Lancashire
Holdings Limited

ClimateWise Report

2023-2024

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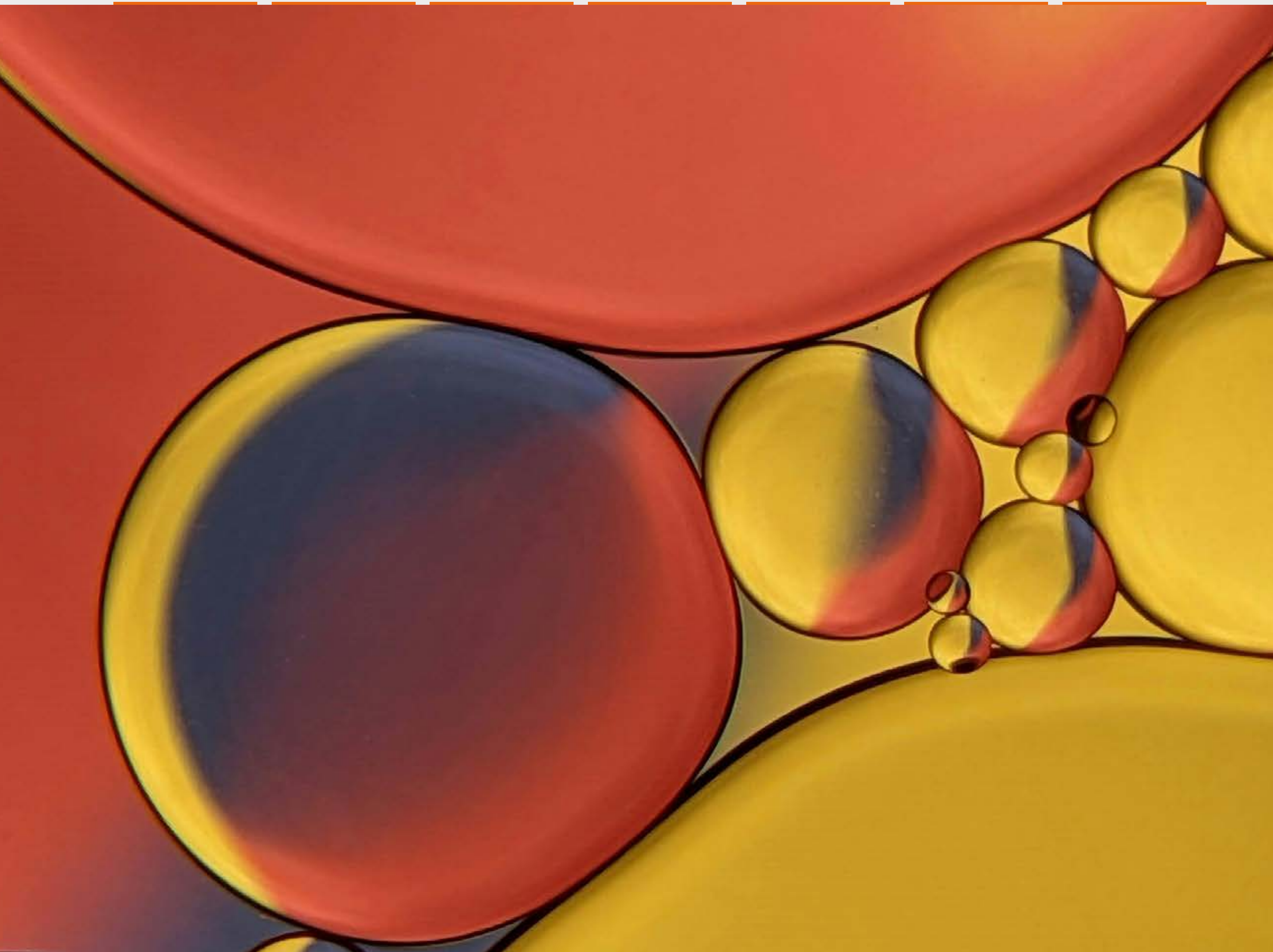


Foreword

Over the last year, we are pleased to have engaged constructively with the development of the ClimateWise principles.

These principles have evolved to better reflect the greater emphasis on climate-related reporting across the sector and the associated risks and opportunities.

In conjunction with our disclosures against the TCFD framework[1], this report is testament to our continued commitment to transparency and accountability. We appreciate the importance of communicating our approach to managing climate risk and disclosing its potential impact on our business to our stakeholders. We look forward to continuing our engagement with ClimateWise.

This report is aligned with the financial disclosures in our 2023 ARA. The ClimateWise framework principles are aligned with various external requirements including the TCFD framework (which was the guiding framework for the 2023 financial year) and, but not limited to, the PRA Supervisory Statement SS3/19.

We look forward to ClimateWise's annual assessment of our submission as we intend to build upon the valuable feedback and advice ClimateWise provides.

Louise Wells

Group Chief Risk Officer
August 2024

1. As of October 12, 2023, the TCFD had fulfilled its remit and disbanded. The IFRS Foundation has taken over the monitoring of the progress of companies' climate-related disclosures.

Our universe of stakeholders

About Us

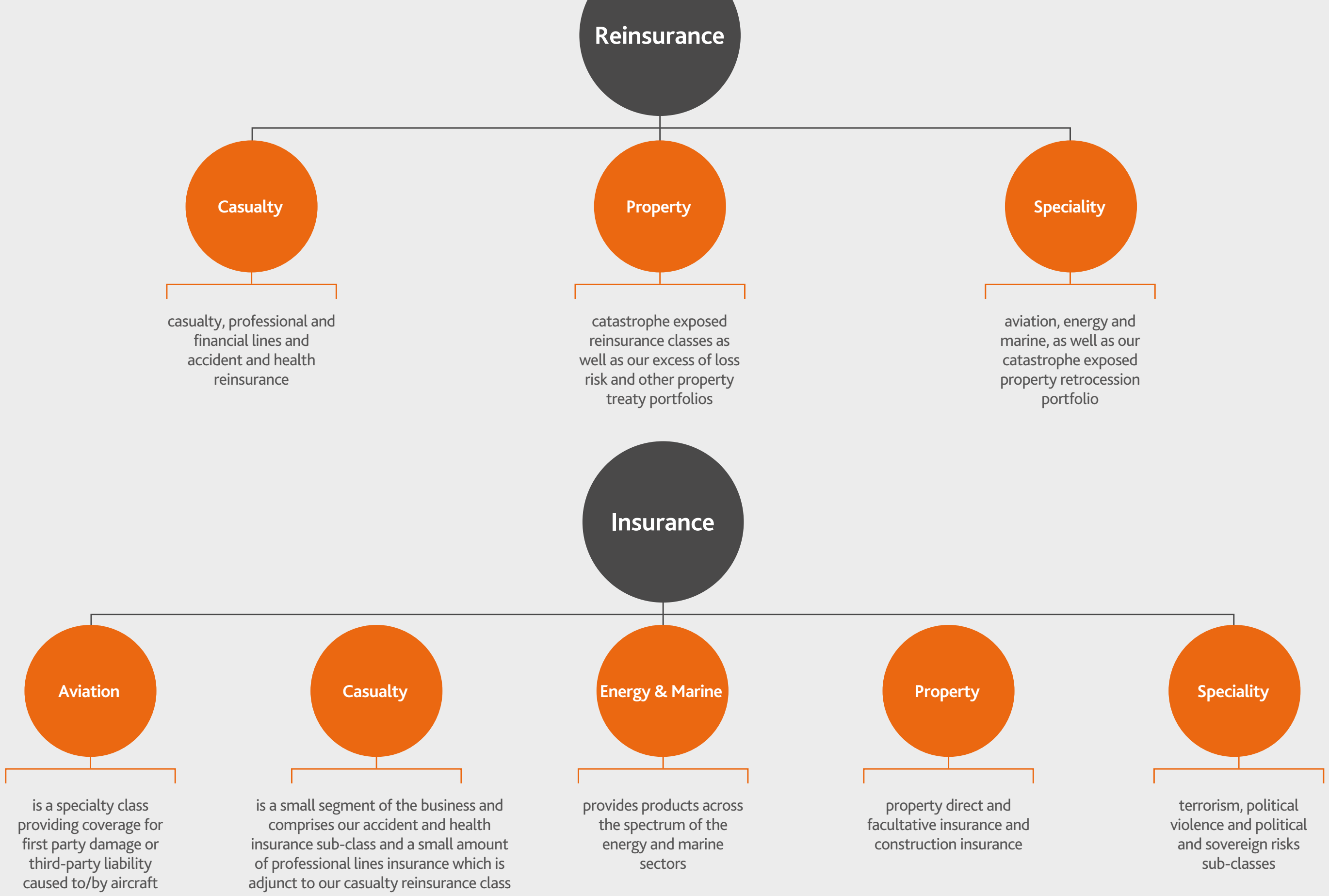
Lancashire Holdings Limited is the group holding company for the Lancashire Group, a provider of global specialty insurance and reinsurance products headquartered in Bermuda and operating in London, Australia and most recently in the U.S. across three delivery platforms. The Group reports within two main operating segments: Insurance and Reinsurance, which cover a range of property, casualty, energy, marine, aviation and specialty products.

As at 30 June 2024, we have just over 400 staff working across our four locations.

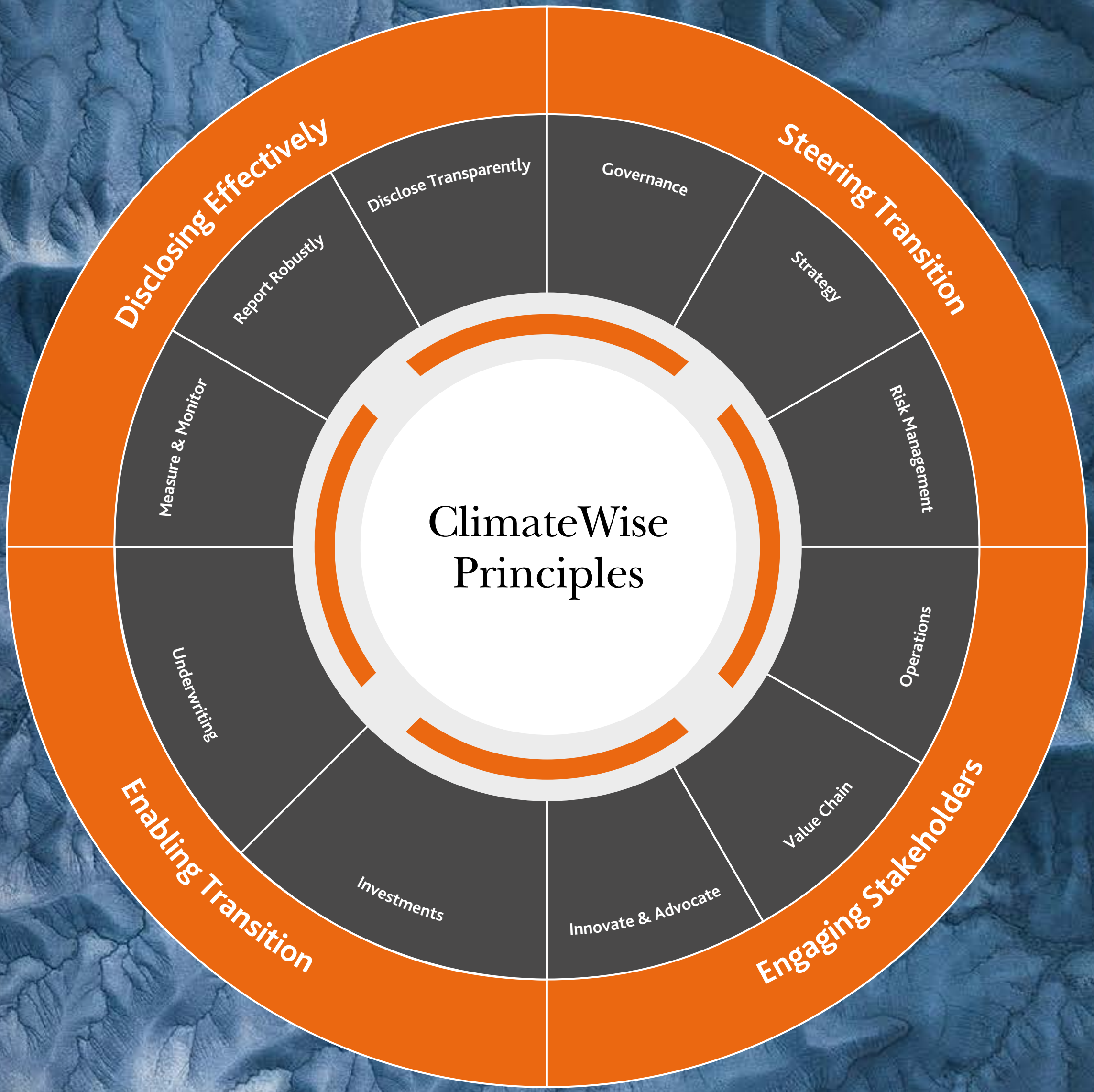
ClimateWise Membership

This is Lancashire's third year as a member of ClimateWise. We are committed to continuing to progress against the ClimateWise Principles and align our sustainability strategy to the UNPSI, and with the TCFD and IFRS S1 and IFRS S2 frameworks and broader ESG recommendations and guidance, as required.

Our Products



ClimateWise Principles 2024



Principle 1
Steering Transition

1.1 Ensure that our Board has oversight of climate- and nature-related risk and opportunity management, including any transition plans.

Governance

Board Oversight

The Board has ultimate responsibility and oversight for the Group's ESG strategy, climate-related risks and opportunities and related sustainability targets that have a material impact on the Company or the Group. The Board oversees the Group's ERM activities and receives quarterly updates on material ESG risks while ensuring appropriate governance, systems and oversights are in place.

The Group's Board-level Nomination, Corporate Governance and Sustainability Committee oversees the articulation of the Group's ESG strategy; the implementation of ESG initiatives by management and the business; and reviews the ClimateWise report, and ESG, carbon footprint and TCFD disclosures in the ARA; reporting to the Board on these matters.

