

## UN PRINCIPLES FOR SUSTAINABLE INSURANCE

Annual disclosure 2022/2023

Fidelis Insurance became a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) in 2022 and this was taken over by Fidelis MGU in 2023, following the split of Fidelis Insurance. As a signatory to the PSI, Fidelis MGU is required to provide an annual disclosure on progress made in implementing the Principles over the preceding year.

Fidelis MGU is a privately owned Bermuda-based holding company, which, through its subsidiaries, is a global provider of speciality insurance and reinsurance products. We have a diversified business mix across both line of business and geography, built on a three-pillar strategy of Speciality, Bespoke and Reinsurance lines.

Signing up to the PSI coincided with a step-up in our efforts to embed sustainable practices across our business. We have therefore made material progress in advancing the application of the Principles to our day-to-day operations.

### **Principle 1 - We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.**

The Fidelis culture is defined by [our ethos](#), which is embedded in the performance objectives of all employees. This ethos includes the following statement:

*“We are underpinned by a strong ethical belief with a desire to add value not only to our customers and investors but also to our broader stakeholders. We actively avoid trading with industries that cause harm to people, the environment and animals. We provide development opportunities to our employees, taking action to advance diversity and inclusion, being environmentally responsible, and volunteering for and supporting charitable activities in our communities and worldwide.”*

In 2022, we first laid out an overall set of principles governing our approach to sustainability and articulated our key commitments across underwriting, investments and operations. This framework has evolved over the past 12 months, receiving buy-in from both senior management and the Board of Directors. While Fidelis Insurance bifurcated at the start of 2023 into Fidelis MGU and Fidelis Insurance Group, the core principles of the approach have not changed.

The Sustainability function brings together all the different strands of our approach and reports directly into a senior member of the Fidelis MGU Executive Committee and Board. Among other things, the function is responsible for collecting and reporting various metrics to senior management on a regular basis: e.g. key underwriting metrics every month and broader quarterly update reports which are shared with the Board.

The main pillars of Fidelis MGU’s approach are disclosed in our [sustainability presentation](#) which is available on our website. This document highlights that sustainability is something we factor in across our entire business: underwriting, actuarial, risk management, finance, operations, legal, compliance and HR are all involved across different aspects.

Underwriting is the heart of what we do, and embedding sustainability has involved developing a set of clear guidelines as well as a process for ensuring all the risks we write meet the required ESG standards. This covers both environmental and social issues. We have put in place a monitoring approach for our referrals, tracking key metrics on both the referral process itself and the ESG profile of our portfolio.

From a risk management perspective, climate risk is key given our business profile: within this, physical risk is of particular importance owing to Fidelis MGU's exposure to natural perils. Modelling the impacts of climate change on our portfolio and translating this into risk loading for pricing purposes is therefore a critical activity carried out by our underwriting, actuarial and risk teams.

In 2022 we made a commitment to net zero by 2050 at the latest. Since then, Fidelis MGU has announced its first interim decarbonisation target (covering energy and aviation) as a tangible step towards delivering this commitment. In support of our climate strategy, we have also made public our fossil fuel exclusions which cover thermal coal, tar sands, Arctic exploration & drilling as well as fracking.

Fidelis MGU actively seeks out business opportunities which support sustainable outcomes, whether through its significant renewables portfolio, its political risk products which enable important social infrastructure projects in developing countries or its support for humanitarian and disaster relief initiatives. We continue to explore ways in which we can better support the multiplicity of new technologies that will be needed to achieve a green economy.

Fidelis MGU seeks to operate sustainably when it comes to its physical impact as well as its people and culture. We have a Green Team dedicated to environmental issues and improving the footprint of our operations, as well as global and local Diversity, Equity & Inclusion (DE&I) committees. The latter help ensure that an ESG focus is maintained in relevant recruitment, training and employee communication practices. We continually seek ways to boost employee engagement in these topics, including also active participation in philanthropy through the charity partnerships we have in the Fidelis Foundation.

Fidelis MGU does not currently manage its own investment portfolio. However, there is strong alignment with the sustainability approach of our balance sheet company, Fidelis Insurance Group, which has defined ESG parameters for its investments and monitors key metrics relating to this on a quarterly basis.

