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ClimateWise Submission

The report covers the climate risk-related activities of the Convex Group and covers the period from August 2022 through to submission on 5th August 2023. The principal entity referred to throughout the report is CGL ('Convex Group Ltd'), with some reference to CIL (Convex Insurance Ltd). We are developing our climate related reporting for our other entities, such as CES (Convex Europe SA) and CRL (Convex Reinsurance Ltd).

Convex Group

Convex is a property and casualty insurance and reinsurance firm launched in April 2019 and founded by Stephen Catlin and Paul Brand. It occupies a unique position in the insurance industry combining unrivalled experience, reputation and a strong balance sheet. It launched with an initial capitalisation of \$1.7bn, rising to over \$3.2bn following a further capital raise in January 2021.

The Convex Group is comprised of:

- Convex Group Limited ("CGL" or "the Group"): a Bermuda exempted company limited by shares and incorporated on 24 October 2018;
- Convex Re Limited ("CRL"): a wholly owned subsidiary of Convex Group Limited, located in Bermuda, authorised and regulated by the Bermuda Monetary Authority ("BMA") since November 2018;
- Convex Insurance UK Limited ("CIL"): a wholly owned subsidiary of Convex Re Limited based in the UK and authorised and regulated by the PRA and the FCA since January 2019;
- Convex Europe SA ("CES"): a wholly owned subsidiary of Convex Insurance UK Limited authorised and regulated by the Commissariat aux Assurances (CAA) since September 2021;
- Convex Guernsey Limited ("CGU"): a wholly owned subsidiary of Convex Re Limited authorised and regulated by Guernsey Financial Services Commission since May 2021;
- Convex North America Insurance Services LLC ("CNAIS"): a wholly owned subsidiary of Convex Re Limited, based in the US and regulated by the local Insurance Commissioner and other appropriate regulators, since June 2021;
- Convex UK Services Limited ("CSL"): a wholly owned subsidiary of Convex Group Limited, based in the UK since February 2019.

Introduction

This report presents Convex reporting against Climatewise Principles for the second year running. Whilst Convex is a recent member of Climatewise, Stephen Catlin, Convex Executive Chairman has been a Climatewise Council member since its origin. Environmental issues have long been a personal focus of his, actively supporting the sponsorship of open-source environmental research projects and introducing their findings into education to build awareness of these critical issues. We recognise that environmental and social issues are driving fundamental changes in society's expectations of business and this informs our approach to building Convex for long term sustainability.

Like other insurers, Convex is impacted by climate risk in a number of ways; changing weather patterns, transition related risk on business models together with associated regulatory or litigation risk. The risks to insurers associated with such changes are complex and need to be considered alongside other developing risk factors, such as inflation and urbanisation. However, there is clearly a need to understand the driving factors behind increasing loss costs to insurers from weather-related events such as Californian wildfires or European floods. We also need to better understand the potentially systemic nature of such risks and the perceived increasing uncertainty of extreme weather events.

The significance of the transition to a net zero pathway and, in particular, the impact of the need to halve GHG (Greenhouse Gas) emissions in the coming decade to meet the targets set initially at COP21 in Paris and refined further exacerbates this risk profile.

We are also especially cognisant of the challenges presented by the ongoing situation in Ukraine and the consequent impact on energy security. This emphasises the need to be measured and considered in our approach, whilst ensuring that net zero commitments can be influenced and met. The acceleration in the demand for renewable energy is something we support through offshore wind underwriting.

We recognise transition as a vital change, and embrace it, seeing an important role for Convex in helping our clients to navigate transition and embrace the opportunities it presents.

We are also keenly aware of the need to educate ourselves and encourage broader understanding around climate change, transition and associated risks. Hence, despite our relatively recent origin we have begun some bold projects; a detailed study into physical risk 'Project Berlin', our ground breaking blue carbon research project 'Convex Seascape Survey', Bermuda based environmental sponsorship and a meaningful Impact Investing strategy which has executed its first transactions supporting transition in this last year.

The above is referenced, where appropriate in this report and described in more detail in our Sustainability Statement 2022. We further set out in the Sustainability Statement 2022, the three Guiding Principles behind our new Sustainability Strategy, our alignment to our priority UN Sustainability Development Goals and also give a clear commitment to Net Zero and set out some of the initial actions to support this path to transition.



SDG₃

Good Health and Well-Being

We underline the importance of wellbeing, both physical and mental, to our employees and wider society through a number of initiatives as outlined in the People section of this report.



SDG9

Industry, Innovation and Infrastructure

The deployment of our capital, our expertise and our progressive use of technology and innovation help advance SDG 9 and are crucial to our work in supporting the transition to a low carbon economy.



SDG 5

Gender Equality

We recognise the need for improved gender equality in the insurance sector as well as more broadly within society, and have a number of initiatives targeting this as detailed in the People section.



SDG 13 Climate Action

As a global insurer, we are fully cognisant of not only the risks but also the opportunities entailed in the transition to Net Zero. We are well positioned to support industries and solutions towards transition.



SDG 8

Decent Work and Economic Growth

We are building a resilient, sustainable business and in so doing respect the responsibilities we have as an employer and as a corporate citizen.



SDG 14

Life Below Water

Our Convex Seascape Survey seeks to quantify the role of the coastal seascape in the global carbon cycle to inform this critically overlooked area.



Our values are at the core of our business proposition and underpin all aspects of our work.

At Convex we live our values in every facet of our business.



Earn our reputation

Everything we do affects how others see us. Our success depends upon our reputation, for which all of us share responsibility.



Straightforward and fair

We tell it like it is, with fairness, dignity and respect. We strive to do the right thing always, however hard it seems.



Determined to improve

However good we are, we are not complacent. We know we can always be better and we never stop trying to improve.



Inspired by opportunity

We come to the market and to every client engagement without baggage.

There is no limit to what we can achieve together.



Enjoy being different

We feel positive about change and we are not afraid to try new things in our quest for a better way for clients, stakeholders and colleagues to do business.

Principle 1: Be accountable



2022-2023 Planned Actions

Progress

Obtain Board approval for Net Zero transition goals and metrics at group and entity level.

- Convex has committed to Net Zero by 2050 in its 2022 Sustainability Statement.
- Convex has agreed ESG metrics at group level which are in part actioned at entity level.

Develop climate related risk appetite metrics to be reviewed by GERC and the Board(s).

- Appetite for physical risk is addressed within our Insurance Risk appetite, natural catastrophe perils and now included in Climate Risk metrics.
- Specific appetite relating to energy sectors vulnerable to transition has been defined and is monitored and reported in Climate Risk metrics.

Provide enhanced transition risk related scenario analysis to further deepen the Board and management's insight into climate related risk.

 Project Berlin used reference scenario IPCC transition SSP3-7.0 and drew out results and conclusions which held under this projection. This medium to high reference scenario - anticipates approximately a 2 degree increase in global warming by 2050 (and 3.5 degree by the end of the century).

Enhance the integration of climate change risk and opportunity into business plans and strategy documents submitted for Board approval.

• 2024 business planning process will include climate related stress tests as well as engagement of the Climate Change Risk Assessment Framework (CCRAF).

Principle 1.1:

Ensure that the organisation's Board is working to incorporate the principles into business strategy and has oversight of climate risks and opportunities.

Level 1: Evidence engagement and oversight at board level through discussion of climate-related issues (risks and opportunities) at regular committee meetings, including the processes and frequency by which the board and/or board committees are informed.

Convex is aware that effective management of climate risk is critical to the long-term success of its business. Accordingly, primary responsibility for climate risk is vested in the Convex Group Board, which is responsible for directing the ESG strategy (including climate risk) across the Group. The Group strategy is further adapted by local Boards as appropriate.

Governance Structure, Roles, and Responsibilities

• The Board is supported by three board committees (Figure 1) and the Group Executive Committee. These committees may focus on specific aspects of climate change risk e.g. the Investment Committee oversees the ESG profile of the investment portfolio. The Board, however, delegates the day-to-day management of Climate Change risk to the Group Executive Committee and its sub committees and working groups as set out in Figure 1.

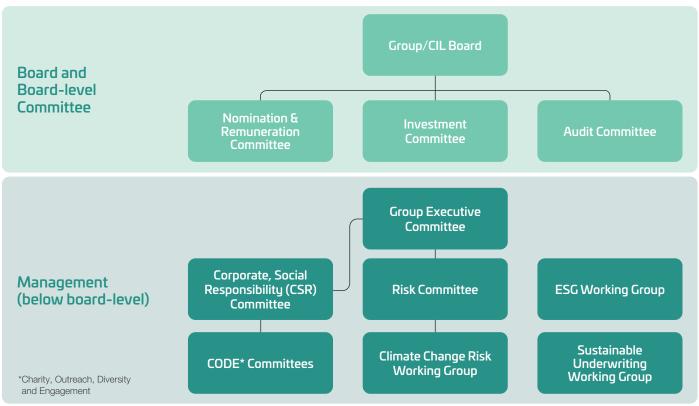
The Executive Chairman, Stephen Catlin leads the Group's engagement in Climate Change risk and the broader Sustainability agenda. At CIL level the regulatory accountability for climate change risk (according to the PRA Senior Management and Certification Regime (SMCR)) is held by Bill Marcoux, Chair of the CIL Board. The CIL Chair's responsibilities under the SMCR are to ensure that:

- CIL and the Board take a strategic approach for managing financial risks from climate change
- CIL Board understand and assess the financial risks from climate change that affect the firm

At CIL level, a Board Risk Committee was added in 2023 to review risk matters (including climate risk) concerning the UK entity.

An organigram of the governance structure for sustainability at Board and senior management level is shown below:

Figure 1: Sustainability Governance



Some of the main climate risk-related/environmental action taken by the Board through 2022 and 2023 (to date) are shown in the table below.

Forum	Frequency	Climate Risk-Related Actions (2022-2023)			
CGL/CIL Board	Annual	 Approval of the Group Sustainability Statement Approval of Financial Statements (including GHG emission data reported in line with the SECR framework) Approval of the ORSA and GSSA (including the climate risk identification and materiality analysis) Review of Convex Seascape Survey Annual Report 			
	Quarterly	Review of the Chief Risk Officer (CRO) reportsReview of Head of Sustainability (HoS) reports			
	Ad-hoc	Board ESG Lunch and Learn Review of regulatory climate related returns			
Investment Committee	Quarterly	Review of ESG profile of Investment Portfolio			
CIL Risk Committee	Quarterly	Review of CRO and Head of Sustainability Reports			

Competence and Expertise

Convex is mindful that to provide effective oversight and challenge to the executive in its approach to climate risk, the Board needs to have sufficient depth of expertise. In this context, the Board benefits from the leadership of our founder and Executive Chairman, Stephen Catlin. Stephen has been a long-time advocate for better scientific understanding of the diverse impacts of climate change and has actively supported the sponsorship of open-source environmental research projects, notably through the Catlin Arctic Survey (2009) with its focus on global warming impact on the ice shelf, and the Catlin Seaview Survey (2016), which researched the impact of increasing sea temperature on coral reef in Australia.

Additionally, Stephen Catlin was the founding chair of the Insurance Development Forum (IDF), an industry association focussed on addressing the risk mitigation needs of countries particularly impacted by climate change. Stephen reassumed a seat on the IDF Steering Committee from March 2023.

Bill Marcoux, CIL Board member and Senior Independent Director, is also deeply engaged in ESG matters as they impact insurers and is also involved in the IDF where he chairs the Law, Regulation and Resilience Policies Working Group. Fiona Luck, CGL Board member, is a member of the Council of Lloyd's and a member of their ESG Committee.

Together with the knowledge and experience of our other directors, they bring valuable insight into climate-related risks, enhancing and enriching Board engagement on this topic.

Level 2: Evidence of how the board monitors and oversees progress against and the strategic plans, goals and targets for addressing climate-related issues.

Climate Risk Strategy and Board oversight

A key responsibility of the Board is to agree the strategic approach to address the risks and opportunities facing the Group, which includes climate change risk, and to monitor progress against the strategy.

The Convex boards(s) have engaged materially on climate risk and the broader sustainability agenda over the past year in a variety of contexts. These include reviewing regulatory and shareholder disclosures of Greenhouse Gas (GHG) emissions, considering the adequacy of the identification and management of climate risk through the annual Own Risk and Solvency Assessment (ORSA) exercise and quarterly CRO reporting, and reviewing climate related regulatory responses such as the PRA's Climate Stocktake Exercise 2023.

The Group Solvency Self-Assessment (GSSA), as required by the Bermuda Monetary Authority (BMA) and the CIL Own Risk and Solvency Assessment (ORSA), as required by the PRA, are the processes adopted to monitor and report on strategy from a risk and solvency perspective. The GSSA, ORSA and associated risk management processes form an integral part of the Convex Risk Management Framework.

The 2022 GSSA and ORSA reports include separate sections comprehensively setting out the Group's proposed approach to the financial risks of climate change, including amendments to the Risk Management Framework, and the findings of the initial scenario analysis exercise on the balance sheet impacts of climate-related risks.

Objectives and metrics set in relation to Climate risks have been integrated into the ORSA and GSSA and will continue to be monitored and further expanded.

The Board further sets the strategic direction of climate change risk in the Convex Sustainability Strategy. This Strategy was developed and updated in Q4 2022/Q1 2023 with active engagement from Board members and members of senior management, demonstrating a clear acknowledgement of the importance of climate related matters in Convex's overall strategy. The new Sustainability Strategy (including in Sustainability Statement 2022) includes a Board approved commitment to Net Zero by 2050 with actions identified to develop interim targets and milestones.

In March 2023, the Head of Sustainability (HoS) presented a dedicated Sustainability Lunch and Learn to the Board outlining the progress made in addressing climate related risks and opportunities (as reported in the 2022 Sustainability Report).

Level 3: Evidence for incorporation of climate change into business strategy and planning and the development of related key metrics and targets, at a board and/or board committee level.

Board level key metrics and targets

As described above, in 2023 we published our commitment to Net Zero by 2050 and throughout our Sustainability Statement have identified actions and targets for the next 24 months to enable the development of our transition plan.

The Board monitors progress of the ESG strategy and reviews priorities (e.g. the approach to carbon offsets) through the Quarterly ESG Report prepared by the Head of Sustainability.

The Convex Measurement Framework (CMF) aims to provide a framework for the Group (and the Board) to measure progress on long-term objectives, to give comparison against peers and to contextualise financial results. Convex sees its approach to climate change risk and opportunities as integral to its resilience as a business and has identified 'Sustainable Value' as one of the sub-pillars of Franchise Value within the CMF. In 2022 we identified a number of additional ESG metrics to be included in the Sustainable Value pillar of the CMF, alongside the existing key metric of the Convex ClimateWise score, identified as an independent measure of progress towards climate related goals.

The ESG metrics referred to above are detailed in Principle 2.1.

Principle 1.2:

Describe management's (below board-level responsibility) role in assessing and managing climate risks and opportunities.

Level 1: Evidence of assigned climate-related responsibilities to management-level positions or committees; and a description of the associated organisational structure and how management reports to the board and/or board committees.

