ClimateWise Report 2023

esure GROUP

Chief Executive's Foreword

I am very pleased to share with you our 2023 ClimateWise report. 2022 was a challenging year for UK insurers and our customers as we experienced first-hand the impacts of our changing climate. Not only was 2022 the hottest year on record in the UK, but parts of the UK experienced temperatures of over 40oC for the first time. We also experienced a high incidence of storm, freeze and subsidence events. We are committed to being there to support our customers through these difficult times, and believe our robust risk management serves us well in ensuring that we can deliver high quality, sustainable and affordable services, as we adapt to the realities of the changing climate.

At the same time as managing our risk, we are committed to playing our part in limiting warming to 1.5°C. In 2022 we noted with alarm the progress updates released by IPCC on the pace of decarbonisation and have looked to redouble our efforts to reduce our emissions. Decarbonising our operations is a complex challenge that requires us to work closely with partners across our value chain. In 2022 we geared up our work with our supply chain. We worked with our most carbon-intensive suppliers to improve the accuracy of our footprint and to identify focus areas to reduce our supply chain emissions. We recognise that getting to net zero across supply chain will require re-engineering our networks to deliver low carbon, circular solutions. ClimateWise is an important process to allow us to do this by driving aligned activity across the industry. We have a long way to go, but you will see in this report that we are making good progress.

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.

We have put our work to address climate change at the heart of our purpose to 'Fix Insurance for Good' and over the last year we have made tangible progress towards our targets. Our switch to renewable energy has taken our Scope 2 emissions to near-nil and whilst our focus remains on driving genuine emissions reductions, we choose to offset 110% of our prior year Scope 1 & 2 emissions.

We have made great strides in working with our supply chain, directly engaging them on their emissions footprints, targets and future plans. This not only considerably reduces our reliance on proxy data, but also enables us to have better sustainability conversations with suppliers on an ongoing basis, where we will continue to partner on accelerating decarbonisation.

I am proud of the progress that esure Group is making, however there is more to do. Over the next year we will be continuing to partner with our key suppliers on emissions reductions, recognising that our supply chain represents a key opportunity to accelerate our progress. We recognise the importance of circularity and believe we have an opportunity to do more on this within our Claims work; further driving use of recycled non-safety parts in Motor, and identifying more opportunities to repair and recycle, rather than replace, within Home Claims.

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

David McMillan, Chief Executive Officer

Board Climate Lead Foreword

I am delighted to share with you our 2023 ClimateWise report that describes the progress that esure is making in applying the ClimateWise principles.

At esure, addressing the risks and opportunities associated with the climate emergency is recognised as a key priority and our success in delivery is vital to the future success of the business. We are committed to applying high standards of climate governance to ensure that we deliver on our targets and strategy, and continuously improve our approach as standards and frameworks develop.

We also recognise that we need to act in partnership with our stakeholders to ensure that the sector has access to the research and tools it needs to deliver, and that public policy frameworks and standards are adequate to drive decarbonisation and manage our adaptation to the climate emergency. It is in driving this collective action that makes ClimateWise such a powerful force for change.

Elke Reichart, Independent Non-Executive Director

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 with 2.3 million UK in-force policies. 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 2022, we employed 1,538 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 loyalty and, providing empathetic end to end claims experience, all underpinned by high levels of service.
- **Digital Leadership:** We have scale, heritage and expertise providing peace of mind to our customer base. We are building on this heritage in two ways:
    - through the use of proprietary data combined with scale machine learning models to enhance capability across our entire business
    - by investing in an entire 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 / learn / optimise approach that drives a culture of innovation.
- **A Greener & Safer World:** We seek to make everyday life safer and more sustainable for everyone. We are working hard to reduce our impact on the environment, to inspire more sustainable choices by customers and colleagues and to promote awareness of the importance of road safety.

Our ESG approach

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

Our Climate Strategy

Our Climate Strategy describes our approach to meeting the climate emergency and delivering a net zero business by 2050. It defines our targets for reducing our carbon emissions in line with the rate of decarbonisation necessary to limit warming to 1.5°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

Climate strategy framework

Our ambition is to be a sustainable insurer and decarbonise our business aligned to 1.5°C climate pathway.

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

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

Reducing our emissions

Driving reductions in our emissions across all areas of our Business is a key focus

Operations
Reducing the carbon footprint of our office operations

Investments
Reducing the carbon footprint of our investment portfolio & supporting the transition to a low carbon economy

Supply chain
Partnering with our suppliers to reduce carbon emissions, with focus on our most carbon intensive Motor & Home claims activity

Inspiring change

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

Motor customers
Supporting customers looking to transition to EVs; developing propositions that encourage customers to consider & offset their emissions

Home customers
Actively encouraging customers to consider how they can reduce their carbon footprint through smart, sustainable choices at home

Colleagues
Driving awareness & action to combat climate change; helping colleagues to switch to EVs

Our focus on reducing emissions and inspiring change is underpinned by:

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

esure GROUP

Progress against 2022 planned activities:

- Ongoing annual quantification of our emissions footprint: We have continued to quantify our emissions on an annual basis.
- We have made an ongoing investment in offset initiatives to offset 110% of prior year's Scope 1&2 emissions: Our investments to neutralise our emissions in 2022 included Aqua Clara water filters, Kenya; Orb solar power, India; Degraded Grasslands Afforestation, Uruguay; Bondhu Chula Stoves, Bengali
- Create an investment portfolio carbon transition roadmap by end 2022: The investment decarbonisation roadmap was signed off by the Board in December 2022.
- Ensure all our branded body shop repair network be carbon neutral by end of 2022: Completed

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.
- Working with our fund managers to improve the quality of information on the climate impact of our investments and to ensure that they are actively managing climate risk and decarbonisation in our portfolio in line with our portfolio carbon transition roadmap.
- Continuing our work with our suppliers to support their decarbonisation.

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

esure Group participates in ESG Forum meetings with fellow Bain Capital portfolio firms. These forums enable us to share and learn from others' best practice, across a wide range of industries and geographies. Bain also bring external insight and stimulus, e.g. 12 July 2023 McKinsey & Company presented an overview of best practice approaches to Decarbonisation.

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

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

Board Renumeration Committee

- Agrees appropriate renumeration related to ESG factors for the senior management team

Board Risk Committee

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

Group Executive Committee

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

Driving Good Working Group

Chaired by General Counsel

- 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

Board of Directors

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

The Board also receives ESG updates on a regular basis. The Board's 2022 ESG activity included 'deep dive' ESG sessions in November 2022, January and June 2023, providing updates on all ESG initiatives, targets and progress, from female representation at different levels of the business through to key initiatives aimed at driving emissions reductions.

In 2022 the Board appointed a non-executive Director as the Board Director with responsibility for climate to provide independent oversight of the business's climate response.

In 2022 the Board signed off our new climate targets (see page 15) and the Board were briefed on the findings of our full scope 1, 2 and 3 carbon footprint in H1 2023, together with the key initiatives in place to drive further reductions. Climate-related topics are formally incorporated into Board matters twice a year. The Board's climate-related duties, together with those of the Board Remuneration Committee and the Board Risk Committee are embedded into terms of reference.

To further support the Board in exercising its climate related duties, we commissioned a bespoke training programme from PWC for the Board that explored climate trends, climate disclosure, current regulation and emerging legislation, market good practices, and climate risk.

Our progress on 2022 planned activities:

- In April 2023 we provided bespoke climate training to our Board.
- Our Board members are members of the Chapter Zero community, which enables sharing of information on climate-related governance practices and access to expertise and learning opportunities.
- We updated the Board on ClimateWise's assessment of our progress, key corresponding opportunities to do more and our plans to further embed the ClimateWise principles into our ways of working.

Planned activities:

- Continued regular ESG updates to Board.
- Q4 2023 Board approval of 2024 ESG plans, informed by 2023 ClimateWise feedback.
- We will consider using the Chapter Zero Board Scorecard to stimulate further discussion at Board level and identify further opportunities to improve our governance.

Board Risk Committee

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

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

The Board Risk Committee provides oversight of the Group's climate risks, providing a verbal update to the Board at each meeting and ensuring more detailed reporting and debate when appropriate.

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

During H2 2022 and H1 2023, Board Risk Committee activities included reviewing and approving the materiality assessment for Climate Risk, considering milestones for decarbonisation of our investment portfolio and approving our updated Environmental, Social and Governance (ESG) policy.

Remuneration Committee

The esure Remuneration Committee oversees the remuneration arrangements for the Group Executive and Material Risk Takers, this includes establishing the incentive programmes. Performance on ESG topics, including climate change, are incorporated into the incentive programme for the Group Executive and senior leaders' Management Bonus Scheme, including metrics linked to our performance in the ClimateWise assessment.

1.2 Describe management's (below board-level responsibility) role in assessing and managing climate-related issues.

Responsibilities and remuneration

The General Counsel and Company Secretary is the Accountable Executive for ESG within the esure Group and is responsible for ensuring that the firm's policies and procedures around ESG risks and opportunities meet the requirements of the ESG Policy and our strategic objectives.

The Prudential Regulation Authority (PRA) Supervisory note on the Climate Change Senior manager (3.19) requires that Boards embed and understand the Climate Change Financial Risk exposures and have clear accountabilities delegated. Under the Senior Managers and Certification Regime (SMCR), the Chief Risk Officer (CRO) holds the Senior Management Function and Prescribed Responsibility for the financial risks around climate change.

Remuneration for Executives and Material Risk Takers includes both short-term and long-term incentives that are linked to both business and individual performance. ESG topics are now integrated into our incentive programme for all the Group Executive for 2022 onwards. Specific climate related objectives are integrated into the performance programme for key executives in line with their areas of responsibility. In addition, the 2023 bonuses of all our senior leaders (137 colleagues) are indexed to delivering our ClimateWise target score to further incentivise the integration of the ClimateWise principles into our activities.

Responsibilities for delivery on climate related topics include:

- **Chief Risk Officer:** Responsible for integrating climate-related risk into the group risk processes.
- **General Counsel and Company Secretary:** Responsible for integrating ESG into policies and procedures and for integrating climate topics into our governance processes and corporate disclosures
- **Chief People Officer:** Responsible for ensuring that the business has the appropriate capabilities for delivering climate-related plans and policies. Responsible for internal communications to engage all colleagues regarding our climate ambitions, initiatives, progress and future focuses. Also responsible for identifying opportunities to improve ESG performance within our 3 office locations.
- **Chief Financial Officer:** Responsible for integrating our climate plans into our investment strategy & supplier management.

In order to support our senior management team in delivery of their climate-related responsibilities, we provided climate training for key team members. This followed the curriculum of the Board training (see page 9).

Progress on 2022 planned activities:

- We provided bespoke climate training to our Board and senior leadership team.

Planned activities:

- We will agree the appropriate measures for future ESG metrics incorporated into the Senior Leadership's bonus measures, recognising that new ClimateWise principles mean our ClimateWise score will be more difficult to forecast and target.

