



CFC Group Limited

Strategic report (excerpt)

For the year ended 31 December 2023

Section 172 Statement

CFC Group Limited (“the Company”, “CFC”) is a private company limited by shares and is the parent company for the CFC Group (“the Group”). It acts as a holding company for a group of underwriting agencies, insurance service providers and a Lloyd’s Corporate Member, with subsidiaries located in the UK, the United States of America, Canada, Belgium and Australia with a focus on emerging risk.

Section 172 statement

The Directors are committed to high standards of corporate governance, and as such take their duties under section 172(1) (a) – (f) of the Companies Act 2006 (“s.172 duties”) seriously. In line with this commitment, the Board routinely considers the long-term effects of its decisions and makes its decision in line with the Group Long-Term Plan and its defined strategic objectives, with due consideration given to the Group risk appetite, and risk framework.

As such, the Board considers, both individually and together, that they have acted in a way that would be the most likely to promote the success of the Group for the benefit of its members. As set out in the principal activities, the Company acts as a holding company and is the ultimate parent company of the CFC Group. The Board’s role is to promote the long-term success of the Group, approve material financial and non-financial decisions on behalf of the Group and maintain oversight of its subsidiary companies to the extent appropriate or authorised. Accordingly, the Board and its committees are appropriately comprised to deliberate on strategic decisions which affect the Group as a whole. The Board meets at least quarterly to discuss matters relevant to the business of the Group. The Board meetings provide an opportunity to understand the priorities and concerns of different shareholder groups.

The Board has identified the following groups as its key stakeholders; employees, customers, insurance carriers, suppliers, and our regulators. The manner in which the Board engages with each stakeholder group is outlined below.

Employees

The Board recognises that its people are a critical aspect of its business, and our biggest asset. As at 31 December 2023, the CFC Group was c.34% employee owned. Accordingly we recognise that the success of our business is down to ensuring our people feel engaged and passionate about their work, and that we continue to promote an inclusive, entrepreneurial company culture that inspires employees to perform their best, whilst making a real contribution to the long-term success of CFC. Importantly, employee initiatives are prioritised at Group-level and rolled out to all Group trading entities to promote a cohesive culture across our employee base, irrespective of their location of work and the Group entity which employs them.



The Board is committed to regular communication and engagement with our employees, which is achieved through the quarterly All Company Meetings and other more informal forums and employee surveys. In FY23, CFC participated in the Best Companies To Work For engagement survey to help the Board understand key areas of high employee engagement, alongside areas where we need to improve. CFC was proud to be named the Best Company in Insurance, placing first out of those included in the Best Companies Survey in 2023. In addition, CFC achieved a 3-Star accreditation for the third year in a row, recognising that it delivers 'world-class' levels of workplace engagement. The same survey also named CFC as one of the UK's Top 25 Best Large Companies.

As a growing business, CFC recognises the need to understand, protect and develop its culture and engagement. During FY24, CFC will participate in the Lloyds Culture Survey and roll-out a new employee engagement tool to better understand its people and drive meaningful change where identified.

Finally, the Board has overseen significant work on CFC's Diversity & Inclusion strategy.

Customers

CFC recognises the importance of putting our customers at the heart of everything we do, and as such the Board remains committed to progressing operational initiatives and technology solutions that make CFC easier to do business with, as well as putting customers in a position where they can make effective decisions. The Board receives and reviews management information about how customers are experiencing CFC, including complaint data, response time data, and other product performance metrics. As part of our ongoing commitment to customer excellence, CFC's Products and Operations Committee regularly reviews CFC's product offering and processes to ensure they continue to provide our customers with good value and meet their expectations.

In FY22, the Board agreed an implementation plan which seeks to firmly embed the FCA's new Consumer Duty and a high standard of customer protection within CFC's business practices. This plan has now been implemented across the business, with substantive compliance achieved by the implementation deadline of 31 July 2023. The first Consumer Duty report to the Board has been developed, which will provide assurance to the governing body that customers' needs are being considered at every stage of their CFC journey, through the monitoring of customer outcomes. Further assurance work has been undertaken during FY23, including an internal audit focused on conduct risk management and consumer duty, and an independent review of the firm's Fair Value Assessment Framework. The output of this is being considered, with further improvements being rolled out as part of the cycle of continuous improvement.

Insurers

Our insurer partners are crucial to the ongoing success of CFC. We meet regularly with all our insurers, to discuss performance, new products and other initiatives. As part of this on-going dialogue, we produce a detailed carrier report quarterly, which is shared with all our supporting insurers.

Suppliers

CFC identifies and manages its key suppliers, which requires them to be subject to appropriate due diligence and ongoing monitoring. CFC maintains a robust due diligence process for new suppliers and reviews its suppliers at least annually.



Environmental, social, governance

As an insurance provider, CFC has a responsibility to its customers, employees, partners and the communities in which we live and operate. An increasingly important part of our corporate citizenship is our commitment to integrating the principles of ESG into our daily operations and corporate governance.