As the Group's main executive committee, the Group Executive Committee (GEC) has primary executive responsibility for the implementation of the ESG strategy (including climate change risk). The GEC further reviews and recommends to the Board(s) the Group Risk Management Framework, monitors compliance with the framework, and reviews and approves relevant risk policies.

Whilst the Board Investment Committee is the main committee responsible for investment oversight, the GEC has responsibility for the executive oversight of investment performance and risk. The Head of Investment reports quarterly to the GEC and regularly includes a breakdown of the ESG profile of the investment portfolio.

The GEC is supported in the execution of its oversight of ESG and risk related responsibilities through the support of the sub-committees and working groups as set out in Figure 1.

The GEC is advised on risk issues by the Group Executive Risk Committee (GERC) and the Group Chief Risk Officer (CRO) (the role of the CRO is discussed in more detail in Roles and Responsibilities below). The GERC assists the GEC with the embedding of a strong risk culture across the Group, and with the design and implementation of the risk management framework.

The GEC are provided with regular reports from the CRO.

The GEC, GERC and other risk functions have engaged extensively with climate change-related risk issues over the past year. Key decisions and milestones are shown in the table below.

In addition to the ESG metrics shown in Principle 1.1, above, we have developed a further set of specific Climate Risk metrics which will be presented to the GERC/GEC quarterly.

Forum	Frequency	Climate Risk-Related Actions (2022-2023)		
GEC	Annual/ Ad-hoc	 Development of revised Sustainability Strategy and commitment to Net Zero Review of Sustainability Report and future actions Review of Climatewise Report Review of Convex Seascape Survey Annual Report 		
	Monthly	Review of CRO ReportReview of HoS Report		
GERC Ad-hoc • Review		 Review of PRA Climate Stocktake exercise June 2023 Review of climate risk activity (in progress and planned) Review of Project Berlin findings and monitoring of ongoing actions 		

Other important elements of the Climate Change risk governance structure below board level include the ESG Working Group.

The ESG Working Group has been established to manage the implementation of the Sustainability Strategy (as set by the Board(s) and guided by the Group and entity Executive Committees). This includes:

- Developing and reviewing the implementation of the Convex Sustainability Strategy in line with the Sustainability Statement and broader corporate strategy.
- Reviewing and recommending the Sustainability Report and other dedicated ESG related reporting such as Climatewise and TCFD.
- Reviewing progress of the Group's Net Zero plans and the milestones to achieve this.

The CSR Committee is responsible for overseeing social, charitable and community initiatives by the Convex Group. More specific, local initiatives are overseen by the local CODE committees.

Roles and responsibilities

Mirroring the assignment of responsibilities at board level, Convex has sought to define clear accountabilities for climate among the senior management team. For SMCR purposes, executive responsibility for climate change risk lies with the CIL CEO. The CEO is responsible for:

- Developing a plan for managing financial risks from Climate Change
- Ensuring the firm's risk management framework enables appropriate management and oversight of financial risks from Climate Change

The Group CRO leads the day-to-day risk management process, including around Climate Change related risks and reports regularly to both Board(s) and the GEC as described above.

The broader ESG work is led by the dedicated Group Head of Sustainability (HoS) who reports to the CEO.

The revision of the Sustainability strategy in Q4 2022/Q1 2023 was led by the Group Head of Sustainability, facilitated by an independent consultant engaging individually with members of the GEC. This project allowed senior management to explore and understand the current ESG landscape, Convex's role in this and help shape the eventual Strategy (as more fully described in Principle 2.1), and thus reflecting a holistic view of the firms' approach and direction.

Level 2: Evidence of the processes by which management is routinely informed about, reviews and manages climate-related issues.

The GEC is provided with monthly reports from the CRO and the Head of Sustainability.

The GERC is the committee which closely monitors the development of the Group's climate change risk framework, including directing specific projects such as Project Berlin and the Oracle Partnership-led Scenario work.

The Climate Risk Working Group reports to the GERC and is focussed on reviewing and monitoring the ongoing actions around financial risk from Climate Change.

The ESG Working Group has been established to manage the implementation of the Sustainability Strategy (as set by the Board(s) and guided by the Group and entity Executive Committees).

The HoS provides a quarterly update to the GEC and the Board on the status of the ESG strategy and advises and communicates on ESG issues to the firm generally. Staff and management are informed through training sessions, Convex newsletters (Convex Chronicle) and a sustainability focussed Slack channel.

Level 3: Evidence of how management (through specific positions and/or management committees) monitors and assesses the implementation of strategic plans, goals and targets agreed by the board/and or board committees to address climate-related issues.

The ESG Working Group has been established to manage and monitor the implementation of the Sustainability Strategy.

This includes:

- Developing and reviewing the implementation of the Convex Sustainability Strategy in line with the Sustainability Statement and broader corporate strategy
- Reviewing and recommending the Sustainability Statement and other dedicated ESG related reporting such as ClimateWise and TCFD
- Reviewing progress of the Group's Net Zero plans and the milestones to achieve this

The Head of Sustainability, as chair of the ESG Working Group, reports monthly to the GEC.



Planned Actions (2023-2024)

- Transition plan: Establish baselines and set interim targets
- Embed use of CCRAF and climate related stress tests in 2024 business planning
- Develop TCFD reporting process



Incorporate climate related issues into our strategies and investments

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2022-2023 Planned Actions Further refine and develop use of Climate Change Score Framework (now CCRAF)	Use of Climate Change Risk Assessment Framework (CCRAF) to identify areas for further deep dive analysis e.g. shorter term physical risk (Project Berlin), litigation risk
Develop a measurable progress plan for action to address climate related issues	 Actions identified in Sustainability Statement and timeline actions presented to the Board in March 2023
Develop further qualitative and quantitative metrics for Investments, Underwriting and own operational emissions	Established climate risk specific metrics across Underwriting, Investments and Operations
Set Net Zero targets to manage climate related risks and opportunities over the short, medium, and long term	 Commitment to Net Zero by 2050 confirmed in Sustainability Statement Initial targets around data collection per Sustainability Statement
Develop processes, methods, and ownership to calculate and monitor metrics and targets	 Emissions and transition risk data sources fully evaluated to inform baseline assessments at portfolio level Contributed to PCAF consultation for insurance associated emissions

Principle 2.1:

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

Level 1: Describe priority climate-related risks and opportunities across the business and its investments (considering relevance to the nature of the business by sector, geography, business segment) over the short, medium, and long term, defining those time horizons.

Business Overview

Convex is a property and casualty insurance and reinsurance firm launched in April 2019 and founded by Stephen Catlin and Paul Brand. The Convex Group consists of the entities described in the introductory section of this report.

Convex Group continues to establish itself as a scale player in the global specialty Property and Casualty market, leveraging its great depth of senior management experience and opportunity as a forward looking insurer. This has involved building on the solid foundations previously put in place and using purpose-built technology, outsourcing, and data analysis as a differentiator that provides exceptional service, innovative solutions, and bespoke product offerings.

The business is focused on targeting specific clients within its own areas of expertise to underwrite large, complex risks as the basis of its strategy. The current market environment for such risks is potentially beneficial to insurers willing and able to grow within markets in which they have a significant depth of understanding, which will allow the Group to consolidate its gains thus far and establish a consistently profitable business.

How Climate Risk is relevant to Convex

The business of insurance is fundamentally about managing risks, and Convex recognises not only the physical consequences of global warming, such as the perceived increased uncertainty of extreme weather events but also the risks and opportunities associated with the scale of transition to a Net Zero economy.

The risks to insurers associated with climate change are complex, material and potentially systemic in nature. There is the further complexity of assessing this risk alongside other developing risk factors such as inflation and urbanisation. However, the resulting increasing loss costs to Insurers from weather related events such as Californian wildfires or European floods are becoming increasingly evident and means Convex needs to continually enhance its ability to assess this changing risk profile.

An area of particular focus is on developing our analysis of the near-term impacts of climate change and distinguishing these from longer term projections. This will inform how we continue to incorporate consideration of climate change in key processes and decision making, such as within business planning, how underwriting decisions are made in terms of both risk selection and pricing, and the identification of opportunities as well as risks.

The primary financial risks we face relate to Physical Risk, Transition Risk and Liability Risk as described further in Principle 3. Other material risks such as reputation risk and other emerging risks are identified and monitored through our emerging risk management process.

From Convex's perspective, climate related risks are viewed in the following categories which have been defined and incorporated in the risk register as follows:



Physical Risk

Risks arising from the physical effects of climate change which can be acute (droughts, floods, wildfires) or chronic (rising temperatures, accelerating loss of biodiversity).



Transition Risk

Risks arising from the transition to lowcarbon economies potentially leading to severe shifts in asset values (investments), Convex access to business and the risk associated with business lines' changing risk profile.



Liability Risk

Risks to Convex casualty underwriting and investment portfolio from corporations exposed to climate related litigation.

An important step is to align the expected trajectory of climate risks to our definitions of short, medium, and long term.

Time Horizon	Period	Description
Short term	1-5 years	Medium Transition risk; Limited Physical risk, Reputational risk
Medium term 5-10 years Higher Transition risk; evolving Physical risk depending on perils region, Litigation risk		Higher Transition risk; evolving Physical risk depending on perils region, Litigation risk, Reputational risk
Long term	+10 years	Physical risk has the potential to become a severe driver of physical climate risk, in ways beyond embedded peril-region thinking e.g. rapid sea level rise/circulation shifts; Moderate Strategic risk given need to adapt to changing energy and regulatory environment

Level 2: Evidence of the identified impact of climate-related risks and opportunities on members' business, strategy, and financial planning.

Defining Convex Sustainability Strategy

Our approach to Sustainability defines the strategy and framework to allow us to address the challenges and opportunities presented as the world decarbonises, tackles the impacts of a changing climate and manages evolving societal expectations and responsibilities.

Convex has recently refined its Sustainability Strategy under three Guiding Principles.



Governance

Building Resilience

- Leading customer resilience; insuring complex risks in a changing world
- Aligning our portfolio with businesses on a transition path
- Understanding risks and opportunities from climate change
- Reducing the footprint of our own operations
- Responsible and transparent reporting

Leading from our Culture

- ✓ Being a values-led employer of choice
- ✓ Fostering a diverse and inclusive workplace
- Contributing to our local and wider communities
- Collaborating and forming enduring partnerships

Advancing Transition

- ✓ Supporting industry driving transition
- Developing innovative solutions to address new and emerging risks
- Building and sharing climate knowledge
- Leveraging our investments to catalyse change



Building Resilience

Our business exists to support the resilience of our clients' activities through insuring complex risks in what is a fastchanging world. We believe that Convex itself will be more resilient and achieve its own sustainability objectives by aligning itself in its underwriting and investment activities with businesses across industry sectors that hold themselves to high standards and are committed to transition paths that are at least in line with achieving Net Zero by 2050. As a business we need together with our industry peers - to continuously advance our understanding of the risks and opportunities posed by climate change, and to develop appropriate methodologies for quantifying our impact so that we can focus our efforts on progressing to Net Zero by 2050. Ensuring that we are transparent about our challenges as well as our progress on the journey is critical to driving understanding and trust in our approach.

We are committed to responsible and transparent reporting in line with relevant ESG and climate reporting standards.



Advancing Transition

We believe, given the complexity and systemic nature of the climate challenge, that it is for government to develop the policies that will drive the transition, but that there is nonetheless a clear role for bottom-up action by individuals and companies. Convex will play its part by supporting technologies and industries that are driving forwards the transition, and by developing innovative insurance solutions to address new and emerging risks. In addition, we will build and then share our knowledge and understanding of the mechanics and impacts of climate change. Finally, we will leverage our investments to catalyse change, allocating a proportion of our investment portfolio towards attractive investment opportunities which contribute to specific environmental or social outcomes, including technologies and companies.



Leading from our Culture

Our culture and values define the way we do business - within the firm and beyond – as well as the types of business that we choose to transact. They are therefore central to the realisation of our ambitions for Convex, and support and inform our two other guiding principles. They are also critical to attracting, retaining, motivating and uniting the talented individuals that we need to succeed as a resilient business. We recognise that we operate in a competitive market for talent, and that we need to stand out as an employer of choice, in part through the integration of our values. We also seek to foster a diverse and inclusive workplace in which everyone feels welcome, where we look after the welfare of our colleagues, and where they can make the most of the full range of experience and capability that they bring to our firm. Convex does not exist in isolation - we are a part of the local communities where our offices are located and where our colleagues live - and as such, we make a strong commitment to local community and charitable initiatives as a further expression of our values. More broadly, we collaborate actively in and form enduring partnerships with industry groups which are working towards a more sustainable future.

UN Sustainability Development Goals



The Guiding Principles of our Sustainability Strategy are also aligned to our six priority UN Sustainability Development Goals as set out in the Introduction to this report.

Climate Change Risk Assessment Framework (CCRAF)

At portfolio level we have further developed our Climate Change Risk Assessment Framework (CCRAF) which is the key tool used by the business to evaluate the impact of transition and climate change to our books of business using an internal risk scoring methodology. The purpose of this is to bring a framework to our assessment of the lines of business with differing degrees of exposure to physical risk, litigation risk and the impacts of transition.

This enables a better prioritisation of further, detailed assessments relating to these risks and a summary of the associated actions and approach.

This process has informed management action such as further scenario analysis, deep dives into specific risk areas, such as Project Berlin, and a current climate related litigation review and other business planning considerations.

This approach involves:



A high-level view from risk management of potential exposure to 4 key risks from climate change (climate change score).



Carrying out more detailed climate change reviews on key areas to improve understanding of risks and opportunities. This will involve the rest of the business including Underwriting, Claims and external consultants where appropriate.



Collate results and conclusions of detailed assessments and establish further actions required.

The scoring system uses qualitative criteria to grade the exposure of underwriting liabilities to each of the four main categories of climate risk. The assessment is performed for each business line.

Firstly, we assess the potential of increased claims from these risks. For each climate risk, a score of 0 to 100 is given based on its potential for increased claims exposure. The higher the score, the higher the potential exposure relative to other areas.

The scores are then weighted according to premium and importance of risk category (as set out below). The weight of risk category is further considered against the term (Short, Medium or Long). This then gives the final score in each risk category and line of business: the higher the score, the greater the impact in that time frame.



Physical risk is assessed as percentage of risks exposed to physical damage from the effects of climate change which can be acute (droughts, floods, wildfires) or chronic (rising temperatures, accelerating loss of biodiversity).



Transition risk has been assessed as potential increase in claims arising from the transition to a low-carbon economy and the risks associated with business lines' changing risk profile and Convex's ability to access future business.



Litigation risk concerns potential increased claims from exposure to climate change related litigation.



Reputation risk relates to the adverse impact of Convex not meeting ESG requirements of various stakeholders and the consequent impact on ability

Physical Risk and Scenario Analysis

As an initial step to quantifying our exposure to the financial risk element of climate change risk, we undertook a detailed analysis of the firm's identification, management, and quantification of climate related risk, including undertaking the GIST scenario analysis exercise. The purpose of this scenario exercise was to look at the long-term potential impact of climate change given the GIST assumptions, as described in more depth under Principle 2.3.

