ClimateWise Report 2022

esure GROUP

Chief Executive's Foreword

Climate change is one of the most complex challenges facing insurers today. We believe that unmitigated climate change is a key risk for the industry as well as a systemic threat to our society. esure Group plc is committed to playing our part in helping the UK transition to a sustainable, low carbon economy.

Ultimately, we recognise that limiting warming to 1.5°C is critical to reducing the worst impacts of climate change. That's why we have set a target to reach net zero emissions by 2050, and have also set targets for 2030 that ensure our decarbonisation, and that of our suppliers and investment portfolio, is in line with the science-based trajectory necessary to meet the 1.5°C target.

We recognise the importance of transparency, collaboration and collective action. We're committed to working with our partners, including our suppliers, investment managers and industry peers to support climate action in line with these goals. We see ClimateWise, the global insurance industry collaboration focused on driving action on climate change risk, as a key vehicle for driving industry action.

This report describes how we are embedding the ClimateWise Principles into the way we operate. It describes the progress we are making on reducing our impact on the climate, how we are supporting our customers to reduce their impact, and how we are ensuring the resilience of our business to climate risk.

I am proud of the progress that esure Group is making on climate change, however there is more to do. Over the next year we will be focusing on our work to support our customers to reduce their emissions, reduce the footprint of our supply chain and to amplify our communication and engagement on climate topics in our industry.

If you'd like to find out more about our work to be a more sustainable business, please visit our website esuregroup.com.

David McMillan, Chief Executive Officer

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

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About esure Group plc

esure Group plc is focused on developing market-leading motor and home insurance products for over 2.3 million UK personal customers. 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 31 December 2021, we employed 1,672 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 is our north star and guides our direction and actions.

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

- **Enhancing Value:** We are focused on delivering better outcomes for customers, rewarding their behaviour and loyalty and, providing sympathetic end to end claims experience, all supported by high levels of service. Strong focus on brilliant pricing and underwriting fundamentals underpins all we do.
- **Digital Leadership:** Investing in an end-to-end technology ecosystem to create a leading digital insurer.
- **Exceptional Culture:** We have strong insurance DNA throughout the organisation that has been enhanced by colleagues with a proven track record in some of the most technologically advanced industries. Our culture is increasingly centred on a continual test / team / learn approach that drives a culture of innovation.
- **A Greener & Safer World:** We seek to make everyday life greener and safer for everyone by leveraging our expertise and scale.

ESG and climate at esure Group plc

esure Group believes the consideration of ESG (environmental, social and governance) risks and opportunities is important to deliver sustainable, long-term value creation. We integrate our approach to ESG topics, including climate change, into our governance processes and strategy. Our Driving Good initiative – which embodies our commitment to being a powerful force for positive change in the world – is a key pillar of our Game Changer business strategy. The transformation programme behind Game Changer is providing opportunities to embed ESG considerations, including climate change, 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 matters that impact customers, colleagues and our wider communities.
- Help to address climate change by reducing our carbon footprint.
- Support the integration of ESG factors in the investment of assets under management.
- Link remuneration to climate related factors to ensure accountability.

In January 2022, the Board approved the Group's Climate Commitment to achieve net zero across scope 1-3 emissions by 2050, including transitioning our investment portfolio to net-zero carbon emissions by 2050. It also approved a number of related initiatives:

- Create an investment portfolio carbon transition roadmap by end 2022
- Develop a Climate Strategy
- Ensure all our branded body shop repair network be carbon neutral by end of 2022
- Install energy-efficient LED lighting in H2 2022
- Offset Scope 1-2 emissions on an ongoing basis
- Increase our use of greener recycled motor repair parts
- Engage our supply chain around our carbon transition plan

Progress against 2021 planned activities:

- We established a full scope 3 carbon footprint
- We worked with external experts to set science-aligned targets for decarbonisation and a net zero target for 2050 (see page 23 for more information)
- We have now developed our Climate Strategy, which was approved by our Group Executive in Q2 2022 (see page 11 for more information)
- We are making progress on reducing carbon emissions from our offices. We have shifted to renewable electricity and have offset our Scope 1-2 carbon emissions.
- 73% of our branded bodyshops are carbon neutral, as of end May 2022

Planned activities:

- Ongoing annual quantification of our emissions footprint
- Ongoing investment in offset initiatives to offset 110% of prior year's Scope 1&2 emissions
- Create an investment portfolio carbon transition roadmap by end 2022
- Ensure all our branded body shop repair network be carbon neutral by end of 2022

esure Group plc was acquired by Blue (BC) Bidco Limited a wholly owned subsidiary of funds advised by Bain Capital Private Equity, LP 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.

Principle 1: Be Accountable

1.1 Ensure that the organisation's board is working to incorporate the ClimateWise Principles into business strategy and has oversight of climate risks and opportunities.

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

Overview of ESG and Climate Governance

Board of Directors

- Oversight of ESG activity
- Responsible for ensuring the Group has effective measures in place to manage ESG risks
- Receives regular ESG updates from senior executives
- Executive Director with responsibility for Climate (CEO)

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

Driving Good Working Group

Chaired by COO

- Brings forward ESG initiatives and solutions
- Makes recommendations and provides updates to the Group Executive Committee on ESG matters
- Coordinates with People and Diversity & Inclusion working groups

Financial Risk Committee

Chaired by CFO

- Responsible for oversight of decision making related to financial risk and for ensuring that business activities and risks and identified and managed
- Assesses financial risk exposure and issues related to climate change
- Tracks metrics to monitor the exposure to financial risks from climate change
- Define, launch, implement and monitor investment strategy

Planned activities:

- In 2022 we have sourced external training partners to provide bespoke climate training to our Board and we will set up a dedicated training session in H2 2022
- In 2022 esure will complete the Chapter Zero Board Readiness Check which provides a good framework to work to, and will report back to the Board on this in due course.

Group Executive Committee

The Group Executive Committee is attended by all Group Executive members. It receives quarterly updates on ESG issues, including climate change, before they are escalated to the Board, and has a dedicated quarterly 'deep dive' into ESG strategy and/or specific initiatives.

In 2021 the Group Executive Committee guided the development of our climate targets and strategy. They reviewed the Group carbon footprint and agreed targets for decarbonisation. With our Climate Strategy confirmed, the Group Executive Committee is now responsible for delivery and monitoring our progress. This has included reviewing and signing off our approach in areas including our Responsible Investment Policy, Electric Vehicle (EV) growth strategy, use of Green Parts, and the decarbonisation of our branded body shops.

In 2022, the Group Executive Committee aims to:

- Deliver key actions to support delivery of our climate strategy, including integrating decarbonisation into our investment strategy, growing our EV insurance market share and our work with our supply chain, where we'll prioritise promotion of carbon emissions reduction amongst our most carbon-intensive suppliers.
- Continue to develop the skills and capabilities we need within the business to manage climate-related matters.

