

## Flood Re Climatewise Report 2024



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## Introduction

The ClimateWise framework was developed by the Cambridge Institute for Sustainability Leadership (CISL) and now represents a growing global network of leading insurance industry organisations that voluntarily disclose their firms’ responses to climate change on annual basis.

The ClimateWise Principles, which have led the insurance industry in climate disclosure since 2007, were aligned in 2018 with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations whilst retaining the aspiration to lead on informing public policy and raising awareness of climate change among its members and their customers.

In 2024 ClimateWise has again raised the ambition of sustainability reporting, expanding the scope of the ClimateWise Principles to reflect not only TCFD recommendations but also those of the Task Force on Nature-related Financial Disclosures (TNFD), Corporate Sustainability Reporting Directive (CSRD), International Sustainability Standards Board (ISSB), Transition Plan Taskforce (TPT) and US Securities and Exchange Commission (SEC).

More information about ClimateWise is available on its website:

[ClimateWise | Cambridge Institute for Sustainability Leadership \(CISL\)](#)

Flood Re has been part of the ClimateWise network since 2020, with past submissions available to view on the company’s website:

- [2023 ClimateWise response](#)
- [2022 ClimateWise response](#)
- [2021 ClimateWise response](#)
- [2020 ClimateWise response](#)

This report covers activities from June 2023- June 2024, and was submitted in August 2024.

### About Flood Re

Flood Re Limited (hereinafter Flood Re) is the Scheme Administrator for the Flood Reinsurance Scheme (Flood Re Scheme). Section 64 of the 2014 Act sets out Flood Re’s primary purposes, one of which is to: “manage, over the period of operation of the scheme, the transition to risk-reflective pricing of flood insurance for household premises” (Water Act 2014, Sect 64, (2)(b)).

The Flood Re Scheme is a joint initiative between the UK insurance industry and the UK Government. It is principally engaged in the provision of flood peril reinsurance cover within the UK and was created as a direct response to extreme weather events and the resultant impact on the price of home insurance. The Flood Re Scheme was set up as a time-limited intervention, with its exit from the market set for year 2039. Further details of the Scheme can be found on the company’s website at [www.floodre.co.uk](http://www.floodre.co.uk).

## Summary

2022-23 marked a watershed year for Flood Re, the scheme continued to deliver on its mandate of ensuring the availability of affordable home insurance including flood cover, despite the most significant flooding in the scheme's lifetime. Build Back Better was implemented and insurers on-boarded to the initiative, and the release of Flood Re's 2023 Transition Plan set direction for the scheme's major initiatives over the coming years.

2023-24 saw further evolution and progress in the scheme's work, and major storm events provided the first major test for the delivery of Build Back Better (BBB). Continued focus on the impact of climate on the scheme's book and risk profile is central to the scheme's operation – including discussions at every Board meeting of not only the risks we hold but the measures that Flood Re will be taking to help the market to deliver resilience over time. Following from last year's release of the Transition Plan, the organization set about delivering on the plan's commitments to advance market-based resilience mechanisms – improving BBB, advancing scoring for property-level flood resilience (PFR) measures, implementing a framework for Flood Performance Certificates, and establishing a Homes, Floods and Insurance Hub. Climate-focused projects were undertaken, including measuring the impact of climate change on flood defences and comparing international schemes. We continued our work to influence the debate on planning and the use of natural measures in flood management, and continued to play a leading role in advancing techniques to protect homes and ensure they are insurable over the longer term.

Two notable milestones for the scheme were achieved in 2023-24. Flood Re's Flood Resilient Garden at the Chelsea Flower show was our single biggest public-facing initiative to date – it reached a global audience in the billions, and helped to raise the public profile of (natural and home-level) flood resilience measures in the UK and beyond. Our Quinquennial Review (QQR) helped to maintain the success and viability of the scheme by proposing improvements to the Build Back Better scheme, amendments to the scheme's parameters, and included a proposal to allow purpose-driven investment.

As a small company, with around 60 employees, we are proud of what we've been able to achieve: ensuring the continued availability of affordable home insurance including flood cover, and helping to drive forward awareness of flooding and the mechanisms to address it, so that we can manage risks in the climate of the future.

## ClimateWise Principles 2024

Sections of the report highlighted in grey are not populated as part of Flood Re's response.

| Principle                        | Theme                          | Reference | Sub-Principle                                                                                                                                                                                                                                                                                                        |
|----------------------------------|--------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Steering Transition</b>    | <b>Governance</b>              | 1.1       | Ensure that our Board has oversight of climate- and nature-related risk and opportunity management, including any transition plans.                                                                                                                                                                                  |
|                                  |                                | 1.2       | Ensure that our senior management has responsibility of climate- and nature-related risk and opportunity management, including any transition plans.                                                                                                                                                                 |
|                                  |                                | 1.3       | Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.                                                                                                                                                                             |
|                                  |                                | 1.4       | Ensure that our Board and Senior Management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.                                                                                                                                                       |
|                                  | <b>Strategy</b>                | 1.5       | Describe the impacts and implications of climate- and nature-related risks and opportunities on our business model and performance, strategy, and any decision-making processes.                                                                                                                                     |
|                                  |                                | 1.6       | Describe how environmental resilience plans are incorporated into business decision making, including disclosure of any material outcomes of climate risk scenarios.                                                                                                                                                 |
|                                  |                                | 1.7       | Describe the outcomes of our materiality analysis and any material climate- and nature-related risks and opportunities that affect our prospects.                                                                                                                                                                    |
|                                  | <b>Risk Management</b>         | 1.8       | Establish appropriate processes to identify, assess and prioritise climate- and nature-related impacts, risks and opportunities.                                                                                                                                                                                     |
|                                  |                                | 1.9       | Put in place mechanisms to monitor and manage climate- and nature-related risks and opportunities.                                                                                                                                                                                                                   |
|                                  |                                | 1.10      | Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks.                                                                                                                                                                           |
| <b>2. Engaging Stakeholders</b>  | <b>Operations</b>              | 2.1       | Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control. [provided by Operations and Financial Control/ Annual report]                                                                                                                                  |
|                                  |                                | 2.2       | Engage our employees on our commitment to address climate- change and nature, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate- and nature-informed choices outside work.                                                                            |
|                                  | <b>Value Chain</b>             | 2.3       | Understand and disclose the sources of emissions and adverse climate- and nature-related impacts on our value chain, that might in turn impact our business.                                                                                                                                                         |
|                                  |                                | 2.4       | Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services and understand the implications these have on our business.                                                                                                        |
|                                  | <b>Innovate &amp; Advocate</b> | 2.5       | Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate- and nature-related issues.                                       |
|                                  |                                | 2.6       | Promote and actively engage in public debate on climate- and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate- and nature-related issues and providing support and tools to our customers/clients so that they can assess their levels of risk. Compiling |
|                                  |                                | 2.7       | Where appropriate, work with policy makers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.                                                                                                                                                    |
| <b>3. Enabling Transition</b>    | <b>Investments</b>             | 3.1       | Integrate consideration of climate- and nature-related risks and opportunities into investment strategies and decision making. Awaiting/ Investment Manager                                                                                                                                                          |
|                                  |                                | 3.2       | Take action to manage the implications of climate- and nature-related risks and opportunities on, and of, our investments.                                                                                                                                                                                           |
|                                  | <b>Underwriting</b>            | 3.3       | Develop and use models to incorporate climate- and nature-related issues and describe how the outputs of the models inform our underwriting decisions.                                                                                                                                                               |
|                                  |                                | 3.4       | Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate- and nature-related issues of the insured structures through pricing of policies.                                                                                                          |
|                                  | <b>Transition Plans*</b>       | 3.5       | Disclose our climate- and nature-related transition plans and the objectives, priorities and commitments we are looking to address.                                                                                                                                                                                  |
|                                  |                                | 3.6       | Describe how the transition plan is overseen, resourced and implemented.                                                                                                                                                                                                                                             |
| <b>4. Disclosing Effectively</b> | <b>Measure &amp; Monitor</b>   | 4.1       | Measure and disclose the impacts and potential impacts on our business of material climate- and nature-related risks and opportunities, including the results of the resilience analysis.                                                                                                                            |
|                                  |                                | 4.2       | Disclose the metrics used to measure and manage our contribution to climate- and nature-related risks, and targets used for monitoring progress.                                                                                                                                                                     |
|                                  | <b>Report Robustly</b>         | 4.3       | Maintain and enhance a robust reporting regime, processes and internal controls over climate-related disclosures in order to avoid material errors or material misstatements.                                                                                                                                        |
|                                  | <b>Disclose Transparently</b>  | 4.4       | Annual submission against the ClimateWise Principles.                                                                                                                                                                                                                                                                |
|                                  |                                | 4.5       | Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.                                                                                                                                                                                            |
|                                  |                                | 4.6       | Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.                                                                                                                                                                    |

\*Transition Plans will not contribute to a member's overall score in 2024. Members have the option to submit against Sub-Principles 3.5 and 3.6 in 2024 in order to receive feedback and understand how to improve.

## Principle 1: Steering Transition

### Theme: Governance

*The Governance Theme allows Members to describe how they approach governance of climate and nature management within their organisation, and describes how oversight and management of climate and nature issues is organised throughout the organisation.*

#### *Sub-Principle 1.1: Ensure that our Board has oversight of climate and nature-related risk and opportunity management, including any transition plans.*

*Members can use this section to demonstrate how their Board has oversight of climate- and nature-related risks and opportunities. This might include a description of which committees consider climate and nature, the reporting lines of these committees, and responsibility mappings which clearly demonstrate Board-level oversight and decision-making. The ClimateWise Guidance sets out topics which members could consider.*

#### **Flood Re's overarching statement on climate change**

Flood Re was established by the insurance industry and the Government as a direct response to extreme weather events and the resultant impact on the price of home insurance. Flooding poses a serious climate-related risk to the UK. Flood Re believes that the UK needs a long-term approach to both mitigation and adaptation to ensure that both current and increased flood risk resulting from climate change are managed effectively.

Climate change is managed by Flood Re as a cross cutting risk which impacts a range of elements of the Flood Re Scheme's Risk Profile (Strategic, Insurance, Market, Credit, and Operational Risk).

#### **Flood Re Board's oversight of climate and nature-related risk**

The arrangement Flood Re has in place is in line with requirements set out within the [Supervisory Statement 3/19](#) dated April 2019 and titled *Enhancing banks' and insurers' approaches to managing the financial risks from climate change*. The statement was produced by the Prudential Regulation Authority (PRA), a UK financial services regulatory body that is part of the Bank of England.

Ultimate responsibility for risk management within Flood Re lies with the Board. Critical to this is the tone it sets with respect to risk culture – this includes setting Flood Re's overarching Risk Appetite Framework and actively seeking to monitor, manage and respond to the risks to Flood Re's successful 2039 exit. Climate Change represents a cross cutting risk to both the Scheme's continued operation and delivery of affordable and available cover to those at risk of flooding as well as a risk to managing the size of the market protection gap<sup>1</sup> by 2039. The Board's responsibility for risk management is discharged through Flood Re's Committee structure as part of the governance framework.

The Board is acutely aware of climate and nature related risks. Flood Re had identified five distinct elements relating to climate change for the Board and Executive Committee (ExCo) to monitor and seek to manage, which were agreed by the Board in November 2019. The five elements are shown in Figure 1. The most material elements being the two overt risks climate change poses to Flood Re, namely (1) Risks to the continued operation of the Scheme (short/medium term) and (2) Risks to Flood Re's Exit in 2039 (medium/long term).



Figure 1 Flood Re Board and Executive Committee (ExCo) and their oversight of climate change risk assessment across five elements.

Our previous ClimateWise Reports highlight year by year the Board and ExCo's oversight of Climate Change as a material risk to the Scheme's Purpose, hence this report focusses on steps taken over the course of 2023-2024.

In 2023-24, Board focus on climate matters was again amplified from previous years. In 2022-23, all but one Board meeting discussed the management of climate risks through processes like the Own Risk Solvency Assessment (ORSA – detail in section 1.2), which was true again in 2023-24. However, Transition matters went from being on the agenda for half the meetings in the previous year, towards – following the release

<sup>1</sup> "Market protection gap" refers to those unable to obtain or afford insurance, which in the UK includes flood cover as standard. Prior to Flood Re's entry to the market, a significant percentage of householders with previous flood claims or at high risk of flooding were unable to obtain any insurance or else faced premiums that were often several thousand pounds. Following Flood Re's creation and entry to the market, the protection gap among this flood-specific group has largely disappeared, although a broader insurance coverage gap continues to exist owing to the percentage of homeowners (periodic surveys put this group at less than 20% of households) who are unable to afford or choose not to procure home insurance.

of a the 2023 Transition Plan – a conscious inclusion on every Board agenda in 2023-24. This was done with the intention of ensuring the Board was fully engaged with not only climate-related risks to the scheme being tracked via the ORSA, but also the initiatives Flood Re was undertaking to assist with climate adaptation in the broader market (see section 2.5 below) – e.g. each meeting now discusses not only climate risks but the actions flood re is taking to help the market to manage or reduce these risks over the longer term. This included a discussion on Transition Indicators (more detail in 1.2, 1.6 and 2.5) in February 2024, which provided an opportunity for the Board to discuss and input to the indicator ratings in greater depth than in past years, where they were primarily reported to the Board prior to their publication in each Annual Report. Other discussions were on Flood Performance Certificates (see 2.5), Insurance Market Affordability and metrics, the Flood Resilient Garden (see below and 2.6), the Homes Floods and Insurance Hub (see 2.5) and updates on work underway across all transition workstreams. The Board also heard about Flood Re staff’s work in the aftermath of Storm Babet and Henk, where staff joined sessions in flood-affected communities to help affected householders to understand insurance and Flood Re’s Build Back Better offering, as well as providing a direct lens into those impacted by flooding.

In July 2024 a session was conducted with the Board on climate change, entitled *Modelling and Pricing Future Risk*. The aim of the session was to ensure that both the Board and the Executive Committee (ExCo) are provided with up-to-date information on climate change and its impacts on flood risk over the short, medium, and long term. The session was led by Flood Re’s Head of Catastrophe and Climate Analytics and Senior Catastrophe and Climate Analyst who is a professional meteorologist and flood risk expert, and it comprised:

- A training on the latest understanding in the field on possible changes in UK flood risk arising from the changing climate – including changes by different flood perils (coastal/fluvial/surface water), scale of uncertainty, potential materiality.
- A discussion on the impact of this on practice in the insurance market, and consequent implications for Flood Re and its purpose.

The subject matter of the session was designed to give a balanced assessment of the risks posed by climate change over the coming decades and where the insurance industry may need to make changes in its approach to climate related flood risk in the future. Specifically it was noted that:

- uncertainty in flood modelling is not accurately captured, and academic partnerships were currently being developed by Flood Re to better quantify and explain the uncertain nature of the risk
- surface water flooding is a concern with, climate change and issues with the built environment (e.g. drainage) exacerbating an increasingly uneven distribution of losses. This means that the current underwriting tools (e.g. flood maps) may not capture the full extent of risk going forward.

The content of this session will form the basis for discussion at the forthcoming strategy day in December 2024.

As a result of the Board discussions, two significant shifts have occurred over the last 1-2 years:

- Actions have been taken to manage the scheme’s financial matters, as detailed in 1.7 below, particularly through amendments to the scheme’s parameters via our Article 90 process and quinquennial review proposals, as well as premium setting. The Article 90 exercise in particular represents a significant change to the program, increasing the loss limit, and was influenced by the strategic planning and modelling work described throughout the submission.
- A heavier emphasis has been placed on Transition matters in Flood Re’s work – this work is outlined in detail in sections 2.5-2.7. Flowing from the 2023 Transition Plan, we are undertaking and deepening work – much of it the first of its kind in the world – to manage flooding risks in a way that leverages the public-private nature of the scheme through programs like build back better, Flood Performance Certificates, and other initiatives to improve the physical resilience of homes.

This year, Director Shirel Stedman took on responsibility for acting as Board lead for the Transition portfolio. As such, she began attending the Transition Sub-Committee (a sub-committee of the Executive Committee, outlined in 1.2) in order to provide a Board perspective on specific Transition workstreams, and feed back to the Board on progress, as well as developing specific expertise in Transition matters (which are generally in the public policy area, and often amount to developing climate adaptation policy). She also chaired the first meeting of a Flood Re expert group, which met in May of 2024 and considered the question of how many and which UK homes should receive Property-Level Flood Resilience (PFR) measures (see 2.7 below). This new liaison role ensures greater Board engagement in transition activities.

In this reporting period, the Board also championed Flood Re’s creation of a Flood Resilient Garden, a climate adaptation-themed project showcasing how gardens of any size can be effective for alleviating risk of flooding. The garden was installed for the Chelsea Flower Show and received the show’s Silver Medal, as well as widespread media coverage which supported Flood Re driving home our key messages around climate resilience and householders understanding their risk of flooding and taking actions to manage it. Further detail on this can be found in section 2.6.

Following the publication of our third transition plan last July, our outwards communications around the threats posed by climate change to the UK have also been taken forward. Under the heading Climate change adaptation, Flood Re Chair of the Board writes in the Annual report and accounts (ARA) for the year ended 31 March 2024: “*The (Flood Re) scheme cannot just continue in perpetuity, particularly in the context of rising risk. The urgency to act now is stark, even greater than when Flood Re was established in 2016. The latest evidence suggests that we will lose our battle to keep global heating below 1.5 degrees. If that target is exceeded by just half a degree, the number of those in the UK at risk of “frequent flooding– currently, two million people – would increase by 40%.”*

## ***Sub-Principle 1.2: Ensure that our senior management has responsibility of climate and nature-related risk and opportunity management, including any transition plans.***

*Members can use this section to demonstrate senior management’s responsibilities relating to climate and nature. This might include an organisation chart with responsibilities and reporting lines clearly identified, or an articulation of how responsibilities in respect of climate and nature are assigned throughout the business and control functions as described in the ClimateWise Guidance. This section might include more detailed descriptions of specific roles and responsibilities evidenced through the member’s governance documentation.*

Flood Re’s Board’s oversight of climate and nature-related risk is in line with requirements set out within the [Supervisory Statement 3/19](#) dated April 2019 and titled *Enhancing banks’ and insurers’ approaches to managing the financial risks from climate change*. In line with PRA’s Supervisory

Statement 3/19 the Flood Re SMF with the “responsibility for identifying and managing financial risks from climate change” is Stuart Logue as SMF2 – “Chief Finance”.

In terms of governance, Figure 2 shows the position of the Board in relation to various committees and sub-committees. The Executive Committee (ExCo) is staffed by senior managers from within the organisation whilst the Board includes external appointments of Non-Executive Directors (NEDs), as per information on Flood Re’s website: [The team - Flood Re](#). In terms of expertise in the space of Climate Change, Flood Re’s Register of Experts highlights the different areas of expertise the Scheme requires relating to climate change (e.g. modelling, disclosure etc) and highlights those members of staff with expertise, experience and qualifications in each area.

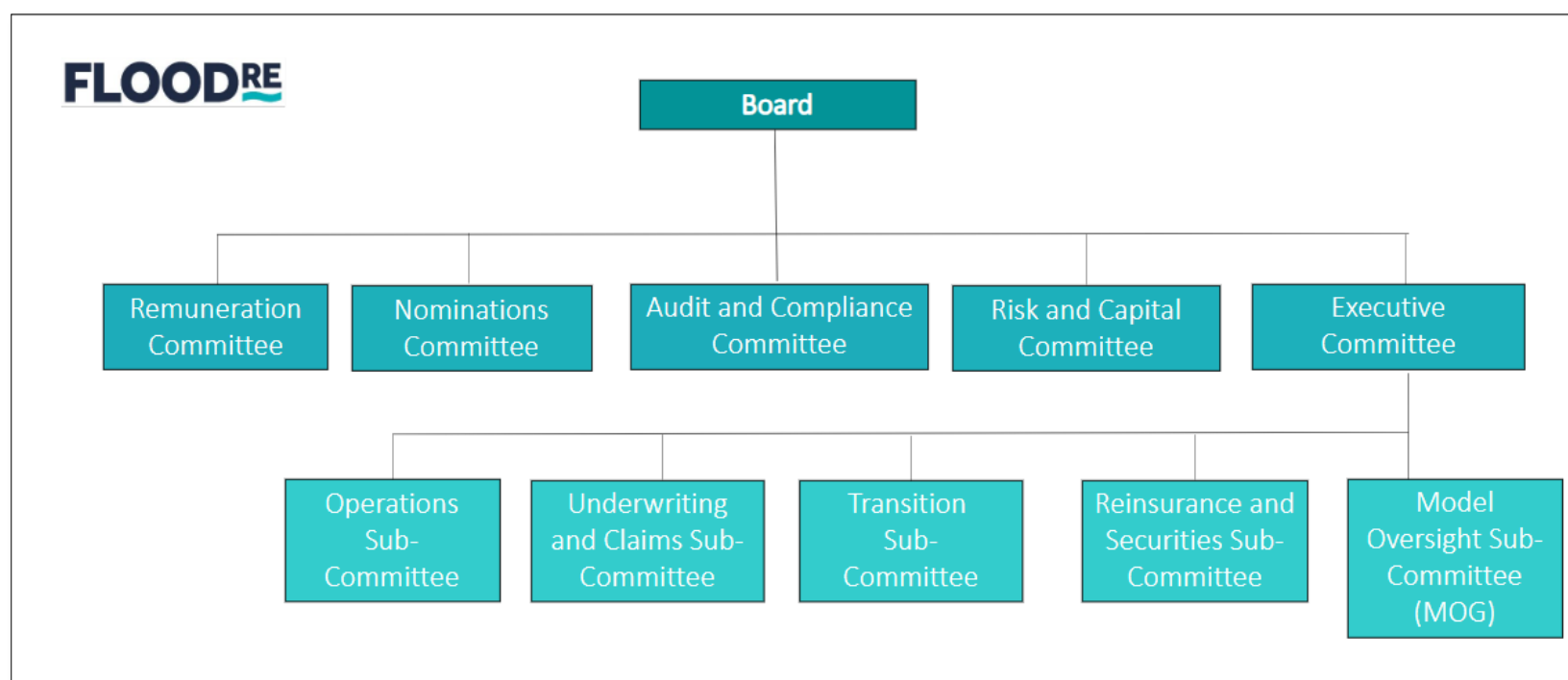


Figure 2 Flood Re governance structure: its Board, committees, and sub-committees.

The previous section (1.1) set out the types of issues that are discussed by the Flood Re Board, and its oversight and decision-making function. All of the issues discussed at the Board level are previously discussed at the Executive Committee (ExCo) level, and typically in greater detail with a view to operational impacts. For instance, Flood Re’s Build Back Better (BBB – see 2.7 and 3.4) initiative is something discussed at effectively all Board meetings both in terms of its impact on scheme costs and Transition goals (e.g. ensuring uptake so that homes are both resilient and insurable in the future in the face of growing climate risks). BBB is discussed at ExCo meetings on a monthly basis, with a BBB dashboard providing regular updates on uptake levels and insights, to inform further delivery of the initiative. Other topics discussed at greater detail in ExCo meetings include the Flood Resilient Garden, communications activities, Flood Performance Certificates, operationalizing the Homes Floods and Insurance Hub, and ceding/risk management activities – all of which have a bearing on the scheme’s approach to managing climate risk.

Beyond these responsibilities relating to oversight of climate change and its impact on the Scheme, in terms of senior management’s responsibilities relating to climate and nature related risks, this is at the core of work of two committees in particular and associated reporting lines:

**The Risk and Capital Committee** is a committee of the Board and is accountable to the Board. Its areas of responsibility, as set out in the Terms of Reference, include:

- Oversight of Flood Re Risk Profile.
- Oversight of the Own Risk and Solvency Assessment (ORSA) process.

Climate Change is recognised by the Committee as one of the most material cross cutting risks impacting a range of elements of Flood Re’s Risk Profile and so it is managed and overseen accordingly.

This committee is responsible for the oversight of the Flood Re Scheme’s risk management framework and capital adequacy; ensuring that all risks to Flood Re are identified, assessed, and monitored in line with the risk appetite and relevant policies.

In the last reporting period, this committee has continued to focus in particular on setting Flood Re’s Scheme Parameters (Liability Limit, Levy 1 and Loss Limit) at appropriate levels for the next 3-year cycle commencing in 2025/26 and monitoring and managing risks and potential opportunities to further the objectives of the Scheme following the major flood events of 2023/24. Through the exercise to set these Scheme Parameters (Article 90 process), the near term implications of climate change and its impact on Flood Re stakeholder behaviour have been explicitly assessed and stress tested, both through our Article 90 submission to Defra and through our 2023/24 ORSA Report.

The process of producing and approving Own Risk Solvency Assessment (ORSA), which happens at least annually, illustrates senior management’s responsibilities in this area. The ORSA exercise is led by the Flood Re Risk Function and is directed by the Chief Risk Officer, in collaboration with the first line risk owners. It considers the risk environment and any new material or emerging risks. The ORSA report is ultimately provided to the Board and Executive Committee (ExCo), who deliver the role of “administrative, management or supervisory body (AMSB)”, as defined under Solvency II, for Flood Re. This year’s ORSA Report highlighted Climate Change (alongside political environment uncertainty/change) as a key “cross cutting” risk impacting multiple areas of Flood Re’s risk profile, see Table 1 later in this report for further details of this. Further detail and discussion of ORSA content can be found in Section 1.5 below.

The **Transition Sub-Committee** is a sub-committee of the Executive Committee (ExCo) and is accountable to the Executive Committee (ExCo). The Transition Sub-Committee has three areas of responsibility and one of these centres on transition planning, as set out in the Terms of Reference:

- Ensure delivery of the commitments made in the 2023 Transition Plan.
- Identifies projects and initiatives to support transition across the business.
- Challenges and reviews transition plans and supporting initiatives.
- Co-ordinates with Business As Usual (BAU) requirements to ensure resource availability.

