Our commitment *to sustainability*

At Lancashire, we're committed to evolving as a business on matters of sustainability and governance.

Our ESG approach is relatively simple. We actively review and consider the wide range of developing requirements and focus on those areas where we can make a tangible impact in the short-term. We also consider the longer-term impact of factors, such as climate change, on our business and our clients.

Peter Clarke
Non-Executive Chair of the Board

Chair's introduction

Embedding *a sustainable approach*

Peter Clarke
Non-Executive Chair of the Board

In last year's Annual Report and Accounts we presented our Group ESG strategy which had the full backing of the Board for implementation by the business.

The strategy was reviewed again in November 2022 and the Board was pleased with the progress we had made against our core priorities focussing on the Lancashire Foundation, people and culture, sustainable insurance, operating responsibly and responsible investment.

Additionally, we have also included a new pillar within our Group strategy which includes as an objective further developing the Group's ESG principles to ensure we continue to operate responsibly. Aligned to this is also fostering an entrepreneurial collaborative culture via the Lancashire values.

Issues of sustainability and governance, and good corporate citizenship, are now at the forefront of business thinking globally. There are few sectors where the impact of a company's activities is not considered.

Our ESG approach is relatively simple. We actively review and consider the wide range of developing ESG requirements and focus on those areas – such as our people and the Lancashire Foundation – where we can make a tangible impact in the short-term. We also consider the longer-term impact of ESG factors, such as climate change, on our business and our clients.

Our efforts are led by the senior management team who receive regular reports from the Group's ESG Committee. In turn the Board monitors and implements the overarching governance arrangements for the Group and receives, as part of its quarterly meetings, reports on all key strategic and ESG developments and business activity, and discusses material issues.

All members of the ESG Committee have operational roles, which ensures our thinking is embedded deep within the business, which means we receive strong buy-in at the outset. Initiatives are truly driven by the business with a realistic lens on how the Company operates.

Much of the focus on ESG is rightly on environmental matters. We have long taken account of the potential impact of climate change on our business. The Board has set clear PML tolerances which identify the amount of our balance sheet we are willing to expose to climate risk. Additionally, we are also a valued partner to our clients, who are taking their own actions as part of the global energy transition. We will continue to work with them and our industry peers through our membership of the ClimateWise organisation.

The global energy transition is part of an ongoing debate. As we have seen during 2022, fossil fuel based forms of energy remain a key component of global energy security while alternative lower carbon energy infrastructure is in a state of further development. While we do not have all the answers, we understand the importance of the global energy transition away from carbon based energy. We welcome the opportunity to work with our clients, and aim to be a constructive participant in these important discussions and the process of transition.

While we are in no doubt that the expectations on businesses in all sectors have grown, and will continue to grow, the Board remains committed to transparency in our reporting.

We continue to report against the United Nations' Environment Programme Finance Initiative's Principles for Sustainable Insurance and the recommendations of the TCFD, which are also aligned with the principles set out in the 2015 Paris Agreement. The Group's UNEP FI

Principles for Sustainable Insurance's report can be found on our website. As in previous years, our progress in the area of climate change management of risk and opportunity is outlined in our TCFD Report starting on page 61.

As the business has grown, ensuring that the Board continues to engage with employees is crucial.

While Alex Maloney and Natalie Kershaw, as Executive Directors, lead that day-to-day engagement, our Non-Executive Directors also welcome the opportunity to meet employees and gain valuable insights. These opportunities are both formal and informal and include representation at the quarterly Town Hall events which are led by Alex Maloney. The Board also receives quarterly updates from the business on employee-related topics. We were pleased to approve a targeted cost-of-living payment and a tiered approach to salary increases to benefit those most impacted by inflationary pressures, alongside a number of changes to policies focused on work/life balance at our meetings in 2022.

The Board's various committees also received presentations from around the Group on a range of matters including specific underwriting opportunities within product classes, ongoing business transformation projects, and the feedback from employee surveys.

During the year, there have been a number of changes within the Board.

Samantha Hoe-Richardson completed nine years of service in early 2022 and accordingly did not stand for re-election at our 2022 AGM. On behalf of the Board, I would like to wish Sam the very best with her future endeavours and to thank her for her service. Sally Williams succeeded Sam as Chair of the Audit Committee.

Irene McDermott Brown was appointed Chair of the Remuneration Committee in April, succeeding Simon Fraser. She has since initiated a review of our Remuneration Policy for Executive Directors and consulted with Lancashire's shareholders. Please see the Remuneration Committee report starting on page 94 for more information.

Additionally, Simon Fraser stepped down from the role of Senior Independent Director which he has held since April 2014. Simon has recently completed nine years of service as a Non-Executive Director and will not stand for re-election at the AGM in 2023. We were pleased that, following a selection process, Robert Lusardi was appointed Senior Independent Director in November. Robert has been an independent Non-Executive Director since July 2016. He is the Chair of the Investment Committee and is also a member of both the Audit and Remuneration Committees.

The Board offers its grateful thanks to Simon for his long tenure and also wishes him the best for the future.

In July we were delighted to welcome Jack Gressier as a Non-Executive Director. Jack has over thirty years' experience in the insurance industry and will bring additional expertise to the Board.

During the year, the Nomination, Corporate Governance and Sustainability Committee reviewed the composition of the Board to ensure that it had the correct balance of skills, knowledge, independence, experience and diversity to be appropriate for the Group to meet its strategic objectives.

The Board is committed to meeting the Parker Review target for minority ethnic representation by December 2024. We are actively progressing recruitment in order to meet this target.

As a premium-listed company on the LSE, Lancashire measures its corporate governance compliance against the requirements of the UK Corporate Governance Code published by the UK FRC. This requires each company with a premium listing to disclose how it has complied with Code provisions or, if the Code provisions have not been complied with, provide an explanation for the non-compliance. The Board's Nomination, Corporate Governance and Sustainability Committee monitors the Group's code compliance quarterly and more information can be found in the report starting on page 86. In addition, the Company also monitors compliance with applicable corporate governance requirements under Bermuda law and regulations. The Company is subject to group supervision by the BMA, which also regulates LICL, the Group's Bermuda-incorporated (re)insurance entity. The Group's UK insurance entities are regulated by the PRA and the FCA, and Lloyd's in the case of LSL and Syndicates 2010 and 3010.

The Board has continued to focus on proactive and constructive stakeholder engagement aligned to the Section 172 responsibilities of boards under the UK Companies Act 2006. While not formally subject to Section 172 as a matter of law, due to the Company's incorporation in Bermuda, we believe that, as a responsible business, complying with those responsibilities is a matter of importance and that they provide practical working tools by which we can monitor our engagement. The Board's statement regarding matters covered by Section 172 can be found on page 44 which outlines examples of how the Board and the business have factored in the needs of our stakeholders in their discussions and decision making.

I am pleased to say that, in the judgement of the Board, the Company has complied with the principles and provisions as set out in the Code throughout the year ended 31 December 2022, and has appropriately considered those duties set out in Section 172.

During the year the Board conducted a review of the Company's Bye-laws. The Board is recommending certain changes to the Bye-laws, which are of a technical nature, for consideration and approval by shareholders at the 2023 AGM. Details of the proposal will be set out in the AGM notice and on the Company's website.

Evolving our ESG philosophy

"Sustainability is a core part of our strategy, demonstrated by the products we sell and in supporting the energy transition."

Jelena Bjelanovic
Chair of the ESG Committee and Head of Investor Relations

Q: How does Lancashire think about sustainability?

A: Since its inception, Lancashire has operated as a responsible business. Our ESG strategy is to continue to build and embed a culture of sustainability further within the business. We do this in a number of ways. In our own operations, we have been measuring and offsetting our carbon footprint for a number of years. In 2021, we introduced a target to reduce this footprint by 15% per FTE by 2030, through a number of initiatives, like minimising the use of single use plastics and reducing paper wastage through on-demand printing, to name just two. I'm pleased to say we are progressing well on that target. In 2022, we also surveyed our employees so we can better understand the emissions impact of their commute to the office.

Q: How are you embedding a culture of sustainability at Lancashire?

A: Within our underwriting operations, we continue to monitor and report on compliance with our ESG insurance underwriting guidelines to the Board and have completed a pilot project to monitor the carbon footprint of parts of our underwriting portfolio. This is in addition to the regular and active engagement our underwriters have with their clients on ESG matters, which we are also in the process of documenting. Likewise, our investment team continues to apply and report on our ESG investment guidelines, as well as evaluating different measures for our financed emissions. We had already introduced a Climate VaR risk appetite statement in 2021 and are evaluating potential sustainability fund investments that may be appropriate for our overall strategic asset allocation.

Q: How are employees helping with these efforts?

A: It goes without saying that people are the biggest asset we have at Lancashire. To that end, we have recently reinvigorated our DE&I working group and launched an employee network, to provide further support to all colleagues through additional educational, mentoring and networking opportunities. In our communities we are all extremely proud of the work of the Lancashire Foundation.

Q: What role does the ESG Committee play?

A: All of these activities are overseen by the ESG Committee, which is fully integrated into the business and reports to the Group Executive Committee and the Board on a quarterly basis. Particularly in the second half of 2022, the Committee spent time developing additional metrics and targets, which will form part of our quarterly Board reporting for 2023. Most importantly for me, sustainability is a core part of our strategy, demonstrated by the products we sell and in actively supporting the energy transition.

ESG strategy and progress

The Board challenges the business on matters of sustainability, people and governance and works collaboratively with the management team.

During 2022, the Board reviewed and approved the Group's ESG strategy and priorities. Progress against these is noted below.

1.People and culture

Giving our people the environment, tools, skills and support they need to thrive in an open, honest and diverse culture.

Progress

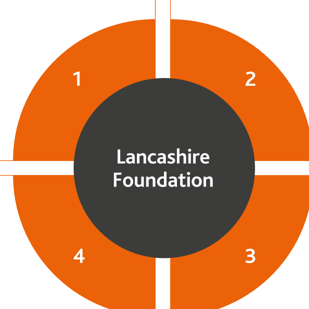
- High level of diversity maintained (Senior management positions 53% male/47% female; Group executive 57% male/43% female).
- Accredited living wage employer, for our business and our supply chain.
- Hiring practices seek to remove bias through anonymisation of CVs and gender neutral language for role adverts.
- Training on diversity matters included in employee induction programme and unconscious bias training across the Group.

2.Sustainable insurance

Ensuring our business considers climate change and other ESG issues in our underwriting decision making.

Progress

- ESG insurance underwriting guidelines implemented by reference to Lloyd's ESG underwriting guidelines.
- We underwrite renewable energy covers, where appropriate, and continue to monitor our energy clients' transition plans.
- 2022 peer benchmarking exercise. ESG framework reviewed annually.
- Our CCWG articulates underwriting related risks and opportunities relating to physical, transition and liability risks and investment-related risks and opportunities.
- Joined ClimateWise in 2022.



3.Responsible investment

Demonstrating our commitment to ESG, including responsibility for our environment, through the management of our investments.

Progress

- 93.9% of the Group's principal investment managers are signatories to the UN Principles for Responsible Investment.
- Our ESG investment guidelines embedded in external investment managers' guidelines for 2022.

4. Operating responsibly

Running our business as a good corporate citizen, a responsible preserver of resources, and holding our supply chain to the high standards we apply to ourselves.

Supporting wider society through our corporate and charitable activities including the Lancashire Foundation.

Meet and comply with legal, regulatory and investor obligations on ESG.

Progress

- In the five years from 2015 up until the pandemic hit early in 2020, the Group's emissions reduced by 16% per FTE.
- Fully offset calculated 2022 GHG market-based emissions by purchasing verified credits.
- More than $22.3 million donated to charitable organisations since 2007.
- The Group continues to operate in line with all relevant regulatory and legal requirements.

A responsible business culture

The very foundations of our strategy and success as a business are the solid pillars of engagement that we have built with our people, our stakeholders and society, and the creation of a healthy and sustainable corporate culture. Since its foundation in 2005, the Group has focused on fostering relations with a broad range of stakeholders.

Our universe of stakeholders

Our people

We believe the talents of our people and our distinctive culture continue to set us apart from our competitors.

Our employees are the lifeblood of the organisation and the Group therefore strives to attract and retain excellent individuals who share our drive and appetite to outperform.

SEE PAGES 51 TO 55 FOR FURTHER DETAILS.

Our policyholders

We place the highest value on the relationships we have built over the years with our existing policyholders and work hard at creating effective partnerships with new ones.

Policyholders are central to our business, so understanding and serving their commercial requirements is at the forefront of everything we do. Through our range of underwriting platforms, we strive to offer clear, fairly priced and useful products.

SEE PAGE 57 FOR FURTHER DETAILS.

Our shareholders

Lancashire values the views of all of its shareholders and maintains open and transparent communication channels with them.

As a premium-listed company on the LSE, LHL understands the importance of its obligations to shareholders. We work hard to foster good investor relations and pride ourselves on having an active programme of engagement with our diverse shareholder community.

SEE PAGE 57 FOR FURTHER DETAILS.

Society and the environment

The Group is committed to measuring and offsetting carbon emissions for its own operations (see page 59) and to creating the governance structure, risk management and metrics for managing the effects of climate change on business strategy and aligning this with the global economy as it transitions to 'net zero' (see our 2022 TCFD report starting on page 61).

Through the Lancashire Foundation, we utilise the talent and energy of our staff in helping others, positively impacting society and creating a more sustainable environment.

Our insurance products deliver social benefits in helping businesses and communities manage and mitigate the risks they face. Lancashire is strongly committed to giving back to the communities within which it operates and also further afield. The business seeks to help those who are in distress or at a disadvantage, through continued support of local initiatives and activities, volunteering days, mentoring opportunities and fundraising events.

SEE PAGES 47 TO 50 FOR FURTHER DETAILS.

Responsible Board decision making

The Code requires formal disclosure around the interests of and engagement with stakeholders, and the duties falling upon boards under Section 172 of the UK Companies Act 2006. Although the Company is incorporated in Bermuda and is therefore not subject to the UK Companies Act requirements, the Board continues to pay close attention to developments in English law and governance best practice.

In this 2022 Annual Report and Accounts, we give an overview of how both the Board and the business have factored in the needs of our stakeholders in their discussions and decision making in all areas of performance review, strategy, risk and capital management. To that end, this sustainability segment should be considered together with the rest of this report as the Company's comprehensive account of its Directors' compliance with their Section 172 duties.

Section 172 responsibilities in focus

Operation of the Lancashire Foundation

Criteria considered (See table overleaf)

c d e f

Relevant stakeholders

Customers
Our people
Brokers
Communities

The Lancashire Foundation has been a UK-registered charity since September 2012.

The Board approves a funding pool each year which is linked to the Group's financial performance in the last accounting year.

The Board receives regular reports from, and meets with, the Foundation's trustees.

During 2022, the Foundation focused on supporting causes that benefit wider society, including support for two homeless charities. The Foundation also continued to make donations to organisations nominated by employees and to match funds raised.

Loss events during 2022

(Hurricane Ian and the conflict in Ukraine)

Criteria considered (See table overleaf)

a b e f

Relevant stakeholders

Customers
Our people
Brokers
Government and regulators
Our shareholders

Lancashire expects its insurance and reinsurance products to respond to catastrophe and exceptional insured losses.

The Board convened ad hoc information calls with management to discuss the impacts upon the Group's underwriting portfolio and the reserving exercise in relation to major loss events. The Board formally discussed the development of claims and the establishment of reserves, the impact of international sanctions and measures taken to comply. The Board also discussed the wider impacts of these events across all operations, including the investment portfolio. Reserving for such events influences the Board's discussion of capital requirements to deliver on the strategy and the business plan. Consideration is also given to the expectations of investors, regulators and rating agencies.

Workforce reward and cost-of-living support

Criteria considered (See table overleaf)

b d e f

Relevant stakeholders

Our people
Communities

The Nomination, Corporate Governance and Sustainability Committee and Board discussed the outcome of a staff survey focussed on staff perception and appreciation of reward structures and benefits. In light of the survey feedback, and in view of the inflationary and cost of living crisis, management introduced a targeted package of financial support for lower paid employees and extended the Group's subsidised lunch scheme.

The Board discussed the importance of job satisfaction and reward. It noted that the Group has a high-performance culture which helps in the recruitment and retention of the right people for the business and mitigates significant business planning risk.

Section 172(1):	Duty to promote the success of the company, with regard to:	For further details, see:
a	The likely consequences of any decision in the long term;	The Group's statement of purpose – page 5 The Group's business model – page 4 The Group's strategic goal and three priorities: that Underwriting comes first; balancing risk and return through the cycle; operating as an insurance market employer of choice – pages 4 and 5 Positive culture enables sustainability – page 51 The Board's assessment of the Group's viability and prospects as set out in the going concern and viability statement – page 120
b	The interests of the company's employees;	The importance of our people, and the business's focus on Lancashire's values, culture, diversity & inclusion, training and development and workforce engagement – page 51
c	The need to foster the company's business relationships with suppliers, customers and others;	Our business depends upon the strong business relationships that we build and maintain with our core and broader stakeholders. All Board members attend the quarterly UURC and, during 2022, gave close consideration to business development opportunities as summarised in the Committee's report – pages 92 to 93
d	The impact of the company's operations on the community and the environment;	Society and the environment form part of our 'core' set of stakeholders. 2022 saw the further embedding of our ESG strategy within the business – page 43. The Board is engaged with the impact of the Company's operations through its oversight of the Lancashire Foundation, the Group's submission to the CDP, the annual offsetting of our own operations' GHG emissions, and our commitments to report against the UNEP FI Principles for Sustainable Insurance (see our website for details) and address the requirements of the TCFD – page 61
e	The desirability of the company maintaining a reputation for high standards of business conduct; and	Through its compliance with the Code, the Company strives to operate in line with high standards of governance expectation and business conduct. A healthy and sustainable corporate culture is embedded throughout the business, which is assessed by the Board through various channels – page 88 The Audit Committee oversees the Group's implementation of whistleblowing arrangements, and other systems and controls for the prevention of fraud, bribery and money laundering – page 84
f	The need to act fairly as between members of the company.	The Board is committed to treating the Company's shareholders fairly, and engaging with them through a broad programme of investor relations activities, meetings (including the AGM), and targeted consultations; be that with our substantial shareholders, the Company's own employees, private individuals, or via shareholder advisory groups – see in this regard 'Section 172 responsibilities in focus', as well as page 23 Capital management/actions and dividend policy – in particular, the Board's consideration of the balance between underwriting opportunities and the payment of dividends – pages 8 and 9, page 23 and page 118

The Lancashire Foundation

The Lancashire Foundation is at the centre of the Group's charitable activities and has made donations totalling more than $22.3 million since 2007.

The Foundation supports a range of causes each year and, in 2022, had a particular focus on organisations working to resolve societal issues such as homelessness, access to quality education, and assisting the elderly in our communities.

In February 2022, the Foundation also made donations to UNICEF and the Red Cross to aid their work with people in Ukraine, in addition to matching donations from employees.

It is important to the Foundation that our employees are involved in nominating charities for support through smaller donations alongside larger donations to longer-standing charitable partners.

During 2022, a total of more than $0.6 million was donated to organisations nominated by employees – including a number of matched-funding donations for colleagues who have fundraised themselves through sponsorship of activities such as marathons, triathlons and other activities.

We are proud of our employees' support for a wide range of causes. Many are close to them through personal experience and others are organisations they put forward for funding from the Lancashire Foundation because they believe in the good that helping those less fortunate can do for wider society. Donations to staff-nominated charities are a minimum of £2,000. These donations have an incredible impact, particularly for smaller charities for whom the funding can mean they can continue their work.

The Foundation has been a UK-registered charity since September 2012. It is funded by the business through a donation pool which is linked to the Group's financial performance meaning all employees are aware that strong business performance will assist in supporting the wider community.

The Foundation receives 0.75% of Group profits with a minimum threshold of $250,000 to a maximum of $750,000.

The Board receives regular reports from and meets with the Foundation's trustees.

Just some of the charities nominated by employees for funding from the Foundation during 2022.

Hospice UK
A senior underwriter nominated the charity following the death of a family member who themselves was raising funds for the organisation's work offering hospice and palliative care.

Roots
The Foundation supported this charity helping the homeless in Bristol which is run by a friend of an employee.

Spinal Cure Australia
A colleague in our Australia office nominated this organisation which carries out vital spinal cord research.

Bermuda Education Network
The Foundation Donations Committee gave their backing to the network which aims to address the achievement gap between public and private school systems in Bermuda.

Mercy Ships
One of our senior marine underwriters nominated Mercy Ships to support their hospital vessels which take healthcare around the world.

Meals on Wheels
The Bermuda charity prepares and delivers up to 220 freshly cooked meals four times a week to those who are incapacitated or are unable to prepare a meal on their own.

Family in Trust
Two staff members put forward Family in Trust to help cover the costs of supporting children in an adoption home.

H-ABC Foundation UK
A colleague nominated the research charity after a neighbour's son was diagnosed with the rare genetic disorder H-ABC.

Children's Hospital Pyjamas
An employee requested support for this organisation which supplies pyjamas to hospitals, hospices and women's refuges.

Q: Why is the Lancashire Foundation so important?

A: The Foundation has been there since the formation of Lancashire and employees are enormously proud of that. It is part of who we are as a business and the support we get from people within the business is phenomenal.

Charitable giving is a huge talking point now due to the increased focus on ESG but Lancashire was fully committed to giving back to the community before it was seen as something businesses should do.

The $22.3 million we have given over the past 16 years has made a huge impact and we are so pleased that we have been able to do that.

Q: What is the role of the Foundation's trustees and the donations committee?

A: Importantly, the donations committee is made up of employees from across the organisation who meet quarterly to review submissions from staff and make recommendations for donations. Additionally, the trustees add an enhanced level of governance to approve the recommendations from that committee before donation payments are made.

Q: How do staff get involved in the Foundation?

A: The trustees and committee members are all employees, except for one external trustee. For the past couple of years we have asked staff to submit applications for assistance for a charity that is important to them. This ensures that we align our giving with charities that are supported by a wide range of staff, not just the committee members. In 2022 alone we donated $149,000 to charities nominated by our colleagues. The Foundation also provides matching donations for fundraising endeavours such as marathons, triathlons, and other activities by staff.

Q: What has been the focus for 2022?

A: This year we decided to focus on the 'Social' in ESG and we were pleased to be able to allocate £150,000 to this initiative. We also started the year with donations in support of people affected by the conflict in Ukraine with donations of £30,000 to both UNICEF and the Red Cross. We also matched staff donations of another £13,000.

We continued to maintain relationships with our core, long-term charities such as the Family Centre, International Care Ministries, St Giles Trust, Tomorrow's Voices and Cancer Research UK.

Q: What is the focus going to be in 2023?

A: We plan to focus on the 'Environmental' in ESG and, while still supporting social organisations, we will look at more environmental charities.

We'll continue to allocate a pot of funds for staff-nominated donations and also hope to do more volunteering.

"Charitable giving is a huge talking point due to the increased focus on ESG but Lancashire was fully committed to giving back to the community before it was seen as something businesses should do."

Jennifer Wilson
Chair of the Lancashire Foundation Donations Committee and LICL CFO

Giving back through volunteering

Giving back to our communities through volunteering has always been part of Lancashire's way of making a difference to those less fortunate.

Following the COVID-19 pandemic, when it was not possible for employees to give their time to volunteering, we were pleased that in 2022 we were able to again support a number of causes in this way.

To encourage our employees to use their skills and expertise to help others, all staff have the opportunity to attend at least one paid Charity Day per year. Employees use this time to support organisations across a diverse range of activities.

In Bermuda, employees supported the Keep Bermuda Beautiful organisation which aims to keep the island clear of litter and to protect the island's species and wildlife. They participated in a number of activities including maintaining the Bermuda railway trail.

In London, during 2022, we launched a partnership with onHand, an award-winning app that puts employees in control of how, when and where they spend their volunteering time.

Using the app, people can see opportunities to help those who need a hand and can accepted 'missions' on an ongoing or one-off basis.

Activities can include food shopping for vulnerable people, befriending phone calls, dog walking, gardening, environmental activities, youth mentoring and lots more. onHand also includes enhanced DBS checks and certificates for volunteers.

Focus on society: Helping the homeless

Helping the homeless in the UK and Bermuda was a focus for the Foundation in 2022 as part of the year's theme of supporting social causes.

In the UK, the Foundation partnered with the Friends of Essex & London Homeless (FOELH).

The charity was initially nominated for a small donation by an employee but, due to its work and impact, the Foundation decided to assist further, with funding totalling £40,000 over two years.

FOELH was founded in 2016 and each week volunteers reach out to those in need at soup kitchens in the Charing Cross area of London and Grays in Essex.

They also signpost people to other services that can help them towards a better future longer-term.

The Foundation agreed to donate 100 rucksacks, which were filled with items supplied by employees in our London office to make the winter a little more manageable for the people the charity supports.

Charity co-founder Steven Stuart visited the London office to thank staff for their support and explain the importance of the organisation's work. Steven said: "We really are lost for words with the Foundation believing in us through a two-year commitment. It is an incredible donation and will have such a huge impact.

"Knowing we have this large amount of guaranteed funds will allow us to really start making an even bigger difference to those in need, homeless and in poverty."

Following the visit a number of employees volunteered with the charity at its London soup kitchen.

In Bermuda, the Foundation has supported HOME, which is working with the Bermuda government and wider local community to create a collaborative plan to eradicate homelessness on the island by 2027.

The charity says 555 people were identified as experiencing homelessness in Bermuda during a study in 2021, a rise of 300 per cent since 2016.

Our Bermuda staff hosted a Christmas lunch for the organisation and the Foundation funded small gifts for the guests. Employees also donated toiletries, socks, blankets and many other items to be distributed by HOME.

Since 2007 the Foundation has put a strong focus on supporting charities with a focus on developing solutions to deal with social exclusion and particularly issues that affect children and young people.

During 2022, the Foundation continued to support a number of charities with which we have established a long-standing relationship over a number of years.

These include ICM (International Care Ministries), St Giles Trust, The Family Centre in Bermuda, Tomorrow's Voices, which have all received more than $1 million in total donations since 2007, and Cancer Research UK.

$0.6m

donated in 2022

$22.3m

donated since 2007

Long-standing partnerships

The Family Centre in Bermuda

The Family Centre in Bermuda was among the very first recipients of donations following the formation of the Foundation in 2007.

Over the years we have continued to support its work providing support to children suffering from emotional, social, behavioural and trauma-based challenges. Its services are available to any Bermuda resident that meets the criteria and has the need.

St Giles Trust

The St Giles Trust aims to help offenders realise their potential and avoid re-offending and contribute to a safer and more productive society. It assists some of society's more vulnerable people who may be struggling with issues such as homelessness, unemployment, addiction and discrimination.

ICM (International Care Ministries)

ICM works with the ultra-poor in the Philippines where more than 20 million people live below the national poverty line. In previous years, employees have had the opportunity to travel to the Philippines to see the work of the charity themselves.

Tomorrow's Voices

Tomorrow's Voices is a Bermudian Autism early intervention centre. It was founded in October 2007. It aims to help people diagnosed with Autism or on the Autism Spectrum, starting at the age of two.

Respect, reward and opportunity

Respect, reward and opportunity

During 2022, the Board approved a new strategic focus on our people and culture. This emphasis on ensuring Lancashire attracts and retains talented employees further builds on the business's reputation in the market as an employer of choice.

All the Group's activities are shaped by our values (LANCS – see inside front cover) which underpin both the work we do and how we do it.

Our strong and vibrant culture allows our people to thrive in an environment that values development, retention and respect.

Engagement in a time of growth

The business has continued to grow during 2022, both in terms of gross premiums written and the number of employees.

This growth includes additional underwriters and those in corporate functions who support the underwriting processes and wider corporate infrastructure.

During 2022, we saw our headcount increase from 306 at the end of 2021 to 338.

Central to Lancashire's culture is a philosophy of meritocracy and openness. Senior executives are available to discuss issues with employees on both a formal and ad hoc basis.

The formalised communications calendar includes quarterly all staff 'Town Hall' events, led by Group Chief Executive Officer, Alex Maloney.

To ensure a firm link between the work of the Board and the wider business, Non-Executive Directors attend these events to discuss their role and recent Board discussions, and to invite questions. In addition, Alex Maloney regularly communicates with employees on significant corporate announcements and activities.

Staff engagement channels are kept under review to ensure they remain appropriate and effective. A new Group-wide intranet will be launched in 2023 to further engage with staff and provide news and information.

Employee surveys and acting on feedback

Lancashire is committed to giving people mechanisms for feedback and to suggest how enhancements can be made to the employee experience.

During 2022, a survey was carried out among our London-based staff focusing on wellbeing. This followed a Group-wide 2021 Engagement Survey and was designed to test the effectiveness of a number of initiatives that had been introduced following the wider survey.

A Group-wide reward and benefits survey was also carried out during 2022 to assess employees' views on Company benefits and their understanding of them.

Participation in this survey was high at 85% with extremely positive feedback. A summary of the results was presented to the LHL Board, the Group's subsidiary boards and Group Executive Committee team to assist in identifying areas of positive engagement and those which can be further strengthened.

Nearly three quarters of employees said they considered the range of workplace benefits at Lancashire to be market competitive with a majority saying they would remain working at Lancashire even if a comparable role was available elsewhere.

Following the survey the Company enhanced a number of benefits, with a particular focus on 'family friendly' employment policies. These included enhancements to maternity, paternity and adoption leave, and a new benefit of paid leave for IVF treatment and pregnancy loss.

As a business we benefit from the experience and expertise of our people, many of whom have spent large parts of their career with us. To acknowledge this contribution, we also launched a new sabbatical benefit for those who have served for 10 years or more. This is our way of thanking people for their commitment and dedication.

RSS

All permanent employees have an enhanced interest in the performance and success of the Company through our RSS to ultimately become a shareholder in LHL. The 2022 reward and benefit survey found the RSS to be among the top five benefits valued most by employees.

Practical support

During 2022, the Company acknowledged the difficulties experienced by some employees due to the increased cost-of-living, particularly higher energy prices. To assist, a one-off cost of living payment was made to lower paid employees in London and Bermuda.

For a number of years the Company has provided free lunches on specific days for staff members to encourage them to interact in the office during breaks. This benefit was also expanded during 2022.

We are also an accredited living wage employer, for our business and our supply chain.

Supporting our people

Lancashire's goal is to retain and attract people who share our values and can bring their talents to the benefit of the Group.

Group employee turnover in 2022 was 11.2%.

We believe that a mix of new talent and supporting and developing those who have longer service is a differentiator relative to our competitors.

During 2022, we continued to promote talented employees to more senior positions within the business when the appropriate opportunities arose.

A significant number of senior executives have held previous roles with the Group meaning we continue to harness their experience and expertise.

