

## HOWDEN GROUP HOLDINGS LIMITED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### Section 172(1) Statement

The 172(1) Statement requires directors to disclose how they have met their duties under section 172 of the Companies Act 2006 and which would most likely promote the success of the Company for the benefit of its stakeholders. During the year the Directors have had regard to the following matters when performing their duties under section 172:

- The likely consequence of any decision in the long-term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

The Board ensures that it addresses the s172 requirements by allocating responsibility for specific areas to senior management, Board and committee meetings, the use of clear agendas, appropriate board papers, budgeting and reforecasting, and strategy events at both holding company and subsidiary company level.

Key stakeholders are identified during board and committee meetings. The culture that the Group strives for and the way that it works means there is a continuous communication with the Group's key stakeholders, as described in the stakeholder engagement section below. The board receives quarterly CEO reports and other reports, including strategic updates, financial performance, business updates, regulatory updates, legal matters, risks and omissions, client updates and team updates. Actions resulting from discussion of these reports are agreed and then shared with stakeholders as appropriate.

#### Long-term consequences of decisions

The Group's long term model reflects its determination to share success and to grow in a responsible, sustainable way. This goes beyond environmental and societal impacts; it influences the products that the Group offers, the talent it hires and how the Group manages its future. The Directors strive for a balance between growth through acquisition, organic growth, cashflow and liquidity considerations, performance and reward, culture at work, diversity and inclusion, wellbeing and equal pay.

Decisions discussed and reached in board meetings are reported against agreed strategic objectives from strategy days. The directors maintain regular contact with management, which allows the directors to appreciate the context of current projects and to be on hand to assist and advise where necessary.

An example of a key board decision taken during the year was the consideration and approval of a number of large transformational acquisitions. The long-term consequences of these decisions were considered using extensive proposals, budgeting and forecasting summaries. The change of name of the Group was also approved during the year by the Board. The focus was increasingly to bring simplicity and authenticity to the Group under the one Howden brand.

#### The interests of the company's employees

The Group's "Our People First" culture means that it supports employees' aspirations and provides opportunities to make a difference. The Group is built on a foundation of employee ownership, with around 1,400 employee owners sharing the Group's success. As a result, the likely long-term consequences of any decision made by the directors are aligned with the interests of employees.

The stakeholder engagement section below sets out how the directors have engaged with employees and responded to the issues raised through the most recent employee survey.

#### The company's relationships with suppliers, customers and others

By driving the desired culture throughout the Group, management aims to continuously deliver a quality service to clients, including welcoming employees' creativity to deliver high class expertise.

The Group looks to diversify its business lines and employs strategies to help mitigate against the loss of clients. For examples of how the board has supported the continued growth in its Global Specialisms, refer to the Corporate Governance Statement below.

During the year, the Group was one of a number of organisations that responded to the Red Cross and the need to improve the provision and efficiency of humanitarian relief in the event of a volcanic eruption. The Group's charitable Foundation, Financial Lines and reinsurance divisions, and capital markets business all supported the launch of the world's first catastrophe bond for volcanic eruptions, by the Danish Red Cross. The bond raises humanitarian funds in advance, and allows aid to be released more quickly and effectively while offering uncorrelated returns for investors.

#### Impact on communities and the environment

The Sustainability Committee was set up 2019 to identify opportunities for improvement in the Group's approach to sustainability and to embrace a more inclusive way of working. Please see page 14 for the initiatives that the Sustainability Committee has achieved. The Group is also a signatory of the UN Global Compact, by which it has promised to take responsibility for its impact and to work in a way that supports and benefits society.

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The Group is determined to reduce its environmental impact as much as it possibly can, by continuing to build a sustainable business while reducing, replacing, recycling and continuing the journey to becoming carbon negative.

The Group also wishes to support society and this is managed through fundraising and volunteering, and giving back through the charitable Howden Group Foundation. For more information refer to the corporate and social responsibility section on page 14 in relation to specific activities that the Group has undertaken in relation to communities and the environment during the year.

