



**Liberty**  
Specialty Markets

# ClimateWise Report

2022

## Managing Climate Risk for Mutual Advantage

Now in our third year of membership, Liberty Specialty Markets is pleased to be a part of ClimateWise, a growing global network of leading insurance companies and industry partners.

We learn from the collective expertise and exchange of best practice within this unique group, and in 2021 we also participated in the net-zero underwriting working group.

In this report, we demonstrate how our UK and European businesses respond to the risks and opportunities of climate change. We are in the business of managing risk to advance resiliency – being aware of it, identifying it and creating solutions to mitigate its negative impacts. Rapidly evolving risks and impacts from climate change require us to double our efforts in anticipating our customers' needs. As the world transitions to a low-carbon economy, we are committed to enabling an equitable and responsible transition by helping customers advance their sustainability journeys. We also appreciate, publishing this now in 2022, that we pursue transition in a significantly challenged and uncertain world.

We have used the ClimateWise Principles to structure this report. Where relevant, we cite commitments and activities from Liberty Mutual Insurance Group (LMIG), our parent company, as well as key activities prior to 2021 for context and background. More detail on LMIG's climate change strategy can be found in the [Task Force on Climate-related Financial Disclosures \(TCFD\) report](#).

We are proud that in 2021, we improved significantly in ClimateWise's assessment of our reporting and we look forward to closing the gap and advancing further in the future. Climate change is too complex and challenging for any single organisation to tackle alone. We thank ClimateWise for bringing the industry together in the spirit of the multi-stakeholder collaboration that is needed.

**Matthew Moore** Managing Director and President

**Denise Delaney** Head of Responsible Business





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## Overview of our progress

ClimateWise Principles	LSM overview
1. Be accountable	Embedding climate change into all relevant management / governance structures and responsibilities
2. Incorporate climate-related issues into our strategies and investments	Assessing our portfolio against different climate change pathways and setting new policies, such as a responsible business and responsible investment policy
3. Lead in the identification, understanding and management of climate risk	Making significant advancements in our climate risk capabilities through utilisation of data, stress and scenario testing and undertaking a climate risk appetite and materiality assessment
4. Reduce the environmental impact of our business	Measuring, reducing, and disclosing our Scope 1-2 (and some scope 3) emissions and other environmental impacts; working with our suppliers and engaging our colleagues on environmental impact
5. Inform public policy making	Engaging with global regulators and actively contributing to several collaborative industry initiatives and working groups
6. Support climate awareness amongst our customers/ clients	Providing products and services to support a responsible energy transition and build resilience, and communicating our climate strategy through the LMIG TCFD report
7. Enhance reporting	Publishing an annual summary, from 2022, of our climate approach and key activities in the first LSM ClimateWise report



# 1. Be accountable

## Board and oversight

Liberty Specialty Markets (LSM) is part of Liberty Mutual Insurance group of entities (LMIG), a leading global insurer. We provide specialty insurance and reinsurance solutions to customers across the globe. Our principal operating entities in the UK and EU are Liberty Managing Agency Limited (LMAL) and Liberty Mutual Insurance Europe SE (LMIE). As a subsidiary of LMIG, LSM has its own governance structure, Executive Leadership Team and legal entity boards. LSM and its entities set and execute their own business and climate change strategies, operating within LMIG's entity-wide business strategy, including its climate change strategy and aspirations.

We see the impact of climate change firsthand as extreme weather events affect our policyholders and investments in many parts of the world, which is why LMIG and LSM have both made clear commitments to support the transition to a global low-carbon economy. LMIG has set out its aspirations to tackle climate change (see [TCFD](#) and [ESG](#) reports). LSM is aligned to these aspirations and is a member of LMIG's ESG and climate governance bodies detailed in its reports, such as representation on the LMIG Climate Council, to help set LMIG's climate change strategy and ensure ClimateWise Principles are considered.

We act as a responsible business consistent with the ClimateWise Principles. Climate change is a standing item on board meeting agendas, in terms of strategy, risk management, metrics and target setting, disclosure and investment.