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
	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 which were reported for the first time in 2021. The metrics reviewed are provided below. We track performance trends and provide analysis on the key drivers of current and future performance

<table>
<tr><th colspan="3">Climate Risk KRI</th><th>Description</th></tr>
<tr><td rowspan="2">Aggregated Climate VaR (Schroders portfolio) 3.3 degrees</td><td colspan="2">Climate VaR</td><td rowspan="2">A mix of 2019 PRA scenarios is used to calculate the climate VaR using Schroders long-term temperature estimation [1 in 100]</td></tr>
<tr><td colspan="2">Monetary Risk</td></tr>
<tr><td rowspan="2">Carbon Emissions [metric tonnes]</td><td colspan="2">Scope 1</td><td>Scope 1: Direct emissions from owned or controlled sources.</td></tr>
<tr><td colspan="2">Scope 2</td><td>Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed</td></tr>
<tr><td rowspan="6">Investments:</td><td rowspan="3">Carbon Footprint of Investments Portfolio (metric tonnes)</td><td>Liquidity</td><td rowspan="3">Carbon emission of every invested company (000s metric tonnes)</td></tr>
<tr><td>Claims</td></tr>
<tr><td>Surplus</td></tr>
<tr><td rowspan="3">Portfolio MSCI carbon intensity (tCO2/MEUR)</td><td>Liquidity</td><td rowspan="3">Carbon emissions from portfolio normalised by company's sales revenue</td></tr>
<tr><td>Claims</td></tr>
<tr><td>Surplus</td></tr>
<tr><td rowspan="2">Underwriting/ Pricing:</td><td colspan="2">1-in-200 AEP (£m)</td><td>Average exceedance probability on natural catastrophe events)</td></tr>
<tr><td colspan="2">AAL (£m)</td><td>Average annual loss for catastrophe events</td></tr>
</table>

Driving Good Working Group

The Driving Good Working Group, which is composed of 20 volunteers across the business who are passionate about ESG matters, meets every eight weeks and reports into the Group Executive Committee. Our Chief Commercial 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, Green Driving and Sustainability.

As part of our overall Driving Good strategy, the Working Group coordinates with the People team and Inclusion & Diversity working group. For example, a current focus is exploring how to align charity and volunteering initiatives with esure's climate-related commitments.

Principle 2: Incorporate climate-related issues into our strategies and investments

2.1 Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

esure Group undertakes a comprehensive analysis of climate risk as part of our Group Risk Management System. The results of the risk analysis are used to inform our climate and business strategies.

Our Climate Strategy is also informed by the results of our carbon footprinting of the business which has helped identify carbon emission hotspots and key action areas.

Our Climate Strategy

In H1 2022 our Group Executive approved our Climate Strategy to deliver a net zero business by 2050.

The strategy describes our approach to meeting the climate emergency. It defines our targets for reducing our carbon emissions in line with the rate of decarbonisation necessary to limit warming to 1.5°C. 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 and motor and home insurance business.

Our approach

There are two key pillars within our Climate Strategy: reducing emissions & inspiring change.

The focus on reducing emissions is informed by a detailed assessment of the carbon footprint of 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 design our strategy to mitigate the risks we identify. We will continue to measure our carbon footprint and assess and monitor climate risks to track the success of our strategy.

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

An overview of our strategy

Our ambition: To be a sustainable insurer & decarbonise our business aligned to 1.5°C climate pathway	
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: Driving reductions in our emissions across all areas of our Business	**Inspiring change** We will inspire & actively help our customers & colleagues to make more sustainable choices that reduce their impact on our climate
Operations: reducing the carbon footprint of our office operations	**Motor customers:** supporting customers looking to transition to EVs; developing propositions that encourage customers to consider & offset their emissions
Investments: reducing the carbon footprint of our investment portfolio & supporting the transition to a low carbon economy	**Home customers:** actively encouraging customers to consider how they can reduce their carbon footprint through smart, sustainable choices at home
Supply chain: partnering with our suppliers t reduce carbon emissions, with focus on our most carbon intensive Motor & Home claims activity	**Colleagues:** driving awareness & action to combat climate change; helping colleagues to switch to EVs
Governance: embed climate considerations into our decision making, with strong Board & Group Exec oversight	
Managing Climate Risk: we will ensure robust identification, assessment and monitoring of Climate Risks	
Engagement & Disclosure: we will engage with the ABI & ClimateWise, working with partners to support decarbonisation of the insurance industry, transparently sharing our performance and progress	

For detailed information see: our work to decarbonise our operations (page 24) and supply chain (page 20), our governance (page 7), risk management (page 14), engagement (page 25) and disclosure (page 32).

Climate change 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 economy, and have expanded our offer to support decarbonisation of both transport and housing. We continue to build our offer in these areas as we anticipate these to be growth opportunities for esure.

Supporting the transition to electric vehicles

2021 saw 190,727 new battery electric vehicles (EVs) and 114,554 plug-in hybrids (PHEVs) registered – making up a combined 18.5% market share. More EVs were registered than in the previous 5 years combined. These numbers beat even the most optimistic projections by some margin. Sales in 2022 are expected to be a further step change upward to c330k EVs. As soon as 2025, EVs, are expected to represent 50% of all new car sales.

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. In 2022 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.

We are expanding our repairer network to ensure we can cover a wider range of EV makes and models, notably with Tesla-approved repairers. This enables us to serve a bigger part of the EV market and improve the quality of the service we offer EV customers.

Customer engagement on EVs: In 2021 we completed customer engagement, including a series of focus groups that explored EV drivers' specific wants, needs, fears and frustrations, enabling us to consider how we can best create experiences for EV customers and support customers as they switch to EVs. On the back of this research we have decided to focus on integrating our EV offer into our existing insurance brands, rather than creating a specific brand to support EV customers. We believe our existing proposition and product structures provide a sensible and straightforward means of integrating specific features for EV drivers.

We have established a cross-business working group to build and execute our EV strategy. Our approach includes:

- Optimised pricing for EV insurance
- Building a nuanced approach to underwriting that addresses known EV issues
- Building our repair network to accommodate EV repairs
- Providing EV focused repair experiences for customers
- Engaging with industry bodies to develop standards and approaches for EV cover, including ABI and Thatcham
- Effective communication of our EV offer
- Developing a greener driving proposition which rewards greener driving, enables customers to understand and offset the impact of driving and to transition to an EV

Supporting customers to consider and offset their emissions

The majority of our Motor insurance customers drive petrol or diesel cars. Addressing the climate impact of the automotive industry is a key part of our 'Driving Good' strategic pillar. We believe that as a car insurer we can play a key role in reducing the impact of customers' driving on the planet. We are designing a proposition that allows customers to offset the impact of their driving in a very simple way, and our initial customer research has highlighted strong support for this in our customer base. In the longer term, we will assess use of telematics technology to support data-driven propositions that encourage greener driving.

