ClimateWise Report 2019-2020
ArgoGlobal, part of Argo Group
Foreward

Argo Group is committed to delivering its overall sustainability strategy, addressing each aspect of its ESG (environmental, social and governance) agenda. Argo Group currently reports to ClimateWise through its Lloyd’s operations, branded as ArgoGlobal and operating as Argo Managing Agency Ltd.

We had previously signaled our support for the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations in May 2019.

ClimateWise supports its members, including Argo Group, in disclosing to the financial markets their specific responses to the risks and opportunities of climate change. ClimateWise members are required to report annually on their operational decisions, allowing members to benchmark progress against their peers. ArgoGlobal, as a founding member of ClimateWise, has provided these disclosures since 2007. We have made progress each year and are committed to continually improving the ways in which we manage our climate-related risks and opportunities.

The ClimateWise Principles have been aligned with the TCFD’s guidance and recommendations. Argo Group, therefore, considers this report to be its initial TCFD disclosure and believes it is the right time to make this report public for the first time. We intend to transition in 2021 to reporting as the whole Group against the ClimateWise Principles, continuing to integrate climate-related risk considerations into our governance structure and business processes.

Through transparent disclosures, we hope to improve our understanding of climate-related risks and opportunities, and we are therefore taking this opportunity in 2020 to report on both bases as a trial run.

Alex Hindson
Chief Risk and Sustainability Officer

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**Principle 1**
Be accountable

**Principle 3**
Lead in the identification, understanding and management of climate risk

**Principle 5**
Inform public policy making

**Principle 7**
Enhance reporting

**Principle 2**
Incorporate climate-related issues into our strategies and investments

**Principle 4**
Reduce the environmental impact of our business

**Principle 6**
Support climate awareness amongst our customers/clients
# Table of Contents

**Principle 1** ......................................................... 4  
1.1 Group Board and Committee Structure ........................................... 6  
1.2 Risk Management Framework ........................................................... 10  
1.2 Sustainability Working Group .......................................................... 10  
1.2 Enterprise Risk Management ............................................................ 12  
1.2 Research and Development .............................................................. 12  
1.2 Investment Managers ......................................................................... 13  
**Principle 2** ..................................................................................... 14  
2.1 Underwriting and Management Governance ........................................ 14  
2.1 Board Governance and Reporting ....................................................... 14  
2.1 Digital and Modeling ........................................................................ 15  
2.1 Economic Scenario Generator ............................................................. 15  
2.1 Climate Change Scenario Development ................................................. 16  
2.1 Research and Development ................................................................ 16  
2.2 Risk Matrix ....................................................................................... 17  
2.2 Investment Managers ........................................................................ 18  
2.2 Conning - Climate Dashboard ............................................................. 18  
2.3 Investment and Scenario Development ............................................... 19  
2.3 Climate Change Scenario Development Roadmap ................................... 20  
**Principle 3** ..................................................................................... 21  
3.1 Environmental Management Policy ..................................................... 21  
3.1 Sustainability Working Group and Risk Matrix ..................................... 21  
3.1 Financial Impact of Climate Change .................................................... 22  
3.2 Clean Energy and Technology and New Products ............................... 22  
3.2 LMA Sustainability Working Group ...................................................... 23  
3.2 Industry Events and Feedback ............................................................. 23  
**Principle 4** ..................................................................................... 24  
4.1 Vendor Management .......................................................................... 24  
4.2 Greenhouse Gas Emissions Data .......................................................... 25  
4.2 Creating New Standards and Streamlining Processes .......................... 25  
4.2 Argo Group GHG Inventory Overview ................................................. 26  
4.3 Impact on Internal Operations ............................................................. 28  
4.4 Going Back Better ............................................................................. 28  
4.4 New Initiative ................................................................................... 28  
**Principle 5** ..................................................................................... 29  
5.1 International Insurance Leaders Advisory Council ............................... 29  
5.1 Chapter Zero ..................................................................................... 29  
5.2 Signatory UK Business Group Alliance for Net Zero ............................ 30  
5.2 Association of Bermuda Insurers and Reinsurers (ABIR) ..................... 30  
5.2 PRA Requirements of Financial Impact of Climate Change .................. 30  
5.2 Contributing Ideas Through Research and Modelling .......................... 30  
**Principle 6** ..................................................................................... 31  
6.1 Climate Change Position ..................................................................... 31  
6.2 External Communication .................................................................... 32  
**Principle 7** ..................................................................................... 33  
7.1 Submitted Against All Principles........................................................ 33  
7.2 ClimateWise Report Will Be Publicly Available .................................... 33
Principle 1
Be Accountable

1.1 Ensure that the organisation’s board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.

Argo Group International Holdings, Ltd. (hereinafter “Argo Group” or the “Group”) currently reports to ClimateWise through its Lloyd’s operations, branded as ArgoGlobal and operating as Argo Managing Agency Ltd. Argo Group intends to transition in 2021 to reporting as the whole group against ClimateWise’s principles. Therefore we are taking the opportunity in 2020 to report on both bases as a trial run.

The Argo Group Board is responsible for overseeing enterprise-wide risk management and actively monitoring the effects of uncertainties on how they affect our business. The Board-level Risk & Capital Committee (RCC) of Argo Group receives periodic updates on material risks, including sustainability-related threats and opportunities. Environment, Social, and Governance (ESG) indices have been raised to this ‘top risk’ register during 2019-2020.

The Argo Group RCC charter was updated to include, as published on the external website:

“Oversee the Company’s sustainability program and receive reports on progress with implementation of the Company’s ESG strategy and plans addressing Environmental, Social, and Governance matters including Health & Safety and Human Rights.”

This can be evidenced from the supporting documents included in this submission and further described in the table on the following page.

The Argo Managing Agency (AMA) Board updated its Risk & Capital Committee (AMA RCC) charter in January 2019 to include overall responsibility for its Sustainability programme including all aspects of Climate Risk Management and ClimateWise reporting. In 2019, the ClimateWise Principles were extensively reviewed and brought forward to the Board to disclose the governance of ArgoGlobal’s climate-related risks and opportunities. The AMA RCC charter was updated to include:

“Climate change oversight: The Committee shall, on behalf of the AMA Board, oversee a programme of work related to AMA’s membership of ClimateWise in order to demonstrate ongoing engagement and oversight of Climate change related-risks; including how this is being incorporated into AMA’s business strategy and planning and subsequently monitored and reported.”