Nomination, Corporate Governance and Sustainability Committee

Philip Broadley
Non-Executive Chair

Michael Dawson
Non-Executive Director

Sally Williams
Non-Executive Director

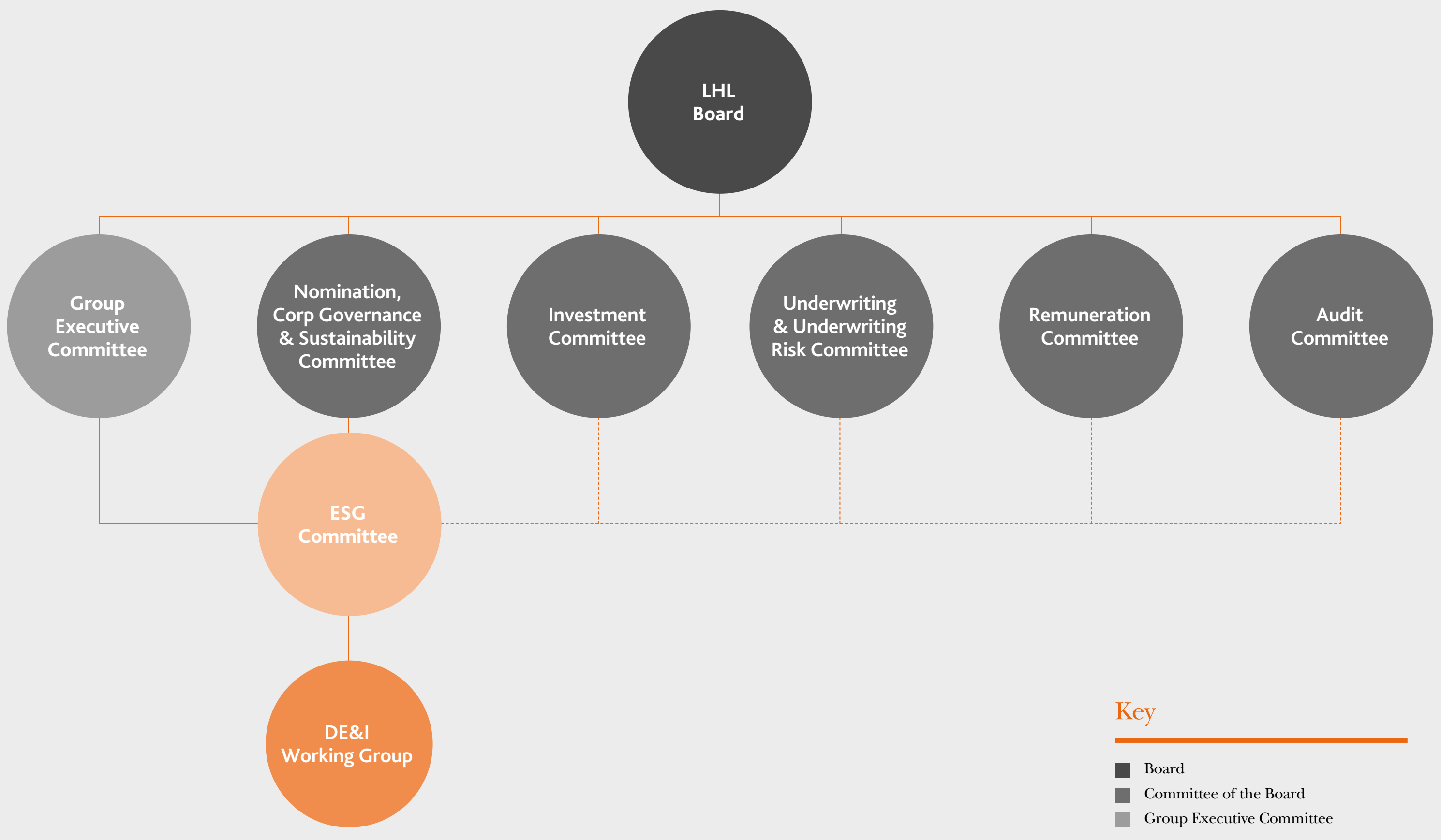
Irene McDermott Brown
Non-Executive Director

The Board is supported by its committees within their respective core mandates, with each committee meeting at least on a quarterly basis.

1. The Nomination, Corporate Governance and Sustainability Committee receives direct reports from the management team and monitors issues of sustainability, including developments in climate change risk management and reporting; the committee's role also includes the pre-submission review of the Group's ClimateWise reporting for ratification by the Board and the year-end review of the ESG, carbon footprint and TCFD aligned disclosures in the Group's ARA; from this the committee makes recommendations to the Board regarding the ESG responsibilities of the Group.
2. The Underwriting and Underwriting Risk Committee receives direct reports from the management team and is responsible for monitoring the impacts of climate change and transition risk on the underwriting portfolio, as well as the broader ESG risks, and articulating appropriate underwriting risk appetites and tolerances for the Group.
3. The Audit Committee principally through its work reviewing the Group's ARA, provides oversight of the disclosures on the Group's ESG strategy, carbon footprint measurement and offsetting, and the TCFD report.
4. The Investment Committee receives direct reports from the management team and provides oversight of investment risks, including sustainability risks, by monitoring the climate change risk sensitivity, the ESG profile and the carbon intensity profile of the Group's investment portfolio.
5. The Remuneration Committee evaluates the Group's remuneration packages, including the Group's remuneration structure, ensuring they are in line with the Group's business and ESG strategy.

The diagram (right) illustrates the responsibilities and reporting lines to the Group Board, including the Board sub-committees, the Group Executive Committee and the ESG Committee, and the overall governance structure as it pertains to ESG.

Group ESG Governance Structure



Board Level Engagement

The Board's ESG and climate change oversight includes material ESG risks while ensuring appropriate governance, systems and oversights are in place. The Board also discusses climate-related issues as part of the annual process when reviewing and approving the Group's:

- ESG Strategy and Framework;
- Risk appetite statements, including the tolerances for elemental PMLs and non-elemental RDSs;
- Group strategy and business plans;
- Climate-related Investment Guidelines;
- Annual Report and Accounts;
- TCFD Report;
- ORSA report; and
- ESG Group Underwriting Guidelines.

Further ESG related activities undertaken by the Board include:

- 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 the annual business planning exercise and the annual ORSA reporting process, including climate-related scenarios; and
- review of the quarterly adherence to the ESG underwriting guidelines.

Board-Approved Risk Tolerances

The actual business underwritten within the Group is monitored against the strategic plan and the Board-approved risk tolerances (including those linked to climate-related catastrophe loss events). Risk tolerances are reported to the Board quarterly within the Group CRO ORSA update report as part of our risk management framework. In addition, the Group CUO and Group CRO regularly review current and emerging (re)insurance risks. These Board-level conversations around risk tolerances set quantitative measures for all risk categories, including climate, in our operations. Our climate risk culture has been set at the top and, accordingly, acceptable levels of risk are communicated throughout the business, which range from risk avoidance to opportunity enablement.

1.2 Ensure that our Senior Management has responsibility of climate- and nature-related risk and opportunity management, including any transition plans.

Governance

Group CEO
The Group CEO is accountable for the development and execution of the Group strategy, including managing climate-related risks and opportunities.

Group CUO
The Group CUO is ultimately responsible for the re/insurance business underwritten by the Group, assisted by the Group's CUOs for its Reinsurance and Insurance segments, subsidiary CUOs and syndicate AUWs. Climate-related risks and opportunities related to the business written are assessed as part of the underwriting process. Each underwriter has an underwriting authority in which the ESG Insurance Underwriting Guidelines have been embedded. Management information is used to monitor the business written against these guidelines.

Group CRO
The Group CRO is responsible for managing the Group's risk management framework and is the SMF holder for LUK. The framework facilitates the identification, assessment, evaluation and management of existing and emerging risks by management and the Board, to ensure these risks are given due consideration and embedded appropriately within decision-making.

CIO
The CIO is responsible for the Group's investments, including developing and communicating the investment strategy and incorporating ESG issues into the investment processes. ESG considerations are also included in the strategic asset allocation process, which is performed every two years.

Group Executive Committee
The Group Executive Committee is responsible for managing the day-to-day business activities by developing and implementing the strategy and business plan and an appropriate governance framework to manage and mitigate identified risks, which includes those associated with climate change.

Group Underwriting Executive Committee
The Group Underwriting Executive Committee's function is to:

- Oversee the underwriting performance of the operating entities to monitor and review underwriting activities and performance across the Group and receive updates from the Group CUOs of Insurance and Reinsurance.
- Propose the annual business plans to the relevant entity boards.
- Monitor the execution and delivery of the underwriting strategy and business plans for each class of business and individual underwriting entity, as approved by their respective boards.
- Monitor and investigate any material deviations from business plans and determine appropriate responses as required.
- Lead the business development and distribution strategy for the Group, and to approve business development opportunities as may be appropriate.
- Investigate market trends, emerging risks, new classes of business, and new product opportunities.
- Propose any material changes to the Group underwriting guidelines and policies.

Monthly Insurance and Reinsurance Forums
The monthly insurance and reinsurance forums are chaired by the Group CUOs: Insurance and Reinsurance, respectively. The relevant entity, group heads, and representatives from the underwriting teams go over a set agenda that includes but is not limited to market updates, exposure management, and a summary of our latest natural and man-made RDS.

Underwriting Management
An appropriate understanding of climate and nature-related risks and opportunities is central to the Group's underwriting strategy and management. Responsibilities cascade across the Group's underwriting team, starting with the Group strategy and underwriting business plan. This flows from the high-level strategic goals and risk appetites set by the Group, which inform the business plans and individual risk appetites agreed by each underwriting entity.

Extensive underwriting controls and procedures are in place to ensure we deliver on the core strategy and underwriting business plan. By aligning our approach across our product lines and ensuring all underwriting takes place in accordance with the authority controlled by each entity CUO or AUW, we can maintain a single view of underwriting across the Group.

Group Underwriting Controls

The effectiveness of these controls is evaluated through underwriting performance monitoring. This includes portfolio management, peer review process, quarterly business review meetings, and quarterly reporting, ensuring a deeper understanding of the materiality of risks accepted. Both pre- and post-bind underwriting controls are operated across our underwriting platforms.

Investment Management

The Company operates a predominantly outsourced investment management model, with a small group of specialised investment managers who operate according to the Group's strategy and investment guidelines, which consider climate-related considerations alongside individual portfolio guidelines for each outsourced portfolio.

The management IRRC provides second line of defence governance over the investment processes. The IRRC's terms of reference include the oversight of climate-related risks and opportunities.

Management and the Investment Committee work with our external portfolio managers to monitor the carbon and ESG profile of the Group's investment portfolio, in addition to current exclusionary guidelines. In 2024, we continue to investigate the best-aligned ESG-themed investment opportunity. Due diligence is ongoing, and the goal is to make a final commitment during the second half of 2024.

1.3 Create a clear link between governance and oversight, establishing a robust governance framework and underlying policies and procedures.

Governance

We have a range of policies, statements and guidelines that set out accountability and responsibility for climate-related issues across the business; more information on each one can be found below.

ESG Insurance Underwriting Guidelines

Our ESG Insurance Underwriting Guidelines are agreed by the senior underwriting management team and are a guide for integrating ESG risk factors into insurance underwriting decisions.

Investment Strategy and Guidelines

We track and monitor the emission intensity of our investment portfolio every quarter. Our investment strategy guidelines incorporate ESG and climate-related targets and appetites as part of the overall strategy and guidelines which align with our commitment to responsible investment.

Health and Safety Policy

The Group considers the health and safety of its employees to be a management responsibility. Our full Health and Safety Policy is communicated to employees on joining and is available on our intranet.

Anti-Slavery and Human Trafficking Statement

The Lancashire Group publishes an anti-slavery and human trafficking statement on its website and is committed to operating a responsible business to the benefit of all its stakeholders. The Group respects, supports and complies with all relevant local Bermudian, UK, Australian and U.S. legal requirements to which it is subject. Lancashire Group has zero tolerance for slavery and human trafficking in our supply chains or any part of our business.

Group Human Rights Policy Statement

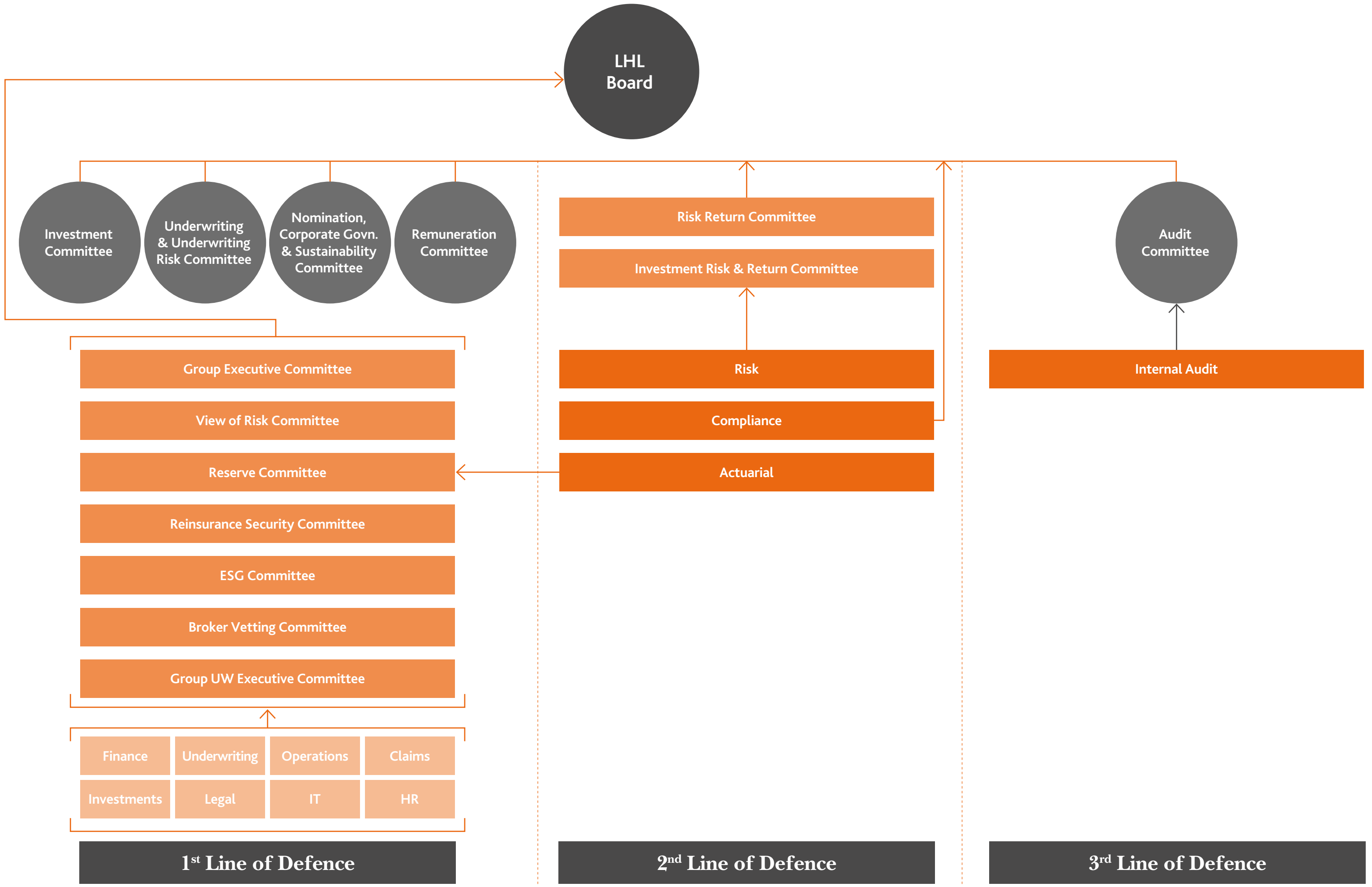
The Group publishes a formal Group human rights policy statement on its website. It complies with applicable labour, safety, health, and other workplace laws in the jurisdictions in which we operate. Lancashire is committed to respect, support and protect human and labour rights across our organisation. We are guided by the principles outlined in international standards such as the United Nations Universal Declaration of Human Rights. We expect compliance throughout our organisation with our employment policies, practices and procedures set out in the global employee handbook, and the related group policies and procedures.

Three Lines of Defence – Governance Framework

Risk governance is a major component of the overall risk management framework and provides for clear roles and responsibilities in risk oversight and management. It also provides a framework for the reporting and escalation of risk and control issues across the Group. Lancashire operates a three-lines of defence governance model.

The three lines of defence model is the framework we use to outline responsibilities for the ownership and management of risk (first line), risk oversight (second line) and independent risk assurance (third line). The interaction of responsibilities within this framework helps ensure the effectiveness of our risk management. As we continue to develop our understanding of ESG and climate risks, we are taking steps to embed those considerations into our risk management to ensure we future proof our business model.

