

Hiscox's commitment to responsible business is reflected in its membership of Climatewise. Hiscox has been a member of Climatewise since 2007. As part of the Lloyd's community, Hiscox also supports the actions taken by Lloyd's to assist the market with the Climatewise principles.

This report highlights the actions taken on each of the principles.

1. Lead in Risk Analysis

- Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.
- Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.
- Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.
- Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.
- Share our research with scientists, society, business, governments and NGOs through an appropriate forum.

1.1 The effects and impacts of climate change are fundamental to Hiscox's insurance and reinsurance business. They form a key focus of our risk analysis and modelling and are the basis for numerous collaborative projects that Hiscox is undertaking.

- Last year we noted the appointment in 2009 of a Catastrophe Research Manager to conduct and oversee research in all areas of natural hazard risk and climate change. This focus on research has been developed over the last year, with the completion of a number of internal projects and with increased collaboration between Hiscox and Reading University. Additionally in the last year, two members of the catastrophe modelling team have graduated from the Natural Hazards MSc course at University College London, and a new team member is to enrol on the Applied Maths MSc at Imperial College.
- Hiscox is continuing to enjoy a successful collaborating with Reading University:
 - Hiscox and Reading completed a successful application for a CASE (Hiscox sponsored) PhD position at the university, for a student to study Atlantic hurricanes (preliminary thesis title: 'The Role of African Easterly Wave Variability and the Large-Scale Environment on Atlantic Hurricanes: Observations and Model Simulations'. This will enable Hiscox to advise on the project and be kept up to date with results, whilst offering the student a placement at Hiscox to work on a research project of interest to the insurance industry and potentially unrelated to the PhD topic.
 - Secondly, regarding its Masters (MSc) program in Meteorology. During 2010 we co-supervised two projects, with both students successfully completing the course, and are continuing to have input into a number of MSc projects in 2011. Examples of the 2011 projects include: 'Predicting seasonal storminess in Europe: a role for the stratosphere?' and 'Interseasonal variability in Atlantic dust loading and possible implications for hurricane activity'. This years students will again undertake their projects during summer 2011, and have been able to take advantage of ad-hoc meetings with Hiscox staff as and when required. The students will also make several formal presentations to university academics and to supervisors from Hiscox.

- Hiscox supports and benefits from research Risk Management Solutions (RMS) and AIR Worldwide undertake related to climate change and the risks it presents to the business. Examples include quantifying the financial impact of climate change (published by AIR, the Met Office and the ABI), and a study investigating the fraction of Atlantic basin hurricanes that make landfall in the United States, published by RMS (Coughlin, K., E. Bellone, T. Laepple, S. Jewson, K. Nzerem, 2008: QJRMS)
- Hiscox specifically recruits specialist experts in natural hazard research to aid its' risk modelling and wider business strategy for catastrophe exposed products and areas. Hiscox's catastrophe modelling team currently comprises 4 PhDs, including 2 climatologists. Hiscox also has two graduates from the Natural Hazards MSc at University College London.
- Hiscox supports the Willis research network and has sent representatives to all of their major meetings. Hiscox is also a member of the Lighthill Risk Network which supports research initiatives that include climate change, geo-hazards and extreme weather.

1.2 Hiscox is keen to understand and utilise climate and weather forecast information in its underwriting practices. As a result Hiscox actively seeks and supports ways to improve and incorporate the latest research and developments in these areas.

- Hiscox has been instrumental in helping the flood risk mapping company, Mapflow, establish itself in the UK market by effectively pioneering it across the household and commercial property business. Mapflow's software provides detailed flood mapping enabling accurate forecasting of UK flood patterns. Hiscox supports their forecasting capabilities by continuing to provide them with data and insight. More recently Hiscox has been focusing its' cooperation with Mapflow on flash flooding
- We currently collaborate closely with the Met Office to help improve its provision of weather related data and services to the insurance industry. We are also looking to potentially invest in the products they are developing
- We routinely conduct research to promote improved forecasting of climate patterns. For example, we completed an original research project to investigate the utility of seasonal climate forecasts for the insurance industry. Results were presented at a workshop in Lloyd's on the 'Statistical Modelling of Weather, Climate and Weather Risks for Insurance'. The workshop was held jointly by the Natural Environment Research Council and the Industrial Mathematics Knowledge Transfer Network.
- Hiscox continues to share hurricane-related claims data with risk modelling providers for use in their catastrophe model calibration and verification work

1.3 The research and modelling activities at Hiscox are specifically focussed on providing results that can be used by management and underwriters to inform their decisions on pricing, reinsurance and capital and reserve calculations. Examples of the types of work carried out include studies on Atlantic hurricane frequencies and forecasts, together with studies investigating storm surge risk, both in the US and the UK.