As concerns physical risk, Convex is principally a short-term insurer with most policies having a 12 month term, providing the scope to adjust terms and conditions annually. Upon review of the longer-term scenario analysis performed in 2021, it was decided to do a deeper dive analysis in 2022 on the near-term implications focusing on the key peril regions. This is explained more fully in Project Berlin (see also Principle 2.3).

Investments and Climate risk considerations

Our investment portfolio has some longer-term exposures, but again, most investments fall within the short term (average duration of the fixed income portfolio is 2 years). As our portfolio predominantly comprises sovereign debt, with some high-grade corporate (and importantly, minimal equity investment), our Transition risks exposures are limited. These results were confirmed by a recent stress test exercise.

Convex maintains a relatively small in-house investment team and outsources most aspects of the investment process to its external asset managers, chiefly Conning and JP Morgan Asset Management (JPAM), who are responsible for tactical asset allocation, including the integration of ESG factors.

Where allocations to new risk asset mandates are proposed, the New Manager Approval Process and associated selection criteria and due diligence review process explicitly includes a review of the managers approach to including climate and ESG related themes, alongside processes for reporting and disclosing climate and ESG related metrics in the portfolio. We also continue to actively review new products and strategies that have a dedicated ESG or Climate Change related focus, in particular those that can have high impact to key climate or social themes.

Both JPAM and Conning provide quarterly reporting which includes an assessment and rating of our investment portfolio on carbon intensity and ESG metrics against a relevant benchmark. They use a combination of proprietary and vendor sourced ESG and climate change metrics in conjunction with the assessment of their internal credit research teams to derive their respective ratings. This allows the investment team to monitor how exposure to ESG and climate risks in the portfolio are evolving over time and enables us to engage in dialogue with our managers over particular issuers or sector concentrations which may detract from the overall sustainability of the portfolio.

Convex considers its aggregate Climate Change risk and ESG exposure in the portfolio to be moderately low, manageable and in line with risk appetite. There are not significant concentrations due to the low exposure to fossil fuel (our holdings are less than 5% of the total corporate portfolio) and the overall high quality and short duration of the fixed income securities. At the issuer level, portfolio exposures are well diversified and issuers that have the highest carbon intensity metrics represent only a very small proportion of the portfolio (c. 0.1%).

Identifying Opportunities

We recognise the position of insurers to positively influence efforts towards a Net Zero transition and are cognisant of the opportunities this affords. We have formed a Sustainable Underwriting Group to help inform our Net Zero underwriting strategy and to develop ESG-linked underwriting opportunities.

Notably, Convex has taken a leading position in the Underwriting of renewable energy as detailed further in Principle 3.2.

In June 2023 we commissioned Aon to conduct a workshop with our Strategic Underwriting Solutions to better understand the current and future insurance markets around Intangibles and ESG, with a focus on Climate and transition related opportunities. The key objectives of this are to:

- Identify products and solutions currently available or being developed by market participants in the most impacted areas.
- Gain baseline understanding of the current state of the Intangibles and ESG insurance markets and how segments are impacted.
- Form an assessment of unmet client needs and emerging opportunities arising from Intangibles and ESG related risks with a review of the current offerings.

Impact Investment

In addition to ESG considerations in our broader investment portfolio, we have begun the implementation of our 'Impact Investing' targeting attractive investment opportunities which contribute to specific environmental or social outcomes. Further details to be found under Principle 3.2, p31.

As awareness and focus on the impact of investments has grown over time, and in line with the belief that as an asset owner Convex has an ability to direct capital to investments that contribute to specific environmental or social outcomes, in 2022 the investment team introduced a strategic framework for the identification, screening and allocation of impact investments.

The approach here principally revolves around two distinctive pillars with each of them displaying clear and distinct expectations in terms of risk appetites, impact goals, ownership, and overall purpose.

Pillar one is owned and managed by the investment team, with the aim of evaluating impact investments typically in private markets and within the context of specific themes and asset classes, delivering sustained alpha, seeking financial return while achieving targeted impact on (primarily) environmental and social issues, aligned with Convex's overall investment strategy.

The portfolio (established in 2022) has assessed a number of transition and social opportunities and scored them according to the defined methodology. Thus far in we have executed investments in two dedicated transition related funds.

Pillar two defines our approach to a catalytic portfolio to support innovative sustainable projects which have the potential to break new ground or have significant social or environmental impact for instance on the communities in which Convex operates and is owned and managed by a cross-functional working group including the HoS and the Head of Investments.

Level 3. Evidence that members are developing a business strategy and investment strategy (if relevant) to address the implications of climate-related issues on both the business and its key stakeholders and have determined a measurable progress plan for action, considering longer time-frames.

Implications of climate risk for our stakeholders

As a first step to ensuring that strategy takes account of stakeholder interests, Convex has identified the following stakeholder groups and the implications of climate related issues:

Stakeholder Group	Climate Change Implication
Investors	Our investors seek assurance that the Group is managing climate related risks effectively as well as broader expectations in terms of our commitments to the principles of ESG.
Clients	Policyholders have increasing expectations on their insurers in terms of their commitments to transition and in their management of climate risks to be assured of the resilience of the business.
Management (Board, Senior Executives)	The Group's Board and Executive Management Team are accountable to shareholders for the management of risks within the business, including climate risks.
Employees	Convex employees expect a responsible business approach from its employer, instilling a sense of purpose which can help motivate, retain and attract staff.
Regulators	The Group's regulators (e.g. BMA, PRA, CAA) set out their growing requirements around climate related reporting and disclosures, such as SS3/19, TPT, TCFD, CSRD.
Brokers and Peers	Convex recognises the benefit from collaborating with its peers and intermediaries to advance progress in understanding the impact of climate risk on the insurance sector, in developing tools to better manage this and in the collective ability to positively influence transition.
Rating Agencies	The rating agencies (e.g. AM Best, S&P) are interested in understanding how Convex manage climate change and the broader risks of transition, from both a risk and opportunity perspective.
Other stakeholders	 Other stakeholders with a financial or other interest in Convex e.g.: Our reinsurers partners, who in developing their own ESG policies and transition plans require increasing levels of transparency of their cedant's position as well as understanding our climate risk management approach. Our more significant outsource providers need transparency on our environmental approach, as we do with them. Other groups, include civil society groups with an interest in how institutional investors are supporting the global energy transition.

The Convex Sustainability Statement 2022 sets out the progress made in 2022 against climate related risks and opportunities. The Sustainability Strategy described above has a central commitment to Net Zero by 2050 and the three Guiding Principles are structured to allow short, medium and long terms plans. There are further clear actions set out against each section of the Sustainability Report for 2023/4.

Furthermore, the Board were presented with a timeline for the major milestones in the plan to 2025. This is underpinned by a Sustainability workplan as managed by the HoS and reported to the ESG Working Group.

Level 4: Evidence of a leadership position or strong collaboration efforts for encouraging better climate disclosure and further research; demonstrating the use of this information and/or appropriate tools.

Support for collaboration on Climate Risk across the Industry

We are supportive of the ground-breaking work on climate risk modelling being undertaken by Dr Tom Philp of Maximum Information (who leads Project Berlin) and in this vein, we continue to support his successful application for a UK Centre for Greening Finance and Investment (CGFI) grant for climate change related modelling initiatives. We are represented on the Steering Committee and our exposure and risk management functions providing active support and data in this project.

Examples of collaboration efforts for encouraging better climate disclosure shown in Principles 5 and 6:

- Engagement in the consultation process for PCAF methodology for insurance associated emissions
- Participation by the HoS on panel events concerned with ESG data for the purposes of informing and encouraging increased climate related disclosures and the development of transition plans (refer to Principle 5)
- Participation by the HoS on working groups for ClimateWise revision of its Strategy, Governance and Principles.

Other examples of sponsored research leadership are shown in Principles 5 and 6.

Principle 2.2:

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

Level 1: Disclose key quantitative and qualitative metrics used to measure and manage priority climate-related risks and opportunities on the business and on key stakeholders and outline how these have and are planning to change over time.

Convex is developing its use of metrics to help monitor and measure the Climate Change risk exposures of the business.

ESG metrics

We have developed a set of ESG metrics (listed below) within the Sustainable Value pillar of the Convex Measurement Framework (referenced in Principle 1.1)

Function	Metric	Frequency	2021	2022
Corporate	ClimateWise	Annual	n/a	63%
Operations	Scope 1 & 2 tCO2e/FTE	Quarterly	0.26	0.32
Operations	Scope 1, 2 & 3 tCO2e/FTE	Quarterly	2.30	11.69
Operations	Net tCO2e (after carbon offsets)	Annual	(293)	0
Investments	MSCI Carbon Emissions Intensity Score (Tons CO2e/\$mm sales)	Quarterly	101 (v. Benchmark 195)	106 (v. Benchmark 173)
Investments	MSCI ESG Rating	Quarterly	7.0 (v. Benchmark 6.9)	7.0 (v. Benchmark 6.7)
Underwriting	% Exposure to thermal coal	Monthly	0.7%	0.35%
Underwriting	% Exposure to oil sands	Monthly	0.2%	0.23%
Underwriting	Physical Climate risk Worldwide all perils (excl. earthquake)1/100 Net AEP (excl. loss adjustment costs)	Quarterly	27% SHE	22% SHE
Underwriting	Complaints to Claims ratio	Quarterly	0.4%	0.3%

Climate Risk specific metrics

Separately we have developed in 2023 a specific register of climate risk metrics for the purposes of informing the Risk Committee of climate related metrics across our Underwriting, Investments and Operations. These metrics develop further those included in the ESG metrics referred to above, and include;

Investments: Carbon intensity/ESG rating/Climate change Scenario stress tests

Underwriting: % Thermal coal/% Oil sands/Climate specific Key peril exposure: US wildfire/EU flood

Reserving: Monitoring climate related litigation globally and locally

Operations: Scope 1,2,3 GHG emissions

Natural Catastrophe Metrics

We monitor our exposure to natural catastrophes on a monthly basis, using a vendor model for a range of peril regions and hazards. This process uses the Year Loss Table (YLT) as a full simulation of vendor modelled losses. YLT are constructed from historical or simulated catastrophe events, each of which has an associated loss. Each event is allocated to one or more years in the YLT, and each year of simulated loss is considered a possible loss outcome for a single year. Finally this allows us to estimate the probability of loss to Convex for single or multiple perils on both an occurrence (OEP) and aggregate (AEP) basis. This process permits monitoring against our own risk appetite thresholds, capital setting etc but also is an indicator of the physical risk impacts of climate change. Whilst climate change management in catastrophe modelling is relatively immature, (as highlighted from our findings in Project Berlin), however, this process nonetheless demonstrates our ability to use sophisticated models to track natural catastrophe exposure for a variety of perils and regions.

These statistics then feed into the quantification process around our Internal Capital model, as overseen by the Internal Model Oversight Committee and ultimately the GERC.

Underwriting transition related metrics

We plan to develop further metrics relating to the emissions associated with our underwriting portfolio in order to develop a transition plan for underwriting. In the first instance we are focussed on developing the data at portfolio level to determine baseline assessments on our most material exposures and where information is available. Currently we have the facility for the data on an individual client basis from a rating agency ESG module. We have done considerable work in evaluating ESG data providers for the purposes of assessing both our underwriting and investments with additional sustainability and climate related data. For our insurance portfolio, we are interested in metrics that both reflect the emissions profile of the insured, but also their transition journey and broader ESG factors.

Our plans will emphasise the necessity of realistic and viable short-term goals as well as ambitious medium to long-term targets. It will further emphasise our commitment to supporting innovation and the role of insurance in facilitating investment at scale and at pace in the development of renewable energy and also in decarbonisation efforts.

Fossil fuel monitoring in business lines

In keeping with our commitment to limiting our exposure to the underwriting of coal and oil sands, we monitor our exposure to these areas, which is reported monthly in the 'Coal and Oil sands Power BI Report', with a separate update to the GEC and Head of Sustainability.

We have made a separate commitment not to insure the construction or operation of any new thermal coal mine and/or its dedicated infrastructure. Our Sustainability Statement gives clarity on our appetite for energy business.

We have further undertaken a comprehensive assessment of our exposure to a broader range of ESG sensitive sectors, in addition to the coal and oil sands monitoring, which includes, all fossil fuel related revenues.

Other Stakeholder Metrics

As a key stakeholder in our approach to climate change, our key investor ONEX have developed a series of ESG metrics for their portfolio companies. In addition to ONEX standard ESG metrics, we have agreed certain bespoke ESG metrics which Convex will report to Onex annually.

Investment Portfolio metrics

The investment team receive all the following ESG and climate change metrics at group and entity level from our core external managers:

- Carbon intensity score and appropriate benchmark expressed as Tons CO₂e/\$mm sales
- Average ESG rating and appropriate benchmark (aggregate and pillar level)
- Portfolio and benchmark ESG rating distribution, grouping into Leaders/Average/Laggard
- Top 10 contributors to Carbon intensity metrics
- Top 5 and Bottom 5 ESG rated holdings

The Group receives a monthly and quarterly report on ESG trends and concentrations within the investment portfolios from our asset managers. The quarterly update of the position across both managed portfolios is included in the investment Report from the Head of Investments to the Investment Committee. Annual metrics are published in our Sustainability Report as shown below:

Portfolio Carbon Intensity Score

As at 31 December 2022

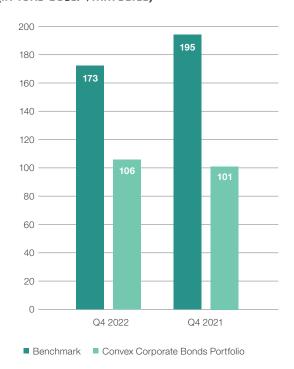
Convex Portfolio: 106.1						
Very high	High	Moderate	Low	Very low		
Worst	Benchmark: 173.0					
	Market Value \$	% of account with MSCI data		rage carbon intensity /\$mm sales)		
Convex Fixed Income Portfolio*	3,404,816,387	33.1%	10	6.1		
Benchmark		86.3%		3.0		

^{*}MSCI ratings apply only to the corporate bonds share of the core fixed income portfolio

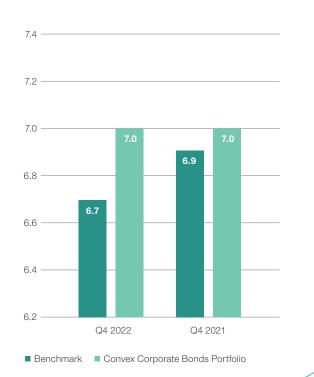
Carbon intensity score: Carbon Intensity Score represents the weighted average carbon intensity of the portfolio and measures a portfolio's exposure to carbon intensive companies. The figure is the sum of the security weight multiplied by the security Carbon Intensity. Short positions, sovereigns, derivatives, securitized products and bonds issued by trusts are excluded from MSCI's carbon risk analysis.

Progression metrics

MSCI Carbon Emissions Intensity Score Convex Corporate Bonds Portfolio (in Tons CO₂e/\$mm sales)



MSCI ESG Score (0-10) Convex Corporate Bonds Portfolio



Level 2. Evidence of a narrative relating to the performance made against these metrics over the past year (including variance analysis relative to plans or forecasts - see level 4). Metrics should be provided for historical periods to allow for trend analysis.