Supporting decarbonisation of the UK housing stock

As homeowners and developers work to improve energy efficiency and decarbonise homes, insurance needs will shift. We have been working to improve our offer to help customers to decarbonise their homes. 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 3).

Progress on 2021 planned activities:

- We have developed our strategy for climate-friendly product offers, including by enhancing EV cover and are designing a carbon offsetting proposition for customers (see above)
- Established our EV market development strategy

Planned activities:

- In H2 2022 we will be launching a proposition that plants a tree on behalf of customers who choose to forgo using a courtesy car whilst their car is being repaired. This will increase customer engagement with their environmental impact and incentivise more sustainable choices
- We will overhaul our current EV website content as part of our EV strategy, telling a more compelling story about both the climate-related benefits of switching to EVs and how we can support and alleviate concerns of customers considering transitioning away from internal combustion engines

Responsible investment

In 2021 we undertook a full assessment of the carbon footprint of our investment portfolio. The assessment identified that our investment portfolio is the most material source of emissions. As a result, we have significant focus on our work to decarbonise our investments. This has included establishing 2030 and 2050 targets for decarbonising our investments (see page 23)

In 2021 our Responsible Investment policy was launched to guide the decarbonisation of our investments. The policy codifies our decarbonisation targets for our investment portfolio and establishes the framework that we will work to. This 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 a number of 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 will continue to monitor carbon emissions and intensities of assets in our portfolios on a regular basis and complete a climate related scenario portfolio assessment for key portfolios annually which will include assessment of stranded assets risk.

ESG considerations are integral 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.

Our private portfolio assets invest in a range of direct lending, infrastructure equity and capital-efficient funds. The underlying assets include investment in renewable power generation, including wind and photovoltaic power.

We are currently undertaking an asset allocation process, and the implementation of it will line up with the transition of our portfolio aligned to our carbon transition roadmap.

Progress on 2021 planned activities:

- Responsible investment policy adopted and implementation underway

Planned activities:

- During 2022 we will develop a climate transition plan to drive the long-term decarbonisation of our investment portfolio

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

In 2021 we established measurement of our climate-related risks, opportunities and performance as a core part of our strategy and risk governance framework. Our measurement 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 has reduced as have our scope 1 and 2 emissions. The table in the on page 23 provides information on our performance and key trends.

Information on the methodologies deployed for calculation of our carbon footprint is available on page 22.

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

Climate-related targets

Within our climate strategy we have established a number of key climate targets. Key targets are highlighted in our climate strategy on page 11.

Embedding climate-related performance in incentive plans

To ensure that climate-related performance is embedded into our business we include a number of climate measures in the incentive plans for the Group Executive. This includes incentivising ongoing improvement in our ClimateWise assessment score.

Progress on 2021 planned activity:

- We updated our risk management approach in line with the latest guidance from regulators to more deeply consider climate related risk
- We applied the latest PRA risk scenarios to deepen our understanding of climate risks faced by the business

Planned activity:

- Review risk framework on an ongoing basis as market approaches develop over time

2.3 Incorporate the material outcomes of climate risk scenarios into business (and investment) decision making.

Climate change is a complex intergenerational and global challenge. It will transform the way we live and impact on 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 identify and manage climate-related risks through our enterprise-wide risk management processes. We incorporate 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.

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 2.1).
- 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 (see section 2.1)

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 (see section 2.1) which guides our approach to management of investment climate risk and incorporation of climate factors into investment analysis and decision making.

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 4). We consider the physical and transition risks associated with our operations to not be material.

Scenario analysis

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 undertake analysis of the risks associated with the latest PRA climate scenarios. In 2021 we considered three scenarios that covered a range of approaches and outcomes from climate change based on the PRA's CBES assumptions:

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

We also consider the impact of multiple weather events on the Group.
For further information on how scenario analysis is integrated into our Group Risk framework, see Section 3.

Planned activity:

- We will continue to enhance our approach to stress testing and scenario analysis as data quality and modelling techniques develop
- Findings of our scenario analysis will be shared more widely within the business to inform management strategies

Principle 3: Lead in the identification, understanding and management of climate risk

Background

As a leading insurer in the UK, we recognise that climate change poses 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 our business infrastructure. They are driven by the changes that our customers are making to their needs and behaviours as they respond to the changing climate. 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.

See table below for examples of the risks we consider.

Driver	Risk	Example
Transition Risks	Policy risk	As a result of changes to energy efficiency requirements, carbon pricing mechanisms which increase the price of fossil fuels, or policies to encourage sustainable land use (e.g. move to electric vehicles for motor insurance and more energy efficient items in home insurance could increase claims inflation).
	Technology risk	The risk of litigation for failing to avoid or minimise adverse impacts on the climate, or failing to adapt to climate change (e.g. prices decline on investments in carbon intensive sectors of the investment portfolio due to companies facing litigation for failing to avoid or minimise adverse impacts on the climate).
	Market sentiment risk	If a technology with a less damaging impact on the climate replaces a technology that is more damaging to the climate (e.g. move to electric vehicles as above).
	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 (e.g. this could increase supply costs for fixing cars and damage to homes).
	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 (e.g. more extreme storms and floods can increase the frequency and severity of Home claims).

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.

In 2021 we continued our work to improve our understanding and mitigation of climate-related risk:

- The financial risks associated with climate change have been further embedded within our risk management framework, our approach has been guided by practical guidance on how to address climate risks within financial institutions from the Climate Financial Risk Forum, a group of industry representatives set up jointly by the PRA and FCA. The Board Risk Committee monitored the progress of the update of our risk management framework to completion.
- As part of our Own Risk and Solvency Assessment (ORSA) process we have assessed the materiality of climate risk to the Group, including performing 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.

Planned activity:

- We will implement thresholds around our key risk indicator metrics that are reported regularly to the Board Risk Committee to ensure actions are taken in the event of experiencing trends adverse to our expectations. Our metrics are reviewed on an annual basis for appropriateness.
- We will continue to enhance our approach to stress testing and scenario analysis as data quality and modelling techniques develop.

3.1 We note that approaches to assessing and monitoring climate risk continue to develop within the wider market and we will keep abreast of best practice in reviewing our framework.

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 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.

Risk Governance

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)

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 a number of 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. Key elements 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 a number of key processes that also integrate climate-related risk. These include:

- **Risk assessment:** We consider how the risk profile of the business will evolve over the next five years. Over this planning period we identified that climate related topics will become more important in terms of our strategy, with customer trends being a key component (e.g. trends related to car use as customers adapt travel behaviours). We also identify that our customer centric model will require greater understanding of customer needs and customer driven propositions to meet needs around decarbonisation of transport and homes.

