esure Group plc.

ClimateWise Report August 2024

esure GROUP

Chief Executive's Foreword

I am pleased to share with you our 2024 ClimateWise report.

At esure, our mission is to fix insurance for good. Not only are we creating the UK's leading digital insurer while delivering better service for our customers, we also want to be a powerful force for good for our customers, the communities we operate in and for the environment.

As the climate emergency accelerates, our customers are on the front line. This last year again set records as the hottest on record globally and the increasing extremes of weather in the UK meant our customers faced ever increasing risks to their homes and vehicles.

We are committed to being there for our customers in the difficult times as they respond to floods, freeze events, storms, and subsidence.

Our customers are also working hard to reduce their carbon emissions and protect nature by shifting to more efficient and electric vehicles and making their homes more sustainable. As an insurer, we're committed to protecting our customers from the climate risks they face and to supporting them in transitioning to lower carbon lifestyles.

Alongside our duty to our customers, we recognise the important role we have in decarbonising and protecting nature through our operations, our value chain and the wider influence we can have in the markets in which we operate. I'm proud of the progress that we have made in 2023. Taking action on climate and nature is part of our purpose and we are integrating climate and nature in our processes, strategies and decision making.

Key highlights in 2023 included:

- Our work with our suppliers to create a carbon-neutral repair network and launch a new, state-of-the-art, low-emission, esure repair centre.
- The continued development of our lower carbon, circular business models in our home and motor supply chains, including continued growth in our use of green auto-parts and our enhanced home repair offerings.
- Calculating our underwritten emissions for the first time to help us identify opportunities to integrate decarbonisation into our underwriting.
- Our partnership with GreenTheUK to plant 60,000m^2 of wildflowers as part of a network of flower-rich pathways benefitting pollinators, other wildlife and people. And to fund the Blue Marine Foundation's work to survey sea kelp off the Sussex coast to monitor the recovery of marine habitats.

While we are making good progress, we recognise that driving a UK wide transition to greener homes and lower carbon transportation requires collaboration and coordinated action at pace and scale. Simply put, the insurance industry won't be able to meet its net zero aspirations without clear policy frameworks and coordinated action. This urgent need for collaboration to decarbonise and protect nature, is one of the reasons that we are so proud of our membership of ClimateWise. In the last year the revisions to the ClimateWise principles mean that as a member we will continue to be challenged to do more to integrate climate and nature into our business.

We have robust plans for our work to protect climate and nature. For more information on our approach and our work on sustainability, please visit our website www.esuregroup.com

David McMillan
Chief Executive Officer

Board Climate Lead Foreword

As a home and motor insurer, esure plays a vital role in protecting customers from the risks they face as a result of climate change. We recognise the important role that we play in helping our customers decarbonise their homes and vehicles, supporting customers impacted by climate events and the impact we can make by reducing the climate and nature impacts of our business.

We are proud members of ClimateWise which provides us and our industry partners with important benchmarking and guidance on our governance of climate and nature issues, how to manage our climate and nature impacts and risks and how to transparently disclose our performance.

I am delighted to share with you our 2024 ClimateWise report that describes the progress that esure is making in applying the ClimateWise principles.

We're proud of the progress that we are making but recognise that we must continuously seek opportunities to improve our performance. We see a significant opportunity to act in partnership with our stakeholders to establish ways of working that reduce nature and climate impacts, to ensure that the sector has access to the research, data and tools it needs to deliver, and to shape public policy frameworks and standards to drive decarbonisation and protect nature at the pace and scale required. We also see working in partnership as vital to managing our adaptation to the challenges presented by climate change. It is in driving this collective action that makes ClimateWise such a powerful force for change.

Andrew Birrell
Independent Non-Executive Director

ESG Champion on the Board and Board Director Responsible for Climate Change

ClimateWise
Insuring a sustainable future

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About this Report

This report provides esure Group's annual update on our progress in implementing the ClimateWise Principles.

The ClimateWise Principles provide guidance on how we can most effectively respond to the risks and opportunities presented by climate change. They guide us on how we can contribute to the transition to a low-carbon, climate-resilient economy and improve our response to climate and nature risks across our business.

As a member of ClimateWise we provide this report annually to allow our stakeholders, including our employees, customers and business partners, to evaluate our actions and the progress that we are making. By making this disclosure we are also able to benchmark our progress against our industry peers to identify opportunities to improve our plans.

In 2024 significant updates were made to the ClimateWise Principles to better reflect the emerging climate and nature regulations and expectations of insurers. As a result, we have evolved our disclosure approach in line with the updated Principles.

The report covers the period January 1st 2023 to December 31st 2023, and also provides updates on activities completed as at the end of June 2024. Where information relates to activities from the year end to the reporting date this is indicated. In order to provide a high quality disclosure the report provides information on:

- The methodologies followed and identifies where there are material assumptions and uncertainties.
- Material restatements of information from previous years made to improve data quality.
- Year on year comparisons of performance where appropriate and possible.

The report is designed to provide a prudent and neutral view of our performance and provide information that is accurate and useful to our stakeholders. For more information on our disclosure approach see section 4.

About esure Group plc

esure Group plc is focused on delivering excellent customer experience and smart products to our 2 million Home and Motor policyholders across the UK.

The Group's key brands are esure and Sheilas' Wheels, which can be bought direct or via the four principal UK price comparison websites, plus a smaller challenger brand, First Alternative.

As of 31st December 2023, we employed 1222 people spread across our head office in Reigate and our customer centres in Manchester and Glasgow.

Our purpose is to **'Fix Insurance for Good'**. This purpose guides our direction, decisions and actions.

Our long-term strategy is focused on the following areas:

- **Enhancing Value:** We are focused on delivering better outcomes for customers, delivering competitive products and frictionless, intuitive experiences.
- **Digital Leadership:** We have completed migration of our customer base on to our flexible, scalable technology platform, unlocking better customer experience and a lower expense ratio.
- **Exceptional Culture:** Our team bring customer focus, insurance knowledge, technological expertise and a passion for our core purpose of fixing insurance for good.
- **A Safer, more sustainable World:** We seek to make everyday life safer and more sustainable for everyone. We are working hard to reduce our impact on the environment, whilst being a force for good within society.

Our ESG approach

esure Group believes the consideration of Environmental, Social & Governance risks and opportunities are important to deliver sustainable, long-term value creation. We want to be a powerful force for good for our customers, colleagues, the communities we are proud to operate in and for the environment more broadly. We are committed to being a socially responsible and sustainable organisation. We have incorporated this ambition into our Game Changer strategy and it is embodied in our organisation-wide Driving Good initiative. This is our approach to embedding ESG considerations, including climate change and nature, into our business model, decision making, brand and customer propositions.

Our ESG approach is codified in our ESG Policy, which, among other things, aims to:

- Ensure ESG factors are considered in all strategic decisions to ensure the sustainability of the Group's business model.
- Monitor ESG factors in the Group's Risk Appetite Statement to ensure appropriate risk management of ESG factors.
- Promote clear and transparent ESG reporting.
- Consider and assess ESG risks and opportunities that impact customers, colleagues and our wider communities.
- Help to address climate change by reducing our carbon footprint and supporting efforts to preserve nature and biodiversity. Support the integration of ESG factors in the investment of assets under management.
- Link remuneration to climate related factors to ensure accountability.

An overview of our climate and nature strategy

Our Climate Strategy describes our approach to meeting the climate emergency and delivering a net zero business by 2050 and restoring nature. It defines our targets for reducing our carbon emissions in line with the rate of decarbonisation necessary to limit warming to 1.5℃ and also the steps we are taking to protect nature through our operations. It describes how we are embedding climate and nature into our governance and management. It also describes how we are incorporating action on climate and nature into our business strategy and motor and home insurance business.

Our approach

There are two key pillars within our Climate Strategy: reducing our impact and inspiring change.

The focus on reducing our impact is informed by a detailed assessment of the carbon footprint of our business activities, including our operations, supply chain and investments together with identifying opportunities to preserve nature and biodiversity.

Inspiring change relates to the actions we're taking to encourage more sustainable choices and behaviour amongst our Home and Motor customers, and amongst our colleagues.

These pillars are supported by the key foundations of a robust approach to climate and nature risk management, governance and disclosure. We integrate climate into our risk management process and design our strategy to mitigate the risks we identify.

We will continue to measure our carbon footprint and assess and monitor climate and nature risks to track the success of our strategy.

We recognise that tackling climate change and protecting nature require wide collaboration. We have built our approach to align with and support the ABI Climate Roadmap and the ClimateWise initiative.

Climate strategy framework

Our ambition is to be a sustainable insurer, decarbonise our business aligned to 1.5℃ climate pathway and protect nature.

Our targets, aligned to ABI's Climate Change Roadmap:

2025 - Net zero across scope 1 & 2 emissions.

2030 - 50% reduction in scope 3 emissions.

2050 - Net zero across Scope 1, 2 & 3 emissions.

Reducing our emissions and protecting nature

We are acting across all areas of our business:

- **Operations**
  Reducing the carbon footprint of our office operations
- **Investments**
  Reducing the carbon footprint of our investment portfolio and supporting the transition to a low carbon economy. Working to understand the nature impacts of our portfolio.
- **Supply chain**
  Partnering with our suppliers to reduce carbon emissions, with focus on our most carbon intensive Motor and Home claims activity. Working to understand how our supply chain impacts on nature and seeking opportunities to reduce our impacts.
- **Underwriting**
  Assessing the carbon footprint of our underwriting and exploring opportunities to align our business strategies and emission reduction activities. Exploring how our underwriting activities impact on nature.
- **Partnerships**
  Working with NGO partners to support the implementation of projects that protect our climate, enhance nature and promote biodiversity.

Inspiring change

We will inspire and actively help our customers and colleagues to make more sustainable choices that reduce their impact on our climate and on nature.

- **Motor customers**
  Supporting customers looking to transition to Electric Vehicles (EVs); researching consumer appetite for propositions that encourage customers to consider and offset their emissions; serving customers through our carbon neutral bodyshop repair network.
- **Home customers**
  Actively encouraging customers to consider how they can reduce their carbon footprint and protect nature through smart, sustainable choices at home.
- **Colleagues**
  Driving awareness and action to combat climate change and protect nature; helping colleagues to switch to EVs.

Progress against 2023 planned activities:

- Ongoing annual quantification of our emissions footprint: working to improve data quality and the scope of emissions calculated in line with best industry practice.
- Ongoing investment in offset initiatives to offset 110% of prior year's Scope 1&2 emissions. See section 2.1
- Working with our fund managers to significantly improve the quality of information on the climate impact of our investments and to ensure that they are actively managing climate risk and decarbonisation in our portfolio in line with our portfolio carbon transition roadmap. See section 3.1.
- Continuing our work with our suppliers to support their decarbonisation. See section 2.3
- Supporting our colleagues to act on climate change and protect nature, including through volunteering opportunities. See section 2.2

Planned activities:

- We will continue to improve information relating to the climate and nature impacts and risks associated with our investment portfolio.
- Continue to deepen engagement with our suppliers on climate issues, including extending our annual review of climate performance.
- Continuing to offset 110% of our prior year's scope 1 and 2 carbon emissions.
- Continue our work with NGO partners to support decarbonisation, adaption to climate risks and protect nature.

esure Group plc was acquired by Blue (BC) Bidco Limited a wholly owned subsidiary of funds advised by Bain Capital Private Equity (Europe), LLP and its affiliates in December 2018. Bain Capital are strong proponents of our focus on ESG. Information on climate change and our progress on ESG matters is shared with Bain Capital on a regular basis at Board, Shareholder and Strategy meetings.

esure Group participates in ESG Forum meetings with fellow Bain Capital portfolio firms. These forums enable us to share and learn from others' best practice, across a wide range of industries and geographies. Bain Capital provide external stimulus, insight and facilitate connection and training from a wide range of Sustainability experts.

Esure and Bain have a quarterly Decarbonisation meeting where esure updates on progress made across every aspect of our carbon footprint, across the business, with focus on improving data sources and quantification, alongside specific initiatives aimed at driving carbon reductions. Bain provide encouragement, challenge and support within these meetings, which are attended by our Sustainability Lead and our Executive accountable for ESG.

Bain's Q2 ESG Forum focused specifically on decarbonisation and featured presentations from McKinsey on Decarbonisation best practice across all Scopes 1-3; Boston Consulting Group on the growing regulatory importance of Nature & Biodiversity; UBS on the increasing importance investors place on firms' Environmental credentials, as well as case studies from fellow portfolio businesses.

Principle 1: Steering the Transition

Governance

1.1 Ensure that our Board has oversight of climate and nature-related risk and opportunity management, including any transition plans.

Our approach to governance of ESG, climate and nature issues is summarised in the following diagram and described in more detail below.

Overview of ESG and Climate Governance

Board of Directors

- Signing off ESG policy
- Oversight of ESG activity
- Responsible for ensuring the Group has effective measures in place to manage ESG matters including risks and opportunities
- Receives regular ESG updates from senior executives
- Board Non-Executive Director with responsibility for Climate

Board Remuneration Committee

Agrees appropriate remuneration related to ESG factors for the senior management team

Board Risk Committee

Monitors and evaluates climate-related risks and opportunities (including Physical, Transition and Other)

Group Executive Committee

- Responsible for developing, monitoring and supporting ESG strategy in line with the ESG Policy
- Receives regular updates on ESG issues, including climate change
- Makes recommendations and provides updates to the Board of Directors on ESG matters
- Provides regular ESG updates to the Board (at least twice a year)

Driving Good Management Committee
Chaired by Chief Operations Officer

Comprised of leaders from key areas of ESG agenda.

- Directs and drives key ESG initiatives and improvements
- Makes recommendations and provides updates to the Group Executive Committee on ESG matters.

Driving Good Working Group

- Brings forward ESG initiatives and solutions
- Explores activities in three areas: Safer Driving, Green Driving and Sustainability.

Financial Risk Committee
Chaired by CFO

- Responsible for oversight of decision making related to financial risk and for ensuring that business activities and risks are identified and managed
- Assesses financial risk exposure and issues related to climate change supporting the Chief Risk Officer to discharge the Senior Management Function and Prescribed Responsibilities for the financial risks around climate change
- Tracks metrics to monitor the exposure to financial risks from climate change
- Define, launch, implement and monitor investment strategy

Board of Directors

The esure Group Board of Directors oversees our ESG activity and has ultimate responsibility for ensuring that the Group has effective measures in place to manage ESG risks. As part of this role, the Board evaluates climate risks and opportunities recommended by the Board Risk Committee.

The Board also receives ESG updates on a regular basis. The Board's 2023 ESG activity included 'deep dive' ESG sessions in May and November, providing updates on all ESG initiatives, targets and progress, from our carbon emissions through to key initiatives aimed at driving emissions reductions and our partnerships supporting nature and biodiversity. 2024 ESG deep dive sessions are planned for September and November.

In 2023 the Board appointed a new non-executive Director as the Board Director with responsibility for ESG, to provide independent oversight of the business's climate response.

In H1 2023 the Board were briefed on the findings of our full scope 1, 2 and 3 carbon footprint, together with the key initiatives in place to drive further reductions. Climate and nature-related topics are formally incorporated into Board matters twice a year. In November 2023, the Board were briefed on our 2023 ClimateWise score, feedback and corresponding recommendations on our 2024 ESG priorities, including our nature partnerships.

The Board's climate related duties, together with those of the Board Risk Committee are embedded into terms of reference.

Board Risk Committee

The esure Group Board of Directors has delegated responsibility for ESG risk matters to the Board Risk Committee.

The Board Risk Committee's remit is to consider and advise the Board on the Group's overall risk appetite, risk tolerance, risk limits and risk strategy, taking into account the current and prospective macro-economic and financial environment; and to oversee and advise the Board on the current risk exposures of the Group and future risk strategy. Consideration of climate risk is integrated into this work.

The Board Risk Committee provides oversight of the Group's climate risks, and reviews various Climate related risks as part of the ORSA. The Board receives a formal briefing twice a year on ESG related activities and approves the ESG policy on recommendation by the Board Risk Committee.

The Group climate metrics are reviewed at both Board Risk Committee and Financial Risk Committee (see section 1.2 below).

- Board Risk Committee activities included annual approval of the ESG Policy in Nov 2023 and review of the Climate related risks within the ORSA report in May 2024.

Remuneration Committee

The esure Remuneration Committee oversees the remuneration arrangements for the Group Executive and Material Risk Takers, this includes establishing the incentive programmes.

Performance on ESG topics, including climate change, are incorporated into the incentive programme for the Group Executive and senior leaders' Management Bonus Scheme, including metrics linked to our performance in the ClimateWise assessment.

Our progress on 2023 planned activities:

- We continued regular ESG updates to Board.
- The Board approved our 2024 ESG plans, which were informed by 2023 ClimateWise feedback.
- We continued to explore opportunities to improve our governance of climate, Andrew Birrell was appointed NED with ESG oversight responsibilities.

Planned activities:

- Board review of the esure transition plan.
- Further Board training to continue to deepen climate-related capabilities.
- Continue work to understand and quantify climate-related opportunities
- Share detailed overview of 2024 ClimateWise score and feedback at Board

1.2 Ensure that our senior management has responsibility of climate- and nature-related risk and opportunity management, including any transition plans.

Responsibilities

The Chief Operations Officer is the Accountable Executive for ESG within the esure Group and is responsible for ensuring that the firm's policies and procedures around ESG risks and opportunities, including those relating to climate, meet the requirements of the ESG Policy and our strategic objectives.

The Prudential Regulation Authority (PRA) Supervisory note SS3/19 on managing the financial risks from climate change requires that Boards embed and understand the Climate Change Financial Risk exposures and have clear accountabilities delegated. Under the Senior Managers and Certification Regime (SMCR), the Chief Risk Officer (CRO) holds the Senior Management Function and Prescribed Responsibility for the financial risks around climate change.

Responsibilities for delivery on climate include:

- **Chief Risk Officer:** Responsible for integrating climate into the group risk processes.
- **Company Secretary:** Responsible for integrating ESG into policies and procedures and for integrating climate topics into our governance processes and corporate disclosures.
- **Chief People Officer:** Responsible for ensuring that the business has the appropriate capabilities for delivering climate plans and policies. Responsible for internal communications to engage all colleagues regarding our ambitions, initiatives, progress and future focuses. Also responsible for identifying opportunities to improve ESG performance within our three office locations.
- **Chief Financial Officer:** Responsible for integrating our climate plans into our investment strategy & supplier management.
- **Chief Operating Officer:** Responsible for delivery of the transition plan and leadership of Driving Good Working Group. We provide climate-related training in order to support our senior management team in delivery of their climate-related responsibilities. The last management training was provided in April 2023.

Group Executive Committee

The Group Executive Committee is attended by all Group Executive members. It receives updates on ESG issues, including climate change and our nature partnerships, before they are escalated to the Board.

In 2023, the Group Executive Committee approved the ESG 2024 plan for recommendation to the Board and the Risk Committee, reviewed the ESG policy and the Climate Wise submission. Group Executive also received training on the ESG regulatory landscape.