As detailed in previous ClimateWise reports, Flood Re’s Transition and Risk teams maintain a list of Leading Indicators to monitor and report on progress related to climate change and mitigation efforts aligned with Transition Strategy Buckets initially devised in 2018. This reports annually on the current position of each area of Transition in a similar manner to the Committee on Climate Change’s Annual “Progress Reports”. Figure 3 (below) excerpted from the 2023 Transition Plan shows these indicators, which have been grouped into 3 “buckets”. Each year, these indicators have become a greater part of the discussion, and in the 2023 Transition Plan they were supported by specific initiatives to improve those indicators which are within Flood Re’s influence (and lobbying and advocacy activities in respect of indicators where other authorities hold the levers) – sections 2.5 and 2.6 describe these initiatives in greater detail. Over the last year, these indicators were discussed in greater detail both at ExCo meetings and (as noted in 1.1) Board meetings, in order to unpick the specifics of different ratings and provide Board and Executive views into the ratings – these ratings were included in a stand-alone website in conjunction with the Annual report and accounts (ARA) this year, in order to make them more user-friendly to stakeholders and readers of the ARA. The third indicator (“Adapt to climate change”) deals explicitly with climate pathways, and has helped to inform work discussed and agreed through the Transition SubCo, such as research to understand the impact of climate change on flood defences or insurability of homes after Flood Re’s exit (both described in section 2.5).

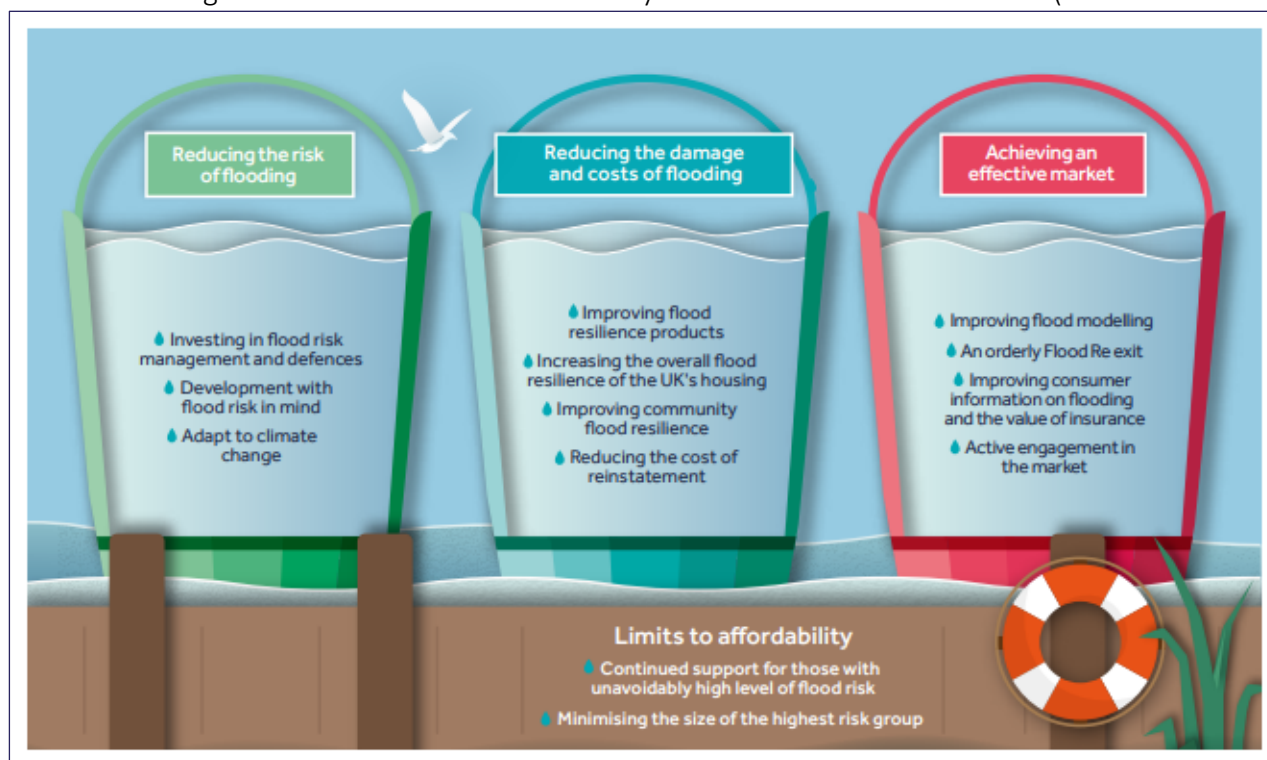


Figure 3 Transition Indicators and buckets – 2023 Transition Plan

The CEO’s statement in the ARA for the year ended 31 March 2024 acknowledges climate change challenges in its first sentence: “As a country, we must face the increasing frequency and severity of climate-related events by bolstering our efforts. Flood Re, established with the twin goals of providing available and affordable flood insurance for homes in flood-prone areas and preparing the market for our exit in 2039, plays a leading role in enhancing the UK’s flood resilience.”

A social media tweet on the topic of climate adaptation, posted in July 2023 and featuring Flood Re CEO as shown in Figure 3, was one of the top tweets in that quarter period.

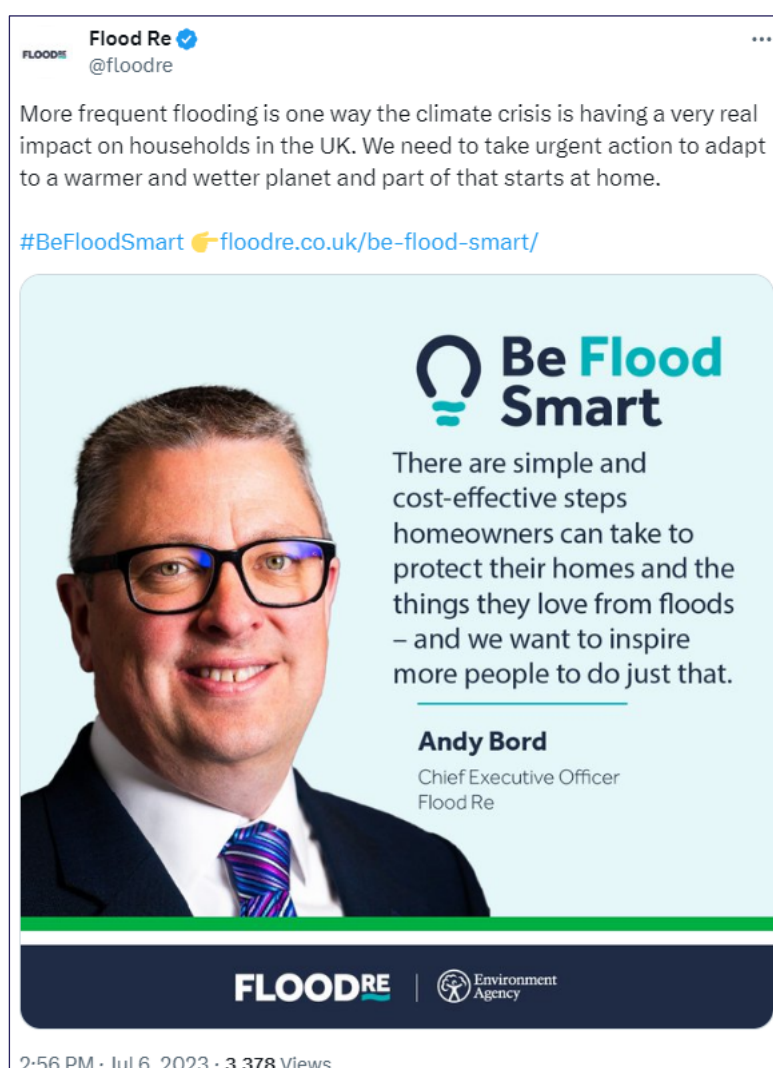


Figure 4 Screenshot of Flood Re climate adaptation tweet by the CEO.

As directed by the Flood Re’s Executive Committee (ExCo), Flood Re has continued to implement recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) Compliance and Gap analysis that was carried out by an external provider in year 2022. This has involved keeping up to date its Register of Experts, holding information specifically about climate change expertise amongst Flood Re staff. Additional work has centred on two principal areas:

- 1. Flood Re Purpose & Targets:** As a starting point, Flood Re’s driving purpose (Affordability/Availability) is to manage a market protection gap in part caused and exacerbated by Climate Change. Hence as a starting point for “targets” the overarching objective (target) for the Flood Re Scheme is to deliver on its purpose. As noted above, Flood Re also maintains KPIs on Availability of Flood Insurance, which we monitor with a quarterly collection via Price Comparison Websites (PCWs) using bespoke samples for homes at high risk of flooding, and homes with recent flood claims – both groups which experienced difficulty obtaining insurance prior to the entry into force of the Flood Re scheme. These KPIs are:

  - At least 95% of the flood-risk sample able to obtain a quote from a minimum of 5 brands across 2 PCWs
  - At least 90% of the flood-risk sample able to obtain a quote from a minimum of 15 brands across 2 PCWs
  - At least 95% of the flood-claim sample able to obtain a quote from a minimum of 5 brands across 2 PCWs
  - At least 90% of the flood-risk sample able to obtain a quote from a minimum of 10 brands across 2 PCWs

These KPIs were all above target for the entirety of the past year, with reporting to ExCo on a quarterly basis, and a “deep dive” discussion with the Board about the market trends underpinning the market for insurance including flood cover in the UK. Furthermore, the launch of Build Back Better (BBB) as a driver of climate adaptation (and the company objective associated with this) is a secondary area of top-down climate related targets. Hence targets in this space relate to (1) Availability KPI’s and (2) BBB Market Availability Company Objectives.
- 2. Quinquennial Review (QQR) process:** Over the past year, our QQR process has taken place, where we have proposed updates to the scheme. This specifically required consideration of future climate scenarios, and the anticipated impacts to the schemes of a changing climate. This is noted specifically on p15 of the [QQR document](#) published in July 2024, where it states that “An increased inflationary environment in the UK has been accompanied by a significant hardening of global reinsurance markets, along with better understanding of the impacts of future climate change.” This discussion of climate impacts on the future viability of the scheme was underpinned by scenario analysis that formed part of Board and Executive Committee discussions, as well as discussions with Defra on scheme parameters. This recognition of future natural catastrophes and flooding being exacerbated by climate change gave rise to the proposals in the QQR – to increase the amount available for BBB (to ensure future resilience) and improve delivery processes, to review the scheme’s loss limit in more flexible timelines and better align with market cycles, as well as specific changes to processes around excesses and notifications to improve affordability and transparency.
- 3. Investments:** Flood Re traditionally only invests in UK Government backed investments (DMO & Gilts). Given the UK government’s net zero targets (Climate Risk Mitigation) and its investment in flood risk management (Climate Risk Adaptation) Flood Re believe this investment approach is net positive to managing climate change. Hence as we move to considering high quality Corporate Bonds (following QQR-1), we will continue to only target investments which are not detrimental to Flood Re’s purpose (i.e. industries/companies which are net detractors to climate change risk management will not be invested in). The QQR process outlined in the previous bullet proposed changes to Flood Re’s investment permissions that better reflect credit risk appetites, as well as permission to apply a small proportion of its asset base to purpose-driven investments (more in Section 3.1).

### *Sub-Principle 1.3: Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.*

*Members can use this section to demonstrate how their governance and oversight functions are linked through their risk governance framework. This might include a description of the policies and procedures used to manage climate- and nature-related risks and opportunities, as described in the ClimateWise Guidance. This section might include details on the policies and procedures used to ensure the link between governance and oversight.*

The chart in Figure 2 shows clear links between governance and oversight, demonstrating the robust governance framework Flood Re has in place. This is kept under periodic review and has been subject to both internal committee effectiveness reviews led by Flood Re's Internal Audit Function and external review by Flood Re's external auditors and governance professionals.

Beneath the Board, Flood Re has several committees that are concerned with climate-related risks as a matter of routine given the threat of climate change to both Flood Re's operation as a catastrophe reinsurance vehicle and our medium-term purpose to exit the market in year 2039. These Committees include the Executive Committee (ExCo) and its sub-committees; the Transition Sub-committee, Reinsurance and Securities Sub-committee and Investment Working Group.

Underpinning these committees and Flood Re's governance framework are documented terms of reference as well as policies and procedures which set out the roles of Flood Re's 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> line functions. Flood Re's Risk Management Policy explicitly sets out the Scheme's approach to identifying, understanding and managing the implications of Climate Change as a cross cutting risk affecting a range of areas of the Risk Profile of the firm. See the below extract,

*"Section 5.7 Climate Change-related Risk Management*

*Climate Change and its implications for UK Flood Risk cuts across both aspects of the Flood Re Scheme's Strategic Purpose, namely to:*

- *Promote the Availability and Affordability of flood insurance for eligible homes, while minimising the cost of doing so, and*
- *2039 Transition to risk reflective pricing for household insurance, for those households at risk of flooding.*

*Due to the number of interactions across Flood Re's existing risk profile, Climate Change-related risk is managed as a crosscutting driver of risk. To explicitly understand, oversee and manage the implications of Climate Change, Flood Re has identified five key areas where Climate Change-related risk affects the business risk profile, either directly or indirectly. Climate Change-related risk is considered when assessing, monitoring and managing these wider risk areas:*

*Direct impacts:*

- *Operating the Reinsurance Scheme - Further emergence of Climate Change and coincident impacts on UK Flood Risk; behavioural changes on the part of ceding insurers; and/or change in appetite of our outwards reinsurers*
- *Delivering Transition –The effect of Climate Change on both the physical flood risk and wider socio-economic impact on "affordability" are key risks to Flood Re's successful transition in 2039*

*Indirect considerations:*

- *Financial Reporting & Disclosure - Flood Re seeks to align to best practise in its climate risk disclosures. Leveraging its membership of ClimateWise and seeking to deliver against the ClimateWise Principles/Sub Principles.*
- *Investment Considerations – Green Finance and investments is a growing area and will be considered by the Flood Re Investment Working Group (led by the CFO) as a further element of the Scheme's forward looking investment strategy (particularly following QQR-2)*
- *Corporate Social Responsibility - Flood Re's responsibilities in relation to our own impact on climate change and broader environmental impact has started to be considered through targeted CSR activities."*

The above approach is further built on in Flood Re's "Statement of Governance of Climate-Related Risks and Opportunities". A range of other policies and procedures (e.g. procurement policy, stress and scenario testing policy and Investment Policy) include explicit sections relating to how Climate Change related risks are managed.

The nearer term implications of Climate Change to the Flood Re Scheme are particularly assessed and drawn together through Flood Re's annual Own Risk and Solvency Assessment exercises (described in 1.2 above). Oversight of the ORSA process is one of the responsibilities of the **Risk and Capital Committee** - a committee of the Board and accountable to the Board.

The [Transition Plan 2023 - Flood Re](#) document sets out management of long-term climate- and nature-related risks and opportunities. Ensuring delivery of the commitments set out in this plan is one of the responsibilities of the **Transition Sub-Committee**, a sub-committee of the Executive Committee.

More generally, Flood Re uses the UK financial industry's standard **three lines of defence approach** to govern the scheme and manage risks (e.g., see [the 2020 paper produced by the Institute of Internal Auditors](#)). This framework, depicted in Figure 4, illustrates the overarching governance and oversight structure of the Scheme:

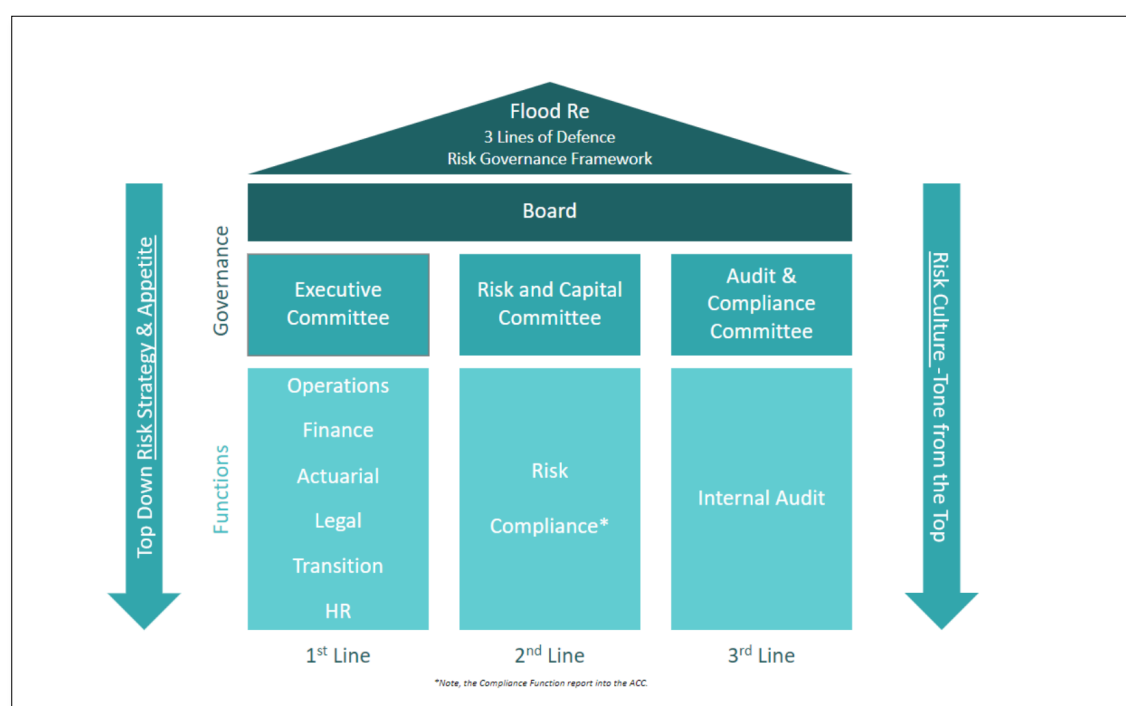


Figure 5 Flood Re's 3 lines of defence for managing risk.

**The first line of defence** is undertaken by the Executive Team (ExCo) and majority of staff at Flood Re. Its responsibility is to identify and manage risks (mainly through operating mitigating controls), generate and review risk information, and to take appropriate action where necessary to maintain Flood Re's risk exposure within risk appetite. The first line of defence reports to the Executive Committee (ExCo) and the Risk function on its management of current and forward-looking risks and challenges.

**The second line of defence** is carried out by the Risk function, led by the Chief Risk Officer and the Legal and Compliance function led by the General Counsel. The Risk function is responsible for providing risk advice, facilitating and co-ordinating first line risk activity, monitoring risks and providing independent commentary, oversight, and challenge of the management of risks. The Risk Function is also responsible for delivering an annual cycle of Internal Model validation.

The Risk function reports to the Risk and Capital Committee ("RCC"). The Legal and Compliance function forms an independent part of the second line of defence and is responsible for implementing a governance framework across the Company, compliance monitoring, regulatory disclosure and monitoring potential Legal and Compliance risk arising from the activities of Flood Re's outsourced service providers.

The Legal and Compliance function forms an independent part of the second line of defence and is responsible for implementing a governance framework across the Company, compliance monitoring, regulatory disclosure and monitoring potential Legal and Compliance risk arising from the activities of Flood Re's outsourced service providers. The Legal and Compliance function reports to the Audit and Compliance Committee ("ACC").

**The third line of defence** is performed by the Internal Audit function which evaluates the effectiveness of the design and operation of Flood Re's control environment and reports to the ACC. Its responsibility is to evaluate whether the controls and risk information determined as required by the first line of defence (in conjunction with the second line) are adequate and effective in mitigating risk to the Board-agreed risk appetite levels. It is the responsibility of each of the three lines of defence to ensure the delivery of Flood Re's complete risk management system.

It is the responsibility of each of the three lines of defence to ensure the delivery of Flood Re's deliver the risk management system and in particular the identification, measurement, monitoring and management of risks associated with Climate Change.

### ***Sub-Principle 1.4: Ensure that our Board and Senior Management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.***

*Members can use this section to demonstrate how they ensure that their Board and senior management has access to knowledge (either directly for example through training, or indirectly through advice) and is incentivised in a way that encourages effective oversight of climate and nature issues. This might include a description of any training which has been undertaken.*

Members of the Flood Re Board are recruited for their professional expertise and experience to foster effective oversight of climate and nature issues.

For example, the Chair of the Flood Re Board and its Non-Executive Director (NED) previously held the role of Commissioner of the National Infrastructure Commission (2015- 2023) and served as Chief Economic Adviser to the Greater London Authority (2002-2012). The Chair is currently a Non-Executive Chair of Audit and Risk for the UK Infrastructure Bank and a NED of Northumbrian Water. (More info: [Flood Re names Bridget Rosewell as new Chair - Flood Re](#)).

Another Non-Executive Director (NED) who has recently joined as a member of the Flood Re Board has extensive work experience in the realm of flood resilience. This NED is a Fellow and a Chartered member of the Institution of Civil Engineers (FICE) and the Chartered Institute of Water and Environmental Management (CIWEM) and acts as chair of the Severn and Wye Regional Flood Coastal Committee. (More info: [Flood and climate expert to join Flood Re board - Flood Re](#)).

Flood Re's CEO was a guest lecturer in the [Insurance Institute's Certificate in Climate Risk](#), demonstrating that the organisation's senior management has the expertise in this area and there have been a number of presentations and papers where Flood Re staff have shared their expertise in this space (more on this in section 2.6).

A number of ExCo members and wider staff have completed a range of training and courses in climate change, for example the CRO completed the LSE/Grantham institute's "[Climate Change: Economics and Governance - Executive Education](#)" course, and Head of Research attended CISL's Chief Sustainability Officers Forum. A full breakdown of Flood Re's staff expertise and experience in the area of Climate Change is set out in the "Register of Experts" document. Given the highly technical and complex nature of Climate Change, where Flood Re does not have internal expertise or access to relevant tools or data, we explicitly reach out to sector leading companies and individuals across the private sector and academia (see Flood Re's co-published reports and analysis with flood model vendors, reinsurers, etc).

With regards to overseeing the longer term implications and risks from climate change, discussions of transition matters, especially in relation to the [Transition Plan 2023 - Flood Re](#), are now a standing item at Flood Re Board meetings as part of encouraging effective oversight of climate and nature issues. As outlined in Section 1.1, these discussions are intended to provide a deep dive into particular topics, typically related to climate resilience and adaptation.

Flood Re's research team produces a quarterly Flooding Hot Topics Report, outlining important public policy developments and interesting news over the past quarter. In 2023-24, these reports included regular updates on stories outlining the effects that climate change was having on insurance markets internationally, with a particular focus on the withdrawal of insurers from US states following natural catastrophes, and the pressure on catastrophe schemes internationally. In early 2024, these reports began to be distributed to the Board, and included in Flood Re's quarterly stakeholder newsletter (Downstream News)

**Remuneration:** Flood Re's remuneration policy includes a performance-based bonus scheme that directly links the compensation of staff – including senior executives – to the achievement of the company's strategic objectives, which are linked to climate change. The performance-based bonus scheme award maximum expressed as an additional percentage of an individual's base salary (10%, up to 30% in some cases), with 33% of the bonus amount determined by an annual committee evaluation of the company's progress towards its strategic objectives.

The very basis and purpose of Flood Re is to manage a protection gap driven in part and worsened by climate change. Hence all elements of Flood Re's Company Objectives are aligned to seeking to manage the implications of climate change on the UK insurance industry. In particular Flood Re's objectives focus on driving forward best practise in the area of climate resilience (the Build Back Better industry first offering being a key example of this). We would specifically draw out the following Flood Re company objectives for years 2023-2024 and 2024-2025

#### 2023/24 Examples

##### Managing Flood Re's Transition:

- Developing a robust scoring mechanism to assess the flood risk reduction of property level resilience (PFR).
- Deliver support for increased PFR uptake
- Successful launch of Transition Plan
- Build Back Better - Normalisation and Driving Forward

##### Well run business

- Protecting future viability of the Scheme (QQR and RI placing)
- Climate Change Actions: Complete Full Alignment to TCFD Requirements, Deliver 2023 External Disclosure Accordingly and Become a "TCFD Supporter"

#### 2024/25 Examples:

##### Managing Flood Re's transition:

- Maximising the impact of the Flood Resilient Garden, both at the Chelsea Flower Show and beyond.
- Further Flood Re's Transition objectives through the creation of a Homes, Floods and Insurance Hub.
- Drive support for increased property-level flood resilience (PFR) uptake

##### Flood Re Scheme evolution:

- Help the insurance industry to shift towards Build Back Better as Business as Usual (BAU)
- Work with industry to ensure Build Back Better best practice

As set out in the Flood Re's overarching statement on climate change, Flood Re was established by the insurance industry and the Government as a direct response to extreme weather events and the resultant impact on the price of home insurance. The Flood Re scheme was created to manage a protection gap that is exacerbated by climate change. In that respect, through its purpose and delivery of the Flood Re scheme, personal objectives of Flood Re senior managers directly and indirectly encompass climate considerations. In the current reporting period of 2023-2024, these personal objectives ranged from delivery of the [Flood Resilient Garden](#) at the Chelsea Flower Show held in May 2024, production and publication of the [Flood Performance Certificates: The Roadmap](#), chairing of the Property Flood Resilience (PFR roundtable), and periodic evaluation of flood models in the market.

## Theme: Strategy

*The Strategy Theme allows Members to describe their overarching strategy relating to climate and nature issues, including how they understand the potential impacts of climate and nature risks on their business plans and how they are adapting to take advantage of changes.*

### *Sub-Principle 1.5: Describe the impacts and implications of climate- and nature-related risks and opportunities on our business model and performance, strategy and any decision-making processes.*

*Members can use this section to demonstrate how climate- and nature-related risks and opportunities have been incorporated into the business model, strategy and any decision-making processes. This might include a description of how scenario analysis has been considered as part of strategic planning. The ClimateWise Guidance sets out international goals/targets and frameworks which members could consider as part of strategy alignment.*

Flood Re was established by the insurance industry and the UK Government as a direct response to extreme weather events and the resultant impact on the price of home insurance. Our “Statement of Governance of Climate-Related Risks and Opportunities” summarises Flood Re’s governance, position, and approach to understanding and managing the risks associated with climate change. It includes the “angles of climate change and the short/medium/long term Implications of climate change to Flood Re.