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 2022 and H1 2023, the Group Executive Committee reviewed the Group carbon footprint and our progress in implementing our climate strategy, including our targets for decarbonisation. The Group Executive Committee has reviewed our climate-related plans and next steps in areas including our investments, home insurance business, motor insurance business, our supply chain and in our operations. They have also reviewed in detail our progress in implementing the ClimateWise principles and the feedback received on our approach. They have set a target for our future ClimateWise score which will be used to index Senior Management remuneration.

The Group Executive received PWC's bespoke Climate Training provided to the Board and the senior management team.

Progress on 2022 planned activities:

- Supported the delivery of key actions to implement our climate strategy, including integrating decarbonisation into our investment strategy, growing our EV insurance market share, our work with our supply chain to promote carbon emissions reduction amongst our most carbon-intensive suppliers, reduce our reliance on proxy emission data and all our branded body shops achieving carbon-neutral status in 2022.
- Continued to develop the skills and capabilities needed within the business to manage climate-related matters through targeted training.

Planned activities:

- Continued quarterly ESG updates to Group Executive, prior to Board.
- Q4 2023 recommendation to the Board of 2024 ESG plans, informed by 2023 ClimateWise feedback.

Financial Risk Committee

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

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

Key risk themes

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

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

Climate risk metrics

Climate Risk KRI			Dec 20	Jun 21	Dec 21	Mar 22	Jun 22	Dec 22	Dec 23	Mar 23	Description
Aggregated Climate VaR (Schroders portfolio) 3.3 degrees	Climate VaR		-1.60%	-1.23%	-1.14%	-1.17%	-1.14%	-0.45%	-1.03%	-1.03%	A mix of 2019 PRA scenarios is used to calculate the climate VaR using Schroders long-term temperature estimation [1 in 100]
	Monetary Risk		-14.6m	-15.88m	-13.9m	-14.2m	-12.9m	-4.9m	-11.08m	-11.24m	
Carbon Emissions [metric tonnes]	Scope 1		440	440	444	444	444	444	502	502	Scope 1: Direct emissions from owned or controlled sources.
	Scope 2		858	858	559	559	559	559	3	3	Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed
Investments:	Carbon Footprint of Investments Portfolio (metric tonnes)	Liquidity	-	n/a	0	0	0	0	0	0	A weighted average measure of company greenhouse gas emissions per $ million of investment. Methodology is aligned to “carbon footprint” as defined by TCFD and The EU’s Sustainable Finance Disclosures Regulation
		Claims	-	n/a	15	12	5	7	5	6	
		Surplus	-	n/a	110	65	61	14	11	18	
	Portfolio MSCI carbon intensity (tCO2/ MEUR)	Liquidity	-	4	4	4	4	3	3	2	A weighted average of company emissions per $million of sales. Methodology is aligned to “weighted average carbon intensity” as defined by TCFD and “GHG intensity” under the EU’s Sustainable Finance Disclosures Regulation
		Claims	-	43	40	37	27	26	23	24	
		Surplus	-	108	115	81	74	43	34	74	
Underwriting/ Pricing:	1-in-200 AEP (£m)		£217.1	£217.1	£236.9	£214.6	£217.1	£217.1	£217.1	£217.1	Average exceedance probability on natural CAT events
	AAL (£m)		£19.1	£19.1	£21.1	£11.0	£11.2	£11.2	£11.2	£11.2	Average annual loss for CAT events

Driving Good Working Group

The Driving Good Working Group is composed of team members from across the business, with responsibilities for driving ESG matters. It meets every eight weeks and reports into the Group Executive Committee. Our General Counsel and Company Secretary 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, working on areas including aligning our charity and volunteering initiatives with esure’s climate-related commitments.

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

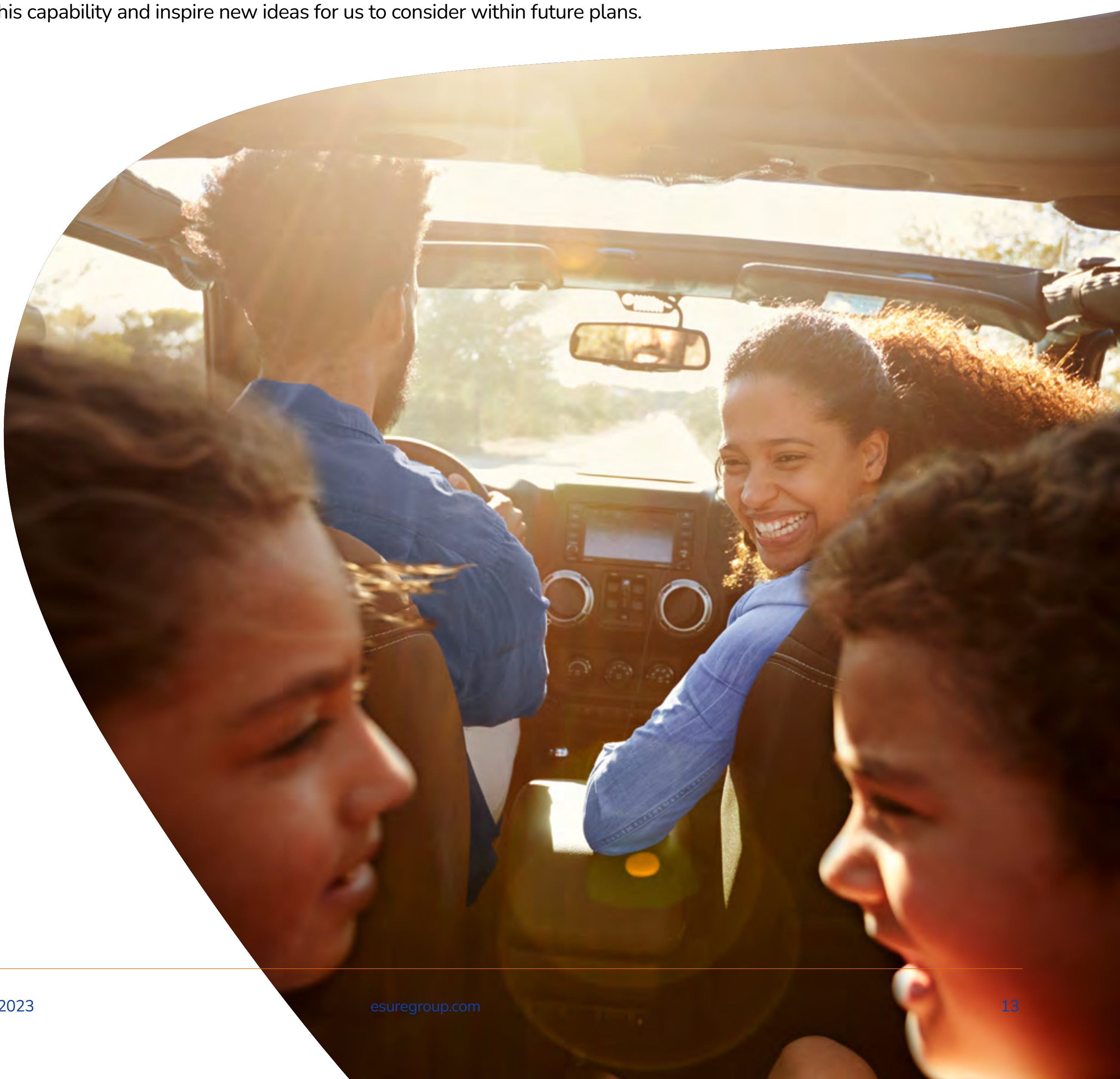
- reducing our overall carbon footprint in 2022 and H1 2023
- forming decarbonisation pathways and corresponding interim milestones
- significantly reducing reliance on proxy data within supply chain emissions calculations
- establishing better ongoing engagement and dialogue with suppliers on ESG
- adding new partnerships that enhance our credentials in supporting nature and biodiversity initiatives

Our 2022 Driving Good plan covered the following areas:

- Integrating sustainability into brand and internal communications
- Supply Chain engagement on sustainability
- Reducing the impact of our facilities
- EV strategy
- The sustainability of our motor and home claims activities
- Creating a decarbonisation transition plan, with related milestones, for our investment portfolio
- Integrating sustainability into our human resources activities
- Continuously improving our treatment of climate risk
- Reducing the environmental impacts of our technology

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

We maintain focus on the training needs of the Driving Good working group members, to build our collective capability on Sustainability matters. The bespoke PWC climate training content was delivered to our Investments and Risk Teams. Our Head of Brand completed the Cambridge Institute for Sustainable Leadership's Sustainability Business Management course, to boost his capability and inspire new ideas for us to consider within future plans.



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.

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

Our Climate Strategy

Our Climate Strategy describes our approach to deliver a net zero business by 2050.

It defines our targets for reducing our carbon emissions in line with the rate of decarbonisation necessary to limit warming to 1.5°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, investments and motor and home insurance business.

Our approach

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

Our approach to reducing emissions is targeted to address the key carbon hotspots in our business activities, including our operations, supply chain and investments. Inspiring change relates to the actions we're taking to encourage more sustainable choices and behaviour amongst our Home & Motor customers, and amongst our colleagues.

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

We measure our carbon footprint regularly, review our performance and continue to monitor climate risks to track the success of our strategy.

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

Climate strategy framework

Our ambition is to be a sustainable insurer and 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 is a key focus

Operations
Reducing the carbon footprint of our office operations

Investments
Reducing the carbon footprint of our investment portfolio & supporting the transition to a low carbon economy

Supply chain
Partnering with our suppliers to reduce carbon emissions, with focus on our most carbon intensive Motor & Home claims activity

Inspiring change

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

Motor customers
Supporting customers looking to transition to EVs; developing propositions that encourage customers to consider & offset their emissions

Home customers
Actively encouraging customers to consider how they can reduce their carbon footprint through smart, sustainable choices at home

Colleagues
Driving awareness & action to combat climate change; helping colleagues to switch to EVs

Our focus on reducing emissions and inspiring change is underpinned by:

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

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For detailed information see: our work to decarbonise our operations (page 33) and supply chain (page 28), our governance (page 8), risk management (page 22), engagement (page 41) and disclosure (page 45).

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.

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

Supporting the transition to electric vehicles

In 2022 we continued to see strong growth in the EV market with sales of new vehicles up 40% year on year, and 267,203 new battery electric vehicles (EVs) and 101,414 plug-in hybrids (PHEVs) registered – making up a combined 22.9% of new vehicle market share.

In 2022 we increased the number of EVs insured by esure by 27%. It is important to note that whilst EVs make up an increasing proportion of new vehicles sold, they still constitute a small proportion of the total cars on UK roads. To put this into context, EVs now make up just over 1% of our new business. Whilst EVs are therefore still a small proportion of our total Motor book, we give our EV strategy extra focus in light of their role in helping to combat climate change and given clear trends of future customer demand.

Shifting to electric vehicles is critical to decarbonising UK transport and can drive significant emission reductions. As one of the largest vehicle insurers in the UK, we can play a significant role in supporting the uptake of electric vehicles. We have ambitions to grow the proportion of EVs on our book and help the UK to meet its targets to decarbonise transport. We have set targets to grow our EV insurance business and developed a strategy to deliver. As we have improved our understanding of the risk profiles of different makes and models of EV, we have further improved the competitiveness of our pricing, making us a more attractive option to insure an EV with. Our strategy is to grow our exposure to EVs in a measured way, developing a sustainable cost structure which adds value to our customers and supports the development of the EV ecosystem.