Maintaining high standards of business conduct

The directors are responsible for setting high standards of business conduct, to ensure that the Group's commitments to stakeholders are met. The Group abides by the Modern Slavery Statement and is committed to ensuring that its business dealings are carried out in compliance with the relevant laws. In doing so, the board endorses the implementation and promotion of ethical business practices, to protect workers from being abused and exploited. The board also supported the decision that, following training, a set of UK procurement principles should be created. These principles have been shared with the key subsidiaries.

Information on the Group's policies in relation to its whistleblowing arrangements can be found in the Corporate Governance Statement.

The need to act fairly between members of the company

The board consists of directors representing both institutional and employee shareholders in order to make sure that members are treated fairly. It also includes independent non-executive directors. When employee share incentives are considered there is a careful assessment by the board and Remuneration Committee that there is a balance between dilution of existing A shareholder value and value which new share incentive holders can derive.

**Stakeholder engagement**

The table below describes how the Group engages with its stakeholders and explains how the directors ensure they are aware of the views of each stakeholder group.

<p><b>Customers/clients</b></p> <p><b>Why we engage</b> Understanding customers and how their demands change allows the Group to provide tailored products and is intrinsic to its long term success. Clients often request solutions and new initiatives that insurance can provide for them.</p> <p><b>Our approach to engaging</b> The Group uses local on the ground experts from around the world to form a network of shared skills and knowledge. This allows the Group to bring expertise to clients while observing best practices, and maintaining the necessary regulatory controls, due diligence and care to ensure that clients are satisfied. The Group is regularly in touch with clients and visited them frequently before the Covid-19 lockdown. Face-to-face meetings are beginning to take place once again and more frequently, enabling the Group to build a stronger client relationship and deliver a more tailored solution. Clients inform the Group of any new initiatives that they are considering and where they would like the Group to assist in placing insurance for them. The board does not typically directly engage with clients and is kept informed of their views through reports from management and discussions at board meetings.</p> <p><b>Client issues identified through engagement</b> Our clients need us to continue to develop new solutions that meet their emerging needs, such as making the best use of data and meeting their ESG objectives. As an example, during the year the Group launched NOVA, a first of its kind business intelligence platform. It provides users with tools and data visualisations that facilitate a clear understanding of complex insurance data, enabling them to better identify market opportunities, anticipate trends, mitigate risk and make data-backed decisions. We also provided seed funding for the launch of Parhelion, the world's first fully sustainable insurer. It looks at risk through a new lens, to support a unique underwriting approach based on data, technology and proprietary ESG criteria. This reflects studies showing a persistently strong correlation between corporates with advanced ESG credentials and low insurance claims, enabling Parhelion to offer premium and cover at advantageous terms, while generating strong shareholder returns.</p>
<p><b>Employees</b></p> <p><b>Why we engage</b> Building and maintaining a People First Culture is embedded in decision making across the Group, and is key to how we attract, engage and retain our employees. Putting employees first supports empowerment, inspires and fosters ideas which in turn benefits clients and strengthens the Group's productivity and resilience. The Group is built on a foundation of employee ownership with around 1,400 employee owners sharing the Group's success. As a result, any decision made by the directors are aligned with the long term interests of employees.</p>

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STRATEGIC REPORT

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**Our approach to engaging**

The Group and directors are committed to engaging with employees through multiple formal and informal channels to ensure that employees' views can be taken into account in making decisions which are likely to affect their interests. This includes, but is not limited to the use of the Group Workplace platform, regular internal communications, the use of people surveys and a range of established Employee Resource Groups.

Over the last 12 months the Group has made significant investment in building a capable and experienced HR Team to support and enable the delivery of our Group ambitions, and further develop its engagement with, and offering to, employees.

During this time the Group has focused in a number of key areas:

**Covid-19 Impact and subsequent transition**

Throughout the Covid-19 pandemic the Group has continued to monitor the impact on employees closely, and has maintained highly engaged and proactive Covid-19 response teams to provide support for employees globally. This has enabled all employees to work remotely effectively with the required technology, IT equipment, home office furniture, training and policy support, ahead of government requirements. The Group has continued to leverage the online platform Workplace to share and exchange useful information, along with FAQs for all employees to access. The Group also supported the repatriation of colleagues to their home country or safe accommodation, providing necessary personal protection equipment, along with monetary donations where appropriate.

