



TOKIO MARINE  
KILN

# Tokio Marine Kiln Sustainability Report

[www.tmkiln.com](http://www.tmkiln.com)

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## Statement from our CEO

To achieve our objective of building a responsible and sustainable business that is able to support clients requires strategic focus, robust governance, and a purpose-driven culture. For us, that is centred on being a “Good Company”, and our vision to be recognised as a responsible and ethical insurer. Being a Good Company, the ethos of Tokio Marine Group, is centred on empowering our people, looking beyond profit, and delivering on commitments.

In line with these principles, we are committed to embedding a sustainable approach to doing business across Tokio Marine Kiln (TMK), by taking appropriate action on climate change; advancing our social responsibility strategy; fostering an inclusive and empowering culture in which our people can thrive; and contributing to the communities in which we live and work.

The challenges and complexities surrounding sustainability are shared and require collective solutions. Alongside our global parent, I believe that we have the conviction to help shape global responses. It is incumbent on us to evolve our own impact, while providing the expertise and solutions that will support businesses and drive the innovations which will be critical in achieving a long-term sustainable future.

It is this philosophy that was the centre of the discussions TMK Executive representatives held with fellow business leaders at COP28 in 2023. As part of the Sustainable Markets Initiative (SMI) Insurance Taskforce, we joined a roundtable on fusion energy and discussed how the insurance industry can support the development of prototypical technologies, like fusion, that could hold an answer to the question around how we create a more sustainable future.

These discussions extend well beyond COP, and I'm proud to say that we are working collaboratively with others in our sector to understand the challenges our industry is facing, and explore how we can work together to support existing clients, future clients and other stakeholders as we transition to a more sustainable future. This work extends to our collaboration with the **Resilient Cities Network**, through which businesses in the Insurance and Finance sectors come together to support sustainable development in global cities.

Within TMK, we recognise the needs of all of our stakeholders, and seek to support our clients' needs whilst also making tangible progress towards our own sustainability ambitions. This ensures that we are making a clear impact on our own sustainability, and by our actions, we believe we can encourage others to follow.

Sustainability became an integral part of our corporate strategy in 2019 and since then, we have taken strategic action across a range of areas:

- We supported Tokio Marine in establishing a clear strategy to support clients – both new and existing – in the transition economy
- We published our climate policy externally, which outlines the goals we are focused on

- We further developed our sustainable underwriting guidelines which have now been in place for over two years
- We established our Social Responsibility group, tasked with positively influencing our effects on the global society
- We progressed our Inclusion and Diversity strategy, with continuing efforts to drive positive change within our business and in our marketplace
- We collaborated with organisations outside TMK to pilot new tools that can help us to assess our individual and collective progress
- We continued to support innovation to enable the changes we need to see in the future
- We continued our partnership with the Sustainable Markets Initiative (SMI) and our role as a Council Board member at ClimateWise, which is part of the University of Cambridge's Institute for Sustainability Leadership.

Underpinning these efforts, we continue to build an empowering and inclusive culture and to strengthen our governance framework. This will ensure that we are capable of achieving our goals for our business as well as supporting our clients, partners and communities in their efforts. While there is much more work to be done, we are committed to publicly sharing our learning as we progress.

Ultimately, we must strike a balance: motivating and encouraging efforts to transition to more sustainable practices while ensuring we are ever present for our clients and partners; holding up examples of best practice, as we remain cognisant of the complexities and immense challenges which many businesses face in reconfiguring their approaches; and supporting and facilitating the technological innovations which will preserve and strengthen societies, while recognising that all industries will not, and cannot, move at the same speed.

I believe we have made significant strides in our sustainability efforts at TMK, and have the foundations in place to do more. The actions we are taking, and have taken, are those which we believe to be right for our business, our people, our stakeholders and our communities. We provide an overview of these initiatives in this report, highlighting our progress, achievements, and ongoing efforts to integrate sustainability into every aspect of our business. We firmly believe that by embracing sustainability, we can not only mitigate risks, but also seize opportunities to innovate, grow, and create a positive impact on society.

**Matthew Shaw,**  
CEO, TMK



“ Sustainability became an integral part of our corporate strategy in 2019 and since then, we have taken strategic action across a range of areas.”

# Our approach

Creating a sustainable society is an enormous opportunity in our world today. Every industry is exploring its path towards sustainability, and a shared vision of a more resilient future. While reaching this desired outcome will be challenging, it invites innovation and cross-industry collaboration. At TMK, we are embracing this complexity with our partners to support the solutions needed to enable the transition to a more sustainable economy.

