



Environmental, Social and Governance Report 2021

Building a more resilient,
sustainable and inclusive
insurance market and society



'A braver world'

Bruce Carnegie-Brown, Chairman & John Neal, Chief Executive

Insurance has always had a clear social purpose running through it. Built on the idea that the pooling of risk by many can protect the misfortunes of the few, it's an example of how businesses can help society build resilience and confidence.

That idea continues to underpin our industry today. For Lloyd's, it's captured in our purpose of **sharing risk to create a braver world**: by protecting people and businesses when the worst happens, we can enable more confident living in the everyday.

Our purpose has enabled us to stand by our customers through periods of uncertainty throughout our history – giving them the confidence to navigate, withstand and recover from the catastrophes we've faced.

2021 – undoubtedly, a year of continued difficulty in a period of heightened uncertainty – saw us continue delivering on this purpose. Through the lasting impacts of COVID-19; the emerging damage from climate change; and the tragic human and economic costs from Russia's invasion of Ukraine – Lloyd's has continued to help society respond to the significant challenges that have come our way in the last (twelve) months.

These events have again revealed how connected our world's environmental, social and governance systems are. They've also reminded us of the urgent need to mitigate and build resilience against the kinds of shocks we've witnessed in recent years. As a marketplace, we'll continue to respond to these challenges – and to help our customers to do the same, as they face into an enduringly uncertain future.

So as we look back at a year of strong progress against the commitments we made in our first Environment, Social and Governance (ESG) report, we do so with a renewed and emboldened commitment to help build a more sustainable, resilient and inclusive marketplace – in support of our ultimate goal of building a braver world.

2021: Spotlight on ESG

With ESG issues again taking centre stage in the last year; 2021, for Lloyd's, was a formative and foundational year in embedding our ESG plans across our market.

The year of **climate action** saw the global community rally behind the urgent task of tackling climate change, convening around pivotal moments like the COP26 summit in Glasgow. At Lloyd's we've been clear that our market must be the insurer of the transition, supporting customers as they shift their business models and products to low carbon – while leading our industry to develop the solutions that can help society respond to the impacts of climate change.

2021 saw us make new and important pledges against these goals, including our commitment to transition all our operations, investments and underwriting to net zero by 2050 or sooner – a commitment we strengthened by joining the Net Zero Insurance Alliance (NZIA) and Glasgow Financial Alliance for Net Zero (GFANZ). We also brought leading voices together from insurance and beyond through HRH The Prince of Wales's Sustainable Markets Initiative (SMI). As Chair of the SMI Insurance Task Force, we're mobilising the sector to build the tangible, inclusive solutions to build resilience against climate change: from products to support the development of renewable energies, to insurance frameworks that help developing economies respond to natural disasters.

These efforts have aligned with our broader work to build awareness and resilience against **'systemic' risks** – catastrophic events causing multiple layers of impacts across markets, systems and continents – through our research, innovation and collaboration with both public and private actors. From climate change and cyber attacks, to geopolitical conflicts like the one in Ukraine, preparing for these events will be key to helping economies and communities withstand their impacts.

2021 also saw businesses double down on efforts to create a more **inclusive society**, building on the important conversations that followed the murder of George Floyd in 2020. Building an inclusive culture is one of our four strategic priorities at Lloyd's (see p32) – and in 2021 we continued to set, drive and report against our representation and pay gap commitments for gender and ethnicity. We saw good progress against these metrics in 2021, and intend to expand how we collect and report this data in 2022 and beyond.

Finally, the world's **economic recovery** from the COVID-19 pandemic – which in early 2022 has faced the additional challenges of the Ukraine crisis, rising living costs and a burgeoning energy crisis – has underlined the need to help communities recover in the short term and build resilience in the long term. Lloyd's stepped up its efforts to aid these communities in 2021, helping nearly 50,000 individuals through our charitable support – while also sponsoring the innovation and research that can help unearth more inclusive insurance solutions for communities around the world.

Throughout the year, these issues served to cement the role of ESG across our market. This report summarises the progress we've made, and how we plan to continue delivering against our purpose and ESG plans in the coming years.

Our purpose: Leading by example

To make our purpose a reality, we have to be realistic about where we can deliver the most impact – and where we can't. Lloyd's global reach and central position in the insurance industry means we *do* have an influential voice – and that's a privilege and a responsibility we don't hold lightly. But we know we will be most effective when working from a pragmatic assessment of our 'spheres of influence', while partnering with others to expand our reach and impact.