To ensure this, two of LSM's LMAL and LMIE board members have been assigned to proactively monitor the output of activities linked to the ClimateWise Principles – one as the named responsible individual for financial risks arising from climate change within the firm (Chief Risk Officer) and the other as Executive Sponsor of responsible business (General Counsel). The Chief Risk Officer has also been assigned ownership of all climate change financial risks and opportunities within LSM and oversees the climate change risk management process and LSM's Climate Change Forum.<sup>1</sup>

## Management

LMIG has integrated the management of climate related issues into several below board-level groups across LMIG. All groups have responsibility and membership overlaps, ensuring a combined approach to the management of climate change issues across LMIG.

<sup>1</sup> The terms of reference for LMAL and LMIE's boards have been updated to include direct responsibility for managing climate change risks with regular reporting from the Risk Management team in the Chief Risk Officer's Report to the Risk Management Committee (RMC).



## 2. Incorporate climate-related issues into our strategies and investments

### Implications for business performance & stakeholders.

#### Underwriting

In-line with other LMIG's Global Risk Solutions businesses, our ambition is to future-proof and evolve our underwriting portfolio through proactive steering and risk selection practices. We are focused on developing measurement tools, baselining, and consistently monitoring our portfolio to better enable us to seize opportunities as well as deepening our risk expertise as it relates to ESG and climate. We are bringing ESG and climate considerations into our risk selection by applying a consistent framework to assess material factors within our underwriting process. This approach is a natural evolution of our core underwriting philosophy, and it will continue to evolve and be informed by reliable data, technological and regulatory changes, and market forces.

LSM has a well-established framework for monitoring physical risks within its underwriting portfolio. This is primarily coordinated by LSM's Exposure Management team who carefully monitor our insurance policies and feed relevant information into the LSM ERM Committee on a quarterly basis. Policies are modelled by country and peril, to estimate loss probabilities from a wide range of natural hazards. Many climate-related hazards, notably perils like flood and wildfire, require more detailed exposure information than traditional catastrophe modelling tools. We are investing in improving our source data to be able to leverage more sophisticated analytics on fast-moving climate hazards.

For many years, LMIG's Enterprise Risk Management (ERM) Catastrophe R&D function has included climate scientists translating the latest in climate science and climate risks into insights for our businesses. Their role is more important given the current state of climate models. Applying climate models in isolation to understand changes in short-term extremes can lead to unintended

consequences and poor risk management. That is why LMIG pairs climate models with catastrophe models, which are specifically designed to manage extreme events, allowing for a more accurate understanding of what could happen to extreme events in the near term, based on the best available climate science.

LSM also recognises that transition risk poses a threat, which we seek to better understand through third-party ESG data providers. These sources will provide LSM's underwriters, portfolio managers and Risk Management team with information on company-level emissions and transition risk factors. LSM also works with LMIG to establish its own view of third-party data insights and transition pathways, such as through leveraging the scenarios published by the Central Banks and Supervisors Network for Greening the Financial System (NGFS).

In line with LMIG policy, LMAL and LMIE do not accept underwriting risk for companies where more than 25 percent of their exposure arises from the extraction and/or production of energy from thermal coal, and we are phasing out coverage and investments for existing risks that exceed this threshold by 2023. In addition, LMIE and LMAL comply with all local regulatory requirements.

We also continue to track primary and secondary perils to ensure we understand where claims may arise from, or be exacerbated by, climate change. By accurately capturing relevant data elements across our organisation, we can work towards identifying emerging trends early. As a result, we can better integrate into our underwriting processes and ultimately help our clients mitigate loss in the first place.

#### Investments

The identification, understanding and management of material ESG factors, including climate risk, is an important and material input to decisions surrounding attractive or desirable risk-return profiles of investments.





## 2. Incorporate climate-related issues into our strategies and investments (continued)

LMAL and LMIE's investments are managed by Liberty Mutual Investments (LMI), the in-house investment manager for LMIG. LMI sets the direction of the investment strategy for LMIG and the strategy is agreed or refined for LMAL and LMIE, as agreed by the respective boards through the Investment Management Agreement (IMA). The LMAL and LMIE Boards ensure that any existing and new local regulatory requirements and timelines are embedded within the strategy.

In 2021, the boards of LMAL and LMIE approved a Responsible Investment Policy (RIP), which formalises the approach to ESG in investments and is reviewed annually as we better understand the impact of climate risk on our portfolios.