Our decision to publish this sustainability report is driven by a commitment to transparency and a desire to take our stakeholders on a journey through our own transition towards becoming a more sustainable business. The report will serve as a cornerstone in our ongoing dialogue with stakeholders, illustrating our

progress, our goals, and the strategic actions we are implementing to embed sustainability into the core of our operations. It will reflect our dedication to not only managing risks, but also to seizing the opportunities that arise from a changing world, highlighting our ambition that we remain at the forefront of the industry in terms of innovation, customer service, and corporate responsibility.

“Every industry is exploring its path towards sustainability, with a shared vision of a more resilient future.”

## A “Good Company”

Our guiding principle is to be a “Good Company”, with a vision to be recognised as a responsible and ethical insurer, positively influencing our culture, society and the environment.

To guide the achievement of our vision, we have aligned our approach to sustainability with eight of the UN’s Sustainable Development Goals

(UN SDGs), focusing on areas where we can deliver the greatest progress through our business. These eight goals flow through activities in Underwriting, Investments and Operations.



### GOOD HEALTH AND WELLBEING

Ensure healthy lives and promote well-being for all at all ages.



### GENDER EQUALITY

Achieve gender equality and empower all women and girls.



### AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.



### DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



### INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



### SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable.



### CLIMATE ACTION

Take urgent action to combat climate change and its impacts.



### LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.





## CASE STUDY: Driving forward innovation Arbol



TMK is collaborating with the parametric insurance specialist, Arbol. The products provided by Arbol seek to reduce the impact of adverse weather and climate change to a variety of industries using AI-powered parametric data.

Industries that can benefit include agriculture and renewable energy, with products providing benefits when turnover has been reduced by low crop yields and shortened seasons, or where weather conditions affect energy production.

In alignment with our commitment to best practices in reporting and risk management and for ease of comparison and analysis, the latter sections of our sustainability report mirror the recommended structure of the Task Force on Climate-related Financial Disclosures (TCFD). These sections detail our approach to climate-related risks and opportunities, through governance, strategy, risk management, and the metrics and targets we use to assess and manage those risks. By following the TCFD framework, we aim to provide stakeholders with a clear, structured, and comprehensive view of how we are preparing for the transition to a low-carbon economy, ensuring the long-term sustainability and resilience of our business.

As part of Tokio Marine Group, we work with colleagues across the globe to support sustainable practices within our own businesses and the insurance industry more broadly, including those of our partners and customers. We are connected to our parent's approach to sustainability, supporting related Group initiatives such as the Green Transformation (GX) Round Table, which is focused on realising the opportunities arising from the transition to low carbon. Tokio Marine Holdings' latest TCFD report and Sustainability Strategy, including its transition plan, can be found **here**.

Through our Sustainability Committee and Inclusion and Diversity Council, we are taking action to become a more sustainable business. This includes driving forward innovation initiatives and activities with the aim of catalysing a sustainable society and preserving the environment we live in.

# In the workplace

Recognising that we are stronger and more effective as one team, we encourage our staff to contribute to a range of sustainability initiatives. Our Climate Group is a key driver in TMK achieving its aim of embedding sustainability in its business activities and decision making, becoming 'net zero' in carbon emissions across the business and value chain, and facilitating the transition to a low carbon economy.

Similarly, our Social Responsibility Group drives action in the business toward ensuring that the ethical and social implications of our business activities are identified and managed.

We have established a TMK-wide Sustainability Discussion Group, made up of colleagues from across our business. Members discuss and engage with issues such as climate and wider sustainability strategies, offering challenges and providing insights to develop our approach to manage these complex issues.

Within Tokio Marine Group, significant efforts are made to achieve carbon neutral status across operations on a global basis, in part through a long-standing mangrove planting project. This project not only rejuvenates a threatened ecosystem but also offsets significant carbon emissions across the Group.

At TMK, travel is our greatest source of operational carbon emissions, and we are evaluating options to address this. Current actions include further offsetting emissions by procurement of carbon credits in the form of UN Certified Emissions Reduction schemes and strengthening the consideration of sustainability in our procurement process.

Our Innovation team strives to support our clients to manage new and modified risks, with a particular focus on those emerging from Sustainability, Technology and Business Resilience. Many of the industries we serve are impacted by climate change, energy transition, the introduction of technology like blockchain, autonomy, the Internet of Things (IoT), machine learning (ML), artificial intelligence (AI), supply chain disruption and other trends. The unit seeks to support businesses which provide new technologies and services which stand to make a positive impact on the environment. This includes second life batteries, electric vehicles and clean hydrogen.



## What do we mean by net zero?

We are defining 'net zero' as the state in which our greenhouse gas emissions are balanced through a combination of reducing our emissions and offsetting. The latter is achieved through schemes and projects that remove carbon from the atmosphere, such as carbon capture technologies, or meaningfully avoiding emissions, such as through purchases of clean energy infrastructure.



# Inclusion and diversity

A workplace can only be sustainable if its culture encourages and celebrates inclusion and diversity.