Financial Risk Committee

The Financial Risk Committee (FRC) forms a key part of the overall governance framework within esure, ensuring appropriate oversight and challenge to decision making in respect of activities and processes related to financial risk, and helping ensure business activities and risks are identified and managed in accordance with esure risk appetite and esure policies. It meets monthly and is chaired by the Chief Financial Officer.

The FRC is the executive committee that reviews financial risk exposure and issues related to climate change, supporting the Chief Risk Officer to discharge the Senior Management Function and Prescribed Responsibilities for the financial risks around climate change. It considers climate-related risks within the key risk themes identified in the table below.

Key Risk Themes

Risk Appetite	Key Risk Themes
Capital and liquidity	Solvency
	Liquidity
	Reinsurance
Earnings	Underwriting
	Investment/Market
	Reserving
	Credit
	Catastrophe

The FRC's duties with respect to climate-related risk are included in its terms of reference. The FRC routinely reviews our climate related metrics to track our performance trends and provide analysis on the key drivers of current and future performance.

Driving Good Working Group

The Driving Good Working Group is composed of team members from across the business, including Risk, Finance, Claims, Procurement, Operations, Underwriting and Marketing, who are responsible for driving ESG matters within their respective teams. The working group meet every two months.

The Driving Good management committee is made up of Heads of Department representing areas that have the largest impact on our carbon footprint - Finance, Underwriting, Claims and Procurement (supply chain), alongside Marketing and Risk Heads. The Driving Good management committee also meets every two months and shapes the agenda for the wider Working Group meetings. Key updates and any required significant strategic decisions relating to Driving Good initiatives are reviewed with our Group Executive Committee.

Our Chief Operating Officer is the Accountable Executive for our ESG strategy and initiatives, and attends Working Group meetings to review progress and define agenda items for the Group Executive Committee.

The Working Group's remit is to bring forward initiatives and solutions that meet the criteria set out by the Group Executive Committee.
It explores activities in three areas: Safer Driving, 'Greener' Driving and Sustainability.

As part of our overall Driving Good strategy, the Working Group coordinates with the People team and Inclusion & Diversity working group, working on areas including aligning our charity and volunteering initiatives with esure's climate-related commitments.

In the last year, the Driving Good working group has supported the business's progress in areas including:

- Continuing to reduce reliance on proxy data within supply chain emissions calculations
- Improving the quality of information on our investment related risks and our impacts on climate.
- Establishing systems to improve ongoing engagement and dialogue with suppliers on ESG
- Continuing to support partnerships and initiatives to enhance nature and biodiversity
- Developing a model for the carbon emissions associated with our motor insurance business in accordance with the guidance of the Partnership of Carbon Accounting Financials (PCAF)

Our 2023 Driving Good plan covered the following areas:

- Integrating sustainability into brand and internal communications
- Supply Chain engagement on sustainability
- Ongoing monitoring of the carbon emissions and intensities of our investments
- Reducing the impact of our offices
- EV strategy to support transition towards a growing number of electric vehicles on our roads
- The sustainability of our motor and home claims activities
- Developing a decarbonisation transition plan, with related milestones, for all component parts of our carbon footprint
- Integrating sustainability into our human resources activities
- Continuously improving our assessment of climate risk and related opportunities
- Reducing the environmental impacts of our technology

We monitor the progress of our implementation of our Driving Good plan and embed actions into strategies within our business areas.

Update on 2023 planned activities:

- We agreed ESG metrics for the Senior Leadership's bonus measures, continuing to anchor one of these metrics to our ClimateWise disclosure assessment.
- We continued quarterly ESG updates to Group Executive, prior to the Board.
- The Group Exec recommended to the Board the 2024 ESG plans, which were informed by 2023 ClimateWise feedback.

Planned activities:

- We will conclude development of our transition plan, obtaining approval for it at Board
- We will further embed responsibilities for delivery of our transition plan into executive responsibilities.

1.3 Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.

The delivery of our climate strategy, our transition plan, and effective governance relies on a robust policy framework that sets out the standards that we work to. The adequacy of our policy framework is reviewed routinely as part of our assessment of our risk controls.

Our policy framework includes:

- **Environmental, Social and Governance policy:** this sets out our approach ensuring focus on ESG matters across our business.
- **Supplier Code of Conduct:** this sets out our ESG targets and our expectation that all suppliers align to and support our ESG ambitions and initiatives.
- **Responsible investment policy:** That describes the standards we use to shape our investment strategy to manage risk and deliver on our climate strategy.
- **Climate Strategy:** outlining the key pillars within our approach to combatting climate change, across our operations and with customers and colleagues. This is published within the Sustainability section of our esure Group website

1.4 Ensure that our senior management has responsibility of climate- and nature-related risk and opportunity management, including any transition plans.

Incentives

Remuneration for Executives and Material Risk Takers includes both short-term and long-term incentives that are linked to both business and individual performance. ESG topics are integrated into our incentive programme for all the Group Executive. Specific climate related objectives are integrated into the performance programme for key executives in line with their areas of responsibility. Our bonus metrics have an ESG target that accounts for 5% of the total bonus measures. In addition, the 2024 bonuses of all our senior leaders (133 colleagues) are indexed to delivering our ClimateWise target rank to further incentivise the integration of the ClimateWise principles into our activities.

Knowledge and capabilities

We carefully assess and nurture the knowledge and capabilities of our team. To ensure that we have the knowledge and capabilities we need to deliver effective control of climate risk and drive delivery of our climate and driving good strategies, we undertake capability assessments. In 2023 we completed a survey to assess of the capabilities of our senior leadership team (c.50 members) in order to understand whether there are any material gaps within the organisation in relation to technical understanding of climate risks and sufficient resources in both the short and long term. The review found opportunities to build knowledge of emerging climate related risks and data.

As a result, we are in the process of setting a central Climate Risk Knowledge Hub for all senior leaders to have access to, this will include, for example current and emerging regulations; our current assessments and scenario results; external information; and tracking actions against delivery dates.

Following on from our Head of Brand completing the Cambridge Institute for Sustainable Leadership's Business Sustainability Management course, our Head of Risk and Capital (who sits on the Driving Good management committee), has also completed this course.

We make use of external training opportunities to keep up to speed on the fast-evolving Sustainability landscape. We have attended sessions by McKinsey on Decarbonisation across Scopes 1-3, Boston Consulting Group on the emerging importance of Nature & Biodiversity, and with UBS on the importance investors place on Sustainability credentials.

Integrating climate into our culture

Our business strategy - to fix insurance for good - focuses on shaping an exceptional culture, and our work to create a safer, greener world for everyone. We work hard to engage our team and create a culture that supports environmental risk management and action on climate. We describe how we approach this in section 2.2.

Strategy

1.5 Describe the impacts and implications of climate- and nature-related risks and opportunities on our business model and performance, strategy and any decision-making processes.

esure Group undertakes a comprehensive analysis of climate risk and opportunities as part of our Group Risk Management System.

The results of the risk analysis are used to inform our business strategies. Our Climate Strategy is also informed by the results of our carbon footprinting which has helped identify carbon emission hotspots and key action areas.

We review our climate performance, approach and strategy on an annual basis and discuss our approach, and the implications for our business performance, investments, and our stakeholders (including our suppliers) at the Group Executive Committee and Board.

Our Climate Strategy

Our Strategy describes our approach to deliver a net zero business by 2050. It defines our targets for reducing our carbon emissions in line with the rate of decarbonisation necessary to limit warming to 1.5^{oc} consistent with the Paris Agreement. It also describes how we are embedding climate into our governance and management and describes how we are incorporating climate action into our business strategy, investments and motor and home insurance business.

Our approach

There are two key pillars within our Climate Strategy: reducing emissions & inspiring change. Our approach to reducing emissions and protecting nature is targeted to address the key carbon and nature impact hotspots in our business activities, including our operations, supply chain and investments. Inspiring change relates to the actions we're taking to encourage more sustainable choices and behaviour amongst our Home & Motor customers, and amongst our colleagues.

These pillars are supported by the key foundations of a robust approach to climate risk management, governance & disclosure. We integrate climate into our risk management process and regularly review our strategy to ensure we are mitigating the risks we identify.

We measure our carbon footprint regularly, review our performance and continue to monitor climate risks to track the success of our strategy. We recognise that tackling climate change and protecting nature requires wide collaboration.

We have built our approach to align with and support the ABI Climate Roadmap and the ClimateWise initiative.

For detailed information see: our work to decarbonise our operations **(section 2.1)**, our investments **(section 3.1)**, our underwriting **(section 3.3)** and supply chain **(section 2.3)**, our governance **(section 1.1)**, risk management **(section 1.8)**, engagement **(section 2.2)** and our approach to disclosure **(section 4)**.

Climate change, nature and our products

Our business approach focuses on the provision of high-quality products and strong customer service, priced to deliver great value. We recognise that the products we offer in both motor and home insurance can support the transition to a low carbon, nature positive economy.

We also recognise the need to reduce the carbon emissions and nature impacts of our delivery of our products and services. Reaching net zero emissions in our motor and home insurance supply chain will require working with our suppliers to design low carbon circular supply chains and operations. We are working closely with our suppliers to support and enable this transition.

Supporting the transition to electric vehicles

In 2023 we continued to see strong growth in the EV market with sales of new vehicles up 18% year on year, with nearly 315,000 registered new battery electric vehicles (EVs). In 2023 we increased the number of EVs insured by esure up to 1.5% of our book. It is important to note that whilst EVs make up an increasing proportion of new vehicles sold, they still constitute a small proportion of the total cars on UK roads.

To put this into context, EVs now make up around 2% of the available quotes on Price Comparison Websites. Whilst EVs are therefore still a small proportion of our available market opportunity, we give our EV strategy extra focus in light of their role in helping to combat climate change and given clear trends of future customer demand.

Shifting to electric vehicles is critical to decarbonising UK transport and can drive significant emission reductions. As one of the largest vehicle insurers in the UK, we can play a significant role in supporting the uptake of electric vehicles. We have ambitions to grow the proportion of EVs on our book and help the UK to meet its targets to decarbonise transport.

We have set targets to grow our EV insurance business and developed a strategy to deliver. As we have improved our understanding of the risk profiles of different makes and models of EV, we have further improved the competitiveness of our pricing, making us a more attractive option to insure an EV with.

Our strategy is to grow our exposure to EVs in a measured way, developing a sustainable cost structure which adds value to our customers and supports the development of the EV ecosystem.

Our EV strategy is developed and executed by a cross-business working group. Our strategy is to:

- Optimise pricing for EV insurance
- Build a nuanced approach to underwriting that addresses known EV issues
- Build our repair network to accommodate EV repairs
- Provide EV focused repair experiences for customers
- Engage with industry bodies to develop standards and approaches for EV cover, including ABI and Thatcham
- Effectively communicate our EV offer
- Shape consumer driving behaviours through a driving proposition that rewards more sustainable driving, enables customers to understand and offset the impact of driving and to transition to an EV.

Our progress in 2023 included embedding new, state of the art, EV repair capabilities at our new branded bodyshop (see section 2.4 for more information). We have mapped where the quotes in the EV market are generated, and map that to our current repairer network with EV capability to ensure we can fulfil our customer needs and identify geographically where further work is needed.

Supporting customers to transition to low carbon, nature positive homes

As homeowners and developers work to improve energy efficiency, decarbonise homes, and protect nature, insurance needs will shift.

We recognise that we have an important role to play in helping our home insurance customers to lower the carbon emissions from their homes and protect nature. We are exploring our future strategy for helping customers in this area.

Our approach includes:

- Coverage for solar panels, ground and air source heat pumps within our home insurance products.
- Covering customers for loss of or damage to buildings or contents, as a result of storms, flood or lightning.
- Enhancing our data to provide more accurate flood risk ratings, enabling us to quote for more customers in affected areas.

We recognise that the changing climate will pose additional underwriting risks to our motor and home insurance products. We consider these risks as part of our risk management processes (see section 1.8).

Responsible investment

Our investment portfolio represents a significant source of carbon emissions in our business. Decarbonising our investments is a key priority in our climate strategy and we have established 2030 and 2050 targets for decarbonising our investments. More information on our investment strategy is available in section 3.1.

How we respond to climate and nature risks and opportunities

Our materiality assessment provides a holistic view of the climate risks and opportunities that we face, encompassing the sustainability issues that impact us and also how our activities impact people and the environment. Risk Management hold meetings with experts from across Pricing, Underwriting, Claims, Facilities, Marketing, Legal, Procurement and Finance, to capture current and future views and activities in each of these areas.

We have enhanced our assessment this year with a wider consideration of climate risks and opportunities across underwriting risk, market risk, credit and counterparty risk, operational risk, reputational risk and strategic risk, and also by showing our potential impact across three (short, medium and long term) horizons.

We present the findings of the materiality assessment below and describe the actions we are taking to mitigate risks and capture business opportunities.

The strategic implications of the materiality assessment include:

- Underwriting risk is susceptible to a lack of experience and data over new and changing products, regulation and initiatives (e.g., electric vehicles, solar panels, subsidence, introduction of potential regulation of gas boilers), creating a short-term mismatch between claims and premiums. Due to the short nature of esure's insurance contracts premium can be rapidly updated to reflect trends minimising the time of increased exposure. As such, underwriting risk is not deemed material.
- The Market risk assessment is based a temperature increase of 3.3 degrees, which reflects the weighted average of the temperature rise from scenarios considered (weighting based on our investment manager's climate trajectory analysis). There is a relatively limited impact due to the nature of the current asset portfolio being mainly investment grade bonds and sovereign with relatively short duration.
- Credit/counterparty risk exposure is largely due to esure's reliance on reinsurance, and the risk of default due to increased weather claims. This risk is factored into the solvency capital requirement (SRC) process.
- Operational/reputational/strategic risk relates to the various climate change products and initiatives available in the market and implemented by esure and consumer behaviours towards these, including car usage or ownership, use of recycled parts, and tree planting. In the short term these risks are not expected to be material.
- There is a new anti-greenwashing rule that came into force on 31st May 2024. Our current exposure is considered low as we undertake limited 'green' marketing and have no specific 'green' customer proposition.
  Potential greenwashing is considered throughout our communication processes and mitigated with the appropriate tone, factual accuracy of messaging and robust sign-off processes. Our mandatory disclosures are reviewed by an external third-party auditor.
- There are no material changes from the updated Stress Tests and Scenario Analysis that indicate an increased materiality.
- Our capital model includes climate risk adjustments. This is used in reinsurance decision making on weather related reinsurance decisions. We also use our capital model in Pricing and Business Plan forecasting processes.
- We consider the legal risk drivers of climate risk, noting the PRA considered this area to have weaker consideration within the overall market. This information feeds into the legal risk element of the materiality assessment.

Risks are considered to be material where ignoring the risk could influence the decision-making or the judgement of the Board and Management.

Progress on 2023 planned actions:

- We are working with a home Loss Adjuster, to deliver a Circular Economy initiative.

Planned actions:

- Continue to monitor and evolve our approach to EVs, including pricing of existing makes and models, and improving our data on risks associated with newer makes and models, to support more drivers switching to EVs.
- Continue to assess options for understanding Nature-related impacts of our Investment portfolio, to identify corresponding options to improve our position.
- Conduct consumer research to assess appeal of ESG-related customer propositions, using insights gleaned to inform future proposition development.
- Maintain strong relationships and transparent dialogue with our key, most carbon-intensive suppliers, seeking new opportunities to innovate and accelerate supply chain decarbonisation.

1.6 Describe how environmental resilience plans are incorporated into business decision-making, including disclosure of any material outcomes of climate risk scenarios.

Climate change is a complex intergenerational and global challenge. It will transform the way we live, and will impact global financial markets.

As a UK insurer, we focus on understanding how the transition to a low carbon economy and the physical risks associated with warming will impact our customers and operations in the UK. Our investment portfolio is global and we manage climate exposures across our portfolio.

We consider the resilience of our strategy by considering the risks associated with different climate-related scenarios. We use the scenarios defined by the Climate Financial Risk Forum (CFRF) as a basis for this work. The risks in these scenarios are materially consistent with the risks considered in the materiality assessment. The scenarios draw on data from the Network for Greening the Financial System (NGFS) and explore a range of transition and physical risks:

- Orderly transition scenarios assume that climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
  - Net Zero 2050 limits global warming to 1.5℃ through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia and Japan reach Net Zero for all Greenhouse Gases (GHGs).
  - Below 2℃ gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2℃.
- Disorderly transition scenarios explore higher transition risk due to policies being delayed or divergent across countries or sectors.
  - Divergent Net Zero reaches net zero globally around 2050 but with higher costs due to divergent policies introduced across sectors leading to inefficiencies and a quicker phase out of oil use.
  - Delayed transition assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2℃. Negative emissions are limited.
- Hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming, leading to high physical risk.
  - Nationally Determined Contributions (NDCs) includes all pledged targets even if not yet backed up by implemented effective policies.
  - Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.

There are a number of uncertainties and limitations associated with this tool, e.g.:

- the tool is not updated on an ongoing basis. It draws heavily on the NGFS scenarios (updated in September 2022).
- it does not specify a baseline related directly to what is priced into assets today.
- It also does not allow for meaningful variation in the implementation of climate policies across geographies and sectors, nor alternative technology pathways.

In addition to these scenarios, within the ORSA stress testing and scenario analysis we undertake a Market risk assessment based on the temperature increases assumed in the Bank of England's Climate Biennial Exploratory Scenario (CBES) scenarios and using Prudential Regulation Authority (PRA) parameters.

A weighted average of these scenarios (weighting based on external investment manager climate trajectory analysis) is used to assess the assumed temperature increase.

1.7 Describe the outcomes of our materiality analysis and any material climate- and nature-related risks and opportunities that affect our prospects.

A materiality assessment on climate risk takes place at least annually as part of the ORSA process. Current and future climate risks and opportunities are considered across the various functions. The assessment has been enhanced this year to consider the sustainability issues that impact us and also how our activities impact people and the environment. It also considers our potential impact across three (short, medium and long term) horizons.

Our overall assessment of climate risk is that it is not considered a material risk to the Group at this stage and during the next 2-3 years of our planning horizon. In the longer term the risk can become material if it was to significantly affect reinsurance capacity or if it altered consumer attitudes to driving.
In the longer term the risk can become material, due to:

- **Reinsurance capacity risk:** The risk of reinsurance capacity reducing if there are more frequent and more severe extreme events impacting reinsurers. Further discussions with brokers are taking place to understand the near-term implications of severe global climate driven events on the reinsurance market and the potential consequences to reinsurers' appetite to writing UK Motor and Home reinsurance.
- **Strategic risk:** The transition to a low-carbon economy can reduce demand for motor insurance products and services. This would be a reverse stress test as the current growth assumptions in the business plan would be unviable as the core business plan relies on motor insurance. Whilst there is the possibility of lower car usage in the next two to three years in the planning horizon, any material impact is expected to emerge in the longer term. The Blueprint programme has provided a platform and IT infrastructure that is expected to allow the Group flexibility to move into additional products and services.