A concrete example is our approach towards the fossil fuel part of our business. This is further elaborated on in Principle 2.2.
### Tangible Measures

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<tr>
<th><strong>Group Risk &amp; Capital Committee</strong>: Continue receiving formal update papers from Sustainability Working Group every quarter as a standing agenda item.</th>
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<tr>
<td><strong>Evidence</strong></td>
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<td>Board Risk &amp; Capital Committee papers</td>
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<td>List of Supporting Documents: 08abc to 10</td>
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<td>List of Supporting Document: 14 page 80</td>
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<td>List of Supporting Document: 15 page 29</td>
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<td>List of Supporting Document: 16 page 7, 12, 40</td>
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<td>Board Risk &amp; Capital Committee papers</td>
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<tr>
<td>List of Supporting Documents: 02 to 05</td>
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<tr>
<th><strong>Emerging Risks</strong>: Studies of climate change risk are commissioned periodically and reported. The latest Emerging Risk Report was completed in May 2020 and has been reported to the Emerging Risk Review Group.</th>
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<tr>
<td><strong>Evidence</strong></td>
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<tr>
<td>Chief Risk &amp; Sustainability Officer has a copy of the report</td>
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<td>List of Supporting Documents: 06, 07a, 07b</td>
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<tr>
<th><strong>Risk Register</strong>: The Group and AMA Risk Registers are reviewed against the Board’s risk appetite. This is analyzed, the risk exposures and key controls are put in place to mitigate working alongside the risk owners.</th>
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<tr>
<td><strong>Evidence</strong></td>
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<td>The evidence is the risk register</td>
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<td>List of Supporting Documents: 20</td>
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<th><strong>Board Oversight</strong>: Risks that have been identified by the Board as critical to the organization are routinely analyzed and monitored.</th>
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<td><strong>Evidence</strong></td>
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<td>This is further outlined below within the functions of the five Board-level committees.</td>
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<tr>
<th><strong>Stress Testing</strong>: Conducted and provide data on the impact of a range of stress tests on AMA business model to the Prudential Regulation Authority (PRA). The stress test included an exercise in relation to the effects of climate change. The set of climate scenarios applied to Syndicates 1200 and 1910 explored the impacts on our liabilities and investments stemming from physical and transition risks. These were reported to the Board through Annual ORSA reports.</th>
</tr>
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<tbody>
<tr>
<td><strong>Evidence</strong></td>
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<tr>
<td>The evidence would be the Argo Managing Agency (AMA) Annual ORSA reports for S1200 and S1910.</td>
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<tr>
<td>List of Supporting Document: 02 page 24</td>
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<td>List of Supporting Document: 03 page 22</td>
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<td>List of Supporting Document: 04 page 16</td>
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<td>List of Supporting Document: 05 page 66</td>
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<tr>
<th><strong>Quarterly ORSA</strong>: Analyze all reasonably foreseeable and relevant material risks every quarter. The Own Risk and Solvency Assessment Model (ORSA) assessment looks at risks (i.e., underwriting, credit, market, operational, liquidity risks, etc.) and our continued ability to meet its policyholder obligations, including a specific report from the Sustainability Working Group.</th>
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<tr>
<td>Board Risk &amp; Capital Committee papers</td>
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<tr>
<td>List of Supporting Documents: 14 to 16</td>
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*Source: ArgoGlobal*
Consideration for society at large is an integral part of Argo Group's strategy and a necessity for long-term value creation. Climate change is a risk, and it is part of the Board's duty to identify and manage it in the same as any other strategic risk. Failing to identify, assess, deal with, or disclose material climate risks is a potential failure of corporate governance. The Board delegates certain of its risk management responsibilities to its committees as outlined in each of their charters. Each committee regularly receives and discusses materials from the other committee, and this allows for all of the committees to be aware of the various risks across the company and work collaboratively on climate-related issues and integrating awareness into the next levels of management within the company.
The purpose of the Board’s Nominating and Corporate Governance Committee is to:

1. establish criteria for Board member selection and retention;
2. identify individuals qualified to become Board members;
3. recommend to the Board individuals to be nominated or re-nominated for election as directors;
4. recommend directors for appointment to one or more of the Board’s Standing Committees;
5. establish the evaluation criteria and implement an evaluation process applied by the Board and each Committee in its self-evaluation process; and
6. develop and recommend to the Board a set of corporate governance guidelines applicable to the Company.

Oversees the Company’s exposure to enterprise-wide key risks and the guidelines, policies, and processes the Company uses to assess and manage its exposure to risk, including ESG factors. Risk appetites are regularly monitored to note changes over time, such as how climate change has become a prominent risk and is now part of our new normal. This committee meets four times a year.

In 2019, we implemented seven new Risk & Capital Committee approved corporate policies that further serve as guiding principles that set the direction for our organization. Our policies serve as the rules and guidelines for our various global offices on environmental and related matters.

The two key Environmental Management objectives are to minimize the impact of Argo’s business operations on the environment in terms of using the principles of reducing, reusing, and recycling of materials to mitigate as far as is reasonably practicable the depletion of natural resources. Secondly, to focus on improving energy efficiency in the buildings, we operate from using energy conservation best practices. Such measures reduce energy costs as well as supporting innovative technology solutions.

Environmental impact risk exposures are recognized as an enterprise risk exposure with the Company’s enterprise, risk management framework and appropriate controls are maintained in place to reduce this risk to acceptable levels. Failure to adequately manage these environmental exposures is recognized as potentially creating a material reputational risk exposure.

Click here to view full policy.
| Human Rights Policy | We are committed to treating everyone with dignity and respect and striving to promote human rights according to the UN Guiding Principles on Business and Human Rights. We expect the third parties we work with do the same. We recognize that business has the responsibility to respect human rights and the ability to contribute to positive human rights impacts.

The Company is committed to complying with all local legal and regulatory requirements as they apply to Human Rights, including wage, benefit, safety, and discrimination laws, and monitoring compliance with these requirements on an ongoing basis.

The Company is committed to allowing for freedom of association and collective bargaining and providing a workplace free from discrimination and harassment, forced or child labor, and are committed to safe, healthy working conditions and the dignity of the individual.

[Click here](#) to view full policy. |
|---|---|
| Occupational Health & Safety Management Policy | Workplace safety risk exposures are recognized as an enterprise risk exposure with the Company’s enterprise risk management framework, and appropriate controls are maintained to reduce this risk to acceptable level. Failure to adequately manage these Health & Safety exposures is recognized as potentially creating a material reputational risk exposure.

[Click here](#) to view full policy. |
| Responsible Investment Policy | As part of our investment management process, we consistently scan for threats and opportunities associated with our investments and apply our expertise to each decision. We seek to understand the ESG factors that could have a material impact on our investments and evolve our portfolio accordingly. Historically the Company has always considered ESG in their investment approach; we realize that formalizing our understanding and integrating these factors into our investment strategy is essential in creating value for our internal and external stakeholders. Continued communication with Argo’s stakeholders is a constant source of insight into identifying risks and opportunities.

[Click here](#) to view full policy. |
| **Diversity & Inclusion Policy** | The Company believes that creating a positive work environment enables Argo to attract, retain and fully engage diverse talent leads to enhanced innovation and creativity in our products and services and a better understanding of our diverse client base. In a knowledge-based economy, diversity of thought - differences in how people perceive, analyze, and organize the same information is vital to creating new business solutions and solving complex challenges.