As the Scheme was set up as a time-limited intervention, with its exit from the market set for year 2039. Subsequently, Flood Re assesses the risks associated with climate change over three distinct time horizons, as shown in Figure 5, and this includes a long-term horizon that goes beyond Flood Re’s exit from the market.

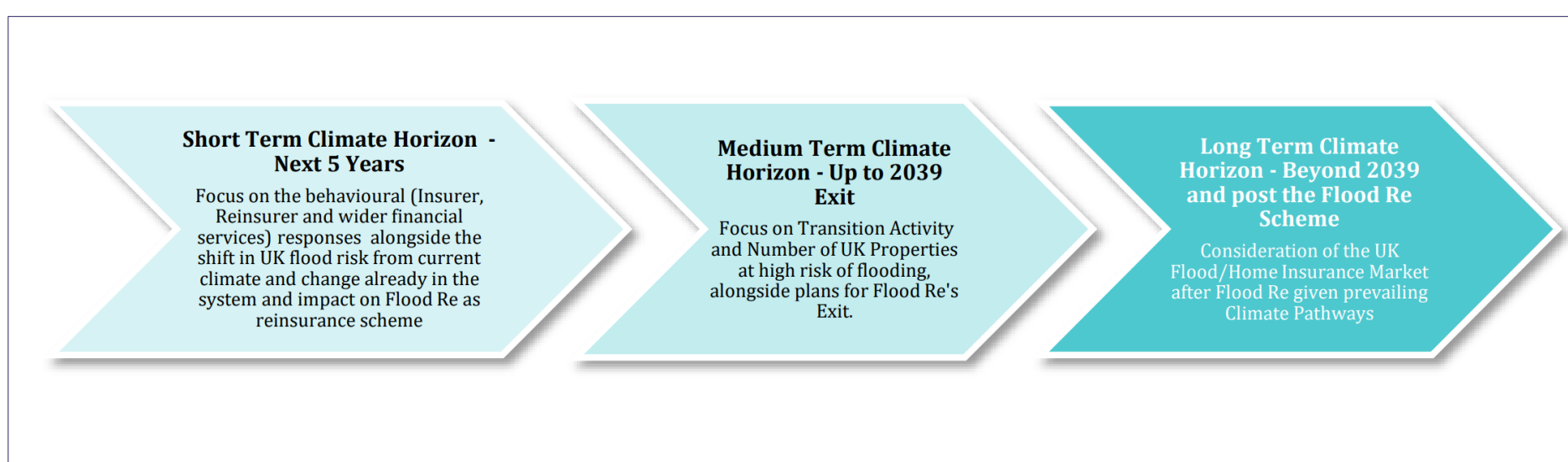


Figure 6 Flood Re assessment of climate and nature related risk across different time horizons.

The assessment of climate and nature-related risks over the time horizons as shown in Figure 4 takes places as part of Flood Re’s Own Risk Solvency Assessment (ORSA – also discussed in 1.2 above). This assessment is carried out annually and is key to incorporating climate and nature-related risks across the organisation’s business model, strategy, and any decision-making processes.

This year (2024) the ORSA assessment started in March, with the final version of the report delivered to the Board in June. Section 3 of the 2024 ORSA report covers “Cross Cutting External Drivers of Risk – Political & Public Policy Uncertainty and Climate Change” and highlights/sign-posts to the current position of these and areas of focus at the scheme in relation to understanding the risks driven by climate change. See below extract:

*“To manage the risks to the Scheme this presents across each of the timelines set out in the diagram earlier, the following activity has been delivered in 2023/4 or is planned for the coming year:*

- **Short Term: Near Term Behavioural Change (Insurers & Reinsurers) – Scenario Tests** – *In the short term we perceive the most material risk from climate change to be a sudden behavioural shift from Flood Re’s major stakeholders, namely insurers and reinsurers which could lead to (a) increased policies being ceded to the scheme putting pressure on the adequacy of our liability limit or (b) reduced appetite of the reinsurance market to offer outwards further capacity or materially increase the cost of it. See stress and scenario tests in this year’s ORSA which set out a series of adverse scenarios and how Flood Re would seek to manage them.*
- **Medium Term: 2024 Transition Activity – Including Flood Performance Certificate Manifesto and Flood Resilient Garden** – *A range of Transition Activity has been delivered in 2023 and into 2024 including the upcoming publication of Flood Re’s “Flood Performance Certificate Manifesto” and the Flood Re sponsored “Flood Resilient Garden” at the Chelsea Flower show. In each case the Scheme is seeking to deliver behavioural as well as public policy change in increase the understanding and acceptance of climate (particularly flood) resilient measures.*

- **Long Term: “Sizing the Pier” (Protection Gap)** – In 2024-25 Flood Re will conduct work on how climate change could impact the insurability of UK property stock out to 2039 when Flood Re exits. This work is part of an ongoing initiative at Flood Re to understand the population of UK properties that will be difficult to insure after the Flood Re scheme ceases operation (the so called “Pier”. Work is planned between October 2024 to March 2025.”

#### Text Box A: Flood Re -- a scheme to manage climate and nature related risks

Flood Re’s establishment in response to extreme weather events and its “Statement of Governance of Climate-Related Risks and Opportunities” have been detailed through this document, making explicit the way that climate informs all aspects of Flood Re’s work. As discussions in recent years have expanded climate discussions to include nature alongside climate, Flood Re has expanded its thinking to consider how nature affects flooding risk in the UK. Nature (and damage to nature) affects flood risk in the following ways:

- Where nature is degraded (primarily but not entirely in rural areas), runoff accumulates in rivers and exacerbates fluvial or riverine flooding.
- Where green or permeable surfaces are paved over in cities, pluvial or surface water flooding worsens, since water is unable to drain into the ground and overwhelms drainage. This form of flooding is growing due to factors such as urbanization, and has been a focal point of work by organizations such as the National Infrastructure Commission in recent years.
- Coastal flooding will be exacerbated by sea level rise and other factors.

In combination, these 3 types of flooding represent effectively the entirety of flood risk, and Flood Re’s portfolio. The first two are further impacted by the increasing concentration and unpredictability of precipitation due to rainfall.

This has informed our work in several ways related to nature protection and restoration, including (but not limited to):

- Our inclusion of Natural Flood Management as a priority area for future work in our 2023 Transition Plan, participation in policy initiatives such as the Green Finance Institute’s Financing Natural Flood Management, where Head of Research was part of the Strategic Working Group, as well as part of the Steering Committee for the Wildlife Trust’s project to measure the insurance-related benefits from its NFM projects.
- We are a partner in the Wyre Valley Natural Flood Management Scheme, and provided research funding that helped make the project a reality and paid for monitoring activities in order to create an evidence base for the effectiveness of NFM. We sit on the Buyers’ Group for the project.
- The Flood Resilient Garden helped raise awareness of the importance of natural spaces and permeable surfaces in homes and yards, and showcased the synergies among natural spaces, flood protection, and quality of life. The initiative has a media reach of billions (see 2.7).
- We have lobbied continuously in recent years in support of the implementation of Schedule 3 of the Water and Drainage Act, which would require developers to implement Sustainable Urban Drainage Systems (SUDS) in new developments. SUDS constitute spaces for nature in the urban environment, and we are partnering with LSE under the Naturance project to produce a brief outlining the nature co-benefits of SUDS.
- Working with the Association of British Insurers on their Guide to Nature, and contributing case studies to that and other publications.

Further detail on these initiatives can be found throughout sections 2.5-2.7. While we do not typically badge these as “nature” oriented initiatives, but rather as implicitly important elements of managing flood risk. They constitute a significant focus for the organization, and the research function in particular over the last year has had workstreams around deepening understanding of nature and developing usable evidence for insurers.

Following the ORSA and discussions of the ORSA Report at the June 2024 Board, in July 2024 two sessions were held on climate change, entitled *Modelling and Pricing Future Risk* – see section 1.1 for further detail One session was organised for the Flood Re Board and the other for the Executive Committee (Exco). The aim of these sessions was to ensure that both groups are provided with up-to-date information on climate change and its’ impacts on flood risk over the short, medium, and long term. The content of this session will also form the basis for discussion at the forthcoming strategy day in December 2024.

Flood Re’s Transition Plan, and Transition workstreams are critical components of Flood Re’s business planning over the longer-term – these represent the workstreams and strategic direction that the organization needs to follow in order to successfully exit the market in 2039. The rough phases of this work are noted in figure 1.7.1 on p21 of [Flood Re’s 2023 Transition Plan](#) and transposed below, with work currently in the “Maturity” phase, where programs like Build Back Better are in force, and supporting work such as Flood Performance Certificates is being introduced in a wider set of forums. The necessity of carrying forward more of this Transition work as the organization moves ever closer to its exit is reflected in the inclusion of Transition on every Board agenda (as outlined in 1.1), and in the focus on delivering Transition initiatives (see Section 2.7). This is also tracked via the transition indicators which are reported in our Annual Report and Accounts (further detail in sections 1.1 and 1.6).

**Figure 1.7.1 Flood Re’s roadmap to exiting the insurance market**

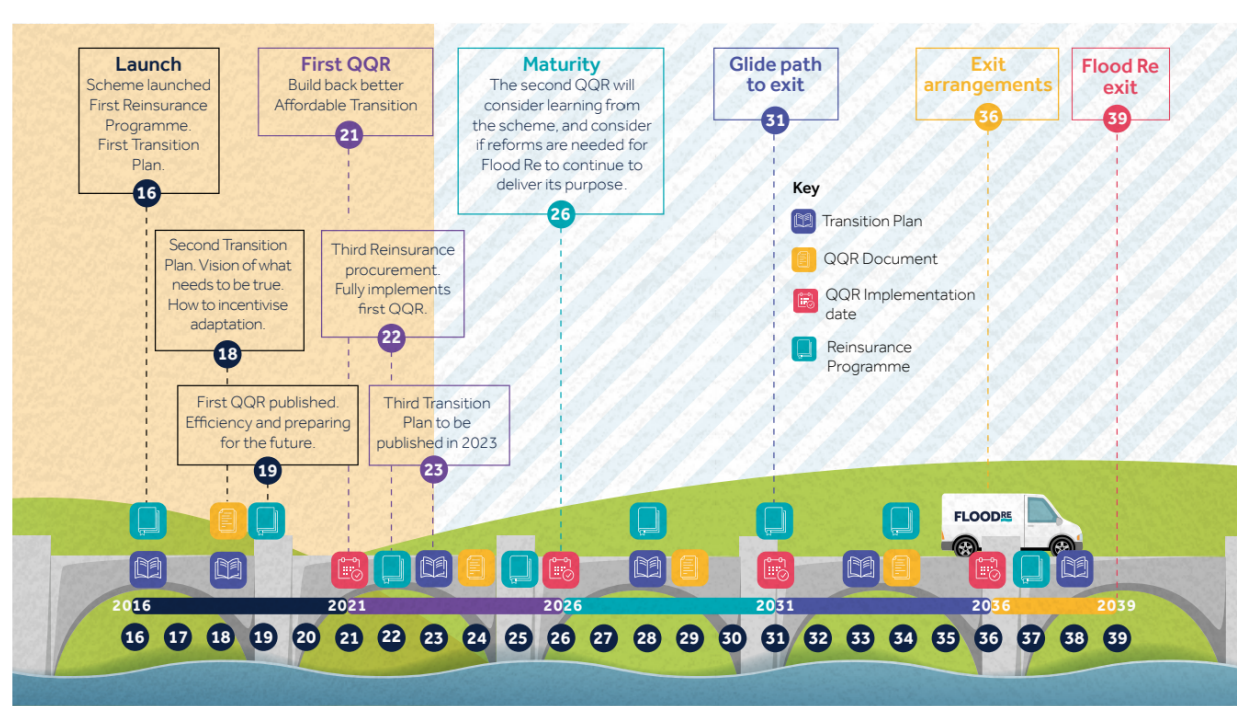


Figure 7 Flood Re roadmap to exiting the insurance market

## Sub-Principle 1.6: Describe how environmental resilience plans are incorporated into business decision making, including disclosure of any material outcomes of climate risk scenarios.

Members can use this section to demonstrate how business decision making has included environmental resilience plans. This might include a description of how different climate scenarios have been considered as part of strategic planning.

### Flood Re's Transition Plan & Transition Indicators

Flood Re's environmental resilience planning is encapsulated in its document [Transition Plan 2023 - Flood Re](#). The document sets out the company's approach to exiting the market in year 2039 and supporting the transition to a market for household flood insurance with risk-reflective pricing (one of Flood Re's primary purposes). As noted in 1.2 above, the plan sets out Flood Re's measurements for 3 "buckets" and 12 different indicators, which are also reported on annually in Flood Re's Annual Report and Accounts, and were discussed/analysed in greater detail in the 2023 plan. The plan also sets out Flood Re's vision of ensuring that community and property-level resilience and resistance measures are installed and used where it is cost-effective to do so, as well as broader priorities for managing flooding risk nationally through tracks like supporting the implementation of Natural Flood Management.

The Transition Plan sets out three areas, visualised as buckets that depict the wider set of conditions that are needed to achieve its vision for affordable, risk-reflective pricing to be widely available when it exists the market in year 2039. Each of the three buckets that has a list of desired outcomes (See Figure 3, section 1.2 above).

Within the first bucket of indicators, *Reducing the risk of flooding*, the 3 indicators are:

- Indicator 1 - Investing in flood risk management and defences
- Indicator 2 - Extent of housing development in areas at flood risk
- Indicator 3 - CO<sub>2</sub>/GHG emissions and the likely climate pathway

The third indicator assesses the current level of GHG / CO<sub>2</sub> emissions and compares against a number of commonly used climate pathways (which we then leverage for modelling and scenario testing), our goal in this space for Flood Re's transition vision is as follow:

*CO<sub>2</sub>/GHG emissions are reduced to a level that can limit global temperature increase to well below 2 degrees Celsius, as per the Paris agreement, in order to limit the worst impacts of climate change. The UK adapts to the changes in flood risk across the course of the climate change pathway.*

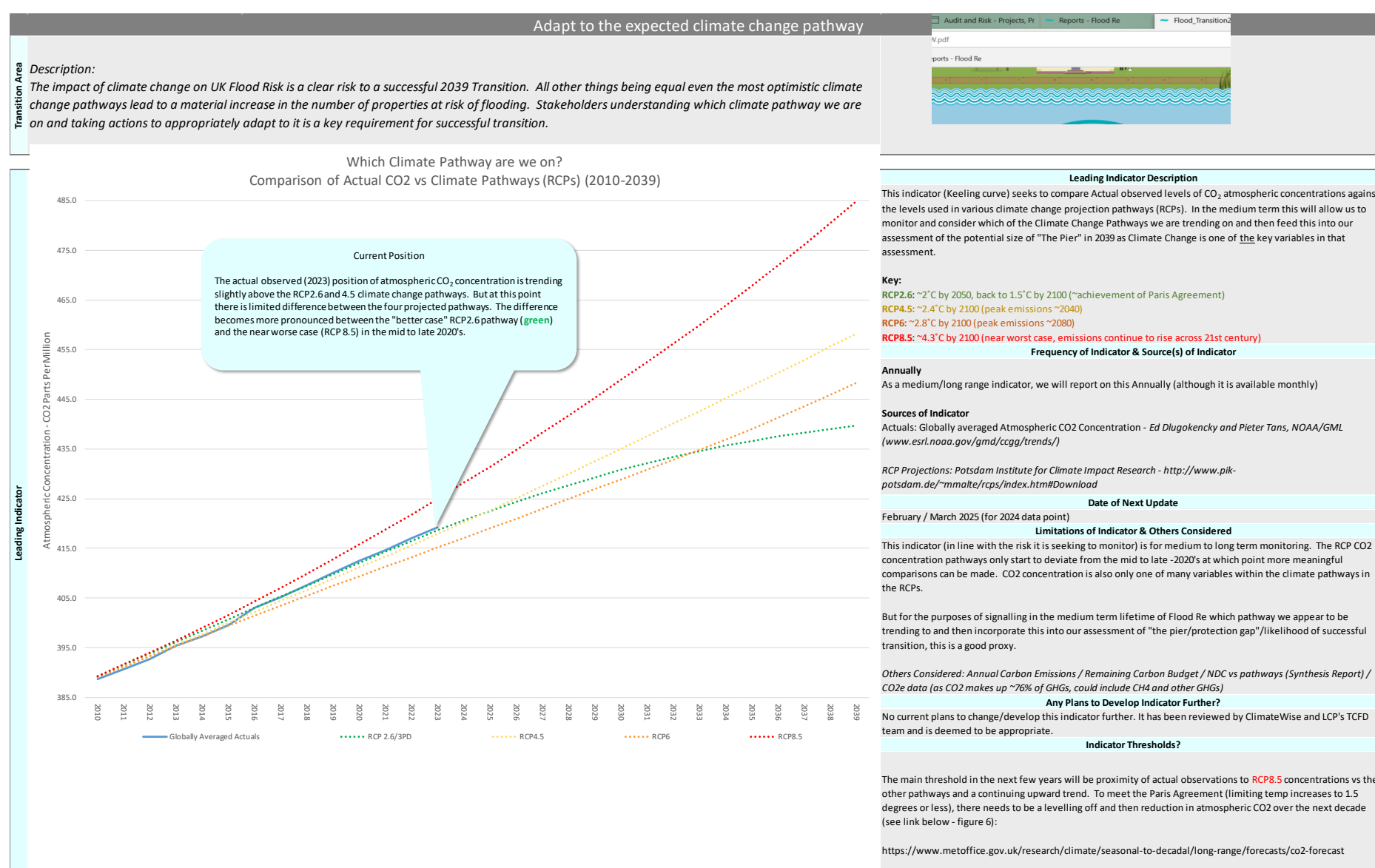


Figure 8 Flood Re climate pathway scenarios.

The section of the Transition Plan titled *Call to Action: Rising to the challenge of climate change adaptation* starts on p. 50 of the document and sets out an approach recommended by Flood Re for meeting this challenge.

The desired resilience outcomes contained in the document for the 'transition bucket' 2) *Reducing the damage and cost of flooding*, speak specifically of:

- Improving flood resilience products;
- Increasing the overall flood resilience of the UK's housing;
- Improving community flood resilience
- Reducing the cost of reinstatement

'Build Back Better' (BBB) initiative - the process of putting in place measures that will make a home more resistant or resilient to flooding in the future that was introduced in year 2022 ([Build Back Better - Flood Re](#)) is also set out in the Flood Re's Transition Plan 2023. Further information about this initiative is included under [Sub-Principle 3.4](#).

#### **How environmental resilience plans are incorporated into business decision making**

In the Transition Plan, climate change is acknowledged as a factor contributing to the constantly evolving conditions in which Flood Re operates. Consequently, Flood adopts an adaptive planning approach to its strategy and activities, based around three cycles:

1. Publishing a Transition Plan every five years. This is an outward-looking plan which assesses the wider conditions impacting on the transition vision and engages partners to address shared challenges.
2. Undertaking a Quinquennial (every five years) Review of the Flood Re Scheme's operations. This review is focused on Flood Re's internal operations.
3. Flood Re buys reinsurance, sets the liability limit (the level of protection required from its outwards insurance programme) and Levy 1 (the charge levied on the wider insurance industry) every three years.

Another example of decision-making considerations are Flood Re efforts to improve flood modelling. Within the Transition Plan, this is one of the indicators of the 'transition bucket' 3) Achieving an effective market. Flood Re evaluates flood models in the market every three years. This work has allowed Flood Re to engage with insurers and model vendors and to evaluate the quality of models and the availability of data. Flood Re also collaborates with individual risk model vendors on discrete research tasks and shares the findings with the market where this can lead to overall improvements in practice.

#### **Information from the latest Annual Report and Accounts (ARA) in relation to climate change and Flood Re's statutory purposes**

Climate change presents a risk to the insurance industry's ability to achieve a successful, sustainable, and affordable transition in year 2039 and beyond. Climate change will increase the number of homes in the UK that are unable to obtain affordable home insurance due to flood risk without the necessary adaptation steps in place. Through its transition activities [set out in the [Transition Plan 2023 - Flood Re](#)], the organisation works closely with third party stakeholders to enable a sustainable and effective insurance market for these homes, which are updated and reported on in our Annual Report and Accounts. The strategic sections of our 2024 Annual Report were reconfigured to make them more accessible and user-friendly – [a website was created](#) to allow for indicators to be accessed in a stand-alone way, rather than as part of a longer annual report document.

Flood Re's strategy for a successful, sustainable, and affordable transition is set out in its Transition Plan which is kept under review and updated regularly in light of the latest evidence. Working in partnership with others, we believe it is necessary to:

- Reduce the risk of flooding through investment in flood risk management and defences, and that new development should always have flood risk in mind;
- Reduce the damage and costs of flooding by improving flood resilience and resistance measures at a property, community and national level; and
- Achieve an effective insurance market with informed consumers. Each of Flood Re's Quinquennial Review will highlight the need for and seek certain changes to the Flood Re Scheme to further promote the adoption of mitigation and adaption activity.

Flood Re believes that climate change should be factored into flood policy development, including the planning process in relation to developments in areas at risk of flooding.

Flood Re will continue to work with third parties to improve the understanding of the medium and long-term impact of flooding. This will better inform investment in flood defences and Property Flood Resilience (PFR) and enable greater understanding of the benefit of mitigation activity.

#### **Flood Re Scheme – Resilience to Climate Change – Scenario Analysis**

The recent 2024 ORSA Report highlights a range of near term scenarios with Climate Change angles to them. These are particularly focussed on how the perception of climate change and its near term impact on UK flood risk could result in behavioural change from Flood Re's major stakeholders. Stress and Scenario Testing and Reverse Stress Testing has been delivered to assess these scenarios and highlight the monitoring and management actions Flood Re would take to manage them within the Scheme's Risk Appetite and limits. Longer range scenarios to assess the size of the protection gap/level of UK Flood Risk in 2039 have been completed in previous years with external experts and are planned to be updated in 2024/25.

### ***Sub-Principle 1.7: Describe the outcomes of our materiality analysis and any material climate- and nature-related risks and opportunities that affect our prospects.***

*Members can use this section to demonstrate how materiality analysis has been used to assess exposure to climate- and nature-related risks and opportunities. This might include describing the material nature and climate-related impacts, risks and opportunities which have been considered. The ClimateWise Guidance sets out considerations which members could consider as part of their materiality analysis.*

#### **Materiality assessment**

Flood Re use the [PRA's \(2019\) Framework for assessing financial impacts of physical climate change – a practitioner's aide for the general insurance sector](#), and in particular its guidance on defining materiality:

*“focuses the analysis on areas of the business (such as a line of business, portfolio or region-peril(s)) where climate change could have a material impact on the firm's risk, and therefore could have an effect on the decision or process agreed in Stage 1. For instance, for a global (re)insurer, US hurricane risk is one region-peril that is impacted by climate change; although the effect is likely to be modest in the short term, this could have a financial impact that influences business decisions. In order to undertake the materiality assessment, firms need to understand the likely climate change impact on natural perils and should take account of existing research.”*

As a single peril, single territory, single line of business reinsurer which was set up to manage a protection gap in part driven by climate change, this is relatively simple. As is highlighted elsewhere in this report the two major risks climate change poses to Flood Re relate to (1) Risks to the continued operation of the Scheme (short/medium term, typically driven by perception changes triggering stakeholder behavioural change which could impact the scheme) and (2) Risks to Flood Re's Exit in 2039 (medium/long term, typically physical risk changes in underlying UK Flood Risk), the other angles/implications of climate change are less material (e.g. investment transition risks, disclosure risks etc). To then measure and quantify the risks and impacts of climate change on these elements of this scheme we typically use modelling and stress and scenario tests. Examples of these approaches to quantification are detailed below:

### **Flood Re Scheme – Climate Change Scenario Analysis**

As is set out in the previous section the recent 2024 ORSA Report highlights a range of near term scenarios with Climate Change angles to them. These are particularly focussed on how the perception of climate change and its near term impact on UK flood risk could result in behavioural change from Flood Re's major stakeholders. Stress and Scenario Testing and Reverse Stress Testing has been delivered to assess these scenarios and highlight the monitoring and management actions Flood Re would take to manage them within the Scheme's Risk Appetite and limits. Longer range scenarios to assess the size of the protection gap/level of UK Flood Risk in 2039 have been completed in previous years with external experts and are planned to be updated in 2024/25. Flood Re will conduct work on how climate change could impact the insurability of UK property stock out to 2039 when Flood Re exits. This work is part of an ongoing initiative at Flood Re to understand the population of UK properties that will be difficult to insure after the Flood Re scheme ceases operation.

### **Capital Modelling**

Flood Re's internal view of Flood Risk includes explicit consideration and an adjustment supplement the information provided by the flood risk catastrophe models which has been created using view of risk that may not account for climate change to the present day.

Detailed information on stress-testing is provided under Sub-Principle [1.10: Describe how scenario analysis has been used to inform the identification, assessment and management of climate and nature-related risks](#).

### **Flood Re Catastrophe Risk and Climate Analytics activities**

In 2023 Flood Re changed the role of Head of Catastrophe Risk to the Head of Catastrophe Risk and Climate Analytics. This change in designation has allowed the broader actuarial team to hire an additional climate risk specialist to effectively monitor and gauge the impact of climate change on the Flood Re portfolio of risks and help the business to make sensible, quantitative adjustments that allow for climate change in its view of risk moving forwards. The team have also been given the task of ensuring that both the Board and Executive Committee (ExCo) understand how climate change is likely to impact the Flood Re mission over the coming decades. This has been achieved by the delivery of two presentations that will help to inform the company's strategy day in December 2024.