In 2022 we completed a risk review of our EV underwriting. Our review concluded that:

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

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

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

Our progress in 2022 included 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. We also support the development of EV skills in our repair network by gifting apprenticeship levy funding to support training for mechanics (see page 36 for more information).

Customer engagement on EVs:

In 2022 we evolved our approach to engaging with EV owners, including a significant refresh of all EV content on our website. We recognise that the environmental benefits of EVs are a key driver for EV purchase and so we make clear and prominent reference to this on our EV homepage. We also make the case for switching to EVs in terms of running cost and incoming government regulation banning the sale of new petrol and diesel cars by 2030. We understand social proof can be helpful to inspire change and so we reference the number of electric and hybrid vehicles currently in the UK. Finally, we provide guides to charging and batteries, in an effort to allay fears such as range anxiety and other known barriers to switching.

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 have conducted consumer research around offset propositions. Whilst consumers stated their support for, and interest in, this proposition, they were less willing to pay for it within a test "real-world" purchasing environment. We will therefore continue to assess future opportunities to design a new sustainability-related driving proposition over the next 12 months.

Supporting customers to transition to low carbon homes

As homeowners and developers work to improve energy efficiency and decarbonise homes, insurance needs will shift. We recognise that we have an important role to play in helping our home insurance customers to lower the carbon emissions from their homes. We are exploring our future strategy for helping customers in this area.

Our approach includes:

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

In 2022 we updated our emergency cover policy to explicitly cover ground/ air heat pumps in recognition of the anticipated growth in use of this technology, which is important for reducing heat related carbon emissions from houses.

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 2022 planned activities:

- In 2022 we launched a proposition that plants a tree on behalf of customers who choose to forgo using a courtesy car whilst their car is being repaired. Our aim is to increase customer engagement with their environmental impact and incentivise more sustainable choices (for details see page 30).
- We completed an overhaul of our EV website content to tell 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 (for details see page 42).

Planned activities:

- In partnership with home Loss Adjusters, we're planning to deliver a Circular Economy initiative on Contents Claims; this initiative aims to reduce the amount of general domestic content items that are usually sent to landfill or incinerated – contents will be reused either in their current format or repurposed for a new use.
- Accelerate use of digital technology where possible across the whole range of both building and content claims.
- Tree planting schemes to offset those removed as a cause of subsidence and the use of Electro Kinesis techniques to reduce the chance of secondary subsidence damage and the carbon emissions produced in this process.
- We are exploring opportunities to support uptake of smart-home approaches to help identify and mitigate claim events, including the escape of water or fire.
- We plan to progress the development of a dedicated sustainability-focused, consumer-facing proposition within 2024. This will aim to embed sustainability design principles from the outset, leveraging consumer and partner insight to build a compelling offering that supports and encourages more sustainable customer choices and behaviour. We will assess opportunities across both Motor and Home.
- We will assess EV claims data to continually enhance our risk profiles of different makes and models, informing our pricing accordingly.
- We are currently in discussions to become part of Flood Re's Build Back Better scheme. Rather than simply repairing homes to the same standard they were prior to a flood, Build Back Better gives homeowners the chance to install flood resilience measures to reduce the cost and impact of any future floods.

Responsible investment

Our investment portfolio represents a significant source of carbon emissions in our business, accounting for c.93% of our Scope 3 emissions and c.93% of the total esure Group reported emissions. Decarbonising our investments is a key priority in our climate strategy and we have established 2030 and 2050 targets for decarbonising our investments (see page 7).

Our investment strategy is shaped by our Responsible Investment policy which guides the decarbonisation of our investments. The policy codifies our decarbonisation targets for our investment portfolio and the framework that we are working to. Our approach includes:

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

We have also established 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.

We completed an update of our carbon footprint for our investment portfolio in 2023 which highlighted that our investment related emissions fell year on year in line with changes to our assets under management, including action to divest from some high emission funds.

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.

In 2022 we completed a review of our asset allocation process, and made a number of changes to drive the transition of our portfolio aligned to our carbon transition roadmap.

This included changes to reduce our exposure to climate-related investment risk. Our approach was informed by our investments carbon transition plan which was signed off by the esure Board in 2022. The plan sets out a linear decarbonisation pathway for our investment portfolio in line with our decarbonisation targets and provides tolerances to allow for flexibility in the portfolio and maximises opportunities to help the carbon transition. The approach includes how we will:

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

Progress on 2022 planned activities:

- We signed off our climate transition plan with the esure Board Risk Committee to drive the long-term decarbonisation of our investment portfolio.

Planned activities:

- Improve our data sources and the measurement process of the carbon intensity of our investments, aligning to more industry-standard approaches including measurement of the implied temperature rise of our investment portfolio to understand our alignment with 1.5°C.
- Further engagement with asset managers to embed carbon emission measurement into investment guidelines, asset selection and active management of our portfolio.

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

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

Our climate-related business performance:

Our monitoring of climate performance indicates that the business is not experiencing any materially adverse trends in performance. The climate-related value at risk has reduced. There has been a material reduction in our scope 2 emissions through shifting to renewable electricity across our office portfolio. We have seen some increase in the carbon intensity of some of our portfolios reflecting improved reporting on carbon emissions from some of the holdings.

Information on the methodologies deployed for calculation of our carbon footprint is available on page 31.

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 6.

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.

In 2023 we have agreed to include an ESG weighting of 5% within the management bonus for the top 137 leaders within our business. The weighting is based on the achievement of our Group Executive approved ClimateWise target in 2023 and supports our strategy to inspire continued progress and focus on all of the ESG initiatives across the business.

Progress on 2022 planned activity:

- We have made ongoing improvements to our climate risk framework and climate measurement approaches, including improving the accuracy of our supply chain carbon footprint by gathering data from key suppliers.

Planned activity:

- We will continue to improve the quality of our investment related emissions data (see page 18).
- We will continue to consider the recommendations from the Partnership for Carbon Accounting Financials on carbon footprinting of motor insurance underwriting to ensure we are aligning with industry standard approaches.

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

We 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.

In 2022 we implemented new models for weather perils and there has been de-risking in our approach to subsidence, flood and storm. A freeze model is also being developed.

Pricing and Risk monitor for academic papers that may be relevant to refine our assumptions. The flood risk element for pricing and capital modelling has increased from one such source. Additional prudence has also been included in some assumptions, recognising that there is limited data on how the risk may transpire. The assumptions will be refined as additional information becomes available.

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

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). In 2022 we conducted a risk review of our underwriting of electric vehicles to reflect the latest available information on the risks of insuring these vehicles (see page 16). The results of this review have been used to inform our strategy for developing our EV business and supply chain.
- **Home insurance** – As the decarbonisation of the UK housing stock gathers pace, the needs of home insurance customers will change. We are adapting our offer to ensure we are meeting customer needs (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. During 2022 we conducted a review of our asset allocation approach to reflect our transition plan for decarbonising our investment portfolio. As a result of the changes to the asset allocation approach a number of changes were made to de-risk our portfolio (see page 18).

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. In 2022 we updated the scenario analysis and conducted a number of stress tests.

We undertake analysis of the risks associated with the latest PRA climate scenarios. In 2022 we considered 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 led 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.

As a result of our work we have established Risk Appetite Statements for weather events which will be monitored at the Financial Risk Committee. Our monitoring will be used to inform and shape the actions we take in our strategy to mitigate risk. The results of the scenario analysis are used to support the reinsurance decision making process for Home catastrophe cover. The risk of subsidence is considered to be increasing with recent drier summers. As reinsurance protection is limited for subsidence, we have been derisking our new business and renewals, this has been a key focus for Home insurance.

The results of our climate risk assessment work are shared widely across esure management teams to inform the development of business strategies.

Progress on 2022 planned activity:

- We made a number of enhancements to our approach to stress testing and scenario analysis as data quality, modelling techniques and best practices have developed.
- We have shared the findings of our scenario analysis which will be used more widely within the business to inform management strategies.

Planned activity:

- Completing a gap analysis against capabilities expected to be required at esure in the next 2-3 years to manage climate risk and producing a roadmap to address any gaps.
- We will include mandatory Climate-related Financial Disclosures (CFD) and Task-Force on Climate-Related Financial Disclosures (TCFD) recommended disclosures in our 2023 Annual Report.

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.

The risks we consider include:

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

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

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

This includes:

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

In H1 2023 we completed a review of the materiality of climate risk to the business. The risk management team engaged widely across the business in completing the review to ensure that we have identified and assessed current and future risks associated with activities in all areas of the business, including Underwriting, Claims, Facilities, Marketing, Legal, Transformation, Procurement and Finance. As a result of the review we have updated the materiality of our risk ratings.

This year other climate risk activities included:

- Completing climate training for the Board, our Group Executive team, plus our Risk and Investment teams.
- Establishing risk appetite statements for weather events.
- Reviewing Climate Risk scenarios as part of annual Scenario and Stress Testing (SST) exercise.
- Including a climate risk adjustment in weather capital modelling.

Progress on 2022 planned activity:

- We continued to monitor trends around our key risk indicators and have established thresholds to allow us to evaluate the materiality of performance changes. We reviewed our metrics for appropriateness.
- We made several enhancements in our approach to stress testing and scenario analysis as data quality and modelling techniques have developed. See section 3.1 for more detail.
- We reviewed climate risk management and monitoring practices with our colleagues at Schroders and PWC to ensure our risk framework is aligned with best practice.

Planned activity:

- Completing a gap analysis against capabilities expected to be required at esure in the next 2-3 years to manage climate risk and producing a roadmap to address any gaps.
- Review and consider changes in the capital model to use alternative external models to the ones currently in use for flood distributions; and introduce alternative distributions for freeze and subsidence perils in collaboration with a risk management partner Aon.
- Continued sharing of information gathered by Home Pricing & Underwriting and Risk to understand developments in the market for modelling of weather related risks, along with continued engagement with our risk management partners Aon.

3.1 Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments).

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

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

The 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 several processes and procedures.

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

We integrate climate-related risk management into the ORSA process. 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 several key processes that also integrate climate-related risk. In October 2022 the PRA provided further guidance in a Dear CEO letter on its expectations and feedback on firms' implementation progress seen through its supervisory engagement. We assessed our alignment with this feedback and identified no material gaps. Improvements made in 2022 include:

- **Risk assessment:** In H1 2023 we made several updates to our risk assessments to improve our treatment of climate-related risk. We completed a full review of the materiality of climate related risk, identifying our risks and the magnitude and likelihood of potential impacts. Our materiality assessment incorporated input through working sessions with key experts and executives from across the business to ensure that we have identified and assessed current and future risks associated with activities in all areas of the business, including Underwriting, Claims, Facilities, Marketing, Legal, Transformation, Procurement and Finance.

