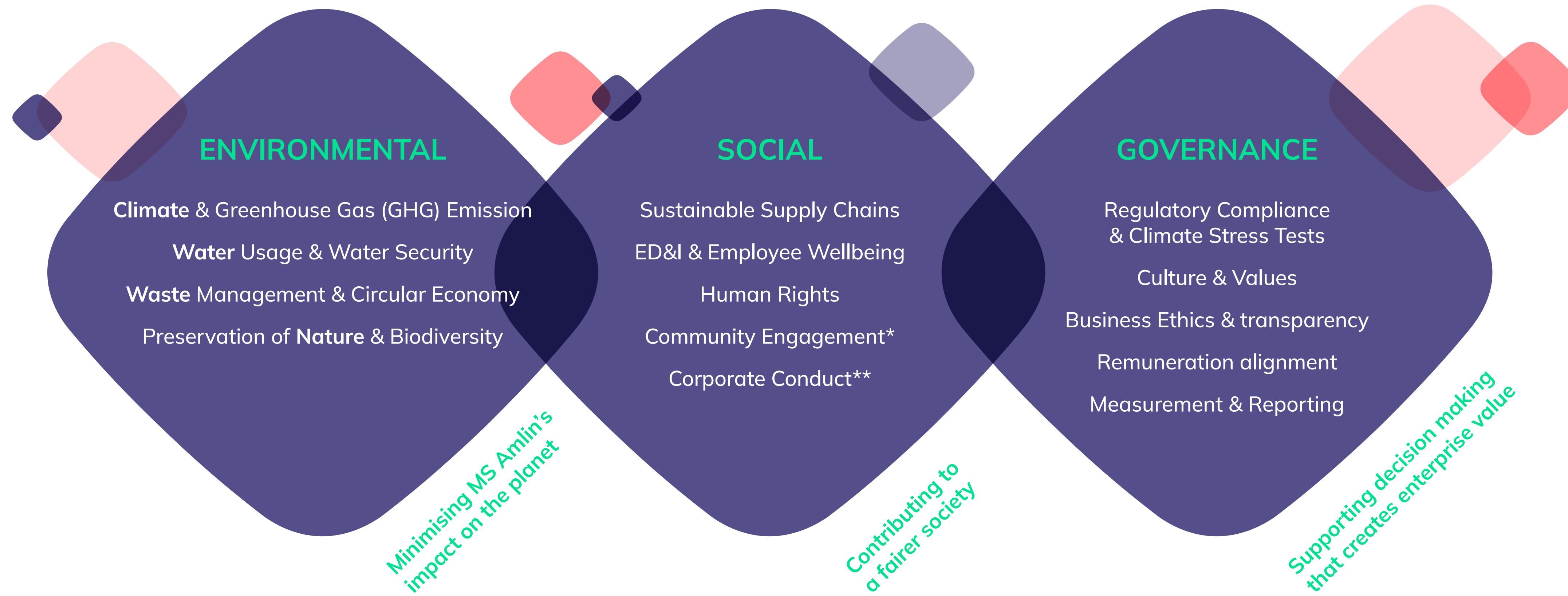
**“Meeting the needs of  
the present generation  
without compromising  
the ability of future  
generations to meet  
their needs”**

(United Nations)





## MS Amlin ESG Taxonomy



\* Community Engagement includes: CSR, fair taxes and taking public positions on sustainability related matters that affect our key stakeholders

\*\* Corporate Conduct includes: Use of customer data, product design/suitability, responsible underwriting and claims philosophies



# Sustainability Ambition

## Sustainability Philosophy (Business Strategy Alignment) :

We are well placed to support and influence clients through net zero transition, strengthening collaborative efforts towards building an inclusive, sustainable and resilient future. Business Strategy Alignment is considered in more detail on page 13. We believe that implementing sustainable business practices will help us to become more socially responsible and create long-term enterprise value. As an (re)insurance business, focused on underwriting complex risks, our business is well positioned to support sustainable economic development; for example, by insuring clean energy installations, schools, hospitals, water sanitation plants, charities and NGOs, supporting the safe decommissioning of brown assets, and promoting the use of decarbonisation technology, where possible.

## Net Zero Goal:

In the context of our overarching purpose, The MS Amlin Board (The Board) has set a target to reach net zero\* by 2050, at the latest, across all aspects of our business. This includes:

- Direct emissions from company-owned or operated facilities and vehicles (i.e. Scope 1 emissions)
- Indirect emissions from the consumption of purchased energy (i.e. Scope 2 emissions)
- All other indirect emissions within our value chain (i.e. Scope 3 emissions)

## Fair Transition:

Equitable, affordable and rational transition that recognises the intrinsic links between Environmental, Social and Governance matters is at the core of our net zero goal. We believe that it is entirely possible, through innovation and collaboration, to build a valuable, profitable and prestigious business whilst addressing society's changing needs, tackling climate change and preserving nature.

(\*We are defining net zero as a state where we add no incremental greenhouse gases to the atmosphere, through a combination of reducing our Scope 1, 2 and 3 emission and offsetting any residual emissions via removal of an equivalent quantity of greenhouse gases from the atmosphere.)





# Alignment with the 2015 Paris Agreement

## What we know

- Ecosystems are being destroyed
- Resources are being exhausted
- Greenhouse gas levels are rising
- The planet is getting hotter
- Inequality is increasing

These trends stem from human activities, primarily driven by industrialisation in the 1900s. They are detrimental to communities, environments, businesses and long-term economic prospects.

## What we are starting to see

- Extreme weather events are intensifying
- Climate change will impact human health
- Existing issues in society will be exacerbated
- The most vulnerable will be affected the most
- Global conflict and security concerns will increase

The increasing intensity, frequency and duration of natural disasters are both a threat to our planet and to our business model.

## *Actions we are taking:*

During the 36 months period covered by the Sustainability Strategy, we will fulfil the target setting requirements specified by the Science Based Targets Institute (SBTi) and submit targets for validation to the SBTi to confirm that the targets we have set to reach net zero emissions by 2050, at the latest, are based on the latest climate science and aligned with the Paris Agreement.



# Key Priorities: Alignment with the UN Sustainable Development Goals

Our sustainability priorities have been developed through two lenses:

- 1 **Adopting the UN Sustainable Development Goals framework (UNSDGs)** – an established global framework developed to achieve business outcomes AND improved sustainability. Input was sought from employees across different business areas through discussions at various fora, where colleagues were asked to select priority UNSDGs. The outcomes were unanimous, with employees voting for the following UNSDGs (reasons shown in brackets):



**UNSDG 13 – Climate Action**  
(significant risk to our planet and our business model; MS Amlin is well placed to influence transition to net zero at its clients through a combination of advice, risk selection and pricing decisions, and product development; MS Amlin is also well placed to respond to climate risk through the provision of catastrophe (re)insurance)



**UNSDG5 – Gender Equality**  
(investing in women and girls is a driver for profound and positive change and key to tackling environmental and societal issues; MS Amlin has the ability to support women in the business directly and to consider how this priority could be reflected within underwriting decisions)



**UNSDG 9 – Industry, Innovation and Infrastructure** (as an insurer of industry and infrastructure, MS Amlin is well placed to support the development of clean and green infrastructure that supports inclusive societies; this includes renewable energy installations, electric grids, clean transport, schools, hospitals and water sanitation plants)

- 2 **Using a strategic risk and opportunity based approach**, which is aligned with strategic business planning and ensuring the resilience of our business model, we have prioritised the following business areas; these, in turn, are aligned with sustainable economic development (refer to: Sustainability Ambition > Sustainability Philosophy (Business Strategy Alignment))

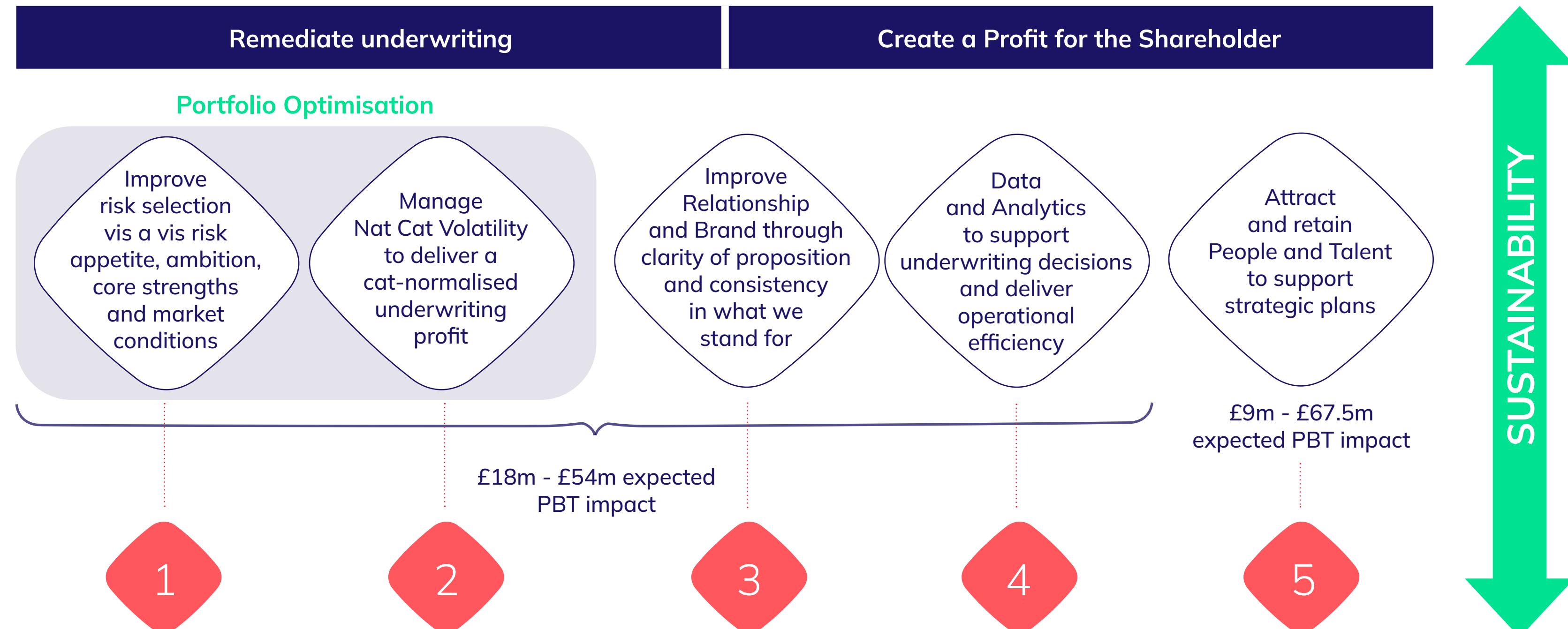
- Underwriting
- Investments
- People and Operations

## Actions we are taking:

During the period covered by the Sustainability Strategy, we will not only use our priorities to guide our actions, but also report on progress against these priorities (refer to section entitled 'Reporting' on page 38)



## Business Strategy Alignment



**Sustainability is intrinsic to our Business Strategy because:**

- Public Interest is elevated – MS Amlin's reputation and credibility with employees and other stakeholders is increasingly related to doing the right thing
- There is an increased appetite from Clients looking for support on sustainability – as they navigate the transition to net zero, respond to changing weather risks and evolve their business models
- Sustainability is at the heart of our parent's vision – there are rising shareholder expectations for MS Amlin to create long term enterprise value by doing the right thing
- Guidance is becoming hard coded into legislation and regulation – principally through sector initiatives; non-compliance could lead to punitive consequences.

**1** As a Lloyd's Syndicate, MS Amlin's strategy is predicated on providing economic resilience to the world's most inherently challenging risks, which includes new and innovative risks arising from the investment in net zero transition and renewable energy. To be consistent with the Business Strategy, the Sustainability Strategy has been developed to cover a period up to 2025, setting out aspirations for the short (12 months), medium (24 months) and longer term (36 months). During the strategy period, global investment in net zero technology is estimated to be USD \$9.5tr\*; renewables are expected to account for 40% of the global power mix by 2025; and flexible assets (gas plants, battery storage devices and hydrogen electrolyzers) will become fundamental for grid stability [SOURCE: McKinsey].