For Lloyd's, those 'spheres' fall in three categories:

Ourselfs

Action starts on your own front door. For us to lead others, we must focus on the impacts of our Corporation, our iconic London building and our 2,000 employees around the world.

+

Our market

As a community of over 50 insurers, 388 brokers and 4,000+ coverholders around the world, we provide vital leadership and oversight to the Lloyd's market – while supporting innovation and discussion across the wider sector.

+

Our society

We know our market doesn't operate in a bubble; the decisions we make affect the communities around us. So our actions should reflect, respond to and support society as a whole. For Lloyd's that means working with customers, governments, regulators, investors and others to tackle the risks we're facing together.

These three spheres underpin our ESG plans and are key to realising the positive impact we want to have on global society. The founding belief is that we are stronger and more effective when acting in unison with, and in consideration of, those around us. This report applies those spheres to our four areas of focus – climate, culture, communities and governance – to demonstrate how we're embedding our purpose across everything we do at Lloyd's.

Towards a braver world

As we look to the rest of 2022 and beyond, we're committed to driving and accelerating progress against our ESG goals.

On **climate**, we'll continue to take a leadership position in being the insurer of the transition, channelling the resolve that was evident at COP26 to make headway against the world's objective of reaching net zero by 2050. We'll do this through our oversight of the market, working with insurers on their net zero plans; our convening of the sector through the Sustainable Markets Initiative; and by driving down our own emissions as an organisation. In doing so, we'll continue to provide transparent reporting against our goals and work with government, regulators, investors and customers to support an orderly, but urgent transition.

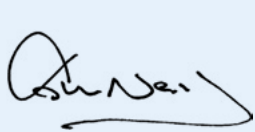
That approach will be reflected across our **culture** plans, where we'll continue to develop and expand our reporting on diversity and inclusion across the Lloyd's market. We'll also launch and embed our new culture strategy for the Lloyd's Corporation, focusing on building an inclusive and high performing culture through our employee capabilities, wellbeing, values and engagement.

In supporting **communities**, we'll continue the great work of our four Lloyd's charities throughout 2022 – while bringing them closer together to provide a single, coordinated vehicle for charitable support in 2023 that will enable more sustainable and impactful initiatives.

And in developing our **governance**, we'll apply our refreshed governance structure to a range of challenges facing our market today – including the current conflict in Ukraine. We're confident that event doesn't pose a threat to our solvency or operation as a market – and we'll continue to work with government, regulators and others to deliver an effective sanctions regime against Russia – but we know the impacts may be with us for a while. To that end, we'll develop and publish new research in 2022 to help insurers and businesses understand and build resilience against the medium and long term impacts of the crisis: from energy security and market volatility, to the cyber and political landscapes that emerge from the conflict.

The next year therefore presents an opportunity, after the foundational progress of 2021, to expand and embed our efforts across our ESG objectives. We know we have a long way to go to deliver these goals – but our commitment to lead is unequivocal, and we believe the progress we've made in the last year signals our ability to continue delivering against our purpose in the years ahead.

We hope this report equips you with a helpful and comprehensive summary of our ESG activity – and we look forward to working with you to build the braver world it imagines.



John Neal
CEO, Lloyd's



Bruce Carnegie-Brown
Chairman, Lloyd's

Building value for stakeholders and benefits for society

The Lloyd's market consists of over 50 managing agents made up of leading (re)insurance companies, 388 registered Lloyd's brokers and a global network of more than 4,000+ local coverholders.

The business written at Lloyd's is brought by brokers and coverholders to specialist syndicates, operated by managing agents, who price and underwrite risks. Much of the (re)insurance capacity available at Lloyd's is provided on a subscription basis – where syndicates of Lloyd's underwriters join together to underwrite risks and programmes. Combined with the choice, flexibility and financial certainty of the market, this makes Lloyd's the world's leading insurance platform.

Behind the Lloyd's market is the [Lloyd's Corporation](#), an independent organisation and regulator that acts to maintain the market's reputation and effective operation. Under one globally trusted name, the Lloyd's market and the Society of Lloyd's share risk to create a braver world.