- Hiscox's pricing and reserving teams regularly review and contribute to reports and publications, and participate in industry forums to ensure developments related to climate change are captured and reflected in the business.
 - ABI publications include:
 1. ABI response to Draft Floods and Water Management Bill
 2. Resilient Reinstatement - The cost flood reinstatement of domestic properties
 3. Urban surface water management planning - implementation issues
 4. The Financial Risks of Climate Change

5. Research into long-term contracts for home insurance
 6. Assessing the Risks of Climate Change: Financial Implications
- ABI seminars and conferences:
 1. ABI Climate Change Conference - The Financial Risks of Climate Change: Preparation for Copenhagen (Nov 09)
 2. ABI Biennial Conference breakout session discussion : Today's Challenges, Tomorrow Opportunities: taking action for success (June '09)
- Our claims data and findings from our research is regularly shared with Risk Modelling providers and with Mapflow to support their product development. This will ultimately feed back into pricing, capital and reserve calculations at Hiscox and those of the industry as a whole.
 - We are currently collaborating with Business Insight, an perils modelling company, to further improve pricing decisions for UK perils in particular.
 - Hiscox is continuing its collaboration with Logica (and the European Space Agency) on a project to investigate the utility of satellite derived data products for the insurance industry. The applications of this data include improved subsidence monitoring in the UK and Europe and worldwide monitoring and identification of offshore oil rigs and platforms.
 - Hiscox has continued to undertake research on topics such as catastrophe model performance and US tornado hail risk, the results of which are reported to senior management at quarterly meetings, together with recommendations on actions to be taken.
 - The data we use is focused on enabling a more accurate risk assessment for pricing products according to the risks involved. In the case of assessing UK flood risks through Mapflow and regional data analysis, for example, we are able to provide varying levels of property insurance based on the identified risks on an individual risk basis. As a result, many properties that would have otherwise been declined due to flood risk now benefit from flood cover.
 - As part of the underwriter training program, Hiscox provides an hour-long seminar on climate change which is used to present the most up-to-date scientific research and educate employees on the risks and opportunities that will arise as climate change progresses.

1.4 Hiscox is aware of the opportunities presented by new and emerging technologies for tackling climate change. Hiscox is keen to develop its understanding on this front and enable the providers of such technologies to manage their risk through insurance. Hiscox believes that not only will this have an immediate benefit to itself and its insured partners, but also that through supporting the development of such technologies, Hiscox stands to gain in the long term through the resulting mitigation of climate change.

- Hiscox is one of a small group of reinsurers to participate on the reinsurance of the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The CCRIF is an innovative public private partnership designed to provide funds rapidly to Caribbean governments in the event of a natural catastrophe. By supporting this effort Hiscox is helping to build resilience to the effects of climate change in the Caribbean.
- Other instances of helping technologies and practices manage their risk through insurance include:
 - Quoting to insure a solar energy company against reduced power generation due to low levels of sunlight
 - Cover for farmers and farm mutuals in many areas of the world against reduced yields do to poor weather conditions during the growing season

- Scheme for installers of renewable energy technologies providing them with cover for professional liability
- Liability and indemnity cover for Energy Assessors who will assess energy efficiency of all types of buildings
- Cover to a number of Ecology Consultants who advise business and industry on the impact of local environment of building projects in particular

1.5 Hiscox actively encourages its climate and catastrophe experts to share their insights and findings through industry forums and publications. Examples include:

- We support MSc and PhD students at Reading University (see Section 1.1) and is a valuable opportunity to share concerns and expertise regarding climate change and climate hazards with members of the academic community.
- We are involved with the Natural Environment Research Council (NERC). Our Catastrophe Modelling team have contributed to several numerous meetings organised by the NERC, such as the Environmental Risk Management workshop held at Lloyds. Hiscox is also involved in various 'knowledge transfer networks' in which ways to improve the relationship between industry and academia have been discussed (see also the original research referred to in Section 1.2).
- We have completed an original research project to investigate the utility of seasonal climate forecasts for the insurance industry. Results were presented in February 2009 at a workshop in Lloyd's on the 'Statistical Modelling of Weather, Climate and Weather Risks for Insurance'. The workshop was held jointly by the Natural Environment Research Council and the Industrial Mathematics Knowledge Transfer Network.
- Hiscox is a strong supporter of the Willis Research Network and have sent numerous delegates to all the major meetings of this group.
- Membership of Lighthill Research Network at which Hiscox has been invited to participate at meetings of the steering committee. Hiscox are also collaborating with the network on an internship program to work with current PhD students from the universities of Birmingham, Nottingham and Warwick (the 'Midlands Physics Alliance').
- We provide our underwriters with an hour-long seminar on climate change which is used to present the most up-to-date scientific research and educate employees on the risks and opportunities that will arise as climate change progresses.
- We frequently contribute comments and opinion to industry publications, for example the Insurance Day newspaper ('Reinsurance Sector must handle new models with care', Issue 3, June 2011).

2. Inform Public Policy Making

- Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.
- Promote and actively engage in public debate on climate change and the need for action.
- Support work to set and achieve national and global emissions reduction targets.
- Support Government action, including regulation that will enhance the resilience and reduce the environmental impact of infrastructure and communities.
- Work effectively with emergency services and others in the event of a major climate-related disaster.

2.1 Association of Bermuda Insurers and Re-Insurers (of which Hiscox is a member) released a policy statement on climate change on 3 November 2009.

Hiscox is taking part in the debate about the use of sustainable resources when considering the settlement of claims, through Chairmanship of a Lloyd's sub group set up for this purpose.

Climatewise co-sponsored the report "Catalysing Low-carbon growth in developing countries"

2.2 Hiscox supports Climatewise and its involvement in the Poznan communiqué. Hiscox is a signatory of the Poznan communiqué.

2.3 Hiscox continues to review its UK carbon footprint annually and monitors performance regularly. The process to recalculate the UK carbon footprint took place this spring and is covered in detail under Principle 5.

Hiscox UK has agreed an Environment Policy Statement which has been published on the staff intranet site. This outlines the Hiscox ethos, expectations and aspirations. The policy was launched in March 2010 and approved by Senior Management.

All main premises service providers have been issued with the UK Environment Policy Statement and are monitored monthly under performance related key performance indicators. Product selection involves assessing suitability including value of sustainability.

Prior to the placement of new premises contracts a copy of the Environment Policy Statement is requested. Weighting is given accordingly in contractor selection.

Hiscox UK has committed to reduce carbon emissions as far as practicable and to purchase carbon offsets of unavoidable emissions. Hiscox UK became carbon neutral in December 2010. Targets have been set for UK utility usage and progress is now being monitored.

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2.5 N/A to Hiscox.

3. Support Climate Awareness Amongst Customers

- Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.
- Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.

- Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.
- Consider how we can use our expertise to assist the developing world to understand and respond to climate change

3.1 Hiscox supports the actions being taken by Lloyd's to support climate awareness including the 360 Risk Insight project.

Hiscox provides information on its website which supports and informs customers in the areas of flooding, winter weather damage and storm damage:

<http://www.hiscox.co.uk/personal-and-home/useful-information/flood-insurance/>
<http://www.hiscox.co.uk/personal-and-home/useful-information/storm-damage/>
<http://www.hiscox.co.uk/personal-and-home/useful-information/winter-weather-insurance/>

The information on the hiscox.co.uk website is to be reviewed and updated on a regular basis.

3.2 Hiscox is exploring the feasibility of utilising a range of existing customer communication channels to solicit ideas from customers on the advice and support they feel Hiscox could credibly provide to help them and others in understanding climate change and mitigating against its adverse impact.

3.3 Hiscox is taking part in the debate about the use of sustainable resources when considering the settlement of claims, through Chairmanship of a Lloyd's sub group set up for this purpose.

