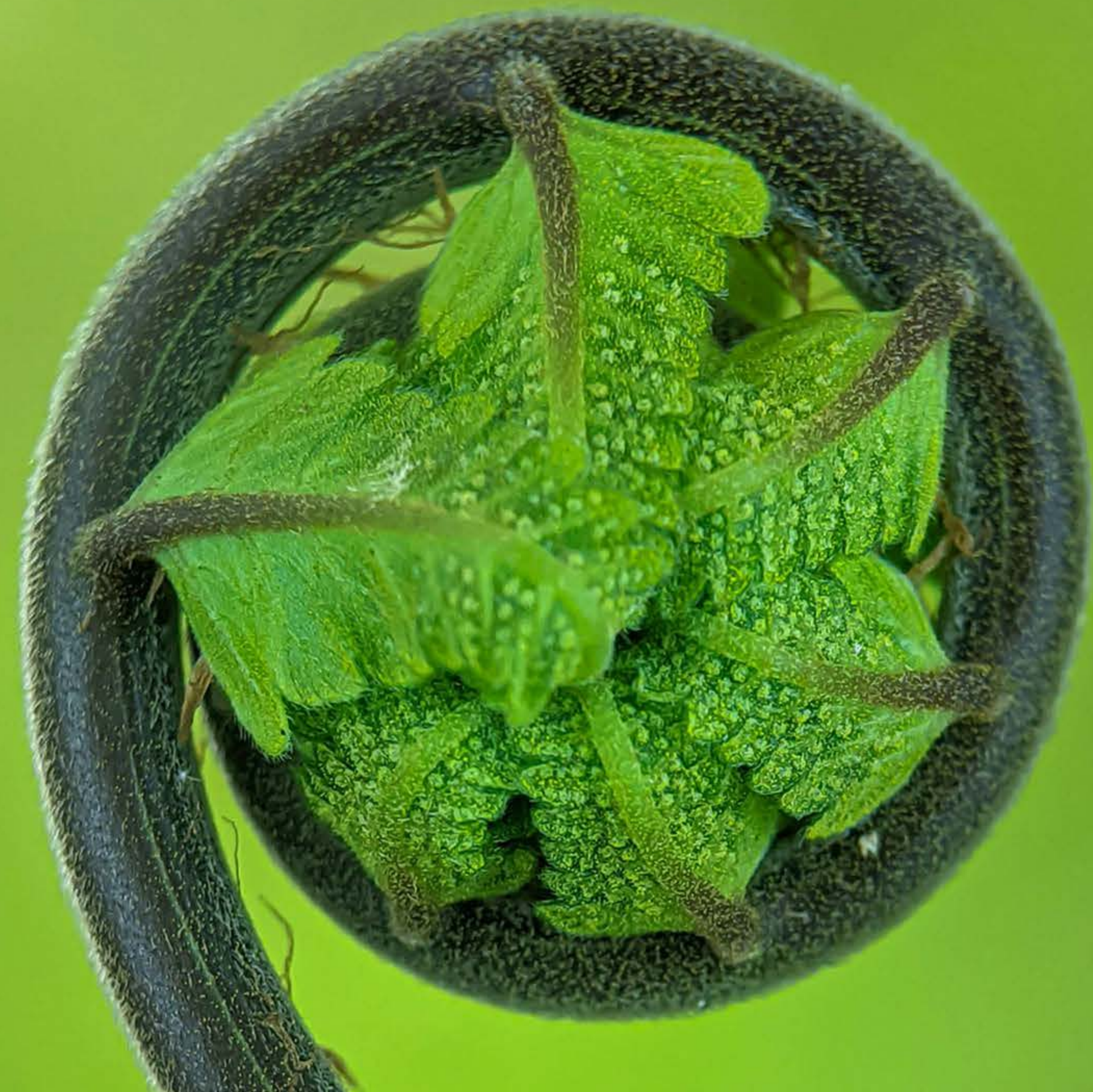
Lancashire
Holdings Limited

ClimateWise Report

2024-2025

Contents



Foreword

We are pleased to continue our membership of ClimateWise and to share our progress against their principles of steering transition, engaging stakeholders, enabling transition, and disclosing effectively, in the following report.

The ClimateWise Principles are aligned with various external requirements, including the TCFD framework and, but not limited to, the PRA Supervisory Statement SS3/19. This report is aligned with the financial disclosures in our 2024 Annual Report and Accounts.

Our continued engagement with ClimateWise is a valuable component of our climate and sustainability journey. Aligning with the Principles allows us to deliver our strategic objectives to benefit our stakeholders in a sustainable manner. As a business, we strive to operate in the best interests of the communities and environment in which we operate.

Louise Wells
Group Chief Risk Officer
July 2025

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

Our universe of stakeholders

About Us

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

ClimateWise Membership

This is Lancashire's fourth year as a member of ClimateWise. We are committed to continuing to progress against the ClimateWise Principles and align our sustainability strategy to the UN PSI, and with the TCFD framework and other broader ESG recommendations and guidance, as required.

As at 30 June 2025, we have over 400 staff working across our four locations.

Our Products

Insurance

Aviation
- Space
- Aviation War and AV52
- Airline and Airline Deductible

Casualty
- Accident & Health / Casualty
- Professional Lines
- Financial Lines

Energy and Marine
- Energy Downstream / Energy Liability / Energy Upstream / Renewables
- Power / Marine Liability / Cargo and Specie
- Marine Hull and War

Property
- Construction
- Property D&F

Specialty
- Terror and Political Violence
- Political and Credit Risks

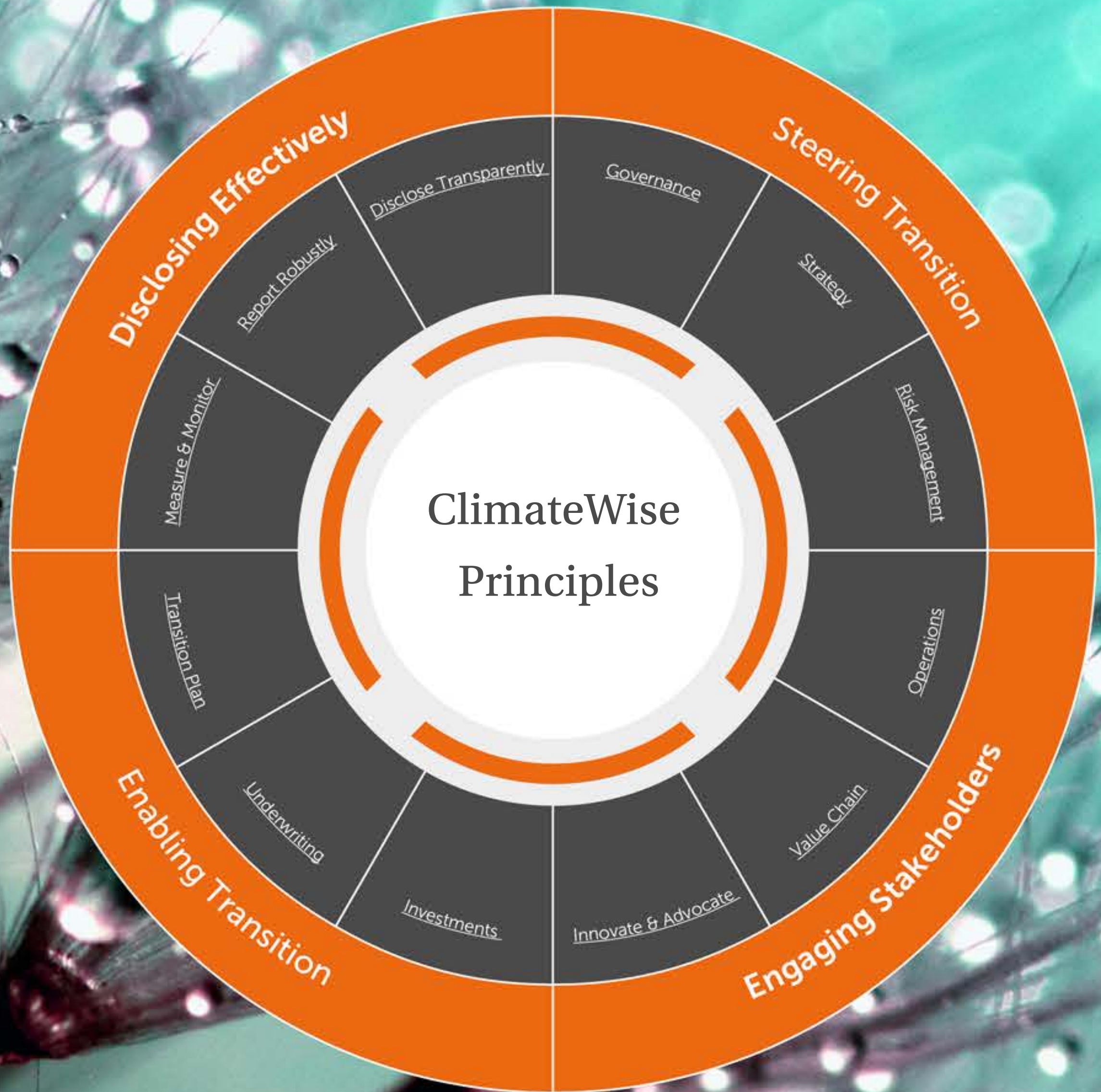
Reinsurance

Casualty
- General Liability
- Professional Lines
- Mortgage and Financial Lines
- Accident & Health Treaty

Property
- Property Catastrophe
- Property Proportional
- Property Risk Excess of Loss

Specialty
- Aviation
- Energy, Marine and Terror
- Property Retrocession

ClimateWise *Principles 2025*



Principle 1
Steering Transition

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

Governance

Board Oversight

The Board has ultimate responsibility and oversight for the Group's ESG strategy, climate-related risks and opportunities and related sustainability targets that have a material impact on the Company or the Group. The Board oversees the Group's ERM activities and receives quarterly updates on material ESG risks, and governance and regulatory developments, while ensuring appropriate governance, systems and oversight are in place to monitor such risks, meet regulatory requirements and consider any relevant guidance.

