Lancashire
Holdings Limited

2022
ESG review

Environmental, Social and Governance Report

Our commitment to sustainability

Sustainability

Our 2022 ESG Review

The pages in this ESG Review have been primarily extracted from the Lancashire 2022 Annual Report and Accounts.

References to page numbers indicated by this icon AR direct the reader to the full report which is available on our website.

Lancashire and its people are guided by our values

Our values underpin everything we do and we challenge ourselves to keep them at the core of our culture. These values give us the framework to conduct our business in the right way for our people, our customers, wider society, and our stakeholders, as we continue to grow and move forward.

Leadership	Exhibiting passion and commitment in all aspects of Lancashire life and inspiring others to do the same, we are…
Aspirational	aspiring to deliver a superior service for our clients, ourselves and our business partners, we are…
Nimble	in our decisions, actions and business processes, and considerate of our environment and wider society, we are…
Collaborative	valuing teamwork and a diversity of skills and experience and sharing in our success, and we are…
Straightforward	in conducting our business in an accountable, open, honest and sustainable way.

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 page 31 and 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 22.

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 AR 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 AR. 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 5 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

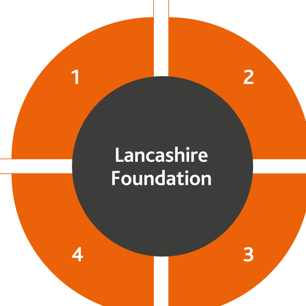
- High level of diversity maintained (Senior management positions 53% male/47% female; Group executive 57% male/43% female).
- Accredited living wage employer, for our business and our supply chain.
- Hiring practices seek to remove bias through anonymisation of CVs and gender neutral language for role 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 12 TO 16 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 18 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 18 FOR FURTHER DETAILS.

Society and the environment

The Group is committed to measuring and offsetting carbon emissions for its own operations (see page 19) 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 22).

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 8 TO 11 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 on following page)

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 on following page)

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 on following page)

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 AR The Group's business model – page 4 AR 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 AR Positive culture enables sustainability – page 12 The Board's assessment of the Group's viability and prospects as set out in the going concern and viability statement – page 120 AR
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 12
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 AR
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 4. 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 page 31 and our website for details) and address the requirements of the TCFD – page 22
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 AR 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 AR
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 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 AR, page 23 AR and page 118 AR

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 starting on page 31 and 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.

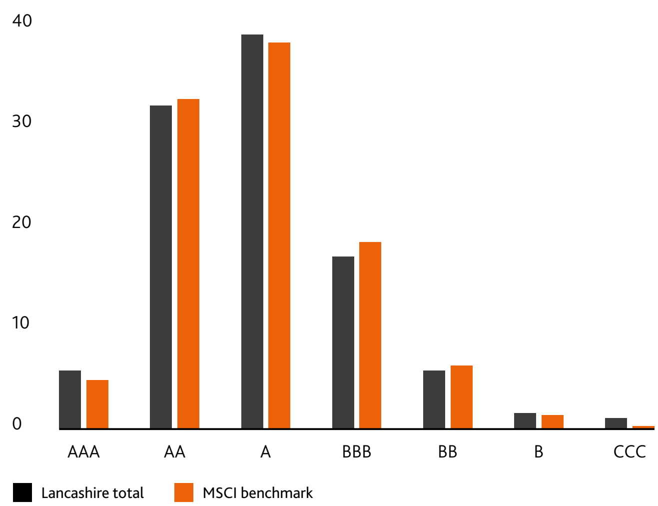
Lancashire monitors the ESG profile of its fixed maturity portfolio through the MSCI ESG rating tool. The current portfolio is designated as within the "average" ESG category.

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 AR 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 21.

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 AR 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 22 to 30 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 21 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.