Three Lines of Defence – Governance Framework



Key

- Committee of the Board
- Management Committee
- Key Control Function
- Business Operational Function

1st Line of Defence

Risk owners within each business function are responsible for promoting a strong risk culture, managing their risks within established risk appetite and ensuring the effectiveness of their controls.

Physical, transition and climate-related litigation risks fall under the responsibility of all managers as they relate to their area of expertise. The management team collaborates regularly in the same way it does in respect of all risks to which the business is, or is potentially, exposed.

2nd Line of Defence

Provides expert advice, challenge and guidance together with providing independent oversight to the first line of defence to help ensure that risk taking remains within risk appetite. Includes the risk, compliance and actuarial functions, reporting to the Group RRC.

3rd Line of Defence

The internal audit team provides independent assurance to the Audit Committee, by assessing the effectiveness of our risk management processes and ensuring that risk controls are being managed in line with approved policies, appetite, frameworks and processes. Additionally it helps verify that the internal control system is effective. The Group Head of Internal Audit reports to the Board Audit Committee on internal control framework issues.

First and Second Line of Defence Management Committees

As depicted in the graphic on the previous page, dedicated management-level committees have specific responsibilities. The relationship between the internal key control functions and the various committees leverages the opportunity for oversight of responsibilities. While management has an obligation to oversee the delivery of strategic objectives, the first and second lines of defence in the model have responsibility for an additional layer of risk management including consideration of climate related factors. Specific committees have focussed management and oversight mandates. A description of the responsibilities of each committee is outlined below.

Group Executive Committee

The Group Executive Committee is responsible for managing the day-to-day business activities by developing and implementing strategy, operational plans, policies, and procedures. This includes ensuring the integrity of the Group's brand and wider reputation, and understanding the risks that impact the business, including climate change.

The CRO reports to the Group Executive Committee on any material risks that may arise. The risk function maintains a risk and control register, which is reviewed quarterly and covers all aspects of risk, including climate risk.

View of Risk Committee

The View of Risk Committee is responsible for ensuring that a consistent, approved, view of risk is applied across the Group for modelled perils. The committee is charged with understanding model changes, validation studies, and key decisions on modelling assumptions and switches, following analysis and discussion of model strengths/weaknesses. The implications of perils affected by climate change in the short-term and long-term are considered in these discussions.

Reserve Committee

The Reserve Committee reviews and sets reserves for large claims and significant loss events by evaluating, reviewing, and estimating claims and exposure data. Accuracy in estimating unpaid claims can be challenging; for some events, the final costs could be unknown for several years. The committee also reviews and recommends changes to reserves as required on claims. Any significant changes to judgements and assumptions made are presented to the Audit Committee and/or the Board as part of the quarterly reporting.

Reinsurance Security Committee

The Reinsurance Security Committee oversees the development and adherence to the Group's reinsurer approval guidelines and monitors procedures relating to exceptions. Reports from credit agencies assist the committee in vetting the quality of new and existing reinsurers. The committee ensures compliance with maximum planned credit exposure by receiving regular reports from the underwriting departments that monitor such exposures. Periodic reports are provided to the Board on details of the outcomes of the committee's work.

ESG Committee

The ESG Committee was established by management in 2021 and oversees, co-ordinates, and internally manages the delivery of the Group's ESG strategy. The ESG Committee focuses on the actual and potential impacts of climate-related risks and opportunities across the business and the identification and reporting (both financial and otherwise) of ESG issues as they relate to the Group and its subsidiaries.

The Committee includes representatives from our underwriting, investment, finance, risk, investor relations, and legal and compliance departments. It is supported by the DEIWG. The CRO operates as a link between the ESG Committee and the Group Executive Committee.

The ESG Committee has regular scheduled meetings, with a formal agenda tracking and noting how ESG factors are evolving internally and externally. These meetings also provide an opportunity to discuss any other ESG or sustainability related developments. The Group Sustainability Manager also communicates ESG developments relevant to Lancashire's business in regular email updates to the Committee members as required.

Broker Vetting Committee

The Broker Vetting Committee's purpose is to ensure that the Group conducts business with intermediaries who have been vetted and approved. This may involve collecting data and facts about a firm and reviewing available financial records and past company performance. The objective is to minimise the credit, operational and reputational risks posed to the Group.

Group Underwriting Executive Committee

The Group Underwriting Executive Committee is responsible for the underwriting performance of the operating entities and for monitoring and reviewing underwriting activities and performance. The Committee reviews and monitors market trends to guide overall objectives and meet the business plan. It also monitors and investigates any material changes from the business plan to determine appropriate responses as required.

Risk Return Committee

We track a range of natural and simulated scenarios across the Group, which are monitored monthly by the RRC. These include elemental scenarios, where loss frequency and severity could be impacted by changes in the climate, such as wildfires, floods, convective storms, hurricanes and typhoons. From these, we model our PMLs to quantify the potential loss impact across our Group portfolio at various return periods. We have recently enhanced our modelling capabilities in the areas of inland flood and wildfire. The RRC is charged with the ongoing review of these scenarios' suitability to ensure they remain fit for purpose.

Investment Risk Return Committee

The purpose of the Investment Risk Return Committee is to ensure that our strategic and tactical investment actions are consistent with our investment risk preferences, appetites, and tolerances. The Committee is a senior decision-making body and has a responsibility to ensure that emerging risks are identified, managed, and monitored and that current investment related risks are managed and monitored. The Committee reviews and monitors the Group's investment portfolio composition, performance and risk profile in light of the market environment to ensure it remains aligned with the Group's overall risk appetite. The Committee also reviews all prospective investments and reinvestments into the portfolio. ESG factors, climate-related risks and opportunities and TCFD recommendations are considered in the Committee's oversight of the Group's investment portfolio.

1.4 Ensure that our Board and Senior Management have the required knowledge and incentives to oversee risks and establish a culture aware of environmental issues.

Governance

Board Discussions Foster Learning on Climate Risk

The Board regularly discusses cycles and trends within the (re)insurance sector and the wider natural, commercial, and political environment to which the Group's business is subject. The Board recognises the potential impacts of climate change and associated transitional risks on the Group's underwriting and investment portfolios and associated strategies. Board-level decisions consider possible future trends. Knowledge of the impact of climate-related factors on the global energy market and product demand is derived from learning and understanding the impact of external policy and the macro-environment within which the Group operates.

Remuneration Policy

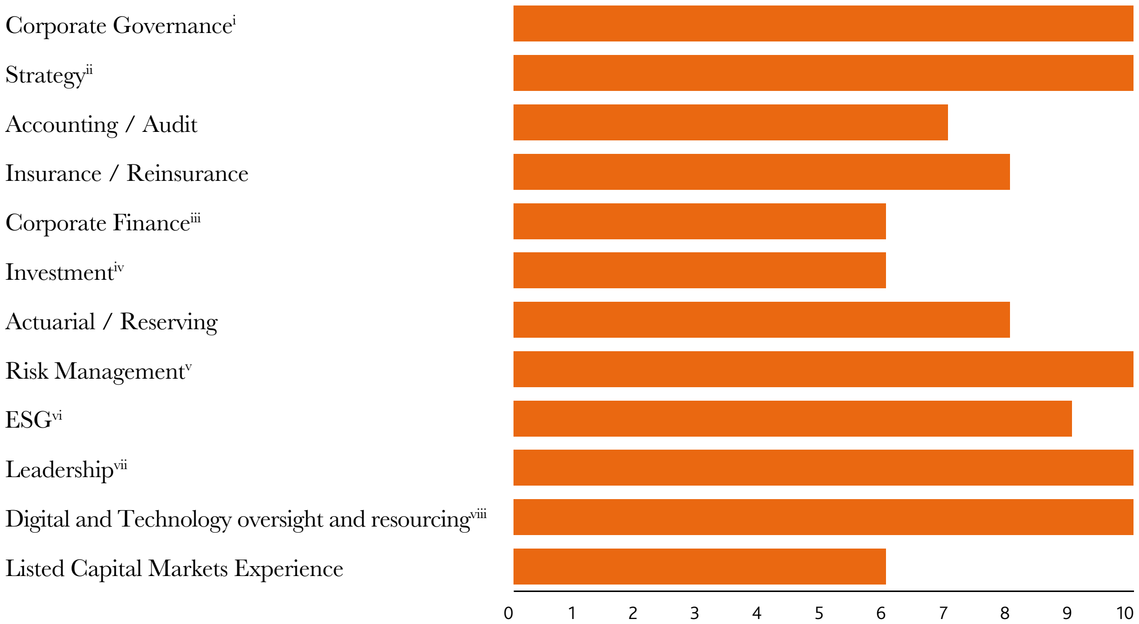
The Group's Remuneration Policy is designed to motivate Executive Directors to further the Group's interests and to optimise long-term shareholder value creation within appropriate risk parameters. The design of the remuneration awards supports the Group's business strategy, ESG strategy, risk profile, objectives, risk management practices and long-term interests of stakeholders. This Policy further underscores the business' sustainability by not encouraging inappropriate risk-taking, with business performance tracked in quarterly reviews. Furthermore, the personal performance element of the CEO and CFO's bonus includes specific ESG elements. (See page 112 of the ARA for further details.)

Board and Senior Management Training

In the fourth quarter of 2024, the Group CRO plans to deliver a session to the Board on the climate-related regulation applicable to the Group, both current and incoming, and discuss climate-related topics and how the risks and opportunities may impact our business. Additionally, senior managers attended the LMA Academy training on ESG, an interactive facilitator-led sessions on climate and ESG risks and opportunities.

Director Skills Matrix

The Director Skills Matrix is reviewed annually and demonstrates the skills and balance of the Board in delivering oversight and discharging their responsibilities.



i. Including legal, regulatory and compliance
ii. Including business development and M&A
iii. Including equity, debt and corporate funding projects
iv. Including investment treasury, portfolio and asset-liability management
v. Including internal control and internal audit processes
vi. Including sustainability and climate change
vii. Including senior management experience, people management, succession, culture and communication.
viii. Including oversight of data management, information security and cyber

1.5 Describe the impacts and implications of climate- and nature-related risks and opportunities on our business model and performance, strategy and any decision-making processes.

Strategy

Strategy and Business Plan

The Group's overall strategic goal is to maximise risk-adjusted returns for its shareholders over the long-term, emphasising disciplined underwriting. The business plan is prepared with this in mind and reflects current market conditions.

In particular, the Group has underwritten property catastrophe exposed policies since its inception. This is aligned with our purpose which includes delivering risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events. Rising awareness of climate and nature-related risks has presented the Group with opportunities to deliver further on that purpose to the benefit of our clients, investors, employees and other stakeholders.

As part of our annual business planning process, various stress tests and scenarios, including those related to climate, are considered to assess the viability and resilience of the plan. A summary of these is provided to the Board at its Q4 meeting each year, highlighting the potential upside and downside to the best estimate plan assumptions for the loss scenario outcomes. These stress tests include climate-related tests. At the Q4 meeting in March 2024, these tests demonstrated the improved resilience of the business to withstand significant losses and produce a reasonable return.

Climate Change as a Factor in Business Planning Using the Group's ORSA

The ORSA process is based on quarterly and annual reporting and closely aligns with the business planning process. ORSA reporting is a key area of governance that assesses a range of risks and the associated capital implications. The Group's risk and capital models are used to inform the business planning process and related capital requirements. The quarterly ORSA report provides status updates in these areas and is presented by the CRO to the LHL Board. For example, risk exposures are compared to risk tolerances, any breaches of tolerance are presented, mitigation strategies are recommended, and material emerging risks are discussed in the context of the business plan. The UURC also reviews the elemental and non-elemental underwriting risk exposures versus the Board-approved risk tolerances. The annual ORSA report provides an overview of the year just gone and a look forward to the year ahead.

Our ESG Strategy and Framework

The Group's ESG Strategy and Framework has been reviewed and approved by the Board and supports the implementation of the ESG Strategy. The Framework requires adherence to all applicable regulatory requirements and is broadly aligned with Lloyd's ESG Report and recommendations. The ESG Strategy and Framework also includes the consideration of three of the UN SDG with regard to those most relevant to our business: Gender Equality, Decent Work and Economic Growth, and Climate Action.

1.6 Describe how environmental resilience plans are incorporated into business decision making, including disclosure of any material outcomes of climate risk scenarios.

Strategy

Board Risk Assessment

Every year, the Board assesses the principal risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity. This assessment stresses the business plan for severe but plausible scenarios, including those related to climate change, and evaluates the potential impact on capital and earnings. The assessment also considers the business continuity plan and disaster recovery plan for our offices. Climate-related risks are considered as part of this process, with their impact being considered within each existing principal risk rather than a separate climate change principal risk. Business plans are evaluated on a one-year, three-year and 2030-time horizon.

Risk Identification and Management Discussions

Climate-related risks are identified and assessed as part of the formal risk identification and management process, including discussions with risk owners and subject matter experts across the Group, and discussions at the ERF and the ESG Committee.

Individual underwriters identify and assess climate-related risks specific to the (re) insurance portfolios as part of the day-to-day underwriting process in their analysis of specific risk information. These reviews include the physical location of assets insured, weather-related perils that have impacted, or have the potential to impact, the location and their historical frequency, and their severity. The Group's post-bind underwriting controls further offer additional insight of accepted risks, including climate risk. As part of the control process, peer reviews, appropriate for each of the pre-bind levels of authority, are carried out using real-time data.

Stress and Scenario Testing

Stress and scenario tests and reverse stress tests are performed as part of the business planning cycle and the annual ORSA reporting process. 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. Stress testing allows us to understand the impact should the recent high catastrophe event experience be more indicative of the average experience than that currently predicted by the third-party catastrophe models. Testing includes prescribed underwriting loss event scenarios as outlined in the BSCR and the Lloyd's RDS.

Leading Third-Party Catastrophe Models

The Group uses a leading third-party catastrophe model vendor and other portfolio modelling software to assess the Group's exposure to natural catastrophe risk. We explicitly consider the impact of climate change to ensure hazard selections within the model are appropriate for our understanding of current conditions and reflect any identified climatic trends. All material new models and model changes are validated via the View of Risk Committee, including any appropriate adjustments to address any identified gaps. We license a separate software tool that enables us to consider climate change scenario projections at varying levels to regularly assess potential impacts under future emissions scenarios for major exposed atmospheric perils. Further detail is disclosed under sub-principle 4.1 later in the report. We also regularly undertake reviews of relevant scientific publications to ensure our scenarios are appropriate and representative of currently available knowledge.

1.7 Describe the outcomes of our materiality analysis and any material climate- and nature-related risks and opportunities that affect our prospects.

Strategy

Materiality Assessment

In 2023, we identified the need for a materiality assessment to further inform our sustainability strategy. We chose to approach this assessment through a double materiality lens. The objective was to identify key considerations that are material to our business and analyse them from two different perspectives: the potential effects of the Group on climate-related issues and the effects climate-related issues might have on the Group.

Our tabletop exercise of the double materiality assessment comprised our evaluation of external drivers (being an impact on people and environment and/or a financial impact on the Group) and the relevance these are considered to have to our stakeholders. A range of stakeholders were identified (e.g. insured clients, shareholders, regulators, rating agencies, executives, employees) and relevance was rated as low, medium or high. In addition, the impact and financial materiality of the drivers was assessed ranging from very low to very high. The impact materiality analysis assessed Lancashire's potential effect on the economy, environment, and society, whilst considering the positives and negatives of our operations, including the value chain. Conversely, financial materiality looked at these sustainability issues' impact on Lancashire's financial performance and future viability.