As a relatively new company, Convex is in the early stages of monitoring climate related business metrics. Some notable comments on those metrics tracked for the past year:

- Our monitoring of coal and oil sands exposure has been maintained for 18 months and has demonstrated that this exposure has been maintained at a de minimus level (<1% of revenues).
- As is explained further in Principle 4, 2022 has seen an increase in total emissions as the company has transitioned back to the office, as business travel increases, and as Convex continues to grow.
- We monitor our Aggregate Exceedance Probability (AEP) for all climate exposure perils. Whilst we have seen this reduce as a % of SHE (from 2021 to 2022) we will apply the findings of Project Berlin in identifying more localised peril region monitoring as a climate risk metric. For this reason, we have identified US Wildfire and EU Flood as being particularly relevant from a climate change perspective.

As regards Investments, please see pages 21 and 22 of Sustainability Statement for narrative around variance analysis. **Level 3.** Evidence of targets set (quantitative and qualitative over the short, medium and long term) to manage climate-related risks and opportunities on both the business and its key stakeholders, and a description around performance against targets.

As has been stated above, we have made a Net Zero Commitment:

Convex's commitment to Net Zero by 2050

We are committed to achieving Net Zero in our own operations and in our business activities by 2050, with our initial interim targets to be determined in the coming year. We are in the process of establishing full baseline data according to evolving industry standards to inform the development of our transition plans.

Examples of targets stated in our Sustainability Statement for 2023/4:

Underwriting

- Develop baseline emissions data on at least 25% (premium volume) of our insurance portfolio
- Expand ESG rating analysis across at least three other business classes
- Implement Sustainable Underwriting Principles in Convex direct underwriting
- Socialise the intelligence and learnings from Convex Seascape Survey to our Underwriting community

Investments

- Implement ESG investment data provision for fixed income and risk asset portfolios
- Secure source for Scope 3 finance emissions data provision and pilot PCAF reporting
- Establish base line for investment CO2e intensity metrics
- Advance and implement Sustainable Investment Principles
- Drive forward Impact investment strategy

Level 4: Describe the methodologies used to calculate metrics and targets.

For Operations, see Principle 4.2. For Investments, please see Level 1 above.

For underwriting, including Nat Cat metrics, please see Level 1 above.

Level 5: Evidence how climate-related metrics are incorporated into remuneration policies and practice.

We do not explicitly include climate related metrics in renumeration policy.

Principle 2.3:

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

Level 1: Describe the process for undertaking scenario analysis, taking into consideration different climate-related scenarios, including physical, transition and liability risk scenarios. Include scenario analysis methodology timeframes, parameters and key assumptions used.

As noted, Convex undertook an initial scenario analysis in 2021, based on the GIST scenarios, and as more fully described in the summary paper provided to the Risk Committee in Q3 2021. This provided an initial indication of the long-term financial risk impacts from climate change.

The two scenario tests chosen were:



2019 PRA General Insurance Stress Test (GIST). This consisted of three climate change scenarios featuring varying degrees of temperature increase (the summary tables below show scenario definitions).



Miami Hurricane Deterministic Scenarios-A set of 80 perturbations of a single base event to test a range of outcomes that relate to the IPCC RCP projections.

Scenario	Description	Frequency Increase	Wind increase
A	A sudden transition ensuing from rapid global action and policies and materialising over the medium-term business planning horizon that results in achieving a temperature increase being kept below 2C.	5%	10%
В	A long-term orderly transition scenario that is broadly in line with the Paris Agreement. This involves a maximum temperature increase being kept well below 2C (relative to pre-industrial levels) with the economy transitioning in the next three decades to achieve carbon neutrality by 2050 and greenhouse-gas neutrality in the decades thereafter.	20%	7%
С	A scenario with failed future improvements in climate policy, reaching a temperature increase more than 4C (relative to pre-industrial levels) by 2100 assuming no transition and a continuation of current policy trends. Physical climate change is high under this scenario, with climate impacts for the emissions reflecting the riskier (high) end of current estimate.	60%	15%

Underwriting commentary

For each scenario, the Group examined the potential reinsurance recoveries, impact on available capital and impact to the business model should the event arise as at 1 July 2021. The main finding of the stress tests was that, not unexpectedly, scenarios B and C resulted in significant erosion of capital and solvency ratios. However, should these scenarios come to fruition (importantly, they make certain assumptions about peril impact which our findings from Project Berlin suggest should not be considered appropriate for 'best estimate' testing, but more as theoretically conceivable stress-scenario testing) as they would unfold over the long term and the majority of business is annually renewable, we are confident that we can mitigate this risk by making gradual changes to the portfolio over time.

Investment Stress Testing preliminary results and key findings

For the investment portfolio, the GIST 2019 scenarios were applied to the fixed income portfolios, initially in 2021. Generally, the impact on the investment book was less material than for underwriting risk. This exercise was repeated for the Investment portfolio in Q2 2023 and the results remained relatively unchanged from when we first undertook this in 2021.

The table below presents the results in terms of market value impact for both transition and physical risk under each different climate scenario:

	Transition Risk			Physical Risk		Total Risks		
USD	Scenario A	Scenario B	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
MV impact	(17,847,732)	(9,885,460)	(723,232)	(11,497,113)	(23,175,845)	(18,570,964)	(21,382,573)	(23,175,845)
% impact covered portfolio	0.59%	0.33%	0.02%	0.38%	0.76%	0.61%	0.70%	0.76%

When looking at the exposure of the combined transition and physical risk in each of the three scenarios, the results appear very similar with c. 0.6-0.76% negative effect on the total value of our classified portfolio. This is explained by the overall low exposure of our current investments to climate critical sectors like fossil fuels, steel, aviation and automotive and high sovereign allocation.

For context and reference, the results from the sensitivities Convex did previously in October 2021 were compared. Outcomes were very similar and the small differences in terms of impact for each scenario are mainly driven by the increased AuM in the last 1.5 years and the inclusion of more securities under the 'other shares' segment and category when performing the exercise this time.

Level 2: Evidence of how scenario analysis is used to understand the resilience of the organisation's current business strategy against identified material climate risk and how it has been integrated within core risk assessment processes.

Underwriting commentary

Importantly, the preliminary findings from the stress test flagged a need for more clarity over the near-term impact of physical risk on the underwriting business. This led management to commission 'Project Berlin', a deep dive into the impact of physical risk on peril regions over the next several years undertaken by Maximum Information (refer case study in the inset box below).



Case Study

Project Berlin

This project involved reviewing the latest scientific research of climate change on natural hazards, drawing significantly on the latest IPCC reports. When analysing each IPCC report or related study, MI assumed that events unfold as described by projections under the IPCC transition scenario SSP3-7.0 and drew out results and conclusions which held under this projection. This medium to high reference scenario anticipates a circa 2 degree increase in global warming by 2050 (and 3.5 degree by end of century), considered reflective of a real-world trajectory.

The objectives of Project Berlin were as follows:



1. Hazard Ranking:

Current and Projected Trends in Median Frequency and Intensity of Hazards, ranked according to Convex exposure.



2. Uncertainty & Volatility:

Evaluation of the uncertainty and volatility in frequency and intensity of hazard per peril region ranked for Convex portfolio.



3. Vendor Model Adequacy:

High-level scientific reviews of vendor models to assess views of present-day risk for certain hazards/peril regions.



4. Normalisation Studies:

Normalising economic losses from historic events for changes in exposure and vulnerability to consider trends.



5. Convex Impacts/Actions:

Summary of key messages and follow-on actions to flow into the business, from both portfolio management and risk strategy perspectives.

The key findings included:

- Increases in exposure and wealth are by far the most important drivers for growing disaster losses over the last century and these should be a near-time focus of risk management.
- Climate change creates high uncertainty in the projected hazard frequency and intensity. This means short term action on peak peril-regions should be focussed on managing risk of increased volatility and understanding exposure and vulnerability changes in more detail.
- Flood, Wildfire, and Precipitation Induced Flood require short term action to improve Convex understanding of exposure.
- Vendor models may be less reliable over time due to uncertainty in hazard changes caused by Climate Change and inability to keep pace with exposure and vulnerability trends.

Level 3: Evidence of how the results from the scenario analysis have impacted on key decision making and how strategies might change to address such potential risks and opportunities identified.

The conclusions of this work undertaken through 2022 were presented to internal stakeholders such as Property Cat Underwriting, Reinsurance Underwriting, Ceded Reinsurance to discuss the findings as they evolve and allow stakeholders input and queries to guide the analysis. The final output of the Project is a comprehensive written report, also condensed into a summary report for internal distribution together with the proposed management actions from Section 5.

Having completed objectives of Project Berlin, this has resulted in a series of management actions which are being overseen by the Risk Committee. Example actions include:

- Stress test exposure and reinsurance programme to assess the impact of assuming upper bound of frequency and severity trends occur for US WS (e.g. over 5 years).
- Seek to source higher resolution data on exposure and claims to better understand exposure and vulnerability changes and assess trends.
- Explore best in class model vendors for Flood and Wildfire in exposed regions.



Level 4: Evidence of strong collaboration efforts in the knowledge sharing of risk management and modelling expertise into business (and investment) decision making.

Please refer also to our response to Principle 2.1 level 4.

We are an active member of the Insurance Development Forum, notably within the Risk Modelling Working Group and the Sovereign and Humanitarian Working Groups. Notably we are a key sponsor of IDF's RMSG partnership with Global Risk Modelling Alliance, a unique public-good partnership opening up private and public risk expertise, helping to build empowered, resourceful, climate and disaster-resilient communities.

Convex subscribes to Oasis Loss Modelling Framework; an open-source catastrophe modelling platform, free to use by anyone. It is also a community that seeks to unlock and change the world around catastrophe modelling to better understand risk in insurance and beyond. The CGFI funded Maximum Information project (previously mentioned in Section 2.1) where Convex sit on the steering committee, also has Oasis on the steering committee; the combined effort on this project helps drive positive evolution of the analysis of climate change in catastrophe risk modelling.



Planned Actions (2023-2024)

- Develop Sustainable Underwriting and Investment Principles
- Lead Sustainable Underwriting workshops to embed principles
- Drive forward impact investment strategy
- Deep dive projects on Litigation risk and Reputation risk



Lead in the identification, understanding and management of climate risk



2022-2023 Planned Actions

(1)

Progress

Ensure a clear set of management actions and associated responsibility resulting from Project Berlin.

• Example actions identified and cited in the report.

Develop clear climate related risk appetite and related metrics.

 Climate risk appetite is being incorporated within a broader group risk appetite statement. Expect to be completed in Q3 2023.

Build use of data profiling of both underwriting and investment portfolios.

• Emissions and transition risk data sources fully evaluated to inform baseline assessments at portfolio level.

Strengthen link between new product partnerships and business strategy or issues/opportunities identified by business.

- New partnerships (e.g. Aon on climate related opportunities).
- Sponsorship of IDF/Global Risk Modelling Alliance to support major issue of protection gap and enhanced risk mitigation needed in V20.

Principle 3.1:

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

Level 1: Describe current business practices and processes for identifying, assessing, and prioritising climate-related risks and opportunities (including investment processes) by sector, geography and business segment where possible. This should include the use of standard definitions or risk classification frameworks.

Convex continues to make significant progress in developing processes to assess and prioritise climate risks and to ensure that the approach to this risk class is fully integrated into the organisation.

Approach to Risk Management

In common with other insurers and financial institutions, the Group operates a 'three lines of defence' model to manage risk, as shown in the figure below.



1st Line of Defence



2nd Line of Defence



3rd Line of Defence

Business Areas

- Deliver the Convex Strategy
- Identify risks and risk incidents
- Operate the controls

Risk Function

- Set risk appetite
- Assess risk profile
- Monitor, analyse and report
- Advise and remediate

Compliance Function

- Compliance policy and procedures in place
- Training
- Regulatory relationships

Internal Audit

Independent assurance

The ultimate objective of the Group Risk Management Framework is to identify, assess, manage, and monitor risks faced by the Group. It also assists in embedding a strong risk culture within the Group and helps to ensure risk exposures can be monitored against approved risk appetite statements and limits.



Convex Risk Identification

As discussed under Principle 2, Convex identifies three main categories of financial risk related to climate change which are reflected in our Risk Register.



Physical Risk

An increase in the frequency and severity of specific weather events which occur as a result of climate change e.g. floods, heatwaves and wildfires; or longer terms shifts in the climate such as a rise in the sea level or rising mean temperatures.



Transition Risk

The process of adjustment towards a low carbon economy e.g. the impact on business models from the emergence of disruptive technology, as well as changes in government policy and consumer preferences.



Liability Risk

The risk of parties who suffer loss from climate change seeking to recover those losses from those who they believe may have been responsible, which may be insurers or their assureds.

Other material risks such as reputation risk and other emerging risks are identified and monitored through our emerging risk management process.

The Group risk register has been updated to reflect these risks with the addition of three risk categories to capture the main facets of climate change risk: physical risk, transition risk and liability risk.

Risk Title	Risk Category	Climate change risk category
Inappropriate pricing/ranking of Nat Cat risks	Insurance Risk	Physical Risk
Inappropriate pricing/ranking of non-Nat Cat risks	Insurance Risk	Liability Risk
Investment: losses arising from market movements	Market Risk	Transition Risk

The inclusion of climate risks within the risk register allows the Risk team, and key stakeholders, to identify where climate change risk may feature and is further discussed with the Risk Owner as part of the quarterly Risk and Control Assessment ('RCA') process for that risk. In 2022 we enhanced the suite of controls linked to climate risks and incorporated them in the RCA process.

Climate Change risk has been incorporated into the Group Risk Management framework as a dedicated section and will be further brought into the review of risk policies during their natural review cycle.



Climate Change Risk Assessment Framework (CCRAF)

As is discussed more fully in Principle 2.1, we have developed a Climate Change Risk Assessment Framework (CCRAF), to assess in more detail the impact of transition and climate change to our lines of business. The purpose of this is to bring a framework to our assessment of differing degrees of exposure to physical risk and/or impacts of transition.

The scoring system uses qualitative criteria to grade the exposure of underwriting liabilities to each of the three main categories of climate risk.

This process helps inform and drive management action such as further scenario analysis, deep dives into specific risk areas (e.g. Project Berlin physical risk deep dive) and other business planning considerations. We will continue to assess our risks at portfolio level in this way and expect to bring this analysis more deeply into our overall underwriting portfolio management.

During 2023, transition and litigation risk stress testing will be undertaken and is likely to follow a similar approach to physical risk where Convex will explore the risk in more depth first, to develop reasonable assumptions on which to base stress testing.

Level 2: Evidence current business practice and processes for managing and regularly reviewing climate-related risks and opportunities including how this informs key decision making (and investment decisions).