LMAL and LMIE's investments also align to the LMIG policy to no longer make new investments in debt or equity securities of companies that generate more than 25 percent of revenues from thermal coal mining or utility companies that generate more than 25 percent of their electricity production from thermal coal (since 1 January 2022) and will phase out existing investments in these activities by the end of 2023. Since implementing the coal policy, LMIG's overall exposure to coal-intensive investments (as defined in the policy) was reduced by 75 percent.

### Measuring & disclosing implications

#### Underwriting

LMIG has identified and disclosed several climate-related risks to our underwriting portfolios and highlights the increased volatility associated with changing physical risk factors.

Within the annual Own Risk and Solvency Assessment (ORSA) reports for both LMAL and LMIE, LSM has incorporated climate scenarios, focused on stressing the physical and transition risks to LSM's property book as well as the potential impacts of climate litigation to LSM's casualty book – measured against three Representative Concentration Pathways. Participating in the Bank of England's Climate Biennial Exploratory Scenario (CBES) exercise has provided LSM with further insight on potential risks within LSM's underwriting portfolio.

#### Investments

LMI's ESG investment strategy is grounded in the belief that holistic integration of material environmental, social, and governance (ESG) factors into the investment

process can enhance our ability to meet the company's long-term investment objectives.

In 2021, LMI rolled out an ESG framework, which outlines how it considers material ESG factors in the investment process for all assets and partnerships where we are deploying capital, and across risk management and vendor management practices. It also leverages external data providers such as MSCI and Sustainalytics. LSM works closely with LMI to understand the fundamentals of the framework and ensure alignment with local regulatory expectations as well as LSM's strategic objectives.

LMIG also became the first U.S. Property & Casualty insurer to become a signatory to the United Nations-supported Principles for Responsible Investment in 2020. The membership will deepen LMI's focus on the integration of sustainability considerations into the investment process at the LSM level.

#### Risk Management

Details of all climate risk-specific information, inclusive of underwriting, investments and operations, is captured by our Risk Management team and reported to key decision makers, and LMAL and LMIE's Risk Management Committees, through a Climate Change Risk dashboard which is updated on a quarterly basis. This allows for effective monitoring and management of significant climate change risks to LSM. This dashboard includes metrics analysing different risk areas within LSM, monitoring these against specific management information.

In 2021, LMIG joined the Partnership for Carbon Accounting Financials (PCAF) and is part of the Insured Emissions Working Group, focused on developing a global standard to measure and greenhouse gas (GHG) emissions associated with insured portfolios.



## 2. Incorporate climate-related issues into our strategies and investments (continued)

### Incorporating scenario insights into decision making

We believe climate-related scenario analysis should be used to assess and disclose potential business, strategic, and financial implications of climate-related risks and opportunities over a short-, medium- and long-term time horizon. In 2021, LMIG conducted climate-related scenario analysis exercises to inform our risk assessment, strategy and decision-making. Scenario analysis is a well-established method for developing strategic plans that take into account a range of plausible future states. However, the use of scenario analysis for assessing the potential business implications of climate-related risks and opportunities, is relatively recent. Currently there is no universal approach to this exercise and there are fundamental gaps in the data and models available to pursue this analysis. The LMIG 2021 TCFD report further details our approach in leveraging NGFS and our resulting insights.

LSM continues to build upon climate change scenarios included within the ORSA to assess the medium-term business strategy to plausible events. In 2021, LSM took sensitivity and scenario testing of the physical, transitional and litigation risks presented by climate change – with focus placed on assessing the potential risks posed by increasingly severe weather events, notably North Atlantic hurricanes, as well as the potential implications of successful climate change lawsuits and the hastening of a rapid economic transition. Through participation in regulatory exercises that aligned with NGFS data, LSM has been able to further evolve scenario thinking and identify areas for future improvements. Management actions focus on increasing analytical capabilities within the firm to allow for further refinement of our climate change strategy.

### Underwriting

Across the Liberty Mutual Insurance Group, underwriting

strategy focuses on creating strong partnerships, delivering risk transfer solutions and supporting the Group's ESG goals.

On an annual basis we review all LSM underwriting classes of business and rate the potential risks to each line for the coming year. For 2022 ratings, results from the 2021 climate scenarios were considered when evaluating different lines, notably our casualty lines. We aim to again include climate change risks in the business planning process for the coming year.