## **Principle 2 - We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.**

As part of our day-to-day operations, we typically engage with our broker counterparts on sustainability topics – both on specific business transactions and at a more strategic level, seeking ways in which we could further support sustainable practices through our (re)insurance offering. As part of these discussions, we frequently provide feedback on our sustainability assessment of particular insureds or individual risks – in particular, how their performance screens against our defined ESG underwriting guidelines. Where appropriate, we include details of how concerns could be addressed and what we would like to see in order to reach an improved assessment. By applying this approach consistently, we not only ensure the business we write complies with our desired sustainability standards – we also highlight to intermediaries what issues we believe are important and how progress is possible.

In certain cases, we also engage directly with our insureds in order to communicate more detail about our approach as well as learning more about their priorities. This is typically either in cases where we have concerns that require a deeper discussion, or where insureds are fundamentally interested in sustainability topics and keen to understand our approach to this. One prominent example involved a large mining client who was willing to engage with us at a senior level in order to address our initial ESG concerns. We have received positive feedback on several occasions from insureds who are making advances in their sustainability work and who are delighted to be able to have a discussion with their insurers about these topics.

In general, in our interactions with brokers and clients, we adopt the [Fidelis ethos](#): we focus on results, innovation, inclusion, unity and responsiveness. We aim for interactions which are efficient and effective, we seek to communicate transparently at all times and to ensure that we are dependable partners including how we deal with any claims.

Fidelis MGU has exchanges with its reinsurers regarding ESG issues as well. In a small number of cases, we have responded to questionnaires from these counterparts; in other cases, we have an ongoing dialogue. We include key information about our practices in the materials used for reinsurance renewal discussions.

We have been involved in the development of training and development content on sustainability topics, specifically on modern slavery for Themis (for use across financial services) as well as more broadly on the importance of sustainability in insurance for Better Insurance Network.

When it comes to our suppliers and contractors, we have a robust process for ensuring compliance with anti-slavery and forced labour standards. Over time we have also been increasing our focus on the environmental credentials of our suppliers. As part of the efforts of our Green Team and Facilities Management, we have addressed the sourcing of a range of office products (from paper to beverages and snacks), opting for more sustainable alternatives.

### **Principle 3 - We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.**

Fidelis MGU is a member of a number of associations which support the achievement of sustainable business outcomes. Over the past 12 months, we have been members of the Net Zero Insurance Alliance, the Poseidon Principles for Marine Insurance, the International Underwriting Association's ESG Committee and UNEP FI's Just Transition Consultative Committee.

Fidelis MGU has responded to a number of consultations on sustainability-related matters, particularly linked to climate as well as regulatory initiatives in the UK (driven by the FCA or HM Treasury).

Fidelis MGU has had exploratory discussions with several academic institutions regarding ways in which we could support research into sustainability topics. The company has also, as publicly communicated, been involved in a collaboration with Howden to explore the correlation between ESG ratings and underwriting performance. We have discussed this at a number of industry forums, encouraging others to give thought to this topic as we believe that better understanding this correlation is of material value to the (re)insurance industry.

Fidelis Insurance in 2022 and Fidelis MGU in 2023 have been active in participating in conferences and webinars, as well as contributing to written media on sustainability-related topics in insurance. We have discussed our views on sustainable underwriting, embedding ESG into the day-to-day of insurance as well as specific topics like climate or modern slavery. We have taken part in events hosted by S&P, Better Insurance Network, Oxbow Partners, InsuranceERM, New Statesman, Crowe and the Insurance Insider – addressing audiences from across the industry. We have written editorials for Bermuda+ILS and Lloyd's List on similar topics.

Fidelis has always had a strong commitment to philanthropy and through the Fidelis Foundation, 1% of profits every year go toward supporting our charity partners. The issues addressed span environmental and social topics, including conservation (e.g. World Land Trust), mental health (e.g. Mind), poverty (e.g. International Care Ministries) and education (Bermuda College Foundation).

### **Principle 4 - We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.**

In 2022, Fidelis Insurance started publishing a [Sustainability Presentation](#) on its website. This outlines the key strategic principles behind our approach to sustainability, our commitments across the business and a number of metrics monitoring our progress. The presentation includes reference to the commitment to the PSI as well

as the alignment of our commitments with the UN Sustainable Development Goals. In 2023, following the split from Fidelis Insurance Group, Fidelis MGU continues to publish this presentation for the purposes of transparency.

In 2022, Fidelis Insurance joined ClimateWise as part of the commitment to make sustainability-related disclosures according to a recognised independent framework. In 2023, following the bifurcation of the business, Fidelis MGU became a standalone member and is working towards its first ClimateWise submission in the second half of 2022. A publicly available version of the report will be made available on the Fidelis MGU website. The ClimateWise framework is aligned with TCFD principles.