STRAIGHTFORWARD

We are straightforward in conducting our business in an accountable, open, honest and sustainable way

A balanced Board

Peter Clarke
Non-Executive Chairman

Date of appointment to the Board: 9 June 2014

Board meeting attendance: 6/6

Skills, experience and qualifications:
Peter Clarke was Group Chief Executive of Man Group plc between April 2007 and February 2013. In 1993, Mr Clarke joined Man Group plc, a leading global provider of alternative investment products and solutions as well as one of the world's largest futures brokers. He was appointed to the board in 1997 and served in a variety of roles, including Head of Corporate Finance and Corporate Affairs and Group Company Secretary, before becoming the Group Finance Director in 2000. During this period, he was responsible for investing in and developing one of the leading providers of third-party capital insurance and reinsurance products.

In November 2005, he was given the additional title of Group Deputy CEO. Mr Clarke has previously served as the Chairman of the National Teaching Awards Trust. Mr Clarke took a first in Law at Queens' College, Cambridge and is a qualified solicitor, having practised at Slaughter and May, and has experience in the investment banking industry, working at Morgan Grenfell and Citibank.

External appointments/Other roles:
Mr Clarke is currently a Non-Executive Director of RWC Partners Limited, Lombard Odier Asset Management and Sainsbury's Bank plc. He is a member of the Treasury Committee of King's College London.

Alex Maloney
Group Chief Executive Officer

Date of appointment to the Board: 5 November 2010

Board meeting attendance: 6/6

Skills, experience and qualifications:
Alex Maloney joined Lancashire in December 2005 and was appointed Group Chief Executive Officer in April 2014. On joining, Mr Maloney was responsible for establishing and building the energy underwriting team and account and, in May 2009, was appointed Group Chief Underwriting Officer. Since November 2010, Mr Maloney has served as a member of the Board. Mr Maloney has also been closely involved in the development of the Group's Lloyd's strategy. Mr Maloney has over 20 years' underwriting experience and has also worked in the New York and Bermuda markets.

Natalie Kershaw
Group Chief Financial Officer

Date of appointment to the Board: 1 March 2020

Board meeting attendance: 6/6

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

Michael Dawson
Non-Executive Director

Date of appointment to the Board: 3 November 2016

Board meeting attendance: 6/6

Skills, experience and qualifications:
Michael Dawson has more than 40 years' experience in the insurance industry, having started his career at Lloyd's in 1979. He joined Cox Insurance in 1986 where he was the Chief Executive from 1995 to 2002.

In 1991, Mr Dawson formed and became the underwriter of Cox's and subsequently Chaucer's specialist nuclear syndicate 1176. Between 2005 and 2008, Mr Dawson was appointed Chief Executive of Goshawk Insurance Holdings PLC and its subsidiary Rosemont Re, a Bermuda reinsurer. Mr Dawson served on the Council of Lloyd's from 1998 to 2001 and on the Lloyd's Market Board from 1998 to 2002.

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

Simon Fraser
Senior Independent Non-Executive Director

Date of appointment to the Board: 5 November 2013

Board meeting attendance: 6/6

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

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

Samantha Hoe-Richardson
Non-Executive Director

Date of appointment to the Board: 20 February 2013

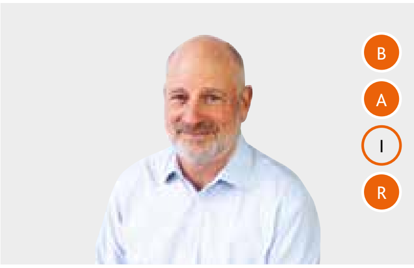
Board meeting attendance: 6/6

Skills, experience and qualifications:
Since 2014, Samantha Hoe-Richardson has been Chair of the Audit Committee. Prior to this, she was Head of Environment & Sustainability for Network Rail and formerly Head of Environment for Anglo American plc, one of the world's leading mining and natural resources companies. She was also a director and founder of Anglo American Zimele Green Fund (Pty) Ltd, which supports entrepreneurs in South Africa. Prior to her role with Anglo American, Ms Hoe-Richardson worked in investment banking and audit and she holds a master's degree in Nuclear and Electrical Engineering from the University of Cambridge. She also has a Chartered Accountancy qualification.

External appointments/Other roles:
Ms Hoe-Richardson is a Non-Executive Director for 3i Infrastructure plc and a Non-Executive Director of Assured Guaranty UK Ltd and a Non-Executive Director of LUK. In addition, she is the Advisor on Climate Change and Sustainability to the Board of Laing O'Rourke.

Key

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



Robert Lusardi
Non-Executive Director

Date of appointment to the Board: 8 July 2016

Board meeting attendance: 6/6*

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

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

* Robert Lusardi is resident in the U.S. and was unable to travel outside of the U.S. for two meetings due to restrictions necessitated by the COVID-19 pandemic. He was able to attend those proceedings via video conference. However, pursuant to the Group's strict tax and regulatory operating guidelines, he did not participate in those meetings for quorum and voting purposes.

Irene McDermott Brown
Non-Executive Director

Date of appointment to the Board: 28 April 2021

Board meeting attendance: 2/2

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

Sally Williams
Non-Executive Director

Date of appointment to the Board: 14 January 2019

Board meeting attendance: 5/6

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

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

Christopher Head
Company Secretary

Board meeting attendance: N/A

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

Board Committees

Board and Committee administration

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

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

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

The Board also meets to discuss strategic planning matters in addition to the customary schedule of quarterly meetings. The Board dedicated additional time to strategic opportunity and capital planning discussions prior to its decision to reconfigure the Group's debt structure, which took place in March 2021.

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

All Directors attended the scheduled quarterly proceedings of the 2021 Board and Committees meetings. However, due to the restrictions necessitated by the COVID-19 pandemic, not all meetings could be convened in Bermuda or in an alternative offshore location. On the occasions where travel or physical attendance was not possible, and pursuant to the Group's strict tax and regulatory operating guidelines, some Directors located in the U.S. did not participate in certain of the meetings for quorum and voting purposes.

The Directors

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

Irene McDermott Brown joined the Board as a Non-Executive Director with effect from 28 April 2021. The appointment of Irene McDermott Brown was facilitated by the specialist recruitment agency of Oliver James which prepared an independent candidate report which was considered at the Nomination Corporate Governance and Sustainability Committee meeting held on 27 April 2021. The Board also considered the question of Irene's independence of character and judgement and considered that she should be considered independent on her appointment. Irene has extensive experience in human resources within a listed company environment in a range of industries, including financial services and recently as Chief HR Officer at M&G plc. Irene McDermott Brown was also appointed as a member of the Remuneration Committee and Nomination Corporate Governance and Sustainability Committee.

At the Board meeting held on 10 February 2022, further to a recommendation by the Nomination Corporate Governance and Sustainability Committee, the Board affirmed its judgement that six of the nine members of the Board are independent Non-Executive Directors. However, it was noted that Samantha Hoe-Richardson had been first appointed to the Board on 20 February 2013 and will have shortly completed nine years' service as a Director. Accordingly, Samantha Hoe-Richardson will not submit herself for re-election as a Non-Executive Director at the 2022 AGM. Therefore, in the Board's judgement, the Board's composition complies with the Code requirement that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent.

In accordance with the provisions of the Company's Bye-laws and the Code, and for 2022 with the exception of Samantha Hoe-Richardson, all the Directors are subject to re-election annually at each AGM.

Information and training

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

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

Board performance – 2021 externally facilitated evaluation

A formal performance evaluation of the Board, its Committees and individual Directors is undertaken on an annual basis and the process is initiated by the Nomination Corporate Governance and Sustainability Committee. The aim of this work is to assess the effectiveness of the Board and its Committees in terms of performance and risk oversight, strategic development, composition, skillset, supporting processes and management of the Group. The evaluation is forward-looking in terms of identifying the strategic priorities and actions as well as considering performance, training and development needs for the Directors within the context of the work of each Committee and that of the Board. The 2019 and the 2020 evaluations were conducted internally, facilitated by the Company Secretary and the Chairman. In accordance with the Code requirements the 2021 evaluation was facilitated externally by Independent Audit, a London-based corporate advisory firm with no other connection to the Group. Independent Audit had full access to the Board papers for the 2021 year and they observed the meetings of the Board and each of its Committees for the Q3 meetings which were held on the 2 and 3 November 2021. They also attended some of the subsidiary Boards' Q3 meetings. Independent Audit also carried out a web-based questionnaire performance appraisal for each of the Group's principal operating subsidiaries: LICL, LUK, LSL and LCM. The draft reports covering the subsidiary boards and relevant committees including recommendations were discussed with the respective subsidiary chairs and have been discussed within the relevant subsidiary boards. Key themes from those subsidiary evaluations have also helped inform the process for the Lancashire Holdings Group Board effectiveness review.

The 2021 Lancashire Holdings Board and Committee evaluation process involved each Director as well as the Company Secretary, the Group CRO, Group General Counsel and other Committee members and members of senior management attending a series of one to one meetings with Independent Audit. Further to this interview process Independent Audit prepared a draft evaluation report for the Board which collated feedback from the interview sessions on an anonymised basis and identified a series of themes covering both areas of effectiveness and for development and identifying potential actions and areas for further discussion or development. The summary reports were discussed in draft with the Board Chairman before being distributed to each of the Directors. Independent Audit made a presentation of their findings and recommendations at a discussion session with all Directors held in February 2022.

The performance evaluation reports were formally tabled and discussed at meetings of the Nomination Corporate Governance and Sustainability Committee and the Board held in February 2022, and each of the other Committees discussed the report pertinent to its own operation and performance. The report identified a number of key strengths of the Board and its Committees, notably, dynamics and chairing; skills and expertise of both Non-Executive and Executive Directors; subsidiary governance; and company secretariat support.

Priorities highlighted for 2022 included a review of the longer-term strategic direction of the business, taking into account emerging ESG and sustainability topics; continued focus on risk assessment and risk management; and the ongoing consideration of organisational culture and Board succession planning. The Board discussions on the report were led by the Chairman.

In summary, in its consideration of the 2021 performance evaluation reports, the Board concluded that it operates effectively and has a good blend of insurance, financial and regulatory expertise. All Non-Executive Directors are committed to the continued success of the Group and to making the Board and its Committees work effectively. Attendance at Board meetings was found to be good. The Group CEO and the Group CFO, the Company's Executive Directors, were also found to be operating effectively.

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

Further to the Board engagement with the evaluation process and consideration of the reports, the Board concluded that Board and Committee oversight of strategy, risk tolerances and controls had operated effectively. Engagement between the Board and the workforce was considered to be generally strong and beneficial to the operation of the business albeit that, particularly in the first half of 2021, the COVID-19 pandemic had diminished the opportunities for face-to-face meetings and necessitated the use of virtual meeting forums during the year to facilitate such dialogue. Notwithstanding these challenges, workforce engagement, in accordance with the expectations of the Code, had been constructive during the year. For further information on workforce engagement, please see Peter Clarke's introduction to the Sustainability and Governance sections on pages 40 and 41 and the report from the Nomination Corporate Governance and Sustainability Committee on pages 81 to 83.

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

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

- Preparedness for implementation of the IFRS 17 accounting requirements; and
- Monitoring expected legislative and regulatory changes in the area of UK financial reporting, audit and governance.

The Board will continue to review its procedures, training requirements, effectiveness and development during 2022.

The Chair's performance appraisal was conducted by the Senior Independent Director, who consulted with the Non-Executive Directors with input from the Executive Directors during July 2021. The discussion and feedback were positive regarding the Chairman's performance. The Chair was considered to be effective in facilitating strategic decision making, whilst ensuring an appropriate level of challenge and a culture of open, honest and constructive discussion.

Following the year end, the Chair met with the Group CEO, and the Group CEO met with the Group CFO, to conduct a performance appraisal in respect of 2021 and to set targets for 2022. The results of these performance evaluations were discussed by the Chairman and the Non-Executive Directors and are reported in the Directors' Remuneration Report commencing on page 90.

Relations with shareholders

During 2021, the Group's Head of Investor Relations, usually accompanied by one or more of the Group CEO, the Group CUO, the Group CFO, the Chair or a senior member of the underwriting team, made presentations to major shareholders, analysts and the investor community. Formal reports of these meetings were provided to the Board on at least a quarterly basis.

In early 2021 both prior to and following the 2021 AGM, Simon Fraser, the Chair of the Remuneration Committee, conducted a consultation with the Company's significant shareholders concerning the Remuneration Policy implementation vote at the 2021 AGM. The Company subsequently issued a summary of those discussions on its website and a summary of the feedback, agreed actions and outcomes can be found in Simon Fraser's introduction to the Directors' Remuneration Report on pages 90 and 91.

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

Shareholders are invited to request meetings with the Chair, the Senior Independent Director and/or the other Non-Executive Directors by contacting the Group Head of Investor Relations. All of the Directors are expected to be available to meet virtually with shareholders at the Company's 2022 AGM.

The Company commissions regular independent shareholder analysis reports, and also receives a report on feedback from shareholders and analysts, following the announcement of the Company's quarterly results.

The Company's bye-laws are governed by Bermuda Company Law and subject to approval of shareholders in a general meeting. The bye-laws are available on the Company website. A copy of the Company's bye-laws is also available for inspection at the Company's registered office.

Enterprise risk management

The Board is responsible for setting the Group's risk appetites, defining its risk tolerances, and setting and monitoring the Company's risk management and internal control systems, including compliance with risk tolerances. During 2021, the Board carried out a robust assessment of the emerging and principal risks affecting the Group's business model, future performance, solvency and liquidity and the operation of internal control systems.

Further discussion of the emerging and principal risks affecting the Group, as well as the procedures in place to identify and manage them, can be found in the ERM section of this report on pages 26 to 30 and in the risk disclosures section on pages 136 to 155. The Group's reporting of climate change risk and its management within the business can be found in the TCFD Report on pages 56 to 63.

Each of the Committees is responsible for various elements of risk (see the various Committee reports from pages 75 to 89 for further detail). The Group CRO reports directly to the Group and subsidiary boards and facilitates the identification, evaluation, quantification and control of risks at a Group and subsidiary level. The Group CRO provides regular reports to the Group and subsidiary boards covering, amongst other things, actual risk levels against tolerances, emerging risks, loss events and near misses, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations, and supported by internal audit findings). Areas of particular focus during 2021 have been the risks associated with the COVID-19 pandemic, risk exposure and capital considerations associated with the improving (re)insurance market opportunity and recent growth, climate change risk management and the implementation of the TCFD recommendations and developments in the area of ESG risk management and reporting. The Board considers that a supportive ERM culture, established at the Board and embedded throughout the business, is of key importance. The facilitating and embedding of ERM and helping the Group to improve its ERM practices are a major responsibility assigned to the Group CRO. The Group CRO's remuneration is subject to annual review by the Remuneration Committee. The Board is satisfied that the Company's risk management and internal control systems have operated effectively for the year under review. In this regard, please see the Audit Committee report on pages 75 to 80.