- **Assessment of weather perils:** New models have been implemented for weather perils and there has been de-risking in subsidence, flood; and storm risks within our policies. A freeze model is also being developed. Climate risk adjustments for weather has been incorporated into uncertainty modelling, both in Pricing and Capital Modelling. There remains limited data to rely on for some perils and therefore judgements have been made. As a result of our assessments there has a modest increase in the new Home 1-in-5 year weather event and 1-in-10 weather event risk levels. We engage with Aon to ensure we are informed as climate modelling evolves.

- **Stress tests and scenario analysis:** Update to the PRA General Insurance Stress Test (see below); multiple weather events scenario; extreme windstorm scenario; and run the climate narrative tool from the Climate Financial Risk Forum (CFRF) that produces reports on the impact of orderly and disorderly scenarios to esure's motor; home; and asset exposures. The output is materially consistent with our internal assessments.

    - An update to weather Stress Tests and Scenario Analysis (SSTs) was included in the annual ORSA approved by Board in November 2022 and further updates to these scenarios were included in a Climate Risk ORSA update to the Board Risk Committee in May 2023.

- **Engagement with external experts:** We have sought input from external experts to ensure that we continue to align with best practices:

    - With our primary investment manager to better understand changes to KRI values and data limitations within the KRIs, along with exploring best practice monitoring, reporting and engagement with asset issuers. This also incorporates the use of different methodologies for assessing climate risk with our investment managers and third parties, including the use of carbon emission reporting, implied temperature rises, and science-based targets.
    - With MSCI to understand the sources of data used in reporting on climate risk, and the pros and cons of different reporting metrics.
    - With PWC to assess whether there are any material gaps in the approach taken – the key points to note were the approach of managing climate risk as a cross-cutting risk within other high level risks types is consistent with current market practice.

Emerging trend analysis: We consider developments which are not expected to materialise or have an impact for several years and where the impact on the business is uncertain. In 2022 we considered climate-related emerging risks in a working session with senior esure leaders. In a recent senior leadership event, attended by c.50 SLT members, the SLT considered the impact of climate risk to the group as an explicit part of an emerging risks workshop.

Our overall assessment of climate risk is that Climate Risk is not considered a material risk to the Group at this stage and during the next 2-3 years of our planning horizon. In the longer term the risk can become material if it was to significantly affect reinsurance capacity or if it altered consumer attitudes to driving. As a result of our risk review we have adjusted some of the granular materiality ratings.

In the longer term the risk can become material, due to:

Reinsurance capacity risk: The risk of reinsurance capacity reducing if there are more frequent and more severe extreme events impacting reinsurers. Further discussions with brokers are taking place to understand the near-term implications of severe global climate driven events on the reinsurance market and the potential consequences to reinsurers' appetite to writing UK Motor and Home reinsurance.

Strategic risk: The transition to a low-carbon economy can reduce demand for motor insurance products and services. This would be a reverse stress test as the current growth assumptions in the business plan would be unviable as the core business plan relies on motor insurance. Whilst there is the possibility of lower car usage in the next two to three years in the planning horizon, any material impact is expected to emerge in the longer term. The Blueprint programme is expected to provide a platform and IT infrastructure that will allow the Group flexibility to move into additional products and services.

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

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. In 2022 and 2023 this included Pricing and Risk exploring academic research that may be relevant to refine assumptions. The flood risk element for pricing and capital modelling has increased from one such source. Additional prudence has also been included in some assumptions, recognising that there is limited data on how the risk may transpire. The assumptions will be refined as additional information becomes available.

- **Understanding financial market impacts** – Working with our investment managers and other partners to understand how climate-related issues will impact on our investment holdings. The findings have been used to inform our strategic asset allocation review which shape our investment decision making and policies going forwards. In 2022 we utilised the Climate Financial Risk Forum climate narrative tool which provided information on our risks associated with three climate scenarios - an orderly climate transition; significant temperature rises drive significant physical risks; and a disorderly climate transition. We continue to explore best practice and different methodologies for assessing climate risk with our investment managers and third parties, including the use of carbon emission reporting, implied temperature rises, and science-based targets.

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

In 2022 we contributed to Thatcham research exploring risks associated with underwriting EVs. We have explored research associated with circularity of EV components and have refined our approach to underwriting EVs as a result of this research. In 2022 we initiated research with our Road Safety partner Brake to explore needs of customers around sustainable transportation, air pollution and road safety around UK schools. We also surveyed key opinion formers on LinkedIn to explore perceptions of the development of EV markets and the use of recycled car parts on a car repair.

- We found the primary barriers stopping someone swapping to an EV were: Vehicle cost 48%, range anxiety 23% and lack of public chargers 25%

- 58% of respondents would be happy to accept using a recycled part on a car repair, 28% would not and 15% were unsure.

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

Our supply chain carbon footprint

In 2022 we undertook a major project to engage with our most carbon intensive suppliers to build a more accurate picture of our carbon footprint and to better understand the challenges and opportunities they face on their decarbonisation journey. This work was designed to provide a more robust basis for carbon footprinting our supply chain emissions, reducing our reliance on proxy data, and also to allow us to engage and support our suppliers, as part of regular ongoing dialogue, to ensure they progress their decarbonisation efforts in line with our targets.

Our footprinting work identified that our supply chain accounts for up to 6% of our carbon emissions. The improved data suggests that our motor claims business accounts for 84% of our supply chain emissions, with home claims accounting for 11%. Our marketing and IT spend accounts for approximately 2% of supply chain emissions. Our top three suppliers represent over 50% of our supply chain emissions.

Through this work we collected primary carbon emission data from 17 key suppliers - identified through our analysis as likely being our key suppliers in terms of carbon footprint - representing 63% of our purchased goods and services' carbon emissions.

In our engagement with suppliers we considered whether they have established their carbon footprint, and if so, the scope of emissions covered by their footprint. We considered the quality of their carbon footprint data, and whether they have set carbon emission targets.

Most key suppliers have made some progress on scope 1 & 2 carbon footprint, and some have looked at scope 3 emissions. Very few key suppliers have set reduction targets that are in line with esure / ABI, but most have at least started to explore target setting.

Where suppliers were not able to provide carbon footprint information, we used "read-across" information from similar suppliers (e.g. assuming different motor repairers are comparable), secondary data and assumptions to address data gaps.

We gathered the following insights and conclusions from this work and will use these to inform future conversations with suppliers:

Engagement levels

- **Responsive suppliers:** Suppliers are generally very supportive and keen to engage.
- **Capabilities of smaller suppliers are limited:** Many of our smaller suppliers have no dedicated sustainability resource with climate questions addressed by the senior team. Some suppliers have made rapid progress which has been made through working with consultants.

Footprinting approach

- **Carbon footprint:** 94% of the suppliers targeted have completed a S1&2 carbon footprint, 30% have completed a full S1, 2 & 3 footprint. Nearly all suppliers that haven't completed their footprint are now working to address this gap.
- **Building a complete footprint is complex for suppliers:** Gathering data on purchased goods is challenging. Some structural issues present barriers also. E.g. Sub-contracting of construction work.
- **Activity level footprinting:** Some suppliers are working on footprints for key activities – this is helpful in the home business where footprinting of different jobs is challenging. E.g. Model footprints for different types of water damage jobs.

Targets

Suppliers are progressing on Science Based Targets (SBT): 5% have set SBT; a further 30% have committed to setting SBT. Suppliers are progressing SBTs as these are being required by other insurers.

Reduction measures

- **Some suppliers are transitioning to renewables:** One supplier has installed on site renewables, five have switched to renewable tariffs. Larger suppliers with leased assets have more difficulty. Some suppliers are not yet acting.
- **Offsetting is used by carbon neutral bodyshops:** Five suppliers have invested in offsetting.
- **Supplier engagement:** Two suppliers have engaged their supply chains. Others are starting to explore how to do this, but consensus is that they need to get their own house in order first.
- There are some opportunities for improving data systems and reporting.

Best practices

- **Better data:** Suppliers are acting to improve data collection in a number of areas. This includes improving metering (e.g. of high energy equipment), and development of models to understand impact of key activities (e.g. types of building project). Some are looking at systems to allocate climate data to customer jobs.
- **Technology solutions:** Investments include quicker drying paint, IR curing of paint, HVAC upgrades.
- **Repair v replace:** A number of suppliers are actively working to enhance repair processes and numbers to reduce both costs and environmental impacts. The use of 'green' (recycled non-safety) parts is another focus.
- **Vehicle efficiency and electrification:** A number of suppliers are shifting to EVs to reduce fleet emissions, others are looking at efficiency measures.
- **Team engagement:** Some suppliers are working on carbon literacy of their teams.

Challenges and opportunities

- **Specifying projects to reduce emissions:** There are a number of actions that rely on appropriate job specs. E.g. Strip out versus repair of materials – there are instances where this can save money and emissions. In other areas costs may increase (e.g. for specifying building materials with lower embedded carbon).
- **Data capture:** Product carbon data is not adequate currently to capture emissions savings made by new approaches. E.g. Specifying green parts over new parts, specifying lower embodied carbon building materials over standard approaches. There are some opportunities to link carbon data better to jobs. E.g. emissions from drying homes – where electricity consumption is already recorded to reimburse clients.
- **Switching to EVs:** In some applications EVs are not currently a viable option - e.g. long distance service provision using heavy duty vehicles.
- **Managing utility suppliers:** Some suppliers have little control in leased facilities. Renewable energy costs are a current barrier.
- **Managing third party contractors:** Where a third party sub-contracts any of the service provision, additional oversight is required to ensure the appropriate monitoring is in place.

We shared the results of the analysis with our supplier relationship managers in May 2023. They have shared the results with suppliers in their regular supplier review meetings and will use the findings to as a benchmark to help them improve. Our supplier relationship managers will play an important role in maintaining a dialogue on sustainability matters with suppliers. We recognise that there are a number of areas where we can help our suppliers improve through changing the way that we work and specify requirements. We are considering these opportunities and the changes that we can make. We also recognise that some of the challenges and opportunities identified to accelerate decarbonisation will require work on an industry or system level. We are looking at opportunities to engage, together with our suppliers, to lay the conditions for further improvements. This will include working with our suppliers to pilot new approaches and ways of working to reduce carbon emissions.

Our supply chain emission reduction targets:

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

Our approach to decarbonising our supply chain:

We are establishing climate-related expectations for our suppliers, together with requirements to ensure their work aligns with our wider ESG expectations.

Our approach to decarbonising our supply chain starts with quality conversations with our supplier partners about actions to reduce their climate impact and improve the carbon-efficiency of our delivery of services.