Risk Oversight

The Group's risk self-assessment process through the annual ORSA exercise (and its equivalent for firms regulated by the BMA, the GSSA) provides a robust framework to identify, monitor and assess all material risks to which the Group is exposed (including climate change risks). Specifically, the GSSA/ORSA comprises the entirety of the processes and procedures employed to assess, monitor, manage and report the short and long-term risks and to determine the capital necessary to ensure that CIL's overall solvency needs are met at all times. The CIL ORSA process is illustrated in the figure below:

Business
Strategy

Risk Strategy / Risk Appetite

Risk Management and Monitoring

Risk Management Assessment

Risk Management Assessment

Risk Management

Management

Risk Management

Management

It is also important to note that the GSSA/ORSA is a continuous process and, through the feedback loop (as illustrated), enables the Group's climate risk appetite (expressed through the strategy and risk management framework) to be adjusted to allow for new information. For example, new scientific insights into the timing and magnitude of changes to climate patterns or changes in the external risk environment.

As concerns climate related risk appetite, our approach is summarised as follows:

- Our appetite for the most material of these climate related risks is addressed within our Insurance Risk appetite, where we consider our exposure to natural catastrophe perils.
- We have not set an explicit appetite statement for transition however we have stated our appetite for certain specific sectors:



Thermal coal: CIL has a very minor exposure to thermal coal and its dedicated infrastructure in our direct underwriting portfolio and we have committed to not increasing it.



Oil sands: We have a very minor exposure to oil sands and its dedicated infrastructure in our direct underwriting portfolio and we have committed to not increasing it.



Arctic oil: Our exposure to arctic oil is very minor and we do not underwrite offshore exploration north of 70 degrees latitude excluding PSA regulated activities in the Norwegian and Barents Sea.

We continue to review insurance risk appetites, which incorporate climate change risk and lower-level insurance risk appetites addressing specific perils with high uncertainty due to climate risk.

The key oversight of climate change related risk falls to the GERC, with further working groups established for areas of deeper focus. Specific climate change risk accountability has been delegated to the CIL Chair and CIL CEO (as described in more detail in Principle 1).

The inclusion of climate risks within the risk register allows the Risk team, and key stakeholders, to identify where climate change risk may feature and is further discussed with the Risk Owner as part of the Risk and Control Assessment ('RCA') process for that risk.

In 2022 we identified a suite of controls to support the risk assessment process of climate related risks identified in the Risk Register. These are assessed quarterly as part of the risk assessment process.

Level 3: Evidence how these current business practices and processes are integrated into the organisation's overall risk management framework.

As is described above, the **Convex Risk Management** Framework contains a dedicated section (Section 14) outlining the firm's approach to identifying and managing climate related risks.

Catastrophe risk modelling and Climate Risk

As a leading provider of P&C insurance and re-insurance products, Convex has a strong existing capability in modelling, pricing, and reserving of catastrophe risk from natural hazards. Convex uses several techniques and tools in its exposure management, including the use of a major cat model vendor, Verisk (AIR). A key workstream of Project Berlin in 2022 was to evaluate the adequacy of the climate change considerations and assumptions applied by Verisk (as detailed in Principle 2). Following the dedicated workshop held with Verisk model developers as part of Project Berlin, we identified a series of actions to strengthen our peril risk modelling where there is greater certainty of climate related risk. This has led to a current process of identifying and implementing a new flood model.

Investment risk and Climate change

As described in Principle 1, ESG risks within the investment portfolio are overseen by the Investment Committee, which receives a quarterly report of the ESG profile of the portfolio.

Risk appetite for ESG, including climate change risk, is incorporated into the investment plan through the annual exercise to align the investment plan to the business plan with defined time horizons and target returns.

ESG considerations are articulated in the Convex Group Investment Guidelines, which is also in line with Group Financial Market Risk Framework.

As more fully described in Principle 2, Convex outsources much of the investment process to third party asset managers, who are responsible for asset allocation while adhering to our Investment Guidelines. Our external managers have a strong focus in investing in companies with good governance practices, and embed ESG factors into their research, risk processes and investment decision making. As part of their commitment to ESG themes, our core managers are signatories of the UN Principles for Responsible Investment (PRI) and are also committed to reporting in line with TCFD requirements.

Climate risk and ESG considerations are also embedded in the credit ratings that Convex source from Moody's, S&P and Fitch providing another way to manage climate risks within the asset selection process.

Emerging risk

Convex uses horizon scanning to identify and monitor emerging risks which is overseen by the Group Executive Risk Committee. The role of horizon scanning in climate risk scenario planning is discussed in more detail in the case study in the breakout box below.

Monitoring of the identified climate related scenario from the Oracle Partnership work undertaken in 2022 is via monthly Risk Radar reports, reviewed by GERC which continues in 2023. The Climate related scenario considers Inter-systemic Failures: Systemic Events, Tipping Points, Cascades.



Case Study

Horizon Scanning

In 2022, the Convex Risk Committee reviewed a horizon of ten scenarios and identified four for the work to focus on, with Climate Risk being one of these.

The project leaders then undertook a series of workshops with key stakeholders exploring scenarios and focusing on developing hedging and strategic options. The work sought to answer three questions:



Scenarios exploring the question 'What might happen?' over the next decade.



The hedging and strategic options 'What might we do?'



The strategy, made up of the priorities, forms the strategy and answers the question **'What will we do?'**

The project has at its core the objective of enhancing resilience, looking to recommend a portfolio of hedging and strategic options that will work in the worst-case scenarios but also take advantage of emerging opportunities.

The recommendations in terms of actions were considered by the Risk Committee in July 2022. Scenario impacts have since been monitored on a monthly basis. **Level 4:** Evidence how the business assesses its compliance with current and emerging regulatory requirements.

Climate related regulatory matters

We are aware that the regulatory landscape with regards to climate change reporting is rapidly evolving at both national and international levels. Our dedicated HoS is active in the arena and closely monitors regulatory developments. The accountability for ensuring the Group is informed of new and evolving regulatory requirements lies with our dedicated compliance function, as part of its core surveillance responsibilities.

As a member of the IUA ESG Committee, ClimateWise Management Committee, Geneva Association and ABIR we are routinely informed of developing and emerging ESG and climate related standards and regulation.

The PRA have recently outlined their expectations for climate related risk management in the 2023 Category 2 Climate Stocktake Exercise, Assessing the management of climate-related risks (SS3/19). Convex has fully completed this submission in June 2023 and identified actions where required.

In addition to reporting in accordance with TCFD through this ClimateWise submission, we continue to monitor the evolving Task Force for Nature Related Financial Disclosures (TNFD) requirements.

We have paid attention to the industry standards being developed through the International Sustainability Standards Board (ISSB) and welcome the efforts being made to align standards at international levels.

In our Luxembourg subsidiary, our local Head of Risk attends seminars hosted by the local regulator and insurance association, and we have attended workshops on the evolving requirements under the Corporate Sustainability Reporting Directive (CSRD). We are planning our first preparatory CSRD report in 2024 in line with expectations for a fully disclosed CSRD report in 2025.

Principle 3.2:

Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.

Level 1: Evidence the member's role in developing insurance products and/or new partnerships to support innovation for climate-related issues mitigation and adaptation. This should include an explanation around how the need for these climate-related products and innovation has been identified.

As has been outlined in Principle 2, our Sustainability strategy centres around three core principles, of which one is focussed on Advancing Transition. This development of our strategy towards climate change puts significant emphasis on the role Convex can play in enabling transition whilst also being mindful of the changing risk environment.

Underwriting Transition

For this reason, we are proactive in enhancing our understanding of the evolving nature of the sectors we insure and in our developing partnerships, such as with brokers and associations, to enhance our relevance and position of influence.

In this vein, we commissioned Aon to conduct a workshop with Convex to better understand the current and future insurance markets around Intangibles and ESG (June 2023). The key objectives were to:

- Identify products and solutions currently available or being developed by market participants in the most impacted areas.
- Gain baseline understanding of the current state of the Intangibles and ESG insurance markets and how segments are impacted.
- Form an assessment of unmet client needs and emerging opportunities arising from Intangibles and ESG related risks with a review of the current offerings.

As is described in Principle 2.1, the CCRAF is the key tool used by the business to assess climate related risk by business line. We expect to adapt the use of this tool to help identify areas of climate related opportunity (such as the project led by Aon).

Convex is growing and shaping the underwriting of offshore wind both in its Energy and Casualty lines. A notable example is where Convex has led the construction liability component of the largest offshore wind project in the U.S. Convex took a lead role in the development of this placement where the client was looking for a lead insurer to address a particular issue where existing markets were proving inflexible. The traditional Onshore WELCAR wording was not suitable for this type of cover and Convex was able to provide bespoke clauses to create an appropriate solution.

For physical damage, Convex leads one of the principal offshore wind developer operating programs with multiple windfarms. In addition, we have prominent positions on almost all the large programs, and those of many of the offshore transmission operators. We continue to support the energy transition for offshore wind and currently participate on 18 construction projects globally and aim to grow this as industry constraints permit.

The Casualty team has also made progress in advancing the transition, by leading a number of liability programmes for electric vehicle manufacturers. A notable example is a manufacturer of electric and hydrogen powered trucks which is also involved in the installation of hydrogen re-fuelling infrastructure along key freight corridors in California and elsewhere. This is largely seen as the only viable solution for green trucks which need to travel long distances where batteries simply don't have the energy density to meet those demands.

Another manufacturing client of Convex is pioneering the build out of battery recycling facilities, a crucial step in transitioning battery technology to a more sustainable footing.

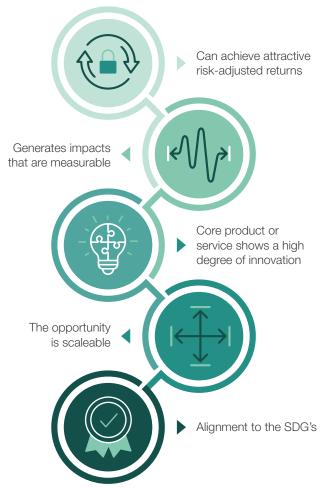
Convex Impact Investment Strategy

Launched in July 2022, the Convex Impact Investing strategy seeks to target attractive investment opportunities which contribute to specific environmental or social outcomes.

As awareness of and focus on the impact of investments has grown over time, and in line with the belief that as an asset owner Convex has an ability to direct capital to investments that contribute to specific environmental or social outcomes, the investment team has established a strategic framework for the identification, screening and allocation of impact investments. Further detail can be found on p23 of the Sustainability Statement 2022.

To date we have executed on two transactions with a dedicated team member in the investment function.

Our key investment criteria



Level 2: Evidence the member's role in improving data quality issues to inform the research and analytics of climate-related issues.

ESG Data development

A key part of our Net Zero commitment is to develop our understanding of the environmental commitments and the transition pathways of our re/insurance clients. Our focus in 2022 and continuing in 2023 is to develop and integrate the underlying data to ensure our underwriting portfolios meet net-zero emissions by 2050.

In this regard, we are supportive of the work being done by the Partnership for Carbon Accounting Financials (PCAF) to develop a methodology for insurance associated GHG emissions, and contributed to the scoping phase of this project.

ESG data (including ratings and emissions data) will inform the sustainability and transition profile of our re/insurance clients. We have licensed a rating agency ESG module for this purpose and have started to introduce this data at client and portfolio level.

Reinsurance client ranking and Portfolio Analysis

As a pilot project, we have taken certain ESG data of our material reinsurance clients to inform our client ranking process. In the exploratory phase of this project, we have taken five different contributory factors to build our own view of their ESG profile. We have held a workshop to take our reinsurance team through this to help develop their understanding of client transition plans and commitments.

In a further pilot study, we undertook an ESG rating analysis of our Energy portfolio. We aim to enhance this work across all our lines with further environmental data, where available.

We have noted in Principle 2 our involvement in the IDF, and specific risk modelling review work undertaken, specifically the lead sponsorship of GRMA work.

We are a member of Oasis (refer Principle 5) and as noted in Principle 2 we have supported the data modelling work of Dr Tom Philps of Maximum Information, a leading consultant in catastrophe risk analytics, through which we are now on the Steerco of a CGFI project.

Aviation Transition

We recognise the challenges – and the opportunities – around the requirement for the aviation sector to de-carbonise. As a leader in this market, our Head of Aviation, together with our Head of Sustainability have made considerable efforts to understand and raise awareness of the evolving sustainable aviation world:

- Convex joined Fly Green Alliance, supporting industry insights and news on sustainable aviation fuel (SAF) and sustainable aviation.
- Convex was the sole insurer sponsor of the 'Sustainable Aviation Futures' conference in Amsterdam, in June 2022, which brought together airlines, SAF manufacturers and industry bodies to progress the development of sustainable flight.
- Convex is a supporter of 'BVLOS' (Beyond Visible Line of Sight) drone insurance. These drones perform remote tasks delivering medicine, inspecting power lines, delivering cargo etc, replacing traditional transport means such as helicopter.

 Convex was a sponsor of the SAF Mechanism Report (October 2022), supporting aviation to decarbonise. This publication helps broaden the industry's understanding of the value of SAF and the need for expansion of its production and increased use by airlines.

Our Head of Sustainability joined a number of industry panels in 2022 and 2023 on the subject of Sustainable Aviation (refer Principle 6.1) The purpose of these is to communicate to the insurance sector our research and learnings on the subject of sustainable aviation and to engage with the aviation sector on the relevance to insurers of improved measures to decarbonise.

Insurance Development Forum (IDF)

As a member of the IDF we are a key sponsor of IDF's partnership with the Global Risk Modelling Alliance, a unique public-good partnership opening up private and public risk expertise, helping to support disaster-resilient communities within the V20. The aim of the IDF is to optimise and extend the use of insurance and its related risk management capabilities to build greater resilience and protection for communities and businesses that are vulnerable to disasters and their associated economic shocks.

Convex is currently engaged in the Tanzania project group seeking to provide risk mitigation guidance and insurance solutions for agriculture.

Better Insurance Network

Convex has supported a learning programme developed by Better Insurance Network for the purpose of enhancing the industry's understanding of climate related risk and opportunities, titled 'Sustainability for Insurers'. Convex staff have delivered the content and recorded lessons on the following topics:

- Physical Risk from Climate Change, An Overview (Rachel Delhaise)
- Impact Investments (Sara Cardelli)
- Sustainable Aviation (Mike Hansen)
- Carbon offsets (Rachel Delhaise)
- Blue Carbon (Rachel Delhaise)



Planned Actions (2023-2024)

- Develop baseline emissions data on 25% (premium volume) of insurance portfolio
- Expand ESG rating analysis across at least three other business lines
- Implement ESG investment data provision for fixed income portfolio



Reduce the environmental impact of our business



Principle 4.1:

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

Level 1: Evidence of an environmental/sustainable procurement policy that is applicable across all operations.

Procurement

Convex is aware of its responsibility to use its position and influence to promote the adoption of sustainable practices among its suppliers and partners.

The procurement process is an important vehicle to influence supplier behaviour and practices. We have amended our Group Procurement Policy to include a responsible procurement section under which it seeks to manage its procurement processes to:

- Promote practices that reflect responsible environmental management, consistent with the locations in which the business is operated.
- Reduce the full life-cycle impact and cost of products and services, in particular waste disposal, where possible.

Day-to-day responsibility for the policy lies with Head of Procurement. However, as a step to ensure that sustainability considerations are being appropriately prioritised, the HoS reviews and approves the CSR/ESG profile and policies of all Tier 3 and material suppliers. Currently, this is a manual process. We are in the process of centralising supplier management on a new portal that will integrate the ESG questionnaire into the system, ensuring a robust process.