Committees

The Board has established Audit, Investment, Nomination Corporate Governance and Sustainability, Remuneration, and Underwriting and Underwriting Risk Committees. Each of the Committees has written Terms of Reference, which are reviewed regularly and are available on the Company's website. The Committees' Terms of Reference were reviewed and revised by the Board during 2021 and considered again as part of the year-end performance evaluation process. The Committees' Terms of Reference are considered to be in line with current best practice. The Committees are generally scheduled to meet quarterly, although additional meetings and information updates are arranged as business requirements dictate. Director attendance at the 2021 Board meetings is set out on pages 68 to 70. A report from each of the Committees, which covers Committee attendance, is set out from page 75.

Audit Committee

"As I approach the end of my tenure as Chair of the Audit Committee after nearly nine years of service, I take deep pride in the work conducted by the Committee over the years, particularly in the areas of financial controls and reporting, including the quality and integrity thereof, and rigorous risk oversight. I will be leaving the Committee in the capable hands of my successor to the role, Sally Williams, and I would like to take this opportunity to wish the business all the very best in its journey."

Samantha Hoe-Richardson
Chair of the Audit Committee

Committee members

Samantha Hoe-Richardson (Chair)	4/4
Simon Fraser	4/4
Robert Lusardi	4/4
Sally Williams	4/4

Committee membership

The Audit Committee comprises four independent Non-Executive Directors and is chaired by Samantha Hoe-Richardson, a qualified Chartered Accountant. The Board considers that the four independent Non-Executive Directors all have recent and relevant financial experience, with competence in accounting and/or auditing. The Audit Committee as a whole has competence in the specialty insurance and reinsurance sectors. The internal and external auditors have the right of direct access to the Audit Committee. The Audit Committee's detailed Terms of Reference are available on the Group's website.

Principal responsibilities of the Committee

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

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

During 2021, the Committee focused on the adequacy of the Group's loss reserves, with particular regard to the large catastrophe loss events that occurred during the year; the continued monitoring of COVID-19 and its financial and operational impacts; the effectiveness of the business's control environment; the continued integrity of external financial reporting; the oversight of corporate and risk culture through the reporting of the internal audit and risk management functions; the identification of a new lead audit partner; and the progress of the Group's implementation plans for the IFRS 9 (Financial Instruments) and IFRS 17 (Insurance Contracts) accounting standards.

How the Committee discharged its responsibilities

Financial and narrative reporting

Committee responsibility	Committee activities
Monitors the integrity of the Group's consolidated financial statements, including its annual and half-yearly reports, annual reporting arising under applicable supervisory rules, interim management statements, preliminary announcements and any other formal statements relating to the Group's financial performance. Reviews and reports to the Board on significant financial reporting issues and judgements contained in the consolidated financial statements.	At each quarterly meeting the Committee reviews the Group's quarterly consolidated financial statements for the purposes of recommending their approval by the Board. The Group's annual regulatory reports, prepared in accordance with the BMA's reporting requirements, were reviewed in April 2021 at the Audit Committee meeting prior to the recommendation of their approval by the Board. The Committee also monitors the activities of the Group's Disclosure Committee and reviews the Group's quarterly financial releases, which it recommends to the Board for approval, and accompanying earnings call investor presentations. The Committee receives regular and ad hoc reports from management on: • loss reserving and developments to the Group's reserving process to take account of the new casualty class of business and the future implementation of the IFRS 17 accounting standards (see page 130 for further details), considered in conjunction with the comparison of the Group's reserves to the best estimates of its external auditors and external actuarial consultants; • developments in accounting and financial reporting requirements, including a summary of any updates to disclosures in the consolidated financial statements; • the quarterly activities of the Group finance team, including any recruitment initiatives; • any new and/or significant accounting treatments/transactions (including related party transactions) in the quarter, with a particular focus this year on the Group's debt refinancing project and the preparation for and compliance with the ESEF reporting requirements; • the assessment of the Group's ability to continue as a going concern (see page 114 for further details) which, for 2021, included detailed consideration of the financial and operational impacts and strategic assumptions of the Group in the face of COVID-19; • the progress of the Group's IFRS 9 and IFRS 17 implementation project and the related ongoing enhancements to the Group's finance IT framework; • the quarterly activities of LHL's subsidiary companies, including consideration of any risk issues; and • the Committee also receives quarterly reports on the consolidated financial statements from the external auditors, including an interim review report and a year-end audit results report. These reports are discussed with the external auditors at the Committee meetings. The Committee attended training sessions delivered by the management team to the Board on the topics of the Group's IFRS 17 implementation project, ESG matters, including TCFD reporting requirements, and enhancements to the Group's reserving process. In addition, the Audit Committee continued its constructive engagement with the Group CFO to ensure maintenance of high standards of financial controls and reporting. **Judgements and estimation in the consolidated financial statements** The Committee gives detailed consideration to the significant judgements and estimations applied in preparing the consolidated financial statements. See the summary on the areas of judgement and estimation and the related processes applied by management on page 79.
Reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.	The Committee reviewed the early drafts of the 2021 Annual Report and Accounts in order to keep apprised of its key themes and messages. During this review, the Committee carefully considered the clarity of disclosures made in respect of the material growth in Group premium income and the related developments in the business's underwriting portfolio; the impact of major market losses; the evolution of the Group's ESG strategy; the account of the Group's carbon footprint measurement and offsetting; the Group's TCFD report; and the ongoing effects of COVID-19. The Committee reviewed the final draft of the 2021 Annual Report and Accounts at the February 2022 Audit Committee meeting, together with the external auditor's report. The Committee advised the Board that, in its view, the 2021 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

How the Committee discharged its responsibilities (continued)

External audit oversight

Committee responsibility	Committee activities
Oversees the relationship with the Group's external auditors, approves their remuneration and terms of engagement, and assesses annually their independence and objectivity taking into account relevant legal, regulatory and professional requirements and the Group's relationship with the external auditors as a whole. This includes an annual assessment of the qualifications, expertise and resources, and independence of the external auditors and the effectiveness of the external audit process.	The Committee approves the annual external audit plan, ensuring its consistency with the scope of the audit engagement, and receives reports from the external auditors at each quarterly Committee meeting, including an ongoing assessment of the effective performance of the audit compared to the plan. KPMG LLP's terms and scope of engagement are approved by the Committee at the start of each audit. Following the year-end audit, the Committee performs an assessment of the effectiveness of the external audit process. This assessment was last conducted, and designed to align with good practice guidance, at the April 2021 Audit Committee meeting and it was concluded that the external audit process was operating effectively, both with respect to the service provided by KPMG LLP and management's support of the audit process. Similarly, the Committee receives from the external auditors a management letter setting out certain findings and recommendations in respect of the audit of the most recent set of financial statements and receives regular updates from management on the steps taken in addressing the observations raised. The Committee also formally reviews the independence of the external auditors, in particular at the half-year and year-end meetings, taking into account any non-audit services provided. The Committee considers that KPMG LLP remain independent. The Committee Chair conducts informal meetings with the external auditors and the Group CFO prior to, during, and after the review of the quarterly results. The Committee meets quarterly in executive session with the external auditors to discuss any issues arising from the audit, and with management to obtain feedback on the audit process.
The development and implementation of a formal policy on the provision of non-audit services by the external auditors, taking into consideration any threats to the independence and objectivity of the external auditors.	The Committee has approved and adopted a formal non-audit services policy that is reviewed on an annual basis. The policy was last reviewed by the Group CFO in April 2021 and subsequently approved by the Committee at its first quarter meeting. The policy, which stipulates the approvals required for various types of non-audit services that may be provided by the external auditors, as well as those from which the external auditors are excluded, is on the Group's website. During 2021, KPMG LLP provided $0.4 million of non-audit services to the Group relating to the half-year reporting review, as well as Solvency II and Lloyd's regulatory returns. The Committee gave careful consideration to the nature of the non-audit services provided, the suitability of KPMG LLP as the most suitable supplier of the non-audit services and the level of fees charged and has determined that they do not affect the independence and objectivity of KPMG LLP as auditors.
Makes a recommendation to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Group's external auditors.	Following a competitive external audit tender process undertaken during 2016, the appointment of KPMG LLP as external auditors was first approved by shareholders at the 2017 AGM and has been approved at subsequent AGMs. The 2021 financial year was the fifth financial year in which KPMG LLP acted as the Group's external auditors. The incumbent lead audit partner is Rees Aronson. The external audit fee arrangements across the Group were originally agreed in 2016 as part of the audit tender process, with amounts fixed for the 2017-2019 year-end audits. During 2020, the Audit Committee discussed and agreed with KPMG LLP, with input from management, the fee structure for the 2020 and 2021 year-end audits. The Committee and the Board are recommending the re-appointment of KPMG LLP as external auditors at the 2022 AGM. Rees Aronson will have completed his fifth and final year as the Group's lead audit partner following the 2021 year-end audit. During the year, and in line with the guidance of the UK Ethical Standard, the Committee, with management, developed and oversaw the arrangements for the identification of the new lead audit partner. Salim Tharani will assume the role of Group lead audit partner for the 2022 financial year. The Committee continues to monitor the developments, recommendations and legislative proposals arising from the Independent Review of the FRC, led by Sir John Kingman, the final report published by the UK Competition and Markets Authority on the statutory audit services market, and Sir Donald Brydon's report setting out his views on the quality and effectiveness of audit. In particular, the Committee, management and KPMG LLP considered and discussed the UK Government's March 2021 consultation White Paper on 'Restoring trust in audit and corporate governance', and the potential impacts arising with regard to the future of corporate governance, corporate reporting and auditing.

How the Committee discharged its responsibilities (continued)

Internal audit oversight

Committee responsibility	Committee activities
Monitors and assesses the role and effectiveness of the Group's internal audit function in the overall context of the Group's risk management system, ensuring it has unrestricted scope, and the necessary resources and access to information to enable it to fulfil its mandate in accordance with appropriate professional standards.	The Group's internal audit function reports directly to the Committee. The Committee meets regularly in executive session with the Group Head of Internal Audit usually on a quarterly basis. Each year, the Group Head of Internal Audit presents an annual internal audit strategy and plan to the Committee for consideration and approval. In general, the most significant business risks and controls are considered for audit annually, whilst less critical risks are audited periodically as part of a flexible multi-year programme. The internal audit plan also considers emerging risks which may impact on the business, with input in this area from the Group risk management function. The findings of each internal audit are reported to the Committee at the quarterly meetings and the Committee reviews the actions taken by management to implement the recommendations of internal audit. Consideration is also given to the assessment of the Group's culture, including risk culture, for each audit undertaken and an overall summary of observations identified in respect of the Group's culture is presented to the Committee on a quarterly basis. During 2021, this assessment factored in consideration of the potential impacts of a remote working environment for the large part of the year, necessitated by the COVID-19 pandemic, as well as the programme of change and growth of the business. In the face of these challenges, as regards the COVID-19 pandemic, and opportunities, as regards business growth, the internal audit function was satisfied that there remained an effective, responsive, resilient and engaged business culture within the Group. During 2021, the Committee reviewed and approved the Internal Audit Charter. This can be viewed on the Group's website. The Committee assessed the level of internal audit resource, restructuring and recruitment initiatives, and the appropriateness of the skills and resources of the internal audit function. The Chair of the Committee undertook an annual review of the implementation of the internal audit programme during 2021 to ensure its continued efficiency and appropriate standing within the Group and the effectiveness of the internal audit function and its activities in the overall context of the Group's risk management system. The Committee discussed the report and its findings with the Group CRO and the Group Head of Internal Audit and concluded that the internal audit function is operating effectively in the overall context of the Group's risk management system, has appropriate standing within the Group and that the Group Head of Internal Audit has the appropriate reporting lines to maintain independence.

Internal controls and risk management systems

Reviews the adequacy and effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and reviews and approves the statements to be included in the Annual Report and Accounts concerning internal control, risk management, including the assessment of principal risks and emerging risks and the viability statement.	The Board has ultimate responsibility for ensuring the maintenance by the Group of a robust framework of internal control and risk management systems and has delegated the monitoring and review of these systems to the Committee. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Committee received from the Group CRO periodic reports detailing results of the quarterly risk and control affirmation review and testing work, together with an overview of the Group's control environment and its effective operation. The Committee also received additional reports from the Group CRO and Group Head of Internal Audit on the ongoing effective operation of key controls during the programme of change arising through recent growth in the business, the resultant increase in headcount across the Group and the prolonged period of remote working for a large part of the year, and more recently, the introduction of a mix of full-time and hybrid office working. For further detail of the emerging and principal risks affecting the Group, including those matters that have informed the Board's assessment of the Group's ability to continue as a going concern, as well as the risk mitigation procedures in place to identify and manage them, see pages 31 to 37. The Committee received from the Group Head of Internal Audit an annual assessment of the Group's governance, risk and control framework, together with an analysis of themes and trends from the internal audit work performed and their impact on the Group's risk profile. In 2021, the Committee and Board were satisfied that the governance, risk and control framework continue to remain both effective and appropriate for the Group.

How the Committee discharged its responsibilities (continued)

Compliance, speaking up and fraud

Committee responsibility	Committee activities
Reviews for adequacy and security the Group's compliance, speaking-up and fraud controls.	During 2021, the Committee conducted an annual review of the Group's policies and procedures relevant to financial controls to ensure their adequacy and effectiveness and recommended the adoption by the Board of updated policies and procedures in respect of: anti-money laundering; the prevention of bribery and financial crime (including the detection of fraud); conflicts of interest; whistleblowing arrangements; and sanctions monitoring. The operation of the controls that are documented in these policies and procedures are reported to the Committee on a quarterly basis in the form of confirmatory compliance statements from the Group's legal and compliance function, members of which include the Group Money Laundering Reporting Officer and Group Data Protection Officer. There were no whistleblowing reports made during the year, whether arising from suspected money laundering activity or knowledge of, suspicion or concern relating to suspected acts of bribery or any other type of financial crime, dishonesty or impropriety. The Committee also keeps under review the adequacy and effectiveness of the Group's legal and compliance function and receives regular updates on compliance training delivered to staff across the Group (see page 47 for further details). The Group's whistleblowing policy and procedure provide an internal mechanism for the reporting, investigation and remediation of any workplace wrongdoing, with arrangements in place that allow for the proportionate and independent investigation of such matters and appropriate follow-up action. A whistleblowing champion has been appointed to each of the Group's principal operating subsidiaries, as well as at a parent company level, with the Chair of the Audit Committee serving in such capacity. The appointed whistleblowing champions have responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Company's policies and procedures on whistleblowing. This message, as well as the arrangements that are in place, are routinely delivered to all staff.

