

ClimateWise
2024

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ClimateWise Submission

The report covers the climate risk-related activities of the Convex Group and covers the period from August 2023 through to submission on 6th August 2024. 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 third year running. Our engagement with ClimateWise continues to be strong; Convex Executive Chair, Stephen Catlin, has been a ClimateWise Council member since its origin and our Group Head of Sustainability (HoS), Rachel Delhaise, is an active member of the Management Committee.

The ClimateWise 2024 Report demonstrates Convex Insurance’s active participation and response to climate and nature-related issues, integrating these considerations across our business strategy, risk management, investment strategies, and underwriting decisions. We firmly believe that understanding and addressing these risks and opportunities is not only essential for the environment but also crucial to the long-term success of our business.

We recognise transition as a vital change, and embrace this, seeing an important role for Convex in helping our clients navigate fundamental changes to global economy and embrace the opportunities they present. The acceleration in the demand for renewable energy is something we support through offshore wind underwriting. We are an active financial partner in the exciting technological opportunities arising through the increasing commercial reality of decarbonisation such as our support of electric aircraft insurer, Skyrisks and the transition related technology businesses we invest in through our impact investments.

We have a strong engagement with environmental research, a long personal focus of Stephen Catlin. This year has seen the completion of the second year of the Convex Seascope Survey, a global, five year research programme into carbon stored in the seascape, aiming to create open access data together with a notable education programme. The work led by University of Exeter and a number of other institutions, has advanced our understanding of the ocean’s function as a carbon sink, improving our knowledge of how the ocean and the atmosphere interact in transferring carbon dioxide and the role of animal life above and within the seabed and the carbon they lock away.

This engagement with both the business community in which we operate and the broader public is an important aspect of our strategy, aiming to encourage understanding around the impacts of climate change risk. We have an active engagement plan which has seen our Head of Sustainability participate in a number of climate and nature related panel discussions, including presenting the Convex Seascope Survey at COP28, Dubai in December 2023.

Introduction

Reporting against the Principles of ClimateWise in 2024 reflects the current evolution of international sustainability related disclosures. We understand the importance of accountability and transparency and are committed to providing clear and accurate information about our climate-related risks and mitigation measures.

This report is complimented by our Sustainability Statement which sets out the three Guiding Principles behind our Sustainability Strategy, our alignment with our priority UN Sustainability Development Goals and details the initial actions we are taking to support the path to transition.



SDG 3

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.



SDG 9

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

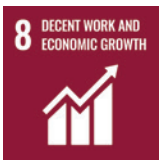
We recognise the need for improved gender equality in the insurance sector as well as more broadly within society, and have a number of initiatives targeting this as detailed in the People section.



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.

Convex Values

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.

ClimateWise Principles 2024

Principle	Theme	Reference	Sub-Principle
1. Steering Transition	Governance	1.1	Ensure that our Board has oversight of climate- and nature-related risk and opportunity management, including any transition plans.
		1.2	Ensure that our senior management has responsibility of climate- and nature-related risk and opportunity management, including any transition plans.
		1.3	Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.
		1.4	Ensure that our Board and Senior Management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.
	Strategy	1.5	Describe the impacts and implications of climate- and nature-related risks and opportunities on our business model and performance, strategy, and any decision-making processes.
		1.6	Describe how environmental resilience plans are incorporated into business decision making, including disclosure of any material outcomes of climate risk scenarios.
		1.7	Describe the outcomes of our materiality analysis and any material climate- and nature-related risks and opportunities that affect our prospects.
	Risk Management	1.8	Establish appropriate processes to identify, assess and prioritise climate- and nature-related impacts, risks and opportunities.
		1.9	Put in place mechanisms to monitor and manage climate- and nature-related risks and opportunities.
		1.10	Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks.
2. Engaging Stakeholders	Operations	2.1	Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control.
		2.2	Engage our employees on our commitment to address climate- change and nature, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate- and nature-informed choices outside work.
	Value Chain	2.3	Understand and disclose the sources of emissions and adverse climate- and nature-related impacts on our value chain, that might in turn impact our business.
		2.4	Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.
	Innovate & Advocate	2.5	Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate- and nature-related issues.
		2.6	Promote and actively engage in public debate on climate- and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate- and nature-related issues and providing support and tools to our customers/clients so that they can assess their levels of risk.
		2.7	Where appropriate, work with policy makers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.

3. Enabling Transition	Investments	3.1	Integrate consideration of climate- and nature-related risks and opportunities into investment strategies and decision making.
		3.2	Take action to manage the implications of climate- and nature-related risks and opportunities on, and of, our investments.
	Underwriting	3.3	Develop and use models to incorporate climate- and nature-related issues and describe how the outputs of the models inform our underwriting decisions.
		3.4	Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate- and nature-related issues of the insured structures through pricing of policies.
	Transition Plans*	3.5	Disclose our climate- and nature-related transition plans and the objectives, priorities and commitments we are looking to address.
		3.6	Describe how the transition plan is overseen, resourced and implemented.
4. Disclosing Effectively	Measure & Monitor	4.1	Measure and disclose the impacts and potential impacts on our business of material climate- and nature-related risks and opportunities, including the results of the resilience analysis.
		4.2	Disclose the metrics used to measure and manage our contribution to climate- and nature-related risks, and targets used for monitoring progress.
	Report Robustly	4.3	Maintain and enhance a robust reporting regime, processes and internal controls over climate-related disclosures in order to avoid material errors or material misstatements.
		4.4	Annual submission against the ClimateWise Principles.
	Disclose Transparently	4.5	Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.
		4.6	Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.

*Transition Plans will not contribute to a member's overall score in 2024. Members have the option to submit against Sub-Principles 3.5 and 3.6 in 2024 in order to receive feedback and understand how to improve.

The background is a solid teal color with abstract, flowing, and layered shapes that create a sense of movement and depth. The shapes are lighter and more translucent in some areas, overlapping each other to form a dynamic, organic pattern.

Principle 1:

Steering Transition

 2023-2024 Planned Actions	 Progress
Transition plan: Establish baselines and set interim targets	Our Greenhouse Gas Emission reporting process has been refined on both a Group and Legal Entity basis. Interim targets will be developed later in the year as we develop a transition plan in line with the requirements of CSRD (Corporate Sustainability Reporting Directive).
Embed use of Climate Change Risk Assessment Framework (CCRAF) and climate related stress tests in 2024 business planning	The CCRAF has been refreshed using updated GWP. Process agreed to include CCRAF in business planning this year, with climate specific stress tests to be developed for the 2025 business planning process.
Develop TCFD reporting process	In 2024 we have focused on developing our capability to meet the requirements of CSRD. We anticipate developing ISSB reporting for the UK company & BMA reporting at group level.
Develop Sustainable Underwriting and Investment Principles	Sustainable Underwriting Principles have been developed and implemented. Development of linked Sustainable Investment Principles will follow through the CSRD implementation plan.
Lead Sustainable Underwriting workshops to embed principles	Regular meetings of the Sustainable Underwriting Working Group have taken place to review the Principles and their implementation over the last year. Further actions will take place through the CSRD Underwriting Implementation plan to be completed in the next year.
Deep dive projects on Litigation risk and Reputation risk	Engaged with external law firm to complete litigation scenario analysis (refer sub-principle 1.9 for further detail).

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

Convex is aware that effective management of climate and broader sustainability risks 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.

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 include climate change and nature risks, and to monitor progress against the strategy.

The Convex Board(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 keeping informed of the firm’s engagement with the opportunities associated with decarbonisation, such as through our impact investment strategy.

The Group Solvency Self-Assessment (GSSA), as required by the Bermuda Monetary Authority (BMA) and the CIL ORSA, as required by the PRA, are the processes adopted to monitor and report on strategy from a risk and solvency perspective. The 2023 GSSA and ORSA reports include separate sections comprehensively setting out the Group's proposed approach to the financial risks of climate change, including our Risk Management Framework, updates to the Risk Taxonomy, and progress updates against the findings and actions that arose from our scenario analysis exercises.

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. The Sustainability Strategy was developed and updated in 2022 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 Sustainability Strategy includes a Board approved commitment to Net Zero by 2050 with actions identified to develop interim targets and milestones.

Boards are further kept informed of our of climate related risks and opportunities through periodic in person presentations.

Some of the main climate risk-related/environmental action taken by the Board through 2023 and 2024 (to date) are shown in the table below, ordered by frequency.

Forum	Frequency	Climate Risk-Related Actions (2023-2024)
CGL/CIL Board	Annual	<ul style="list-style-type: none"> 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)
	Quarterly	<ul style="list-style-type: none"> Review of the CRO reports Quarterly report from Head of Sustainability
	Ad-hoc	<ul style="list-style-type: none"> Review of Convex Seascope Survey Annual Report and periodic updates Board ESG Presentations Review of regulatory climate related returns
Investment Committee	Quarterly	<ul style="list-style-type: none"> Review of ESG profile of investments
CIL Risk Committee	Quarterly	<ul style="list-style-type: none"> Review of CRO and Head of Sustainability Reports

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 (GEC) 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

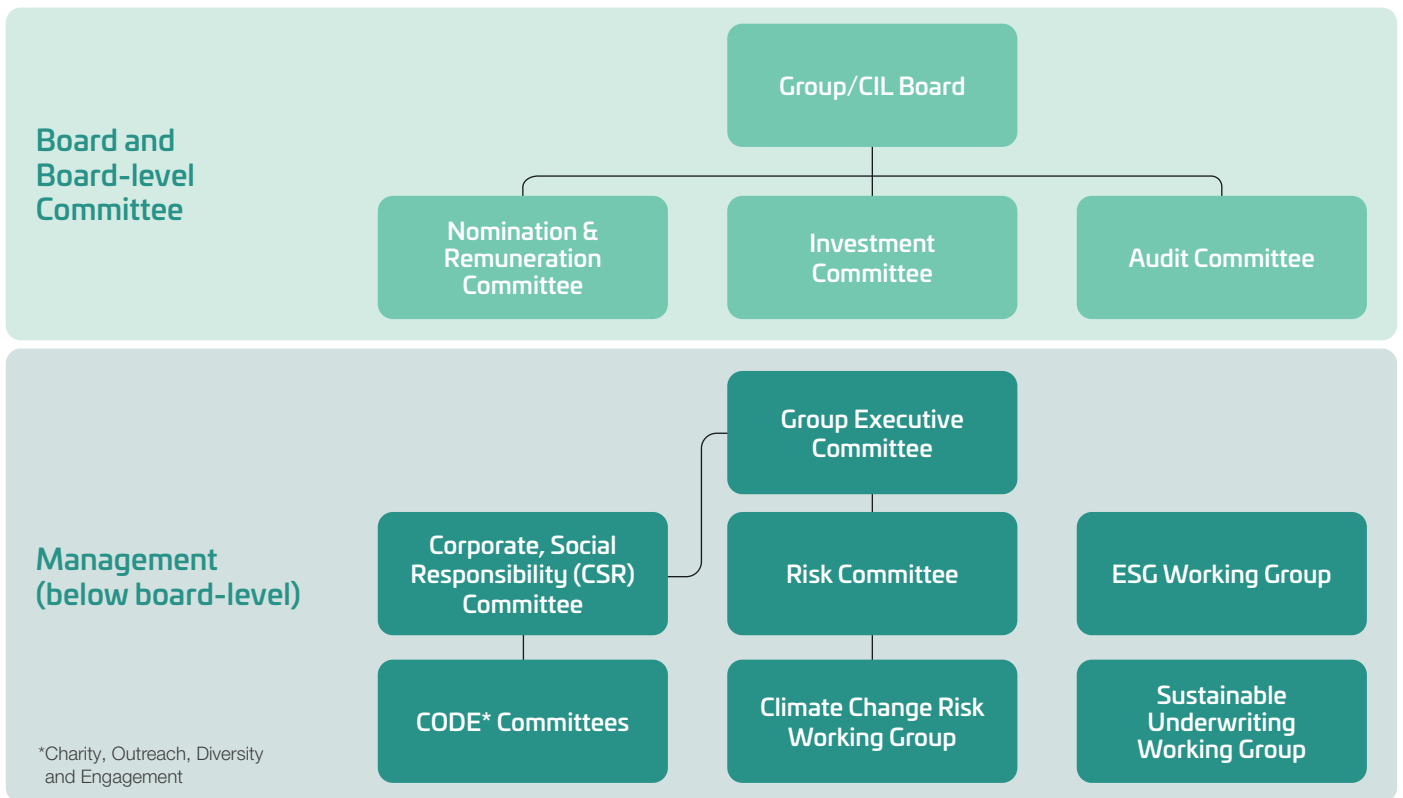
Certification Regime (SMCR)) is held by Bill Marcoux, Chair of the CIL Board. The CIL Chair’s responsibilities under the SMCR are to ensure that:

- 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



Transition Planning

The Board reviewed and approved our Sustainability Statement in 2023, which included our commitment to net zero by 2050 and identified actions and targets for the next 12 months to enable the development of our transition plan.

The Board monitors the progress of our Sustainability Strategy and reviews priorities through the Quarterly ESG Report prepared by the Head of Sustainability.

Sustainability alignment across the business

Our approach to sustainability is shaped by our values and organised across all aspects of our business according to the three guiding principles of our Sustainability Strategy, detailed in sub-principle 1.3, and supported by robust governance structures and a strong culture which together enable realisation of our ambition.

The ESG Working Group has been established as a cross-functional forum to manage the implementation of the Sustainability Strategy as set by the Board(s) and guided by the Group and entity Executive Committees. The Working Group is attended by individuals from across the business, including Underwriting, Investments, Risk and Portfolio Optimisation.

Governance: Sub-Principle 1.2

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

Management Oversight

As the Group's main executive committee, the GEC has primary executive responsibility for the implementation of the Sustainability 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 monthly 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, 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.

Forum	Frequency	Climate Risk-Related Actions (2023-2024)
GEC	Annual/ Ad-hoc	<ul style="list-style-type: none"> Review of Sustainability Report and future actions Review of ClimateWise Report Review of Convex Seascape Survey Annual Report Sustainability strategy engagement
	Monthly	<ul style="list-style-type: none"> Review of CRO Report Review of HoS Report
GERC	Ad-hoc	<ul style="list-style-type: none"> Review of Regulatory Submissions Review of climate risk management Review of Project Berlin findings and monitoring of ongoing actions

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 sustainability 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 Group CRO is supported by the Head of Risk who is the dedicated Risk Team member responsible for climate change risks.

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

The Group CFO is the sponsor of our project to establish Corporate Sustainability Reporting Directive (CSRD) reporting capabilities. This project is led by the Finance and Sustainability functions in collaboration with external consultants and functional representatives.

Steering Transition

This is a new and comprehensive reporting requirement that will help shape the development of our sustainability reporting.

The GEC have been actively engaged in our approach to sustainability, as demonstrated through the development of the three Pillars of the strategy (described in sub-principle 1.5) and the more recent sustainable initiatives prioritisation process (referenced below).

The ESG Working Group reports to the GEC and is focussed on reviewing and monitoring the ongoing actions around financial risk from climate change. The Working Group's responsibilities include:

- 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
- Reviewing progress of the Convex CSRD project
- Identifying and ranking sustainability work-streams and opportunities

Sustainable Initiatives Prioritisation

In Q2 2024, the ESG Working Group identified a list of current sustainability linked workstreams and opportunities which Convex is either engaged in or are under consideration. These options were presented to the GEC in an app format which enabled individual GEC members to effectively rank all the options based on their view of priority to Convex in alignment with the Sustainability Strategy. This same ranking process was also undertaken by members of the ESG Working Group and further with a selection of other more junior Convexians. The results of this exercise are helping to shape the prioritisation of our Sustainability agenda and the opportunities we pursue.

Governance: Sub-Principle 1.3

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

Sustainability related policies and procedures

The Board sets the strategic direction to respond to sustainability risks in the Convex Sustainability Strategy. Further detail on our Sustainability Strategy can be found in sub-principle 1.5.

Our Group Risk Management Framework contains a section dedicated to our approach to managing climate change risks, detailing how climate risk considerations are integrated into the following processes:

- Risk Register
- Risk Appetite
- Risk Oversight (Risk and Control Self-Assessment Process)
- Stress and Scenario Testing
- Emerging Risks

As noted more fully in sub-principle 2.4, our Group Procurement Policy includes a Responsible Procurement section and our Supplier Code of Conduct has sustainability-related requirements.

Our Group Investment Guidelines detail our approach to sustainable investments, sustainability reporting and impact investments, as noted in sub-principle 3.1. The Convex Group Financial Market Risk Framework has a dedicated ESG section, outlining our approach to how we measure and monitor sustainability risks across our investment portfolio.

Our Sustainable Underwriting Principles have been further refined in the past year by a dedicated working group, with our Sustainable Underwriting Commitments outlined in our Sustainability Statement.

Transition Plan

Convex has made a commitment to achieving net zero in our own operations and in our business activities by 2050. In the coming year we will set interim targets and develop a transition plan guided by the UK Transition Plan Taskforce framework.

Governance: Sub-Principle 1.4
Ensure that our Board and Senior Management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.

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

Board 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, and most recently led the development of the IDF Infrastructure Investment Fund. 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.

Our Board and senior management are kept informed of environmental issues and climate related developments through the associations they belong to, through the engagement and collaboration of Convex in industry sustainability events and also through the progress and learnings of the Convex Seascape Survey; for example the Board were given a dedicated presentation of the progress of the project by the lead scientist in May 2024.

Training

In January 2024 we subscribed to an 'Introduction to Climate Change' training course from Oxford Climate Society, which was available to all employees. We have also commissioned a series of climate training modules, available for all employees, to be rolled out in H2 2024/2025. For further details on these training initiatives, please refer to sub-principle 2.2.

Business Overview

The Convex Group is a property and casualty insurance and reinsurance firm launched in April 2019 and consists of the entities described in the introductory section of this report. The firm continues to establish itself as a scale player in the global specialty market, leveraging its great depth of senior management experience and opportunity as 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. As an insurer and reinsurer of complex risks, sustainability is central to our business in that we play a vital societal role in helping clients manage risks that might otherwise threaten the viability of their businesses, such as extreme weather events, or act as an obstacle to their role in transition.



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. 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 low-carbon 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.

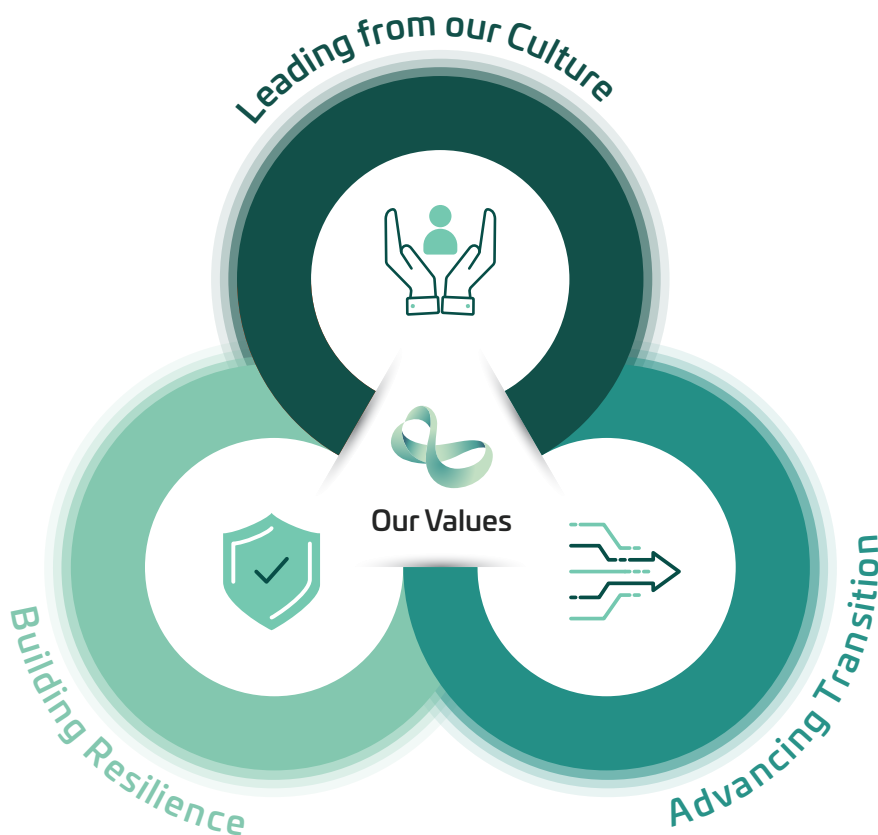
An important step is to align the expected trajectory of climate risks to our definitions of short, medium, and long term.

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 peril regions, 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 the changing energy and regulatory environment

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 fast-changing 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.



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.



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.

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.

Strategy: Sub-Principle 1.6

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

Climate Change Risk Assessment Framework (CCRAF)

At portfolio level we have 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 on 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.

We are in process of refreshing the CCRAF, engaging with stakeholders across the business to update our assessments of each risk and integrating the 2025 business plan premium into the scoring process. Outputs from the updated CCRAF will then be referenced in our business planning work-stream for financial year 2025, ensuring that climate risk considerations are integrated into financial planning.

In addition to informing our business planning process, the CCRAF enables a better prioritisation of further, detailed assessments relating to climate 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.

The CCRAF approach involves:



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



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.

1

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).

2

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.

3

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

4

Reputation risk relates to the adverse impact of Convex not meeting ESG requirements of various stakeholders and the consequent impact on ability to trade e.g. limiting our access to material reinsurers, not meeting clients requirements to access blue chip business, rating agency growing ESG requirements and the broader reputation risk of being negatively perceived due to inadequate climate policy, greenwashing or negative association.

In 2021 we undertook an initial scenario analysis exercise based on the GIST scenarios to get an indication of the long-term financial risk impacts from climate change. 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 to sub-principle 3.3 for further detail).

In H2 2024, we will develop several climate change related Convex Deterministic Events (CDEs). CDEs are underwriting stress tests that show the results of high-loss events in a similar way to Lloyd's Realistic Disaster Scenarios. These climate change CDEs will enable us to apply climate stress tests to certain aspects of our business plan and will be integrated into the 2025 business planning process.