Approach

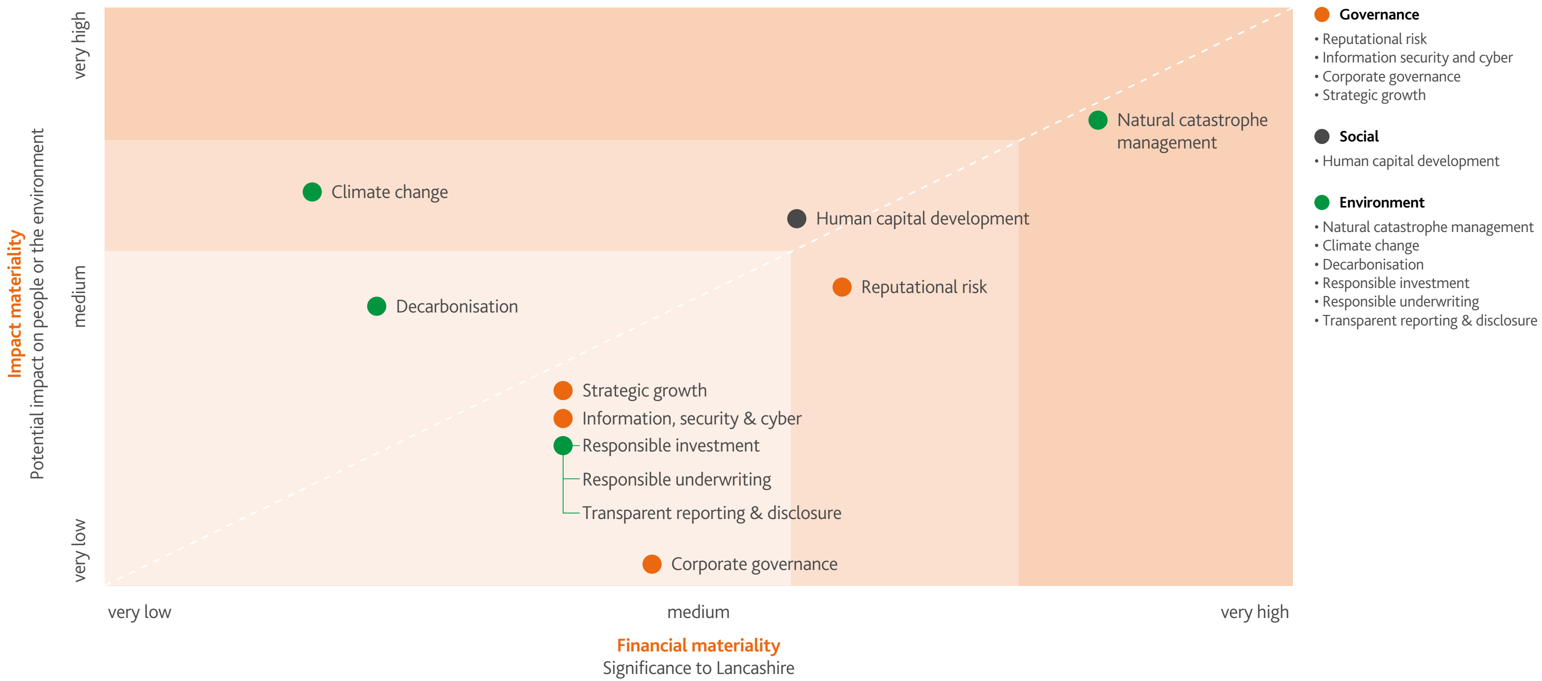
We partnered with an external consultant to research, plan and facilitate the assessment. Materiality considerations were mapped against our current and emerging risk registers to understand how they aligned with them.

Solidify the Approach	Engagement with Stakeholders	Feedback & Results
• Identify trends & regulatory requirements • A broad representation of ESG considerations and stakeholders • Analysis of considerations versus our risk register and emerging risk register	• Tabletop exercise with internal stakeholders comprising subject matter experts from across the business • Review and discussion at the ESG Committee	• Review of qualitative feedback received • Production of materiality heat map shows most considerations rated medium impact or greater • Discuss the findings and the implications for the business' sustainability strategy and policy

Results

The assessment results allow us to examine the issues identified as the most material to our business. ESG considerations are often interconnected and can therefore impact each other. As we continue to build on and develop our existing sustainability approach, we want to ensure our strategy is fit for purpose, and that it is proportionate and aligned with the Group's business objectives.

The heat map below shows all considerations with a medium, or greater impact, from our double impact materiality assessment.



1.8 Establish appropriate processes to identify, assess and prioritise climate- and nature-related impacts, risks, and opportunities.

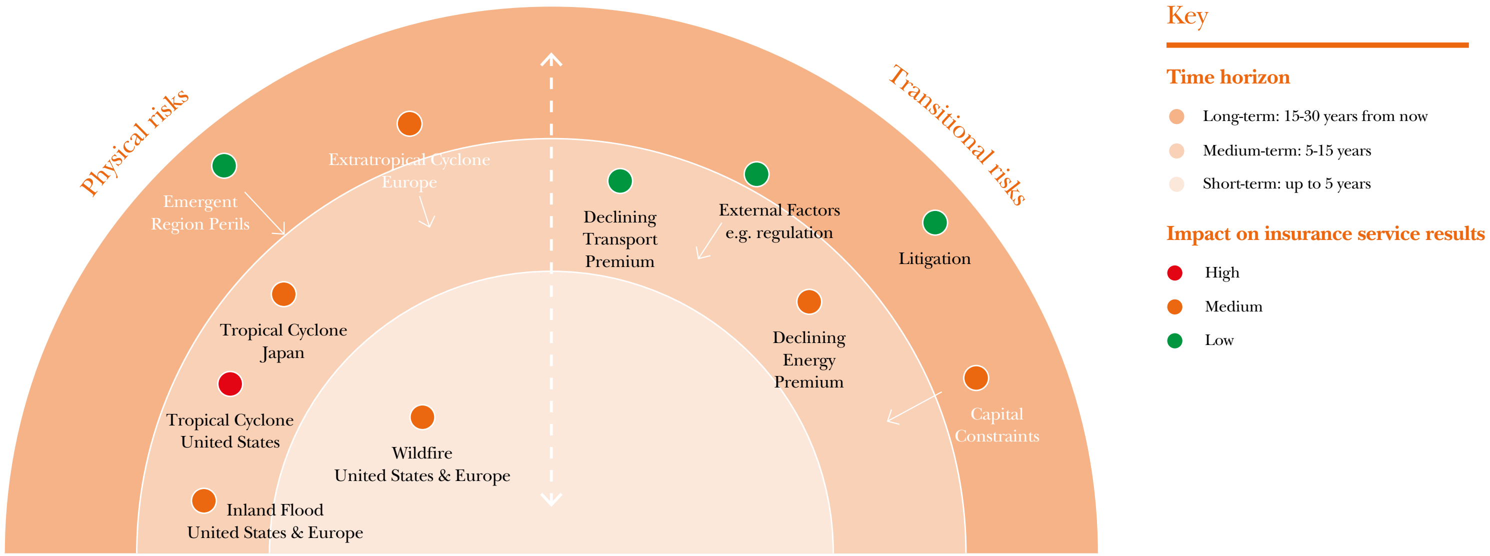
Risk Management

Risk Strategy

Our risk management strategy is closely aligned with the Group strategy. It is focused on adding value to the business and providing assurance over the Group's most material and emerging risks, including climate risk. The Board is responsible for managing risk and retains responsibility for the oversight of risk management activities. The risk management function, led by the Group CRO, ensures there is appropriate risk governance and a risk management framework to support the Board, Group CEO and Group Executive Committee in managing risk. The risk management framework must be adapted to the changes associated with delivering the Group's strategy. The risk strategy is updated annually, and the Board approves the related work plan.

Internal View of Risk

In 2021, we developed a Climate Risk Radar, which was refreshed in 2023. It illustrates Lancashire's current internal view of the physical and transition risks from climate change, including the potential time horizon over which they may be faced, the potential magnitude of financial impact, and the geographical region (for physical risks). It allows us to map the climate dependencies to understand where the disruption might occur and financially impact our business from a physical or transition risk.



The arrows pointing inward indicate shortening time-frames for these risks.

Enterprise Risk Management Framework

The Group takes an enterprise-wide approach to managing risk. The primary objective being to ensure that the capital resources held are matched to the risk profile of the Group, and that the balance between risk and return is considered as part of all key business decisions.

The Group risk management framework sets out our approach to identifying, assessing, mitigating, and monitoring the principal risks the Group faces. The risk culture starts with the employees: everyone is a risk manager at Lancashire.

The channels of communication from both the top-down and bottom-up are kept open by performing quarterly risk and control affirmation processes, whereby the operation of all key controls is affirmed by the relevant control operators, and then reviewed and approved by the respective risk owners. In addition, the risk owners are regularly required to confirm that their risks remain appropriately documented and scored, ensuring everyone understands their roles and responsibilities concerning risk.

Own Risk and Solvency Assessment process and reporting

Our ORSA process is an ongoing analysis of the Group's risk profile and its capital adequacy to support the business strategy over the business plan horizon. The key activities within this process consider how the financial and principal risks we are exposed to may change over the planning cycle, what drives these changes, and how resilient the Group's resources are to a range of extreme but possible events. As such, it is a key business management tool used to inform key business decisions.

The Group CRO prepares the quarterly and annual ORSA reports. Both reports provide a timely analysis of current and potential or emerging risks, compared against risk tolerances, and their associated capital requirements. The quarterly ORSA update report provides the Board with a point in time update on the key activities listed overleaf, together with challenge provided by the Group CRO.

As part of our governance, the ORSA report is presented to the Board annually for review and challenge, with final approval being provided at the Q1 LHL Board meeting. The equivalent reports for the Group's operating subsidiaries are presented to each board for review and challenge, with approval scheduled during the Q1 meeting cycle. As a Lloyd's managing agent, LSL falls within the Society of Lloyd's Solvency II reporting process, for which we prepare ORSA reports for each of the Group's two syndicates. Climate and nature-related risks are fully covered as part of this report. LSL also has its own ERM framework to ensure adherence to Lloyd's minimum standards.

The ERM and ORSA activities are underpinned by our risk culture and governance. Our collaborative risk culture is driven by a 'top-down' approach from the LHL Board and Senior Management to the business, with the RRC central to these processes. Risk culture is also driven from the 'bottom-up' through the risk and control affirmation process. The Group CRO facilitates the effective operation of ERM and the ORSA processes throughout the Group at all levels to provide day-to-day oversight and challenge on risk-related issues.

Illustration of how the various parts of the risk management framework come together to form Lancashire's overall ORSA process.

ERM & ORSA
Key activities

Risk solvency & assessment
- Group CRO reports to Board and Group Executive Committee
- Production of quarterly ORSA report for review and approval by the Board

Capital management
- Capital and liquidity management frameworks
- Review of internal model policies, capital and solvency appetites
- Full/proxy capital assessments
- Rating agency capital assessments
- Stress and scenario testing
- Board quarterly review of capital needs, headroom and actions

Risk & business management
- Review of risk management policies
- Assessment of risk management framework maturity
- Integrated assurance assessment
- Emerging risk assessment
- ESG framework and strategy
- Review and approval of business plan by the Board

Strategy review & challenge
- Review of business strategy with challenge from the Board
- Annual approval of a business strategy paper by the Board
- Development of ESG strategy and framework

Risk identification & assessment
- Quarterly risk and control affirmations
- Quarterly ERF
- Quarterly internal audit reports to the Audit Committee providing an update on work performed and analysis of root causes of audit findings
- External audit reports to the Audit Committee
- Audit Committee annual review of the effectiveness of financial controls
- ESG Committee

Risk appetite & tolerances
- Review of risk strategy and 'attitude to risk'
- Review and measurement of risk appetite and limits
- Review of Group risk tolerances
- Management, Board and subsidiary board approval and monitoring of risk appetite and tolerances

Business planning
- Stress and scenario testing (business plan)
- Assessment of management actions
- Group CRO review of business plan
- Board business performance review
- Board consideration of stakeholder engagement

Key

Elements of ORSA
- Board sign off and embedding
- Business strategy
- Risks
- Capital and solvency
- Stress and scenario testing

Own Risk and Solvency Assessment is Continuous

The Group's ORSA processes are continuous and operate throughout the year, with the annual ORSA report summarising their outcome for management and the Board on an annual basis.

Proactive Risk Management Strategy

Our risk management strategy is proactive. Detailed analysis of the assets to be insured, annual underwriting strategy days and the Group annual catastrophe underwriting strategy day, provide a practical basis for discussing the climate-related risks of current and anticipated future risks.

Such risks include transition risks arising from a decline in the 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 are considered with respect to both their magnitude and timescale.

Monitoring the Portfolio

The Group's investment portfolio is continuously monitored using a variety of tools to measure the ESG profile, climate change risk exposure, and carbon intensity, including the MSCI ESG and carbon intensity rating tools. While it is acknowledged that most available tools and methodologies for ESG, carbon, and climate factors are imperfect, the Group is committed to further developing and refining its ability to analyse these factors in the future. This will be done in consultation with the Group's external advisors and portfolio managers, and in alignment with evolving market and regulatory standards and expectations for measuring and reporting in these areas. Despite these current perceived imperfections, the carbon intensity of the fixed maturities within the portfolio is tracked for those assets covered by the MSCI carbon intensity rating. It's important to note that U.S. and other government-related bonds, which comprise 36% of the fixed maturity portfolio and are not covered by MSCI, are not believed to contribute to climate change risk.

Repositioning the Portfolio

In 2022, the Investment Committee directed its external managers to begin repositioning the portfolio to reduce the carbon intensity score, a process that continued in 2023 and into 2024. The Committee noted that 96.7% of the Group's externally managed investment portfolio is assigned to managers which are signatories to the UNPRI (as at year-end). The Group operates a framework for measuring climate sensitivity for corporate bonds within the fixed maturity portfolio using a Climate VaR, which is aligned with the Paris Accord goal of limiting global temperature increases to a maximum of 1.5°C, for the Group's investment risk tolerance statements. The Investment Committee and Board have a preference for the financial impact of this scenario on the Group's fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. The Committee noted that the fixed maturity portfolio continues to outperform the benchmark portfolio on the Climate VaR measure, demonstrating the Group's effective risk management strategy.

Board Assessment of Risks

The Board evaluated the risks disclosed, alongside other factors, in the assessment of the Group's viability and prospects.