The Company embraces and encourages our employees’ differences in age (40 and over), ancestry, color, gender, gender expression, gender identity, genetic information (including testing and characteristics), marital status, national origin or citizenship (including language use restrictions), disability (mental and physical), race, religious creed (including religious dress and grooming practices), sex, pregnancy (including childbirth, breastfeeding, lactation, and medical conditions), sexual orientation, military or veteran status, or other status protected by federal, state and/or local laws and other characteristics that make our employees unique and will not tolerate harassment in any form as outlined in our Code of Conduct and Business Ethics. [Click here](#) to view full policy. |
| **Fossil Fuel Policy** | Our Fossil Fuel Policy has been approved by the Executive Management team and is currently with the Board of Directors for final approval. Argo Group recognizes that climate change is a significant societal threat. We support the transition to more sustainable forms of energy, and we are proud of our robust Clean Energy business. We recognize the need to support our existing clients in responsibly transitioning their businesses to a low-carbon economy. We will honour our promise to help protect them as they move to a more sustainable future. |
| **Group Vendor Management Policy** | Argo relies on products, systems, and services provided by various vendors, including hardware and software vendors, marketing firms, technology and telecommunication services, support personnel, and consultants. Management ultimately has to ensure:

- Each vendor relationship supports the overall business requirements and strategic plans.
- The business or functional leader has sufficient expertise to oversee and manage the relationship.
- The business or functional leader has evaluated prospective vendors based on the procured service and products’ scope and criticality.
- The risks associated with the use of the vendor are fully assessed and understood.
- The appropriate oversight program is in place to monitor contractual performance and risk mitigation activities. [Click here](#) to view full policy. |
1.2 Describe management's (below board-level responsibility) role in assessing and managing climate-related risks and opportunities.

Risk Management Framework

Our risk management and internal controls framework is designed to enable us to achieve an accurate and timely understanding of (1) the nature, caliber and sensitivity of the material foreseeable risks to which we are exposed, (2) our ability to mitigate or avoid such risks and (3) to the extent that an identified risk falls outside of our Risk Appetite, what course of action is necessary to address such risk consistent with our business plans and risk tolerances.

Key elements of our risk-management framework are summarized below:

1. Our risk management framework consists of three lines of defense that begin at the functional level. Risk Owners within each business function are charged with identifying, assessing, measuring, monitoring, reporting, and mitigating risks associated with a department’s respective functions and responsibilities. The Chief Risk & Sustainability Officer (CR&SO), who reports on issues of risk management to the Risk & Capital Committee of the Board and leads the second line of defense, plays a crucial role in risk management by coordinating, facilitating and overseeing the effectiveness and integrity of our risk management activities. The reporting process between the CR&SO and the Risk & Capital Committee is illustrated in the supporting documents, in particular the Board Risk & Capital Committee paper (List of Supporting Documents: 14 to 16). The Risk Management Function (RMF) is also charged with establishing, maintaining, and enhancing the methodology and tools used to identify and evaluate risks and, where risks are outside our risk appetite, ensuring that there is an appropriate response applied by the respective risk owner.

2. The Internal Audit department provides the third line of defense by assessing the effectiveness of our risk management processes, practices, and internal controls and providing timely feedback and assurance to the Board on the adherence to our risk management framework. The Head of Internal Audit reports to the Audit Committee of the Board on the internal control framework issues.

3. We have established policies to identify and address existing as well as evolving and emerging risks that have the potential to materially impact the adequacy of our financial resources, the volatility of our results, expected shareholder returns, or our ability to meet our commercial, legal and regulatory obligations.

Click here to view on external website.

Sustainability Working Group

During 2019, Argo Group maintained the operation of its regular Sustainability Working Group (SWG). The SWG coordinates Argo Group’s approach and maintains a Sustainability threat and opportunity assessment. The SWG reports quarterly to the Enterprise Risk Management Steering Committee, which summarizes the status of the corporate sustainability action plan, including the identification of external trends that may become meaningful.
More information on our SWG is provided in the supporting documentation and on our website (see here).

This group is charged with overseeing the organization’s internal sustainability policy, which is intended to apply to corporate risk management and investment practices. Argo Group’s approach to sustainability includes building upon the following three pillars:

- We have a responsibility as stewards of the environment;
- We have a responsibility to advance our societal impact; and
- We have a responsibility to hold ourselves to high corporate governance standards that promote investor confidence.

In 2020 this was the first year that we published our Environmental, Social, and Governance (ESG) Report along with disclosing our greenhouse gas emissions data on our purchased electricity (scope 2) and a fleet of company cars (scope 1).

- [2020 ESG Report](#)
- [Argo GHG Inventory Overview](#)

The Group Chief Risk & Sustainability Officer (CR&SO) is responsible for coordinating sustainability initiatives, including periodic internal reporting. This has been recognised with a revised and expanded job title in June 2020. The SWG, which meets every six weeks, supports the CR&SO by discussing climate change issues and coordinating the corporate activities associated with the Argo Group’s sustainability plan. A newly created role, Sustainability Analyst, was implemented full-time on 1st January 2020. The Sustainability Analyst is responsible for external voluntary reporting, studying, owning and tracking the Environmental, Social, and Governance (ESG) indices with the rating agencies, and creating and implementing policies to address the deficiencies. In our Emerging Risk Management report, the Sustainability Working Group page is a dedicated summary of what the Sustainability Analyst is working on with the CR&SO. These quarterly summaries are communicated to the Board Risk & Capital Committee. Our greenhouse gas emissions collection is an example of how we have demonstrated the progress of collecting the required data to externally publish the results, which most recently has resulted in decisions around setting new target reductions on corporate travel.

The SWG receives reports on a range of internal and external developments related to ESG matters, including climate change. Our ORSA report and risk register are examples where climate change effects have been stress-tested against our portfolio and plotted on a heat map to further understand the effects it could have on our business. Both of these examples are included in the supplementary material in this submission. The SWG noted the UK regulatory Consultation launched by the Prudential Regulatory Authority (PRA) for a Supervisory Statement on the financial service industry to enhance their approach to managing the financial risks from climate change.

The SWG continued to expand its membership this year and maintained the use of an internal Yammer communication site and ‘Degreed’ e-learning information exchange to enhance communication on ESG matters within the Group. This allows staff to broaden the understanding of developing issues around climate change.
Enterprise Risk Management

Argo Group’s Enterprise Risk Management (ERM) framework, processes, and principles are in accordance with the (International Organization Standardization) ISO 31000:2018. Climate change is a risk within the overall components. Sustainability planning, of which climate change is a significant aspect, is part of the Argo Group ERM Steering Committee’s remit. The ERM Steering Committee receives a quarterly report from the CRO summarizing the activities of the SWG and outlining progress made with the sustainability action plan, including external trends that may become meaningful. Argo Group has classified climate change as one of its emerging risks. The corporate risk management function regularly monitors climate change for the primary purpose of assessing the potential impact of climate change on Argo Group’s business operations, insurance products, and clients. This contributes to principle 2.1 activities.

In February 2020, the ERM team was recognized from InsuranceERM for two awards, ‘Risk Team of the Year’ and ‘Risk Innovation of the Year’. Risk Team of the Year made a compelling case on the benefits of repositioning our capital model and risk team from a compliance-focused function to a strategic business unit. The Risk Innovation of the Year prize was awarded on the idea and implementation of using technology as a disruptor to changing the process of reviewing the risks in a product portfolio. Both of these initiatives of building risk into the business while using technology gives better insight into the effects of climate change in each function.