Our Sustainable Procurement process and policy is being reviewed and enhanced by an independent consultant (July 2023).

Level 2: Evidence of work and services undertaken to assess the environmental sustainability of products and services purchased and any corrective action taken.

Alongside the Group Procurement Policy, Convex expects its suppliers to adhere to its Supplier Code of Conduct. This policy sets out the ethical principles that will govern the relationship between the two parties. These include a requirement that suppliers should adopt processes that 'support sustainability of the environment throughout their supply chain'.

We also seek to make use of the potential for digital technologies to further reduce the environmental footprint of our supplier relationships. For example:

- Our Apple Mac's have power settings centrally configured to automatically put the machines into low power modes when they aren't being used.
- Our offices have screens to show internal communications, and screens to allow screen sharing in meeting rooms and huddle spaces. The power settings are configured to only be on during office hours.
- Most of the desks do not have monitors with colleagues working from laptops.
- In particular areas of the office (Libraries), energy efficient monitors are provided which will only turn on when plugged into our Apple Mac's.
- There are a limited number of printers (mainly used for digital scanning) which remain in a low power state when not actively used.
- Convex leverage cloud services and do not have any physical data centres or servers.
- Colleague devices (Apple iPhone, iPad, Apple Mac) are on a four-year refreshment programme. We work with a partner that security wipe the devices and resell them, avoiding unnecessary landfill.
- Where we can't resell equipment (e.g. a broken laptop) we work with specialist recycling companies to process the equipment.
- Where possible, contracts are issued electronically using 'Docusign'.
- Underwriters use ePlacing Platforms to engage with brokers electronically.
- Supplier invoices and account payable processes have all migrated to digital platforms.

We also have substantive measures in place to ensure sustainable procurement in our UK offices where our catering and cleaning contractors are both ISO 14001 certified suppliers. Our catering contractor uses only locally sourced products to limit food miles travelled, uses 90% Vegeware food packaging to eliminate single use plastic, and are on a mission to achieve B-Corp certification. Our cleaning contractor is both ISO 14001 and ISO 50001 certified. They have been awarded a silver medal for their sustainability performance by EcoVadis, and use chemical-free cleaning and PVA products.

Level 3: Describe how broader environmental/climaterelated issues impact your value chain and how you have taken a leading role in engagement throughout the value chain to improve the sustainability of products and services.

As noted in Principle 3.2 (1) we have taken a proactive, leading role in casualty offshore wind underwriting.

Claims

We endorse initiatives for a sustainable approach to insurance claims and are looking to develop more sustainable approaches to the claims process. For example, Convex joined the Geospatial Insurance Consortium ('GIC'), a collaborative technology platform for insurers, which combines high resolution satellite imaging with Al decision making to expedite and simplify claims processing. As well as improving customer satisfaction, the technology also reduces the need for loss assessors to travel to the site (by enabling remote assessment of the damage), thus reducing Scope 3 GHG emissions from claims processing. Convex used this technology to assess claims during the 2021/2 US hurricane seasons.

We have developed a proposal to incorporate wording into our Terrorism Insurance, which would enable rebuilding with environmentally friendly materials ('Environmental Improvement' wording). This is scheduled to be introduced in autumn 2023.

Principle 4.2:

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

Level 1: Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions.

The following data represents our energy consumption and carbons emissions for Convex Group Limited in 2021 and 2022:

GHG metrics dashboard	2022	2021	Unit
Scope 1			tCO ₂ e
Natural gas	46	35	tCO ₂ e
Total Scope 1	46	35	tCO ₂ e
Scope 2			
Electricity location-based	276	198	tCO ₂ e
Electricity market-based	140	74	tCO ₂ e
Total Scope 2 (location-based)	276	198	tCO ₂ e
Total Scope 2 (market-based)	140	74	tCO ₂ e
Total Energy (Scope 1 & 2)	186	109	tCO ₂ e
Average emission intensity (Scope 1+2) per FTE (market Based)	0.32	0.26	tCO₂e/FTE
Scope 3			
Travel (flights, rail, taxi and hotel)	4,957	857	tCO ₂ e
Waste	1.60	0.76	tCO ₂ e
Total Scope 3	4,958	857	tCO ₂ e
Total Emissions (market-based)	5,145	966	tCO ₂ e
Emission intensity per FTE (market-based)	11.69	2.30	tCO₂e/FTE
Carbon Offsets	5,145	1,259	
Total Net Emissions	0	(293)	

Level 2: Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with an absolute or intensity target against a baseline.

Refer to Table in Level 1.

Level 3: Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with performance trend and accompanying narrative.

GHG Emissions tracking and reporting

We continue to solidify our approach to collating emissions data across the group to give us a complete picture upon which we can baseline our footprint. This includes new data sources such as our Cloud service providers, on which we will report in due course, and which we will use to inform the development of our operational sustainability targets.

As expected, 2022 has seen an increase in total emissions as the company has transitioned back to the office, as business travel increases, and as Convex continues to grow. As cited, we will use 2023 to develop baselines across each scope of emissions and to set our interim targets in line with our commitment to Net Zero.

Level 4: Describe the methodologies used to calculate GHG emissions metrics and targets.

Methodologu

Our approach to calculating GHG emissions, including decisions over areas, such as organisational and operational boundaries are described in the methodology document appended to this submission. In summary, we believe that our approach to calculating emissions is at least in line with peer and industry practices and appropriate for the current state of development of GHG reporting given availability and accuracy of data. We commissioned an independent review of our emission reporting which provided guidance for ensuring we maintain an appropriate process going forward.

Reporting

Consistent with the Greenhouse Protocol, we report emissions under three Scopes:

- Scope 1: This covers direct emissions from owned or controlled sources (of note, Convex is a tenant in serviced offices in all its locations and not, therefore, in control of boilers, plants etc).
- Scope 2: This covers emissions from the generation of purchased electricity, steam, heating, and cooling, which we consume. Electricity for our UK offices is certified from renewable sources.
- Scope 3: This covers all other emissions that occur in a company's value chain. Our reporting of Scope 3 emissions is currently limited to business travel (flights, rail, hotel) and business waste.

Carbon offsets

A significant proportion of our reported emissions is from corporate travel which will remain hard to abate for some time to come. For this reason, the purchase of offsets forms part of Convex's transition strategy as we develop targets and strategies to reduce such emissions. Our criteria for offsets are that they are of a recent vintage, certified by a reputable standard and are aligned with our priority SDG's.

We have made efforts to diversify our offsets to a range of projects including both carbon removal and carbon avoidance. One such project is Enhanced Weathering, an innovative carbon removal process aiming to accelerate natural rock weathering during which carbon dioxide reacts with rocks (further detail can be found on p31 of Sustainability Report 2022).

Scope 3 Financed Emissions

We have begun a project to evaluate an effective process for calculating Scope 3 finance emissions from our investment portfolio, using the PCAF methodology. Whilst we acknowledge the industry is relatively immature in reporting finance emissions, we have done significant groundwork in understanding the requirements and scope for collating the required data and anticipate doing a pilot project later in 2022.

As reported in Principle 5, we have also contributed to the scoping exercise for PCAF Underwriting associated Scope 3 emissions.

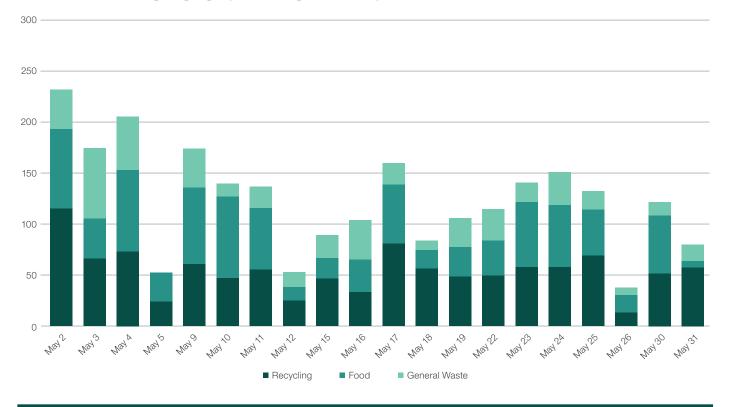
Principle 4.3:

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

Level 1: Disclose other key environmental quantitative and qualitative data (not GHGs) used to measure and manage priority climate-related risks and opportunities within the business's operations and outline how these have and are planning to change over time.

As well as GHG emissions, Convex has begun to capture and track other climate change related risks connected to our own operations. We monitor and report monthly the levels of business waste we generate and their associated emissions.

Convex Waste monthly recyling reports – May 2023 example



Occupier Name	Waste Entries	Net Weight (Kgs)	Recycling Rate
Convex	292	2,492.4	79.24%

Level 2: Evidence a narrative relating to the environmental performance made (against these metrics) over the past year showing that the organisation understands how and where it has achieved progress as well as what it needs to do differently. Environmental data should be provided for historical periods to allow for trend analysis.

Level 3: Evidence of targets (quantitative and qualitative over the short, medium and long term) set to manage climate-related risks and opportunities (associated with operational impact), and of variance analysis regarding performance against targets.

We have committed to Net Zero in our Sustainability Statement for 2022 (refer Principle 1) and will establish interim targets to help achieve this.

Scope 3 travel is our most intensive use of GHG. We have undertaken considerable analysis of the underlying make up of our Scope 3 travel emissions and will use this to agree baselines and functional targets to 2030.

We are working with our building providers to assess their transition plans for gas to align with their current practice of using renewable electricity to inform our Scope 1 & 2 targets. The building management of our London office are developing an energy saving plan with targets as part of the BREEAM In Use accreditation which will be rolled out to all over the coming months.

Level 4: Describe the methodologies used to calculate metrics and targets.

Our development of methodology for non GHG environmental metrics will follow as part of our broader operational transition plan. This will be applied to our own operations as well as informing the data we will access for our broader supply chain. **Level 5:** Evidence the organisation's number and nature of environmental impact reduction projects.

Our objective to build a sustainable operation will form a significant part of our journey to Net Zero. As mentioned above, considerable care has been taken to purchase carbon offsets responsibly, an early indication of our commitment to this objective.

Some examples of recent environmental initiatives are given below (in addition to those listed under principle 4.1):

- We operate near paperless offices across our organisation, and when paper is used it is 100% recycled. In addition, our agile working practices involve minimal use of fixed monitors – available only in designated 'library' areas – which helps to reduce electricity use.
- As noted, we also have substantive measures in place to ensure sustainable procurement, and our UK catering and cleaning contractors are a good example of this. Our catering provider uses all compostable/ recyclable packaging for prepared food. Crockery and stainless-steel cutlery is provided, to avoid single use plastic.
- Both the London and Bermuda offices benefit from modern environmental measures such as energy efficient water management, motion sensor LED lights, glazing with a high UV rating to limit heat gain, and an Energy Management System to control zone air conditioning and lighting levels.
- The Bermuda office collects rainwater on the roof which is filtered and UV sterilised prior to distribution throughout the building.
- 'Tripactions' is used for all travel so we can effectively record emissions data and provide transparency to staff of travelassociated emissions.

Principle 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 of work.

Level 1: Evidence of engagement activities conducted throughout the year.

Convex has two primary internal channels of communication to raise awareness of climate change related risk among our employees:

- Slack has a dedicated Slack channel ('Sustainability-Main') which communicates sustainability and climate related developments to a wide audience. More focussed sustainability channels include 'Sustainable-Aviation' and 'Sustainable-Underwriting'.
- The Convex Chronicle is a monthly newsletter, including a regular editorial from our Head of Sustainability. Recent topics include:
 - An update on the new Sustainability Strategy
 - An update on the Convex Seascape Survey
 - COP27 Why does it matter?
 - Influence of King Charles on insurance and the environment
 - Volunteering opportunities linked to the environmental and social causes

As well as internal communications, we have developed a series of sustainable culture initiatives, to help raise awareness across Convex of the need for **action** at an individual level as well as corporately.

The **Convex Conversation**, a weekly podcast hosted by journalist Helen Fospero, often focusses on environmental themes and is popular with employees (see Principle 6.1). See Convex Conversations – convex.podbean.com/

In June 2023 the leaders of the **Convex Seascape Survey** spoke at our company-wide Town Hall to describe the background and context of the project together with recent updates. This led to interesting discussion on sustainable fishing and how this can inform the food choices we make at home.

In Bermuda, as part of our sponsorship of **BMZ** Micro-forests, our employees took part in a day planting trees at Eliot primary School (Principle 6.1). An important feature of this project is community engagement: the project leaders work with student's, company employees, members of environmental groups etc. to help them create their own micro forests and enhance their understanding of climate change mitigation through photosynthesis.

Our London office has received training from the building management of 52 Lime St on the waste process for the building, helping inform their own understanding of limiting waste, recycling and composting.

Responsible Pensions

Convex offer employees to join the corporate Aviva pension scheme run by Aviva under its Aviva Future Focus, where responsible investment is integrated into the management of this fund. Aviva is a founding signatory of the UN Principles for Responsible Investment.

Level 2: Evidence of a continued programme of engagement aligned to material impacts and measurement of the uptake and impact of the activities conducted.

As is described more fully in Principle 6, our Head of Sustainability continues to provide training to the firm on our Sustainability strategy and updates on recent initiatives. This has included a presentation at the recent management away day (June 2023).

Periodically, more in depth workshops are run to focus on specific areas of the business which are impacted and/or further reading materials and research are shared and recommended, as appropriate.

Our employees are very much part of the target audience for the workstream committed to communication and education of the Convex Seascape Survey, as outlined in Principle 6.

Level 3: Evidence of a comprehensive programme of engagement across the business with the implementation of engagement targets (over the short, medium and long term).

Employee engagement is part of the Convex Sustainability Engagement Plan (see Principle 6.1).



Planned Actions (2023-2024)

- Determine scope 1, 2 and 3 interim targets as well as baselines
- Include employee commute in scope 3 reporting
- Develop sustainable culture projects aimed at employee engagement e.g. through carbon offset solutions

Principle 5: Inform public policy making



2022-2023 Planned Actions

Develop evidence for Seascape Survey communications effectiveness.



Progress

 Increased engagement in public events, social media engagement and tracking associated numbers.

Continue engagement in regulatory and reporting related developments such as PCAF, ISSB etc.

- RD contributed to PCAF consultation process on methodology.
- RD engagement in ClimateWise Principles reporting revisions.

Continue research initiatives and develop ways to measure impact.

- Published Convex Seascape Survey Annual Report to communicate the project's work to date. Education stream has integrated blue carbon in UK Curriculum for first time.
- See above for other research initiatives.
- CSS impact currently measured through outreach success.

Principle 5.1:

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

Level 1: Evidence of engagement activities throughout the year, to influence public policy on climate mitigation and adaptation and the outcomes of this engagement.

As a business with a direct interest in the success of societal efforts to mitigate and adapt to climate change risk and as a responsible insurer, we recognise the weight of corporate influence on climate change and to positively influence the development of policy.

We engage in partnerships and projects to help inform the understanding of climate change and the collective effort to enable the transition to a less carbon intensive, sustainable world. We recognise that by collaborating with industry peers, our contribution will be more effective.