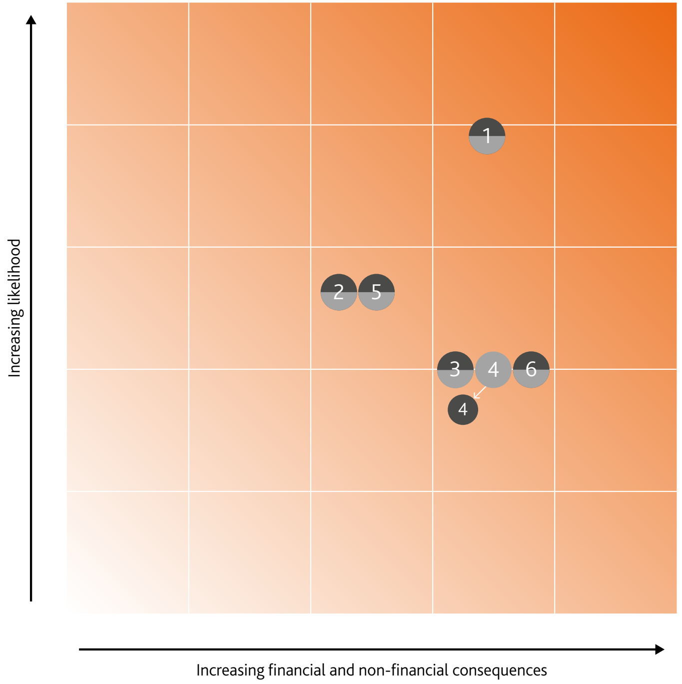
The chart right shows our principal risks and their assessment as included in our 2023 ARA.

Examples of processes to mitigate the principal risks

- PMLs modelled monthly
- RDSs modelled quarterly
- RRC review of accumulations, clashes and parameterisation of losses and models
- Quarterly ORSA update reports to the Board

Given the broad reach of climate change and the risks associated with it, we have concluded these risks are most appropriately managed by including their impact through the appropriate existing principal risks, rather than a separate climate change principal risk. The impact of climate change is therefore covered in the following four principal risks: underwriting, investment and liquidity, operational and strategic. The tables on the following page are extracts from the 2023 ARA and show (for the four principal risks which include the impact of climate change) a description of the principal risk and its performance, key mitigating actions and how the Board reviews this risk.

Current assessment of principal risks



Key

Principal risk

1. Underwriting
2. Investment and Liquidity
3. Reserving
4. (Re)insurance counterparty
5. Operational
6. Strategic

- 2022
- 2023

Key

Strategic objectives

- Underwriting comes first
- Balance risk and return through the cycle
- Insurance market employer of choice

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: **Underwriting**

Risk Owner: Underwriting and Underwriting Risk Committee

Risk description and performance

Inadequate pricing of risk resulting in insufficient premium to cover any losses arising.

Failure to monitor exposure accurately such that losses exceed expectation.

Our RPI for the insurance and reinsurance segments was 110% and 122% respectively for the year ended 31 December 2023.

We remained within tolerance for all PMLs and RDSs during 2023.

Key mitigating actions

We define our underwriting risk appetite and set risk tolerances as a percentage of capital we are willing to risk for both natural catastrophe events and man-made disasters.

PMLs for natural catastrophe perils are modelled monthly, and RDSs for non-elemental perils are updated quarterly. Both are provided to the RRC for review.

We model our portfolio against Lloyd's RDS to assess potential losses.

We apply loads to and stress test stochastic models and develop alternative views of losses using exposure damage ratios. We review assumptions periodically to ensure they remain appropriate.

We use our RPI measure to track trends in premium rates for our renewed business.

The RRC considers accumulations, clashes and parameterisation of losses and models.

Underwriters' have individual underwriting authorities they must comply with.

Reinsurance is purchased to manage exposure and protect our balance sheet.

How the Board reviews this risk

The Board delegates oversight of underwriting risk to the UURC. Management reports to the UURC on underwriting performance, strategy and risk tolerances.

The Board is engaged in the development and implementation of the Group's underwriting strategy, including the potential risks to this such as geopolitical risks and climate-related physical, transition and litigation risks. The Board reviews and approves the underwriting risk appetite, the risk tolerances, and the structure of the outwards reinsurance programme on an annual basis.

The Board reviews performance against risk tolerances on a quarterly basis.

Key

Strategic objectives

- Underwriting comes first
- Balance risk and return through the cycle
- Insurance market employer of choice

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: **Investment and Liquidity**

Risk Owner: Investment Committee

Risk description and performance

The risk of insufficient liquid assets to pay claims when due.

The Group continues to have excess liquidity compared to tolerance and remained within investment guidelines.

Key mitigating actions

We stress our portfolio to understand the impact of a range of realistic loss scenarios including risk-on, risk-off and interest rate hike scenarios.

A biannual strategic asset allocation study is performed, the recommendations from which are discussed at the Investment Committee and presented to the Board for approval.

The IRRC meets quarterly and reports to the RRC and to the Investment Committee via the Group CRO.

External investment managers are used to manage the portfolios. The Group's principal investment managers are signatories to the UNPRI.

How the Board reviews this risk

The Board delegates oversight of investment risk to the Investment Committee.

Management reports to the Investment Committee on investment performance, strategy including asset allocation, and risk tolerances.

The Investment Committee receives and reviews the investment strategy, guidelines and policies, risk appetite and associated risk tolerances and makes recommendations to the Board in this regard.

The Investment Committee monitors performance against risk tolerances, investment guidelines, carbon intensity scores and a climate value at risk measure quarterly.

Key

Strategic objectives

- Underwriting comes first
- Balance risk and return through the cycle
- Insurance market employer of choice

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: **Operational**

Risk Owner: Audit Committee & Board

Risk description and performance

The risk of inadequate or failed internal processes, personnel, systems or (non-insurance) external events.

The Group did not have any material operational loss events during the year.

Key mitigating actions

The Group has a robust quarterly risk and control affirmation process in place which is supported by detailed control testing.

IT availability risk is mitigated through disaster recovery and business continuity plans which are tested annually.

IT integrity risk is mitigated through independent penetration tests and restricting access to key systems to individuals who are qualified and need to use them.

We have a cyber incident response plan to guide management in the event a third-party gains access to our systems. The annual test of this is facilitated by a third-party specialist.

KRIs and KPIs are used to monitor performance against our cyber risk appetite.

The impact of our operations on the environment is mitigated by:

- minimising non-essential business travel through the utilisation of conferencing facilities;
- working environment that has adopted a hybrid model to cut down on commuting;
- recycling and initiatives to cut down on the use of single-use items; and
- purchasing of carbon credits to offset emissions comprising 80% carbon avoidance and 20% carbon removal.

How the Board reviews this risk

The Board delegates oversight of internal controls and risk management systems to the Audit Committee. The Board retains the responsibility for risk oversight of IT and cyber risk.

The Group CEO and management team manage the operation of the business and report to the Board and its committees.

The Audit Committee receives a quarterly report form the Group CRO summarising the results from the quarterly risk and control affirmation process and detailed control testing, along with the Group CRO’s opinion on the overall control environment.

The Audit Committee reviews this alongside the quarterly update from the Group Head of Internal Audit.

The Board receives a quarterly ORSA update report from the CRO which includes by exception details of loss events, performance against operational risk KRIs, and changes in the risk and control environment. The COO reports to the Board on operational matters, including the programme of change, IT and cyber security.

Key

Strategic objectives

- Underwriting comes first
- Balance risk and return through the cycle
- Insurance market employer of choice

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: **Strategic**

Risk Owner: Board

Risk description and performance

The risk of failing to devise and/or implement an effective business strategy that is aligned with risk appetite and/or not adapting the strategy/business plan for the prevailing market conditions. This includes the potential impacts of climate change and impacts of transition.

Key mitigating actions

Strategic opportunities and capital planning are discussed at a dedicated session attended by all Directors and members of the management team.

A clear vision and strategic objectives that are well communicated internally allowing the whole Group to understand their role and contribution to the whole.

Town halls with all employees to communicate performance against the strategic objectives.

Succession planning to ensure awareness of the strength in depth, or lack of, and the necessary action in the event a key role becomes vacant.

How the Board reviews this risk

The Board retains responsibility for the oversight of strategic risk. The Group CEO and management team lead in the delivery of strategy.

The Directors are involved in setting the strategy and approve the annual business plan.

The Board receives quarterly updates on the Group's performance against the plan in its execution of the strategy.

1.9 Put in place mechanisms to monitor and manage climate- and nature-related risks and opportunities.

Risk Management

Understanding Risk Profiles in Capital Models

Insurance risk accounts for the majority of allocated risk capital within the Group's capital models, so this is the principal area where we stringently apply controls and reviews. We are also acutely aware that risks that do not directly generate a capital charge under an economic capital model can pose serious threats to the execution of the business plan and strategy, and therefore must also be monitored and tested.

Economic Cycle and Climate Risk Impact

The changing conditions of supply and demand are important factors in the insurance cycle. The Group considers and adapts to the risks and opportunities arising from climate change by analysing the associated physical, transitional and liability risks. As part of our overall risk mitigation strategy, we perform detailed stress and scenario testing to stress the financial stability of the Group. This process is aligned with our business planning, ORSA processes and strategic and business plan time horizons. The selected tests are aligned to our key risk areas of capital (rating agency and regulatory), underwriting and investment-related stress tests, at a minimum.

Stress Testing for Capital Requirements

From a capital perspective, we consider the losses that we could absorb and still meet our rating agency and regulatory capital requirements. Our climate change scenario incorporates underwriting and investment risks as we consider transition and physical risks. For this scenario, we stress our premium income, our catastrophe loss ratios to reflect the assumed increased frequency and severity and inflationary impact on associated claims, potential litigation costs, and our investment return. We also run various other tests based on discussions with the RRC and the Group Executive Committee that identify pertinent potential stresses and scenarios given market or social conditions prevailing at the time. In addition, we design our annual underwriting portfolios to Board-approved risk tolerances, which currently require that none of our principal PMLs exceed a set percentage of our tangible capital.

SMCR Appointment

The FCA in the UK implements the SMCR, which is designed to ensure that financial services firms adhere to a high level of governance. The Group has appointed Senior Manager Function responsibility for managing financial risks from climate change to the Group CRO for LUK and to the Syndicates' CRO for LSL. Ultimately the Group CRO is responsible for identifying and managing the financial related risks to climate change that are reported to the Board.

Board Approved Offset Programme

In 2021, the Group set GHG reduction targets for the Scope 1 and Scope 2 carbon emissions related to its own operations and committed to meet the UK Government's Net Zero Strategy by 2050. The Group continues with its Board approved carbon credit offsetting programme for its own operations, and the Board monitors these targets to ensure they are aligned with the overall strategy and the operational requirements of the business.

Sustainable Underwriting

The underwriting of sustainable insurance products is one of the pillars of our Group ESG strategy. The risk solutions that we provide help protect people, companies and economies from uncertainty, and give them confidence and stability in an uncertain world. Our property (re)insurance products insure clients against the risk of major weather and other catastrophic events, and we have long-standing expertise in this area. In our energy portfolio, we support our clients in addressing the challenges of the global transition to a lower carbon economy and continue to expand our knowledge and underwriting expertise to support the global carbon transition within the energy sector. As our energy clients transition to lower carbon operations, we see an increasing component of renewable energy and lower carbon generation projects within our portfolio, including wind and solar farms, nuclear, geothermal, biomass and others lower carbon technologies.

Elsewhere within our business, we insure projects that at their core support sustainable development within communities. Within our political risk business, for example, we insure certain infrastructure projects that are designed to improve access to clean water for communities in the developing world. We are committed to playing our part in making the world more sustainable in an open and honest way.

1.10 Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks.

Risk Management

Annual Business Planning and Stress Testing

As part of the annual business planning process, various stress tests and scenarios, including reverse stress tests, are considered to test the plan's viability and resilience. In March 2024, as part of the 2024 business plan forecast process, the Board was presented with different modelled scenarios that highlighted the potential upside and downside to the best estimate plan assumptions. One of these scenarios was based on our climate change outlook and modelled the impact of changes in business written, increased operational costs, increased catastrophe loss ratios and a reduced investment return.

The scenarios stress tested the Group's financial stability and were considered against the capital required to meet both rating agency and regulatory requirements.

Studying Real Life Scenarios

Information and trends on litigation risks, for instance, are supplemented by examining legal cases in the public domain and understanding the potential ramifications for the Group based on our existing portfolio. Getting a better understanding of global trends in climate litigation helps us recognise what potential scenarios might have an impact, together with the depth of the exposure on our book of business.

Stress Testing the Investment Portfolio

The risk to the asset side of our balance sheet from exposure to climate change is mitigated through regular reviews of our third-party asset managers, our asset allocation, and the underlying securities within our portfolio. Further information on how we stress test the investment portfolio can be found in sections 3.1 and 3.2.

Principle 2
Engaging Stakeholders

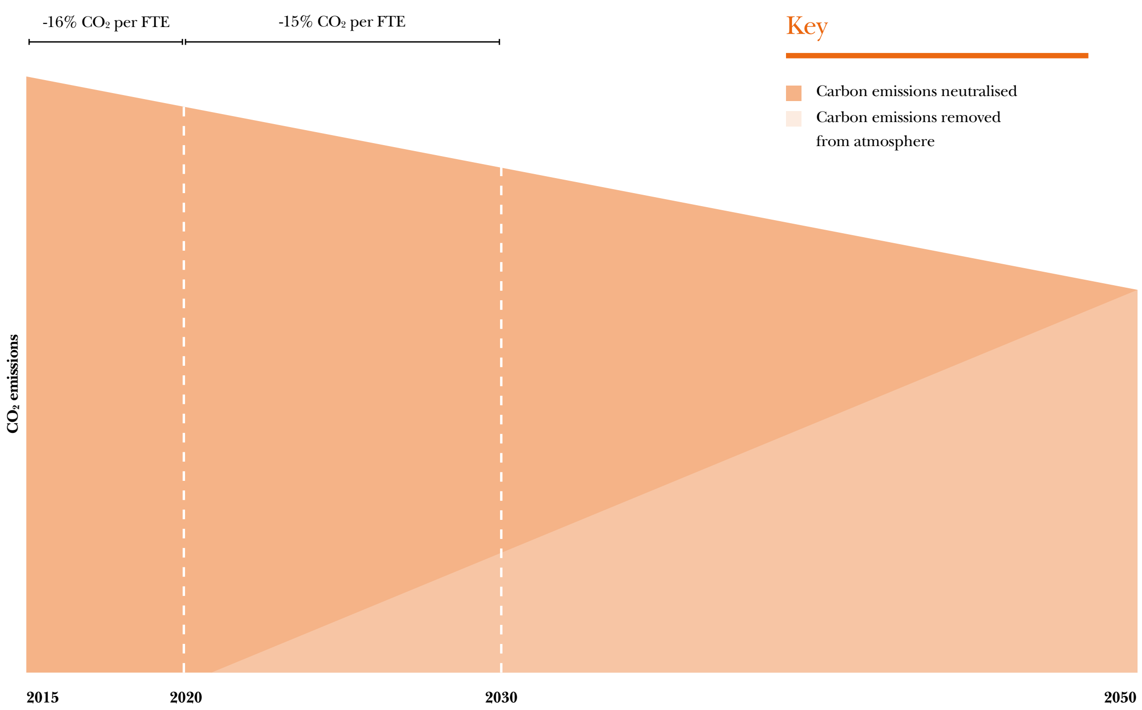
2.1 Manage and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Operations

UK Net-Zero – Carbon Offsetting Action for the Group's Own Operations

Since 2021, the Group has committed to meet the UK Government's net-zero target by 2050 regarding Scope 1 and 2 emissions associated with our own business operations. Our base year of 2015 was selected to reflect the first full year of operations in our (then new) London office, which is BREEAM 'Excellent' rated. The diagram right shows our projected path to carbon net-zero in 2050, illustrating the intended downward trajectory of our emissions per FTE and the planned increase in offsetting projects which remove carbon from the atmosphere.