Significant areas of judgement and estimation

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

The valuation of loss reserves and expenses

The most significant area of judgement and estimation considered by the Committee during 2021 was the valuation of loss reserves.

As detailed on pages 132 and 133 of the consolidated financial statements, the valuation of loss reserves is a complex actuarial process that incorporates a significant amount of judgement. The Committee considers the adequacy of the Group's loss reserves at each Audit Committee meeting, for which purpose it receives quarterly reports from the Group's Chief Actuary. KPMG LLP conducts a detailed re-projection of the Group's loss reserves as part of the half-year review and full-year audit. The Committee also receives independent estimates of the Group's loss reserves from an external actuary and compares these third-party estimates to those of the Group at its second and fourth quarter Audit Committee meetings. The Committee meets in executive session with the Group's Chief Actuary twice a year (at half year and year end) to discuss the operation and effectiveness of the actuarial function and the reserving process. During 2021, the Committee focused its discussions pertaining to the Group's loss reserves on:

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

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

The fair value of financial instruments

Less significant estimates are made in determining the fair value of certain financial instruments and management judgement is applied in determining impairment charges. The investment portfolio is of a high credit quality and highly liquid and the Audit Committee obtains comfort from the impairment policy being applied consistently over time. The estimation of the fair value, specifically 'Level (iii)' investments, is discussed on pages 131 and 133 and in note 11.

Valuation of premiums received which are estimated

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

Going concern basis of accounting

During the year, the Audit Committee reviewed and challenged the going concern assessment prepared by management at both its July 2021 and February 2022 meetings, with particular consideration of the current balance sheet and liquidity, the business plan, rating agency and regulatory capital, the Group's ability to service its long-term financing arrangement, ultimate loss estimates, credit quality and valuation of the investment portfolio, the current market environment, including consideration of the ongoing COVID-19 pandemic, and climate change.

Having reviewed and challenged these areas, the Committee concurred with management's going concern assessment and the relevant disclosures around going concern in the Group's consolidated financial statements (see page 129).

Implementation plans for IFRS 9 and IFRS 17

During 2021, the Committee monitored on a quarterly basis the preparation by the Group for the implementation of IFRS 9 and IFRS 17 (see future accounting changes on page 130).

In particular, at the Q3 Board and Committee meetings the Audit Committee received a detailed project update from management covering:

- the approach adopted by the project team to ensure delivery of IFRS 17;
- the project governance framework, including planned internal and external audit validation;
- the potential business impacts;
- the high-level plan and milestones;
- the approach to parallel run and testing in 2022; and
- the key implementation risks.

Priorities for 2022

The Committee's key priorities for 2022 are:

- To maintain the focus on the effectiveness of the Group's control environment, the operation of the business's financial reporting systems and the integrity of external financial reporting;
- To continue to monitor the preparation by the Group for the implementation of IFRS 9 and IFRS 17;
- To continue to monitor and embed aspects of positive business culture in quarterly reporting, in particular regarding the Group's financial and risk control environment;
- To achieve an orderly and smooth transition of both (i) the Chair of the Committee; and (ii) the Group's lead audit partner; and
- To continue to monitor developments and recommendations with regard to corporate governance, corporate reporting and audit practice, including areas of potential change and reform.

Nomination Corporate Governance and Sustainability Committee

"The Group rigorously and systematically tracks its compliance with the requirements of the UK Corporate Governance Code in a process reviewed by the Committee on a quarterly basis. The Committee also assesses the skills required for the Board and considers the effective operation and oversight of the business which resulted in the appointment of Irene McDermott Brown during 2021."

Peter Clarke
Chair of the Nomination Corporate Governance and Sustainability Committee

Committee members

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

The Committee's role is increasingly focussed on sustainability issues for the Group, which include evolving developments in climate change and ESG risk management, regulation, guidance and reporting. Lancashire has long prided itself on its vibrant and engaged culture and the creation of a business model which is both profitable and sustainable.

Committee membership

The majority of the Nomination Corporate Governance and Sustainability Committee members are independent Non-Executive Directors. The Committee Chairman is Peter Clarke, who is the Chair of the Board. Irene McDermott Brown joined the Committee effective from 28 April 2021.

Principal responsibilities of the Committee

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

How the Committee discharged its responsibilities

Corporate governance

Board composition and effectiveness	In accordance with the provisions of the Code, all of the Directors are subject to annual (re)election by shareholders. All of the Group's current Directors were elected or re-elected by shareholders at the 2021 AGM. The Committee also reviewed the composition of the Board at its November 2021 meeting and it considered that the balance of skills, knowledge, independence, experience and diversity continues to be appropriate for the Group's business to meet its strategic objectives. The Committee also regularly discussed in its meetings whether any additional skills and experience were needed to complement those already on the Board. The Committee considered questions of fitness and independence in recommending to the Board the appointment of Irene McDermott Brown, who was appointed as a Non-Executive Director with effect from 28 April 2021. See page 72 for further details. The Committee oversaw the process for the year-end review of the effectiveness of the Board, the Committees and each of the Directors. In 2021, further to a tender process, Independent Audit, a corporate services company with offices in London and no other connection to the Group, was appointed to facilitate an effectiveness review of the LHL Board, the Committees and each of the principal subsidiary boards within the Group. The Committee and the Board were satisfied that the Board and each of its Committees were operating effectively. Further details of the performance evaluation process and its outcomes can be found on page 73.
UK Code compliance	The Committee keeps under review the Company's corporate governance arrangements, particularly the Company's compliance with the FRC's UK Corporate Governance Code (the 'Code'). The Committee reviewed the Company Secretariat's checklist record of the Company's compliance with the Code on a quarterly basis. The Code can be viewed on the www.frc.org.uk website.
Governance documentation	The Committee considered the Terms of Reference for all the Committees which were considered fit for purpose: no further changes were implemented during 2021. In July 2021, the Committee reviewed and recommended to the Board revisions to the Board's Schedule of Reserved Matters, inter alios to reflect the Board's responsibilities for climate change, diversity and oversight of the Group's ORSA process. The Committee also carried out a review and revision of the document describing the division of responsibilities between the Group CEO and the Chairman.
Appointments and succession planning	The Committee reviewed and recommended the approval and adoption by the Board of the Company's succession plan and talent management and development programme for the 2021/2022 year in April 2021. The business has the objective of fostering a diverse workforce to meet the needs of the business. The Committee reviewed training and development proposals for a number of key employees across the Group as part of the succession planning process.
Workforce engagement	During 2021, the Company continued the practice of the Group CEO holding 'town hall' meetings with employees following the announcement of the Company's quarterly results. In order to further enhance arrangements for engagement between the Non-Executive Directors and members of the workforce, the Committee arranged for these town hall meetings to be periodically attended by the Chairman of the Board or another Non-Executive Director. Peter Clarke attended the town hall meetings held virtually in both February and May 2021; Irene McDermott Brown attended a virtual town hall meeting in August 2021 and Michael Dawson attended an in-person town hall meeting in November 2021 at our London offices, which was also streamed live to our Bermuda office and to employees working from home. The Board and Committee also received the results of a staff engagement survey which was undertaken in October 2021, and focused on questions of workforce engagement, training and satisfaction (see page 45 for further details of the survey). The Committee considered these and other tools for workforce engagement at its November 2021 meeting and discussed arrangements for workforce engagement during 2022. The Committee considers that the workforce's engagement and their feedback have an appropriately high profile and this, in turn, informs debate within the relevant Committees, the Board and the wider Group. The Committee and Board intend for these effective arrangements to continue in 2022.
Audit reform	The Committee has monitored developments in the area of audit market reform, regulation and practice during 2021, including proposals for UK legislative change as a result of the Kingman Review, the Brydon Report and the recommendations of the UK Competition and Markets Authority.
Brexit	The Committee and Board have considered the ongoing impact of Brexit on both the Company and its business. The Board is satisfied that measures adopted within the business have to date and will continue to help mitigate certain of the potential adverse impacts of Brexit.
Subsidiary boards	The Committee and Board monitored the composition and recommended appointments and changes to the Group's subsidiary boards during 2021.

How the Committee discharged its responsibilities (continued)

Sustainability

Sustainability and ESG reporting	The Committee has continued to monitor developments in the area of the Company's environmental, social and governance responsibilities throughout its work in 2021. The Committee has received reports from the management ESG Committee (which was established during the course of the year), regarding the current and developing ESG regulatory landscape as well as the Group's progress in these areas. Upon the recommendation of the Committee, the Board agreed the Group's 2021 ESG strategy and the Group's ESG framework, both of which have been embedded into the business. Please see pages 44 to 63 for further details.

Environment

	The Committee also periodically reviews developments in the areas of environmental sustainability and climate change, and the management of related risks and opportunities. For more information on these matters, please see the Group CRO's report on pages 26 to 37 and the TCFD report on pages 56 to 63.

Social responsibility

Diversity	The Committee considered statistics relevant to the gender composition of the Board, Group senior management (excluding LHL Non-Executive Directors), direct reports to Group senior management and overall Group employees. These statistics are shown on page 48 and illustrate the progress made in relation to the attainment of the Company's stated goals with regard to gender diversity. The Committee also reviewed comparative pay data by gender within the Lancashire Group in April 2021. The Committee noted that the Group had fewer than 250 UK employees at the point of review and therefore did not come under a formal UK public reporting requirement at that time. The Committee recommended approval by the Board of an updated diversity policy, which is posted on the Company's website and has committed to meeting the Parker Review target for minority ethnic representation by 2024.
The Lancashire Foundation	The Committee is responsible for monitoring and making recommendations to the Board in relation to the Company's charitable giving policy and the operation of, and reporting requirements for, the Lancashire Foundation. During 2021, the Committee received a report from the Foundation, including its objectives, governance, approach to funding for 2022 and beyond, alongside its investment strategy, donations policy and charitable activities, as well as the ways in which the Foundation engages with employees throughout the Group. The Committee made a recommendation to the Board that the Company make a donation to the Foundation of 0.75% of full-year Group profits (subject to a cap of $750,000 and a $250,000 collar), conditional on the determination of financial performance for the full year. 2021 marks 15 years of the Lancashire Foundation – for more information regarding the donations the Committee has approved, please see pages 42 and 43.
UK Modern Slavery Act 2015	During 2021, the Committee recommended the approval by the Board of an updated anti-slavery and human trafficking statement, a copy of which is posted on the Company's website.

Priorities for 2022

The Committee's key priorities for 2022 are:

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

Investment Committee

"The Group's investment portfolio has again proved resilient in the face of the volatile capital markets, the ongoing challenges posed by the COVID-19 pandemic and the threat of inflation. The Group has maintained a defensive short duration profile to protect against rising interest rates in an inflationary environment. The Committee's focus for the investment portfolio remains to preserve capital to support underwriting opportunities and to provide adequate liquidity to match the Group's risk exposures."

Robert Lusardi
Chair of the Investment Committee

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

Committee membership

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

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

Principal responsibilities of the Committee

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

How the Committee discharged its responsibilities

The Committee focused on developments in the U.S. Federal Reserve's interest rate policy and the wider U.S. and global economic and political environment and potential impacts and implications for the investment portfolio including the ongoing consequences of the global COVID-19 pandemic. The Committee held regular discussions with the professional investment portfolio managers concerning the macro-economic environment and implications for investment asset classes and strategy.

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

The Committee continues to work to articulate and support the Board's investment philosophy, which continues to be conservative in nature, and is intended to help support the Group's underwriting strategy to provide appropriate liquidity to match the Group's risk exposures and to contribute to the Group's growth in FCBVS.

A focus for the Committee throughout the year has been the increased risk of inflation and the potential impact this, and changes in the interest rate environment, would have on the Company's investment portfolio. The Committee discussed different strategies to mitigate the impact of rising rates on the portfolio and concluded that a combination of increased exposure to floating rate assets and low portfolio duration was the most cost-effective approach to hedging inflation risk at this time.

The Committee is mindful of the Group's duty to act as a responsible investor. To that end we have focused throughout the year on the development of the Company's investment reporting and monitoring in the context of ESG and climate change developments and expectations within the market. The Committee received a presentation from external investment managers on current best practices which provided an opportunity to benchmark Lancashire's position and identify areas where further improvements were possible.

The Committee noted that 93.8% of the Group's externally managed investment portfolio are signatories to the UNPRI. The Committee monitored the ESG profile of the Group's fixed maturity portfolio by reference to the MSCI ESG rating tool noting that the Lancashire portfolio sits within the average ESG category rating and that the proportion of the fixed maturity portfolio covered by the available rating methodology was approximately 46.4% of the public fixed maturity portfolio, due to the high number of U.S. treasuries and structured products that are not covered by the available methodology.

In this regard the Committee has noted that the MSCI index and other available carbon intensity and ESG measurement tools are in a state of development and intends to keep the range of potential analytical tools under review in consultation with the Group's external portfolio managers. The Committee proposed a framework for the measurement of climate sensitivity and recommended to the Board the introduction of a Climate Value at Risk metric (Climate VaR), which is aligned with the Paris Accord goal of limiting global temperature increases to a maximum of 1.5ºC, for the Group's investment risk tolerance and preference statements. The Committee and Board agreed a preference for the financial impact of this scenario on the Group's actual fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model and carbon sensitivity tool. The fixed maturity portfolio's carbon intensity score was broadly consistent with the prior year and the Committee discussed and agreed to certain changes in asset allocation in order to reduce the carbon intensity scoring of the portfolio.

The Committee also recommended to the Board the introduction of ESG and carbon management investment guidelines in particular with respect to limitations upon assets linked to thermal coal, oil sands and Artic energy investments to be implemented by the Group's investment managers across the Group's fixed maturity investment portfolios.