\*\$9.5tr made up of: Electrification \$5tr, Agriculture \$2.5tr, Grid Infrastructure and Software \$1tr, Hydrogen \$500bn, Green Steel and Recyclable Plastics \$250bn, Carbon Capture and Storage \$150bn, Sustainable Fuels \$50bn [SOURCE: McKinsey]

### *Actions we are taking:*

We will deploy data and analytics and leverage our underwriting expertise and technical capabilities to appropriately price for new exposures, where there is limited loss history and / or evidence of inadequate pricing.



2 MS Amlin's Exposure Management Framework measures and manages natural catastrophe loss probability. The highest ranked region-peril at January 2022 is US/Caribbean Hurricane. This adds to the imperative for the business to understand the impact of climate change on the frequency and severity of North Atlantic and Gulf of Mexico tropical cyclones. We have begun to quantify the potential impact of climate change through Climate Scenario Analysis, the Realistic Disaster Scenarios and business planning processes; and assessed the limitations of the Bank of England Climate Biennial Scenario (CBES) assessment scenarios and model assumptions.

### *Actions we are taking:*

We will evolve the CBES scenarios within a framework that includes time horizons, emission pathways, and business use cases (e.g. pricing, vs strategy vs capital) and deploy them to all catastrophe-impacted classes. This will help to price appropriately for exposure, drive better standards and make infrastructure more resilient.

3 By drawing on our deep underwriting expertise, our business strategy positions us to:

- i) Support sustainable economic development, through the risks that we write; and
- ii) Provide value to and influence clients through net zero transition, by addressing current and unmet needs.

### *Actions we are taking:*

Recognising that reviewing risks within a sustainability context is subjective, we will use sustainability frameworks and standards to create further data points that help to define our underwriting culture, and underwriting decisions on individual companies or industries. In this way, we will continue to empower Underwriters through accountability, as opposed to relying on a list of specific underwriting exclusions alone. We will evaluate individuals and teams on their performance and behaviours, embedding a more consistent MS Amlin way of doing things that ultimately will shape what we stand for and what we believe is synonymous with doing the right thing.

4 The correlation between sustainability performance, risk management and long term financial performance of an entity is well documented; there are multiple examples, over the last 40 years, of companies and their stakeholders being impaired by poor ESG performance (e.g. Union Carbide Bhopal chemical disaster in Bhopal, 1984; Exxon Valdez oil spill in Alaska, 1989). A reasonable inference is that ESG performance could help to inform the underwriting due diligence and risk management process.

### *Actions we are taking:*

We will work with Underwriters, Lloyd's (and our other regulators) and ESG data and ratings providers, to examine the link between ESG performance and historic loss ratios. We will integrate relevant ESG data points within our risk selection process to inform our "own view of risk".

5 We believe that consistent long-term underwriting returns are achieved through a broad set of capabilities covering hard and soft skills, and qualitative and quantitative judgments, which will support rigorous portfolio management. The Business Strategy has identified the need to address challenges in talent attraction and leakage, particularly for expert technical roles. Research suggests good sustainability performance is an important driver in attracting and retaining key talent, with people increasingly wanting to work for organisations with a strong social conscience that take proactive steps to make a positive contribution to society and the environment. This is supported by feedback MS Amlin has received from candidate interviews.

### *Actions we are taking:*

We will continue to develop and embed our sustainability practices, so that MS Amlin will be better placed to attract, motivate, empower and retain employees and drive innovation.



## Sustainability Achievements

2021/2 sustainability highlights, aligned with MS Amlin's strategic objectives are as follows:



### Improving risk selection

- Participated in Lloyd's Net Zero Underwriting tool feasibility assessment
- Supported Underwriters through participation in client meetings and input to underwriting submissions
- Supported UW Class Heads to develop ESG Heat Maps for integration within the 2023 Business Plan
- Participation in the ClimateWise initiative; submitted report demonstrating compliance with applicable standards
- Facilitating Underwriter workshops to embed sustainability within the underwriting process
- Participated in Bank of England CBES Climate Scenario Analysis initiative – parts 1 and 2
- Agreed Sustainability Ambition; set net zero target; started to develop responsible underwriting philosophy



### Improving stability of our teams

- Ongoing Collaboration with HR Team on recruitment, underwriting culture, training, performance and reward
- Facilitated employee workshops to provide training and select MS Amlin's sustainability priorities
- Launched MS Amlin forest that restores nature, creates jobs and economic development and promotes gender equality
- Provided sustainability updates / Q&A at all-company and departmental Town Hall meetings
- Met various 3rd party social enterprises, NGOs, not for profit entities and scientific research organisations
- Developed Sustainability pages on website



### Reducing operational inefficiency

- Increased participation in market bodies
- Set up AUL, ABS, AISE, AAG MSI ESG collaboration group to share best practice and avoid duplication
- Developed Responsible Investments Report which will be used as a template for other MSI entities
- Defined sustainability governance
- Organised quarterly meetings with our parent company
- Reduced our London office Scope 2 operational emissions



## Our Role in Society

Our investment in developing and implementing a Sustainability Strategy coincides with an increased appetite of employees, clients, the insurance industry and other stakeholders to talk about sustainability implications and assess more than just financial returns. We believe that this reflects a broad, cultural change within industry, and represents an evolution within society. Despite being a profit driven enterprise, we recognise and celebrate the fact that MS Amlin's commercial activities are not divorced from its moral and societal obligations.

We also recognise that the financial or market implications of environmental impacts often appear to have a higher priority than the social, even where the same underlying activity is the cause of both.

As well as through our products, investments, taxes that we pay and as an employer, we have set on the following pages further examples of how we are creating value in society.





## Employee Wellbeing

### Value to Society

81% employees feel at risk of burnout. Average time off taken for wellbeing issues is 2.7 days. Thriving employees are 7x more likely to work for a firm that prioritises employee well-being. (Mercer Global Talent Trends, 2022). The cost of mental health problems is ~5% UK GDP (LSE, 2022)

### Actions we are taking:

Review of policies, tools and benefits across the employee lifecycle to support our people at home and at work  
Prioritise inclusive workforce listening through engagement surveys and focus groups



## Charity Partnerships

### Value to Society

The 3rd sector provides ~900,000 jobs and ~£15bn UK GDP, before reflecting indirect social value created (NCVO, 2018). Top causes donated to have been: children / young people, animal welfare, medical research, and hospitals / hospices (CAF, 2022)

### Actions we are taking:

Introduce stratified approach and budget to partnering with charities  
Single strategic charity partner aligned with sustainability priorities and what's important to our communities



## Learning & Development

### Value to Society

90% UK workforce will need to update their skills before 2030 (BEIS, UK Govt, 2022). Development avoid redundancy and recruitment, and increasing productivity and morale – key influencers of employee wellbeing (Mercer Global Talent Trends, 2022)

### Actions we are taking:

Ensure talent process aligns skills development to business and individual needs  
Offer coaching and support for maternity returners  
Enable managers and teams to work together on volunteering opportunities



## Employee Volunteering

### Value to Society

Employees are able to build connections with and give back to society while working on issues they feel passionate about. As well as supporting good causes, this creates stronger, more confident and resilient teams; improved staff morale and increased wellbeing

### Actions we are taking:

'Nudge' employees, through internal communications, to take up volunteer days  
Enable managers and teams to work together on volunteering opportunities



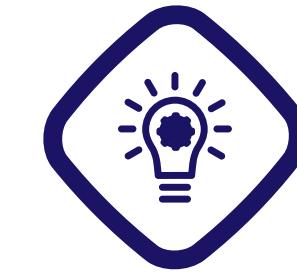
## Social Enterprise

### Value to Society

The MS Amlin Forest supports livelihoods by restoring nature, creating jobs and promoting gender equality. All land ownership is kept by local communities. Each tree can sequester up to 2.025kg CO<sub>2</sub> per year\* (Adams, L., Ecologi, July 2022)

### Actions we are taking:

Plant one tree per risk written  
Promote the Forest with clients and other MS entities so they can plant trees  
Introduce more options for salary sacrifice



## Knowledge Sharing

### Value to Society

Celebrating expertise increases employee engagement and provides recognition – key factors linked to wellbeing. It also increases our collective wisdom, supporting a collaborative culture within our business and within the broader market

### Actions we are taking:

Develop thought leadership articles on innovation and ESG in insurance



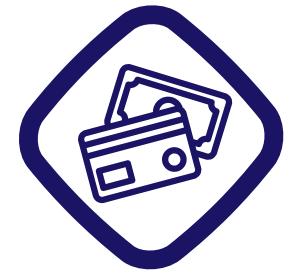
## Apprentice Levy

### Value to Society

The FT (July 2022) reported that employers have surrendered >£3.3bn to the UK Treasury since 2019 in unspent apprenticeship levy cash. The clawback coincided with a 59% drop in all apprenticeships by those aged 18 and under

### Actions we are taking:

Transfer unspent apprenticeship levy cash to charities and social enterprises with a salary bill of less than £3mn to fund workplace training therein



## Payments on time

### Value to Society

Paying legitimate claimants and suppliers on time, within agreed payment terms, helps them to operate their businesses more effectively and efficiently, with less downtime and sufficient working capital to improve, invest and grow

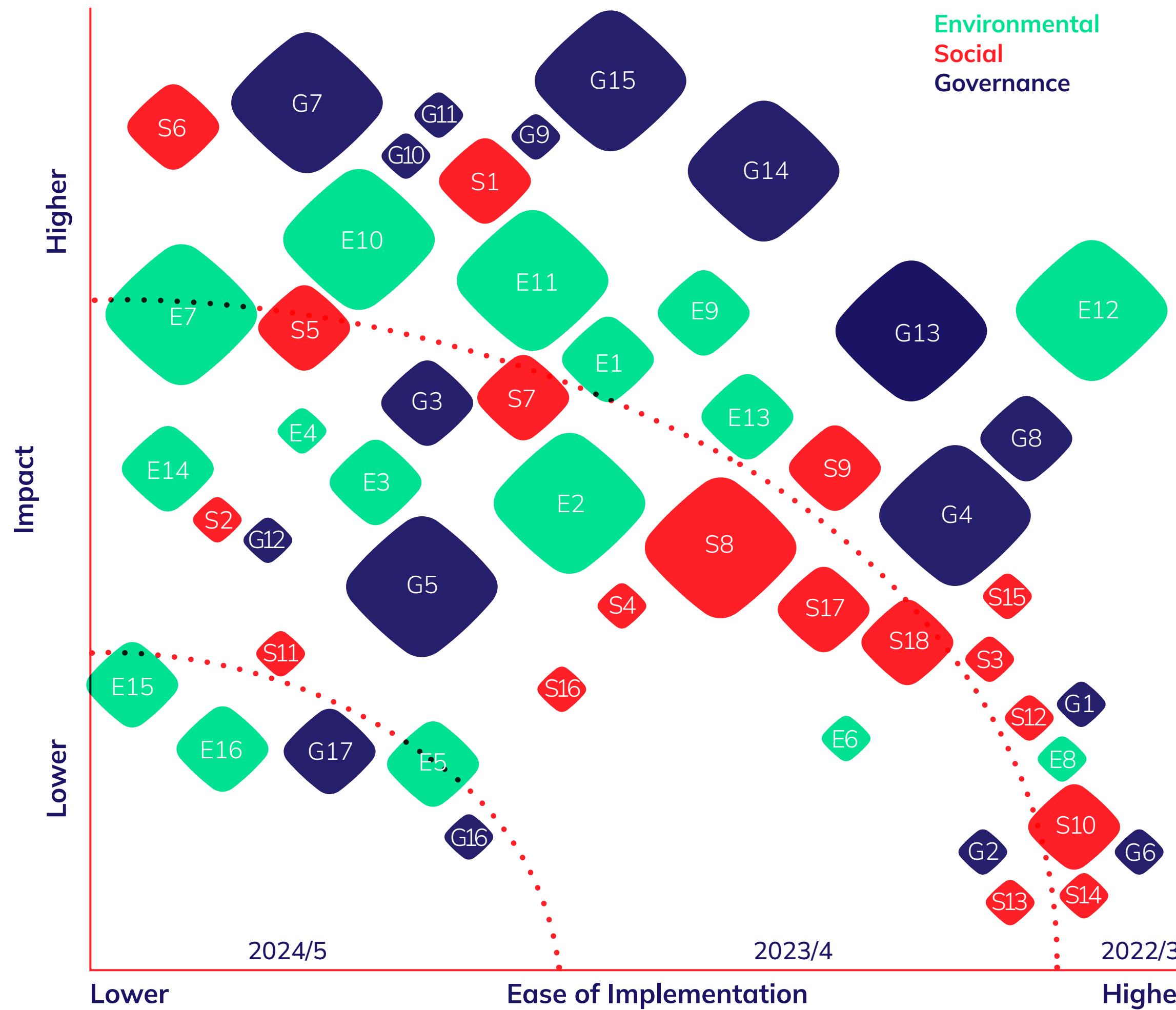
### Actions we are taking:

Improve communications between the business and Finance to ensure legitimate claimants and suppliers are paid on time, within agreed payment terms

\*based on weighted average species distribution and density of trees planted to date, and peer-reviewed research on carbon sequestration of fully-grown, healthy, same species ecosystems



## Roadmap



## Sustainability Strategy Duration

To be consistent with the Business Strategy, the Sustainability Strategy has been developed to cover a period up to 2025, setting out aspirations:

- **Short term** (12 months; July 2022 – June 2023)
- **Medium term** (24 months; July 2023 – June 2024)
- **Longer term** (36 months; July 2024 – June 2025).