Lancashire's Path to Carbon Net-Zero in 2050



Business travel is currently the largest contributor to the Group's calculated GHG emissions. As a result, we have a number of measures in place to help reduce travel-related carbon emissions where appropriate to our business and help us work towards our net-zero target. For example, our travel policies assist in reducing travel-related carbon emissions whilst ensuring we are still able to retain good relationships with our clients, trading partners and other stakeholders. All business travel requires a relevant and reasonable business case, with line manager and/or head of department approval sought. Our travel policy is not to ordinarily book a business-class airline ticket where the flight is scheduled to be less than five hours long.

We utilise various technologies within our global offices to reduce inter-office travel, including MS Teams as well as full video and telephone conferencing facilities.

Offset Scope 1 and Scope 2

The Group continues its commitment to offset 100% of Scope 1 and 2 emissions, and 100% of the Scope 3 emissions of our own operations over which we exercise sufficient control at the current time. Scope 3 includes business travel, waste generated in operations, employee commuting, along with upstream fuel and energy-related activities not included in Scope 1 or Scope 2.

Sustainable Offices

Wherever possible the Group operates out of sustainable offices. Our London office, 20 Fenchurch Street, is a BREEAM 'excellent' building that uses 100% renewable electricity, evidenced by a tariff backed up by associated REGOs certification. Our Facilities Team continues to engage with the building management's "Green Building" meetings and the property's energy-saving initiatives. The meetings are an opportunity to share best practices with other tenants and understand green initiatives in The City of London.

Our Boston based employees operate out of a LEED gold certified building; the LEED certification provides a framework for healthy, highly efficient, and cost-saving green buildings and is awarded by the U.S. Green Building Council. The building also has a WELL Health-Safety rating, a standard which demonstrates a commitment to health and safety and is Energy Star certified. Energy Star is a programme run by the U.S. Environmental Protection Agency and U.S. Department of Energy that promotes energy efficiency.

Adding Up All the Small Efforts

We focus on adding up all the small efforts to continue reducing our business's environment impact. We continuously look at our supply chain and ways to reduce our carbon footprint. We consider the smaller items in our daily business because we believe that together they have a significant aggregated effect.

For example:

- When possible, we support employees choosing a paperless option for their work. This includes using a digital platform for Board papers, and 'FollowMe printing', which reduces the likelihood of unused print jobs and duplicates and prompts decisions around potentially unnecessary colour printing.
- We have motion-activated filtered water taps throughout our London office, including large capacity water bottles to refill for our meeting rooms, to reduce single-use plastic and glass bottles of water.
- We have motion sensor lighting across both floors in London and in our Bermuda office to reduce the use of electricity where it is not required.
- Recycling is actively encouraged, and bins are available to collect recyclable materials in all offices. In London, bins at individual desks have been removed to reduce the use of plastic liners and to encourage staff to use our central recycling points; all waste data is collected by the building and reported monthly for our staff who work in facilities and ESG to examine and spot any disparities in the metrics.
- We encourage the use of public transport by UK employees travelling to work to reduce the number of car journeys. Incentives include a season ticket loan scheme and assistance in purchasing bicycles.
- We have designated storage for employees' bicycles at our London, Sydney, and Boston offices.
- Every month in the Bermuda office, we auction the underground moped bike parking and one car spot. The funds from the tickets sold are collected, and all proceeds are donated to a different charity every month, some of which are environmentally focused; in 2023, over $3,000 went to various charities.
- Utensils and crockery are provided in our London and Bermuda office kitchens to eliminate the need for employees to use single-use items.

2.2 Engage our employees on our commitment to address climate-change and nature, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate- and nature-informed choices outside work.

Operations

Hybrid Working in London

Our London office has adopted a formal hybrid work environment to allow employees to work remotely. The hybrid model has several benefits, including reduced commuting, which helps minimise the impact on the environment. We have implemented various tools and technologies to accommodate this, such as hot-desking and laptops.

Engaging Employees

We value our positive corporate culture and clear and open communication with our staff, and regular engagement between the Board, the management team, and the workforce, which is recognised as central to the success of our business. Regular strategic updates from management are shared with employees across the Group, including information on business performance, our charitable contributions, and other initiatives using a number of channels.

Lancashire Foundation

Since 2007, the Lancashire Foundation has sought to support charities that positively impact the communities we live and work in. The Foundation receives 0.75% of Group profits with a minimum threshold of $250,000 and a maximum limit of $750,000.

This advocacy is further strengthened by an emphasis on supporting charitable causes – which meet the Foundation's criteria – particularly where there is a personal or community connection among employees. Employees who raise funds for charitable organisations can also request matching funds from the Foundation. In 2024, up to the date of this published report, over £10,000 has been matched to employee giving and over £300,000 has been donated to charitable organisations nominated by employees.

Employees can nominate a selected charity by submitting a charity application forreview by the Donations Committee. An example of one charity that was put forth by an employee to the Donations Committee was the Beyond Plastic Bermuda "Take Back the Tap" programme. The initial application was submitted for the standard proposed donation amount, but when the employee presented the project's objectives, the Donations Committee decided to sponsor the whole campaign. In addition, the Bermuda office has been taking steps to eliminate our plastic consumption and become a Beyond Plastic Champion in removing single-use plastics from our operation.

In 2023, we reintroduced our overseas volunteering initiative, Project Transform, following a pause during the COVID-19 pandemic. A team of 12 staff members spent a week in Arusha, Tanzania, in November 2023. Staff worked with an international volunteer programme on a construction project, setting the foundations for a new home for Beatrice – an elderly and disabled woman in a small village outside the city. The employees raised funds to support additional causes uncovered on their trip, and a further Project Transform trip is planned for 2024.

As part of our focus on nature-related action, UK employees will volunteer for the "Get Stuck In" project to help the British Mountaineering Council conserve and repair paths in the Peak District.

Employee Volunteer Days

As part of our commitment to community support, all employees have the unique opportunity to attend at least one paid Charity Day per year. This goes beyond financial aid, as the skills and expertise our employees can share with charities in their communities are a valuable link between the corporate world and non-profit organisations.

Additionally, staff can apply for five days of paid Charity Leave after a minimum of three years of permanent employment, and a further five days after six successive years of employment. Charity Leave is given to support or work with a charity supported by the Lancashire Foundation at the time of the application.

Training

To ensure our ESG Strategy and Framework is consistently applied across the business, a group of employees were selected to participate in external online training on ESG offered by the LMA. The objective of this training was to underscore the significance of ESG and climate risk factors in our current and future business operations.

2.3 Understand and disclose the sources of emissions and adverse climate- and nature-related impacts on our upstream and downstream value chain that might in turn impact our business.

Value Chain

Monitoring and Managing the Group's Own GHG Emissions

Since 2021, we have worked with ClimatePartner as a consultant for our GHG calculations in monitoring and managing the Group's own operation GHG emissions. ClimatePartner makes their calculations based on primary data from energy consumed and applies the appropriate emission conversion factors from recognised databases like 'Ecoinvent' and the Factors Toolkit published by Defra. Should gaps in the data exist, secondary data is relied upon from researched sources to calculate any assumptions. Our CCF reporting is a midyear cycle, starting 1 July to 30 June, and emissions for business travel are calculated based on flights taken within that period.

GHG Inventory Boundaries

Lancashire used an operational control approach to assess its boundaries and identify all the activities and facilities for which it is operationally 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.

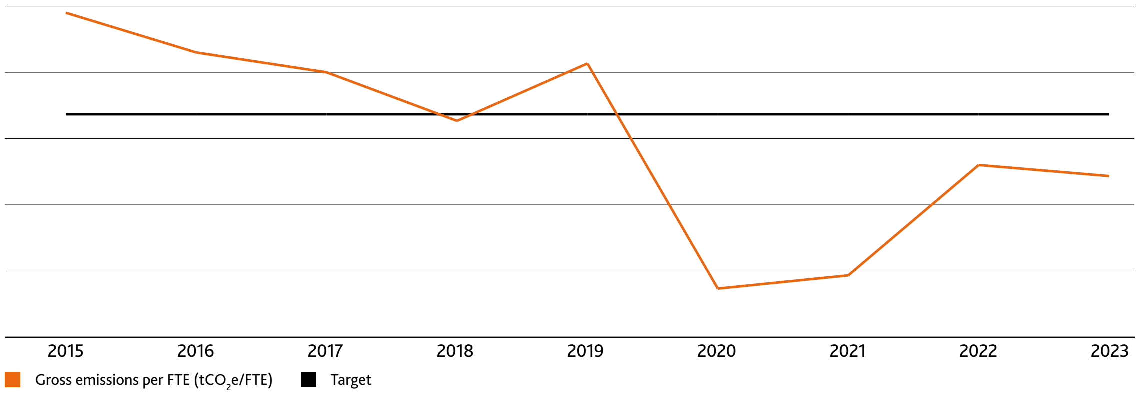
Types of emissions	Activity	1 July 2022 – 30 June 2023	1 July 2021 – 30 June 2022
Scope 1	Heat (self-generated)	**77.2**	135.6
Direct emissions from Company facilities	Refrigerant leakage	**24.4**	18.5
Scope 2			
Purchased electricity for own use	Electricity (stationary)	**280.6**	265.1
Scope 3	Business travel (flights, hotel nights, vehicles, and rail)	**2,006.4**	1,348.0
	Employee commuting and home office	**166.9**	515.8
	Fuel- and energy-related activities (upstream emissions for electricity and heat)	**79.1**	116.0
	Purchased goods and services (office paper and water)	**6.9**	7.0
	Waste generated in operations	**1.3**	1.7
Gross emissions (tCO_2e) (market-based)		**2,642.8**	2,407.7
Gross emissions per FTE (tCO_2e/FTE)		**7.3**	7.8
Carbon credits		**2,907.0**	2,648.5
Total net emissions after offset (tCO_2e)		**–**	–

Notes: 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.

Calculations follow the ISO 14064-1:2018 standard, giving absolute and intensity factors for the Group's emissions. Where data was unavailable for the 2023 reporting year, values have been either extrapolated by using available data or calculated using industry benchmarks.

Progress against our 2030 target

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.



Lancashire uses tonnes of CO_2e per FTEs as its intensity metric in its CCF. FTEs continue to increase year-on-year and the total emissions from 2022 to 2023 proportionately increased based on the uptick of FTEs.

Moving forward, we would like to reduce our overall emissions per FTE further and increase the proportion of emissions removed from the atmosphere rather than offset, thereby moving from carbon neutrality, our current position, to carbon net-zero by 2050.

Offsetting our GHG emissions

The Group has fully offset its calculated GHG emissions for its own operations for 1 July 2022 to 30 June 2023 with ClimatePartner, by purchasing verified credits in both carbon avoidance and carbon sequestration programmes. To ensure that all emissions generated from our 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 using database values, assumptions, or estimates.

We purchased 2,907 verified carbon credits, to support our continued carbon neutral status. 80% of the Group's carbon credits have been purchased in a renewable energy project in Asia. The remaining 20% of the Group's 2023 carbon credits have been purchased in a carbon sequestration project in Chile and tree planting in the UK.

80% carbon avoidance	renewable energy projects in Asia
20% carbon sequestration	renewable energy in Chile and tree planting in the UK

These offsetting proposals were discussed and agreed with the Group CEO. The Board will continue to monitor and offset the Group's emissions while being mindful of the Group's strategic and business operational requirements.

Employee Commuting

For two years in a row the Group has reported emissions associated with its employees' commuting and home working within its Scope 3 emissions. For our 2023 reporting period, a more detailed survey regarding our employees' commuting habits was undertaken, which was completed by over 40% of employees globally. This change led to a significant improvement in both the volume and quality of data collected, with a subsequent reduction of estimated data employed by our consultant in these CCF calculations. As a result of this improved data quality, we note a reduction in our employee commuting emissions of 67.6%, from 515.8 tCO_2e in 2021-2022 to 166.9 tCO_2e, in the 2022-2023 reporting period.

2.4 Advocate and engage across the supply chain to encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

Value Chain

Incorporating ESG Into Vendor Management

The Group has taken a ground-up approach to understand the underlying objectives of ESG criteria across the sourcing lifecycle, and how the data collected from traditional vendor due diligence can be assessed from a sustainability perspective.

As part of our strategic commitment to sustainability, it was determined that specific questions related to climate and ESG should be incorporated into vendor process-specific questionnaires, such as vendor RFP and onboarding due diligence questionnaires. This decision underscores our dedication to ensuring our vendors are aligned with our sustainability objectives.

In the second quarter of 2024, the vendor RFP questionnaire underwent significant revisions. It now features a set of questions that all vendors, when participating in an RFP, are required to answer. These questions are designed to provide insight into the vendors' level of familiarity and awareness of their operations, as well as any existing programmes they have in place to support sustainability.

2.5 Support and undertake research and development to inform current business strategies, develop new products, and help support and incentivise our customers and stakeholders, including affected communities, in adapting to and mitigating climate- and nature-related issues.

Innovate & Advocate

Business Acumen on Climate Risk

Over the last year, a new role has been created: Group Head of Catastrophe Research. This new position has focused on developing Lancashire's view of risk for natural catastrophe perils, the adoption and evaluation of models, and their application for relevant exposure management processes.

In addition to this, our underwriters continue to liaise with our clients and their brokers to understand the risks they face and to tailor insurance solutions, and to inform and evolve the Group's business strategy. We will continue to develop ourunderstanding of policyholder needs and look for opportunities to share our knowledge and research findings to assist our clients.

2.6 Promote and actively engage in public debate on climate- and nature-related issues and the need for action by publicly communicating our beliefs and strategy on climate- and nature-related issues and providing support and tools to our customers/clients so that they can assess their levels of risk.

Innovate & Advocate

Public Engagement

Lancashire engages with relevant policymakers, governments, regulators and industry leaders to stay informed about and inform policy trends and issues. Lancashire staff are encouraged to join trade associations where such memberships can increase engagement and awareness of climate policy developments. We are also advocates for promoting learning and development on climate issues for the next generation. In 2023 we were corporate sponsors of the Bermuda Underwater Exploration Institute Youth Climate Summit and have committed to continue our support in 2024.

Industry Associations

Lancashire values collaboration and participates in various committees and working groups within the insurance industry.

The Group CRO is a member of the Sustainability and Climate Committee with ABIR, and other senior employees have roles on LMA and IUA committees.

Our Group Head of Exposure Management is the co-chair of the LMA Exposure Management Working Group. As co-chair she hosted a webinar on the impacts of climate change and the current and future methods of modelling. Various external subject matter experts, researchers, and professors were enlisted as guest speakers to share their knowledge and research on how insurers can measure and predict climate risk.

Within our Offices

The Occupier Committee is a collective for all tenants in our London office at 20 Fenchurch Street. It offers an opportunity for tenants to influence environmental developments and improvements and better understand and coordinate ecological efforts. This year, we are required to comply with the Phase 3 UK Energy Savings Opportunity Scheme. Feedback from the Lead Assessor's final report will be reviewed and actioned where appropriate.

Climate Engagement

This is our second year of making our ClimateWise report publicly available. Over the past 12 months, internal communication on ESG and climate risk has increased with the appointment of a full-time Group Sustainability Manager. The Sustainability Manager regularly updates an internal group of senior colleagues when significant work events or projects occur. ESG and climate risks are measured, updated, and monitored quarterly. The Group CRO reviews a KPI dashboard every quarter and provides sustainability updates within the quarterly ORSA report to the Board.

Market Conversations

Our underwriters engage with clients and brokers to understand current and projected developments in the market. The new business forum discusses ideas, concepts and new products, including those arising from the energy transition.