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

Nomination, Corporate Governance and Sustainability Committee

Philip Broadley
Non-Executive Chair

Bryan Joseph
Non-Executive Director

Sally Williams
Non-Executive Director

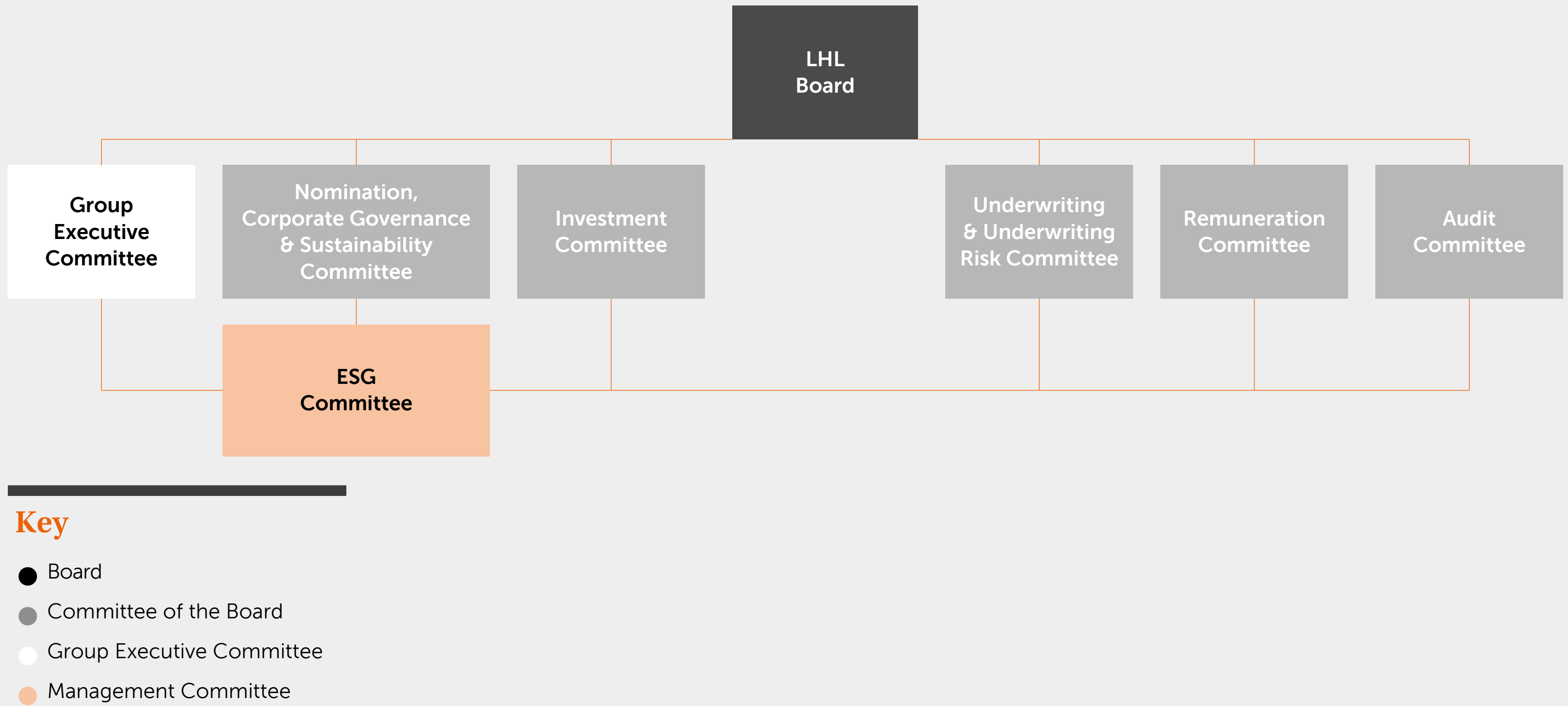
Irene McDermott Brown
Senior Independent
Non-Executive Director

The Board is supported by its committees within their respective core mandates, with each committee meeting on a quarterly basis. ESG-related considerations are embedded across the Board-level committees and, where appropriate within our Group strategy. ESG decision-making and risk management are communicated to the relevant management committees and individuals.

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

The diagram (right) illustrates the Group's Board level and senior management governance structure, within which ESG considerations are addressed. This includes the Board, its sub-committees, the Group Executive Committee and the ESG Committee.

Group ESG Governance Structure



Board-Level Engagement

The Board's ESG and climate change oversight includes discussion of the most material ESG risks to the Group. The Board ensures that appropriate governance measures, and an effective risk framework of systems and controls are in place to identify, manage and monitor these and other material risks. The Board discusses climate-related issues as part of the annual processes when reviewing and approving the Group's:

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

Further ESG-related activities undertaken by the Board include:

- review of the quarterly ORSA report, which contains information on all risk categories highlighting material risk considerations, including climate-related risk where appropriate;
- review of the output from stress and scenario tests performed as part of the annual business planning exercise and the annual ORSA reporting process, including climate-related scenarios; and
- review of the quarterly adherence to the ESG underwriting guidelines.

Board-Approved Risk Tolerances

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

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

Governance

Group CEO

The Group CEO has accountability to the Board for the development and execution of the Group strategy, including managing climate-related risks and opportunities. The CEO chairs the Group Executive Committee, which has regular executive oversight of all ESG matters, with the benefit of advice from the Group's ESG Committee. The Group CEO is an Executive Director member of the LHL Board.

ESG Committee

The ESG Committee is tasked with overseeing, co-ordinating and internal management of the Group's ESG Strategy and Framework and recommended reporting (financial and otherwise) of ESG issues pertaining to the Company and its subsidiaries. The ESG Committee endeavours to ensure consistent management information, risk assessment and internal and external messaging and reporting on ESG and climate-related matters across the Group.

The ESG Committee has representation from across the individual operating subsidiaries to help ensure the consistency of ESG methodologies, reporting and practices across the Group. All ESG Committee members have operational roles within the Group. As such, key activities are driven by the Group's business priorities at the outset, whether related to the Group's products and services or policies, reducing execution and implementation risk.

Group Executive Committee

The Group Executive Committee receives regular reports and key recommendations and decisions from the ESG Committee, via the Group CRO, who is a member of the Group Executive Committee. This helps ensure that agreed actions and deliverables are aligned to the Group's wider business objectives. The composition of the ESG Committee is a Group Executive decision. The Group Executive Committee reviews and recommends the Group's ESG Strategy and Framework to the Board's Nomination, Corporate Governance and Sustainability Committee. The Group Executive Committee has executive oversight of the Group's climate- and nature-related risk and opportunity management, including any transition plan initiatives.

Group CUO

The Group CUO is ultimately responsible for delivering the underwriting strategy and the portfolio of (re)insurance business underwritten by the Group. The Group CUO is a member of the Group Executive Committee and an Executive Director member of the LHL Board.

The Group CUO is assisted by the Deputy Group CUO, subsidiary CUOs and syndicate AUW. Climate-related risks and opportunities related to the business underwritten are assessed as part of the underwriting process. Each underwriter has an underwriting authority in which the ESG Insurance Underwriting Guidelines have been embedded. Management information is used to monitor the business written against these guidelines.

Group CRO

The Group CRO is responsible for managing the Group's risk management framework and ensuring that this also addresses ESG-related risks. The framework facilitates the identification, assessment, evaluation and management of existing and emerging risks by management and the Board, to ensure these risks are given due consideration and embedded appropriately within decision-making. The Group CRO is a member of the Group Executive Committee and is a regular attendee at LHL Board meetings.

Group CIO

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

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

Governance

ESG Insurance Underwriting Guidelines

Our ESG Insurance Underwriting Guidelines are agreed by the senior underwriting management team and are a guide for integrating ESG risk factors into insurance underwriting decisions. Data relating to the use of, and adherence to, the Guidelines is reported periodically to the Group ESG Committee and the Board's Nomination, Corporate Governance and Sustainability Committee.

Investment Strategy and Guidelines

We track and monitor the emission intensity of our investment portfolio every quarter. Our investment strategy guidelines incorporate ESG and climate-related targets and appetites as part of the overall strategy and guidelines which align with our commitment to responsible investment. Data relating to the carbon intensity, climate risk sensitivity and ESG profile of the Group's investments is reported periodically to the Board's Investment Committee.

Health and Safety Policy

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 the relevant health and safety legislative requirements for the jurisdictions in which we operate, and our Health and Safety policies and procedures are communicated to employees on joining and are available on our intranet. Performance in this area is routinely overseen by the Group Executive Committee.

Anti-Slavery and Human Trafficking Statement

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

Group Human Rights Policy Statement

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

Three Lines of Defence – Governance Framework

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

The three lines of defence model outlines responsibilities for the ownership and management of risk (1st line), risk oversight (2nd line) and independent risk assurance (3rd line). The interaction of responsibilities within this framework helps ensure the effectiveness of our risk management. Any material new risks identified are incorporated into this framework.