Total years of service with the Company		Selection of roles held in the organisation
Alex Maloney*	17yrs	LUK CUO Group CUO Group CUO and LUK CEO Current position: Group CEO
Hayley Johnston*	16yrs	Claims and Reinsurance Assistant Specialty Lines and Re-insurance Coordinator Assistant Underwriter & Reinsurance Coordinator Deputy Chief Underwriting Officer & Reinsurance Coordinator LUK CUO and Reinsurance Manager – LUK Current position: LICL CEO & Reinsurance Manager
Denise O'Donoghue	15yrs	Corporate Finance Officer Group Head of Investments and Treasury Current position: Group CIO
Paul Gregory*	15yrs	Deputy Energy Underwriter/Marketer LUK CUO Group CUO Group CUO & LUK CEO Current position: Group CUO and LCM CEO
Natalie Kershaw*	13yrs	Group Financial Controller Group Financial Controller & LICL CFO Group Chief Accounting Officer Current position: Group CFO
Ben Readdy	12yrs	Actuary Head of Capital Modelling Deputy Chief Actuary Current position: Group Chief Actuary
Louise Wells*	11yrs	Group Head of Internal Audit CRO Current position: Group CRO & LICL COO
John Cadman*	9yrs	Group General Counsel Current position: Group General Counsel and LUK CEO
John Spence*	8yrs	Active Underwriter Syndicate 3010 Current position: LSL CEO

* Member of the Group Executive Committee

"We benefit from the experience and expertise of our people, many of whom have spent large parts of their career with us. To acknowledge this contribution, we also launched a new sabbatical benefit for those who have served for 10 years or more."

Training and development

At Lancashire, we believe that training and professional development is a continuous career-long process that helps employees make the best of their talents and meet their ambitions. It is also good for the business as we benefit from the increased knowledge, skills and experience that development brings.

During 2022, as part of our on-going enhancements to how we assist our people, we launched a new training and professional study policy.

The policy outlines the support available and includes, in some cases, new financial incentives for completing certain programmes. It also has a clear process for identifying training needs across the Group, both for individuals and for the additional skills we need as a business as we continue to grow.

Regardless of their role, Lancashire also offers all colleagues the opportunity to learn new skills through our online 'LMS - Insurance Assess' e-learning platform which features a wide range of (re)insurance specific training courses, as well as compliance, soft skills, management and health and wellbeing training.

The Group's comprehensive training programme on regulatory and other matters is aligned to a clear set of policies and procedures. This compulsory training ensures we uphold our high standards and is delivered to all new permanent staff, including employees working part time, and those on fixed-term contracts.

Topics covered include Tax/Regulatory Operating Guidelines, Disclosure (including the requirements of the Market Abuse Regulation 2016), Inspections, Financial Crime, ERM, Cyber Security, Communications Etiquette/Equality, Diversity & Inclusion, GDPR and Conduct Rules.

Other training may be held on an ad hoc, one-off or refresher basis according to an individual's requirements. New employees are expected to complete this training during the first three months of employment.

Quarterly updates regarding completion of these compulsory training sessions are provided to the Board for information purposes.

Additionally, training needs and requirements for employees are reviewed at least annually in partnership with the employee and their manager as a part of the performance review process.

Diversity, Equity and Inclusion

We understand that a successful business must have a range of talents available and that this comes from having a diverse workforce. Lancashire has a number of robust policies in place to ensure that people are not discriminated against either during the recruitment process or during their time with us. We operate a zero-tolerance approach to bullying and harassment.

The gender split of our employees is 63% male to 37% female.

During 2022, the Group has actively strived to widen its net for recruitment and to seek to encourage more diverse applicants for roles. A recruitment day was organised for a number of underwriting roles and this was advertised on our corporate website and social media channels. It was specifically broad in its scope to attract those new to the sector and those returning from a career break.

The Group has for a number of years supported the work of the Hampton-Alexander and Davies Reviews on gender diversity. The FTSE Women Leaders Review, an independent, business-led framework supported by the Government, which sets recommendations to improve the representation of women on boards and in leadership positions, builds on these initiatives. The Group submits data annually to the review.

Lancashire employees were also asked to attend training on Unconscious Bias and the 2022 programme, aimed to ensure that all staff had the skills they need to support our focus on fairness and inclusion, had a 95% participation rate.

The Chair's statement on our diversity policy, the representation of women on the Board and within executive and senior management, and in relation to ethnic diversity, is available on our website.

The Group runs an 'open door' policy where employees are encouraged to engage with their manager or HR department concerning any matters of concern during their career at Lancashire. This is supported by a Dispute Resolution Policy in instances where issues cannot be initially resolved. Employees are encouraged to use this mechanism without fear that they will be penalised in any way.

Employees are also invited to offer constructive ideas on how we can improve our operations, increase efficiency, eliminate waste, and improve working conditions.

As a responsible employer, our people have the reassurance that we comply with all relevant requirements with respect to human rights, rights of freedom of association, collective bargaining, and working time regulations.

We believe every employee, and prospective employee, should be treated with dignity, respect and fairness. As an equal opportunity employer, we do not discriminate, or tolerate discrimination, on grounds of race, age, sex, sexual orientation, marital or civil partnership status, gender reassignment, pregnancy or maternity, disability, religion and/or beliefs.

During 2022, the Group Executive Committee approved the Group's Diversity, Equity and Inclusion Policy which is available on the Group website.

All employees have a duty to treat colleagues, visitors, clients, customers, suppliers and former staff members with dignity at all times.

Employees who believe they may have been discriminated against are encouraged to raise the matter through our Grievance Procedure. Likewise, any employee who believes they may have been subject to harassment are encouraged to raise the matter through our Anti-Harassment and Bullying Policy. Details of all internal policies are available to employees on our intranet site.

All businesses carry the risk of unknowingly harbouring malpractice but we believe our culture of openness and accountability is key to preventing such issues occurring.

	2022	2021	2020	2019
Number of employees (UK, Bermuda and Australia)	**338**	306	255	218
Percentage of female employees	**37.3%**	37.0%	38.8%	38.5%
Percentage of women on the LHL Board	**29.0%**	44.4%	37.5%	37.5%
Percentage of women on the Group Executive Committee	**43.0%**	50.0%	50.0%	50.0%
Percentage of women in senior management positions	**47.0%**	50.0%	50.0%	38.1%
Percentage of the workforce composed of third-party contractors	**10.3%**	7.1%	6.9%	8.0%
Group employee turnover (annual)	**11.2%**	15.3%	6.8%	13.8%
Percentage of permanent employees eligible for RSS awards	**100%**	100%	100%	100%
Accredited London Living Wage employer	**Yes**	Yes	Yes	Yes

Wellbeing and health and safety

Particularly following the COVID-19 pandemic, the focus on health and wellbeing for employees, both physical and mental, has increased globally.

Lancashire has a range of policies and procedures in place to ensure people are supported. Communications are regularly sent to employees to highlight the initiatives and assistance available through our third-party corporate healthcare providers. This included the 2022 World Mental Health Day.

The Group's Employee Assistance Programme (EAP) includes immediate expert telephone support 24 hours a day, access to a suite of resources aimed at supporting home life, work life and physical and emotional health, and the opportunity to enrol in Self-Help Programmes.

The Group's occupational mental health and well-being policy aims to provide a positive and supportive working environment conducive to good mental health and to eradicate any stigma or discrimination.

The HR department is responsible for leading on mental health and wellbeing for the Group and the initiatives required to achieve its aims.

The Group makes it clear in its recruitment, induction and employee training programmes that it takes the promotion of wellbeing and good mental health seriously, and offers non-judgemental support for those suffering mental health difficulties and ill-health.

Abusive or discriminatory behaviour by a member of staff towards another will be seriously and confidentially investigated and will be dealt with in accordance with the Group's disciplinary procedure.

The Group Staff Handbook, distributed to employees on joining and available on our internal intranet, is supported by individual supplements relevant to our UK and Bermuda operations.

As an office-based business, we are less exposed to major incidents. However, the Group consults with and updates staff regularly on health and safety issues and provides and maintains risk assessments for tasks carried out by employees where potential danger has been identified. Business Continuity, Disaster Recovery, and Fire Safety training, is mandatory for all staff.

Our full Health and Safety Policy is communicated to employees on joining and is available on the intranet.

Whistleblowing

We provide a simple, transparent and secure environment for staff and other stakeholders to raise concerns about any potential wrongdoing within the company. We encourage staff to report any activity that may constitute a violation of laws, regulation or internal policy, and reporting channels are provided to staff for this purpose within a whistleblowing policy available on the Group intranet.

Each Group entity has a designated whistleblowing champion, a Non-Executive Director, who can be contacted if employees would prefer to raise concerns with them.

The UK Employment Rights Act 1996 as amended by the Public Interest Disclosure Act 1998, and the Bermuda Employment Act 2000, govern the making of disclosures concerning workplace activities and are intended to protect employees who report malpractice from any detriment or unfair dismissal.

Data protection and privacy

In order to operate efficiently, the Group must collect and use information about its staff and data protection policies are in place to ensure that information, however it is collected, recorded and used, is handled and dealt with correctly. Overall responsibility for data protection and privacy sits with the Audit Committee, which receives a quarterly report for review.

To this end the Group fully endorses and adheres to the principles of data protection as set out in the relevant UK data protection legislation. All employees are expected to familiarise themselves and comply with the regulations, which are available on the Group intranet.

Supporting the global carbon transition

Meeting the challenges and opportunities of ESG issues has been embedded within the Lancashire business for many years.

The underwriting of complex risks, particularly those within the property catastrophe class, is based on a clear and pragmatic understanding of potential perils, their nature and mitigation factors.

This includes measuring and assessing potential loss exposures due to climate factors and setting clear preferences and tolerances for events, such as hurricanes and other weather occurrences.

Lancashire underwriters use their expertise which is supplemented by a number of sophisticated models.

We believe that the insurance industry has an important role to play in assisting clients with their own role in the global carbon transition. Lancashire operates within a subscription market in which the ability to adapt insurance solutions to address climate-related issues is a shared focus.

In May 2022, Lancashire joined ClimateWise, which brings together the global insurance industry with a focus on driving action on climate change risk.

We look forward to sharing our long-standing expertise and working with firms across the sector as we all rise to the shared challenges we face.

The insurance sector plays a crucial role in empowering people. The risk management solutions we provide give people confidence that the potential effects of catastrophic loss events on business and community are mitigated.

Since 2019, we have been committed to implementing and reporting against the UNEP FI Principles for Sustainable Insurance, a global framework for the insurance industry to address ESG risks and opportunities.

These UN Principles aim to achieve a better understanding of environmental, social and governance risks, with a view to promoting the prevention and reduction of harm and enhancing opportunities for sustainable and effective risk protection and reporting.

Further information on Lancashire's reporting against the UNEP FI Principles for Sustainable Insurance for 2022 can be found on our website.

Lancashire has developed and implemented a number of internal insurance underwriting guidelines focused on assisting with wider global efforts to tackle issues of climate change and other environmental, social and governance factors.

These have been articulated by reference to the Lloyd's market guidance and are applicable across all underwriting platforms. These guidelines are also linked to the Group's formal risk appetite statements.

In addition to these guidelines our long-standing underwriting processes and controls include, where possible, peer review to identify any risks that are written outside predetermined criteria. Underwriters and Lancashire Insurance Companies and senior management also take part in a daily UMCC to discuss potential business. When appropriate, these discussions include consideration of sustainability factors as part of the underwriting process.

Lancashire underwriting teams are a respected risk partner for businesses in the energy sector.

This specialist expertise means we are valued for our assistance in providing solutions to clients that may assist in delivering safer operations and resilience.

We regularly engage with our trading partners on ESG matters during the course of our business discussions and fully support their efforts as they transition away from carbon-based forms of energy.

While the process will take some years we believe we are well placed to have a positive impact.

"In May 2022, Lancashire joined ClimateWise, which brings together the global insurance industry with a focus on driving action on climate change risk."

Responsible investment

Our shareholders

Our relationship with our shareholders is led by our Group Head of Investor Relations, in collaboration with members of the Board and the wider executive team.

Lancashire has an open and transparent communication philosophy.

In November 2022, the Group held our first Investor Day in London which included presentations from senior underwriters on their class of business and market challenges and opportunities. These presentations were followed by a questions and answers session.

In addition, Lancashire carries out a full programme of outreach (including meetings, presentations and periodic consultation initiatives) to assist shareholders, and potential investors, in understanding our strategy, business model and performance.

Our corporate brokers also provide advice and guidance on investor priorities, the business's performance, and perception amongst investors. The Board meets our corporate brokers regularly as part of these discussions.

Service excellence for policyholders

Our experienced teams include our claims specialists, who have specific and detailed knowledge of our diverse product lines.

This expertise aids us in achieving our goal of ensuring a timely and equitable claim resolution for our clients.

While acting in accordance with the terms and conditions of the (re) insurance policy provided to our clients, we aim to adopt an approach to the claims handling process which is proactive and efficient, as well as transparent and flexible. This approach is specifically designed to enable our clients to recover from the impact of loss events as soon as practicable.

We have fostered strong relationships with our clients, brokers and outside advisors, which we work hard to develop and maintain.

We manage and investigate any loss our clients may sustain to achieve a timely, straightforward and fair resolution.

Brokers

Lancashire has strong relationships with brokers distributing its products. This includes large international firms and smaller independent intermediaries. We strive to be a trusted partner and add value through our expert understanding of risk management and transfer. During 2022, a new Business Development team was formed which will further strengthen and enhance our relationships.

We continue to monitor ESG and climate change factors on our investment portfolio.

While metrics and the means of measuring these factors are in development, they remain imperfect and Lancashire is committed to working with its external portfolio managers to further refine our analysis.

Of the Group's externally managed investment portfolio, 93.9% of portfolio managers are signatories to the UN-supported 'Principles for Responsible Investment'.

Lancashire operates ESG and carbon management investment guidelines, implemented by the Group's investment managers, across the Group's fixed maturity investment portfolios.

Compliance with the guidelines is monitored on a monthly basis and any adjustments are approved by the Investment Committee and the Board.

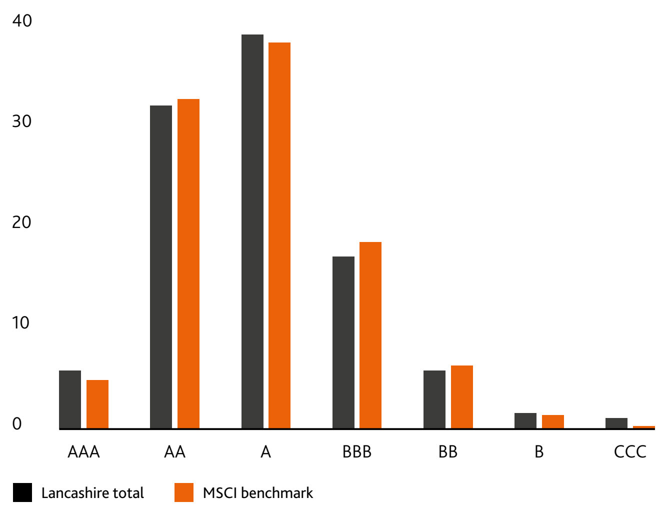
Lancashire monitors the ESG profile of its fixed maturity portfolio through the MSCI ESG rating tool. The current portfolio is designated as within the "average" ESG category.

In addition, 2022 was the second year in which Lancashire measured climate sensitivity of corporate bonds, so far as covered by MSCI, within its fixed maturity portfolio through a Climate Value at Risk metric (Climate VaR) aligned to the Paris Accord 1.5°C goal.

We are also investigating the development of a sustainable fund during 2023.

Please see the Investment Committee report starting on page 90 for further information.

MSCI Overall Rating (%)



Percentages for the MSCI Benchmark data are up-scaled to compare with the Lancashire securities that are covered by the MSCI.

Understanding the role we play

A culture of responsibility

We understand that successfully operating a modern business comes with increased responsibility.

We embed our values across our operations including showing appropriate leadership and acting as a good corporate citizen and a responsible preserver of resources.

The Group operates in line with all relevant regulatory and legal requirements, giving particular regard to the environmental, social and governance regulations of the BMA, PRA, FRC, FCA, Lloyd's, UNEP-FI, TCFD, Mandatory Greenhouse Gas Emissions reporting / Streamlined Energy & Carbon Reporting (SECR), and Home Office (Modern Slavery Statement Registry).

Our regulators, rating agencies and lenders

The Group has an active programme of engagement with the relevant regulatory bodies who provide the Group with supervision and oversight.

This includes meetings, regular reporting or engaging with routine regulatory reviews. The Board and management monitors changes in regulatory and supervisory requirements closely.

Lancashire and its insurance subsidiaries are assessed for financial strength and creditworthiness by three major rating agencies: A.M. Best, S&P and Moody's. We engage with each quarterly to discuss financial performance and when significant events occur such as loss events.

We write business successfully in all major global insurance markets and comply with reinsurance contracts under which the Group is reinsured, as well as our credit facilities which support underwriting obligations.

Additionally, the syndicates benefit from Lloyd's current ratings, resources, brand, and network of global licences.

We help support and fund our underwriting operations, and comply with regulatory capital requirements, through a number of long-term debt and financing arrangements with lenders.

The Group requires the flexibility to execute its strategy and react to economic conditions and values its strong relationships with its lenders.

Tax authorities

The Group maintains proactive relationships with relevant tax authorities in order to comply with all its tax obligations. This requires us to keep abreast of developments in tax legislation and to work with the tax authorities to manage our tax risk.

Collaboration with third parties

During the course of our business operations, Lancashire utilises a number of third-party suppliers. These providers complement our in-house skills and we recognise the importance of these partnerships and that success comes through openness and collaboration.

We strive to receive assurance that employers within the ancillary services and limited supply chains used by the Group pay a living wage.

Payments to service providers are made in accordance with the individual payment terms agreed. The Group's UK subsidiary, LUK, complies with its statutory reporting duty for payment practices and performance in relation to qualifying contracts on a half-yearly basis.

Lancashire has its own responsibilities to those within its limited supply chain. Any concerns arising over the ethical practices and human rights records of insureds and potential clients would be considered as part of the underwriting process.

Anti-slavery and human trafficking

The Group's Anti-Slavery and Human Trafficking Statement is available on our website. We consider that there is minimal risk that, within either the Lancashire Group or the very limited supply chains which support our business activities, the Lancashire Group is involved in, supportive of, or complicit in slavery and human trafficking.

We are proud of the conditions of employment for all our employees throughout the Lancashire Group.

Environmental impact and offsetting

The Group is committed to understanding and managing the environmental impact of its business and has engaged ClimatePartner to calculate its corporate carbon footprint (CCF), for the 2022 reporting year. The CCF reflects the total CO_2 emissions released by the company's own business operations, within defined system boundaries and over a specified period of time, with the calculations based on the guidelines of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). We continue to measure our carbon footprint for our own operations annually with a view to minimising its negative impact through mitigation strategies and by offsetting at least 100% of our calculated GHG emissions, in order to remain carbon neutral. Previously, Lancashire has calculated its emissions from 1 January until 31 December for each calendar year. Due to the publication date of this report, this necessitated some estimation for the data in the latter part of the year, the particulars of which were detailed alongside the CCF in each report. In order to improve the efficacy of the data collection process, and to reduce our reliance on data estimations as well as increase our use of primary data, we have changed the reporting period for our CCF to an annual period measured from 1 July to 30 June. Accordingly, for this report we have calculated our emissions from 1 July 2021 to 30 June 2022 and given their inclusion in this 2022 annual report, we refer to these as our 2022 emissions.

Historically, the Group has achieved its carbon neutral status for its own operations through the purchase of carbon credits, predominately in carbon avoidance programmes, which assist in the creation and/or maintenance of systems and technologies that replace the use of carbon intensive processes. In order to maintain our own operations' carbon neutral status, despite a change to the CCF reporting period, we have calculated and offset our emissions from 1 July 2021 to 30 June 2022. The emissions from July 2021 until December 2021 were also offset last year, but we have offset this time period twice to ensure that our carbon neutral status is not interrupted. In 2021, for the first time, the Group offset 15% of its emissions via a carbon sequestration project, which

"We have procured 100% renewable electricity for our London operations."

aims to actively remove carbon from the atmosphere, with the remainder of our carbon credits procured via carbon avoidance projects. We have followed the same approach for 2022 and report the emissions data for the Group in the table on page 60.

The Group recognises the challenges posed by climate change and considers its environmental impact as part of its wider risk management and strategic planning process (please refer to the section on principal risks from pages 30 to 37 for further details). The Group CRO and the Board oversee the Company's annual submission to the CDP, which includes the information detailed in this CCF. The CDP reporting process is aligned with the recommendations of the TCFD and the business, led by the Group CRO, has further developed its understanding and reporting in line. Please see pages 61 to 69 for more information on our TCFD journey.

As set out above, as a result of a change to our CCF methodology in line with our work with ClimatePartner, emissions data was calculated using the company's consumption data as well as emission factors researched by ClimatePartner. Wherever possible, primary data was used. If no primary data was available, secondary data from highly credible sources was used. Emission factors were taken from scientifically recognised databases such as 'Ecoinvent' and DEFRA.

Lancashire used an operational control approach, to assess its boundaries and identify all the activities and facilities for which it is responsible. Subsequently, we have reported 100% of our Scope 1 and 2 CCF, along with areas of our Scope 3 CCF with high levels of operational control, as detailed below. Calculations performed follow the ISO 14064-1:2018 standard, giving absolute and intensity factors for the Group's emissions. Where data was not available for the 2022 report, values have been either extrapolated by using available data or calculated using industry benchmarks. Lancashire does not own company vehicles; thus, business travel emissions fall entirely in Scope 3 and vehicle energy is not included in the numbers below.

For the first time, the Group has reported emissions associated with its employees' commuting and home working within its Scope 3 emissions. For the third year, Lancashire has also calculated its Scope 2 market-based emissions, in line with the Greenhouse Gas Protocol's guidance on dual reporting. With operations in London, Bermuda and now Australia, and with clients and brokers around the globe, the Lancashire Group has typically incurred the bulk of its carbon footprint within Scope 3 as a result of airline travel. Historically, these emissions were calculated based upon all of the flights booked within the reporting period. This year, in order to improve the accuracy of our reporting, we have changed the methodology to include flights that were taken within the booking period. Following the easing of international COVID-related travel restrictions, there has been more opportunity for employees to travel between our offices, as well as to meet our clients and brokers during 2022. This has resulted in a significant and expected increase in our business travel emissions from the 2021 level of 291.2 tCO_2e to 1348.0 tCO_2e for 2022. This change, together with the recent addition of our employee commuting emissions, underpins the increase in our overall emissions this year.

We have procured 100% renewable electricity for our London operations on a tariff which is backed up by associated Renewable Energy Guarantees of Origin (REGOs), with an appropriate residual grid factor applied for our operations in Bermuda and Australia. Under the market-based methodology, the Group's Scope 2 emissions are therefore 265.1 tCO_2e. Lancashire did not implement any further energy efficiency measures in the business during 2022 due to limited control of its sites. However, our London office is already well optimised with 20 Fenchurch Street achieving a BREEAM 'excellent' environment performance rating, and representatives from the Company engaged with the building management's "Green Building" meetings and the property's energy saving initiatives.

Lancashire uses tCO_2e per full time employee (FTEs) as its intensity metric in its CCF. FTEs have increased year-on-year, with a period of significant recruitment continuing during 2022. The Group has also expanded geographically with an office now in Australia and we include their emissions for the reporting period in the total below, alongside those from our Bermuda and London offices. Given the increase in total emissions from 2021, emissions per FTE have also increased. The table on page 60 sets out the Group's CCF for the current and prior reporting period, noting both the change in reporting period and the emissions broken down by source.

Streamlined Energy & Carbon Reporting disclosure – 1 July 2021 to 30 June 2022

	Current 2022 reporting year (market-based)		Previous 2021 reporting year (location-based)	
	(UK & offshore)	UK Only	(UK & offshore)	UK Only
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO_2e	**154.1**	**150.5**	106.7	106.7
Emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use / tCO_2e	**265.1**	–	279.9	138.8
Gross Emissions (Scope 1, 2) / tCO_2e	**419.2**	**150.5**	386.4	245.0
Energy consumption used to calculate above emissions /kWh	**2,004,830**	**1,366,540**	1,899,648.9	1,233,727.6
Total gross emissions (Scope 1, 2, 3)/ tCO_2e	**2,407.7**		842.1	
tCO_2e per FTE	**7.8**		2.8	

Please note that in previous years the data in this table has been provided according to our location-based emissions. For 2022 onwards, our market-based emissions will be used.

The Group has fully offset its calculated GHG market-based emissions for 1 July 2021 to 30 June 2022 with ClimatePartner, by purchasing verified credits in both carbon avoidance and carbon sequestration programmes. To ensure that all emissions generated from our own operations are offset within the system boundaries, a safety margin of 10% was applied to the total carbon footprint incurred. This margin compensates for uncertainties in the underlying data that naturally arise from the use of database values, assumptions or estimates. We have therefore purchased a total of 2,648.49 carbon credits, to support our continued carbon neutral status. 85% of the Group's carbon credits have been purchased in a Solar Energy Project in Alt Ougrour, Morocco, a VCS carbon avoidance project. The remaining 15% of the Group's 2022 carbon credits have been purchased in an afforestation project in Dingxi, China, which is categorised as a VCS and CCBS approved carbon sequestration programme. These offsetting proposals were discussed and agreed with the Group CEO.

The Board will continue to calculate, monitor and offset the Group's emissions from its own operations, mindful of the Group's strategic and business operational requirements.

In addition, we encourage the use of public transport, walking and cycling by employees travelling to work to assist in reducing the number of car journeys. As a result of the employee commuting survey completed during Q4 2022, we note that the majority of our employees commute to their place of work via public transport. Incentives include a season ticket loan scheme and assistance in purchasing bicycles, with designated storage for employees' bicycles at all our offices.

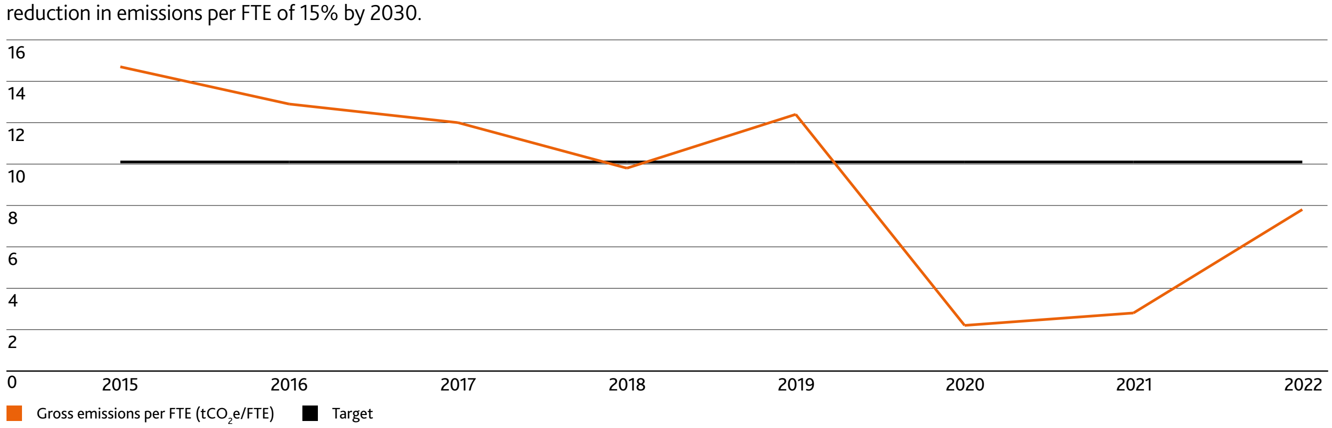
Types of emissions	Activity	**1 July 2021 – 30 June 2022 tCO_2e**	1 January 2021 – 31 December 2022 tCO_2e
Scope 1	Heat (self-generated)	**135.6**	106.7
Direct emissions from company facilities	Refrigerant leakage	**18.5**	–
Scope 2			
Purchased electricity for own use	Electricity (stationary)	**265.1**	259.7
Scope 3	Business Travel (flights, hotel nights, vehicles, and rail)	**1,348.0**	291.2
	Employee commuting and home office	**515.8**	–
	Fuel- and energy-related activities (upstream emissions for electricity and heat)	**116.0**	153.5
	Purchased good and services (office paper and water)	**7.0**	9.7
	Waste generated in operations	**1.7**	1.3
Gross emissions (tCO_2e) (market-based)		**2,407.7**	822.1
Gross emissions per FTE (tCO_2e/FTE)		**7.8**	2.8
Carbon credits		**2,648.5**	823.0
Total net emissions after offset (tCO_2e)		**–**	–

Please note: all numbers quoted have been rounded to one decimal place.

Upstream fuel- and energy-related activities include Well-to-Tank and Transmission & Distribution emissions. These are emissions associated with the upstream processes of extracting, refining and transporting raw fuel and the emissions associated with the electrical energy lost during transmission to our business.

Progress against our targets

The following diagram shows the change in the Group's emissions per FTE from the baseline year of 2015 against our current target of a further reduction in emissions per FTE of 15% by 2030.



2022 TCFD Report

Lancashire supports the aims of the TCFD, and recognises we need to play our part in supporting the transition to a more sustainable future. This includes supporting our customers and partners with their own transition journeys. The summary below and in detail on the following pages details our disclosures consistent with the four recommendations and the 11 recommended disclosures.

	Recommendation	TCFD Disclosure status	Reference
Governance	Describe the Board's oversight of climate-related risks and opportunities	Disclosed	See page 62
	Describe management's role in assessing and managing climate-related risks and opportunities	Disclosed	See page 63
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Disclosed	See page 64
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	Disclosed	See page 65
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Partially disclosed – work continues on the development of a range of scenarios at the short, medium and long-term milestones. We expect to fully disclose in the next year.	See page 66
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks	Disclosed	See page 67
	Describe the organisation's processes for managing climate-related risks	Disclosed	See page 67
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Disclosed	See page 67
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	Disclosed	See page 68
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks	Disclosed	See pages 60 and 69
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Disclosed	See page 69

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Describe the Board's oversight of climate-related risks and opportunities.

The LHL Board retains ultimate responsibility for climate-related risks and opportunities. It oversees the Group's ERM activities and receives regular updates on material risks including ESG-related risks and opportunities. This is done through the Nomination, Corporate Governance and Sustainability Committee, the Underwriting and Underwriting Risk Committee, as well as the Investment Committee.

The Nomination, Corporate Governance and Sustainability Committee monitors issues of sustainability, including developments in climate change risk management and reporting.

The Underwriting and Underwriting Risk Committee and the Investment Committee each have responsibility for monitoring the impacts of climate change and transition risk, as well as the broader ESG risks, and to articulate appropriate appetites and tolerances for the Group.

Overall responsibility for the ESG programme sits with the Group CEO. The Board as a whole reviews and approves the Group's risk framework and appetites, which are ordinarily addressed within the quarterly ORSA report.

The Board receives a quarterly ORSA report from the Group CRO. This covers the full range of risks and controls identified through the Group's risk register and operated by the Group, including climate change and ESG risks and controls. Facilitated by the Group CRO, the Board discusses, agrees and monitors performance against a range of risk appetites. The Board discussions also cover consideration of emerging risks.

Examples of Board ESG and climate change oversight in 2022 include:

- Its annual review and approval of the Group's ESG framework
- Annual review and approval of the Group's ESG strategy
- Annual review and approval of the Group's risk appetite statements, including the tolerances for elemental PMLs and non-elemental RDSs. More information on this can be found on page 138. These risk appetite statements include climate-related statements for both the asset and liability side of our business
- Review and approval of the Group's ESG insurance underwriting guidelines
- Review and approval of the annual ORSA report
- Review of the quarterly ORSA reporting which contains information on all risk categories highlighting material risk considerations including climate-related risk where appropriate
- Review of the output from stress tests performed as part of both the annual business planning exercise and the annual ORSA reporting process, including climate-related scenarios.