Additionally, we participate in conferences and information sharing sessions to further our knowledge and identify areas where we can take meaningful action.

Rating Scores and Public Disclosures

Our climate change-related reporting includes the UNPSI, TCFD and the PRA's Supervisory Statement 3/19. We continue to improve our reporting practices and align our disclosures with relevant frameworks.

As a UK listed business, a variety of data in respect of our operations is collated by external ESG rating organisations and agencies, and we review these outputs as part of our commitment to continuous improvement.

2.7 Where appropriate, work with policy makers and share our research with scientists, society, business, governments and NGOs in order to advance a common interest.

Innovate & Advocate

Engagement on Research

We actively participate in the ClimateWise ideas exchange meetings. We value our ClimateWise membership as it allows engagement with industry peers and participation in research discussions from a curated list of speakers. The ClimateWise-hosted webinars provide a forum where current industry issues are discussed in a brainstorming collaborative platform. During 2023, the Group's Sustainability Manager and Group Exposure Management Manager met academic representatives to discuss ways to harness scientific research to complement our internal models. As the research data becomes available, we will see how this approach complements our work.

Principle 3

Enabling Transition

3.1 Integrate consideration of climate- and nature-related risks and opportunities into investment strategies and decision making.

Investments

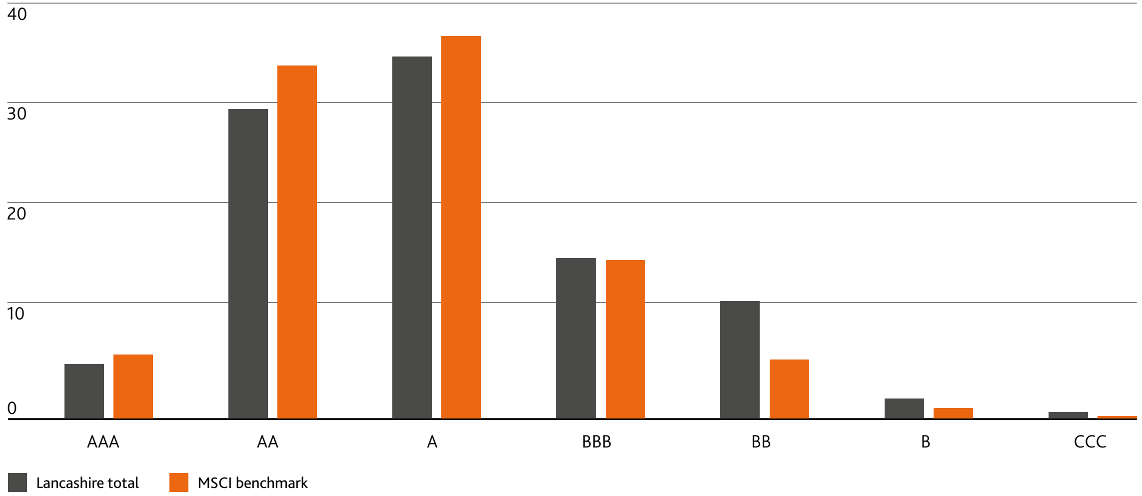
Monitoring the Investment Portfolio

The majority of assets within our investment portfolio are fixed maturity securities, making up 83.8% as at 31 December 2023, of which almost half were government related securities. We had a 34.5% allocation to corporates bonds, of which we had a small exposure to climate-related risks. During 2023 and to date in 2024, the Group continued to review and monitor its investment portfolio from an ESG perspective through the approved MSCI climate VaR metric. Lancashire's overall risk tolerance for investment risk is expressed as a VaR metric as a proportion of shareholders' equity. Every quarter the Climate VaR is monitored versus the MSCI benchmark through analysis of the underlying securities as measured by MSCI for the Group's Level (i) and Level (ii) securities.

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.

Lancashire monitors the ESG profile of its fixed maturity portfolio for those securities covered by the MSCI ESG rating tool. Much of the portfolio for the year-end of 2023 was designated within the "average" ESG category.

MSCI Overall Rating (%)



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

Group Investment Guidelines

The Group's investment guidelines continue to restrict investments in companies that rely on thermal coal for power generation or derive revenues from oil sands or Arctic oil/gas, as well as investments in fixed maturity securities with high carbon intensity ratings. Compliance with the investment guidelines is monitored every month and any adjustments are approved by the Board and the Investment Committee. The Investment Committee continues to consider developing market practices for further analysing the Group's investment portfolio from an ESG exposure perspective.

As of 31 December 2023, 96.7% of our external investment portfolio was administered by managers who are signatories to the UNPRI. The Group's external investment managers must operate within the parameters set in our guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored monthly.

3.2 Take action to manage the implications of climate- and nature-related risks and opportunities on, and of, our investments.

Investments

Integrating Investment Considerations

The Investment Committee performs a strategic asset allocation study bi-annually. This study assesses the Group's overall strategy and determines alternative asset allocations to achieve the best risk-adjusted return within our risk tolerances. In our last strategic asset allocation study, we recommended a target percentage to be invested in a sustainable fund.

The Investment Committee meets quarterly to monitor the management of the Group's investments against the asset allocations, risk tolerance and risk preference levels, and the approved investment guidelines. After stress testing, our year-end analysis has shown that our investment portfolio, specifically the fixed maturities, is more resilient to the impacts of climate change than the relevant benchmark, which we have linked to a 1.5°C future pathway scenario.

Lancashire's overall risk tolerance for investment risk is expressed as a VaR metric as a proportion of shareholders' equity. The Climate VaR metric is monitored versus the MSCI benchmark quarterly through analysis of the underlying securities as measured by MSCI for the Group's Level (i) and Level (ii) securities.

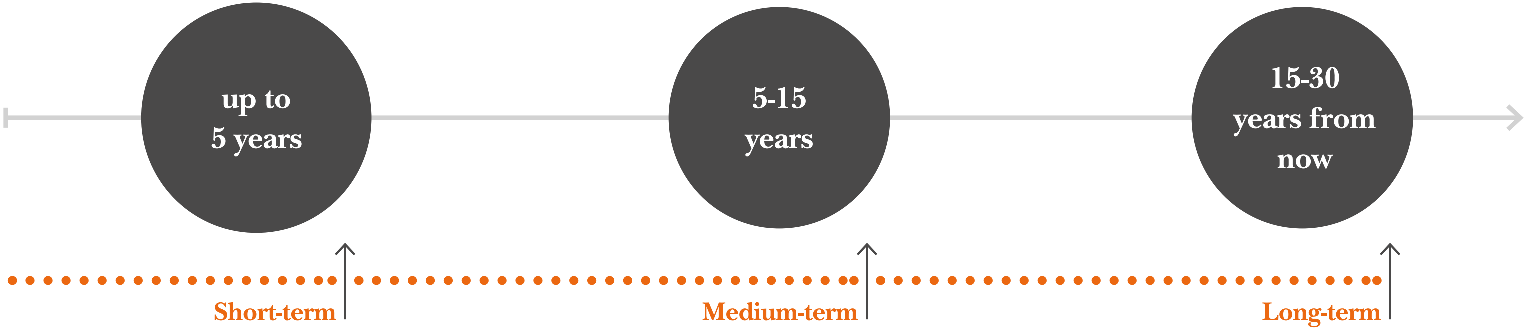
In 2023, a portion of the funds was dedicated to an ESG sweep facility product, an investment book that directs cash into a money market fund account daily. In 2024, we continue to look at other suitable sustainable funds, with a target allocation that will be refined with the 2024 Strategic Asset Allocation study.

3.3 Develop and use models to incorporate climate- and nature-related issues and describe how the outputs of the models inform our underwriting decisions.

Underwriting

Climate Change Impact

When evaluating the actual and potential impacts of climate-related risks and opportunities on our strategy and financial planning, we scrutinize three sets of time frames.



Short-term

We predominantly underwrite short-tail business, so the principal impact of climate-related risks and opportunities is on short-term strategy. Potential impacts are mitigated by our ability to consider new data regarding the frequency and severity of elemental catastrophe events, re-evaluate the portfolio annually, re-price physical risks and reset exposure levels.

Medium-term

Over the last several years, we have seen increased climate-related information provided in the underwriting process. We recognise that climate change impacts the longer-term strategy regarding emerging risks. The Group's casualty risk exposures, which have a medium-term time frame, are not typically heavily influenced by catastrophic climate change-related loss events.

Long-term

Management works with some of the leading external catastrophe model providers to better capture the latest science that 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 business strategy with a view towards 2030, which is reviewed and updated annually. More information can be found on page 120 of the ARA.

The process by which management identify emerging risks, including those which are climate-related, is described on page 27 of the ARA of the enterprise risk management section. As part of this process the potential impact of the risks is assessed including magnitude, likelihood and time horizon. Risk mitigation and monitoring plans are then put in place using a risk based approach to prioritise those considered most material and likely to impact the business.

Identifying the Impacts of Climate-Related Risks

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. For each physical risk that has been identified, the loss amplification factors, time frame and magnitude were considered, as were the metrics by which these risks could be monitored and reported.

Examples of short- to medium-term risks identified include:

- 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, leading to increased risk of flooding; and
- Increased risk of wildfire due to warming temperatures, combined with shifting precipitation patterns.

An example of a longer-term risk being considered is the emergence of new natural catastrophe zones due to shifting weather patterns. The potential financial impact from these risks is included within the relevant metrics and targets and is further described in the tables in this section.

Transitional Risks

Transitional risks the Group may face include the probability of a declining premium environment in the traditional oil and gas sector, and transportation classes over time, or the risk of exposure to climate change-related litigation. As the economy transitions from a carbon-based one towards a net-zero future, we have considered the impact of new technology and how it will influence renewable energy risks we currently underwrite and those we may underwrite. We can mitigate financial losses and address new forms of volatility through in-house and external expertise by unlocking potential solutions for further growth and a better approach to underwriting these new types of risk.

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 varies from very low to low at this time due to the inherent responsiveness in the Group's nimble and adaptive underwriting strategy. We would expect to feel the impact in both the insurance and reinsurance segments of the business.

New Products to Mitigate Risk

As a (re)insurer, the Group accepts and mitigates risk; and for every risk identified there is the potential for an opportunity. The (re)insurance products which the Group has underwritten since its inception help our clients to mitigate the impacts of catastrophic losses upon our clients' property and businesses, including catastrophic weather loss events associated with climate change factors.

Opportunities come in the form of new products and services, as we work closely with existing clients to provide the insurance that they need to transition, and access new markets in the form of new assets and locations requiring insurance coverage.

The Group accepts risks primarily on a 12-month renewal basis; this allows us to mitigate the systemic impact of climate change on the Group, and to effectively monitor our book of business and take appropriate action where needed. In addition, the Group can re-evaluate the portfolio annually, re-price physical risk and reset exposure levels to consider new data regarding the frequency and severity of elemental catastrophe events on any new and existing lines of business.

Climate Risk Governance

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 using stochastic models from third-party vendors with specific loadings in respect of climate risk. In addition, we further load these models based on our own views of climate risk and use our clients' exposure data to create aggregate loss scenarios.

Individual risks that are likely to materially utilise the Group's capital are reviewed by senior and experienced underwriters. The modelling data and the capital deployment are closely monitored by the Group's Senior Management. Likewise, the Board monitors this on a quarterly basis as part of its strategic risk and capital management assessments, 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 several 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 and 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.

Climate-Related Opportunities

Climate-related opportunities will arise from the investment in infrastructure required for the world's transition to a lower-carbon economy; this infrastructure will require insurance which is already within the Group's existing classes of business and risk appetite. The demand for new environmental insurance products and services is also expected to increase. We will work closely with existing and future clients to provide the insurance they need as they transition and access new market offerings in the form of new assets and locations requiring insurance coverage. A summary of the opportunities, their likelihood, time frame, and magnitude of impact on the Group's profitability is included in the table below.

Risk Description	Market Opportunity	Time frame	Likelihood	Magnitude
Political risk insurance	Currently, a strong uptick in ESG-related funding from our existing client base and this trend is expected to continue.	S – M	High	Low
Natural catastrophe (re)insurance	Additional limit purchased by insureds and reinsurers at improved pricing levels as catastrophe risk increases with both earnings protection and capital protection being sought.	M	High	High
Renewables	The trend for global renewable electricity generation 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.	M	High	Medium
Decommissioning insurance: oil & gas assets	Energy transition will accelerate the decommissioning of many 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.	M	Medium	Low
Carbon capture: injection of CO_2 into depleted gas fields	Offshore carbon capture and storage may play a major role in global efforts to reduce emissions with appropriate risk management solutions.	M – L	Medium	Medium
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.	M – L	Low	Low
Parametric (weather) insurance products for food and agriculture industry	Industries will look at new ways of managing weather risk where parametric triggers are more likely to offer a form of indemnity.	L	Low / Medium	Low

Key

Time frame

Short-term *up to 5 years* — S

Medium-term *5-15 years* — M

Long-term *15-30 years from now* — L

Short- to medium-term — S – M

Medium- to long-term — M – L

Likelihood

High

Medium

Low

Magnitude

High

Medium

Low

Impact of Climate-Related Risk

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

The table below sets out the possible financial impact of physical risk based on our portfolio as at 31 December 2023. If the exposure were to change materially the financial impact could be more significant. However, the longer-term impact would likely be managed by our ability to reprice contracts upon renewal if needed, and the development of new products.

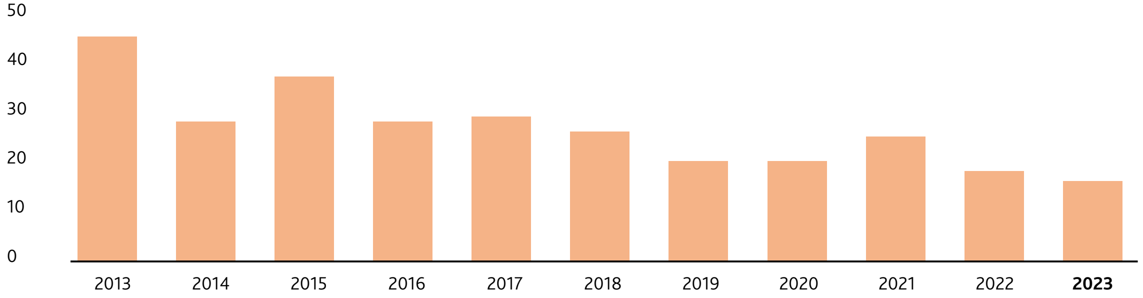
Physical: acute and chronic	Time frame	Magnitude of impact	Potential financial impact Group net PML/% of capital
Tropical Cyclone			
U.S. Windstorm – Gulf of Mexico	Medium	High	$300.5 million/16.9%
U.S. Windstorm – Non-Gulf of Mexico	Medium	High	$237.9 million/13.4%
Japan Typhoon	Medium	Medium	$134.0 million/7.6%
Extratropical Cyclone			
European Windstorm	Medium – Long	Medium	$161.4 million/9.1%

Mitigation

- positive feedback loop in pricing models that reflect heightened risks from climate change
- gross risk appetite is adjusted 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 RRC
- additional secondary perils now modelled
- continue to develop views on other perils

PML as a Percentage of GWP

The chart below illustrates the Gulf of Mexico one in a 100-year event, and how the PML as a percentage of GWP has been managed over time.