The results of climate-risk assessments are shared widely across the business to inform business decision making.

Risk Management

1.8 Establish appropriate processes to identify, assess and prioritise climate- and nature-related impacts, risks, and opportunities.

Background

As a leading insurer in the UK, we recognise that the climate and nature emergencies pose important risks to our business and our customers across the country. Climate risks are driven by the increases we are seeing to global temperatures, and the associated physical effects that changes to the UK climate are having on our customers and business infrastructure. Nature risks are driven by the changes we are seeing to the natural environment, both as a result of climate change and also through the changing way we use land. Risks are also driven by the changes that our customers are making to their needs and behaviours as they respond to the changing climate and protect nature. And they are also driven by the changes to the UK and global economy as we transition to a low carbon and climate-resilient economy.

The risks we consider include

Driver	Risk	Example
Transition Risks	Policy risk	As a result of energy efficiency requirements, carbon pricing mechanisms which increase the price of fossil fuels, or policies to encourage sustainable land use.
	Technology risk	The risk of litigation for failing to avoid or minimise adverse impacts on the climate or failing to adapt to climate change
	Market sentiment risk	If the choices of consumers and business customers shift towards products and services that are less damaging to the climate.
	Reputational risk	The difficulty of attracting and retaining customers, employees, business partners and investors if a company has a reputation for damaging the climate (e.g. certain companies in the investment portfolio perform poorly because of their reputation of contributing to climate change).
Physical Risks	Acute physical risk	Arise from particular events, especially weather-related events such as storms, floods, fires, or heatwaves that may damage production facilities and disrupt value chains.
	Chronic physical risk	Arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.

Our approach to climate-related risk is shaped by the guidance and requirements of the Prudential Regulation Authority (PRA), including its requirements for the Own Risk and Solvency Assessment (ORSA). We also monitor and review emerging regulatory requirements and best practice standards.

Our approach to climate-related risk is embedded in our enterprise-wide risk processes.

This includes:

- **Investment risk** – Consideration of how climate-related risks can impact on our investment holdings, including the potential for stranded assets.
- **Underwriting risks** – Consideration of the direct impact of climate-related events on claims in our home and motor insurance underwriting and on reinsurance capacity.

We make ongoing improvements to our understanding and treatment of climate-related risks in line with ongoing improvements to our enterprise-wide risk processes.

Risk Governance

The Board is responsible for prudent oversight of the Group, ensuring that it is conducted in accordance with sound business principles and within applicable law and regulation. The Board is responsible for agreeing the strategic risk statements and setting the risk appetite for the business. It ensures that an appropriate framework of identification, measurement, control and acceptance of risks is in place.

The Board Risk Committee has responsibility for oversight of esure's approach to climate-related risk management. Its duties with respect to climate-related risk are included in its terms of reference. The Committee reviews a climate risk update at least annually.

The Chief Risk Officer has responsibility for the identification and management of financial risks arising from climate change. This is included in the Senior Management Function Statement of Responsibilities.

The Board Risk Committee monitored progress to completion of the Group's actions to embed the financial risks associated with climate change into the risk management framework.

In accordance with recognised good practice, the Group operates a 'three lines of defence' risk governance framework:

1st Line of Defence – Business Area

- Risk ownership and management. Primary responsibility for climate related risks and how these align to the strategic objectives.
- Embedding of the risk framework, risk management practices, processes and controls.

2nd Line of Defence – Risk and Compliance function

- Provides oversight and challenge to business areas and management around climate risks.
- Coordinates risk and compliance activities and reporting, including ensuring an effective risk framework is embedded within the 1st Line of Defence.

3rd Line of Defence – Internal Audit function

- Independent and objective assurance on the control environment.

Climate-related risk governance is integrated into our overall risk governance framework as a cross-cutting risk.

Own Risk & Solvency Assessment (ORSA)

Climate risk management is integrated throughout the organisation through the ORSA Process. The ORSA process is owned by the Board and forms an integral part of the consideration of the risks and solvency position of esure. The ORSA Policy outlines the Group's approach to the management of risk and solvency on a forward-looking basis including climate related risks. It is supported by several processes and procedures.

The Group's risk management framework and Own Risk & Solvency Assessment (ORSA) processes consider climate risk as a cross-cutting risk considered within the principle risks the Group is exposed to such as risks relating to capital and liquidity and earnings (including insurance, credit and investment risks).

We integrate climate-related risk management into the ORSA process and the ORSA report includes a climate risk review. Key elements of our ORSA process include:

- **Risk Strategy and Appetite** – Risk themes are assessed for their materiality to our business strategy. Our Group Risk Appetite defines our attitude to different types of risk. We are cautious on sustainability related risks, including on climate risk. Over the medium term we are looking to manage our exposures cautiously to create a more sustainable business.
- **Capital Management** – Ensuring there is adequate coverage for climate-related risks within our capital management framework. Stress testing and scenario analysis and the materiality assessment for various risks impacted by climate change aids the Board in understanding our overall exposure to climate risk.

- **Control Framework** – Confirming that climate-related issues are adequately identified and treated within the overall risk management and control framework allowing the Group to identify, assess, manage, monitor and report on climate-related risks across the business.

This activity is underpinned by key processes that also integrate climate-related risk.

These include:

- **Risk assessment:** esure Group undertakes a comprehensive analysis of climate risk as part of our Group Risk Management System. We update our risk assessments annually to improve our treatment of climate-related risk. The results of the risk analysis are used to inform our climate and business strategies. As we manage climate risk as a cross-cutting risk, the impact of climate risk is considered within other risks that are already in place. We use our Xactium risk management system to document our key risks and controls. These risks are then reviewed for materiality on a regular basis. These risks are considered in dashboards reviewed by the relevant risk forums and committees.

In 2023 we updated the materiality analysis of climate related risk, identifying our risks and the magnitude and likelihood of potential impacts. Our materiality assessment process incorporates input from the climate risk survey of the senior leadership team and through working sessions with key experts and executives from across the business.

This helps us to ensure that we have identified and assessed current and future risks associated with activities in all areas of the business, including Underwriting, Claims, Facilities, Marketing, Legal, Transformation, Procurement and Finance. See section 1.7 for more information.

- **Assessment of weather perils:** We apply models to assess weather perils and identify opportunities to derisk our portfolio. Climate risk adjustments for weather are incorporated into uncertainty modelling, both in Pricing and Capital Modelling. There remains limited data to rely on for some perils and therefore judgements have been made. We engage with an external consultancy to ensure we are informed as climate modelling evolves.
- **Stress tests and scenario analysis:** We conduct Stress tests and scenario analysis (see section 1.10 below) to understand esure's motor; home; and asset exposures. Updates are included in the annual ORSA that is approved by Board and reviewed by the Board Risk Committee. The scenario analysis also informs our materiality analysis.
- **Emerging trend analysis:** We consider developments which are not expected to materialise or have an impact for several years and where the impact on the business is uncertain. We consider climate-related emerging risks as explicit parts of our emerging risks assessments which is completed annually.
- **Engagement with external experts:** We seek input from external experts to ensure that we continue to align with best practices:
  - With our primary investment manager to better understand changes to KRI values and data limitations within the KRIs, along with exploring best practice monitoring, reporting and engagement with asset issuers. This also incorporates the use of different methodologies for assessing climate risk with our investment managers and third parties, including the use of carbon emission reporting, implied temperature rises, and science-based targets.
  - With an external data provider to understand the sources of data used in reporting on climate risk, the pros and cons of different reporting metrics and the opportunities to extend monitoring to incorporate nature-related risks.

We recognise that there are limitations on the data used in climate risk assessments. We are working with an external provider to enhance modelling for freeze and subsidence perils and also enhancing our own analysis for storm and flood. We are working with investment managers to enhance investment carbon footprint metrics.

Update on 2023 planned activity:

- We completed a gap analysis against the capabilities expected to be required at esure in the next 2-3 years to manage climate risk
- We considered changes in the capital model to use alternative external models to the ones currently in use for flood distributions and introduced alternative distributions for freeze and subsidence perils in collaboration with our risk management partner.
- We continued sharing information gathered by Home Pricing & Underwriting and Risk to understand developments in the market for modelling of weather related risks, and continued engagement with our risk management partner.

Planned activity:

- We aim to refine our approach to our climate risk materiality assessment as more data and techniques becomes available.

1.9 Put in place mechanisms to monitor and manage climate- and nature-related risks and opportunities.

We measure our climate-related risks, opportunities and performance as a core part of our strategy and risk governance framework. Our approach encompasses our performance in reducing carbon emissions, managing climate-related risk and delivering on the business opportunities relating to the growth of the EV market.

Our climate-related business performance

Our monitoring of climate performance indicates that the business is not experiencing any materially adverse trends in performance.
The climate-related value at risk increased in 2023 due to an additional load for Flood risk based on a recent academic paper; the introduction of stronger correlations between perils; and updated Freeze experience. We continue to limit our scope 2 emissions through the use of renewable electricity across our office portfolio. We have seen a reduction in the emissions associated with our investment portfolio due in part to the improvement in the carbon intensity of sovereign bonds. We have also seen a reduction in supply chain emissions as more of our suppliers start working towards Science Based Targets. In 2023 we also started to monitor the underwritten emissions associated with our motor insurance.

For more information on our performance see section 2, 3 and 4.

We monitor our climate-related risk metrics to track our performance trends and provide analysis on the key drivers of current and future performance. The metrics reviewed incorporate the value at risk from our investments, our carbon emissions, and our underwriting risk. The metrics are designed to provide monitoring of our climate-related risks across our value chain, including climate impacts associated with our supply chain. The metrics are reviewed by the Financial Risk Committee, the executive committee that reviews financial risk exposure and issues related to climate change.

In addition to our climate-related metrics, we monitor one Level 1 Key Risk Indicator (KRI) around sustainability management - “Offsetting of prior year’s Scope 1&2 emissions”, which is reported to the Board Risk Committee.

The materiality assessment and developments of our modelling of climate risks are provided to the Board Risk Committee and Board on an annual basis as part of the ORSA process. In May 2024 we presented a climate risk update to the BRC that included an updated materiality assessment.

Monitoring of climate performance

Our climate-related performance is reviewed routinely by key governance groups including:

- esure Group Board – Review performance annually
- Board Risk Committee – Review climate-related risks quarterly
- Group Executive Committee – Review performance quarterly
- Financial Risk Committee – Review performance quarterly
- Key executives – Executives with responsibility for climate-related performance review measures on an ongoing basis and in line with our data collection cycle.

The tools we use to monitor climate-related risk include:

- **The risk management system.** Climate risks are reviewed for materiality on a regular basis as a cross cutting risk. These risks are considered in dashboards reviewed by the relevant risk forums and committees. See section 1.8 above for more information
- **The capital model.** This model is used to assess financial impacts to esure at different return periods and is used in risk/reward decision making such as in reinsurance. One of the outputs from the capital model is a catastrophe load that is used in Pricing and Business Plan forecasting processes. The underlying parameters include climate risk adjustments

Our management of climate related risks and opportunities

We manage and mitigate risks through our enterprise-wide risk processes, our business strategy and business processes. We monitor the implementation of our strategy and provide regular updates to the Group Executive and Board.

The results of our climate risk assessment work are shared widely across esure management teams to inform the development of business strategies. We incorporate management of climate-related risk into decision making in the following areas:

Underwriting risks – Physical

Our motor and home insurance businesses are exposed to physical climate risk, including the impacts of extreme weather, floods and increased incidence of subsidence issues. We use climate and weather models to understand and plan for weather-related risks.

These models are used to model potential losses, to help us plan repair capacity in our supply networks and to provide timely communications and advice to customers.

We apply models for weather perils in order to identify and manage risks in our approach to subsidence, flood, freeze and storm. An important element in the materiality assessment for climate risk is the opportunity we have to reprice on an annual basis. Therefore there is an expectation that pricing will reflect any trends that emerge through the monitoring in place.

We use reinsurance as a key tool to mitigate the impact of weather-related events. Our capital model of weather events includes climate risk adjustments and is used to inform our decision on the amount of reinsurance taken.

Underwriting risks – Transition

The transition to a low carbon economy means the needs of our insurance customers will change. These changes provide both risks and opportunities for esure:

- **Motor insurance** – As automotive markets transform to electric vehicles, we are adapting our offer to support uptake of new electric vehicles. We have ambitions to grow our share of electric vehicle markets **(see section 1.5)**.

We continue to build our understanding of risks associated with underwriting of electric vehicles and reflect the latest available information on the risks of insuring these vehicles **(see section 3.3)**.

- **Home insurance** – As the decarbonisation of the UK housing stock continues, the needs of home insurance customers is changing. We are adapting our offer to ensure we are meeting customer needs **(see section 3.3)**.

Investment risks

We consider climate-related investment risk as part of our ongoing investment risk management processes. Our approach is formalised in our Responsible Investment Policy which guides our approach to management of investment climate risk and incorporation of climate factors into investment analysis and decision making.

We incorporate our management of climate risk into our asset allocation approach to reflect our transition plan for decarbonising our investment portfolio.

Operational risks

As an insurer, our own activities are relatively low impact in terms of carbon emissions, and primarily arise from our office facilities. We seek to continuously improve the energy and carbon footprint of our operations **(see section 2.1)**. We consider the physical and transition risks associated with our operations to not be material.

For more information on our climate and nature strategy and wider ESG program **see section 1.5**.

1.10 Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks

As part of our Own Risk and Solvency Assessment (ORSA) process we have performed scenario analysis consistent with The Climate Biennial Exploratory Scenarios (CBES) set by the Bank of England. The output and conclusions have been reviewed and approved by the Board. We update the scenario analysis and conduct a number of stress tests annually.

We undertake analysis of the risks associated with the latest PRA climate scenarios. We consider scenarios that cover a range of approaches and outcomes from climate change based on the PRA's CBES assumptions:

- Scenario A being a sudden transition led by global action and policies, therefore severely limiting the effects of climate change and keeping well below 2℃.
- Scenario B is a long term but orderly transition, while there is global action it takes time to embed staying at or below 2℃, leading to some but limited climate change.
- Scenario C considers failed attempts at global climate policy, and therefore temperatures exceed 4℃ and so has significant climate outcomes.

The scenario analysis results are used to inform our materiality assessment.

We also consider the impact of multiple weather events on the Group. A multiple weather event scenario is performed annually, considering five different weather peril events across the planning period. These focus on an increase in the frequency of occurrence. This tests, in the case of an extreme weather scenario that may be driven by climate change, if there are concerns over the reinsurance protection for these events.

We have established Risk Appetite Statements for weather events which are monitored at the Financial Risk Committee. Our monitoring is used to inform and shape the actions we take in our strategy to mitigate risk.

The results of the scenario analysis are used to support the reinsurance decision making process for Home catastrophe cover. The risk of subsidence is considered to be increasing with recent drier summers. As reinsurance protection is limited for subsidence, we closely monitor our risk mix to this peril.

We recognise that there are limitations on the data used in climate risk assessments.

We are working with an external provider to enhance modelling for freeze and subsidence perils and also enhancing our own analysis for storm and flood.

For further information on our scenario analysis approach see sections 1.6 and 1.8.

Principle 2: Engaging Stakeholders

Operations

2.1 Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

As an insurer, our own activities are relatively low impact in terms of carbon emissions, and primarily arise from our office facilities.

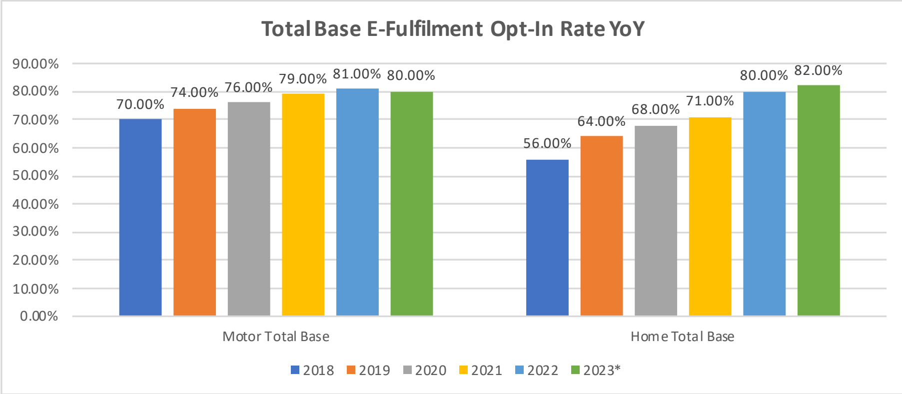
We measure the emissions associated with our estate and operations and use the results to inform our plans. Our operational plans to reduce our environmental impacts are a core part of our Driving Good approach which is a key pillar of our business strategy.

Continuously reducing the environmental impact of our offices

Our Driving Good Working Group guides our work to reduce the environmental impact of our offices.

We own our office in Reigate and lease offices in Manchester and Glasgow with a full repair/insure lease. We focus our improvements in areas of highest carbon impact and to support our team engagement on sustainability. Our action areas include:

- **Reducing heating and cooling greenhouse gases:** Reducing emissions from heating and cooling our offices is a key priority. We continue our work to refit and improve the efficiency of heating and cooling systems.
  In 2023 we continued our phased closing of office floors to match the reduced colleague footfall, which we have found to be effective in reducing energy demand from our offices. For example, reducing the days our offices are open each week has saved 5 days of utility usage every week. We are closing our current Manchester location and opening a smaller, modern site at the end of summer 2024 that will further reduce our energy consumption.
- **Using renewable electricity:** All our estate is powered by 100% renewable electricity, and has been since 1st October 2021
- **Reducing paper use:** We are continuously improving our digital systems and as a result are significantly reducing our paper demand across our business.
  We currently see 95% of new Motor customers opt for e-fulfilment (digital documentation), as do 90% of new Home customers. Of our total in-force policies, 81% of customers make use of digital documentation over paper. For the paper we do use, we have now shifted to 100% recycled or FSC certified paper, which ensures paper is sourced from sustainably managed forests.



- **Sustainable catering:** We continuously seek opportunities to improve the sustainability of catering at our office facilities. We provide healthy food options every day and there are no traditional single use plastics sold or supplied from our restaurants.
  Our catering partner works with local suppliers wherever possible. They have also entered an agreement with Waste Knot who aim to get surplus fruit and vegetables into chefs' kitchens, reducing food waste and supporting UK farmers. We happily use "wonky" fruits and vegetables in our canteens in dishes such as soups, pakora and fruit puddings.
- **Office waste:** We continued to send zero waste to landfill in 2023. We recycle as much of our waste as possible and, in the event we cannot, we use our waste to create refuse-derived fuel. We have reduced sources of single-use plastic in our offices, and instead use products made from plant-based materials. In 2023 we produced 34.6T of waste across our offices with 21.5% of waste being recycled.
- **Reducing the impact of cloud services:** We recognise that the efficiency of our digital platforms is an important opportunity to reduce our carbon footprint. We partner with a platform that shares our commitment to reducing carbon emissions and who are investing in shifting their data centres to be powered by renewables. In the period from June 2021 to February 2024 we estimate that the use of our cloud based platform has saved 515t CO_2e when compared to an on-premises equivalent. Our actual carbon emissions over this period from our cloud services were 2.4t CO_2e.