The actual business underwritten within the Group is monitored against both the strategic plan and the Board-approved risk tolerances (including those linked to climate-related catastrophe loss events) and is reported to the Board quarterly within the Group CRO's quarterly ORSA report. Please see page 27 for more information. In addition, the Group CUO and Group CRO regularly review current and emerging (re)insurance risks.

The Investment Committee oversees the management and performance of the Group's investment portfolio including investment risk parameters, which include specific Board approved climate-related investment guidelines applied across the Group's fixed maturity portfolio. In addition, the Investment Committee monitors performance against a Climate VaR risk appetite statement as part of the regular quarterly reporting process. This includes an agreed preference for the financial impact of the Climate VaR on the Group's actual fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. The Committee also considers investment portfolio performance by reference to an MSCI carbon sensitivity tool and ESG profile tool. Please see the Investment Committee report starting on page 90 for more information.

Describe management's role in assessing and managing climate-related risks and opportunities.

The Group CEO is accountable for the development and execution of the Group strategy, including the management of climate-related risks and opportunities. The Group CUO is ultimately responsible for the business written by the Group, assisted by the subsidiary CUOs and active underwriters. Climate-related risks and opportunities as they relate to the business written are assessed as part of the underwriting process. Each underwriter has their own underwriting authority in which climate-related underwriting guidelines have been embedded. Management information is available to monitor the business written against these guidelines.

The Group CRO is responsible for the overall management of the risk management framework, which includes facilitating the identification, assessment, evaluation and management of existing and emerging risks by management and the Board; ensuring these risks are given due consideration and are embedded within both management's and the Board's oversight and decision-making process.

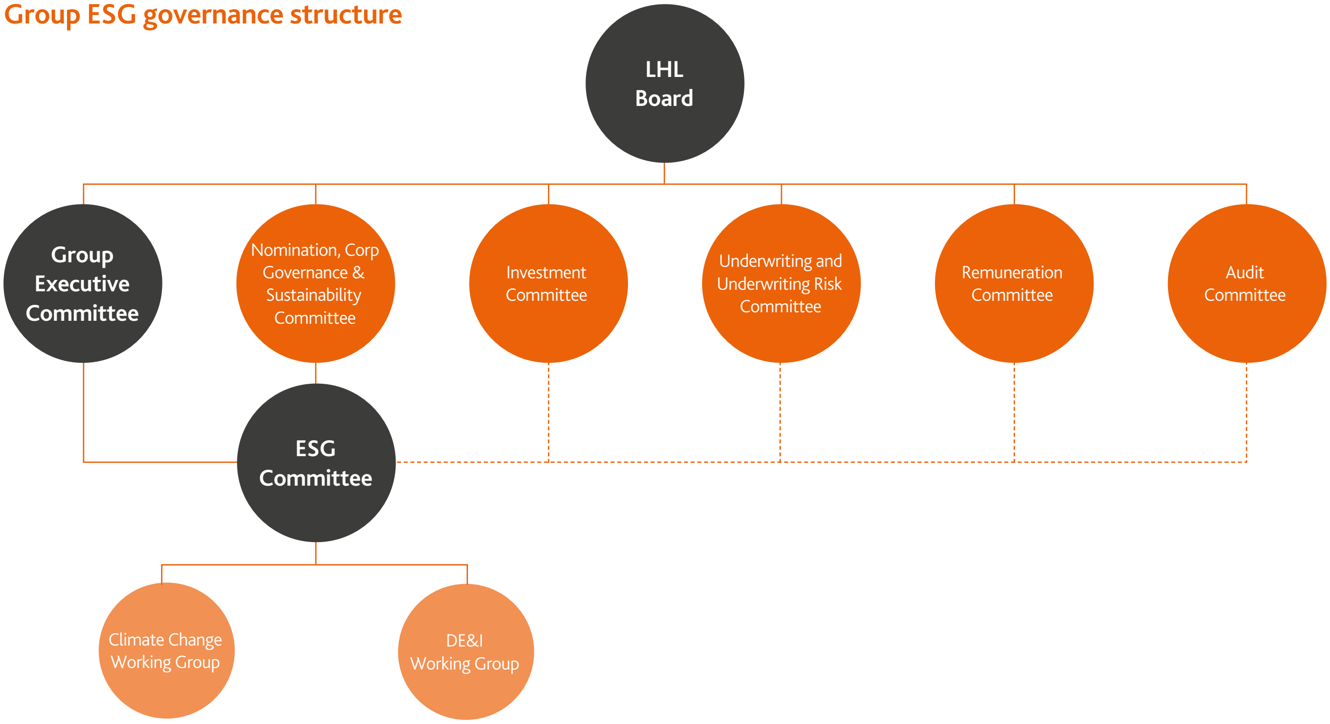
The ESG Committee, established by management in 2021, is tasked with the oversight, co-ordination and internal management of the Group's ESG strategy. The ESG Committee reports to the Board on a quarterly basis, as well as regular reporting to the Group Executive Committee, and is supported by both the Climate Change and Diversity, Equity & Inclusion Working Groups. Key developments are reported to the Nomination, Corporate Governance and Sustainability Committee as well as the Investment and the Underwriting and Underwriting Risk, Audit and Remuneration Committees as appropriate, and ultimately to the Board via the Group CRO's quarterly reporting and periodic reporting from the ESG Committee Chair.

The RRC evaluates and monitors the Group's modelled underwriting PML and RDS risk exposures against the Group's tolerance levels on a monthly basis. Lancashire underwrites predominantly short-tail business, with loss exposures usually crystallising within a policy period of 12 months. As a result, with PML levels updated monthly and shared internally, we ensure we closely track both market pricing and coverage conditions and the Group's modelled climate-related loss exposures. Please see page 146 for more information.

The IRRC actively monitors the potential impacts of climate change-related transitional risk on assets within the Group's investment portfolio. The requirement to monitor, develop and implement ESG and TCFD principles is included within its terms of reference. Both the RRC and the IRRC are supported by the Climate Change Working Group.

The diagram below illustrates the Group Board, Board sub-committee and management committee governance structure as it pertains to ESG. The role and responsibilities of each of the Board's sub-Committees is explained within the Governance section starting on page 76 and in each Committee's Terms of Reference which can be found on the Group's website. The Group CRO is a member or attendee of all the fora shown above and provides a link between each individual forum and the management RRC and Group Executive Committee.

Group ESG governance structure



Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

We consider the actual and potential impacts of climate-related risks and opportunities on Lancashire's strategy and financial planning across the following timeframes: short-term being up to five years, medium-term being five to 15 years and long-term being 15 to 30 years from now. Lancashire underwrites predominantly short-tail business, and so the principal impact of climate-related risks and opportunities is on short-term strategy. Such impact is mitigated by our ability to re-evaluate the portfolio on an annual basis and therefore re-price physical risks and reset exposure levels to take into account new data regarding the frequency and severity of elemental catastrophe events. During 2022, we have engaged more actively with our insured clients and seen an increase in the level of climate-related information provided as part of the underwriting process. We recognise that climate change does also impact the longer-term strategy in terms of emerging risk and accordingly management works with some of the leading external catastrophe model providers to understand the science which underlies and informs developments in the short- and long-term climate-related assumptions in their stochastic models. These developments are included in the Group's management- and Board-approved annual five-year business strategy and the three-year forward-looking business plan. More information can be found in the going concern and viability statement on page 120 of this report.

The Board also regularly discusses cycles and trends within the insurance sector as well as within the natural, commercial and political environment to which the Group's business is subject. We also recognise the potential impacts of transitional climate change risk on the Group's underwriting and investment portfolios and associated strategies. Whilst detailed strategic planning is based on short-term horizons (over a period of three to five years) the Board's strategic discussions are informed by consideration of potential future trends in the medium to longer term such as the make-up of global energy demand (which may be influenced by climate-related factors), the impact on travel and transportation (aviation, shipping, cruise ships) or the potential for political instability (for example over a period of five to 30 years).

Since 2021, significant work has been undertaken to identify and articulate the financial impacts of climate-related risks, including physical, transitional, regulatory (current and emerging), technological, legal, market and reputational risks. As an example, for each physical risk identified, the loss amplification factors, time-frame and magnitude were considered, as were metrics by which these risks could be monitored and reported upon. Examples of short- to medium-term risks identified included increased severity of tropical cyclones and heightened storm surge resulting from the enhanced strength and duration of storms combined with sea level rise; increased intensity of extratropical cyclones; increased intense rainfall due to the warming atmosphere thus increased risk of flooding; and increased risk of wildfire due to warming temperatures combined with shifting precipitation patterns. A longer-term risk being considered is the emergence of new natural catastrophe zones due to the shifting weather patterns. The potential financial impact from these risks is included within the metrics and targets section on page 68. In addition, the Group's current catastrophe exposure by geographical zone for our peak perils are listed on page 146 along with details of annual gross premiums written by geographic area of risks insured and by business segment.

The physical risk to our own operations is less material. As a group operating out of three physical locations (Bermuda, London and Australia) we do not have significant physical assets to be impacted by physical risk; with the main impact of physical risk arising from our underwriting portfolio in the form of losses arising from elemental catastrophic events. We do however have robust BCP processes in place across the Group.

Examples of transitional risks that may be faced by the Group include the probability of a declining premium environment in the traditional oil and gas sector or transportation classes over time, or the risk of exposure to climate change-related litigation. The potential impact in terms of premium is thought to range from low to medium for the relevant subsidiary writing the business, however the financial impact to the Group of these risks ranges from very low to low at this time due to the inherent responsiveness in the Group's nimble underwriting strategy. The impact would expect to be felt in both segments of the business i.e. insurance and reinsurance.

As a (re)insurer, the Group is in the business of accepting and mitigating risk; for every risk identified there is the potential for an opportunity. Opportunities come in the form of new products and services, as we work closely with existing clients to provide the insurance they need as they undertake their own transition; and access to new markets in the form of new assets and locations requiring insurance coverage.

Risk radar

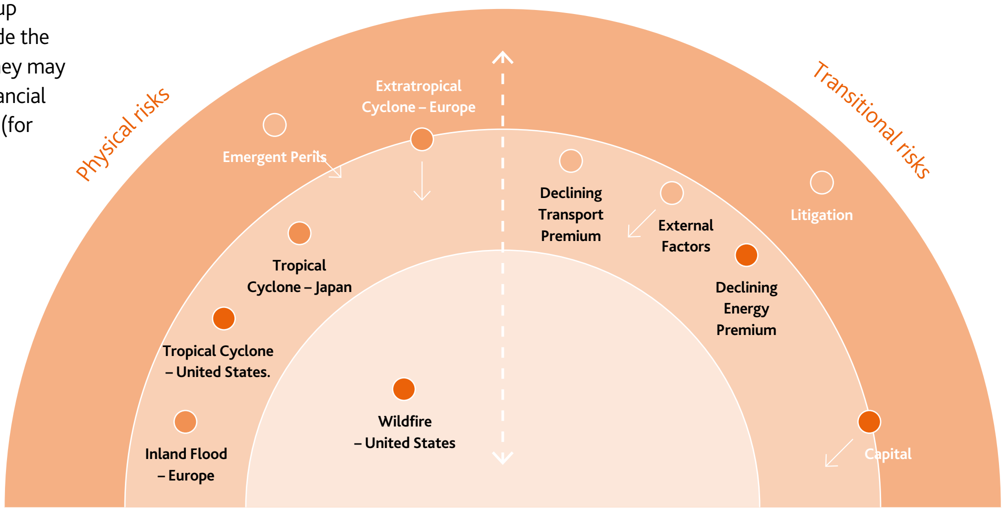
Lancashire's current internal view of the physical and transition risks the Group may face from climate change include the potential time horizon over which they may be faced, potential magnitude of financial impact, and the geographical region (for physical risks).

Time horizon

- Long: 2030+
- Medium: 2025-2030
- Short: now – 2025

Magnitude

- High
- Medium
- Low



Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Lancashire is exposed to the risk of heightened severity and frequency of weather-related losses which may be influenced by climate change. We manage this risk by using the stochastic models from third-party vendors which have a long history of quality data governance. In addition, we adapt these models based upon our views of climate risk, as well as our clients' exposure data, to create aggregate loss scenarios. Further, individual risks that are likely to materially utilise the Group's capital are reviewed at the daily UMCC prior to binding. The modelling data and the capital deployment are closely monitored by executive management. Likewise, the Board monitors this on a quarterly basis as part of strategic risk and capital management, with the testing of the models leading to changes in risk levels, reinsurance purchasing and structuring strategy as required. As part of the financial planning process, the assumptions within the underwriting portfolio are reviewed including the expected rate adequacy and losses for each class of business. Our assumptions are driven by a number of factors, which include climate change-related factors such as frequency and severity of elemental events and the potential for associated claims inflation. The level and availability of capital, as well as capital utilisation by class of business, are also key considerations in the financial planning process. The business mix is also reviewed, with new products and lines considered where rates prove attractive and accretive.

For 2022, we developed insurance underwriting guidelines which were embedded within our Underwriting Authority framework, in order to effectively monitor and guide underwriting in the more carbon-intensive industries and we continue to further develop and enhance how we track premium and policies according to their climate profile.

Lancashire's exposure to physical risk in our own operations is modest. As a business with an office in Bermuda we recognise that this is an area of the world that is vulnerable to catastrophic windstorm events and may be affected by any future climate change trends. All Lancashire offices have BCP and disaster recovery plans in place. Specifically, the Bermuda management team and Board consider hurricane and tsunami risk within the Bermuda office's BCP. Please see page 36 for more information.

Outside of physical risk, Lancashire has been a risk partner of businesses operating in the aviation, marine and energy sectors across the world for many years. The risk solutions which we provide help deliver the wider social benefits of safer operations in a properly regulated environment with access to capital resources to quickly repair and remediate damage in the event of accidents or catastrophic failure. We will continue to support our clients in the journey required to transition away from carbon-based forms of energy to a net zero state. Substantial investments will be required to both meet global energy demand and to reduce carbon emissions and we remain committed to supporting our clients across the energy sector as they navigate this transition.

We also recognise the potential impacts of climate-related risks and opportunities upon the Group's investment portfolio, in particular the potential impacts of the transition away from a carbon intensive economy. We have tools in place to identify, measure and manage these risks and opportunities; our findings are reviewed and reported through the IRRC, the RRC and the Investment Committee to the Board.

With respect to opportunities arising from climate change, immense investment in infrastructure will be required as the world transitions to a lower-carbon economy, and such infrastructure will require insurance which lies within the Group's existing classes of business and appetite. The demand for environmental insurance products is also expected to increase. A summary of the opportunities, their likelihood, timeframe and magnitude of impact on comprehensive income, is included on the following page.

Risk Description	Market Opportunity	Time-frame	Likelihood	Magnitude
Political Risk insurance	There is currently a strong uptick in ESG related funding from our existing client base and this trend is expected to continue.	Short to Medium Term	High	Low
Natural Catastrophe (re)insurance	Additional limit purchased by insureds and reinsurers at improved pricing levels as catastrophe risk increases; both earnings protection and capital protection being sought to significantly increase demand.	Medium Term	High	High
Renewables	The share of renewables in global electricity generation jumped to an all time high of 29% in 2020 and this trend is fully expected to continue. As our clients transition from fossil fuels to renewable energy there will be sizeable opportunities in the market to grow this part of our portfolio.	Medium Term	High	Medium
Carbon Capture: injection of CO_2 into depleted gas fields	We believe that offshore carbon capture and storage (CCS) may play a major role in global efforts to reduce emissions.	Medium to Long Term	Medium	Medium
Decommissioning Insurance: Oil & Gas assets	The pace of the energy transition will accelerate the decommissioning of a large number of offshore platforms and complexes. As these assets reach the end of their commercial life there will be increased pressure to ensure that their decommissioning is done in an environmentally friendly way with appropriate risk management solutions.	Medium Term	Medium	Low
Environmental Insurance Products	Environmental insurance provides coverage for loss or damages resulting from unexpected releases of pollutants typically excluded in general property and liability policies.	Medium to Long Term	Low	Low
Parametric (weather) Insurance Products for food & agriculture industry	Industries will look at new ways of managing weather risk where parametric triggers are more likely to offer a form of indemnity.	Long Term	Low / Medium	Low

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Stress and scenario tests and reverse stress tests are performed as part of the business planning process and the annual ORSA reporting process. More information on these processes can be found on pages 27 to 29 of this report. The capital impacts from a range of scenarios, including climate-related risks and opportunities, are presented to the RRC and Board for review and discussion.

During 2022, stress testing has been performed on the Group's business plans to understand the impact should the recent high catastrophe event experience (2017-2022) be more indicative of the average experience than that currently predicted by the third party catastrophe models. In addition, we have transitioned to a different catastrophe model provider to increase the range of secondary perils we are able to model. As part of this transition and our annual model review, we have explicitly considered the impact of climate change to ensure our hazard selections within the model are appropriate for our understanding of the current environment and impact with respect to climate change. On a quarterly basis we also model historic climate-related loss events for our current portfolio to understand the current day impact of their re-occurrence. Such events include the Katrina, Rita and Wilma hurricanes of 2005, the Florida hurricanes of 2004 (Charley, Frances and Ivan), the San Francisco earthquake of 1906, the New Madrid earthquake of 1811 and hurricanes Harvey, Maria and Irma of 2017.

One of Lancashire's key operating principles, which supports the Group's strategy to produce an attractive risk-adjusted total return to shareholders over the long term, is to 'balance risk and return through the cycle'. Climate change may influence the severity and frequency of losses that impact our policyholders and Lancashire's quick response to such post-loss situations can therefore be seen as a competitive advantage. A similarly 'responsive' approach to the management of climate change transition risk helps inform asset allocation and investment portfolio management. As of 31 December 2022, 93.9% of our externally managed investment portfolio, excluding internally managed cash, is managed by signatories to the United Nation's Principles for Responsible Investment. Analysis of our investment portfolio, specifically the fixed maturity portfolio, has shown it is more resilient to the impacts of climate change than the relevant benchmark which we have linked to a 1.5C future pathway scenario. As part of our biennial strategic asset allocation study, we recommended a target percentage to be invested in a sustainable fund which we are looking to implement in 2023.

Given the Group's predominately short-tail nature of, and the ability to model the geographical and economic impacts of climate risk on, the insurance products it sells and its ability to price insurance premiums on the basis of a flexible and dynamic risk analysis, the Board and management consider that there is some resilience in both the Group's underwriting and investment strategy and its business model to the challenges of increased frequency and severity of physical damage and the effects of transition risk, as a result of climate change risk.

Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Describe the organisation's processes for identifying and assessing climate-related risks.

The impact of climate-related risks is managed within existing principal risks see page 30.

As a result, climate-related risks are identified and assessed as part of the usual risk identification and management process which includes but is not limited to: discussions with risk owners and with subject matter experts across the Group, along with discussions at the Group's Emerging Risk Working Group, CCWG, and ESG Committee. Climate-related risks specific to the (re)insurance portfolios are identified and assessed as part of the day-to-day underwriting process by individual underwriters in their analysis of specific risk information, and more broadly in the context of the wider portfolio during the daily UMCC and the fortnightly RRC meetings. This includes, for example, the assets to be insured, their physical location, weather-related perils that have impacted that location, historical frequency and severity, as well as expected short- and long-term changes. The individual entity annual underwriting strategy days and the Group annual catastrophe underwriting strategy day also provide a good basis for discussion of the climate-related risks of both current and anticipated future risks. Examples of such risks include transition risks arising from a decline in value of assets to be insured, changing energy costs and liability risks that could arise from climate-related litigation. Physical, transition and liability risks are considered by business segment and geographical location, and the expected impact from the risks identified is considered with respect to both magnitude and timescale.

Describe the organisation's processes for managing climate-related risks.

We recognise the potential environmental effects of carbon emissions and in a global commercial and political environment which currently remains reliant on carbon-based forms of energy production, we will work with our clients through a period of global energy transition to help manage their operational and catastrophe-exposure risks in a controlled and responsible way.

Nonetheless, climate-related risks (and opportunities) are a constituent part of the Group's underwriting and investment risks. As we have detailed in this TCFD report, such risks are managed in the same way as other risks: they are identified, monitored, mitigated and reported upon against tolerance as appropriate. For elemental perils this includes monitoring and reporting the PMLs related to the top perils on a monthly basis to the RRC and quarterly to the Board. In addition, we monitor our PMLs as a percentage of GPW; the chart on the following page shows this for our 100 year Gulf of Mexico wind net PML at 31 December.

Opportunities are monitored and taken advantage of where it makes sense to do so. More information can be found on pages 26 and 27.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

As noted in the ERM section, the Group subscribes to a 'three lines of defence' model with respect to the identification, ownership, monitoring and mitigation of risk. The management of climate-related risk falls within this same framework, which is fully embedded throughout the Group and includes fora with climate change at the heart of their agenda such as the CCWG and the ESG Committee. The ESG Committee reports to the Group Executive Committee via the CRO and the Nomination, Corporate Governance and Sustainability Committee through the Chair of the ESG Committee. The CRO also provides an ESG update to the LHL Board in her Quarterly ORSA report. The RRC considers all aspects of risk for the Group at a management level and reports through the Group CRO to the Board. The Board of Directors is responsible for setting and monitoring the Group's risk appetite and tolerances, whereas the individual entity boards of directors are responsible for setting and monitoring entity level risk tolerances. All risk tolerances are subject to at least an annual review and consideration by the respective boards of directors.

The Board considers the capital requirements of the business on at least a quarterly basis. The Group's exposures to natural catastrophe risks are one of the key drivers of the capital held by the Group to support its underwriting activities.

The IRRC is alive to the potential impacts of climate change-related transitional risk on the Group's assets within the Group's investment portfolio and its work is reported to the Board-level Investment Committee. We continue to monitor the carbon intensity and transition risk of our fixed income portfolio and are working to develop our modelling capabilities to also monitor against MSCI Physical Risk. During 2022, carbon intensity limits were added to our fixed income managers' guidelines. Updates on these metrics, including the exposure of the investment portfolio to climate-related risk, as compared to the MSCI Climate VaR, are provided to the Investment Committee on a quarterly basis.

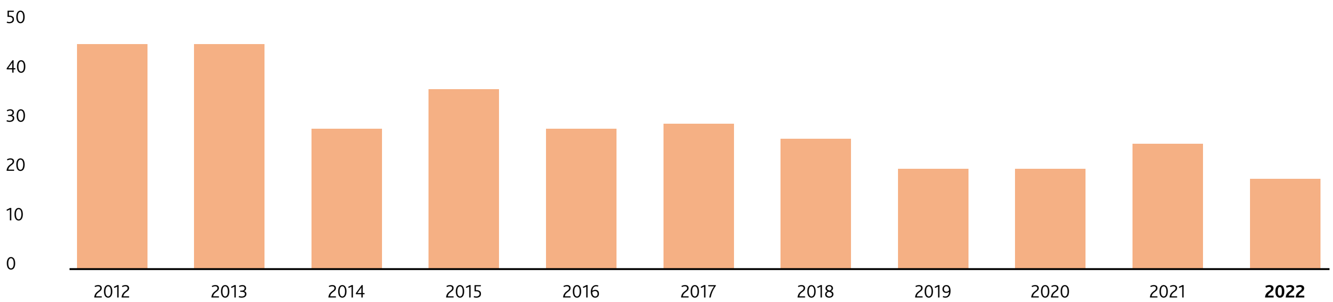
Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Our underwriting strategy is based on a number of factors, including but not limited to: market conditions and opportunities, pricing adequacy and available capital. We define our risk appetite for underwriting risks as a percentage of capital we are willing to lose in a specific event, and we set a capital loss tolerance for, and track the Company's modelled PMLs to, weather-related hurricane perils.

PML as a % of GWP



On pages 64 to 66 we described the work undertaken in 2022 to identify and articulate the financial impacts of climate-related risks. The table below sets out the financial impact of physical risk.

Our PMLs are derived using stochastic models licensed from third-party vendors. These models include perils such as windstorm, convective storm, wildfire and flood. Our actuarial team assesses the assumptions within the licensed model and, where appropriate, applies loadings to it. Model outputs are regularly challenged at both the macro and specific account level. Our PMLs, and the actual in-force exposure versus tolerance, are reviewed by the RRC on a monthly basis. The loadings applied to the model are reviewed by the RRC periodically to assess their ongoing appropriateness. Additionally, risk learning can be performed following a large catastrophe event to compare the actual loss versus the modelled loss to further assess the appropriateness of the assumptions and loadings within the model and establish whether further adjustments are required.

Impact of climate-related risk

The table below shows the impact based on our current portfolio, if exposure or experience was to change materially the financial impact could be more significant. However, the longer term impact to the Group should be managed by our ability to reprice contracts if needed and develop new products. Further detail is also included within insurance risk disclosures on pages 145 to 146, where we have noted the geographical area of risks insured and the Group's exposure to certain peak zone elemental losses by geography as a percentage of tangible capital over a 100 and 250 year return period.

Physical: acute and chronic	Timeframe	Magnitude of impact	Potential financial impact Group net PML/ % of capital	Mitigation
Tropical Cyclone				• Positive feedback loop in pricing models that reflect heightened risks from climate change • Lancashire adjusts gross risk appetite wherever the risk is viewed as inappropriately priced for the exposure • Outwards reinsurance is adapted to reflect the changing exposures • Robust internal controls ensuring PMLs are monitored monthly by the RCC • Additional secondary perils now modelled • We continue to develop views on other perils
U.S. Windstorm – Gulf of Mexico	Medium	High	$301.2 million / 19.5%	
U.S. Windstorm – Non-Gulf of Mexico	Medium	High	$248.0 million / 16.1%	
Japan Windstorm	Medium	Medium	$144.5 million / 9.4%	
Extratropical Cyclone				
European Windstorm	Medium – Long	Medium	$181.2 million / 11.8%	

Our PMLs are derived using stochastic models licensed from third-party vendors. Our actuarial team assesses the assumptions within the licensed model and, where appropriate, applies loadings to it. Model outputs are regularly challenged at both the macro and specific account level. Our PMLs, and the actual in-force exposure versus tolerance are reviewed by the RRC on a monthly basis. The loadings applied to the model are reviewed by the RRC periodically to assess their ongoing appropriateness. Additionally, risk learning is performed following a large catastrophe event to compare the actual loss versus the modelled loss to further assess the appropriateness of the assumptions and loadings within the model and establish whether further adjustments are required.

Similarly, with respect to our investments, we continue to monitor steps taken in 2021 to advance the previous approach for assessing our portfolio's exposure to climate-related risks looking at the carbon intensity and transition risk within our fixed maturity portfolio. The Climate Value at Risk (VaR) of our fixed maturity portfolio (as covered by MSCI) at the 1.5°C global warming goal is monitored and reported to the Board and Investment Committee on a quarterly basis. Management's target preference is for the impact of climate change to be less detrimental on our portfolio than the relevant benchmark at the same level.

Our portfolio at 31 December 2022 consisted of the following:	
Fixed maturity securities	79.8%
Managed cash	10.5%
Private investment funds	4.4%
Hedge funds	4.2%
Index linked securities	1.1%
Total	**100.0%**

As shown in the table above, we have 90.3% allocated to managed cash and fixed maturities. The majority of the fixed maturities consist of government-related securities: U.S. government treasuries, non-U.S. government sovereign debt, U.S. agency debt and U.S. agency mortgage-backed securities. In addition, we have 30.5% allocated to corporate bonds, of which we have a small amount of exposure to climate-related risks. The Group itself does not hold any equities (although we have exposure to a small number of equities in the hedge fund portfolio).

Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.

The Group is committed to managing the environmental impact of its business. We measure our carbon footprint to minimise its negative impact through mitigation strategies and by offsetting 100% of our greenhouse gas (GHG) emissions, in order to remain carbon neutral. In 2022, we instructed ClimatePartner as our new consultant to calculate and facilitate the offsetting of our carbon emissions. Please see page 60 of this Annual Report and Accounts where we report our Scope 1, 2 and 3 GHG emissions and the changes to the methodology of this reporting following ClimatePartner's appointment. The Group also recognises the challenges posed by climate change and considers its impact as part of the risk management and strategic planning processes, as discussed above. The Group CRO and the Board oversee the Company's annual submission to the CDP and note that the information which is requested as part of that reporting process is aligned with the recommendations of the TCFD.

With operations in London, Bermuda and Australia, as well as clients and brokers around the globe; the Lancashire Group has (with the exception of the period of the COVID-19 pandemic) incurred the bulk of its carbon footprint as a result of its business travel. We utilise a number of technologies to reduce inter-office travel, including full video and telephone conferencing facilities in all of our offices and our meeting spaces and boardrooms. During 2022, business travel has started its trajectory towards a more normal level as restrictions have lifted, in-person conferences and events have recommenced and it has been considered safe for our employees to travel.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Last year, the Group articulated its path to meeting the UK Government's net-zero target by 2050 with 2015 selected as our baseline year on the basis it was the first full year in our London office at 20 Fenchurch Street, an energy efficient building with a BREEAM Excellent rating.

The following diagram shows our path to carbon net-zero in 2050, illustrating the intended downwards trajectory of our emissions per FTE and the intended increase in offsetting projects which remove carbon from the atmosphere.

In terms of the Group's own emissions targets and with reference to the Group's business travel emissions, we have travel policies in place to reduce our impact on the environment whilst balancing the needs of our staff and Directors. For instance, our policy is to not to ordinarily book a business class airline ticket, if the duration of the flight is less than five hours long.

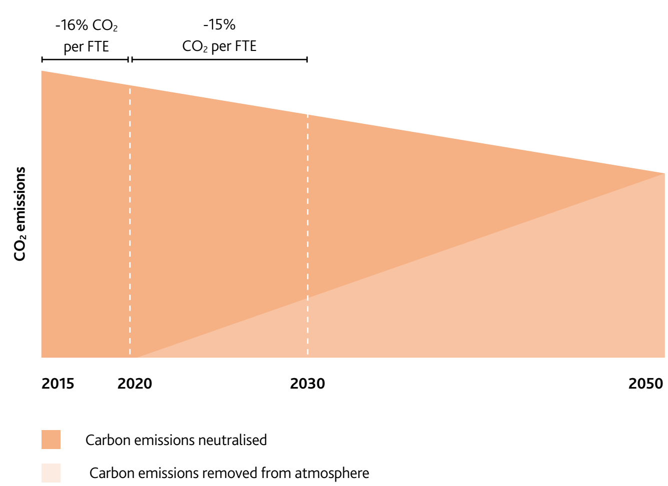
The Group also commits to continue to offset 100% of Scope 1 and 2 emissions and 100% of the Scope 3 emissions pertaining to our operations which we are able to accurately calculate and exercise sufficient control over at this time. These include business travel, waste generated in operations, our employees' commuting, and fuel and energy related activities not included within Scope 1 or Scope 2. As a small financial services company, we consider a number of the emissions categories to be either not applicable to our operations, or that we have minimal operational control over them. We are working with a specialist third party, and alongside others in the industry, to understand how to accurately calculate and track emissions within the unreported categories where applicable.