Strategy: Sub-Principle 1.7

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

We are currently in the process of undertaking a double materiality assessment (DMA) to identify and assess the environmental and social topics that are of most relevance to Convex and our stakeholders. In line with the requirements of CSRD, there are two components of our materiality assessment:

- **Financial Materiality** - Understanding how sustainability-related matters could potentially impact the financial health and operational performance of Convex, from both a risk and opportunity perspective.
- **Impact Materiality** - Assessing the impact of Convex on people and the environment, with regards to sustainability-related topics.

We have engaged with external consultants to perform this materiality assessment and have established a CSRD Working Group, comprised of representatives from key business functions, to manage and contribute to the process.

Our DMA approach is data-driven, utilising an external AI tool to conduct stakeholder sentiment analysis and leveraging another external tool to perform negative impact analysis on our underwriting and investment exposures. The assessments from these tools are supplemented by our own internal management information and established sustainability risk reporting. During the Phase I period of the project, workshops are being held with key business functions to challenge and validate the materiality assessment, ensuring that the views of Convex SMEs are integrated into the process.

We have developed a variety of methods to inform our understanding of climate risks, detailed throughout this report, that contribute to how climate risks are identified and managed at Convex. Our underwriting and investment scenario analysis exercise, detailed in sub-principles 1.10 and 3.3, informed further assessments of shorter-term physical risks through Project Berlin. Our analysis of climate risks has facilitated the integration of these risks into our Risk Management Framework, including our risk register and taxonomy and our Risk and Control Self-Assessment and emerging risk processes. The CCRAF, referenced in sub-principle 1.6, has acted as our own early assessment of materiality for our underwriting and investment portfolios.

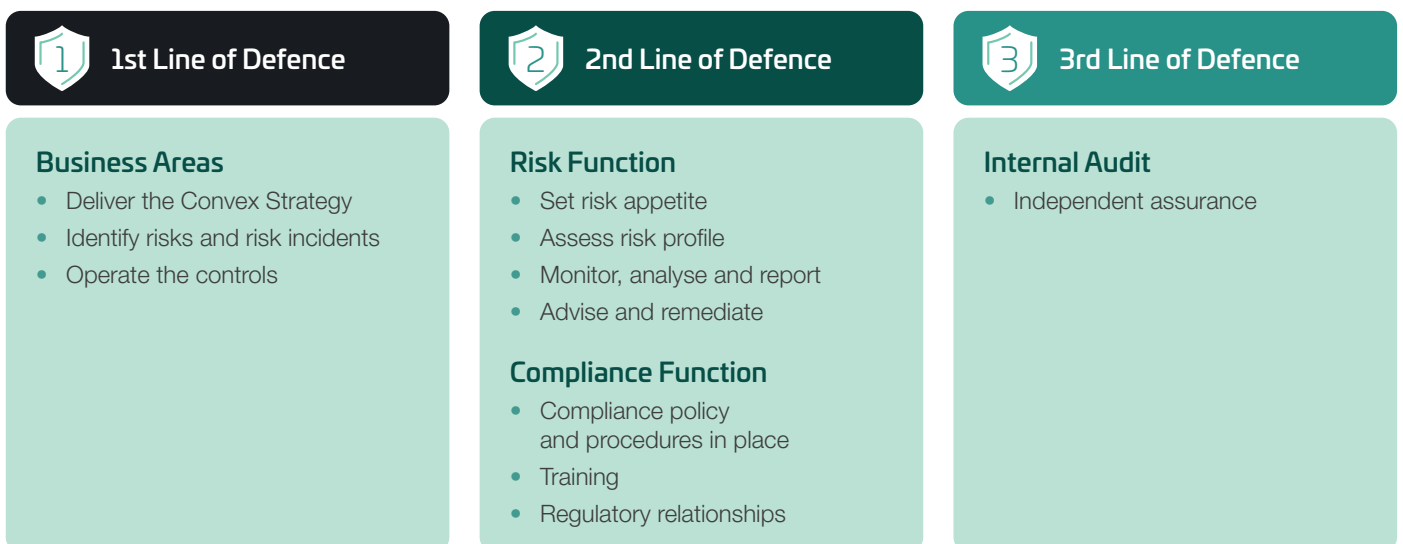
Risk Management: Sub-Principle 1.8

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

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.



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

Convex identifies three main categories of financial risk related to climate change which are reflected in our Risk Register (refer to sub-principle 1.5 for further detail).



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.

In 2024 we have updated the Group Risk Register and the Convex Risk Taxonomy to reflect these risks, with the remapping of three risk categories to capture the main facets of climate change risk: physical risk, transition risk and liability risk. These risks are now mapped to our Level 1 Strategic and Group Risk category.

As discussed more fully in Principle 1.6, we developed our Climate Change Risk Assessment Framework to assess in more detail the impact of transition and climate change on 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 2024, 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 (refer to sub-principle 3.4 for further detail on our litigation analysis).

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:



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.



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 was to evaluate the adequacy of the climate change considerations and assumptions applied by Verisk (as detailed in sub-principle 3.3). 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.

Emerging risks

Convex uses horizon scanning to identify and monitor emerging risks which are 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 below.

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



Case Study

Horizon Scanning

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. Scenario impacts are monitored on a monthly basis and circulated to management.

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 area 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 Sustainability 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 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 completed this submission in June 2023 and identified several actions which we have progressed over the year.

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 and similar nature related disclosure requirements through CSRD.

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.

Corporate and Sustainability Reporting Directive (CSRD)

Our European entity, Convex Europe S.A (CES), is in scope for 2025 CSRD reporting, and a project is underway to develop our reporting capabilities to ensure we are compliant with this new regulation. This project is led by the Finance and Sustainability functions and is being undertaken at both an entity and group level.

This is a new piece of EU Sustainability reporting which is a key part of the EU's broader strategy towards achieving sustainability and its 2050 climate neutrality goal. It concerns environmental, social, and employee matters and requires Convex to develop key information around strategy, policy, targets, implementation, etc. Our work to meet the requirements of CSRD will enhance our approach and management of climate and nature related risks and opportunities. Whilst this reporting requirement concerns our Luxembourg company, we are addressing the materiality assessment and identification of Impacts, Risks and Opportunities at group level.

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 2023 and continuing into 2024 is to develop and integrate the underlying data to drive decarbonisation of our underwriting portfolios. We have licensed a rating agency ESG module for this purpose and have started to introduce this data (including ratings and emissions data) at client and portfolio level.

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. Through our project to report under CSRD, a gap analysis has been performed to identify where we need to enhance our sustainability related data and a series of implantation plans to address this are currently being drafted.

Risk Management: Sub-Principle 1.9 Put in place mechanisms to monitor and manage climate and nature-related risks and opportunities.

The key oversight of climate change related risks falls to the GERC, with further working groups, such as the Sustainable Underwriting Working Group and ESG Working Group, 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 Convex Risk Management Framework contains a dedicated section (Section 11) outlining the firm's approach to identifying and managing climate related risks, with examples of how we monitor climate risks on an ongoing basis detailed below.

Key Risk Process

The potential impact of climate change on our business has been included in our key risk reporting. We define key risks as risks that have been identified by Senior Management and/or the Risk Function which require Board and/or Risk Committee attention due to more severe impacts or an increased probability of occurring. Key risks are given a risk rating to highlight which risks require more oversight and attention from management and Board and/or Risk Committee. The key risks are reviewed on a quarterly basis by the Risk function and relevant management, prior to reporting to Board/Risk Committee.

Risk and Control Self-Assessments

The inclusion of climate risks within the risk register and taxonomy enables the Risk team, and key stakeholders, to identify where climate change risk may crystallise and ensures these risks are discussed and assessed with the Risk Owner on a quarterly basis through the Risk and Control Self-Assessment ('RCSA') process. We have continued to enhance the suite of controls linked to climate risks and have incorporated them in the RCSA process.

Climate Risk Appetite

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.

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, including:

- **Investments:** Carbon intensity/ESG rating/Climate Change Scenario stress tests
- **Underwriting:** % Thermal coal/% Oil sands/Climate specific Key peril exposure: US wildfire/EU flood
- **Operations:** Scope 1,2,3 GHG emissions

Underwriting transition related metrics

We plan to develop further metrics relating to the emissions associated with our underwriting portfolio in line with our transition plan development. 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. We will use the ESG Data referenced in sub-principle 1.8 to inform and develop further transition related underwriting metrics. 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 monthly via 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.

In Q4 2023 we undertook our annual 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.

Risk Management: Sub-Principle 1.10

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

As noted in sub-principle 1.6, Convex undertook an initial scenario analysis exercise in 2021 based on the GIST scenarios, which we have since refreshed. 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 ensuring 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%
B	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%
C	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

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, referenced in sub-principle 3.3.

Investment Stress Testing results and key findings

We regularly apply the GIST 2019 scenarios to our fixed income portfolio. Generally, the impact on the investment book was less material than for underwriting risk and the results have remained relatively unchanged from when we first undertook this exercise.

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

USD	Transition Risk		Physical Risk			Total Risks		
	Scenario A	Scenario B	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
MV impact	(25,186,327)	(13,193,237)	(830,214)	(16,669,617)	(32,401,374)	(26,016,541)	(29,862,854)	(32,401,374)
% impact covered portfolio	0.58%	0.30%	0.02%	0.38%	0.75%	0.60%	0.69%	0.75%

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. 0.6-0.75% 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 the previous year were compared. Outcomes were very similar despite the increase in AuM previous analysis.

Climate Litigation Scenario development

We have engaged with an external law firm, industry leading in climate change litigation risks, to support an analysis of the potential implications of current cases for our casualty underwriting. The intention is to use such cases to inform scenarios to allow Convex to better understand, identify and prepare for climate litigation risk from a contractual and claims perspective. We subscribe to the Clyde and Co Climate Change Quarterly review and analysis of current, relevant climate litigation cases. This is circulated and discussed with our underwriting, legal and claims functions.



Planned Actions (2024-2025)

- Develop climate change related Convex Deterministic Events (CDEs) for integration into to the 2025 business planning process.
- Complete the Double Materiality Assessment across our value chain.

Principle 2:

Engaging Stakeholders



2023-2024 Planned Actions

Develop baseline emissions data on 25% (premium volume) of insurance portfolio

Expand ESG rating analysis across at least three other business lines

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

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

Develop further Convex Seascape Survey linked information events



Progress

We have licenced the relevant data at portfolio level and scoped a proposal to develop baseline emissions data for our insurance portfolio, using the PCAF methodology.

Established a Sustainability and Energy project to identify key ESG data points that will be used to form a Convex view of our clients' sustainability credentials.

Baseline emissions figures have progressed and our process for calculating these emissions has been significantly improved. Targets will be set this year, as part of our Transition Plan, which is a requirement of CSRD.

Pilot project developed in 2023. Approach will be integrated into our reporting of Group emissions for 2024.

Engaged with external firm to provide employee offset offering. Held CSS Kids Day, hosted external speakers, sustainability focused Convex conversations, regular inclusion of sustainability matters in Convex Chronicle.

Continued progress with Max Info/Oasis on tipping point project, including a presentation at a University of Leeds event.

COP presentations/World Ocean Summit/BIOS at Bermuda/Exeter led workshops.

Head of Sustainability has become co-chair of Risk Modelling Steering Group (RMSG) in 2024. This has led to shaping the RMSG agenda and representing IDF at external events. Convex has been a working party member of IDF Infrastructure Fund.