TMK is a leader in inclusion and diversity in the insurance sector. In 2022, TMK was named as the market leader for social commitments, including inclusion and diversity ('I&D'), human rights and business ethics by **The Insurer** following a market survey by the publication. I&D is managed through a dedicated separate I&D Council, chaired by the CEO and reporting directly to the Executive Committee.

We are fortunate to benefit from a distinctive culture inspired by our founder, Robert Kiln. Kiln was an early champion of inclusion who advocated for women to be allowed to work in the Lloyd's market in the 1960s. The meritocratic culture he built – founded on the values of empowerment, excellence, innovation, inclusion, teamwork and integrity – still thrives today in our market leading team, 92% of whom say they are proud to work here.

We remain committed to building a safe, open, inclusive and empowering environment for all our people today and long into the future. Part of that is driving action to reduce our gender and ethnicity pay gaps.

Our gender pay gap has reduced steadily, from 33% since first reporting in 2018 to 22% in 2023. TMK has also been named as a firm that is 'raising the bar' on gender inclusion by Women in Finance, for meeting and exceeding our gender representation targets.

In 2023, we voluntarily reported our **ethnicity pay gap data for the first time**, demonstrating our commitment to continuously improving inclusivity and diversity in our business. This is the second year of reporting and comparison data remains scarce as few insurers are reporting, however we are committed to sharing progress. Our latest UK Gender and Ethnicity Pay Gap report outlines the actions we are taking to support our efforts and can be found [here](#).



## Employee Networks

Our people can join a series of employee-led groups, which are voluntary and sponsored at an executive level to ensure we maintain an open dialogue about issues that affect all of us, centred around building an inclusive culture.

- Disability Network
- Ethnicity Network
- Gender Network
- Charity and Volunteering Group
- Families and Carers Network
- Social Mobility
- Pride Network.







## In our marketplace

Insurance is an enabler across the global economy. Recognising that addressing sustainability challenges requires collective action, the sector has an important role to play in driving the transition. As part of the Tokio Marine Group, we engage in global, cross-industry partnerships which aim to foster change across our supply chains.

By leveraging our influence and expertise in the market, we are seeking to contribute to the global transition towards a more sustainable and resilient future. This includes supporting the innovations that can make this a reality.

### Sustainable Markets Initiative: Global pledge for sustainable supply chains

TMK is proud to be one of twelve major insurers and brokers that has signed a commitment to take action and support its supply chain strategic partners to make the green transition.

We have pledged to take into account the emissions within our direct supply chain by focusing on three key actions:

- Encourage and help suppliers to set meaningful sustainability targets, with an ultimate goal of adopting Paris-aligned Net Zero Targets
- Advance initiatives with a goal of measuring the carbon footprint of insurance supply chains

- Promote cross-collaboration efforts both within the insurance sector and with other sectoral SMI workstreams, such as banking and fashion, to tackle supply chain carbon hotspots.

The Sustainable Markets Initiative has been instrumental in facilitating collaboration and discussions between strategic partners across different industries, driving change in worldwide supply chains.

As a member of the Sustainable Markets Initiative's Insurance Task Force, Tokio Marine Holding's Co-Head of International, Brad Irick (TMK's Chief Executive Officer at the time), and TMK's Chief Underwriting Officer, Vivek Syal, attended the 2023 United Nations Climate Change Conference (COP28) to meet thought leaders, share insights and best practice, and discuss how cross-industry collaboration can drive the sustainability transition.

Further information about the Sustainable Markets Initiative's Insurance Task Force can be found [here](#).



### CASE STUDY: Insuring the transition

TMK is supporting a carbon capture and storage project at a gas plant in South Australia by providing insurance cover. In this example, the expectation is to capture carbon dioxide that is separated from natural gas prior to combustion, lowering the carbon emissions associated with the process.



### CASE STUDY: Sherbro Alliance Partners

TMK is collaborating with Lloyd's, Aon and Sherbro Alliance Partners to facilitate economic resilience and growth in Sherbro Island, Sierra Leone. As a strategic partner, we are proving specialist insurance and risk expertise in support of the project.

# ClimateWise and Lloyd's

We are an active member of the Cambridge Institute for Sustainability Leadership's 'ClimateWise' – a forum through which we and industry partners have informed our journey to tackling climate and other sustainability issues.

TMK takes part in market-wide approaches to better understand transition risk management, which have included the Lloyd's Net Zero Underwriting Toolkit and Lloyd's emissions accounting solution Proof of Concept with Moody's. Lessons have been learnt from each for the continued progress of TMK's approach to transition risks.

## In our communities

Another aspect of our sustainability strategy is our role in having a positive impact in the communities within which we operate, and supporting organisations that work to improve people's lives.