As part of the greater insurance community and the Lloyd's marketplace, we are committed to an ESG strategy that is both appropriate for our business and in line with our peers and Lloyd's own commitments. CFC currently complies with all relevant ESG reporting obligations and regulatory requirements. We are committed to transparency and have publicly disclosed information relating to our company values; culture; conduct; employees; diversity and inclusion; community and the environment.

CFC has an established ESG Committee, a Board subcommittee made up of representatives from CFC's Executive Committee and key departments including human resources, compliance, finance, underwriting and marketing. The purpose of the ESG Committee is to assist the Board in defining the Group's ESG strategy and further evaluating, monitoring, and managing ESG-related matters which relate to the business activities of the Group. It is also tasked with overseeing the activities of the employee-led Charity Team and Diversity & Inclusion (D&I) Team. CFC has demonstrated continued progress in the development of its ESG practices, and our overall risk exposure to ESG aspects was considered to be low, due to the size, nature and structure of our business.

CFC strives to maintain robust governance, oversight and risk management practices in line with applicable UK and international governance standards. CFC operates a suite of corporate, compliance and ethical policies and procedures relevant to its business. During 2023, the Company's system of corporate governance has continued to evolve. The business has voluntarily applied The Wates Corporate Governance Principles for Large Private Companies, subject always to compliance with regimes or other sources of corporate governance identified by its regulators, including but not limited to the Senior Managers and Certification Regime. The Company's section 172 statement outlines how it adheres to many of the Wates principles.

In 2023, CFC undertook an externally facilitated Board Effectiveness Review ('BER') encompassing certain Group forums, including the Board of the Company. The findings arising from the BER have been communicated with the Board and an action plan will be agreed in early 2024.

Community and charity

CFC is dedicated to supporting the communities in which it operates and raising awareness on issues affecting its employees. CFC supports numerous initiatives including partnering with a London based, social mobility charity (The Brokerage) who connect CFC with young individuals seeking professional careers in the City of London. CFC is passionate about nurturing the younger generation and through this partnership, CFC offers both mentoring and intern placement opportunities to people from non-advantaged backgrounds within the local community.

CFC is inspired by its employees who show passion in supporting various causes. In addition to its principle initiatives, the Group shows its support to colleagues by:

- Having a dedicated, employee-managed Charity Team focused on promoting staff engagement through 'CFC For Good' volunteering and fund-raising opportunities;
- Matching employee contributions towards various good causes as chosen by employees;



- Hosting and/or supporting fundraising events across the business whereby employees are invited to participate; and
- Offering up to four paid volunteer days for various community and charitable events.

Diversity and inclusion

CFC is committed to building a culture that promotes equality of opportunity, inclusion and mutual respect. Through targeted employee surveys, CFC has been able to identify and action areas for improvement throughout the period.

The Board is committed to supporting and promoting diversity and inclusion through:

- An employee-managed Diversity and Inclusion Team consisting of representatives from various diversity groups, with the mission of championing initiatives, raising awareness, and promoting a workplace where employees feel free to be open about their diversity;
- Improving family-friendly policies and benefits;
- Partnering with ACIN, The Brokerage, and Ambitious About Autism to drive more diversity into our recruitment and internship placement scheme;
- Setting a target for increasing ethnic diversity of new employee hires in 2023 and ongoing;
- Maintaining a smart casual dress code which allows employees to express their diversity and personality more in the workplace;
- Continuing our focus on gender diversity in hiring to further reduce the CFC gender pay gap; and
- Promoting a healthy work-life balance for employees and providing regular mental health and well-being workshops, and establishing a fully-trained group of employee Mental Health First Aiders and creation of a Wellness room for employees at our Gracechurch Street offices.

Environment

In 2023, CFC sought to minimise adverse impacts on the environment by partnering with a climate action platform which aims to offset carbon emissions through various climate projects.

CFC encourages employees to reduce their impact on the environment by:

- Providing waste management and recycling facilities throughout work premises;
- Offering a cycle to work scheme and providing secured bike storage facilities;
- Granting volunteer days to support various environmental causes; and
- Implementing initiatives to minimise water, energy and paper usage.

Global climate change could impair CFC's ability to predict the costs associated with future weather events and could also give rise to new environmental liability claims in the industries we serve. Given the scientific uncertainty of predicting the effect of climate cycles and climate change on the frequency and severity of catastrophes and the lack of adequate predictive tools, CFC may not be able to adequately model the associated exposures and potential losses in connection with such catastrophes through its exposure to insurance risk which could, if not understood, have an adverse effect on its business, financial condition or operating results.

Management believes there is limited exposure to physical or transition risk. Property risk for example is a very small part of the portfolio and mostly covers contents and excludes named storms.



CFC does not write onshore/offshore energy or upstream energy classes of business and we do not believe that the core Cyber book is materially exposed to climate change risks.

Although there is a significant amount of liability business this has been considered lower risk in reflection of the micro to SME nature of the insureds because we believe the size of these firms means they are deemed less likely to be drawn into climate change litigation.

Regulators

CFC maintains an open and constructive dialogue with all its regulators to maintain a reputation for high standards and good business conduct.