Article: 2020 InsuranceERM Award Winners Revealed

Research and Development

The Research and Development (R&D) team is a dedicated resource to capturing current risk from natural hazards, which is the main pillar of the business. The R&D team comprises industry scientists and engineers who have expertise in seismology, meteorology, hydrology, and building design. We have developed our own view of risk, which is used to make underwriting and management decisions. It is based on a combination of third-party vendor models, plus our proprietary adjustments.

The Argo View of Risk (AVR) is to keep current through the development of our proprietary models and calibrated with models validated from third-party vendors. We continually review and analyze risk through this lens to develop new services, tools, products, and improve existing ones.

Since the AVR informs our team’s work, it must stay current. Doing that requires continual work by a dedicated team of innovative peril scientists armed with extensive insurance experience. They provide tools to Argo Group’s underwriting divisions that allow them to outsmart the competition in risk selection and return on equity while minimizing capital requirements.

The Argo Group Perils Steering Committee (PSC) governs potential changes to the AVR. Its recommendations are communicated to the Group Internal Model Steering Committee, Group Property Steering Committees, and the Executive Group. Any changes are reviewed and challenged by key stakeholders in the appropriate business. Once ready, they are submitted for approval to the PSC.

- Catastrophe Modeling
- Research & Development
Investment Managers

Argo Group has outsourced its investment management functions to a variety of investment management firms, who are expected to manage Argo Group’s investment portfolio per Argo Group’s investment management guidelines. This includes an expectation that consideration will be given to the impact of environmental issues when investment strategies are developed and applied. We surveyed our investment managers on the approach they take and which risk assessment tools they use to on their responsible investment approach and embedding ESG factors in their investment analysis. In 2019, we became a signatory with the Principles of Responsible Investment (PRI) and published a Responsible Investment Policy.

- [https://www.unpri.org/signatory-directory/argo-group-international-holdings-ltd/5140.article](https://www.unpri.org/signatory-directory/argo-group-international-holdings-ltd/5140.article)

Evidence also applies to Principle(s): 2.1
Principle 2
Incorporate climate-related issues into our strategies and investments

2.1 Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

Underwriting and Management Governance
The Argo Group risk management function has fully embedded climate-related risks into our overall governance and risk management frameworks. The risk management team is consulted if an environmental issue may have a potential impact on Argo’s business operations and/or insurance products. We are aware of the influence NGOs have and the value of their environment message of the effect when companies continue to engage in doing business with fossil fuel companies. We feel we have a responsibility to make a mindful business decision on this issue and not wait until external regulators imposes a mandatory requirement. We have taken a proactive approach to this by drafting a policy for senior management to discuss and approve. Similarly, in 2018, in the excess casualty coverage line of insurance, we made a decision to no longer continue insuring utility companies.

The Group Underwriting Committee sets policy on Argo Group’s stance concerning key underwriting factors such as risk appetite. Determining whether the business is prepared to underwrite certain types of business and what restrictions to place on this is coordinated by the Group Chief Underwriting Officer (CUO).

The Underwriting Committee has delegated the tactical response to specific issues with a potential for reputational risk, such as where Non-Governmental Organisations (NGOs) or pressure groups may be looking for a specific response from Argo to a sub-committee consisting of the CUO, CR&CO, and Head of Producer Management to agree on an appropriate short-term response and report back to the Committee in due course.

The intended purpose of such consultation is to identify and discuss possible options for the mitigation, reduction, and/or avoidance of risk resulting from an environmental issue.

Board Governance and Reporting
A non-executive director has been appointed at the board level for both Argo Group and Argo Managing Agency to oversee our approach to addressing the financial impact of climate change, including corporate sustainability.

If a potential environmental climate change issue is identified by Argo Group, a cross-functional working group of subject matter experts is convened, supporting the Argo Group risk management function. Discussions take place to assess and determine if potential environmental climate change
risk could present a material threat to Argo Group and what actions may be taken by Argo Group in response to such a threat.

Argo Group’s Exposure Management Committee has also been tasked with the responsibility for the consideration of the influence of any climate change-related modeling on its property insurance portfolio.

**Digital and Modeling**

Argo Group continues to invest in digital and artificial intelligence capabilities to access greater amounts of data to apply risk-management expertise in innovative ways. This allows us to consider opportunities for introducing new climate risk products as they are developed, in line with its strategic plans and appetite.

Climate risk is implicitly included in Argo Group’s catastrophe reinsurance considerations through the use of catastrophe modeling. Allowance for uncertainty in climate change risk is provided through the use of Argo Group’s Stress & Scenario Testing Framework (SSTF) and economic capital modeling processes. These stress tests, together with our approach to non-modeled risk (NMR) and emerging risk processes, provide the ability to consider the broader economic capital implications for Argo Group’s solvency in respect of climate change-related risks. By sharpening our quantitative risk modeling (including scenario analysis) around perils impacted by climate change, it provides a helpful roadmap in spanning governance, strategy, risk management, as well as metrics and targets.

The Argo Group emerging risk monitoring process includes scanning available resources for information regarding climate change. Climate change related matters, current events, litigation, regulation, legislation, the political environment, and industry groups’ actions that may have an impact on the Argo Group Climate Change Policy and/or strategy. ‘Stranded assets’ have been specifically identified as a potential material risk factor. We are continually assessing our state of readiness concerning financial risks from climate change as well as forward-looking plans.

Argo Group has embedded consideration of the impact of climate change on its business's commercial viability in several areas. The most tangible example is the review conducted in early 2018 of the Excess Casualty portfolio, which resulted in a decision to exit all Californian Utility business, forfeiting over $14M of gross written premium. The decision was referred to the Group Underwriting Committee for Executive sign-off. It was supported because the analysis suggested that despite very significant rate increases, the risk was considered no longer insurable due to a combination of the increased wildfire activity and worsening state legal environment. The analysis was supported by using an in-house developed wildfire model and experience from the 2017 wildfire season. This decision’s benefits became clear through 2019 when it became evident that Argo Group had avoided a potential PML (probable maximum loss) on the accounts that were non-renewed of over $80M.

**Economic Scenario Generator**

Argo Group uses Moody's Economic Scenario Generator (ESG) to support the operation of the Internal Capital Model. It is an actuarial asset model that calibrates macro-economic factors to support realistic projections of asset returns and risk-factor distributions. The ESG allows the model to undertake a wide range of risk management and asset-liability modeling (ALM) activities.

ArgoGlobal has piloted the development of stress and scenario analysis related to climate change in line with Prudential Regulatory Authority (PRA) expectations under their Policy Statement PS11/19.
The scenario analysis was based on a short-term view of financial risks within the current business planning horizon and a long-term view taking into consideration scenarios where average global temperatures continue to rise consistent with a 2°C overall rise and/or scenarios where a transition to a low-carbon occurs in either an orderly or disorderly manner.