3.4 Climatewise co-sponsored the report "Catalysing Low-carbon growth in developing countries".

3.5 Hiscox is collaborating with Reading University regarding its Masters (MSc) program in Meteorology. Hiscox has suggested numerous project ideas that are relevant to its business that the Masters students can pursue. Hiscox will co-supervise a number of these projects with the academic staff at the university. One of the topics is: 'The Factors that Control Hurricane Development from Weather Systems Travelling into the Atlantic from Africa (African Easterly Waves)'. The students will undertake their projects during summer 2010, and will be able to take advantage of ad-hoc meetings with Hiscox staff as and when required.

3.6 Hiscox provides cover for farmers and farm mutuals in many areas of the world against reduced yields do to poor weather conditions during the growing season

4. Incorporate Climate Change Into Our Investment Strategies

- Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process.
- Encourage appropriate disclosure on climate change from the companies in which we invest.
- Encourage improvements in the energy-efficiency and climate resilience of our investment property portfolio.

- Communicate our investment beliefs and strategy on climate change to our customers and shareholders.
- Share our assessment of the impacts of climate change with our pension fund trustees.

4.1 The Hiscox Investment team reviewed research into the economics of climate change in the spring of 2009, including the findings of the Stern Report. A paper was presented to the Hiscox Investment Group in April 2009, considering the potential implications of climate change for asset class risk and return prospects and hence the potential need to change the Group's investment strategy. It was concluded that no changes in investment strategy were appropriate. Subsequently, the investment team has monitored both climate change news and related political developments.

4.2 Hiscox does not invest directly in stocks and shares, but employs a range of investment advisors to invest on its behalf. The Hiscox investment team broached the subject of climate change with its advisors during the spring & summer of 2009. This was done to alert them to Hiscox participation in the Climatewise organisation and to identify any lack of awareness to the implications of climate change in their investment processes. All of our advisors were able to satisfy us of their knowledge of the topic in general and the potential impact on specific companies in our portfolios.

4.3 Hiscox has one freehold and no other property investments. Through landlord licence however a number of energy and climate impact reducing projects have been implemented in the UK portfolio for improved efficiency. These have ranged from major plant upgrades to tactical everyday consumables. These have been a significant factor in the reducing UK carbon footprint. Lease decisions have also be driven where the building efficiency and climate impact credentials have been a factor in relocation.

4.4 Hiscox believes that climate change has no material implications for its investment strategy and consequently that it has no substantial supplementary message to communicate.

4.5 The results of our climate change economic review, the paper presented to our Investment Group and insights pertaining to Investment Advisors of mutual interest have all been shared with the trustees of our staff pension fund.

5. Reduce the Environmental Impact of Our Business

- Encourage our suppliers to improve the sustainability of their products and services.
- Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.
- Disclose our direct emissions of greenhouse gases using a globally recognised standard.
- Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

5.1 All main premises service providers have been issued with the Hiscox Environment Policy Statement. This outlines our ethos, expectations and aspirations.

The policy was launched in March 2010 and approved by Senior Management and signed by our UK Managing Director.

Hiscox's main service providers are monitored monthly under performance related key performance indicators. These are assessed monthly. Product selection involves assessing suitability including value of sustainability.

When placing new premises contracts request is made by routine for a copy of their Environment Policy Statement. Weighting is given accordingly in contractor selection.

5.2 Hiscox has engaged a third party, Corporate Citizenship, to assess, audit and compile data regarding our carbon footprint. This structure has been in place since early 2008.

Corporate Citizenship have and will continue to calculate Hiscox UK's overall carbon footprint using nationally/internationally recognised standards (i.e. the WRI/WBCSB GHG Protocol and Defra corporate greenhouse gas reporting guidelines).

The Group's direct environmental impact is mainly from the energy it uses and the emissions it generates from travel. Year on year carbon and financial savings for the UK have been achieved and based on the full year of 2010 a 7% carbon reduction was achieved against 2009. Targets are currently being re-evaluated for 2011 and 2012.

Hiscox has organised a number of initiatives in the following areas: Energy, Recycling and Travel. New initiatives are raised through a number of routes and wherever possible through staff engagement. 2010 saw the introduction of a "green league" where all UK offices featured in a league where points were awarded and weighted across various key performance indicators. The scheme was considered very successful having led to a much broader staff engagement and was personally driven by the UK Managing Director.