The 36 month Roadmap of prioritised actions supports the delivery of our Sustainability Strategy

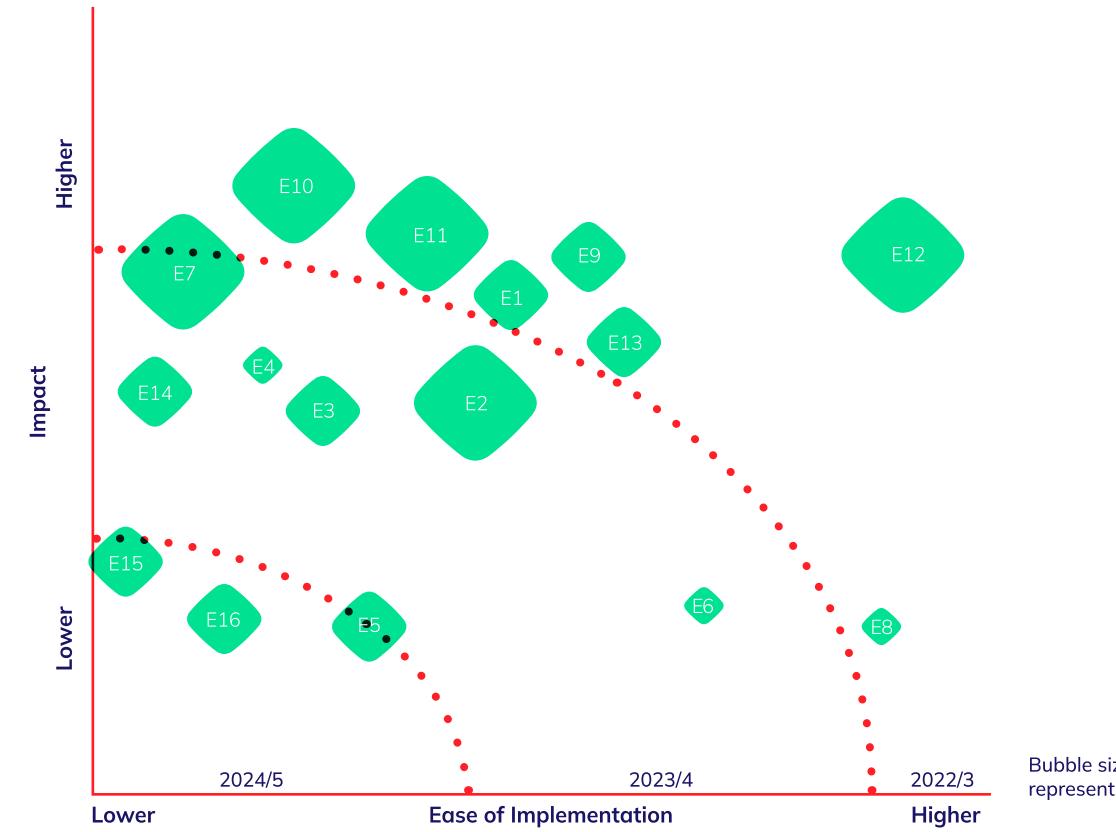
Representation of the roadmap was inspired by **Strategy&**  
[Click here for details](#)



## Roadmap

In what follows, we have set out a series of prioritised actions aligned with and designed to ensure implementation of the Sustainability Strategy:

### Environmental



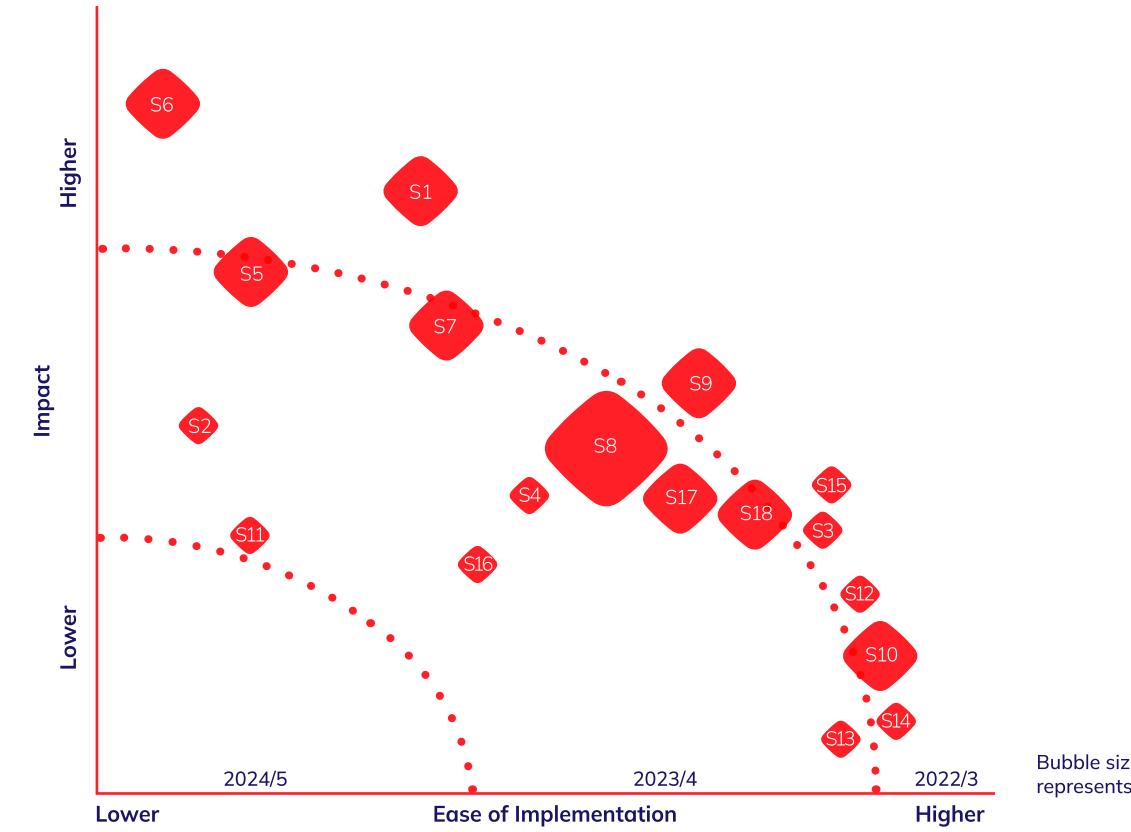
1. Identify ESG hotspots and examples of good practice in the underwriting and investment portfolios
2. Develop new / adapt existing products to support transition to a cleaner, greener and more equitable economy
3. Develop transition metrics to identify 'greening' companies (carbon intensive today but serious about decarbonising)
4. Engage with clients that have carbon intensive assets and do not have credible transition plans
5. Incorporate circular approaches within the claims philosophy
6. Work with facilities management partners to reduce operational emissions (waste to landfill, water / energy use)

7. Deploy data and analytics, to appropriately price for new exposures, where there is limited loss history and / or evidence of inadequate pricing
8. Identify existing climate related activities and responsibilities across the business to aid coordination and identify any unaddressed areas areas
9. Undertake a review of the CBES assessment, including lessons learnt, and strengths and weaknesses of the scenarios and underlying models
10. Evolve CBES scenarios within a framework that includes time horizons, emission pathways, and business use cases
11. Deploy evolved CBES scenarios within existing catastrophe risk modelling and investment analysis
12. Engage employees on MS Amlin's commitment to address climate change, helping them to play a role
13. Develop risk appetite/tolerance metrics for each of Transitional, Physical and Litigation risks
14. Commit to net zero targets around investment and underwriting portfolios (e.g. halve emissions by 2030)
15. Fulfil the target setting requirements specified by the Science Based Targets Institute (SBTi); submit targets for validation to the SBTi to confirm that they are based on the latest climate science and aligned with the Paris Agreement
16. Leverage Partnership of Carbon Accounting Financials (PCAF) membership to set an internal carbon price to analyse how, where, and when emissions could profit-and-loss and capex choices





## Social



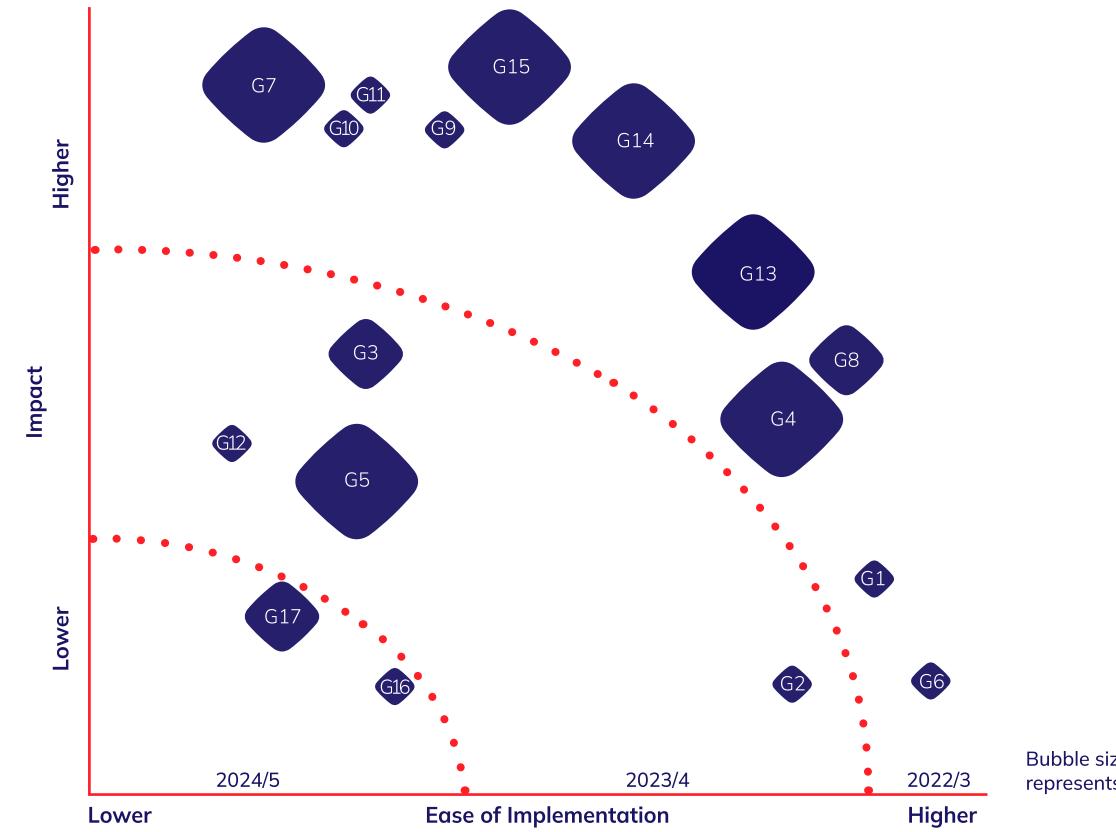
1. Set goals and measurable outcomes to remove ED&I barriers
2. Develop a human rights policy that covers underwriting and investments
3. Develop a charity partnerships and volunteering strategy that is aligned with sustainability priorities and what's important to our communities
4. Determine what areas require CUO referral if we have to defend a position
5. Use sustainability standards to define our underwriting culture, and underwriting decisions on individual companies or industries
6. Develop training / workshops that helps to define our underwriting culture, and underwriting decisions on individual companies or industries