Results of recent ORSA scenarios highlighted the potential exposures within our underwriting portfolio to the physical, transition and litigation risks posed by climate change. As such we have been focusing on steering our portfolio to become not only more resilient to the potential impacts of climate change, but also to take advantage of the opportunities which may be presented to support the transition and customers who are actively managing their transition risk.

As part of our strategy to manage transition risk, we have been gradually shifting the makeup of our energy portfolio, to focus more on renewable energy and follow our conviction that a societal shift away from coal-powered energy generation is fundamental in supporting the economic transition.

We have also steered other core lines to ensure they are more aligned to support the low carbon economy transition and provide increased cover to policyholders most at risk from the changing weather patterns climate change is likely to bring. Our agricultural parametric insurance has grown in the past years, in both size and the products offered, and aims to provide climate resilience solutions to those who may not otherwise be able to source insurance. Our parametric insurance offers cover climate-impacted perils in at risk regions, including tropical cyclones, snow, frost, wildfire and hail.





## 2. Incorporate climate-related issues into our strategies and investments (continued)

Products are also offered to a number of industries pivotal to supporting the climate transition, e.g. solar and wind farms.

We also grew our financial lines in alignment with our climate strategy. The Financial Risk Solutions team has begun writing several new accounts focused on supporting capital going to climate mitigation causes.

Our learnings from the scenarios conducted over the past year have led to plans to develop a deeper understanding of direct transition risks to the underwriting portfolio. We have worked with third parties to better understand these risks and have committed to a sizeable investment to integrate climate risk specific information within our underwriting portfolio over the coming year.

### Investments

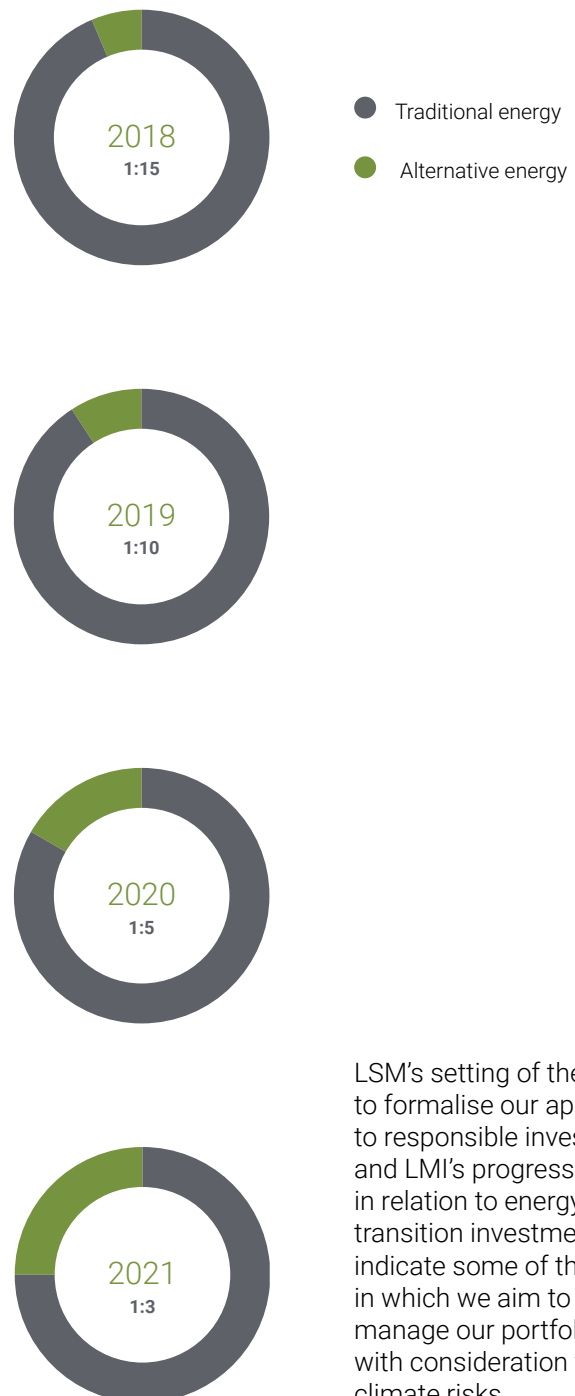
LMI continues to assess its traditional energy exposure, ensuring that it is advancing the transition to a low-carbon economy, while supporting businesses on their own energy transition journeys.