The Group will continue to source and utilise 100% renewable electrical energy for its 20 Fenchurch Street London offices. Other targets for the Group's own emissions remain under discussion but areas under consideration (outside of those related to business travel) include further reducing paper usage, reducing water waste, improving the level of recycling, and eliminating the use of single-use plastics. Please see page 59 for more information.

In relation to the Group's investments, we have a target of managing the impacts of our fixed maturity portfolio by reference to a Climate VaR appetite statement.

For the Group's underwriting exposure, Lancashire limits its tangible capital at risk by reference to a series of PML loss exposure scenarios (which include climate-related loss scenarios). PMLs are regularly monitored and reported to the Board on a quarterly basis and reflect real time changes in the Group's underwriting portfolio. The Group's stated tolerance is to expose not more than 25% of its tangible capital by reference to any one of its principal PMLs. For the reported outcomes of this process see page 146 which shows details of the Group's principal PMLs including those related to catastrophic weather loss events linked to climate change risk.

Lancashire's path to carbon net-zero in 2050



Our Governance *practice*

At Lancashire, we conduct our business in an accountable, open, honest and sustainable way.

Strong corporate governance is at the heart of our culture - the Board and management team are focused on creating a diverse and vibrant culture which is sustainable over the long term.

Peter Clarke
Non-Executive Chair of the Board

A focused Board

Peter Clarke
Non-Executive Chair

B I N R

Date of appointment to the Board: 9 June 2014

Board meeting attendance: 4/4

Skills, experience and qualifications:
Peter Clarke was Group Chief Executive of Man Group plc between April 2007 and February 2013. In 1993, Mr Clarke joined Man Group plc, a leading global provider of alternative investment products and solutions as well as one of the world's largest futures brokers. He was appointed to the board in 1997 and served in a variety of roles, including Head of Corporate Finance and Corporate Affairs and Group Company Secretary, before becoming the Group Finance Director in 2000. During this period, he was responsible for investing in and developing one of the leading providers of third-party capital insurance and reinsurance products. In November 2005, he was given the additional title of Group Deputy CEO. Mr Clarke has previously served as the Chair of the National Teaching Awards Trust. Mr Clarke took a first in Law at Queens' College, Cambridge and is a qualified solicitor, having practised at Slaughter and May, and has experience in the investment banking industry, working at Morgan Grenfell and Citibank.

External appointments/Other roles:
Mr Clarke is currently a Non-Executive Director of RWC Partners Limited, RWC Holdco Limited, RWC Midco Limited and Lombard Odier Asset Management.

Alex Maloney
Group Chief Executive Officer

B U

Date of appointment to the Board: 5 November 2010

Board meeting attendance: 4/4

Skills, experience and qualifications:
Alex Maloney joined Lancashire in December 2005 and was appointed Group Chief Executive Officer in April 2014. On joining, Mr Maloney was responsible for establishing and building the energy underwriting team and account and, in May 2009, was appointed Group Chief Underwriting Officer. Since November 2010, Mr Maloney has served as a member of the Board. Mr Maloney has also been closely involved in the development of the Group's Lloyd's strategy. Mr Maloney has over 30 years' underwriting experience and has also worked in the New York and Bermuda markets.

Natalie Kershaw
Group Chief Financial Officer

B I

Date of appointment to the Board: 1 March 2020

Board meeting attendance: 4/4

Skills, experience and qualifications:
Natalie Kershaw joined Lancashire in December 2009 as the Group Financial Controller and has also held the positions of Chief Financial Officer of Lancashire Insurance Company Limited and Group Chief Accounting Officer. She has over 20 years' experience of the insurance/reinsurance sector with previous roles at Swiss Re, ALAS (Bermuda) Ltd and PwC. Ms Kershaw graduated from Jesus College, Oxford in 1996 with a first class degree in Geography and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Michael Dawson
Non-Executive Director

B N R U

Date of appointment to the Board: 3 November 2016

Board meeting attendance: 4/4

Skills, experience and qualifications:
Michael Dawson has more than 40 years' experience in the insurance industry, having started his career at Lloyd's in 1979. He joined Cox Insurance in 1986 where he was the Chief Executive from 1995 to 2002. In 1991, Mr Dawson formed and became the underwriter of Cox's and subsequently Chaucer's specialist nuclear syndicate 1176, where he remains the active underwriter. Between 2005 and 2008, Mr Dawson was appointed Chief Executive of Goshawk Insurance Holdings PLC and its subsidiary Rosemont Re, a Bermuda reinsurer. Mr Dawson served on the Council of Lloyd's from 1998 to 2001 and on the Lloyd's Market Board from 1998 to 2002.

External appointments/Other roles:
Mr Dawson is Deputy Chair of the Management Committee of Nuclear Risk Insurers Limited. He is also a director of Knoll Investments Limited, Dawmouse Limited and Glengau Limited, all private family companies.

Simon Fraser
Non-Executive Director

B A R

Date of appointment to the Board: 5 November 2013

Board meeting attendance: 4/4

Skills, experience and qualifications:
Simon Fraser was Head of Corporate Broking at Merrill Lynch and subsequently Bank of America Merrill Lynch until his retirement in 2011. He began his career in the City in 1986 with BZW and joined Merrill Lynch in 1997. He led initial public offerings, rights issues, placings, demergers and mergers and acquisitions transactions during his career and advised many UK companies on stock market and LSE issues. Mr Fraser has an MA degree in Modern History from the University of St Andrews.

External appointments/Other roles:
Mr Fraser is a Non-Executive Director of Legal and General Investment Management (Holdings) Limited and Non-Executive Director SEGRO plc, where he sits on the Audit and Nominations Committees as well as Chair of the Remuneration Committee. Mr Fraser also serves as a Non-Executive Director of LSL.

Jack Gressier
Non-Executive Director

B R U

Date of appointment to the Board: 26 July 2022

Board meeting attendance: 1/1

Skills, experience and qualifications:
Jack Gressier has over thirty years' experience in the insurance industry, including as Chief Operating Officer of Axis Capital Holdings Ltd. and the Chief Executive Officer of its Insurance segment. He served as an underwriter at Charman Underwriting Agencies from 1989 until 1998, when acquired by ACE Limited. At ACE, he served in a number of senior roles including as a member of the Global Markets Executive Underwriting Committee and was appointed Joint Active Underwriter of Syndicate 2488 and director of the ACE Agency Board, where he served until joining AXIS in 2002.

External appointments/Other roles:
Currently serving as Non-Executive Chair to strategic intelligence firm, Herminius Holdings Ltd. Previous Non-Executive appointments include Chair of Syndicate Holdings Corp, the holding company for the Lloyd's managing agency, Vibe Syndicate Management. In addition, Mr Gressier served as Non-Executive Chair of Limehouse Agencies Limited.

Key
- Chair
- B Board of Directors
- A Audit Committee
- I Investment Committee
- N Nomination, Corporate Governance and Sustainability Committee
- R Remuneration Committee
- U Underwriting and Underwriting Risk Committee

Robert Lusardi
Senior Independent
Non-Executive Director

B A I R

Date of appointment to the Board: 8 July 2016

Board meeting attendance: 4/4

Skills, experience and qualifications:
From 1980 until 1998, Robert Lusardi was an investment banker in New York, ultimately as Managing Director of the insurance and asset management industries. From 1998 until 2005, he was a member of the Executive Management Board of XL Group plc, first as Group CFO then as CEO of one of their three operating/reporting segments; from 2005 until 2010 he was an EVP of White Mountains (an insurance merchant bank) and CEO of certain subsidiaries; and from 2010 to 2015 he was CEO of PremieRe Holdings, a private insurance entity. He has been a director of a number of insurance-related entities including Symetra Financial Corporation, Primus Guaranty Ltd., OneBeacon Insurance Group Ltd., Esurance Inc., Delos Inc., Pentelia Ltd. and FSA International Ltd. He received BA and MA degrees in Engineering and Economics from Oxford University, an MBA from Harvard University and PhD from Barry University.

External appointments/Other roles:
He is also on the boards of Symetra Financial Holdings, Inc., a life insurer, and a Board member of Oxford University's 501(c)3 charitable organisation.

Irene McDermott Brown
Non-Executive Director

B N R

Date of appointment to the Board: 28 April 2021

Board meeting attendance: 4/4

Skills, experience and qualifications:
Irene McDermott Brown most recently held the position of Chief Human Resources Officer at M&G plc, a FTSE 100 international savings and investments firm, retiring from that role on 31 December 2021. Her executive career has included international human resources roles at Barclays, BP, and Cable and Wireless. Ms McDermott Brown's UK experience includes over 12 years at Mercury Communications, Digital Equipment Company and the Electricity Supply Industry. She has an MSc from the London School of Economics in Industrial Relations and is a Fellow of the Chartered Institute of Personnel and Development.

Sally Williams
Non-Executive Director

B A N

Date of appointment to the Board: 14 January 2019

Board meeting attendance: 4/4

Skills, experience and qualifications:
Sally Williams has more than 30 years' experience in the financial services sector, with extensive risk, compliance and governance experience, having held senior positions with Marsh, National Australia Bank and Aviva. Ms Williams is a chartered accountant and spent the first 15 years of her career with PwC, where she was a director specialising in financial services risk management and regulatory relationships. She also undertook a two-year secondment from PwC to the Supervision and Surveillance Department at the Bank of England. Ms Williams is also a Director of Lancashire Insurance Company (UK) Limited.

External appointments/Other roles:
Ms Williams is a Non-Executive Director of Family Assurance Friendly Society Limited (OneFamily), where she is chair of their Audit Committee and their With Profits Committee, and a member of the Risk, Nominations and Member & Customer Committees. Ms Williams is also a Non-Executive Director of Close Brothers Group plc and Close Brothers Limited, where she is a member of their Audit and Risk Committees.

Ms Williams was recently appointed as a Trustee to Ovarian Cancer Action Charity.

Christopher Head
Company Secretary

Skills, experience and qualifications:
Christopher Head joined Lancashire in September 2010. He was appointed Company Secretary of LHL in 2012 and advises on issues of corporate governance and generally on legal affairs for the Group. He also advises on the structuring of Lancashire's third-party capital underwriting initiatives, which have included the Accordion and Kinesis facilities. Prior to joining Lancashire, he was in-house Counsel with the Imagine Insurance Group, advising specifically on the structuring of reinsurance transactions. He transferred to Max at Lloyd's in 2008 as Lloyd's and London Counsel. Between 1998 and 2006, Mr Head was Legal Counsel at KWELM Management Services Limited, where he managed an intensive programme of reinsurance arbitration and litigation for insolvent members of the HS Weavers underwriting pool. Mr Head is a qualified solicitor having worked until 1998 at Barlow Lyde & Gilbert in the Reinsurance and International Risk Team. Mr Head has a History MA and legal qualification from Cambridge University.

Board skills matrix

	Peter Clarke	Alex Maloney	Natalie Kershaw	Robert Lusardi	Michael Dawson	Simon Fraser	Jack Gressier	Irene McDermott Brown	Sally Williams
Corporate Governance[1]	●	●	●	●	●	●	●	●	●
Strategy[2]	●	●	●	●	●	●	●	●	●
Accounting / Audit	●		●	●		●			●
Insurance / Reinsurance	●	●	●	●	●	●	●		
Corporate Finance / Investment[3]	●	●	●	●		●			
Actuarial / Reserving		●	●	●	●		●		●
Risk Management[4]	●	●	●		●	●		●	●
ESG[5]	●	●	●		●	●		●	●
People and Management[6]	●	●	●	●	●	●	●	●	●
Digital and Technology[7]	●	●	●	●	●	●	●		●

1. Including legal, regulatory and compliance
2. Including business development and M&A
3. Investment Treasury, portfolio and asset-liability management
4. Including internal control and internal audit processes
5. Including sustainability and climate change
6. Including Senior Management experience, HR, culture, and communications
7. Including data management, information security and cyber

Key

○	B	A	I	N	R	U
Chair	Board of Directors	Audit Committee	Investment Committee	Nomination, Corporate Governance and Sustainability Committee	Remuneration Committee	Underwriting and Underwriting Risk Committee

Board Committees

Board and Committee administration

The Board of Directors is responsible for the leadership, strategy and control and the long-term success and sustainability of Lancashire's business. The Board has reserved a number of matters for its decision, including responsibility for setting the Group's values and standards, and approval of the Group's strategic aims and objectives. The Board has delegated certain matters to Committees of the Board, as described below. Copies of the Schedule of Board-Reserved Matters and Terms of Reference of the Board Committees are available on the Company's website at www.lancashiregroup.com.

The Board has approved and adopted a formal division of responsibilities between the Chair and the Group CEO. The Chair is responsible for the leadership and management of the Board and for providing appropriate support and advice to the Group CEO. The Group CEO is responsible for the management of the Group's business and for the development of the Group's strategy and commercial objectives. The Group CEO is responsible, along with the executive team, for implementing the Board's decisions.

The Board and its Committees meet on at least a quarterly basis. At the regular quarterly Board meetings, the Directors review all areas of the Group's business, strategy and risk management and receive reports from management on underwriting, reserving, reinsurance, finance, investments, capital management, internal audit, risk, legal and regulatory developments, compliance, climate change risk, ESG and sustainability and other matters affecting the Group. Management provides the Board with the information necessary for it to fulfil its responsibilities. In addition, presentations are made by external advisers such as the independent actuary, the investment managers, the external auditors, the remuneration consultants and the corporate brokers. The Board Committees are authorised to seek independent professional advice at the Company's expense.

The Board also meets to discuss strategic planning matters in addition to the customary schedule of quarterly meetings. The Board dedicated time to strategic opportunities and capital planning at a dedicated Board strategy day which was held in April 2022 in which all Directors and members of the management team participated.

The Chair holds regular meetings with the Non-Executive Directors, without the Executive Directors present, to discuss a broad range of matters affecting the Group. The Chair also holds regular meetings with the Chairs of the Group's principal operating subsidiaries: LICL, LUK, LSL and LCM.

All Directors attended the scheduled quarterly proceedings of the 2022 Board and Committees meetings.

The Directors

Appointments to the Board are made on merit, against objective criteria, and with due regard to the right balance of skills, experience, knowledge, independence and diversity required for the Board to operate effectively as a whole. The Board considers all the Non-Executive Directors to be independent within the meaning of the Code. Michael Dawson, Simon Fraser, Robert Lusardi, Irene McDermott Brown and Sally Williams are independent, as each is independent in character and judgement and has no relationship or circumstance likely to affect his or her independence. Peter Clarke was independent upon his appointment as Chair on 4 May 2016.

Jack Gressier joined the Board as a Non-Executive Director with effect from 26 July 2022. The appointment of Jack Gressier was facilitated by the specialist recruitment agency Per Ardua which conducted a Non-Executive Director search exercise under the direction of the Nomination, Corporate Governance and Sustainability Committee and Peter Clarke as the Company Chair. Per Ardua prepared an independent candidate report which was considered at the Nomination, Corporate Governance and Sustainability Committee meeting held on 25 July 2022. The Board also considered the question of Jack's independence of character and judgement, and considered that he should be considered independent on his appointment. Jack has over thirty years' experience in the insurance industry, including as Chief Operating Officer of Axis Capital Holdings Ltd, and the Chief Executive Officer of its insurance segment. Jack Gressier was also appointed as a member of the Remuneration Committee, and Underwriting and Underwriting Risk Committee.

At the Board meeting held on 9 February 2023, further to a recommendation by the Nomination Corporate Governance and Sustainability Committee, the Board affirmed its judgement that six of the nine members of the Board are independent Non-Executive Directors. However, it was noted that Simon Fraser had been first appointed to the Board on 5 November 2013 and had therefore recently completed nine years' service as a Director. The Committee considered it appropriate for Simon Fraser to participate in the 2022 year end Board meetings in February 2023 and to continue to be treated as independent in character and judgement. Simon Fraser will not submit himself for re-election as a Non-Executive Director at the 2023 AGM. Therefore, in the Board's judgement, the Board's composition complies with the Code requirement that at least half the Board, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent.

In accordance with the provisions of the Company's Bye-laws and the Code, and for 2023, with the exception of Simon Fraser, all the Directors are subject to re-election annually at each AGM.

Information and training

On appointment, the Directors receive written information regarding their responsibilities as Directors and information about the Group. An induction process is tailored for each new Director in the light of his or her existing skill set and knowledge of the Group and includes meetings with senior management and visiting the Group's operations. Information and advice regarding the Company's official listing, legal and regulatory obligations and on the Group's compliance with the requirements of the Code is also provided on a regular basis. An analysis of the Group's compliance with the Code is collated and summarised in quarterly reports together with a more general summary of corporate governance developments, which are prepared by the Group's legal and compliance department for consideration by the Nomination, Corporate Governance and Sustainability Committee. That Committee also receives periodic reports from the ESG Committee Chair on its work. The Directors have access to the Company Secretary and the Group General Counsel who are responsible for advising the Board on all legal and governance matters.

The Directors also have access to independent professional advice as required. Regular sessions are held between the Board and management as part of the Company's quarterly Board meetings, during which in-depth presentations covering areas of the Group's business are made. During these presentations the Directors have the opportunity to consider, challenge and help shape the Group's commercial strategy. The Directors are also encouraged to seek supplementary know-how training suitable to their roles offered by the many external providers of training pertinent to governance, in particular the roles of Non-Executive Directors, and to consider their training needs and priorities as part of the year-end performance evaluation for the Board and its Committees.

Board performance – 2022 evaluation

A formal performance evaluation of the Board, its Committees and individual Directors is undertaken on an annual basis and the process is initiated by the Nomination, Corporate Governance and Sustainability Committee. The aim of this work is to assess the effectiveness of the Board and its Committees in terms of performance and risk oversight, strategic development, stakeholder and employee engagement, composition, skillset, supporting processes and management of the Group. The evaluation is forward-looking in terms of identifying strategic priorities and actions as well as considering performance, training and development needs for the Directors within the context of the work of each Committee and that of the Board. In accordance with the Code requirements, the 2021 evaluation was facilitated externally by Independent Audit, a London-based corporate advisory firm with no other connection to the Group. Following the 2021 Board and Committee evaluation process, the Board made progress during 2022 in the areas of board succession planning, the use of "deeper dive" sessions in the Underwriting and Underwriting Risk Committee and in the delivery of training, in particular around preparation for the introduction of IFRS 17.

The 2022 evaluation was conducted internally, facilitated by the Company Secretary and the Chair. The evaluation for the Board and each of its Committees was based on a set of questionnaires which were prepared by the Company Secretariat and agreed with the Board Chair and the Chairs of each of the Committees and made available to participants using a web based survey platform. The Group's principal operating subsidiaries, LICL, LUK, LSL and LCM also carried out a web-based questionnaire performance appraisal facilitated by the respective company secretaries. The draft reports covering the subsidiary boards and relevant committees including recommendations were discussed with the respective subsidiary chairs and have been discussed within the relevant subsidiary boards. Key themes from those subsidiary evaluations were also reported to the Lancashire Holdings Board.

The 2022 Lancashire Holdings Board and Committee evaluation process involved each Director as well as the Company Secretary, the Group CRO, Group General Counsel and other Committee members and members of senior management who were invited to review and complete the online questionnaires. Further to this process the Company Secretary prepared a draft evaluation report for the Board which collated feedback from the responses on an anonymised basis and identified a series of themes covering both areas of effectiveness and potential actions and areas for further discussion or development. The summary reports were discussed in draft between the Company Secretary and the Board Chair before being distributed to each of the Directors. The Chair invited feedback on key findings in the evaluation reports prior to their finalisation.

The performance evaluation reports were formally tabled and discussed at meetings of the Nomination, Corporate Governance and Sustainability Committee and the Board held in February 2023, and each of the other Committees discussed the report pertinent to its own operation and performance. The reports identified a number of key strengths of the Board and its Committees, including; dynamics and chairing; skills and expertise of both Non-Executive and Executive Directors; effective oversight of strategy and performance; strong Committee reporting; effective risk management and controls; subsidiary governance; and company secretariat support. The Board discussions on the reports were led by the Chair.

In summary, in its consideration of the 2022 performance evaluation reports, the Board concluded that it operates effectively and has a good blend of insurance, financial, regulatory and other relevant expertise. All Non-Executive Directors are committed to the continued success of the Group and to making the Board and its Committees work effectively. Attendance at Board meetings was found to be good. The Group CEO and the Group CFO, the Company's Executive Directors, were also found to be operating effectively.

The Board also concluded that appropriate infrastructure, processes and governance mechanisms are in place to support the effective performance of the Board and its Committees. The Board is also considered to manage risk effectively. Furthermore, the number of Directors on the Board and the balance of skills is considered to be appropriate.

Further to the Board engagement with the evaluation process and consideration of the reports, the Board concluded that Board and Committee oversight of strategy, risk tolerances and controls had operated effectively. The Board discussions around the wider business and market impacts of the conflict in Ukraine were considered to have been effective and to have been appropriately focused. Management's presentation to the Board of a strategic vision to 2030 had generated a useful discussion of the longer term strategic trajectory of the Group. Discussion of the Group's exposures to hurricane Ian had been conducted on the basis of a thorough ground up large loss analysis, which had been well presented by management.

Engagement between the Board and the workforce was considered to be generally strong and beneficial to the operation of the business and had improved during 2022 as COVID-19 restrictions were relaxed. Effective workforce engagement will continue to be a priority for the Board. For further information on workforce engagement, please see Peter Clarke's introduction to the Sustainability and Governance sections starting on page 40 and the report from the Nomination Corporate Governance and Sustainability Committee starting on page 86.

Other strategic priorities identified by the Board for the year ahead included ensuring the maintenance of a robust capital base for the Group capable of supporting the strategic growth plans for the business and to position the business as a leading provider of (re)insurance products. The Board plans to keep under review the Group's capital structures. The Board and management are also committed to establish Lancashire as the insurance and reinsurance market "employer of choice" and to maintaining a close focus on recruitment, skills, employee retention and training to further strengthen and build a workforce equipped to deliver the Group's strategic growth plans.

The Board identified a number of areas for training and specific themes for monitoring over the coming year, including the following:

- To monitor the implementation of the IFRS 9 and IFRS 17 accounting standards during the course of 2023, supported by appropriate and targeted training; and
- Continue to monitor expected legislative and regulatory changes in the area of UK financial reporting, audit and associated regulation.

The Board will continue to review its procedures, training requirements, effectiveness and development during 2023.

The Chair's performance appraisal was conducted by the Senior Independent Director, who consulted with the Non-Executive Directors with input from the Executive Directors during July 2022. The discussion and feedback were positive regarding the Chair's performance. The Chair was considered to be effective in facilitating strategic decision making, whilst ensuring an appropriate level of challenge and a culture of open, honest and constructive discussion.

Following the year end, the Chair met with the Group CEO, and the Group CEO met with the Group CFO, to conduct a performance appraisal in respect of 2022 and to set targets for 2023. The results of these performance evaluations were discussed by the Chair and the Non-Executive Directors and are reported in the Directors' Remuneration Report commencing on page 96.

Relations with shareholders

During 2022, the Group's Head of Investor Relations, usually accompanied by one or more of the Group CEO, the Group CUO, the Group CFO, the Chair or a senior member of the underwriting team, made presentations to major shareholders, analysts and the investor community. Formal reports of these meetings were provided to the Board on at least a quarterly basis.

In September and October 2022, Irene McDermott Brown, the Chair of the Remuneration Committee, conducted a consultation with the Company's significant shareholders concerning the review of the Remuneration Policy and its implementation in advance of the shareholder Remuneration Policy vote which is to be tabled as a resolution at the 2023 AGM. The feedback from shareholders was reported to the Remuneration Committee at its meeting in November 2022 and a summary of the consultation process and outcomes can be found in Irene McDermott Brown's introduction to the Directors' Remuneration Report on page 96.

Conference calls with shareholders and analysts hosted by senior management are held quarterly following the announcement of the Company's quarterly financial results or trading statements. The Group CEO, Group CUO and Group CFO are generally available to answer questions at these presentations.

Shareholders are invited to request meetings with the Chair, the Senior Independent Director and/or the other Non-Executive Directors by contacting the Group Head of Investor Relations. All of the Directors are expected to be available to meet in person or virtually with shareholders at the Company's 2023 AGM.

The Company commissions regular independent shareholder analysis reports, and also receives periodic reports from the Group's Head of Investor Relations on feedback from shareholders and analysts.

The Company's bye-laws are governed by Bermuda Company Law and subject to approval of shareholders in a general meeting. The bye-laws are available on the Company website. A copy of the Company's bye-laws is also available for inspection at the Company's registered office. The bye-laws have been subject to review by the Group's Legal and Compliance department and the Board during 2022 and the Board is proposing revisions which will be put as a resolution to shareholders at the 2023 AGM. Details of the proposed changes will be summarised in the AGM Notice and on the Group website.

Enterprise risk management

The Board is responsible for setting the Group's risk appetites, defining its risk tolerances, and setting and monitoring the Company's risk management and internal control systems, including compliance with risk tolerances. During 2022, the Board carried out a robust assessment of the emerging and principal risks affecting the Group's business model, future performance, solvency and liquidity and the operation of internal control systems.

Further discussion of the emerging and principal risks affecting the Group, as well as the procedures in place to identify and manage them, can be found in the ERM section of this report on pages 26 to 29 and in the risk disclosures section on page 144. The Group's reporting of climate change risk and its management within the business can be found in the TCFD Report starting on page 61.

Each of the Committees is responsible for various elements of risk (see the various Committee reports from pages 80 to 95 for further detail). The Group CRO reports directly to the Group and subsidiary boards and facilitates the identification, evaluation, quantification and control of risks at a Group and subsidiary level. The Group CRO provides regular reports to the Group and subsidiary boards covering, amongst other things, actual risk levels against tolerances, emerging risks, loss events and near misses, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations, and supported by internal audit findings). Areas of particular focus during 2022 have been the risks associated with global instability arising from the conflict in Ukraine, rising inflation during 2022 and heightened volatility in international energy, bond and investment markets, the associated "cost-of-living" implications in particular for employees and also for wider society, risk exposure and capital considerations associated with the improving (re)insurance market opportunity and recent growth, climate change risk management and the implementation of the TCFD recommendations and developments in the area of ESG risk management and reporting. The Board considers that a supportive ERM culture, established at the Board and embedded throughout the business, is of key importance. The facilitating and embedding of ERM and helping the Group to improve its ERM practices are a major responsibility assigned to the Group CRO. The Group CRO's remuneration is subject to annual review by the Remuneration Committee. The Board is satisfied that the Company's risk management and internal control systems have operated effectively for the year under review. In this regard, please see the Audit Committee report on page 80.

Committees

The Board has established Audit, Investment, Nomination, Corporate Governance and Sustainability, Remuneration, and Underwriting and Underwriting Risk Committees. Each of the Committees has written Terms of Reference, which are reviewed regularly and are available on the Company's website. The Committees' Terms of Reference were reviewed by the Board during 2022 and considered again as part of the 2022 year-end performance evaluation process. The Committees' Terms of Reference are considered to be in line with current best practice. The Committees are generally scheduled to meet quarterly, although additional meetings and information updates are arranged as business requirements dictate. Director attendance at the 2022 Board meetings is set out on pages 72 to 74. A report from each of the Committees, which covers Committee attendance, is set out from pages 80 to 95.

Audit Committee

Sally Williams
Chair of the Audit Committee

"2022 was my first year as Committee Chair and I would like to thank my predecessor, Samantha Hoe-Richardson, the current Audit Committee members and the management team in facilitating an orderly and smooth transition into that role. In the year ahead, the Audit Committee will continue to work closely with the business and the Company's external auditors in ensuring the Group's readiness for reporting under the IFRS 17 accounting standard, with continued financial reporting integrity."

Committee membership

The Audit Committee comprises three independent Non-Executive Directors and is chaired by Sally Williams. The qualifications for each of the Committee members are detailed on pages 72 to 74. The Board considers that the three independent Non-Executive Directors all have recent and relevant financial experience, with competence in accounting and/or auditing. The Audit Committee as a whole has competence in the specialty insurance and reinsurance sectors. The internal and external auditors have the right of direct access to the Audit Committee. The Audit Committee's detailed Terms of Reference are available on the Group's website.

Committee members	Meetings attended
Sally Williams (Chair)	4/4
Simon Fraser	4/4
Robert Lusardi	4/4
Samantha Hoe-Richardson	2/2

Sally Williams assumed the role of Committee Chair on 9 February 2022.
Samantha Hoe-Richardson stepped down as Committee Chair and as a member of the Board with effect from 9 February 2022 and 27 April 2022, respectively.

Principal responsibilities of the Committee

- Financial and narrative reporting;
- External audit oversight;
- Internal audit oversight;
- Internal controls and risk management systems; and
- Compliance, speaking up and fraud.

Specific details of the Committee's responsibilities and activities in these five principal areas during the year are set out in the table on the following pages.

During 2022, the Committee focused on the adequacy of the Group's loss reserves, with particular regard to the business's thorough assessment of its exposures arising from the conflict in Ukraine, as well as hurricane Ian that occurred during the year; the effectiveness of the business's control environment; the continued integrity of external financial reporting; the oversight of corporate and risk culture through the reporting of the internal audit and risk management functions; and the progress of the Group's implementation plans for the IFRS 9 (Financial Instruments) and IFRS 17 (Insurance Contracts) accounting standards.

