
FIRST CENTRAL INSURANCE MANAGEMENT LIMITED

SECTION 172(1) STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

S172(1) Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making and how best to promote the collective long-term success of the Company and its stakeholders. We are complying with the requirement to include a statement setting out how our Directors have discharged this duty.

(a) The likely consequences of any decision in the long term

During 2022 the Board refreshed the Group's existing Strategic Five-Year Plan covering the periods 2021-2025. The Plan continues to be updated on an annual basis to ensure the direction and core initiatives of the Company remain relevant in promoting the long-term success on behalf of the Company, its colleagues, customers and communities.

In refreshing the strategy and business plan, a wide range of sources were used to inform the planning assumptions, including benchmarking reports on service, complaints, pricing, distribution and products. The Company also benefitted from input from other FCGL entities to ensure the broadest possible view on risks and opportunities were considered within the refresh.

The governance and review process in place ensures that the Board and shareholders are actively engaged in approving the Plan, leading to the development of a cohesive strategic direction that seeks to promote the long-term success of the Group.

The Board remains responsible for the oversight of the Strategic Plan including, where relevant, aligning investments in the capabilities needed to deliver the Plan.

The Board relies on the Company's Compliance Framework which sets out the Policies and Procedures that are fundamental in providing a robust control environment. The Policies are reviewed by the Board on a frequent basis to determine the relevance and efficacy of the documents and the adherence of the business to the criteria detailed within.

(b) The interest of the Company's employees

Our people and culture are key to achieving the Group's strategic objectives. The Board reinforces the Company's desired culture, setting the tone from the top to create and maintain an exceptional working environment in which colleagues can thrive. Developing talent, inclusion, equal pay, flexible working and industry leading communications are integral to our offering, and we provide a wide range of support mechanisms for colleagues' physical and mental wellbeing.

All colleagues have clearly defined objectives which relate to the Company's goals as articulated in our Strategy on a Page (SOAP). The SOAP was launched at the end of 2021 and articulates our Purpose, Mission and Vision, as well as detailing the Company's five Strategic Drivers which focus on how we will achieve our Five Year Plan. Our SOAP is also underpinned by our Values which are well embedded across the business.



Ambition



Collaboration



Agility



Ownership

We continue to have a comprehensive internal communications and engagement programme and utilise a variety of channels to keep our colleagues informed and seek feedback on matters that affect them, including email communications, a weekly newsletter, bi-weekly Executive led Town Calls, quarterly Town Hall sessions delivered by the FCGL Group's CEO and the Company's Managing Director, managers' briefings to cascade in team meetings, and an annual end of year conference where our future plans and objectives are shared with our leadership teams. Alongside celebrating our successes, we have committed to the delivery of a programme of diverse social events that encourage colleagues to have fun and help to drive engagement.

We seek colleague feedback with quarterly pulse surveys which cover aspects of leadership, performance, development, working environment, communication, values integration and adoption. The surveys provide us with active listening across the business, enabling us to measure engagement and gather constructive feedback. Results are collated to give a Company-wide result and also broken down by departments and teams. Our Company employee NPS (Net Promoter Scores) are consistently above internal and industry benchmark (score as at end of year 48 increasing to 52 at the end of March 2023, compared to internal target of 44 and industry benchmark of 25). Survey results play a key part when devising future business plans and initiatives and are shared with the FCGL Executive Committee and Board and action plans developed.

To further garner our colleagues' views and ideas, initiatives are shared with a FCGL Group-wide Employee Consultative Committee ("ECC") with representatives from across FCGL Group (of which, one colleague is appointed as the Chair), two management representatives and at least one Director are always present. Feedback from ECC is cascaded to the Board via the FCGL Group's Chief People Officer.

Wellbeing and mental health remain a key area of focus and it is encouraging to see our Wellbeing Strategy is having a positive impact on our colleagues with FCGL scoring in the top 10% of the finance industry in our pulse survey for wellbeing. We were also very proud to have ranked 7th in the list of UK's Best Workplace for Wellbeing by Great Place to Work.

We have supported colleagues as much as possible through the cost of living challenge, including a number of financial wellbeing events and communications, and we paid our lower grade colleagues a £1k cost of living payment to support them with rising bills.

Helping colleagues to learn and grow through every stage of the employee life cycle continues to be a key priority and we focus on building the capabilities of our colleagues across the business. We operate graduate and apprenticeship programmes and also support colleagues with external qualifications where relevant. This is in addition to a varied learning and development internal offering which includes leadership development programmes, mentoring, bite-size skills training sessions, Leadership Lounges and many other initiatives.

Our Institute of Leadership Management ("ILM") accredited development programme is accessible to all, and we have further enhanced our digital learning capabilities including the use of new tools, upskilling our in-house learning team, and moving our learning management system to the leading human capital management platform Workday.