Further activity regarding engagement with academics and the representatives of the insurance industry took place by the representation of Flood Re at the Royal Meteorological Society round table event on “Navigating Climate Challenges in Insurance” in January 2024. This event specifically targeted the knowledge gap between academics and professionals in the world of catastrophe risk on climate change and addressed how information could be better communicated in academic publications (e.g., change in risk due to climate over the last couple of decades vs preindustrial times).

In addition, links with academics working in the field of climate uncertainty have been forged, most notably with academics concerned with the field climate and uncertainty. It is hoped that these can be capitalized upon over the coming year to better quantify useful estimates of uncertainty in climate simulations that can be translated into usable outputs by the industry in general.

Work on communicating how uncertainty in climate change projections affects the insurance industry is thought to be both instrumental in the pricing of insurance risks of the future and of benefit to the “sizing the pier”<sup>2</sup> work that the Catastrophe and Climate Analytics team undertake on a three yearly cycle. It is hoped that these activities assist in allowing Flood Re to effectively leave the market in 2039.

The Bank of England produced its 2021 Climate Biennial Exploratory Scenario (CBES) which outlined transition risks to the financial and insurance industry. Flood Re collaborated extensively with BoE staff since 2019 in assembling particularly the flood scenarios, and the version published in 2022 included a specific discussion of Flood Re and its 2039 exit from the market. Although this exercise is no longer being carried out on two-yearly basis, Flood Re is ready to support future exercises.

### **Flood Re transition-related activities**

<sup>2</sup> “Sizing the pier” - an activity designed to assess the preparedness of the insurance industry for Flood Re's exit from the market in year 2039 by identifying the number and type of properties that may become uninsurable when Flood Re exits the market.

The Transition, Actuarial and Risk Teams are responsible for identifying the impacts of climate change in terms of short, medium, and long term impacts – see section 1.5 and [Figure 4](#) for additional detail. These are important, e.g., in the short term if we had an increase in policies ceded to Flood Re, this would have implications on the amount of capital that Flood Re would need to cover in the event of an extreme event such as 1 in 200-year loss as defined by the regulator (PRA).

In the medium term, Flood Re’s work with partners to calculate vulnerability curves with Property Flood Resilience (PFR), with the goal of encouraging uptake of these curves in the market and incentivizing the use of PFR across the industry, which can materially reduce the risk to UK homes of flooding. Over the longer term, work will include a project to better understand how climate change will affect the insurability of properties after Flood Re’s exit.

### **Summary and results**

Flood Re’s assessment of the materiality of climate change has resulted in changes to how the scheme is managed. The quantitative assessment of the impact of climate change has resulted in (i) an additional allowance onto our Liability Limit to account for this impact, (ii) the scheme holding more capital to account for this impact, (iii) the purchase of a larger reinsurance program to account for this impact, (iv) increased annual costs estimated through our business planning process, (iv) consideration of this impact on price adequacy, which ultimately feeds into our premium setting. i, ii, and iii all required discussions with the UK government (Defra and HMT) and were considerations that have been factored into our quinquennial review (QQR) document published in July 2024 (see sections 6 and 7 of the QQR), following a successful Article 90 exercise that increased the loss limit from £100M to £250M (details on pp17-18 of the QQR document). In short, this analysis was deemed sufficiently robust to not only take action within the scheme’s existing permissions, but also to underpin fundamental changes to the scheme by government, with the anticipated future impacts of climate change one of the critical factors being assessed.

## **Theme: Risk Management**

*The Risk Management Theme allows members to describe how climate and nature issues are embedded in their risk management framework, and how scenario analysis supports the effective process of risk management.*

### **Sub-Principle 1.8: Establish appropriate processes to identify, assess and prioritise climate and nature-related impacts, risks, and opportunities.**

*Members can use this section to demonstrate how they identify climate- and nature-related impacts, risks and opportunities. Effective Risk Management Frameworks would also set out the assessment and prioritisation of such issues. Demonstrations of this process might include describing the risk management processes and policies in place and explaining how climate and nature risks fit into the risk management framework (e.g., as separate risks in the organisation’s risk universe or as “cross-cutting” risks which have broader impacts). The ClimateWise Guidance sets out topics which members could consider.*

Flood has a comprehensive suite of processes in place to establish appropriate processes to identify, assess and prioritise climate and nature-related impacts, risks, and opportunities.

Flood Re’s Risk Management Policy explicitly sets out the Scheme’s approach to identifying, understanding and managing the implications of Climate Change as a cross cutting risk affecting a range of areas of the Risk Profile of the firm. See the below extract,

#### *“Section 5.7 Climate Change-related Risk Management*

*Climate Change and its implications for UK Flood Risk cuts across both aspects of the Flood Re Scheme’s Strategic Purpose, namely to:*

- *Promote the Availability and Affordability of flood insurance for eligible homes, while minimising the cost of doing so, and*
- *2039 Transition to risk reflective pricing for household insurance, for those households at risk of flooding.*

*Due to the number of interactions across Flood Re’s existing risk profile, Climate Change-related risk is managed as a crosscutting driver of risk. To explicitly understand, oversee and manage the implications of Climate Change, Flood Re has identified five key areas where Climate Change-related risk affects the business risk profile, either directly or indirectly. Climate Change-related risk is considered when assessing, monitoring and managing these wider risk areas:*

#### *Direct impacts:*

- *Operating the Reinsurance Scheme - Further emergence of Climate Change and coincident impacts on UK Flood Risk; behavioural changes on the part of ceding insurers; and/or change in appetite of our outwards reinsurers*
- *Delivering Transition –The effect of Climate Change on both the physical flood risk and wider socio-economic impact on “affordability” are key risks to Flood Re’s successful transition in 2039*

#### *Indirect considerations:*

- *Financial Reporting & Disclosure - Flood Re seeks to align to best practise in its climate risk disclosures. Leveraging its membership of ClimateWise and seeking to deliver against the ClimateWise Principles/Sub Principles.*
- *Investment Considerations – Green Finance and investments is a growing area and will be considered by the Flood Re Investment Working Group (led by the CFO) as a further element of the Scheme’s forward looking investment strategy (particularly following QQR-2)*
- *Corporate Social Responsibility - Flood Re’s responsibilities in relation to our own impact on climate change and broader environmental impact has started to be considered through targeted CSR activities.”*

The above approach is further built on in Flood Re’s “Statement of Governance of Climate-Related Risks and Opportunities”. A range of other policies and procedures (e.g. procurement policy, stress and scenario testing policy and Investment Policy) include explicit sections relating to how Climate Change related risks are identified, assessed and managed.

## The Own Risk Solvency Assessment (ORSA)

The ORSA is also at the heart of Flood Re’s processes to identify, assess and prioritise climate and nature-related impacts, risks, and opportunities. The ORSA assessment takes places annually and provides an effective risk management framework that allows robust evaluation and prioritisation of risks and issues. The ORSA exercise is led by the Flood Re Risk Function and is directed by the Chief Risk Officer, in collaboration with the first line risk owners.

The 2024 ORSA report documents all elements of the 2024 Flood Re ORSA exercise, which in turn is both the culmination of risk management activity delivered in Flood Re over the last year, and the bringing together of several forward-looking exercises.

The ORSA exercise, documented in the aforementioned 2024 ORSA report, has included these activities:

- Risk Horizon scanning Exercise (Sept-Oct 2023)
- Horizon scanning discussions at ExCo and Board (Oct 2023)
- A Strategy Away Day for the members of the Board and the Executive Committee (ExCo)
- A review of the proposed 2024 ORSA Focus and Risk Themes alongside multiyear scenarios by the Executive Committee (ExCo) and the Risk and Capital Committee
- Risk owner sessions working through current status and next steps for Flood Re’s ORSA Risk Themes
- Approval of year 2023/2024 Capital Position as the basis for the ORSA and update on ORSA Themes/ Progress
- 2024 ORSA report production

As part of the ORSA process, Flood Re regularly undertakes horizon scanning activities in order to prepare the organisation for any emerging risks that could impact the organisation. Flood Re classifies risks into six key areas (Strategic Risk, Insurance Risk, Credit Risk, Market Risk, Liquidity Risk and Operational Risk). Using this risk classification, during the October 2023 Risk Horizon Scanning exercise various risk themes and cross-cutting drivers of risk were identified, some of which could be enhanced and exacerbated by climate change. Table 1 sets out the cross cutting nature of climate change as a key driver of risk for the Flood Re Scheme. Each of the Risk Themes in the 2024 ORSA Report with a green tick had Climate Change elements to them.

Table 1 Cross Cutting impact of Climate Change – Relating to major Risk Theme’s in the Flood Re 2024 ORSA Report

|                   |   |                                                                                     | Cross Cutting Drivers of Risk                                                                                                                |
|-------------------|---|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Risk Area         | # | Risk Theme                                                                          | Implications of Climate Change                                                                                                               |
| Strategic Risk    | 1 | Delivering Yr10-12 Scheme Parameters & Placing Reinsurance Programme                | ✓ - Potential for Nat Cat Risk appetite (UK Flood Risk) to change in Outwards RI Market in part due view of Climate Change and uncertainties |
|                   | 2 | Flood Re’s Quinquennial Review 2 – Proposals & Next Steps                           | ✓ - Proposals relating to broadening and embedding BBB offering and purpose driven investment are to enhance climate resilience in UK        |
|                   | 3 | Post Transition Plan 3 Next Steps and Looking Ahead to 2039 – Risks & Opportunities | ✓ - Climate Change continues to be a clear headwind to Flood Re’s transition and successful exit in 2039.                                    |
| Insurance Risk    | 4 | 2023-24 Year in Flooding, Reserve Risk and IFRS-17                                  | ✓ - Insurer uncertainty around near-term implications of climate change could lead to changes in ceding behaviour                            |
| Credit Risk       | 5 | External Environment - Insurance & Reinsurance Counterparties                       | ✓ - Insurer/Reinsurer uncertainty around near-term implications of climate change and strategy to manage exposure to it.                     |
| Market / Liq Risk | 6 | Current and Forward Looking Investment Strategy and Macro-Economic Environment      | ✓ - QQR Proposals relating to b purpose driven investment will seek to target projects which enhance climate resilience in UK                |
| Operational       | 7 | Material Outsourcer Oversight, Exit Planning and wider Operational Resilience       | ✗                                                                                                                                            |

## Transition Indicators and KPIs

As outlined in section 1.2 above and 1.9 below, the Transition Indicators and KPIs that Flood Re maintains constitute a year-over-year measurement of progress towards the scheme’s exit and its purpose of ensuring the availability of affordable insurance (respectively). These have been reported annually in our ARA, in greater depth as part of the 2023 Transition Plan, and in 2024 as part of a stand-alone website designed to make these aspects more user-friendly for stakeholders. The indicators underpin discussion of key Flood Re initiatives like Build Back Better, as well as progress towards its transition. They also underpin the messaging in our outward-facing influencing work, supporting our “call to action”. The KPIs inform the scheme’s operations and contribute to the company’s annual bonus calculation.

## Catastrophe Risk and Climate Analytics activities

One example of a one-off-assessment, part of an ongoing programme of the Catastrophe Risk and Climate Analytics Team, involved challenging model vendors on the appropriateness of losses produced indirectly by climate models in the general market and on their assumptions in regard to the re-insurance industry.

As an ongoing process, Flood Re evaluates flood models in the market every three years, ensuring these contain high quality information about climate related risks and making adjustments where needed. As part of this process, Flood Re takes part in external model selection and first line

validation - assessing all components of climate conditioned catastrophe risk models available on the market. It includes assessment of the sensitivity of these models to impacts of climate change. The output of this exercise is continuously reviewed and updated at least annually to ensure that Flood Re and its view of climate risk is current, with engagement with model vendors taking place throughout 2023-24.

Flood Re's Catastrophe Risk and Climate Analytics Team continues to engage with the expert community and takes learning back into the organisation. Equally, the team provides feedback on how the outputs of academic research could be made more applicable for the insurance and reinsurance industry. The team did so for example as attendees of the [recent conference hosted in London by the Loss Modelling Framework \(OASIS\) and Lloyd's Market Association on 24 – 25 April 2023](#). The team also collaborates with individual risk model vendors on discrete research tasks and shares the findings with the market where this can lead to overall improvements in practice.

In terms of the Short-Term implications of Climate Change, as has been highlighted in section 1.5, figure 6, these are principally focused on near term behavioural change on the part of Flood Re's key stakeholders (e.g. Insurers, Reinsurers, Homeowners, Government). We have a range of indicators used for highlighting shifts in behaviours and interactions with the Flood Re scheme which can be impacted by perceptions of climate change and its impact on UK Flood Risk. These include the following:

- 1) **Internal - Gross Exposure & Aggregate/Portfolio Monitoring** – Monitor the shifts in cedant behaviour and policy volumes to Flood Re which could in part be driven by shifting perceptions in UK Flood Risk driven by climate change. This is closely monitored to support management actions including (a) Managing and Adjusting Flood Re's liability limit and (b) Structuring an appropriate and efficient outwards Reinsurance programme. As noted in 1.1 and 1.7 above, the results of analysis in this regard heavily influenced significant changes to the scheme through collaborative work with government on the Article 90 process, and the proposals advanced in our Quinquennial Review.
- 2) **Internal - Changing Ceding Behaviour (Type of Property, Location, Type of Flood)** – Monitor shifts in ceded properties which could signal differing views of Flood Risk. Action
- 3) **External - Monitoring Wider Nat Cat Losses and Events And Climate Attribution** – Flood Re also monitors wider natural catastrophe events, levels of insured losses and climate attribution analysis to reflect on potential implications for the Scheme's outwards reinsurance procurement.
- 4) **External - Monitoring COP Targets and Nationally Determined Contributions (NDCs)** – Annually Flood Re monitors shifts in NDC's and COP targets through the NDC Synthesis Reports from the UNFCCC secretariat. These inform our selection of Climate Pathways for longer term scenarios.

#### Nature Related Risks

The majority of focus on Climate Risk relates to its impact on UK Flood Risk, this is to be expected noting the nature and focus of the Flood Re Scheme. In terms of Nature Related Risks, unsurprisingly Flood Re assesses these risks principally through the lens of how shifts in the natural environment (both risks and opportunities) can impact UK Flood Risk. Areas of particular focus in this space have been as follows:

- 1) **Natural Flood Risk Management (NFM)** – See details in this report of Flood Re's support of the Wyre Valley NFM project for how the Scheme is seeking to assess and evidence the benefits of nature based scheme to manage Flood Risk as well as supporting a range of other positive externalities around biodiversity. Sections 2.5 and 2.6 of the report detail Flood Re's support of NFM, including participation in the Green Finance Institute's Strategic Working Group.
- 2) **Flood Resilient Garden - Chelsea Flower Show** – See details in this wider report of Flood Re's leadership of the Flood Resilient Garden, again to use nature-based solutions to support management and mitigation of Flood Risk at a property level.
- 3) **Property Development and Sustainable Urban Drainage** – Working with a range of stakeholders to drive forward action in the space of property development and urbanisation with Flood Risk in mind. See commentary in this report on activity with the TCPA.

A key area of focus and risk management moving forward will be assessing and responding to any material shift in home development to seek to ensure it is delivered with flood risks in mind, not only in relation to the risk to the new properties but also the impact of urbanisation on wider (particularly surface water) flood risk. Each of the three projects highlighted above will support this.

#### Flood Re' bibliography

Flood Re produces various reports and other outputs that set out the processes in has in place to identify, assess and prioritise climate and nature-related impacts, risks, and opportunities and to control the risk of climate change. Below is a list of publications that document Flood Re's assessment of climate change and UK flood risk.

Externally available on the Flood Re's website: [Reports - Flood Re](#)

- **Annual report and accounts (ARA)**: The cornerstone of corporate reporting provides external stakeholders with clear and relevant information on the company's performance and plans and includes explicit sections on climate change, its impact on the Scheme and plans in place to assess and manage this. This year, [a website for the ARA](#) was produced to make it more user-friendly and to allow for the ease of access to part of the report, including a graphical display for the ratings included for Transition Indicators.
- **Annual Solvency and Financial Conditions Report (SFCR)**: It provides the general public with an overview of the company's solvency and financial condition covering business performance, its system of governance, the adequacy of its risk profile and a description of its capital management.
- **ClimateWise Submissions**: As a member of ClimateWise, Flood Re reports against the ClimateWise principles and sub-principles and publishes (annually) our report.
- **Flood Re Transition Plan**: This document sets out the company's approach to existing the market in year 2039 and supporting the transition to a market for household flood insurance with risk-reflective pricing (one of Flood Re's primary purposes). Climate Change and the various risks and impacts it creates for the 2039 Transition alongside our approach to managing them are set out in detail in this report.
- **The Quinquennial Review** (July 2024): This is the second of such QQRs ("QQR2") and provides Flood Re with the opportunity to further improve and enhance the efficiency and effectiveness of the operation of the Flood Re Scheme, in order to accelerate its policy outcomes, within the context of the current economic environment. It is also the opportunity to propose changes to the Scheme which will help prepare households, insurers and other Scheme participants and Government for the future and enable the changes required for a

successful market transition in 2039. A number of the proposals we have set out in QQR-1 and QQR-2 naturally seek to take forward in particular enhancing the resilience of UK housing stock to flood risk and the implications of climate change.

Internally available only:

- **Statement of Governance of Climate-Related Risks and Opportunities:** Summary of Flood Re’s governance, position, and approach to understanding and managing the risks associated with climate change. It includes the “lenses/angles of climate change and the short/medium/long term Implications of climate change to Flood Re.
- **Detailed Year by Year Schema of Climate Change Activity:** With a detailed breakdown of the activity delivered and planned relating to the 5 Lenses/Angles of Climate Change at Flood Re. In Excel spreadsheet format.
- **Register of Experts:** A list of Flood Re staff members with relevant expertise. The Excel spreadsheet maps staff climate change related expertise and experience under categories such as Climate Change & UK Flood Risk, ESG Investments, Flood Model, and Premium Risk (including Catastrophe Risk).
- **ORSA Exercises and Reports:** An internal process undertaken by Flood Re to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios. The process requires insurers to analyse all reasonably foreseeable and relevant material risks (i.e., underwriting, credit, market, operational, liquidity risks, etc.) that could have an impact on an insurer's ability to meet its policyholder obligations. Climate Change is typically assessed as a cross cutting risk in each ORSA exercise and reported on as required.

### *Sub-Principle 1.9: Put in place mechanisms to monitor and manage climate and nature-related risks and opportunities.*

*Members can use this section to demonstrate how climate- and nature-related risks and opportunities are monitored and managed on an ongoing basis. This might include describing the processes and policies which are used to prioritise and manage climate- and nature-related impacts, risks and opportunities supported by a range of qualitative and quantitative metrics used in monitoring. Detail in this section might include a discussion of the implications of the risk management framework, including setting risk preferences and risk appetites. The ClimateWise Guidance sets out topics which members could consider.*

Flood Re’s approach to monitoring and managing climate and nature related risks aligns to both the “5 angles of Climate change” implications to the Scheme and our view of the varying ways it can impact and emerge over three separate time horizons, as set out in Section 1.5, Figure 6:

- **Short Term Monitoring & Management** – Short term monitoring of the implications of climate change to the scheme focuses on identifying and seeking to manage the more behavioural implications of climate change, in particular ceding behaviour and shifts in outwards reinsurer risk appetites to UK flood risk. The principal tool for assessing and monitoring this is Flood Re’s quarterly Catastrophe Management Report which sets out the current and forecast the Scheme’s Gross Exposure position (with particular focus on the Annual Exceedance Probability curve). This report is based on Flood Re’s Catastrophe Modelling and internal view of Flood Risk which explicitly captures “non-stationarity” of climate in the results through the climate change in the system overlay which has been highlighted earlier in this report. Short Term monitoring and management also includes annual stress and scenario testing (through the ORSA) to assess impacts of sudden shifts in behaviour of major stakeholders in the scheme.
- **Medium and Long Term Monitoring and Management** – Longer range monitoring and management of the implications of climate change to the scheme shifts to considering and understanding the underlying impact of Climate Change on UK Flood Risk (physical risk assessments) and consequent impacts on Flood Re’s successful 2039 exit and the form of the UK home Insurance market post 2039. This activity and monitoring takes the form of the previously discussed annual transition indicators and “sizing the pier/protection gap” forecasting.

In terms of Roles and Responsibilities, different teams in Flood Re are responsible for monitoring and managing different aspects of climate and nature-related risks and opportunities. The different responsibilities and any escalation processes are set out in Flood Re’s governance and oversight framework described in previous sections of this report, such as [Sub-Principle 1.2: Ensure that our senior management has responsibility of climate and nature-related risk and opportunity management, including any transition plans.](#)

Flood Re’s Own Risk Solvency Assessment (ORSA) takes places annually and is led by the **Chief Risk Officer**. The latest ORSA report produced as part of the ORSA exercise, documents activities that take place as part of the Flood Re’s mechanisms to monitor and manage climate and nature-related risks and opportunities. These include:

- Horizon scanning
- Horizon scanning discussions
- A Strategy Away Day for the members of the Board and the Executive Committee (ExCo)
- A review of the proposed 2024 ORSA Focus and Risk Themes alongside multiyear scenarios by the Executive Committee (ExCo) and the Risk and Capital Committee
- Risk owner sessions working through current status and next steps for Flood Re’s ORSA Risk Themes
- 2024 OSRA report production

As have been highlighted elsewhere in this report the ORSA exercise and most recent report captured and sought to set out the cross-cutting implications of climate change on Flood Re’s risk profile and the activity being take to monitor and manage this, from stress and scenario testing the Scheme’s gross exposure, to the longer term steps the Transition Function are taking to drive forward the Property Flood Resilience roadmap. The Risk Function and Chief Risk Officer, also lead the annual review and planning of climate change related analysis and actions under the banner of the aforementioned “5 Angles” drawing together expertise from across the scheme.

In 2023 Flood Re changed the role of Head of Catastrophe Risk to the **Head of Catastrophe Risk and Climate Analytics**. This change in designation has allowed the broader actuarial team to hire an additional climate risk specialist to effectively monitor and gauge the impact of climate change on the Flood Re portfolio of risks and help the business to make sensible, quantitative adjustments that allow for climate change in its view of risk moving forwards. These activities involve reading academic publications to synthesise and translate findings to inform strategy and decision making within the organisation, and horizon scanning the research landscape. Activities include regular engagement with vendors of catastrophe risk

models. The team have also been given the task of ensuring that both the Board and Executive Committee (ExCo) understand how climate change is likely to impact the Flood Re mission over the coming decades. This has been achieved by the delivery of two presentations to date and their content will inform Flood Re's next Strategy Day planned for in December 2024.

Flood Re's **Financial Control** team is responsible for carbon emissions accounting and detailed information about these is included in this report the under [Theme Value Chain](#).

Flood Re **Transition Team** monitors and manages climate and nature-related risks and opportunities through a set of twelve indicators laid out in the organisation's latest [Transition Plan](#). These indicators are visualised using a gauge diagram as shown in Figure 6 and are grouped into what Flood Re terms 'buckets':

1. Bucket 1 is about reducing flood risk in the UK, which in turn is dependent on investment in flood defences, whether new developments contribute to flood risk and global efforts to mitigate climate change.
2. Bucket 2 is about reducing the damage and cost of flooding. A number of factors contribute to this, including whether households have, or are able, to make adaptations to make their homes more resilient.
3. Bucket 3 is about achieving an effective market in insurance for flooding. This requires better flood modelling and insurance industry engagement with flood mitigation measures.

This year, [a website for the ARA](#) was produced to make it more user-friendly and to allow for the ease of access to part of the report, including a stand-alone section for the Transition Indicators that included a graphical gauge display for the ratings showing this year's ratings in comparison to last year's. While last year's Transition Plan provided in depth analysis of each of the indicators, this website represented the first time within an ARA that each indicator was given a stand-alone section and discussion of progress.

One indicator within the Transition Plan that specifically speaks of climate and nature-related risks and opportunities is the *Indicator 3 - CO<sub>2</sub>/GHG emissions and the likely climate pathway*. In terms of translating this indicator into Flood Re's vision, it is articulated as *"CO<sub>2</sub>/GHG emissions are reduced to a level that can limit global temperature increase to 2 degrees Celsius, as per the Paris agreement, in order to limit the worst impacts of climate change. The UK adapts to the changes in flood risk across the course of the climate change pathway."* Understandably, delivery of this national and international policy objective is outside of Flood Re's control and therefore the assessment is negative, as shown in the gauge diagram in Figure 8.

### 2.2.3 Indicator 3 - CO<sub>2</sub>/GHG emissions and the likely climate pathway

#### Flood Re vision

CO<sub>2</sub>/GHG emissions are reduced to a level that can limit global temperature increase to 2 degrees Celsius, as per the Paris agreement, in order to limit the worst impacts of climate change. The UK adapts to the changes in flood risk across the course of the climate change pathway.



Figure 9 Progress against the Flood Re Transition Leading Indicator: Climate change pathway and impact on inherent UK flood risk. Source: Flood Re's Transition Plan [Reports - Flood Re](#)

The Transition team carries out further monitoring of the external environment and horizon scanning outside of the ORSA process. For example, in September 2023 Flood Re responded to London Climate Resilience Review Call for Evidence by the Greater London Authority. Currently, Flood Re is formulating a response to the public consultation on the new Flood Resilience Strategy being developed by the Scottish Government, and regularly inputs to government consultations and briefs.

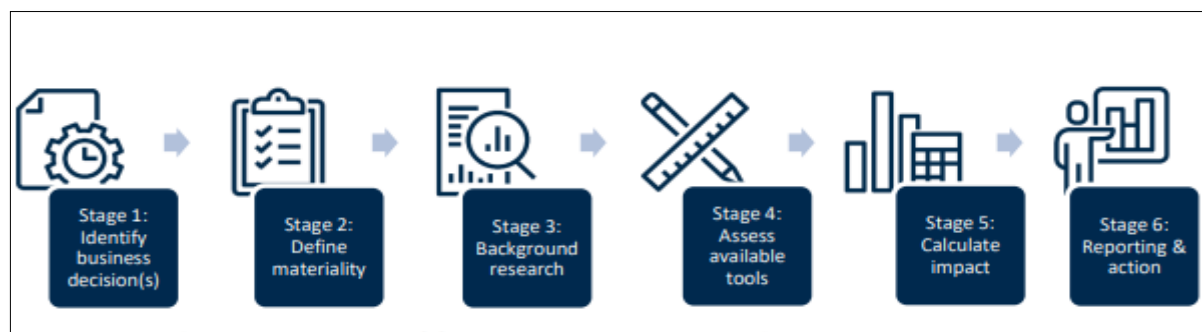
## Sub-Principle 1.10: Describe how scenario analysis has been used to inform the identification, assessment and management of climate and nature-related risks.