7. Embed ESG within performance appraisal and reward processes, evaluating individuals and teams on their performance AND behaviours
8. Review where the sustainability agenda could form part of the mandatory training suite, including training for entry level hires
9. Review policies, tools and benefits across the employee lifecycle to support our people at home and at work
10. Prioritise inclusive workforce listening through engagement surveys and focus groups
11. Ensure talent process aligns skills development to business and individual needs
12. Offer coaching and support for maternity returners
13. 'Nudge' employees, through internal communications, to take up volunteer days
14. Enable managers and teams to work together on volunteering opportunities
15. Transfer unspent apprenticeship levy cash to charities and social enterprises with a salary bill of less than £3mn
16. Engage clients on MS Amlin's sustainability commitments, challenges and opportunities (including the MS Amlin Forest) through social and trade media channels; develop thought leadership articles on innovation and ESG in insurance
17. Review interview competency guides to ensure dedicated sustainability questions (beyond ED&I and ethics, which are already included) are available to hiring managers
18. Ensure careers pages, materials, entry level presentations, digital onboarding / induction materials include sustainability messaging





## Governance



1. Develop a policy on developing public statements on key issues
2. Update supplier code of conduct and supplier due diligence to ensure sustainable supply chains
3. Align Executive objectives with sustainable outcomes
4. Further define MS Amlin's investment risk appetite, codifying MS Amlin's approach to ESG integration
5. Consider how external fund managers' integration of ESG factors is assessed and monitored, in accordance with agreed parameters
6. Ensure that the Sustainability Committee's roles and responsibilities are appropriately reflected in the terms of reference of other Committees
7. Develop a suite of relevant ESG metrics, based on the sustainability metrics framework and example metrics already developed
8. Select one or more ESG rating provider partners to help define the data requirements of the outcomes of the ESG metrics work
9. Perform a feasibility assessment of the existing systems data capture and reporting functionality
10. Understand the business change implications of embedding ESG data requests into the underwriting process
11. Continue to work with Lloyd's and other market bodies to help shape consistent ESG metrics, which are derived from publicly available sources
12. Make recommendations to the Executive Committee, where necessary, for investment in ESG data sets, models or enhanced system functionality
13. Use the suite of metrics and data requirements to create an MS Amlin ESG dashboard that helps to inform our own view of risk
14. Embed the ESG metrics within the underwriting and business planning processes to inform individual risk assessment judgements and portfolio composition decisions
15. Analyse the link between ESG performance and loss ratios
16. Revisit the agreed approach to sustainability reporting and mandatory obligations with the Audit Committee
17. Revisit and update Roadmap





## Stakeholder Mapping



### Clients

**OPPORTUNITY:** There are huge commercial growth opportunities arising from influencing existing clients, in support of shared goals, as they transition to a low carbon economy; and identifying new clients as a result of the significant global investment in green technology

**RISK:** Business model risk arising from inability to appropriately price for:  
1) Existing exposures due to an increased frequency and/or severity of extreme weather events; and 2) New exposures, where there is limited loss history and / or evidence of inadequate pricing



### Regulators & Government

**OPPORTUNITY:** By setting sustainability standards that are aligned with our strategic goals and embedding these approaches within our business, MS Amlin is well positioned to inform, evaluate and influence planned legislation, regulation, and market best practice

**RISK:** Material non-compliance with regulatory, legal and other committed obligations, given climate change is now part of the PRA's core supervisory approach and Lloyd's expects MS Amlin to embed sustainability in underwriting and investments decision making



### Society & Pressure Groups

**OPPORTUNITY:** Partnerships and strategic collaborations with society, government, NGOs, not-for-profits and marginalised groups, in support of shared goals, can lead to new business opportunities and strengthen our brand that is centred around a "promise to pay"

**RISK:** Inability to maintain stakeholder trust as a consequence of not fulfilling MS Amlin's societal obligation or not communicating MS Amlin's sustainability performance; being sued by NGOs, society and pressure groups or employees, due to changing interpretations of the law



### Employees

**OPPORTUNITY:** Employees increasingly want to work for sustainable companies. It is one of the top criterion in choosing an employer. By expressing its positive contribution to society, MS Amlin can attract, motivate and empower employees; and drive productivity and innovation

**RISK:** Not being able to attract, motivate, empower and retain talent, where individuals' perspective, values and expectations of an employer of choice are unaligned with MS Amlin's purpose and how it conducts business



### Our Parent / Head Office

**OPPORTUNITY:** By designing our Sustainability Strategy to be part of and support our Business Strategy, we are well placed to identify the intersection between our parents interests, MS Amlin's strategy, and commercial opportunities. This facilitates the development of aligned goals and desired outcomes, and the Group's potential to influence

**RISK:** Being unaligned with sustainability commitments made by MS&AD and MSI, which focus on resilient and sustainable societies, decarbonisation, addressing climate change, protecting nature, and championing Human Rights



### Competitors

**OPPORTUNITY:** As a lead market participant in a subscription market, MS Amlin is well positioned to reconceive products. We cannot tell clients how to run their businesses. We can respond to identified needs and anticipate unidentified needs

**RISK:** Losing business and diminishing our relevance if we are unable to provide value to and support clients, by addressing current and unmet needs, as clients' business models and priorities evolve. Inability to obtain preferred reinsurance coverage, at an acceptable price

Whilst developing our Sustainability Strategy, we have concentrated on understanding and encompassing our stakeholders' wide range of expectations about the role of our business in society. We have learnt that these expectations are NOT mutually exclusive. There is an **underlying theme amongst all stakeholder groups that doing the right thing will create enterprise value**. We believe that good communication will help us to develop trust with all stakeholders and clearly articulate needs, expectations and challenges, whilst creating opportunities. We have, and will continue to prioritise stakeholder engagement.



## People and Operations (including Scope 1, 2 and operational Scope 3 Emissions)

Our people have told us that they want to work for organisations with a strong social conscience. Our role in Society is covered on page 17.

### Equality, Diversity and Inclusion (ED&I)

Our Business Strategy is predicated on having a compelling employee proposition and inclusive culture where everyone can thrive. We believe culture is a facilitator of good sustainability outcomes. Our People Strategy has been designed to understand the opportunities for cultural change and promote a focus on changing ways of working, which in turn will change our culture; it has been built around the following pillars:

- Developing a talent strategy that drives greater diversity, realises the full potential of our identified talent pool, grows pipeline and fosters inclusive recruitment practices
- Having the right capabilities in the right place to deliver our business ambition through a learning & development agenda that supports a growth mindset
- Reinforcing values and behaviours through the performance, reward and recognition framework, alignment and cascade of organisational goals and clear accountabilities

We have a wealth of insight from Employee Engagement surveys, results of the 2022 Lloyd's culture survey, our HR Dashboard that includes MI for key points of the employee lifecycle, and the Talent and Succession Review, which we use to identify opportunities for change and improvements to how people experience work at MS Amlin.

Fundamental to our people strategy is the underpinning aspiration of inclusion. These activities cross over multiple areas, where we seek to remove barriers and enhance opportunities for everyone. As we learn more about workplace equity and about each other, the language we use will evolve. With positive intent, being open to new perspectives, and by remembering to be kind, we can be confident in joining in the conversation. Our ED&I ambition is about understanding what people want and need, removing barriers, and learning how to be allies to those who need us. Aligned with our Sustainability Priority UNSDG 5 – Gender Equality, we will continue to support women, not just in the workplace, but also through our underwriting and broader activities in society.

Our other ED&I priority areas are:

- Family – We have a large number of existing policies and support tools for people with families. We will review, refresh, modernise these and fill any gaps in our policy suite (e.g. surrogacy, still birth, IVF & fertility) to support any way in which someone's family is growing and changing.
- Carers – We are taking the outputs of the family workstream with some adjustments, to support carers. We will also find out more about the types of caring relationships people have so we can better tailor the support they may need.
- Health, Disability, Neurodiversity – This has begun with a review of the tools and support available to our neurodivergent colleagues so that we can remind people of the support available. We are arranging a Business Disability Forum to review accessibility in offices and systems.

- Religion & Belief – We have introduced a holiday swapping policy; for example, if someone wants to work on Good Friday and have a day off on Eid instead. We will embrace and celebrate an array of religious and cultural festivals and events throughout the year.
- Ethnic Background & Nationality – We will review the tools, methods and measures that have made a difference to our progress on gender diversity, and see what can be pivoted to drive progress on increasing diversity in ethnic background.

The outputs of each of these activities will flow into reviewing all parts of our employee lifecycle, for example: ensuring that our sustainability positions, priorities and statements of intent and approach are clear as we source candidates from the market and bring them in for interviews; including sustainability training for entry level hires, reviewing where the sustainability agenda could form part of the mandatory training suite, ensuring easy accessibility of policies and tools for our people. We will also use the outputs to support the embedding of sustainability within MS Amlin's commercial philosophy by harmonising our employee and client propositions.



## People and Operations (including Scope 1, 2 and operational Scope 3 Emissions)(cont.)

### Operational Emissions

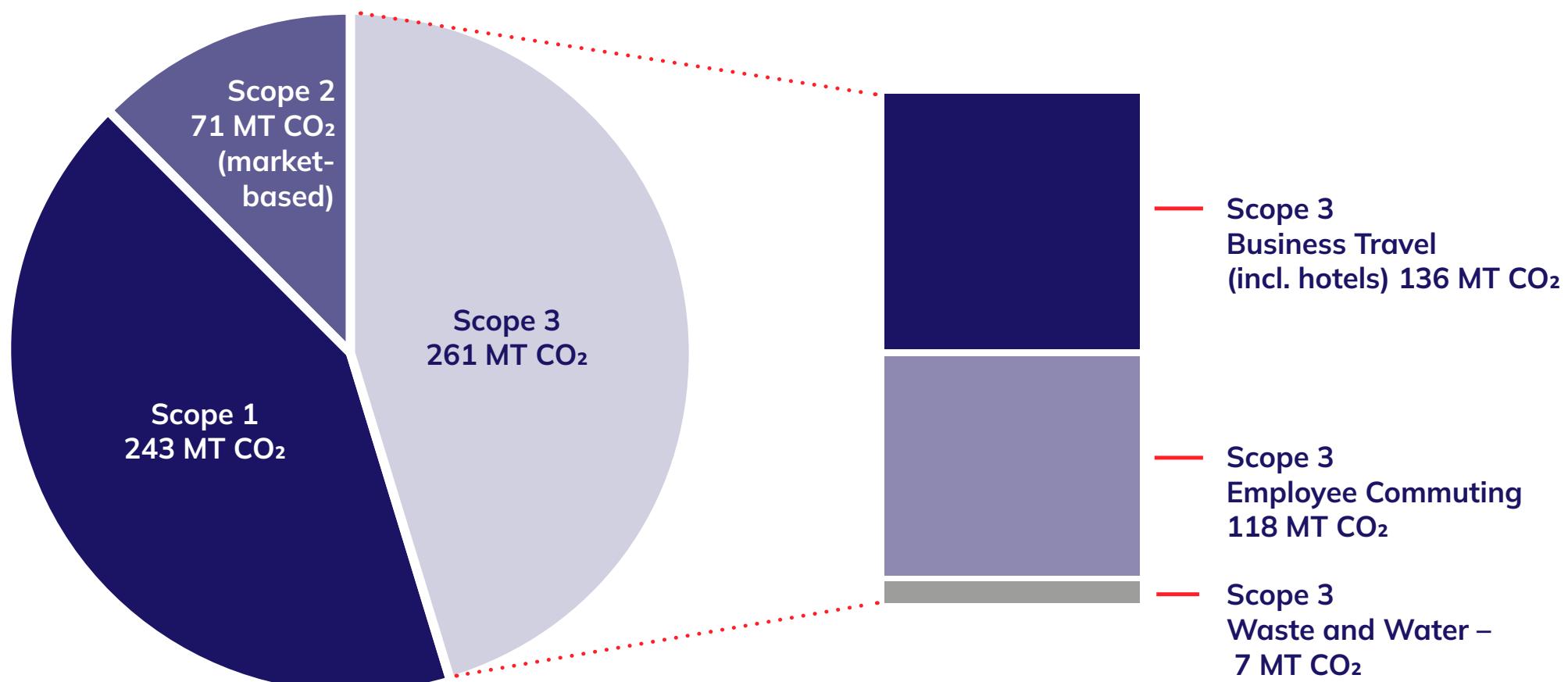
The graph opposite shows the total operational emissions for MS Amlin.