Moody’s Economic Scenario Generator has enabled our capital modeling team to break our assets down to a more granular level and perform sensitivity tests in line with our portfolio’s materiality. As outlined in the diagram below, this incremental process will develop and improve over time. ArgoGlobal has committed to improvement and will continue to invest effort in enhancements as tools and techniques develop.

The scenario results will be submitted to Lloyd's as part of the Internal Model Validation Report for 2020.

**Climate Change Scenario Development**

**Research and Development**

The Research and Development team is a dedicated resource of industry scientists, and engineers have expertise in seismology, meteorology, hydrology, and building design. Various team members have participated in industry event seminars along with published scientific research. These industry events that call upon experts to discuss climate change and the impact on the insurance industry solidifies to the importance of climate disclosures from a scientific perspective. The links below to
lectures and papers elaborate in greater detail on how we need to manage this risk is to develop robust methodologies for parameterizing it.

One such example is our scientific modelling, and the comparison process Dr. Federico Waisman created, the exposure data set was pulled from public databases. This was presented at the Hurricane Model Showcase. A summary of four vendor model results were presented from an objective point of view to elaborate further on the differences between the metrics. The determination is that modellers have to understand all the assumptions before making decisions. This reemphasizes the importance of collectively as an industry where disclosures will add robust value to creating more precision on climate modelling.

**RMS Exceedence 2020**
Rising to the Climate Change Challenge: Managing Regulatory Certainty for an Uncertain Risk
Dr. Federico Waisman
May 2020
- [https://www.argolimited.com/about/research-development/](https://www.argolimited.com/about/research-development/)

**CAT Risk Management & Modelling Conference**
Model Review: Flood from US Hurricane – Dr. Federico Waisman, Elizabeth Harris and Marco Carenzo
March 2020
- [https://www.argolimited.com/about/research-development/](https://www.argolimited.com/about/research-development/)

**CAT Risk Management & Modelling Conference**
Climate Change: Science, Modelling, Regulation and Initiatives – Dr. Federico Waisman and Elizabeth Harris
March 2020
- [https://www.argolimited.com/about/research-development/](https://www.argolimited.com/about/research-development/)

**Drivers of Multi-decadal North Atlantic Warming in Relation to Hurricane Frequency**
Warm Water Volume and Hurricane Activity – Elizabeth Harris
February 2020

### 2.2 Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

**Risk Matrix**
The Sustainability Working Group (SWG) maintains a specific ESG/Sustainability threat and opportunity register, which is reviewed at least twice per year. Our semi-quantitative approach to risk analysis tracks current and future business uncertainties and evaluates the likelihood and potential impacts are identified. With the use of a heat map, this allows us to way of representing the resulting qualitative and quantitative evaluations and the probability of risk occurrence and the impact on our organisation. The risk register captures current mitigation/realisation plans and recommended actions with due dates, priorities, and action owners.
The risk register is refreshed on a six-month basis. It is a tool to identify uncertainties within the entire organization based on six overall categories where it can have an influence: business environment, financial & commercial, organizational/leadership, operational, people, and information. Once a potential event or scenario is identified, it is given a description of its effects, assigned as a threat or opportunity, or sometimes as both and then classified on where it falls within the impact on all of our stakeholders. The threats and opportunities are plotted on a risk profiler on the likelihood and impact it would have. The risk profiler is a snapshot of the threats and opportunities and an indicator to management where the focus and decision making need to shift.

The SWG reviews the risk assessment and a summary of the Enterprise Risk Management Steering Committee for discussion. A headline report is provided to the Group Board Risk & Capital Committee and the AMA Risk & Capital Committee.

A Product Disruption Matrix exercise is completed annually in conjunction with Group Underwriting. This looks at a number of disruption and change drivers and their potential impacts on products and lines of business across Argo Group, including ArgoGlobal. Climate Change risk is one of the change drivers included. This is reported to the Emerging Risk Review Group (ERRG) and each Line of Business (LOB) Underwriting Committee.

**Investment Managers**

Argo Group operates its investment management function through a series of outsourced arrangements using a variety of investment managers. The investment management firms we have partnered with are expected to manage Argo Group’s investment portfolio in accordance with our investment management guidelines. There is an expectation that impact investment will take priority.

Investment in coal extractive industries currently remains at less than $5M out of a $5B portfolio for the Argo Group investment portfolio, a level that will not increase in the future. The Group has been developing its position on Fossil Fuels, it has been agreed upon with the Executive Management team and is now with the Board for final approval, and it is anticipated that a Fossil Fuel Statement will be issued by year-end 2020. Opportunities to invest in clean energy technology are evaluated on an ongoing basis. A waste-to-heat power plan and a wind turbine manufacturer have been assessed but not progressed due to contractual or competitive concerns.

**Conning – Climate Dashboard**

ArgoGlobal has partnered with Conning Holdings Limited, the investment firm that manages the Managing Agency’s assets. They are at the initial stage of developing a dashboard that provides Climate Risk analysis of corporate portfolios. We have been working with them to analyze the risks in our investment portfolio from a physical, transitional, and liability risk when shifting to a low carbon economy. This provides a comparison of our portfolio to peer benchmarks from using proprietary and MSCI data that gives an indicative view of the ESG rating of our assets. This will allow us to identify and review those assets with a weak ESG rating, which may be at increased transition risk. We will continue to work with Conning to design dashboard reporting to gain improved insights.
2.3 Incorporate the material outcomes of climate risk scenarios into business (and investment) decision making.

**Investment and Scenario Development**

Argo Group has identified ‘Stranded Assets’ as a strategic risk factor with potential material impacts over the longer-term horizon. Argo Group has reviewed its investment strategy as a part of its sustainability plan to identify high-carbon industry holdings. Using the Lloyd’s of London report entitled “Stranded Assets: the transition to a low carbon economy - Overview for the insurance industry’, Argo Group has performed stress test scenarios that consider the potential impact of high-carbon assets within its investment portfolio on its capital adequacy. These stress test scenarios results were combined with other scenarios within the Stress & Scenario Testing Framework (SSTF) and the outcomes have been reported to the ERM Steering Committee and Risk & Capital Committee of the Argo Group Board, as a part of the ArgoGlobal Own Risk & Solvency (ORSA) Assessment process for Syndicates 1200 and 1910.

There are three types of climate risks scenarios to be considered and how each situation may impact the value of financial portfolios:

- **Physical risks:** from extreme climate events, which include storms, heavy rain, flooding, drought, and associated wildfires, and heatwaves.

- **Transition risks:** the uncertainties around how the world will evolve towards a low carbon economy in terms of public policy, regulation, actual temperature change, social expectations, and technological developments.

- **Liability risks:** Climate change related class-action lawsuits filed where companies knowingly contributed to climate change and failed to warn citizens about the risks posed by their products.

It is not inconceivable that we could incur a threefold loss. The Group Research & Development team have defined how they will address the impact of the science of climate change on strategic business and development policy and asset portfolio planning.