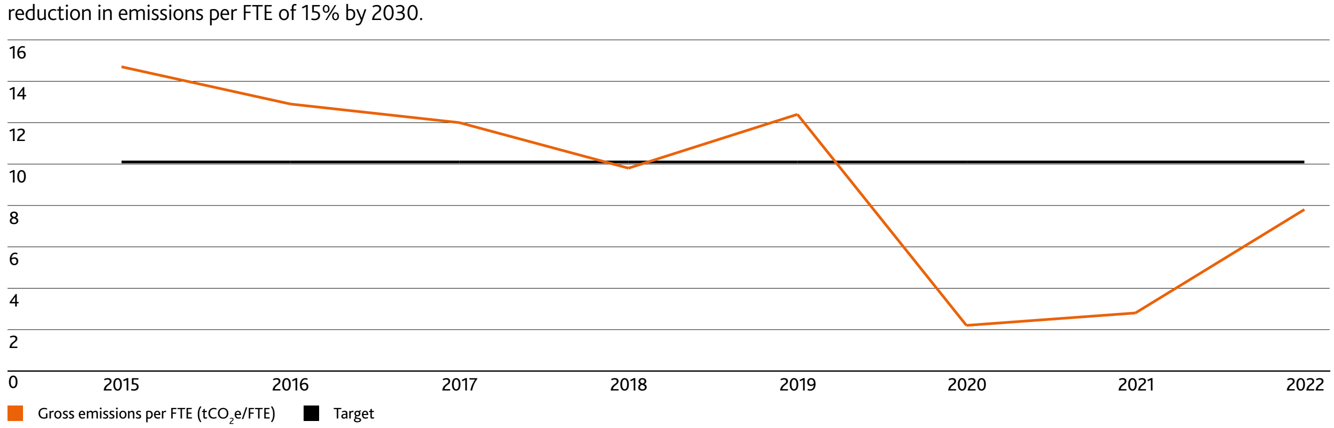
In addition, we encourage the use of public transport, walking and cycling by employees travelling to work to assist in reducing the number of car journeys. As a result of the employee commuting survey completed during Q4 2022, we note that the majority of our employees commute to their place of work 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 23
	Describe management's role in assessing and managing climate-related risks and opportunities	Disclosed	See page 24
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Disclosed	See page 25
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	Disclosed	See page 26
	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 27
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks	Disclosed	See page 28
	Describe the organisation's processes for managing climate-related risks	Disclosed	See page 28
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Disclosed	See page 28
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 29
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks	Disclosed	See pages 21 and 30
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Disclosed	See page 30

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 AR. 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 AR 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 AR 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.

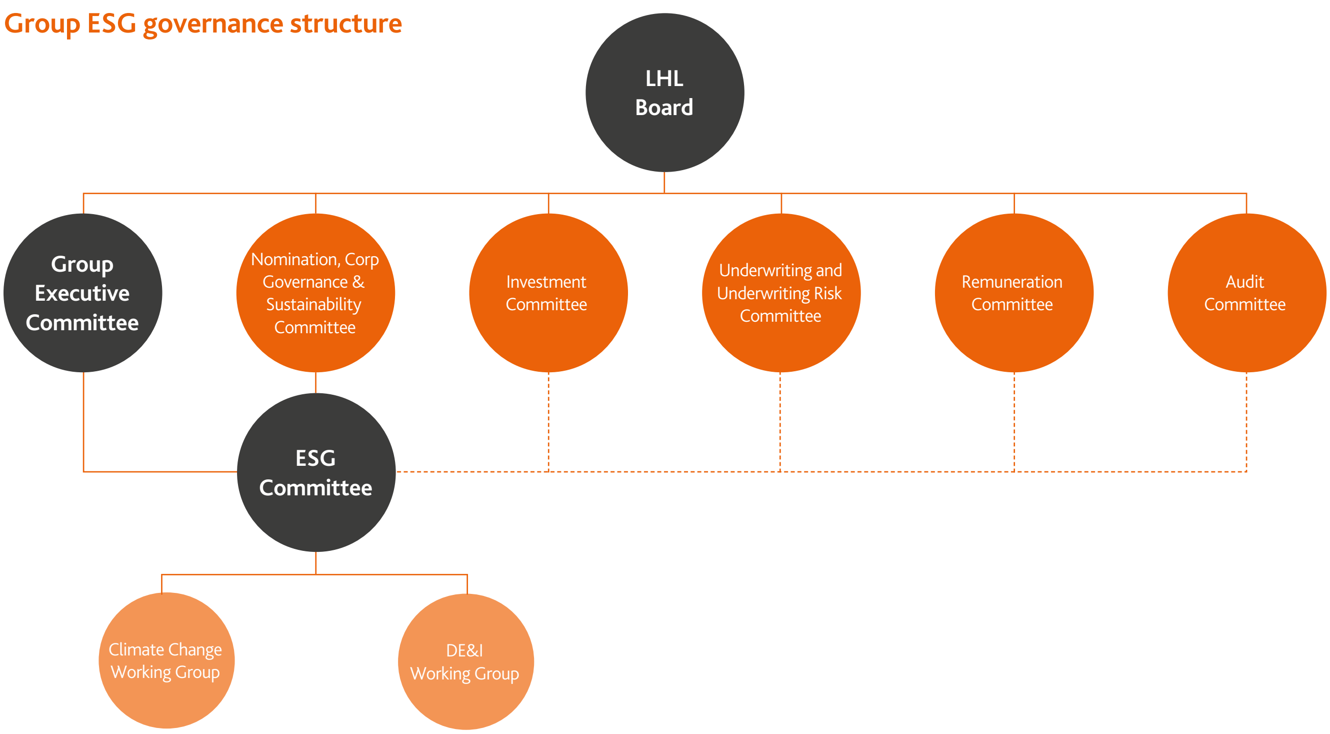
The ESG Committee, established by management in 2021, is tasked with the oversight, co-ordination and internal management of the Group's ESG strategy. The ESG Committee reports to the Board on a quarterly basis, as well as regular reporting to the Group Executive Committee, and is supported by both the 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 AR 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 AR 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 AR 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 AR. In addition, the Group's current catastrophe exposure by geographical zone for our peak perils are listed on page 146 AR 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