Scope 1 emissions – direct emissions from company-owned, controlled or operated resources (e.g. facilities, vehicles, combustion of gas on-site)

Scope 2 emissions – indirect emissions from the consumption of purchased electricity

Scope 3 emissions – all other indirect emissions within our value chain

### Total MS Amlin Underwriting Ltd 2021 emissions





## People and Operations (including Scope 1, 2 and operational Scope 3 Emissions)(cont.)

The majority of our operational emissions are from our property estate. Our Headquarters are in The Leadenhall Building in London. A variety of environmental factors were taken into account with the design and construction of the building. As a result, the building has received a BREEAM 'excellent' sustainability rating (BREEAM is a globally recognised and established standard for assessing, rating, and certifying the sustainability of buildings. Our other UK office is in Chelmsford. Both the London and Chelmsford offices are now powered by 100% renewable energy. We have been working with our buildings manager – Cushman And Wakefield – with a view to reducing our operational emissions to net zero by 2030, at the latest.

As well as reducing the total floor area across the property estate by approximately 25,000 ft<sup>2</sup> in 2021, investing in standardised video conferencing technologies across 100% of our office portfolio, and continuing to embrace hybrid working post

COVID-19, which has resulted in a 30% reduction in scope 3 emissions for employee commuting, we have introduced various operational emissions reduction measures, for example:

- Installing waterless urinals and sensor taps to reduce water consumption; upgrading fluorescent light fittings to LED panels
- Upgrading the air conditioning system in Chelmsford to one that consumes 82% less energy
- Ensuring data centre providers use 100% renewable energy
- Implementing a sustainable business travel policy that mandates less carbon-intensive travel modes and restricts business class flights

MS Amlin is required by applicable law to report on its GHG emissions and energy consumption, under the Companies (Directors' Report) and Limited Liability Partnerships (Energy

and Carbon Report) Regulations 2018 and the UK Streamlined Energy & Carbon Reporting (SECR) regulations 2019. We have used the emission factors released by The UK Government's Department for Business, Energy & Industrial Strategy (BEIS) in June 2021 to report on the 2021 carbon footprint. For non-UK sourced electricity, the Group uses the 'International Energy Association Emission Factors 2021' to provide geography specific carbon intensities for international electricity and gas networks. Where possible actual data has been used. However, there is a large reliance on landlords or head lessors to supply the data. In some cases, where data either cannot be supplied, or is deemed unreliable as it cannot be verified to an original source, estimation and apportionment techniques / proxy data have been applied. progress on gender diversity, and see what can be pivoted to drive progress on increasing diversity in ethnic background.

### *Actions we are taking:*

#### **During the period covered by the Sustainability Strategy, we will**

- Review interview competency guides to ensure dedicated sustainability questions (beyond ED&I and ethics, which are already included) are available to hiring managers
- Ensure careers pages, materials, entry level presentations, digital onboarding / induction materials include sustainability messaging
- Review where the sustainability agenda could form part of the mandatory training suite, including training for entry level hires

- Develop training that helps Underwriters to navigate ESG considerations on individual companies or industries that we insure
- Embed ESG within performance appraisal and reward processes, evaluating individuals on their performance AND behaviours
- Review policies, tools and benefits across the employee lifecycle to support our people at home and at work
- Prioritise inclusive workforce listening through engagement surveys and focus groups
- Ensure talent process aligns skills development to business and individual needs

- Offer coaching and support for maternity returners
- 'Nudge' employees, through internal communications, to take up volunteer days
- Enable managers and teams to work together on volunteering opportunities
- Transfer unspent apprenticeship levy cash to charities and social enterprises with a salary bill of less than £3mn
- Update supplier code of conduct and supplier due diligence to ensure sustainable supply chains
- Incorporate circular approaches within the claims philosophy
- Work with facilities management partners to reduce operational emissions (waste to landfill, water / energy use)



# Underwriting and Investments (including Scope 3 Emissions)

## Underwriting

We believe that insurance is an enabler – very little gets invested without getting insured. As an (re)insurance business, focused on underwriting complex risks, we are well positioned to support sustainable economic development through the (re)insurance we provide. This may happen in one of two ways:

1. Insuring infrastructure and/or entities that support sustainable economic development, through alignment with the UNSDGs, by either avoiding harm to society or contributing to sustainable solutions; this broadly aligns with growth opportunities i.e. renewals and new business risks.
2. Insuring, supporting and influencing clients that cause harm or may cause harm to society today, as they transition to become more aligned with the UNSDGs and net zero transition; this broadly aligns with the existing book i.e. renewals as opposed to new business risks.

Sustainability factors are integral to how we assess risk. In every class of business that we underwrite, clients are increasingly wanting to talk about sustainability, in line with the changes happening, opportunities arising and challenges being faced in their businesses. Amongst our clients, approaches to sustainability vary as much as risk profiles. We believe our ability to have the greatest impact is through engagement with our clients – both brokers and assureds – so that we can continue to offer thoughtful capacity through a range of products.

Aside from baseline exclusions that are embedded within our underwriting risk appetite, each underwriting team is accountable for the approach to ESG integration within their respective books of business, weighed against the nature of exposures arising from each business line. Underwriters are empowered to create

an underwriting profit, whilst ensuring MS Amlin fulfils its moral and social obligations. We call this freedom within a framework. Whilst there has been significant focus within MS Amlin and the broader insurance industry, over the last 12-18 months, on clarifying those obligations through an Environmental (principally Climate Risk) lens, we recognise that more work is required on defining those obligations through a Social (and, in particular, human rights) lens.

To ensure alignment with our overarching Sustainability Ambition and embed a more consistent MS Amlin way of doing things we have developed a draft Responsible Underwriting Policy and started to introduce uniform metrics (refer to page 34), which we expect to develop and become more integrated within the underwriting process over time. The metrics will be a combination of quantitative (e.g. carbon emissions intensity, gender pay gap targets) and qualitative (e.g. underwriting heat maps, highlighting our clients' impact on the environment and society) data points / risk factors that can be viewed alongside existing data points / risk factors, to help inform underwriting decisions. The ESG underwriting heat maps have been developed for all insurance underwriting classes, with reference to the UNSDGs. They consider both positive and negative contribution to the UNSDGs and provide an initial measure of the sustainability performance of MS Amlin's underwriting portfolio, based on the impact of our clients on the world, which has been modelled against our 2023 Business Planning process. The heatmaps highlight:

- Areas that require greater attention from our Underwriters (e.g. closer scrutiny of their transition plans), which we will support with transition, to ensure alignment with the UNSDGs and Net Zero 2050; and
- Potential underwriting growth opportunities, which are aligned with global transitionary trends

## *Actions we are taking:*

During the period covered by the Sustainability Strategy, we will

- Create ESG data points / risk factors and develop training that support the development of our underwriting culture, inform underwriting decisions on individual companies or industries, and clarify MS Amlin's interpretation of doing the right thing.
- Conduct workshops with Underwriters and Underwriting Management to develop guidance on MS Amlin's interpretation of doing the right thing, which balances factors MS Amlin considers to be social good with individuals own beliefs (i.e. things to consider, depending on the size of client, industry sector and line of business being insured).
- Continue to empower Underwriters through accountability, as opposed to relying on a list of specific underwriting exclusions alone, and evaluate individuals and teams on their performance AND behaviours, against a clear and referenced framework.
- Embed the ESG metrics within the underwriting and business planning processes such that they are not only used to inform individual risk assessment judgements, but also portfolio composition decisions.



## Underwriting and Investments (including Scope 3 Emissions) (cont.)

### Investments

Our investment portfolios and asset manager selection process have been designed with the aim of maximising long term, risk-adjusted returns, within the confines of our investment risk appetite, liquidity constraints and solvency requirements. The correlation between sustainability performance, risk management and long term financial performance of an entity is well documented. Our aim is to integrate ESG factors as a key component of our investment process, to drive alpha (i.e. excess returns earned on an investment above the benchmark return) whilst not causing harm and, where feasible, contribute to sustainable economic growth.

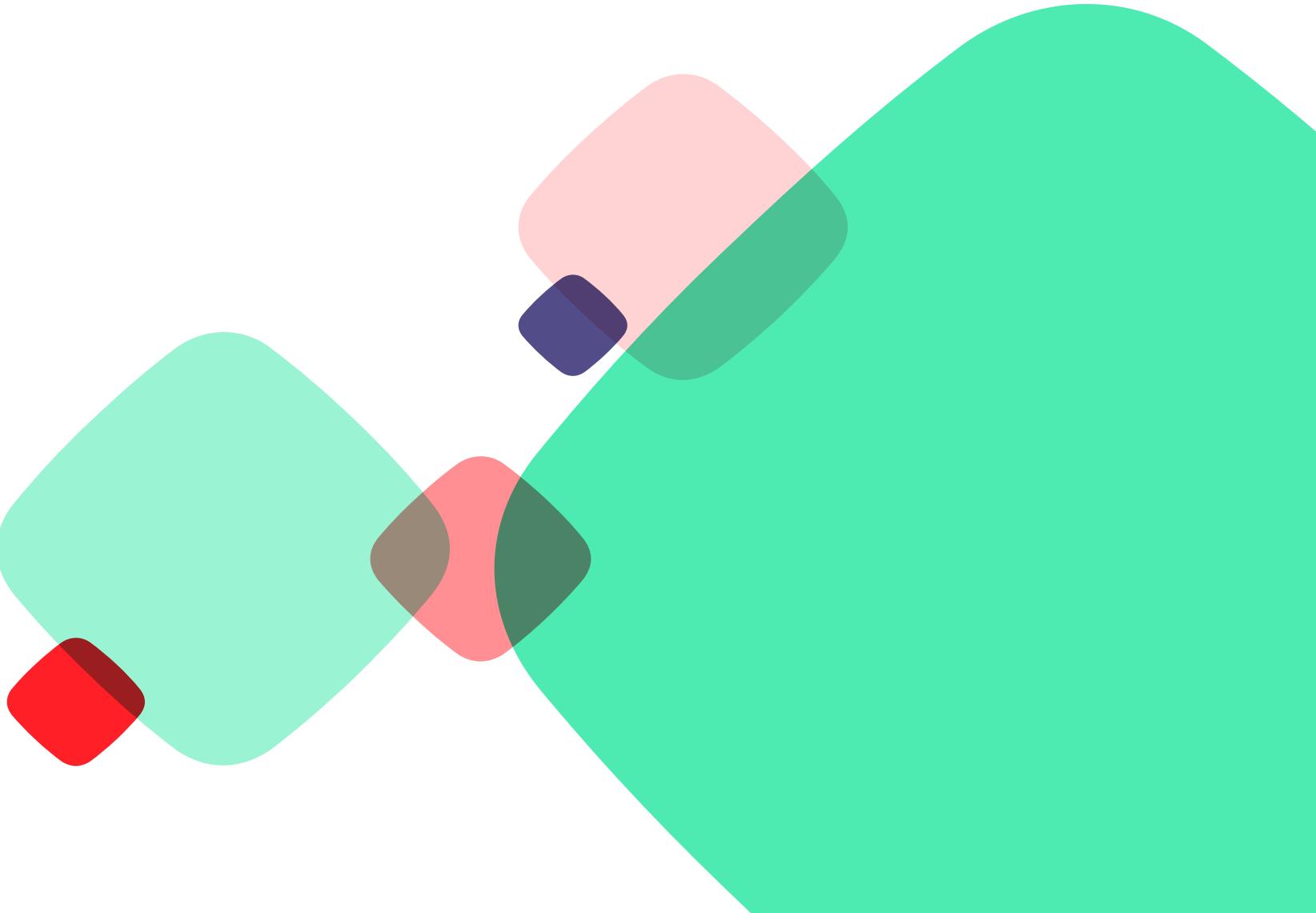
To ensure alignment with our overarching Sustainability Ambition and consistency of approach with underwriting, where appropriate, we have developed a draft Responsible

Investment Policy and started to introduce uniform metrics (refer to page 34) which we expect to develop and become more integrated within the investment management process over time. The metrics are a combination of quantitative (e.g. carbon emissions intensity, overall ESG score) and qualitative (e.g. Investment Heat Maps, highlighting each asset class's impact on the environment and society) data points that can be viewed alongside existing data points, to help inform investment decisions.