Our dedicated Head of Sustainability (HoS) has undertaken Business Sustainability Management and Sustainable Finance courses at the University of Cambridge Institute for Sustainability Leadership (CISL) which has enhanced her understanding and awareness of sustainability challenges and opportunities, which supports our internal and external engagement in this domain.

The HoS has participated in panel events across a range of ESG related themes such as the development of ESG data, ESG reporting, Sustainable Aviation and Blue Carbon.

We seek to focus our effort in areas which align to our internal view of the key risks facing the Group and where we feel our efforts will have the most traction, given our size and industry position.

Examples of our engagement in promoting and actively engaging in public debate on climate-related issues are:

- PCAF: Our HoS remained close to the development of the PCAF (Partnership for the Carbon Accounting Financials) methodology during 2022 and participated in the consultation process. This is relevant given our intention to use the PCAF methodology to report on our insurance and investment emissions and to help develop Net Zero plans for these portfolios.
- Aviation: Aviation is a material business line for Convex and a hard to abate sector. On that basis, we continue to raise awareness around decarbonisation efforts in this sector. We have joined Fly Green Alliance and Convex was a sponsor of their SAF Mechanism Report, supporting aviation to decarbonise. Furthermore, our HoS participated on an Economist Impact panel event (October 2022) 'Countdown to COP 27: Developing better, more sustainable biofuels'. This event reached a wide audience including government, NGO's, scientists and the financial sector.
- Built environment: The HoS has engaged in the 'Skills for a Sustainable Skyline Taskforce' led by the City of London to identify and bridge skill gap to boost the supply of skilled workers for sustainable buildings. An insurance perspective (provided by the HoS) has been helpful to the working group. A colleague has undertaken some statistical analysis for this project.

IDF/RMSG and Global Risk Modelling Alliance (GRMA)

Convex is a lead sponsor of the Risk Modelling Steering Group (RMSG) and specifically the GRMA a unique partnership providing private and public risk expertise, helping to build empowered, resourceful, climate and disaster-resilient communities. The IDF (see Principle 3.3) has been instrumental in establishing the GRMA with the intention of enabling insurance to mitigate the impacts of climate change on the most vulnerable countries (the V20). The associated projects are led by a tripartite arrangement between IDF, UNDP and BMZ, involving close partnership with local governments.

As well as sponsoring RMSG/GRMA, Convex is also an active member of both the Risk Modelling Working Group and the Sovereign and Humanitarian Working Group.

Level 2: Evidence of prioritising engagement to achieve impact aligned to material climate-related issues.

In our 2022 Sustainability Statement we outline our new Sustainability strategy (refer Principle 2.1) which is structured to reflect three clear Guiding Principles: Building Resilience; Leading from our Culture and; Advancing Transition.

These principles and their defined goals, drive the framework of our engagement and action on climate related issues and is demonstrated through the Sustainability Work plan and Communications plan.

The list of events Convex has participated in (under Principle 6) reflects our priority climate-related themes and our different stakeholders. The HoS has also joined panel events to influence respective audiences and learn from the discussion in the areas of 'Data and Net Zero planning' and 'Climate related litigation'

Data and Net Zero planning

- Instech panel event, 'Managing and measuring carbon emissions and ESG' (Nov 2022): Our Head of Sustainability joined a panel hosted by Instech CEO with S&P and Fidelis.
- Fitch, 'Insurance through an ESG and Sustainability Lens/ Transition to Net-Zero' (Feb 2023): Our Head of Sustainability joined a panel with the Heads of Sustainability at Lloyd's and Fidelis.
- Bermuda Climate Summit, 'Role of (re)insurers in supporting the transition & the path to net-zero' (see also 6.1) (June 2023): Joined panel, hosted by Oxbow with Heads of Sustainability at Axa and Conduit Re.

Climate related litigation

To develop our understanding of recent developments in climate related litigation we participated in:

- WTW, 'Time to future proof your business' (April 2023): Climate litigation seminar.
- WTW roundtable discussion, 'Climate Liability: What is on the horizon for carriers, and what is already here' (April 2023).
- AIDA conference in Zurich, 'The ESG footprint of Insurers' (refer 6.1)
- Clyde and Co briefed a working group in Convex on current climate related litigation (April 2023)
- Clyde and Co, 'Insuring Net Zero' (June 2023)

Level 3: Evidence of a leadership position or strong and active collaboration efforts in the engagement of others on matters relating to climate change.

Executive Engagement

Our approach to sustainability has benefitted from the leadership of our founder and Executive Chairman, Stephen Catlin. As noted in the Introduction, Stephen has been a long-term advocate of the need for greater and more concerted action to combat climate change and has sponsored several scientific research projects to increase understanding of the many ways that climate change can adversely impact the natural world. This has led to our sponsoring the Convex Seascape Survey, a major climate research project (further detail under Principle 5.2) which sees Convex collaborating with Blue Marine Foundation and scientists from the University of Exeter to improve our understanding of the carbon sequestering capacity of the seascape and the role it could have in slowing global warming.



Insurance Development Forum (IDF)

In May 2023, Stephen Catlin re-joined the Steering Committee of the IDF (having been its inaugural Chair from 2016 to 2018), an organisation whose mission is to extend the use of insurance and its related risk management capabilities to countries especially vulnerable to climate risk. (Refer to our engagement with IDF/GRMA above).



ClimateWise

Convex's involvement with ClimateWise is another important example of collaboration. Our Executive Chairman has a long association with ClimateWise having been an active member of the Council since inception, helping steward its development and the acceptance of its Principles across the industry. Our HoS, Rachel Delhaise joined the Management Committee in April 2022.

As a member of the Management Committee, the HoS has been an active member of two subgroups created to refine the Strategy, Governance and Principles of ClimateWise: the ClimateWise Principles Working Group and; Strategy and Governance.

Further, the HoS presented on Carbon Offsets at the ClimateWise Ideas Exchange in October 2022 to help members navigate the carbon offset world, focussing on the importance of robust standards and relevance of offsets to the organisation.



Bermuda Zoological Society (BZS)

Convex has sponsored the planting of micro forests around Bermuda. BMZ Micro Forest is the first local project of its size helping to mitigate climate change by capturing and storing atmospheric carbon dioxide through photosynthesis. This project is fully aligned with the UN Principles of Sustainability and Biodiversity protection and enhancement.

An important feature of this project is community engagement. The project leaders work with students in public and private schools, youth clubs, homeowners, the Bermuda Parks Department, company employees, members of environmental groups, churches, and clubs to engage them in creating their own micro forests, using the defined methodology.



International Underwriters Association (IUA)

Convex is a member of the ESG Committee of the IUA where the HoS assumed deputy chair role in 2022/2023. In this role the HoS is actively engaged in working with the Committee chair and secretary to develop an annual agenda relevant to the developing climate and broader ESG considerations.

For example, the committee has engaged speakers and discussion on:

- ESG considerations in the supply chain
- FCA DP23/1: Finance for positive sustainable change
- Net Zero Insurance Alliance and Anti-Trust issues

The Committee will also review and feedback on current regulation and standards out for consultation e.g. HM Treasury 'Future regulatory regime for Environmental, Social, and Governance (ESG) ratings providers' Consultation.

Principle 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.

Level 1: Evidence that the member has supported or undertaken research during the year in question (brief description of the research focus, the financial year in which any support was given and outcomes) with an explanation of how this research has been used to inform public stakeholders and advance the common interest.



Convex Seascape Survey (CSS)

The CSS is a five-year, pioneering research project, developing open-source carbon data, to harness the potential of the seascape in mitigating climate change. Blue Marine Foundation (BLUE), the University of Exeter and a global network of scientific partners are seeking to quantify the role of the whole coastal seascape in the carbon cycle with a highly interdisciplinary programme of leading-edge research.

The CSS brings together the necessary interdisciplinary depth, global reach, bold ambition and resources needed to tackle such a challenging problem.

CSS highlights from 2022/2023:

- Presented the project on the world stage at COP 27, Sharm-el-Sheikh.
- Presented the project at the Economist 10th World Ocean Summit in Lisbon.
- CSS Advisory Council appointed, chaired by Prof Michael Depledge, TBE FRCP, and first meeting held.
- Released a series of lessons on Ocean and Climate (introducing UK students to the role of the ocean in the carbon cycle and formally incorporating this in the curriculum).
- Created a global ice sheet reconstruction to show the distribution of carbon on the world's continental shelf.
- Reviewed the literature and archives to identify gaps in the knowledge of the timing, patterns and spread of human influences on the seabed.

The 2023 Annual Report from the Convex Seascape Survey provides further detail of the progress made and project status. As is clear from page 8-9 of the report, the overall objective of the project is to create open-source data to help inform the Key Scientific Questions the project seeks to address, which will be made available to all. This is fundamental as there is currently an absence of a well-researched, cohesive assessment of the carbon quantification of the coastal seascape. The data will be housed in a recognised Harvard data base and be easily accessible.

The comprehensive, well-funded education and communication plan (Work programme 4) is a key workstream of the project. Work programme four will showcase scientific findings and project progress through media and live education outreach sessions as is outlined in pages 28-30 and p48/49.

Bermuda Institute of Ocean Sciences (BIOS)

Convex sponsored a fully funded internship at BIOS for Amy Jackson, who has completed her Earth Sciences master's degree at the University of Oxford this year. Amy has been working with the BIOS-SCOPE project, using automated imaging and genomic techniques, and helping develop protocols for counting, measuring, and analysing bacteria and viruses in seawater.

Amy broadcast a live presentation of her work, 'Investigating Nitrogen Loss Processes at Devil's Hole', in April 2023 to an international community of scientists, Bermudians and other interested parties.



Level 2: Evidence of action to proactively promote knowledge sharing within the industry by sharing the research and engaging others in the research topic.

As part of our work towards 'Advancing Transition' and 'Building Resilience' we have a programme of engagement built alongside a number of the workstreams (see Principle 6).

Convex Seascape Survey (CSS) and the insurance community

In addition to raising awareness and informing the science, policy, and education communities (as shown in Level 1) we have recognised the role the CSS can play in informing our industry of this important aspect of the carbon cycle. To this end, in May 2023 we hosted a CSS launch event in Fishmongers Hall to educate our broader community on the relevance of blue carbon and the scale of the gap in missing data regarding carbon sequestered in continental shelves which the CSS is seeking to address.

We were delighted with the level of engagement, interest and enthusiasm from the re/insurance community in the subject and received extremely positive feedback.

Project Berlin

Project Berlin (see Principle 2.3) is a research project led by Dr Tom Philp, into the physical risks from climate change as interpreted through the industry lens of key peril regions. This looks at the impact on Convex and the broader industry and Part VI concludes how the findings of the project flow into business management actions and perspectives.

The findings from Project Berlin and on-going actions, have been shared extensively with management and colleagues to inform our management of climate risk and aspects of business strategy. An action was also agreed to share findings externally which has led us to working with industry partners (ClimateWise, Lloyd's, Oasis, Maximum information) to use Project Berlin as a form of focus for an industry event (planned for Q3 2023) exploring further the physical impacts from climate change from an underwriting perspective. The preparatory workshop (July 2023) looked at building an agenda around the following themes:

- Short term implications (5-10 year)
- · Lack of adequate assessment of tipping point risk
- Greater/lesser uncertainty according to perils and regions
- Potential solutions for doing scenario/stress work on localised peril regions
- An exploration of the complexity of assessing exposure changes versus climate change
- The growing need for improved granularity of claims causation

Level 3: Evidence that the research addresses key climaterelated risks facing the business. Members are asked to demonstrate that the research plays an integral part in influencing on business strategy and advancing the common interest.

Project Berlin

The findings of Berlin have been the subject of workshops with our underwriting teams and ceded reinsurance buying teams. This has helped improve underwriters' understanding of aspects of climate change and consequently informing risk appetite. This has allowed underwriters to develop an approach to managing and accommodating risk, determine where further, more localised stress testing is required and focus appropriate attention on hazard versus exposure and vulnerability. This ultimately means we will have a strengthened ability to continue to assume catastrophe risk.

Furthermore, some of the high-level findings regarding uncertainty and areas of higher risk have also been incorporated into our Climate Change Risk Assessment Framework which is used in our strategy and planning process.

Similarly, we believe in sharing this work with a wider, external audience, this will help our industry's ability to understand the evolving impact of climate change on the risks we collectively assume, with a focus on:

- Current and projected trends in median frequency and intensity of hazard and;
- Uncertainty and volatility in frequency and intensity of hazard.

CSS

Please see p.8 of CSS Annual Report 'Key Scientific Questions' on the relevance of the research into this crucial and little understood aspect of the carbon cycle.



Planned Actions (2023-2024)

- Engage broader industry community in physical risk seminar, leading on Berlin findings
- Broaden engagement of the wider science community in the progress and learning of Convex Seascape Survey
- Deepen engagement in IDF and protection gap solutions



Support climate awareness amongst our customers/ clients

2022-2023 Planned Actions	Progress
Develop a process to measure numerical results of engagements with customers/clients.	 Tracking engagement numbers behind many initiatives e.g. CSS events, Convex conversations, audiences at panel events etc
Develop a process to inform our clients of climate related risk and provide support/tools to enable own measurement.	Enhanced engagement with clients/brokers as described.
Develop further engagement and sponsorship of aviation decarbonisation.	Examples of membership of FGA, participating in WTW panel events at Airline and Airport conferences. Aviation climate litigation roundtable.
Plan further environmental linked podcasts, especially related to Convex Seascape Survey.	 A range of podcasts on the Convex Conversation Ocean health linked podcasts by Theresa Patricios during her Pacific Row

Principle 6.1:

Communicating our beliefs and strategy on climate-related issues to our customers/clients.

Level 1: Evidence of communicating the organisation's beliefs and strategy on climate-related issues with customers/clients considerate of members' position in the insurance value chain.

Convex Sustainability Engagement Plan

We believe the most important way to demonstrate our beliefs and approach to climate-related issues is through how we approach these issues as a firm. Long-term sustainability is integral to our approach, starting from the fact that the very purpose of commercial insurance is to support the sustainability of business activities – to protect them against the risks that might otherwise threaten their survival.

Our website has a dedicated Sustainability page and is the best source of information on Convex's ESG values and approach. The wording on the homepage succinctly summarises our commitment to sustainability:



Our approach to Sustainability is integral to and integrated in Convex's strategy and is underpinned by Convex's values. We are clear that we will only deliver on our ambition to be the partner of choice for the insurance and reinsurance of complex specialty risks if we fully integrate environmental, social and governance considerations into how we run our organisation



Our Sustainability Statement is published on the website. In 2022 we refined our Sustainability Strategy (refer Principle 1.1) under three Guiding Principles which forms the platform and framework for how we will address climate related issues.

The report includes:

- Our sustainability beliefs underpinned by the Convex values.
- The six UN SDG's which we make the most substantive contribution towards and which inform and direct our work.
- A summary of the progress made in achieving our goals under the Guiding Principles during 2022 and actions for 2023/24.
- Our approach to sustainability and climate related issues as concerns Underwriting, Investments and Operations.
- Our socially responsible approach to people and culture and our work with a variety of partners.
- Progress made against our ambition across each section and specific actions for 2023/24.