In accordance with the UK's environmental policy, consumables are recycled and reused wherever possible. The Group is taking steps to reduce the amount of raw materials used in business processes and by staff, particularly through the extensive use of use of computerisation and communications technology, including video conferencing. Hiscox maintains a programme for recycling batteries, mobile phones, lamps and CDs.

In 2010 Hiscox joined a pilot scheme with the City Of London to compost all Catering waste in London which has been very successful. The Group's efforts were rewarded by a Clean City Award from the City of London Corporation, which aims to promote good waste management practices and encourage waste minimisation, reuse and recycling. Here a Gold Award was issued in 2010 and retained in 2011.

Routinely measuring and recording the amount of energy and water used in Hiscox office premises, and setting objectives and targets with the aim of reducing consumption over time. Improved building main plant operation and replacement of key elements contributed to a 5% year on year electricity reduction in 2010.

Large increases in travel (driven by increased international business activity) led to increases in our carbon footprint in this area during 2009. The impact of our business-related travel has reduced and Hiscox is committed to and promotes the use of alternatives such as video conferencing. Year on year there has been an 11%

fall in emissions associated with travel. For future progress international territorial travel policies are to be reviewed and considered.

Hiscox plans to review the achievements made in the UK and share with other areas of the Hiscox Group.

5.3 Corporate Citizenship calculates Hiscox UK's overall carbon footprint using nationally/internationally recognised standards (i.e. the WRI/WBCSB GHG Protocol and Defra corporate greenhouse gas reporting guidelines).

Corporate Citizenship reported the Hiscox estimated carbon footprint for the year end 31st December 2010. Hiscox UK total carbon footprint for 2010 is estimated at 2,439 tonnes CO₂-e

During 2010 Hiscox UK became carbon neutral investing after considerable deliberation in co2balance's Energy Efficient Stove Project in Kenya. This scheme was selected due to the carbon reduction credentials but also the social and health benefits. Progress of the scheme is being monitored and case studies are to be shared.

5.4 Hiscox launched a Carbon Neutral Zone on the staff intranet site. This includes Hiscox's environmental policy statement, contacts within Hiscox and an outline of progress on Initiatives. The Intranet portal is to be re-launched during the autumn of 2011.

Regular Box meetings have been presented by the UK MD Steve Langan who articulates performance, initiatives and achievements. The presentations are also issued to all UK staff.

All staff are offered the opportunity to either just put ideas forward or taking a step further become an active sponsor for green initiatives whether to support or lead. This initiative has highlighted a high level of interest and regular forums are held with this team for continued improvements. The "Green League" underpinned a wider awareness, interest and also a competitive nature between offices to improve.

An e-book titled "The Hiscox Green Guide" has been developed for premises coordinators across the Hiscox Group on lessons learnt and good practice based on initiatives implemented in the UK. This initiative is aimed at raising awareness and engagement.

6. Report and Be Accountable

- Recognise at company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.
- Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.

6.1 In December 2010 Michael Gould, Group Chief Operating Officer took the lead and now sponsorship of Hiscox UK Green initiatives. This is a conscious evolution for Hiscox Group and the management of climate impact. Hiscox considers the issues of climate risk at senior management level.

As part of the process of improvement, Hiscox UK became Carbon Neutral by the end of 2010. Hiscox achieved this by reducing greenhouse gas emissions, engaging employees to modify their behaviours and seeking to offset unavoidable carbon emissions. To assist this process, Hiscox UK conducted an audit of its impact on the environment during 2008. With the assistance of Corporate Citizenship calculated the carbon footprint of the UK business. Hiscox is considering plans to expand environmental auditing to other offices and consider offsetting their carbon emissions. Guidance to international operations is already underway and tools to communicate and share experience have been invested in.

Hiscox has been a constituent of the FTSE4Good index for a number of years and responds to the Carbon Disclosure Project information request.

6.2 Hiscox publishes details of the actions taken against the Climatewise principles in its Annual Report. Hiscox will also publish the Climatewise report on the Hiscox website at www.hiscox.com.