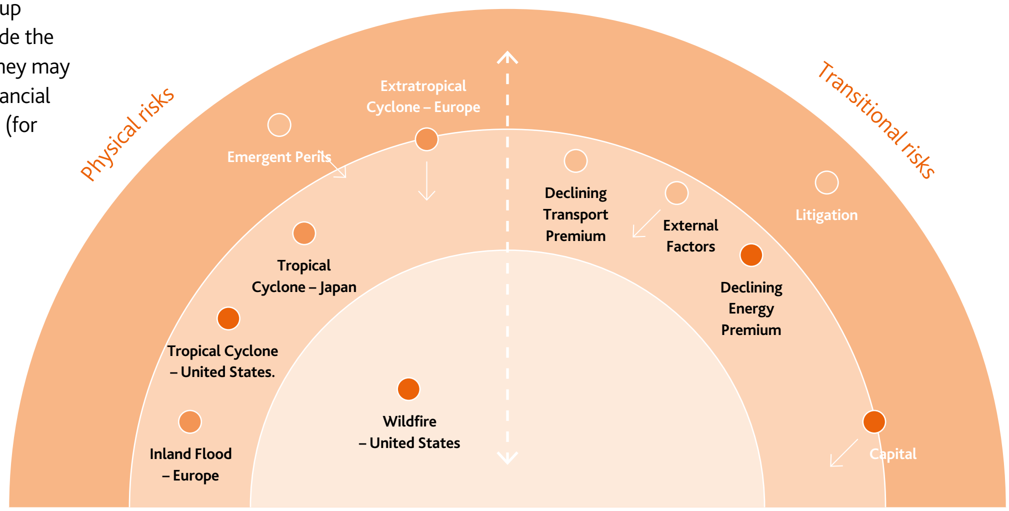
Lancashire's current internal view of the physical and transition risks the Group may face from climate change include the potential time horizon over which they may be faced, potential magnitude of financial impact, and the geographical region (for physical risks).

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 AR 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 AR 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 AR.

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 AR.

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.

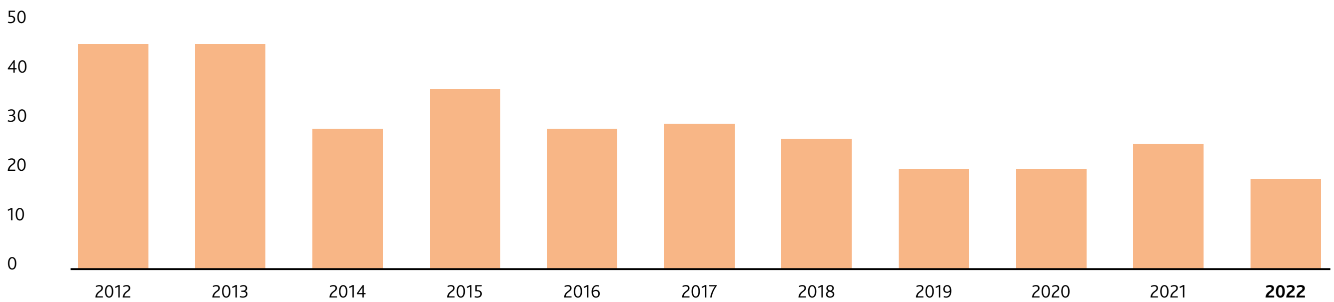
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

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.