Good progress has been made against FCGL Group's refreshed ESG Strategy, including the creation of a Low Carbon Action Plan ("LCAP"), introduction of diversity and inclusion communities across FCGL Group and a number of other initiatives focusing on recruitment practices, training, communications and data analysis. FCGL Group has also established an ESG Council which is chaired by the FCGL Group's CEO and membership includes one of our Non-Executive Directors, a number of our Executive Team, and also a selection of colleagues from across FCGL Group, including FCIM. The ESG Council meet quarterly to assess progress against our ESG Strategy, discuss ESG related data, and review ESG initiatives and proposals.

FCGL Group continues to be a signatory of the Women in Finance Charter and to participate in the Dive In Festival (focused on improving diversity in the insurance industry).

Our current percentage of females in senior leadership roles across FCIM is 36%, which is ahead of our target of 28% and we have seen this percentage increase over the year.

The FCGL and FCIM Boards, supported by their Management Teams, continue to build a reputation for the First Central brand as a group of companies that genuinely cares about contributing to its local communities through visible involvement in charity work, educational initiatives, community partnerships, and are proud to have exceeded both our fundraising and colleague volunteering targets.

(c) The need to foster the Company's business relationships with suppliers, customers and others

The Company continues to build and develop strong partnerships to ensure our customers receive the best service possible. Such activity is managed via a robust supplier governance framework including strict procurement screening processes to ensure suppliers and partners are of the highest possible calibre and cultural fit with the organisation. These processes have continued to be strengthened throughout 2022 with a particular focus on operational resilience and assessing suppliers' approach to cyber security.

In 2022, the Company established an Outsourcing Committee, as a sub-committee of the Group's Audit and Risk Committee. The Outsourcing Committee provides oversight of its outsourced arrangements, to monitor outsourcing risk and to ensure that robust contractual governance, regulatory compliance and risk management processes are followed.

Partnerships

The Company has continued to assess our supply chain and deepen partnerships with existing suppliers as well as introducing new partners where relevant. Examples include our expansion into South Africa, development of a new digital servicing capability, insourcing claims management services to a fellow group company First Central Services UK Limited, and the on-going strategic partnerships that we develop with our price comparison website ("PCW") partners.

Customers

Feedback from customers, comes from a variety of sources and is monitored quarterly via the Product Governance and Conduct Risk Committees.

Information monitored by these committees includes complaints, inclusive of root cause trends, Net Promoter Score survey feedback, Trust Pilot reviews, claims acceptance rates and product utilisation. Committees also undertake a review of all products at least annually to ensure that they continue to meet target customer outcomes and provide fair value.

(d) The impact of the Company's operations on the community and the environment

Community

Community is at the heart of the Company. Directors firmly believe that our communities should benefit from our presence, so supporting local charities and initiatives is of paramount importance to us. We have a charity of the year for each of our locations and we support those chosen corporate charity partners both through financial gifts and donations of time and resource. We commit to annual fundraising and volunteering targets and encourage all colleagues to spend some time volunteering, giving them an additional day's leave to do so.

We also support other community schemes such as the Dare to Dream programme aimed at mentoring children from more disadvantaged backgrounds and sponsor various other initiatives such as the Sussex Cricket Foundation and Foundation 92 which undertake activities to benefit the local communities.

Charity

We hold various charity fundraising activities during the year including auctions, sporting challenges, bake sales, and many more.

Additionally, our Community Connection scheme gave colleagues the opportunity to nominate a cause close to their heart to receive support from the FCGL Group. From animal sanctuaries and community gardens, to youth groups and creative spaces for those suffering with their mental health, a variety of causes received some much-needed support.

The Board and its Management team is proud to support a variety of different local initiatives, clubs and events, both large and small. We place great importance on being a responsible employer and our community partnerships is our way of giving back.

Environment

The Board takes due consideration and care for the environment and works across the business to reduce waste, limit non-essential travel and support local green initiatives that aim to help reduce our carbon footprint.

The Company reports on our carbon emissions under Streamlined Energy and Carbon Reporting (“SECR”) and uses the information to better understand and tackle our carbon emissions and use of natural resources.

SECR Carbon Reporting

It is now a requirement of large organisations to include energy and carbon data in their Annual Reports, under the SECR Regulations. We have reviewed the relevant activities, relating to buildings and business travel, and made the calculations, as shown below.

Our SECR carbon emissions for the year ended 31 December 2022 amounted to 107.7 tCO₂e, with 69% arising from electricity. Since last year, energy efficiency projects including less staff travel and reducing the amount of time office equipment is left on have helped to reduce the Company’s overall emissions by 13%.

Energy & Carbon Data

Table 2 – Information to be included in the Annual Report - SECR Energy & Carbon Emissions (kWh & tCO₂e)

	Unit	2022	2021	% change
Energy consumption	kWh	534,843	573,772	
Scope 1 - Direct Emissions	tCO ₂ e	33.2	34.0	
Scope 2 - Energy Indirect Emissions	tCO ₂ e	68.2	82.4	
Scope 3 - Other Indirect Emissions	tCO ₂ e	6.2	7.4	
Total Emissions	tCO ₂ e	107.7	123.7	-13%
Relative Emissions, normalised by revenue	tCO ₂ e/£m	0.5	0.6	-20%

Energy Efficiency Projects

Calculating the Company’s operational carbon footprint on an annual basis has helped understand carbon emissions from business activities, so developing our Net Zero Action Plan.