We are passionate about bringing our colleagues along with us on our sustainability journey and encourage them to join us in our aspiration to be a "Good Company". We work hard to embed the key pillars of the Good Company culture within our employees' annual performance reviews, which rewards employees in their positive engagement with our core values, which includes Integrity.

As part of this, we play an active role in the communities within which we operate, and support a wide range of charitable activities. The Charity and Volunteering Group enjoyed a busy and impactful year in 2023 which has seen the business support a wide range of charities, including our strategic charity partners Guy's and St Thomas' NHS

Foundation Trust and mental health charity Mind, as well as to causes such as ShelterBox, DEC, the Red Cross, FFLAG, Vision foundation and ROMILDAMOR. TMK also has an employee matching scheme, where donations raised by employees are matched by the business up to the value of £5,000.

Since 2021, TMK has allocated a proportion of the overall charity budget toward climate-related charities and toward Inclusion and Diversity networks since 2022. Our involvement with these charities goes beyond financial support, with our employees actively encouraged to participate in community volunteering opportunities. In 2023, we increased our staff volunteering allowance from two to three days per year.



## CASE STUDY: Guy's and St Thomas' Charity partnership

In 2023, TMK's CEO and Deputy CEO led a team of 22 TMK colleagues in an abseil to raise funds for the Guy's and St Thomas' Charity.

This was one of a number of activities during our two-year partnership that generated around £185k for the cause, which helps contribute to research and initiatives to support the wellbeing of staff working in the NHS.





# Governance

We recognise the importance of sustainability governance in today's rapidly changing global landscape. Effective sustainability governance ensures that we not only manage our own environmental and social impacts, but also that we adapt our business strategy to address emerging sustainability-related risks in the market.

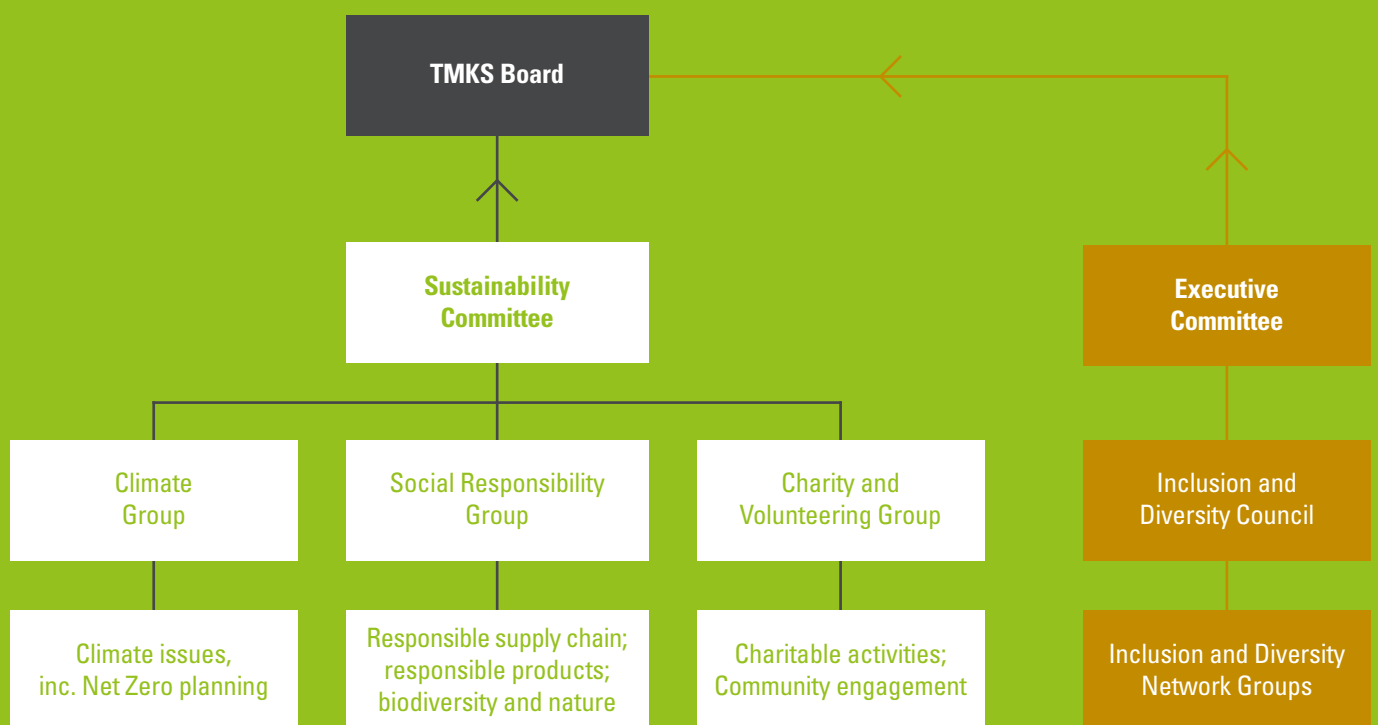
In this section, we have sought to mirror the TCFD framework to allow for ease of comparison and analysis. We have therefore focused the following sections on TMK's approach specifically to climate actions.