How we're preparing for the future

Lloyd's strategy is to maintain and enhance the value we offer to our stakeholders:

- **Customers**, ensuring we provide the products and services they need and being there when claims arise
- **Distributors**, offering the capacity to place specialist risks on behalf of their clients
- **Managing agents**, providing access to attractive insurance risk from around the world
- **Capital providers**, giving the opportunity to sustainably invest in different types of insurance risk
- **People**, creating a culture in which every employee can fulfil their true potential

We have four key strategic priorities that are enabling us to deliver value for stakeholders and benefits for society.

- **Performance:** We remain committed to delivering sustainable, profitable performance. The remediation work we have undertaken in partnership with the market, including a requirement for all syndicates to produce logical, realistic and achievable business plans, is bearing fruit and is demonstrated in a strong 2021 full year result.
- **Digitalisation:** The Future at Lloyd's strategy envisions a data-focused, automated, and cost-efficient insurance marketplace. Through Blueprint Two, we are building digital solutions for the market, making it better, faster and cheaper for all participants to do business at Lloyd's.
- **Purpose:** In a year marked by the continued impacts of the COVID-19 pandemic and the need for urgent global action to address the climate emergency, delivering our purpose remains front and centre of our strategy.
- **Culture:** We are committed to creating a diverse, inclusive and high performance culture across our market to attract, retain and develop the best talent.

Delivering impact through our actions

Lloyd's has continued to progress its work across the Corporation and the Market to further our aims set out in our inaugural report

Strengthening our governance

ESG Committee

Established Lloyd's Environment, Social and Governance Committee of the Council

Sustainability Director

Appointed Lloyd's first Sustainability Director and created a dedicated sustainability function

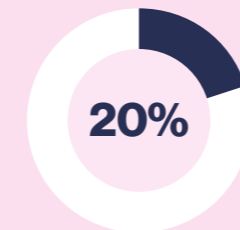


Launched Futureset, our new global platform committed to driving collective action to tackle some of the biggest threats to the global economy

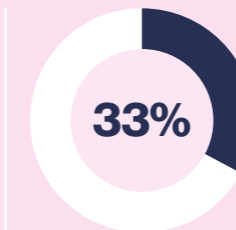
Lloyd's market wide ESG guidance published



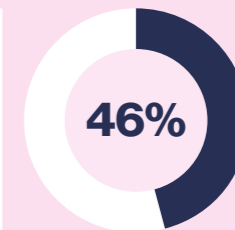
Transforming our culture



Met our short-term target of 20% female representation for members of the Council and Executive Committee



Overall reduction of 33% in our gender pay gap (from 2017 since first reporting on an hourly wage basis)



46% of leadership roles in the Corporation filled by women

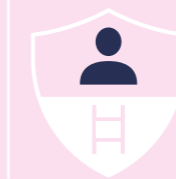
One in three

Set an ambition for one in three new hires in the market and the Society to come from a Black and Ethnic Minority background



Top 75

Top 75 Employer in the latest UK Social Mobility Employer Index



Supporting gender balance

Achieved silver EDGE certification standard for gender equality, recognising we have a good level of policy and practices in place to support gender balance

Taking climate action



Established the Sustainable Markets Initiative Insurance Task Force alongside HRH The Prince of Wales

GFANZ & NZIA

Joined the Glasgow Financial Alliance for Net Zero and the Net Zero Insurance Alliance

Net zero by 2025

Committed to transition the Corporation's operational emissions to net zero by 2025

↓ 12.5%

12.5% reduction in greenhouse gas emissions per employee

£3bn

Committed our £3bn Central Fund to net zero by 2050

COP26

Joined COP26 discussions to drive climate action across the global insurance industry



Launched a Disaster Resilience Framework (DRF) for climate-vulnerable countries

2050

Committed to support the Lloyd's market to a net zero underwriting position by 2050



Welcomed our eighth cohort of start-ups with a dedicated climate theme

Giving back to our communities

50,000 beneficiaries

60 charities supported, reaching nearly 50,000 beneficiaries

3,000 hours

3,000 hours given to support our three social mobility partners

£1.8m

£1.8m donated to charitable causes through Lloyd's charities and matched funding

1,000 volunteers

Engaged with 58 market firms on various charity initiatives with nearly 1,000 volunteers participating in opportunities across the market



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