Priorities for 2022

The Committee's key priorities for 2022 are:

- To maintain a continued focus on a diversified portfolio, continuation of its contribution to the Group's operating income and FCBVS, the preservation of capital, the maintenance of liquidity and the prudent management of investment risks aligned with the developing profile of the Group's underwriting portfolio;
- To focus on the implications of macro-economic trends, in particular the threat of more sustained inflationary pressures, the U.S. domestic and international political environment and the ongoing COVID-19 pandemic;
- To further develop the analysis and monitoring of the climate change risk sensitivity and ESG profile of the Group's investment portfolio to further enhance the levels of assurance and reporting on issues of sustainability; and
- To conduct a biennial asset allocation review and to consider the impact of the Group's casualty reinsurance portfolio reserves on the desired overall target investment portfolio duration and liquidity requirements.

Underwriting Committee

"The Committee's principal focus in 2021 was on the strategic deployment of the risk capital which the Group raised during 2020 and improved pricing and market conditions in most of the Group's existing lines of business and opportunities through the addition of new lines of business. The Group has delivered on its principal underwriting strategy of achieving the strongest growth in top-line premium since the Group's foundation in 2005."

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

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

Committee membership

During 2021, the Underwriting and Underwriting Risk Committee comprised one Executive Director (the Group CEO) and one Non-Executive Director, together with the Group CUO, the CUO of LICL, the CUO of LUK, the Active Underwriters for Syndicates 2010 and 3010, the LICL CEO and the Group Chief Actuary (who are not Directors).

Principal responsibilities of the Committee

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

How the Committee discharged its responsibilities in 2021

The principal areas of focus for the Committee during 2021 were upon the improved pricing and market conditions in most of the Group's existing lines of business and the opportunities to grow and diversify the underwriting portfolio through the addition of new lines of business.

In June 2020 Lancashire had issued new common shares by way of an equity placing, which raised $340.3 million of new capital for the development of the Group's strategic underwriting plans, and the Committee monitored the implementation of the capital deployment throughout 2021. The Committee monitored an improving pricing trend which facilitated strong growth as the year developed. The Group's RPI, which shows the trend in renewal pricing on like-for-like contracts, was 109% for the full year across the portfolio. Gross premiums written for the full year increased to $1.2 billion, which was a 50.5% increase on 2020. Management implemented a revised dashboard style of reporting during the year which enhanced management information data and enabled the Committee to receive more granular detail of pricing trends and premium income by underwriting segment and by Group entity.

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

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

- Marine and energy specialty reinsurance;
- Casualty reinsurance – escalated growth against business plan;
- Syndicate 3010 Lloyd's Australian D&F property class;
- Syndicate 3010 and LUK marine and energy liability growth initiatives;
- Construction and engineering class;
- Power and utilities expansion opportunity;
- New property D&F opportunity;
- Lloyd's casualty consortium participation; and
- U.S. trucking liabilities.

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

The Committee continued to monitor the impacts of the COVID-19 pandemic both operationally and as a (re)insurance loss event/events. In the face of the challenges of home working which was required periodically during the year, the Committee noted the operational resilience of the Group's risk trading platforms and the stability of the COVID-19 loss reserves first established during 2020.

The Committee also received a claims update on a quarterly basis and monitored the claims and reserving processes for the material natural catastrophe and risk losses as they developed during the year.

The Committee has been actively engaged during 2021 in the development and implementation of the Group's underwriting strategy. It considers the articulation of, and adherence to, formal underwriting risk tolerances, which are approved and monitored by the Committee and the Board. In particular, the Committee received quarterly risk data, tracking movements in the Group's exposures to modelled PMLs and RDSs. The Committee also reviews developments in the formal underwriting authorities implemented across the Group. In addition, the Committee discussed the risks and opportunities associated with climate change and the ESG profile of clients and received reports on the development of ESG and climate-related underwriting guidelines which have been articulated by reference to Lloyd's market guidance and are being rolled out across all underwriting platforms. These guidelines are also linked to the Group's formal risk appetite statements. The Committee and Board also discussed the challenges and opportunities faced by many of our clients in the energy sector during a period of global transition towards less carbon intensive forms of energy.

The Committee continued to monitor exposures to a range of natural catastrophe risks, including regional windstorm and hurricane exposures, and the articulation of an appropriate underwriting and risk management strategy and management preference for these and other risk exposures linked to climate change factors. The Committee considered loss information and developing trends in the frequency and severity of weather-related and other loss events and was satisfied that the Group's underwriting strategy and reinsurance and risk management programmes are appropriate for the management of underwriting risk relating to these factors. For more detail, please see the ERM report on pages 26 to 30 and the Group's TCFD report on pages 56 to 63.

One area of work for the Committee during 2021 was to review and approve changes to the operation of the daily underwriting call, which is a distinctive feature of the Group's non-Lloyd's operations and a key risk management tool. The Committee approved changes to the terms of reference for the Underwriting Marketing and Coordination Committee (the UMCC) which will continue to retain oversight of the principal risks underwritten by the Group, in particular those risks which are the drivers of the Group's major exposures and related capital requirements. It also agreed a protocol for the oversight of the underwriting, approval and reporting of smaller non-Lloyd's underwriting risks outside the full UMCC. This marks a point of evolution in the Group's underwriting practices appropriate to accommodate the recent strategic growth whilst retaining the benefits of appropriate underwriting and risk oversight.

The Group's programme of outwards reinsurance protections is a core underwriting risk and exposure management tool. The Committee reviewed the structure, pricing and operation of the outwards reinsurance programmes and regularly discussed management reports covering outwards reinsurance developments. In particular the Committee held a dedicated strategic discussion at its November 2021 meeting to consider options for the development and focus of the Group's reinsurance programmes and opportunities for greater alignment and efficiencies across the Group.

The Committee also convened a number of other themed 'deeper dive' strategic sessions at its quarterly meeting involving the participation of underwriters from across the Group. These included sessions on the Group's casualty reinsurance initiative, Group aviation underwriting strategy and the Group's inward retrocessional reinsurance portfolio.

The Committee received management reports on the progress and approval by Lloyd's of the business plans for Syndicates 2010 and 3010, including the Lloyd's approval of planned growth plans for 2022.

The Committee also reviewed developments in the third-party reinsurance capital markets and developments within the LCM platform. At its November meeting the Committee discussed plans for succession within the LCM management team and approved the appointment of Paul Gregory as CEO of LCM further to the announcement of the departure of Darren Redhead from LCM, which will take place during 2022.

During 2021, the Committee meetings were open to attendance by all Board members. The Committee and Board seek to match the Company's capital to the underwriting requirements of the business in all parts of the underwriting cycle.

A more detailed analysis of the Group's underwriting performance appears in the business review on pages 21 to 25.

Priorities for 2022

The Committee's key priorities for 2022 are:

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

Remuneration Committee

"Lancashire's remuneration structures are designed and monitored to prioritise the right behaviours aligned with the strategic priorities of capital management, effective risk management and a nimble underwriting culture. We aim to incentivise, reward and retain talented people across our business to deliver on our strategy."

Simon Fraser
Chair of the Remuneration Committee

Committee members	
Simon Fraser (Chair)	4/4
Peter Clarke	4/4
Michael Dawson	4/4
Robert Lusardi	4/4
Irene McDermott Brown	2/2

The Committee's work helps embed the Group's healthy and sustainable corporate culture, consistent with the Group's purpose, values and strategy. The Board's objective is to deliver sustainable performance across the insurance cycle.

Committee membership

The Remuneration Committee comprises four independent Non-Executive Directors and the Chair of the Board.

Principal responsibilities of the Committee

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

How the Committee discharged its responsibilities

Throughout the year the Committee kept under review the Group's performance and remuneration structures, in the light of investor and stakeholder input. In particular, the Committee discussed at length the 2021 AGM outcomes and feedback resulting from a shareholder engagement process led by Simon Fraser. The Committee agreed a range of future actions which are detailed in Simon Fraser's introduction to the Directors' Remuneration Report on pages 90 and 91.

The Directors' Remuneration Policy has a three-year term following its approval by shareholders at the 2020 AGM, with a majority of 88% of votes cast. The Committee discussed in the light of shareholder feedback received during the year following the outcome of the 2021 AGM the operation of the Policy and has concluded that the Policy remains fit for purpose. Whilst no Policy changes are being proposed for the coming year the Committee intends to carry out a detailed review of the Policy during 2022 in advance of a shareholder vote at the 2023 AGM.

More generally during 2021, the Committee reviewed the Group's incentive packages to ensure that remuneration is structured appropriately in order to promote the long-term success of the Company. The Committee also reviewed the RSS structures for Executive Directors to ensure that the performance metrics continue to align the interests of the Company with its investors and executive management. The Committee considered the salary and bonus awards for the Executive Directors, as well as other designated senior executives, and in this context had regard to remuneration levels and practices across the workforce. The Committee also approved the grant of long-term incentivisation awards under the Company's RSS, considering a range of factors including the Company's share price movement. For further discussion of the linkage between performance and remuneration outcomes, please see Simon Fraser's introduction to the Directors' Remuneration Report on pages 90 and 91.

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

During 2021, the Committee reviewed Executive Directors' shareholdings in the context of the Company's share ownership guidelines for senior/key executives. Share ownership targets have either been met, or progress made in accordance with guideline requirements.

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

The Committee welcomed Irene McDermott Brown as a new Director and Committee member during April 2021. Irene has extensive experience in the field of remuneration practice within the financial services sector, and it is planned that she will assume the role of Remuneration Committee Chair following the 2022 AGM, in succession to Simon Fraser.

The Directors' Remuneration Policy and the Annual Report on Remuneration, for which the Committee is responsible, can be found on pages 90 to 111.

Priorities for 2022

The Committee's key priorities for 2022 are:

- To review the ongoing appropriateness and relevance of the Group's remuneration structures, ensuring that they are in line with the Group's business strategy, ESG and carbon management strategy, changes in accounting and financial reporting in particular as a result of the introduction of IFRS 17, risk profile, objectives, risk management practices and long-term interests;
- To conduct a formal review of the Group's shareholder-approved Remuneration Policy, facilitated by advice from the Group's independent remuneration advisers, in preparation for the planned shareholder Remuneration Policy vote at the 2023 AGM;
- To ensure that remuneration across the wider Group meets the skills and staffing needs and staff retention requirements of the business; and
- To work with the Group's independent remuneration advisers to keep abreast of compensation levels amongst the Group's London, Bermudian and other international peers, and the latest remuneration-related regulations, guidance and market practices.

Annual statement

Dear Shareholder,

I am pleased to present the 2021 Directors' Remuneration Report to shareholders.

As we set out at the front of this report, 2021 has been a year of exceptional challenges. We have been impacted by above average natural catastrophe losses and a political violence loss in South Africa, whilst navigating the continued operational impacts of the COVID-19 pandemic. The business has faced these challenges responsibly, displaying operational resilience and strategic foresight. Disappointingly, the negative effect of significant (re)insurance losses on returns for the 2021 year has resulted in a combined ratio of 107.3% and a negative change in FCBVS of 5.8%. More positively, the decision to seek equity capital from our shareholders in June 2020 has enabled us to increase our gross premiums written by 50.5% compared to 2020. This has placed the Group in a strong position to maximise attractive underwriting opportunities in an improving pricing environment which we expect to continue throughout the course of 2022.

Against this background our total Group CEO remuneration has decreased in comparison to 2020 by 37.4% and the Group CFO remuneration has decreased in comparison to 2020 by 39% (see the comparison table for single figure remuneration on page 103).

Remuneration report voting outcome 2021 and shareholder engagement

The Board was naturally disappointed with the outcome of the resolution to approve the Annual Report on Remuneration at the 2021 AGM, where it was passed with slightly over 67% support. Following the vote, I engaged with the Company's major shareholders and other stakeholders in the advisory sector. This process also followed a period of shareholder consultation which we had conducted prior to the AGM.

It was clear from the consultation that the main reason for the disappointing level of the vote against the remuneration resolution at the 2021 AGM was the impact of the Company's June 2020 equity placing on the 2020 annual bonus targets which were aligned to growth in FCBVS.

The Committee will take the following specific actions to ensure that any future capital raise does not prompt similar concerns with shareholders:

- Ensure improved disclosure in our reporting of the impact of capital actions on performance metrics in future;
- Consider deferral of a greater percentage of annual bonus into time deferred long-term incentive awards where performance metrics have been beneficially influenced by capital actions; and
- Commit to ongoing and active consideration of the exercise of discretion to limit the impact of capital actions on remuneration outcomes, where appropriate.

In our meetings, a small number of shareholders also expressed a concern regarding the Company's use of growth in FCBVS in both the annual bonus for Executive Directors and the Company's longer-term RSS awards. The Committee has considered the potential use and relative merits of other financial metrics in the Executive Directors annual bonus and the longer-term RSS awards and will continue to do so in the future. The Committee considers that growth in FCBVS is the Group's principal key performance indicator and that it is an appropriate and comprehensive performance metric for both bonus and longer-term schemes. It is relatively straightforward, understood by investors and encompasses all aspects of the Company's performance, prioritising the right strategic and risk management priorities for our management team. We also note that, in the light of the introduction of the new IFRS 17 accounting standards at the beginning of 2023, insurance industry accounting will be in a period of radical transition in terms of financial reporting. This will be a close area of focus for the Committee during 2022. Taking all these elements together, as we implement and monitor these new accounting measures, we believe it is would be inappropriate to make changes to our longstanding and effective financial performance remuneration metrics before th e impacts of IFRS 17 are fully understood.

The Board and management continue to believe that the insurance industry is cyclical in its fundamental characteristics. The Board's strategic objective is to achieve attractive returns appropriate to overall risk levels across the (re)insurance market cycle. There is a strong link between the Remuneration Policy and the business strategy. As an underwriting Company our underwriting performance is the key driver of growth in FCBVS over time and therefore our Remuneration Policy is closely aligned to our strategy.

As always, the Committee and Board intend to keep remuneration performance metrics under review in future to ensure appropriate focus and alignment of our management team with the interests of our stakeholders and will undertake a further review ahead of setting next year's metrics and targets.

Performance outcomes for 2021

The Executive Directors' annual bonus performance targets for both financial and personal performance were stretching. The financial element which made up 75% of the annual bonus opportunity resulted in no bonus payout for this element as the threshold for payout was not met given the Company's Change in FCBVS in 2021 was below the threshold due to a very challenging loss environment.