1st Line of Defence

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

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

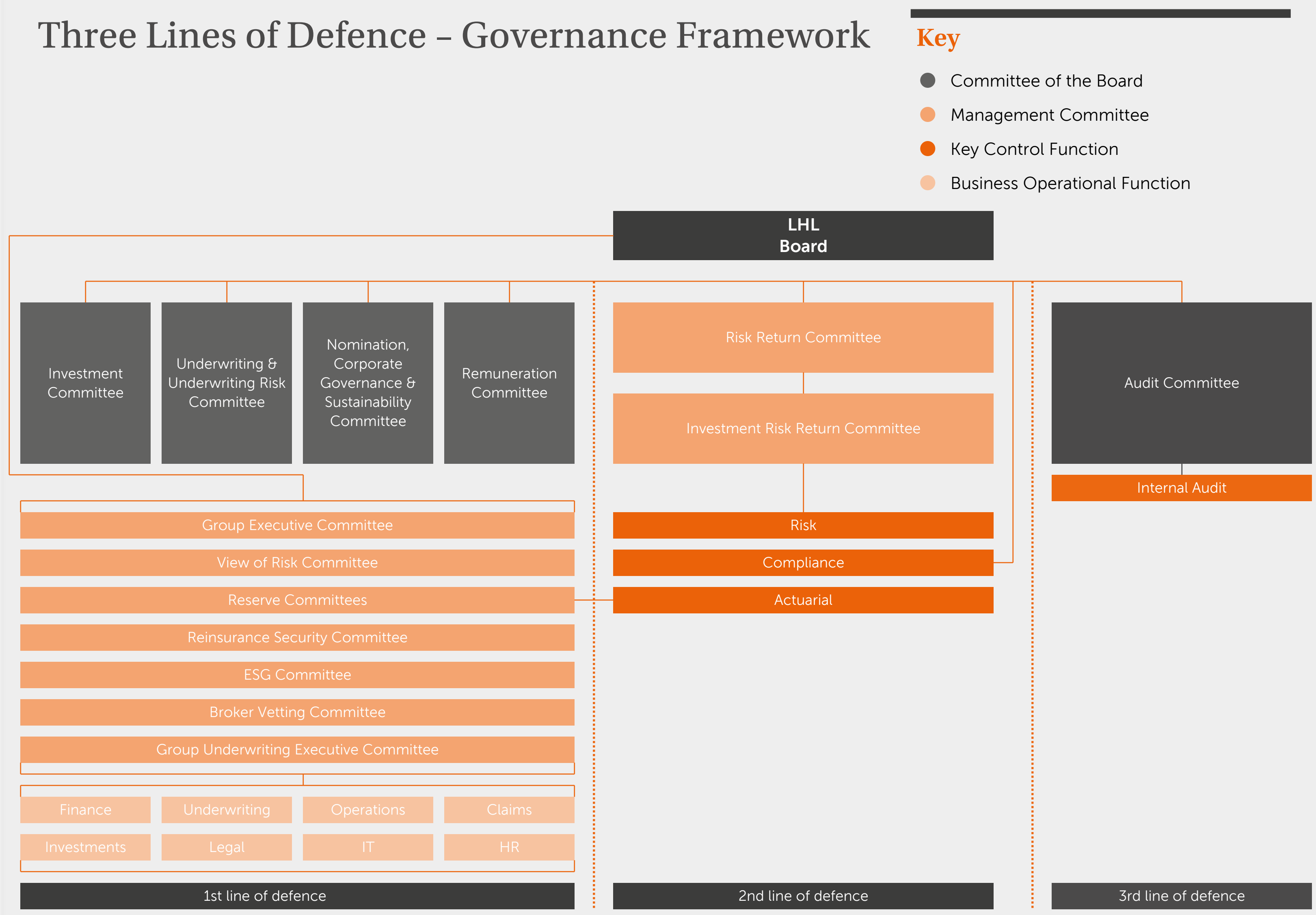
2nd Line of Defence

The 2nd line of defence provides expert advice, challenge, and guidance together with providing independent oversight to the 1st line of defence to help ensure that risk taking remains within risk appetite. This line of defence includes the risk, compliance and actuarial functions. Material risks (including climate-related risks) are reported to the Group RRC via the Group CRO.

3rd Line of Defence

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

Three Lines of Defence – Governance Framework



1st and 2nd Line of Defence Management Committees

As depicted in the graphic on the previous page, dedicated management-level committees have specific responsibilities. The relationship between the internal key control functions and the various committees leverages the opportunity for oversight of responsibilities. While management has an obligation to oversee the delivery of strategic objectives, the 1st and 2nd lines of defence in the model have responsibility for an additional layer of risk management including consideration of climate-related factors. Specific committees have focused management and oversight mandates. Further information is included below on those committees which have climate-related responsibilities.

Group Executive Committee

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

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

View of Risk Committee

The View of Risk Committee is responsible for ensuring that a consistent, approved, view of risk is applied across the Group for modelled perils. The committee is charged with executing a thorough analysis and comprehension of the models' strengths/weaknesses through recognition and awareness of the model changes, validation studies, and from key decisions on modelling assumptions and settings - such as near-term or long-term hurricane frequency. The implications of perils affected by climate change in the short-term and long-term are further examined by this committee.

Reserve Committees

The Reserve Committees review and set reserves for large claims and significant loss events by evaluating, reviewing, and estimating claims and exposure data. This includes natural catastrophe events, including those perils impacted by climate change factors, such as hurricanes, windstorms, flooding, and wildfires. Accuracy in estimating unpaid claims can be challenging; for some events, the final costs could be unknown for several years. The Committees also review and recommend changes to reserves as required on claims. Any significant changes to judgements and assumptions made are presented to the Audit Committee and/or the Board as part of the quarterly reporting.

ESG Committee

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

As a management-level committee, it reports to both the Group Executive Committee, as well as the Board Nomination, Corporate Governance and Sustainability Committee. The Committee includes representatives from our underwriting, investment, finance, risk, investor relations, and legal and compliance departments. The CRO operates as a link between the ESG Committee and the Group Executive Committee.

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

Group Underwriting Executive Committee

The Group Underwriting Executive Committee's function includes, but is not limited to, overseeing the underwriting performance of the operating entities to monitor and review underwriting activities and performance across the Group. The Committee reviews and tracks market trends to guide overall objectives and meet the business plan. It also monitors and investigates any material changes from the business plan to determine appropriate responses as required.

Risk and Return Committee

We track a range of natural and simulated scenarios across the Group, which are monitored monthly by the RRC. These include elemental scenarios, where loss frequency and severity could be impacted by changes in the climate, such as wildfires, floods, convective storms, hurricanes and typhoons. From these, we model our PMLs to quantify the potential loss impact across our Group portfolio at various return periods. Last year, our US inland flood modelled view of risk was reviewed and enhanced; next year, the updated US wildfire model will be subject to review and validation by the View of Risk Committee. The RRC is charged with the ongoing review of these scenarios' suitability to ensure they remain fit for purpose.

Investment Risk Return Committee

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

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

Governance

Board Discussions Foster Learning on Climate Risk

The Board regularly discusses cycles and trends within the (re)insurance sector and the wider natural, commercial, and political environment to which the Group's business is subject. The Board recognises the potential impacts of climate change and associated transitional risks on the Group's underwriting and investment portfolios and associated strategies. Board-level decisions consider possible future trends.

Knowledge of the impact of climate-related factors on the global energy market and product demand is derived from learning and understanding the impact of external policy and the macro-environment within which the Group operates. In addition, the Board Nomination, Corporate Governance and Sustainability Committee receives a quarterly update on corporate governance and sustainability developments.

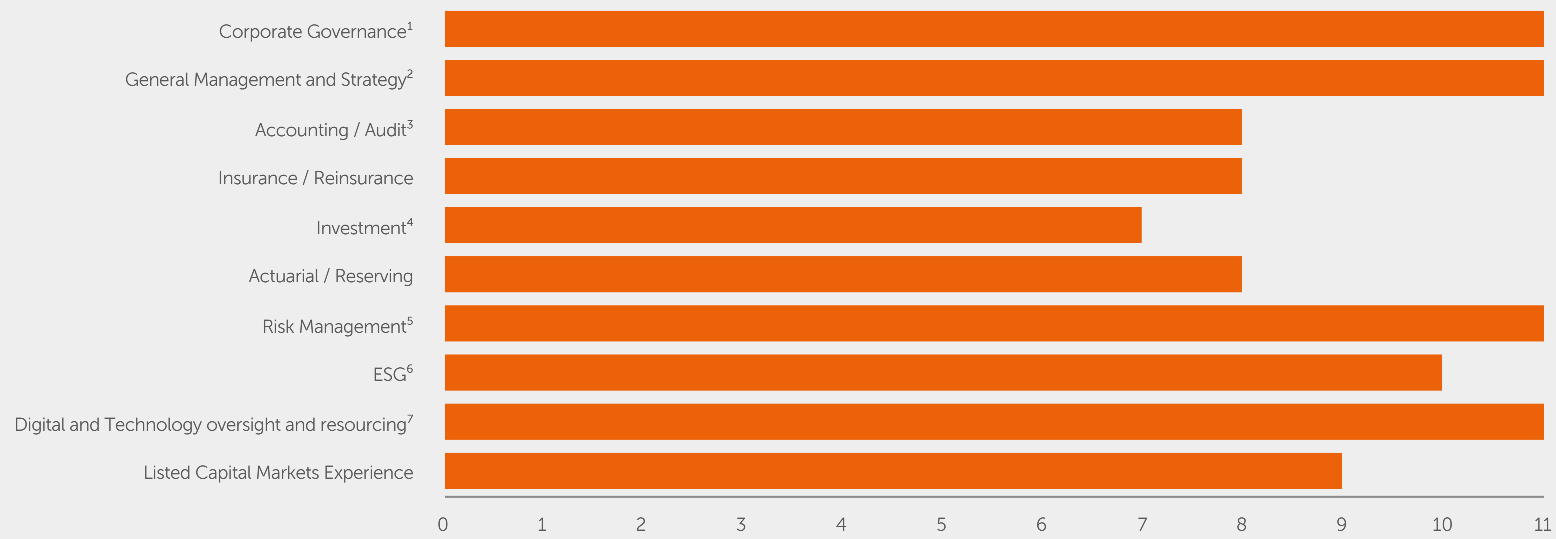
Remuneration Policy

The Group's Remuneration Policy is designed to motivate Executive Directors to further the Group's interests and to optimise long-term shareholder value creation within appropriate risk parameters. The design of the remuneration awards supports the Group's business strategy, ESG strategy, risk profile, objectives, risk management practices and long-term interests of stakeholders. This Policy further underscores the business' sustainability by encouraging appropriate risk-taking, with business performance tracked in quarterly reviews. Furthermore, the personal performance element of the Group's CEO, CFO and CUO's bonus includes specific ESG elements. (See page 100 of the ARA for further details.)

Board and Senior Management Training

Since our last report the Group CRO has provided updates to the Board on the climate-related regulation applicable to the Group, both current and incoming, and how the Group will meet the requirements. These discussions also covered climate-related topics and how the risks and opportunities may impact our business.