We have established a decarbonisation programme in our home and automotive supply chains. Our approach, aligned with our climate strategy, is to:

- **Reduce supplier carbon emissions:** We are working with our suppliers to reduce carbon emissions. We are taking a phased approach and focusing our reduction activities where we have greatest impact, focusing on our key suppliers which make the most significant contribution to our supply chain emissions. We have started with our bodyshop repair network and set the target that all our branded bodyshops achieve carbon neutral status by the end of 2022. At the end of 2022 all of our branded body shops were 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 also working with our other bodyshop repairers to encourage them to adopt a carbon neutral approach and have made good progress in transforming the rest of 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 2022 we continued our journey to improve efficiency and digitise our service delivery, reducing and eliminating costly and emission intensive travel to our customers' homes. We continue to enhance our use of digital remote validation of claims to reduce the need for surveyors to travel to insured homes. We use dynamic scheduling to improve routing efficiency and are piloting new digital tools that provide services to quote for replacement products. We have conducted over 758 virtual assessments over the last 12 months (June 2022 – May 2023), which constitutes c.59% of damaged flooring instructions and over 60,000 miles travelled on the road. We estimate that this saved over 16T of CO_2 emissions in the last year. We are also working with suppliers to encourage their shift to electric vehicles and completed a trial in 2022 with one of our key suppliers to understand the opportunities and challenges this presents.
- **Electric vehicle-enabled network:** Inspiring change in customer behaviour is a key part of our Climate Strategy. We want to encourage customers to make more sustainable choices and support those transitioning to Electric Vehicles. We recognise that the transition to electric vehicles will mean that the needs of our customers will change. We 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.

Every esure branded bodyshop is EV enabled. We have also established supplementary networks to enable specialist EV repair as needed. In 2022 we started a program to gift our Apprenticeship Levy funding to support EV apprenticeships in our repair network. In 2022 we supported 5 apprenticeships. In 2022 our work also included exploring the mobility needs of our EV customers on their repair journey. This included looking to provide alternative low carbon options (e.g. electric bikes) rather than EV courtesy cars where this will meet customer needs.

Case study: Supporting the development of EV skills

In 2022 we launched a program to gift 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 passionate supporters of the environmental benefits of EVs, gifting some of our levy provides an opportunity to invest in this education programme to build future skills and knowledge required by industry repairers.

- **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 2022 we established a programme to incentivise customers to forgo a courtesy car while their vehicle is being repaired. The programme, in partnership with The Conservation Volunteers, will plant a tree on the behalf of every customer who forgoes the additional car. Since the program started, we have planted over 500 trees on behalf of customers. We are continuously reviewing the program to understand how we can improve the communication with customers and sharing best practices across our network.
- **Support the development of a circular, low carbon, supply chain:** We believe that creating a circular supply chain that keeps valuable materials in use for as long as possible is best for our customers and for decarbonising our supply chain operations. We have identified a number of action areas to develop lower carbon circular supply chains in our home and automotive insurance offerings:
    - **Developing circular infrastructure and systems:** We recognise that there is work to do to establish the capabilities we need in the UK to support the development of the circular economy. In 2022 we have been working to understand the unique opportunities and challenges associated with the EV market and are working to support the development of a sustainable, circular market for EV parts.
    - **Repair rather than replace**: By repairing rather than scrapping damaged vehicle parts and household property we can reduce the carbon emissions from our services. Not only is repair better for the planet, but it is also often better for our customers. We are working with our home and motor suppliers to ensure that they are maximising the potential of repair services to reduce the need for new parts or household goods. Our repair partners are establishing incentive structures to encourage their contractors to repair rather than replace goods. We repair and restore furniture and flooring where possible. Volumes for this service are lower and we are continuing to learn to encourage uptake moving forward. esure's vehicle repairers also work with esure to repair, rather than replace parts, which enables esure to out-perform our peer

group on the average number of parts fitted. During 2022 esure replaced on average fewer parts than the industry average of 9.78 and repaired more parts than industry average of 1.62. We are also working closely with our vehicle glass provider to encourage more customers to repair their windscreen chips to avoid developing into larger cracks which then need a windscreen replacement.

- **Plant a tree scheme:** We have introduced a scheme with our body repair network to offer customers the opportunity to "plant a tree" in a place of them having a courtesy car whilst their vehicle is repaired. To date we have planted over 500 trees on behalf of our customers whilst at the same time reducing miles drives. Given the success of the scheme we are now rolling out further to our whole repair network.

Reducing mileage through our supply chain: We work with our suppliers to reduce carbon footprint through miles driven. Encouraging damage assessments to be carried out virtually wherever possible. For example over the last 12 months we have conducted over 758 virtual assessments for flooring claims, saving over 60,000 miles driven.

Case study: Plastic repair, Gemini and Plastrepair

We have been piloting a novel approach to repairing plastic without the need for body fillers. As part of the pilot, our repair centres send images of parts to plastic repair specialists to obtain input on the repair approach. Where specialist plastic repair is possible, specialist technicians attend on site at our repair centre. This new approach which can repair plastic parts across vehicles from bumpers to mirror covers, has potential to significantly reduce waste of parts to landfill, the purchase of new parts and the carbon emissions associated with new part manufacturing. In addition to the environmental benefits, we have found that the new approach reduces the time required for technicians - making repairs more efficient. We established a pilot project with one of our key repairers, which successfully demonstrated the technology and as a result have established an ongoing repair facility. We are actively exploring the potential to roll this approach out further in our network. In the first eight months of operation, we have saved three tonnes of plastic going to landfill.

- **Using lower carbon products:** We are working with our networks to explore opportunities to use lower carbon products. In our home network this may include using building materials with lower embedded carbon, or products that enhance operating efficiency of customer homes (e.g. better insulation).

- **Recycling of insured goods:** Where insured goods cannot be repaired, recovering valuable parts and materials through salvage and recycling can make a significant contribution to carbon emission reduction. We work on this across our home and automotive supply chain. In our automotive operations we have been working with our suppliers to ensure that cars that have been written off are used to salvage recycled parts for use in the secondary parts markets. In this way we are helping to improve the supply of recycled parts. In our home business our suppliers collect and inspect contents where appropriate to help validate a claim and determine if the item is beyond economical repair. Where they are unable to repair and return the item, including phones, TVs, laptops etc. they will recycle these to save them being sent to landfill. Over 2022 more than 1,000 items were recycled as a result of this service. We have partnered with our supplier Sedgwick on an initiative to minimise contents items that are sent to landfill or incineration. This initiative will lead to the creation of a social enterprise which will deliver a new approach to recycling in insurance, minimising "Beyond Economic Repair" (BER) contents items that are sent to landfill or incineration. The contents are reused either in their current form or repurposed for a new use, delivering measurable carbon savings.

- **Using recycled parts:** The use of recycled car parts helps create a circular economy for vehicle parts in the UK and reduces the carbon footprint of vehicle repairs. We are working with our suppliers to increase the use of recycled car parts for repairs in non-safety-critical applications, including vehicle doors, tailgates, lights, gearboxes, engines and bumpers. We have established a UK-wide programme by working with suppliers to enhance the availability of parts, building a distribution network and establishing appropriate standards. Recycled parts now account for 6% of spend of all esure repairer parts spend. In 2022 we used more than 4,698 recycled parts which we estimate has resulted in savings of c. 138 tonnes of CO_2e. Our target is to increase the use of recycled parts to 10% of repair spend by the end of 2024.

Our work with all suppliers

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

For new suppliers who have participated in our tender process, we request information on their approach to managing carbon emissions in their business. The information we request includes understanding whether bidders have:

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

The answers to these questions will contribute 5% of the scoring for our tender evaluation, although this can be adjusted, to reflect the carbon footprint for the service.

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.

In 2022 we have formalised the approach of our relationship managers engaging with suppliers on our climate expectations and provided guidance on the areas that we want to explore with suppliers. This includes whether suppliers have established net zero and science based targets, whether they quantify their footprint, their offsetting practices, use of renewable energy. We also encourage our suppliers to share information on best practices. The frequency of climate discussions is designed to reflect the importance of the supplier to the business.

Our progress against 2022 planned activities:

- We have built a process to educate our supplier relationship managers on how best to engage with existing suppliers on climate change, our climate strategy and the actions our suppliers are taking.
- We have sourced accurate emissions data (reducing reliance on proxy data) from key suppliers, and gathered insights around supplier transition plans.
- We have incorporated ESG considerations within supplier scoring as part of our procurement processes.

Our planned activities:

- We will embed climate chance into the control checks that we complete to ensure that we are controlling risks associated with our supply chain.
- Exploring how to embed decarbonisation into procurement processes where there is no competitive tender.

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 ten 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, rail and air.

We also conduct an annual 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 through the collation of primary data collected from the most carbon intensive suppliers. This was supplemented where necessary with results calculated using a read across from representative suppliers, and with a spend-based approach using US EPA Environmentally Extended Input Output emission factors.

Where possible investment emissions have been calculated for 2021 based on primary data collated on corporate and country emissions. Approximately 45% of the 2021 investment carbon footprint is derived from specific company/country data. Approximately 55% is based on industry level data. For FY22, the investment amount in FY22 was applied to intensity metrics of tCO2e /£m for each investment type calculated in FY21. Carbon footprints for investments in FY20 and FY22 should be seen as estimates.

In 2022 we noted the release of PCAF guidance for insurers on insurance-related emissions and are considering our approach to calculating emissions associated with our motor portfolio.

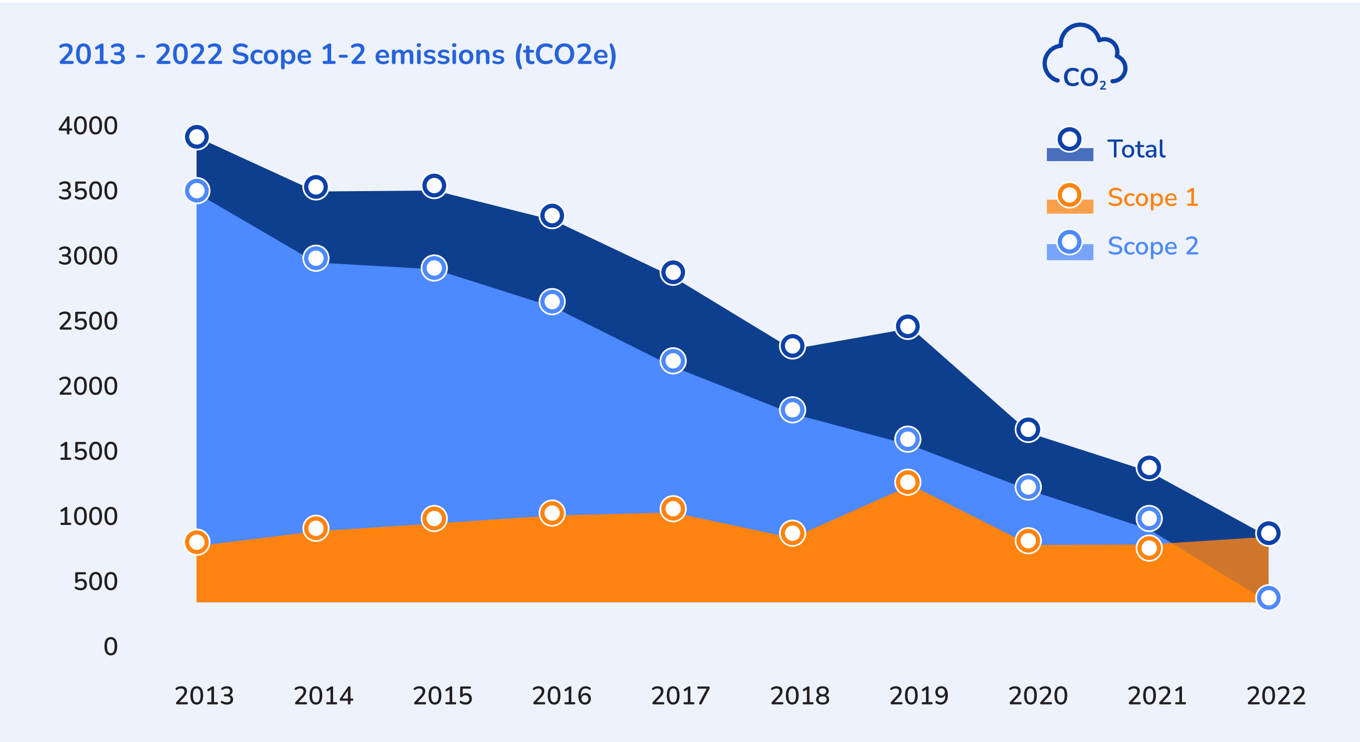
To set targets we followed the guidance of the Science Based Targets Initiative and the Association of British Insurers Climate Change Roadmap.

