



# Liberty Specialty Markets:

## Advancing resilience and inclusive growth



**Our Vision:** Together as one global LSM, we will act as a **responsible business** and become a high performing financial services company of the future. **For Mutual Advantage**

## Guided by our Identity and Values, our ESG ambition is to **advance resilience and inclusive growth** by focusing on four strategic pillars:



### Increasing client resilience

Helping our clients adapt and mitigate risks affecting their lives



### Enabling sustainable growth

- Supporting an equitable and responsible climate transition
- Integrating ESG into our day-to-day decision making



### Improving lives and communities

Advancing security, furthering opportunity, and building strong community through philanthropy and volunteering



### Advancing diversity, equity, and inclusion

Embedding DEI across all aspects of our business

# Increasing Customer Resilience

## Helping our clients adapt and mitigate risks

We offer insurance products, risk advisory services, and claims practices. Working closely with specialist partners, we help our clients prepare for the changing nature of risk and advance their sustainability journey:

- We mitigate natural disaster and climate-related risk, transition risks towards a lower carbon economy, and support climate adaptation
- We enable a responsible transition – from who we serve to the mutual advantage we offer, including transition finance

We can't do it alone. New collaborations and partnership models are needed – to share data, insight and risk.

With the **Green Guarantee Company** we underwrite relevant political risks for guarantees for climate bonds issued and listed on the London Stock Exchange to support bond issuers from poorly rated/developing countries

We were the first UK insurer to offer our clients **real-time flood warnings with partner Previsico**: flood-affected commercial clients receive personalised warnings and graphical representations of water levels in their immediate area, helping them take preventative action

**Risk Reduce** is a tool that analyses policyholders' individual risks comprehensively and offers additional, personalised resources such as e-learning through accredited UK institutions – from fire safety to mental health

We support green growth – our energy book supports **alternative and traditional energies**

Financial Risk Solutions supports project financing transactions for banks which are having **a real impact on global economic development and sustainable infrastructure investments**

We are exploring how our wordings and claims can support **'green upgrades'** to build back better than before

# Enabling Sustainable Growth

Supporting a more equitable and responsible climate transition, and integrating ESG into our day-to-day decision making

## Integrate ESG into decision-making

**Underwriting:** We believe ESG brings a change in the nature of risks to which our clients and our portfolio are exposed and therefore is: Key to how we will support our clients and partners in the future  
An increasingly important indicator of the risk quality of insureds

We are:

- ✓ Committed to proactively partner with clients and apply our expertise to enable their sustainability journeys
- ✓ Focusing where we see the biggest risks for society and have the greatest conviction in our ability to support our clients in navigating that risk
- ✓ Developing a proprietary ESG framework to measure our portfolio and influence risk selection
- ✓ Evolving our product and risk-advisory offerings to clients, to better meet their needs related to ESG
- ✓ Empowering our underwriters through capability building and guidance

## Assess climate risk to inform decision-making

## Develop leading climate expertise & solutions

**Reducing emissions in our own operations and improving our environmental impact:** We are committed to achieving net zero emissions by 2050 in our UK operations and supporting the global Liberty Mutual commitment to reduce emissions by 50% by 2030 goal

**Climate Transition Pathways to accredit clients committed to the transition:** We were the first major insurer to offer capacity to companies accredited to have robust low-carbon transition plans aligned with the Paris agreement

**Partnership for Carbon Accounting Financials (PCAF):** We are active members of the working group to establish the standard to measure emissions associated with our underwriting portfolio with a science-based approach

**Responsible investments:** Serving as stewards of long-term value creation and aiming to measure and track emissions reductions in our investment portfolio with a science-based approach

**Scenario analysis:** We use the Network for Greening the Financial System (NGFS) framework for enterprise, investment and entity-level climate scenario analysis to inform our risk assessment, strategy and decision-making

## Commit to measure & reduce emissions

# Enabling Sustainable Growth: ClimateWise

Supporting a more equitable and responsible climate transition, and integrating ESG into our day-to-day decision making

A member of ClimateWise since 2020, we drive progress using these principles aligned with the Task Force on Climate-related Financial Disclosures (TCFD)

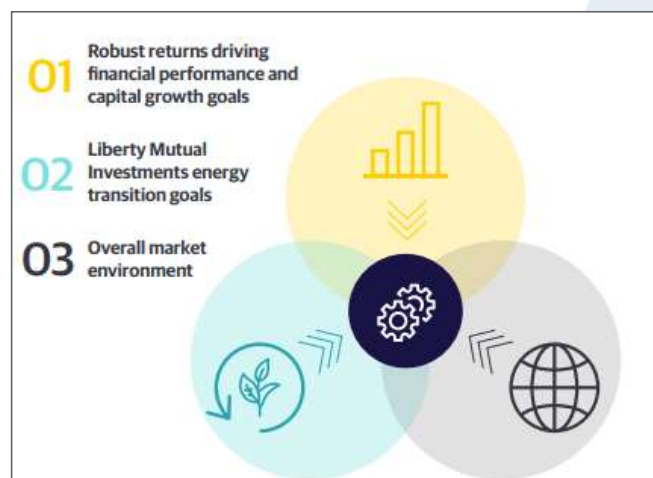
ClimateWise Principles	Implementation
1. Be accountable	Embedding climate change into all relevant management / governance structures and responsibilities
2. Incorporate climate-related issues into our strategies and investments	Assessing our portfolio against different climate change pathways and setting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

# Enabling Sustainable Growth: Serving as stewards of long-term value creation in our investments

- Set **Responsible Investment Policy** for LSM's main entities in 2021
- Liberty Mutual Investments (LMI) considers **material ESG factors** – by industry, informed by the Sustainability Accounting Standards Board (SASB) materiality guidelines – in its investment process and day-to-day operations
- LMI has an **Energy Transition Investment Strategy** which aims to both maximize returns based on our financial performance and capital growth goals, while also supporting the global energy transition and capitalizing on the overall market environment

## Leading through actions:

The ratio between our investments in alternative versus traditional energy has improved from 1:15 in 2018 to 1:3 by the end of 2021.