The metrics are used within management reporting to show breakdowns of the largest ESG contributors of the portfolio and weighted average carbon intensity by asset type, industry sector, country and currency of investment. It also highlights the top three sectors that MS Amlin is exposed to by weighted average ESG contribution by Assets Under Management (AUM).

### *Actions we are taking:*

Given the make-up of the investment portfolio (mainly sovereign and corporate bonds) and the central management of investments within MS Amlin, albeit via third party asset manager delegated authority mandates, efforts will be deployed in the business, during the period covered by the Sustainability Strategy, to further define MS Amlin's investment risk appetite, codify MS Amlin's approach to ESG integration (e.g. exclusions versus positive screening versus thematic investing versus impact investing) and consider how external fund managers' integration of ESG factors is assessed and monitored, in accordance with agreed parameters.





## Governance

The Board has overall responsibility for setting and overseeing the implementation of the Sustainability Strategy. The Board has a number of committees, to which it delegates oversight and decision making powers in accordance with documented Terms of References.

The Governance structure for sustainability and climate change is shown opposite, and will continue to evolve as we embed sustainability into MS Amlin's business model.

### Sustainability Governance Approach





## Governance (cont.)

### MS Amlin's Executive Management Committee (the Exco)

The Exco reviews and challenge the design and implementation of our Sustainability Strategy, receiving updates throughout the year and incorporating sustainability considerations within strategic decision making. The Exco is chaired by MS Amlin's CEO whose remuneration is linked to sustainability targets, which are part of his annual objectives that are agreed with the Board and cascaded to other Exco members.

### MS Amlin's Sustainability Committee (the Sustainability Committee)

In 2022, a decision was taken by the Board to replace the ESG forum with a multi-disciplinary Sustainability Committee. The Sustainability Committee convenes quarterly and includes Exco members and Heads of Department or equivalent from across the business who have authority, influence and motivation to prioritise sustainability on MS Amlin's strategic agenda. There is an open invitation to Risk Management, Compliance, Internal Audit and Head Office. Minutes are available to all Exco members.

The roles and responsibilities of the Sustainability Committee, as set out in its terms of reference, have been mapped to the Board and other Board Committees, including the Executive Management

Committee, Risk and Solvency Committee, Underwriting Oversight Committee, Investment Governance Committee and Audit Committee. The agendas of the meetings are aligned with the TCFD principles (i.e. governance, strategy, risk management, and metrics and targets) and external third parties are invited to the meetings to share relevant perspectives. Each quarter the Board (and other Board Committees, where appropriate) receive a specific report from the Head of Sustainability and ESG to review and approve recommendations. The roles and responsibilities of the Sustainability Committee are set out in its terms of reference and have been designed to help MS Amlin to be a responsible, resilient and sustainable business. In doing so, the Sustainability Committee will:

- Support the embedding of sustainability within MS Amlin's commercial philosophy by harmonising employee & client propositions
- Encourage a more coordinated approach to decision making by aligning the various components of sustainability related work
- Ensure MS Amlin is well placed to fulfil its regulatory and other committed, sustainability related obligations; and
- Measure and monitor MS Amlin's performance in implementing its sustainability strategy

### Other Management Committee and Working Groups

Sustainability Committee members work actively in their business-as-usual roles to embed sustainability within business processes. They are supported by other management committees and working groups, which have been convened to champion and further align the heavy lifting that is happening in the business already and mobilise resources to execute actions. Working groups are set up depending on business needs, and not intended to be permanent features of the governance framework. One of the outcomes expected from the working groups is an assessment of what additional resources (including data and system tools) are required to deliver against our agreed priorities.

#### *Actions we are taking:*

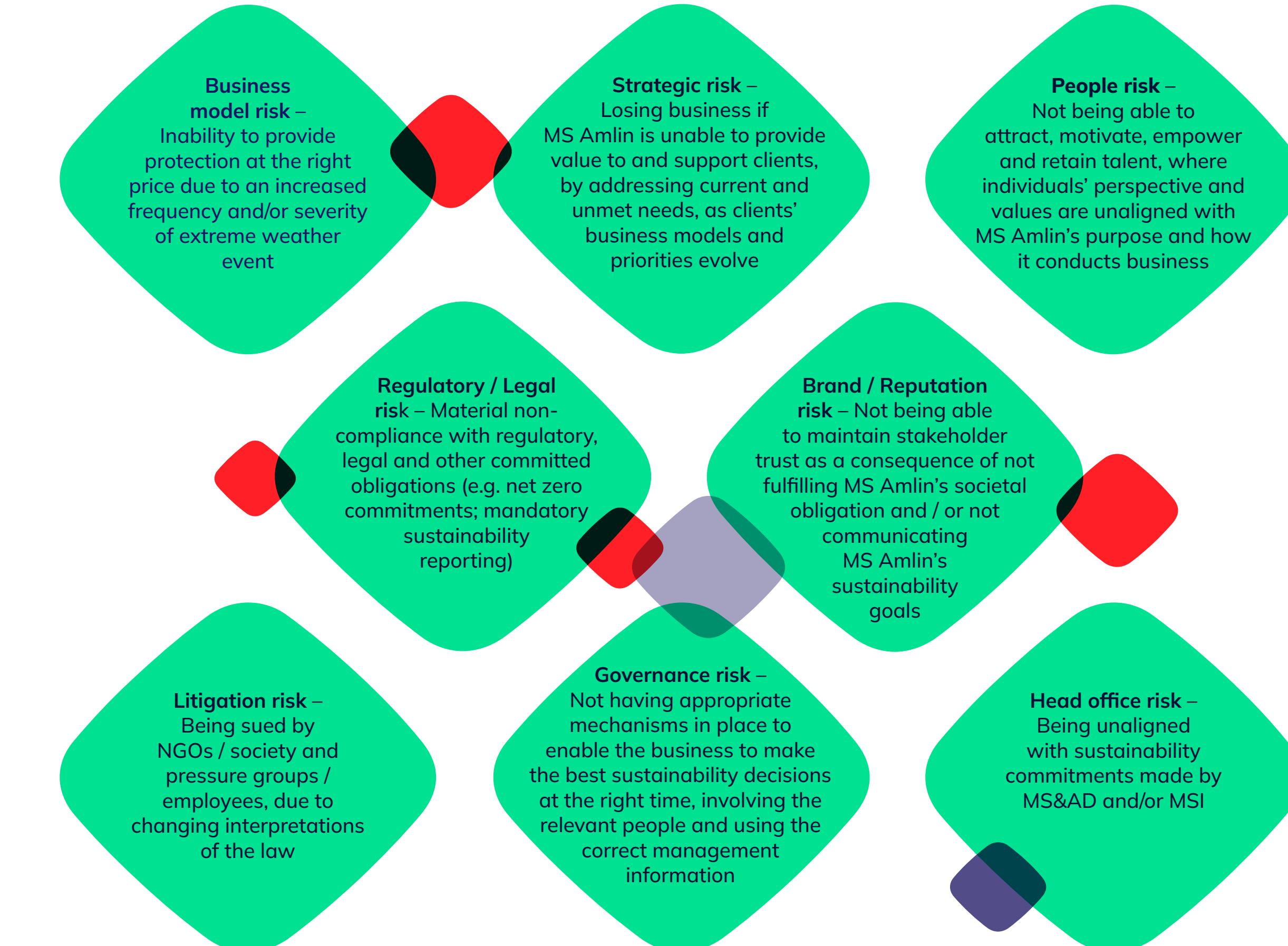
During the period covered by the Sustainability Strategy, we will work with the Company Secretarial function to ensure that the terms of reference of the Sustainability Committee and mapping of its roles and responsibilities to the Board and other Board Committees is appropriately reflected in the terms of reference of the Board and other Board and Management Committees.



## Risk Management

MS Amlin has embedded a company-wide Risk Management Framework (RMF) to support the identification, assessment and management of internal and external risks to which the company is exposed. The RMF provides the infrastructure to facilitate the ownership of risk at the highest level within the organisation and supports the ability of MS Amlin to achieve its strategic objectives whilst ensuring the sustainability of the company. The RMF has a number of key elements including risk policies and standards, risk appetites and tolerances, risk identification and assessment processes, internal controls and risk reporting. The Risk Management function is responsible for overseeing the effectiveness of the RMF and updating as necessary to respond to changes in MS Amlin's risk profile, to ensure that current, new and emerging risks – including those related to sustainability and climate developments – are identified, monitored and mitigated (where possible) by the business. Individual risks have a Board level owner.

Through MS Amlin's Own Risk and Solvency Assessment (ORSA) process and discussion at the Sustainability Committee, we have identified sustainability as an important risk area across MS Amlin and explicitly included the following 'parent risk' in the risk register – **"not being able to implement our Sustainability Strategy effectively"**; this risk is underpinned by the following, associated 'child risks':



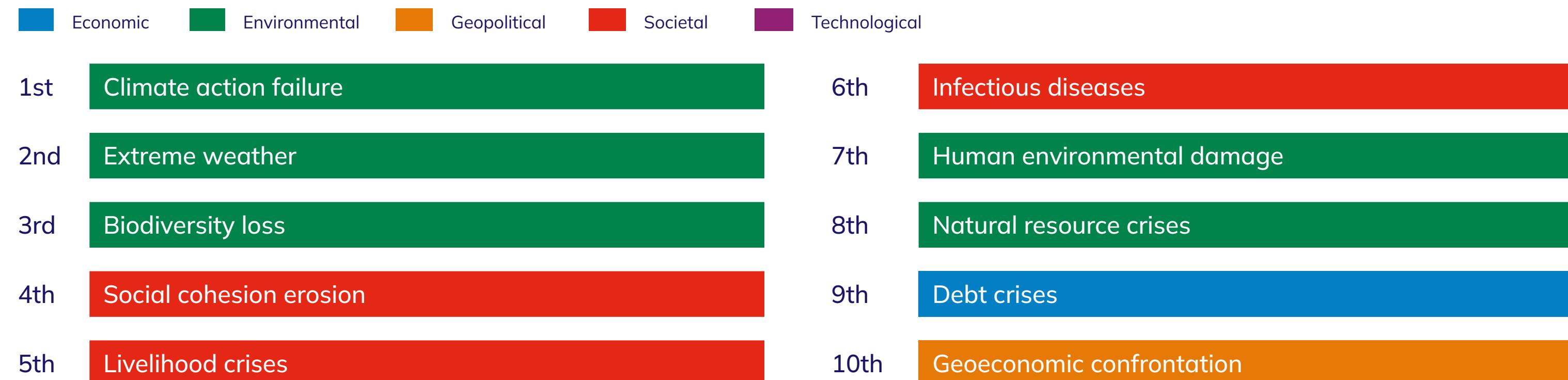


## Risk Management (cont.)

These risks impact many aspects of our business strategy, which is why they are considered through existing business processes, where possible. As well as relying on existing management information to assess the risk impacts and inform decision making in the various governance fora, we are developing relevant Environmental, Social and Governance (ESG):

- ‘Targets’ that define the outcomes we aim to achieve

### “Identify the most severe risks on a global scale over the next 10 years”



Source: 2022, World Economic Forum Global Risks Perception Survey 2021-2022, The Global Risks Report 2022

- ‘Key performance indicators’ (KPIs) to assess sustainability performance against targets; and
- ‘Tolerances’ that define the worst outcomes the organization is prepared to accept without taking corrective action

Given the significant financial risk impacts of climate change, specifically, on our balance sheet, this is a key focus area for evolving existing and introducing new metrics.