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



1. Including legal, regulatory and compliance
2. Including business development and M&A
3. Including competence in accounting or auditing, and recent and relevant financial experience
4. Investment Treasury, portfolio and asset-liability management
5. Including internal control and internal audit processes
6. Including sustainability and climate change
7. Including oversight of data management, information security and cyber

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

Strategy

Strategy and Business Plan

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

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

As part of our annual business planning process, various stress tests and scenarios, including those related to climate, are considered to assess the viability and resilience of the plan. A summary of these is provided to the Board at its year-end meeting each year, highlighting the potential upside and downside to the best estimate plan assumptions for the loss scenario outcomes. These stress tests include climate-related tests. At the year-end meeting in March 2025, these tests demonstrated the improved resilience of the business to withstand significant losses and produce a reasonable return.

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

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

Our ESG Strategy and Framework

The Group's ESG Strategy and Framework is reviewed and approved by the Board periodically and supports the implementation of the ESG Strategy. The Framework requires adherence to all applicable regulatory requirements and aligns to the PRA Insurance supervision priorities, the FCA Business Plans, FRC UK Corporate Governance Code (the UK Code), The Principles for doing business at Lloyd's, Lloyd's Market Oversight Plan and the Bermuda Monetary Authority's guidance on the management of climate-change risks for commercial insurers. The ESG Strategy and Framework also prioritises consideration within the business of three of the UN SDGs which are most relevant to our business: Gender Equality, Decent Work and Economic Growth, and Climate Action.

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

Strategy

Board Risk Assessment

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

To monitor and manage climate-related risks, management reports to the Board PMLs which are calculated by reference to different notional return periods for a range of natural catastrophe events including those relating to climate events. The Group calculates its theoretical exposure both in monetary terms and as a percentage of capital, and the Board establishes underwriting risk tolerances by reference to a range of PMLs. The Group publishes a summary of exposures to its most significant 1 in 100-year and 1 in 250-year PMLs in the ARA. The Board also routinely monitors annual aggregated expected losses for purposes of business planning and capital management, but these are not published due to the commercial sensitivity of such data.

Risk Identification and Management Discussions

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

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

Stress and Scenario Testing

Stress and scenario tests and reverse stress tests are performed as part of the business planning cycle and the annual ORSA reporting process. The capital impacts from a range of scenarios, including climate-related risks and opportunities, are presented to the RRC and Board for review and discussion. Stress testing allows us to understand the impact of significant catastrophe loss experience within a single year. Testing includes prescribed underwriting loss event scenarios as outlined in the BSCR and the Lloyd's RDS.

Leading Third-Party Catastrophe Models

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

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

Strategy

Materiality Assessment

In 2023, we identified the need for a materiality assessment to inform our sustainability strategy further and, in 2024, we undertook the work to further our understanding of ESG issues and stakeholders' expectations. We chose to approach this assessment through a double materiality lens. The objective was to identify key considerations that are material to our business and analyse them from two different perspectives: the potential effects of the Group on climate-related factors and the effects climate-related factors might have on the Group.

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

Key

Governance
- Reputational risk
- Information security and cyber
- Corporate governance
- Strategic growth

Social
- Human capital development

Environment
- Natural catastrophe management
- Climate change
- Decarbonisation
- Responsible investment
- Responsible underwriting
- Transparent reporting & disclosure

Approach

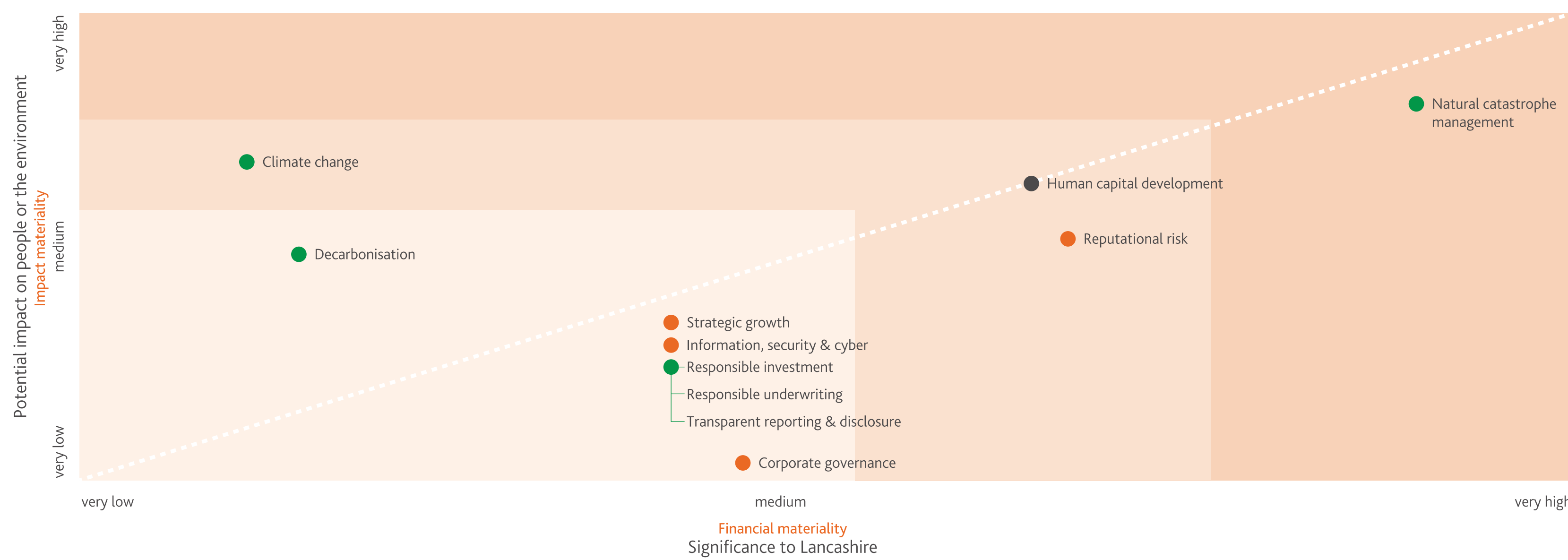
We partnered with an external consultant to research, plan and facilitate the assessment. Materiality considerations were mapped against our current and emerging risk registers to understand how they aligned with them. The following table describes the process used.

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

Results

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

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



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

Risk Management

Underwriting Controls

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

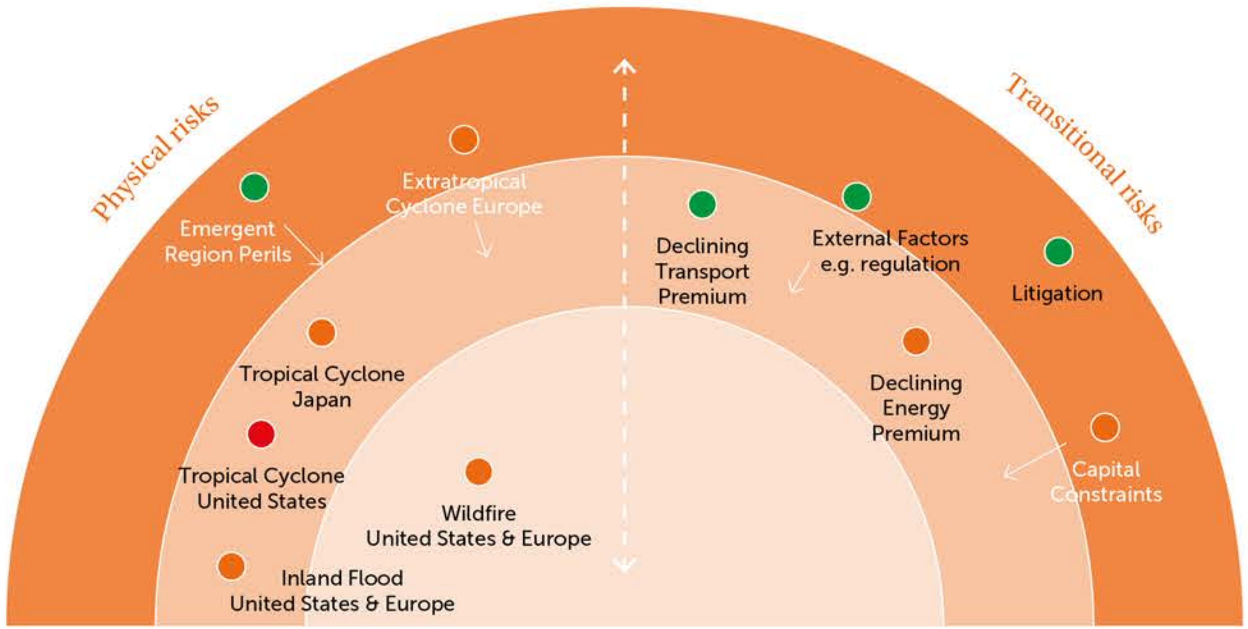
The effectiveness of these controls is evaluated through underwriting performance monitoring. This includes portfolio management, peer review process, quarterly business review meetings, and quarterly reporting, ensuring a deeper understanding of the materiality of risks accepted. Both pre- and post-bind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

Risk Strategy

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

Internal View of Risk

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



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

Key

Time horizon
- Long-term: 15-30 years from now
- Medium-term: 5-15 years
- Short-term: up to 5 years

Impact on insurance service results
- High
- Medium
- Low

Enterprise Risk Management Framework

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

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

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

ORSA Process and Reporting

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

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

As part of our governance, a year-end annual ORSA report is presented to the Board annually for review and challenge, with final approval being provided at the Q1 LHL Board meeting. The equivalent reports for the Group's operating subsidiaries are presented to each board for review and challenge, with approval scheduled during the Q1 meeting cycle. As a Lloyd's managing agent, LSL falls within the Society of Lloyd's Solvency II reporting process, preparing ORSA reports for each syndicate. LSL also has its own risk management framework to ensure it operates in line with the principles for doing business at Lloyd's

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

ERM & ORSA

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

Risk solvency & assessment

- Group CRO reports to Board and is a member of the Group Executive Committee
- Production of quarterly ORSA report for review and approval by the Board