- **Scenario analysis:** We undertake analysis of the risks associated with the latest PRA climate scenarios. In 2021 we considered three scenarios that covered a range of approaches and outcomes from climate change based on the PRA's Climate Biennial Exploratory Scenario (CBES) assumptions:

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

We also consider the impact of multiple weather events on the Group.

Emerging trend analysis: We consider developments which are not expected to materialise or have an impact for several years. In 2021 we identified the increasing focus on corporate social responsibility as a new theme. We explored how investors see integrating Environmental, Social and Governance factors, including climate change, into strategy will yield strong financial returns. Each identified theme is evaluated in terms of impact, timeline and is allocated an executive owner. As climate risk is assessed as a cross-cutting risk, it is considered separately within each of these risk themes.

Climate Risk Assessment:

In 2021 we launched our first Climate Change Risk Assessment to provide a holistic view of the climate risks that the Group faces. Risks are considered to be material where ignoring the risk could influence the decision-making or the judgement of the Board and Management.

The Board has identified that the materiality of climate risk can increase in the longer term in particular due to:

- **Underwriting risk:** the risk of reinsurance capacity reducing if there are more frequent and more extreme events impacting reinsurers

- **Strategic risk:** the transition to a low carbon economy could reduce demand for motor insurance products and services

The results of our climate risk assessments have been used to inform our approach to Responsible Investment and our business strategy, for example in relation to EVs.

3.2 Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-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 changing climate** – Considering information from third parties to understand the potential for catastrophic weather and climate-related events and the potential impacts.
- **Understanding financial market impacts** – Working with our investment managers and other partners to understand how climate-related issues will impact on our investment holdings. In 2021 this has included reviewing our investment holdings on a number of climate related factors including:
    - Our exposure to fossil fuels, including extraction/ mining
    - The extent to which issuers have set emission reduction targets
    - Carbon footprint of investments

The findings have been used to inform our strategic asset allocation review which will shape our investment decision making and policies going forwards.

- **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). In 2021 we undertook market research, including through a series of focus groups, to understand how we could support customers as they switch to electric vehicles. We concluded that electric vehicle owners are seeking very similar offers to owners of internal combustion engine vehicles, with few markedly different requirements. In particular we identified cost of electric vehicle insurance as a key customer driver. We have used this research to inform the development of our electric vehicle offer and strategy.

Principle 4: Reduce the environmental impact of our business

4.1 Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

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** – Our network of body shops and repairers, roadside assistance providers, vehicle salvage and recycling providers, technology suppliers and automotive engineers
- **Home** – Our underwriters, property salvage suppliers, builders and loss adjusters

Our supply chain carbon footprint

In 2021 we completed a carbon footprint assessment of our supply chain in order to understand our carbon footprint and focus reduction activities on our areas of highest impact. We found that our purchased goods and services account for 1.1% of our total carbon footprint, with emissions split roughly equally between our motor and home claims supply chains. Our supply chain associated with marketing, professional services, IT and facility management accounts for just over 10% of our supply chain emissions.

We have used the results to inform our supply chain emission reduction targets and strategy.

Our supply chain emission reduction targets:

In 2021 we set supply chain carbon emission reduction targets in line with the Association of British Insurers climate roadmap. Our targets are to deliver a 50% reduction in our scope 3 emissions by 2030, and to be net zero by 2050. Our supply chain emissions make an important contribution to our scope 3 emissions. We found that the top 50 suppliers by spend account for over 80% of our supply chain emissions. These top suppliers will be our highest priority focus within our decarbonisation programme.

Our approach to decarbonising our supply chain:

Our approach to decarbonising our supply chain starts with quality conversations with our supplier partners about actions to reduce their climate impact and supporting transition to a low carbon economy.

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 top 50 suppliers which account for over 80% of our supply chain emissions. We have started with our bodyshop repair network and have set the target that all our branded bodyshops will by carbon neutral by the end of 2022. At the end of Q2, 76% of our branded body shops were already carbon neutral in line with the PAS2060 carbon neutral standard. These body shops account for over 90% of the volume through our supply network. 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. In 2021 we identified a number of opportunities to reduce carbon emissions, including using digital remote validation of claims to reduce the need for surveyors to travel to insured homes, using dynamic scheduling to improve routing efficiency and piloting new digital tools that provide services to quote for replacement products. For example, we trialled a new smartphone app that helps customers to measure for replacement flooring and to choose a product for a refit. We have conducted over 1500 virtual assessments over the last 12 months, which constitutes c.10% of repairer instructions.

- **Electric vehicle-ready 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 are working with our suppliers to ensure that we are meeting the needs of electric vehicle customers, including ensuring we have the repair capabilities required and providing electric vehicle courtesy vehicles. In 2021 our work included collaborating with major EV OEMs to improve the repair capabilities in our network.

- **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. In H1 2022 we have worked to establish a programme to incentivise customers to forgo a courtesy car while their vehicle is being repaired. We have established a programme, in partnership with The Conservation Volunteers, that will launch in H2 2022 to plant a tree on the behalf of every customer who forgoes the additional car. We estimate customer uptake will see us planting c.1000 trees in the first 12 months of this initiative.

- **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 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 have identified a particular gap in the capacity of automotive salvage operators to recover parts for secondary markets. By setting targets to increase the use of recycled parts, we are providing certainty in the market for these products. We have been working with our supply chain partners to ensure that they are investing in the circular capabilities that we need moving forward. We have also identified a need to better incorporate recycled parts into supply chain management information systems. In 2021 we worked with one of our suppliers to integrate recycled parts into their ordering system which will allow garages to increase their ordering of recycled components. It will in turn help parts providers to improve their understanding of the parts most in demand from repairers, encouraging them to boost their inventory accordingly.
    - **Repair rather than replace:** By repairing rather than scrapping damaged 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 suppliers to ensure that they are maximising the potential of repair services to reduce the need for new household goods. So far this year, there have been 1,032 home restoration cases where we've been able to avoid having to dispose of all contents. esure's vehicle repairers also work with esure to repair, rather than replace parts, which enables esure to out-perform our peer group on the average number of parts fitted. During 2021 esure replaced on average 3.74 parts per repair, compared to an industry average of 6.73 (Source: Audatex Top Insurer Analysis – Quarterly report 18-05-2022)
    - **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.
    - **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 5% of spend with repairers who piloted the initiative. In 2021 we used more than 3,300 recycled parts which we estimate has resulted in savings of 79,000kg CO_2e. Our target is to increase the use of recycled parts to 10% of repair spend by 2024.

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. The information we request includes:

- whether they measure carbon emissions (and if so their recent carbon emissions);
- whether they have a target to reduce carbon emissions (and if so their carbon emission reduction targets);
- whether they purchase renewable electricity; and
- whether they offset their carbon emissions.