In addition to recognising the flexibility required for employees that are parents and or carers, the Group has also addressed the potential issues around employee engagement, work life balance and wellbeing, by introducing a range of activities and resources. All UK employees have access to a free mental health app, which complements the 24 hour / 7 day a week access to a Virtual GP, an Employee Assistance Programme and a mental wellbeing champion's network for which the Group provides training and mentoring support.

As the Group transitions to 'a return to the office' the Group has developed and adopted three Global Principles for Hybrid Working – client delivery, in-person connection and flexibility and agility. To support the implementation of these principles the Group has developed toolkits, surveys and workshop materials to actively engage and consult with employees on their application. The Group is adopting a flexible and gradual return to the offices, and providing ongoing support and training to employees through this transition, whilst ensuring that the employees' health and wellbeing remains the top priority.

**Career development and progression**

The Group provides visibility of all job opportunities across the group on Workplace to encourage internal career development. In addition to business objectives, senior leaders have specific objectives focused on development, culture and people that articulate their commitment to employee development. Progress is measured and leaders are held to account on the delivery of these objectives.

All UK employees are asked to ensure that they have objectives relating to their personal development with a mix of on the job development and learning interventions encouraged. Guidance is provided to all employees and line managers to support an effective performance development process. On the basis of feedback from employees through the Global People survey, managers are expected to provide feedback to team members, discuss their ongoing development and help team members to understand how their work has and does contribute to their team, and the wider business. Reviews are also scheduled to take place in advance of the annual compensation review to demonstrate a clearer link between performance and reward for employees.

Through the Group's learning hub employees can access a variety of development resources including compliance and regulatory training, leadership programmes aligned to our leadership framework, top tips on topical interests (e.g. improve your virtual presence) and general business skills (e.g. growth mind-set, presenting with impact). The learning solutions are available on an open basis for any employee to access as part of their development. Guidance is provided to all employees and line managers to support an effective performance development process.

As a growing business it is vital that the Group recruits the right people in order to continue the success of the Group in a sustainable manner. We attract and retain people of the highest calibre through a recruitment process that is free from bias and discrimination. Over the last 12 months the Group has piloted the use of blind CVs and embedded the tool Textio in all job adverts to ensure the use of inclusive language and attract broader and more diverse candidate pools. To support our ambition to build a robust pipeline of diverse talent, the Group has introduced a number of Early Careers programmes to attract diverse graduate talent to the Group. The Recruitment and Selection Policy is followed, while prioritising employees' development and success.

**Diversity and Inclusion**

For the Group, diversity is achieving a rich pool of entrepreneurial talent with different personal and economic characteristics to drive sustainable value creation borne from different thinking. Inclusion means achieving this value creation by being a remarkable place where brilliant people want to work because they are seen and accepted as individuals, valued for the individual difference that they bring to the table, and because they work for a business that allows them to balance their life against the requirements of work. To support this the Group has implemented a number of actions.

- Development of a Group Diversity and Inclusion Committee with representatives from across the organisation, with agreed terms of reference, mandate and ways of working in place.
- Investment in, and development of, our Employee Resource Groups. The Group has restructured its first Employee Resource Group - Respect - such that all other employee resource groups report into it. In turn, the Respect Employee Resource Group benefits from the appointment of a steering committee. Respect is owned and led by employees and empowered with their own budget to enable them to raise awareness of, and influence the business, in areas that are important to them and to drive collective impact.
- Within the UK the Group has collated D&I statistics from employees to enable the Directors to review insights, identify focus areas and track progress. Over 2022 this will be collated internationally.
- A reciprocal mentoring pilot has been launched in the UK designed to help build a better understanding of employee perceptions of organisational culture, and provide leaders with an opportunity to connect and hear first-hand the perspectives and experiences of employees from different generations and parts of the business. This will be rolled out globally in 2022.