The Bermuda Monetary Authority is the Group Supervisor of the Group Solvency Self-Assessment (GSSA) report on a group basis. Our annual GSSA report for the financial year 2019 included information on our approach to climate risk. Our Emerging Risk process identified ‘Emerging/Extreme Weather Events & Climate Change,’ and this has been monitored and reported on as part of this framework. This covers the increased frequency and severity of extreme weather events caused by climate change and weather patterns and cycles. It also captured the risk associated with new regulatory developments. Increased litigation activity and subsequent liability issues associated with climate change and greenhouse gas emissions may lead to large losses under environmental liability, product liability, and professional liability.

The risk function has created a Climate Change Scenario Development Roadmap to show critical activities and how these will feed into regulatory reporting through ArgoGlobal ORSA and Capital Model Validation submissions. The concept is to incrementally develop the analysis using the natural
cycle of ORSA report (March filing date) and the Validation report (September filing date) to drive step-wise improvements.

Climate Change Scenario Development Roadmap
Principle 3

Lead in the identification, understanding and management of climate risk

3.1 Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments).

Argo Group is committed to continually building, improving, and strengthening its risk culture by assessing new data to study and apply to models to evaluate the current and future risks that climate change will have on our lines of business.

**Environmental Management Policy**

In our environmental management policy, climate risk has been classified by Argo Group as one of its material emerging risks. As such, it is regularly monitored by the risk management function for the primary purpose of assessing the potential impact of climate change on the Company’s business operations, insurance products, and clients.

Environmental impact risk exposures are recognized as an enterprise risk exposure with the Company’s enterprise, risk management framework, and appropriate controls are maintained in place to reduce this risk to acceptable levels. Failure to adequately manage these environmental exposures is recognized as potentially creating a material reputational risk exposure.

The Argo Group emerging risk monitoring process includes scanning available resources for information regarding climate change related to current events, litigation, regulation, legislation, the political environment, and industry groups’ actions that may impact the Company’s strategy.

**Sustainability Working Group and Risk Matrix**

The reporting processes of the Sustainability Working Group (SWG) are carried out quarterly to the Enterprise Risk Management Steering Committee and the AMA Risk & Capital Committee. This workflow process brings awareness of the uncertainties within the strategic landscape, as identified on the risk matrix. A specific ESG/Sustainability threat and opportunity register which is reviewed at least twice per year. Investments in green bonds and high carbon assets are both potential scenarios that have been identified on the risk register as having an effect on our business. This has led to a review of our investment strategy with the investment team.
Financial Impact of Climate Change

ArgoGlobal piloted the development of stress and scenario analysis related to climate change in line with Prudential Regulation Authority (PRA) expectations under their Policy Statement PS11/19. In October 2019 we completed the PRA’s underlying expectations on how we:

- Embed the considerations of the financial risks from climate change into governance;
- Incorporate the financial risks of climate change into existing financial risk management practices.
- Apply scenario analysis to create a strategy, risk assessment, and identification; and
- Develop an approach around the disclosure on the financial risks from climate change.

Three scenario analysis stress tests relating to climate change were carried out, and from that, a blueprint was created. In October 2019, the results were presented to the Argo Managing Agency Risk Working Group and the Argo Managing Agency Risk & Capital Committee. It outlined Argo’s state of readiness against the PRA’s expectations set out in the PS11/19 concerning the financial risks from climate change and devising a forward-looking plan which is now being tracked quarterly and forms the basis of Climate Change Scenario Development Roadmap outlined under Principle 2.2.

Evidence also applies to Principle(s): 2.2

3.2 Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.

Clean Energy and Technology and New Products

The Clean Energy team underwrites technology performance insurance and reinsurance products through Lloyd’s of London, Syndicate 1910. The team is dedicated to developing and distributing insurance and risk financing solutions related to clean technologies that are intended to reduce the overall carbon footprint. Below are some of our listed offerings; however, we recognize as demand increases, new products came come about along with and cross-sell and delivering digital customized solutions in this growing sector.

Solar Project/System Performance: We protect investors by covering long-term project cash flows through a Performance Ratio Guarantee or a MWh Guarantee (this includes irradiance risk, or solar, as a resource).

Fuel Cell System Performance: We provide the backstop of the manufacturer’s original electrical and/or thermal performance warranties. We are flexible to insure manufacturers’ total sales (corporate balance sheet protection) or dedicated customer sales or site locations.

Energy Storage Performance: We provide the backstop of the manufacturer’s original performance warranties. Subject to the accuracy of the battery management system (BMS), we insure utility, commercial and residential site applications, as well as the growing e-mobility market.
Bioconversion System Performance
Our coverage is applicable to conversion of biomass or waste to:

- Energy (electric power and/or heat)
- Synthetic fuels
- Other sustainable chemical products

We provide the following flexible coverage structures:

- Pre-COD – start-up commissioning risk cover in form of repair cost and/or debt repayment
- Post-COD – protect long-term investment with guarantee of project output and quality of end-product; operational and excessive maintenance risks
- Argo Website: Clean Energy and Technology Products

Hydroponic Farming: First mover advantage in supporting development of liability insurance cover for non-marijuana hydroponic farming. There is the potential to partner with hydroponics entrepreneurs providing difficult to obtain liability insurance, and securing entire digitally delivered insurance portfolios.
- Argo Casualty: Hydroponics Product

LMA Sustainability Working Group
In 2019, Argo Group took the lead of convening a group of our peers in the London market under the banner of the Lloyd’s Market Association (LMA); the purpose of the committee is to engage in further discussion around climate change and sustainability issues. The Group is chaired by Argo Group’s CR&SO and has met at Markel and Argo’s offices as well as remotely, due to COVID-19. Attendance and interest are strong, and there is a positive engagement to share best practices, including risk reporting, underwriting and investment exposures, stress testing, and greenhouse gas reporting. The Group meets quarterly and is a guided formal presentation mixed with an informal and open discussion around climate change issues and the impact on each of our businesses.

Industry Events and Feedback
As insurance professionals, we must continuously improve our collective understanding of climate effects; this will allow us to be better positioned to support our clients in those markets where the potential impact of natural catastrophes on economies and politics is heightened. Several staff have attended climate-related events in different geographical areas that have allowed for networking with likeminded people, industry peers, and clients. Attendance at these various conferences has allowed our team members to develop professionally and gain a deeper understanding of how to tackle climate change specific challenges. These face-to-face events have been a forum for learning and have allowed us to cultivate ideas that benefit the company and the client. We support and undertake a range of research and development work and are at times called upon as subject matter experts to provide feedback and consult on various discussion papers.

- Bank of England – The 2021 biennial exploratory scenario on the financial risks from climate change
Principle 4
Reduce the environmental impact of our business

4.1 Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

Vendor Management
Argo Group recognizes that our supply chain is a key component of our environmental sustainability performance; we work with a range of suppliers and outsourced partners to maintain our operations.