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. Through these conversations, we can assess suppliers' progress above and beyond the annual quantification of our overall footprint, share our own best practice and identify those suppliers most and least engaged and committed to action.

Our progress against 2021 planned activities:

- We have embedded climate requirements into our procurement approach
- We have established targets to reduce emissions in our supply chain in line with the ABI climate roadmap and completed a footprint of our supply chain

2022 Planned activity:

- We will build a process to educate our supplier relationship managers on how best to engage with existing suppliers on climate change and our climate strategy, starting with the most carbon intensive parts of our supply chain (Home Claims and Motor Claims) and prioritising our most carbon intensive suppliers.
- Our intention is to source accurate emissions data (reducing reliance on proxy data) from key suppliers, gather insights around supplier transition plans and to maintain supplier dialogue to track progress.
- We are exploring how to incorporate ESG considerations within supplier scoring as part of our procurement processes. This includes consideration of detail such as the relative weight of ESG factors compared to other parts of the scoring system.

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

Measuring our GHG emissions helps us and our partners to understand our footprint and to target improvement initiatives in the areas where we can have greatest impact.

We have measured our scope 1 and 2 emissions associated with our estate and operations for nine years. Our estate includes our offices in Glasgow, Manchester and Reigate. We also measure the emissions of our nine esure owned vehicles and colleague business travel by car.

In Q4 2021, we also conducted our inaugural full assessment of our scope 3 emissions, including those associated with the goods and services we procure and our investments.

Methodology:

We calculate our emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards and the Streamlined Energy and Carbon Reporting guidance. To calculate investment related emissions we applied the PCAF (Partnership for Carbon Accounting Financials) Global GHG Accounting and Reporting Standard for the Financial Industry.

For calculating emissions from our UK estate and operations, we apply the emissions factors from DEFRA. Purchased goods and services emissions were calculated using US EPA Environmentally Extended Input Output emission factors. Where possible investment emissions have been calculated based on primary data on corporate and country emissions. Approximately 45% of the investment carbon footprint is derived from specific company/ country data. Approximately 55% is based on industry level data.

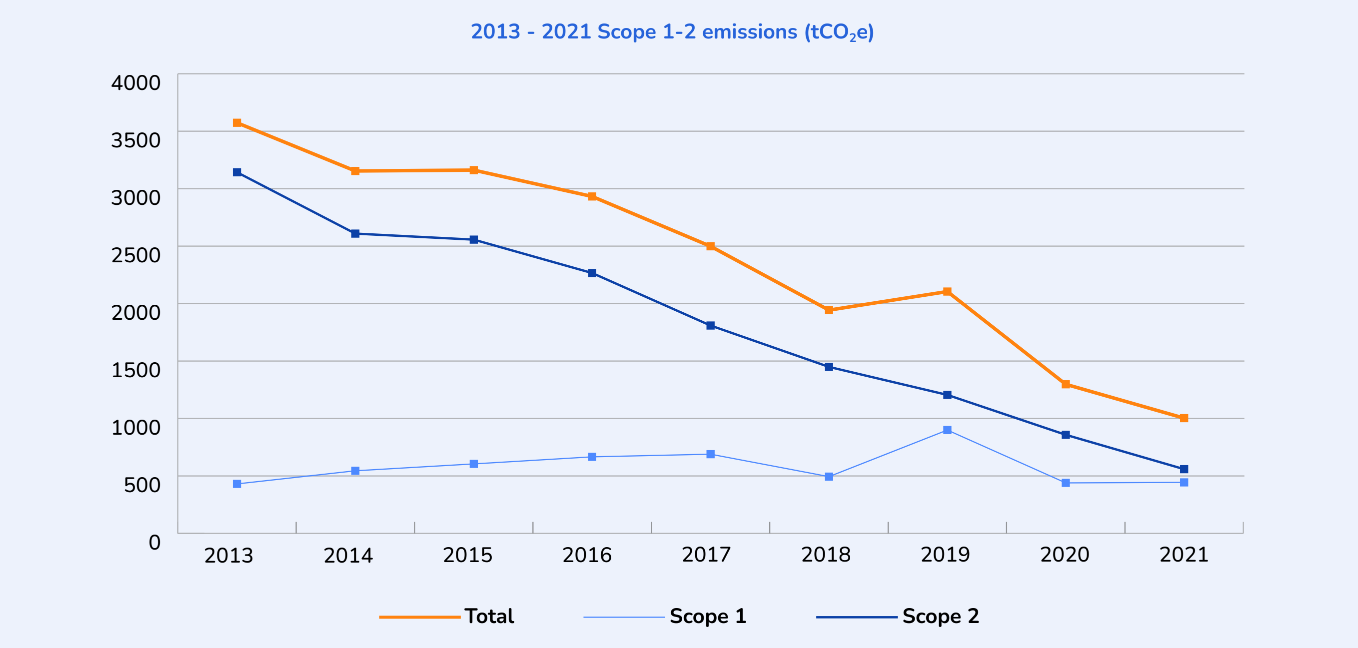
To set targets we followed the guidance of the Science Based Targets Initiative and the Association of British Insurers Climate Change Roadmap.

Our carbon footprint:

		2021	2020
Tonnes of carbon dioxideequivalent (tCO2e)	Scope 1	444	440
	Scope 2	559	858
	Total scope 1&2	1003	1298
Turnover		£908m	£936m
tCO2e/£m Turnover (scope 1&2 emissions)		1.11	1.39

**Turnover is gross written premiums*

We started to measure our GHG emissions in 2013. We have been working to continuously reduce our emissions and have made significant progress – our total scope 1 and 2 emissions have reduced by 69% over this period.



Our total Scope 1 and 2 GHG emissions, and our emissions intensity, reduced between 2020 and 2021 due to work completed to improve temperature management coupled with reductions in occupancy due to COVID restrictions and our switch to 100% renewable energy as of 1st October 2021.

Our emission reduction targets:

Our targets are aligned with the ABI Climate Action Roadmap and designed to align with the scale of emission reductions required to limit warming to 1.5°C.

2025: Net zero across scope 1 & 2 emissions
2030: 50% reduction in scope 3 emissions
2050: Net zero across Scope 1, 2 & 3 emissions

Our progress against 2021 planned activities:

- Scope 3 carbon footprint completed
- We have set science aligned emission reduction targets aligned with the ABI Climate Action Roadmap and agreed these at Board

2022 Planned activities:

- Update our carbon footprint for the business, including our scope 3 supply chain emissions and assess scope to reduce reliance on proxy data, and do so ongoing, on an annual basis
- Monitor our progress towards our targets and assess scope to accelerate
- We will offset 110% of our prior year's Scope 1&2 emissions on an ongoing basis

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

In 2021 we continued our programme of work to reduce the environmental impacts of our operations. Our operational improvement plans are a core part of our Driving Good approach which is a key pillar of our business strategy.