*Members can use this section to demonstrate how scenario analysis has been used to improve their understanding and management of climate and nature issues. This might include an improved understanding of the potential financial impacts, or a range of qualitative management actions that scenario analysis has suggested. The ClimateWise Guidance sets out topics which members could consider.*

A summary of our approach to Stress and Scenario testing is included in Flood Re's annual (publicly published) **Solvency and Financial Conditions Report (SFCR)**. This document provides an external facing overview of the company's solvency and financial condition covering business performance, its system of governance, details of its risk profile and a description of its approach to capital management. The latest report for the year ended 31<sup>st</sup> March 2023 is available on Flood Re's website [Solvency and Financial Condition Report for the year ended 31 March 2023 \(floodre.co.uk\)](#) and it gives detail on Flood Re's approach to scenario analysis. Sensitivity, Stress and Scenario Tests are key risk management tools that allow the Company to assess the consequences of future events and determine whether risk-mitigating actions should be taken to manage their associated impacts.

Stress and Scenario Tests and Analysis are a key tool for assessing the implications of climate and nature related risks. As highlighted under the previous sub-principle, Flood Re utilises stress and scenario tests to assess the implications of Climate Change in particular over the course of the previously highlighted three time horizons. Depending on whether we are assessing the near term implications of climate change to stakeholder behaviour or seeking to understand the longer term impact on underlying UK flood risk we will utilise different SST tools and models depending

on the questions being posed and risk we are seeking to better understand and respond to. To do this we leverage the [PRA's \(2019\) Framework for assessing financial impacts of physical climate change – a practitioner's aide for the general insurance sector](#), and in particular the following diagram:



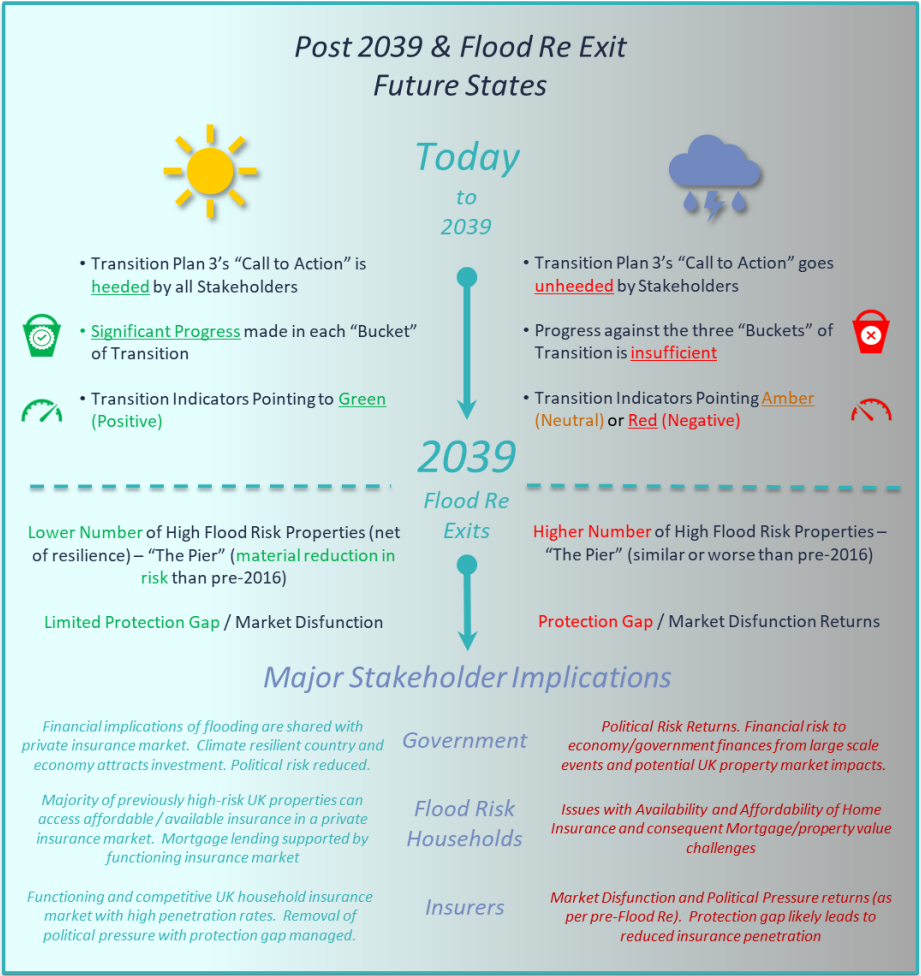
Examples of Stress and Scenario Tests to assess the implications and risks posed by Climate Change to Flood Re are set out below:

- **Near Term / Short Term Implications – Stress and Scenario Tests**

- **ORSA 2024 Stress and Scenario Tests** - These were particularly focussed on how the perception of climate change and its near term impact on UK flood risk could result in behavioural change from Flood Re's major stakeholders. Stress and Scenario Testing and Reverse Stress Testing has been delivered to assess these scenarios and highlight the monitoring and management actions Flood Re would take to manage them within the Scheme's Risk Appetite and limits.
- **Regulatory Stress Tests (GIST & CBES)** – Flood Re have participated in and engaged with both the PRA's General Insurance Stress Test (GIST) and Bank of England Climate Biennial Stress Testing exercises. In each case we have reflected on the climate change scenarios these have included and their impact to the scheme and stakeholder responses. In each case we have also sought to leverage these exercises to further Flood Re's 2039 Transition Objectives and actively bring together stakeholders from across financial services (e.g. bringing to the fore the interdependency between mortgage providers and general insurers in the management of UK flood risk to support UK householders).

- **Medium / Long Term Implications – Stress and Scenario Tests**

- **Longer range impact on UK Flood Risk** – Previously we have worked with experts and climate change leaders involved in the Climate Change Risk Assessment (CCRA) research specifically in assessing the size and details of change in UK flood risk and number of "At risk properties" across a range of climate pathways out to 2039 and beyond. We have leveraged this analysis to support and emphasise the need to manage the expected increase in UK flood risk driven by man made climate change and take steps to increase the resilience of UK households.
- **Sizing the Protection Gap – Now and in 2039** – More recently Flood Re has sought to understand (a) the size of the protection gap in the UK home insurance market we would expect to return if Flood Re exited the market today, and (b) how we can project forward the size of the protection gap to 2039 using a range of climate pathways. In 2024-25 Flood Re will conduct work on how climate change could impact the insurability of UK property stock out to 2039 when Flood Re exits. This work is part of an ongoing initiative at Flood Re to understand the population of UK properties that will be difficult to insure after the Flood Re scheme ceases operation. Work is planned between October 2024 to March 2025
- **Evaluating the Performance of UK Flood Defences Under Climate Change** ([link](#)) – Demonstrate the impact of climate change through modelled flood defence outcomes for two UK cities (York and Pontypridd), to underline the importance of continued flood defence investment.
- **"What If" Scenario Assessments – 2039** – Transition Plan 3 (TP-3) very actively sought to strike a tone of leadership and direction, hence the "Call to Action" title of the report, rather than being pessimistic or defeatist. This was to drive forward necessary steps and deliver "what needs to be true" to support a functioning insurance market in 2039 by reducing the size of the protection gap driven by UK flood risk. That said, we do have to note that ALL of Flood Re's "Transition Indicators" are currently either pointing to a "Negative" or "Neutral" position, and so the direction of travel leaves a lot of work to be delivered between now and 2039 (i.e. if Flood Re were to exit the market today there would be a similar or potentially a larger protection gap, that the one which existed pre-2016 in the UK Home Insurance Market). A simplified view of two potential future states of what 2039 could look like (both positive and negative scenarios) is set out in the below schema. This particularly focuses on post 2039 and what the implications for Flood Re's major stakeholders could be, in order to transparently and simply communicate the need to heed the Transition Plan 3 "Call to Action".



## Principle 2: Engaging Stakeholders

### Theme: Operations

The Operations Theme allows Members to demonstrate how they are seeking to reduce the environmental impact of their own business operations.

#### Sub-Principle 2.1: Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Members can use this section to demonstrate how they have and intend on responding to climate- and nature-related risks and opportunities from internal operations. This might include describing mitigation and adaptation actions which have been undertaken or planned. The ClimateWise Guidance sets out topics which members could consider.

The following information is taken from the latest Annual report and accounts (ARA) for the year ended 31 March 2024 available on the Flood Re's website [Reports - Flood Re](#), under section Streamlined Energy & Carbon Reporting (SECR) starting on page 20.

#### Organisational structure

Flood Re is classified as a large unquoted company due to its size in terms of turnover, measured in insurance revenue and Total Assets. It is required to report in accordance with Streamlined Energy & Carbon Reporting ("SECR") legislation.

#### Environmental indicators

Flood Re's report focuses on the Energy and Carbon indicators mandated by the SECR.

#### Reporting period

Flood Re reported on SECR data for the first time as at 31 March 2021 with its base year set as 31 March 2020. This will provide a more representative base from which to analyse and compare future annual energy usage and emissions.

#### Reporting Boundary

The reporting boundary for this Energy and Carbon Report is Flood Re and its outsourced services. This incorporates 100% of the energy use for the Company. Flood Re's energy and carbon footprint covers Scope 1, 2 and selected Scope 3 emissions\* from 1 April - 31 March for each reporting year in 2024 and 2023.

#### Measurement methodology: Energy Performance

Flood Re's own kWh Scope 1 Gas and Scope 2 Electricity energy use is calculated as a percentage of the total office space owned by its managed services provider and is allocated based on the square footage of its occupied space. Scope 1 Transport Energy represents recorded business travel in Km by employees using their own vehicles that has been converted to kWh.

Equivalent kWh energy usage for our outsourced service partners has been allocated on a per capita basis. kWh energy use is calculated using the most up to date conversions factors from the Department for Business, Energy & Industrial Strategy (BEIS), published June 2023.

Table 2 Energy performance results, March 2023, and March 2024.

| Energy Use (kWh) | 31 March 2024  | 31 March 2023  |
|------------------|----------------|----------------|
| Transport Energy | 56,419         | 42,148         |
| Electricity      | 181,299        | 184,155        |
| Natural Gas      | 197,196        | 244,102        |
| <b>Total</b>     | <b>434,914</b> | <b>470,405</b> |

\*Usage of transport energy mainly comprised of energy consumption by Flood Re staff during their commute and on business related travels and it excludes any other air travel. Consumption of Electricity and Gas energy are directly from the office rental property and purchased by Flood Re.

#### Measurement Methodology: Carbon Performance

Scope 3 emissions include travel by land and air, and homeworking. Land and air travel emissions are based on the actual journeys taken in the reporting year, with conversion factors applied to calculate the carbon emissions equivalent.

In estimating the impact of emissions from homeworking on Scope 3 carbon emissions from incremental gas and electricity usage, we have used the UK assumptions and calculations from the Homeworking Emissions whitepaper, published by EcoAct and written in partnership with Lloyds Banking Group and NatWest Group: <https://info.eco-act.com>

Carbon emissions are calculated in accordance with the Greenhouse Gas (GHG) Protocol, with outputs for Carbon emissions (CO<sub>2</sub>e) calculated using the most up to date conversions factors from the Department for Business, Energy & Industrial Strategy (BEIS), published June 2023.

## Carbon performance results

Table 3 Carbon performance results, March 2023, and March 2024.

| Carbon dioxide equivalent Emissions (t/Co2e) | 31 March 2024 | 31 March 2023 |
|----------------------------------------------|---------------|---------------|
| Scope 1 emissions                            | 54            | 58            |
| Scope 2 emissions                            | 37            | 36            |
| Scope 3 emissions                            | 61            | 55            |
| <b>Total</b>                                 | <b>152</b>    | <b>149</b>    |

\*Scope 1 emissions are direct emissions produced by the burning of fossil fuels by Flood Re. Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by Flood Re. Scope 3 emissions (limited to business travel and homeworking) are indirect emissions produced by Flood Re activity but owned and controlled by a different emitter.

## Intensity Ratio

|                                    | 31 March 2024 | 31 March 2023 |
|------------------------------------|---------------|---------------|
| Reporting boundary t/CO2e/employee | 2.5           | 2.5           |

## Operational trends

The kWh energy usage of kWh 434.9k in the year to 31 March 2024 was lower than the previous reporting year 2023 of kWh 470.4k.

The slight reduction in our carbon emissions per capita and its drivers illustrate well the lack of influence Flood Re has over the emissions from its shared office space. A three-month period in 2023 of fine summer weather led to reduced footfall for the entire building, not just Flood Re's share of the space, and as a result, gas and electric emissions fell significantly in that period.

Outside the office space, a higher ratio of home to office working, driven mainly by increased headcount rather than fewer in-office hours, contributed to increased Scope 3 emissions. Both Scope 2 and Scope 3 increases were driven significantly by increased conversion factors, as opposed to major changes in activity. Levels of travel, predominantly by train, were consistent with prior years. Flights were kept to a minimum, with air travel the last resort when distance and time constraints dictate.

## Energy efficiency and management actions

Our partitioned office space, part of a set of offices within one larger building, limits our ability to manage our energy usage. As areas of the whole building have variously been in use or not, it is clear that there is an underlying energy usage required for heating and lighting, and for security and systems maintenance that is unavoidable. In addition, our allocation of the total energy usage varies as occupation throughout the building changes.

The incremental impact of homeworking is also not a simple factor to determine due to complex variables relative to individual circumstances. The incremental energy created by homeworking from shared accommodation rather than independent households can differ considerably, and for individuals from households where a family member or shared occupant is usually present anyway, the incremental energy usage is minimal, whereas for two people usually absent from home during the day, the incremental energy usage could be significant. We have followed the methodology from EcoAct's Homeworking Emissions whitepaper for the year to 31 March 2024 and aim to refine a methodology that better reflects our teams' circumstances once our future working arrangements have been determined.

Flood Re recognises that our ability to manage our limited carbon footprint is less significant than our wider stakeholder influence on flood and property flood resilience adoption and adaptation; we continue to consider both elements of our operations. Given our restricted ability to directly manage the total energy usage arising from Flood Re's activity, going forward the Board will consider options both to offset our carbon emissions, and to assess opportunities for Flood Re to engage with projects that are expected to assist in the reduction of future flood risk, and to reduce carbon emissions.

## IT services

Flood Re operates a fully agile cloud hosted environment in Microsoft Azure, which allows its Information Technology function to turn servers on and off depending on business requirements. This allows Flood Re to limit the consumption of high consumption compute nodes when they are not needed.

The following graphic (produced on 11<sup>th</sup> July 2024, Figure 8) shows the effect of high-powered servers being switched on and off, depending on business demand - rather than being left on all the time. This active control Flood Re practices results in fluctuating carbon emissions (kgCEO2) over a period as shown in the monthly bar chart. E.g., in April 2004 this amounted to only 408.8 carbon emissions (kgCEO2) in comparison to months with high peak demand due to climate modelling requirements such as the months of June and July 2023 when the carbon emissions reached double of the amount, 837.2 and 8311.1 carbon emissions (kgCEO2) respectively.

If Flood Re did not take this active control, it would lead to much higher carbon emissions as shown by the dashed black line in Figure 10.

The screenshot in Figure 11 is then provided by the vendor and is based on USA's EPA Greenhouse Gas Equivalents calculator [Greenhouse Gases Equivalencies Calculator - Calculations and References | US EPA](#). It offers another dimension, by converting carbon emissions (kgCEO2) into other metrics including those more applicable to the USA context such as gallons of gasoline consumed.

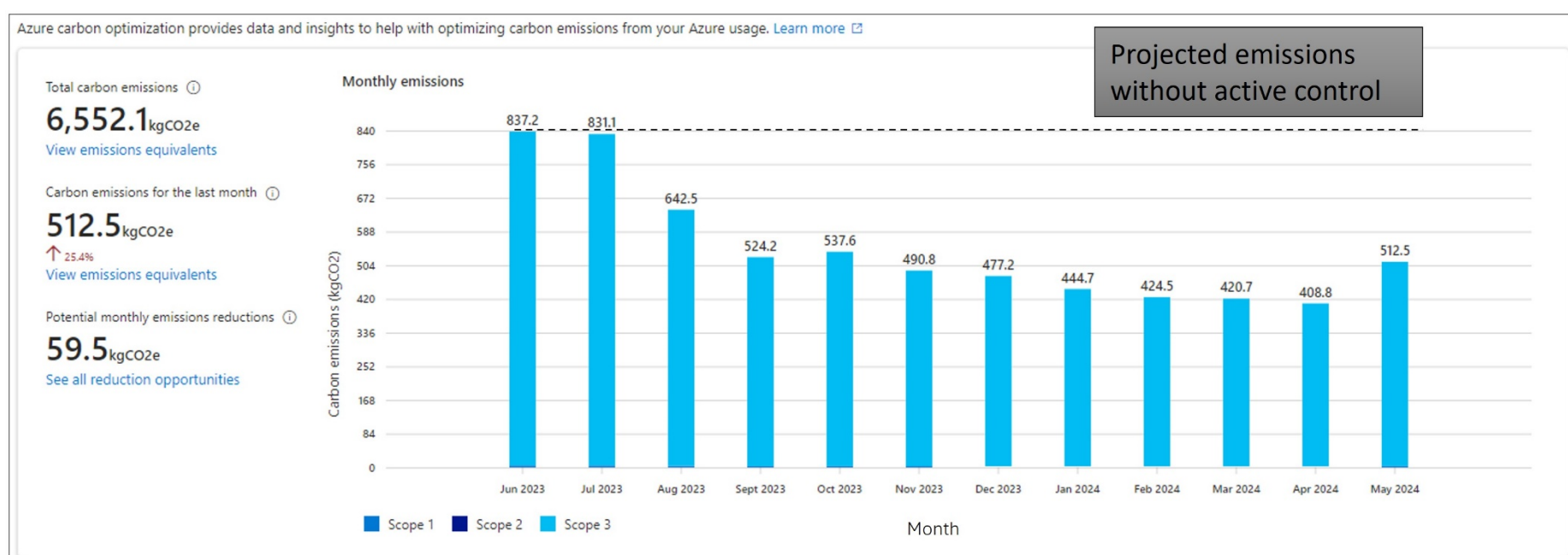


Figure 10 Flood Re carbon emissions over a period of June 2023 to May 2024.

The projected emissions without active control are shown as black dashed line. The actual carbon emissions as a result of active control are shown on the bar graph in blue colour.

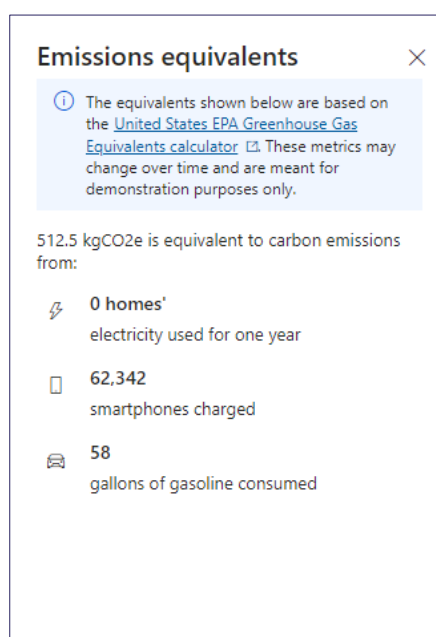


Figure 11 Carbon emissions equivalent example available to Flood Re.

## Sub-Principle 2.2: Engage our employees on our commitment to address climate change and nature, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate and nature-informed choices outside work.

Members can use this section to demonstrate the approach taken to making employees part of the solution in addressing climate change and nature. This might include describing the training and development which has been offered to staff. The ClimateWise Guidance sets out topics which members could consider.

In the summer of 2023 Flood Re hosted an intern who interviewed Flood Re employees to find out what small changes they've made that have a positive impact on the environment. The material gathered was then used in a social media campaign that Flood Re ran in August 2023, which highlighted for both internal and external audiences the sorts of individual changes we can make to improve our climate impact. The campaign also created a forum and focal point for employees to be able to share their experiences and best practices with one another.

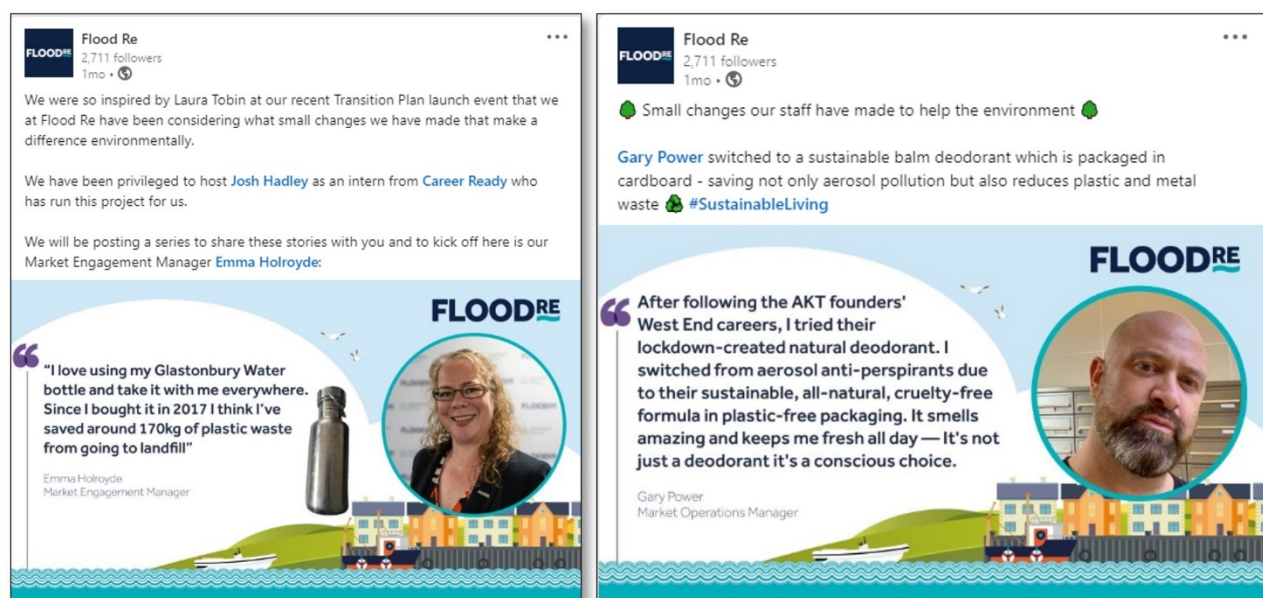


Figure 12 Flood Re environmental behaviours social media campaign, August 2023.

Alongside Flood Re's Flood Resilient Garden initiative at the Chelsea Flower Show (see Section 2.6), Flood Re had an employee engagement effort from January 2024 through May 2024. Weekly updates were given on the Garden's status, including a "plant of the week" to give staff an idea of the water-tolerant plants they could use in their own gardens. A presentation on the garden focusing on water usage and water awareness was made to the Connect Day (Connect Days are when all Flood Re staff come into the office, once a month) in February, giving staff examples of actions they could take to reduce water consumption and demonstrating the effectiveness of both home resilience measures and natural solutions (e.g. resilient gardens), and staff were also invited to make pledges about their own actions to reduce water use. A further presentation on the garden's final design and push was given to Connect Day in April, and a follow-up presentation given to the staff summer party in June. Approximately 1/3 of Flood Re staff attended the event in person.

Flood Re's Head of Research did a presentation for all staff following attendance at COP28, outlining recent trends in climate progress, insurance industry trends, and how to navigate international events. Another Connect Day presentation focused on the Transition Plan and follow-up work, which included a discussion of Natural Flood Management and Nature-Based Solutions. A summary of the Green Finance Institute's Natural Flood Management report (see sections 2.5 and 2.7) was sent around to all staff following its release, and stories on Natural Flood Management were included in the quarterly Flooding Hot Topics report circulated to all staff.

## **Theme: Value Chain**

*The Value Chain theme goes further to allow Members to demonstrate how they are seeking to reduce the environmental impact of operations throughout the insurance value chain.*

### ***Sub-Principle 2.3: Understand and disclose the sources of emissions and adverse climate and nature-related impacts on our upstream and downstream value chain that might in turn impact our business.***

*Members can use this section to demonstrate their understanding of their emissions footprint. This might include describing the emissions sources measured and the methodology used, as described in the ClimateWise Guidance.*

Owing to the unique public-private nature of the Flood Re scheme, and the implementation of the Build Back Better (BBB) program, much of our value chain activity focuses on the Property-Level Flood Resilience sector, and encouraging implementation of PFR products. Given there is considerable financial and carbon cost to restoring flooded homes<sup>3</sup> (with the latter coming due to the waste of replacing ruined materials and items), more widespread deployment of PFR results in significant future savings... but deployment until recently was hampered by a lack of incentives, standards, or industry-wide programs, a situation that Flood Re has steadily been working to improve since its inception.

The activities detailed in sections 2.5 and 2.6 below – including BBB implementation support, PFR scoring, and the Flood Hub – are geared towards developing an evidence base and practical information such as best practices that will allow for greater usage of PFR in a wider range of cases, as well as the consumer confidence to undertake PFR installation when offered. The PFR scoring project represents a clear example where the measurements developed by Flood Re and its partners will help the entire industry to understand and disclose future emissions and costs.