Our carbon footprint:

		2022	2021	2020
Tonnes of carbon dioxide equivalent (tCO2e)	Scope 1	502	444	440
	Scope 2 (market based)	3	559	858
	Total scope 1&2	505	1003	1298
Turnover*		£836m	£908m	£936m
tCO2e/£m Turnover (scope 1&2 emissions)		0.6	1.11	1.39

**Turnover is gross written premiums*

We have been working to reduce our emissions and have achieved an 85.9% reduction in our Scope 1 and 2 emissions against our 2013 base line. Our total Scope 1 and 2 GHG emissions, and our emissions intensity, reduced significantly between 2021 and 2022, by 49.7%. This has been driven by our Scope 2 reductions, with 2022 being our first full year of using 100% renewable energy, having switched to renewable energy in October 2021. Our Scope 1 emissions have increased by 13.1%, returning toward, but remaining below, typical pre-pandemic levels.



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 2022 planned activities:

- We completed an update of our carbon footprint for the business, including the collection of primary data from key suppliers to reduce our reliance on proxy data.
- We monitored our progress towards our targets and explored opportunities to accelerate emissions reductions.
- We offset 110% of our prior year's Scope 1&2 emissions and will continue to do so on an ongoing basis.

Planned activities:

- Having directly engaged our most carbon-intensive suppliers and shared the information gathered with our supplier relationship managers, we will seek to drive improvements in suppliers' decarbonisation progress by encouraging them to act on areas of opportunity we have identified through this year's work.
- We are working with our investment portfolio managers to obtain better quality emissions data related to our investment portfolio, with greater frequency. We will then assess this data to identify scope to make changes to our portfolio to reduce its intensity, whilst ensuring no marked detriment to the portfolio's other key objectives.

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

In 2022 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 2022, we made a number of improvements that have further reduced our greenhouse gas emissions:

- **Reducing heating and cooling greenhouse gases:** Reducing emissions from heating our offices is a key priority. In 2022 we benefited from the major refit of the heating system in our Glasgow office. The new boiler system, installed in October 2021, will significantly reduce our operational footprint. In 2022 we also installed a new chiller unit in our Reigate office which we expect to have a major impact on reducing our emissions.
- In 2022 we also experimented with phased closing of offices and office floors to reduce energy demand from our offices in line with demand as we adapt to changing working practices.
- **Using renewable electricity:** All our estate is now powered by 100% renewable electricity.
- **Paper use:** We continue our work to move to digital systems which is significantly reducing our paper demand across our business. We currently see 94.9% of new Motor customers opt for e-fulfilment (digital documentation), as do 89.4% of new Home customers. Of our total in-force policies, 80.6% 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 traditional 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 2022. 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 are a key focus in our emission reduction activities. In line with our 2025 target we invest in offsets annually, equating to 110%of the prior year's residual Scope 1 & 2 emissions. Through the offset initiatives we invested in 2022, we are contributing to a number of global carbon reduction projects, including:
    - A water filter project in Kenya that brings safe water to families and schools, replacing the need to boil water over smoky, firewood-fuelled stoves. Since 2014 the carbon project has delivered water filters to more than 9,600 households, reducing 215,000 tonnes of CO2. The project creates employment opportunities and educates communities on safe water and sanitation hygiene practices to improve public health.
    - A project that is bringing reliable solar power and water heating systems to customers across India. The project is cutting c.33,000 tonnes of CO2e a year by replacing the use of kerosene or electricity from a grid reliant on fossil fuels. It also helps households and small businesses cut their electricity bills by up to 50% and provides reliable light after sunset, giving children a greater opportunity to study after the sun goes down.
    - The Degraded Grasslands Afforestation project in Uruguay. Certified by the Forest Stewardship Council, the project combines sustainable forestry with cattle grazing to establish a better form of land use. It brings new income and job opportunities to local communities in rural areas of Uruguay, while respecting existing cattle farmers' land use. The project team also hosts education sessions for local schools about the wildlife that are now able to live and thrive in the project area to inspire the next generation.
    - The Bondhu Chula Stove project which loosely translates to the 'friendly stove' in Bengali. The project is helping households move away from traditional cooking over an open fire which releases smoke and particulate pollutants and contributes to nearly 50,000 premature deaths each year. The project subsidises 50% of the cost of stove installation, provide after sales services, as well as a seven-day training programme for the local entrepreneurs. It has installed over 5 million stoves, saving families money on fuel costs and cutting carbon emissions by 50%.
- **Encouraging employees to shift to EVs:** We have been working to increase the attractiveness of switching to EVs for our colleagues. More details available in the Employee Engagement section below.
- **Supporting hybrid working to reduce travel:** We recognise that hybrid working is important to helping our employees manage work-life balance, and also provides opportunities to reduce emissions associated with business travel. We've invested in specialist tech to enable online collaboration and connection between colleagues in different locations to reduce the need for business travel. Board meetings continue to be held face to face, but Board Committee meetings across reporting period are held remotely, significantly reducing international travel.
- **Cycle to work scheme:** Our cycle to work scheme (including electric bikes) is available to all colleagues. More details available in the Employee Engagement section below.

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 2022 planned activities

- In 2022 we advanced our work to install LED lighting across our estate. We expect work to commence on this in 2023.
- We have continued our work to reduce the energy consumption from cooling systems. We have replaced the aged Chiller in our Reigate office with a new efficient chiller using the latest refrigerant gases.
- We have completed the roll out of EV charging points at all our offices.

Planned activities:

- Creating an action plan to meet the EPC targets in our offices of C rating in 2027 and B rating in 2030

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 2022 we continued our work to engage our teams on climate topics, with the aim to foster a culture of climate awareness and action. We recognised that embedding climate measures into our performance management system was a key lever to drive action. All senior leaders (137 managers) now have shared performance objectives that underpin our 'driving good' ambitions, which includes our climate strategy. Our aim is that these measures are regularly shared and discussed across the team to build engagement and trigger action

Strategic and leadership engagement approach:

- **The Game Changer strategy** – We have continued to engage our team around The Game Changer strategy. Driving Good is a key pillar of our strategy, setting out how we're working to be a force for good for the communities we proudly serve, and for the planet more broadly. The Driving Good cross-functional working group comprises colleagues who have volunteered to get involved and progress initiatives aimed at helping our business play its part in supporting sustainability. The Driving Good working group act as ambassadors to support climate action in their areas of the business.
- **Leadership engagement** – Our senior leadership team meets online every quarter to discuss business performance, share current company priorities, and cascade important updates. This includes discussing progress against our Driving Good targets as a key part of The Game Changer strategy. Alongside this, our most senior leaders come together for strategy workshops throughout the year, where they explore opportunities to further drive our Driving Good ambitions, including climate activity and risk mitigation.

Colleague and team engagement approach:

- **Employee training** - We provided bespoke climate awareness training for team members in key functional roles. This was aligned with the training provided to the Board (see page 9).
  Our Sustainability lead completed the Cambridge Institute for Sustainable Leadership's Business Sustainability Management eight week online course, securing an Excellent high pass. As part of our ongoing commitment to personal development, all colleagues have access to the online learning platform LinkedIn Learning, which offers colleagues the opportunity to access a wide range of e-learning including topics such as climate change, sustainability, and carbon footprinting.
- **Viva Engage** – We use Viva Engage as our internal social media platform to enable open discussion across the business. We used Viva Engage across the year to engage our teams on climate related topics, providing the latest research, inspiration, and information, opportunities for colleagues to engage in our activities, and ways to celebrate our successes and progress. In 2022, this content included information on our new environmental charity partnerships, our single use plastics ban, our progress and score in embedding the ClimateWise principles into our business, EVs and our carbon neutral repair networks, and personal blogs to share best practice and tips on key awareness days, such as Earth Day.
- **Employee communications** – We also use our intranet and employee meetings to share information on our climate approach and progress. In 2022 our communications included exploring climate strategy at team meetings and workshops, asking employees to vote on our charity partners, and encouraging colleagues to make the most of volunteering opportunities. esure ACE awards are one of the ways we thank and celebrate colleagues for the difference they make to our customers, communities, and each other. There is a Driving Good award category to nominate colleagues for making a positive difference to the world we live in. We use tree planting to offset the impact of the paper used to print certificates for our ACE awards winners.

Colleague and team benefits approach:

- **Employee volunteering** - During 2022 we launched a volunteering programme that provided employees with the opportunities to directly support work on climate issues. Employees are given the option to spend up to two paid days volunteering per year. Through our partnership with The Conservation Volunteers, employees have the opportunity to directly participate in a range of biodiversity initiatives including tree planting programmes, and personally contribute in carbon capture and sequestration activities. In 2022 our employees contributed 66 days of volunteering time to important causes.

- **Employee green benefits (pension)** – In the first half of 2023 our pension provider ran pension awareness sessions to explain its responsible investment approach and how this benefits our colleagues, the planet and society. These sessions form part of our support to our colleagues' financial wellbeing.
- **Employee green benefits (electric vehicles)** – We have been working to increase the attractiveness of switching to EVs for our colleagues. We offer employees cost effective, tax efficient access to electric vehicles through a salary sacrifice scheme. We now have 37 employees with EVs and a further seven awaiting delivery. In addition to encouraging colleagues to switch to EVs, we have also transitioned our nine company vehicles to EVs or ultra-low emission hybrids. To further support these shifts, we have installed EV charging points in all of our offices.
- **Supplier apprenticeship levy gifting** - we gift a percentage of our apprenticeship levy to some of our key suppliers to fund apprenticeships in order to build critical skills including specialising in EVs.
- **Employee green benefits (tree planting)** – esure provides all colleague benefits via our third-party supplier Benefex. Working with Benefex, for every new marketplace benefit a colleague obtains, Benefex will plant a tree.
- **Employee green benefits (local community)** – throughout 2022 and beyond, esure remains close to the local community events and calendars for our colleagues at a national level. We recognise and encourage colleague engagement on days such as World EV Day (9 Sept 22), Bike Week (5 to 11 June), Cycle to Work Day (4 August), Global Recycling Day (18 March), and Earth Day (22 April).
- **Employee green benefits (cycle to work)** – This offers a tax efficient way to purchase a new bike through salary sacrifice. In 2022 we had eight colleagues join the scheme.
- **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. Environmental charitable programmes

Environmental charitable programmes

Our work with charity partners includes:

- **The Rivers Trust:** We're currently supporting The Rivers Trust to begin an apprenticeship scheme upskilling their colleagues, funded by us gifting our apprenticeship levy. We are funding one apprenticeship in 2023.
- **Green the UK:** We're supporting Green the UK with two projects in 2023/24. We've committed to planting 30,000m² of wildflowers as part of the B-Lines project, conserving native pollinators, contributing to Biodiversity targets, and helping wildlife respond to climate change by making it easier for them to move around. We've also signed up to fund surveying of five Sea Kelp restoration sites within the Blue Marine Foundation project on the Sussex coast.