How the Committee discharged its responsibilities

Financial and narrative reporting

Committee responsibility	Committee activities
Monitors the integrity of the Group's consolidated financial statements, including its annual and half-yearly reports, annual reporting arising under applicable supervisory rules, interim management statements, preliminary announcements and any other formal statements relating to the Group's financial performance. Reviews and reports to the Board on significant financial reporting issues and judgements contained in the consolidated financial statements.	At each meeting the Committee reviews the Group's quarterly consolidated financial statements, including the annual consolidated financial statements, the Annual Report and Accounts and other public financial disclosures for the purpose of recommending their approval by the Board. The Group's annual regulatory reports, prepared in accordance with the BMA's reporting requirements, were reviewed in April 2022 at the Audit Committee meeting prior to the recommendation of their approval by the Board. The Committee also monitors the activities of the Group's Disclosure Committee and reviews the Group's quarterly financial releases and accompanying earnings call investor presentations. During 2022, the Committee received regular and ad hoc reports from management on: • loss reserving and developments to the Group's reserving process, including those to take account of the implications of adopting IFRS 17 going forward, considered in conjunction with the comparison of the Group's reserves to the best estimates of its external actuarial consultants and the reports provided by the external auditors. The Committee also received a report during the year from the Group Chief Actuary on the impact of claims inflation (i.e. above initial inflation projections) on reserve estimates; • developments in accounting and financial reporting requirements, including a summary of any updates to disclosures in the consolidated financial statements; • the quarterly activities of the Group finance team, which, for 2022, included delivering 'lunch and learn' sessions for new joiners to facilitate greater organisational awareness and overall alignment across the business; • any new and/or significant accounting treatments/transactions (including related party transactions) in the quarter, with a particular focus this year on the adjustments to estimated premium income in respect of insurance contracts impacted by the imposition of sanctions on Russia, arising from the conflict in Ukraine; • the assessment of the Group's ability to continue as a going concern and longer term viability (see page 120 for further details) which, for 2022, included detailed consideration of the impacts of the conflict in Ukraine and the volatility in global investment markets; • the programme of change across the Group, as well as enhancements in information security and the wider technology infrastructure. Information security matters are also reported to the Committee as part of the quarterly confirmatory compliance statements from the Group's legal and compliance function; • the progress of the Group's IFRS 9 and IFRS 17 implementation project and the related ongoing enhancements to the Group's finance IT framework; • the quarterly activities of LHL's subsidiary companies, including consideration of any risk issues; and • the Committee also received quarterly reports from the external auditors covering audit planning and the results of their assessment of key financial statement judgements and estimates, control testing, misstatements identified and other audit and accounting matters. The Committee attended a refresher training session delivered by the management team to the Board on the Group's IFRS 17 implementation project. In addition, the Audit Committee continued its constructive engagement with the Group CFO to ensure maintenance of high standards of financial controls and reporting. Judgements and estimation in the consolidated financial statements The Committee gives detailed consideration to the significant judgements and estimations applied in preparing the consolidated financial statements. See the summary on the areas of judgement and estimation and the related processes applied by management on page 84.
Reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.	The Committee reviewed the early drafts of the 2022 Annual Report and Accounts in order to keep apprised of its key themes and messages. During this review, the Committee carefully considered the clarity of disclosures made in respect of the material growth in Group premium income and the related developments in the business's underwriting portfolio; the impact of major market losses and ongoing development events; loss reserving; the evolution of the Group's ESG strategy; the account of the Group's carbon footprint measurement and offsetting; the Group's TCFD report; and the in-depth assessment conducted around going concern and viability. The Committee reviewed the final draft of the 2022 Annual Report and Accounts at the February 2023 Audit Committee meeting, together with the external auditor's report. The Committee advised the Board that, in its view, the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

How the Committee discharged its responsibilities *continued*

External audit oversight

Committee responsibility	Committee activities
Oversees the relationship with the Group's external auditors, approves their remuneration and terms of engagement, and assesses annually their independence and objectivity, taking into account relevant legal, regulatory and professional requirements and the Group's relationship with the external auditors as a whole. This includes an annual assessment of the qualifications, expertise and resources, and independence of the external auditors and the effectiveness of the external audit process.	The Committee approves the annual external audit plan, ensuring its consistency with the scope of the audit engagement, and receives reports from the external auditors, including an ongoing assessment of the effective performance of the audit compared to the plan. KPMG LLP's terms, scope of engagement and fees are approved by the Committee at the start of each audit. Following the year-end audit, the Committee performs an assessment of the effectiveness of the external audit process. This assessment was last conducted, and designed to align with good practice guidance, at the April 2022 Audit Committee meeting and it was concluded that the external audit process was operating effectively, both with respect to the service provided by KPMG LLP and management's support of the audit process. Similarly, the Committee receives from the external auditors a management letter setting out certain findings and recommendations in respect of the audit of the control environment and receives regular updates from management on the steps taken in addressing the observations raised. The Committee also formally reviews the independence of the external auditors, in particular at the half-year and year-end meetings, taking into account any non-audit services provided. The Committee considers that KPMG LLP remain independent. The Committee Chair conducts informal meetings with the external auditors and the Group CFO prior to the review of the quarterly results. The Committee meets quarterly in executive session with the external auditors to discuss any issues arising from the audit, and with management to obtain feedback on the audit process.
The development and implementation of a formal policy on the provision of non-audit services by the external auditors, taking into consideration any threats to the independence and objectivity of the external auditors.	The Committee has approved and adopted a formal non-audit services policy that is reviewed on an annual basis. The policy was last reviewed by the Group CFO in April 2022 and subsequently approved by the Committee at its first quarter meeting. The policy, which stipulates the approvals required for various types of non-audit services that may be provided by the external auditors, as well as those from which the external auditors are excluded, is on the Group's website. During 2022, KPMG LLP provided $0.4 million of non-audit services to the Group relating to the half-year reporting review, as well as Solvency II and Lloyd's regulatory returns. The Committee gave careful consideration to the nature of the non-audit services provided, the suitability of KPMG LLP as the most suitable supplier of the non-audit services and the level of fees charged and has determined that they do not affect the independence and objectivity of KPMG LLP as auditors.
Makes a recommendation to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Group's external auditors.	Following a competitive external audit tender process undertaken during 2016, the appointment of KPMG LLP as external auditors was first approved by shareholders at the 2017 AGM and has been approved at subsequent AGMs. The 2022 financial year was the sixth financial year in which KPMG LLP acted as the Group's external auditors. The incumbent lead audit partner is Salim Tharani, who assumed this role from his predecessor, Rees Aronson, at the beginning of the 2022 financial year, in accordance with an orderly plan of partner rotation under the guidance of the UK Ethical Standard. The external audit fee arrangements across the Group were originally agreed in 2016 as part of the audit tender process, with amounts fixed for the 2017-2019 year-end audits. Since 2020, the Audit Committee has discussed and agreed with KPMG LLP, in consultation with management, the annual fee structure for the forthcoming year-end audit, most recently in respect of the 2022 financial year. The Committee and the Board are recommending the re-appointment of KPMG LLP as external auditors at the 2023 AGM. The Committee has and will continue to evaluate the impact on the Group of the Department for Business, Energy and Industrial Strategy (BEIS) consultation and resulting proposals for restoring trust in audit and corporate governance.

How the Committee discharged its responsibilities *continued*

Internal audit oversight

Committee responsibility	Committee activities
Monitors and assesses the role and effectiveness of the Group's internal audit function in the overall context of the Group's risk management system, ensuring it has unrestricted scope, and the necessary resources and access to information to enable it to fulfil its mandate in accordance with appropriate professional standards.	The Group's internal audit function reports directly to the Committee. The Committee meets in executive session with the Group Head of Internal Audit on a quarterly basis. Each year, the Group Head of Internal Audit presents an annual internal audit strategy and plan to the Committee for consideration and approval. In general, the most significant business risks and controls are considered for audit annually, whilst less critical risks are audited periodically as part of a flexible multi-year programme. The internal audit plan also considers emerging risks which may impact on the business, with input in this area from the Group risk management function. The Committee receives a quarterly report from the internal audit function summarising the status of the internal audit plan; findings from internal audits conducted in the period; and the status of actions taken by management to implement recommendations arising. Consideration is also given to the assessment of the Group's culture, including risk culture, for each audit undertaken and an overall summary of observations identified in respect of the Group's culture is presented to the Committee on a quarterly basis. During 2022, the Committee reviewed and approved the Internal Audit Charter. This can be viewed on the Group's website. The Committee assessed the level of internal audit resource and the appropriateness of the skills and resources of the internal audit function. The Chair of the Committee undertook an annual review of the effectiveness of the internal audit function and its activities during 2022. The Committee discussed the report and its findings with the Group CRO and the Group Head of Internal Audit and concluded that the internal audit function is operating effectively in the overall context of the Group's risk management system, has appropriate standing within the Group and that the Group Head of Internal Audit has the appropriate reporting lines to maintain independence.

Internal controls and risk management systems

Reviews the adequacy and effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. Reviews and approves the statements to be included in the Annual Report and Accounts concerning internal control, risk management, including the assessment of principal and emerging risks, and the viability statement.	The Board has ultimate responsibility for ensuring the maintenance by the Group of a robust framework of internal control and risk management systems and has delegated the monitoring and review of these systems to the Committee. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Committee received from the Group CRO periodic reports detailing results of the quarterly risk and control affirmation review and testing work, together with an overview of the Group's control environment and its effective operation. The Committee also received additional reports from the Group CRO and Group Head of Internal Audit on the ongoing effective operation of key controls during the programme of change arising through growth in the business and the resultant increase in headcount across the Group. For further detail of the emerging and principal risks affecting the Group, including those matters that have informed the Board's assessment of the Group's ability to continue as a going concern and ongoing viability, as well as the risk mitigation procedures in place to identify and manage them, see pages 30 to 37. The Committee received from the Group Head of Internal Audit an annual assessment of the effectiveness of the Group's governance, risk and control framework, together with an analysis of themes and trends from the internal audit work performed and their impact on the Group's risk profile. As part of the most recent annual appraisal, the Group Head of Internal Audit gave explicit consideration to management's fraud risk assessment and reported to the Committee that no instances of actual or potential fraud had been identified as part of the review work and other assurance activities undertaken, nor had the Group Head of Internal Audit been informed of, or made aware of, potential fraud by the management team. Fraud risk and the associated controls are, otherwise, ordinarily considered by the Group internal audit function as part of the planning phase for each audit conducted. In 2022, the Committee and Board were satisfied that the governance, risk and control framework continue to remain both effective and appropriate for the Group.

How the Committee discharged its responsibilities *continued*

Compliance, speaking up and fraud

Committee responsibility	Committee activities
Reviews for adequacy and security the Group's compliance, speaking-up and fraud controls.	During 2022, the Committee conducted an annual review of the Group's policies and procedures relevant to financial controls to ensure their adequacy and effectiveness, and recommended the adoption by the Board of updated policies and procedures in respect of: anti-money laundering; the prevention of bribery and financial crime (including the detection of fraud); conflicts of interest; whistleblowing arrangements; and sanctions monitoring. The operation of the controls that are documented in these policies and procedures are reported to the Committee on a quarterly basis in the form of confirmatory compliance statements from the Group's legal and compliance function, members of which include the Group's Money Laundering Reporting Officers and Group Data Protection Officer. The Committee also keeps under review the adequacy and effectiveness of the Group's legal and compliance function and receives regular updates on compliance training delivered to staff across the Group (see page 53 for further details). The Group's whistleblowing policy and procedure provide an internal mechanism for the reporting, investigation and remediation of any workplace wrongdoing, with arrangements in place that allow for the independent investigation of such matters and appropriate follow-up action. A whistleblowing champion has been appointed to each of the Group's principal operating subsidiaries, as well as at a parent company level, with the Chair of the Audit Committee serving in such capacity. The appointed whistleblowing champions have responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Company's policies and procedures on whistleblowing. The Group places a high priority on staff understanding of this process to enable them to speak out with confidence when appropriate and this message, as well as the arrangements that are in place, is regularly communicated to all staff.

Significant areas of judgement and estimation

An annual paper is presented by management to the Committee that details the areas of judgement and estimation in the preparation of the consolidated financial statements and a semi-annual going concern assessment is also presented to the Committee which covers areas relevant to the longer term viability of the business.

The valuation of loss reserves and expenses

The most significant area of judgement and estimation considered by the Committee during 2022 was the valuation of loss reserves.

As detailed on page 140 of the consolidated financial statements, the valuation of loss reserves is a complex actuarial process that incorporates a significant amount of judgement. The Committee considers the adequacy of the Group's loss reserves at each Audit Committee meeting, for which purpose it receives quarterly reports from the Group's Chief Actuary. The Committee also receives independent estimates of the Group's loss reserves from an external actuary and compares these third-party estimates to those of the Group at its second and fourth quarter Audit Committee meetings. KPMG LLP conducts a detailed re-projection of the Group's loss reserves as part of the full-year audit. The Committee meets in executive session with the Group's Chief Actuary twice a year (at half year and year-end) to discuss the operation and effectiveness of the actuarial function and the reserving process.

During 2022, the Committee focused its discussions pertaining to the Group's loss reserves on:

- the reserving for natural catastrophe loss events and larger risk loss events (including ongoing development events) which occurred during the year;
- the difference between the Group's estimates and the independent review from external actuaries (these differences being viewed by management, the external third parties and the Committee to be within a reasonable range);
- prior year loss development, including 'back-testing' of the Group's prior year reserves;
- reserving for each insurance operating subsidiary;
- the assessment and quantification of the impact of excess claims inflation (i.e. above initial inflation projections) on reserve estimates; and
- refinements to the Group's reserving methodology as we transition to IFRS 17.

Having reviewed and challenged these areas, the Committee concurred with management's valuation of the Group's loss reserves and the relevant disclosures around loss reserving in the Group's consolidated financial statements.

The fair value of financial instruments

Less significant estimates are made in determining the fair value of certain financial instruments and management judgement is applied in determining impairment charges. The investment portfolio is of a high credit quality and highly liquid and the Audit Committee obtains comfort from the impairment policy being applied consistently over time. The estimation of the fair value, specifically 'Level (iii)' investments, is discussed on pages 139 and 141 and in note 11.

Valuation of premiums received which are estimated

A portion of the gross premiums written by the Group is based on estimates of the ultimate premiums expected. Judgement is therefore involved in determining the ultimate estimates to establish the appropriate premium value. The Audit Committee obtains comfort from quarterly reviews performed by management to validate the judgements and compare against actual premium received.

Going concern basis of accounting and longer term viability

The Audit Committee reviewed and challenged the going concern assessment prepared by management at both its July 2022 and February 2023 meetings, with particular consideration of capital management, the current underwriting and loss environment, the composition and liquidity of the investment portfolio, long-term debt financing arrangements, strategic and financial forecasts over the business planning horizon, and stress and scenario testing (including climate-change risk scenarios). These factors are also relevant to giving assurance to the Board on the longer term viability of the Group's business strategy.

Having reviewed and challenged these areas, the Committee concurred with management's going concern assessment and the relevant disclosures around going concern and longer term viability in the Group's consolidated financial statements.

Implementation plans for IFRS 9 and IFRS 17

During 2022, the Committee monitored on a quarterly basis the preparation by the Group for the implementation of IFRS 9 and IFRS 17 (see future accounting changes on page 137).

In particular, the Audit Committee received a quarterly IFRS 17 reporting pack outlining the financial reporting outputs from the IFRS 17 implementation project, which included an overall project plan and status update to enable the Audit Committee to monitor the IFRS 17 deliverables. All Board and Audit Committee members attended an IFRS 17 training session in November 2022, where the topics covered included: accounting policy choices, measurement models, valuation and presentation differences, approach to discounting, disclosure requirements, key performance indicators and significant estimates and judgements.

The Audit Committee also monitored the work of KPMG LLP in their ongoing assessment of the Group's preparedness to transition to IFRS 17 and IFRS 9 and discussed with them the external audit-related implications of these changes.

Priorities for 2023

- To maintain the focus on the effectiveness of the Group's control environment, the operation of the business's financial reporting systems and the integrity of external financial reporting;
- To monitor the implementation of IFRS 9 and IFRS 17 in 2023 financial reporting;
- To continue to monitor and embed aspects of positive business culture in quarterly reporting, in particular regarding the Group's financial and risk control environment; and
- To continue to monitor developments and implement recommendations relating to anticipated changes in the corporate governance, corporate reporting and audit practice landscape arising from the BEIS consultation.

Nomination, Corporate Governance and Sustainability Committee

"Strong corporate governance is at the heart of our culture and our rigorous system of risk management. During the year, we have further refreshed our Board membership, rotated the leadership of our Audit and Remuneration Committees and appointed a new Senior Independent Director in line with Code expectations for director independence.

The Committee's role continues to focus on sustainability issues for the Group, and includes monitoring evolving developments in climate risk and ESG management, and within regulation, guidance and reporting requirements. During the year, the Committee has formalised the reporting line from the management ESG Committee.

The focus of the Board and management team is on the creation of a diverse and vibrant culture and business which is sustainable over the long-term."

Peter Clarke
Chair of the Nomination, Corporate Governance and Sustainability Committee

Committee membership

The majority of the Nomination, Corporate Governance and Sustainability Committee members are independent Non-Executive Directors. The Committee Chair is Peter Clarke, who is the Chair of the Board. Samantha Hoe-Richardson stepped down from the Board and the Committee with effect from 27 April 2022, having completed nine years of service as a Director.

Committee members	Meetings attended
Peter Clarke (Chair)	4/4
Michael Dawson	4/4
Sally Williams	4/4
Irene McDermott Brown	4/4
Samantha Hoe-Richardson	2/2

Principal responsibilities of the Committee

- Reviews the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and its engagement with the workforce;
- Considers succession planning for the Directors and other senior executives;
- Nominates candidates to fill Board vacancies;
- Makes recommendations to the Board concerning Non-Executive Director independence, membership of Committees, suitable candidates for the role of Senior Independent Director, and the re-election of Directors by shareholders;
- Reviews the Company's corporate governance arrangements and compliance with the Code;
- Monitors and makes recommendations to the Board regarding the environmental, social and governance responsibilities of the Company; and
- Makes recommendations to the Board concerning the charitable and corporate social responsibility activities of the Company and donations to the Lancashire Foundation.

How the Committee discharged its responsibilities

Corporate governance

Committee responsibility	Committee activities
Board composition and effectiveness	The Committee discussed in its meetings the skills and experience needed to complement those already on the Board and its Committees. The Committee regularly discussed matters of Board succession and skills planning over the medium to longer term including the process for Chair succession planning, which is to be a process facilitated by the Board's Senior Independent Director (SID). The Committee considered questions of fitness and independence in recommending to the Board the appointment of Jack Gressier, who was appointed as a Non-Executive Director with effect from 26 July 2022. The Committee also approved the appointment of Mr Gressier to the Underwriting and Underwriting Risk Committee and the Remuneration Committee. During the year the Committee oversaw the appointments of Sally Williams and Irene McDermott Brown respectively to the Chairs of the Audit and Remuneration Committees. The Committee reviewed the composition of the Board at its November 2022 meeting, and it considered that the balance of skills, knowledge, independence, experience and diversity continues to be appropriate for the Group's business to meet its strategic objectives. The Committee oversaw the process for the year-end review of the effectiveness of the Board, the Committees and each of the Directors, which was facilitated internally by the Company Secretariat team. The Committee and the Board were satisfied that the Board and each of its Committees were operating effectively. Further details of the performance evaluation process and its outcomes can be found on page 77. In accordance with the provisions of the Code, all of the Directors are subject to annual (re)election by shareholders. With the exception of Jack Gressier who was appointed in July 2022, all of the Group's current Directors were elected or re-elected by shareholders at the 2022 AGM. With the exception of Simon Fraser, who will not submit himself for re-election having completed nine years' service as a Director, all other serving Directors will be submitted for re-election at the 2023 AGM. In light of Simon Fraser's planned rotation off the Board, the Committee facilitated a process for the selection of a new SID, which resulted in the appointment of Robert Lusardi as SID with effect from 3 November 2022. The Committee has also received regular updates with respect to the succession planning for the Board's Chair.
UK Code compliance	The Committee keeps under review the Company's corporate governance arrangements, particularly the Company's compliance with the FRC's UK Corporate Governance Code (the 'Code'). The Committee reviewed the Company Secretariat's checklist record of the Company's compliance with the Code on a quarterly basis.
Governance documentation	The Committee considered the Terms of Reference for all the Committees which were considered fit for purpose. A review was implemented during 2022 to ensure the Terms of Reference reflect the Group's approach regarding the use of non-gendered language and inclusivity. In July 2022, the Committee reviewed and recommended to the Board an updated version of both the Board's Schedule of Reserved Matters and of the document describing the division of responsibilities between the Group CEO and the Chair. In November 2022, the Committee reviewed and recommended to the Board for recommendation to shareholders the revised Company Bye-laws. The revised Bye-laws will be put to shareholders for approval at the Company's 2023 AGM.

How the Committee discharged its responsibilities *continued*

Corporate governance

Committee responsibility	Committee activities
Appointments and succession planning	The Committee reviewed and recommended the approval and adoption by the Board of the Group's succession plan and talent management and development programme for the 2022/2023 year in July 2022. The business has the objective of fostering a skilled and diverse workforce to meet the needs of the business. The Committee reviewed training and development proposals for a number of key employees across the Group as part of the succession planning process.
Workforce engagement	During 2022, the Group continued the practice of the Group CEO holding 'town hall' meetings with employees following the announcement of the Group's quarterly results. In order to further enhance arrangements for engagement between the Non-Executive Directors and members of the workforce, the Committee arranged for these town hall meetings to be periodically attended by the Chair of the Board or another Non-Executive Director. Peter Clarke attended the town hall meetings held virtually for both our Bermuda and London offices in February 2022; Sally Williams attended in-person town hall meetings in our London offices in May 2022; Irene McDermott Brown attended an in-person meeting in London in both August and November 2022. The Board and Committee also received the results of two staff engagement surveys undertaken during 2022. In March 2022, the Group conducted a wellbeing survey as a follow up to the engagement survey conducted in 2021 and in September 2022, the Group conducted a rewards and benefits survey to better understand the views of staff on the compensation and benefits offered at Lancashire (see page 51 for further details of these surveys). With the relaxation of COVID-19 related restrictions on social interaction, the Directors once again had the opportunity to meet with staff less formally at staff lunches and other social gatherings organised around the time of the Board's regular meetings in Bermuda. The Committee considered these and other tools for workforce engagement at its November 2022 meeting and discussed arrangements for workforce engagement during 2023. The Committee considers that the mechanisms for workforce engagement and feedback have an appropriately high profile and this, in turn, informs debate within the relevant Committees, the Board and the wider Group.
Audit reform	The Committee has monitored developments in the area of audit market reform, regulation and practice during 2022, including proposals for UK legislative change as a result of the FRC's final consultations, the Department for Business, Energy and Industrial Strategy's consultation and the planned establishment of Auditing Reporting Governance Authority (ARGA).
Subsidiary boards	The Committee and Board monitored the composition and appointments and changes to the Group's subsidiary boards during 2022.

How the Committee discharged its responsibilities *continued*

Sustainability

Committee responsibility	Committee activities
Sustainability and ESG reporting	The Committee has continued to monitor developments in the area of the Group's ESG responsibilities, including the impact of climate change, throughout its work in 2022. The Committee has received reports from the management ESG Committee (which was established during 2021) regarding the current and developing ESG regulatory landscape as well as the Group's progress in these areas. Upon the recommendation of the Committee, the Board agreed the Group's 2022 ESG strategic statement and the Group's ESG risk framework, both of which have been embedded into the business.

Environment

Climate change risk and opportunity	The Committee also periodically reviews developments in the areas of environmental sustainability and climate change, and the management of related risks and opportunities. The Committee reviewed and ratified the Group's 2022 CDP response. For more information on these matters, please see the Group CRO's report on page 26 and the 2022 TCFD report starting on page 61.

Social responsibility

Diversity	The Committee recommended approval of an updated Board diversity policy, which is posted on the Company's website. The main change in this policy was to include a commitment to meet the Parker review target for minority ethnic representation by December 2024. The Committee is actively progressing recruitment in order to meet this target. The Committee also noted and approved proposals for the introduction by management of a staff level Diversity, Equity and Inclusion Policy, which was approved by the Group Executive Committee during the year.
The Lancashire Foundation	The Committee is responsible for monitoring and making recommendations to the Board in relation to the Company's charitable giving policy and the operation of, and reporting requirements for, the Lancashire Foundation. During 2022, the Committee received a report from the Foundation, including its objectives, governance, approach to funding for 2023 and beyond, alongside its investment strategy, donations policy and charitable activities, as well as the ways in which the Foundation engages with employees throughout the Group. The Committee made a recommendation to the Board that the Company make a donation to the Foundation of 0.75% of full-year Group profits (subject to a cap of $750,000 and a $250,000 collar), conditional on the determination of financial performance for the full year. 2022 marks 16 years of the Lancashire Foundation – for more information regarding its work, please see pages 47 to 50.
UK Modern Slavery Act 2015	During 2022, the Committee recommended the approval by the Board of an updated anti-slavery and human trafficking statement, a copy of which is posted on the Company's website.

Priorities for 2023

- To continue to ensure that the Company is able to effectively discharge its governance responsibilities under the Code;
- To continue to develop the succession plans for Directors and senior executives, and the role of Board Chair, in line with the Group's strategic objectives;
- To support management in the development of the talent pipeline;
- To review developments with regards to the Company's sustainability and ESG activities including management of climate change risk and opportunity; and
- To monitor the Company's progress on diversity and to take steps to enhance minority ethnic representation on the Board.

Investment Committee

Robert Lusardi
Chair of the Investment Committee

"The Group's investment portfolio has been negatively impacted in 2022 by volatility in global markets, inflationary trends and a rapidly rising interest rate environment. In the face of these challenges the Group's defensive short duration profile of the investment portfolio has helped mitigate the impacts of rising interest rates.

The negative impacts on the portfolio are principally comprised of unrealised losses on relatively short duration assets which we expect to unwind for the most part over the medium term. The Committee conducted a strategic asset allocation review during the year, which has served largely to validate our investment approach over recent years. The investment portfolio is managed with a view to preserving capital to support underwriting opportunities and to provide adequate liquidity to match the Group's risk exposures. Given that the vast majority of the Company's premium writings, reserves and investments are U.S. dollar denominated, economic and capital market conditions in the U.S. are the primary determinant of investment results. Currently, inflation is subsiding somewhat in the U.S., unemployment is at a long-term low, and interest rates, which rose by more than 300 basis points in 2022, have recently stabilised. As such we expect the portfolio to make a more significant contribution to returns in 2023, particularly as lower yielding assets roll off."

Committee membership

The Terms of Reference of the Investment Committee provide that the Committee shall comprise at least two Non-Executive Directors (one of whom may be the Chair of the Board) and the Group CFO and/or the Group CIO. Any Executive Director may also serve on the Committee.

The Investment Committee comprises one independent Non-Executive Director, the Chair of the Board, one Executive Director (the Group CFO) and the Group CIO (who is not a Director).

Committee members	Meetings attended
Robert Lusardi (Chair)	4/4
Peter Clarke	4/4
Natalie Kershaw	4/4
Denise O'Donoghue	4/4

Principal responsibilities of the Committee

- Recommends investment strategies, guidelines and policies to the Board and other Group entities to approve;
- Recommends and sets risk asset definitions and investment risk tolerance levels;
- Recommends to the relevant Boards the appointment of investment managers to manage the Group's investments;
- Monitors the performance of investment strategies within the risk framework; and
- Establishes and monitors compliance with investment operating guidelines.

How the Committee discharged its responsibilities

For the full 2022 year there was a negative return on the Group's investment portfolio of $76.7 million, being a portfolio percentage return of negative 3.5%. The largest factor in the negative return was mark to market unrealised losses, which for the full year were $93.2 million.

During 2022, the Committee focused on the challenge of volatility arising from the effects of the continuing impact of the COVID-19 pandemic, the conflict in Ukraine, inflationary pressures and changes in the U.S. Federal Reserve's interest rate policy and the wider U.S. and global economic and political environment. The Committee monitored the impacts on the fixed income assets within the investment portfolio of the rising interest rate environment within the U.S. and the impact on mark to market valuations and unrealised losses within the portfolio.

The Committee continued to work with management to articulate, support and implement the Board's investment philosophy. The Group's investment strategy continues to be conservative in nature, to support the Group's underwriting strategy, to provide appropriate liquidity to match the Group's risk exposures and to contribute to the Group's growth in FCBVS. The Committee received a proposal from management with regard to asset allocation guidelines further to the biennial asset allocation review, which was externally facilitated by an independent advisory firm. The strategic asset allocation review was discussed and agreed at the November 2022 meeting. The analysis factored in consideration of growth in the Group's casualty reinsurance portfolio reserves on the desired overall target investment portfolio duration and liquidity requirements. A number of investment strategy recommendations were debated and agreed.

The Committee held regular discussions with the professional investment portfolio managers concerning the macroeconomic environment and implications for investment asset classes and strategy.

The Committee considered regular reports on the performance of the Group's investment portfolios, including asset allocation and compliance with pre-defined guidelines and tolerances; and recommended amendments to portfolio investment guidelines to the Board.

The Committee monitored a suite of investment portfolio risk analytics throughout the year including a 1 in 100 Value at Risk measure, realistic disaster scenarios and realistic loss scenarios, credit risk, liquidity risk and other market risks. The Committee also tracked FX exposure and its management.

The Committee continues to monitor ESG and climate change developments and expectations within the market. The Committee monitors and will continue to develop a number of tools to measure the ESG profile, climate change risk exposure and carbon intensity of the Group's investment portfolio. It is recognised by the Committee that most of the available measurement metrics and methodologies for these factors are imperfect, and the Committee expects to further develop and refine its ability to analyse these factors in future years, in consultation with the Group's external advisors and portfolio managers, particularly as external tools and standards for measuring potential climate effects on investments become more developed.

The Committee noted that 93.9% of the Group's externally managed investment portfolio are signatories to the UNPRI. The Committee monitored the ESG profile of the Group's fixed maturity portfolio by reference to the MSCI ESG rating tool, noting that the Lancashire portfolio sits near the high end of the average ESG category rating. The proportion of the fixed maturity portfolio covered by the available rating methodology was approximately 47.2% of the public fixed maturity portfolio, due to the high number of U.S. treasuries and structured products that are not covered by the available methodology.

The Committee has for the second year operated a framework for the measurement of climate sensitivity for corporate bonds within the fixed maturity portfolio through the use of a Climate Value at Risk metric (Climate VaR), which is aligned with the Paris Accord goal of limiting global temperature increases to a maximum of 1.5°C, for the Group's investment risk tolerance statements. The Committee and Board have a preference for the financial impact of this scenario on the Group's fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. Due to limited coverage of the available measurement tool mentioned above, the portfolio performance is grossed up by reference to covered assets. The Committee noted that the fixed maturity portfolio continues to outperform the benchmark portfolio on the Climate VaR measure.

The Committee monitored the implementation of carbon intensity guidelines for investment managers in the fixed maturity portfolio. The carbon intensity score for the fixed maturity portfolio reduced against the prior year. The Committee expects to see a further reduction in the carbon intensity of the fixed income portfolio as securities with a greater carbon intensity score roll off the portfolio over the next few years, although the reductions will be lower because of management actions previously taken.

The Committee and the Board continued to operate ESG and carbon management investment guidelines implemented by the Group's investment managers across the Group's fixed maturity investment portfolios.

Priorities for 2023

- To maintain a continued focus on a diversified portfolio, continuation of its contribution to the Group's operating income and FCBVS, the preservation of capital, the maintenance of liquidity in order to pay claims and the prudent management of investment risks aligned with the developing profile of the Group's underwriting portfolio, including the addition of longer tail lines;
- To focus on the implications of macroeconomic trends, in particular the threat of more sustained inflationary pressures, trends in interest rates, the U.S. domestic economy and instability within the international political environment; and
- To monitor climate change risk sensitivity, the ESG profile and carbon intensity profile of the Group's investment portfolio as the external market for measurement of such items continues to develop.

Underwriting Committee

"The Committee's principal focus in 2022 was in monitoring the strong premium growth trend during the year as pricing in the insurance and reinsurance markets continued to harden. With organic and complementary growth in the Group's core specialty lines, improved pricing on the catastrophe book and the strong build out of the Group's newer casualty and financial lines exposures, the Committee has monitored the relative rebalancing of catastrophe risk within the overall portfolio.

Overall, the Group has developed a more diversified portfolio which, over time, is expected to generate more consistent and less volatile returns.

In another year of global volatility marked by the conflict in Ukraine, the Committee has continued to monitor both the risks and the underwriting opportunities arising from dislocation in a number of insurance and reinsurance classes."

Alex Maloney
Group CEO and Chair of the Underwriting and Underwriting Risk Committee

Committee membership

During 2022, the Underwriting and Underwriting Risk Committee comprised one Executive Director (the Group CEO) and two Non-Executive Directors (Jack Gressier joined the Committee during the third quarter), together with the Group CUO, the CUO of LICL, the CUO of LUK, the CEO and CUO of LSL, the LICL CEO and the Group Chief Actuary (who are not Directors).