Our work on BBB policy, including Flood Re's chairing of the PFR roundtable (which has supported the development of the Code of Practice and British Standard for PFR products), research on the PFR sector, work to develop and pilot Flood Performance Certificates, as well as evidence gathered through our surveys and outreach, support policy development that will allow for a policy regime and company and consumer information that underpin wider implementation. All of this aims to make BBB an industry norm (as stated in the company objectives in section 1.4 above), which will have industry-wide benefits in terms of reducing emissions and financial costs.

In a similar but distinct vein from our work on PFR, our advocacy and research in support of increased flood defense spending by government, and a greater focus on Natural Flood Management within flood risk management activities (see sections 2.5 and 2.6 below), aim to reduce impacts throughout our value chain, as well as for the value chains of the broader insurance industry. Better protection avoids impacts and costs, emissions from reinstatement of flooded properties, and a greater reliance on natural solutions produces co-benefits including carbon sequestration.

### ***Sub-Principle 2.4: Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.***

*Members can use this section to demonstrate the approach to govern climate- and nature-related interactions with other entities. The ClimateWise Guidance sets out topics which members could consider.*

Flood Re remains a small organisation (of less than 100 employees) with only a few suppliers with whom we have large-scale ongoing collaboration.

#### ***Build Back Better***

Flood Re's most significant area of supply chain advocacy and innovation is Build Back Better. As detailed further in sections 2.5, 2.7, and 3.4, Flood Re has championed the idea, supported the industry in growth through its chairing of the Property-Level Flood Resilience Roundtable, and supporting the development of the Code of Practice.

<sup>3</sup> Aviva has calculated the carbon cost of restoring a flooded home at 13.9 T CO<sub>2</sub>e <https://www.aviva.com/newsroom/news-releases/2023/02/carbon-footprint-of-restoring-a-flooded-home-can-be-equivalent-to-six-and-a-half-return-transatlantic-flights/>

We have worked with our cedants on the program, in several respects:

- Setting program terms in collaboration with government: notably the provision that cedants must apply BBB uniformly across the entirety of their book, not solely on properties ceded to Flood Re, which has been a foundational driver for the program
- On-boarding: the technical process for enabling BBB claims submission and processing
- Thematic reviews: over the last year, Flood Re has worked with its major cedants onboarded to BBB to understand their operational experience in Delivery Year 1 of the program, resulting in proposals for improvements to the BBB program made in our Quinquennial review, as well as the sharing of best practices

This work will have significant and transformative impacts across the delivery chain of our cedants, involving the inclusion of new techniques that will help their clients' homes to become more resilient following the rebuilding process, and avoiding costs and emissions from having to rebuild from future flooding once homes have been made more resilient. Flood Re continues to work with its cedants to help them improve their processes, understand the industry, and to level the playing field through PFR scoring, Flood Performance Certificates and other Transition Plan initiatives detailed in section 2.5.

Over the winter of 2023/24, approximately 500 additional homes will have received Property-Level Flood Resilience measures through the BBB program. This is almost equal to what was achieved through the Environment Agency's programs the year prior, meaning that in BBB's first year of operation the delivery of PFR in the UK doubled. While our aspiration is to go well beyond this and continue improving uptake every year, this counts as progress and a good first-year result.

#### *Vendors and Strategic Partners Summit*

In 2023-4, Flood Re undertook its first ever "Vendors and Strategic Partners Summit" which brought together its 4 major suppliers (detail on each below) to discuss future directions for the organization and providing partners with a deeper understanding of the organization's goals and directions. This included a discussion of Flood Re's Transition Plan, which places a heavy emphasis on adaptation to anticipated future climate impacts and ensuring that insurers and communities are prepared, as well as presentations on catastrophe modelling, data, and a keynote from Mary Dhonau entitled "A Flood survivor's perspective" to provide vendors with a first-hand perspective of what it feels to be impacted by the sorts of catastrophes that are getting more severe with climate change. Participants noted that the day had given them a much better understanding of climate impacts and the work that Flood Re (and government partners) are undertaking to protect regular people.

The company's four main suppliers and their respective Environmental, Social, and Governance (ESG) strategies are outlined below:

**Guy Carpenter** is part of Marsh McLennan, the world's leading professional services firm in the areas of risk, strategy and people.

- It develops advanced risk, reinsurance and capital strategies that help clients grow profitably and pursue emerging opportunities. For example, it examined how climate change affects physical risks, and the evolution of regulation associated with these risks, posed to insurers with exposures in five geographical regions including Southeast Asia.
- The organisation is Flood Re's reinsurance broker and supports its catastrophe modelling capabilities, helping Flood Re to understand evolving risks and impacts associated with climate change.
- Marsh and GuyCarpenter were leading participants in 2 important Flood Re activities during 2023-24
  - The Marsh and Guy Carpenter teams led an "event-in-a-day" exercise, simulating a major flooding event, to help Flood Re to evaluate its capabilities in responding to a major event, in order to ensure its systems were fit for purpose and that we are best able to support and minimize any disruption to our first-responder partners during a time of crisis. Approximately 50% of Flood Re staff participated in the exercise.
  - Guy Carpenter's team participated in Flood Re Vendors Summit (noted above) and presented on its capabilities, including catastrophe modelling and risk management. Its presentation complemented Flood Re's by giving an industry view of the emerging risks posed by climate change and the sets of tools available to manage these.
- In their own practice Guy Carpenter is guided by Marsh & McLennan's standards of conduct and are included in their ESG reporting.
- In 2023, the company collaborated with the Center for NYC Neighborhoods (CNYCN), a nongovernmental organization in New York City, to launch the first community-based catastrophe insurance (CBCI) program. CBCI is disaster insurance arranged by a local governmental or quasigovernmental body or community group and covers a group of properties within the community.
- It approaches to ESG and ESG reports are available on the website: [ESG \(marshmclennan.com\)](https://www.marshmclennan.com/esg).

**Addresscloud** is a provider of technology for use by Flood Re participants via the Property Data Hub.

- As a company they are committed to reducing their environmental impact and have policies to minimise the use of paper, energy, water and fossil fuel use.
- With respect to carbon emissions, and as a remote company, they take two approaches -- first, offsetting employee emissions by investing in a range of carbon reduction and sequestration schemes; second, operating cloud infrastructure using a serverless architecture meaning consumption of cloud resources is scaled in real-time according to customer demand, enabling efficiencies and reduced energy usage.
- Their cloud provider is working towards 100% renewable energy supply for its data centres and already offsets emissions where renewable supply is not yet available.
- They have also been vocal in pressing the industry to effectively factor in and manage climate risks.
- More information is available on the company's website: [Our Ethos | Addresscloud](https://www.addresscloud.com/our-ethos).

**risual Limited** is a strategic partner providing IT Managed Services and Consultancy for project work:

- "risual Limited is committed to reducing its environmental impact. risual has set a target to be carbon neutral by 2030, as published in their Carbon Reduction Plan
- To achieve this goal, risual has identified key aspects where they have a negative impact on the environment, namely heating and cooling, and travel to client sites. To manage and reduce these impacts, risual has put policies and systems in place. These include energy-efficient heating and cooling systems and encouraging remote meetings to reduce travel.

- risual undertakes an annual review of activities to understand their impact on the environment and to identify new ways of working to reduce carbon emissions. Additionally, risual calculates its Carbon Footprint monthly to monitor progression towards their environmental objectives.
- To further support their 2030 objective, risual is currently in the process of onboarding an offsetting partner who is audited by the United Nations. This partnership will ensure that risual is working with a responsible partner to offset its carbon emissions.
- risual is also certified to ISO 14001, the international standard for environmental management systems. This certification demonstrates risual's commitment to environmental management and continuous improvement. They regularly review and update their environmental management system to ensure it remains effective and continues to help them reduce their environmental impact."

**Watertrace** provides our Bordereau Management System (BMS). Their ESG program's purpose is to integrate sustainable business practices into operations, align company values with societal expectations, and create long-term value for all stakeholders. Their environmental goals aim to reduce the carbon footprint of their digital infrastructure. Optimizing code for energy efficiency and using green energy providers. They have established a strategic roadmap to achieve goals over 1, 3, and 5 year time horizons, with metrics for energy consumption of servers, percentage of renewable energy used, quantity of e-waste recycled. They work with their infrastructure and services providers to ensure they align with those environmental goals, through the use of proactive communication, collaboration, and contractual agreements. Website: [BDX | Watertrace](#).

Section 2.5 of Flood Re's Procurement Policy on p.10, titled Corporate Social Responsibility, set out the following guidance to staff:

*"When procuring products or services, employees should be mindful of Flood Re's ethos of corporate social responsibility, including any potential social or environmental impact. Small and Medium-sized Enterprises (SMEs), for example, should be considered as well as larger and more obvious corporate suppliers."*

## **Theme: Innovate & Advocate**

*The Innovate & Advocate Theme allows Members to showcase important research and engagement in public debate that uses their unique position and understanding of insurance and risk management to have a broader impact.*

*Sub-Principle 2.5: Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate and nature-related issues.*

*Members can use this section to demonstrate the research and development activities which have been undertaken or funded during the year. This might include describing the objectives and priorities of research and development or take into account how the Member is considering using emerging technology. The ClimateWise Guidance sets out topics which members could consider.*

Flood Re's major initiatives over 2023-24 arise from the commitments made in its [2023 Transition Plan](#) (See Section 4 "Our Commitments", pp 62-70). In the research space, the three most significant initiatives are the next phase of its Property Level Flood Resilience (PFR) Scoring project, research and advocacy into Flood Performance Certificates, the establishment of a Centre of Excellence (re-named Homes, Floods and Insurance Hub), and normalization of BBB. Flood Re has also undertaken numerous research projects (with a heavy focus on climate and resilience in 2024), and entered into a partnership to expand the facilities available for flooding and climate resilience research in the UK. The goal of this suite of projects and initiatives, as outlined in the Transition Plan, is to create the mechanism and evidence base for market-wide changes that will begin to value resilience, incentivize efforts to make homes resilient, and transform the market for resilient (and hence insurable) homes ahead of Flood Re's exit in 2039.

*PFR Scoring:* In 2021, we launched the first phase of a property flood resilience (PFR) scoring methodology project intended to ultimately increase the take-up of property-level flood protection in high-risk areas. The initial phase of this work ran to early 2023, when a first set of findings and loss-damage curves were produced using information from homes in East Peckham, with the resulting loss-damage curves to underpin the scoring methodology. Phase II ran until Spring 2024, and delivered further sophistication and robustness to the curves by considering more variables. The next phase will consider its use in different geographies.

The third phase of the project has begun from mid-2024, with the collection of data on homes across several different communities. The goal of this next phase will be to take the methodology and loss-damage curves developed on properties in East Peckham, and, using information from different communities and configurations of PFR interventions, to build out the scoring to include a wider range of home types. The goal of this will be to have a more robust and wide-ranging data set that can underpin pilot deployments of FPCs, as well as be used by insurers. The first set of loss-damage curves has already been used by the Environment Agency in their work around NAFRA2, national flood risk assessment and long-term investment scenarios.

*Flood Performance Certificates (FPCs):* Flood Re has been championing the idea of Flood Performance Certificates (FPCs) since 2018, when an initial position on [incentivizing household action](#) was released, followed by a [paper on FPCs](#) in 2020. Last year, Flood Re partnered with the Environment Agency, Defra and Middlesex University, to pilot FPCs in East Peckham alongside the PFR scoring measures discussed above. Work throughout 2023-24 focused on consultations with industry and stakeholder groups about the findings from the pilot deployment, with the goal of gathering input from insurers, installers, authorities, community stakeholder groups and householders about the right mechanisms, considerations, and user groups for FPCs. The findings and thinking from this period of outreach and research were included in [Flood Performance Certificates: The Roadmap](#), which was released in June 2024. The document outlines the benefits of FPCs to different groups, the process for creating an FPC framework, and directions for the future (discussed further in section 2.6).

*Homes, Floods and Insurance Hub:* Pages 65-66 of the 2023 Transition Plan note the creation of a Centre of Excellence in flooding and resilience research. A major focus of the Flood Re research team’s work throughout 2023-24 was building the foundations for this endeavour, which would represent a significant scaling up of Flood Re’s research and innovation capacity. During the autumn of 2023, over 40 stakeholders (primarily academic institutions) were consulted in order to better understand the existing flooding and related research capabilities across the UK. A report was produced, which determined that areas such as flood modelling and large-scale infrastructure were extremely well-represented across academia and the private sector, and that Flood Re’s efforts were best focused on home-level information – a finding very aligned to the PFR and BBB functions currently being led by Flood Re – as well as specific niches within topics like community or NFM research. A decision was made to proceed with the initiative, a governance structure was created, and a Steering Committee for the project was recruited involving representatives from academia, the insurance sector, and government.

The anticipated announcement of this new structure is August/September 2024, with the first meetings to take place in September/October 2024, and the first research programs to start by Q1 2025 (included in company objectives). This is envisioned as a structure that will fund and catalyze research initiatives into home-level information, working primarily with delivery partners, and will represent a massive scaling up of Flood Re’s research output. Explicitly built into the project is the idea that flood resilience cannot be separate from other aspects of climate-ready homes, and the Hub is envisioned as contributing the expertise in water resilience to complement others’ expertise in other aspects of resilient buildings: energy efficiency, air quality, fire safety, and other aspects. Partnerships are being developed to deliver on this broad vision.

*Build Back Better (BBB):* The 3 initiatives above all aim to establish supporting infrastructure, research and evidence, and a policy framework for the PFR sector. In addition to this broader research, Flood Re undertook considerable research into the results of the first year of delivery of BBB, especially following storms Babet and Henk. We undertook analysis of our initial BBB claims, to establish the percentages of householders who were adopting PFR measures, the best practices and barriers that were affecting uptake of measures, and the relative costs of implementing robust PFR. This information was used for internal analysis, in order to set our KPI for the following year of aiming for 50% uptake across BBB-enabled properties, and was also used to underpin the recommendations contained in our [second Quinquennial Review](#), published in June 2024 – increasing the BBB contribution to an eligible claim, mandatory PFR surveys for large losses, the ability to apply BBB across multiple affected households, and additional reporting requirements. The Communications team’s work with affected communities also helped supplement this quantitative research with on-the-ground anecdotes of people’s experiences. Both through its work with BBB insurers, and through its chairing of the PFR Roundtable, Flood Re is using the finding of its BBB research to help inform best practice and future policy.

*Climate and Flood Defence Research:* In December 2023, Flood Re and Moody’s [released the results of a joint project](#) examining how climate change interacts with flood defence performance over the scheme lifetime ([article/summary here](#)). The study considered how defences perform under a severe event scenario for two urban areas, and for two emissions pathways, and how increases in defence standards of protection could offset projected increases in risk. It found that while strengthening flood defences can be effective in offsetting additional losses, in the UK, there are diminishing returns from investment in flood defences beyond a certain level. The release received considerable media attention, and helped advance the discussion about what is needed to manage flooding risks as climate change worsens. More broadly, Flood Re has continued its ongoing monitoring of the state of the field for understanding the impact of climate change on UK flood risk, as part of the continued development of its view of flood risk – discussions of this work at the Board and Executive level are described in sections 1.1 and 1.2.

*Hull University PFR facility partnership:* In June 2024, Flood Re and the Environment Agency entered into a partnership with the University of Hull to upgrade a tank at the Hull aquarium to allow it to provide a wet-testing environment for PFR products. If the upgrades meet the British Standard, the facility will have several purposes:

- Conducting research into the effectiveness of PFR configurations, products, and applications, in conjunction with (but not limited to) the PFR scoring project discussed above
- Testing and certification of products to the British Standard
- Enabling innovation by providing a wet-testing environment for new products, applications and configurations
- Demonstration of the effectiveness of PFR

The facility is expected to be operational by the end of 2024. Once operational, research and programmes can be designed alongside it to enable the aspects noted above. While not formally part of the Homes, Floods and Insurance Hub described above, additional capabilities in testing and research capacity at Hull University are complementary to the Hub’s objectives and partnership principles. This addresses needs identified in our [2023 report on the PFR Sector](#).

*Wyre Valley & NFM Research:* Flood Re remains one of the partners in the Wyre Valley Natural Flood Management (NFM) Pilot, which seeks to track the avoided losses due to natural flood risk management, and represents one of the leading projects for piloting a new business model for implementing nature-based solutions. The pilot went live in March 2022 and is testing an innovative structure to attract private sector investment to reduce flooding (amongst other benefits) through NFM. Partners in the project include Defra, United Utilities, the Environment Agency, Co-op Insurance, Esmée Fairbairn Foundation (EFF), The Rivers Trust and Triodos Bank UK. Flood Re has provided financial support for research and monitoring activities, and provided considerable staff time and expertise to develop the model to estimate benefits the impact of interventions and likely benefits (e.g. risk reduction). The project’s revenue and benefit streams includes both adaptation (natural flood management) and mitigation (carbon sequestration) benefits. Landscape interventions are being implemented from 2022-24, and the project will run until 2031, measuring the year-over-year effectiveness of the measures. Flood Re continues to participate in the Wyre project monitoring and oversight, and regularly shares lessons learned from the project with other groups seeking to develop similar nature-based-solutions project with risk reduction/flood management aspects (or policy initiatives – see section 2.6 below).

Flood Re has also been active in trying to advance the understanding of the intersection of nature and insurance, including as part of the Green Finance Institute’s [Financing Natural Flood Management project](#). Flood Re’s Head of Research sat on the Strategic Working Group for the project, and contributed to the GFI’s research into barriers and incentives for NFM, with a view to scaling up investment in NFM across the UK – further detail in section 2.7 below. This work to promote and understand NFM also occurred through participation in the Naturance project –

both via the strand led by ClimateWise/CISL, and via the project being led by the Grantham Institute at the London School of Economics. Flood Re's Head of Research participated in the Naturance conference in May 2024 where he led a table discussion, and is contributing to LSE's policy brief on how to integrate biodiversity net gain and urban NFM (sustainable drainage) benefits, with completion and release anticipated autumn 2024. Also in 2024, Flood Re's Head of Research joined the Steering Committee for the Wildlife Trust's project to quantify the benefits and co-benefits (including to the insurance sector) of its NFM projects, and has further spoken on numerous occasions about the Wyre and NFM research (see 2.7 below).

*International Comparisons:* In spring 2024, Flood Re partnered with Swiss Re to undertake a study looking at the performance of international catastrophe schemes. Given the financial pressure that national schemes and insurance markets are coming under as climate change contributes to ever-increasing natural catastrophes, the project will provide a deep dive into the performance of 5 schemes, as well as looking at the market interactions and resilience incentives of each program. The goal will be to inform the discussion around long-term management of climate risks, as well as informing Flood Re's own design and potential considerations as we approach our 2039 exit. The results of the research will be released in autumn 2024. The project is designed to be complementary to an OECD project detailing the features of catastrophe schemes globally, which Flood Re has also contributed to.

*Long-term insurability research:* Building on work completed in 2022, Flood Re will conduct further work on how climate change could impact the insurability of UK property stock out to 2039 when Flood Re exits. This work is part of an ongoing initiative at Flood Re to understand the population of UK properties that will be difficult to insure after the Flood Re scheme ceases operation. Work is planned between October 2024 to March 2025. The initial phase of the project to 2022, in conjunction with Guy Carpenter, looked at different potential risk factors and the level of properties ceded to Flood Re. This analysis informed the 2023 Transition Plan with partial results published on p49 of the plan. It identified a range of 200,000 to 600,000 homes at risk of uninsurability looked at the factors that are expected to give rise to uninsurability. This further 2024-25 phase to the project will look at changes among different risk factor groupings since the 2022 project, and the impact of climate on these groups.

In conjunction with this work, and the catastrophe and climate analytics functions more broadly, Flood Re's model evaluations actively look at the effects of climate change on the catastrophe risk models (further detail in section 3.5 below) Recognizing that uncertainty in flood modelling is not accurately captured, academic partnerships are currently being developed by Flood Re to better quantify and explain the uncertain nature of the risk.

*Planning and Enforcement Research:* Flood Re's commissioned research project "Delivering flood risk mitigations through the planning system in England: Understanding opportunities, challenges and barriers with a focus on the post-consent and enforcement process" is ongoing. Considerable focus has been placed on the consent system and the granting of planning permission for new homes, and this project has looked at the post-consent process to determine how authorities are able to ensure that that conditions placed on planning consents are being delivered in practice. This project has included developers and architects in the stakeholder group. Delivered in conjunction with the Town & Country Planning Authority (TCPA), the project is expected to report in autumn 2024.

#### *Other research and initiatives*

Flood Re has also continued to provide subject matter expertise on the Rochdale Flood Poverty Project to assess opportunities to improve financial resilience in that deprived area that may be relevant to other communities. This work continues into 2024, with a new phase of the project expanding to consider energy efficiency/fuel poverty schemes alongside flood resilience considerations. Flood Re sits on the Advisory Committee for the project and attends Board Meetings.

Alongside the Flood Resilient Garden (see 2.7 below), Flood Re commissioned research into UK spending on gardens and the cost of flooding damage to gardens, which was widely reported alongside the extensive coverage of the garden ([sample article here](#)).

Flood Re's Head of Research sat on the advisory group for the EA's Flood and Coastal Erosion Risk Management Research Program, which helped to set priorities for the coming year's research (and helped to align the Hub's work with that being undertaken by the EA). We also used our transition indicators to help inform discussions on flood risk management with relevant authorities, and contributed data from our KPIs on availability of insurance to the EA's [national resilience indicators](#) project, which has begun collecting data and where Flood Re previously participated in the advisory group. We provided further advice to the Scottish government on resilience indicators as part of their work to develop a Scottish Flood Resilience Strategy (see 2.7 below).

In 2023, Flood Re became one of the founding members of the Journal of Catastrophe Risk and Resilience, the first open-access peer-reviewed journal of Catastrophe Research, which will enhance knowledge-sharing across the catastrophe modelling and risk and resilience research community within the UK and Globally. Flood Re's Head of Catastrophe modelling sits on the Supervisory Board for the journal, and the journal released its first peer-reviewed article in July of 2024.

As noted in 3.1 and 3.2, our QQR has sought permission to apply a small proportion of our asset base to investments directly aligned to Flood Re's public purpose.

Overall, Flood Re has been extremely active in broadcasting and disseminating its research, with dozens of presentations dealing with the projects and subjects outlined above – many of these are listed in Section 2.7 below.

***Sub-Principle 2.6: Promote and actively engage in public debate on climate- and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate and***

*nature related issues and providing support and tools to our customers/clients so that they can assess their levels of risk.*

*Members can use this section to demonstrate how they are communicating their climate- and nature-related risks to customers and the public. This might include information on the Member's approach to advocacy and public debate, and evidence that the member has responded to consultations that support the insurance industry or wider, and /or describing the support and tools which have been provided to prevent, mitigate and manage these risks, as described in the ClimateWise Guidance.*

Flood Re is a joint initiative between the UK insurance industry and the UK Government. In its unique role it engages and influences public policy in many regards ranging from regulatory, environmental matters both domestically and abroad. Flood Re was established primarily a business-to-business rather than a business- to-consumer brand; It does not directly interact with householders. However, the organisation recognises the importance of raising awareness and education of the public on flooding issues, especially as flooding poses a serious climate-related risk to the UK. In the previous reporting period, we saw our outreach grow substantially through a partnership with the Environment Agency to promote Property-level Flood Resilience measures. This last year saw Flood Re's single largest communications initiative, which expanded our reach considerably and helped raise awareness of the efforts homeowners could take to protect their homes.

**19 to 25 May 2024, Flood Resilient Garden at the Chelsea Flower Show**



Figure 13 Flood Re Flood Resilient Garden branding.

The Flood Resilient Garden, a climate adaptation-themed project showcasing how gardens of any size can be effective for alleviating risk of flooding, was unveiled at the Royal Horticultural Society (RHS)'s Chelsea Flower Show. The garden received the show's Silver Medal. As part of the show, Flood Re hosted 7 different types of events (e.g., breakfasts for specific audiences) over 5 days with a total of 175 guests hosted by different Flood Re Teams, Chair, and CEO, each with different focuses (including events for green finance and innovation).

Flood Re's primary objectives for the project were to raise awareness of flood risk and climate change, and educate and inspire homeowners about measures they can take to help protect their properties from flood damage. Secondary objective was to drive public awareness of Flood Re and its Build Back Better initiative where appropriate. Whereas Flood Re's media impressions metric is generally deemed successful if it reaches millions, the total impressions metric for the Garden stood at **2.8 Billion**. Multiple BBC segments were filmed in the garden by presenters such as Monty Don, and coverage in the BBC, Guardian and others reached international audiences. Flood Re's research into effective communications on flooding – a notoriously difficult topic to communicate – has emphasized the importance of trusted voices, and the presenters who showcased the garden managed to reach and have flooding messages cut through, and the initiative put flooding and resilience into the public consciousness while it was on. Over the week we met all of our objectives, with 100% of coverage containing one key message and 70% containing two or more key messages. Figure 14 below shows some of the media coverage the Flood Resilient Garden received in the press.

The Garden is currently being relocated to Howbery Business Park in Oxfordshire and will become part of HR Wallingford, the UK's Centre of Excellence in water research, with a focus on flood resilience. It will open in spring 2025 it will be free to visit and open to the public. Further information is available on the website: [The Flood Resilient Garden at Chelsea Flower Show | Flood Re.](#)



Figure 14 Flood Re Flood Resilient Garden coverage in the press.