Delivered a dedicated progress report on Convex Seascape Survey in the Blue Zone of COP 28. The lead project scientist presented the project at the Economist World Ocean Summit in Lisbon. Released a series of live (and recorded) lessons on Ocean and Climate; these are available entirely free of charge and accessed by a range of schools globally.

Operations: Sub-Principle 2.1

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

Sustainable Operations

We have continued to evolve our understanding of the sustainability risks associated with our own operations, undertaking a Double Materiality Assessment across our value chain and performing a high-level biodiversity risk assessment of our office locations (see further detail later in this section).

As part of our aspiration to be a truly sustainable business, Convex strives for excellence in all aspects of our operations, whether in our two primary offices in Bermuda and London, at our additional managed service sites in Luxembourg and Guernsey, or for colleagues who are working remotely. We are committed to ensuring the environmental sustainability of our operations and recognise the importance of this to our employees alongside their need for high quality functional workspace. This commitment directly informed our decisions to occupy space in Point House, Bermuda and The Scalpel, London, both modern energy efficient buildings offering high standards of amenity, the latter in addition powered by 100% renewable energy.

At Convex, we have continued to solidify our approach to collating emissions data across the Group as a whole in order to give us the 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 part of our current project to develop our CSRD reporting capabilities, we will develop baselines across our emissions scopes and set our interim targets respectful of our commitment to net zero as these align with business strategy.

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 supply chain.

We 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 has a CDP score of B. They are ISO 14001, ISO 45001, ISO 9001, ISO 50001, and ISO/IEC 27001 certified. They have been awarded a silver medal in recognition of their EcoVadis rating, as well as being awarded The Royal Society for the Preservation of Accidents Gold Medal from the RoSPA Health & Safety Awards.

Carbon offsets

Our objective to build a sustainable operation will form a significant part of our journey to net-zero, however 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 alongside the development of targets and strategies to reduce such emissions. Considerable care has been taken to purchase carbon offsets responsibly, an early indication of our commitment to this objective.

Our criteria for offsets are to:

- Ensure the offsets are registered on a well regarded carbon offset standard.
- Ensure the vintage is within last three years of the year for which emissions are bought and that the offsets are retired on our behalf.
- Explore new, developing carbon technology to contribute to the advancing of carbon removal techniques.
- Develop a blend of carbon avoidance and carbon removal with a shift towards removal projects given the greater weight in a net zero plan.
- Ensure the offsets meet Convex identified priority UN SDG's.

In 2024, we purchased offsets from the following projects:

- Enhanced Weathering: an innovative carbon removal process aiming to accelerate natural rock weathering during which carbon dioxide reacts with rocks.
- Ugandan Reforestation: a community-led initiative promoting the sustainable management of forestry resources and encouraging small-scale landholders to reforest and implement community-based forest management plans.
- Nicaragua Reforestation: a community-led initiative that helps to restore ecosystems, improve livelihoods, and combat climate change. The project works with smallholder farmers in Nicaragua to grow trees alongside their existing farming practices. It has grown to become the largest reforestation initiative in the country and is now restoring over 11,000 hectares of land in partnership with more than 3,000 smallholder families.
- BigCoast Forest Climate: A Canadian forest project creating greenhouse gas emission reductions and removals by converting privately owned operational forest lands to protected forest lands. The project will be implemented following the Verified Carbon Standard (VCS) VM0012 Improved Forest Management in Temperate and Boreal Forests (LtPF).
- Gujarat Wind Power Project: The project activity involves installation of Wind Turbine Generators (WTG's) in Laximpar village, Kutch district, Gujarat, India. The total installed capacity of this project activity is 301.4 MW from 22 WTGs of 2.3 MW each and 114 WTGs of 2.2 MW each. The entire power generated will be exported to the Indian National Grid.



Biodiversity Risk Assessment Filter

In 2024 we performed a high-level assessment of the biodiversity risks associated with our offices. The external tool we employed was an explicit corporate and portfolio level screening and prioritisation tool that utilises spatially explicit data on biodiversity at a global scale to provide location-specific and industry-specific assessments of biodiversity physical and reputational risks. Each site was assessed using a wide range of biodiversity and water scarcity indicators, calibrated from global data sets.

This assessment gave us an overview of the impact our offices can have on biodiversity as well as highlighting potential risks these locations may be exposed too. Through our CSRD reporting we will assess biodiversity risks across our value chain on a more granular basis.

Operations: Sub-Principle 2.2

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

Engaging employees on sustainability issues is central to our Sustainability Strategy, being a key focus of the second pillar 'Leading from our Culture'. Our Values are a critical component of how Convexians behave and are linked to everyone's personal objectives. They underpin the distinctive culture of our firm and are therefore fundamental to the experience of being at Convex.

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

- Dedicated Slack channel ("Sustainability-Main") which communicates sustainability and climate related developments to a wide audience. More focussed sustainability channels include "Sustainable-Aviation", "Sustainable-Underwriting", "Impact-Investment" etc.
- The Convex Chronicle is a regular internal newsletter, including periodic updates on sustainable initiatives such as Convex Seascape Survey, speaker events, etc.

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. Recent topics include:

- CEO Tridos Bank: Pioneering nature-based solutions to help Society and the Planet (17th Dec 2023)
- Gomi: Turning Plastic waste into beautiful products (26th Nov 2023)
- Waterhaul: Transforming harmful ocean plastics into sunglasses (5th Nov 2023)
- BAFTA and Emmy-winning cameraman Doug Allan on climate change (11th Jun 2023)

In our London office employees had the opportunity to attend a presentation (and transmitted to other offices), delivered by UCL Professor of Earth Sciences, Mark Maslin, on green technology and infrastructure and how this will impact the insurance industry and what new products it might inspire.

To mark the start of Zero Waste Week, the Convex workplace team produced a company wide quiz designed to shine some light on Convex waste statistics and develop employees understand of our buildings' waste management system.

In February 2024 we hosted the Convex Seascape Survey (CSS) Kids Science Day in our London office. The event was run during the school half-term and was attended by over 50 Convexian children. The day included talks by Encounter Edu Scientists who discussed their latest research on how Earth's natural systems can effectively store excess carbon dioxide. Those in attendance explored different ocean habitats and learned about the creatures that call them home before crafting their own sea animals with plasticine, UV paints and pipe cleaners. Everyone who came received an activity book to continue the fun at home.

Our CEO hosted a Convex Seascape Survey event in Bermuda in May 2024, featuring CSS Scientists, for our Bermuda employees, industry members and the wider Bermuda community.

In Bermuda, the Convex office supports Elliot Primary school, providing new Science equipment, helping to renovate the school garden, arranging for Dame Flora Duffy to visit the school to inspire the children, facilitating a blue carbon lesson delivered by the Convex Seascape Survey and planting a MicroForest in the school grounds. Our employees have played active roles in the various engagements we have delivered as part of our support of the school.

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.

Employee Offset program

We are collaborating with an external party to provide a service for employees to easily calculate and offset their own carbon footprints, developing our employees understanding of their domestic emissions and encouraging a lower carbon lifestyle. This program will provide employees with the opportunity to engage in climate actions and will be accompanied with training on the steps individuals can take to reduce their impact on climate change.

Employee Training

In January 2024 we subscribed to an 'Introduction to Climate change' from Oxford Climate Society. We broadcast live these lectures over a 6-week period to staff in the London office (and by zoom to other offices) and followed this with discussion groups led by the Head of Sustainability.

We are now in the process of rolling out a tailored climate related training program for all employees. This program is comprised of science-based learning modules aimed at educating, empowering, and engaging our employees in the sustainable transition. Learning modules focused on climate regulation will also be rolled out across our business to support those engaged with our work on CSRD and other regulatory requirements.

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

Value Chain: Sub-Principle 2.3

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

The following data represents our energy consumption and carbons emissions for Convex Group Limited in 2022 and 2023:

GHG metrics dashboard	FY 2023	FY 2022 Restated	FY 2022 Reported	Unit	2023 vs 2022 Restated Increase/ (Decrease)	2022 reported Increase/ (Decrease)
Scope 1						
Natural gas	41	46	46	tCO ₂ e	(5)	0
Total Scope 1	41	46	46	tCO₂e		
Scope 2						
Electricity location-based	265	276	276	tCO ₂ e	(10)	0
Electricity market-based	131	140	140	tCO ₂ e	(9)	0
Total Scope 2 (location-based)	265	276	276	tCO₂e	(10)	0
Total Scope 2 (market-based)	131	140	140	tCO₂e	(9)	0
Total Energy Consumption (kWh) - Elec & Gas	1,162,742	1,248,642	1,248,698	kWh	(85,900)	(56)
Average emission intensity (Scope 1+2) per FTE (market Based)	0.28	0.32	0.32	tCO₂e/FTE	(0)	0
Scope 3						
Travel (Flights, rail, taxi and hotel)	5,204	5,031	4,957	tCO ₂ e	174	74
Waste	0.53	0.36	1.60	tCO ₂ e	0	(1)
Total Scope 3	5,205	5,031	4,959	tCO₂e	174	72
Total Emissions (location-based)	5,512	5,353	5,281	tCO₂e	159	72
Emission intensity per FTE (location-based)	11.18	12.17	12.00	tCO₂e/FTE	(1)	0
Total Emissions (market-based)	5,378	5,218	5,145	tCO₂e	160	72
Emission intensity per FTE (market-based)	10.91	11.86	11.69	tCO₂e/FTE	(1)	0

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 reviewing new data sources which we will use to inform the development of our operational sustainability targets. In 2023, we developed a pilot for capturing data on our employees commuting to enhance reporting of our scope 3 emissions. Our aim is to integrate this into our reporting of Group emissions for 2024.

In 2023 we made several improvements to our emission reporting process. Following the completion of this work, we applied the same calculation exercise to our 2022 emissions data in order to ensure we have reasonable comparatives for scope 3 emissions. This analysis highlighted several discrepancies between the approach we took in 2022 and 2023, and we have therefore restated our scope 3 emissions for 2022 (an increase of 72tCO₂e).

We are currently developing a PowerBi dashboard to facilitate the reporting of our emissions and other ESG metrics. This dashboard enables us to identify quarter on quarter developments in our emissions, with breakdowns by different emission sources.