### The risks TO our Sustainability Strategy

The risk of not being able to implement our Sustainability Strategy effectively is most likely to crystallise in the event of:

- The introduction of future regulation, legislation and other obligations that are disproportionate to an organisation of the nature, scale and complexity of MS Amlin’s business and may undermine efforts that would otherwise have been afforded to driving sustainability actions in our business – with an overarching focus on doing the right thing, we will work proactively with all of our stakeholders to help shape future legislation, regulation and Group standards by: innovating approaches, collaborating through partnerships and alliances, and sharing our know how and insight
- Not having sufficient buy in from the most senior levels of the business – sustainability is a key priority for MS Amlin’s Board. We have already enlisted strong support from, and created the right accountability at the most senior levels of the business and have started to embed sustainability within our core underwriting processes
- Not having sufficient, appropriate and consistent data and systems to capture information and power the ESG metrics we require to support our people in making decisions, define targets and tolerances, and assess and improve our sustainability performance – this is addressed in the sections entitled ESG Metrics on pages 34-36 and Data and Systems Requirements on page 37



## Risk Management (cont.)

### Climate Risk Management

The Board recognises that the impact of climate change on natural hazard events, amplified by significant property stock and population growth in vulnerable regions, is a major threat to the global economy and to MS Amlin's business model. The Board also recognises that existing societal issues will be exacerbated and the vulnerable will be affected the most as the cascading impact of climate change leads to health and food crises, forced migration, unemployment and poverty, social unrest, global conflict and security concerns, state failure, business interruption and market destabilisation. Given the pervasive nature of climate change in society and in our business, which affects not only catastrophe and physical damage classes but also Casualty, War and Terrorism, Political Risks and Product Recall classes, the business has identified Climate Change as a key priority area. MS Amlin's Exposure Management Framework has been embedded within the business to measures and manages natural catastrophe loss probability, and understand the impact of climate change on the frequency, severity and duration of natural hazard events. MS Amlin licenses a number of sophisticated natural catastrophe risk models for a range of different regions and perils, and the output from these models is used to assess the risk to the insurance portfolio.

In parallel, we have also:

- Set out steps for embedding climate risk within the RMF. For each PRA risk category (Insurance, Market, Strategic, Operational, Credit and Liquidity), we have considered identification, assessment, appetite setting, control, monitoring and disclosure, and Exco accountability
- Analysed how climate related risks would impact MS Amlin's balance sheet and risk register. For the latter, we identified the steps required to manage Physical, Transitional and Liability risks across the existing Risk Register
- Established a Climate Risk Working Group (CRWG) to coordinate climate risk activities across the business, ensuring there is a consistent and unified approach to developing and implementing short- and long-term climate change scenarios and setting tolerances

A coordinated and consistent approach will allow the business to develop a strategic plan for climate-related risks and explore the resilience and vulnerabilities of MS Amlin's business model, against MS Amlin's overall business strategy and risk appetite. It will also place the business in good stead to respond to future regulatory demands, and identify new opportunities that may arise as the climate changes.

### *Actions we are taking:*

During the 36 months period covered by the Sustainability Strategy, we will identify all existing climate related activities and responsibilities across the business to aid coordination and identify areas that are not being covered.



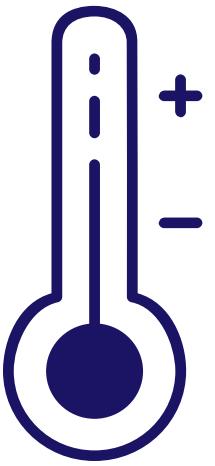
## The scenarios that inform our Net Zero Ambition

We use Climate Scenario Analysis (CSA) to assess the financial risk impacts of climate change on our balance sheet, providing an indication of our position under severe, yet plausible scenarios and stressors. However, as much as we are and should be guided by science when it comes to climate change, we believe that fair transition to net zero requires a combination of the art and science. In other words, we cannot rely on the models and scenarios alone, which is why we also use CSA to:

- Deal with uncertainty and consider how the future might conceivably develop
- Analyse how today's decisions may play out in the future
- Build consensus by rationalising decision making
- Facilitate in the mitigation of risks (especially where risks are not well understood)
- Understand alternate pathways and, in doing so, test judgements about and assumptions underpinning our business strategy

We have conducted CSA to assess our strategic resilience to different climate related scenarios by participating in the 2021/2 CBES assessment that built on scenarios developed by the Network for Greening the Financial System (NGFS) – a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change. The three scenarios (listed below) were used to quantify the potential impacts of climate change on underwriting and investment portfolios from a physical risk, transition risks and litigation risk perspective, and reflect varying responses to the Paris agreement targets. This helped us to understand better the risks of different courses of action on climate change.

- Scenario A: Sudden disorderly transition (Late Action). Temperature increase below 2° Celsius.
- Scenario B: Long-term orderly transition (Early Action). Temperature increase below 2° Celsius.
- Scenario C: Failed future improvements in climate policy (No Additional Action). Temperature increase in excess of 4°C.



### *Actions we are taking:*

**During the period covered by the Sustainability Strategy, we will**

- Undertake a review of the CBES assessment, including the usefulness to MS Amlin, lessons learnt, and strengths and weaknesses of the scenarios and underlying models used, which assume consistent policy responses and do not always reflect risk correlations
- Evolve the CBES scenarios within a framework that includes time horizons, emission pathways, and business use cases (e.g. pricing, vs strategy vs capital) and deploy them within existing catastrophe risk modelling and investment analysis
- Develop risk appetite and tolerance metrics for each of Transitional, Physical and Litigation risks, which will be used to define future data requirements



## ESG Metrics

The correlation between sustainability performance, risk management and long term financial performance of an entity is well documented. At an enterprise level, we believe that improving our sustainability performance will lead to stakeholder value creation. At an underwriting or investments level, we will reinforce our “own view of risk” by integrating relevant ESG data points within our risk / investment selection and portfolio management processes. Against this backdrop, we believe ESG metrics and reporting are necessary to:

- Measure the sustainability performance of our business
- Assess and track progress, and demonstrate value to our key stakeholder
- Improve our decision making and inform the commitments that we make
- Influence positive change as we engage with entities in our value chain
- Identify hotspots, risks, examples of good practice and opportunities for improvement
- Understand what is driving the sustainability impact of our investment and underwriting portfolios
- Inspire employees, reinforce purpose and build momentum for more sustainable action
- Examine the causal link or correlation between sustainability performance and loss ratios
- Influence the underwriting due diligence and portfolio management processes

### Creating a framework to develop ESG Metrics

We have started to develop ESG metrics within the framework that has been set out on page 35, recognising that data availability is an inherent challenge and that the level of correlation between the ESG rating providers is low due to, for example: definition of materiality; normalisation and imputation techniques; weighting assumptions; point in time versus transition scoring; conduct versus product versus evidence based scoring.

As well as starting from first principles to derive the metrics that are most relevant for our business, we have adopted and are leveraging a handful of well-established, globally recognised sustainability measurement frameworks that are relevant to our business (e.g. UNSDGs, GHG Protocol, TCFD, SBTi, PCAF). We will use these to provide common reference points and methodology, and introduce tried and tested metrics (e.g. Carbon Intensity, normalised to remove the effects of an entity's turnover). We expect the list of relevant frameworks and corresponding metrics to evolve over time, as we consider how the metrics are used in the business, how they help us to act and what we do as a result. We will use some of the metrics to ensure our people are empowered to make decisions through an ESG lens and define the following, whilst other, less mature metrics that are not accurate enough, will be used to provide additional context and help to improve our understanding:

- ‘Targets’ that define the outcomes we aim to achieve
- ‘Key performance indicators’ (KPIs) to assess sustainability performance against targets; and
- ‘Tolerances’ that define the worst outcomes the organisation is prepared to accept without taking corrective action

### ESG Underwriting Heat Maps

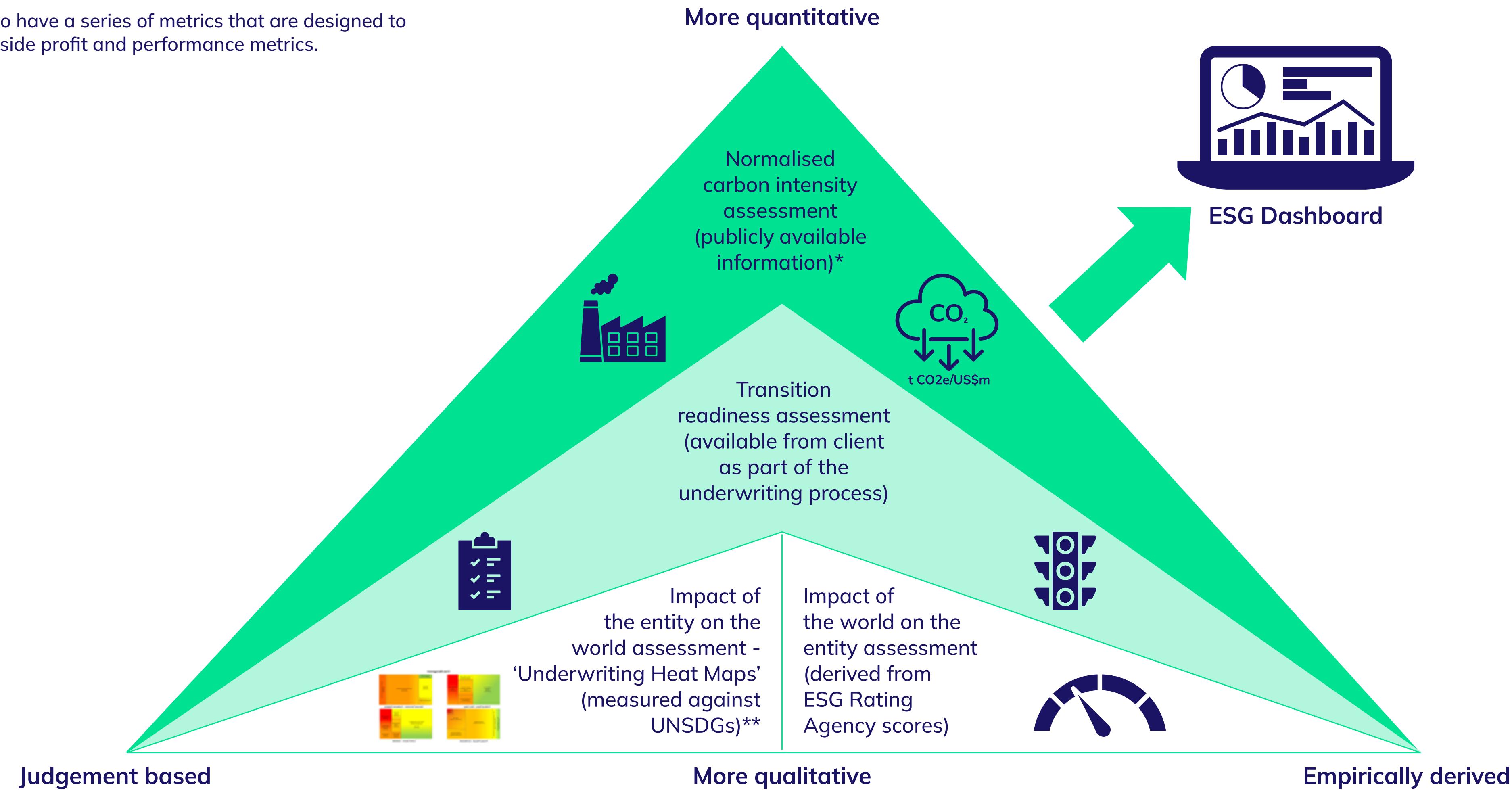
The ESG Underwriting Heat Maps are one of the metrics we propose to use. They have been developed by class heads for all insurance underwriting classes, integrated within the business planning process and modelled against our 2023 business plan. The heat maps consider both positive and negative contribution to the UNSDGs and provide an initial measure of the sustainability performance of MS Amlin’s underwriting portfolio, based on the impact of our clients on the world. Initial modelling suggests that the proportion of “Contributes to Solutions” (the greenest on the Heat Map scale) increases the most, from 2021 actuals to 2023 planned i.e. we are moving in the right direction. NOTE: The heat maps are one of many lenses that could be applied and are intended to be used in conjunction with additional ESG and other business metrics. They are not designed to be viewed in isolation given the nascent and nuanced challenges in making effective business decisions in respect of ESG. ESG hotspots on the heat maps highlight areas that require greater attention from our Underwriters (e.g. closer scrutiny of their transition plans), which we will support with transition, to ensure alignment with the UNSDGs and Net Zero 2050.





## ESG Metrics Framework

Our end goal is to have a series of metrics that are designed to be viewed alongside profit and performance metrics.