On pages 26 and 27 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.

PML as a % of GWP



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 AR, 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				
U.S. Windstorm – Gulf of Mexico	Medium	High	\$301.2 million / 19.5%	• 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 – 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 23 AR 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.

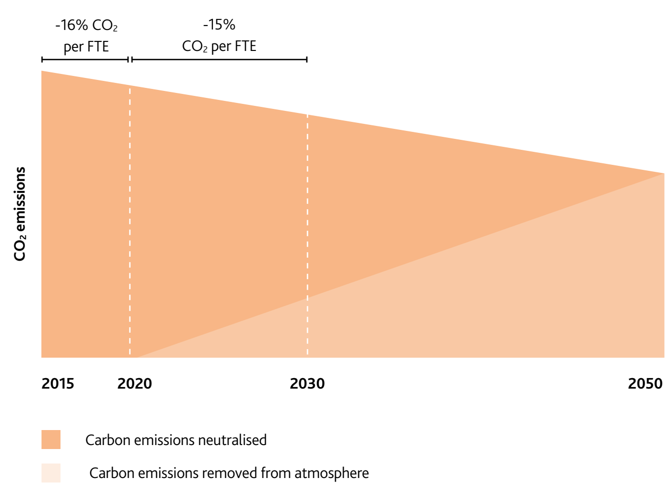
The Group also commits to continue to offset 100% of Scope 1 and 2 emissions and 100% of the Scope 3 emissions pertaining to our operations which we are able to accurately calculate and exercise sufficient control over at this time. These include business travel, waste generated in operations, our employees' 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 22 AR 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 AR 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



The United Nations Environment Programme Finance Initiative (UNEP FI)

Principles for Sustainable Insurance

The UNEP FI Principles for Sustainable Insurance are a global framework for the insurance industry to address ESG risks and opportunities. Their aim is to better understand, prevent and reduce environmental, social and governance risks, whilst enhancing opportunities for effective risk protection and reporting.

We have reported against the Principles since 2019 and set out below how we have continued to apply the Principles during 2022. The relevant activities of both the Lancashire Board and business are set out in the 2022 Annual Report and Accounts and the detail can be found via the page references detailed below.

Principle 1

We will embed in our decision making environmental, social and governance issues relevant to our insurance business.

COMPANY STRATEGY

We embed ESG issues within our Board and management's strategic and business planning processes to foster a robust, purposeful, sustainable and profitable culture within a responsible governance framework. The business is led by a strong management team who are accountable to an independent, diverse and effective Board and Committee structure. During 2022, the Lancashire ESG Committee and the Climate Change Working Group, both of which include senior representatives from across the business, continued to work to align our Group-wide consideration of sustainability and governance matters. They analyse a range of topics and make recommendations to both senior management and ultimately the Board.

For more information please see:

- Purpose statement (page 5) AR
- Lancashire values (inside cover)
- Underwriting review (pages 16 to 21) AR
- ESG Philosophy (page 3)
- ESG Strategy (page 4)
- TCFD report (pages 22 to 30)
- ESG Governance Structure (page 24)
- Stakeholder engagement and Section 172 responsibilities (pages 5 to 7)
- Corporate governance report (pages 76 to 79) AR

Our principal strategic purpose is to deliver bespoke risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events, including those influenced by the effects of climate change. During 2022, the Group has continued to take steps to implement the recommendations of the TCFD. The Group has targets both to reduce the emissions arising from its own operations per FTE by 15% by 2030, and to be net-zero by 2050. We are committed to continuing to monitor and offset 100% of the Group's carbon emissions from its own operations during this transition. We will also continue to develop greater formality around the understanding of the impacts of climate change risk and the implementation of appropriate governance frameworks for climate change management. We formally monitor our climate exposures and build this into our risk management and strategic planning, as both a risk and an opportunity for the business.