Capital management

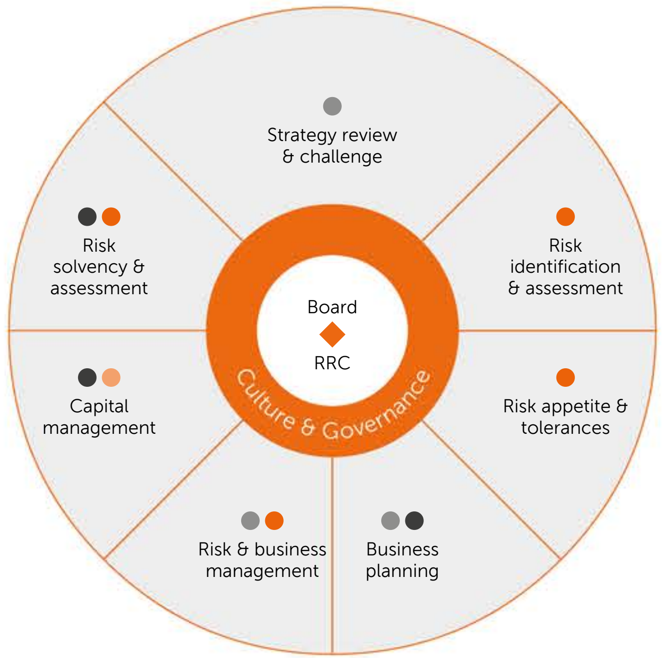
- Capital and liquidity management frameworks
- Review of internal model policies, capital and solvency appetites
- Full/proxy capital assessments
- Rating agency capital assessments
- Stress and scenario testing
- Board quarterly review of capital needs, headroom and actions

Risk & business management

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

Strategy review & challenge

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



Business planning

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

Key elements of ORSA

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

Risk identification & assessment

- Quarterly risk and control affirmations
- Emerging risk forum
- Quarterly internal audit reports to the Audit Committee providing an update on work performed and analysis of root cause of audit findings
- External audit reports to the Audit Committee
- Audit Committee annual review of the effectiveness of financial reporting internal controls
- Biannual ESG Committee

Risk appetite & tolerances

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

Proactive Underwriting Risk Management Strategy

Our detailed analysis of the assets to be insured, underwriting strategy and planning day and the Group catastrophe underwriting strategy day, provide a practical basis for discussing the climate-related risks of current and anticipated future risks.

Such risks include transition risks arising from a decline in the value of assets to be insured, changing energy costs and liability risks that could arise from climate-related litigation. Physical, transition and liability risks are considered by business segment and geographical location, and the expected impact from the risks identified are considered with respect to both their magnitude and timescale.

Monitoring the Investment Portfolio

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

Repositioning the Portfolio

In 2022, the Investment Committee directed its external managers to begin repositioning the portfolio to reduce the carbon intensity score, a process that has continued since. As at year-end 2024, 96.7% of the Group's externally managed investment portfolio is assigned to managers which are signatories to the UN PRI. The Group operates a framework for measuring climate sensitivity for corporate bonds within the fixed maturity portfolio using a Climate VaR, which is aligned with the Paris Accord goal of limiting global temperature increases to a maximum of 1.5°C, for the Group's investment risk tolerance statements.

The Investment Committee and Board have a preference for the financial impact of this scenario on the Group's fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. The Committee noted that the fixed maturity portfolio continues to outperform the benchmark portfolio on the Climate VaR measure, demonstrating the Group's effective risk management strategy.

Board Assessment of Risks

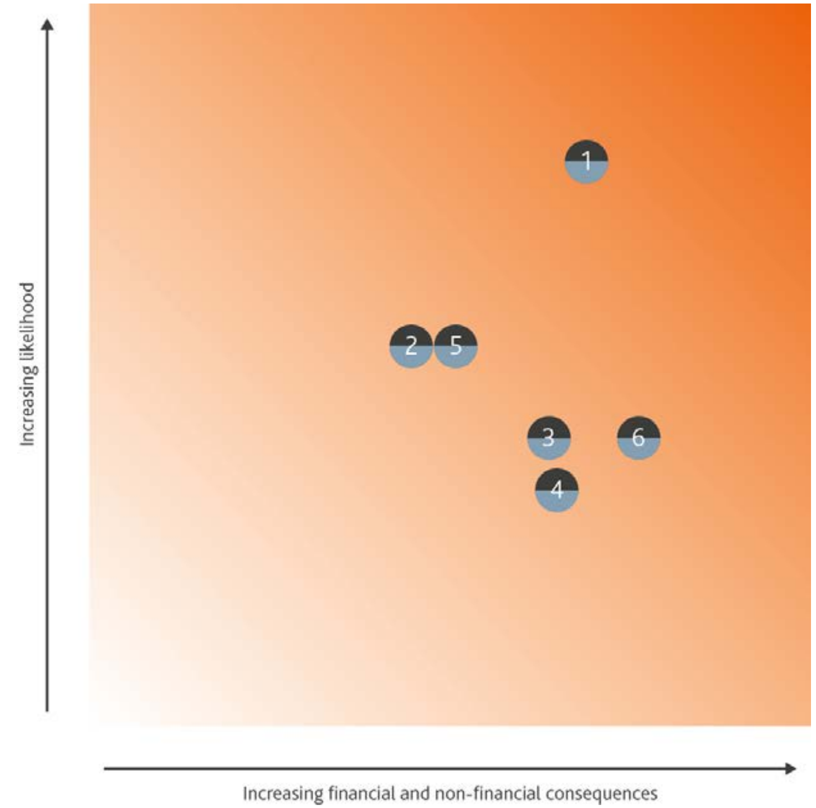
The Board evaluates a wide range of risk factors in the assessment of the Group's viability and prospects, and reports on a number of the Group's principal risks. The chart on the right shows our principal risks, and their assessment as included in our 2024 ARA.

Examples of processes to mitigate the principal risks

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

Given the broad reach of climate change and the risks associated with it, we have concluded these risks are most appropriately managed by including their impact through the existing principal risks, rather than a separate climate change principal risk. The impact of climate change is therefore covered in the following four principal risks: underwriting, investment and liquidity, operational and strategic. The tables on the following pages are extracts from the 2024 ARA and show (for the four principal risks which include the impact of climate change) a description of the principal risk and its performance, key mitigating actions and how the Board reviews this risk.

Current assessment of principal risks



Key

Principal risks

1 Underwriting
2 Investment and Liquidity
3 Reserving
4 (Re)insurance counterparty
5 Operational
6 Strategic
2024
2023

Key

Principal risk

Strategic objectives

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

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: Underwriting

Risk Owner: Underwriting and Underwriting Risk Committee

Risk description and performance

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

Failure to monitor exposure accurately such that losses exceed expectation.

Our RPI for both the insurance and reinsurance segments was 101% for the year ended 31 December 2024.

We remained within tolerance for all PMLs and RDSs during 2024.

Key mitigating actions

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

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

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

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

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

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

Underwriters have individual underwriting authorities they must comply with.

We perform pre- and post-bind peer review of a sample of risks written.

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

How the Board reviews this risk

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

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

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

Key

Principal risk

Strategic objectives

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

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: Investment and Liquidity

Risk Owner: Investment Committee

Risk description and performance

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

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

Key mitigating actions

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

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

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

External investment managers are used to manage the portfolios.

The Group's principal investment managers are signatories to the UN PRI.

How the Board reviews this risk

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

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

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

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

Key

Principal risk

Strategic objectives

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

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: Operational

Risk Owner: Audit Committee & Board

Risk description and performance

The risks arising from inadequate or failed internal processes, personnel, systems or (non-insurance) external events.

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

Key mitigating actions

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

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

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

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

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

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

- minimising non-essential business travel through the utilisation of conferencing facilities;
- a hybrid working environment reducing commuting within some locations;
- recycling and initiatives to cut down on the use of single-use items; and
- purchasing of carbon credits to offset emissions comprising 75% carbon avoidance and 25% carbon removal.

How the Board reviews this risk

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

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

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

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

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

Key

Principal risk

Strategic objectives

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

Risk trends

- Stable risk
- Decreased risk
- Increased risk

Impact trend

- High
- Moderate
- Low

Appetite trend

- Acceptable
- Reassess
- Unacceptable

Principal risk: Strategic

Risk Owner: Board

Risk description and performance

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

Key mitigating actions

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

The Group has a clear vision and strategic objectives that are well communicated internally thereby enabling all employees to understand their role and contribution to the delivery of these objectives.

Regular town halls are held with all employees to communicate performance against the strategic objectives.

Our succession planning helps mitigate the impact of a key person leaving the business and the associated risk to achieving our strategic objectives.

How the Board reviews this risk

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

The Directors are involved in setting the strategy and approving the annual business plan. The Board Nomination, Corporate Governance and Sustainability Committee receives periodic updates from the management team on succession planning and training and development initiatives within the business. A Non-Executive Director of LHL attends the quarterly workforce town hall sessions, led by the Group CEO, and makes a short presentation and is available to answer questions from employees.

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

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

Risk Management

Understanding Risk Profiles in Capital Models

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

Economic Cycle and Climate Risk Impact

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

Stress Testing for Capital Requirements

From a capital perspective, we consider the losses that we could absorb and still meet our rating agency and regulatory capital requirements. Our climate change scenario incorporates underwriting and investment risks as we consider transition and physical risks. For this scenario, we stress our premium income and our catastrophe loss ratios to reflect the assumed increased frequency and severity and inflationary impact on associated claims, potential litigation costs, and our investment return.

We also run various other tests based on discussions with the RRC and the Group Executive Committee that identify pertinent potential stresses and scenarios given market or social conditions prevailing at the time. In addition, we design our annual underwriting portfolios to align with Board-approved risk tolerances, which currently require that none of our principal PMLs exceed a set percentage of our tangible capital.

SMCR Appointment

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

Board Approved Offset Programme

The Group set GHG reduction targets for Scope 1 and Scope 2 carbon emissions related to its own operations, measured by carbon emissions for each full-time employee. The Group is committed to meet the UK Government's net-zero strategy by 2050. The Group continues with its Board-approved carbon credit offsetting programme for its own operations, and the Board monitors these targets to ensure they are aligned with the overall strategy and the operational requirements of the business.