- **Encouraging employees to shift to EVs:** We continue to promote switching to EVs for our colleagues. More details of our approach are available in the Employee Engagement section 2.2.
- **Supporting hybrid working to reduce travel:** We recognise that hybrid working is important to helping our employees manage work-life balance, and also provides opportunities to reduce emissions associated with business travel. We have specialist technology in our offices to enable online collaboration and connection between colleagues in different locations to reduce the need for business travel. Board meetings continue to be held face to face, but Board Committee meetings are held remotely, significantly reducing international travel.
- **Cycle to work scheme:** Our cycle to work scheme (including electric bikes) is available to all colleagues. More details are available in the Employee Engagement section 2.2.

Carbon offsetting

While we continue to work to reduce our operational emissions, we recognise the importance of investing in carbon removals to balance our remaining emissions and support our progress towards net zero.

With our offices powered by renewable electricity, our scope 1 emissions are a key focus in our emission reduction activities. In line with our 2025 target we invest in offsets annually, equating to 110% of the prior year's residual Scope 1 & 2 emissions. Through the offset initiatives we invested in 2023, we are contributing to a number of global carbon reduction projects, including:

- **Aqua Clara Water Filters, Kenya:** This project brings affordable water filters to families and schools in Kenya, through community-led microfinance loans, eliminating the need to boil water for drinking.
- **Bondhu Chula Stoves, Bangladesh:** The Bondhu Chula stove cuts carbon emissions by 50% and saves families money on fuel costs.
- **Orb Rooftop Solar, India:** Bringing reliable solar power and solar water heating systems to customers throughout the country, cutting of CO_2e by replacing the use of kerosene or electricity from a grid reliant on fossil fuels.
- **Wind Power Portfolio, Turkey:** supplying renewable power from wind directly into the grid, reducing Turkey's reliance on natural gas and oil imports for its energy supply.

To further embed our decarbonisation activities into our work around our estate, decarbonisation objectives are included in the Facilities Team's objectives.

Progress against 2023 planned activities:

We are ahead of schedule for compliance with the current EPC timetable, and all three offices are C rated or above before this 2027 deadline, the Reigate office is rated C and Glasgow and Manchester are rated B.

Planned activities:

We will continue to encourage customers to switch to e-fulfilment by sharing the benefits of our digital portal where customers can access all their documents online.

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

Employees play a critical role in meeting our climate commitments – they help manage our climate risk, drive decarbonisation of our operations, and work with our supply chain partners and customers to create wider change.

We are continuously working to engage our teams on climate, nature and environmental topics, with the aim to foster a culture of climate, nature and wider environmental awareness and action. Our approach is to:

- Provide clear visible leadership and advocacy on climate, nature and environmental issues from our executive leaders.
- Build capabilities for our team to engage in these topics within their roles.
- Embed responsibilities and performance standards for climate, nature and wider environmental issues into our performance management processes.
- Drive awareness of climate, nature and environmental topics.
- Support measures to build action on climate, nature and environmental topics into our culture as part of our driving good strategy, including supporting community action on these issues.
- Provide incentives, recognition and rewards for our employees to act on these important issues, including through our benefits packages.
- Provide opportunities for our employees to act to reduce the environmental impacts associated with their roles.

We recognise that embedding climate, nature and environmental measures into our performance management system is a key lever to drive action. All senior leaders (134 managers) now have shared performance objectives that underpin our 'driving good' ambitions, which includes our climate strategy. Our aim is that these measures are regularly shared and discussed across the team to build engagement and trigger action.

In 2023 our progress included:

- **The Game Changer strategy** – We continue to engage our team around The Game Changer strategy. Driving Good is a key pillar of our strategy, setting out how we're working to be a force for good for the communities we proudly serve, and for the planet more broadly. The Driving Good cross-functional working group comprises colleagues who have volunteered to get involved and progress initiatives aimed at helping our business play its part in supporting sustainability. The working group has set 4 areas of Priority focus in 2024: Supply chain, Social, Environmental Assessment and Investments. The Driving Good management team meet every two months to review progress. The Driving Good working group act as ambassadors to support climate action in their areas of the business.
- **Leadership engagement** – Our senior leadership team meets every quarter to discuss business performance, share current company priorities, and cascade important updates. This includes discussing progress against our Driving Good targets as a key part of The Game Changer strategy.
- **Employee training** – We provide climate awareness training for team members in key functional roles. In 2023 one of our procurement team completed the CII Certificate on Climate Risk, which involved 150 hours of study and completion of an exam. As a result, our procurement team have significantly grown their in-house expertise on climate issues. The procurement team also complete the Chartered Institute of Procurement & Supply Code of Ethics course annually.
  As part of our ongoing commitment to personal development, all colleagues have access to the online learning platform LinkedIn Learning, which offers colleagues the opportunity to access a wide range of e-learning including topics such as climate change, sustainability, and carbon footprinting. We also offered colleagues the opportunity to access online webinars through our partner GreenTheUK on our B-Lines and Sea Kelp initiatives (see below). In 2024 we are launching a dedicated ESG Academy using LinkedIn Learning that offers content and learning pathways that reflect our sustainability commitments and focus areas.
- **Viva Engage** – We use Viva Engage as our internal social media platform to enable open discussion across the business. We use a dedicated Driving Good channel within Viva Engage across the year to engage our teams on climate and nature related topics, providing the latest research, inspiration, and information, opportunities for colleagues to engage in our activities, and ways to celebrate our successes and progress.
  In 2023, this content included information on our carbon offsetting programs and projects, information about our ClimateWise membership and performance, volunteering opportunities with our environmental partners and updates on the progress in improving the sustainability of our supply chain, including our new repair site.

- **Employee communications** – We also use our intranet and employee meetings to share information on our climate approach and progress. In 2023 our communications included sharing details of our carbon offsetting programs, our nature partnerships, shared how we reduce the footprint of our offices, gave hints and tips on how our colleagues can reduce their energy consumption and encouraged colleagues to get involved in driving good initiatives and volunteering.
  In 2023 the Driving Good award, recognising colleagues for making a positive difference to the world we live in was awarded to the senior brand and strategy manager responsible for leading a project to engage our Top 20 most carbon intensive suppliers. Our Head of Brand and Sustainability was given the Net Zero Hero award at a Senior Leadership event in Dec 2023
- **Game Changing Talks** – We use our quarterly all-company meetings to share important information and engage our team around our business strategy. The August Game Changing Talk was focused on ESG. We shared progress on our ESG strategy and shared a video from our partner GreenTheUK. We also handed out sustainable treats and we use seed paper for all the Game Changing Talk broadcasts to promote the Q&A).
- **Employee volunteering** - During 2023 we continued our volunteering programme to provide employees with the opportunities to directly support work on climate and nature issues. Employees are given the option to spend up to two paid days volunteering per year. Through our partnership with The Conservation Volunteers, employees have the opportunity to directly participate in a range of biodiversity initiatives including tree planting programmes, and personally contribute in carbon capture and sequestration activities. In 2023 our employees contributed 63 days of volunteering time to important causes.
  - Colleagues are also able to choose to support local initiatives which they are interested in, with colleagues completing activities that included a local beach clean and work to support the Surrey Downlands Partnership at Nork Park
  - We encouraged colleagues to volunteer or sign up their child(ren)'s school or youth group with Brake's Kids Walk, supporting children's right to demand safer, cleaner journeys to school. We engaged all colleagues to take a 20 min walk / wheel on Kids Walk day.
- **Employee benefits (pension)** – Our pension provider, Scottish Widows, fully embraces responsible investment practices, allowing them to manage risks and returns in a more effective way to safeguard their customers' long-term savings. They aim to prioritise investing in companies that are working hard on things like reducing their impact on the environment and improving people's wellbeing.
  They exclude companies that are causing severe harm to the planet or society. They have set the following targets:
  - 2025 - increase investment in companies adapting their businesses to be less carbon-intensive and developing climate solutions
  - 2030 - halve the carbon footprint of our investments
  - 2050 - Target of net zero across the entirety of Scottish Widows' investments
- **Employee benefits (electric vehicles)** – We support our colleagues to switch to EVs. We offer employees cost effective, tax efficient access to electric vehicles through a salary sacrifice scheme.
  We now have 54 employees with EVs purchased through the scheme. In addition to encouraging colleagues to switch to EVs, we have also maintained our fleet of seven EV or ultra-low emission hybrid company vehicles. We have EV charging points in all our offices to support our EV driving colleagues.
- **Employee benefits (local community)** – We support our colleagues to engage with local community and national environmental activities. We recognise and encourage colleague engagement on days such as World EV Day, Bike Week, Cycle to Work Day, Global Recycling Day, and Earth Day. We have also run a campaign in our offices to encourage colleagues to bring a refill cup when they are using the coffee machines.
- **Employee benefits (cycle to work)** – This offers a tax efficient way to purchase a new bike through salary sacrifice.
- **Employee charitable giving** – We support colleagues wishing to make more of a personal, positive impact via a matched giving scheme, where charitable donations are deducted from salary at source and are matched by esure Group. In 2023 £43,591 was donated to charities (encompassing both colleague donations and matched amounts).

Environmental charitable programmes

We identify and support partners who are working on environmental topics in line with our areas of focus.

Our charitable focus includes supporting:

- **Climate resilience:** Including using nature based solutions to reduce environmental and social impacts of flooding
- **Nature improvements:** Including enhancing the resilience of UK biodiversity to climate change
- **Reducing environmental impacts of homes and vehicles:** Including supporting campaigns to reduce road speed as a key driver of reducing vehicle emissions

- **Supporting citizen engagement on environmental issues:** Providing opportunities for our colleagues, communities and customers to engage in environmental action.

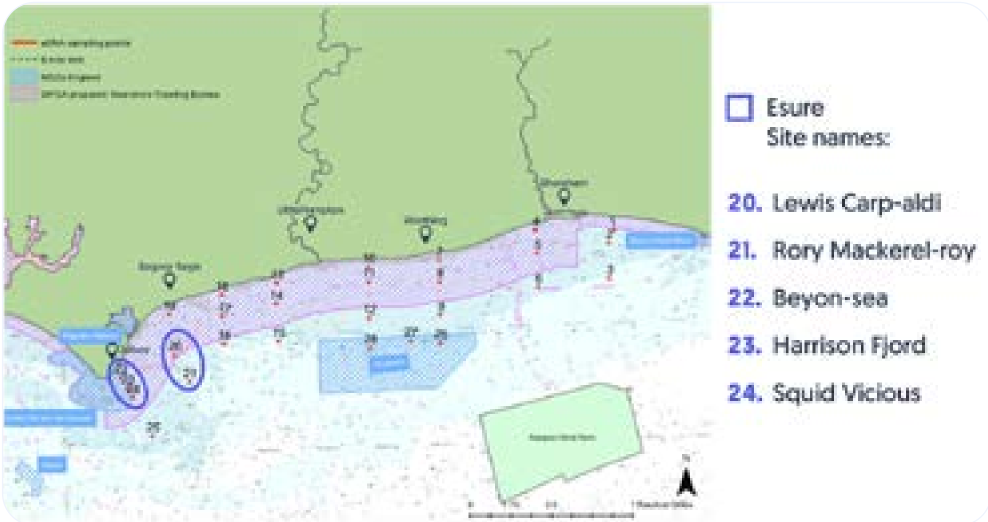
Our work with charity partners includes:

GreenTheUK: We supported GreenTheUK with two signature projects in 2023.

- **B-Lines - supporting pollinators:** Since 1940 we've lost ninety seven percent of our flower rich meadows and hundreds of our pollinator species are in decline. Our local wildlife finds itself in isolated oases, walled in by agricultural land, urban landscapes, roads, and gardens. Through GreenTheUK, we're supporting Buglife to restore 'B-Lines' – a network of insect pathways created from restored and new wildflower rich habitats. These insect 'super highways' created in partnership with GreenTheUK and Buglife will extend across the whole of the UK, allowing wildlife to move freely through our countryside and towns.
  We have committed to planting 60,000m^2 of wildflowers in 2023/24 as part of a network of flower-rich pathways benefitting pollinators, other wildlife and people. Where possible, we have tried to align planting in areas close to our office locations, with planting to date being close to our offices in Manchester and Reigate in Surrey. In 2023 we supported work on 5 sites. This included:
  - **Wildflower Restoration Site 1 in Staffordshire (0.4 hectares)**
    Cannock Chase plug planting at Ravenhill Park in Rugely, with Redbrook Hayes Community School and Brereton Million. With the help of the reception class from Redbrook Hayes Community Primary School, some tidying of the site was carried out before planting some biodiverse wildflower plug plants. This work supports a wider project happening in the area with a local community group that has planted an edible garden in the park as well as enhancing the habitat within and around the woodland on site to benefit local species. Altogether, the land we have helped to enhance makes up 0.4 hectares spread across Ravenhill Park.
  - **Wildflower Restoration Site 2 in Cheshire (1 hectare)**
    Marbury Country Park lies in the heart of the Northwich Community Woodlands where what was once former industrial land is gradually being transformed to create a rich and green environment stretching from Northwich to Marbury. The woods sit within 350 hectares of parkland and are home to many endangered species such as Bitterns.
    We sponsored the restoration and enhancement of local wildflower meadows with the planting of wildflower plugs across existing meadows.
  - **Wildflower Restoration Site 3 in Shropshire (1.6 hectares)**
    A post-industrial site, Langley Fields in Telford, for the threatened dingy skipper and other invertebrates. Post-industrial or brownfield sites have been subjected to frequent disturbance and tend to have low nutrient soils, giving rise to a wide variety of habitats at different stages of succession, termed open mosaic habitats. The differing succession stages can result in bare ground, heathland, woodland and grasslands and can support a variety of rare plant species, mosses, lichens and rich assemblages of invertebrates. Since the start of this year, we have sponsored the clearing of overgrown scrub, thinning the woodland and creating areas of bare ground to produce a mosaic of habitats.
  - **Wildflower Restoration Site 4 in Surrey (1 hectare)**
    Chobham Common is the largest National Nature Reserve in the southeast of England, it stands as a magnificent exemplar of lowland heath—an ancient and distinctive British habitat shaped by prehistoric farmers. Chobham has experienced substantial wildfires in recent years. Our sponsorship has been directed towards the restoration of a hectare of heathland habitat, by clearing invasive Scott's Pine trees. Helping to mitigate the impacts of these fires by providing new habitat for Chobham's invertebrates, but also removing flammable material that could become a fuel source for future wildfires.
  - **Wildflower Restoration Site 5 in Surrey (2 hectares)**
    Our sponsorship has made possible the removal of invasive Scott's Pine across two hectares of priority heathland habitat, at Surrey's Ockham Common. With an alarming 85% decline in Surrey's heaths over the past two centuries, endeavours to restore and reconnect the remaining fragments are vitally important. Heathland habitats, known for their diversity, harbour a wide array of invertebrates and other species, including numerous specialists not found elsewhere. With heathlands particularly notable for their diversity in solitary bee species. Surrey boasts more bee species than any other UK county, largely due to the quantity of heathland remaining in the county

For further details of the restoration projects visit **the GreenTheUK website**

- **Sea kelp:** We chose to take action towards protecting marine life in 2023, by sponsoring 5 kelp restoration survey sites on the Sussex Kelp Recovery Project. We worked with GreenTheUK to fund innovative research led by Blue Marine Foundation and University of Sussex. The esure survey sites, named through a combination of a colleague vote and a vote on our corporate LinkedIn page, are: Squid Vicious, Lewis Carp-aldi, Rory Mackerel-roy, Beyon-sea and Harrison Fjord. In 2024, we are continuing to support Sussex Kelp Recovery by supporting another 5 survey sites.



For further details of our work to support sea kelp, and the results of the survey work undertaken, visit here

Progress against 2023 planned activities:

- We continued our partnership with The Conservation Volunteers to support our Plant a Tree proposition for customers forgoing a courtesy car.
- We continued exploring circular economy opportunities with our new Corporate Charity partner Shelter. We have launched donation stations across all three esure offices to support our corporate partner, Shelter. We are encouraging colleagues to take part in seasonal donation drives throughout the year. For example, in July we are asking colleagues to donate used school uniforms and will follow up later in the year with a winter coat donation drive. Donated items will be given to Shelter to sell on through their charity shops, helping to raise funds.
- We monitored the success of the sea kelp and B-lines partnership with GreenTheUK and continued to explore opportunities to extend the partnership.

Planned activities:

- Volunteering days with GreenTheUK to support wildflower planting in summer 2024
- Volunteering days with The Conservation Volunteers to support work to support biodiversity within protected habitats
- Continue exploring circular economy opportunities with Shelter
- We will engage colleagues to support the naming of our next 5 sea kelp sites

SHELTER

Brake the road safety charity

GREEN THE UK

CIRCL

Value Chain

2.3 Understand and disclose the sources of emissions and adverse climate- and nature-related impacts on our value chain, that might in turn impact our business.

Our supply chain

We use a range of suppliers across our business. Most of our supplier activity relates to support for our delivery of insurance products. These include:

- **Motor** – network of body shops and repairers, roadside assistance providers, vehicle salvage and recycling providers, motor glass, technology suppliers and automotive engineers.
- **Home** – Our domestic property restoration and repairers, salvage, loss adjusters and building surveyor services, drainage, glazing and suppliers of household goods and technology suppliers. Other major suppliers include providers of group services, including information technology providers.

Our supply chain carbon footprint

In 2023 we continued our work to engage our most carbon intensive suppliers to deepen our understanding of our carbon footprint and to better understand the challenges and opportunities on our decarbonisation journey. This work is part of our approach to ongoing continuous improvement of the quality of our carbon footprinting of our supply chain emissions. It allows us to engage and support our suppliers, as part of regular ongoing dialogue, to ensure they progress their decarbonisation efforts in line with our targets. This engagement also allows us to identify new ways of working and opportunities to reduce our footprint through our supply chain.

Our footprinting work identified that our supply chain accounts for up to 12% of our carbon emissions. Our motor claims business accounts for 66.6% of our supply chain emissions, with home claims accounting for 13.2% Our marketing and IT spend accounts for approximately 1.2% of supply chain emissions. Our top three suppliers represent over 49% of our supply chain emissions.

Through this work we collected primary carbon emission data from suppliers representing 68% of our purchased goods and services' carbon emissions.

	2022		2023	
Supplier Category	**Carbon Footprint (tCO_2e)***	**%PG&S Carbon Footprint**	**Carbon Footprint (tCO_2e)***	**%PG&S Carbon Footprint**
Motor Claims	15,709	91.30%	10,987	66.60%
Home Claims	931	5.40%	2,178	13.20%
Other	568	3.30%	3,323	20.20%
Total	**17,209**	**100%**	**16,488**	**100.00%**

**The 2022 PG&S footprint has been restated to reflect improved data gathering from suppliers, improve the allocation of supplier data to inventory years and reduced reliance on proxy data.*

Our supply chain nature footprint

In 2023, we explored processes in our home supply chain where we impact in nature. We identified supply chain activities where our suppliers' impact on foliage in our customers'properties as a nature risk and started work to evaluate how we can reduce impacts, together with carbon emissions, while providing the home protection outcomes our customers need. This work included considering the approach to managing subsidence issues, and the opportunities to use technologies like root barriers. Our suppliers who remove trees on customers' properties are required to plant replacements.