### Events - highlights

Flood Re actively attends events around water, floods, risk management and other areas related to our core mandate, where we are active in promoting the messages noted throughout this document. As noted in 1.2/1.6/2.5, the 2023 Transition Plan and its Indicators and Call to Action constitute major points of emphasis that we have continued to communicate to stakeholders over the past year, and especially the autumn of 2023. As autumn gave way to winter and a more difficult flood season set in, messages shifted towards Build Back Better and preparedness. From May of 2024, the success of the Chelsea Flower Show provided a popular vehicle for landing messages about flood resilience. Some of the key events attended by Flood Re staff are as follows:

- **13-14 September 2023, [Flood & Water Management Expo | the NEC, Birmingham](#)** Flood Re was an exhibitor at the event, and alongside a stand it had a larger space for the Floodmobile staffed by Mary Long-Dhonau - [Home - Flood Mary](#) which proved extremely popular. Flood Re staff spoke to representatives from a range of organisations including those involved in SuDs management, Property Flood Resilience (PFR) companies, wastewater companies, insurers, local government, and the environmental regulator.
- **21<sup>st</sup> September 2023 [Cambridge Flood Action Conference](#)** Flood Re attended and exhibited at this event organised by Cambridgeshire County Council. Engagement was mainly with local authorities and councillors as well as a number of homeowners.
- **19-22 September 2023, [World Forum for Catastrophe Programs, Bucharest, Romania](#)** Flood Re's CEO presented at this gathering of professionals dedicated to enhancing global resilience. Participants had the opportunity to engage in a panel discussion on the role of climate change as a driving force behind the evolving risk landscape. Experts from Switzerland, the UK, the Caribbean, and Spain shared their perspectives, shedding light on the global implications of climate-related risks.
- **17th January 2024 Parliamentary Reception** Flood Re sponsored the Flood Prevention All Party Parliamentary Group's (APPG) reception in the House of Commons. The APPG's secretariat is the National Flood Forum, who we worked with to deliver the event. The event was a great success not only being oversubscribed (over 150 attendees) but also attracting an prominent speakers. Despite many votes for MPs being held during the evening we heard from the Floods Minister, Robbie Moore MP, Shadow Floods Minister Emma Hardy MP, Chair of the APPG Rachel Maskell MP, Andy Bord, the Chair of the NFF and Julie Foley of the Environment Agency. 12 MPs and Peers also attended, alongside industry representatives. Around the room we demonstrated our new Property Flood Resilience (PFR) model house and presented the Flood Resilient Garden.



Figure 15 Flood Re's Property Flood Resilience (PFR) model house.

- **January 2024, Royal Meteorological Society 'Climate Change Grand Challenges' event:** Flood Re's Head of Catastrophe and Climate Analytics gave a keynote speech, emphasising the need for a robust and considered approach to the incorporation of climate change into insurer practices, and Flood Re staff participated in a roundtable discussion on the topic.
- **April 2024, New Civil Engineer Flood and Coastal Erosion Risk Management Conference** Flood Re Chair Bridget Rosewell participated on a panel on future directions in flood management, noting the importance of incorporating future climate, innovation, and the use of nature-based solutions. The event was attended by approximately 150 participants.
- **15 - 16 May 2024, The British Insurance Brokers' Association (BIBA) conference** BIBA 2024 was held in Manchester, and it was the busiest event yet with over 9k attendees. Flood Re was an exhibitor and its stand was popular, with a queue of attendees wanting to speak to us driven in part by the storms over the winter. The model flood house was a huge hit pulling more people onto the stand as well as interest in the Flood Resilient Garden Flood Re was launching the following week.
- **CIWEM Flood and Coast/ 4th – 6th June 2024** The event was held across Tuesday 4th June to Thursday 6<sup>th</sup> in Telford. Flood Re was well-represented at Flood and Coast 2024, with Transition & Communications team members attending. CEO, CFO, Board Chair and one Non-Executive Director Shirel Stedman also attended and participated in Flood Re activities. During the conference Flood Re held the Property Flood Resilience (PFR) roundtable where the members discussed recent developments in the PFR landscape, including a presentation on the Flood Resilient Garden, and the Floodmobile. Flood Re also launched its Flood Performance Certificates roadmap (see sections 2.5 and 2.7), with the Chair of Flood Re Board speaking. The roadmap was shared on social media.  
More info: [21594-Flood-Performance-Certificates-Roadmap-16pp AW1 Digital PD-1.pdf \(floodre.co.uk\)](#).

### Build Back Better – engagement and outreach

As described in section 2.5 above, a considerable amount of our research has centered on Build Back Better and the Property-level Flood Resilience (PFR) sector, and as described in 2.7 below this has also played a major role in our policy and outreach work. We have also undertaken considerable work with cedants to implement the system, to understand challenges in implementing, and to help inform best practice around this resilience work. In 2023-24 we reached 70% of the market and policies ceded to the scheme being potentially eligible for BBB if subjected to a flood claim. During 2023, Flood Re carried out a "BBB Thematic Review" of the four early adopter insurers. This had a dual purpose: a) to test their systems and controls to ensure they were meeting the conditions agreed with Government and Flood Re; and b) to hear about their early experiences and to share best practice with other insurers. The results of these reviews also helped inform the BBB proposals in the QQR (see 2.5 and 2.7)

Events were held regularly throughout the year to educate participating and prospective insurers on BBB best practice. The first of these was held in-person in May 2023, and showcased real-life demonstrations of PFR equipment keeping water out of homes – a further in-person event was held in October 2023. Alongside this, regular online lunch and learn teach-ins were held from June 2023, continuing through summer 2024. About 300 people have participated in these lunch and learn events, which have proved to be valuable sessions for staff at insurance companies, as well as loss adjusters and surveyors, to be informed about BBB issues.

#### **Other public and stakeholder engagement activities**

**Flood Re Annual report and accounts (ARA):** presents an opportunity for Flood Re to communicate its views regarding climate change. The 2024 report for the year ended 31<sup>st</sup> March 2024, on p.5-6, under the heading Climate change adaptation, Flood Re Chair of the Board writes: “*The (Flood Re) scheme cannot just continue in perpetuity, particularly in the context of rising risk. The urgency to act now is stark, even greater than when Flood Re was established in 2016. The latest evidence suggests that we will lose our battle to keep global heating below 1.5 degrees. If that target is exceeded by just half a degree, the number of those in the UK at risk of “frequent flooding– currently, two million people – would increase by 40%.”*

Climate change also features in the CEO statement in the ARA 2024 report with a section titled Navigating a changing climate on p.7.

Link: [Flood Re Limited ARA 2024](#)

**Property Flood Resilience (PFR) Roundtable:** Flood Re convenes this quarterly and its membership composed of insurers, lenders, loss adjusters, local authorities, the EA, Defra and PFR industry companies. The latest roundtables covered supply issues with BBB, the Community of Practice training and the Be Flood Smart campaign. It will continue to address supply issues in a market which is not ready for a surge event and demand issues by finding ways of lowering down the cost of PFR for individual householders. The roundtable is a source of collective intelligence which enables our Transition Plan commitments in practice.

In 2023 **Flood Re spent time with the regulator (PRA)** sharing our findings on the extent to which climate change is represented in the models used by the industry. Flood Re also conducted a seminar for HMT on ‘climate-related risks and the insurance sector’ in January 2024.

On 5<sup>th</sup> of July 2023, the Head of Transition represented Flood Re **at a parliamentary roundtable** organised by Aviva, and hosted by Emma Hardy MP, to discuss “how planning reform can help the UK build sustainably”. A range of industry partners were present, including the ABI, as well as many organisations we work with through our Transition work – Climate Change Committee, National Infrastructure Committee etc.

[The changing climate: a meeting of minds considers future proofing homes against flooding - Emma Hardy MP](#)

**Major storm event response:** On 2<sup>nd</sup> of January 2024, [Storm Henk](#), the eighth storm of the 2023-2024 storm season, brought damaging winds and heavy rain to southern and central parts of England and Wales on 2 January 2024, contributing to significant flooding. Flood Re responded by reaching out to all affected constituency MPs and local councils with advice and support including the Flood Insurance Directory and Build Back Better. We also reached out to the Shadow Secretary of State, Steve Reed MP, following his comments on the storm to update him on the latest Flood Re position.

Flood Re communications staff also participated in community events to help residents to recover from storms, as well as providing information into insurance and Build Back Better, participating in events held in Scotland by the Scottish Flood Forum in Angus in February, and in Northern Ireland organized by the NI Department for Infrastructure in Newry, Downpatrick and Porterdown in June.

**Responding to the Public Accounts Committee report on the topic of flood resilience**, published on 17<sup>th</sup> January 2024 [Flood resilience eroded by poorly maintained defences with Government in the dark on progress - Committees - UK Parliament](#). Flood Re prepared reactive statements in response and reached out the Chair Meg Hillier MP. Separately we had a meeting with Anne Marie Morris MP, in response to comments made in the Public Accounts Committee and an article in Devon Live. This resulted in key Flood Re messages being used by the MP in further commentary.

[Women in Green Business Awards 2024 - Home Page \(businessgreen.com\)](#) a new opportunity for recognition of women working in the UK’s green economy, and the sustainability-focused companies taking strides to improve equity and inclusion across the industry. Flood Re was delighted to receive nominations in multiple categories for two members of staffs who were shortlisted: Head of Communications and Stakeholder Engagement and Market Engagement Manager.

[Women in Green Business Awards 2024 - 2024 Shortlist \(businessgreen.com\)](#)

#### **Small changes socials mini campaign – environmental behaviours**

In the summer of 2023 Flood Re hosted an intern from Career Ready who interviewed Flood Re employees to find out what small changes they’ve made that have a positive impact on the environment. The material gathered was then used in a social media campaign that Flood Re ran in August 2023. See Figure 12, Section 2.2 for social media images.

Flood Re’s Head of Research gave presentations or led sessions at the following events:

- Naturance Innovation Lab (LSE) February 2024
- Queen Mary University London, InnovateUK “Unlocking Nature Positive Investment” event, March 2024, panelist
- Heriot Watt University Edinburgh, Insurance & Climate workshop, April 2024, overview of Flood Re scheme and resilience
- Naturance Symposium, Vienna, May 2024, led table session on Natural Flood Management
- Flemish Climate Resilience Symposium (virtual), May 2024, Flood Re scheme and adaptation measures overview
- University College London Future of the Water System workshop June 2024
- London School of Economics Practitioners Workshop, “Climate Adaptation in Practice”, June 2024
- Brighton Observatory, New Zealand (virtual), “What Does Adaptation Look Like on the Ground?” July 2024

All will have had a focus on either nature-based solutions/NFM, the PFR and BBB landscape described in section 2.5, or both.

The following section 2.7 describes further public advocacy and our public policy initiatives. Flood Re's role as a unique public-private partnership means that our policy and advocacy is blended, and our work is better described as influencing and policy collaboration than as lobbying – we are ultimately accountable to Defra, so our work is undertaken in partnership with industry and with government.

### *Sub-Principle 2.7: Where appropriate, work with policy makers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.*

*Members can use this section to demonstrate how they have engaged with collaborate initiatives on climate- and nature-related research, disclosure and action. This might include describing the initiative, the activities engaged in and how this is aligned to the business strategy, and can include involvement in ClimateWise beyond the requirements of membership (e.g., by contributing to a working party).*

Flood Re has continued to play an active role in policy and risk management discussions in the UK and internationally. As described in section 2.5, we have actively worked to produce research that bridges evidence gaps and to help insurers and policymakers move towards more resilient practices. As per section 2.6, we have been active in working with industry and communities to disseminate our information and engage our stakeholders in understanding the scheme and the market more broadly. Our approach is to work pragmatically with our partners in government and industry, acting as a catalyst for the market.

#### UK Policy - National

We continue to advocate for planning policy that takes into account climate change and the future costs of insurance. Following on from our support for the Town and Country Planning Association (TCPA)'s Climate Guide released in 2023, we continued to work pragmatically with local authorities to ensure that flood risk considerations are being adequately managed within the planning process – see 2.6 for some of the events where these messages were broadcast (including the Chelsea Flower Show, which included messaging about ensuring natural spaces and permeable surfaces in urban areas). This year we further commissioned the TCPA to undertake a deep dive of the way flood risk was assessed, and mitigating conditions imposed, through the planning process (also noted in 2.5). This work looked at the way flood risk was assessed; the degree to which increasing risk from climate change was considered and accounted for and how this was reflected in planning decisions, and assessed the way conditions were imposed in two local authority areas. The case studies enabled us to assess the degree to which flood resilient construction could be specified in the current planning process. The work was informed by a cross-sector Advisory Group containing members from local and national Government, lenders, insurers, developers, flood risk specialists and architects. The idea is to promote best practice in implementing climate adaptation in the planning process. The project is planned for release later this year, which will provide the opportunity for further engagement with local authorities and policymakers.

The implications of climate change as it relates to stakeholder risks are also regularly communicated to stakeholders. From 2020-23, Flood Re worked with the Bank of England on its Climate Biennial Scenarios (CBES) to communicate these risks to the financial industry – resulting in the 2022 CBES including explicit consideration of Flood Re's exit from the market in 2029. Since that time, discussions with government, insurers, and mortgage lenders have explicitly included these considerations, and we have actively involved these groups in the consultations for our 2023 Transition Plan and 2024 Quinquennial Review. CBES created an opportunity to discuss with stakeholders the mechanisms that Flood Re is championing to ensure future resilience and insurability (BBB, FPCs, etc. – detail in 2.5 and below) and work with them to advise on and pilot mechanisms. The next upcoming CBES exercise is not expected to include this component, since the financial sector is now aware of and vocal about Flood Re's exit in a way that was not as true prior to the 2022 CBES. The transition indicators (discussed further in sections 1.2 and 2.5) published in Flood Re's annual reports provide an additional channel of communication, with the stand-alone website produced this year aiming to make these accessible to a broader range of groups.

Our work to deliver the Transition Plan commitments detailed in section 2.5 has been taken in conjunction with government and with key stakeholders, which continues a long-standing practice of Flood Re acting as a collaborative catalyst for the sector:

- Build Back Better required collaboration on enabling legislation with Defra, and we continue to report to them on the insights and best practices we have collected (see section 2.5), as well as the scheme improvements required through the quinquennial review (QQR – see below). In the aftermath of Storm Babet and Storm Henk, work was undertaken with Defra to ensure clear communication for householders and insurers about the ability to use Defra's recovery grants alongside BBB.
- We continue to chair the PFR Roundtable on behalf of Defra, which is a key forum for understanding barriers and opportunities in the PFR sector. This helps inform our delivery of BBB, as well as the Environment Agency's delivery of its own PFR Framework.
  - 2024 has seen a major expansion in the EA's PFR framework, envisaging spending of up to £125M over the next 4 years, compared to £25M under the previous 4-year framework. Flood Re has been an active partner in making the case for a greater role for PFR as a flood management tool, through all the initiatives described here. We participated in the framework kick-off event in June, to answer questions from local authorities about our experiences with BBB, and have actively worked to resolve issues impeding sectoral progress.
  - As described in 2.5, we are partnering with the EA and Hull University to expand the independent infrastructure available for research and testing of PFR products, which addresses a need identified in our 2023 PFR sector report, as well as identified barriers to the scaling up of the EA's framework.
  - Flood Re also actively participates in the Scottish PFRDG (Delivery Group), which has similar functions to the PFR Roundtable, but is led by the Scottish Flood Forum, with the difference that Scottish PFR delivery is carried out primarily through Local Authorities.
- The PFR Scoring Project has been undertaken in conjunction with Defra and the EA (as well as Middlesex University and Watertight), with regular discussions between the parties as part of the steering group for the project to ensure that all outputs are actionable and policy-relevant. As work on this has proceeded, and loss-damage curves have been generated, regular discussions have taken place with the Environment Agency's Long-Term Investment Scenarios team on how best to incorporate this new information into their scenarios, and all data has been shared with them. This ensures that the research and findings through the project are useful inputs to the process for

determining the optimum level of national spending on flood defences and risk management measures (as well as the most effective share to spend on different measures under different scenarios), which currently stands at over £700M annually.

- Our Flood Performance Certificates (FPCs) work has been undertaken in regular consultation with both insurers and policymakers. The release of the in [Flood Performance Certificates Roadmap](#) took place at the Environment Agency and CIWEM's annual conference, with the end product intended to provide a basis for discussion and deepening pilot implementations by both government and insurers, creating a common understanding and agreed principles to progress. The first pilot deployment of FPCs was in East Peckham, in conjunction with the scoring project in which Defra and the EA are partners, and discussions about future pilot deployments are underway with insurers, with the FPC representing a method to better inform householders about their flood risk and the measures available to them to manage those risks.
- Our Homes, Floods and Insurance Hub is planned as a collaborative venture, with the specific intention of building the actionable evidence base available to policy-makers and insurers, to advance progress on flood-resilient and climate-ready homes. The Hub's Steering Committee is made up of representative from government and the insurance sector, to ensure the relevance of all research to those organizations. The project also aims to deepen the network of researchers working on flood-resilient and climate-ready homes by funding collaborative projects, as well as creating innovation infrastructure (e.g. project with the EA and Hull University above, though not technically undertaken under the auspices of the Hub, whose establishment has yet to be finalized).
- All of this activity is regularly updated to and discussed with insurers. This is done individually through regular discussions as part of the operation of the scheme, via collective forums like the PFR roundtable which counts a growing number of insurers, and through regular updates to the Association of British Insurers' Climate Change Working Group, Property Steering Group, and the newly-created Property & Climate Change Working Group. The ABI's Director of General Insurance will also sit on the Steering Committee for the Homes, Floods, and Insurance Hub. We have attempted to ensure further alignment between the Hub and the Property and Climate change Working Group – the PCCWG's co-chair will also sit on the Hub's steering committee, and regular reporting will take place to ensure effective input into the Hub's activities. We have also participated in the Financial Conduct Authority's Climate Financial Risk Forum, and have provided background information to that group as requested.

Through this collaborative activity, we continue to play a key role in establishing the evidence base, delivery mechanisms, and supporting policy framework for flood resilient homes. This has benefited hundreds more householders than last year (this year, at least a thousand homes will receive PFR measures through different programs), and the partnership between ourselves, insurers and government helping to grow the share of the market offering BBB (exceeding 70% this year).

Flood Re has also begun convening a series of expert groups, to bring together its unique stakeholder mix to consider questions of importance which impact both public and private sectors. the aim of the groups is to develop policy recommendations and advice on key issues. The first of these met in May of 2024 and considered the question of how many and which UK homes should receive Property-Level Flood Resilience (PFR) measures. Chaired by Flood Re Non-Executive Board Member Shirel Stedman, the meeting was attended by representatives from Defra, the Environment Agency, insurers, mortgage lenders, community-facing groups, and PFR companies. The session included a presentation from the Environment Agency on its Long-Term Investment Scenarios, and the meeting's output will be geared towards an effective and comprehensive contribution towards that process (further to the point above in conjunction with PFR scoring outputs).

Over the past year, we have also worked directly with Defra on our quinquennial review (QQR), where we have proposed updates to the scheme (described in section 1.2), and specifically required consideration of future climate scenarios, and the anticipated impacts to the schemes of a changing climate. This is noted specifically on p15 of the [QQR document](#) published in July 2024, where it states that "An increased inflationary environment in the UK has been accompanied by a significant hardening of global reinsurance markets, along with better understanding of the impacts of future climate change." This focus on climate change as one of the key drivers of future risks to the scheme has also underpinned research that is planned or underway on climate impacts on flood defences, insurable/uninsurable homes (see 2.5), and international catastrophe scheme comparisons (see 2.5 and below), each of which were informed at the outset by discussions with government. QQR discussions also included the amendments to enable purpose-driven investment, outlined in Sections 1.2 above and 3.1 below, which will allow for some direct investment into projects directly aligned to Flood Re's purpose. The proposals in the QQR were informed by extensive stakeholder consultation with government, insurers, and community groups, including workshops in October 2023 and January 2024 that were each attended by approximately 50 individuals.

In addition, we have held 4 teach-ins with Defra over the past year on the scheme's parameters, quinquennial review proposals, and transition plan commitments. A similar teach-in session was held with HMT staff, attended by over 30 staff members. A further session was held with staff members from UK government Investments, the Bank of England, and the OECD, discussing resilience features as well as our international comparisons project (see 2.5 and below).

Flood Re sits on the Environment Agency's Flood and Coastal Erosion Risk Management (FCERM) Action Plan Partners group, which tracks delivery of FCERM actions – in our case, this means close partnership between Flood Re's delivery of BBB and the EA's delivery of its PFR framework (discussed above), and aligning communications messaging (including joint campaigns in the past). We also sit on the advisory board for the EA's FCERM research programme (see section 2.5).

Over the past year, we were heavily involved work to promote Natural Flood Management (NFM) and the use of nature-based solutions. This was largely through our Head of Research's participation on the Strategic Working Group for the Green Finance Institute's [Financing Natural Flood Management project](#). The project, whose [main report](#) was released in March, with a [follow-on piece](#) on the insurance sector and research released in July, was intended to detail barriers and opportunities to the scaling up of NFM in general, and how best to leverage private contributions to enable greater development. Flood Re made a significant contribution to the report and participated in numerous consultations and roundtables, as well as planned discussions with Defra and policymakers. The follow-on insurance piece includes significant discussion of Flood Re's role in the insurance ecosystem. The Wyre Valley Natural Flood Management (NFM) project included the Environment Agency and

Defra as partners, and much of our participation in that project has had the goal of helping to make the case and develop the evidence base for greater usage of natural measures by the relevant authorities – we have regular contact with both those bodies on how best to enable and account for NFM measures. Our Head of Research has also been active in promoting nature in the context of resilience (presentations outlined at end of section 2.6), and sits on a Wildlife Trust project to evidence the benefits of their NFM projects, which the EA is also participating in.

We have partnered with the Construction Industry Research and Information Association (CIRIA) on a project they are leading to develop Guidance on Enabling Community Maintenance for Local Flood Risk Management Associations. This will assist local authorities, community groups, and other relevant risk management authorities to maintain flood defences that are no longer being actively maintained by the Environment Agency or another authority. This will help fill critical gaps in local protection, and allow for defences to be maintained safely, and clarify roles and responsibilities of different partners, which will allow a greater number of people and groups to take actions to protect their communities. Flood Re contributed financially to the project and helped provide input into the report, including sections on insurance. The guidance is expected to be released in late 2024/early 2025.

As the Scottish Government is preparing to produce its Flood Resilience Strategy, we have tried to actively engage with them and provide information as necessary. Our Head of Research participated in an evidence review and research workshop held in February 2024, and several calls were held with Scottish government officials from February-June 2024, with Flood Re providing data and indicators as background and evidence in support of the strategy development. Flood Re will respond to the Scottish Government’s Flood Resilience Strategy consultation in August 2024. Flood Re also actively participates in the Scottish Flood forum’s PFRDG (Delivery Group), as noted above.

Flood Re sat on the steering committee for Policy Connect’s Brick & Water 3 Project (as well as to the first two iterations of the project). In addition we provided expert testimony, reviewing drafts and providing background information to the eventual [report](#) (released in June). This year’s report had a focus on the planning system, which aligned well with our work alongside the TCPA (see above). We also participated in the launch event in Parliament in June 2024.

Our Head of Research also sits on the Managing Committee for ClimateWise, as well as the Nature Working Group (which has transitioned to supporting the Naturance Project – involvement in Naturance detailed above and in Section 2.5).

### *International*

Flood Re’s Head of Research attended COP28 in Dubai, and participated in sessions throughout the event to explain the Flood Re scheme and progress on implementing Build Back Better, as well as undertaking research in support of the Homes, Floods and Insurance Hub to determine whether similar facilities or initiatives exist in other jurisdictions.

Flood Re’s Head of Transition joined a UK government trade delegation to the US in March which focused on promoting the UK’s knowledge and capabilities around flood resilience. The week-long trip, orchestrated by the Department of Business & Trade, comes under its remit to promote exports and attract inward investment for infrastructure. The UK delegation met with chief resilience officers, insurance regulators, insurance companies, the Federal Emergency Management Agency (FEMA), and Senate and House Committee staff, amongst others, in visits to Miami, Washington and New York. This followed from Flood Re’s Director of Communications and Transition’s participation in a similar trade mission in 2023, and has resulted in ongoing contact with US officials including FEMA.

As noted in 2.5, in spring 2024, Flood Re partnered with Swiss Re to undertake a study looking at the performance of international catastrophe schemes. This has involved collaboration with the OECD, and is expected to result in information shared internationally when it is released in autumn 2024. Presentations on the scheme and its functioning have also been provided to interested partners internationally, including presentations to the Polish Embassy in February 2024, the German Embassy in April 2024, and the Climate and Disaster Resilience Team within the British Columbia Ministry of Climate Preparedness and Adaptation in July 2024.

## Principle 3: Enabling Transition

### Theme: Investments

*The Investments Theme asks member-types who have an investment portfolio, whether that is managed internally or externally, to describe risks and opportunities on the investment portfolio, and also the impact that investments have on the climate and nature.*

#### *Sub-Principle 3.1: Integrate consideration of climate and nature related risks and opportunities into investment strategies and decision making.*

*Members can use this section to demonstrate how climate and nature related risks influence investment strategies. Members can describe how regulatory requirements can both encourage (e.g., through green investments) and constrain (e.g., through a requirement to match assets to liabilities) these strategies and, beyond this, the actions they are taking to understand how climate and nature risks might impact their investment portfolio in the future. Members may be able to demonstrate how they are carrying out research or modelling, and using those ideas in practice in investment decision making.*

Flood Re's current investment approach and portfolio is highly conservative and majority (>90%) invested in UK Debt Management Office and UK Gilts and T-Bills, each of which are investments in the UK government – as a public scheme this is both owing to regulated constraints on the portfolio, and the fact that investing in government bonds both aids the government's ability to invest and limits exposure to climate risks. Flood Re's Investment Strategy is fully aligned to the scheme's purpose and managing the implications of climate change on UK Flood Risk. Noting that Flood Re's investment portfolio is majority UK Government backed money market funds and bonds we believe this fully aligns with the Scheme's purpose given (a) the UK Government's Net Zero Targets (Climate Change Mitigation) and (b) the UK Government is the key stakeholder in delivering a number of elements of Flood Re's Transition Vision (Climate Change Adaptation).