The report has been published on our website and further socialised with a range of insurers, reinsurers, investors, clients and peers. We have developed a 'Paint swatch' with a link to QR codes to enable our audience to easily access our sustainability related publications without having to distribute paper copies.

We appreciate the growing desire of our stakeholders to understand not only our own approach to sustainability and the progress we are making but also how we can help broaden their understanding of climate related issues which may impact them and their business directly or society more generally. To satisfy this increasing demand, we seek to effectively engage and communicate with our clients through a variety of different channels, outlined below.

Industry Dialogue

Our Sustainable Underwriting Strategy aims to raise awareness of ESG and climate change related risks and opportunities amongst our underwriters, brokers, and clients.

As outlined in Principle 5 (and further in Principle 6.2), the HoS has participated in a variety of sustainability-themed panels and conferences over the past year to raise the profile of climate change within the insurance sector and to increase awareness among clients, brokers and peers.

The rationale for identifying these events and audiences is detailed further in Principle 6.2 below and in the evidence document. The themes addressed follow the areas of focus agreed through the sustainability strategy.

Social Media

Acknowledging that clients and the wider public prefer to receive information in a range of formats, Convex makes use of social media, including LinkedIn (15.5k followers) and Instagram (350 followers). We use social media to inform our clients about the work we are doing, to share employees' social and environmental contributions and to expand the conversation on a variety of topics. Posts have included:

- Informing our followers of the latest publication of our Sustainability Statement.
- Raising awareness of our employees' involvement in the Space Sustainability Symposium hosted by His Majesty King Charles II at Buckingham Palace.
- Expanding the conversation around ocean health through our regular updates on the Convex Seascape Survey.

The HoS is an active member of LinkedIn (with 1000+ followers) and frequently posts news items or posts concerning advances in climate related technology and how society and cities are adapting to living with a changing climate and advances towards a lower energy and decarbonised world.

The Convex Conversation, the weekly podcast series, continues to engage staff, brokers, clients and the wider public on a diverse range of subjects that align closely to the UN Sustainable Development Goals. This podcast has had international recognition, winning the International Women's Podcast Award for 'Moment of Entrepreneurial Inspiration'. Many of the episodes have a social or environmental theme:

- Multi-BAFTA and Emmy-winning wildlife and documentary film-maker Doug Allan on climate change and, in particular, the impact it's having on the polar regions (287 listens)
- Lilium co-founder Daniel Wiegand on the creation of the world's first, zero emissions electric vertical take-off and landing jet, an eVTOL (601 listens)
- Marine conservationist George Duffield on how a healthy ocean can be a vital ally in our climate crisis (255 listens)
- Professor Callum Roberts on how the Convex Seascape Survey could reveal the ocean as our greatest climate ally (279 listens)
- Tusk's first ever Conservation Award winner Tom Lalampaa on brokering peace with feuding tribes in Kenya using a conservancy method to ensure communities, wildlife and the habitat can thrive together (235 listens)
- Education Conservationist Ephantus Mugo on his work at Lewa Conservancy in Kenya where children are learning the value of conservation to improve their lives (255 listens)
- Julie Anderson the CEO of Plastics Ocean International talking about how communities have and can reduce plastic pollution (268 listens)

Stakeholder Disclosures/Public Reporting

Convex believes it can build awareness of climate change issues through a commitment to being fully transparent with peers, regulators, and wider stakeholders around our own environmental footprint. We are also cognisant of the increasing public interest in companies' sustainability credentials and are therefore committed to reporting our approach and progress as objectively as possibly. In this vein, we are members of several industry bodies, partnerships and initiatives that encourage disclosure of our climate risk-related activities, as described more fully in Principle 5.

These channels allow us to communicate with a broad range of clients, investors and other stakeholders and ensure that our commitment to helping society combat climate change and to help our clients adapt to climate events is widely understood.

Level 2: Evidence of a robust engagement plan for customers/clients that will result in increased knowledge and awareness.

As part of our Sustainability Strategy, and framed around our central Guiding Principles, we have developed a Convex Sustainability Engagement Plan (CSEP) to support the objectives described above and to align with our Sustainability Strategy. This plans our engagement on a two year timeframe in order to:

- Identify stakeholders whom we want to influence and share our knowledge;
- Identify the different climate related information and knowledge which we will share and;
- Identify the seminars and relevant forums for sharing with respective stakeholders.

See Level 3 explanation of specific engagement strategy of Convex Seascape Survey to influence and increase knowledge and awareness amongst our customers/clients as well as a broader audience.



Better Insurance Network

Convex has supported a learning programme developed by Better Insurance Network for the purpose of enhancing the industry's understanding of Climate related Risk and Opportunities, titled 'Sustainability for Insurers'. Convex staff have delivered the content and recorded lessons on the following topics:

- Physical Risk from Climate Change, An Overview (Rachel Delhaise)
- Impact Investments (Sara Cardelli)
- Sustainable Aviation (Mike Hansen)
- Carbon offsets (Rachel Delhaise)
- Blue Carbon (Rachel Delhaise)



Association of British Insurers (ABI)

Convex is a member of the Association of British Insurers whose mission includes being the public voice of the insurance sector, promoting the value of its products and highlighting its importance to the wider economy.

The ABI have published a Climate Change Roadmap (updated in July 2023). This sets milestones that must be met by 2025 to keep the insurance sector on track by halving emissions by 2030 and reaching Net Zero by 2050.

The ABI Climate Change Roadmap focuses primarily on our sector's role in supporting the delivery of the UK's Energy Security and Net Zero strategy, identifying areas where the membership can collaborate to drive meaningful action. The ABI Climate change roadmap is centred around 4 Pillars:

Meeting Net Zero by 2050 Unleashing
Investment Capacity

Sustainable Industry
Operations

Helping Society
Adapt

Level 3: Quantitative disclosure of those engaged alongside details of future activities and feedback mechanisms.

Platform	Reach
Convex Website, Sustainability page	1,455 unique visitors
The Convex Conversation	Average of >300 listeners per episode
WTW Airport Conference (Sept 2022)	>500 attendees
WTW Airline Conference (Feb 2023)	>500 attendees
Bermuda Climate Summit (June 2023)	>350 attendees
Fitch ESG Conference (Feb 2023)	>200 attendees

As well as communicating Convex's beliefs and strategy on climaterelated issues within our industry, climate change is not limited to us and our industry. We want to contribute on a much larger scale and in a much more meaningful way. Through the Convex Seascape Survey, we hope to make a lasting contribution to the worlds knowledge of the seascape and its role in climate change.

A key workstream of the Convex Seascape survey is to inspire and engage the public and raise awareness of the seascape and its role in climate change. In collaboration with our partners at Blue Marine we have a communication and outreach plan which, over the five years, aims to achieve 33 billion OTS (opportunities to see).

The table below gives an overview of engagement stats/reach from April 2022 - March 2023:

Engagement Channel/ Audience	Detail	Reach (April 2022 – March 2023)
Website	Website	3,600 unique visitors
Social Media	Instagram	202 followers; 19,000 impressions
Social Media	LinkedIn	260 followers; 21,000 impressions
Education	Live Lessons	17,588 students; 282 schools
Education	Teaching resources	300 downloads
International engagement	COP27: Gabriella Gilkes (CSS Programme Manager) presented the CSS in the Ocean Pavilion (Nov 2022)	300 live attendees and 150k online viewers
International engagement	World Ocean Summit and Expo (Lisbon): Our HoS took part in a panel event, Why investors should pay attention to nature?	200 attendees
Insurance industry engagement	Launch Event at Fishmongers Hall (May 2023)	>100 attendees (insurance professionals)
International engagement	Brilliant Minds 2023: George Duffield (Blue Marine co-founder) presented the CSS (June 2023)	350 delegates (CEOs, philanthropists, actors, professors and editors)
International engagement	Al Jazeera news broadcast on the CSS fieldwork, The Big British Biotrubation-athon in Millport, Scotland.	2.4k views online

Website and social media

We have a dedicated Convex Seascape Survey Website and Social media channels and closely track engagement.

Education

There is a dedicated education plan which aims to provide 10,000 schools and 5 million students with access to our education resources and live lessons.

Insurance Industry Engagement

Convex hosted 100+ insurance industry professionals at Fishmongers' Hall to raise awareness of this important project and what it is trying to achieve. This event was extremely well received and was successful in developing our clients, brokers and peers understanding of the importance of blue carbon, the need for marine protection and further developing their wider understanding of quantifying Net Zero.

International Engagement

The CSS has been presented at key world events including COP27 and the World Ocean Summit, drawing in a live audience of 36,000 and an online audience of more than 12m.

The project has attracted the attention of Sky TV and Al Jazeera. On 26 May 2023 Al Jazeera did a broadcast on the survey which had 2.4k online views.

Principle 6.2:

Informing our customers or clients of climaterelated risk and providing support and tools so that they can assess their own levels of risk.

Level 1: Evidence to demonstrate how members have identified areas of behaviour change needed to mitigate climate risk.

Climate awareness in underwriting

The training of underwriting functions has focussed on developing an understanding of climate and transition related risks and opportunities in the sectors they operate in, to encourage and inform dialogue with clients. In addition to business function specific training undertaken in 2022, the HoS has presented the Convex Sustainability strategy to over 100 Convex employees at the Management Away Day.

Below are some examples of how this engagement and increased understanding of our staff in climate and transition related matters - indeed their own behavioural change - seeks to influence and impact the behaviour of others:

- Our continued engagement with Sustainable aviation has led to our Head of Aerospace participating in the 2023 Better Insurance Network Sustainability training module aimed at the insurance industry (see Principle 6.1). This training programme will be distributed to a number of insurance and reinsurance clients of Convex.
- We have supported advances in sustainable space with the creation of the Astra Carta launched by the Sustainable Markets Initiative and sealed by Majesty King Charles III. The Astra Carta is underpinned by the Memorandum of Principles* for Space Sustainability.

Level 2: Evidence of engagement with customers/clients to encourage climate awareness and promote resilience through knowledge sharing. Where possible this should be tailored to the key risks facing their geographical location.

Our considerable focus on the physical aspects of climate change risk through Project Berlin is an example of not only better informing ourselves of climate change risk and the implications for our business, but this thought leadership will also inform our discussions with insurance and reinsurance clients.

Workshops began in July 2023 and further dissemination and discussion of the Project Berlin findings and actions are being planned with ClimateWise, Oasis, Maximum Information and Lloyd's (see Principle 5.2)

To increase awareness of sustainable aviation, Convex supported FGA's explanatory paper on SAF which highlights its benefits and encourages its up take in the aviation community. This paper has been shared with our brokers and clients.

On a similar theme, the HoS presented at the WTW Airports Conference (September 2022) and the WTW Airline Conference (February 2023) emphasising the relevance to stakeholders, such as insurers, of a sustainable pathway (see Principle 6.1).

In September 2022 the HoS gave a presentation to AIDA Conference in Zurich titled, 'The ESG footprint of Insurers'. The audience was specifically the legal community of global insurers. The aim of the ESG section of the conference was to enhance the audiences understanding of sustainability and climate related developments. Insurers are both our peers and clients and hence it is beneficial to enhance their understanding of ESG developments and regulatory (and other stakeholder) expectations as well as sharing our own strategy and transition plans.

In a similar vein, the HoS participated in a panel at the Bermuda Climate Summit (June 2023). Given the exposure of Bermuda to rising sea levels, and other physical aspects of climate change, we have found Bermuda clients and brokers especially interested in climate related research. Convex has a number of insurance clients and brokers in Bermuda hence bringing the dialogue locally is especially impactful. As well as describing our own plans for transition and the challenges around this, we used this opportunity to raise awareness of the work of CSS. This was met with considerable interest from insurers, brokers and ocean scientists present at the Summit.

Climate awareness in investing

Similarly, the HoS has spoken extensively on panels (listed in Principle 6.1) focussed on impact investment. The HoS has described the recent investments Convex has made into impact investment funds to encourage both insurance peers and clients as well as other investors to lean into this much needed and effective way to catalyse the developing economy around transition and the importance of the global effort to decarbonise the economy.

^{*}The Memorandum of Principles seek to promote and facilitate international cooperation and understanding of the long-term sustainability of outer space activities, and through these efforts establish transparent Space Sustainability Principles of responsible behaviour.

Level 3: Evidence that tools have been provided to customers/clients with guidance on the importance of assessing climate risk across multiple lines of service or countries of operation.

Aviation engagement

In keeping with our focus on sustainable aviation, we have supported the work of a broker in engaging with aviation clients on sustainability matters through developing a set of key questions for their clients (airlines). This is particularly relevant for clients who are not yet on a transition path and looking to determine the types of sustainable aviation information which insurers (and wider audiences) would require to fulfil their own emission evaluations and transition plans.

For more advanced clients, we are implementing a direct data capture of their Scope 1 & 2 emissions together with an indication of their transition plans. This will be part of an innovative direct data tool currently employed by the aviation team.

Advancing understanding of Risk and Opportunity

As part of our organisational commitment to ESG, we believe we have a responsibility to help our clients understand the nature and quantum of the climate-related risks to which they are exposed. We do this in two ways:



Through the products and services we offer;

In addition to our offering of transition focussed products such as renewable energy, we are keen to ensure we are developing new solutions. In this vein we have worked with Aon to understand the new and emerging products related to transition and decarbonisation. This sustainable underwriting project is being socialised within Convex to help underwriters assess the viability and demand for innovative new insurance products to enhance transition.



Through the research that we undertake or sponsor on climate change;

As a member of Oasis we are closely involved and supportive of their work in offering open source catastrophe modelling platform, free to use by anyone. As a reinsurer many of our insurer clients are connected to Oasis and hence will benefit from:

- A platform for running catastrophe models, including a web-based user interface and an API for integration with other systems (Oasis Loss Modelling Framework)
- Core components for executing catastrophe models at scale and standard data formats for hazard and vulnerability (Oasis ktools)
- Toolkit for developing, testing, and deploying catastrophe models (Oasis Model Development Toolkit)

Our sponsorship of the climate related modelling work of Maximum Information undertake with the UK Centre for Greening Finance and Investment (CGFI) will similarly help both our insurance clients and ultimately our direct corporate clients through the ability of the industry to better model and understand climate related risks.

IDF/GRMA and Climate-related support and tools

Convex is a member of the IDF and is particularly involved in the risk modelling programme as sponsor and contributor (see Principle 3.3). The GRMA is dedicated to providing the tools and sharing of the re/insurance sector's risk analytics capability to enable quantification of natural hazards and improved disaster risk management to the group of V20 countries, especially vulnerable to the impacts of climate change.

This piece of work will increase awareness of risk and access to risk analytics capability in vulnerable countries.

Geneva Association

Similarly, through our membership of the Geneva Association, we are contributing to research that seeks to expedite the transition to a more resilient, low-carbon and nature-positive economy.



Planned Actions (2023-2024)

- Develop further Convex Seascape Survey linked information events.
- Develop and support sustainable aviation standards.



- The report is structured around the different levels as per principle guidance.
- The report will be published on the website to meet the expectation of this standard.



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