By incorporating sustainable practices, we can enhance our resilience, maintain long-term profitability, and contribute positively to the communities we serve.

At TMK, the Board-level Sustainability Committee (TMKS Board) is ultimately responsible for sustainability of the business. Our Chief Risk Officer serves as the Senior Manager Function Holder, responsible for climate-related risk management and presenting the Sustainability Strategy annually along with the TMK Risk Appetite Framework to the Board for approval, which includes climate risks.

Reporting into the Sustainability Committee are three sub-groups: the Climate Group, the Social Responsibility Group and the Charity & Volunteering Group, the responsibilities of which are detailed below. A further Discussion Group exists, in which staff are invited to challenge and share ideas regarding TMK's approach to Sustainability. This Group feeds into both the Climate and Social Responsibility Groups.

## Sustainability Governance within TMK



# Sustainability Committee

## Climate Group

Areas of scope:

- Climate risks affecting TMK
- Management of climate threats and opportunities, and net zero plans
- Areas associated with TCFD reporting, such as climate risk management, scenario analysis, and operational emissions
- Make formal recommendations regarding how TMK's strategy, underwriting, operations, and investments need to adapt to deliver associated goals.

## Charity and Volunteering Group

Areas of scope:

- Establishing and maintaining community partnerships and volunteering opportunities
- Strategic approach to connecting sustainability issues objectively to TMK's charity partnerships and charitable endeavours
- All charitable activities, including employee matching and grants.

## Social Responsibility Group

Areas of scope:

- Social issues that TMK affects through its external operations, investments and underwriting
- Includes human rights issues such as modern slavery and healthy living, as well as topics such as nature and biodiversity and impact investing. TMK's Modern Slavery Act statement can be found on our website [here](#).

“ By incorporating sustainable practices, we can enhance our resilience, maintain long-term profitability, and contribute positively to the communities we serve.”



# Driving sustainability across Tokio Marine Group

We are part of the Tokio Marine Group, one of the largest insurance groups in the world. This global reach supports our broader understanding of the risks and challenges prevalent in various regions and sectors.

Tokio Marine Group was established in 1879, and has over a century of experience in understanding, mitigating and responding to some of the world's greatest natural and man-made risks. By reducing risk and potential damage to infrastructure, embedding resilience and supporting societies, the concept of 'building back better' is in its DNA. It is within this environment that our sustainability journey and approach at TMK is framed.

TMK's Chief Underwriting Officer is a member of Tokio Marine Holding's (TMHD's) Sustainability Committee, which also includes TMHD's CEO and other members of the Executive committee. At TMK we maintain close contact with TMHD regarding progress on Sustainability, supporting related Group initiatives such as the Green Transformation (GX) project, which is focused on developing a Group-wide strategy to leverage opportunities presented by the global transition to a low-carbon environment.

## Climate strategy

Understanding the evolving impact of climate change and more extreme weather patterns is critical for our business. We must mitigate our own impact, while providing the expertise and solutions that will support businesses and drive the innovations which will be critical in achieving a long-term sustainable future for all of our stakeholders.

### Climate scenario analysis

To help understand the complexities of the impact of climate change on the insurance sector and on our own operations, we have conducted various climate scenario analyses. The aim of these scenarios is to evaluate the potential impacts of different climate-related scenarios on our business, investments, and risk management strategies, and provide valuable insights into our resilience and adaptability in the face of climate-related challenges.

We participated in the PRA's Climate Biennial Exploratory Scenario (CBES) in 2021, an exercise which has helped to improve our understanding of the broader impacts of climate change to the business. This analysis used a selection of scenario pathways, based on different global temperature rises, to assess how physical, transition and litigation risks may materialise and impact both our underwriting and investment portfolios.

Since then, we have performed further scenario analysis to better understand the impact of various events on our business. These scenarios have included consideration of:

- Physical risks, assessing the impacts of rising global temperatures on specific perils, in particular California Wildfire and North Atlantic Windstorm. These assessments have highlighted the potential drivers of risk and the underlying uncertainties
- Transition risks, focusing on our underwriting book, highlighting the sections of our portfolio that are most exposed to the global transition to low carbon
- Reputational risks, investigating the potential impact of underwriting of certain sensitive risks, the learnings from which formed part of the broader climate strategy development.

We continue to perform quantitative and qualitative scenario analysis to improve our understanding of how the impacts and challenges facing TMK are expected to evolve as temperatures rise.

“ Understanding the evolving impact of climate change and more extreme weather patterns is critical for our business.”