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. In the year to July 2022, we made a number of improvements that have further reduced our greenhouse gas emissions:

- **Reducing heating greenhouse gases:** We have identified reducing emissions from heating our offices as a key priority. In 2021 we completed a major refit of the heating system in our Glasgow office. The gas-fired boiler system is a key source of greenhouse gas emissions from our operations. The new boiler system, installed in October 2021, will significantly reduce our operational footprint.
- **Shifting to renewable electricity:** We have been working with our suppliers to shift to 100% renewable electricity for all of our estate. The shift to renewable electricity, completed in October 2021, is significantly reducing our office related carbon emissions.
- **Paper use:** We continue our work to move to digital systems which is significantly reducing our paper demand across our business. We currently see 95% of new Motor customers opt for e-fulfilment (digital documentation), as do 88% 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 are also seeking to improve the sustainability of catering at our office facilities. We provide healthy food options every day and there are no single use plastics sold or supplied from our restaurants. Our catering partner works with local suppliers wherever possible.
- **Office waste:** We continued to send zero waste to landfill in 2021. 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.
- **Carbon offsetting:** With our offices powered by renewable electricity, our scope 1 emissions will be a key focus in our emission reduction activities. In line with our 2025 target we will invest in offsets annually to eliminate the prior year's residual Scope 1 & 2 emissions. Through the offset initiatives we invested in in Q1 2022, we are contributing to a number of global carbon reduction projects, including:
    - **A clean water project in Sierra Leone**: restoring and maintaining boreholes to ensure that clean drinking water is available for community households in the long term. Climate action is supported through reducing the need to burn wood to purify potentially contaminated water.
    - **Protecting Borneo forest:** saving 64,500 hectares of carbon-rich peat swamp forests with high biodiversity in lowland Borneo from conversion into palm oil plantations. The project covers one of the most threatened ecosystems in the world, is the largest privately funded orangutan sanctuary and conserves vital habitat for more than 100 endangered species
    - **Reforestation in Costa Rica:** 2000 hectares of former cattle pastures will be reforested to create a tropical permanent mixed forest. The project supports environmental education for the local community and thus contributes to reducing illegal logging, poaching and animal trafficking.
- **Encouraging employees to shift to EVs:** We have been working to increase the attractiveness of switching to EVs for our Colleagues. In 2021 we started to offer employees cost effective, tax efficient access to electric vehicles through a salary sacrifice scheme. In the first six months of the scheme, 32 Colleagues have bought an EV. In addition to encouraging Colleagues to switch to EVs, we are also transitioning our 9 company vehicles to EVs or ultra-low emission hybrids. To further support these shifts we have installed EV charging points in our offices. To date we have installed 4 chargers at our Reigate office, and a further 2 chargers at both Glasgow and Manchester.

- **Supporting flexible working to reduce travel:** We recognise that flexible working is important to helping our employees manage work life balance and also provides opportunities to reduce emissions associated with business travel. In 2021 we have invested in significant upgrades to our in-office meeting technology in order to reduce the need for travel between our offices.
- **Cycle to work scheme:** In 2021, we implemented a cycle to work scheme (including electric bikes) available to all colleagues. This offers a tax efficient way to purchase a new bike through salary sacrifice.

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

Our progress against 2021 planned activities

- Completed the switch to 100% renewable electricity
- Progressed our LED refit and chiller projects which are now due for completion in 2022
- Moved to recycled FSC certified paper

Planned activities:
In the next year, we will continue to invest in our building estate to reduce greenhouse gas emissions. Our priorities are to complete the refit of our buildings to install LED lighting and other energy efficiency measures (e.g. occupancy sensors).

- We will also continue our work to decommission chillers in our data centres. The decommissioning of chillers will not only eliminate an important consumer of building energy, but also eliminate the need for the associated refrigerant gases which are potent greenhouse gases
- We will continue the roll out of EV charging points in our offices

4.4 Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-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.

In 2021 and H1 2022, we continued to gear up our work to engage our team on climate topics, with the aim to foster a culture of climate awareness and action.

Recent employee engagement activities include:

Game Changer strategy – We have continued to engage our team around our 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 working group comprises 20 colleagues who have volunteered to get involved and progress initiatives aimed at helping esure Group play its part in supporting sustainability.

Yammer – We use yammer as an internal communications platform. We used Yammer in H2 2021 to engage our team on how to improve the environmental impact of the business. We created pledge cards that gave colleagues the ability to write their own environment-related pledge and to post it on Yammer, tagging Colleagues who were then encouraged to produce their equivalent pledge. This comms campaign saw good engagement with pledges spanning a broad range of topics from Business-related opportunities to make positive change through to things Colleagues committed to doing within their lives at home.

Employee communications – In 2021 we have also created a number of communication tools to help our employees to understand our approach to decarbonisation and the role that they can plan. This has included creating videos to describe why and how we are acting on climate change and how employees can get involved. Quantifying our carbon footprint and securing Board approval for our related path to net zero by 2050 represents significant progress for us. We communicated this with Colleagues via our intranet platform, via Yammer and on Linkedin (where we see strong Colleague engagement). We also communicated our Offsets initiatives and our progress in using recycled parts within our Motor repair network to our colleagues via the intranet, Linkedin & Yammer.

Employee volunteering - During 2021 we have been working to establish a Colleague volunteering programme, which launched in Q2 2022. We have established a partnership with The Conservation Volunteers, who will provide the opportunity for colleagues to directly participate in tree planting programmes, enabling Colleagues to personally engage in carbon capture and sequestration activities.

Employee charitable giving - We have supported 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.

Employee upskilling - As part of our commitment to personal development, we have given all colleagues 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

Progress against 2021 planned activities:

- We have developed an employee engagement plan, providing regular climate-related updates via our core internal comms channels (intranet and yammer)
- We have established a volunteering partnership and programme which will launch in 2022 to support employees to use their volunteering days to support charitable initiatives
- We have established a regular drum-beat of climate-related Linkedin posts, where we see high levels of Colleague engagement, outlining our key initiatives & progress
- We have provided all colleagues access to LinkedIn Learning which offers a wide range of ESG related learning opportunities

Planned activities:

Launch of Colleague tree-planting opportunities in partnership with The Conservation Volunteers

For 2022, all senior leaders (c150 managers) have shared performance objectives which underpin what we want to achieve in the driving good element of our strategy. Senior managers are expected to help drive and support those initiatives aimed at helping esure play its part in supporting sustainability, which includes delivering against our Climate Strategy.