We believe that the energy transition is and will have a profound impact on society, and this must be reflected across our investment portfolio. By integrating ESG factors into the investment process, LMI is able to identify the most material effects of the energy transition across assets. At the same time, certain sectors will be particularly critical in driving the energy transition, which will, in turn, create significant new opportunities for innovative, forward-thinking companies and investors.

In late 2020, LMI formalized an Energy Transition Investment Strategy and a dedicated Energy Transition and Infrastructure (ET&I) team within the private investments practice. This strategy and team are responsible for driving returns for LMI's financial performance and capital growth goals, supporting the global energy transition, and capitalizing on the positive market backdrop underpinning the robust investment environment. The allocation of these investments to the legal entities within LMIG are subject to meeting local regulatory requirements and approval by the legal entity boards that private equity investments are within risk appetite.

The ratio between LMI's investments in alternative vs. traditional energy: 1:15 (2018) vs. 1:3 (as at end 2021).

### Ratio of LMI's investments in alternative energy to investments in traditional energy



LSM's setting of the RIP to formalise our approach to responsible investing and LMI's progress in relation to energy transition investment indicate some of the ways in which we aim to better manage our portfolios with consideration to climate risks.



### 3. Lead in the identification, understanding and management of climate risk

#### Integrating climate risk into processes

We are acutely aware of the risks posed by climate change. These risks arise from the potential impacts associated with an increase in global average temperatures, measured against pre-industrial levels. The risks have the potential to manifest in three distinctive forms: physical risks, transition risks and litigation risks.

- Physical risks result from the impacts of increasingly frequent and severe extreme weather events and longer-term shifts in climatic conditions.
- Transitional risks arise from global and local economic transitions to carbon neutrality, which are likely to include large-scale market, technological and policy changes.
- Litigation risks stem from parties seeking legal redress against those deemed to be responsible for the impacts of physical and transition risks.

#### Underwriting

Our underwriting teams are represented across climate change-focused internal forums, which enables the identification of different climate risks and opportunities to LSM's underwriting portfolio. In 2020, LSM conducted its first Climate Risk Survey which asked all underwriting lines to identify potential climate change risks. This informed our 2021 climate materiality assessment to understand, size and map different climate risks and exposures over a 30-year time horizon to our underwriting (as well as investments and operations [\(see section 2\)](#)).

#### Investments

As part of the 2021 ORSAs for LMAL and LMIE, LSM undertook sensitivity and scenario testing of the transition risks presented by climate change. This included an initial risk assessment of the impact of climate change on market risk based upon early, late and no action scenarios. In addition, a Rapid Transition Scenario was performed assessing the impact on the value of LSM's invested assets resulting from rapid transition. Through participating in the CBES exercise, the scenario analysis was extended to cover LSM's invested assets across entities LMAL and LMIE. Outputs from the ORSA and CBES scenarios have been discussed at various decision-making committees and with our investment manager with actions arising from the analysis tracked and updates provided.

LMI is in the process of developing a climate scenario analysis that assesses the impact of climate change across the whole of the LMIG-invested universe, including LMAL and LMIE. LSM remains close to LMI as they develop this framework and will seek to leverage the expertise in this area in the detailed ongoing assessment of climate risk to aid the resilient positioning of our portfolios.

#### Risk Management

Climate change risks are identified, measured, and monitored by the Risk Management team, Climate Change Forum, Emerging Risk Task Force and other committees and groups with updates presented to the RMC (and onto the Board, where appropriate), to inform decision making. This also flows into risk management at LMIG, feeding into its Climate Council and related governance structures.

In the past year we launched our first Climate Change Risk Assessment which looked to identify climate risks within the LSM risk universe. This was initially conducted at LSM level, then run at the legal entity level for LMAL and LMIE. These assessments identify current and future exposures to climate change risks and help identify areas in need of further analysis or support when dealing with climate change. Following the success of this first iteration, we will continue to run these assessments and look to expand the assessment to include more risks, in the coming year.