Sustainable Underwriting

The underwriting of sustainable insurance products is one of the pillars of our Group ESG strategy. The risk solutions that we provide help protect people, companies and economies from uncertainty, and give them confidence and stability in an uncertain world. Our property (re)insurance products insure clients against the risk of major weather and other catastrophic events, and we have long-standing expertise in this area.

In our energy portfolio, we support our clients in addressing the challenges of the global transition to a lower carbon economy and continue to expand our knowledge and underwriting expertise to support the global carbon transition within the energy sector. As our energy clients transition to lower carbon operations, we see an increasing component of renewable energy and lower carbon generation projects as client assets covered by insurance policies underwritten within our inwards portfolio, including wind and solar farms, nuclear, geothermal, biomass and other lower carbon technologies.

Elsewhere within our business, we insure projects that at their core support sustainable development within communities. Within our political risk business, for example, we insure certain infrastructure projects that are designed to improve access to clean water for communities in the developing world.

Monthly Insurance and Reinsurance Forums

The monthly insurance and reinsurance forums are chaired by the Deputy Group CUO. The relevant entity, group heads, and representatives from the underwriting teams consider a range of set agenda items that include but are not limited to market updates, exposure management, and a summary of our latest natural PML and man-made RDS developments.

Underwriting Management

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

Investment Management

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

__1.10__ Describe how scenario analysis has been used to inform the identification, assessment and management of climate- and nature-related risks.

Risk Management

Annual Business Planning and Stress Testing

As part of the annual business planning process, various stress tests and scenarios, including reverse stress tests, are considered to test the plan's viability and resilience. In March 2025, as part of the 2025 business plan forecast process, the Board was presented with different modelled scenarios that highlighted the potential upside and downside to the best estimate plan assumptions. One of these scenarios was based on our climate change outlook and modelled the impact of changes in business written, increased operational costs, increased catastrophe loss ratios and a reduced investment return.

In addition, during 2025 the management team and the Board have focused particular attention on the impacts of the January 2025 California Wildfires for the policies underwritten across the Group. Discussion covered the impact the related losses may have on our performance for the year.

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

Studying Real Life Scenarios

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

Stress Testing the Investment Portfolio

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

Principle 2
Engaging Stakeholders

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

Operations

UK Net-Zero – For the Group's Own Operations

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

Measures in Place to Reduce Travel Emissions

Business travel is currently the largest contributor to the Group's calculated GHG Scope 1 and 2 emissions. As a result, we have a number of measures in place to help reduce travel-related carbon emissions where appropriate to our business and help us work towards our net-zero target. For example, our travel policies assist in reducing travel-related carbon emissions whilst ensuring we are still able to retain good relationships with our clients, trading partners and other stakeholders. All business travel requires a relevant and reasonable business case, with line manager and/or head of department approval sought. Our travel policy is not to ordinarily book a business-class airline ticket where the flight is scheduled to be less than five hours long.

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

Offset Scope 1 and Scope 2

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

Sustainable Offices

Wherever possible the Group operates out of sustainable offices. Our London office, 20 Fenchurch Street, is a BREEAM 'Outstanding'[1] building that uses 100% renewable energy via tariffs backed up by associated REGOs certifications. Our Facilities Team continues to find new ways to save energy in our London office, such as lighting systems, installed throughout the office space, to leverage energy efficiency. Last year, the air conditioning was refurbished with an innovative pump system to reduce energy consumption. The current lighting design can detect activity on the floor and uses occupancy sensors to control the lights accordingly. The new air conditioning system planned for 2025 will be integrated into the same technology to recognise when staff are present and cool the space in line with the activity.

The Facilities Team regularly engages with the building management's 'Green Building' meetings and the property's energy-saving initiatives. The meetings are an opportunity to share best practices with other tenants and understand wider green initiatives in The City of London. As tenants of 20 Fenchurch Street, we have regularly participated in the combined efforts to support Earth Day. In addition, the building's third-party recycling company have designated collection containers for disposing of batteries and recently added canisters to collect used vape cartridges because of the fire risk if improperly discarded.

In the US, we are relocating to a bigger office to accommodate the increased headcount. The space selected was an empty office requiring a complete fit out, meaning energy efficient practices and materials could be incorporated as part of the design. Our Boston based employees operate out of a LEED gold certified building; the LEED certification provides a framework for healthy, highly efficient, and cost-saving green buildings and is awarded by the US Green Building Council. The building also has a WELL Health-Safety rating, a standard which demonstrates a commitment to health and safety and is Energy Star certified. Energy Star is a programme run by the US Environmental Protection Agency and US Department of Energy that promotes energy efficiency.

Aggregation of Small Efforts

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

For example:

- When possible, we support employees choosing a paperless option for their work. This includes using a digital platform for Board papers, and 'FollowMe printing', which reduces the likelihood of unused print jobs and duplicates and prompts decisions around potentially unnecessary colour printing.
- We have motion-activated filtered water taps throughout our London office, including large capacity water bottles to refill for our meeting rooms, to reduce single-use plastic and glass bottles of water.
- We have motion sensor lighting across both floors in London and in our Bermuda office to reduce the use of electricity where it is not required.
- Recycling is actively encouraged, and bins are available to collect recyclable materials in all offices. In London, bins at individual desks have been removed to reduce the use of plastic liners and to encourage staff to use our central recycling points; all waste data is collected by the building and reported monthly for our Facilities and ESG staff to analyse.
- We encourage the use of public transport by UK employees travelling to work to reduce the number of car journeys. Incentives include a season ticket loan scheme and supporting the UK Government Cycle to work scheme.
- We have designated storage for employees' bicycles at our London, Bermuda, Sydney, and Boston locations.
- Every month in the Bermuda office, we auction the underground moped bike parking spots and one car spot. The funds from the tickets sold are collected, and all proceeds are donated to a different charity every month, some of which are environmentally focused; in 2024, over $3,000 went to various charities.
- Utensils and crockery are provided in our London and Bermuda office kitchens to eliminate the need for employees to use single-use items.
- The Bermuda office has taken steps to eliminate its plastic consumption and has become a Beyond Plastic Champion in removing single-use plastics from its operation.
- Grinds from the coffee machines in the Bermuda office are saved and collected weekly by a local farmer for composting.
- All workstations are now equipped with laptop docking stations; this set up uses less energy than the previous desktop computer configuration, and conserves power when the laptops are not in use.

[1] The top of 6 ratings and means a score 85% plus was achieved in asset performance and management performance.

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

Operations

Hybrid Working in London

Our London office operates a formal hybrid work environment to allow employees to work remotely. The benefits of this include reduced commuting which helps minimise the impact on the environment. We have implemented various tools and technologies to accommodate this, such as hot-desking and the move from desktop computers to laptops.

Engaging Employees

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

Lancashire Foundation

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

This advocacy is further strengthened by an emphasis on supporting charitable causes – which meet the Foundation's criteria – particularly where there is a personal or community connection among employees. Employees can nominate a selected charity by submitting a charity application for review by the Donations Committee. Employees who raise funds for charitable organisations can also request matching funds from the Foundation. In 2025, up to the date of this published report, over £11,000 has been matched to employee giving and over £390,000 has been donated to charitable organisations nominated by employees.

Employee Volunteer Days

As part of our commitment to community support, all employees have the opportunity to attend at least one paid Charity Day per year and apply for five days of paid Charity Leave after a minimum of three years of permanent employment. We believe the skills and expertise our employees can share with charities in their communities are a valuable link between the corporate world and non-profit organisations.

Nature-related projects supported by UK employees include the 'Get Stuck In' initiative to help the British Mountaineering Council conserve and repair paths in the Peak District.

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

Value Chain

Monitoring and Managing the Group's Own GHG Emissions

Since 2021, we have worked with ClimatePartner as a consultant for our GHG calculations in monitoring and managing the Group's own operations GHG emissions. The CCF reflects the total CO_2 emissions released by the Group's own business operations, within defined boundaries and for a specified period, with the calculations based on the guidelines of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Our CCF reporting is a midyear cycle, starting 1 July to 30 June, and emissions for business travel, including flights, hotel nights, vehicles and rail, are calculated within that period.

GHG Inventory Boundaries

We have reported 100% of our Scope 1 and 2 CCF, along with areas of our Scope 3 CCF with high levels of operational control, as detailed below.

Types of emissions	Activity	1 July 2023 – 30 June 2024	1 July 2022 – 30 June 2023
Scope 1 Direct emissions from Company facilities	Heat (self-generated)	**115.8**	77.2
	Refrigerant leakage	**32.5**	24.4
Scope 2 Purchased electricity for own use	Electricity (stationary)	**223.7**	280.6
Scope 3	Business travel (flights, hotel nights, vehicles, and rail)	**2,677.9**	2,006.4
	Employee commuting and home office	**208.8**	307.1*
	Fuel- and energy-related activities (upstream emissions for electricity and heat)	**99.2**	79.1
	Purchased goods and services (office paper and water)	**1.4**	6.9
	Waste generated in operations	**4.0**	1.3
Gross emissions (tCO_2e) (market-based)		**3,363.3**	2,783.0*
Gross emissions per FTE (tCO_2e/FTE)		**8.3**	7.7*
Carbon credits		**3,700.0**	2,9070.0

Notes:
- All numbers quoted have been rounded to one decimal place.
- Upstream fuel and energy-related activities include Well-to-Tank and Transmission and Distribution emissions. These are emissions associated with the upstream processes of extracting, refining, and transporting raw fuel and the emissions associated with the electrical energy lost during transmission to our business.

* The emissions attributed to employee commuting and home office for the 2022-2023 reporting period were previously misstated due to a calculation error by our external consultant. The restated 2022-2023 employee commuting data has also resulted in a change to our total gross emissions and gross emissions per FTE.