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<p><b>Insurers and Suppliers</b></p> <p><b>Why we engage</b> It is important for the company to create long term, robust working relationships with our suppliers and insurers with whom we place business. This contributes to the success of our business and ultimately benefits all stakeholders.</p> <p><b>Our approach to engaging</b> The company works together with its suppliers and insurers to ensure the best client experience and continuity of capacity in order to service the needs of our clients. Senior management regularly meet insurance partners to discuss performance and ways in which we can improve cover for clients. These relationships are managed through TOBAs and contracts in line with Group policies and additional risk and due diligence assessments are carried out in line with the Group's Sourcing Principles. Senior leaders receive regular updates and feedback on insurer and supplier relationships.</p>
<p><b>Communities</b></p> <p><b>Why we engage</b> The Group cares for and appreciates its local communities and places great importance on contributing to them through various charitable means. For more information refer to the corporate social responsibility section below.</p> <p><b>Our approach to engaging</b> The board receives regular high level updates on the Group's community activities through the Howden Foundation and the Sustainability Committee. Refer to the corporate social responsibility section for further details.</p> <p><b>Community issues identified through engagement</b> During the year all of the Group's school and charity partnerships in the local community were impacted by Covid-19, resulting in the original partnership deliverables being put on hold. Following on from FY20 the in-person relationships with local schools and charities initially had to stop. Gradually as employees adapted to the new ways of working/living the Group started to engage with the partnerships online; this included online mentoring, CV reviews, career inspiration webinars and online workshops. As the world now starts to slowly open up, various in-person activities have returned while some virtual engagement will be retained. The virtual engagements assist Group employees to volunteer more widely across the UK and internationally with more efficiency alongside work commitments. Fundraising/engagement with charity partners also was limited during this pandemic and all fundraising took place virtually, such as the Group's charity online quiz. The Group also on-boarded a new CSR platform, Benevity, to facilitate online giving and donation management. Additionally, the Group delivered raising awareness webinars with the partners to remind employees why it was important to fundraise for the Group's key partners worldwide. These webinars illustrated the impact that the Group was making, such as the new Dementia Friends workshops that are now underway.</p>
<p><b>Group shareholders</b></p> <p><b>Why we engage</b> The Group has a responsibility to engage with shareholders and an ambition to deliver long-term, sustainable growth. The Group understands the importance of providing information to shareholders so they can support and engage with the Group.</p> <p><b>Our approach to engaging</b> Institutional shareholders are represented by directors on the board and therefore participate directly in Group strategic decisionmaking and direction. The Group engages with shareholders via the online Shareholder Portal, shareholder updates via email, CEO video presentations and half year updates. There is a commitment to educate shareholders and prospective shareholders by convening live workshops and Q&amp;As during the internal share offer process.</p> <p><b>Shareholder issues identified through engagement</b> During the year, the Group identified the following issues as a result of its engagement with shareholders. An increasing number of shareholders request to vote, acquire/sell shares, and view their shareholdings online. As a consequence, the Group continues to develop the Share Portal to enable further applications and flexibility within the portal. A further project is to present a share value statement from FY22.</p>
<p><b>Group debt investors</b></p> <p><b>Why we engage</b> The Group has a responsibility to engage with debt investors and understands the importance of providing information on a regular basis, including compliance with the Credit Agreement.</p> <p><b>Our approach to engaging</b> Quarterly updates are provided to debt investors to maintain this valuable relationship. The updates are given by the Group Chief Financial Officer on behalf of the board. The Group Chief Financial Officer ensures the board remains updated on the views of debt investors and any issues they raise. During the year, the Group undertook two successful debt raises, while also securing favourable changes to the debt terms in February 2021.</p>
<p><b>Regulators</b></p> <p><b>Why we engage</b> As an insurance intermediary group, the Group's subsidiaries are subject to financial services regulations. The Group also works with other relevant regulators to ensure all aspects of the businesses comply with local laws and regulations, to uphold the responsibilities to stakeholders.</p> <p><b>Our approach to engaging</b> In the holding company's country of registration, the relevant UK entities are authorised and regulated by the Financial Conduct Authority (FCA) and have an open and transparent approach to communication with the FCA, engaging with it as required or requested, and in compliance with Principle 11 of the UK Financial Services Handbook. The Group's regulatory communications are managed and facilitated by the Legal and Compliance teams. Significant regulatory matters are reported to the relevant entity board and to the board of the company if necessary.</p>