- Purpose statement (page 5) AR
- Chair's Statement (pages 8 and 9) AR
- Underwriting review (pages 16 to 21) AR
- Enterprise Risk Management and principal risks (pages 26 to 37) AR
- Chair's introduction to sustainability section (page 1)
- Responsible Investment (page 18)
- Operating responsibly (page 19)
- TCFD report (pages 22 to 30)
- Investment Committee report (pages 90 and 91) AR

Management and the Board actively support the work of the Lancashire Foundation, which promotes engagement of our staff with a range of charitable and social projects, including a record of assistance to disadvantaged communities blighted by catastrophic events. 2022 marked the 16th year of charitable donations from the Lancashire Foundation. These donations, totalling $22.3 million during this time, have been given to longstanding charitable partners in recognition of their phenomenal work assisting those affected by natural disasters, as well as to other charities nominated and supported by our employees.

- Chair's statement (pages 8 and 9) AR
- Chair's introduction to sustainability section (page 1)
- The Lancashire Foundation (pages 8 to 11)

We value our people and the strategic benefits of a healthy business culture. Our management team and Board promote an active programme of engagement and we operate a robust, yet flexible, programme of staff training and opportunities for career development. We offer attractive remuneration and employee benefits packages and have a planned approach to succession, staff retention and employee satisfaction.

- Chair's statement (pages 8 and 9) AR
- Group Chief Executive's review (pages 10 and 11) AR
- Financial review (pages 14 and 15) AR
- Underwriting review (pages 16 to 21) AR
- People and Culture (pages 12 to 16)

There is regular engagement with our shareholders and other stakeholders by management, the Board and the business, touching upon a range of strategic and business issues, including the Group's approach to a range of ESG matters.

- Purpose statement (page 5) AR
- Chair's statement (pages 8 and 9) AR
- Business model and Strategy (pages 4 and 5) AR
- Chair's introduction to sustainability section (page 1)
- ESG Philosophy (page 3)
- ESG Strategy (page 4)
- People and culture (pages 12 to 16)
- Sustainable insurance (page 17)
- Stakeholder engagement and Section 172 responsibilities (pages 5 to 7)
- Corporate governance report (pages 76 to 79) AR
- Investment Committee report (pages 90 and 91) AR

RISK MANAGEMENT AND UNDERWRITING

There is a strong culture of underwriting discipline and risk management within the Group, which values professionalism and embeds risk monitoring and control processes in our underwriting activities. Environmental risk exposures, including assumptions related to climate change, are embedded into our risk management, capital management and underwriting processes.

For more information please see:

- Chair's statement (pages 8 and 9) AR
- Group Chief Executive's review (pages 10 and 11) AR
- Underwriting review (pages 16 to 21) AR
- Enterprise risk management and principal risks (pages 26 to 37) AR
- Chair's introduction to sustainability (page 1)
- Sustainable insurance (page 17)
- TCFD report (pages 22 to 30)
- Risk disclosures (pages 144 to 163) AR

Management and the Board agree and monitor performance against formal risk tolerances, in particular with regard to the Group's exposures to natural catastrophe loss events, including weather events impacted by climate change.

- Enterprise risk management and principal risks (pages 26 to 37) AR
- TCFD report (pages 22 to 30)
- Risk disclosures – peak zone elemental loss exposures (page 146) AR

PRODUCT AND SERVICE DEVELOPMENT

Our (re)insurance products and services help our clients manage the threats they face from climate catastrophe risks and other unpredictable perils, contributing towards the resilience of businesses and communities faced with the threat of climate and other natural catastrophes.

For more information please see:

- Purpose statement (page 5) AR
- Chair's statement (pages 8 and 9) AR
- Group Chief Executive's review (page 10 and 11) AR
- Underwriting review (pages 16 to 21) AR
- Supporting the global carbon transition (page 17)

The Board and management foster a nimble underwriting and business culture to respond to the risk requirements of clients in a changing world. Included within the Group's energy underwriting business is an established portfolio of renewable energy products and clients. In 2022, the Group continued to implement ESG and climate-related insurance underwriting guidelines, which have been articulated by reference to Lloyd's market guidance across all underwriting platforms.