However, the board considered that the Executive Directors had performed strongly in achieving significant organic growth in underwriting premium income, in establishing new lines of underwriting and in managing risk within the business (see page 9). The business not only demonstrated strong operational resilience in the face of the COVID-19 pandemic but has, for the second year in succession, delivered on the strategic objectives of recruiting underwriting expertise in both existing and new lines of business. In particular the Group has recruited expertise in construction risks and expanded its D&F property book in hiring a team in Sydney, Australia, whilst also continuing to strengthen the Company's supporting business functions. As we note on page 15, with regard to the work performed during 2021 in relation to capital requirements of the business, the Board also noted the dynamic action of management in restructuring the Group's debt in early 2021 to align better with regulatory and rating agency requirements. So, in the face of what was a challenging loss year, the Board considered that our Executive Directors have provided effective leadership, strong and targeted growth in premium income, an effective recruitment programme to broaden the talent base of the business in both underwriting and other business functions to service current market opportunities and a nimble and proactive approach to risk and capital management (see pages 105 and 106 for further details).

In relation to long-term incentives for Executive Directors and other senior management, the 2019 Performance RSS awards were 85% based on annual Change in FCBVS targets and 15% on compound annual growth TSR targets over the three-year period to 31 December 2021. The Company's TSR (calculated in U.S. dollars) for the performance period resulted in a compound annual rate of -1.1%, resulting in 0% vesting for the TSR component.

The Change in FCBVS performance over the three-year performance period was assessed based on the change for each of the separate financial years as disclosed on page 108, resulting in 56.7% of this component of the 2019 Performance RSS awards vesting. Therefore overall, the 2019 Performance RSS awards vested at 48.2%.

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

Overall, in light of the annual and three-year performance delivered, the Committee notes the 48.2% vesting of the 2019 RSS and is satisfied that there has been sufficient linkage between performance and reward for Executive Directors; as a result no discretion was applied to the formulaic outcome. The Committee will continue to ensure that there is appropriate alignment between executive remuneration and Company performance in line with the Group's cross-cycle return expectations.

Application of Remuneration Policy for 2022

The Committee has reviewed and discussed the remuneration structures to be used in 2022 in some detail. As outlined above in response to shareholder feedback, this included a detailed review of the performance metrics. The Committee has concluded that the existing structure and performance metrics remain appropriate but this will be subject to further review ahead of setting next year's metrics and targets.

The Annual Report on Remuneration provides detailed disclosure on how the Policy will be implemented for 2022 and how Directors have been paid in relation to 2021.

The Board has decided to apply the targets for the annual bonus to be used in 2022 and to implement the three-year RSS awards for Executive Directors on the same basis as agreed for 2021. In addition targets will incorporate a specific ESG measure.

The disclosures provide our shareholders with the information necessary to form a judgement as to the link between Company performance and how the Executive Directors are paid. This Annual Statement, together with the Annual Report on Remuneration, will be subject to an advisory vote, and I hope that you will be able to support this resolution at the forthcoming AGM. The Committee is committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters and I welcome any feedback you may have.

Simon Fraser
Chairman of the Remuneration Committee

Directors' Remuneration Policy section

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

The Company's Remuneration Policy was approved by shareholders at the 2020 AGM, which is effective for a period of three years. The 2020 Remuneration Policy was developed taking into account the principles of the Code and the views of our major shareholders.

The 2020 Remuneration Policy contains details of the Company's policy to govern future payments that will be made to Directors. The Annual Report on Remuneration also details the remuneration paid to Directors in respect of the 2020 financial year in accordance with the shareholder-approved Policy. The shareholder-approved 2020 Remuneration Policy table is set out on pages 77 to 80 of the 2019 Annual Report and Accounts which can be found on the Company's website.

The Remuneration Policy set out below contains minor wording changes to the 'How the views of employees are taken into account' section, updates to bonus and LTIP metrics, the Illustrations of annual application of Remuneration Policy and to reflect the appointment of the Group CFO during 2020.

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

- Clarity – the Committee regularly engages with shareholders to take into account shareholder feedback, as it did in developing the current policy, to ensure there is transparency on the Remuneration Policy and its implementation. The Remuneration Policy has a clear objective: to enable the Group to attract, retain and motivate Executive Directors of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation, within appropriate risk parameters.
- Simplicity – the Remuneration Policy is designed such that the arrangements are considered easy to communicate to all stakeholders. This includes variable pay which operates as an annual bonus plan and a single LTIP. The objective and rationale for each element of the Remuneration Policy is clearly explained in the Policy table.
- Risk – the Committee considers that the structure of remuneration does not encourage inappropriate risk-taking. The performance metrics used ensure remuneration aligns to the Board's strategic objective which is to achieve attractive returns appropriate to overall risk levels across the (re)insurance market cycle. There is a mixture of short-term and long-term performance metrics with an appropriate mix of performance conditions. Clawback provisions are in place across all incentive plans and the Committee has the ability to use its discretion to override formulaic outcomes. The Committee receives a report from the Group CRO with regard to risk management developments which may be relevant to remuneration outcomes, and also makes inquiry with the Group's external auditors.
- Predictability – the range of possible reward outcomes is shown in the 'Illustrations of annual application of Remuneration Policy' (see page 98 for full details), which demonstrates the potential threshold, on-target and maximum scenarios of performance and the resulting pay outcomes which could be expected.
- Proportionality – a significant proportion of pay is delivered through variable remuneration. No variable remuneration will be delivered for below threshold performance with incentives only paying out if strong performance has been delivered by the Executive Directors. The Committee has the discretion to override outcomes if they are deemed inappropriate to ensure a robust link between reward and performance.
- Alignment to culture – the Policy has been designed to support the delivery of the Group's long-term strategy, and the interests of its shareholders and employees. Annual bonus performance metrics include an assessment of whether each Executive Director's contribution aligns to the Group values. The Policy seeks to appropriately motivate Executive Directors to deliver long-term, sustainable performance which benefits all stakeholders.

Governance and approach

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

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

- there is an appropriate balance between fixed and variable pay, and therefore Executive Directors are not required to earn performance-related pay to meet their day-to-day living expenses;
- there is a blend of short-term and long-term performance metrics with an appropriate mix of performance conditions, meaning that there is no undue focus on any one particular metric;
- in the case of Alex Maloney, the Group CEO, there is a high level of share ownership, and in the case of Natalie Kershaw, who assumed the role of Group CFO and Executive Director during 2020, there is an appropriate opportunity to acquire a longer-term equity holding on a measured basis, meaning that there is a strong focus on sustainable long-term shareholder value; and
- the Company has the power to claw back bonuses (including the deferred element of the annual bonus) and long-term incentive payments made to Executive Directors in the event of material misstatements in the Group's consolidated financial statements, errors in the calculation of any performance condition, corporate failure and material damage to the Group's business or reputation or the Executive Director ceasing to be a Director and/or employee due to gross misconduct (see pages 94 to 97 for the full Policy details).

How the views of shareholders are taken into account

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

How the views of employees are taken into account

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

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

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

Remuneration Policy table

Fixed pay

Base salary

Purpose and link to strategy

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

Reflects individual experience and role.

Operation

Normally reviewed annually and fixed for 12 months, typically effective from 1 January. Positioning and annual increases influenced by:

- role, experience and performance;
- change in broader workforce salary;
- changes to the size and complexity of the business; and
- changes in responsibility or position.

Salaries are benchmarked periodically against insurance company peers in the UK, U.S. and Bermuda.

Opportunity

No maximum.

Benefits

Purpose and link to strategy

Market competitive structure to support recruitment and retention.

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

Operation

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

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

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

Opportunity

No maximum.

Pension

Purpose and link to strategy

Contribution towards funding post-retirement lifestyle.

Operation

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

There is a salary sacrifice structure in the UK.

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

Opportunity

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

Annual bonus[1,2]

Purpose and link to strategy

Rewards the achievement of financial and personal targets.

Operation

The annual bonus is based on financial and personal performance.

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

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

At least 25% of each Executive Director's bonus is automatically deferred into shares as nil-cost options or conditional awards over three years, with one-third vesting each subsequent year.

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

The bonus is subject to clawback if:

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

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

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

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

Opportunity

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

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

Performance metrics

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

Financial performance

The financial component is based on the Company's key financial measures of performance. For any year, these may include the Change in FCBVS, growth in BVS, profit, comprehensive income, combined ratio, investment return or any other financial KPI[3].

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

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

Personal performance

Personal performance is based upon achievement of clearly articulated objectives. A performance rating is attributed to participating Executive Directors, which determines the payout for this part of the bonus.

Remuneration Policy table continued

Long Term Incentives (LTI)

Purpose and link to strategy

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

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

Operation[2,3]

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

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

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

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

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

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

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

A two-year post-vesting holding period applies to awards made to Executive Directors since 2016 (see page 102).

Opportunity

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

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

Performance metrics

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

These may include measures such as TSR, the Change in FCBVS, growth in BVS, Company profitability, or any other relevant financial measures.

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

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

For TSR, none of this part of the award will vest below median ranking or achievement of an index. No more than 25% of this part of the award will vest for achieving median or index.

Share ownership guidelines and requirements[4]

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

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

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

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

Chairman and Non-Executive Directors' fees

Purpose and link to strategy

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

Operation

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

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

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

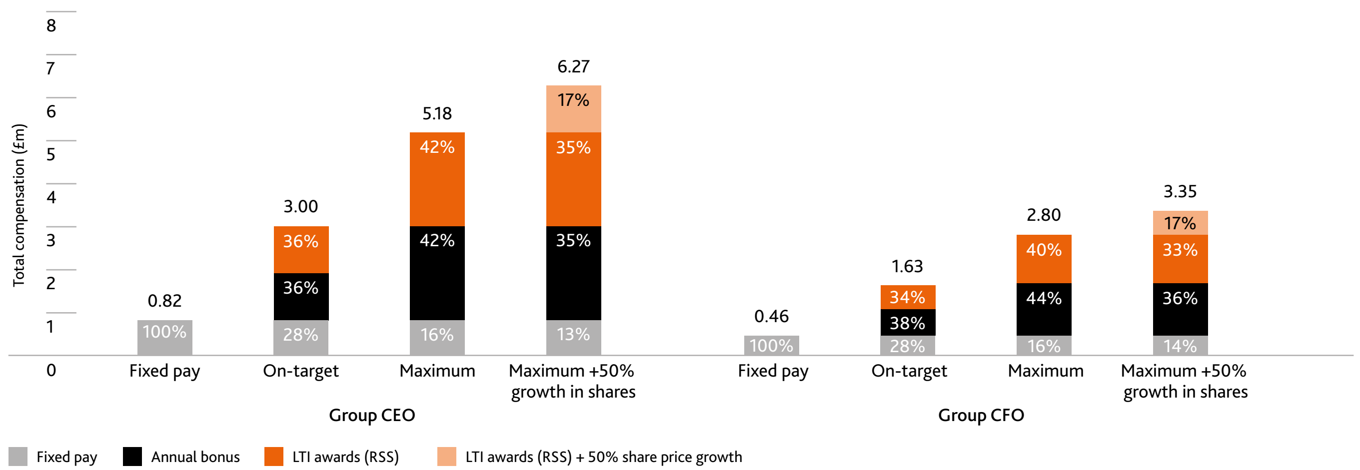
Opportunity

No maximum.

1. The Committee operates the annual bonus plan and RSS according to their respective rules and in accordance with the Listing Rules. The Committee, consistent with normal market practice, retains discretion over a number of areas relating to the operation and administration of these plans and this discretion forms part of this Policy.
2. All historic awards that were granted under any current or previous share scheme operated by the Company that remain outstanding remain eligible to vest based on their original award terms and this provision forms part of the Policy.
3. Performance measures: these may include the KPIs shown on page 2 or others described within the Annual Report and Accounts Glossary commencing on page 183 or any other measure that supports the achievement of the Company's short to long-term objectives.
4. Share ownership interest equivalent is defined as wholly-owned shares or the net of tax value of RSS awards which have vested but are unexercised and the net of tax value of deferred bonus RSS awards. Shares include those owned by persons closely associated with the relevant Executive Director.

Illustrations of annual application of Remuneration Policy

The charts below show the potential total remuneration opportunities for the Executive Directors in 2022 at different levels of performance under the Directors' Remuneration Policy.



Fixed pay = 2022 Salary + Actual Value of 2021 Benefits + 2022 Pension Contribution.

On-target = Fixed Pay + Target Bonus (being half the Maximum Bonus Opportunity) + Target Value of 2022 RSS grant (assuming 50% vesting with the face values of grant).

Maximum = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2022 RSS grant (assuming 100% vesting with the face values of grant).

Maximum + 50% growth over performance period = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2022 RSS grant + 50% share price appreciation (assuming 100% vesting with the face values of grant).

Approach to recruitment remuneration

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

Salary would be provided at such a level as is required to attract the most appropriate candidate. The Committee retains the flexibility to set base salary for a newly appointed Executive Director below the mid-market level and allow them to progress quickly to or around mid-market level once expertise and performance have been proven. This decision would take into account all relevant factors noted above.

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

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

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

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

Service contracts and loss of office payment policy for Executive Directors

Executive Directors have service contracts with six-month notice periods. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of base salary plus the value of benefits to which the Executive Directors are contractually entitled for the unexpired portion of the notice period. The Company may pay statutory claims. No Executive Director has a contractual right in their employment terms to a bonus for any period of notice not worked.

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

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

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

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

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

Leaver on arranged terms or good leaver

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

Subject to performance, a bonus may be payable at the discretion of the Committee pro-rata for the portion of the financial year worked.

Vested but unexercised deferred bonus RSS awards will remain exercisable. Unvested deferred bonus RSS awards will ordinarily vest in full, relative to the normal vesting period. All such vested awards must be exercised within 12 months of the vesting date or 12 months after the required post-vesting holding period required (see page 102).

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

The Committee has discretion to permit unvested RSS awards to vest early rather than continue on the normal vesting timetable and also retains discretion as to whether or not to apply (or to apply to a lesser extent) the pro-rata reduction to the RSS awards where it feels the reduction would be inappropriate.

In respect of RSS awards made to Executive Directors after 1 January 2020, there is a requirement on each Executive Director to retain 50% of the net of tax shares resulting on exercise in order to hold an interest equivalent in value of up to two times salary for a period of two years (or such other period or amount as the Committee may in future determine) following the date of termination of employment of the relevant Executive Director (see page 102).