The Company has an overall objective to be carbon neutral by 2030 and have set targets to reduce Scope 1 and Scope 2 emissions by 50% by 2025 (from a 2021 baseline) and to recycle 100% of waste by 2025.

Energy audits have been undertaken this year to identify opportunities to save energy. Recommendations relate to heating, cooling and ventilation controls, improved LED lighting and efficient office equipment.

With new flexible working arrangements resulting in fewer staff in the office it has been possible to close floors once a week, which has reduced lighting and heating costs.

FCGL Group’s employee-led Climate and Sustainability Group meets on a quarterly basis, to discuss environmental initiatives and promote staff engagement.

SECR Emissions Calculations – Methodology

The Board has reported on all of the emission sources required by Streamlined Energy and Carbon Reporting (“SECR”), under the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within our consolidated financial statement.

We have followed the methodology of ISO 14064-1 (Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2022.

For SECR reporting, Scope 1 (Direct) emissions are those arising from natural gas heating and company vehicles. Scope 2 (Energy Indirect) emissions are from electricity. Scope 3 (Other Indirect) emissions come from electricity transmission, grey fleet and hire vehicles.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct

Maintaining High Standards

As an FCA-regulated entity, Directors seek to adhere to the principles of the UK Corporate Governance Code, and the Wates Principles, in a manner and to an extent that is appropriate to the Group's size, risk profile, internal organisation and the nature, scope and complexity of its activities.

The Board is conscious that the Wates Principles, as incorporated into the UK Corporate Governance Code (2018) require that it should:

- i. provide effective purpose and leadership;
- ii. be effective, composed of a good balance of skills and backgrounds;
- iii. have a good understanding of director responsibilities;
- iv. establish oversight for the identification and mitigation of risk;
- v. promote effective remunerations structures; and
- vi. foster effective stakeholder relations, aligned to the Company's purpose.

The Board has adopted a Corporate Governance Framework that aligns to the above Principles and this statement references areas which demonstrates the Company is acting in accordance with these Principles.

Directors continue to observe high standards in its approach to conduct supported by the rigorous implementation and oversight of the Senior Managers and Certification Regime ("SM&CR"). As part of this, all certified managers are subject to an annual fit and proper test which is further supported by organisational wide mandatory learning. Failure to complete such learning results in financial penalties of colleagues and adherence to completion rates is monitored monthly.

As demonstrated in the minutes and formal records of all Board meetings, Directors act in accordance with the legislation set down in The Companies Act 2006. In assuring the efficacy of the Board and sub-committees, annual effectiveness reviews are undertaken to critically analyse the performance of the Board.

The Board Evaluations conducted by an external consultant (ICSR) in 2021 provided evidence that the desired culture was consistently promoted, as was the long-term success of the Company. This review identified that our Corporate Values are regularly communicated to colleagues and are embedded in the day-to-day operations of the business as well as through initiatives.

Executive Directors have continued to remain visible to colleagues across the business whilst encouraging the Group's Flexible Working Policies and they actively reinforce the Values through their behaviours. This is through means such as attending virtual team huddles, business-area wide meetings, Town Halls and Town Calls, as well as holding in-person events.

Where a Director is a director of more than one company with differing objectives, the Director must provide information relevant to be recorded in the conflict of interest register that is maintained by the Company Secretary.

The Board recognises that values and behaviours underpin the effectiveness of the Company's risk management, and the operation of an effective control environment. The Company's values and behaviours set out how our strategy should be executed.

Behaviour forms a significant part of our colleague performance management process and is managed closely. The Board, through its Audit & Risk Committee and the Conduct Risk Committee, receives regular assurance of regulatory development and changes and seeks to embed a sound governance framework through adoption of the Corporate Governance Code principles.

In addition to regulators' expectations, establishment of an appropriate and proportionate risk management framework and audit structure using the well-recognised three lines of defence ("3 LOD") model provides assurance that business objectives are being fulfilled across the Company as shown below:



(f) The need to act fairly between members of the Company

As a wholly owned subsidiary of FCGL, the parent company is the sole member of the Company. The shareholders (members) of FCIM's parent company, FCGL, have entered into a Shareholders Agreement signed by all the shareholders.

Any strategic decisions made by the Board conform to both the delegated authority from FCGL and a Board Terms of Reference, developed from this Agreement. Moreover, the shareholder can always raise any concern with the management through the frameworks and governance processes in place. No such concerns were recorded in 2022.

As in previous years, Management engaged the support and guidance of the Board in the development of the Group's refreshed Five Year Plan, contributing to the creation of the final document, which was also agreed by the Shareholder, at a FCGL meeting held in Q4 2022.