Argo Group is committed to improving business results through mutually beneficial partnerships, programmatic performance analysis, vendor governance, reporting, and continuous improvement. Our approach to managing vendors is to establish, maintain, monitor, and evaluate vendor relationships to reduce risks, contain and reduce cost, and achieve greater levels of collaboration in the delivery of competitive advantages to the company. Proper vendor management means conducting thorough due diligence during the selection of new vendors, continuous monitoring activities and management oversight of existing vendors, and proactively managing contracts before the end of renewal periods. Therefore, we have made our commitment public by publishing our Vendor Management Policy and will provide updates on implementation over time.

Our vendor management framework consists of a governance structure to set expectations and provide oversight, direction, thought leadership and accountability, and a policy that provides the foundation of principles, rules, and guidelines for the vendor management process. The Vendor Management Governance establishes vendor decision making rights and creates accountabilities to ensure optimal performance, compliance and risk mitigation to our business and the environment. The Vendor Management Office is responsible for overseeing the implementation and reviews of the vendor management reporting and the ongoing monitoring of performance and risk.

To complement our Vendor Management Policy, we have drafted a Vendor Code of Conduct. The code of conduct document, which is expected to be published in Q4, further emphasizes a commitment to legal, ethical, safe, fair, and environmentally responsible business practices.
4.2 Disclose our Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognised standard.

**Greenhouse Gas Emissions Data**

In previous years, ArgoGlobal has only provided to ClimateWise its UK footprint. However, for 2019, Argo Group launched a group-wide initiative sponsored by the Sustainability Working Group to capture, analyse, and report our Greenhouse Gas (GHG) emissions.

This GHG inventory and details on our methodology have been published on our external website.

- [Argo GHG Inventory Overview](#)

With 2019 as our base year for calculation greenhouse gases, our methodology for measuring carbon footprint is evolving, and some data gaps do exist. We used the ISO 14064-1 greenhouse gases-part 1: specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals, to quantify, monitor, report, and verify our Scope 1 and Scope 2 GHG emissions.

Scope 1 emissions calculation was based on a small fleet of company-owned cars. In the absence of data mileage, we made conservative estimates to calculate our CO2. Scope 2 emissions were exclusively from purchased electricity and represented 93 percent of our Scope 1 and 2 emissions.

Our organization is made up of multiple facilities, our GHG calculation was based on the equity share approach. As a global company with operations in different jurisdictions we determined our GHG inventory across 40 locations.

Should there be any changes to the qualitative and/or quantitative criterion used to define or any significant changes to the data, inventory boundary, methods, or any other relevant factors, we will recalculate the base year. A significance threshold that triggers a base year emissions recalculation will be disclosed.

Efforts were made to find the appropriate internationally recognized sources for all global emission factors, and where it was not possible, comparable conservative estimates were made. Assumptions made in the calculations of emission factors also contribute to the variations in the data that may to the base year being recalculated.

We recently drafted our scope 3 calculations for the entire group based on 2019 air travel and hotel stay data. A summary of the findings has been forwarded internally for senior management to review. A proposal for a travel reduction of 33% has been put forward as a new target for air travel in 2021.

**Creating New Standards and Streamlining Processes**

Obtaining our 2019 baseline GHG emissions proved to be problematic at times. The exercise of collecting utility invoices for purchased electricity was challenging. Some landlords proved to be not as forthcoming or could not provide the data. There were additional complexities around office space where shared meters calculated the kWh for multiple tenants.
These issues have been taken into consideration, and we have proposed new solutions that will be built into lease renewals and or terminating leases when they are due to expire in search of buildings that are BREEAM or LEED-certified. We have also streamlined the process internally, staff that managed the local utility statements can now drop those documents in a shared drive. This eases the administrative burden of collating the information in future years and will lead to improvements in data capture and quality.

Previously ArgoGlobal did not report on group-wide emissions solely because there was not a dedicated resource to undertake the project. Since the appointment of the Sustainability Analyst, this is now part of her remit.

**Argo Group GHG Inventory Overview**

All figures in the table below relate to Argo Group.

ArgoGlobal rents a number of desks in the Room at Lloyd’s - these have not been included in the table below because they fall completely within the operational control of Lloyd’s and have been included within their GHG inventory.

<table>
<thead>
<tr>
<th>Scope 1: Direct Emissions</th>
<th>123</th>
<th>Argo Group has a small fleet of 27 cars in the US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Owned Vehicles</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope 2: Indirect Emissions</th>
<th>1,783</th>
<th>Data collected group wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Electricity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope 3: Indirect Emissions</th>
<th>4,135</th>
<th>Data collected group wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Air Travel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Hotels Stays</td>
<td>392.70</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL (Scopes 1, 2 and 3)</th>
<th>6,433.70</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Scope 2: Indirect Emissions</th>
<th>1,783</th>
<th>2019-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Electricity</td>
<td></td>
<td>data collected group wide</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>257.6</th>
<th>2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Electricity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>270.7</th>
<th>2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Electricity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We have six years of scope 2 data. It has shown a steady increase year over year except in 2018, where there was a reduction; it should be noted that this is the year where the group moved into a new office space, resulting in energy efficiency. The increase in electricity usage also correlates to the increase in employee count, as shown in the table below. In 2019, there was a significant increase because GHG calculations for the entire organization on a global scale was reported.

In 2020 we calculated reduction targets based on premium revenues for scope 2 and scope 3. Our reduction targets have been approved and published on our website (see here).

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>256</td>
</tr>
<tr>
<td>2019</td>
<td>234</td>
</tr>
<tr>
<td>2018</td>
<td>228</td>
</tr>
<tr>
<td>2017</td>
<td>224</td>
</tr>
<tr>
<td>2016</td>
<td>199</td>
</tr>
<tr>
<td>2015</td>
<td>181</td>
</tr>
<tr>
<td>2014</td>
<td>161</td>
</tr>
</tbody>
</table>

### Flights

<table>
<thead>
<tr>
<th>FTE</th>
<th>Carbon Emission (metric tons / FTE)</th>
<th>Trips</th>
<th>Spend</th>
<th>Mileage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,470</td>
<td>2.81</td>
<td>7,168</td>
<td>$6,157,388</td>
<td>13,749,178</td>
</tr>
</tbody>
</table>

### Hotels

<table>
<thead>
<tr>
<th>FTE</th>
<th>Carbon Emission (metric tons / FTE)</th>
<th>Total Carbon Emission (metric tons)</th>
<th>Spend</th>
<th>Hotel Nights*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,470</td>
<td>0.27</td>
<td>392.70</td>
<td>$2,231,082</td>
<td>10,000+</td>
</tr>
</tbody>
</table>

*assumption made based on given data and estimates made on hotel trips
4.3 Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Impact on Internal Operations
The GHG data has been beneficial in influencing discussions around decision making. The emissions and financial costs related to corporate travel provoked conversations around setting new reduction targets in the future. The scope two emissions on purchased electricity and the new reality of working remotely bring into question how our staff will continue to work. Will the traditional office space still be the way forward in how we work? It has forced us to re-examine what will best suit our staff and business requirements going forward. These issues are still new and evolving, and we are methodically working out the best outcomes for each one. Our end goal is to have measures in place that complement target reductions on our GHG footprint.

4.4 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.