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

Terms of appointment for Non-Executive Directors

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

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

Legacy arrangements

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

For the avoidance of doubt, this includes all awards granted under the 2008 RSS rules in accordance with the Policy approved at the 2014 AGM and the current Policy which was approved by shareholders at the 2020 AGM, and to employees of the Company who are not Directors at the date of grant. Outstanding RSS awards that remain unvested or unexercised at the date of this Annual Report and Accounts (including for current Executive Directors as detailed on page 102) remain eligible for vesting or exercise based on their original award terms.

Annual Report on Remuneration

This Annual Report on Remuneration together with the Chairman's statement, as detailed on pages 90 and 91, will be subject to an advisory vote at the 2022 AGM. The following sections in respect of Directors' emoluments have been audited by KPMG LLP:

- Single figure of remuneration.
- Non-Executive Director fees.
- 2022 annual bonus payments in respect of 2021 performance.
- Long-term share awards with performance periods ending in the year – 2019 RSS awards.
- Scheme interests awarded during the year.
- Performance and deferred bonus awards under the RSS.
- Directors' shareholdings and share interests.

Implementation of Remuneration Policy for 2022

Base salary and fees

Executive Directors

Salaries effective from 1 January 2022 are set out below:

- Group CEO – £727,630, a 4% increase.
- Group CFO – £406,250 a 4% increase.
- The average salary increase for Group employees for 2022 is 4%.

Non-Executive Directors

The Chairman's and Non-Executive Directors' fees are as follows for 2022:

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

Other fees

- Samantha Hoe-Richardson is a Non-Executive Director of LUK in which capacity she will continue to receive a fee of £50,000 per annum. pro-rated for time in role, as she is expected to step down in 2022.
- Simon Fraser is a Non-Executive Director of LSL in which capacity he will continue to receive a fee of $80,000 per annum.
- Sally Williams is expected to become a Non-Executive Director of LUK, subject to regulatory approval, during 2022 in which capacity she would receive a pro-rated fee of £50,000 per annum.

Annual bonus

For 2022, the Group CEO and the Group CFO will have a target bonus of 150% of salary and, therefore, a maximum opportunity of 300% of salary. This is within the approved policy limit and is in line with last year's opportunity and represents a maximum bonus opportunity which is 100% of salary less than the set policy limit.

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

Financial performance (75%)

The Company's most important financial KPI is the Change in FCBVS, which is the core indicator of the delivery of its strategic priorities of ensuring underwriting comes first, effectively balancing risk and return and managing capital nimbly through the insurance cycle (see the strategic overview on page 9). For 2022, the financial component for the annual bonus is again to be based on the performance of the Group's Change in FCBVS.

A sliding scale range of the Change in FCBVS targets has been set by reference to the Risk Free Rate of Return as follows:

- 25% of target bonus shall be payable at a threshold level of the Change in FCBVS equal to RFRoR + 6% (0% will be payable below this threshold).
- 50% of target bonus shall be payable at a level of the Change in FCBVS equal to RFRoR + 7%.
- 100% of target bonus shall be payable at a level of the Change in FCBVS equal to RFRoR + 8%.
- 200% of target bonus shall be payable at a level of the Change in FCBVS equal to RFRoR + 14%.

There shall be linear interpolation between these points. The Board considers that these target ranges are appropriately challenging, given the current insurance market conditions, and will help to ensure a strong link between remuneration for the Executive Directors and the Company's financial performance, the strategy and risk profile of the business and the investment return environment, without encouraging excessive risk-taking.

Personal performance (25%)

This element of the bonus plan is based upon the individual achievement of clearly articulated objectives created at the beginning of each year. The table below sets out a broad summary of the 2022 personal objectives for each Executive Director.

Executive Director	Personal performance
Alex Maloney	Effective leadership and management of the senior executive team and Group. Development of the general business strategy. To further develop and deliver the Group's Climate and ESG strategy and values, to include: Climate, sustainability and ESG strategy • Management of the Group's investment portfolio in line with the Group's agreed Climate VaR linked to the Paris Agreement 1.5C scenario. • Management of underwriting exposures linked to climate-related catastrophes in line with the Group's agreed underwriting risk tolerances for climate-related and other modelled PML events within the agreed Group risk framework. • Effective delivery of systems to monitor, measure and offset the Group's own operations carbon emissions and to further develop plans for a Group net-zero delivery strategy for its own operations carbon emissions. • To oversee the effective development and delivery of the Group's TCFD reporting. • To oversee the ongoing development of strategies to strengthen skills and capabilities within the workforce, to continue to ensure effective engagement and broaden and embed all aspects of diversity within the business. Lancashire values • The company values will be role-modelled and led by the Group CEO to ensure a sustainable culture including the delivery of a sustainable approach to ESG and a tangible ESG strategy with appropriate metrics over time.
Natalie Kershaw	Effective management of the finance function and participation in Group management and the Board, including leading the transition and preparations for the implementation of IFRS 17 in 2023. Overall responsibility for the IT, Change and Data functions. Innovative contribution to strategic planning with particular focus on capital and business planning processes. Climate, sustainability and ESG strategy and values Responsible investment • Development and oversight of the Group's responsible investment strategy and associated ESG and carbon intensity guidelines and metrics. Lancashire values • Contribution aligned to the Lancashire Group values characterised by engagement and a healthy sustainable culture.

The personal targets are broadly common among the Executive Directors, with variances being attributable to the specifics of their respective roles. Specific granular areas for personal development within the set broad personal objectives are discussed between the Chairman and the Executive Directors and agreed by the Committee. As part of the 2022 annual performance reviews, each Executive Director will receive a performance rating which will determine the level of personal performance bonus payout for which each Executive Director will be eligible.

Restricted Share Scheme

Performance conditions

For Executive Directors, 2022 RSS awards are subject to a range of performance conditions based on (i) annual Change in FCBVS; and (ii) absolute compound annual growth in TSR, both measured by reference to a period ending on 31 December 2024. These metrics aim to provide an appropriate focus on the Company's underlying financial performance and cycle management, and in the case of absolute TSR to provide an objective reward for delivering value to shareholders.

Weighting

For 2022, the weighting is 85% on annual Change in FCBVS and 15% on absolute compound annual growth in TSR.

Target ranges

The annual Change in FCBVS target range for 2022 awards is:

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

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

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

The TSR target range for 2022 awards is:

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

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

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

Overriding downwards discretion

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

Award levels

2022 RSS award levels are as follows:

- Group CEO – RSS awards in respect of shares to the value of £2,182,890 (being 300% of salary)
- Group CFO – RSS awards in respect of shares to the value of £1,117,188 (being 275% of salary)

The number of RSS awards in respect of shares which are awarded shall be determined based on the closing average share price for a period of five trading days immediately prior to the date of the award.

Post-vesting holding period

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

Post-employment holding requirements

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

Single figure of remuneration

The following table presents the Executive Directors' emoluments in GBP in respect of the years ended 31 December 2021 and 31 December 2020 for time served as an Executive Director.

Executive Directors		Salary £	Pension £	Taxable benefits[5] £	Total Fixed pay £	Annual bonus[2] £	Long-term incentives (RSS)[3,4] £	Total Variable pay £	Total £
Alex Maloney, Group CEO	**2021**	**699,644[6]**	**69,965**	**16,102**	**785,711**	**393,550**	**821,116**	**1,214,666**	**2,000,377**
	2020[1]	700,898	69,731	16,724[8]	787,353	1,271,403	1,134,875	2,406,279	3,193,632
Natalie Kershaw, Group CFO	**2021**	**390,625[7]**	**39,062**	**11,737**	**441,424**	**263,672**	**–**	**263,672**	**705,096**
	2020[1]	327,248	37,224	7,936[8]	372,407	783,224	–	783,224	1,155,631

The following charts set out the above disclosed 2021 total remuneration received by serving Executive Directors as a percentage of their total 2021 remuneration.

Alex Maloney

- Fixed pay: 39%
- Annual bonus: 20%
- LTI awards (RSS): 41%

Natalie Kershaw

- Fixed pay: 63%
- Annual bonus: 37%
- LTI awards (RSS): 0%

1. 2020 figures have been converted to GBP using the average exchange rate for the year ending 31 December 2020 which was 1.2777.
2. Bonus targets were set at the beginning of 2021 and are based on a clear split between Company financial performance and personal performance on a 75:25 basis. Company financial performance is based on absolute financial performance against the RFRoR. The Company financial performance component did not pay out as it did not meet the required threshold. The final bonus payout to Executive Directors will be 19% of the maximum for the Group CEO, 23% of the maximum for the Group CFO. For full details of Executive Directors' bonuses and the associated performance delivered see page 105. 25% of the serving Executive Directors' annual bonus is deferred into RSS awards without performance conditions, vesting at 33.3% per year over a three-year period.
3. For 2021, the long-term incentive values are based on the 2019 Performance RSS awards which vested at 48.2% and are based on a three-year performance period that ended on 31 December 2021. The values above are based on the average share price for the final quarter of 2021, being £5.2023, and includes the value of dividends accrued on vested shares. The decrease in share price between the date of grant, being £6.365, and the final 2021 quarterly average share price of $5.2023 was a decrease of 18.27%. Natalie Kershaw was not granted 2019 Performance RSS awards, as she was not a serving Executive Director at the time.
4. For 2020, the long-term incentive values are based on the 2018 RSS awards which vested at 48.2%, and are calculated using the share price as at the date of vesting: (10 February 2021) which was 6.955.
5. Benefits comprise Private Medical Insurance, Dental Insurance, Travel Insurance, Life Insurance, Critical Illness cover and Income Protection.
6. There was no change in Alex Maloney's salary from 2020 to 2021. The apparent decrease has arisen due to exchange rates with his 2020 salary being paid in USD and converted to GBP.
7. There was no change in Natalie Kershaw's salary from 2020 to 2021. The apparent increase has arisen due to her 2020 salary being pro-rated based on her appointment as Group CFO on 1 March 2020.
8. 2020 Benefits figures omitted Critical Illness cover, correct figures now included.

Non-Executive Directors' fees

Current Non-Executive Directors		Fee $	Other $	Total $
Peter Clarke	**2021**	**350,000**	**–**	**350,000**
	2020	350,000	–	350,000
Michael Dawson	**2021**	**175,000**	**–**	**175,000**
	2020	175,000	–	175,000
Simon Fraser[1]	**2021**	**175,000**	**80,000**	**255,000**
	2020	175,000	80,000	255,000
Samantha Hoe-Richardson[2]	**2021**	**175,000**	**68,987**	**243,987**
	2020	175,000	64,531	239,531
Robert Lusardi	**2021**	**175,000**	**–**	**175,000**
	2020	175,000	–	175,000
Sally Williams	**2021**	**175,000**	**–**	**175,000**
	2020	175,000	–	175,000
Irene McDermott Brown[3]	**2021**	**117,639**	**–**	**117,639**
	2020	NA		NA

1. Simon Fraser's LSL fees are paid in USD.
2. Samantha Hoe-Richardson's LUK Fees are paid in GBP and converted at the average exchange rate for the month during which the payment is made.
3. Irene McDermott Brown was appointed in April 2021 so her fees have been pro-rated for time appointed.

2022 annual bonus payments in respect of 2021 performance

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

Bonus targets were set at the beginning of 2021 and based on a clear split between Company financial performance and personal performance on a 75:25 basis. The target value of bonus was 150% of salary for the Group CEO and Group CFO respectively, and the maximum payable was two times the target value.

Financial performance

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

Performance measure	Financial performance weighting (of total bonus) %	Threshold %	Target %	Max %	Actual performance %	% payout
Change in FCBVS	75	RFRoR +6%	RFRoR +8%	RFRoR +14%	(5.8)	0% of target payable in respect of Company performance

In 2021, the Company financial performance component paid out at 0% of target (being 0% of the maximum) as the Change in FCBVS was -5.8% against a target level of RFRoR +8% and a threshold of RFRoR +6%.

Personal performance

25% of the 2021 bonus was based on performance against clearly defined personal objectives set at the start of the year.

The table below sets out a summary of the 2021 personal objectives for each Executive Director.

Executive Director	Personal performance	Factors relevant to the Board's determination for the 2021 performance year
Alex Maloney	• Effective leadership and management of the senior executive team and the Group. • Development of the general business strategy. • Contribution aligned to the Lancashire Group values characterised by engagement and a healthy sustainable culture.	• Delivering on the priority of growth in the underwriting team with the addition of teams in three new classes of business comprising accident and health, casualty reinsurance and specialty reinsurance. • Development of the Group Lloyd's platforms to establish a Group Lloyd's Australian underwriting branch to underwrite direct and facultative property business. • Achieving material growth within the Group's Lloyd's operations, particularly Syndicate 3010. • Driving a business transformation project with appropriate project management and management and Board reporting. • Achieving underwriting portfolio diversification and growth, in particular with the successful establishment of the Group's new casualty reinsurance class. • Taking a strong lead in the identification and development of the next generation of Lancashire leaders. • Achieving top line growth in a planned and strategic manner to achieve year on year growth in gross written premium of over 50%. • Leading in the area of dynamic capital management and deployment for both long-term stability and the shorter-term strategic requirements of the business. • Optimising the Group's debt capital structure through the successful issuance of $450 million of subordinate notes.
Natalie Kershaw	• Effective management of the finance function and participation in Group management and the Board. • Overall responsibility for the IT, Change and Data functions • Innovative contribution to strategic planning with particular focus on capital and business planning processes. • Contribution aligned to the Lancashire Group values characterised by engagement and a healthy sustainable culture.	• Demonstrating effective and strategic leadership of the project to optimise the Group's debt capital structure through the successful issuance of $450 million of subordinate notes. • Diligent review and presentation of quarter end financial results and Board papers including the introduction of enhancements to the presentation of financial results and financial and capital reporting to the Board. • Strong ownership of relations with analysts and rating agencies and assured participation in investor calls and presentations. • Enhancing the delivery of financial results and underwriting data from the finance department to management and business units on a timely basis. Delivery of further efficiencies within the finance team with regard to roles, processes and outputs. • Demonstrating diligent leadership, planning and oversight of the IFRS 17 and 9 implementation project. • Delivering strategic project planning and management and leadership and strong progress in the delivery of a group-wide target operating model including consistent systems and processes across the Group to drive efficiencies in the future and improved business and cultural integration. Managing the creation of a clear and comprehensive project reporting structure for the Board. • Effectively challenging third-party provider(s) to demonstrate overall cost savings and benefits to the project. • Discharging effective overall responsibility for the organisation and management of the Group's IT, Change and Data functions to deliver meaningful and tangible benefits across the group. • Improving the efficacy and alignment of the business planning process, in particular in relation to improved integration of underwriting data and strategy within the process. • Developing a clear five-year strategic view for the Group summarised within the Group's strategic plan. • Effectively operating and explaining the capital models relevant to the Group's operation both within the business and the Board and recommending appropriate capital management actions.