Committee members	Meetings attended
Alex Maloney (Chair)	4/4
Jon Barnes	4/4
Michael Dawson	4/4
James Flude	4/4
Paul Gregory	4/4
Jack Gressier	1/1
James Irvine	4/4
Hayley Johnston	4/4
Ben Readdy	4/4
John Spence	4/4

Principal responsibilities of the Committee

- Reviews Group underwriting strategy, including consideration of new lines of business;
- Oversees the development of, and adherence to, underwriting criteria, limits, guidelines and authorities by operating company CUOs;
- Reviews underwriting performance;
- Reviews significant changes in underwriting rules and policies; and
- Monitors underwriting risk and its consistency with the Group's risk profile and risk appetite.

How the Committee discharged its responsibilities

During 2022, the Committee continued to focus upon the improved pricing and market conditions in most of the Group's existing lines of business, the development of the Group's casualty and financial lines portfolios and other more recently established business lines, and the opportunities to grow and diversify the underwriting portfolio through the addition of new lines of business.

Throughout the year the Committee discussed areas of risk and opportunity, in particular arising from market dislocation caused by the conflict in Ukraine and the impacts of hurricane Ian. The Committee monitored what was, for the most part, an improving pricing trend which facilitated strong premium growth as the year developed. The Group's RPI, which shows the trend in renewal pricing on like-for-like contracts, was 108% for the full year across the portfolio. Gross premiums written for the full year increased to $1.7 billion, which was a 34.9% increase on 2021. The Committee benefitted from the enhancements to the reporting of management performance data introduced during 2021 and the more readily digestible and granular detail of pricing trends and premium income, claims developments and overall performance by underwriting segment.

The Committee monitors underwriting performance on a quarterly basis to ensure that good risk selection and disciplined underwriting remain at the core of the Group's underwriting strategy. This is facilitated through regular update reports from the CUOs for LUK and LICL, the Active Underwriters of Syndicates 2010 and 3010, and the CEO of LCM.

The Committee also discussed and monitored growth and new business opportunities during the year including the following areas:

- Casualty reinsurance;
- Development of the Syndicate 3010 Lloyd's Australian D&F property class;
- Syndicate 3010 and LUK marine and energy liability growth;
- The newly established construction and engineering classes;
- Lloyd's casualty consortium participation; and
- Aviation classes – in particular opportunity arising from market dislocation.

The Committee also received reports on a number of initiatives which were explored but were not pursued.

The Committee received a claims update on a quarterly basis and monitored the claims and reserving processes for any material losses as they developed during the year. During 2022, the Committee had a particular focus on the Group's potential exposures arising from the conflict in Ukraine and also monitored the claims and reserving process for the Group's Florida and other U.S. exposures to hurricane Ian. The Committee also monitored developments in international law relating to insurance coverage for COVID-19 related claims.

The Committee has been actively engaged during 2022 in the development and implementation of the Group's underwriting strategy. It considers the articulation of, and adherence to, formal underwriting risk tolerances, which are approved and monitored by the Committee and the Board. This included the discussion and approval of tolerances in relation to mortgage risk and cyber exposures. In particular, the Committee received quarterly risk data tracking movements in the Group's exposures to modelled PMLs and RDSs. The Committee also reviewed developments in the formal underwriting authorities implemented across the Group. The Committee also reviewed and approved underwriting risk appetite statements, including in relation to adherence to formal Group ESG and climate risk underwriting guidelines which have been articulated and operated by reference to Lloyd's guidance.

The Committee, through the review and monitoring of underwriting PMLs, continued to monitor exposures to a range of natural catastrophe risks, including regional windstorm and hurricane exposures, and the articulation of an appropriate underwriting and risk management strategy and management preference for these and other risk exposures linked to climate change factors. The Committee discussed the impacts of hurricane Ian during the third quarter. The Committee is satisfied that the Group's underwriting strategy and reinsurance and risk management programmes are appropriate for the management of underwriting risk and natural catastrophe and climate linked exposures relating to these factors. For more detail, please see the ERM report starting on page 26 and the Group's TCFD report starting on page 61.

The Group's programme of outwards reinsurance protections is a core risk and exposure management tool. The Committee reviewed the structure, pricing and operation of the outwards reinsurance programme and regularly discussed management reports covering outwards reinsurance developments. In particular, the Committee held a dedicated strategic discussion at its November 2022 meeting to consider reinsurance market dynamics, in particular in the light of market dislocation as a result of the impacts of hurricane Ian. The Committee discussed options for the development and focus of the Group's outwards reinsurance programmes, the opportunities for alignment and efficiencies across the Group and the related strategic opportunities within the Group's inwards reinsurance portfolio.

The Committee also convened a number of other themed 'deeper dive' strategic sessions at its quarterly meetings involving the participation of underwriters from across the Group. These included sessions on the Group's aviation underwriting strategy, discussion of developments in the specialty reinsurance markets and related risks and opportunities for the Group, and the Group's inward retrocessional reinsurance portfolio.

The Committee received management reports on the progress and approval by Lloyd's of the business plans for Syndicates 2010 and 3010, including the Lloyd's approval of growth plans for 2023.

The Committee also reviewed developments in the third-party reinsurance capital markets and the performance of the LCM platform, The Committee discussed changes in the ownership of LCM to achieve full alignment with the Group and the related opportunities to use third party capital structures to support Group underwriting initiatives.

During 2022, the Committee meetings were attended by all Board members. The Committee and Board seek to match the Company's capital to the underwriting requirements of the business in all parts of the underwriting cycle.

A more detailed analysis of the Group's underwriting performance appears in the business review starting on page 20.

Priorities for 2023

- To continue to monitor the development and implementation of a forward-looking and disciplined underwriting strategy with a focus on disciplined growth appropriate to the current market opportunities and nimble use of the Group's underwriting platforms, within a framework of appropriate risk tolerances;
- To work actively with management in the identification, analysis and consideration of new underwriting opportunities, including potential new lines of business, opportunities in new markets and opportunities for the managed 'organic' growth in the Group's existing business lines;
- To consider opportunities for development of the Group's reinsurance structures including in the area of third party reinsurance capital; and
- To continue to foster a nimble, sustainable and responsive underwriting culture, capable of responding to the needs of clients, investors, employees and other stakeholders.

Remuneration Committee

"I was pleased to take on the role of the Remuneration Committee Chair during 2022. The Committee has carried out a review of our Remuneration Policy for Executive Directors and its implementation and I would like to thank shareholders who engaged in this process.

The Committee has recommended some minor changes to the Remuneration Policy, and for 2023 we have introduced a new RoE measure for use in the annual bonus for our Executive Directors. The Committee is satisfied that Lancashire's remuneration structures are appropriately aligned with the Group's strategic priorities. Our focus remains to ensure appropriate reward for our people, who are the Group's key asset, to deliver on our strategy."

Irene McDermott Brown
Chair of the Remuneration Committee

Committee membership

The Remuneration Committee comprises five independent Non-Executive Directors and the Chair of the Board. Immediately following the April 2022 AGM, Irene McDermott Brown assumed the role of Committee Chair succeeding Simon Fraser in that role. Simon Fraser will remain a member of the Committee until the 2023 AGM when he will step down as a Director, having completed nine years' service. Jack Gressier was appointed as a member following his appointment to the Board in July 2022. Jack has extensive insurance industry management experience including knowledge of remuneration practice.

Committee members	Meetings attended
Irene McDermott Brown (Chair)	4/4
Peter Clarke	4/4
Michael Dawson	4/4
Jack Gressier	1/1
Robert Lusardi	4/4
Simon Fraser	4/4

Principal responsibilities of the Committee

- Sets the Remuneration Policy for all Directors and determines the total individual remuneration packages of the Company's Chair, the Executive Directors, Company Secretary and other designated senior executives, to deliver long-term benefits to the Group;
- Agrees financial and personal objectives for each Executive Director and the performance against these objectives for the annual bonus;
- Determines each year whether awards will be made under the Group's RSS and, if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior executives, and the performance targets to be used;
- Ensures that contractual terms on termination or retirement, and any payments subsequently made, are fair to the individual and the Company; and
- Oversees any major changes in employee benefit structures throughout the Group.

How the Committee discharged its responsibilities

Throughout the year the Committee kept under review the Group's performance and remuneration structures, in the light of investor and stakeholder input.

The Directors' Remuneration Policy has a three-year term following its approval by shareholders at the 2020 AGM, with a majority of 88% of votes cast. The Committee conducted a review of the Remuneration Policy during the course of the year in a process which was informed by advice from Alvarez & Marsal on current good practice. Irene McDermott Brown led a shareholder consultation with major shareholders and several of the key shareholder governance advisory services. The Committee is proposing certain minor changes to the Remuneration Policy, which we are recommending to shareholders for approval at the 2023 AGM. A summary of the key Remuneration Policy changes is set out in the Directors' Remuneration Report on page 106. Subject to shareholder approval of these changes the Remuneration Committee considers that the Policy remains fit for purpose

The Remuneration Committee also sought shareholder feedback on a proposal to change the financial performance metric to be used in the annual bonus for Executive Directors. For 2023, the annual bonus will utilise a profit related RoE measure. Further details of this change are set out in the Directors' Remuneration Report on pages 96 and 107.

More generally during 2022, the Committee reviewed the Group's incentive packages to ensure that remuneration is structured appropriately in order to promote the long-term success of the Company. The Committee also reviewed the RSS structures for Executive Directors to ensure that the performance metrics continue to align the interests of the Company with its investors and executive management.

The Committee considered the salary and bonus awards for the Executive Directors, as well as other designated senior executives, and in this context had regard to remuneration levels and practices across the workforce. The Committee and the Board discussed the outcomes of the staff surveys conducted during the year and the results of a gender pay gap data review (see the Nomination, Corporate Governance and Sustainability Committee report pages 86 to 89). The Committee also noted management actions to help mitigate inflationary pressures for lower paid staff and to promote a family friendly working environment (see page 51).

During 2022, the Committee addressed the need to review the remuneration package for the Group CFO on an exceptional, mid-year basis, and agreed to an increase in the salary for the Group CFO. Details of the change and the surrounding process are set out in the Directors' Remuneration Report on page 96. The salary increase was also explained to and discussed with the Group's major shareholders as part of the shareholder consultation conducted during the third quarter of 2022.

The Committee also approved the grant of long-term incentivisation awards under the Company's RSS, considering a range of factors including the Company's share price movement. For further discussion of the linkage between performance and remuneration outcomes, please see Irene McDermott Brown's introduction to the Directors' Remuneration Report on pages 96 and 97.

The Committee held discussions throughout the year on areas of developing best practice, regulation and investor expectation. The Committee also considered developments in guidance from several of the leading shareholder advisory groups.

During 2022, the Committee reviewed Executive Directors' shareholdings in the context of the Company's share ownership guidelines for senior/key executives. Share ownership targets have either been met, or progress made in accordance with guideline requirements.

The Committee continued to monitor progress made during the year on the implementation and alignment of remuneration practices across the Group and reviewed the operation of the Group's remuneration policy.

The Directors' Remuneration Policy and the Annual Report on Remuneration, for which the Committee is responsible, can be found on pages 97 to 117.

Priorities for 2023

- To review the ongoing appropriateness and relevance of the Group's remuneration structures, ensuring that they are in line with the Group's business strategy, ESG strategy, changes in accounting and financial reporting in particular as a result of the introduction of IFRS 17, risk profile, objectives, risk management practices and long-term interests of stakeholders;
- To ensure that remuneration across the wider Group remains competitive and appropriate to meet the skills and staffing needs and staff retention requirements of the business in a period of significant growth and developing complexity; and
- To work with the Group's independent remuneration advisers to keep abreast of compensation levels amongst the Group's London, Bermudian and other international peers, and the latest remuneration-related regulations, guidance and market practices.

Annual statement

Dear Shareholder,

I am pleased to present the 2022 Directors' Remuneration Report to shareholders.

As we set out at the front of this annual report, 2022 has been a year marked by an improving underwriting environment and strong premium growth in the face of another year of insurance losses and volatility in investment markets. Our results have been affected by the impact of hurricane Ian which is likely to be the second largest insured wind loss on record. Additionally, the conflict in Ukraine has impacted the business both as an insured loss and as a source of geo-political volatility, and a rapidly rising U.S. interest rate environment has further affected results. As Peter Clarke notes in his introduction on page 8, the combined ratio of 97.7% in the face of another year of exceptional insurance losses illustrates the benefits of growth and portfolio diversification which the Group has achieved, in particular over the last two years. With regard to the investment portfolio performance, as Rob Lusardi notes in the Investment Committee report, the rapidly increasing interest rate environment has resulted in material unrealised losses on the Group's investment portfolio and this has had a material impact on the Group's negative change in FCBVS of 6.7% for the year. However, these unrealised losses are expected to unwind in the relatively short term and the higher interest rate environment is expected to boost future investment returns in the investment portfolio.

In light of these factors, whilst the negative change in FCBVS of 6.7% is disappointing, it is principally driven by volatility in global investment markets and it tends to mask the strong growth and diversification which the Group has achieved this year in its underwriting portfolio. Moreover, current indications are that the strong pricing environment and growth opportunity will continue into 2023. Overall, as we enter 2023, the Group is in a strong position to maximise attractive underwriting opportunities in what we believe to be an improving pricing environment.

Against this background our Group CEO's total remuneration has decreased in comparison to 2021 by 21% and the Group CFO total remuneration has increased in comparison to 2021 by 38%, the increase observed is partly due to the 2020 Long Term Incentive award vesting which was reported in 2022. She did not receive an executive LTI Award in 2019 therefore she had no LTI vesting in 2021. The increase excluding the effect of this Long Term Incentive vesting is 16% (see the comparison table for single figure remuneration on page 109).

Remuneration report voting outcome 2022 and shareholder engagement

The Committee was pleased with the level of shareholder support for the remuneration report at the 2022 AGM with a vote of almost 90% in favour of the report.

Since the 2022 AGM, the Committee has maintained its ongoing engagement with shareholders and in the autumn of 2022, I led a shareholder consultation exercise in which shareholder feedback was sought, with a particular focus on the updated Remuneration Policy which is included in this report. Changes to the Remuneration Policy are modest, reflecting feedback from the engagement, and are set out at the end of the Policy section. The 2023 Remuneration Policy will be put to binding shareholder vote at the 2023 AGM, and will be applicable to remuneration for the three years from 2023 to 2025, inclusive.

During the consultation we also sought shareholder feedback on Policy implementation, in particular a proposal to simplify the financial metric for bonus purposes from Change in FCBVS, which has formed part of bonus metrics for several years, to a new measure of Return on Equity, which was well received. Updating the financial performance measure will add clarity to the bonus measures and remove the use of essentially the same metric in both short-term and long-term incentive awards. We believe that the focus on a profit measure in the annual bonus and a focus on capital growth in the longer term model will ensure an appropriate balance.

The final substantive point from the recent shareholder consultation was the decision taken to adjust Group CFO salary at the mid-year point from £406,250 to £500,000 per annum, a 23% uplift. Natalie Kershaw was appointed Group CFO in March 2020, as an internal appointment. The Committee elected to use the flexibility offered by the Policy to set a salary at the lower end of the market range at appointment with a view to adjusting the level as she developed in the role. Shareholders were supportive of the change to salary, but were clear that material adjustments should not become a regular occurrence. The Committee did not take the decision to make an out of cycle adjustment lightly, but the argument to align CFO salary with the appropriate external market level and thereby to mitigate retention risk in a competitive jobs market was compelling, and it was felt essential that this correction should be implemented immediately in a single move so that executive pay can revert to the normal annual cycle. The Committee will continue to consider individual performance, stakeholder experience, including the broader employee base, and external influences when reviewing Executive Director salary levels in future.

The Board and management continue to believe that there is a strong link between the Remuneration Policy and business strategy, which will be further enhanced with the introduction of an RoE profit measure for the 2023 annual bonus structure.

The Committee and Board intend to keep remuneration performance metrics under review in future to ensure appropriate focus and alignment of our management team with the interests of our stakeholders.

Performance outcomes for 2022

The Executive Directors' annual bonus performance targets for both financial and personal performance were stretching. The financial element, which made up 75% of the annual bonus opportunity, resulted in no bonus pay out for this element given the Company's Change in FCBVS in 2022 was below the threshold. This was due to the combination of a challenging loss environment and volatility in our investment portfolio, resulting in a negative impact on our returns from unrealised investment losses.

In the face of these dual challenges, the Board considered that the Executive Directors had nonetheless performed well in achieving strong organic growth in underwriting premium income, in establishing and embedding new lines of underwriting, in managing risk within the business and in structuring a more diversified and resilient underwriting portfolio (see pages 10 and 16). The business has achieved controlled growth during the year and demonstrated strong operational effectiveness. As we note on page 15, with regard to the work performed during 2022 in relation to the capital requirements of the business, the Board also noted the dynamic action of management in continuing to use the full range of capital and risk management tools at its disposal to match the capital resources of the business to the exciting underwriting opportunities that developed during the year and will continue to develop in the current hardening pricing environment. In view of these factors the Board considered that our Executive Directors have continued to provide effective leadership, strong and targeted growth in premium income, an effective programme to broaden the talent base of the business in both underwriting and other business functions to maximise market opportunities and strong project management to enhance control and reporting systems (see page 111 for further details).

In relation to long-term incentives for Executive Directors and other senior management, the 2020 Performance RSS awards were 85% based on annual Change in FCBVS targets and 15% on compound annual growth TSR targets over the three-year period to 31 December 2022. The Company's TSR (calculated in U.S. dollars) for the performance period resulted in a compound annual rate of negative 8.8%, resulting in 0% vesting for the TSR component.

The Change in FCBVS performance over the three-year performance period was assessed based on the change for each of the separate financial years as disclosed on page 112, resulting in 23.3% of this component of the 2020 Performance RSS awards vesting. Therefore overall, the 2020 Performance RSS awards vested at 19.8%.

The Committee believes in setting challenging performance criteria and having a significant proportion of the overall package linked to Company performance. Furthermore, the Committee also continues to recognise the need to ensure that Executive Directors are appropriately remunerated and incentivised throughout every phase of the insurance cycle. The Board seeks to ensure that Executive Director compensation is structured in such a way as to discourage excessive risk to the business.

Overall, in light of the annual and three-year performance delivered, the Committee notes the 19.8% vesting of the 2020 RSS and is satisfied that there has been sufficient linkage between performance and reward for Executive Directors and that the Executive Directors will not benefit from any windfall gains; as a result no discretion was applied to the formulaic outcome. The Committee will continue to ensure that there is appropriate alignment between executive remuneration and Company performance in line with the Group's cross-cycle return expectations.

During the year, the Committee also engaged with management on matters of broader employee engagement and remuneration. The Committee was particularly supportive of the additional family friendly policies and the introduction of a sabbatical policy in response to employee survey feedback. The proposal to make one-off cost-of-living payments to employees and to take a tiered approach to salary increases to benefit those employees most impacted by rising inflation, and to enhance the provision of free lunches was also strongly supported.

As a Committee, we value the opportunity to hear the views of employees and to support management in considering feedback and implementing changes. It was a pleasure to join the Group CEO in thanking employees directly for their feedback during a recent town hall meeting.

Application of Remuneration Policy for 2023

The Committee has reviewed and discussed the remuneration structures to be used in 2023 in some detail. As outlined above in response to shareholder feedback, this included a detailed review of the performance metrics and the shareholder consultation, which I conducted during the autumn of 2022. The Committee had agreed to implement some minor changes to the existing structure, principally with the introduction of the new RoE profit measure for the 2023 annual bonus element. For the second year running, we have also agreed to the use of certain ESG linked metrics as part of the personal performance metrics to be used in the 2023 annual bonus. The performance metrics for the 2023 Performance RSS awards will remain unchanged.

The Annual Report on Remuneration provides detailed disclosure on how the Policy will be implemented for 2023 and how Directors have been paid in relation to 2022.

The disclosures provide our shareholders with the information necessary to form a judgement as to the link between Company performance and how the Executive Directors are paid. This Annual Statement, together with the Annual Report on Remuneration, will be subject to an advisory vote, and I hope that you will be able to support this resolution at the forthcoming AGM. As I noted above, there will also be a binding shareholder vote on the proposed three-year Remuneration Policy set out in this report at the 2023 AGM. The Committee is committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters and I welcome any feedback you may have.

Irene McDermott Brown
Chair of the Remuneration Committee

Directors' Remuneration Policy section

As a Company incorporated in Bermuda, LHL is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of the Company's premium listing on the LSE, and for the purposes of explaining its compliance against the requirements of the Code, the Board is committed to providing full information on Directors' remuneration to shareholders.

The Company's current Remuneration Policy was approved by shareholders at the 2020 AGM, which is effective for a period of three years.

The Committee carried out a detailed review of the current Policy during 2022, taking into account the Code, pay and employment conditions of other employees in the Company and the shareholder feedback received during the year. Following the review, the Committee concluded that the current Policy continues to be in line with best practice and shareholder expectations. Therefore, the Committee is not proposing any material amendments to the Policy this year. However, some minor wording changes have been made to the current Policy in various sections for greater clarity.

The Remuneration Policy addresses the following principles as set out in the Code:

- Clarity – the Committee regularly engages with shareholders to take into account shareholder feedback, as it did in developing the current policy, to ensure there is transparency on the Remuneration Policy and its implementation. The Remuneration Policy has a clear objective: to enable the Group to attract, retain and motivate Executive Directors of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation, within appropriate risk parameters.
- Simplicity – the Remuneration Policy is designed such that the arrangements are considered easy to communicate to all stakeholders. This includes variable pay which operates as an annual bonus plan and a single LTIP. The objective and rationale for each element of the Remuneration Policy is clearly explained in the Policy table.
- Risk – the Committee considers that the structure of remuneration does not encourage inappropriate risk-taking. The performance metrics used ensure remuneration aligns to the Board's strategic objective which is to achieve attractive returns appropriate to overall risk levels across the (re)insurance market cycle. There is a mixture of short-term and long-term performance metrics with an appropriate mix of performance conditions. Clawback provisions are in place across all incentive plans and the Committee has the ability to use its discretion to override formulaic outcomes. The Committee receives a report from the Group CRO with regard to risk management developments which may be relevant to remuneration outcomes, and also makes inquiry with the Group's external auditors.
- Predictability – the range of possible reward outcomes is shown in the 'Illustrations of annual application of Remuneration Policy' (see page 106 for full details), which demonstrates the potential threshold, on-target and maximum scenarios of performance and the resulting pay outcomes which could be expected.
- Proportionality – a significant proportion of pay is delivered through variable remuneration. No variable remuneration will be delivered for below threshold performance with incentives only paying out if strong performance has been delivered by the Executive Directors. The Committee has the discretion to override outcomes if they are deemed inappropriate to ensure a robust link between reward and performance.
- Alignment to culture – the Policy has been designed to support the delivery of the Group's long-term strategy, and the interests of its shareholders and employees. Annual bonus performance metrics include an assessment of whether each Executive Director's contribution aligns to the Group values. The Policy seeks to appropriately motivate Executive Directors to deliver long-term, sustainable performance which benefits all stakeholders.

Governance and approach

The Company's Remuneration Policy is geared towards providing a level of remuneration which attracts, retains and motivates Executive Directors of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation, within appropriate risk parameters. The Remuneration Policy also seeks to ensure that Executive Directors are provided with appropriate incentives to drive Company and individual performance and to reward them fairly for their contribution to the successful performance of the Company.

The Remuneration Committee and the Board have again considered whether any element of the Remuneration Policy could conceivably encourage Executive Directors to take inappropriate risks and have concluded that this is not the case, given the following:

- there is an appropriate balance between fixed and variable pay, and therefore Executive Directors are not required to earn performance-related pay to meet their day-to-day living expenses;
- there is a blend of short-term and long-term performance metrics with an appropriate mix of performance conditions, meaning that there is no undue focus on any one particular metric;
- in the case of Alex Maloney, the Group CEO, there is a high level of share ownership, and in the case of Natalie Kershaw, who assumed the role of Group CFO and Executive Director during 2020, there is an appropriate opportunity to acquire a longer-term equity holding on a measured basis, meaning that there is a strong focus on sustainable long-term shareholder value; and
- the Company has the power to claw back bonuses (including the deferred element of the annual bonus) and long-term incentive payments made to Executive Directors in the event of material misstatements in the Group's consolidated financial statements, errors in the calculation of any performance condition, corporate failure and material damage to the Group's business or reputation or the Executive Director ceasing to be a Director and/or employee due to gross misconduct (see pages 101 to 102 for the full Policy details).

How the views of shareholders are taken into account

The Committee Chair and, where appropriate, the Company Chair consult with major investors and representative bodies on any significant remuneration proposal relating to Executive Directors. Views of shareholders at the AGM, and feedback received at other times, will be considered by the Committee.

How the views of employees are taken into account

The Remuneration Committee takes into account levels of pay elsewhere in the Group when determining the pay levels for Executive Directors. The Remuneration Policy for all staff is, in principle, broadly the same as that for Executive Directors in that any of the Group's employees may be offered similarly structured packages, with participation in annual bonus and long-term incentive plans, although award types (restricted cash, restricted stock or performance shares) and size may vary between different categories of staff. For Executive Directors, with higher remuneration levels, a higher proportion of the compensation package is subject to performance pay, share-based remuneration and deferral. This ensures that there is a strong link between remuneration, Company performance and the interests of shareholders.

Reflecting good practice in this area, Executive Directors' pension provision is the same as the standard pension contributions made to employees in the Group (in percentage of salary terms).

Whilst the Company does not expressly consult with employees on Executive Directors' remuneration, the Board and Committee, through the structured arrangements for regular workforce engagement, do receive employee feedback, including where relevant to matters of remuneration. As noted above, the Committee is made aware of pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee also reviews and approves the size of any annual bonus pot to be distributed amongst the staff population and the allocation of RSS awards or other LTI structures, and its practice in this regard is well aligned with the expectations introduced within the Code.

Remuneration Policy table

Fixed pay

Base salary

Purpose and link to strategy

Helps recruit, motivate and retain high-calibre Executive Directors by offering salaries at market competitive levels.

Reflects individual experience and role.

Operation

Normally reviewed annually and fixed for 12 months, typically effective from 1 January. Positioning would be assessed with due regard to market conditions at the time, taking into account role, experience and performance. Percentage increases would normally be aligned with the rates for the wider workforce, other than by exception, such as:

- changes to the size and complexity of the business; and
- changes in responsibility, workload or position.

Where new appointees (whether external or internal) have been given a starting salary below mid-market level, increases above those granted to the wider workforce (in percentage terms) may be awarded, subject to individual performance and development in the role.

Salaries are benchmarked periodically against comparable insurance company peers in the UK, U.S. and Bermuda as these are where we would normally expect to recruit from or lose talent to.

Opportunity

No maximum.

Benefits

Purpose and link to strategy

Market competitive structure to support recruitment and retention.

Medical cover aims to ensure minimal business interruption as a result of illness.

Operation

Executive Directors' benefits may include healthcare, dental, vision, gym membership and life insurance. Other additional benefits may be offered from time to time that the Committee considers appropriate based on the Executive Director's circumstances.

Executive Directors who are expatriates or are required to relocate may be eligible for a housing allowance or other relocation-related expenses.

Any reasonable business-related expense can be reimbursed, including any personal tax thereon if such expense is determined to be a taxable benefit.

Opportunity

No maximum.

Pension

Purpose and link to strategy

Contribution towards funding post-retirement lifestyle.

Operation

The Company operates a defined contribution pension scheme (via outsourced pension providers) or cash-in-lieu of pension.

There is a salary sacrifice structure in the UK.

There is the opportunity for additional voluntary contributions to be made by individuals, if elected.

Opportunity

Company contribution is currently 10% of base salary. The maximum pension payable to both existing and new Executive Directors will be at a rate not greater than that which is available to the majority of the Group workforce.

Remuneration Policy table *continued*

Annual bonus[1,2]

Purpose and link to strategy
Rewards the achievement of financial and strategic/personal targets.

Operation
The annual bonus is based on financial and strategic/personal performance.

The precise weightings may differ each year, although there will be a greater focus on financial as opposed to strategic/personal performance.

The Committee will have the ability to override the formulaic bonus outcome by either increasing or decreasing the amount payable (subject to the cap) to ensure a robust link between reward and performance.

At least one third of each Executive Director's bonus is automatically deferred into shares as nil-cost options or conditional awards over three years, with one-third vesting each subsequent year.

A dividend equivalent provision operates enabling dividends to be accrued (in cash or shares) on unvested deferred bonus shares in the form of nil-cost options up to the point of exercise.

The bonus is subject to clawback if:

(i) the financial statements of the Company were materially misstated or an error occurred in assessing the performance conditions of the bonus;

(ii) the Company has suffered an instance of corporate failure which has resulted in the appointment of a liquidator or administrator or resulted in the Company reaching a compromise arrangement with its creditors;

(iii) the Company or the relevant business unit for which the participant works suffers damage to its business or reputation which, in the determination of the Committee, is at least partly due to a breach of corporate risk policies/tolerances and to a failure in the management of the Company or relevant business unit and to which the participant made a material contribution; and/or

(iv) the Executive ceased to be a Director or employee due to gross misconduct.

Opportunity
The maximum bonus for Executive Directors for achieving the target level of performance as a percentage of salary is 200%. Maximum opportunity is two times target (i.e. 400%).

Note: The Committee may set bonus opportunities less than the amounts set out above – see Implementation of Remuneration Policy section of the Annual Report on Remuneration.

Performance metrics
The weightings that apply to the bonus measures and the degree of stretch in objectives may vary each year depending on the business aims and the broader economic or industry environment at the start of the relevant year. For Executive Directors, the financial component will be at least 75% of the overall opportunity, and no more than 25% will be based on personal or strategic objectives.

Financial performance
The financial component is based on the Company's key financial measures of performance. For any year, these may include (but are not limited to) the growth in DBVS, profit, comprehensive income, combined ratio, investment return, simple return on equity or any other financial KPI[3].

Typically, a sliding scale of targets applies for financial performance targets. Bonus is earned on an incremental basis once a predetermined threshold level is achieved. Up to 25% of the target bonus opportunity is payable for achieving threshold performance, rising to maximum bonus for stretch performance.

The degree of stretch in targets may vary each year depending on the business aims and the broader economic or industry environment at the start of the relevant year.

Strategic/personal performance
Strategic/personal performance is based upon achievement of clearly articulated objectives, which may include ESG measures that are aligned with the Company's overall purpose and strategy. A performance rating is attributed to participating Executive Directors, which determines the pay-out for this part of the bonus.

Remuneration Policy table *continued*

Long Term Incentives (LTI)

Purpose and link to strategy

Rewards Executive Directors for achieving superior returns for shareholders over a longer time frame.

Enables Executive Directors to build a meaningful shareholding over time and align goals with shareholders.

Operation[2,3]

RSS awards are normally made annually in the form of nil-cost options (or conditional awards) with vesting dependent on the achievement of performance conditions over at least three financial years, commencing with the year of grant. This three-year period is longer than the typical pattern of loss reserve development on the Group's insurance business, which is approximately two years.