# Climate-related risks

The table below shows TMK’s strategic approach to key climate-related risks, which are outlined further in the next section.

Risk	Short-term rating	Long-term rating	Description
Insurance Risk: Physical	MEDIUM	HIGH	<p><b>Description:</b> Changing frequency and severity of weather-related events arising from long-term shifts in climate patterns and global temperature rises.</p> <p><b>Mitigation:</b> Catastrophe models assess current peak perils reasonably and scenario analysis has indicated potential future impact and uncertainties. Active monitoring of natural catastrophe exposures forms part of TMK risk appetite framework.</p> <p><b>Longer-term view:</b> The extent of physical risk changes will be more significant over the longer-term, with the full implications subject to considerable uncertainty.</p>
Insurance Risk: Transition	MEDIUM	HIGH	<p><b>Description:</b> The effect of the shift in the global economy to low carbon and the impact this has on our insured clients.</p> <p><b>Mitigation:</b> Assessments to understand the segments of our underwriting portfolio that are most exposed to transition risks and where the opportunities are to support emerging technologies. Engagement with our clients to understand and support their transition to low carbon.</p> <p><b>Longer-term view:</b> The effect of transition to low carbon will be significant for the global economy and our clients over the long-term. This will also continue to present significant opportunities to support the transition. See below.</p>
Market Risk: Transition & Physical	LOW	LOW	<p><b>Description:</b> The impact of the transition to low carbon and changing weather patterns on our asset values.</p> <p><b>Mitigation:</b> We maintain a diversified investment portfolio and have developed sustainability thresholds against which the portfolio is reviewed every quarter.</p> <p><b>Longer-term view:</b> The impact on our investment portfolio will be managed through gradual shifts in our assets over time, as part of our future investment approach.</p>

“ The effect of transition to low carbon will be significant for the global economy and our clients over the long-term.”

# Climate-related opportunities

There are a range of opportunities for the business in helping to facilitate the transition to low carbon across the global economy. These are primarily in two groups:

## a. New technology development

This is a focus area for TMK's Innovation team. The team works with start-ups, identifying opportunities to help to facilitate the development of new technologies that will enable the transition to a low carbon economy, including carbon capture technologies and green hydrogen development. As these technologies develop, they are picked up by TMK's mature underwriting lines of business.

## b. Mature renewable infrastructure

Our underwriting teams also incorporate renewable opportunities across our existing lines of business, including clean energy technologies, such as offshore wind and solar energy, as well as electrification of existing infrastructure and transport services. These opportunities are identified in the course of performing our underwriting business, across all lines.



## CASE STUDY: Clean hydrogen production

TMK is providing insurance coverage to a venture that is focused on developing a large-scale clean hydrogen solution, which is currently in the research and development phase. The long-term ambition is that this product will make green hydrogen a financially feasible option across industries. Supporting research and development start-ups is critical to supporting the innovation needed for the transition to low carbon.





# Risk management

## Climate-related risks

As an industry, the climate-related risks that insurance companies are exposed to are varied and complex. At TMK, we consider climate risk as a 'transverse risk', affecting all risk categories such as Premium Risk, Market Risk, and Operational Risk, and each of our underwriting lines of business. We break the high-level categories down into the following:

- **Physical Risk** – Physical risk refers to the direct impacts from the physical impacts of climate change. These include extreme weather events (such as increasing instances of flooding, heat waves or wildfires), rising sea levels, changing precipitation patterns, and other climate-related phenomena. These types of events can lead to increased claims payouts and higher costs for reinsurance, and the increased frequency and severity of such events can also make it more challenging to model these risks effectively, resulting in them becoming more difficult to assess and manage.
- **Transition Risk** – Transition risk results from the changing behaviour associated with the shift to a low-carbon economy and the policies and regulations aimed at mitigating climate change, which can affect all underwriting lines of business and assets. These risks can include changes in market dynamics, technology advancements, regulatory developments, and shifts in consumer preferences, all driven by the global effort to reduce greenhouse gas emissions and transition to renewable energy sources. Transition risks also impact investments, to the extent that they are exposed to industries or assets that may become obsolete or significantly devalued due to climate-related policies and market changes.
- **Litigation Risk** – Litigation risk in the context of climate change relates to the potential legal challenges and liabilities which may arise as a result of climate-related events and policies. These risks include climate-related litigation associated with a perceived failure to disclose or manage climate-related risks, as well as product liability if insured climate-related products fail to perform as expected or cause harm.