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

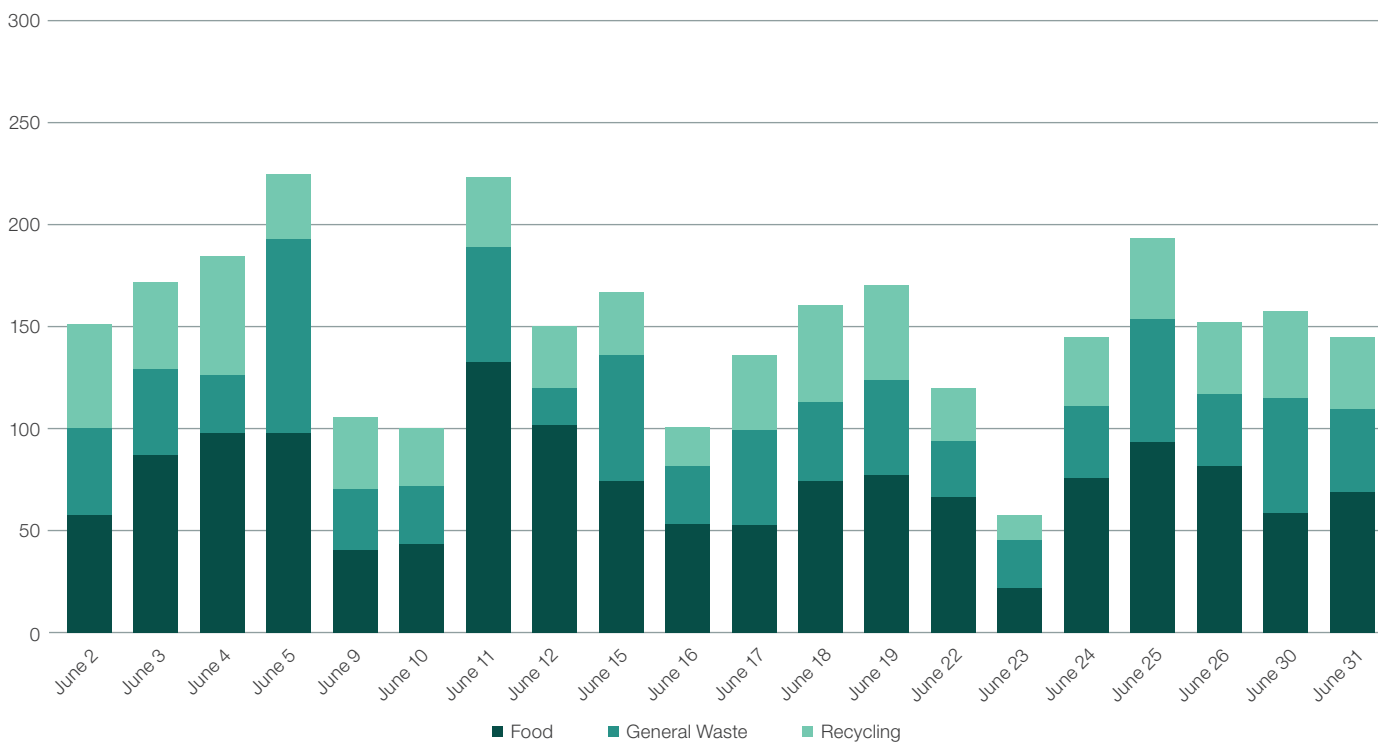
Consistent with the Greenhouse Protocol, we report emissions under three Scopes:

- **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.

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.

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 recycling reports – June 2024 example



Occupier Name	Waste Entries	Net Weight (Kgs)	Recycling Rate
Convex	471	3,026.8	72.18%

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.

Assessing our value chain

We believe that the journey to net zero presents some of the most important challenges and opportunities of the coming decade and beyond, and Convex recognises its role in enabling a responsible transition. Key tenets of Convex’s approach to building a resilient business are our long-term thinking and robust risk management, a progressive approach to technology, and a responsible approach to our internal and external stakeholders.

As referenced in sub-principle 1.9, Convex is developing extensive and robust processes to assess the impacts, risks and opportunities arising from climate change. We are currently undertaking a detailed and comprehensive double materiality assessment, which extends across our value chain. This will enhance our understanding of how aspects of climate change impact our value chain and will enable us to continue to develop our approach to managing associated risks and opportunities.

Scope 3 Financed Emissions

As noted more fully in sub-principle 3.1, we report on the emission intensity of our investments. We have begun a project to evaluate an effective process for calculating Scope 3 finance emissions from our investment portfolio and setting targets as part of our CSRD led transition planning, using the PCAF methodology. We have done significant groundwork in understanding the requirements and scope for collating the required data.

We contributed to the scoping exercise for PCAF underwriting associated Scope 3 emissions and plan to develop baseline emissions data on at least 25% (premium volume) of our insurance portfolio in H2 2024.

Reinsurance client ranking

In developing our group level underwriting transition plan we will build on the earlier work undertaken to assess the ESG profile of our reinsurance clients. For our pilot project, we sourced certain ESG data points for our material reinsurance clients to inform our client ranking process. In the exploratory phase of this project, we took five different contributory factors to build our own view of their ESG profile. We held a workshop to take our reinsurance team through this to help develop their understanding of client transition plans and commitments.

Energy client ranking

In a further pilot study, commenced in 2022, we undertook an ESG rating analysis of our Energy portfolio. In 2024, we performed an additional assessment of our material Energy clients, leveraging third party data and public disclosures to develop our understanding of their transition plans and to identify key sustainability data points to continue to monitor.

Value Chain: Sub-Principle 2.4

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

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 sustainable values and approach.

Our Sustainability Report, published on the website, outlines our Sustainability Strategy (refer to sub-principle 1.5) through our three Guiding Principles and 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.

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.

Our Head of Sustainability has undertaken a series of engagements with our insurer, broker, client community in order to foster good communications and action on sustainability and decarbonisation in particular. Examples of these include:

- London Market Conference, November 2023 Joined panel event 'Net-zero What Next for Industry Collaboration?'
- Instech event, May 2024 joined fireside chat; 'Sustainability in insurance: how am I making a difference?'
- Insurance ERM interview, May 2024, interviewed about her role and the challenges of recruiting for sustainability roles.

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, including transition planning.
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 and Senior Executive)	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 ISSB (TCFD), TPT, TNFD, CSRD, SS3/19.
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.: <ul style="list-style-type: none"> • 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.

In addition to our broader public engagement on sustainability matters, we have a number of stakeholder specific engagement initiatives that address topics from across our value chain.

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.

Our Group Procurement Policy includes a Responsible Procurement section which seeks to manage our procurement processes in order 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.

In July 2024, the Responsible Procurement section was enhanced to include expectations regarding the following:

- Understanding the Greenhouse Gas emission profile of key suppliers and their plans for emission reduction in-line with Convex's own transition plans.
- Promoting the adoption of sustainability due diligence practices by suppliers in choosing their own suppliers.
- Implementing supply chain management processes and practices that support Convex in meeting its own sustainability-related obligations and objectives.

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. The sustainable data requirements from our material suppliers is expected to be enhanced in the coming year as part of our CSRD implementation work.

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'.

Modern Slavery

Convex takes a zero-tolerance approach to slavery and human trafficking and is committed to ensuring that there is no slavery or human trafficking in our business or supply chain. We are committed to integrity in the conduct of our business and the requirement that all Convex's employees perform their duties in a manner which is legally, ethically, and morally irreproachable. Our Convex Values and our internal policies relating to conduct and financial crime are applicable across the Convex Group.

Our Procurement Policy highlights the need to consider slavery and human trafficking issues when selecting and engaging with suppliers, and we require tenderers to confirm that they have processes in place to ensure that slavery and human trafficking does not exist in their business or supply chains. Bidding suppliers are required to include their relevant policies and procedures as part of their tenders.

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 AI 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 has used this technology to assess US catastrophe wind claims.

Our Head of Sustainability, through her role as deputy chair of the Sustainability Committee of the IUA, has engaged with brokers and industry peers to discuss integrating build back better schemes into the claims process.

Cloud Computing Providers

We have engaged with the supplier of our cloud computing services to discuss and understand their decarbonisation plan. We recognise the importance of developing our understanding and reporting of our scope 3 emissions, as noted in sub-principle 2.1.

Broker Sustainability Training

In November 2023 we hosted 'Backstage at Convex', a 4-day event that brought 15 young brokers from 9 broking houses to Convex to give them an insight into how an insurance firm operates, the Convex approach and what makes us different. As part of this event our Head of Sustainability delivered a sustainability training session, discussing what is meant by ESG, how sustainability impacts insurance, the transition to net zero and examples of key industry collaborations.

Innovate and Advocate: Sub-Principle 2.5

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

Our Sustainability Strategy centres around three core principles, which include a focus on Advancing Transition and Building Resilience. This drives our support of clients in their transition plans and also in understanding the nature and quantum of the climate-related risks to which they are exposed. We do this in two ways:

1. Through the products and services we offer;

- Convex has developed the capacity to offer Carbon Capture and Storage insurance protection for a major energy client.
- 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.
- 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.
- In keeping with our focus on sustainable aviation and to increase awareness in this field, we have supported the work of Fly Green Alliance, notably their 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.

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

Convex has undertaken a number of initiatives in this vein in the past year:

Development of Magniphi by Maximum Information (MI)

Through the focus of our work on Project Berlin and the near-term implications for our business, we have supported the development of a climate change focussed loss sampler tool 'Magniphi' developed by Maximum Information to allow for scenario analysis to be conducted based on a tailored, own view of risk. This tool draws from scientific and climatic findings, to perform resampling of existing event sets representing alternative climate scenarios. Allowing more localised stress testing, this tool can be adapted by insurers to give a greater flexibility in developing climate related scenarios. Convex support came from sponsoring MI application for government funds from UK Centre for Greening Finance and Investment (CGFI) and further have provided sample data sets. This will help our insurance clients and ultimately our direct corporate clients through the ability of the industry to better model and understand climate related risks.

Oasis

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 tools).
- Toolkit for developing, testing, and deploying catastrophe models (Oasis Model Development Toolkit).

Insurance Development Forum/Global Risk Modelling Alliance (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 full details in sub-principle 2.6. 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. This piece of work will increase awareness of risk and access to risk analytics capability in vulnerable countries. Oasis is also a key tool for the work of the Global Risk Modelling Alliance.

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.



Climate awareness in investing

As outlined in Principle 3.2 we have outlined our dedicated impact investment strategy which is an important feature of our work to advance transition. In order to highlight the purpose and impact of this strategy, the HoS and our ESG Investment lead have spoken on panels focussed on impact investment. The purpose of this is 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. In addition to impact investing, we leverage our strategic investment strategy to identify high growth companies that are focused on developing new capabilities and/or improving in the insurance sector. Our strategic investments enable us to deliver on our strategic pillars and create sustainable growth opportunities, informing our current business strategy together with our impact investments.

We held a Strategic Investment Day for employees in October 2023, with portfolio company speakers from both impact and strategic investments. The purpose of this was to broaden the awareness and understanding within the company of the nature of the businesses which Convex has chosen to invest in, for both their environmental and strategic interest.

Our Head of Sustainability and ESG Investment lead have been active in the IDF Infrastructure Investment Fund Working Group, helping to shape this innovative new investment fund that directly targets geographies and sectors which insurers would otherwise not access (see further in 3.2).

Innovate and Advocate: Sub-Principle 2.6

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

Our approach to public 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 role 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, of the threats to nature and biodiversity, and the collective effort to enable the transition to a less carbon intensive, sustainable world.

Our dedicated Group Head of Sustainability 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.

Through participation in a number of public climate and nature related panel events she has been active in driving engagement and raising the voice of climate action both in the insurance sector and the wider public.

We seek to focus our efforts in areas which align to our internal view of the key risks and the transition related challenges we face together with areas of social or environmental importance where we believe we can be impactful.

The three Guiding Principles of our sustainability strategy reflect this engagement: 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 and Communications plan. 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.

Examples of our engagement are detailed below:

Leadership Engagement

Our approach to sustainability has benefited 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 first stemmed from the Catlin Artic Survey in 2009 and the later Catlin Seaview Survey in 2014.