- Lancashire values (inside cover) AR
- Chair's Statement (pages 8 and 9) AR
- Group Chief Executive's review (pages 10 and 11) AR
- Underwriting review (pages 16 to 21) AR
- Supporting the global carbon transition (page 17)
- TCFD report (pages 22 to 30)
- Underwriting Committee report (pages 92 and 93) AR

CLAIMS MANAGEMENT

Our experienced team of claims specialists is well-equipped with specific knowledge of our diverse product lines. We have high levels of expertise that allow us to effectively manage and thoroughly investigate any loss our clients may sustain. Our goal is to ensure timely and equitable claims resolution for our clients.

For more information please see:

- Business model – Our policyholders (page 5) AR
- Business review – Losses (page 21) AR
- Sustainable insurance (page 17)

SALES AND MARKETING

We are fully committed to supporting a 'broker market' and to maintaining a strong working relationship with the largest global broking firms, as well as with independent brokers, who distribute our products. We seek to engage with our clients and their brokers to provide relevant and targeted risk solutions based on a sustainable strategy and business model.

For more information please see:

- Purpose statement (page 5) AR
- Sustainable insurance (page 17)

INVESTMENT MANAGEMENT

We actively manage our climate change transitional risk, with sensitivity to, and promotion of, ESG responsible investment. Our principal investment managers are signatories to the world's leading proponent of responsible investment, the UN-supported 'Principles for Responsible Investment'. The Group uses proprietary industry benchmark tools to formally monitor the sensitivity of its investment portfolio for value at risk due to the impacts of different carbon transition scenarios and for the carbon intensity of assets, in order to develop a better understanding of the resilience of the portfolio to carbon transition risk.

For more information please see:

- Principal risks – investment risk management (page 33) AR
- Responsible investment (page 18)
- Investment Committee report (pages 90 and 91) AR
- TCFD report (pages 22 to 30)

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

CLIENTS AND SUPPLIERS

We engage constructively with our clients, brokers and other suppliers to address environmental, social and governance issues relevant to the operation of our business and to address our clients' needs for risk management solutions across a range of specialty and property lines.

For more information please see:

- Purpose statement (page 5) AR
- Sustainable insurance (page 17)
- Operating Responsibly (page 19)
- Stakeholder engagement and Section 172 responsibilities (pages 5 to 7)

INSURERS, REINSURERS AND INTERMEDIARIES

We engage with industry bodies to develop and promote awareness of market issues (including environmental factors). During 2022 we joined the ClimateWise organisation. Through our membership we will be able to collaborate with others and better support our clients in their journey to transition away from arbon-based forms of energy.

For more information please see:

- Chair's introduction to sustainability (page 1)
- Sustainable insurance (page 17)

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

GOVERNMENTS, REGULATORS AND OTHER POLICYMAKERS

Our Board and business operate constructively within a highly regulated insurance and financial services environment in the UK and Bermuda, as well as internationally. Throughout the year, our Bermuda and UK entities have engaged with their respective national regulators in relation to all relevant matters, including the management of climate change risk and the TCFD's requirements. As a listed company, LHL systematically monitors, records and reports its compliance with the UK Corporate Governance Code.

For more information please see:

- Chair's introduction to sustainability (page 1)
- Sustainable insurance (page 17)
- Stakeholder engagement and Section 172 responsibilities (pages 5 to 7)

The Board and business monitor and comply with all relevant laws and regulations. Examples include the Board's clearly articulated position regarding slavery and human trafficking, pursuant to the provisions and requirements of the UK Modern Slavery Act 2015. Our Board has also regularly discussed the recommendations of both the Hampton-Alexander and the Parker Reviews regarding gender and ethnic diversity.

- Operating Responsibly (page 19)
- Stakeholder engagement and Section 172 responsibilities (pages 5 to 7)
- Nomination Corporate Governance and Sustainability Committee report (pages 86 to 89) AR

The Board oversees the Company's annual submission to the Carbon Disclosure Project (CDP). The Group and its regulated subsidiaries are implementing the recommendations of the TCFD.

- Operating Responsibly (page 19)
- TCFD report (pages 22 to 30)

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

PRINCIPLE 4

We offer clear and transparent ESG reporting through multiple channels, including our Annual Report and Accounts; our website, and our work with the CDP.

For more information please see:

- Lancashire Group website
- LHL's 2022 Annual Report and Accounts
- LHL's responses on the CDP website

We are committed to being transparent and accountable, by publicly disclosing the business's implementation of the Principles.

www.lancashiregroup.com
Contact us at info@lancashiregroup.com