Our PMLs are derived using stochastic models licensed from third-party vendors. These models include perils such as windstorm, convective storm, wildfire and flood. The View of Risk Committee assesses the assumptions within the licensed model and, where appropriate, applies loadings. Model outputs are regularly challenged at both the macro and specific account levels. The RRC reviews our PMLs and the actual in-force exposure versus tolerance every month. The loadings applied to the model are periodically reviewed by the View of Risk Committee 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, further assessing the appropriateness of the assumptions and loadings within the model and establishing whether further adjustments are required.

Catastrophe Management

The Group actively monitors risk levels and manages catastrophe risk accumulations using reinsurance and PML-based risk tolerances, which are monitored as part of our climate-related risks. The Group's exposures to specific peak zone elemental losses, as a percentage of tangible capital[2], including long-term debt, are shown to the right. Net loss estimates are undiscounted before income tax and net of reinstatement premiums and outwards reinsurance on a first occurrence return period basis.

The modelled assumptions and techniques deployed in calculating these figures cannot be guaranteed to be accurate. There could also be an unmodelled loss which exceeds these figures. In addition, any modelled loss scenario could cause a larger loss to capital than the modelled expectation from the above return periods.

		31 December 2023		31 December 2022	
100 year return period estimated net loss[2]		$m	% of tangible capital	$m	% of tangible capital (Restated)[1]
Zones	**Perils**				
Gulf of Mexico[3]	Hurricane	**300.5**	**16.9**	301.2	18.8
California	Earthquake	**256.0**	**14.4**	248.0	15.5
Non-Gulf of Mexico – U.S.	Hurricane	**237.9**	**13.4**	217.2	13.6
Pan-European	Windstorm	**161.4**	**9.1**	181.2	11.3
Japan	Earthquake	**137.6**	**7.8**	121.6	7.6
Japan	Typhoon	**134.0**	**7.6**	144.5	9.0
Pacific North West	Earthquake	**31.5**	**1.8**	29.5	1.8

1. Restated due to the adoption of IFRS 17.
2. Estimated net loss balances presented in the table are unaudited.
3. Landing hurricane from Florida to Texas.

		31 December 2023		31 December 2022	
250 year return period estimated net loss[2]		$m	% of tangible capital	$m	% of tangible capital (Restated)[1]
Zones	**Perils**				
Gulf of Mexico[3]	Hurricane	**364.6**	**20.6**	348.0	21.8
California	Earthquake	**311.2**	**17.5**	291.9	18.2
Non-Gulf of Mexico – U.S.	Hurricane	**448.0**	**25.3**	362.5	22.7
Pan-European	Windstorm	**201.2**	**11.3**	218.4	13.6
Japan	Earthquake	**244.1**	**13.8**	172.1	10.8
Japan	Typhoon	**181.2**	**10.2**	180.3	11.3
Pacific North West	Earthquake	**123.0**	**6.9**	137.5	8.6

1. Restated due to the adoption of IFRS 17.
2. Estimated net loss balances presented in the table are unaudited.
3. Landing hurricane from Florida to Texas.

Source: ARA 2023

2. Tangible capital is the total of Shareholders' equity and long-term debt less intangible assets

3.4 Incorporate clauses in our insurance policies' terms and conditions that incentivise the reduction of exposure to climate- and nature-related issues of the insured structures through pricing of policies.

Underwriting

Mitigating Insurance Risk

The most important method for the Group to mitigate insurance risk is to maintain strict underwriting standards. The Group manages insurance market risk in numerous ways, including the following:

- reviews and amends underwriting plans and outlook as necessary;
- reduces exposure to market sectors where conditions have reached unattractive levels;
- implements safety records into premium pricing;
- attends clients ESG presentations as part of the underwriting process;
- purchases appropriate, cost-effective reinsurance cover to mitigate loss exposures;
- monitors changes in premium rates and terms and conditions;
- ensures through continuous regulatory capital management that it does not allow surplus capital to unduly influence underwriting appetite;
- operates four levels of pre-bind controls across the Group, which have been designed to allow a degree of autonomy, depending on the skill level and seniority of individual underwriters;
- reviews outputs from the economic capital models to assess up-to-date profitability of classes and sectors;
- conducts peer reviews through a Power Business Intelligence dashboard;
- reviews safety records that insureds submit as part of the underwriting process;
- reviews ESG information that insureds submit;
- evidences peer review as part of the monthly Insurance and Reinsurance forums, as well as the Group Underwriting Executive Committee, to ensure oversight and governance of the underwriting process; and
- holds regular meetings with regulators.

The controls listed are deployed by the Group to manage the amount of insurance exposure assumed. Some of the Group's business provides coverage for natural catastrophes and is subject to potential seasonal variation and the effects of climate change.

Climate change may expose the Group to the risk of heightened severity and frequency of weather-related losses. Climate-related risks are identified and assessed as part of the Group's established and embedded risk identification and management process, which includes but is not limited to discussions with risk owners and with subject matter experts across the Group, together with discussions at the ERF and the ESG Committee.

Principle 4
Disclosing Effectively

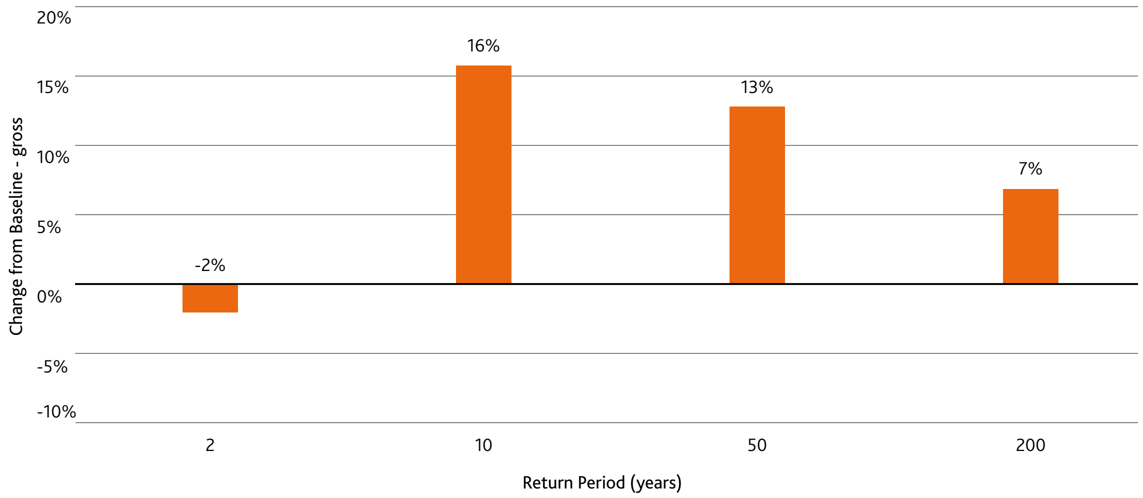
4.1 Measure and disclose the impacts and potential impacts on our business of material climate- and nature-related risks and opportunities, including the results of the resilience analysis.

Measure & Monitor

Measuring and Disclosing

Within its ARA, Lancashire publishes a TCFD report which includes disclosure on the effects and financial effects of climate-related risks and opportunities. The most recent TCFD report can be found on our website and on pages 49-64 of the 2023 ARA. We routinely measure the potential impact on our business of material physical risks, e.g. hurricanes and related storm surge, through the use of modelled PMLs and monitor these against Board approved risk appetite tolerances which are set at a defined percentage of capital we are willing to lose in a specific event. We also periodically run scenario tests using a licenced third-party model. Our latest testing for U.S. Hurricane risk focused on the impact of 2°C of global warming, resulting in a 4% increase in severity of Tropical Cyclones, along with a 15% reduction in frequency per Knutson et al. 2020[3]. In addition, we assumed a 30 cm sea level rise giving increased storm surge. The results show the change from our baseline (on a gross basis) against various return periods.

Stress Test – Occurrence PML change



Our business planning process includes the modelling of anticipated new business for the forthcoming year, including climate-related risks and opportunities. The business plan is then stress tested for various scenarios, including climate-related scenarios. The results of these stress tests are considered during the review and approval process of the business plan at the management and board level.

3. Knutson, T., Camargo, S.J., Chan, J.C.L., Emanuel, K., Ho, C.-H., Kossin, J., Mohapatra, M., Satoh, M., Sugi, M., Walsh, K. & Wu, L. "Tropical Cyclones and Climate Change Assessment. Part II: Projected Response to Anthropogenic Warming." Bulletin of the American Meteorological Society 101, no. 3 (March 1, 2020): E303–322. https://doi.org/10.1175/BAMS-D-18-0194.1

4.2 Disclose the metrics used to measure and manage our contribution to climate- and nature-related risks, and targets for monitoring progress.

Measure & Monitor

Offsetting and Reducing our Energy Use

The table on the right presents a comprehensive view of our environmental impact, with four years' worth of GHG data collected. Each year, we purchase carbon credits to offset our total gross emissions, a practice that underscores our commitment to sustainability. The data also reveals a positive trend: our tonnes of carbon dioxide equivalent per FTE decreased from July 2021 to July 2022, aligning with typical return-to-office trends post the COVID-19 pandemic. Notably, our energy consumption for Scope 1 and 2 decreased, despite significant headcount growth. This is a clear indication that our conservation efforts, strategically implemented around the office, have yielded positive results in the form of reduced kilowatt consumption over the past year. We will continue to monitor and report on performance going forward.

	1 July 2022 to 30 June 2023 market-based emissions	1 July 2021 to 30 June 2022 market-based emissions	1 January 2021 to 31 December 2021 location-based emissions	1 January 2020 to 31 December 2020 location-based emissions
	UK & Offshore	UK & Offshore	UK & Offshore	UK & Offshore
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use/tCO_2e	101.6	154.1	106.7	67.0
Emissions resulting from the purchase of electricity, heat, steam or cooling by the company for its own use/tCO_2e	280.6	265.1	279.9	253.5
Gross emissions (Scope 1,2)/tCO_2e	382.2	419.2	386.4	320.5
Energy consumption in kWh used to calculate Scope 1 and Scope 2 emissions in table above	1,320,545.0	2,004,830	1,899,648.9	1,450,033.6
Total gross emissions (Scope 1, 2, 3)/tCO_2e market-based	2,642.8	2,407.7	822.1	533.9
Carbon credits	2,907.0	2,648.5	823.0	534.0
tCO_2e per FTE	7.3	7.8	2.8	2.2

Given the impact of the COVID-19 pandemic during 2020 and 2021, the energy consumption during this period is not directly comparable to that of 2022 and 2023 due to lengthy periods of employees working from home and the travel restrictions that were in place.

Notes:

- "The market-based approach is a method to quantify the indirect emissions from energy of a reporting organization based on GHG emissions emitted by the generators from which the reporting organization contractually purchases electricity bundled with contractual instruments, or contractual instruments on their own." (ISO 2018)[4]
- "The location-based approach is a method to quantify indirect emissions from energy based on average energy generation emission factors for defined geographic locations, including local, subnational or national boundaries." (ISO 2018)[4]

4. International Organization for Standardization. Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. ISO 14064-1:2018. International Organization for Standardization, 2018. https://www.iso.org/standard/66453.html

4.3 Maintain and enhance a robust reporting regime, processes and internal control over climate-related disclosures in order to avoid material errors or material misstatements.

Report Robustly

Documented Controls

We have well-documented internal controls in place for drafting and producing our ClimateWise report. The project, scope and output are clearly defined at the onset, and a control sheet sets out and monitors the entire report. A RACI chart tracks the report's development and sets expectations on processes and standards for the subject matter experts who are responsible, accountable, consulted and/or informed. The draft report is reviewed to a set schedule with a full version control process. These processes support managing and collecting data to produce accurate information. Our focus on continuous improvement includes capturing 'lessons learned' and considering how to incorporate these into future reporting.

4.4 Annual submission against the ClimateWise Principles.

Disclose Transparently

Report Submitted in Full

This is Lancashire's third report prepared for an independent review of our performance against the ClimateWise Principles. Lancashire has submitted full disclosures against all the ClimateWise Principles by the required deadline. This report is available on our website as part of our commitment to transparency.

4.5 Annual public disclosure of the climate-related disclosures including ClimateWise Principles as part of annual reporting.

Disclose Transparently

Reporting Period

The reporting period for this report is 1 August 2023 to 31 July 2024, all financials reported are for the financial year ended 31 December 2023 unless otherwise stated. Information on our reporting period for GHG calculations can be found in Principle 2.3.

4.6 Ensure reports are easy to understand, accurate, prudently and neutrally presented, well explained and allow organisations to be held to account.

Disclose Transparently

Clear Disclosures

The objective of this document is to convey a clear understanding of the measures and actions we have in place to manage the risks and prepare for opportunities of climate change. A clear year-on-year comparison of GHG data can be found in Principle 2.3.

Glossary

ABIR
Association of Bermuda Insurers and Reinsurers

ARA
Annual Report and Accounts

AUW
Active Underwriter

Board of Directors; Board
Unless otherwise stated refers to the LHL Board of Directors

BREEAM
Building Research Establishment Environmental Association Method

BSCR
Bermuda Solvency Capital Requirements

CEO
Chief Executive Officer

CIO
Chief Investment Officer

COO
Chief Operating Officer

CRO
Chief Risk Officer

CUO
Chief Underwriting Officer

CCF
Corporate Carbon Footprint

Defra
Department for Environment, Food & Rural Affairs

DE&I
Diversity, Equity and Inclusion

DEIWG
Diversity, Equity and Inclusion Working Group

ERF
Emerging Risk Forum

ERM
Enterprise Risk Management

ESG
Environmental, Social, and Governance

ESG Co-Ordination Committee
ESG Committee

FCA
Financial Conduct Authority

FTE
Full-time Employee

GHG
Greenhouse Gas

The Group or the Lancashire Group
LHL and its subsidiaries

GWP
Gross Written Premium

IFRS
International Financial Reporting Standards

IRRC
Investment Risk Return Committee

IUA
International Underwriting Association

KPIs
Key Performance Indicators

KRIs
Key Risk Indicators

Lancashire Foundation
The Lancashire Foundation is a charity registered in England and Wales

LEED
Leadership in Energy and Environmental Design

LHL (The Company)
Lancashire Holdings Limited

Lloyd's
The Society of Lloyd's

LMA
Lloyd's Market Association

Loss amplification factors
Increase in losses due to loss inflating effects from large scale catastrophic events

LSL
Lancashire Syndicates Limited (managing agent of the syndicates)

LUK
Lancashire Insurance Company (UK) Limited

NGO
Non-governmental Organisation

ORSA
Own Risk and Solvency Assessment

PML
Probable Maximum Loss

PRA
Prudential Regulation Authority

RACI
Responsible, Accountable, Consulted, Informed

RDS
Realistic Disaster Scenario

REGO
Renewable Energy Guarantees of Origin

RFP
Request for Proposal

RPI
Renewal Price Index

RRC
Risk Return Committee

SMCR
Senior Managers and Certification Regime

SMF
Senior Management Function

TCFD
Task Force on Climate-Related Financial Disclosures

UNPRI
United Nations Principles for Responsible Investment

UN PSI
United Nations Principles for Sustainable Insurance

UN SDG
United Nations Sustainable Development Goals

UURC
Underwriting and Underwriting Risk Committee

UK
United Kingdom

U.S.
United States of America

VaR
Value-at-Risk

Registered and Head office
Lancashire Holdings Limited
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Bermuda

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Power House
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Bermuda

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Further information
Lancashire Holdings Limited is registered in Bermuda under company number EC 37415 and has its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.
Further information about the Group is available on our website at www.lancashiregroup.com.
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Consultancy and design
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