Implications of climate for our value chain

The management of climate related risk and opportunities, together with the delivery of our climate strategy, has important implications for our supply chain. We map the implications for our supply chain in section 2.4.

2.4 Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

Our supply chain emission reduction targets

Our supply chain emission reduction targets guide our supply chain strategy and our work with our suppliers. Our targets are to deliver a 50% reduction in our scope 3 emissions by 2030, and to achieve net zero by 2050. Our supply chain emissions make an important contribution to our scope 3 emissions. Our supply chain carbon emission reduction targets align with the Association of British Insurers' climate roadmap.

Our approach to decarbonising our supply chain

Our work to decarbonise and promote the sustainability of our supply chain is embedded at all points in our supply chain process, from working to define lower carbon approaches, to establishing expectations of suppliers in tender processes, to our ongoing supplier management.

Our approach to decarbonising our supply chain starts with quality conversations with our supplier partners about actions to reduce their climate impact and improve the carbonefficiency of our delivery of services. We have established a decarbonisation programme in our home and automotive supply chains.

Our approach, aligned with our climate strategy, is to:

- **Reduce supplier carbon emissions:** We are working with our suppliers to reduce carbon emissions. We are taking a phased approach and focusing our reduction activities where we have greatest impact, focusing on our key suppliers which make the most significant contribution to our supply chain emissions. We have started with our bodyshop repair network and require that 100% of our branded body shops maintain carbon neutral status in line with the PAS2060 carbon neutral standard. In addition, we have made good progress working with the remainder of our network /"non branded" esure sites to achieve carbon neutral status.
  Together the carbon neutral (branded and non-branded) body shops now account for over 97% of the volume through the esure repair network. We are actively encouraging customers to use our carbon neutral network for their repairs and have set targets for the volumeof repairs that go through our carbon neutral bodyshops. We also continue to work with the few remaining bodyshops to encourage them to adopt a carbon neutral approach.
  We are providing advice and support to help our suppliers in their journey to emission reduction. This includes connecting our body shops with energy management consultants who are providing advice on energy reduction priorities including energy efficient tools and lighting systems.
- **Decarbonise service delivery:** Digitising and improving the efficiency of our services both improves our customers' experience and also provides opportunities to decarbonise our services. We continue our journey to improve efficiency and digitise our service delivery, reducing and eliminating costly and emission intensive travel to our customers' homes. We continue to enhance our use of digital remote validation of claims to reduce the need for surveyors to travel to insured homes. We use dynamic scheduling to improve routing efficiency and are piloting new digital tools that provide services to quote for replacement products. We have conducted over 956 virtual assessments in 2023, which constitutes a saving of 79,346 miles. We estimate that this saved over 16.7T
- **Electric vehicle-enabled network:** Inspiring change in customer behaviour is a key part of our Climate Strategy. We want to encourage customers to make more sustainable choices and support those transitioning to Electric Vehicles. We recognise that the transition to electric vehicles will mean that the needs of our customers will change. We have adapted our network to meet the needs of electric vehicle customers, including ensuring we have the EV repair capabilities required and providing electric courtesy vehicles. Every esure branded bodyshop is EV enabled. We have supplementary networks to enable specialist EV repair as needed. We gift our Apprenticeship Levy funding to support apprenticeships in our repair network. In 2023 we supported 5 apprenticeships.
- **Supplier engagement:** We identify and engage directly with our top 20 emitters within our supply chain, gathering information on their emissions, targets, plans for decarbonisation, engagement with SBTi and renewable electricity usage. We use the results of our supplier footprinting to engage with our suppliers. Our supplier relationship managers share the results with suppliers in their regular supplier review meetings and use the findings as a benchmark to help them improve. Climate change, environment and sustainability form part of the esure Procurement process and our buying community will complete their Chartered Institute of Procurement & Supply (CIPS) Ethics training during 2024.
  We recognise that there are a number of areas where we can help our suppliers improve through changing the way that we work and the requirements we specify. We continue to explore opportunities and the changes that we can make. We also recognise that some of the challenges and opportunities identified to accelerate decarbonisation will require work on an industry or system level.

We look for opportunities to engage, together with our suppliers, to lay the conditions for further improvements. This includes working with our suppliers to pilot new approaches and ways of working to reduce carbon emissions.

We seek to promote and reward our suppliers for excellent performance. In 2024, we supported the British Bodyshop Awards and sponsored the esure Sustainable Repair Partner of the Year to provide external recognition for our suppliers for the great work they are doing.

Celebrating Success - Our Sustainability Partner of the Year

We recognise and celebrate the progress that our supply chain partners are making though our Sustainability Partner of the Year award. As 97% of our tier 1 repairers are PAS2060 accredited as Carbon Neutral, through our award scheme we take the opportunity to explore our partners' wider sustainability programming and consider:

- the company's success with our tree planting program where we incentivise customers to forgo a courtesy car by offering to plant a tree;
- their success in the use of recycled parts; and
- progress in continuous improvement of their sustainability performance.

All our finalists demonstrated real progress and commitment to an on-going programme of improvements and technology investment. Across our network our partners are improving their sustainability processes, using the latest paint products and energy saving opportunities. They support apprenticeship schemes, creating sustainability skills in their workforce and contribute to their communities through work with charities.

Our 2024 winners, Gemini Accident Repair Group, were recognised for their outstanding environmental and social programs. They maintained their PAS 2060 carbon neutral status and saved 186t CO_2e through their Q3 actions. Their climate actions included:

- Sourcing carbon neutral workwear and recycling and repurposing existing workwear.
- Opening a new site in Barnstaple, North Devon with the latest LED efficient lighting, fitted with solar panels for renewable energy and an upgraded compressor to reduce energy consumption.
- Swapping lights to energy efficient LED lights across several sites.
- Carrying out an energy efficient electric spray-booth refit to remove an existing gas-powered system.
- Ongoing energy reviews to reduce energy usage and introducing latest repair technology and materials to reduce carbon emissions within the repair process

- **Incorporate ESG and climate action into our procurement process:** We engage on environmental, social, governance and climate issues with the wider supply chain as part of the ongoing supplier processes. We have embedded modules on these topics on the Hellios supplier management system. We are in the process of signing up our tier 1 and 2 suppliers to the Hellios system. This enables us to track the decarbonisation progress of our suppliers on the system - including which suppliers have set Science Based Targets, which are using renewable energy, and which suppliers have plans to do this in the future. We are using the information to understand where there are gaps in action in our supply chain and where we can provide support and incentives for our suppliers to do more. The Hellios tool provides feedback directly to suppliers on their top 3 strengths which are driving positive results, and the top 3 areas for improvement where similar companies are performing better, and also the top 3 areas for improvement which have the biggest impact on their results due to the weighting of the analysis.

  Carbon reduction is a core part of our tender processes. We inform all new suppliers participating in our tender process of our commitment to help the UK become a sustainable, low-carbon economy and our targets to decarbonise our business and supply chain in line with ABI's Climate Roadmap.

  For new suppliers who have participated in our tender process, we request information on their approach to managing carbon emissions in their business. We regularly review and enhance the information we request, and have recently updated the request to understand whether bidders have:

  - ESG embedded within business strategy
  - Quantified Scope 1&2 carbon emissions
  - Offset 100% of residual Scope1&2 emissions
  - Quantified Scope 3 carbon emissions
  - Re-quantified carbon emissions annually
  - Committed to a net zero target
  - Built a transition plan outlining how they will achieve net zero by their target date
  - Interim carbon emissions milestones
  - Shared targets and carbon emissions reductions plans with their supply chain, and whether suppliers have committed to support delivery of emission reduction targets.

The answers to these questions will contribute to a minimum 5% of the scoring for our tender evaluation, although we adjust this weighting where our suppliers provide support in a carbon intensive area. We are shortly to increase the scoring to 7.5% with an uplift to 15% for the more intensive carbon categories. We also require existing and new suppliers, who have agreed to comply with our supplier code of conduct, to have a sustainability strategy which sets out how they are reducing their environmental impacts and supporting the transition to a low carbon economy. Gathering this information gives us invaluable insight into our suppliers' plans and enables our supplier relationship managers to start and maintain a dialogue around our respective climate-related initiatives.

Our supplier climate status:

- 24% of esure suppliers have signed up to SBTI (53% of Top 120 carbon suppliers)
- 50% of our Top 20 suppliers and 32% of Top 120 suppliers use renewable energy.
- We forecast a 29% carbon reduction by 2030 based on Top 20 supplier plans and SBTi declared targets for esure suppliers.
- We project that our bodyshop who have adopted the PAS 2060 scheme will deliver an average 26% reduction by 2030
  - **Supplier performance management:** Alongside the measures we use from our Hellios tool, we have integrated climate related measures into our ongoing monitoring and evaluation of our supply chain. The metrics we track include:
  - **Repair over replace:** The volume of claims that we treat as repairs, rather than replacement of goods. In our motor portfolio, our Approved Repair Network repaired 26.6% of all opportunities where a new body part would alternatively have been used.
  - **Green part usage:** The esure Approved Repair Network fitted 4104 recycled parts in 2023, which equated to 1.6% of all parts fitted. In 2024, we are looking to increase this percentage to 3%. We have set this target based on challenges with recycled parts availability. There is greater demand across the industry for recycled parts. Availability is further constrained by longer average car ownership and a downturn in claims frequency and the resulting reduction in total losses which is the main source of recycled parts. New vehicle technology is also constraining recycled part availability as reusing parts will not always be a safe option. For example, ADAS components (Advanced Drive Assistance Systems) can only be replaced with new equipment.

Our suppliers are also experimenting with approaches to carbon measurement that will enable us to better track carbon emissions associated with our activities. Our suppliers Questgate and Sedgwick have developed calculators that allow us to estimate emissions associated with the activities that they provide. This is helping us to understand the cost-benefits of different approaches and to make informed decisions about investments in different approaches to repair and identify trade-offs between costs and carbon emissions.

- **Our low carbon repair network:** We are proud to be able to offer customers services through our low carbon esure repair network. All our branded bodyshops are certified carbon neutral and we actively promote customers to use our network. Now 97% of vehicle repairs go through one of our carbon neutral body shops. We are aiming to get to 100% of repair volume through our network, engaging our customers through their claims journey, both online and call centre, and monitor this KPI and target on an ongoing basis.

We launched a new, flagship esure branded bodyshop, in partnership with Halo ARC Ltd in 2023.

- Sustainability has been at the forefront in the design, which includes extensive facilities for the service of EVs. This brand new, state of the art bodyshop, fully equipped with the latest repair technology, is dedicated to esure Group customers only.
- The site, based in Saffron Walden, has been built with sustainability at the forefront of its operation; including solar PV panels, a heat source pump, a thermally efficient building, and the latest repair tools to reduce carbon emissions, using energy efficient robotic technologies and cutting-edge PPG low-bake materials.
  The site also includes a dedicated state of the art electric vehicle repair bay with thermal heat camera technology, EV safety equipment and trained MET techs to level 3+ IMI EV skills.

- **Incentivising customers to take lower carbon options:** The decisions that our customers make can have a significant impact on the climate impacts of our services. We are working to identify these key decision points and to find ways to incentivise our customers to take the lower carbon option. Our programme to incentivise customers to forgo a courtesy car while their vehicle is being repaired works in partnership with The Conservation Volunteers, to plant a tree on the behalf of every customer who forgoes the additional car. Since the program started, we have planted over 1435 trees on behalf of customers.

- **Support the development of a circular, low carbon, supply chain:** We believe that creating a circular supply chain that keeps valuable materials in use for as long as possible is best for our customers and for decarbonising our supply chain operations. We have identified a number of action areas to develop lower carbon circular supply chains in our home and automotive insurance offerings:
- **Developing circular infrastructure and systems:** We recognise that there is work to do to establish the capabilities we need in the UK to support the development of the circular economy. We are working with our suppliers to continue to develop a sustainable, circular market for green car parts. In 2023 our key partner Copart, completed the acquisition of a green parts supplier in order to better serve the growing market for green parts.
- **Repair rather than replace:** By repairing rather than scrapping damaged vehicle parts and household property we can reduce the carbon emissions from our services. Not only is repair better for the planet, but it is also often better for our customers. We are working with our home and motor suppliers to ensure that they are maximising the potential of repair services to reduce the need for new parts or household goods. Our repair partners are establishing incentive structures to encourage their contractors to repair rather than replace goods. We repair and restore furniture and flooring where possible.
  We now repair 10% repaired for flooring and furniture and 9% repaired for electricals (Phones, computers, brown & white goods) and we are continuing to learn to encourage uptake moving forward. esure's vehicle repairers also work with esure to repair, rather than replace parts.
  During 2023 esure Approved Repair Network repaired 26.6% of all opportunities where a new body part was required.
- **Engaging customers on the value of repair:** We recognise that driving circular systems requires engagement of our customers. In our Dec 2023 winter driving tips customer email we worked with autoglass to include content on repair rather than replace a windscreen and shared the associated environmental benefit. The email encouraged our customers to repair their windscreen chips to avoid developing into larger cracks which then need a windscreen replacement. From January 2024 to April 2024 we have seen the percentage of windscreen repairs increase from 17.5% to 21.1%. This activity will have a lifetime reduction in carbon emissions, since it will reduce the need for new windows.
  A 1% reduction in replacement equates to circa 36 tonnes of CO2 saving and we have set a target in 2024 to reach 22% (an increase of 3%), saving c.108 CO_2 tonnes per annum.
- **Recycling of insured goods:** Where insured goods cannot be repaired, recovering valuable parts and materials through salvage and recycling can make a significant contribution to carbon emission reduction. We work on this across our home and automotive supply chain. In our automotive operations we have been working with our suppliers to ensure that cars that have been written off are used to salvage recycled parts for use in the secondary parts markets. In this way we are helping to improve the supply of recycled parts.
- In our home business our suppliers collect and inspect contents where appropriate to help validate a claim and determine if the item is beyond economical repair. Where they are unable to repair and return the item, including phones, TVs, laptops etc. they will recycle these to save them being sent to landfill. Over 2023, 668 items were recycled as a result of this service. We are working with our supplier Sedgwick on an initiative to minimise contents items that are sent to landfill or incineration. This initiative created a social enterprise to deliver a new approach to recycling in insurance, minimising "Beyond Economic Repair" (BER) contents items that are sent to landfill or incineration. The contents are reused either in their current form or repurposed for a new use, delivering carbon savings.
- **Using recycled parts:** The use of recycled car parts helps create a circular economy for vehicle parts in the UK and reduces the carbon footprint of vehicle repairs. We are working with our suppliers to increase the use of recycled car parts for repairs in non safety-critical applications, including vehicle doors, tailgates, lights, gearboxes, engines and bumpers.
  We have established a UK-wide programme by working with suppliers to enhance the availability of parts, building a distribution network and establishing appropriate standards.
  Recycled parts now account for 1.6% of all esure parts fitted. In 2023 we used more than 4100 recycled parts which we estimate has resulted in savings of c.153.3 tonnes of CO_2e, an increase of 144% on 2022 CO_2e savings. Our target is to increase the use of recycled parts to 2.5% of repair spend by the end of 2024. However, there are challenges with the availability of recycled parts. Greater demand within the industry alongside longer average car ownership is impacting the availability of recycled parts. New vehicle technology such as Advance Drive Assistance Systems means recycled parts may not always be the safe option.

- **Reducing mileage through our supply chain:** We work with our suppliers to reduce carbon footprint through miles driven. Encouraging damage assessments to be carried out virtually wherever possible. In 2023, we conducted over 956 digital flooring inspections, compared with 235 physical, in person assessments, saving over 76300 miles driven.
- **Using lower carbon products:** We are working with our networks to explore opportunities to use lower carbon products. In our home network this may include using building materials with lower embedded carbon, or products that enhance operating efficiency of customer homes (e.g. better insulation).

Our progress against 2023 planned activities:

- We have embedded climate change into the control checks that we complete to ensure that we are controlling risks associated with our supply chain.
- Where there is no competitive tender for procurement activities, we have now introduced a questionnaire for completion, using the same question set as used in competitive tenders.
- We have embedded climate and sustainability into our Hellios supplier platform to ensure that there is ongoing engagement on these topics, with suppliers who have signed up to the platform.

2024 planned activities:

- Continue to drive green parts and repair over replace for motor
- Continue to increase in windscreen repair ratios
- Increase the ESG percentage weighting for suppliers onboarded by tender
- Introduce an ESG questionnaire for suppliers onboarded without tender

2.5 Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate- and nature-related issues.

Understanding of climate-related issues is evolving rapidly. We work with our partners to support research to inform our business strategies and products and services. This includes:

- **Understanding the changes to our climate and nature impacts**: Having up to date information on climate and nature issues helps us to shape the decisions we make about our underwriting and risk management. We use information from third party experts to understand the potential for catastrophic weather and climate-related events and the potential impacts. This includes applying academic research to inform our approach. Maintaining a closer link to output of Office of National Statistics, Department for Transport and the Office of Zero emission vehicles is enabling robust forecasting and understanding where we could be incentivising, and the environmental value of incentivising, our policyholders

  We have undertaken a thorough review of the impact of weather events, informing a communication strategy to our motor customers about their increased/heightened exposure at appropriate moments – this includes tips on driving on flooded roads to mitigate the risk and giving our policyholders early warning of potential storm surge events in their area; enabling them to protect their assets.

  We are also using this research to inform our approach to underwriting and pricing risk by incorporating different risk factors into our rating and risk acceptance approach – such as the use of factors designed to help property insurers establish the risk of flooding, we are using to inform the risk of water damage to a vehicle.
- **Understanding financial market impacts** – We have made significant progress in improving the quality of data relating to our investment portfolio, working with our investment managers and other partners to understand how climate and naturerelated issues will impact on our investment holdings and to quantify the emissions associated with our holdings.

The findings have been used to inform our strategic asset allocation review which shape our investment decision making and policies going forwards. We explore best practice and different methodologies for assessing climate risk with our investment managers and third parties, including the use of carbon emission reporting, implied temperature rises, and science-based targets. In 2023 our work has included exploring the information available on nature-related investment risks that can inform our decision making and our investment strategy.

- **Understanding customer needs** – We work to continuously adapt our products and services to better meet customer needs, including to support customers as they look to reduce their carbon emissions (for example by switching to electric vehicles). We contribute to research at an industry association level and use academic research to inform our approach.