LSM has conducted a climate materiality assessment, to understand, size and map different climate risks and exposures over a 30-year time horizon to LSM's underwriting and operations. This assessment has focused on the principal three categories of climate-related risks and opportunities – physical, transition, and litigation. LSM will continue to build upon this assessment, including an evaluation of investments, with this exercise forming the basis for further scenario analysis and testing to help identify potential weak spots in the business.

In 2021 Risk Management worked with the business to develop a new Responsible Business & Climate Change Strategic Risk Objective and climate risk appetites and key risk indicators and will look to continue to evolve these as data and modelling techniques improve. We used the climate scenarios exercise and engagement with key functions to agree upon the types of risks to pursue and avoid, taking into consideration the impact of climate change on LSM, the impact of LSM on the climate, and the principal financial risks.



### 3. Lead in the identification, understanding and management of climate risk (continued)

#### Research & development

Catastrophe models remain a key if insufficient tool for the industry to manage emerging climate risks. LMIG has an ongoing effort within its ERM Catastrophe R&D function to improve its catastrophe models and pursues several R&D initiatives, detailed in our TCFD reporting. We focus on sourcing better data and integrating more rigorous stress testing within underwriting.

Our underwriting teams have been working with expert third parties to develop a detailed understanding of climate transition risks to our underwriting portfolio. Results of these have been compiled and are currently being used to help shape LSM's approach to facilitating a transition to a low carbon economy. Further, LSM's Climate Change Forum, Innovation and Underwriting teams have begun looking at new products that could help LSM's customers, and society more generally, adapt to and mitigate climate change-related impacts.

We are partnering with energy clients in transition and developing holistic insurance solutions from project construction phase through to operations to enable lending. For instance, we are:

- Partnering with a key broker to develop a facility for hydrogen project construction and operational risks. Hydrogen will be a key element in stabilizing the electricity grid and enabling the transition.
- Engaged with LMI to explore opportunities to both invest in and underwrite large scale battery storage.
- Expanding our portfolio of products to provide asset and revenue protection for solar, wind, geothermal, biomass, hydrogen and hydroelectric energy.

More broadly, we work with a number of leading global risk and engineering consultancies to develop our underwriters' expertise in the identification, assessment and treatment of risks arising from emerging renewable technologies including offshore wind. A technology assessment framework is currently under development.



## 4. Reduce the environmental impact of our business

### Working with suppliers

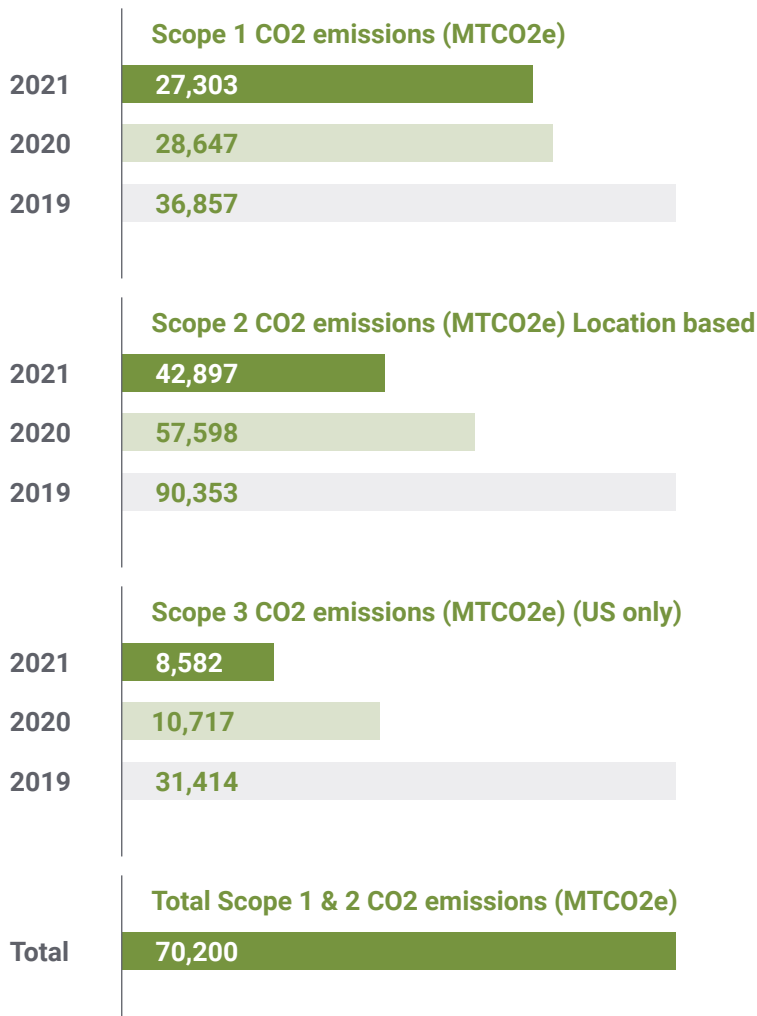
We have embedded a Supplier Code of Conduct to align suppliers with our values and ethos and to reinforce our expectations.