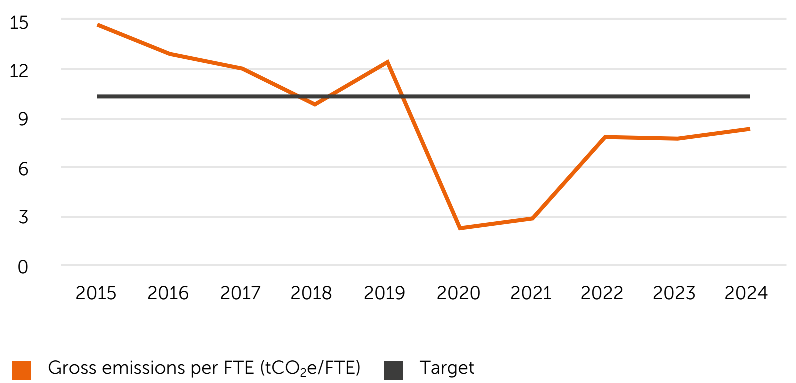
Methodology

Emissions data was calculated using both the Company's consumption data and various emission factors researched by ClimatePartner. Wherever possible, primary data was used. If primary data was not available, secondary data from highly credible sources was used, with emission factors taken from scientifically recognised databases and models.

We used an operational control approach to assess the appropriate boundaries and identify all the activities and facilities for which the Group is responsible. Per ISO 14064-1 guidance, an organisation has operational control when it has full authority to introduce and implement its operating policies at the operational level. Calculations follow the ISO 14064-1:2018 standard, giving absolute and intensity factors for the Group's emissions.

Progress Against our 2030 Target

The following diagram shows the change in the Group's emissions per FTE against our current target of a 30% reduction in emissions per FTE from the 2015 baseline level.



We use tCO_2e per FTE as the intensity metric in our CCF. The FTE count has increased year-on-year due to headcount growth. Total emissions per FTE have also increased within this reporting period.

Offsetting our GHG emissions

The Group has fully offset its calculated GHG emissions for its own operations for 1 July 2023 to 30 June 2024 with ClimatePartner, by purchasing verified credits in both carbon avoidance and carbon sequestration programmes. To ensure that all emissions generated from our operations are offset within the system boundaries, a safety margin of 10% was applied to the total carbon footprint incurred. This margin compensates for uncertainties in the underlying data that naturally arise from using database values, assumptions, or estimates.

This resulted in the Group purchasing a total of 3,700 carbon credits in this reporting period.

75% carbon avoidance	Renewable energy project - Continent-wide, Asia
25% carbon sequestration	Afforestation project - Dingxi, China

This year we increased the proportion of carbon sequestration credits to 25% from 20%, the remaining 75% credits were in carbon avoidance schemes.

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

Employee Commuting

We continue to report emissions associated with our employees' commuting and home working within our Scope 3 emissions. For this reporting period, a survey regarding our employees' commuting habits was undertaken, which was completed by over 49% of employees globally. We encourage the use of public transport, walking and cycling to commute to our offices. Through the employee commuting surveys completed since 2022, we note that the majority of our London-based employees commute via public transport. We continue to provide incentives for our London office employees to do this, with a season ticket loan scheme as well as supporting the UK Government Cycle to Work scheme.

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

Value Chain

Incorporating ESG Into Vendor Management

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

As part of our strategic commitment to sustainability, we include climate and ESG-related questions in our vendor RFP and onboarding due diligence processes.

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

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

Innovate & Advocate

Business Acumen on Climate Risk

Within our business, some roles have a specific focus on climate risk, such as the Group Head of Catastrophe Research, which focuses on developing Lancashire's view of risk for natural catastrophe perils, the adoption and evaluation of models, and their application for relevant exposure management processes.

Our underwriters take a proactive approach by liaising with our clients and their brokers to understand the risks they face, tailor insurance solutions, and inform and evolve the Group's business strategy. We will continue to develop our understanding of policyholder needs and look for opportunities to share our knowledge and research findings to assist our clients.

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

Innovate & Advocate

Public Engagement

Lancashire engages with relevant policymakers, governments, regulators and industry leaders to stay informed about and inform policy trends and issues. Lancashire staff are encouraged to join trade associations where such memberships can increase engagement and awareness of climate policy developments. We are also advocates for promoting learning and development on climate issues for the next generation. Since 2023 we have been corporate sponsors of the Bermuda Underwater Exploration Institute Youth Climate Summit and have committed to continue our support in 2025.

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

Within our Offices

The Occupier Committee is a collective for all tenants in our London office at 20 Fenchurch Street. It offers an opportunity for tenants to influence environmental developments and improvements and better understand and coordinate ecological efforts.

Climate Engagement

This is our third year of making our ClimateWise report publicly available. The Group Sustainability Manager prepares quarterly updates that are communicated to senior colleagues. ESG and climate risks are measured, updated, and monitored quarterly. The Group CRO reviews a KPI dashboard every quarter and provides sustainability updates within the quarterly ORSA report to the Board.

Market Conversations

Our underwriters engage with clients and brokers to understand current and projected developments in the market. Our underwriting practices are constantly evolving to manage potential exposure in high-risk areas. The new business forum discusses ideas, concepts and new products, including those arising from the energy transition.

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

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

Innovate & Advocate

Engagement on Research

We actively participate in the ClimateWise ideas exchange meetings. We value our ClimateWise membership as it allows engagement with industry peers and participation in research discussions from a curated list of speakers. The ClimateWise-hosted webinars provide a forum where current industry issues are discussed in a brainstorming collaborative platform. During 2024 and 2025, the Group's Sustainability Manager met with local Bermuda academic contacts for roundtable discussions and delivered a presentation on UK regulations.

Principle 3
Enabling Transition

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

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

Investments

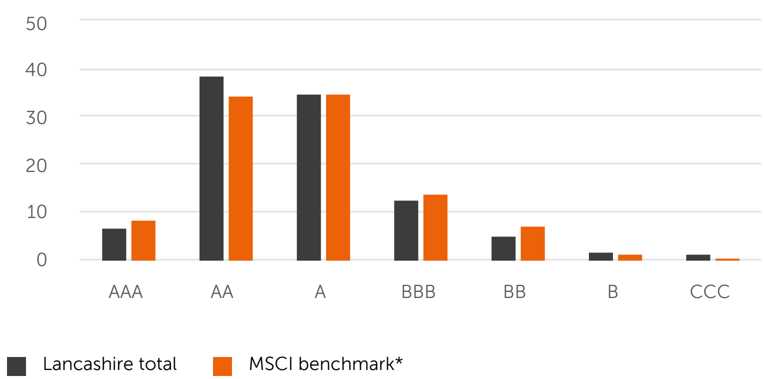
Monitoring the Investment Portfolio

The majority of assets within our investment portfolio are fixed maturity securities, making up 82.4% as at 31 December 2024, of which almost half were government-related securities. We had a 35.1% allocation to corporate bonds, through which we had a small exposure to climate-related risks. The Group continued to review and monitor its investment portfolio from an ESG perspective through the approved MSCI climate VaR metric. Lancashire's overall risk tolerance for investment risk is expressed as a VaR metric as a proportion of shareholders' equity. Every quarter, the Climate VaR is monitored versus the MSCI benchmark through analysis of the underlying securities as measured by MSCI for the Group's Level (i) and Level (ii) securities.

Management's target preference is for the impact of climate change to be less detrimental on our portfolio than the relevant benchmark at the same level.

Lancashire monitors the ESG profile of its fixed maturity portfolio for those securities covered by the MSCI ESG rating tool. Much of the portfolio for the year-end of 2024 was designated within the 'average' ESG category.

MSCI Overall Rating (%)



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

Group Investment Guidelines

The Group's investment guidelines continue to restrict investments in companies that rely on thermal coal for power generation or derive revenues from oil sands or Arctic oil/gas, as well as investments in fixed maturity securities with high carbon intensity ratings. ESG and carbon management investment guidelines are approved by the Investment Committee and the Board and implemented by the Group's investment managers across the Group's fixed maturity investment portfolios. Compliance with the investment guidelines is monitored every month and any adjustments are approved by the Board and the Investment Committee.

The Investment Committee continues to monitor the climate change risk sensitivity, ESG profile and carbon intensity profile of the Group's investment portfolio with due regard to developing expectations and methodologies. The Committee agreed to further changes in the Group's investment guidelines during 2024 so that, from 1 January 2025, investment managers have been required to divest from companies that generate more than 2% of their power from thermal coal or derive more than 2% of their revenues from oil sands or Arctic oil and gas.

As of 31 December 2024, 96.7% of our external investment portfolio was administered by managers who are signatories to the UN PRI. The Group's external investment managers must operate within the parameters set in our guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored monthly.

Investments

Integrating Investment Considerations

The Investment Committee performs a strategic asset allocation study biannually. This study assesses the Group's overall strategy and determines alternative asset allocations to achieve the best risk-adjusted return within our risk tolerances.

The Committee and Board have a preference for the financial impact of this scenario on the Group's fixed maturity portfolio, covered by MSCI, to have a less detrimental impact than the MSCI benchmark model. Due to limited coverage of the available MSCI measurement tool, the portfolio performance is grossed up by reference to covered assets. The Committee noted that the fixed maturity portfolio continues to outperform the benchmark portfolio on the Climate VaR measure.

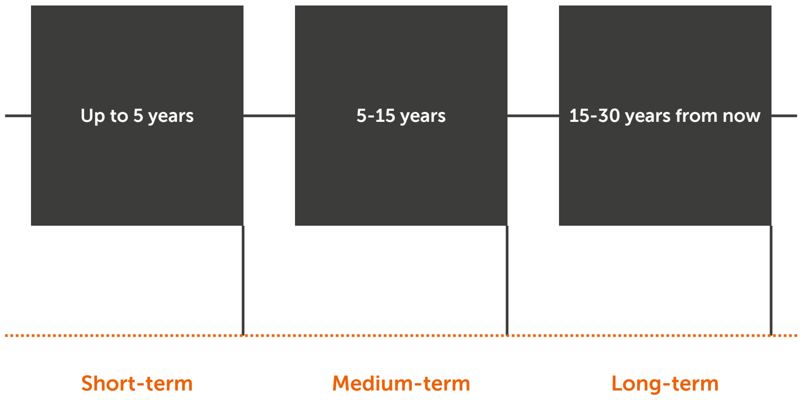
In 2023, a portion of the funds was dedicated to an ESG sweep facility product, an investment book that directs cash into a money market fund account daily. In 2024, we continued to look at other suitable sustainable funds, with a target allocation which we expect to fund in 2025. In addition, the majority of our private funds are UN PRI signatories. Separately, $154.5 million has been committed to private funds classified as Article 8 under the Sustainable Finance Disclosure Regulation, of which $53.2 million has been funded.