Going Back Better
Since the implementation of the mandatory working from home arrangement due to COVID-19, we are evaluating alternative work arrangements. A steering committee has been formed to consider the short and medium-term implications. A key element has been to ensure employee engagement in the process, and there have been employee engagement surveys, pulse surveys, and global townhalls with open questioning using Slido to allow a free exchange of information. Staff have been very interested in how this enables improvements in our environmental performance.

Going forward, working from home may be a new permanent reality for some staff. A committee has been established to reassess our business requirements around office space. Going Back Better is the new tag line around how we want to keep staff safe and, at the same time, be able to meet all their requirements around individual job functions. A blended work environment with hot-desking mixed with traditional workspace will encourage people to move around the office and foster flexible work schedules while significantly reducing and replacing the conventional commute.

New Initiative
We are currently putting forth a survey to all employees to establish a baseline for current employee commuting behaviours. The survey’s objective is to examine employee commute information and what commute solutions could be implemented. We want to get a better understanding of our pre-COVID-19 commuting footprint for 2019. We are considering the opportunity to put forward a company-wide bike to work scheme. Current government programs already in place, such as the UK Cycle to Work scheme that offers tax exemptions, will further incentivize this initiative.
Principle 5
Inform Public Policy Making

5.1 Promote and actively engage in public debate on climate-related issues and the need for action. Work with policy makers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

International Insurance Leaders Advisory Council

Argo Group continues to participate in the International Insurance Leaders Advisory Council for Climate Change. The purpose of this Council is to bring leaders from the insurance industry and global regulators to coordinate a more systematic response to Climate Change within the financial services sector. The Council has overseen the delivery of two projects during the period, specifically, with the subject matters of Transition Risk associated with investment portfolios and physical vulnerability and resilience to flood exposures. The Group Chief Risk & Sustainability Officer represents Argo Group on this Council.

Chapter Zero

Our ESG sponsor and non-executive director, Kate Nealon, is senior member of Chapter Zero, a directors’ climate forum that engages discussion around the related risks and opportunities and for members to take the dialogue back to their boardrooms. Chapter Zero’s initiative to have businesses ‘build back better’ post-COVID-19, has parallel concepts to our objective of ‘going back better.’ Our Chief Risk & Sustainability Officer is now also a member of Chapter Zero and has prepared in a video blog to share thoughts and insight around the challenges in setting up our ESG programme.

- Chapter Zero – About Us
- Chapter Zero Talks ESG with Alex Hindson of Argo Group (Video)
5.2 Support and undertake research on climate change to inform our business strategies and help to protect our customers’ and other stakeholders’ interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

**Signatory UK Business Group Alliance for Net Zero**

As part of the Cambridge Institute for Sustainability Leadership (CISL) network, ArgoGlobal supported a letter from business CEOs to the UK Government on a sustainable, resilient recovery for the UK. The letter is calling on the UK Government to ensure that the economic recovery is aligned with the UK’s broader goals and delivers a clean, just improvements that create quality employment and builds a more sustainable, inclusive, and resilient UK economy for the future.

The letter is a joint initiative from the UK Business Group Alliance for Net Zero, which includes the CBI, The Prince of Wales’s Corporate Leaders Group, the Aldersgate Group, CDP, the B Team, IIIGCC, the Climate Group, BITC, the UKGBC, and many more UK business groups.

**Association of Bermuda Insurers and Reinsurers (ABIR)**

As an ABIR member, we are providing feedback on a draft Climate Change Insurance Survey. This survey will be issued by the Bermuda Monetary Authority (BMA). The BMA will begin to work on a climate stress test for the market. With industry experts in our organization, we can provide valuable input on climate change scenario development.

**PRA Requirements of Financial Impact of Climate Change**

As further outlined in Principle 3.1, ArgoGlobal piloted the development of stress and scenario analysis related to climate change in line with Prudential Regulation Authority (PRA) expectations under their Policy Statement PS11/19.

**Contributing Ideas Through Research and Modeling**

Our effort to move the needle is through participating in public speaking events and sharing industry knowledge. Our Research and Development efforts have been put forth from industry scientists and engineers that have expertise in seismology, meteorology, hydrology, and building design. Our contributions from various team members to research and development concepts are outlined in Principle 2.1. In addition to the above, we continually seek opportunities to join or partner with organizations on the subject of climate change to further our understanding and have a more significant presence to make contributing efforts to changing policy.

Evidence also applies to Principle(s): 2.1, 3.1
Principle 6
Support Climate Awareness Amongst Our Customers / Clients

6.1 Communicate our beliefs and strategy on climate-related issues to our customers/clients.

Climate Change Position
Our Climate risk management position is shared with our clients via our enhanced external Corporate Responsibility webpage, which notably features content on our entire ESG program. We have a dedicated section on climate change and environmental related subjects.

This year was the first year we published our Sustainability Report, see Section 1.2 under 'Sustainability Working Group' for more information. All of these disclosures highlight the impact of climate change on our business and our plan to understand climate-related risks according to the recommendations of the Task Force for Climate-Related Financial Disclosure (TCFD).

We recently launched a quarterly ESG-specific newsletter that we distribute to all staff along to a targeted audience of clients and industry stakeholders. The newsletter focusses on all matters related to ESG and our plans for addressing climate change. The July newsletter highlights new insurance solutions and how critical data is to flood modeling. Additionally, we have other online digital channels where we communicate our messages and commitment to climate-related issues: LinkedIn (Argo Group), Instagram (@lifeatargogroup), Facebook (Argo Group), and Twitter (@argo_group).

Our commitment to our membership to ClimateWise and yearly reporting confirms our intentions on continuous improvement around climate-related business solutions.

This year we have decided to expand the scope of our ClimateWise report to cover Argo Group as well as ArgoGlobal and to publish the report externally to show our ongoing commitment to move towards TCFD recommendations.

- Argo Group: Corporate Responsibility (website)
- Flood Modeling: Turning the Tide on U.S. Flood Risk (article)
- Ariel Re delivers insurance solution to support newly formed NovaSource Power Services

Evidence also applies to Principle(s): 1.2
6.2 Inform our customers/clients of climate-related risk and provide support and tools so that they can assess their own levels of risk.

External Communication
We help our clients understand and navigate climate-related risk through our published research and by way of our products and services.

Section 1.2 goes into more detail on our research and development and related products. Our research and models elaborate on climate-related extreme weather events such as drought and the impact on the economy and how it threatens other aspects of daily life.

Evidence also applies to principle(s): 1.2
Principle 7

Enhance Reporting

7.1 Submission against the ClimateWise Principles.

Submitted Against All Principles
We have submitted our report against all ClimateWise sub-principles, on time and in full.

7.2 Public disclosures of the ClimateWise Principles as part of our annual reporting.

ClimateWise Report Will Be Publicly Available
We will make our ClimateWise Principles report publicly available on our website.

We have produced our first Environmental, Social & Governance (ESG) Annual Report in 2020, and published our 2019 Annual Report.

ClimateWise membership is disclosed, reference is made to Climate Risk in the annual report risk disclosures and reference is been specifically made to TCFD and our commitment to its principles.