In terms of the risks of climate change to these investments, due to their conservative nature (e.g. UK Government Backed) these risks are limited both in terms of transition risk and counterparty default risk, as well as protected from exposure to climate risks - creating alignment across a number of categories. The approach is financially conservative, and while it does not allow for targeting of particular government investments, government investment in general is the single biggest determinant of how flood risk is managed in the country – as outlined in Transition Indicator 1, government investment in flood defences (see [Transition Plan pp26-27](#) for details) . Flood Re is bound by its highly conservative investment mandate by design, with the Scheme Purpose seeking to manage the impacts of UK Flood Risk and not expose the scheme to uncertainty and volatility in its investment portfolio be that from Climate Change driven risks or wider macro-economic shocks.

In 2015, The Task Force on Climate-Related Financial Disclosures (TCFD) introduced a number of recommendations to develop voluntary, consistent, climate-related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding the serious risks that climate change poses to the global economy and organisations within it. The regulator PRA encourages insurers to engage with TCFD as part of their supervision of Climate-Related Risks, and the UK has announced its intention to make TCFD aligned disclosure mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023 (HM Treasury, Nov. 2020).

In year 2022 Flood Re externally commissioned TCFD Compliance and Gap analysis to determine to what extent activities already being carried out by Flood Re met the recommendations and to determine the next steps to help work towards the requirements in a structured way. The results of the gap analysis showed Flood Re's activity to date had created a strong basis for developing TCFD compliant disclosure.

One action arising from the gap analysis was to amend the detail in the current Flood Re investment policy to capture how the organisation considers climate related risks in its investment decisions.

As result, Flood Re Executive Committee (ExCo) approved the proposed actions:

- Following QQR-1, Flood Re now has the mandate to invest in high rated corporate bonds which sit within an approved appetite (high credit rating and appropriate maturity aligned to Flood Re liabilities).
- As part of this aligning with TCFD guidelines, we are proposing to amend the detail in the current Flood Re investment policy to capture how we consider climate related risks in our investment decisions.
- This will not change what the current policy states but rather add to it. The focus will be to address what type of bonds/sectors Flood Re will invest in to make sure they are not counter to the "Flood Re Purpose"

Following the round of Quinquennial Review, Flood Re had permissions to invest part of its capital in a broader selection of investments to mitigate the value-erosion of its assets due to inflation.

As part of the proposals in Flood Re's [Quinquennial Review \(QQR\)](#), released in July of 2024, a request was made to allow greater scope for investment permissions (see pp21-23 of the QQR document). This includes requests to invest non-solvency assets in assets that mirror its credit risk appetites and liability durations, as well as applying up to 1% of its asset base to purpose-driven investments that would further the scheme's outcomes. If government assents to the proposals, this would allow Flood Re to invest up to 1% of the currently \$900M in assets under management to purpose-driven activities.

As part of its work with the Association of British Insurers' working groups, the Green Finance Institute's Financing Natural Flood Management Project, the Naturance Project, and through its participation in the Wyre Valley NFM Project (all described in greater detail in sections 2.5 and 2.7), Flood Re has been actively engaged in projects trying to build towards a successful track record of projects that could help establish nature as an investible asset. As detailed in the GFI's report, NFM projects have insufficient evidence of risk reduction and successfully executed

business models to make them an investible proposition – Flood Re’s work as a research partner with the Wyre Valley has been to demonstrate flow reductions that reduce risks, and trial a successful business model. We will continue to seek opportunities to build out the evidence base for NFM effectiveness and work with partners to better understand the opportunities for financing of projects with multiple benefits and the structures that could enable these to become the sorts of investible propositions described in the GFI’s report or the ABI’s Investment Delivery Forum.

### ***Sub-Principle 3.2: Take action to manage the implications of climate and nature related risks and opportunities on, and of, our investments.***

*Members can use this section to demonstrate actions they are taking to minimise the negative influence, or better have a positive influence, through their investments. Members should describe the levels available to them to manage the impact of investments, and the outcomes of any actions taken (such as the effectiveness of policies, engagement activity, divestment, carbon pricing schemes, and also taking into account opportunities in product development and how this may influence the portfolio in the future.*

Flood Re’s investment portfolio comprises of deposits with the UK Debt Management Office (DMO) throughout the year and investments in UK Treasury Bills and Gilts.

Given that investments are entirely UK Government issued our investment policy is fully aligned with our purpose, as the UK Government is the key stakeholder in delivering a number of elements of set out in the latest Flood Re’s [Transition Plan](#).

In 2015, The Task Force on Climate-Related Financial Disclosures (TCFD) introduced a number of recommendations to develop voluntary, consistent, climate-related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding the serious risks that climate change poses to the global economy and organisations within it. The regulator PRA encourages insurers to engage with TCFD as part of their supervision of Climate-Related Risks, and the UK has announced its intention to make TCFD aligned disclosure mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023 (HM Treasury, Nov. 2020).

In year 2022 Flood Re commissioned externally TCFD Compliance and Gap analysis to determine to what extent activities already being carried out by Flood Re met the recommendations and to determine the next steps to help work towards the requirements in a structured way. The results of the gap analysis showed Flood Re’s activity to date had created a strong basis for developing TCFD compliant disclosure.

One action arising from the gap analysis was to amend the detail in the current Flood Re investment policy to capture how the organisation considers climate related risks in its investment decisions.

As result, Flood Re Executive Committee (ExCo) approved the proposed actions:

- Following QQR-1, Flood Re now has the mandate to invest in high rated corporate bonds which sit within an approved appetite (high credit rating and appropriate maturity aligned to Flood Re liabilities).
- As part of this aligning with TCFD guidelines, we are proposing to amend the detail in the current Flood Re investment policy to capture how we consider climate related risks in our investment decisions.
- This will not change what the current policy states but rather add to it. The focus will be to address what type of bonds/sectors Flood Re will invest in to make sure they are not counter to the “Flood Re Purpose”

Following the round of Quinquennial Review, Flood Re had permissions to invest part of its capital in a broader selection of investments to mitigate the value-erosion of its assets due to inflation. Flood Re now has the mandate to invest in high rated corporate bonds which sit within an approved appetite (high credit rating and appropriate maturity aligned to Flood Re liabilities. This will not change what the current policy states but rather add to it. The focus will be to address what type of bonds/sectors Flood Re will invest in to make sure they are not counter to the “Flood Re Purpose”.

As outlined in section 3.1, Flood Re’s 2024 QQR process has included the request to relax its investment permissions to allow for the investment of up to 1% of its asset base into investments aligned to the scheme’s public purpose.

### ***Theme: Underwriting***

*The Investments Theme asks member-types who have an insurance portfolio to describe risks and opportunities in underwriting, and also the impact that their insurance products have on the climate and nature.*

### ***Sub-Principle 3.3: Develop and use models to incorporate climate- and nature-related issues and describe how the outputs of the models inform our underwriting decisions.***

*Members can use this section to demonstrate their identification and assessment of insurance-related risks from climate and nature, and how modelling is used to better understand those risks. This may also include brief descriptions of how climate and nature risks are taken into account in pricing, client selection, cedant selection, or the development of new products.*

The Flood Re scheme was set up by the government specifically to allow every eligible residential property in the UK access to affordable insurance (See [Eligibility criteria - Flood Re](#)). The Flood Re scheme allows insurers to cede properties to the scheme irrespective of actual flood risk and as such allows an insurer the ability to determine whether an individual property poses enough of a risk to make the ceding of that property a financially viable proposition. All properties are therefore considered to be eligible as long as they fall into the categories set out in the schemes

eligibility criteria. In practical terms it means that we rely on individual insurance companies taking the initiative of including climate change considerations into account when deciding on the type of property that they deem to be high risk.

Where Flood Re has an active role in underwriting is in its annual process to set inwards premiums for UK insurers that cede to the scheme. Climate change is taken into account in decision-making on premiums. Section 1.7 describes how Flood Re's internal modelling explicitly accounts for the impacts of climate change. It is this view of risk, that explicitly accounts for climate change, that is used in that process of premium setting. Specifically:

- (i) To present a view of premium adequacy quarterly to Flood Re's Board at the Risk and Capital Committee;
- (ii) To form the basis of an annual paper on actuarial insights for premium setting that is used by the Executive and Board for decision-making on pricing.

For example, the decision to increase inwards premiums for the most recent financial year was based on a view of premium adequacy that had an explicit allowance for the impact of climate change.

The view of risk including climate change is also the basis on which aggregate scheme exposure management is undertaken. A process including management discussion and action would be triggered if scheme exposure were to pass a level deemed unsustainable in the context of scheme parameters. In this scenario, underwriting actions are set out in the Aggregate Management Policy to control volumes if required – hence this part of the scheme's underwriting processes relies on modelling that incorporates climate change. In 2024, this analysis was used to inform changes to the scheme – as described in the response to 1.7 above – including changes to the loss limit. The additional risks identified as stemming from climate change were also critical inputs to our process for procuring reinsurance in 2024/25 (a process which was further influenced by the increasing costs of climate impacts being borne by global reinsurers, which required further analysis to develop reasonable expectations in order to manage the change to our Article 90 and scheme parameters outlined in the QQR – reference in 1.7).

Whilst Flood Re do not get involved in choosing the individual assets that we insure, there are several initiatives that indirectly impact the way in which flood risk and climate change is considered within the broader market. In particular, the catastrophe risk and climate analytics team is comprised of a professional meteorologist and catastrophe risk expert who undertake several climate change activities that can affect the underwriting of flood risk including:

- Presentations to the Flood Re board and executive committee on climate change and the way in which the market is utilizing climate change data in its pricing of flood risk.
- Attending and advocating for the consideration of climate change at conferences. These conferences are attended by both industry and academic representatives which present the latest research on climate change data and how it can be used by the industry. (Most notably the recent Royal Meteorological Society meeting on how academia can better help to support the insurance industry and the Oasis loss modelling conference in London which contained a panel event on climate change impacts).
  - 29 January 2024, London  
[Navigating Climate Challenges in Insurance | Royal Meteorological Society \(rmets.org\)](https://www.rmets.org/2024/01/29/navigating-climate-challenges-in-insurance/)
  - 12 -13 March 2024, London  
CAT Risk Management & Modelling Summit 2024  
Conference website: [CAT Risk Management & Modelling Summit \(catrisklondon.com\)](https://www.catrisklondon.com/), see also <https://www.rms.com/events/cat-risk-management-modelling-summit-2024>
  - 24 – 25 April 2023, London  
[Oasis Insight Conference - London, in collaboration with the Lloyd's Market Association: Oasis Loss Modelling Framework \(oasislmf.org\)](https://oasislmf.org/)
- Engaging with academics working on climate change and insurance data. Most notably Flood Re and have recently written a letter of support for a project with a team from University College London to look at uncertainty in risk estimates across national borders – a topic that will include a climate change element.
- Direct engagement with flood risk modelling companies on the appropriateness of their models when considering contemporary climate change (i.e., the difference between the climate when the models / datasets used within the models were first developed and the present day climate).
- Direct engagement with individual insurance companies on the topic of climate change, encouraging them to take it into account within their own modelling frameworks.

In particular, the direct engagement with flood modelling companies has resulted in an investigation into the amount of damage climate change could have on properties with and without further funding on defence spending in the UK. These experiments have been done utilizing both case studies and full catastrophe risk models, the results of which have been published within the industry press and for a future publication within the journal of catastrophe risk and resilience. It is hoped that by publishing this research it will allow questions to be raised within firms that actively underwrite properties based on the use of flood risk data.

Every 3 – 5 years, as part of the catastrophe and climate analytics functions duties, a substantial amount of work is undertaken to verify that the catastrophe risk models used by Flood Re are the most up to date on the market. This is done by comparing the models against expectations set on both the national scale and when compared with the Flood Re portfolio of risks. Detailed tests are designed to compare the model against both market expectations and expectations set within the scientific literature. The results of these investigations are summarized within an

internal report that highlights model deficiencies and suggests adjustments to the Model Oversight Group for review. Ultimately, the adjusted model will form the basis for the Flood Re view of risk that is used within the internal model that has been developed and approved by the Model oversight Group. The internal model comprises additional elements of risk such as operational risk, credit risk, reserve risk and market risk.

An explicit adjustment made to the Flood Re view of risk is a percentage change to incorporate the effects of contemporary climate change. The exact percentage change used has been set using the expert judgement of the climate and catastrophe risk function after consultation and work with a range of model vendors on the appropriateness of their models. This decision was supported by the model oversight group within Flood Re. This group comprises of the chief actuary, the head of capital, the chief financial officer, and the chief risk officer.

The Flood Re view of risk also allows us to consider the rates that are charged to insurers when they cede properties to us. This in turn determines the amount of exposure that we accumulate. This method indirectly allows us to monitor and assess the impact of climate change on our book and make adjustments should they become necessary.

### *Sub-Principle 3.4: Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate and nature-related issues of the insured structures through pricing of policies.*

*Members can use this section to demonstrate how they are developing and/or selling insurance products that incentivise policyholder behaviour to minimise climate and nature impact. This may be through specific products or clauses in existing products, and extend to engagement with larger policyholders to establish environmental performance targets.*

The Flood Re scheme was set up by the government specifically to allow every eligible residential property in the UK access to affordable insurance (See [Eligibility criteria - Flood Re](#)). It was established by the insurance industry and the Government as a direct response to extreme weather events and the resultant impact on the price of home insurance. The Flood Re scheme is to manage a protection gap that is exacerbated by climate change. The Flood Re scheme allows insurers to cede properties to the scheme irrespective of actual flood risk and as such allows an insurer the ability to determine whether an individual property poses enough of a risk to make the ceding of that property a financially viable proposition. All properties are therefore considered to be eligible as long as they fall into the categories set out in the scheme's eligibility criteria. We maintain a robust dialogue with our cedants, an active role in the public policy debate (see section 2.5-2.7) and work to actively develop policies under the scheme that will allow companies to better manage risks and incentivize and more broadly incorporate climate resilience into their practices. While we leave individual decisions about pricing and coverage to firms themselves, including whether to take climate change considerations into account when deciding on the type of property that they deem to be high risk, we are also active in developing market-wide tools to assist with this broad direction.

Flood Re launched its Build Back Better ("BBB") initiative in 2022, as a concept of betterment, designed to reduce the cost and impact of future floods by including property resilience measures as part of flood repairs. This required a significant departure from the industry's standard insurance reinstatement process for floods, which is to rebuild properties to match the existing conditions before the event.

The BBB scheme, as a climate-adaptation-focused programme, offers householders the chance to install property flood resilience measures up to the value of £10,000 when repairing their properties after a flood. This way the next time the area floods their home will be better prepared to keep as much of the water out as possible.

The program was developed both in response to a government review that proposed the idea nearly a decade ago, but also to analysis that showed that roughly 10% of the portfolio had ceded multiple claims to the scheme in its initial years, accounting for 17% of paid claims. Thus the conceptual idea was supported by analysis showing that protecting these properties could have an outsized impact year-over-year.

More information is available on Flood Re website: [Build Back Better - Flood Re](#) which contains FAQs as well as customer case studies in text and video format.

The BBB scheme is now being used throughout the industry, and will have been included by numerous other insurers in their ESG and sustainability reports – the program, the methodology, and the industry roundtable have all been led by Flood Re for several years.

To further embed the BBB scheme as 'Business as Usual' within the market, Flood Re is taking a three-tiered approach:

1. Working with the market to increase the percentage of BBB eligible claims following a flood event to 50% by March 2025. The % of BBB eligible policies ceded to the Flood Re Scheme is high (in the 90%s), but the conversion to potential BBB claims is much lower (high 20%s), falling further for actual BBB paid claims (5%). Flood Re is looking to work with participants to bridge this gap through raising awareness and knowledge of both BBB and Property Flood Resilience.
2. Offering and conducting more education and knowledge sharing opportunities for insurers, Managing General Agents, brokers and loss adjusters to ensure BBB is offered as standard through the supply chain.
3. Better understanding the challenges for those participants not yet offering BBB across all products and distribution channels and working with them to reduce and eliminate these.

Flood Re is extremely active in the PFR Market, working with partners to better develop delivery practices, policy structures and incentives – this is detailed in sections 2.5 and 2.7. Last year, Flood Re commissioned a study of the Property Flood Resilience (PFR) sector for insights to help stimulate the PFR supply chain. The resulting report titled *Property Flood Resilience Market Study* was published in March 2023. One of the findings

was that whilst there was optimism the BBB scheme could increase the amount of residential work in the future, companies were only willing to invest based on actual contracted business rather than potential demand. The implementation of BBB and expansion of the environment Agency's PFR schemes (see section 2.7) represent a step towards solidifying this demand, and Flood Re remains active through its chairing of the PFR roundtable in working to address market barriers and raise awareness of the benefits of PFR.

When Parliament granted Flood Re the permission to reimburse for BBB, Flood Re was tasked to monitor and share data with industry and stakeholders. Flood Re has begun data collection activities to gather information on BBB's adoption in the market. In spring of 2024, market participants offering BBB were invited to complete a survey on their experience with offering BBB since going live. Flood Re plans to begin playing back meaningful data with the market in the second half of 2024.

[The Quinquennial Review](#), published in July 2024 as part of Flood Re's inbuilt review mechanism, includes proposals on how the BBB scheme could be further improved (p. 25-29). These include:

- Increasing the cap per claim
- Requiring large loss reports to include PFR surveys for any claim in excess of £100,000
- Allowing BBB funds to be spread across multiple homes where adjacent properties are affected and could benefit from collective repair
- Easing of the onboarding terms for BBB to shorten the notice period and allow immediate uptake

## Principle 4: Disclosing Effectively

### Theme: Measure & Monitor

*The Measure & Monitor Theme allows the member to showcase the qualitative and quantitative metrics used to understand, quantify, manage and monitor climate- and nature-related issues. Members were consulted on their preference for a specific section and were broadly split on the choice between weaving metrics throughout the report or having all metrics within a separate section, and we would like to take this opportunity to remind members that this template is non-mandatory and members are not required to have a section setting out their metrics if they prefer to use these throughout the narrative.*

#### *Sub-Principle 4.1: Measure and disclose the impacts and potential impacts on our business of material climate- and nature-related risks and opportunities, including the results of the resilience analysis.*

*Members can use this section to demonstrate how they have used a range of quantitative and qualitative information to consider any material climate- and nature-related risks and opportunities. The ClimateWise Guidance sets out metrics which members could consider.*

As outlined in Sections 1.2, 1.6 and 1.9, Flood Re's Transition Indicators represent our broad measurements of progress toward our 2039 exit from the market, while our KPIs as described at the end of Section 1.2 represent our means of assessing the success of the scheme in ensuring the availability of affordable home insurance including flood cover. The Transition indicators include specific measurement of climate progress (indicator 3), as well as numerous indicators focused on climate resilience and the management of risks (Indicators 1, 2, 4, 5, 6, 7, 10). This year [a website was created](#) to allow for indicators to be accessed in a stand-alone way (scroll down on page to find indicators). Our 2023 Transition Plan went into even greater detail about these indicators, and proposed Transition initiatives as a way to move the dial forward on these critical metrics – progress towards these initiatives is detailed in sections 2.5 and 2.7. Detail on discussions of these indicators and metrics at the Board level can be found in section 1.1, and at the Executive level in section 1.2.

We have also participated in the Environment Agency's [national resilience indicators](#) project, and have provided data from our KPIs and indicators, and we remain part of the EA's advisory group on FCERM research which carried the indicators project forward. We also actively engage with the Climate Change Committee, and National Infrastructure Commission, and share our data with them as requested. By collaborating with these official national bodies, whose assessments directly inform government policy, we aim to create a common language and support these important partners in their national assessments of progress on key climate issues.

#### *Sub-Principle 4.2: Disclose the metrics used to measure and manage our contribution to climate- and nature-related risks, and targets for monitoring progress.*

*Members can use this section to demonstrate how they have used a range of quantitative and qualitative information to monitor the progress of climate- and nature-related risks and opportunities. This might include describing the impacts and potential impacts to the business, as described in the ClimateWise Guidance.*

As outlined in Sections 1.2, 1.6 and 1.9, Flood Re's Transition Indicators represent our broad measurements of progress toward our 2039 exit from the market, while our KPIs as described at the end of Section 1.2 represent our means of assessing the success of the scheme in ensuring the availability of affordable home insurance including flood cover. The Transition indicators include specific measurement of climate progress (indicator 3), as well as numerous indicators focused on climate resilience and the management of risks (Indicators 1, 2, 4, 5, 6, 7, 10). This year [a website was created](#) to allow for indicators to be accessed in a stand-alone way (scroll down on page to find indicators). Our 2023 Transition Plan went into even greater detail about these indicators, and proposed Transition initiatives as a way to move the dial forward on these critical metrics – progress towards these initiatives is detailed in sections 2.5 and 2.7. Detail on discussions of these indicators and metrics at the Board level can be found in section 1.1, and at the Executive level in section 1.2.

### Theme: Report Robustly

*The Report Robustly Theme asks Members to demonstrate their reporting controls to ensure reporting accuracy.*

#### *Sub-Principle 4.3: Maintain and enhance a robust reporting regime, processes and internal controls over climate-related disclosures in order to avoid material errors or material misstatements.*

*Members can use this section to demonstrate how they have ensured that climate- and nature-related disclosures are free from material errors or misstatements. This might include describing the process used to measure and disclosure climate- and nature-related metrics. The ClimateWise Guidance sets out topics which members could consider.*

Flood Re reported on SECR data for the first time as at 31 March 2021 with its base year set as 31 March 2020. Carbon emissions are calculated in accordance with the Greenhouse Gas (GHG) Protocol, with outputs for Carbon emissions (CO<sub>2</sub>e) calculated using the most up to date conversions factors from the Department for Business, Energy & Industrial Strategy (BEIS), published June 2023. This information is included in our Annual report and accounts (ARA), all of which are available on the Flood Re's website [Reports - Flood Re](#) – detail on this year's calculations can be found in Section 2.1.

All Annual report and accounts are subject to an annual independent audit by external auditors. For the year ended 31 March 2024, Flood Re annual accounts were audited by EY.

Our ClimateWise report is reviewed by numerous members of staff, circulated for feedback, and signed off by the Head of Research and Director of Communications and Transition. It is made available for the Executive Committee and Board's information and feedback, as with all official submissions and documents.

## ***Theme: Transparent Disclosure***

*The Transparent Disclosure Theme asks Members to ensure their ClimateWise reports are high quality.*

### ***Sub-Principle 4.4: Annual submission against the ClimateWise Principles.***

*Members can use this section to demonstrate how they ensure that the ClimateWise report is submitted on time and addresses all of the sub-principles.*

Flood Re intends to submit this year's annual submission to ClimateWise as per the deadline of 6<sup>th</sup> August 2024.

To address all the sub-principles, nearly twenty Flood Re staff have been consulted in the process of compiling the annual submission and their contribution is acknowledged in the Acknowledgement section of this report. This included internal subject matter experts. For example, Flood Re Chief Risk Officer and the Head of Catastrophe and Climate Analytics were consulted and their input sought on several sub-principles under the themes of Strategy, Risk Management, and Underwriting. Input from Flood Re's Head of Financial Control was sought on several sub-principles under the themes of Measure & Monitor, Report Robustly, and Disclose Transparently.

To date, each year Flood Re has made ClimateWise submissions.

Detailed information on past years' activities can be found in past ClimateWise reports:

- [2023 ClimateWise response](#)
- [2022 ClimateWise response](#)
- [2021 ClimateWise response](#)
- [2020 ClimateWise response](#)

### ***Sub-Principle 4.5: Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.***

*Members can use this section to demonstrate how they have aligned climate and nature-related disclosures with financial statements, as described in the ClimateWise Guidance.*

Flood Re's carbon performance including carbon emissions and energy efficiency and management actions are included in the latest organisation's Annual report and accounts (ARA). The latest ARA report is for the year ended 31 March 2024, on pages 20 to 22, includes energy and carbon indicators as mandated by the [Streamlined Energy and Carbon Reporting \(SECR\)](#), in place since the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. This information is also included within this report in [Sub-Principle 2.1: Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control](#).

The Annual report and accounts (ARA) report can be viewed on Flood Re's website: [Flood Re Limited ARA 2024](#).

Flood Re's disclosure of carbon emissions and the Annual report and accounts (ARA) are externally audited.

Please note for Flood Re the reporting period for the ARA report runs April to end of March whilst the ClimateWise reporting period runs from July to July each year.

### ***Sub-Principle 4.6: Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.***

*Members can use this section to demonstrate how they deal with uncertainty and assumptions associated with climate and nature-related disclosures. This might include describing all of the assumptions that have been made. The ClimateWise Guidance sets out topics which members could consider.*

Flood Re is using the new ClimateWise report template to ensure our submission this year is easy to understand. Each section is structured so as to be comprehensive, and attempting to minimize duplication by providing an overview in brief to key workstreams alongside pointers to the sections where these matters are discussed in greater detail.

For accuracy and prudent and neutral presentation, internal subject matter experts within Flood Re were consulted and invited to review the report's draft.

This ClimateWise submission makes references to material that is already published, e.g., on the Flood Re's website under [Reports - Flood Re](#). It is expected that this material has already gone through an editorial and quality assurance process for accuracy purposes.

## Acknowledgements

Flood Re is grateful to the following colleagues whose generous contribution and tremendous support allowed to compile a timely ClimateWise submission by the 6<sup>th</sup> of August 2024 deadline:

Andrea Santolalla, Chief Operating Officer

Christina Spears, Investment Manager

Daniel Byrne, Chief Risk Officer

Debra Wilkinson, Executive Assistant to Chairman and CEO

Dermot Kehoe, Director of Communications and Transition

Dr David McNamara, Senior Catastrophe and Climate Analyst

Dr Kristina Sodomkova, Research Manager

Emily White, Head of Catastrophe and Climate Analytics

Emma Holroyde, Market Engagement Manager

James Hind, Senior Communications Executive

Jonathan Kassian, Head of Research

Kelly Ostler-Coyle, Head of Communications and Stakeholder Engagement

Kevin Secker, Director of Information Technology

Laura Evans, Chief Actuary

Marie Prentice, Head of Operations

Martin Lennon, Head of Transition

Michael Bass, Head of Capital and Risk

Natalie Randall, Head of Financial Control

Tirthankar Bhattacharjee, Senior Financial Accountant

Tom Gleis, Reinsurance Manager