The number of shares to be awarded will normally be determined by reference to the share price around the time of grant unless the Committee, at its discretion, determines otherwise.

The Committee considers carefully the quantum of awards each year to ensure that they are competitive in light of peer practice and the targets set.

Awards are subject to clawback if there is a material misstatement in the Company's financial statements, an error in the calculation of any performance conditions, the Company has suffered an incident of corporate failure, material damage to the Group's business or reputation or if the Executive Director ceases to be a Director or employee due to gross misconduct.

A dividend equivalent provision operates, enabling dividends to be accrued (in cash or shares) on RSS awards up to the point of exercise.

The Committee has the discretion, in exceptional circumstances, to settle an award made to Executive Directors in cash.

The Committee has the discretion, in exceptional circumstances, to scale back RSS vesting outcomes or to impose additional vesting conditions. The use of such discretion should be limited to exceptional circumstances, such as a downturn in the performance of the individual or the Company or Group.

A two-year post-vesting holding period applies to awards made to Executive Directors (see page 109).

Opportunity

Award levels are determined primarily by seniority. A maximum individual grant limit of 350% of salary applies.

Note: The Committee may set the normal level of award at less than the percentage set out above – see Implementation of Remuneration Policy section of the Annual Report on Remuneration.

Performance metrics

Awards vest at the end of a three-year performance period based on performance measures reflecting the long-term strategy of the business at the time of grant.

These may include (but are not limited to) measures such as TSR, the growth in DBVS, Company profitability, or any other relevant financial or strategic measures.

If more than one measure is used, the Committee will review the weightings between the measures chosen and the target ranges prior to each LTI grant to ensure that the overall balance and level of stretch remain appropriate.

A sliding scale of targets applies for financial metrics with no more than 25% vesting for threshold performance.

For TSR, none of this part of the award will vest below median ranking or achievement of an index or a threshold target if absolute rather than relative TSR is used. No more than 25% of this part of the award will vest for achieving median or index or a threshold target of absolute TSR.

Remuneration Policy table *continued*

Share ownership guidelines and requirements[4]

Under the guidelines, Executive Directors are expected to maintain an interest equivalent in value to no less than two times salary, to be achieved normally within five years of appointment. Until such time as the guideline threshold is achieved Executive Directors are required to retain no less than 50% of the net of tax value of awards that vest under the RSS.

In respect of performance RSS and deferred bonus RSS awards made after 1 January 2020, there is to be a requirement on each Executive Director to retain 50% of the vested shares (net of tax) resulting on exercise in order to hold an interest equivalent in value of up to two times salary for a period of two years (or such other period or amount as the Committee may in future determine) following the date of termination of employment of the relevant Executive Director.

A nominee account may be established into which shares acquired under RSS awards (i.e. on exercise of (nil cost) options) will ordinarily be directed for the purposes of enforcing the guidelines and requirements. The Remuneration Committee shall retain a discretion to waive the requirements, in whole or in part, in exceptional circumstances such as death, critical illness or personal financial hardship.

In the event of a change of control (takeover) of LHL the guidelines and requirements shall cease to apply on the date of such change of control.

Chair and Non-Executive Directors' fees

Purpose and link to strategy

Helps recruit, motivate and retain a Chair and Non-Executive Directors of a high calibre by offering a market competitive fee level.

Operation

The Chair is paid a single fee for his responsibilities as Chair. The level of these fees is reviewed periodically by the Committee and the Group CEO by reference to broadly comparable businesses in terms of size and operations.

In general, the Non-Executive Directors are paid a single fee for all responsibilities, although supplemental fees may be payable where additional responsibilities are undertaken, including a Non-Executive Director role on a subsidiary board.

Any reasonable business-related expenses (including any personal tax payable) can be reimbursed.

Opportunity

No maximum.

1. The Committee operates the annual bonus plan and RSS according to their respective rules and in accordance with the Listing Rules. The Committee, consistent with normal market practice, retains discretion over a number of areas relating to the operation and administration of these plans and this discretion forms part of this Policy.
2. All historic awards that were granted under any current or previous share scheme operated by the Company that remain outstanding remain eligible to vest based on their original award terms and this provision forms part of the Policy.
3. Performance measures: these may include the KPIs shown on page 3 or others described within the Annual Report and Accounts Glossary commencing on page 191 or any other measure that supports the achievement of the Company's short to long-term objectives.
4. Share ownership interest equivalent is defined as wholly-owned shares or the net of tax value of RSS awards which have vested but are unexercised and the net of tax value of deferred bonus RSS awards. Shares include those owned by persons closely associated with the relevant Executive Director.

Committee discretion

The Committee will operate the annual bonus plan and the LTI plan according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, where relevant. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including, but not limited to, the following:

- Who participates in the plans;
- When to make awards and payments;
- How to determine the size of an award, a payment, or when and how much of an award should vest;
- How to deal with a change of control or restructuring of the Group;
- In the case of stated good leaver reasons or otherwise, whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant;
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends); and
- In the event of a capital raise, whether a greater percentage of any annual bonus payable should be deferred, where performance metrics have been beneficially influenced by the capital actions taken; and whether the remuneration outcomes should be adjusted to limit the impact of such capital actions, where appropriate.

The Committee also has the discretion within the Policy to adjust targets and/or set different measures and alter weightings for annual bonus and the LTI if events happen that cause it to determine that the original targets or conditions are no longer appropriate and the amendment is required so that the targets or conditions achieve their original purpose and are not materially less difficult to satisfy. The Committee has the discretion to adjust the application of the minimum shareholding requirements, in role or post-cessation, to take account of exceptional circumstances.

Any use of exceptional discretion to override formulaic outcomes would, where relevant, be explained in the Annual Report on Remuneration, as appropriate.

Approach to recruitment remuneration

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as is required to attract the most appropriate candidate. The Committee retains the flexibility to set base salary for a newly appointed Executive Director below the mid-market level and allow them to progress quickly to or around mid-market level once expertise and performance have been proven. This decision would take into account all relevant factors noted above. Similarly, the Committee retains the flexibility to set base salary for a newly appointed Executive Director at above the mid-market level to secure an individual who is considered by the Committee to possess significant and relevant experience which is critical to the delivery of the Company's strategy.

The annual bonus and LTI potential would be in line with the Policy. Participation in the annual bonus will normally be pro-rated for the year of joining. Depending on the timing of the appointment, the Committee may deem it appropriate to set different bonus performance measures for the performance year during which he or she became an Executive Director. The Committee may grant an LTI award to an Executive Director shortly after joining, up to the plan limits set out in the Remuneration Policy table (assuming the Company is not in a closed period).

In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an Executive Director leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods (which may be less than three years), expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

The Committee may agree that the Company will meet certain relocation expenses as appropriate and is able to provide expatriate benefits including housing, a relocation allowance, assignment-related costs or tax equalisation.

Service contracts and loss of office payment policy for Executive Directors

Notice periods for Executive Directors will normally be limited to six months from either the Company or from the Executive Director. In the event of termination, the Executive Directors would ordinarily receive payment up to a maximum of base salary plus the value of benefits to which the Executive Directors are contractually entitled for the unexpired portion of the notice period. The Company may pay statutory claims. No Executive Director has a contractual right in their employment terms to a bonus for any period of notice not worked.

The service contract for a new appointment will be on similar terms as existing Executive Directors, with the ability to include a notice period of no more than 12 months from either party.

The Company seeks to apply the principle of mitigation in the payment of compensation on the termination of the service contract of any Executive Director. There are no special provisions in the service contracts for payments to Executive Directors on a change of control of the Company.

In the event of an exit of an Executive Director, the overriding principle will be to honour contractual remuneration entitlements and determine, on an equitable basis, in accordance with the relevant plan rules, the appropriate treatment of deferred and performance-linked elements of the package, taking account of the circumstances. Failure will not be rewarded.

Depending on the leaver classification, an Executive Director may be eligible for certain payments or benefits continuation after cessation of employment.

If an Executive Director resigns or is summarily dismissed, salary, pension and benefits will cease on the last day of employment and there will be no further payments.

Leaver on arranged terms or good leaver

If an Executive Director leaves on agreed terms, including compassionate circumstances, there may be payments after cessation of employment. Salary, pension and benefits will be paid up to the length of the agreed notice period or agreed period of garden leave.

Subject to performance, a bonus may be payable at the discretion of the Committee pro-rata for the portion of the financial year worked. The Committee has discretion to permit any bonus payable to be settled in cash with no deferral.

Vested but unexercised deferred bonus RSS awards will remain exercisable. Unvested deferred bonus RSS awards will ordinarily vest in full, relative to the normal vesting period. All such vested awards must be exercised within 12 months of the vesting date.

Vested but unexercised RSS awards may remain exercisable for 12 months. Unvested awards may vest on the normal vesting date unless the Committee determines that such awards shall instead vest at the time of cessation. Unvested awards will only vest to the extent that the performance conditions have been satisfied (over the full or curtailed period as relevant). A pro-rata reduction in the size of awards may apply, based upon the period of time after the grant date and ending on the date of cessation of employment relative to the three-year or other relevant vesting period.

The Committee has discretion to permit unvested RSS awards to vest early rather than continue on the normal vesting timetable, subject to performance, and also retains discretion as to whether or not to apply (or to apply to a lesser extent) the pro-rata reduction to the RSS awards where it feels the reduction would be inappropriate. The Committee may, in its discretion, waive any post vesting holding requirement for any good leaver.

In respect of RSS awards made to Executive Directors after 1 January 2020, there is a requirement on each Executive Director to retain 50% of the net of tax shares resulting on exercise in order to hold an interest equivalent in value of up to two times salary for a period of two years (or such other period or amount as the Committee may in future determine) following the date of termination of employment of the relevant Executive Director (see page 109).

Depending upon circumstances, the Committee may consider other payments in respect of any claims in connection with a termination of employment where deemed appropriate, including an unfair dismissal award, outplacement support and assistance with legal fees.

Cessation of employment in other circumstances

If an Executive Director ceases to be a Director or employee of the Company for any reason other than:

a. Death;
b. Retirement with the agreement of the Committee;
c. Injury or disability evidenced to the satisfaction of the Committee;
d. Change of control; or
e. For any other reason, if the Committee at its discretion so decides then any outstanding RSS awards shall lapse in full immediately on such cessation.

Terms of appointment for Non-Executive Directors

The Non-Executive Directors serve subject to the Company's Bye-laws and under letters of appointment. They are appointed subject to re-election at the AGM and are also terminable by either party on six months' notice except in the event of earlier termination in accordance with the Bye-laws. The Non-Executive Directors are typically expected to serve for up to six years, although the Board may invite a Non-Executive Director to serve for an additional period. Their letters of appointment are available for inspection at the Company's registered office and at each AGM.

In accordance with best practice under the Code, the Board ordinarily submits the Directors individually for re-election by the shareholders at each AGM.

Legacy arrangements

In approving the Policy, authority is given to the Company for the duration of the Policy to honour commitments paid, promised to be paid or awarded to: (i) current or former Directors prior to the date of this Policy being approved (provided that such payments or promises were consistent with any Remuneration Policy of the Company, which was approved by shareholders and was in effect at the time they were made); or (ii) to an individual (who subsequently is appointed as a Director of the Company) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, was not paid, promised to be paid or awarded as financial consideration of that individual becoming a Director of the Company, even where such commitments are inconsistent with the provisions of the revised Policy.

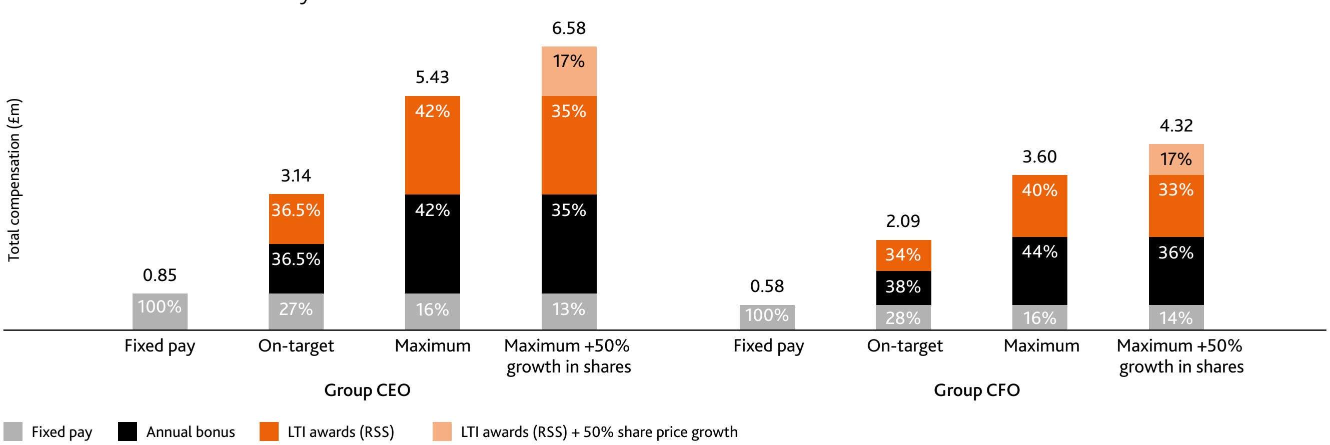
For the avoidance of doubt, this includes all awards granted under the 2008 RSS rules in accordance with the Policy first approved at the 2014 AGM and as varied at subsequent AGMs, and to employees of the Company who are not Directors at the date of grant. Outstanding RSS awards that remain unvested or unexercised at the date of this Annual Report and Accounts (including for current Executive Directors as detailed on page 113) remain eligible for vesting or exercise based on their original award terms.

Proposed 2023 Policy changes vs 2020

- Clarification on normal salary positioning considerations, and when exceptions to this may be considered by the Committee
- Minimum bonus deferral increased from 25% to one-third of annual award
- Minor clarification points relating to potential annual bonus and Long Term Incentive metrics
- Stating clearly the timeframe in which Executive Directors should achieve a shareholding at least equal to two times salary
- A description of the operational and administrative areas in which the Committee retains discretion to take a flexible approach
- Minor clarification points relating to the approach to recruitment and cessation and, particularly, the treatment of 'bad leavers'

Illustrations of annual application of Remuneration Policy

The charts below show the potential total remuneration opportunities for the Executive Directors in 2023 at different levels of performance under the Directors' Remuneration Policy.



Fixed pay = 2023 Salary + Actual Value of 2022 Benefits + 2023 Pension Contribution.

On-target = Fixed Pay + Target Bonus (being half the Maximum Bonus Opportunity) + Target Value of 2023 RSS grant (assuming 50% vesting with the face values of grant).

Maximum = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2023 RSS grant (assuming 100% vesting with the face values of grant).

Maximum + 50% growth over performance period = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2023 RSS grant + 50% share price appreciation (assuming 100% vesting with the face values of grant).

Annual Report on Remuneration

This Annual Report on Remuneration together with the Chair's statement, as detailed on pages 96 to 97 and 107 to 121, will be subject to an advisory vote at the 2023 AGM. The following sections in respect of Directors' emoluments have been audited by KPMG LLP:

- Single figure of remuneration
- Non-Executive Director fees
- 2023 annual bonus payments in respect of 2022 performance
- Long-term share awards with performance periods ending in the year – 2020 RSS awards
- Scheme interests awarded during the year
- Performance and deferred bonus awards under the RSS
- Directors' shareholdings and share interests.

Implementation of Remuneration Policy for 2023

Base salary and fees

Executive Directors

Salaries effective from 1 January 2023 are set out below:

- Group CEO – £764,000, a 5% increase
- Group CFO – £525,000, a 5% increase
- Salary uplifts for Group employees were graduated with larger uplifts targeted at lower paid employees with an average salary uplift of 11% for the lowest paid cohort and 5% for the highest paid. The overall average uplift for Group employees for 2023 is 8%.

Non-Executive Directors

The Chairman's and Non-Executive Directors' fees are as follows for 2023:

- The fee for the Board Chair (Peter Clarke) will remain at $350,000 per annum
- The Non-Executive Director fee will remain at $175,000 per annum.

Other fees

- Simon Fraser is a Non-Executive Director of LSL in which capacity he will receive a fee of $100,000 per annum.
- Sally Williams was appointed as a Non-Executive Director of LUK on 10 May 2022 in which capacity she will receive a fee of £50,000 per annum.

Annual bonus

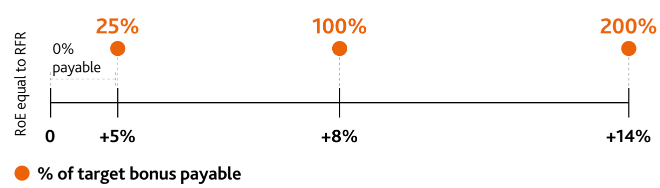
For 2023, the Group CEO and the Group CFO will have a target bonus of 150% of salary and, therefore, a maximum opportunity of 300% of salary. This is within the approved policy limit and is in line with last year's opportunity and represents a maximum bonus opportunity which is 100% of salary less than the set policy limit.

The financial and personal portions of the annual bonus will remain unchanged with 75% on financial performance and 25% on personal performance.

Financial performance (75%)

During 2022, a review of financial metrics for annual bonus purposes was undertaken. Shareholders were consulted on a proposal to move from Change in FCBVS to a simplified measure of RoE. For 2023 annual bonus, financial performance will be measured on the basis of simple RoE adjusted for unrealised gains and losses and discounting with targets set by reference to the RFR based on the average 13 week UST rates for the year as follows:

Performance	Payout level	% of target bonus payable
RoE equal to RFR + <5%	Below threshold	0%
RoE equal to RFR + 5%	Threshold	25%
RoE equal to RFR + 8%	Target	100%
RoE equal to RFR + 14%	Maximum	200%



There shall be linear interpolation between these points. When considering appropriate target ranges, the Board was mindful that the inclusion of equity compensation charges results in RoE outcomes typically 1% lower than those delivered by the Change in FCBVS, where the equity compensation charge in the income statement is offset in shareholders' equity. The agreed threshold vesting level of RFR + 5% is therefore 1% lower than previously applied. The performance required to meet target and maximum outturns has been set at the same levels of RoE over the RFR as previously applied to FCBVS, making achievement of target more challenging. In current insurance market conditions, the Board believes these ranges are suitably challenging and will help to ensure a strong link between remuneration for the Executive Directors and the Company's financial performance, the strategy and risk profile of the business and the investment return environment, without encouraging excessive risk-taking.

Personal performance (25%)

This element of the bonus plan is based upon the individual achievement of clearly articulated objectives created at the beginning of each year.

The table below sets out a broad summary of the 2023 personal objectives for each Executive Director.

Executive Director	Personal performance
Alex Maloney	Business Management and Leadership, including transformation and values. Implementation of agreed long-term Business Strategy, designed, approved and rolled out in 2022 and continuing to develop the ESG strategy for the business as a whole. ESG, focusing on People and Culture and further embedding environmental considerations in underwriting and investment portfolio management.
Natalie Kershaw	Business Management and Leadership, including transformation and values. Strategic Financial Management supporting growth and transformation. ESG, focusing on maintaining environmental considerations in investment portfolio management, ensuring fairness and equity in remuneration for all employees and continued strong financial governance.

Due to their close link to Business Strategy detail, personal objectives for both CEO and CFO are considered commercially sensitive at the present time. Detailed objectives have been presented to and approved by the Committee and will be described in the 2023 annual report.

Restricted Share Scheme

Performance conditions

For Executive Directors, 2023 RSS awards are subject to a range of performance conditions based on (i) annual Change in FCBVS; and (ii) absolute compound annual growth in TSR, both measured by reference to a period ending on 31 December 2025. These metrics aim to provide an appropriate focus on the Company's underlying financial performance and cycle management, and in the case of absolute TSR to provide an objective reward for delivering value to shareholders.

Weighting

For 2023, the weighting is 85% on annual Change in FCBVS and 15% on absolute compound annual growth in TSR.

Target ranges

The annual Change in FCBVS target range for 2023 awards is:

- threshold – 6%; and
- maximum – 13%.

Within the three-year performance period each of the separate financial years will be treated as a separate element, each one contributing one-third to the overall outcome of the vesting of this element of the RSS award. In each year, performance will be measured against the target range to determine the ultimate level of vesting in respect of one-third of the RSS award. Vesting will only occur after completion of the full three-year performance period, and continued employment of the Executive Director at the time of vesting.

The relevant elements of the RSS award will not vest if annual Change in FCBVS is below threshold, 25% of the relevant element of the RSS award will vest at threshold, and 100% of the relevant element of the RSS award will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

The TSR target range for 2023 awards is:

- threshold – 8% compound annual growth; and
- maximum – 12% compound annual growth.

Absolute TSR will be measured for compound annual growth over the full three-year performance period rather than looking at each year separately.

None of the relevant elements of the award will vest if compound annual growth in TSR is below threshold, 25% of the award will vest at threshold, and 100% of the award will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

Overriding downwards discretion

If any year produces a return that the Committee believes is significantly worse than competitors and reflects poor management decisions, the Remuneration Committee will use its discretion to determine the extent to which any relevant element of the RSS award shall vest fully (or to a lesser extent) based on the performance over the full three-year period.

Award levels

2023 RSS award levels are as follows:

- Group CEO – RSS awards in respect of shares to the value of £2,292,000 (being 300% of salary)
- Group CFO – RSS awards in respect of shares to the value of £1,443,750 (being 275% of salary)

The number of shares subject to the awards shall be determined based on the closing average share price for a period of five trading days immediately prior to the date of the award.

Post-vesting holding period

It is a term of RSS awards granted to Executive Directors that they are expected to hold vested RSS awards (or the resultant net of tax shares), which had a performance period of at least three years, for a further period of not less than two years following vesting.

Post-employment holding requirements

In respect of RSS awards made after 1 January 2020, there is a requirement on each Executive Director to retain 50% of the net of tax shares resulting on exercise in order to hold an interest equivalent in value of up to two times salary for a period of two years (or such other period or amount as the Committee may in future determine) following the date of termination of employment of the relevant Executive Director.

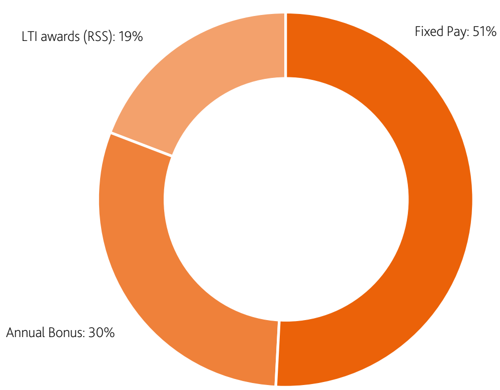
Single figure of remuneration

The following table presents the Executive Directors' emoluments in GBP in respect of the years ended 31 December 2022 and 31 December 2021 for time served as an Executive Director.

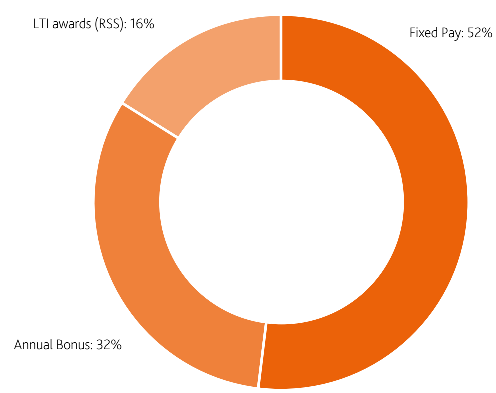
Executive Directors		Salary £'000	Pension £'000	Taxable benefits[4] £'000	Total Fixed pay £'000	Annual bonus[1] £'000	Long-term incentives (RSS)[2,3] £'000	Total Variable pay £'000	**Total '000**
Alex Maloney, Group CEO	**2022**	**728**	**73**	**8**	**809**	**484**	**307**	**791**	**1,600**
	2021	700	70	8	777	394	862	1,255	**2,033**
Natalie Kershaw, Group CFO	**2022**	**453**	**45**	**7**	**505**	**306**	**157**	**463**	**968**
	2021	391	39	7	437	264	–	264	**700**

The following charts set out the above disclosed 2022 total remuneration received by serving Executive Directors as a percentage of their total 2022 remuneration.

Alex Maloney



Natalie Kershaw



1. Bonus targets were set at the beginning of 2022 and are based on a clear split between Company financial performance and personal performance on a 75:25 basis. Company financial performance is based on absolute financial performance against the RFRoR. The Company financial performance component did not pay out as it did not meet the required threshold. The final bonus payout to Executive Directors will be 22% of the maximum for the Group CEO, 23% of the maximum for the Group CFO. For full details of Executive Directors' bonuses and the associated performance delivered see pages 111 and 112. 25% of the serving Executive Directors' annual bonus is deferred into RSS awards without performance conditions, vesting at 33.3% per year over a three-year period.
2. For 2022, the long-term incentive values are based on the 2020 Performance RSS awards which vested at 19.8% and are based on a three-year performance period that ended on 31 December 2022. The values above are based on the average share price for the final quarter of 2022, being £5.6005, and includes the value of dividends accrued on vested shares.
3. For 2021, the long-term incentive values are based on the 2019 RSS awards which vested at 48.2%, and have been restated using the share price as at the date of vesting: (11 February 2022) which was £5.480.
4. Benefits shown include taxable benefits only (Private Medical, Critical Illness, Dental and Gym reimbursement). 2021 figures have been adjusted from the published amounts of CEO £16,102 and CFO £11,737 (which included non-taxable benefits of Life Assurance and Income Protection) to show a true comparison.

Non-Executive Directors' fees

Current Non-Executive Directors		Fee $'000	Other $'000	**Total $'000**
Peter Clarke	2022	350	–	**350**
	2021	350	–	**350**
Michael Dawson	2022	175	–	**175**
	2021	175	–	**175**
Simon Fraser	2022	175	95	**270**
	2021	175	80	**255**
Jack Gressier[1]	2022	75	–	**75**
	2021	–	–	–
Samantha Hoe-Richardson[2]	2022	58	24	**82**
	2021	175	69	**244**
Robert Lusardi	2022	175	–	**175**
	2021	175	–	**175**
Irene McDermott Brown	2022	175	–	**175**
	2021	118	–	**118**
Sally Williams[3]	2022	175	39	**214**
	2021	175	–	**175**

1. Jack Gressier was appointed to the Board on 26 July 2022 and his fees represent his time as a Director.
2. Samantha Hoe-Richardson stepped down from the Board on 27 April 2022 and her fees represent her 2022 tenure. Her LUK fees were paid in GBP and converted at the average exchange rate for the month of payment.
3. Sally Williams was appointed to the LUK Board on 10 May 2022 and fees for LUK represent her time as a Director in 2022 and were paid in GBP and converted at the average exchange rate for the month of payment.

Annual bonus payments in respect of 2022 performance

As detailed in the Remuneration Policy, each Executive Director participates in the annual bonus plan, under which performance is measured over a single financial year.

Bonus targets were set at the beginning of 2022 and based on a clear split between Company financial performance and personal performance on a 75:25 basis. The target value of bonus was 150% of salary for the Group CEO and Group CFO respectively, and the maximum payable was two times the target value.

Financial performance

75% of the 2021 bonus was based on Company performance conditions and the extent to which these were achieved is as follows:

Performance measure	Financial performance weighting (of total bonus) %	Threshold %	Target %	Max %	Actual performance %	% payout
Change in FCBVS	75	RFRoR +6%	RFRoR +8%	RFRoR +14%	(6.7)	0% of target payable in respect of Company performance

In 2022, the Company financial performance component paid out at 0% of target (being 0% of the maximum) as the Change in FCBVS was negative 6.7% against a target level of RFRoR +8% and a threshold of RFRoR +6%.

Personal performance

25% of the 2022 bonus was based on performance against clearly defined personal objectives set at the start of the year.

The table below sets out a summary of the 2022 personal objectives for each Executive Director and some of the factors the Board has considered to determine whether the objectives have been met.

Executive Director	Personal objectives	Factors relevant to the Board's determination for the 2022 performance year
Alex Maloney	• Effective leadership and management of the senior executive team and the Group. • Development of the general business strategy. • To further develop and deliver the Group's climate and ESG strategy and to lead the Company's values.	• Creation and roll-out of the long-term Group Strategic Vision; Realisation of initial benefits from ongoing transformation projects; Key senior executive succession commenced. • Achieving growth in GWP of 34.9% year on year; Delivery of a combined ratio of 97.7% in a year of substantial claims losses, demonstrating the portfolio resilience achieved through growth and diversification in underwriting of exposures; Focused capital management matched to risk appetite and strategic opportunity; Leadership of investor engagement. • Promoted the reporting line of the ESG Committee to the Group Executive Committee to reflect importance and focus; Joined ClimateWise and continued reporting within the CDP framework; Climate VaR target met. • Significant improvement in staff turnover and 85% participation in employee survey with tangible responses implemented including new family friendly policies and the creation of a sabbatical policy. • Company values are demonstrated consistently with the positive culture central to the roll-out of the long-term strategic vision; Production of a revised ESG framework and policy, forming a strong foundation for continued evolution.
Natalie Kershaw	• Effective management of the finance function and participation in Group management and the Board, including leading the transition and preparations for the implementation of IFRS 17 in 2023. • Overall responsibility for the IT, Change and Data functions. • Innovative contribution to strategic planning with particular focus on capital and business planning processes. • Climate, sustainability and ESG strategy and values.	• Demonstrated diligent leadership and oversight in all aspects of financial and capital reporting.; Ownership and management of relationships with ratings agencies and brokers; Efficiencies identified and realised and strong leadership, planning and oversight demonstrated on IFRS 17 and 9 implementation project. • Direct management of ongoing business transformation projects with 2022 delivery targets achieved on schedule and under budget due to a number of stretch achievements; Shift to a Group-wide product lines based approach to reporting and significant improvement in the quality of data presentation achieved. • Instigated and developed a clear strategic view for the Group, and led the delivery of the long-term strategic plan; Improvements to production and presentation of financial reporting and capital metrics are ongoing, reflecting the requirements of IFRS 17 and 9. • Leadership by example with a strong foundation in the Lancashire values has been demonstrated consistently resulting in improved inter-department relationships and more productive working practices.

The personal targets were tailored to each of the Executive Directors, according to their respective roles and areas of personal development.

During the 2022 annual performance reviews of each Executive Director, a performance rating was assigned to determine the level of bonus payout for which each Executive Director was eligible for the personal performance element of the bonus.

For the 2022 performance against personal objectives, the ratings were determined following a process for the evaluation of performance of the Executive Directors against the agreed personal targets and discussion and agreement of the outcomes with the Chair and members of the Board with particular focus on those factors identified as pertinent to 2022 performance. As a result of the 2022 personal performance evaluation process for the Executive Directors, a bonus at 44% of target (being 89% of the maximum personal element) for the Group CEO and 45% of target (being 90% of the maximum personal element) for the Group CFO were awarded for the personal component. The overall 2022 bonus outcomes are expressed as a percentage of the maximum award as illustrated in the table below. The Board considers the business to be well positioned for the opportunities and challenges which lie ahead.