Gifting a portion of our apprenticeship levy allowing us to respond to the changing landscape and lack of funding for development opportunities within our motor supply chain. This includes a) supporting the cost of apprenticeships with the vehicle repair industry, through our charity partner Autoraise and b) looking to support the Thatcham Research ‘EV Ready’ Programme. The ‘EV Ready’ programme delivers training outcomes for businesses to invest in the right EV training to ensure their employees have the necessary skills and knowledge to handle EVs safely and effectively. As pioneers in the EV field, gifting some of our Levy provides an opportunity to invest in this education programme to build future skills and knowledge required by industry repairers.

Principle 5: Inform public policy making

5.1 Promote and actively engage in public debate on climate-related issues and the need for action. Work with policy makers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

esure Group recognises the importance of mobilising action across industry, government and civil society to support the transition to a low carbon economy and to manage adaptation to the changing climate. In 2021, we signalled our commitment to working collaboratively on climate-related issues by joining ClimateWise. Our 2022 ClimateWise disclosure will be made public on our esure Group website, as will subsequent years' disclosures, on an ongoing basis.

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 are active members of ABI working groups that focus efforts on specific areas of concern. These include engaging with consultations around public policy and regulations in areas including climate change, electric vehicle uptake and green finance.

We actively engage with the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Information Commissioner's Office (ICO) to ensure alignment of our approach and to meet regulatory requirements. 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 around climate-related topics. Our engagement with industry partners includes:

- **ABI Zero Emissions Working Group:** We participate in the ABI's Zero Emissions 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 Zero Emissions Working Group will:
    - 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 and charging infrastructure
    - Understand the impact on the end user and help facilitate consumer education and accessibility to EVs, low emission vehicles and charging with consideration for socioeconomic diversity and a focus on positive consumer outcomes
- As part of our involvement to date, we have issued a response to the Department for Transport's open consultation on policy design features of the car and van zero emission mandate

In 2021 we have undertaken research designed to help inform public policy on electric vehicles. We recognise that EV charging infrastructure and facilities are unevenly available across the UK and know that access to charging is a key enabler of customers switching from combustion engines to lower carbon electric vehicles. We used government data to analyse the number of charging points per electric vehicle currently installed around the country, to pinpoint the areas that are ready for the electric revolution – and those that need to improve their EV charging infrastructure. We published our findings at **https://www.esure.com/the-uk-electric-vehicle-revolution** and have seen various news sites publish the results of our research.

We are proud partners of Brake, the road safety charity. We have again sponsored Brake's Kids Walk. On 22 June 2022, over 90,000 schoolchildren from over 500 primary schools across the UK took part in Brake's Kids Walk, campaigning for safer roads and cleaner air, as part of every child's right to safe and healthy journeys to and from school.

As part of this year's campaign, we engaged Barry Sheerman MP, who tabled an Early Day Motion calling for other MPs to support work such as that of Brake, stating that exposure to air pollution is seriously damaging children's health and that all political parties must take action to improve air quality, as well as calling for road safety to form part of the national curriculum.

Our ongoing objectives in engaging with public debate on climate issues are to:

- **Enable our customers to transition to EVs:** Including supporting the development of sound insurance practices for EVs, the development of EV repair infrastructure and the development of EV charging infrastructure. Our work includes contributing to the EV Working Group of UK Motor Insurers (the ABI Zero Emissions Working Group) that seeks to inform government policy and strategy on EVs together with sharing technical expertise (e.g. through commissioning research) and establishing industry best practice.
- **Support our customers' resilience to climate risks:** Including helping customers to understand and manage flood risks
- **Support our customers to reduce carbon emissions from their homes:** For example, working on insurance standards around renewable and low carbon energy solutions
- **Support decarbonisation of investment markets**
- **Support improved governance, management and disclosure of climate risk**
- **Continue to raise the importance of cleaner air and safer journeys for schoolchildren**

5.2 Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

We recognise the importance of taking climate-related action based on the latest scientific information on climate change. We work with our partners to undertake research that will enable us to better understand climate-related issues for our business. Our work in this area has included working with private fund owners to investigate the climate-related risks associated with their investment funds. We obtain emissions data from our investment managers and are using this to inform the asset allocation review of our investment portfolio and the corresponding transition plan our investment portfolio will need to take in order to meet the targets we have set.

In 2021 we undertook our own research to map the development of EV charging infrastructure in the UK (see 5.1 above). We have made this research publicly available via our website and the content has been used by various news websites. Our intention was both to apply pressure to government and councils who haven't yet invested in a sufficiently robust EV charging infrastructure, and to help those customers considering switching to an EV to make an informed choice and to be reassured by the fact that several parts of the UK do have good charging provisions.

We also undertook research with consumers, both esure customers and non-customers, to explore their needs, wants, fears and frustrations with EV insurance products. Our research included a series of focus groups and user zoom testing. We explored the extent to which EV drivers' needs fundamentally differ from non-EV drivers and, if so, how and what they want/need from their insurer to support and acknowledge these differences. We also tested Brand effects in terms of whether customers wanted the assurance of an EV specialist versus an EV offering from a traditional insurer. Finally, we assessed consumer attitudes to offsets including the extent to which consumers wanted to better understand and quantify their footprint, their desire to actively offset their own driving-related emissions and how much they'd be willing to pay to do so. The results of these focus groups have been used to inform the development of our EV proposition and our ongoing greener driving offer development.

Our Head of Brand, who leads many of our climate-related initiatives, participated in Business in the Community's South East region's roundtable regarding net zero transition plans. We shared our net zero ambitions, supporting key initiatives and progress to date in an ideas exchange with other local businesses in the region, including representatives of FTSE100 firms through to smaller local companies.

We also work through industry forums to support industry research into climate-related topics, including supporting the uptake of electric vehicles (see principle 5.1).

Principle 6: Support climate awareness amongst our customers/clients

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

As an insurer, we support customers to protect their homes and vehicles from the effects of extreme weather, and to recover from them 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.

Over the last 12 months, we have increased our climate-related communications to our customers and the wider market, as well as to our employees (see section 4.4).

Our corporate communication is centred around our Group website. During H1 2022 we have been working to update our Group website to improve user experience and, amongst other improvements to structure and content, we have created a dedicated Sustainability section. This section sets out our Sustainability ambition and targets, together with outlining our point of view and corresponding actions specifically around combatting climate change. The website explicitly 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 change strategy and targets within the website, and will also make the non-confidential elements of our ClimateWise disclosure public on the website. Our corporate website is a key source of information for media, investors, customers & talent.