  Our first new motor product launch in over 10 years was built from the ground up based on extensive customer research, listening to how customers viewed our existing products, and what cover was important to them, and what cover was not. This formed how we approached our Flex product construct process to bring it to market. Now we have a new system capability, that makes cover changes easier, we will look to use the ongoing feedback our Customer Research teams provide to ensure we have the best offering possible. If this research identified specific consumer concerns/opportunities relating to climate, we are very well placed to quickly identify these and respond to them

- **Developing lower carbon and lower nature impact practices** - We work with our suppliers and other experts to explore how to reduce the carbon and nature impacts of our products and services. In 2023, this has included using carbon calculators to explore the footprints of different remedial activities, considering the footprint of different tree management approaches to manage subsidence and researching novel electrokinesis approaches to change the composition of the soil to reduce subsidence risk.
  We also worked with local authorities to understand the trade-offs in the carbon impacts of managing subsidence with the nature benefits of maintaining tree canopy cover. We use and contribute to industry research which explores how supply chains can evolve to deliver more sustainable outcomes. This includes identifying gaps and opportunities in circular markets for products.

- **Understanding how to drive change** - We continuously look for opportunities to help drive behaviours to reduce the impacts our customers have. In 2023 we collaborated with our glass supplier to conduct a campaign driving repair of windscreens, in order to reduce the need for replacements.

  We will continue to drive awareness amongst our customers by re-running the campaign in summer 2024. In 2023 we also used customer communications on managing garden vegetation with the aim to reduce subsidence risks.

- **Exploring novel underwriting approaches:** In 2023 we started to explore opportunities to use better data on climate and nature issues to improve our underwriting and help incentivise lower impact customer behaviours. This included exploring the results of 20MPH limits and the impacts on road safety, and the improved use of arboreal indices to understand the coverage of foliage around properties, the proximity to insured properties and soil types.

- **Research to better understand our impacts:** We recognise that there are opportunities to use research to better understand the climate and nature impacts of our services. This might include using research to understand biodiversity and tree canopy on our insured estate.

- **Research to explore potential to extend cover to novel technologies:** We continue to assess the evolving landscape within home insurance. Technology continues to bring new opportunities and we endeavour that our products provide cover for climate friendly market solutions like solar panelling, modern methods of construction, heat pumps and sustainable technologies.

We recognise that we can play an important role in driving economy-wide transition to a low carbon, nature positive UK. Our approach is to focus on the following areas:

- Provide the insurance services that home and motor customers need to be resilient to the changing climate
- Provide the insurance services that home and motor customers need to transition to a low-carbon and nature positive UK
- Establish a low carbon and nature positive supply chain and contribute to the development of the infrastructure needed to make homes and motor vehicles sustainable
- Supporting our customers to transition by driving lower carbon and nature positive behaviours
- Promote a fair transition by ensuring access to affordable low-carbon and nature positive services for UK customers
- Supporting the development of novel home and automotive technologies and practices that protect nature and reduce carbon emissions
- Working with our industry partners to advocate for the policies that can drive economy wide decarbonisation of our homes, motor vehicles and the associated supply chains

Advocating to support the transition to EVs

As part of our work within multiple ABI groups, we are advocating for Electric Vehicle policies to address the following topics:

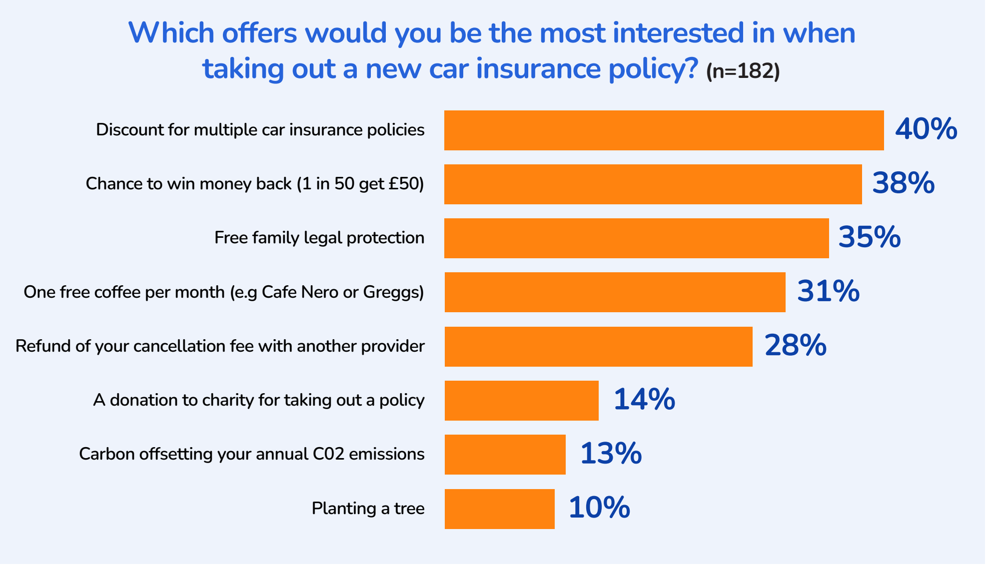
- The ABI estimate that there could be a shortage of around 16,000 EV-qualified mechanics by 2032. This deficit may increase the cost of repair and cost of insurance and the long wait times may discourage EV ownership. We are highlighting to government that there is a role to play in better funding and facilitating the reskilling and retooling of the repair sector to ensure it can cope with an increasingly electrified fleet and growing demand.
- The battery is the single most expensive component of an EV. Lithium-ion (Li-ion) battery prices have reduced quite significantly over the recent decade.
- The insurance industry has called for systems to be established that help diagnose both the battery cell health and capacity, which would give a more accurate estimate of lifetime costs and insurance costs.
- Establishing a system of battery recycling or reuse could also help reduce costs and ensure that residual value is passed back onto customers.
- There are also supply chain considerations that may affect the availability of parts and hence the cost of claims and premiums. For instance, batteries are primarily made by companies outside the traditional auto supply chain. This may change as EV adoption becomes more widespread and more mid-range and budget EVs come onto the market.

All stakeholders have a responsibility to contribute to a nuanced and fact-based discussion on EVs, to dispel misinformation, e.g. fire risk, range anxiety. The insurance industry has urged government to foster continued collaboration among stakeholders, including insurers, vehicle manufacturers, and local authorities, to ensure safe, economical, convenient, and equitable access to vehicle charging. A robust charging network not only encourages more people to make the switch to EVs, but also bolsters confidence in their practicality.

Assessing customer appeal of Sustainability-related propositions

We have conducted qualitative and quantitative in-house research with consumers about the appeal of propositions such as caron offsets and tree planting as part of your insurance policy. As below, our research suggests that propositions such as these still have limited appeal and that monetary incentives are typically significant more attractive. We will continue to engage consumers to assess evolving perceptions of/ attitudes towards sustainability-focused propositions, as well as considering whether more innovative sustainability-focused propositions might have greater appeal.

Most attractive possible offers:



2.6 Promote and actively engage in public debate on climate- and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate- and nature-related issues and providing support and tools to our customers/clients so that they can assess their levels of risk.

Engaging our customers on the need for action on climate and nature

As an insurer, we support customers to protect their homes and vehicles from the effects of extreme weather, and to recover and repair from the impacts of climate change when the worst happens. That means we have an important role to play in helping our customers understand the need to transition to a low carbon economy, to choose climate-friendly options for their home and vehicles, and to take action when extreme weather is forecast.

Our customer climate communications objectives are to:

- Help customers to manage the risks to their homes and driving associated with the changing climate;
- To inspire behaviour change and support our customers in taking action to reduce their carbon footprint;
- Inform our customers of the work that we are doing to reduce the esure carbon footprint;
- Shape customer behaviours to reduce the carbon impact of the services that we provide them;
- Engage our customers in the need for system-wide change to address climate change.

Our communications are structured around an annual communications calendar that integrates climate change and nature issues into our ongoing communications across all channels.

Our corporate communication is centred around our Group website. We have detailed information on our climate strategy in our dedicated Sustainability page. This section sets out our targets, together with outlining our action areas and progress to date. The website clearly states our belief that unmitigated climate change is a key risk for the insurance industry, as well as a systemic threat to society. We have also incorporated information on our climate strategy and targets within the website and will continue to make the nonconfidential elements of our ClimateWise disclosure public on the website annually, on an ongoing basis.

Our corporate website is a key source of information for media, investors, customers & talent.

Recent customer communications include:

- **Website content** – We publish blog content on our Retail website that communicates our point of view on the climate and related impacts this may have for our customers, alongside our related initiatives and targets. The retail website is a key "shop window" for new customers as well as being an important destination for our existing policy holders looking to access their policy documents and/or make a claim. We typically see one hundred thousand unique visitors to our site each month and have deliberately made this content clickable from the homepage to boost its prominence. In 2023 we published information on our website to support EV drivers, including guides about batteries and charging. We also have published guides to help customers to make their homes more sustainable, including top sustainable tips, and energy saving devices.
- **Regular LinkedIn communications** – Our corporate narrative includes our ambition to play our part in supporting a greener, safer world. We have an active social media strategy and use LinkedIn as a key channel through which we reach customers, colleagues, talent and industry peers. We maintain a drum-beat of social media posts throughout the year on environment and climate related topics.

In 2023 this included:

- **World ocean day:** We used world ocean day to launch our partnership with GreenTheUK to support sea kelp restoration
- **Tree planting:** We reported on the first year of our program to plant trees to thank customers for forgoing courtesy cars.
- **Carbon neutral repair network:** We highlighted that our branded bodyshops have all reached carbon neutral status.
- **ClimateWise:** We shared the news of the publication of our Annual ClimateWise report and information on the publication of the ClimateWise principles report.
- **Supporting EVs:** We highlighted our installation of EV chargers around our offices as part of our climate strategy and how we are helping our team switch to EVs as part of our benefits package.
- **Improving road safety:** We shared information about our partnership with Brake, the road safety charity.
- **Sustainability:** We highlighted our new sustainability content on our website.
- **World environment day:** We used the opportunity to share how we are protecting the environment.
- **Green parts:** We highlighted how we are using green parts to reduce our environmental impact.
- **Using surveys to drive engagement on climate and nature:** We use LinkedIn surveys as a tool to engage on and understand perspectives on keydecarbonisation issues. In 2023 this included using surveys to understand whether people think we all are doing enough on environmental issues and what the barriers are to uptake of EVs.

- **Inform our customers of climate-related risks**

  We boost customer awareness of climate-related risks and help customers to manage these risks by communicating weather warnings – for example, frost or storms – through email and social media. We deliver a regular drumbeat of communications through our marketing channels.

  Our objectives are to:

  - Help customers to manage the risks to their homes and driving associated with the changing climate;
  - To inspire behaviour change and support our customers in taking action to reduce their carbon footprint;
  - Inform our customers of the work that we are doing to reduce the esure carbon footprint; and
  - Engage our customers in the need for system-wide change to address climate change.

We help customers to manage acute climate-related risks by communicating weather warnings – for example, frost or storms – through email and social media. We advise customers on ways to keep their homes safe and protected. We also communicate with customers (and colleagues) on safer driving. As well as improving road safety, this campaign aims to reduce fuel use through economical driving.

Update on 2023 planned activity:

- In 2023 we continued to communicate about climate related topics across our channels, and integrated climate communication into our core communications calendar.
- We extended our climate communication to cover areas including the development of EV skills in our network, our carbon neutral repair network and our work with Brake to support sustainable transportation decisions.
- We maintained our regular drum beat of communications across the year to help our customers understand and reduce their risks.
- We prepared proactive, preventative communications prepared for major weather events. We learnt from what is working in communications to improve the support we are providing customers.
- We continued to progress the development of a dedicated sustainability-focused, consumer-facing proposition within 2024.
- We became signatories of Flood Re's Build Back Better scheme, helping flood victims to not only repair their homes but also to improve their long-term resilience.

Planned activity:

- We will continue to maintain a consistent drumbeat of sustainability-related comms within our LinkedIn activity, aimed at influencing colleagues, peers and customers.
- We will continue to integrate sustainability content within our engagement email programme, providing our customers with help and guidance as to how they can reduce their personal impact on climate and nature.
- Our Annual Report & Accounts clearly state our views on the climate emergency and the systemic threat it poses. We will continue to voice this stance and the related need for greater action and supporting public policy.

Our advocacy

- Within our Annual Report & Accounts we took the opportunity to voice our views on the systemic threat posed by climate change. We also clearly stated that increased public policy support is needed to drive vehicle decarbonisation at the rate required to hit a 50% reduction in Underwritten emissions by 2030.
- Also within our Annual Report & Accounts, we called for greater clarity and consistency around methodologies for carbon accounting and associated disclosure.

2.7 Where appropriate, work with policy makers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.

esure Group recognises the importance of mobilising action across industry, government and civil society to support the transition to a low carbon and nature positive economy and to manage adaptation to the changing climate. We are members of industry bodies, including ABI, the Association of British Insurers, and actively engage in discussions around climate change with the insurance industry. We carefully monitor the public policy positions of the industry associations we join to ensure that their work aligns with our climate and nature strategy.

We are active members of ABI working groups that focus efforts on specific areas of concern. As part of these working groups, we actively engage and input to consultations around public policy and regulations in areas including climate change, electric vehicle uptake and green finance.

We engage with the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Information Commissioner's Office (ICO) directly and through the ABI on relevant climate related consultations. We have regular and ad hoc meetings with the regulators, attended by Board members and the Chief Risk Officer. We work with our partners, including industry bodies, to share information and inform public policy around climate-related topics. Our engagement with industry partners includes:

ABI:

- Electric Vehicle Working Group: We participate in the ABI's EV Working Group. The group is formed by UK member insurers and the ABI to examine and highlight the potential effects of electric vehicles (EVs) and other low emission vehicles and the UK Government's associated environmental policies on the motor insurance industry. The Working Group's role is to:
    - Assess the role that our industry can play in increasing the uptake of EVs and low emission vehicles
    - Seek to influence the UK Government's policies and strategies on this topic
    - Keep abreast of global and European regulations on this topic and their impacts on the UK
    - Engage with vehicle manufacturers to understand the EV and low emission vehicle market penetration, implementation strategies and new technologies; collaborate to drive the transition towards EVs and low emission vehicles
    - Engage in discussions around in-vehicle battery monitoring, battery integrity and post-collision fire risk, repair challenges, charging infrastructure and end-of-life and circularity opportunities
    - Understand the impact on the end user and help facilitate consumer education on, and accessibility to, EVs, low emission vehicles and charging with consideration for socioeconomic diversity and a focus on positive consumer outcomes
- In 2024 the EV Working Group has focused on the topics it wished to lobby to the Government/Department for Transport on. This has focused on UK infrastructure e.g. checks and second-hand market, to ensure EVs continue to play a significant role in reducing reliance on fossil fuels over the longer-term.
- The Motor Committee that esure is represented on, focuses its activity at organisation and societal goals:
    - Trusted by Customers – Delivery of initiatives that improve customer outcomes, relevance, understanding and trust to enable our sector to grow and better serve society
    - An effective market – A legislative, regulatory and tax framework that unlocks the potential of our sector to support customers and the economy in a global market
    - Invested in people and the planet - A leading, inclusive and responsible sector addressing the economic, health and environmental opportunities and challenges facing society
    - Operational Excellence – A comprehensive and dynamic suite of services and operations

- A Great place to work – A highly motivated, happy, talented and empowered workforce, rewarded for results through salary, benefits and development
  - Financially resilient – Delivering value today but underpinned by the financial resilience that enables investment in our members' future priorities.
- Autonomous Driving Insurer Group, of which we are a part, continues to play a key role in ensuring the insurance industry is at the heart of the development of autonomous vehicles. This comes with potential long-term benefit for the climate and society. These are progressing through legislation toward availability on UK roads in coming years. With our focus always coming from a safety perspective, and accident reduction, we need to have a path to fulfil insurance needs of UK motor market in the future. This will be achieved through close ties to the Government and Vehicle Manufacturers.
- ABI Thatcham Car Group meeting is a monthly forum we attend, where we have input into how new vehicles to the UK roads are assessed, and early sight of risk issues. As a result of this knowledge, and as result of our new platform we are now able to add new vehicles to our available to quote list weekly. Through these ties we have taken early adoptions views on more EVs than we have previously, which helps our overall lower emission vehicles growth strategy. 13% of all new vehicles sold in UK last year were EV, and increases YoY.
- ABI Property Claims Forum meet to discuss impacts on Home claims, several of which relate to weather events and climate change, e.g. flood risk, extreme heat, freeze events, subsidence.
- ABI Subsidence Workshop – we were a key participant of the subsidence workshop, which was set up to review new Joint Mitigation Proposals for Subsidence, aimed at balancing tree removal with the severity of the damage presented at a property alongside conflicting and competing targets such as increase canopy cover in London boroughs (to increase to 26% by 2040, currently 23%).
- Sustainability: In 2023 we continued our engagement with the ABI's Chief Sustainability Officer to support the development of industry sustainability approaches and drive alignment around methodologies. This included exploring the methodologies and guidance around calculation of underwritten emissions and how to treat these emissions within the ABI Climate Strategy.

Home Insurance Industry Events: We are active participants of industry events related to Subsidence and Climate Related Claims. For example, our Indemnity lead was a panellist at the ILC Home & Property Specialist Subsidence Conference March 2023 discussing the ever-growing climate challenges.

They also participated as a panelist at the Insurance Post Property Claims Club event in June where the impact of climate change was explored in light of the recent changes to weather event frequency.

We've been working with other insurers and industry bodies including the ABI to help shape new draft Joint Mitigation Protocols for subsidence which aims to ensure we consider alternative management strategies which may allow us to protect and preserve trees and canopy cover for lower level subsidence damage. The protocols are still in draft format however there is a commitment that we will try alternative strategies like pruning first, for lower category damage.

NGO engagement: We engage with our NGO partners to support environmental and safety outcomes.

- In 2024 we collaborated with Twenty's Plenty, the not-for-profit organisation that asks for a speed limit of 20mph to be normal in residential areas and in town and village centres, with exceptions where appropriate. We have seen a 20% drop in claims for car accidents within geographies where the groundbreaking 20mph speed limit was introduced. Alongside the significant safety benefits of the change, the lower speeds improve vehicle efficiency, improving air quality and reducing carbon emissions. Research conducted by engineering consultants Future Transport found significant emission reductions at lower speeds, driven by the reduction in energy needed for acceleration. Their research suggests that the optimum speed limit in city traffic for minimising CO_2 emissions for a small petrol hatchback is around 17.5mph1.
  We have published our findings within a press release which received significant national and regional media coverage, promoting the benefits of 20mph limits.
- **Brake:** We are proud to partner with Brake, the road safety charity, for the fourth year running. We are the corporate partner of Brake's Kids Walk, a national event to help primary school children learn about road safety and shout out for their right to make safe and healthy journeys.