**Example:** changing supplier for corporate merchandise in June 2021 to Fluid Branding. Fluid Branding is a B Corp certified company – a beyond profit company that’s certified to the highest verified standards of Social Performance, Environmental Performance, Transparency and Accountability. As B Corp members, Fluid Branding works with their supply chain to look at sustainable options for LSM across product materials and packaging.

### Disclosing emissions

LSM Scope 1, 2 and 3 GHG emissions are included in the LMIG ESG and TCFD reports. We also entity- and office-level data to manage GHG emissions locally.

We work with LMIG to report fuel consumption data, utility invoices, and commercial air and ground travel data. We are committed to continue enhancing carbon data collection and reporting methods.





## 4. Reduce the environmental impact of our business (continued)

### Reducing environmental impacts of our operations

In September 2021, LMIG set a global target to reduce Scope 1 and 2 emissions by 50% from 2019 levels by 2030. LSM is developing an emissions reduction plan to contribute to this.

Our London-based headquarters at 20 Fenchurch Street, which accounts for over 50% of LSM's global staff has a BREEAM 'excellent' rating, certifying the level of building sustainability, and is one of the most environmentally-friendly office buildings in London. We are also focused on reducing the environmental impact of our offices including printing conservation, paper recycling and furniture reuse, as well as direct emission reductions. These efforts are detailed in LMIG's ESG and TCFD reports.

A new sustainable travel policy is in development, which will reduce associated emissions, and we will continue to reduce the impacts of our operations and physical assets.

### Engaging employees on climate change

We recognise that employees are an active part of our low-carbon journey. We host regular internal events. This included a global, virtual climate change education event in June 2021 for World Environment Day and held in partnership with the British Antarctic Survey and Volans. We proactively encourage employees to consider climate specific impacts through a climate change education series and there are several environment- and ESG-focused internal networks across LSM and LMIG.

LSM acknowledges the important role of biodiversity, especially oceanic biodiversity, in helping to both combat global temperature increase as well as offset some of the physical impacts of climate change. This underpinned the company-wide partnership with Ocean Bottle, who make reusable and fully recyclable bottles made from stainless steel and recycled ocean-bound plastic, and our global charity partner, WaterAid. During the course of this partnership employees were encouraged to submit videos of themselves passing Ocean Bottles (and others), aiming to break a Guinness World Record and in doing so, raise awareness of WaterAid and Ocean Bottle. Each bottle funds the collection of 11.4 kgs of ocean-bound plastic, and the bottles purchased by LSM funded the collection of over 11,000 kgs of ocean plastic, the equivalent of one million plastic bottles. By providing Ocean Bottles to employees, we also discourage the purchase of single-use plastic.

In addition, we work to raise awareness and knowledge among all of our colleagues. We regularly develop tools and materials, including a manager toolkit and quarterly lunch and learn sessions. Following the LMIG emissions reduction target and PCAF announcements, a 'frequently asked questions' resource was created to inform those in the business and to share with our customers and brokers.

## 5. Inform public policy making

To ensure that insurers are better represented in considerations around climate-related financial disclosures and to shape policies, LMIG has engaged with regulators globally and more specifically in the US, as well engaging with the TCFD.

LSM has been a member of the International Underwriting Association Climate Committee and Climate Financial Risk Forum (Disclosures Working Group), and has Board-level representation in the Lloyd's Market Association and London Market Group. Our membership in these forums helps to shape how the financial services sector, and insurance industry, is able to engage with climate-related challenges. We have also been involved in supporting submissions to UK and European regulators who have asked for participation in shaping future climate disclosure requirements.