Recent customer communications include:

- **Website content** – We now have blog content on our Retail website that communicates our point of view on the climate emergency, our related initiatives and targets. The retail website is a key "shop window" for new customers as well as being an important destination for existing customers looking to access their policy documents and/or make a claim. We typically see one million unique visitors to our site each month and have deliberately made this content clickable from the homepage to boost its prominence.
- **Regular Linkedin communications** – In Q4 2021 we developed a new corporate narrative, which includes our ambition to play our part in supporting a greener, safer world. In Q1 2022, we started to activate our related social media strategy, using LinkedIn as a key channel through which we reach customers, colleagues, talent and industry peers. We have since maintained a drum-beat of social media posts throughout the year on environment and climate related topics. Recent examples include:
    - our Green Parts initiative which seeks to use recycled non-safety car parts wherever possible, announcing we've used 3,300 parts which equates to a 79,000kg CO_2e saving
    - **Clean air day:** we posted a video of a colleague's daughter talking about her hopes that people switch to electric vehicles
    - Brake charity partnership: we produced a series of posts highlighting the aims of our Brake partnership- cleaner traffic and safer roads
    - **World environment day:** we produced a 90 second video summarising all environment and climate-related initiatives we're working on, our targets and progress
    - **Net Zero:** we posted to confirm that we have quantified our carbon footprint and have developed a corresponding path to achieve net zero by 2050
    - **Offsets:** whilst stressing that our primary focus is on driving emissions reductions, we produced three posts outlining offsets initiatives we have supported
    - We promoted our target to have 100% of our branded body repair shops to achieve 100% carbon net neutral status by end of 2022
    - **Global recycling day:** we promoted our use of plant-based alternatives to plastic within our offices, and that we send zero waste to landfill

    - **ClimateWise:** we supported ClimateWise's request to promote the work of the ClimateWise initiative, its alignment to TCFD and the annual increase in members' scores
    - We have just under 20,000 LinkedIn followers and have seen strong and increasing levels of engagement with the above content, as we have increased both the frequency and quality of our posts

- **Engaging on decarbonisation actions** – We are engaging our customers to encourage them to take actions to decarbonise. We have just launched a new proposition in Q3 2022 where customers are offered the opportunity to forego a courtesy car whilst theirs is being repaired, and, to incentivise this more sustainable choice, we'll plant a tree on their behalf as part of our partnership with The Conservation Volunteers. Whilst this is the first such customer proposition we've launched, we'll assess opportunities to roll it out further to encourage more sustainable choices at other parts of the customer journey.
- **Engaging around the shift to EVs** – In 2021 we published helpful content to support our customers to shift to electric vehicles. This included publishing research looking at the best and worst places for EV charging in the UK (see Principle 5.1) **https://www.esure.com/the-uk-electric-vehicle-revolution**

We have also now created EV content on our retail website homepage to boost its prominence, making it easier for customers to find. Our EV content seeks to reassure people considering transitioning to an EV, with content referencing battery cover, power cable cover and range anxiety, which are informed by the customer research we undertook to better understand EV drivers' concerns and needs.

We use PR opportunities to communicate our beliefs and strategy aligned to our corporate narrative. One of four pillars within our narrative is "Greener and safer world" i.e. how we intend to play our part to deliver a greener and safer planet, which naturally includes all climate related targets, supporting initiatives and progress. One of the best examples of the coverage we've gained is the attached overview of our leading stance on greener parts, which was published in Q1 by a leading insurance trade media title. https://www.insurancebusinessmag.com/uk/news/auto-motor/fixing-insurance-for-good-325854.aspx?Region=United+Kingdom

We also used PR to promote our partnership with Brake the road safety campaign, which featured quotes and video content from David McMillan, our CEO, outlining our belief in the need to campaign for cleaner traffic, improved air quality and safer roads for our schoolchildren.

Progress against 2021 planned activities:

- Developed our overall corporate narrative and supporting strategy, including one of four strategic pillars focusing on playing our part to support a greener and safer world
- Established a social media strategy and associated drum-beat of social media posts on a variety of sustainability topics
- Publishing our climate strategy and associated targets on our corporate website
- Leveraged PR to transparently share our viewpoint and progress on the importance of a greener, safer world, most notably through our greener recycled parts programme and our Brake charity partnership

Planned activities:

- Continuing our engagement on sustainability and, specifically, climate-related topics on social media
- Using social and PR to drive engagement with sustainability content on both our Group and Retail websites
- Assess scope to roll-out tree-planting incentivisation of more sustainable customer choices at other parts of the customer journey

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

We help customers to manage acute climate-related risks by communicating weather warnings – for example, frost or storms – through email and social media. These communications advise customers on ways to keep their homes safe and protected.

We also communicate with customers (and colleagues) on safe driving and tips for how to make more sustainable choices at home, delivering a regular drumbeat of communications through our marketing channels. As well as improving road safety, this campaign aims to reduce fuel use through economical driving.

Examples of our customer communication include the following:

- In June 2022 we emailed c1.2m customers about how they can make more climate-conscious decisions. This content covered a variety of topics including:
    - switching to EVs, including our research regarding charging infrastructure

- encoding customers to go paper-free and just use our online tools to view policy docs
- reducing food waste & food mileage; cutting use of single use plastics; switching to renewable energy; improving home insulation; saving water; reducing meat consumption and prioritising repairing and recycling over new purchases

- In Feb 2022 we posted guidance on Facebook to help customers prepare their homes and gardens to reduce the impact of storm Eunice to their property following red weather warnings in the UK
- In Nov 2021 we posted safe winter driving tips to help customers drive safely in poor weather and low visibility
- Our marketing campaign to promote our Brake road safety charity partnership encouraged customers to consider the importance of Brake's key focuses: safer driving and cleaner traffic

Progress against 2021 planned activities:

- We have increased the frequency of sustainability and climate-related customer comms to drive awareness of our point of view, to prompt customer consideration of their personal impact and to provide guidance and support as to how customers can act more sustainably

Planned activity:

- Our new proposition plants a tree for every customer who chooses to forego a courtesy car and gives us the opportunity to prompt the customer to consider the environmental impact of their driving and to consider whether they could reduce that impact
- We will look for other similar opportunities within our customer journeys to prompt customers to consider their personal impact and provide incentives to take more sustainable choices

Principle 7: Enhance reporting

7.1 Submission against the ClimateWise Principles.

esure Group plc submitted its first progress report against the ClimateWise principles in August 2021. This document constitutes esure's 2022 report, covering our second year of membership of ClimateWise.

7.2 Public disclosure of the ClimateWise Principles as part of our annual reporting.

Our ClimateWise report, excluding any confidential content supplied to ClimateWise, will be published on the esure Group website. Our disclosures will be aligned with our other climate related reporting and disclosure including:

- Extended environment and climate reporting within the ESG section of our Annual Report
- Information on our climate strategy on our esure Group website

Progress on 2021 planned activities:

- Our ClimateWise disclosure will be available publicly on the esure Group website, and we will continue to make future years' disclosures public on an ongoing basis
- We have developed our climate strategy, secured approval of it from our Group Executive and have published a summary of our strategic approach to climate on our Group website

Planned activity:

We are reviewing the Mandatory Climate-Related Financial Disclosures guidance and are planning to align our reporting with the guidance from 2023.

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