A table of performance measures and total 2022 bonus achievement is set out below:

Executive Director	Financial performance (max % of total bonus) %	Personal performance (max % of total bonus) %	Bonus % of maximum awarded %	Total bonus value £'000	Value of bonus paid in cash (75% of total bonus) £'000	Value of bonus deferred into RSS awards (25% of total bonus)[1] £'000
Alex Maloney[1]	75	25	22	484	363	121
Natalie Kershaw[1]	75	25	23	306	229	77

1. In line with the 2020 Remuneration Policy, 25% of total bonus award will be deferred into RSS awards with one-third vesting annually, each year, over a three-year period with the first third becoming exercisable in February 2024, subject to the Company not being in a closed period. These awards vest on the relevant dates subject to continued employment.

Long-term share awards with performance periods ending in the year – 2020 RSS awards

The 2020 RSS awards were based on a three-year performance period ending on 31 December 2022 and vest following the determination of financial results by the Board. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 19.8%. This is calculated as 23.3% vesting of the Change in FCBVS element (for 85%) and 0% vesting of the TSR element (for 15%).

	Absolute compound annual growth in TSR (relevant to 15% of the 2020 RSS awards)		Annual Change in FCBVS (within the three year performance period) (relevant to 85% of the 2020 RSS awards)1	
Performance level	Performance required (%)	% vesting	Performance required (%)	% vesting
Below threshold	Below 8	–	Below 6	0
Threshold	8	25	6	25
Stretch or above	12 or above	100	13 or above	100
Actual achieved	(8.8)	–	see note[1]	23.3

	2022	2021	2020
1. Change in FCBVS	**(6.7%)**	(5.8%)	10.2%
Vesting % of one third by performance year	**0.0%**	0.0%	70%
2020 RSS Awards	**0.0%**	0.0%	23.3%

The table above shows the growth in FCBVS for the performance period and the table below shows the details of the vesting for each Executive Director.

Executive Director[3]	Number of shares at grant	Number of shares to lapse	Number of shares to vest	Dividend accrual on vested shares value[1] £	Value of shares including dividend accrual [2]£
Alex Maloney	260,292	208,754	51,538	18,056	306,695
Natalie Kershaw	133,216	106,839	26,377	9,241	156,966

1. Dividend equivalent accrues on awards at the record date of a dividend payment and upon exercise the cash value of the accrued dividend equivalent is paid to the employee on the number of vested awards net of tax required.
2. The value of vested shares is based on the 2020 RSS awards which vest at 19.8% and are based on a three-year performance period that ended on 31 December 2022. The average share price rate for the final quarter of 2022 (£5.6005) is used for this calculation.
3. There is a two-year post-vesting holding requirement for the 2020 RSS awards for Executive Directors.

Scheme interests awarded during the year

The table below sets out the performance RSS awards that were granted to the serving Executive Directors as nil-cost options on 22 February 2022.

Executive Director	Grant date[2]	Number of awards granted during the year	Face value of awards granted during the year[1,3] £	% vesting at threshold performance
Alex Maloney	22-Feb-22	415,078	2,182,895	25
Natalie Kershaw	22-Feb-22	212,434	1,117,190	25

1. The awards were based on the five-day average closing share price following announcement of the 2021 results, being £5.259 and the awards were granted as nil-cost options.
2. These awards are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2024 and becoming exercisable in the first open period following the release of the Company's 2024 year-end results after the meeting of the Board in February 2025.
3. The exercise share price is determined once an award has vested on the basis of the share price on the date an award is exercised.

Details of all outstanding share awards

In addition to awards made during the 2022 financial year, the table below sets out details of all outstanding awards made under the RSS held by Executive Directors.

Awards made under the RSS[6]

	Grant date[1]	Exercise price	Awards held at 01-Jan-22	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Awards exercised during the year	Awards held at 31-Dec-22	End of performance period
Alex Maloney, Group CEO									
Performance RSS[2,4]	22-Feb-19	–	306,915	–	147,934	158,981	147,934	–	31-Dec-21
Deferred Bonus RSS[3]	22-Feb-19	–	4,656	–	4,656	–	4,656	–	
Performance RSS[2,4]	21-Feb-20	–	260,292	–	–	–	–	260,292	31-Dec-22
Deferred Bonus RSS[3]	21-Feb-20	–	33,551	–	16,775	–	16,775	16,776	
Performance RSS[2,4]	19-Feb-21	–	313,321	–	–	–	–	313,321	31-Dec-23
Deferred Bonus RSS[3]	19-Feb-21	–	43,622	–	14,540	–	14,540	29,082	
Performance RSS[2,4]	22-Feb-22	–	–	415,078	–	–	–	415,078	31-Dec-24
Deferred Bonus RSS[3]	22-Feb-22	–	–	18,709	–	–	–	18,709	
Total			962,357	433,787	183,905	158,981	183,905	1,053,258	
Natalie Kershaw, Group CFO									
Non-Performance RSS[5]	15-Feb-19	–	12,075	–	12,075	–	12,075	–	31-Dec-21
Performance RSS[2,4]	21-Feb-20	–	133,216	–	–	–	–	133,216	31-Dec-22
Performance RSS[2,4]	19-Feb-21	–	160,356	–	–	–	–	160,356	31-Dec-23
Deferred Bonus RSS[3]	19-Feb-21	–	26,873	–	8,957	–	8,957	17,916	
Performance RSS[2,4]	22-Feb-22	–	–	212,434	–	–	–	212,434	31-Dec-24
Deferred Bonus RSS[3]	22-Feb-22	–	–	12,535	–	–	–	12,535	
Total			332,520	224,969	21,032	–	21,032	536,457	

1. The market values of the common shares on the dates of grant were:
   - 15 February 2019 £6.37
   - 22 February 2019 £6.54
   - 21 February 2020 £7.61
   - 19 February 2021: £6.37
   - 22 February 2022 £4.93
2. The vesting dates of the RSS performance awards are subject to being out of a closed period and are as follows:
   - 2020 – first open period following the release of the Company's 2022 year-end results and
   - 2021 – first open period following the release of the Company's 2023 year-end results and
   - 2022 – first open period following the release of the Company's 2024 year-end results
3. The vesting dates of the RSS deferred bonus awards are subject to being out of a closed period and, for the 2020 to 2022 deferred bonus awards, are as follows:
   - 2020 – vest 33.33% per year over a three-year period at the first open period following the release of the Company's year-end results for 2020, 2021, and 2022 and
   - 2021 – vest 33.33% per year over a three-year period at the first open period following the release of the Company's year-end results for 2021, 2022, and 2023 and
   - 2022 – vest 33.33% per year over a three-year period at the first open period following the release of the Company's year-end results for 2022, 2023, and 2024.
4. The vesting of the RSS performance awards above is subject to two performance conditions as follows:
   - 15% of each award is subject to a performance condition measuring the absolute compound annual growth in TSR performance of the Company over a three-year performance period. 25% of this part of the award vests for threshold performance (8% compound annual growth) by the Company, rising to 100% vesting of this part of the award for maximum performance (12% compound annual growth) by the Company or better. Performance between threshold and maximum is determined on a straight-line basis.
   - The other 85% of each award is subject to a performance condition based on the Change in FCBVS over a three-year performance period. 25% of this part of the award will vest if Change in FCBVS over the performance period exceeds the criteria set out in the table on page 114, whilst all of this part of the award will vest if the Company's Change in FCBVS is equal to the more stringent criteria set out in the table. Between these two points vesting will take place on a straight-line basis. Within the three-year performance period each of the separate financial years will be treated as a separate element, each one contributing one-third to the overall outcome of the vesting of this element of the RSS award. Details of this calculation method were disclosed on page 79 of the 2018 Annual Report and Accounts.
5. These RSS awards were granted to staff with no performance conditions attached. The awards were granted to Natalie Kershaw prior to becoming an Executive Director.
6. All awards made under the RSS have an expiry date of 10 years from the date on which they were granted.

Absolute compound annual growth in TSR targets for RSS (15% weighting)*

	2020	2021	2022	2023
100%	12%	12%	12%	**12%**
25%	8%	8%	8%	**8%**
Nil	< 8%	<8%	<8%	**<8%**

Annual internal rate of return of the Change in FCBVS targets for RSS (85% weighting)*

	2020	2021	2022	2023
100%	13%	13%	13%	**13%**
25%	6%	6%	6%	**6%**
Nil	< 6%	<6%	<6%	**<6%**

* See page 108 for the vesting methodology to be applied for the RSS awards.

Directors' shareholdings and share interests

Formal shareholding guidelines were first introduced in 2012 and have subsequently been modified. The guidelines require the Group CEO and Group CFO to build and maintain a shareholding in the Company worth two times annual salary as set out in the Policy Report.

Details of the Directors' interests in shares are shown in the table below.

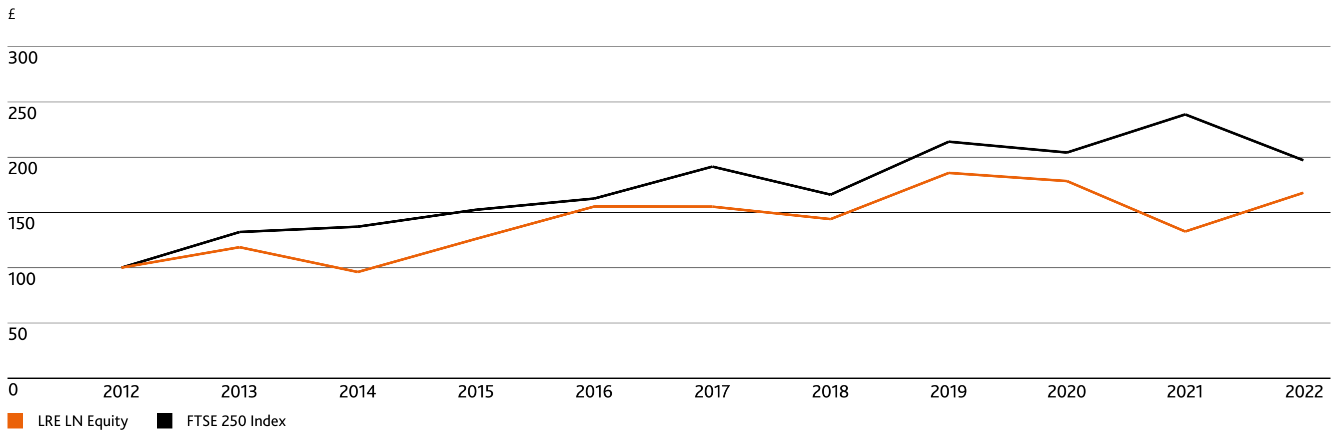
	Number of common shares							
	Total as at 1 January 2022	As at 31 December 2022						
Directors		Legally owned	Subject to deferral under the RSS	Subject to performance conditions under the RSS	Unvested and not subject to performance conditions under the RSS	Vested but unexercised awards under other share-based plans	**Total**	**Shareholding guideline achieved**
Alex Maloney	1,749,927	910,899	64,567	988,691	N/A	N/A	**1,964,157**	**726%**
Natalie Kershaw	373,735	77,922	30,451	506,006	N/A	N/A	**614,379**	**104%**
Peter Clarke	82,500	82,500	N/A	N/A	N/A	N/A	**82,500**	**N/A**
Michael Dawson	20,000	20,000	N/A	N/A	N/A	N/A	**20,000**	**N/A**
Simon Fraser	3,000	3,000	N/A	N/A	N/A	N/A	**3,000**	**N/A**
Jack Gressier	N/A	–	N/A	N/A	N/A	N/A	**–**	**N/A**
Samantha Hoe-Richardson	5,356	–	N/A	N/A	N/A	N/A	**–**	**N/A**
Robert Lusardi	28,000	48,000	N/A	N/A	N/A	N/A	**48,000**	**N/A**
Irene McDermott Brown	–	–	N/A	N/A	N/A	N/A	**–**	**N/A**
Sally Williams	11,082	11,082	N/A	N/A	N/A	N/A	**11,082**	**N/A**

Note: Share ownership interest equivalent is defined as wholly owned shares or the net of taxes value of RSS awards which have vested but are unexercised and the net of tax value of deferred bonus and/or non-performance RSS awards. Shares include those owned by persons closely associated with the relevant Executive Director.

The Committee has noted the shareholdings maintained by Natalie Kershaw during her initial period as an Executive Director and considers that progress in establishing a shareholding has been made in accordance with guideline requirements.

Performance graph and total remuneration history for Group CEO

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index. The Company's common shares commenced trading on the main market of the LSE on 16 March 2009 and the Company joined the FTSE 250 Index on 22 June 2009 and is currently a constituent of this.



Source: Datastream (Thomson Reuters)

This graph shows the value, by 31 December 2022, of £100 invested in LHL on 31 December 2012 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year ends.

The table below sets out the total single figure of remuneration for the Group CEOs over the last 10 years with the annual bonus paid as a percentage of the maximum and the percentage of long-term share awards vesting in each year.

	2013	2014[1]	2014[2]	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (£000s[3])	6,511	6,088	1,453	2,511	2,758	1,517	1,067	2,398	3,193	2,033	1,600
Annual bonus (% of maximum)	80	80	73	72	76	17	19	80	60	19	22
LTI vesting (%)	100	611	50	75	67	22.5	–	–	48.2	48.2	19.8

1. Richard Brindle was the Group CEO from 2005 until he retired from the Group and as a Director on 30 April 2014. Mr Brindle was afforded good leaver status and all RSS award interests were vested upon his departure, using estimated TSR and RoE values (as then defined) at the time of his retirement. The amounts in the table above reflect all awards which vested in 2014. Further particulars of the vesting were reported in the Group's 2014 Annual Report and Accounts.
2. Alex Maloney was appointed Group CEO effective 1 May 2014, after the retirement of Mr Brindle. For the purposes of this table his numbers have been pro-rated to account for only his time in office as CEO for 2014.
3. For the years 2013 – 2020 these figures were converted to GBP using the average exchange rate for the relevant year.

The table above shows the total remuneration figure for the Group CEO during each of the relevant financial years; figures for the current Group CEO are shown since his appointment to the position on 1 May 2014. The total remuneration figure includes the annual bonus and LTI awards which vested based on performance in those years. The annual bonus and LTI percentages show the payout for each year as a percentage of the maximum.

Group Chief Executive Pay Ratio

	Method	25th percentile Total Pay Ratio	Median Total Pay Ratio	75th percentile Total Pay Ratio
2022	C	24:1	15:1	8:1

During 2022 the number of UK based employees of the Group exceeded 250 for the first time. The table above sets out how the single total figure of remuneration (STFR) for the Group Chief Executive compares to the STFR of the UK employees at the 25th percentile, median and 75th percentile. The table below sets out the split between total remuneration (fixed and variable pay and benefits) and the salary component of that total for UK employees used in the above total pay ratio calculations. Lancashire has chosen to use methodology C (as defined in the applicable regulations) to calculate the figures in the tables above and below.

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	Total Remuneration (£)	Base Salary (£)	Total Remuneration (£)	Base Salary (£)	Total Remuneration (£)	Base Salary (£)
2022	65,627	50,000	107,128	75,000	196,277	130,000
	24:1	15:1	15:1	10:1	8:1	6:1

Lancashire uses methodology C and has used the population identified to calculate the average percentage change in remuneration based in the UK to identify the relevant comparator employee falling at each percentile and to calculate the annual total remuneration relating to 2022 for the three identified employees on the same basis as the Group Chief Executive's annual total remuneration for the same period in the single figure table. Methodology C was chosen over Methodology B as, at the point of producing this report, the Group had not yet reached the threshold number of employees based in the UK for gender pay gap reporting.

Percentage change in Directors' remuneration[1]

The following table sets out the percentage change in the aggregate value of salary, benefits and bonus for the Directors from the preceding year and the average percentage change in respect of the employees of the Group taken as a whole.

	2022			2021			2020		
	Base salary/ Fees	Benefits[2]	Bonus	Base salary/ Fees	Benefits[1]	Bonus	Base salary/ Fees	Benefits[1]	Bonus
Executive Directors									
Alex Maloney	4.0	4.3	23.1	(0.2)	(0.5)	(223.1)	3.1	–	(27.9)
Natalie Kershaw[3]	16.0	13.4	16.0	16.2	11.1	(197.0)	N/A	N/A	N/A
Non-Executive Directors									
Peter Clarke	–		N/A	–	–	N/A	–	–	N/A
Michael Dawson	–		N/A	–	–	N/A	–	–	N/A
Simon Fraser	5.9		N/A	–	–	N/A	–	–	N/A
Samantha Hoe-Richardson	–		N/A	–	–	N/A	–	–	N/A
Robert Lusardi	–		N/A	–	–	N/A	–	–	N/A
Irene McDermott Brown	–		N/A	N/A	N/A	N/A	–	–	N/A
Sally Williams	34.1		N/A	–	–	N/A	–	–	N/A
Employees of the parent company[4]	N/A	N/A	N/A	N/A	N/A	N/A	–	–	N/A
Employees of the Group	7.5	7.9	105.0	15.2	27.5	(57.9)	8.7	17.5	4.3

1. The change in remuneration for employees of the Group reported in the 2020 and 2021 annual reports and shown in the table above include the effect of headcount changes. The figures presented for 2022 represent employees in post on 31 December 2021 and 31 December 2022 to provide a like-for-like comparison to Directors. This will form the basis of calculation going forward.
2. Benefits include pension and all taxable benefits as reported on page 109 in the Single Figure on Remuneration table.
3. The change to Natalie Kershaw's salary in 2022 reflects salary paid including the mid-year adjustment described in the Chair's statement on page 96. There was no change in her CFO salary from 2020 to 2021. The apparent increase has arisen due to her 2020 salary being pro-rated following her appointment as Group CFO on 1 March 2020.
4. As the parent company does not have any employees, it is not possible to provide a percentage change in their pay and therefore the comparison is to the Group as a whole.

Relative importance of the spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the year ended 31 December 2022 compared with the year ended 31 December 2021.

	2022 $m	2021 $m	Percentage change %
Employee remuneration costs	82.6	79.6	3.8
Dividends	36.2	36.4	(0.5)

Committee members, attendees and advice

For Remuneration Committee membership and attendance at meetings through 2022, please refer to page 94 of this Annual Report and Accounts.

The Remuneration Committee's responsibilities are contained in its Terms of Reference, a copy of which is available on the Company's website.

These responsibilities include determining the framework for the remuneration, including pension arrangements, for all Executive Directors, the Chair and senior executives. The Committee is also responsible for approving employment contracts for senior executives.

Remuneration Committee adviser

The Remuneration Committee is advised by the Executive Compensation practice at Alvarez & Marsal Taxand UK LLP ('A&M'). A&M was appointed by the Remuneration Committee during 2020. A&M has discussions with the Remuneration Committee Chair regularly on Committee processes and topics which are of particular relevance to the Company.

The primary role of A&M is to provide independent and objective advice and support to the Committee's Chair and members. The Committee is satisfied that the advice that it receives is objective and independent. A&M is also a signatory to the Remuneration Consultants Group ('RCG') Code of Conduct which sets out guidelines for managing conflicts of interest, and has confirmed to the Committee its compliance with the RCG Code.

The total fees paid to A&M in respect of its services to the Committee for the year ended 31 December 2022 were $115,192. Fees are predominantly charged on a 'time spent' basis.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report are shown below along with the votes to approve the 2020 Remuneration Policy; any matters discussed with shareholders during the year, including the autumn 2022 consultation led by the Remuneration Committee Chair, are provided in the Annual Statement for 2022 starting on page 96. Details on the 2022 AGM vote are also outlined in the statement.

	Vote to approve 2021 Annual Report on Remuneration (at the 2022 AGM)		Vote to approve 2020-2022 Remuneration Policy (at the 2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	**162,129,911**	**89.7**	139,296,316	88.0
Against	**18,531,453**	**10.3**	18,944,612	12.0
Total	**180,660,364**	**100.0**	158,240,928	100.0
Abstentions	**1,018**		395,937	

Please see page 96 for the Chair's discussion of the 2022 AGM Remuneration vote outcomes and for the proposal to submit a revised Remuneration Policy for the period from 2023 to 2025 inclusive for shareholder approval at the April 2023 AGM.

Approved by the Board of Directors and signed on behalf of the Board.

Irene McDermott Brown
Chair of the Remuneration Committee

9 February 2023

Directors' Report

Overview of the Group

LHL is a Bermuda incorporated company (Registered Company No. 37415) with operating subsidiaries in Bermuda, London and Australia and two syndicates at Lloyd's.

The Company's common shares were admitted to trading on AIM in December 2005 and were subsequently moved up to the Official List and to trading on the main market of the LSE on 16 March 2009. The shares have been included in the FTSE 250 Index since 22 June 2009 and have a premium listing on the LSE.

Principal activities

The Company's principal activity, through its wholly-owned subsidiaries, is the provision of global specialty, catastrophe and casualty insurance and reinsurance products. An analysis of the Group's business performance can be found in the business review starting on page 20.

Dividends

During the year ended 31 December 2022, the following dividends were declared:

- a final dividend of $0.10 per common share was declared on 10 February 2022 subject to shareholder approval, which was received at the 2022 AGM. The final dividend was paid on 10 June 2022 in pounds sterling at the pound/U.S. dollar exchange rate of 1.2196 or £0.082 per common share; and
- an interim dividend of $0.05 per common share was declared on 26 July 2022 and paid on 2 September 2022 in pounds sterling at the pound/U.S. dollar exchange rate of 1.2141 or £0.0412 per common share.

Dividend policy

The Group intends to maintain a strong balance sheet at all times, while generating an attractive risk-adjusted total return for shareholders. We actively manage capital to achieve those aims. Capital management is expected to include the payment of a sustainable annual (interim and final) ordinary dividend, supplemented by special dividends from time-to-time. Dividends will be linked to past performance and future prospects.

Under most scenarios, the annual ordinary dividend is not expected to reduce from one year to the next. Special dividends are expected to vary substantially in size and in timing. The Board may cancel the payment of any dividend between declaration and payment for purposes of compliance with regulatory requirements or for exceptional business reasons.

Current Directors

- Peter Clarke (Non-Executive Chair)
- Alex Maloney (Group Chief Executive Officer)
- Natalie Kershaw (Group Chief Financial Officer)
- Michael Dawson (Non-Executive Director)
- Simon Fraser (Non-Executive Director)
- Jack Gressier (Non-Executive Director)
- Robert Lusardi (Senior Independent Non-Executive Director)
- Irene McDermott Brown (Non-Executive Director)
- Sally Williams (Non-Executive Director)

Directors' interests

The Directors' beneficial interests in the Company's common shares as at 31 December 2022 and 2021, including interests held by family members, were as follows:

Directors	Common shares held as at 31 December 2022	Common shares held as at 31 December 2021
Peter Clarke	**82,500**	82,500
Michael Dawson	**20,000**	20,000
Simon Fraser	**3,000**	3,000
Jack Gressier[1]	**–**	N/A
Samantha Hoe-Richardson[2]	**N/A**	5,356
Natalie Kershaw[3]	**77,922**	41,215
Robert Lusardi[4]	**48,000**	28,000
Alex Maloney[5]	**910,899**	787,570
Irene McDermott Brown	**–**	–
Sally Williams	**11,082**	11,082

1. Jack Gressier was appointed to the Board with effect from 26 July 2022
2. Samantha Hoe-Richardson ceased being a Director on 27 April 2022. Ms Hoe-Richardson held 5,356 shares in the Company as at 27 April 2022
3. Includes 25,082 shares held by her spouse, Adam Burton. Natalie Kershaw conducted the following transactions in the Company's shares during 2022:
   - 15 February 2022 – exercise of 21,032 RSS awards and related sale of 9,407 shares to cover tax liabilities, at a price of £5.32 realising £50,045.24.
   - 14 March 2022 – purchase of 12,438 shares at a price of £4.02 costing £49,985.09 by Adam Burton
   - 9 May 2022 – purchase of 12,644 shares at a price of £3.95 costing £49,986.21 by Adam Burton
4. Robert Lusardi conducted the following transactions in the Company's shares during 2022:
   - 11 May 2022 – purchase of 20,000 shares at a price of $5.87 costing $97,490.94
5. Includes 181,819 shares owned by his spouse, Amanda Maloney. Alex Maloney conducted the following transactions in the Company's shares during 2022:
   - 23 February 2022 – exercise of 183,905 RSS awards and related sale of 86,673 shares to cover tax liabilities, at a price of £4.99 realising £432,680.28
   - 10 March 2022 – purchase of 22,135 shares at a price of £3.84 and 3,962 shares at a price of £3.79 for a total costing of £99,998.25 by Amanda Maloney.

Transactions in own shares

Pursuant to the authority granted at the AGM held on 27 April 2022, the Company has carried out three separate share repurchase programmes commencing on 16 May 2022, 8 August 2022 and 14 November 2022 respectively and repurchasing a total of 4,589,592 common shares for an aggregate amount of $23.3 million. The repurchased shares were acquired to satisfy future exercises of awards made under the Group's RSS.

Under the current authority, the Company has 19,811,408 common shares remaining to be purchased as at 31 December 2022 (approximately $155.8 million at the 31 December 2022 share price). Further details of the share repurchase authority and programme are set out in note 19 to the consolidated financial statements on page 183. The authority to repurchase shares is subject to renewal at the 2023 AGM for an amount of up to 10% of the then issued common share capital.

Directors' remuneration

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. Details of the Directors' remuneration are set out in the Directors' Remuneration Report starting on page 96.

Substantial shareholders

As at 9 February 2023, the Company was aware of the following interests of 3% or more in the Company's issued share capital:

Shareholder	No. of Shares	% of issued ISC
Baillie Gifford	28,663,197	11.75
Setanta Asset Management	24,154,461	9.90
GLG Partners	13,998,754	5.74
Polar Capital	11,847,231	4.86
Vanguard Group	11,361,922	4.66
BlackRock	11,287,888	4.63
Invesco	9,607,325	3.94
Fidelity International	8,088,204	3.31

Corporate governance – compliance statement

The Company's compliance with the Code is detailed in the Sustainability and Governance reporting sections of this Annual Report and Accounts on pages 44 to 46 and more particularly in Peter Clarke's introduction to those sections on page 40.

The Board considers, and the Company confirms, in accordance with the principle of 'comply or explain', that the Company has applied the principles and complied with the provisions and guidance set out in the Code throughout the year ended 31 December 2022.

Health and safety

The Group considers the health and safety of its employees to be a management responsibility equal to that of any other function.

The Group operates in compliance with health and safety legislative requirements in Bermuda and the UK.

Greenhouse gas emissions and TCFD reporting

The Group's greenhouse gas emissions are detailed in this Annual Report and Accounts on page 60. The Group's TCFD Report is included in this Annual Report and Accounts starting on page 61.

Employees

The Group is an equal opportunities employer and does not tolerate discrimination of any kind in any area of employment or corporate life. The Group believes that education and training for employees is a continuous process and employees are encouraged to discuss training needs with their managers. The Group's health and safety, equal opportunities, training and other employment policies are available to all employees in the staff handbook which is located on the Group's intranet.

Creditor payment policy

The Group aims to pay all creditors promptly and in accordance with contractual and legal obligations.

Financial instruments and risk exposures

Information regarding the Group's risk exposures is included in the ERM report starting on page 26 and in the risk disclosures section starting on page 144 of the consolidated financial statements. The Group's use of derivative financial instruments can be found on page 141.

Accounting standards

The Group's consolidated financial statements are prepared on a going concern basis in accordance with IFRS as adopted by the EU. Where IFRS 4, Insurance Contracts is silent, as it is in respect of certain aspects relating to the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Group's management determines appropriate measurement bases, to provide the most useful information to users of the consolidated financial statements, using their judgement and considering U.S. GAAP.

Annual General Meeting

The Notice of the 2023 AGM, to be held on 26 April 2023 at the Company's head office, Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda, is contained in a separate circular to shareholders which is made available to shareholders at the same time as this Annual Report and Accounts. The Notice of the AGM is also available on the Company's website.

Electronic and website communications

Provisions of the Bermuda Companies Act 1981 enable companies to communicate with shareholders by electronic and/or website communications. The Company will notify shareholders (either in writing or by other permitted means) when a relevant document or other information is placed on the website and a shareholder may request a hard copy version of the document or information.

Going concern and viability statement

The performance review section starting on page 20 sets out details of the Group's financial performance, capital management, business environment and outlook. In addition, further discussion of the principal risks and material uncertainties affecting the Group can be found on pages 30 to 37. Starting on page 144 the risk disclosures section of the consolidated financial statements sets out the principal risks to which the Group is exposed, including insurance, climate change, pandemic, market, liquidity, credit, operational and strategic, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks. Further details of the Group's scenario testing and resilience to climate change risk can be found in the TCFD Report starting on page 61.

The Board considers annually and on a rolling basis, a strategic plan for the business which the Company progressively implements. The strategic plan approved by the Board at its meeting on 26 July 2022 covered the five-year period, including the current year, from 2022 to 2026 as well as a longer term strategic plan towards the year 2030. The Board also approved at its meeting on 2 November 2022 a management proposal for a more detailed three-year business forecast covering 2023 to 2025, which (as in 2022 and prior years) will be revised and reviewed by the Board at each of its quarterly meetings throughout 2023. The three year business plan period aligns to the predominantly short-tail nature of the Group's liabilities and the agility in the business model, allowing the Group to adapt capital and solvency quickly in response to market cycles, events and opportunities. This is consistent with the outlook period in the Group's ORSA report. The Board receives quarterly reports from the Group CRO and sets, approves and monitors risk tolerances for the business.

During 2022, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. As part of this assessment the business plan was stressed for a number of severe but plausible scenarios and the impact on capital evaluated. As we note in the Audit Committee report on page 80 and throughout this Annual Report and Accounts, the Board had a particular focus on the impacts of the conflict in Ukraine and a number of major natural catastrophe loss events, including the U.S. hurricane Ian. The Board also continued to monitor the ongoing volatility in the global investment markets. The Audit Committee also considered a formal and thorough `going concern' analysis from management at both its July 2022 and February 2023 meetings (for further details see page 85 in the Audit Committee report). The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook. Accordingly, the Board has a reasonable expectation that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2025, being the period considered under the Group's current three-year business plan.

Going Concern

Based on the going concern assessment performed as at 31 December 2022, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern and to adopt the going concern basis of accounting. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence as a going concern in the foreseeable future, a period of at least 12 months from the date of signing the Group's consolidated financial statements.

Auditors

Resolutions will be proposed at the Company's 2023 AGM to re-appoint KPMG LLP as the Company's auditors and to authorise the Directors to set the auditors' remuneration.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board.

Christopher Head
Company Secretary

9 February 2023

The Directors are responsible for preparing the Annual Report and Accounts and the Group's consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU. Where IFRS, as adopted by the EU, is silent, as it is in respect of certain aspects relating to the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Group's management determines appropriate measurement bases to provide the most useful information to users of the consolidated financial statements, using their judgement and considering U.S. GAAP. Further detail on the basis of preparation is described in the consolidated financial statements.

In preparing the consolidated financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Group's consolidated financial statements;
- provide additional disclosures where compliance with the specific requirements of IFRS as adopted by the EU are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the consolidated financial statements comply with applicable laws and regulations. They are also responsible for such internal control as they determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and also have general responsibility for safeguarding the assets of the Group, and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and
- the strategy and the business review sections of this Annual Report and Accounts include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Legislation in Bermuda governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions. In addition, the rights of shareholders under Bermuda law may differ from those for shareholders of companies incorporated in other jurisdictions.

By order of the Board

9 February 2023