This has led to our sponsoring of the Convex Seascope Survey, a major climate research project 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.



Convex Seascape Survey (CSS)

The Convex Seascape Survey was established in 2022; 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, 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.

The 2024 CSS Annual Report provides further detail of the progress made and project status. As is clear from p. 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 is housed in a recognised Harvard open access data base.

CSS engagement

- Delivered a dedicated progress report on Convex Seascape Survey in the Blue Zone of COP 28, Dubai to an audience of government ministers, NGO's, scientists and the broader climate engaged public.
- The lead project scientist, Professor Callum Roberts further presented the project at the Economist World Ocean Summit in Lisbon in March 2024.
- Released a series of live (and recorded) lessons on Ocean and Climate; these are available entirely free of charge and accessed by a range of schools globally. Notably through Convex Seascape Survey the role of the ocean in the carbon cycle has now been formally incorporating this in the UK school curriculum).
- We have a dedicated Convex Seascape Survey Website and Social media channels and closely track engagement.
- In May 2024, we hosted an 'Introduction to Convex Seascape Survey' for a local audience of around 70+ employees, clients, scientists etc at the Bermuda Underwater Environment Institute (BUEI). The lead scientist, Prof Callum Roberts introduced the subject of seascape carbon and outlined the work of the project. This helps educate our broader community on the relevance of blue carbon, the role of biodiversity and the impact of human disturbance on the seascape.

CSS example highlights from 2023/2024:

- Expeditions to take coring samples have taken place in sites around Jersey in July 2024, following on from similar trips in the West Coast of Scotland earlier this year and last. These samples are used in the project to untangle environmental, human disturbance and protection influences on long- and short-term carbon burial, and to trace the origins of carbon deposited in sediments.
- A second field expedition was completed on the Isle of Arran to investigate the crucial question of whether a healthy seascape stores more carbon than a degraded one.
- Launched cutting-edge data app PALTIDE, which models the history of the north-west European continental shelf sea, from the Last Glacial Maximum (21,000 years ago) to the present day. Users can pinpoint a moment or location in ocean history, visualising and interrogating datasets on relative sea level and tidal patterns.
- Working with the University of British Columbia and their Sea Around Us database, we are developing an understanding of the spread of fisheries across the world's continental shelves over the past 60 years, and how they disturbed and disrupted seabed carbon stores.





Insurance Development Forum/Global Risk Modelling Alliance

Convex is a key supporter of the work of the Insurance Development Forum, an organisation whose mission is to extend the use of insurance in the developing world and develop the use of related risk management capabilities to countries especially vulnerable to climate risk.

Stephen Catlin is a member of the Steering Committee of the IDF (having been its inaugural Chair from 2016 to 2018) and Rachel Delhaise a member of the Operating Committee.

Convex is a lead sponsor of the Risk Modelling Steering Group (RMSG) of the IDF, where the Head of Sustainability is co-chair and plays an active role in the focus and direction of the RMSG, specifically their support of the Global Risk Modelling Alliance (GRMA). GRMA is a unique partnership providing private and public risk expertise, helping to build empowered, resourceful, climate and disaster-resilient communities. The IDF 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.

Public Engagement

As is described above, the focus of our engagement is driven by the Principles of our Sustainability Strategy - Building Resilience; Leading from our Culture and; Advancing Transition - and influenced also by the specific goals of the priority UN SDG's.

The purpose and specific areas of focus of our public engagement can be described as follows:

- Raising awareness of sustainability leadership within insurance and the continued work towards net zero, the development of transition plans etc.
- Highlight the role of the London insurance market in its innovation and efforts towards transition.
- Communication developments in risk modelling to enable improved risk mitigation in the developing world and increase the footprint of insurance capability.
- Discuss the growing implications of climate related litigation risk and its impact for insurance casualty underwriting.
- Focus on the challenges of making an impact in sustainability leadership and improving understanding of the role.
- Supporting the work of other stakeholders such as industry brokers, and consultants in completing surveys and joining roundtables.
- Communicating the role of the ocean in climate change mitigation and also the importance of biodiversity and nature related solutions.
- Participating in UK government led roundtables on Disaster Risk Financing and highlighting the role of insurance.

We are further active in raising awareness and giving feedback on the extensive developments in sustainability regulatory reporting in the jurisdictions in which we operate, being the UK, Bermuda and the EU.

The examples shown below demonstrate that Convex is active at climate and nature related seminars within the insurance sector, as well as events with the broader public, science and NGO communities.

- COP 28 (December 2023): HoS, representing the IDF, participated on the panel event 'Implementing Loss and Damage a Breakthrough Solution to Secure the Financial Future of the World's Most Climate Vulnerable States'. Raising awareness of the role of insurance in unlocking disaster risk finance and mitigate the impact of climate change in the developing world.
- UK FCDO Round table (September 2023): HoS participated together with other industry representatives in UK Foreign Office round table: 'Developing the potential of the London insurance industry to support further progress in Disaster Risk Finance, led by Rt Hon Andrew Mitchell.
- London Market Group Podcast (May 2023): HoS interviewed as part of podcast titled 'The London Insurance Market; Supporting Clients on the journey to Net Zero, highlighting the role of the London insurance market in its innovation and efforts towards transition
- Insurance Asset Risk (September 2023): Impact investment panel event where HoS joined to discuss Convex approach to 'What does it mean for an insurer to be a responsible investor?'. Raising awareness in the investment industry and broader public of the potential (and opportunities) for insurance capital in impact investment
- CISL (February 2024): HoS Interviewed as industry voice for CISL course 'Sustainable Finance Foundations: Banking, Investment & Insurance' Module 4 'Discover leading practice in the finance sector and the future direction of travel'.

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 (21k followers) and Instagram (480 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:

- Raising awareness of developments at events such as COP28 and notable climate conventions.
- 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, how society and cities are adapting to living with a changing climate and advances towards a lower energy and decarbonised world.

Innovate and Advocate: Sub-Principle 2.7

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

In 2.6 above we have described Convex's engagement in a number of government, science, industry events to help drive forward the role of insurance in mitigating the impact of climate change, in disaster risk financing and to leverage the impact of academic institutions in the research they conduct as concerns climate and biodiversity.

In addition, there are a number of specific institution and associations which we support which are described below.

Convex sponsored a fully funded internship at BIOS for Orlando Timmerman, a PhD student at the University of Cambridge for the 2024 UK Associates of BIOS Convex Internship. Orlando's academic focus is the application of AI to predict the current and future status of coral reefs and at BIOS later this year he will be working with Dr. Eric Hochberg on a project entitled Machine Learning to Predict Coral Reef Futures. This work will contribute to the goals of SDG 14, one prioritised by Convex in our Sustainability strategy.

CSS and the broader science and NGO community.

We have outlined in 2.6 the significant role of CSS in raising awareness and informing the science, policy, and education communities (as shown in above) of the importance of the oceans and marine life in the carbon cycle.



ClimateWise and CISL

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 its inception. Our HoS is a member of the ClimateWise Management Committee, and has been an active member of ClimateWise Principles Working Group, which has focused on updating and refining the Principles of ClimateWise to align with current - and forthcoming - global climate and nature related reporting standards.

ClimateWise is convened by the University of Cambridge Institute of Sustainability Leadership who develop and offer a high profile and well recognised Sustainability leadership learning programmes. Our HoS has contributed to a new course titled 'Sustainable Finance Foundations: Banking, Investment & Insurance' where she was interviewed to present the insurance perspective in Module 4 'Discover leading practice in the finance sector.'



International Underwriters Association (IUA)

The HoS is deputy chair of the Sustainability Committee of the IUA. 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 sustainability considerations. She has also been active in the creation of working groups of the IUA Climate Risk Committee to look into further aspects of Physical Risk, Transition Risk and Litigation Risk.

The Committee also reviews and feeds back on current regulation and standards out for consultation.



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. Our HoS is a member of the ABI Climate Committee which reviews progress against the goals.

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:

1. Meeting Net Zero by 2050
2. Unleashing Investment Capacity
3. Sustainable Industry Operations
4. Helping Society Adapt



Association of Bermuda Insurers & Reinsurers

Association of Bermuda Insurers and Reinsurers (ABIR)

Convex through the engagement of its Executive Chair and other management, is closely supportive of the work of ABIR. Notably in the last year as a member of its Climate and Sustainability committee, the HoS has been active in the industry consultation on the proposed BMA Climate Disclosures. It is important for industry to work closely with regulators to ensure that reporting requirements are practicable, purposeful and aligned to other international reporting requirements where appropriate. In this consultation it has been useful to bring our experience from the European perspective where climate and broader sustainability reporting - including the developments in nature-based reporting - is more developed.

Project Berlin and external impact

Project Berlin (see Principle 3.3) is a research project led by Dr Tom Philp (Maximum Information), commissioned by Convex, into the physical risks from climate change as interpreted through the industry lens of key peril regions. Our broader support of the work of Maximum Information is outlined in Principle 2.5.

The insights from Project Berlin were instrumental in the focus of a seminar hosted by CGFI (UK Centre for Greening Finance and Investments), Oasis and University of Leeds, (Nexus) in March 2024 'Collaborating for impact; Bridging the gap between climate science and insurance industry practice.'



Planned Actions (2024-2025)

- Develop PowerBi dashboard for reporting GHG emissions and the full suite of Sustainability linked metrics.
- Roll out our tailored climate related training program for all employees.

Principle 3:

Enabling Transition



2023-2024 Planned Actions

Drive forward impact investment strategy

Implement ESG investment data provision for fixed income portfolio



Progress

Convex played a prominent role in the creation of the IDF Infrastructure Fund. The Head of Investments has established a Bermuda-focused impact investment working group. In 2024, we have actively reviewed several additional impact investment opportunities

To be actioned as part of the CSRD project and our transition planning process, to enhance the existing ESG profiling of our investment portfolio.



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

Our approach to responsible investments

At Convex, our approach to assessing and promoting the sustainability of our investments is founded on three key principles:



Building on our commitment to sustainable investments:

At Convex, we integrate ESG considerations into our investment decisions because we believe in backing companies and initiatives that drive the transition to a de-carbonized and more equitable world. We see a commitment to sustainable practices not just as a moral imperative, but as a strategic advantage—one that reduces risk, enhances competitiveness, and delivers stronger, more stable returns over time.



Integrated ESG approach:

The ESG integration aims to monitor and mitigate any unintended duplication of exposure across both sides of the balance sheet by identifying risks not yet fully reflected in the asset liability management models through the sustainability lens.



Doing well while doing good:

Convex understands that investments can deliver both financial returns and meaningful social impact. Through our impact investing strategy, we aim to channel capital into initiatives that intentionally address key environmental and social challenges, where our funds can make the most significant difference.

Portfolio Overview

Convex's total investment portfolio is valued at c. \$4.91bn as at 31 December 2023. The vast majority of this is held in government and agency bonds and investment grade credit. In terms of industry sector and geographic distribution, circa 61% of the portfolio is allocated to government and financial sectors while 88% of the total securities are issued in the US, with the remainder in Canada, UK, Europe and Japan.

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.