For high-rated risk areas affecting TMK, we have completed reviews to improve our understanding of risks, following the structure as follows:

1. Identifying drivers of risk

2. Understanding implications for TMK's business model

3. Identifying actions to manage

We recognise that external engagement is a key part of this process. In light of this, TMK has actively participated in a number of initiatives within the Lloyd's market to encourage collective progress within our sector, including:

- The Sustainable Markets Initiative's Insurance Task Force, which included TMK's former Chief Executive Officer
- LMA groups, including the LMA Sustainability Committee and the Climate Risk Group, which in 2023 was chaired by TMK's Chief Risk Officer
- Lloyd's sustainability-related development initiatives, such as:
  - The Net Zero Underwriting Toolkit in 2022, which investigated existing data available in the market to measure emissions across underwriting; and
  - Lloyd's Proof of Concept in partnership with Moody's in 2023 to identify a solution to accounting for underwriting emissions.

# Identifying drivers of risks

Accurately identifying and assessing climate-related risks is paramount for TMK, as the evolving impact of climate change, evident by more volatile weather patterns, threatens the financial stability of our sector. Accordingly, we have detailed how we expect climate risk to materialise across our business model, and our subsequent response to manage any negative impact.

## Underwriting

Climate risk already impacts the products we write. It influences the frequency and severity of weather-related events such as hurricanes, floods, and wildfires, and we need to accurately assess these risks to determine appropriate premiums and coverage limits. Identifying climate-related risks will enable TMK to strike a balance, ensuring we offer comprehensive coverage which ensures our customers are satisfied while also underpinning the sustainability of our business.

To ensure our underwriting approach reflects our internal sustainability ambitions, we have introduced sustainable underwriting guidelines to guide our decision making. These guidelines set out sectors and specific projects or entities out of appetite for TMK given our environmental or social concerns. We have also incorporated thresholds relating to the overall proportion of our total portfolio which is sourced from carbon-intensive sectors. These are monitored quarterly through the risk appetite reporting process and are reviewed on an annual basis.

## Investments

Climate change also poses risks to the value of investment portfolios, in the form of reducing asset values or increased credit risk on holdings as a result of increasing expected or actual default rates. These fluctuations can occur as a result of asset repricing to adequately reflect transition risks as the broader economy decarbonises. Conversely, climate change may result in appreciating returns on some assets, for example if the equity value of a listed business increases because it is positively impacted by the shift to a low-carbon economy by virtue of its business model.

We take a socially responsible approach to our investments, managing them in line with Tokio Marine's Group policy and adhering to specific thresholds relating to assets' ESG ratings.

## Operations

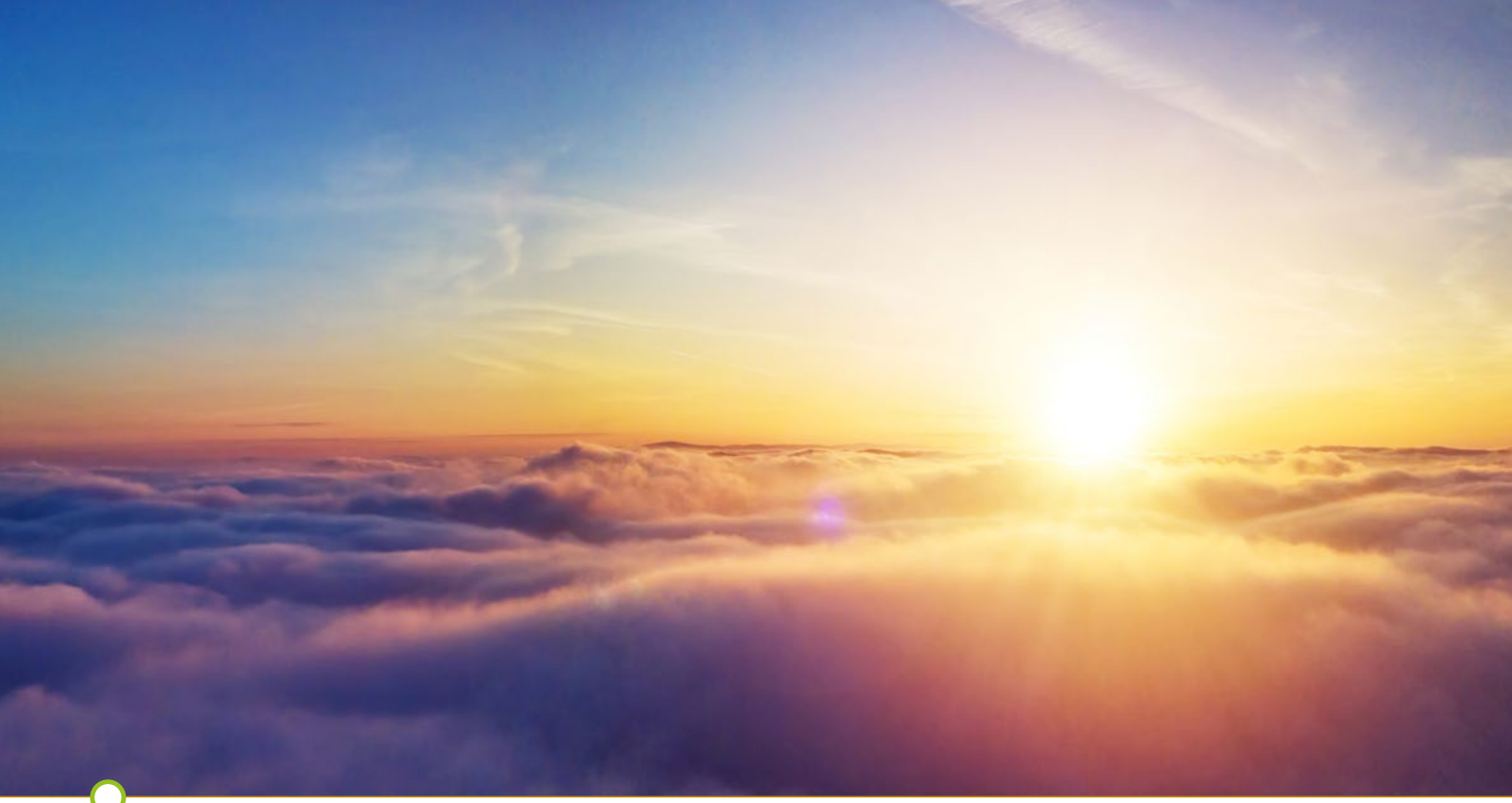
Operationally, we have a direct exposure to climate change via our own impact on the environment; specifically, our own carbon footprint and that of our supply chain. Similarly, climate risks may arise via physical impacts on our operations, or transition risks as we adapt and decarbonise our own business.