**LMI Energy Transition Investment Strategy**

## Progress against coal policy:

No longer make new investments in debt or equity securities of companies that generate more than 25% of revenues from thermal coal mining or utility companies that generate more than 25% of their electricity production from thermal coal (since 1 January 2022) and phasing out existing investments in these activities by the end of 2023.

# Improving Lives & Communities

Advancing security, furthering opportunity, and building strong community through philanthropy and volunteering

## Enterprise - wide



Serve with Liberty

## LSM - wide

Global charity partners (from July 1<sup>st</sup>):



## Local LSM

Local office charity partnerships



## Industry response



Insurance United Against Dementia

## Sector support

Our global art initiatives support artists at all stages of their careers:



## Personal

Employee Fundraising, Paid Volunteering, Matched Giving, Unsung Heroes



# Advancing Diversity, Equity, and Inclusion

## Embedding DEI across all aspects of our business

### Grow and support a more diverse workforce

### Increase equity across people, systems, and practices

### Build a more inclusive culture and workplace environment

### Support the DEI journeys of our partners and agents/brokers

- Continue meaningful, sustainable change towards closing the gender pay gap
- We have set a goal to increase female representation among our global leadership to 40% by 2025, a 7-point increase from 2021
- Increasing diversity and BAME representation through our hiring and recruitment
  - Working with The Brokerage social mobility charity
  - Increasing diversity in our entry-level roles through the apprenticeship levy
  - Interview shortlists for all management and leadership roles should include at least one female candidate
- Launch Springboard, our women's development programme, in person and expand to Europe
- Improve our data and reporting capabilities
  - Cover other characteristics and expand beyond the UK, where possible
  - Increase reporting to our leadership

- Employee Inclusion Networks
- Key events (e.g. LGBT+ History Month, International Women's Day)
- Global rollout of 'DEI Fundamentals' and 'Leading at Liberty'
- Expand our work on neurodiversity globally
- Deepen partner relationships
  - Peppy, CityParents, Insurance Supper Club





# We lead and participate in key forums to shape resilience agenda

Liberty Mutual engages in strategic partnerships to increase our ESG expertise, capacity and accountability across geographies and sectors:

## Liberty Specialty Markets:

- Our Chief Risk Officer is a member of the **Climate Financial Risk Forum – Scenario Working Group**
- We are a member of **ClimateWise** and our Head of Responsible Business sits on the Managing Committee
- Our President is Deputy Chair (TBC) and a member of the board of **International Underwriting Association**
- GRS President of Underwriting is a member of the Board of the **Lloyd's Market Association**
- GRS President of Underwriting is Chair of the **London Market Group**
- GRS President of Underwriting is on the Board of **Pool Re**

## Liberty Mutual:

- United Nations Global Compact
- United Nations-supported Principles for Responsible Investment (PRI)
- Partnership for Carbon Accounting Financials (PCAF)
- Taskforce on Nature-related Finance Disclosures (TNFD)
- Ceres Company Network
- IIF Sustainable Finance Policy Expert Group
- National Association of Mutual Insurance Companies (NAMIC)
- FCLTGlobal (Focusing Capital on the Long Term)
- Force for Good

# As we progress on ESG, we have had meaningful market-facing milestones on our journey



ClimateWise (members since 2020) –  
Managing  
Committee (2022-2025)



Liberty **KC9** Partnering for Carbon  
Accounting Financials (PCAF)  
industry working group (2021)



Liberty is a founding Partner  
of the CTP with WTW (2021)



Climate Financial Risk Forum –  
Scenario Analysis Working Group  
(members since 2021)



Risk Advisory collaboration  
with Marsh in North America  
(2022)



Lloyd's Market Association –  
Sustainability Committee (2022)



IUA – ESG Committee  
(2022)

**Slide 10**

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**KC9** Can we be clear on whether it is LSM or LMIG when we refer to Liberty  
Kathryn Connolly, 15/07/2022

# Governance & values

We are a values-driven organisation with governance structures designed to ensure all our employees apply integrity to make responsible and ethical decisions

Global standards,  
locally applied

Clear governance, performance  
targets, tracking, and reporting

Development and capability building,  
including through the Responsible  
Business Community of champions

## CORE VALUES

BE OPEN

KEEP IT SIMPLE

PUT PEOPLE FIRST

MAKE THINGS BETTER

ACT RESPONSIBLY

**Goals & Reporting:** We instil confidence in our employees, regulators, brokers and other stakeholders that we take ESG seriously by taking material actions to improve outcomes. We set annual objectives and multi-year targets, driving and monitoring progress through dedicated internal groups, such as our Responsible Business Forum and Climate Change Forum

**Risk Management:** Managing our own operational and product risks and protecting the security and privacy of client and employee data is core to our license to operate and meeting our regulatory obligations

**Liberty Mutual's Human Rights Statement:** As a global employer Liberty Mutual is committed to internationally recognized human rights principles and standards as defined by the United Nations Universal Declaration of Human Rights and the UN Global Compact