At a high level, there are three elements to our \$4.91bn investment portfolio:

1

The first is our core fixed income which accounts for around 95% of the total investment portfolio

2

The second is our risk asset portfolio, which represents around 5%

3

The third is our Impact Investments, an actively managed portfolio of <2% of total assets

Our overarching approach is informed by our three key principles, but the integration of sustainability considerations is distinct to each portfolio component, noted in sub-principle 3.2.

Investment Portfolio metrics

In order to understand and quantify our overall risk exposure to ESG and climate related themes, our asset managers provide us with 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 exposures 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.

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

1

Carbon intensity score and appropriate benchmark expressed as Tons CO₂e/\$mm sales

2

Average ESG rating and appropriate benchmark (aggregate and pillar level)

3

Portfolio and benchmark ESG rating distribution, grouping into Leaders/Average/Laggard

4

Top 10 contributors to Carbon intensity metrics

5

Top 5 and Bottom 5 ESG rated holdings

The quarterly update of the position across both managed portfolio 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 overleaf:

Portfolio Carbon Intensity Score

As at 31 December 2023

Convex Portfolio : 77.8 ▼

Best



Worst

Benchmark: 155.6 ▲

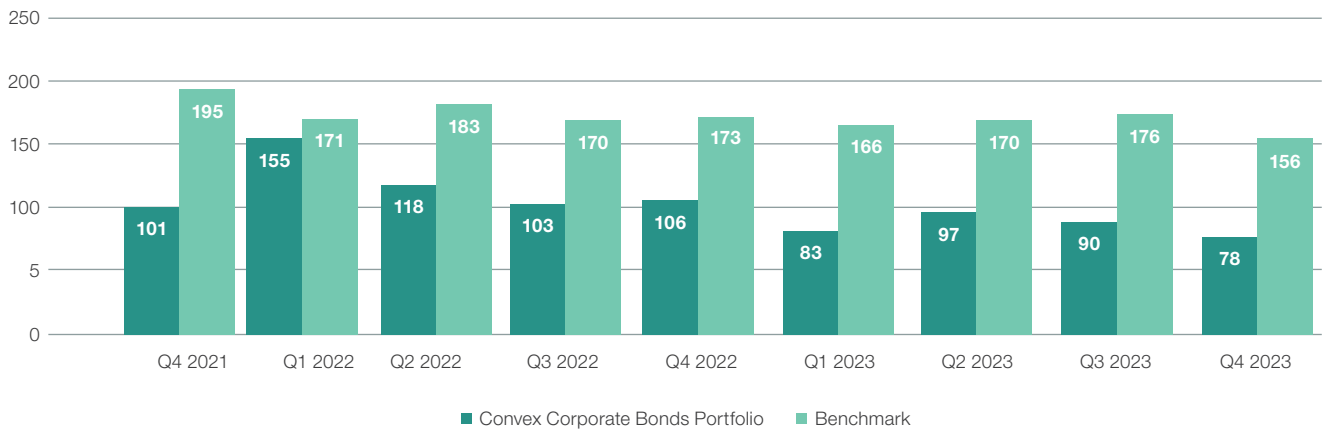
	Market Value \$	% of account with MSCI data	MSCI Weighted average carbon intensity (Tons CO ₂ e/\$mm sales)
Convex Fixed Income Portfolio*	4,565,226,940	26.6%	77.8
Benchmark		89.2%	155.6

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

Carbon intensity score: ESG 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.

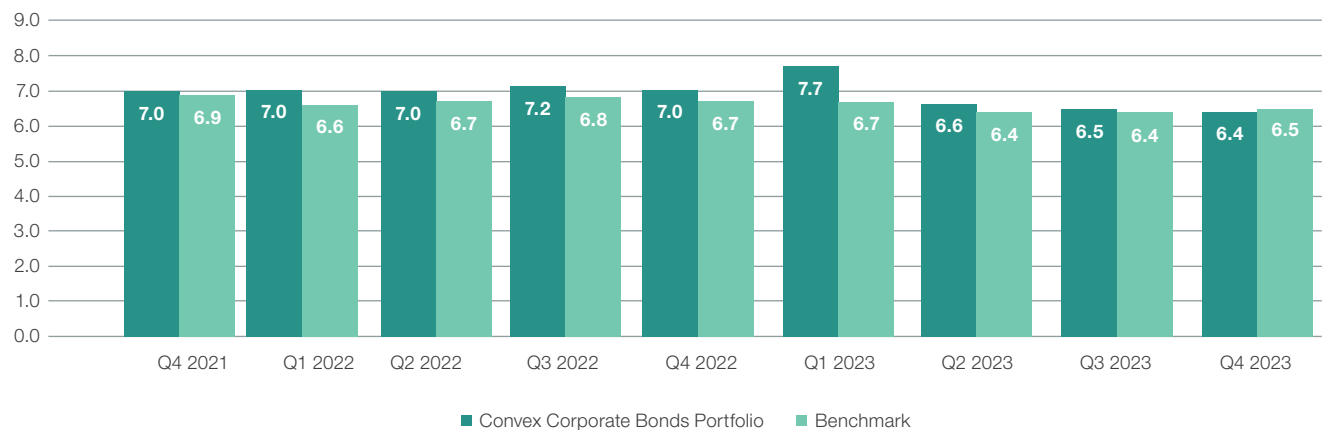
Progression metrics

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



MSCI ESG Score (0-10)

Convex Corporate Bonds Portfolio



As noted above, Convex maintains a relatively small in-house investment team which is primarily responsible for setting the investment strategy and asset allocation as well as selecting the appropriate managers to execute the specific mandate. Conning and JP Morgan Asset Management (JPAM) are Convex's core fixed income managers (90-95% of the portfolio) and are responsible for security and sector selection, 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.

As mentioned in previous section, JPAM and Conning provide quarterly reports assessing our portfolio's carbon intensity and ESG metrics against benchmarks. They combine proprietary and vendor-sourced data with internal credit research to derive ratings. This helps us track ESG and climate risks over time and engage with our managers on any issues or sector concentrations that may affect the portfolio's sustainability.

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%).

Investments: Sub-Principle 3.2 Take action to manage the implications of climate and nature related risks and opportunities on, and of, our investments

Core Fixed Income portfolio

The primary objective of the investment function at Convex is to create economic value for the group whilst maintaining appropriate liquidity to meet claims and expenses as they fall due. Within this overall objective, investment decisions aim to maximise risk-adjusted returns while respecting all regulatory and rating capital considerations and constraints, whilst also remaining subject to a comprehensive internal risk limit framework.

Core to Convex's approach to responsible investing is the integration of ESG risk factors in investment analysis and decision making. Our external managers maintain a strong focus in investing in companies with good governance practices, and embed ESG elements into their research, risk processes, investment decision making and portfolio construction. This approach is integrated into their fundamental assessment of an issuers credit profile. Their analysts incorporate ESG considerations into their evaluation of an issuer, to gauge the sustainability of a business, the quality of management and the risks posed.

Convex's external managers do not explicitly exclude individual securities based on ESG criteria alone, instead taking a holistic view on the overall fundamentals of a business. However, ESG factors could influence their level of conviction and therefore impact portfolio weightings of individual securities. As part of their commitment to ESG themes, Convex's core fixed income managers are signatories of the UN Principles for Responsible Investment (PRI) and are also committed to reporting in line with TCFD requirements.

ESG risks within the core fixed income portfolio are overseen by the Investment Committee, who receive a quarterly report on the ESG profile of the portfolio. ESG reporting and other considerations are also captured in the Convex Group Investment Guidelines. As part of investment governance and oversight, the investment team conduct an annual review of the cored fixed income portfolio managers, covering the effectiveness of their integration of ESG considerations in the investment process and the quality of their ESG reporting and disclosures.

Risk asset portfolio

Alongside the core fixed income investments, a portion of the portfolio is also held in select risk asset mandates (c. 5% of the total investments portfolio), similarly managed by external investment managers. Where allocations to new risk assets mandates are proposed, the New Manager Approval Process and associated selection criteria and due diligence review explicitly includes a review of the manager's approach to climate and ESG related risks, alongside the managers processes for reporting and disclosing on climate and ESG metrics of the portfolio.

Group Investment Guidelines

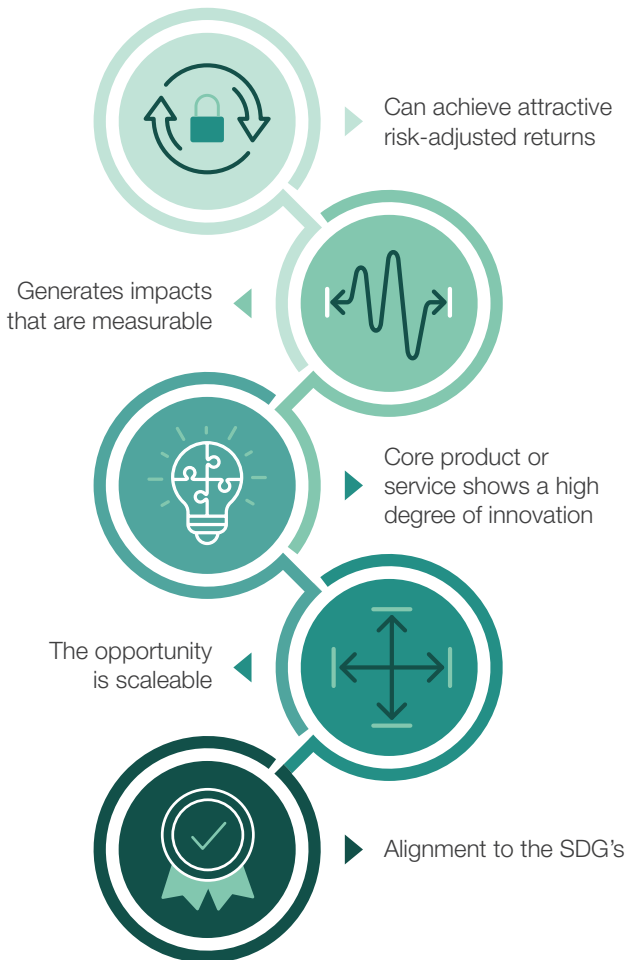
Our Group Investment Guidelines are issued by the Group Chief Investment Officer (CIO) and approved by the Convex Group Executive Committee (GEC) and the Group Board. The purpose of these guidelines is to provide a policy and procedural framework for the management of the investment activities of Convex and its Risk Bearing Legal Entities (RBLEs). These guidelines include a section dedicated to ESG and Impact Investing, outlining our approach to sustainable investments, sustainability reporting and impact investments.

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.

Our key investment criteria



To date we have executed on two transactions with a dedicated team member in the investment function. Details of these investments are noted below:

Ocean 14

In alignment with one of our priority Sustainable Development Goals, Life Below Water, and our work on the Convex Seascape Survey, we have partnered with the Ocean 14 fund. This fund aim to improve ocean health and ensure sustainable blue food sources. The fund invests in new technologies and optimising industries that are responding to changing consumer behaviour, value chain pressure and technological advances.

The Environmental Technologies Fund 4 (ETF4)

This fund invests in innovative growth companies whose products and services have the potential to have a significant positive environmental impact. The fund mangers evaluate impact potential, and then help make it happen through active impact management. In 2023, ETF4 achieved high impact potential and impact performance scores, signifying that the investee companies are poised to not only meet but exceed expectations in their commitment to sustainability. Furthermore three companies have already met their minimum viable impact hurdles, validating the theory of change and showcasing the tangible impact they are making on environmental problems through innovative technologies and solutions.