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

During the 2021 annual performance reviews of each Executive Director, a performance rating was assigned to determine the level of bonus payout for which each Executive Director was eligible for the personal performance element of the bonus.

For the 2021 performance against personal objectives, the ratings were determined following a process for the evaluation of performance of the Executive Directors against the agreed personal targets and discussion and agreement of the outcomes with the Chair and members of the Board with particular focus on those factors identified as pertinent to 2021 performance. As a result of the 2021 personal performance evaluation process for the Executive Directors, a bonus at 150% of target (being 75% of the maximum personal element) for the Group CEO and 180% of target (being 90% of the maximum personal element) for the Group CFO were awarded for the personal component. The overall 2021 bonus outcomes are expressed as a percentage of the maximum award as illustrated in the table below. The Board considers the business to be well positioned for the business opportunities and challenges which lie ahead.

A table of performance measures and total 2021 bonus achievement is set out below:

Executive Director	Financial performance (max % of total bonus) %	Personal performance (max % of total bonus) %	Bonus % of maximum awarded %	Total bonus value £	Value of bonus paid in cash (75% of total bonus) £	Value of bonus deferred into RSS awards (25% of total bonus)[1] £
Alex Maloney[1]	75	25	19	393,550	295,163	98,388
Natalie Kershaw[1]	75	25	23	263,672	197,754	65,918

1. 25% of total bonus award will be deferred into RSS awards with one-third vesting annually, each year, over a three-year period with the first third becoming exercisable in February 2023, subject to the Company not being in a closed period. These awards vest on the relevant dates subject to continued employment.

Long-term share awards with performance periods ending in the year – 2019 RSS awards

The 2019 RSS awards were based on a three-year performance period ending on 31 December 2021 and vest following the determination of financial results by the Board. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 48.2%. This is calculated as 56.7% vesting of the Change in FCBVS element (for 85%) and zero vesting of the TSR element (for 15%).

	Absolute compound annual growth in TSR (relevant to 15% of the 2019 RSS awards)		Annual Change in FCBVS(within the three year performance period) (relevant to 85% of the 2019 RSS awards)[1]	
Performance level	Performance required (%)	% vesting	Performance required (%)	% vesting
Below threshold	Below 8	–	Below 6	0
Threshold	8	25	6	25
Stretch or above	12 or above	100	13 or above	100
Actual achieved	2.9	–	see note[1]	56.7

	2021	2020	2019
1. Change in FCBVS	(5.8%)	10.2%	14.1%
Vesting % of one third by performance year	0.0%	70.0%	100%
2019 RSS Awards	0.0%	23.3%	33.3%

The table above shows the growth in FCBVS for the performance period and the respective vesting for each financial year of the awards. The outcomes for the 2019 and 2020 years yielded a positive change in FCBVS of 14.1% and 10.2% respectively. The Committee noted that the decision to seek equity capital from investors in June 2020 and reported in the 2020-year end Annual Report and Accounts contributed approximately 7.8% to the positive change in FCBVS for the 2020 year. The Committee consulted with shareholders in the Spring of 2021 regarding the impacts of capital actions on remuneration outcomes following the 2021 AGM vote on remuneration, see page 90 for further details. The Committee considered several factors when agreeing the financial performance outcomes, including the strong capital position resulting from the 2020 equity placement, which placed the Group in a strong position to maximise underwriting opportunities and the resultant year on year growth in gross premium written of 50.5% achieved during 2021. We also wish to recognise the shareholder concern that capital actions should be reflected in longer term equity alignment, which is the intention of our multi-year RSS performance awards. In the circumstances the Committee considers the outcomes to be a fair reflection of performance and does not consider it in the interest of all stakeholders to exercise a downward discretion in respect of the 2020 contribution to the 2019 RSS award three-year performance. Details of the vesting for each serving Executive Director, based on the above, are shown in the table below:

Executive Director	Number of shares at grant	Number of shares to lapse	Number of shares to vest	Dividend accrual on vested shares value[1] £	Value of shares including dividend accrual £
Alex Maloney[2]	306,915	158,982	147,933	51,524	821,116
Natalie Kershaw[3]	N/A	N/A	N/A	N/A	N/A

1. Dividends accrue on awards at the record date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employee on the number of vested awards net of tax required.
2. The value of Alex Maloney's vested shares is based on the 2019 RSS awards which vest at 48.2% and are based on a three-year performance period that ended on 31 December 2021. The average share price rate for the final quarter of 2021 is used for this calculation. There is a two-year post-vesting holding requirement for the 2019 RSS awards for Executive Directors.
3. Natalie Kershaw was not granted 2019 Performance RSS awards as she was not a serving Executive Director at the time of the award.

Scheme interests awarded during the year

The table below sets out the performance RSS awards that were granted to the serving Executive Directors as nil-cost options on 19 February 2021.

Executive Director	Grant date[2]	Number of awards granted during the year	Face value of awards granted during the year[1,3] £	% vesting at threshold performance
Alex Maloney	19-Feb-21	313,321	2,098,937	25
Natalie Kershaw	19-Feb-21	160,356	1,074,225	25

1. The awards were based on the five-day average closing share price prior to the award date, being £6.699 and the awards were granted as nil-cost options.
2. These awards are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2023 and becoming exercisable in the first open period following the release of the Company's 2023 year-end results after the meeting of the Board in February 2024.
3. The exercise share price is determined once an award has vested on the basis of the share price on the date an award is exercised.

Details of all outstanding share awards

In addition to awards made during the 2021 financial year, the table below sets out details of all outstanding RSS awards held by Executive Directors.

Performance and deferred bonus awards under the RSS[6]

	Grant date[1]	Exercise price	Awards held at 01-Jan-21	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Awards exercised during the year	Awards held at 31-Dec-21	End of performance period
Alex Maloney, Group CEO									
Performance RSS	23-Feb-18	–	315,762	–	**152,197**	**163,565**	**152,197**	–	31-Dec-20
Deferred Bonus RSS[3]	23-Feb-18	–	4,363	–	**4,363**	–	**4,363**	–	
Performance RSS[2,4]	22-Feb-19	–	306,915	–	–	–	–	**306,915**	31-Dec-21
Deferred Bonus RSS[3]	22-Feb-19	–	9,312	–	**4,656**	–	**4,656**	**4,656**	
Performance RSS[2,4]	21-Feb-20	–	260,292	–	–	–	–	**260,292**	31-Dec-22
Deferred Bonus RSS[3]	21-Feb-20	–	50,326	–	**16,775**	–	**16,775**	**33,551**	
Performance RSS[2,4]	19-Feb-21	–	–	**313,321**	–	–	–	**313,321**	31-Dec-23
Deferred Bonus RSS[3]	19-Feb-21	–	–	**43,622**	–	–	–	**43,622**	
Total			**946,970**	**356,943**	**177,991**	**163,565**	**177,991**	**962,357**	
Natalie Kershaw, Group CFO									
Performance RSS	28-Feb-13	–	11,772	–	–	–	**11,772**	–	31-Dec-15
Performance RSS	19-Mar-13	–	3,750	–	–	–	**3,750**	–	31-Dec-15
Performance RSS	19-Feb-14	–	10,888	–	–	–	**10,888**	–	31-Dec-16
Deferred Bonus RSS[3]	19-Feb-14	–	1,351	–	–	–	**1,351**	–	
Performance RSS	12-Feb-15	–	4,267	–	–	–	**4,267**	–	31-Dec-17
Deferred Bonus RSS[3]	12-Feb-15	–	2,468	–	–	–	**2,468**	–	
Non-Performance RSS[5]	18-Feb-16	–	11,036	–	–	–	**11,036**	–	31-Dec-18
Non-Performance RSS[5]	26-Feb-17	–	9,590	–	–	–	**9,590**	–	31-Dec-19
Non-Performance RSS[5]	16-Feb-18	–	12,075	–	**12,075**	–	**12,075**	–	31-Dec-20
Non-Performance RSS[5]	15-Feb-19	–	12,075	–	–	–	–	**12,075**	31-Dec-21
Performance RSS[2,4,]	21-Feb-20	–	133,216	–	–	–	–	**133,216**	31-Dec-22
Deferred Bonus RSS[3]	21-Feb-20	–	–	–	–	–	–	–	
Performance RSS[2,4,]	19-Feb-21	–	–	**160,356**	–	–	–	**160,356**	31-Dec-23
Deferred Bonus RSS[3]	19-Feb-21	–	–	**26,873**	–	–	–	**26,873**	
Total			**212,488**	**187,229**	**12,075**	–	**67,197**	**332,520**	

1. The market values of the common shares on the dates of grant were:
   - 28 February 2013 £8.99
   - 19 March 2013 £8.21
   - 19 February 2014 £7.34
   - 12 February 2015 £6.36
   - 18 February 2016 £6.17
   - 26 February 2017 £6.81
   - 16 February 2018 £5.70
   - 23 February 2018 £5.69
   - 15 February 2019 £6.37
   - 22 February 2019 £6.54
   - 21 February 2020 £7.61
   - 19 February 2021: £6.37
2. The vesting dates of the RSS performance awards are subject to being out of a closed period and are as follows:
   - 2019 – first open period following the release of the Company's 2021 year-end results;
   - 2020 – first open period following the release of the Company's 2022 year-end results; and
   - 2021 – first open period following the release of the Company's 2023 year-end results
3. The vesting dates of the RSS deferred bonus awards are subject to being out of a closed period and, for the 2019 to 2021 deferred bonus awards, are as follows:
   - 2019 – vest 33.33% per year over a three-year period at the first open period following the release of the Company's year-end results for 2019, 2020, and 2021;
   - 2020 – vest 33.33% per year over a three-year period at the first open period following the release of the Company's year-end results for 2020, 2021, and 2022;and
   - 2021 – vest 33.33% per year over a three-year period at the first open period following the release of the Company's year-end results for 2021, 2022, and 2023.
4. The vesting of the RSS performance awards above is subject to two performance conditions as follows:
   - 15% of each award is subject to a performance condition measuring the absolute compound annual growth in TSR performance of the Company over a three-year performance period. 25% of this part of the award vests for threshold performance (8% compound annual growth) by the Company, rising to 100% vesting of this part of the award for maximum performance (12% compound annual growth) by the Company or better. Performance between threshold and maximum is determined on a straight-line basis.
   - The other 85% of each award is subject to a performance condition based on the Change in FCBVS over a three-year performance period. 25% of this part of the award will vest if Change in FCBVS over the performance period exceeds the criteria set out in the table on page 101, whilst all of this part of the award will vest if the Company's Change in FCBVS is equal to the more stringent criteria set out in the table. Between these two points vesting will take place on a straight-line basis. Within the three-year performance period each of the separate financial years will be treated as a separate element, each one contributing one-third to the overall outcome of the vesting of this element of the RSS award. Details of this calculation method were disclosed on page 79 of the 2018 Annual Report and Accounts.
5. These RSS awards were granted to staff with no performance conditions attached. The awards were granted to Natalie Kershaw prior to becoming an Executive Director.
6. All RSS awards have an expiry date of 10 years from the date on which they were granted.

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

	2019	2020	2021	2022
100%	12%	12%	12%	12%
25%	8%	8%	8%	8%
Nil	< 8%	<8%	<8%	<8%

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

	2019	2020	2021	2022
100%	13%	13%	13%	13%
25%	6%	6%	6%	6%
Nil	< 6%	<6%	<6%	<6%

* See page 102 for the vesting methodology to be applied for the RSS awards.

Directors' shareholdings and share interests

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

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

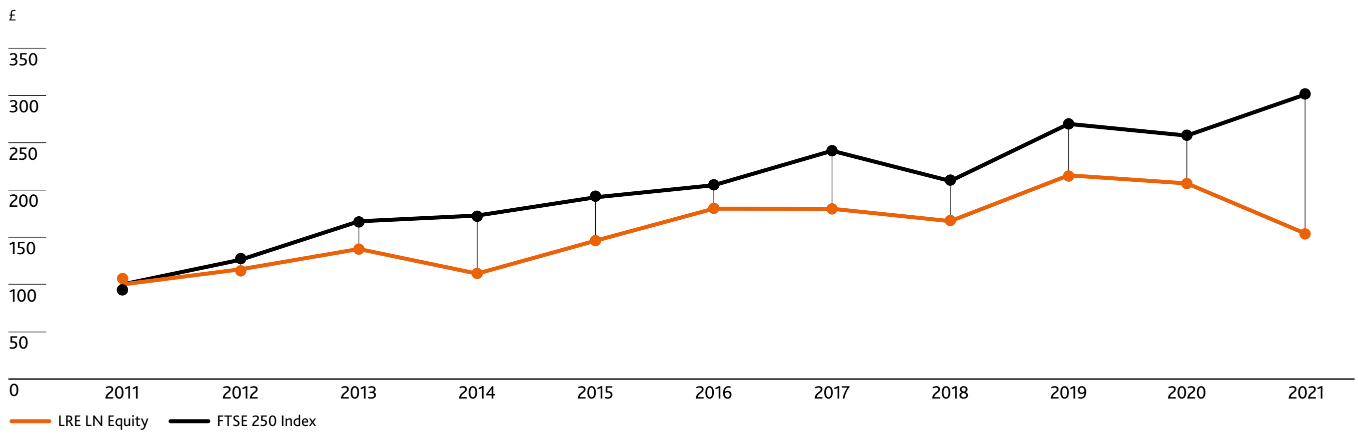
	Number of common shares							
	Total as at 1 January 2021	As at 31 December 2021						
Directors		Legally owned	Subject to deferral under the RSS	Subject to performance conditions under the RSS	Unvested and not subject to performance conditions under the RSS	Vested but unexercised awards under other share-based plans	Total	Shareholding guideline achieved?
Alex Maloney	1,640,415	**787,570**	**81,829**	**880,528**	**–**	**N/A**	**1,749,927**	**Yes**
Natalie Kershaw	212,488	**41,215**	**26,873**	**293,572**	**12,075**	**N/A**	**373,735**	**No**
Peter Clarke	60,000	**82,500**	**N/A**	**N/A**	**N/A**	**N/A**	**82,500**	**N/A**
Michael Dawson	15,000	**20,000**	**N/A**	**N/A**	**N/A**	**N/A**	**20,000**	**N/A**
Simon Fraser	1,000	**3,000**	**N/A**	**N/A**	**N/A**	**N/A**	**3,000**	**N/A**
Samantha Hoe-Richardson	5,356	**5,356**	**N/A**	**N/A**	**N/A**	**N/A**	**5,356**	**N/A**
Robert Lusardi	8,000	**28,000**	**N/A**	**N/A**	**N/A**	**N/A**	**28,000**	**N/A**
Irene McDermott Brown	N/A	**–**	**N/A**	**N/A**	**N/A**	**N/A**	**–**	**N/A**
Sally Williams	1,422	**11,082**	**N/A**	**N/A**	**N/A**	**N/A**	**11,082**	**N/A**

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

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

Performance graph and total remuneration history for Group CEO

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



Source: Datastream (Thomson Reuters)

This graph shows the value, by 31 December 2021, of £100 invested in LHL on 31 December 2011 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year ends.