In operational terms, we see the physical risks of climate change to our premises as minimal. There is a minor flood risk owing to the position of our office in the City of London, but we do not own this asset and have demonstrated an ability to work effectively from home during the Covid-19 pandemic.

When it comes our supply chain, we expect that our suppliers will also need to adapt to the transition to low carbon. As a result, we have incorporated sustainability considerations into our procurement process, and we are seeking to further improve our approach in 2024.







## Metrics and targets

As part of our sustainability strategy, we have developed targets for the key areas of our business: Underwriting, Operations and Investments. The targets encapsulate our commitment to being accountable internally in driving our climate strategy.

Through this disclosure of our metrics, we aim to provide our stakeholders with a comprehensive view of our sustainability strategy, reflecting our commitment to drive action towards managing our exposure to the risks associated with climate change, and our dedication to forward-thinking practices in the face of evolving external challenges.

Understanding the importance of robust data capabilities is essential in realising our sustainability ambitions, and advancing in this area is a principal focus for TMK as we move forward. Enhancing our data capabilities will enable us to refine the metrics and objectives that measure our progress towards our sustainability targets.

TMK's risk appetite metrics have been agreed at both the Climate Group and at Board level. They have been embedded within our Risk Appetite Framework and are reported to the Board quarterly, as well as the Risk, Compliance and Capital Committee (RCCC), Climate Group and Sustainability Committee. The climate risk metrics and appetites are formally reviewed on an annual basis at the RCCC to evaluate their appropriateness and accuracy of measuring our climate risk profile, with the Sustainability Committee providing input to the Risk Management Team to support this review process.

Our risk appetite metrics sit across each risk category related to climate risks. They include:

- Thresholds for monitoring TMK's premium income and invested assets in specific sectors identified as carbon intensive or otherwise high risk for environmental or social reasons, with escalation and action where required
- Thresholds for monitoring TMK's premium income from specific carbon-intensive sectors, with escalation and action where required
- Review of underwriting performed against TMK's Sustainable Underwriting Guidelines
- Monitoring of total proportion of invested assets that have poor ESG ratings
- Monitoring of how TMK's approach to climate affects its reputation with all stakeholders
- Risk appetites relating to operations, which include reductions in emissions for both London and Singapore.

# We have also set **seven key targets** in our management of climate change

1. **Develop plans for our business**, aligned with Tokio Marine Group, in support of its goal of being net zero by 2050.
2. **Continue to collaborate with Tokio Marine Group** to support the achievement of carbon neutrality within operations.
3. **Consider and support the climate risk management of policyholders** as part of our underwriting, where appropriate.
4. **Make public disclosures** in line with Task Force on Climate-related Financial Disclosure (TCFD) expectations.
5. **Incorporate environmental opportunities** in underwriting, product innovation, and investments.
6. **Capture physical risks of climate change** in exposure management and pricing.
7. **Support Tokio Marine Group Companies' environmental goals** by sharing our experience.





**TOKIOMARINE**  
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**Tokio Marine Kiln**

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under Firm Reference Number: 204909. Registered office is located at 20 Fenchurch Street, London EC3M 3BY Registered Number: 729671. Tokio Marine Kiln is a trading name.