Progress against 2022 planned activities:

- Colleagues participated in volunteering days, including working in partnership with The Conservation Volunteers to protect and support biodiversity within an area of chalk marsh.
- We embedded climate action in shared performance objectives for senior leaders.
- We gifted 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.

Planned activities:

- We will continue our partnership with The Conservation Volunteers to support our Plant a Tree proposition for customers forgoing a courtesy car.
- We are exploring circular economy opportunities with our new Corporate Charity partner Shelter.
- We will assess the success of the sea kelp and B-lines partnership with Green the UK and look for further opportunities to extend the partnership in the future.

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.

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. Our Chief Claims Officer is chair of the ABI's Motor working group. As part of these working groups, we actively engage and input to consultations around public policy and regulations in areas including climate change, electric vehicle uptake and green finance.

We engage with the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Information Commissioner's Office (ICO) directly and through the ABI on relevant climate related consultations. We have regular and ad hoc meetings with the regulators, attended by Board members and the Chief Risk Officer.

We work with our partners, including industry bodies, to share information and inform public policy around climate-related topics. Our engagement with industry partners includes:

ABI:

- **Electric Vehicle Working Group**: We participate in the ABI's EV Working Group. The group is formed by UK member insurers and the ABI to examine and highlight the potential effects of electric vehicles (EVs) and other low emission vehicles and the UK Government's associated environmental policies on the motor insurance industry. The Working Group's role is to:
    - Assess the role that our industry can play in increasing the uptake of EVs and low emission vehicles
    - Seek to influence the UK Government's policies and strategies on this topic
    - Keep abreast of global and European regulations on this topic and their impacts on the UK
    - Engage with vehicle manufacturers to understand the EV and low emission vehicle market penetration, implementation strategies and new technologies; collaborate to drive the transition towards EVs and low emission vehicles
    - Engage in discussions around in-vehicle battery monitoring, battery integrity and post-collision fire risk, repair challenges, charging infrastructure and end-of-life and circularity opportunities
    - Understand the impact on the end user and help facilitate consumer education and accessibility to EVs, low emission vehicles and charging with consideration for socioeconomic diversity and a focus on positive consumer outcomes

In 2022 the working group responded to the DfT Consultation on the ZEV mandate that focused on identifying dependencies and obstacles to achieving ZEV uptake trajectories. This response highlighted important sector concerns including:

- Skills gaps in repair capabilities for EVs
- The importance of battery health to EV markets and the steps that might be taken to support development of secondary and salvage markets
- Electric charging, including the equitable design of distribution networks (e.g. for lower income areas) and the need to decarbonise charging supply

In 2023 working group members are reviewing individual companies' underwriting processes to ensure there are no gaps in EV coverage and to update policy wording to reflect the current coverage position.

The working group is also engaged in communication pieces to the wider public via the ABI which the media can tap into. This includes information on the Insurance Implications for Electric Vehicles. There is ongoing work on EV Winter Driving considerations and guidance.

- **ABI Motor Committee:** Our Chief Claims Officer chairs the ABI Motor Committee. The core aim of the committee is:
    - To provide guidance and oversight of the ABI's work on motor insurance in order to enhance and safeguard the strategic prospects for motor insurers through influencing, educating, challenging and lobbying in relevant public policy debates.
    - To oversee the ABI's work programme on motor insurance as determined by the committee, consistent with the ABI's overall business plan set by the Board.
    - To help decide and agree policy objectives and positions and support activity aimed at improving the political, regulatory and risk environment affecting motor insurers.
    - To determine reactive policy positions as necessary and support activity to defend the industry from any proposals that would adversely affect motor insurers and customers.
- **In 2022 the committee has:**
    - Contributed to the ABI Climate Change Roadmap by facilitating the motor insurance industry's role in the transition towards electric vehicles and the wider decarbonisation of transport.
    - Contributed towards the conversation on helping society and the industry meet net zero by 2050.
    - Helped Government and consumers understand the differences between ICE vehicles and EVs and the impact that has on underwriting and claims.
    - Started exploring how the widespread adoption of EVs could have an impact on cross-product liability.
    - Continued to engage with Government on matters of priority like battery health monitors and EV repair capacity.
    - Supported the adoption of new modes of transport and alternative forms of vehicle ownership.
    - Worked with Government to develop policy around the Low Speed, Zero Emission Vehicle (LZEV) category (under which e-scooters will fall) with consideration for stricter construction and use standards; ensure that any insurance scheme will have support from members.
    - Ensured the industry continues to adapt to changing forms of vehicle ownership and usage i.e. car sharing and MaaS.
    - Worked to understand how the rise of different forms of motor insurance, such as per-mile, may impact the rest of the industry.
    - Influenced the Government to create policy that results in positive outcomes for road safety.
    - Collaborated with road safety organisations to make sure that road safety is considered by Government when developing policies for the future of transportation (throughout).
    - Continued to campaign for meaningful road safety reform for underrepresented parts of society (throughout).
    - Established an evidence base in collaboration with Thatcham to influence the UK's adoption of elements of the equivalent EU General Safety Regulation 2 framework for vehicle safety.
    - Influenced the Government's development of automated vehicle policy and help deliver their goals set out in the Connected and Automated Mobility 2025 policy paper.
- **Autonomous Driving Insurer Group:** esure also participate in the Autonomous Driving Insurer Group that feeds into ABI. The Group focus on the safe implementation of assisted driving and then autonomous vehicles into UK market. A key consideration is ensuring effective communications to the customer to make sure they have enough information about a vehicle's capability. The group is working with the Law Commission and the DfT re how future Legislation will be shaped in this field in order to ensure there are appropriate legal frame works in place to protect the drivers of new vehicles with various levels of assistance.

  Whilst we appreciate the autonomous driving market is in its infancy, it has interesting implications for climate change and sustainability more broadly, as it could accelerate a shift towards a shared economy model, reducing car ownership and total vehicles on the road.
- **Sustainability:** In 2022 we met with the ABI's Chief Sustainability Officer to encourage greater collaboration amongst ABI members and to encourage the ABI to lobby government around key sustainability challenges for our industry. Specific areas we discussed were:
    - **Financed emissions:** We encouraged the ABI to organise collaborative discussion where General Insurers can learn from Life members, given the larger scale of the latter's portfolios, to better understand key levers to drive emissions reductions, together with increased sustainability focus and emissions data from asset managers. We discussed that Green bonds and Green gilts represent a significant opportunity to decarbonise investment portfolios but that supply challenges exist, which the ABI should consider lobbying government about
    - **Supply chain:** We shared some of the progress we have made in terms of supply chain

engagement and reducing our reliance on proxy data. We have volunteered to share our learnings with other members as part of a project the ABI are kicking-off to boost focus on supply chain action. We hope that by transparently sharing a key area of our progress, we can provide inspiration and practical guidance to help others take similar steps.

- **Scope 1&2:** Recognising that many firms such as ourselves are reaching a natural floor on Scope1&2 emissions (given action to date and practicalities of not owning properties in which we operate), we discussed opportunity to improve the offsets market, to make it better regulated, more consistent and less opaque. Whilst we stressed that members' efforts should remain focused on driving genuine emissions reductions, we urged the ABI to lobby government about the offsets market, assessing scope to bring the market in line with standards agreed by DEFRA.

- **Thatcham Research:** Thatcham Research was established by the motor insurance industry with the aim of containing or reducing the cost of motor insurance claims while maintaining safety standards. We are active members of this important institution and contribute to the research and public policy work that it does in areas including work to understand risks around the cost of EV claims, the challenges to repairers due to increased uptake of high voltage EV batteries and the development of autonomous vehicles.

- **Brake:** We are proud partners of Brake, the road safety charity. This year we supported Brake to commission bespoke research exploring the impacts of vehicle pollution in and around UK schools. Vehicle pollution is an important driver of ill-health in our nation's schools. Tackling this issue is aligned to action on climate change - encouraging shifts to lower impact transportation (including walking, biking and public transport), and accelerating the shift to electric vehicles. The research incorporated a survey of 2,019 people who have primary care responsibilities for children between 0 and 18 which we promoted on our LinkedIn social channel. The results have been used to inform Brake's campaign to call to government for a 20mph speed limits to be implemented around all schools in the UK. A reduction in the speed limit would help reduce fatal accidents and also help to reduce pollution around schools.

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.
- **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 improved governance, management and disclosure of climate risk**
- **Continue to raise the importance of cleaner air and safer journeys for school children**

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 climate research priorities are to:

- Understand the risks to, and opportunities for, our business associated with the changing climate and the transition to lower carbon technologies, including increased frequency of weather events, EVs, the use of greener parts for motor repairs, solar panels and heat pumps.
- Understand opportunities to manage decarbonisation of our investment portfolio (see Principles 3.1 and 3.2).
- Support our customers in transitioning to lower carbon technologies including EVs and more sustainable homes.
- Understand and respond to the changing needs of our customers.

In 2022 we commissioned bespoke research by our partners Brake, exploring approaches to reducing vehicle pollution at schools. The research explored school travel patterns and the barriers to moving to lower carbon transportation. The research found that more than two-thirds of parents would like their children to use active travel more frequently for school journeys, but that road traffic safety was a key barrier to uptake. The findings have informed Brake's campaign to the government to call for 20 mile an hour speed limits around all schools, which would help reduce fatalities and help to reduce pollution around schools.

In 2022 we undertook a number of surveys of LinkedIn influencers to research perceptions of key climate related issues. Our surveys included:

- **Individual decarbonisation action:** whether people think that individuals are doing enough to reduce their own emissions. Our survey found that 62% of respondents think that people in the UK are not doing enough to reduce their footprints.
  Implications for us: use our customer engagement email comms to provide customers with smart guidance as to how they can reduce their footprint. See Principle 6 for examples of how we've done this.
- **Barriers to EV uptake:** what the key challenges are in stopping people switching to EVS. Our survey found that vehicle cost is the key barrier for 49% of respondents.
  Implications for us: as our EV risk data continues to become more mature, we have reassessed pricing, reducing prices across many EV makes and models to help reduce the overall cost of EV ownership.
- **Use of recycled parts:** Whether people would be happy to accept a vehicle repair using recycled parts, supporting circularity within our repairs. Our survey found that 58% of people would accept a repair with a recycled part.
  Implications for us: whilst it is great that most customers are willing to support our efforts to use recycled non-safety parts, our survey uncovered the barriers to adoption, which can inform our approach. Some of these (customer knowledge and scepticism) we can aim to overcome via comms; other concerns (invalidation of warranty through not using genuine manufacturer's parts) are more challenging.