Ongoing impact investment focus

In 2024, we have been active in reviewing a number of further impact investment opportunities. In particular we have been an active member of the working party initiated by the Insurance Development Forum to create an Infrastructure Investment Fund. The aim of this fund is to facilitate insurance sector investments in resilient infrastructure that will enhance the resilience of vulnerable communities in emerging and developing economies to risks from climate change and other natural disasters. The Fund has appointed an investment manager and is seeking to complete by the end of 2024. Convex has contributed to the structuring of the fund and developing the ESG guidelines and impact KPI's, which are an integral part of the fund profile.

Underwriting: Sub-Principle 3.3

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

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 we decided to do further analysis on near-term implications, focussing on the key peril regions. This is explained more fully under Project Berlin.

As noted in principle 1.10, Convex undertook an initial scenario analysis exercise in 2021. 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 ensuring 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%
B	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%
C	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%



For each scenario, the Group examined the potential reinsurance recoveries, impact on available capital and impact to the business model should the event arise. 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.

The conclusions of this work were presented to internal stakeholders such as Property Cat Underwriting, Reinsurance Underwriting, Ceded Reinsurance. Underwriting stakeholders were engaged throughout the process to enable a discussion of the findings as they evolved, allowing stakeholder 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.

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.

Exposure Management

We license a global suite of sophisticated catastrophe models which cover all peak natural catastrophe related perils globally. These models are used consistently across our underwriting and portfolio management processes. We leverage these models for assessment of quotations on a risk by risk basis to support underwriting decisions and cat modelling metrics flow through to our pricing tools for the use of underwriters. Once risk are bound, we use same models to roll up bound business and use the same methodology to produce results that inform our Group risk and cat modelling views, enabling a consistent assessment of risks from quotation to the reporting of risk appetites and other metrics.



Case Study

Project Berlin

As noted above, 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.

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 - in essence anticipates approximately a 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, WF, and PP 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.

In response to the findings of Project Berlin, we performed an independent review of the top three flood model providers. Following this we have engaged with a data-driven, research-led company as a development partner for their global hazard and vulnerability flood catastrophe model. This model will feature different views of climate change impacts and is due to be operationalised by the end of the year and will feed into five scores for pricing and portfolio management once embedded. We have engaged with our current model provider to develop a best in class US wildfire model which will be implemented ahead of 1/1 2025 renewals.

Our support of Maximum Information has allowed them to develop their tool Magniphi, to allow for scenario analysis to be conducted based on a tailored, own view of risk. This tool draws from scientific and climatic findings to perform resampling of existing event sets representing alternative climate scenarios. They will also enable more localised stress testing, and hence give us a greater flexibility in developing our own view of risk. A linked tool will use similar technology to address evolving exposure risk. We are now able to road test this app and exposure management are working with IT to enable use of our data.

Tipping Point Risks

The current understanding of climate tipping points, defined as critical thresholds in the earth's systems or processes which, if breached can cause sudden, dramatic or even irreversible changes to some of the earth's largest systems, and their impacts on the insurance industry is limited. To develop our understanding of this area, we have engaged with an industry group focused on assessing tipping point risk led by Max Information and Oasis. As part of our summer intern program, we have employed a geography undergraduate to perform a literature review of scientific journals and papers on 16 climate tipping points. This work will be used to inform the scope of a longer term piece of work, which aims to answer the following questions:

- Are there tipping points more relevant to our portfolio of re/insurance exposure?
- What are the risk indicators of the tipping development path (as opposed to the pure tipping point)?
- Are there loss implications (in a 5-10 year time frame) from this which our current exposure management doesn't consider?
- Can we identify warning indicators of this likelihood increasing?

Opportunity and Innovation

Convex is playing a key role in the development of models to address the key risk features of offshore wind underwriting for which incumbent catastrophe models are ill suited. (as noted in sub-principle 2.5). To deepen the understanding of relevant risks in this area and thus enabling industry growth, we have partnered with Renew Risk to build seven models for offshore wind. Through the implementation of deep data science-driven patent-protected methodologies, Renew Risk has successfully developed a pioneering set of models using open-source platform, the Oasis loss modelling framework. The cutting-edge models offer comprehensive coverage of high-risk earthquake and typhoon regions such as US, Taiwan and Japan.

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

Product and Policy Development

We have provided support through financial investment and underwriting capacity to Skyrisks, an MGA that provides risk management and aircraft insurance services for Advanced Air Mobility (AAM) businesses. AAM refers to the new ecosystem of aviation technologies: from smaller unmanned systems to passenger-carrying eVTOLs and larger fixed-wing electric, hybrid and hydrogen-powered regional aircraft.

Please refer to sub-principle 2.5 for additional details on our product development strategy.

As noted above, Convex has taken a lead role in insuring offshore wind projects in the US which has included revision of policy wordings as referenced in 2.5. We have also 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 H2 2024.

The background is a solid teal color with abstract, flowing white and light teal shapes that create a sense of movement and depth. The shapes are soft and ethereal, resembling smoke or liquid in motion.

Principle 4:

Disclosing Effectively

Measure and Monitor: Sub-Principle 4.1

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

We have used the following tools and processes to develop our understanding of climate and nature related risks and opportunities and resilience analysis:

- Climate Change Risk Assessment Framework (refer to sub-principle 1.6)
- Scenario Analysis (refer to sub-principles 1.6, 1.10 and 3.3)
- Double Materiality Assessment (refer to sub-principle 1.6)
- Project Berlin (refer to sub-principle 3.3)
- Risk Management Framework, including emerging risk process (refer to sub-principles 1.3, 1.8 and 1.9)
- GHG emission reporting and other non GHG environmental metrics (refer to sub-principle 2.3)

Measure and Monitor: Sub-Principle 4.2:

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

Climate metrics

Convex is developing its use of metrics to help monitor and measure the Climate change risk exposures of the business. Below is a summary of the climate related metrics we monitor:

Function	Metric	Frequency
Corporate	ClimateWise score	Annual
Operations	Scope 1 & 2 tC02e/FTE	Quarterly
Operations	Scope 1, 2 & 3 tC02e/FTE	Quarterly
Operations	Net tC02e (after carbon offsets)	Annual
Investments	MSCI Carbon Emissions Intensity Score (Tons CO2e/\$mm sales)	Quarterly
Investments	MSCI ESG Rating	Quarterly
Underwriting	% Exposure to thermal coal	Monthly
Underwriting	% Exposure to oil sands	Monthly
Underwriting	Physical Climate risk Worldwide all perils (excl. earthquake)1/100 Net AEP (excl. loss adjustment costs)	Quarterly

Report Robustly: Sub-Principle 4.3

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

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 possible. In this vein, we are members of several industry bodies, partnerships and initiatives that encourage disclosure of our climate risk-related activities.

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.

Review Process

We have established an internal process to facilitate the review and challenge of our ClimateWise report. The report is drafted by the Convex Sustainability team and reviewed by the Head of Sustainability. The draft report is then submitted to the ESG Working Group, whose members include the Group HoS, Group CRO, Head of Investments, CIL CEO, Head of Aerospace and Marine and Chief Marketing Officer, for review and approval. Following this, the report is further submitted to the GEC prior to being publicly disclosed.

In addition to producing our annual ClimateWise report, we produce a summary paper internally that outlines the feedback we received for the prior year's report and the action we have taken to address these points. This report is circulated to the GEC and ESG Working Group.

As part of our CSRD project, we have engaged with our external auditors to ensure they have appropriate oversight of the processes we develop to meet the requirements of CSRD. The Risk function is part of the CSRD Working Group and Internal Audit are engaged in the broader implementation group. Our CSRD implementation plans will detail the steps we need to take to ensure there is sufficient review and challenge of our climate risk reporting, and we will build out this capability ahead of our reporting in Q1 2026. We will update relevant functional Risk and Control Self-Assessments to include climate reporting risks and controls.

Regulation Horizon Scanning

As noted across principle 2, Convex is actively engaged with industry bodies and forums and Convexians regularly attend sustainability related conferences and round tables. Our participation in these groups and at these events ensures we remain abreast of regulatory developments and changing market practices. Refer to sub-principles 1.8. and 2.7 for further detail on how we have monitored and engaged with climate related regulatory developments.

More formally, changes in climate regulation is captured as a dedicated risk in our emerging risk register and is therefore captured by our emerging risk process. This enables senior management to monitor this risk on quarterly basis and ensures that stakeholders from across the business are engaged with the assessment of this risk.

In addition to our emerging risk process, we have a Climate Change Regulatory Monitoring control which is assessed on a quarterly basis as part of our RCSA process. This control is owned by the Head of Sustainability and encompasses all of our regulators and the differences in regulatory expectations.

Assurance Framework

Our GHG emissions are included in our financial report and subjected to independent limited assurance from our external auditors. Our ClimateWise reports are shared with our auditors for noting.

Process documentation

We have a comprehensive procedure document that provides a step-by-step guide, with precise instruction for each action required, for our ESG data collection and loading into our emission reporting tool. This document outlines the data validation and quality controls that are embedded in our process and details the multiple review stages that occur as the data is processed.

Assumptions

When calculating our GHG emissions we are reliant on a series of assumptions and allocations to account for data quality issues. Details of these adjustments are included alongside our emissions figures in the paper presented to the ESG Working Group, and are included in the process document noted above.

Restatement

As noted in sub-principle 2.3, in order to automate our GHG reporting process as much as possible, we utilised an emissions reporting tool to calculate our 2023 disclosures. The integration of this tool in our calculation marked a significant deviation from the process we had been previously using. In order to ensure we could make reasonable comparisons across years, we re-performed the emissions calculation for 2022 using the new tool. For our scope 3 emissions we noted there were some variations in the emissions calculated by the two processes, with the total difference being 72tCO₂e. We have restated for 2022, using the figure produced by our updated process. We have also done a thorough investigation into this variation to identify why these figures were different, noting several contributing factors. As we continue to make enhancements to our reporting, we will make sure to review previous disclosures to ensure comparability across years.

In addition to adopting a new emissions reporting tool, we have also made several enhancements to our data collection process to facilitate more efficient and accurate data handling. Additional guidance has been published to Convexians on how to capture air travel emissions, accompanying a new process we implemented for FY 2023 for collating this data to improve accuracy.

Transparent Disclosure: Sub-Principle 4.4 Annual submission against the ClimateWise Principles.

We attest that our ClimateWise report and supporting evidence were submitted on time and loaded correctly into the data transfer portal. This report seeks to provide content to addresses all sub-principles.

Transparent Disclosure: Sub-Principle 4.5 Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.

- The ClimateWise reporting period is FY 2023 and is aligned with our financial reporting period. When relevant we have also disclosed activities from FY 2024.
- This report is not aligned with any Pillar II regulatory reports. Content from this report is aligned with our ORSA and GSSA documents.

Transparent Disclosure: Sub-Principle 4.6 Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.

- We produce a clear, well designed version of the ClimateWise Report for public disclosure on our website. This is seeking to make the content accessible to stakeholders and the broader public.
- Details of assumptions are referred to in section 4.3 and within the respective sections.





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