## ESG Metrics (cont.)

### *Actions we are taking:*

**During the period covered by the Sustainability Strategy, we will**

Work with different business areas to develop a suite of relevant ESG metrics, based on the criteria set out above, aligned with our sustainability priorities and based on the example metrics, included opposite. NOTE: this continues to be work in progress and should not be interpreted as a fait accompli. The suite of metrics will be used to create an MS Amlin ESG dashboard that helps to inform our own view of risk, recognising there may be tensions between existing / legacy performance metrics and newly introduced ESG metrics.



### Environmental

#### Normalised Carbon Intensity

- Across underwriting portfolio
- Across Investment portfolio
- For material suppliers

#### Fossil fuel exposure

- Across underwriting portfolio
- Across Investment portfolio

Climate Value at Risk metrics (e.g. 1 in 50, 1 in 100 and 1 in 200 TVaR regions-perils ranking for the MS Amlin's worldwide natural catastrophe-exposed business)

#### Transition scores

- Of individual assureds
- Of individual investments

One or more of Science Based Targets initiative (SBTi), PCAF, CDP or ISO 14001 compliance



### Social

We will build on areas that are core to our internal, employee proposition; and embed them within our responsible underwriting and investment approaches; for example:

- ED&I including gender, age, race, ethnicity, religious beliefs, LGBTQ+, Health, Disability, Neurodiversity (e.g. remove gender pay gap in x years; increase BAME staff representation by x%)
- Human Rights (e.g. conflict free sourcing, extractive industries transparency initiatives, working practices, indigenous peoples' rights, access to clean water)
- Corporate Conduct / Controversies



### Governance

We will build on the following areas that have been the mainstay of underwriting due diligence, Investment Management and material supplier selection:

- Business ethics and anti-corruption
- Embedded risk and internal controls management
- Board make up (diversity, independence)
- Financial Crime management (including anti-money laundering, terrorist financing, bribery and corruption)



### Overall Sustainability

#### Contribution to UNSDGs

- Hotspot
- Causes harm
- May cause harm
- Avoids harm
- Contributes to solutions

#### Overall SDG scores

- Across underwriting portfolio
- Across Investment portfolio
- For material

#### Segmentation of ESG scores by

- Industry; Region
- Asset type (investments)
- Line of business (underwriting)
- Gross exposure (underwriting)

#### Portfolio Composition metrics (aggregations; correlations)

#### Risk / investment decision metrics (marginal impact assessment)



## Data and Systems Requirements

We believe that ESG metrics provide deeper insights and opinions to values, incentives and behaviours (our own and those of our clients and entities that we are invested in), which is why we are looking to build a suite of relevant metrics, as opposed to relying on any one metric or ESG rating provider. Our approach to dealing with imperfect data is to adopt reasonable data proxies and estimates and focus on data consistency, as opposed to perfect data, so we can measure progress over time. As more complete and accurate data becomes available, we will use it.

For external ESG data that is derived from publicly available sources (e.g. report and accounts) we are advocating a consistent, market wide approach, to reduce inefficiencies, manage costs and avoid market arbitrage from using multiple data sets or having different approaches across Lloyd's and company market platforms. We are discussing this with the Lloyd's Sustainability team and the LMA Sustainability Committee and have provided more formal feedback to Lloyd's via MS Amlin's Lloyd's Carbon Measurement Tool Feasibility Assessment submission, made in July 2022.

For other ESG data requirements, we are adopting a two-pronged approach that involves:

1. Embedding data requests into the underwriting process (i.e. this will become part of the broker submission)
2. Partnering with one or more ESG rating providers to help define the data requirements of the outcomes of the ESG metrics work

### *Actions we are taking:*

#### **During the period covered by the Sustainability Strategy, we will**

- Select one or more ESG rating provider partners to help define the data requirements of the outcomes of the ESG metrics work
- Work with Operations to perform a feasibility assessment of the existing systems data capture and reporting functionality
- Work with Group Operations and Underwriting Management to understand the business change and budgetary implications of embedding ESG data requests into the underwriting process; making recommendations for relevant training, where necessary
- Continue to work with Lloyd's and other market bodies to help shape consistent ESG metrics, which are derived from publicly available sources
- Make recommendations to the MS Amlin Board, where necessary, for investment in data sets, models or enhanced system functionality to capture ESG data





## Sustainability Reporting

Increased sustainability reporting is being driven by:

1) legislation designed to align private sector capital with sustainability initiatives; 2) regulation focused on ensuring stability and resilience in the financial system; and 3) a growing understanding of the link between sustainability performance, long term financial performance and corporate value creation. Currently, MS Amlin is committed to the following sustainability related reporting obligations:

- Streamlined Energy & Carbon Reporting (SECR) – a UK-specific mandatory reporting regulation, required under the UK Companies Act, obliging certain companies to report emissions related to UK energy usage, and energy efficiency actions taken by the company over the previous year. KPMG has confirmed that MS Amlin Corporate Member Ltd (MS ACM) is in scope; but MS Amlin is not in scope because it does not meet minimum turnover and asset thresholds. SECR disclosures are captured within Climate Wise reporting principles.
- Climate Wise annual report – a set of TCFD aligned principles that helps to identify new approaches to confront climate change risks, and inform regulators and broader financial markets on the insurance industry's response to climate change. As a member of the Climate Wise global insurance industry collaboration, and because we elect to participate, MS Amlin is required to report annually. Reports are independently assessed, scored and benchmarked. We publish a copy of the report on our website.

- ORSA – ORSA reporting is mandatory and will be reviewed by Lloyd's and the PRA with reference to the PRA's Supervisory Statement SS3/19 supervisory statement (SS3/19), which is relevant to all UK insurance and reinsurance firms and part of the PRA's core supervisory approach. It is focused on financial risks arising from climate change and delineates between: Physical risks (increasing frequency and severity of extreme weather events); and Transition risks (regulation, technology, litigation, changing customer preferences). SS3/19 requires firms to be able to demonstrate ongoing compliance in: i) Governance; ii) Risk Management; iii) Climate Scenario Analysis; and iv) Disclosure.

We have carefully considered our reporting obligations. Given the nature, scale and complexity of our business, we believe that less formal disclosures, via our website and wider media and focused on our UNSDG priorities, provide greater reach and influence when compared to voluntary reporting. The effort that would otherwise have been afforded to voluntary reporting will be deployed in the business to drive sustainability outcomes that are aligned with our sustainability priorities. For 2022, we have captured information concerning broader environmental, social and governance issues within our Climate Wise report, where relevant, and will explicitly map the Climate Wise disclosures to the TCFD recommended disclosures, and SECR disclosures. We will demonstrate the adequacy of the mapping between the disclosures, as part of the approval process, and ask Internal Audit to review the work to provide assurance to the Audit Committee.

### *Actions we are taking:*

During the period covered by the Sustainability Strategy, we will continue to monitor the sustainability reporting landscape to ensure we are fulfilling all mandatory obligations, and update the Audit Committee on other sustainability reporting developments, revisiting the agreed approach on at least an annual basis. We will also become a member of the Partnership for Carbon Accounting Financials (a global industry led initiative) to benefit from technical support and guidance, at no cost, on the best way to implement GHG accounting and reporting.



## What next

Having obtained **Board support and approval** of MS Amlin's Sustainability Strategy, we have now begun to:

- Conduct a **feasibility assessment** of existing systems data capture and reporting functionality in order to estimate the business change, resourcing and training implications
- Determine **sponsorship in the business (beyond Exco and Sustainability Committee members)** for the specific change initiatives that are required to expedite intended outcomes\*
- Consider and integrate the roadmap and feasibility assessment within the wider strategic budgeting process (Sep - Nov 2022) to **identify incremental funding requirements and critical dependencies**
- Continue to **build on initial BAU cross entity engagement**; in particular, ongoing engagement with 1) the HR team on underwriting culture workshops; and 2) with 3rd party ESG data suppliers

We will perform **quarterly reviews**, within the Sustainability Committee, of progress against plan; refine as necessary and update the Exco and the Board.





## References:

A third of the food produced for human consumption is lost or wasted every year <https://www.wfp.org/stories/5-facts-about-food-waste-and-hunger>

\$100bn per year promised to developing nations is 8% worldwide declared military spend <https://www.oneyoungworld.com/news-item/historic-paris-agreement-climate-change-big-strides-towards-sustainability>

48% Global Property and Casualty insurance companies have policies restricting coal power <https://www.theinsurer.com/esg/lloyds-esg-survey-early-findings-highlight-progress-so-far-in-meeting-esg-goals/21279-article>

Achieving the UNSDGs opens up \$12tr mkt opportunities <https://sdgs.un.org/goals>

Gas demand is projected to grow by 10% in the next decade in all scenarios (peaking in 2035) <https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-energy-perspective-2022>

70% largest cities in EU vulnerable to rising sea levels; >90% urban areas are coastal <https://www.weforum.org/agenda/2019/01/the-worlds-coastal-cities-are-going-under-here-is-how-some-are-fighting-back/>

Renewables are expected to become the new baseload, accounting for 50% of the power mix by 2030 <https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-energy-perspective-2022>

Methane emissions from human activity are the second largest driver of global warming <https://www.mckinsey.com/capabilities/sustainability/our-insights/curbing-methane-emissions-how-five-industries-can-counter-a-major-climate-threat>

Companies that are sustainability leaders are 4X more likely to be leaders in innovation too <https://www2.deloitte.com/uk/en/insights/topics/strategy/cxo-survey-sustainability.html>

Coal mining emits more methane per year than the oil and gas industries [https://globalenergymonitor.org/press-release/report-coal-mine-methane-emissions-exceed-those-from-oil-or-gas/#:~:text=The%20world's%20operating%20coal%20mines,gas%20\(45%20million%20tonnes\)](https://globalenergymonitor.org/press-release/report-coal-mine-methane-emissions-exceed-those-from-oil-or-gas/#:~:text=The%20world's%20operating%20coal%20mines,gas%20(45%20million%20tonnes))

Only 2.5% Planet Earth's water is fresh water; Water use per person in USA is 5X higher than water use per person in Bangladesh [https://www.cdc.gov/globalhealth/infographics/food-water/water\\_use.htm](https://www.cdc.gov/globalhealth/infographics/food-water/water_use.htm)

Renewables will account for circa 95% increase in global power capacity through 2026, with solar PV providing more than half <https://www.iea.org/news/renewable-electricity-growth-is-accelerating-faster-than-ever-worldwide-supporting-the-emergence-of-the-new-global-energy-economy>

Wind and solar projects now return 6%-10% ROI under long term contracts (on par with oil projects) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1033990/net-zero-strategy-beis.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf)

It takes Planet Earth 18 months to regenerate what is used in a year, emerging markets are still industrializing <https://www.overshootday.org/>

Carbon Capture uptake is subject to uncertainty, due to challenges around commercial viability relative to alternative decarbonization levers <https://www.climatecouncil.org.au/resources/what-is-carbon-capture-and-storage/#:~:text=CCS%20IS%20NOT%20A%20VIABLE%20CLIMATE%20SOLUTION&text=Global%20temperatures%20do%20not%20stop,burning%20coal%2C%20oil%20and%20gas.>

Providing the calories needed by 13% the world's population facing hunger would require just 1% current global food supply <https://www.fao.org/state-of-food-security-nutrition/2021/en/>

Total offshore wind capacity is forecast to more than triple by 2026 <https://www.iea.org/news/renewable-electricity-growth-is-accelerating-faster-than-ever-worldwide-supporting-the-emergence-of-the-new-global-energy-economy>

More than 60% global coal plants are producing electricity at a higher cost than renewables <https://carbontracker.org/coal-developers-risk-600-billion-as-renewables-outcompete-worldwide/#:~:text=The%20report%20also%20finds%20that,operating%20coal%20in%20all%20markets>

50% global carbon emissions are generated by just 11% people; 57% global income is in the hands of just 10% people <https://www.theguardian.com/environment/2020/sep/21/worlds-richest-1-cause-double-co2-emissions-of-poorest-50-says-oxfam>

68% Global Property and Casualty insurance companies have no UW policy covering human rights <https://shareaction.org/reports/insuring-disaster-a-ranking>

The richest 20% of the global population consume 75% of all resources; the poorest 20% consume 1.5% [https://www.activesustainability.com/environment/natural-resources-deficit/?\\_adid=02021864894](https://www.activesustainability.com/environment/natural-resources-deficit/?_adid=02021864894)



SUSTAINABILITY



MS Amlin