We will continue to conduct polls such as this to boost awareness of important sustainability topics and will use the results of these polls to inform our strategies.

We also work through industry forums to support and participate in 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 and repair from the impacts of climate change when the worst happens. That means we have an important role to play in helping our customers understand the need to transition to a low carbon economy, to choose climate-friendly options for their home and vehicles, and to take action when extreme weather is forecast.

Our customer climate communications objectives are to:

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

Over the last 12 months, we continued to gear up our climate-related communications to our customers and the wider market, as well as to our employees (see section 4.4), prospective colleagues and our suppliers. Our communications are structured around an annual communications calendar that integrates climate change into our ongoing communications across all channels.

Our corporate communication is centred around our Group website. We have detailed information on our climate strategy in our dedicated Sustainability section. This section sets out our targets, together with outlining our action areas and progress to date. The website clearly states our belief that unmitigated climate change is a key risk for the insurance industry, as well as a systemic threat to society.

We have also incorporated information on our climate strategy and targets within the website, and will continue to make the non-confidential elements of our ClimateWise disclosure public on the website annually, on an ongoing basis. Our corporate website is a key source of information for media, investors, customers & talent.

Recent customer communications include:

- **Website content** – We publish blog content on our Retail website that communicates our point of view on the climate 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 our 2.3m existing policy holders 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. In 2022 we published significant new content to support customers with the cost of living crisis. We embedded climate-related tips into our blogs, which included information on reducing food waste and improving energy efficiency of homes. Our website also includes content on the Top 10 UK areas best and worst prepared for an EV future, which provides details on charging infrastructure across different UK towns and cities.
- **Regular LinkedIn communications** – Our corporate narrative includes our ambition to play our part in supporting a greener, safer world. In 2022 we delivered an active social media strategy, using LinkedIn as a key channel through which we reach customers, colleagues, talent and industry peers. We maintain a drum-beat of social media posts throughout the year on environment and climate related topics. In 2022 we used LinkedIn surveys as a tool to further engage our audience on climate-related subjects.

Recent examples include:

- **Global recycling day:** We shared information on our Green Parts initiative which uses recycled non-safety car parts wherever possible, announcing we've increased our use of green parts by 42% year on year.
- **Our partnerships:** We shared information on partnerships with Green the UK and The Conservation Volunteers on sustainability topics, including sea kelp restoration (supporting carbon sequestration) and tree planting.
- **Our climate strategy:** We shared information on our climate approach and commitment to ClimateWise. We have also supported all ClimateWise requests for members to share and promote ClimateWise content.
- **Brake charity partnership:** we produced a series of posts highlighting the aims of our Brake partnership - cleaner traffic and safer roads.
- **EVs:** We produced four posts providing information and encouragement for customers to support uptake of EVs.
- We have over 21,000 LinkedIn followers and see strong 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 forgo 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. To date over 500 customers have chosen to forgo a courtesy car. The scheme is available through eight of our repairers including large regional networks.
- **Engaging around the shift to EVs** – In 2022 we refreshed the EV section of our retail website to support customers with their switch to EVs. The revised content recognised the importance of protecting the environment as a driver of customer switching to EVs. Our content references battery cover, power cable cover and range anxiety, which we have identified through customer research as EV drivers' key concerns and needs.

We use PR and marketing 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 more sustainable planet, which naturally includes all climate related targets, supporting initiatives and progress. Our engagement emails reach 1.1 million customers. Our activities are timed to provide useful advice that can influence customer behaviours when it can have most impact. Our activities in 2022 included marketing information on:

- EVs, including whether your area is ready for EVs
- Eco-friendly homes and the actions customers can take to improve sustainability
- Prepping cars and homes for the changing seasons
- Sustainability tips for home and car
- Smart home devices and how they can help reduce the amount of energy you use
- How to protect your home as bad weather approaches, including frozen pipes
- Home and garden makeovers and the opportunities to use more sustainable materials
- EV travel, including the top areas in the UK for EVs and the opportunities to drive to Europe rather than fly (encouraging the shift to lower carbon forms of travel)

Progress against 2022 planned activities:

- We continued our engagement on sustainability and climate-related topics on social media with climate integrated into our annual communications calendar
- We used social and PR to drive engagement with sustainability content though our emails to our 1.1 million customers and on both our Group and Retail websites. In 2022 we sent five engagement emails, three with specific sustainability modules and a further two reference sustainability blog content.
- We are continuing to pilot our tree-planting incentivisation program, working with repairers to continue to offer customers the opportunity to forgo a courtesy car. We will continue to learn lessons from our pilot and consider further opportunities to incentivise greener customer activities in other areas.

Planned activities:

- In 2023 we will continue to communicate on climate-related topics across our channels, integrating climate communication into our core communications calendar.
- We plan to extend our climate communication to cover areas including the development of EV skills in our network, our carbon neutral repair network and our work with Brake to support sustainable transportation decisions.

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

- Make people more aware of climate-related risks
- Help our customers understand the climate-related risks they face
- Provide support and tools for them to reduce their risks

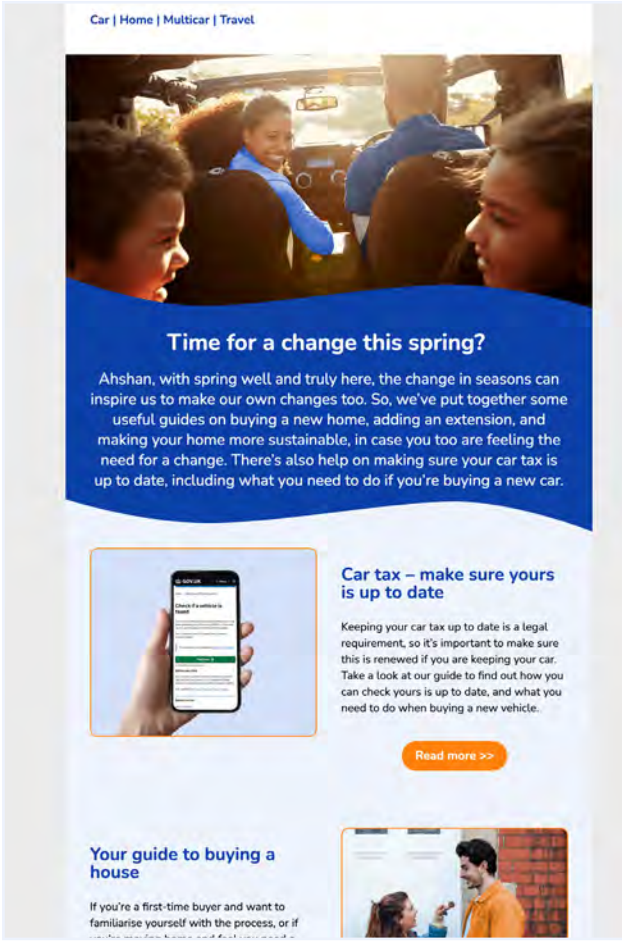
We help customers to manage acute climate-related risks by communicating weather warnings – for example, frost or storms – through email and social media. We advise customers on ways to keep their homes safe and protected. We also communicate with customers (and colleagues) on safe driving. As well as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

In 2022 we have reviewed the effectiveness of our communications in helping customers reduce climate risks. We have been able to demonstrate that customers who opened our emails on 'how to prevent frozen pipes' had a lower average claim than those who received but didn't open the email.

Examples of our customer communication include the following

- Sustainability tips for your car and home (June 2022)
- Top tips for autumn: Practical tips for keeping homes and cars safe as the seasons change Aug 2022
- Avoiding frozen pipes: Advice on how to manage cold snaps at home Feb/Mar 2023
- Top tips to save money and stay safe - Smart home devices and frozen pipes Feb 2023
- Your spring guide to moving or improving your home May 2023
- Driving in Europe and garden makeovers June 2023

Example customer communications:



We have significantly updated all of our EV website content. We clearly communicate to customers that EVs produce zero tailpipe emissions, meaning that they are better for the environment than standard (combustion engine) cars, with a view to prompting drivers to consider their impact and the potential to switch to EVs.

Progress against 2022 planned activities:

- We launched a new proposition that 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 have assessed the merits of an offset proposition, conducting an assessment of our peers' offerings in this space and conducting consumer research on appeal and barriers. We concluded that, alongside other priorities within the business and given mixed consumer feedback regarding impact and price point, development of an offset proposition is not something we would prioritise within 2023.

Planned activity:

- We will maintain our regular drum beat of communications across the year to help our customers understand and reduce their risks.
- We have proactive, preventative communications prepared for major weather events. We will continue to learn from what is working in communications to improve the support we are providing customers.
- We plan to progress the development of a dedicated sustainability-focused, consumer-facing proposition within 2024. This will aim to embed sustainability design principles from the outset, leveraging consumer and partner insight to build a compelling offering that supports and encourages more sustainable customer choices and behaviour. We will assess opportunities across both Motor and Home.
- We are currently in discussions to become part of Flood Re's Build Back Better scheme. Rather than simply repairing homes to the same standard they were prior to a flood, Build Back Better gives homeowners the chance to install flood resilience measures to reduce the cost and impact of any future floods.

Principle 7: Enhance reporting

7.1 Submission against the ClimateWise Principles.

esure Group plc published its 2022 report, covering our second year of membership of ClimateWise on the esure Group website. This document constitutes esure's 2023 report, covering our third 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 within two weeks of sending to ClimateWise. We will promote it being published via LinkedIn, including a link for people to click directly through to the document. We will also include reference to the disclosure on our homepage to help increase visitor awareness of the report and provide an easy means of clicking through to the document.

Our disclosure will be aligned with our other climate related reporting and disclosure including:

- Information on our climate strategy on our esure Group website.
- We have embedded our reporting on ClimateWise principles into other communications and disclosures, including within our extended ESG section of the 2022 Annual Report, and in our s172 statement (Engagement with Stakeholders), which highlights "Community and environment" as one of our stakeholders. Our ClimateWise report 2022 is also linked from our Annual Report to enable easy access by readers.

Progress on 2022 planned activities:

- We are currently reviewing the Mandatory Climate-Related Financial Disclosures requirements resulting from The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amendment of sections 414C, 414A and 414B of the Companies Act 2006, and are planning to align our 2023 reporting with the guidance.
- We have participated in an ESG Forum with our fellow Bain Capital European portfolio companies to discuss best practice around Task-Force on Climate-Related Financial Disclosures (TCFD).

Planned activity:

- In our 2023 Annual report, climate related information will be included in our Non-Financial and Sustainability Information Statement which will form part of our Strategic Report.
- We will include mandatory Climate-related Financial Disclosures (CFD) and Task-Force on Climate-Related Financial Disclosures (TCFD) recommended disclosures in our 2023 Annual report.

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