LSM participates in select working groups of the Climate Financial Risk Forum, co-chaired by the Financial Conduct Authority and the Prudential Regulation, to build capacity and share best practice across regulators and the financial services industry to advance our sector's response to the financial risks from climate change.

### As part of LMIG:

- We are a signatory of the United Nations Global Compact, a CEO-level commitment to implement universal sustainability principles.
- We are a signatory of the United Nations-supported Principles for Responsible Investment (PRI), partnering on thought leadership, strategic dialogues, and voluntary annual reporting.
- We are part of the Partnership for Carbon Accounting Financials (PCAF) and will co-lead the Insured Emissions Working Group to develop a global standard to measure and disclose insured GHG emissions.
- We are part of the Taskforce on Nature-related Finance Disclosures (TNFD) Forum, a consultative network of over 100 organisations who share the TNFD's vision of creating a new risk management and disclosure framework for reporting and acting on evolving nature-related risks.
- We are a member of Focusing Capital on the Long-Term (FCLTGlobal), a non-profit organization that develops actionable research and tools to drive long-term value creation.
- We are a member of Ceres, a non-profit focused on transforming the economy to build a just and sustainable future for people and the planet.



## 6. Support climate awareness amongst our customers/clients

LMIG has developed a Group-wide climate strategy, comprised of four elements:

1. Understanding the impacts that climate change is having on our customers, employees and society
2. Developing innovative solutions to help our customers meet the challenges posed by climate change and supporting customers on their own transition journey
3. Adapting our business and operations to meet the challenges posed by climate change
4. Seizing investment opportunities in the low-carbon economy

In 2021 LMIG formalized a set of Climate Aspirations – a values-driven philosophy regarding climate issues – to shape the Group-wide climate transition strategy. These Aspirations provided LSM with a directional roadmap to adapt and implement detailed climate strategies and initiatives, appropriate to their markets. Details of progress against LMIG's aspirations can be found in the 2021 TCFD report.

Each global business unit sets and manages climate strategies within the regions in which they operate. In 2021, LSM communicated these beliefs and strategy towards climate change in its LMAL and LMIE report and accounts, as well as publicly on its website.

In our underwriting, we look to partner with and seek out those companies that are developing credible transition plans and are involved in clean technology and renewable energy. This supplements LMIG's coal policy, established in 2019, to phase out coverage for thermal coal.

In addition:

- We were the first major carrier to commit capacity to Climate Transition Pathways, an initiative spearheaded by our broker partner WTW that will provide clients with insurance following an independent detailed, science-based assessment of Paris-aligned climate transition risks and transition strategy
- Climate change and energy transition is part of our conversations with energy clients at renewal
- We are working in collaboration with a third party to build tools that will assist clients with climate risk management and demonstrate how economic sectors and lines of business are likely to change over time
- LMIG recognises the increasing threats from climate change. Its ERM function has developed a specialised Catastrophe Research and Development function to analyse catastrophe models for perils such as hurricane, earthquake, tornado/hail, wildfire and winter storms. This group customises vendor models and builds specific models to create what we call the "Liberty View of Risk" to help LMIG and LSM make informed underwriting, pricing and reinsurance decisions to protect customers.





## 7. Enhance reporting

This report, referenced in the LMAL and LMIE reports and accounts as well as the LMIG TCFD report, comprise our public disclosure on climate change.

## 8. What's next?

We are committed to proactive and continuous improvement in our approach to climate change risk. Feedback from ClimateWise informs our strategy to advance the embedding of ESG across the business, building on our strengths and further developing our capabilities and plans to:

- Measure our underwriting portfolio against ESG and climate factors;
- Advance our understanding of the impact of ESG and climate risk on our investment portfolios;
- Innovate our products and services to help mitigate climate risk, and support our clients adapting;
- Continue our employee engagement efforts, covering more specific climate risk dimensions and improving our efforts to measure our impact; and
- Inform public policy, offering our view on new or revised measures and sharing our learnings with regulators, industry associations and other stakeholders

We invite the feedback of our stakeholders to inform our efforts.