Brake
the road safety charity

We also supported Brake to commission bespoke research exploring the impacts of vehicle pollution in and around UK schools, for the second year running.
Vehicle pollution is an important driver of ill-health in our nation's schools. Tackling this issue is aligned to action on climate change - encouraging shifts to lower impact transportation (including walking, biking and public transport), and accelerating the shift to electric vehicles.
The research incorporated a survey of 2,005 people who have primary care responsibilities for children between 4 and 11 which we promoted on our LinkedIn social channel. The research found:

- 78% of parents would like roads near their home and children's schools to have a 20mph speed limit.
- https://futuretransport.info/urban-traffic-research/
- 85% of parents would like to see Government doing more to make their roads safer.
- Two-thirds (69%) of parents would like their children to walk and wheel to school more; many say they can't because roads are too busy (39%) and traffic is too fast (24%).
- 58% of parents are concerned about air pollution levels around their child(ren)'s school
- 83% of parents agree that walking, cycling or scooting to school is an easy way to reduce the impact they and their children have on the environment

The results have been used to inform Brake's campaign to call to government for a 20mph speed limits to be implemented around all schools in the UK. A reduction in the speed limit would help reduce fatal accidents and also help to reduce air pollution around schools.

Planned Activities:

- We believe that we and the ABI play an important role in highlighting issues with policymakers and lobbying for changes to support transition towards a lower carbon economy. We will maintain an active role within these industry discussions and push for accelerated action and policy consistent with driving and incentivisation consumer behaviour change.
- We will continue to assess our charity partnerships and seek to retain and grow partnerships which deliver research opportunities, positive direct impact on climate change and nature, and opportunities to grow consumer awareness of climate and nature risks and the actions they can take to reduce these.

Principle 3: Enabling Transition

Investments

3.1 Integrate consideration of climate- and nature-related risks and opportunities into investment strategies and decision making.

Responsible investment

Our investment portfolio accounts for c.87% of our Scope 3 emissions and c.118 kt CO_2e of the total esure Group reported emissions. Decarbonising our investment portfolio is an important part of our climate strategy and we have established 2030 and 2050 targets for decarbonising our investments (see page 7).

We continuously refine and develop our decarbonisation approach as the quality of our data and insight improves. We recognise that our ability to decarbonise is dependent on the successful decarbonisation of the UK and global economy. We are working with our investment manager to ensure that our approach builds market incentives for decarbonisation. We will continue to monitor the decarbonisation of our portfolio and our targets to ensure our approach delivers on our business needs and decarbonsation objectives.

Our investment strategy is shaped by our Responsible Investment Policy. The policy codifies our approach to the investment portfolio with regards to ESG aspects and sets out our goals for our investment portfolio and the framework that we are working to. Our approach includes:

- Carefully considering our exposure to companies and sectors with favourable carbon emission trajectories and that are progressing other ESG initiatives, in line with our own ambitions.
- Creating a carbon transition roadmap for our investments.
- Improving disclosure of the entities we invest in.
- Tracking the carbon intensity and temperature pathways of our investments.
- Ensuring our fund managers are actively engaging with issuers on climate related topics.

We have also established investment screens and targets that support decarbonisation, including limiting exposure to securities issued by companies involved in the mining, extraction and production of thermal coal.

We monitor the carbon emissions and intensities of assets in our portfolios on an ongoing basis and complete a climate related scenario portfolio assessment for key portfolios annually which will include assessment of stranded assets risk.

In 2023, we reviewed our emission footprinting process and have made significant improvements in terms of the quality of information we now have access to on our investment related risks and our impacts on climate. This work has enabled strong progress in our understanding of our decarbonisation pathway and the options available to us. We also looked for opportunities to align and build consistency with market practices. The work has included sourcing new data from an external data provider for much of our investment holdings, and supplementing this with publicly available data to form approximations for holdings where direct data is not available. We also collected and analysed information on the implied temperature rise of our holdings which has allowed us to evaluate the expected transition pathways of issuers and improve our decision making. We are currently undertaking analysis to identify higher emitters which are not aligned with our decarbonisation trajectory to inform our decision making and ongoing portfolio management. We will be using the data in future to understand the implications for our expected decarbonisation pathway and identify areas where we may want to act.

As a result of this work, we have restated our investment related emissions.

FY20 (Base Year)	FY23
144 ktCO_2e	118 ktCO_2e
127 tCO_2e per £m invested	99 tCO_2e per £m invested

- In 2023, relative to the base year of 2020, our investment related emissions have reduced primarily as a result of a significant improvement in the carbon intensity of sovereign bonds which has meant an overall reduction in the level of carbon emissions from the portfolio

ESG considerations are important to the top-down macroeconomic thematic investment process applied to decisions within our publicly traded portfolio.

We recognise that non-financial factors, including ESG issues, have a material influence on the relative attractiveness of assets, and these are considered alongside traditional risk and return metrics.

All our external fund managers are signatories of the Principles for Responsible Investment.

We recognise that our investment activity impacts on nature-related outcomes. We have started to explore our approach to evaluating nature related investment risks and impacts.

We expect this to include consideration of:

- Impacts of our portfolio on nature: Including whether our holdings have operations in sensitive areas, the magnitude of impacts, and the quality of management approaches
- Potential for nature risks to impact our portfolio: Including the exposure of particular assets

We have asked our primary investment manager to help us start exploring this area with us and set out best practice approaches for us to consider.

3.2 Take action to manage the implications of climate- and nature-related risks and opportunities on, and of, our investments.

We consider our climate-related investment risk and impacts as part of our ongoing investment risk management processes. Our approach is formalised in our Responsible Investment Policy which guides our approach to management of investment climate risk and incorporation of climate and other environmental factors into investment analysis and decision making. Our asset allocation approach also considers the decarbonisation of our investment portfolio.

As part of our assessment of options to de-risk the investment portfolio of climate-related risks, we also consider related investment opportunities. Opportunities include the potential for long-term stable returns from investments in businesses supporting the energy transition.

We have embedded mitigation of climate impacts and risks into our management activity with our investment managers and continue to review this on an ongoing basis as part of our management activities. Alongside our work with our investment manager, we monitor market practices, benchmark our peers, and assess the carbon intensity of our portfolio against the market.
Our investment manager engages with us on climate-related aspects, and we are in the process of agreeing actions to reduce the carbon intensity of the portfolio.

All our external fund managers are signatories of the Principles for Responsible Investment, which covers our primary (fixed income) manager as well as our direct lending fund managers.

Our planned approach sets out a decarbonisation pathway for our corporate bond investment portfolio. The approach includes how we will:

- Track and manage decarbonisation of our portfolio.
- Target corporate bonds with sectors and companies making more rapid progress on decarbonisation.
- Balance decarbonisation and our risk profile.
- Evaluate needs, risk and opportunities to further adjust our asset mix to speed decarbonisation as appropriate.

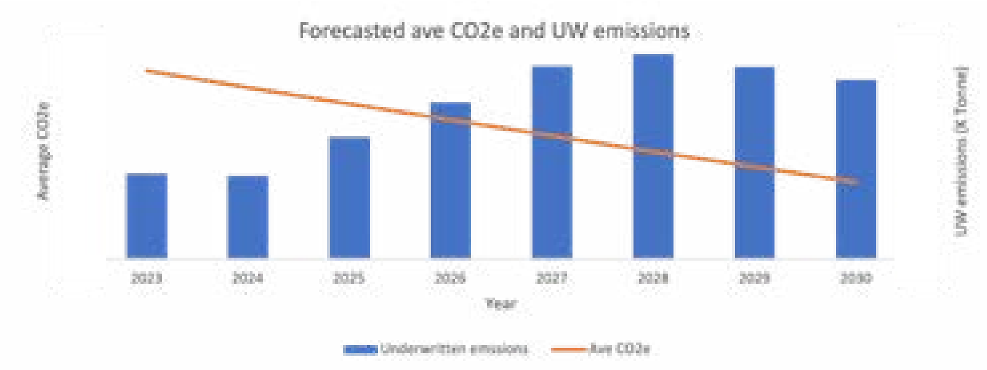
Investments

3.3 Develop and use models to incorporate climate- and nature-related issues and describe how the outputs of the models inform our underwriting decisions.

Our underwriting emissions

We recognise that by providing insurance services we enable carbon emissions from our customers, when driving or in their homes. In 2023 we started work to understand our emissions from our underwriting in line with best emerging practices and standards.

We applied the guidance of the Partnership of Carbon Accounting Financials (PCAF) to develop a detailed model of the carbon emissions associated with our motor insurance business.



In 2024 we saw a modest year-on-year fall in underwritten emissions from our motor insurance business, in line with the reduction in the vehicle count in the esure portfolio. We used the projections of the UK Government's Department for Transport (DfT) and the Society of Motor Manufacturers and Traders (SMMT) on the future decarbonisation of vehicle emissions, to project our future underwritten emissions as our business grows. While projections show that vehicle carbon efficiency will improve over time, in conjunction with an increased proliferation of EVs, the improvements will not be sufficient to drive a 50% reduction in carbon emissions in line with our targets for scope 3 emissions.

Our conclusion is that delivering decarbonisation at the pace required will be extremely difficult without material changes to national infrastructure and transportation strategy, especially whenconsidering absolute emissions and their correlation with policy growth, which we are forecasting. We also know that there are significant structural barriers to overcome to ensure that EV infrastructure is sustainable, in areas including the end of use processing of EV batteries.

Our analysis suggests that in the current UK infrastructure EVs reduce underwritten emissions by ~40%, when considering the emissions generated by the electricity consumed through their use, relative to petrol Internal Combustion Engine (ICE) vehicles. This is based on the UK Government GHG Conversion Factors for Company Reporting. We anticipate that this differential will grow as the grid decarbonises.

We will continue to monitor best practices in the calculation of underwritten emissions. As methodologies develop we will explore opportunities to footprint our underwritten emissions associated with our home insurance products.

Assessing underwriting risk

We recognise that the changing climate will pose additional underwriting risks to our motor and home insurance products. We consider these risks as part of our risk management processes (see section 1.5).

Underwriting risks – Physical

Our motor and home insurance businesses are exposed to physical climate risk, including the impacts of extreme weather, floods and increased incidence of subsidence issues. We use climate and weather models to understand and plan for weather-related risks. These models are used to model potential losses, to help us plan repair capacity in our supply networks and to provide timely communications and advice to customers.

Pricing and Risk monitor for academic papers that may be relevant to refine our assumptions. Additional prudence is included in some assumptions, recognising that there is limited data on how the risks may transpire. The assumptions will be refined as additional information becomes available.

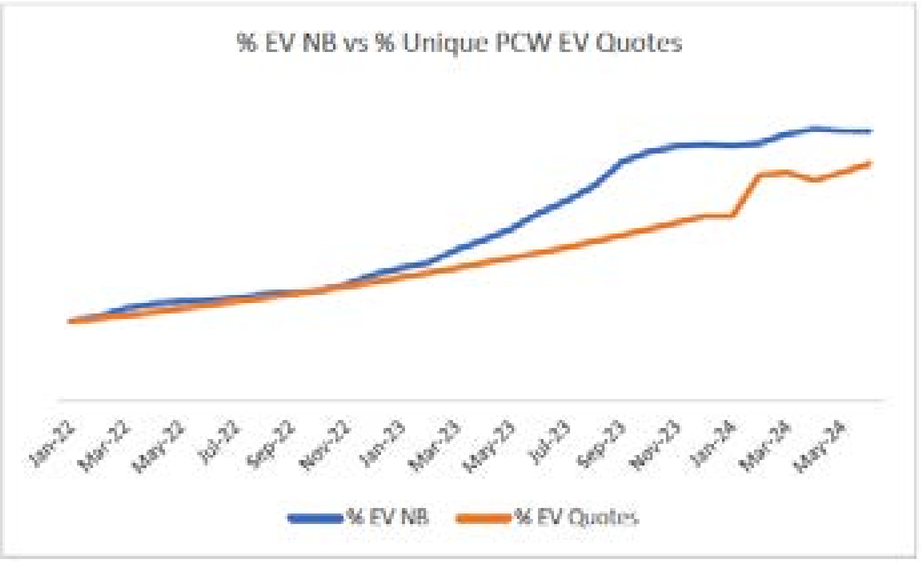
An important element in the materiality assessment for climate risk is the opportunity we have to reprice on an annual basis. Therefore, there is an expectation that pricing will reflect any trends that emerge through the monitoring in place.

We are extending this analysis to consider surface (pluvial) flooding in the motor portfolio including how we can best influence driver behaviours to avoid taking unnecessary risks, whilst simultaneously best reflecting the increased risk into the premium charged.

Underwriting risks – Transition

The transition to a low carbon economy means the needs of our insurance customers will change. These changes provide both risks and opportunities for esure:

- **Motor insurance**
  - As automotive markets transform to electric vehicles, we are refining our understanding of risk new electric vehicles. We have grown our share of electric vehicles in our new business book ahead of the growth in the price comparison websites;
  - We review of our underwritten exposure to electric vehicles to assess proximity of our policyholders to repairers. The below represents our exposure to EVs (Red Dots) and correlating this to the availability to repair vehicles (Blue Cars)



The results of these reviews have been used to inform our strategy for developing our EV supply chain.

- **Home insurance** – As the decarbonisation of the UK housing stock gathers pace, the needs of home insurance customers will change. We are adapting our offer to ensure we are meeting customer needs. We continue to monitor risks associated with lower carbon home technologies. Our insurance covers heat pumps and solar panels.

EV underwriting risk

- Our recent risk review of EV underwriting concluded that:
  There are increased risks of incidents for EV drivers, particularly during the first two years of driving an EV due to the different driving characteristics. The severity of crashes associated with EVs also appears to be greater than ICE vehicles, in part due to increased weight of EVs.
- Repair costs are higher due to costs associated with EV parts and challenges with availability of EV components.
- There are longer term uncertainties regarding the end of life treatment of EV components, with challenges around the end of use infrastructure for EV batteries an area that needs particular attention. The end of life infrastructure is critical to enabling circularity in vehicle repair markets and influences the long term economics of our supply chain.

Our approach to EV underwriting is to optimise pricing for EV insurance and build a nuanced approach to underwriting that addresses known EV issues.

Monitoring of underwriting risk

We monitor our underwriting risk as part of our ongoing tracking of climate-related risk metrics. The metrics include the losses associated with areas susceptible to climate-related events.

3.4 Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate- and nature-related issues of the insured structures through pricing of policies.

Derisking policies

We have the opportunity to reprice our home and motor products on an annual basis. We will ensure that pricing reflects and mitigates any trends that emerge through climate risk monitoring.

Decarbonising our underwriting

Our aim is to decouple the growth of our in force policies from growth in our underwritten emissions. Our work has identified levers including:

- **Reducing miles travelled** - we are tracking miles travelled by our customers accurately based on mileage at MOTs. Better information will allow us to inform customers of the risks of increased mileage and allow us to incentivise action with adjustments to premiums.
- **Providing excellent service to EV drivers** - to help support the shift to EVs we have dedicated content on our website to help drivers understand the practicalities of owning an EV, as well as trying to alleviate concerns that might currently be barriers to EV adoption.
- **Incentivising driving of lower emitting vehicles** - Adjusting pricing for higher power and weight cars - which both are higher emitting and present higher underwriting risk.
- **Incentivising lower speed driving** - We are supporting the campaign group 20's Plenty - advocating for more 20mph zones. This not only reduces risk for drivers, but also reduces carbon emissions and improves air quality. Our data shows the increase in 20mph zones in Wales has led to significant reduction in accident frequency and severity. As a result, Welsh drivers have seen adjustments to insurance premiums.

We are also mindful of the need to support vulnerable customers as we promote the transition to lower carbon driving. We have a moral and regulatory duty not to profiteer from vulnerable customers who are less able to shift to lower emitting vehicles or driving patterns. We recognise that we need not only a rapid transition to lower carbon transportation, but an approach that is just, affordable and accessible to all.

Using our underwriting to improve climate resilience

In 2023 we became signatories of the Flood Re Build Back Better initiative. Flood Re is a joint initiative between the Government and insurers to promote the availability and affordability of home insurance for people living in high flood risk areas. The scheme works by providing government backed reinsurance of flood risk homes, supported through a levy on UK home insurance firms. As signatories to the build back better initiative we offer an additional insurance payment to impacted customers, of up to £10,000, to enable installation of flood resilience measures that gives homeowners confidence that they will be protected in the future, and reduces future water claims, by keeping water out, and protecting homes against water that does get in. We have worked closely with our suppliers to establish the processes and ways of working to deliver the scheme, which has important structural implications for our supply chain.

- **Update on 2023 planned activities:**
  In partnership with home Loss Adjusters, we're working on plans to deliver a Circular Economy initiative on Contents Claims; this initiative aims to reduce the amount of general domestic content items that are usually sent to landfill or incinerated – contents will be reused either in their current format or repurposed for a new use.
- We continued to accelerate the use of digital technology where possible across the whole range of both building and content claims.
- We used tree planting schemes to replace those removed as a cause of subsidence and trialled the use of Electro Kinesis techniques to reduce the chance of secondary subsidence damage and the carbon emissions produced in this process.
- We are continuing to explore opportunities to support uptake of smart-home approaches to help identify and mitigate claim events, including the escape of water or fire.
- We have conducted research into consumer appetite for a sustainability-focused customer-facing proposition.
- We continue to assess EV claims data to continually enhance our risk profiles of different makes and models, informing our pricing accordingly.
- We became signatories of Flood Re's Build Back Better scheme. Rather than simply repairing homes to the same standard they were prior to a flood, Build Back Better gives homeowners the chance to install flood resilience measures to reduce the cost and impact of any future floods.

Planned activities:

- The strategy for understanding and underwriting Electric Vehicles will continue until we have reached sufficient density of cognition that we can consider these to be part of our BAU activities.
- Build out the reach of our capabilities to repair EVs, in order to provide insurance in a responsible and understood manner; ensuring we are delivering good outcomes for our customers.
- Monitor for new risks/risk types that could impact our customers as a result of climate change (IE alternative fuel types, weather patterns).
- Elaborate our understanding of increasingly volatile weather patterns on our customers and refine our products/pricing accordingly – improving on the excellent work we have undertaken throughout 2024.

Principle 4: Disclosing Effectively

Measure & Monitor

4.1 Measure and disclose the impacts and potential impacts on our business of material climate- and nature-related risks and opportunities, including the results of the resilience analysis.

We measure our climate-related risks, opportunities and performance as a core part of our strategy and risk governance framework. Our approach encompasses our performance in reducing carbon emissions, managing climate-related risk and delivering on the business opportunities relating to the growth of the EV market. We also track our underwritten emissions associated with our motor business in order to provide insights relating to our underwritten climate risks and to identify opportunities to further reduce emissions.

Our climate-related business performance:

Our monitoring of climate performance indicates that the business is not experiencing any materially adverse trends in performance.

We monitor our climate-related risk metrics to track our performance trends and provide analysis on the key drivers of current and future performance. The metrics reviewed incorporate the value at risk from our investments, our carbon emissions, and our underwriting risk. The metrics are designed to provide monitoring of our climate-related risks across our value chain, including climate impacts associated with our supply chain.