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

	2012	2013	2014[1]	2014[2]	2015	2016	2017	2018	2019	2020	**2021**
Total remuneration (£000s[3])	6,599	6,511	6,088	1,453	2,511	2,758	1,517	1,067	2,398	3,193	**2,000**
Annual bonus (% of maximum)	73	80	80	73	72	76	17	19	80	60	**19**
LTI vesting (%)	99	100	61[1]	50	75	67	22.5	–	–	48.2	**48.2**

1. Richard Brindle was the Group CEO from 2005 until he retired from the Group and as a Director on 30 April 2014. Mr Brindle was afforded good leaver status and all RSS award interests were vested upon his departure, using estimated TSR and RoE values (as then defined) at the time of his retirement. The amounts in the table above reflect all awards which vested in 2014. Further particulars of the vesting were reported in the Group's 2014 Annual Report and Accounts.
2. Alex Maloney was appointed Group CEO effective 1 May 2014, after the retirement of Mr Brindle. For the purposes of this table his numbers have been pro-rated to account for only his time in office as CEO for 2014.
3. For the years 2012 – 2020 these figures were converted to GBP using the average exchange rate for the relevant year.

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

Percentage change in Directors' remuneration

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

	2021			2020		
	Base salary/ Fees	Benefits[1]	Bonus	Base salary/ Fees	Benefits[1]	Bonus
Executive Directors						
Alex Maloney[2]	**(0.2)**	**(0.5)**	**(223.1)**	3.1	–	(27.9)
Natalie Kershaw[3]	**16.2**	**11.1**	**(197.0)**	N/A	N/A	N/A
Non-Executive Directors						
Peter Clarke	–	–	**N/A**	–	–	N/A
Michael Dawson	–	–	**N/A**	–	–	N/A
Simon Fraser	–	–	**N/A**	–	–	N/A
Samantha Hoe-Richardson	–	–	**N/A**	–	–	N/A
Robert Lusardi	–	–	**N/A**	–	–	N/A
Sally Williams	–	–	**N/A**	–	–	N/A
Employees of the parent company[4]	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
Employees of the Group[5]	**15.2**	**27.5**	**(57.9)**	8.7	17.5	4.3

1. Benefits include pension and all taxable benefits as reported on page 103 in the Single Figure on Remuneration table.
2. There was no change in Alex Maloney's salary from 2020 to 2021. The apparent decrease has arisen due to exchange rates with his 2020 salary being paid in USD and converted to GBP.
3. There was no change in Natalie Kershaw's salary from 2020 to 2021. The apparent increase has arisen due to her 2020 salary being pro-rated based on her appointment as Group CFO on 1st March 2020.
4. As the parent company does not have any employees, it is not possible to provide a percentage change in their pay and therefore the comparison is to the Group as a whole.
5. The underlying salary increase from 2020 to 2021 for Group employees was a standard (4)%. The 15.2% increase reflects headcount increases across all locations, staff promotions and other adjustments made during the year.

Relative importance of the spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the year ended 31 December 2021 compared with the year ended 31 December 2020.

	2021 $m	2020 $m	Percentage change %
Employee remuneration costs	**79.6**	86.6	(8.1)
Dividends	**36.4**	32.3	12.7

The principal factor influencing the year-on-year decrease in employee remuneration costs is the reduction in variable pay given the Company's financial performance in 2021. The Group has not utilised any COVID-19-related government grants or financial support programme and no employees have been furloughed during the year ended 31 December 2021.

CEO pay ratio

The Group has fewer than 250 UK employees and is not subject to the UK regulations governing CEO pay ratio reporting.

Committee members, attendees and advice

For Remuneration Committee membership and attendance at meetings through 2021, please refer to pages 88 and 89 of this Annual Report and Accounts.

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

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

Remuneration Committee adviser

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

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

The total fees paid to A&M in respect of its services to the Committee for the year ended 31 December 2021 were $77,389. Fees are predominantly charged on a 'time spent' basis.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report are shown below along with the votes to approve the 2020 Remuneration Policy; any matters discussed with shareholders during the year are provided in the Annual Statement for 2021 starting on page 90. Details on the 2021 AGM vote are also outlined in the statement.

	Vote to approve 2020 Annual Report on Remuneration (at the 2021 AGM)		Vote to approve 2020-2022 Remuneration Policy (at the 2020 AGM)	
	Total number of votes	**% of votes cast**	Total number of votes	% of votes cast
For	**124,435,611**	**67.2**	139,296,316	88.0
Against	**60,830,724**	**32.8**	18,944,612	12.0
Total	**185,266,335**	**100.0**	158,240,928	100.0
Abstentions	**6,531,943**		395,937	

Please see page 90 for the Chairman's discussion of the 2021 AGM Renumeration vote outcomes.

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

Simon Fraser
Chairman of the Remuneration Committee

10 February 2022

Overview of the Group

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

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

Principal activities

The Company's principal activity, through its wholly-owned subsidiaries, is the provision of global specialty insurance and reinsurance products. On 7 November 2013, the Company completed the acquisition of CCL, the holding company of LSL, and in June 2013 established LCM, a third-party capital and underwriting management facility, to complement the Group's longstanding specialty insurance activities. An analysis of the Group's business performance can be found in the business review on pages 21 to 25.

Dividends

During the year ended 31 December 2021, the following dividends were declared:

- a final dividend of $0.10 per common share was declared on 10 February 2021 subject to shareholder approval, which was received at the 2021 AGM. The final dividend was paid on 4 June 2021 in pounds sterling at the pound/U.S. dollar exchange rate of 1.3912 or £0.07188039 per common share; and
- an interim dividend of $0.05 per common share was declared on 27 July 2021 and paid on 3 September 2021 in pounds sterling at the pound/U.S. dollar exchange rate of 1.3910 or £0.03594536 per common share.

Dividend policy

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

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

Current Directors

Peter Clarke (Non-Executive Chairman)

Alex Maloney (Group Chief Executive Officer)

Natalie Kershaw (Group Chief Financial Officer)

Michael Dawson (Non-Executive Director)

Simon Fraser (Senior Independent Non-Executive Director)

Samantha Hoe-Richardson (Non-Executive Director)

Robert Lusardi (Non-Executive Director)

Irene McDermott Brown (Non-Executive Director)

Sally Williams (Non-Executive Director)

Directors' interests

The Directors' beneficial interests in the Company's common shares as at 31 December 2021 and 2020, including interests held by family members, were as follows:

Directors	**Common shares held as at 31 December 2021**	Common shares held as at 31 December 2020
Peter Clarke[1]	**82,500**	60,000
Michael Dawson[2]	**20,000**	15,000
Simon Fraser[3]	**3,000**	1,000
Samantha Hoe-Richardson	**5,356**	5,356
Natalie Kershaw[4]	**41,215**	–
Robert Lusardi[5]	**28,000**	8,000
Alex Maloney[6]	**787,570**	693,445
Irene McDermott Brown[7]	**–**	N/A
Sally Williams[8]	**11,082**	1,422

1. Peter Clarke conducted the following transactions in the Company's shares during 2021:
   - 30 July 2021 – purchase of 22,500 shares at a price of £6.37 costing £143,419.49
2. Michael Dawson conducted the following transactions in the Company's shares during 2021:
   - 5 November 2021 – purchase of 5,000 shares at a price of £5.04 costing £25,200
3. Simon Fraser conducted the following transactions in the Company's shares during 2021:
   - 10 December 2021 – purchase of 2,000 shares at a price of £5.18 costing £10,350.00
4. Natalie Kershaw conducted the following transactions in the Company's shares during 2021:
   - 16 March 2021 – exercise of 67,197 RSS awards and related sale of 25,982 shares to cover tax liabilities, at a price of £6.45 realising £167,583.90.
5. Robert Lusardi conducted the following transactions in the Company's shares during 2021:
   - 8 November 2021 – purchase of 20,000 shares at a price of $7.08 costing $141,600.00
6. Includes 155,722 shares owned by his spouse, Amanda Maloney. Alex Maloney conducted the following transactions in the Company's shares during 2021:
   - 24 May 2021 – exercise of 177,991 RSS awards and related sale of 83,866 shares to cover tax liabilities, at a price of £6.48 realising £543,480.03
7. Irene McDermott Brown was appointed to the Board with effect from 28 April 2021
8. Sally Williams conducted the following transactions in the Company's shares during 2021:
   - 8 November 2021 – purchase of 9,660 shares at a price of £5.18 costing £49,990.50

Transactions in own shares

The Company repurchased one million of its own common shares during 2021 in order to acquire shares to satisfy obligations referrable to share awards made under the Group's RSS.

The Company's current repurchase programme has 23,401,000 common shares remaining to be purchased as at 31 December 2021 (approximately $167.9 million at the 31 December 2021 share price). Further details of the share repurchase authority and programme are set out in note 19 to the consolidated financial statements on page 176. The repurchase programme is subject to renewal at the 2022 AGM for an amount of up to 10% of the then issued common share capital.

Directors' remuneration

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. Details of the Directors' remuneration are set out in the Directors' Remuneration Report on pages 90 to 111.

Substantial shareholders

As at 10 February 2022, the Company was aware of the following interests of 3% or more in the Company's issued share capital:

Shareholder	No of Shares	% of issued ISC
Baillie Gifford	**27,052,633**	11.09
Setanta Asset Management Limited	**25,361,566**	10.39
Polar Capital	**13,484,951**	5.53
Wellington Management	**13,053,641**	5.35
Vanguard Group	**11,163,880**	4.58
BlackRock, Inc,	**10,726,005**	4.40
GLG Partners	**9,389,664**	3.85
UBS Asset Management	**7,401,039**	3.03

Corporate governance – compliance statement

The Company's compliance with the Code is detailed in the Sustainability and Governance reporting sections of this Annual Report and Accounts on pages 64 and 65 and more particularly in Peter Clarke's introduction to those sections on page 40.

The Board considers, and the Company confirms, in accordance with the principle of 'comply or explain' that the Company has applied the principles and complied with the provisions and guidance set out in the UK Corporate Governance Code throughout the year ended 31 December 2021.

Health and safety

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

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

Greenhouse gas emissions and TCFD reporting

The Group's greenhouse gas emissions are detailed in this Annual Report and Accounts on page 54. The Group's TCFD Report is included in this Annual Report and Accounts on pages 56 to 63.

Employees

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

Creditor payment policy

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

Financial instruments and risk exposures

Information regarding the Group's risk exposures is included in the ERM report on pages 26 to 30 and in the risk disclosures section on pages 136 to 155 of the consolidated financial statements. The Group's use of derivative financial instruments can be found on page 133.

Accounting standards

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

Annual General Meeting

The Notice of the 2022 AGM, to be held on 27 April 2022 at the Company's head office, Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda, is contained in a separate circular to shareholders which is made available to shareholders at the same time as this Annual Report and Accounts. The Notice of the AGM is also available on the Company's website.

Electronic and website communications

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

Going concern and viability statement

The business review section on pages 21 to 25 sets out details of the Group's financial performance, capital management, business environment and outlook. In addition, further discussion of the principal risks and material uncertainties affecting the Group can be found on pages 31 to 37. Starting on page 136 the risk disclosures section of the consolidated financial statements sets out the principal risks to which the Group is exposed, including insurance, climate change, pandemic, market, liquidity, credit, operational and strategic, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks. Further details of the Group's scenario testing and resilience to climate change risk can be found in the TCFD Report on pages 56 to 63.

The Board considers annually and on a rolling basis, a strategic plan for the business which the Company progressively implements. The strategic plan approved by the Board at its meeting on 27 July 2021 covered the five-year period, including the current year, from 2021 to 2025. The Board also approved at its meeting on 3 November 2021 a management proposal for a more detailed three-year business forecast covering 2022 to 2024, which (as in 2021 and prior years) will be revised and reviewed by the Board at each of its quarterly meetings throughout 2022. The three year business plan period aligns to the predominantly short-tail nature of the Group's liabilities and the agility in the business model, allowing the Group to adapt capital and solvency quickly in response to market cycles, events and opportunities. This is consistent with the outlook period in the Group's ORSA report. The Board receives quarterly reports from the Group CRO and sets, approves and monitors risk tolerances for the business.

During 2021, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. As part of this assessment the business plan was stressed for a number of severe but plausible scenarios and the impact on capital evaluated. As we note in the Audit Committee report on pages 75 to 80 and throughout this Annual Report and Accounts, the Board had a particular focus on the impacts of a number of major natural catastrophe loss events, including the U.S. weather events Winter Storm Uri and hurricane Ida and the series of European flooding events during the summer of 2021. The Board also continued to monitor the ongoing impacts of the COVID-19 global pandemic, as a liability event for the policies underwritten by the Group, for its ongoing effects on the global investment markets, as an operational risk to the business and in terms of the strategic risks and opportunities posed. The Audit Committee also considered a formal and thorough 'going concern' analysis from management at both its July 2021 and February 2022 meetings (for further details see page 76 in the Audit Committee report). The Directors believe that the Group is well placed to manage its business risks successfully, having considered the current economic outlook. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2024, being the period considered under the Group's current three-year business plan.

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024. Accordingly, the Board has adopted and continues to consider appropriate the going concern basis in preparing the Annual Report and Accounts.

Auditors

Resolutions will be proposed at the Company's 2022 AGM to re-appoint KPMG LLP as the Company's auditors and to authorise the Directors to set the auditors' remuneration.

Disclosure of information to the auditors

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

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

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

Christopher Head
Company Secretary

10 February 2022

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

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

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

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

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

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

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

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

By order of the Board

10 February 2022