Alongside our climate-related Key Risk Indicators, our measurement and monitoring of the business impacts of climate risks incorporates monitoring of risks across our value chain. It includes:

- **Products and services:** Changes to our business volumes driven by climate related trends, including the growth of our EV portfolio. See section 1.5.
- **Supply chain:** Continued focus on driving lower carbon, circular supply chain models including monitoring the delivery of our programs to drive growth in the use of green auto parts. See section 2.3 and 2.4.
- **Underwriting:** Changes to the risk profile of our insured activities, including the impact of changes in frequency of extreme weather including floods, freeze and storm events. We apply models to assess and measure our exposure to weather perils. We incorporate our findings into Pricing and Capital Modelling. We are working to improve our tracking of storm and flood perils. We conduct Stress Tests and scenario analysis to understand and monitor esure's motor, home and asset exposures. See section 1.8. We use reinsurance as a key tool to mitigate the impact of weather-related events. Our capital model of weather events includes climate risk adjustments and is used to inform our decision on the amount of reinsurance taken. We monitor the adequacy of our reinsurance to mitigate climate related risks.
- **Investments:** We work with our primary investment manager to monitor our KRIs associated with our investment portfolio. We use measures including carbon emission reporting, implied temperature rises and science based / Paris alignment targets. We also monitor our exposure to investments in sectors that are exposed to climate-related risks, including those identified in our Responsible Investment Policy, for example exposure to securities issued by companies involved in the mining, extraction and production of thermal coal.

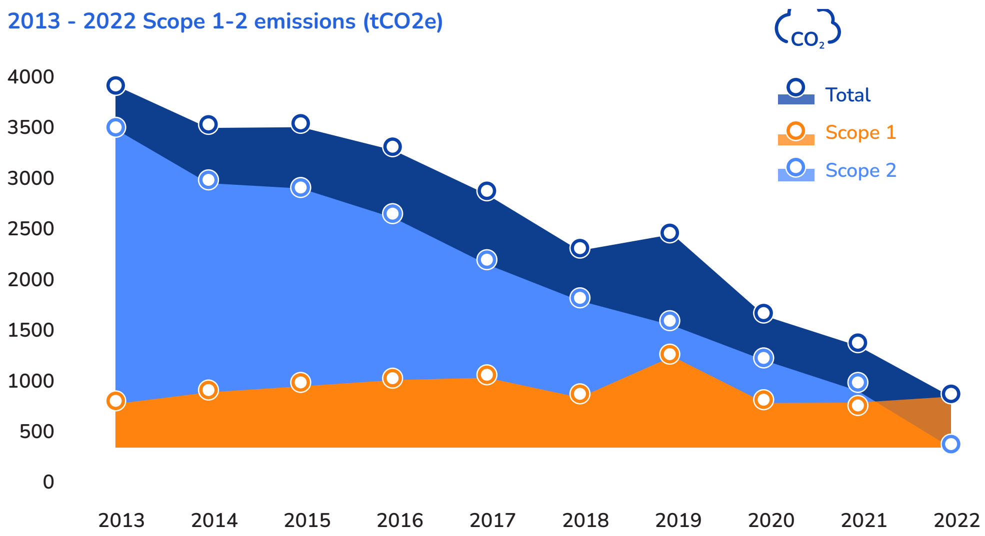
Our monitoring of climate-related risk also incorporates assessing the resilience of our business to climate-related scenarios. Our monitoring incorporates using the outcomes of scenario analysis to inform our materiality assessment. We also consider the impact of multiple weather events on the Group as part of a stress test of our exposure to climate related risk and the adequacy of our reinsurance protection. We have established Risk Appetite Statements for weather events which are monitored at the Financial Risk Committee. Our monitoring is used to inform and shape the actions we take in our strategy to mitigate risk.

4.2 Disclose the metrics used to measure and manage our contribution to climateand nature-related risks, and targets used for monitoring progress.

In order to manage our contribution to climate and nature-related risks, we have established targets and measures to monitor our impact on carbon emissions as part of our climate strategy. The strategy sets out our targets which align with the science based emission reductions required to limit warming to 1.5[C]. In setting targets we align our approach with the ABI Climate Change Roadmap. We also set targets to deliver on the business opportunities afforded by climate and nature transitions. These targets, aligned with our overall business strategy, include targets to grow our EV portfolio. The targets and measurement framework is described in section 4.1 above.

We regularly review and seek opportunities to improve how we track our performance in order to provide insights that will help us improve our control of risk and improve our business performance. We describe below the measures we use to monitor our climaterelated performance

Our carbon emissions



The table below represents the 2023 greenhouse gas (GHG) reporting on esure Group plc's UK operations.

Emissions from:		2023		2022
Tonnes of carbon dioxide equivalent (tCO2e)	Scope 1	532	Scope 1	502
	Scope 2 (market based)	2	Scope 2 (market based)	3
	Scope 2 (location based)	673	Scope 2 (location based)	688
	Scope 3* (business travel)	504	Scope 3* (business travel)	111
	Total Scope 1 and Scope 2 (market based)	534	Total Scope 1 and Scope 2 (market based)	505

Of our total Scope 1 emissions, 328tCO_2e relate to Natural Gas (2022: 319tCO_2e), 172tCO_2e to Refrigerant (2022: 159tCO_2e), 28tCO_2e to Direct Mileage (2022: 20tCO_2e) and 4tCO_2e to Gas Oil (2022: 4tCO_2e).

'The year-on-year increase in our Scope 3 business travel emissions reflects an increase in office working.

Carbon emissions quantification methodology: The emissions footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines, including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using published Department for Energy and Net Zero emissions conversion factors. The data used has been provided by the Group. Emissions sources: The emissions footprint includes the Scope 1 combustion of fuel, fugitive and process emissions and Scope 2 electricity emissions associated with the activities for which the Group are responsible across our Reigate, Glasgow and Manchester offices.

Emissions data quality: The quality of the data used for the emissions footprint calculations are rated as 'good', 'average', 'poor' based on benchmarks.

Around 99.7% of emissions in the footprint were based on 'good' quality data meaning actual primary data as opposed to estimates; this is a weighted percentage according to contribution by the emissions source.

Operational energy use:

kWh Energy Consumed	Electricity	Natural Gas	Transport and other	Total
2023	3,248,059	1,793,206	132,545	5,173,810
2022	3,558,660	1,740,151	107,333	5,406,144

We lease seven vehicles for colleague use (4 EVs and 3 Hybrids) and the footprint associated with these during 2023 was estimated to be 0.0lktCO,e

Whilst driving carbon emissions reductions remains our priority, we choose to invest in offset initiatives equating to 110% of our prior year's Scope 1 & 2 emissions.

For information on our activities to reduce operational energy use see section 2.1.

Supply chain:

We directly engage key carbon-intensive suppliers to understand:

- Their carbon emissions across Scope 1, 2 & 3 emissions
- Where emissions quantification was incomplete across all Scopes, suppliers' intended timeline to complete emissions footprinting
- Suppliers' net zero targets
- Key decarbonisation initiatives and examples of best practice

Our 2023 Scope 3 Procured Goods and Services (PG&S) carbon footprint at an estimated 16.5ktCO_2e.

	2022		2023	
Supplier Category	**Carbon footprint (tCo2e)***	**%PG&S Carbon Footprint**	**Carbon footprint (tCo2e)***	**%PG&S Carbon Footprint**
Motor Claims	15,709	91.30%	10,987	66.60%
Home Claims	931	5.40%	2,178	13.20%
Other	568	3.30%	3,323	20.20%
Total	**17,209**	**100%**	**16,488**	**100.00%**

The 2022 PG&S footprint has been restated to reflect improved data gathering from suppliers, improve the allocation of supplier data to inventory years and reduced reliance on proxy data.

Our approach: We use primary data from key 22 carbon intensive suppliers (representing 32% of total PG&S) and "read-across" primary carbon intensity data to other suppliers providing similar services (representing 15% of PG&S). Spend-based emission factors (using DESNZ Environmentally-Extended Input-Output (EEIO) factors) are applied to spend for all other suppliers for 2023 (using data to October, scaled to full year, representing 53% of PG&S).

We note that this area of carbon accounting is relatively immature and evolving, andtherefore presents challenges. Many suppliers lack dedicated expertise to provide accurate footprint estimates across all Scopes and employ inconsistent approaches to the methodology and rigour within their assessments.
As such, whilst we have sought to estimate our supply chain footprint, we will continue to assess evolving guidance in this space.

In order to understand our progress in decarbonising our supply chain and the success of our initiatives we also track a range of qualitative and quantitative measures. These include:

Motor supplier highlights

- 100% of esure branded bodyshops and over 93% of our total repair network are carbon neutral
- Our work to repair 1,664 bumpers rather than replace has saved 5 tonnes of plastic going to landfill
- 4104 recycled parts used in 2023 saving 153.3 tonnes of CO_2e, which is a 44% increase on 2022 CO_2e saving
- We have planted 919 trees in 2023 for each customer choosing to forgo taking a courtesy car during their repair
- To support the sustainability of our supply chain, we continue to sponsor Autoraise, a charity set up to help the UK vehicle repair industry attract young people into a range of technical apprenticeships

Home supplier highlights

- Carpet and flooring: assessing damage virtually has saved 956 customer visits and avoided 76,300 driven miles
- Contents recycling: 9% of furniture & electrical claims in 2023 have been repaired. Where a cash settlement has not been offered, the balance is recycled and nothing is sent to landfill via this route.

For full information on our work to decarbonise our supply chain see section 2.3 and 2.4.

Investments:

Over 2023-24 we have continued to evolve our data sources, measurement and monitoring of carbon emissions related to our investment portfolio. This has enabled us to significantly enhance our portfolio monitoring, covering assessments of both current carbon emissions attributed to the portfolio and expected future development of the issuers of the bonds we are invested in, and includes:

- Evaluating portfolios at a greater level of detail to enable better monitoring of environmental metrics by asset classes where we can actively have an impact
- Embedding reporting to consider both the reported carbon emissions of issuers and the transition plans issuers have in place to support limits on global temperature increases
- Considering how best to estimate carbon emissions for assets not covered bystandard assessments

Our financed emission measurement and monitoring follows the Greenhouse Gas Protocol (GHGP) framework and the Partnership for Carbon Accounting Financials (PCAF) standard, and for our investment portfolio this covers Scope 1 and Scope 2 emissions relating to corporate bonds and UK sovereign debt.

As these frameworks, methodologies and standards continue to evolve, the way certain asset classes are measured continues to improve, as does the comparability of different portfolios. However, the availability and reliability of appropriate data to assess portfolios is imperfect - while this has improved over 2023, there are still gaps to be addressed over time, such as carbon emissions attributed to supranational debt.

Despite the inherent difficulties in reliable measurement, we are working to understand our role in decarbonising the world, helping us to make informed decisions with our investment portfolio and actively influencing where we can.

Currently, based on available data sources covering 79% of our investment portfolio,emissions associated with those covered assets represent 79 $ktCO_2e$, equivalent to 84 tCO_2e per £1m of covered assets.

Asset Class	Coverage	$ktCO_2e$	tCO_2e/ £m Invested	PCAF Weighted Data Score
Corporate Bonds	96%	15.3	27	3.1
Sovereign & Supranational Debt	72%	63.7	165	2.0
Total	**79%**	**79.0**	**84**	**2.6**

We expect the measurement of financed emissions to continue to evolve, with coverage levels increasing over time, including further asset types once the relevant standards have been agreed. This will present an opportunity to better understand our footprint and to further develop our strategy in relation to financed emissions.

In 2024 we expect to reconsider how to frame our short-term decarbonisation targets to better reflect the changing size of our asset portfolio. This will most likely result in the introduction of short-term carbon intensity targets. We are also exploring the measures we can use to understand nature risks and impacts associated with our investments.

For more information on our approach to reducing investment related climate and nature risk and reduce our impacts see section 3.2.

Underwritten emissions:

We have applied PCAF guidance to calculate the emissions associated with our underwritten Motor customers' driving activity.

This is an area of carbon accounting that is clearly in its infancy and still evolving. We will assess emerging guidance on the calculation of underwritten emissions. We believe there should be greater consistency around data sources used across the sector, as well as greater industry-wide discussion on the appropriateness of the attribution factor applied.

We urge the UK government to continue efforts to provide clear guidance on reporting methodology and requirements.

For information on our work to quantify and reduce our underwritten emissions see section 3.3.

Update on 2023 planned activity:

The improvements made in 2023 include:

- Applying external data on our financed emissions to align with best market practices. This has resulted in a restatement of our financed emissions. See section 3.1.
- Calculating underwritten emissions for our motor business in line with Partnership for Carbon Accounting Financials (PCAF) guidance. See section 3.3.

Planned activity:

- Exploring approaches to measure and monitor nature risk and impacts in our investment holdings.
- Agreeing short-term carbon intensity targets for our financed emissions.
- Continuing to directly engage with our most carbon intensive suppliers to encourage improvements in footprinting and continued action to decarbonise.

Report Robustly

4.3 Maintain and enhance a robust reporting regime, processes and internal controls over climate-related disclosures in order to avoid material errors or material misstatements.

esure Group applies robust controls around its reporting processes and disclosures. Our controls include:

- Engagement with third party subject matter experts during report preparation and data collection
- Clear ownership and sign off processes around climate-related performance information
- Review of disclosures by responsible leads within relevant internal teams, alongside external subject matter experts
- Development of an evidence log to support disclosures
- Sign-off of disclosures by members of the Group Exec in areas of their responsibility
- Review of the Annual Report and Accounts by the Audit Committee of the Board, followed by Board approval
- External Auditors review the Climate Related Disclosures as part of their review of the Annual Report & Accounts.
- Final sign-off of disclosures by the Company Secretary, and then by the Chief Executive

Our Annual Report and Accounts are subject to a review by our external auditors to ensure compliance with our Companies Act disclosure obligations and the accuracy and quality of our disclosures. The scope of their review includes the climate-related disclosures that we make in our Annual Report. Our auditors obtain an understanding of our processes to address climate-related risks, including the implementation of the Climate strategy. They assess whether these initiatives are aligned with the Climate Change Roadmap developed by the Association of British Insurers.
They performed a risk assessment of the financial impact of climate risks on the financial statements and concluded the risks of material misstatement due to climate risk factors are remote.
They also consider whether information included in the climate related disclosures in the Annual Report is materially consistent with their understanding of the business and the financial statements.

As part of their management reporting, our auditors provide an opinion on opportunities for us to improve our disclosures. In the past year this included identification of climate related business opportunities as an area for improvement.

Alongside this report review regime, our internal audit team provide advice and support for the business to improve controls and the quality of management information.

The findings of the auditor review are provided to the Group Executive Committee and the Audit Committee and reported to the Board by the Chair of the Audit Committee. It provides a basis for ongoing continuous improvement in our disclosure. We use a number of practices to review and improve our disclosures on an ongoing basis including:

- **ClimateWise review:** We complete a structured review of the ClimateWise score and feedback each year to identify opportunities to improve our practices. This summary of feedback and opportunities is shared with our Group Executive and at Board. We set a target score and/or rank for the upcoming year and use this to drive action across the business.
- **Regulatory review:** We review evolving regulatory requirements and identify new reporting obligations. In 2024, we undertook a regulatory gap analysis of all the external requirements against our processes and procedures.
- **Best reporting practices:** We continue to review the disclosure of peers to identify opportunities to improve our reporting and communication.

We continue to inform the Audit Committee, Board and Group Executive Committee of the changing disclosure requirements and engage them where appropriate in development of the disclosure approach. This includes decisions necessary to balance transparency with the disclosure of commercially sensitive information.

In the last year, we have made a number of improvements to our climate related disclosures, including the publication of information in our Annual Report and Accounts in line with the UK Climate-related Financial Disclosure requirements.

Planned activities:

- We will improve disclosures around climate-related opportunities
- We will publish our transition plan

Disclose Transparently

4.4 Annual submission against the ClimateWise Principles.

We report fully against the ClimateWise Principles. This report is provided for review alongside a confidential annex which provides more detailed information on our approach and evidences how we are implementing our climate and nature strategy.

Our annual submission remains an important part of how we communicate and assess our progress. We will share this year's scores and feedback with our Group Executive and Board. We will then use these to inform our 2025 ESG priorities and plans.

4.5 Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.

We align our climate and nature disclosures with our annual reporting cycle to provide a consistent view of our performance across all our communication and reporting activities.

Our annual reporting on climate and nature issues includes:

- **Our annual report and accounts:** We published Climate change disclosures in the Annual Report & Accounts for the first time, for the 2023 year end. We will do the same for 2024 year end and further enhance some of the disclosures, as well as enhancing the way the report is laid out and linked to sections of the Strategic Report. The report includes information on our ESG strategy, our climate strategy and performance and our climate risk management. We report in line with the UK TCFD Companies Act Disclosure requirements. It is also designed to align with our ORSA requirements.
- **Our annual solvency and financial condition report:** Which includes information on our climate risk management approach.
- **Our annual ClimateWise report:** Which provides information on our progress in implementing the ClimateWise principles.

The reports all use the same reporting period – January 1 – December 31 – and are reviewed to ensure consistency in disclosures.

In addition to the reporting on the financial year the ClimateWise report also includes information on activities undertaken in the period up to June 30 to ensure that it provides an up-to-date picture of the practices and progress that the business is making.

The reports disclose the results of the same management processes, including relying on the same underlying assessments and assumptions. This includes the underlying scenario and stress testing procedures.

4.6 Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.

As a member of ClimateWise we report annually to allow our stakeholders, including our employees, customers and business partners, to evaluate our actions and the progress that we are making.

In order to aid our stakeholders in navigating our disclosure, we index our reporting to the updated ClimateWise Principles. This also helps us align our disclosures with reporting standards and frameworks and market best practices.

In order to provide a high quality disclosure, the report provides information on:

- The methodologies followed and identifies where there are material assumptions and uncertainties.
- Material restatements of information from previous years made to improve data quality.
- Year on year comparisons of performance where appropriate and possible.

The report is designed to provide a prudent and neutral view of our performance and provide information that is accurate and useful to our stakeholders.

esure Group has considered the risks associated with greenwashing (see section 1.8) and has designed the reporting process and approach to ensure that we provide a balanced assessment of our progress. To ensure that we meet this objective, our report is drafted by an external sustainability disclosure expert who provides a neutral view of our business and challenges us to ensure we present a balanced view of our performance.

The content is reviewed and signed off by our subject matter experts across the business. We ensure that there is evidence available to validate the statements that we are making.

We provide a significant volume of supporting evidence in the Confidential Annex to provide the ClimateWise assessors with the opportunity to review the accuracy of the information disclosed.

The esure communications team lead the preparation of the report and carefully review the disclosure to ensure that it is prepared in a way that meets the needs of our target stakeholders. This includes promoting readability, limiting the use of technical language where possible and using plain English.

We recognise that in the assessment of climate-related risk there are a number of inherent uncertainties. Where there are uncertainties, we present a prudent view to ensure that we are not presenting an unrealistically optimistic assessment of business performance, risk or opportunities.

In the event that we make changes, including methodology changes, that materially impact on results that have been previously reported, we will restate the results.

In order to provide our stakeholders with insights into how our business performance is changing over time, where possible we provide year-on-year comparators.

esure Group plc
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