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

Underwriting

Climate Change Impact

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



Short-term

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

Medium-term

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

Long-term

Management works with some of the leading external catastrophe model providers to better capture the latest science that underlies and informs developments in the short- and long-term climate-related assumptions in their stochastic models. These developments are included in the Group's management and Board-approved business strategy with a view towards 2030, which is reviewed and updated annually.

The process by which management identify emerging risks, including those which are climate-related, is described on page 28 of the ARA of the enterprise risk management section.

As part of this process, the potential impact of these risks is assessed including magnitude, likelihood and time horizon. Risk mitigation and monitoring plans are then put in place using a risk-based approach to prioritise those considered most material and likely to impact the business.

Identifying the Impacts of Climate-Related Risks

Significant work has been undertaken to identify and articulate the financial impacts of climate-related risks including: physical; transitional; regulatory (current and emerging); technological; legal; market, and reputational risks. For each physical risk that has been identified, the loss amplification factors, time frame and magnitude were considered, as were the metrics by which these risks could be monitored and reported.

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

- increased severity of tropical cyclones and heightened storm surge resulting from the enhanced strength and duration of storms combined with sea level rise;
- increased intensity of extratropical cyclones;
- increased intense rainfall due to the warming atmosphere, leading to increased risk of flooding; and
- increased risk of wildfire due to warming temperatures, combined with shifting precipitation patterns.

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

Transitional Risks

Transitional risks the Group may face include the probability of a declining premium environment in the traditional oil and gas sector, and transportation classes over time, or the risk of exposure to climate change-related litigation. As the economy transitions from a carbon-based one towards a net-zero future, we will continue to consider the impact of new technology and how it will influence renewable energy risks we currently underwrite and those we may underwrite. We will use our underwriting expertise to assess these new risks and underwrite them appropriately.

The potential impact in terms of premium is thought to range from low to medium for the relevant subsidiary writing the business; however, the financial impact to the Group of these risks varies from very low to low at this time due to the inherent responsiveness in the Group's nimble and adaptive underwriting strategy. We would expect to feel the impact in both the insurance and reinsurance segments of the business.

New Products to Mitigate Risk

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

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

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

Climate Risk Governance

Lancashire is exposed to the risk of heightened severity and frequency of weather-related losses, which may be influenced by climate change. We manage this risk using stochastic models from third-party vendors with specific loadings in respect of climate risk. In addition, we adjust these models based on our own views of climate risk and use our clients' exposure data to create aggregate loss scenarios.

Individual risks that are likely to materially utilise the Group's capital are reviewed by senior and experienced underwriters. The modelling data and the capital deployment are closely monitored by the Group's Senior Management. Likewise, the Board monitors this on a quarterly basis as part of its strategic risk and capital management assessments, with the testing of the models leading to changes in risk levels, reinsurance purchasing and structuring strategy as required.

As part of the financial planning process, the assumptions within the underwriting portfolio are reviewed, including the expected rate adequacy and losses for each class of business. Our assumptions are driven by several factors, which include climate change-related factors such as frequency and severity of elemental events, and the potential for associated claims inflation. The level and availability of capital and capital utilisation by class of business are also key considerations in the financial planning process. The business mix is also reviewed, with new products and lines considered where rates prove attractive and accretive.

Climate-Related Opportunities

Climate-related opportunities will arise from the investment in infrastructure required for the world's transition to a lower-carbon economy. This infrastructure will require insurance which is already within the Group's existing classes of business and risk appetite.

The demand for new environmental insurance products and services is also expected to increase. We will work closely with existing and future clients to provide the insurance they need as they transition and access new market offerings in the form of new assets and locations requiring insurance coverage.

A summary of the opportunities, their likelihood, time frame, and magnitude of impact on the Group's profitability is included in the table to the right.

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

Impact of Climate-Related Risk

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

The table below sets out the possible financial impact of physical risk based on our portfolio as at 30 June 2025. If the exposure were to change materially the financial impact could be more significant. However, the longer-term impact would likely be managed by our ability to reprice contracts upon renewal if needed, and the development of new products.

Physical: acute and chronic (100-year event)	Time frame	Magnitude of impact	Potential financial impact/ Group net PML/% of capital
Tropical Cyclone			
US Windstorm – Gulf of Mexico	Medium	High	$334.8 million/19.0%
US Windstorm – Non-Gulf of Mexico	Medium	High	$240.1 million/13.6%
Japan Typhoon	Medium	Medium	$81.9 million/4.6%
Extratropical Cyclone			
European Windstorm	Medium – Long	Medium	$99.1 million/5.6%

Mitigation

- positive feedback loop in pricing models that reflect heightened risks from climate change
- risk appetite is adjusted wherever the risk is viewed as inappropriately priced for the exposure
- outwards reinsurance is adapted to reflect the changing exposures
- robust internal controls ensuring PMLs are monitored quarterly by the RRC
- additional secondary perils now modelled
- continue to develop views on other perils

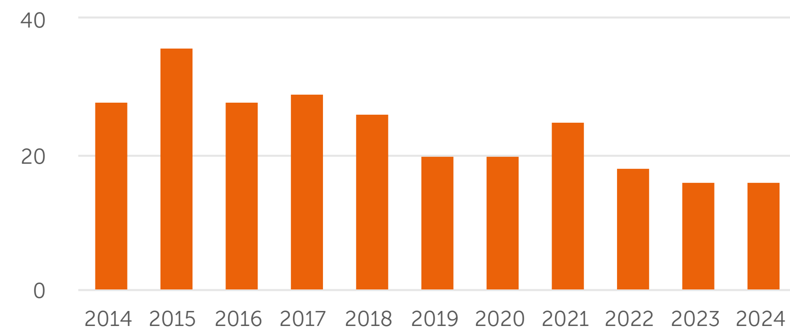
Proprietary

Lancashire has developed proprietary models used by underwriters for the pricing and accumulation of catastrophe exposed business. These models take into account client specific data, in addition to hazard assumptions from third-party catastrophe modelling providers. These assumptions are augmented with various loadings by client and peril, which consider factors such as inflation and exposure growth as well as Lancashire's bespoke view of risk.

The Group View of Risk Committee contains representatives from the exposure management, actuarial, underwriting and catastrophe research teams, and proposes on the model adjustments and loadings required by peril, following detailed model validations, including consideration of climate change factors for relevant perils such as flood, wildfire and windstorm.

PML as a Percentage of GWP

The graph below illustrates the Gulf of Mexico 1-in-100-year PML event expressed as a percentage of GWP and how the proportionate risk to the Group has been managed over time.



Our PMLs are derived using stochastic models licensed from third-party vendors. These models include perils such as windstorm, convective storm, wildfire and flood. The View of Risk Committee assesses the assumptions within the licensed model and, where appropriate, applies adjustments. Model outputs are regularly challenged at both the macro and specific account levels.

The RRC reviews our PMLs and the actual in-force exposure versus tolerance every quarter. The adjustments applied to the model are periodically reviewed by the View of Risk Committee to assess their ongoing appropriateness.

Additionally, risk learning can be performed following a large catastrophe event to compare the actual loss versus the modelled loss, further assessing the appropriateness of the assumptions and loadings within the model and establishing whether further adjustments are required.

Catastrophe Management

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

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. In addition, any modelled loss scenario could cause a larger loss to capital than the modelled expectation from the above return periods.

		30 June 2025		31 December 2024	
100-year return period estimated net loss[1]		$m	% of tangible capital	$m	% of tangible capital
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	334.8	19.0 %	335.8	19.3 %
California	Earthquake	254.6	14.4 %	247.6	14.2 %
Non-Gulf of Mexico – US	Hurricane	240.1	13.6 %	233.4	13.4 %
Pan-European	Windstorm	99.1	5.6 %	129.4	7.4 %
Japan	Earthquake	83.6	4.7 %	107.3	6.2 %
Japan	Typhoon	81.9	4.6 %	102.3	5.9 %
Pacific North West	Earthquake	40.8	2.3 %	34.3	2.0 %

		30 June 2025		31 December 2024	
250-year return period estimated net loss[1]		$m	% of tangible capital	$m	% of tangible capital
Zones	**Perils**				
Gulf of Mexico[2]	Hurricane	455.7	25.8 %	435.4	25.0 %
California	Earthquake	293.9	16.7 %	302.6	17.4 %
Non-Gulf of Mexico – US	Hurricane	410.1	23.2 %	525.9	30.2 %
Pan-European	Windstorm	163.1	9.2 %	195.9	11.2 %
Japan	Earthquake	170.2	9.6 %	189.5	10.9 %
Japan	Typhoon	118.4	6.7 %	155.0	8.9 %
Pacific North West	Earthquake	177.0	10.0 %	170.9	9.8 %

1. Estimated net loss balances presented in the table are unaudited.
2. Landing hurricane from Florida to Texas.

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

Underwriting

Mitigating Insurance Risk

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

- reviews and amends underwriting plans and outlook as necessary;
- reduces exposure to market sectors where conditions have reached unattractive levels;
- implements safety records into premium pricing;
- attends clients' ESG presentations as part of the underwriting process;
- purchases appropriate, cost-effective reinsurance cover to mitigate loss exposures;
- monitors changes in premium rates and terms and conditions;
- ensures through continuous regulatory capital management that it does not allow surplus capital to unduly influence underwriting appetite;
- operates four levels of pre-bind controls across the Group, which have been designed to allow a degree of autonomy, depending on the skill level and seniority of individual underwriters;
- reviews outputs from the economic capital models to assess up-to-date profitability of classes and sectors;
- reviews safety records that insureds submit as part of the underwriting process;
- reviews ESG information that insureds submit;
- holds monthly RRC meetings to discuss risk and reinsurance;
- holds quarterly Board UURC meetings to review underwriting performance and strategy, including developments in underwriting risk metrics; and
- holds regular meetings with regulators.

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

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

Principle 4
Disclosing Effectively

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

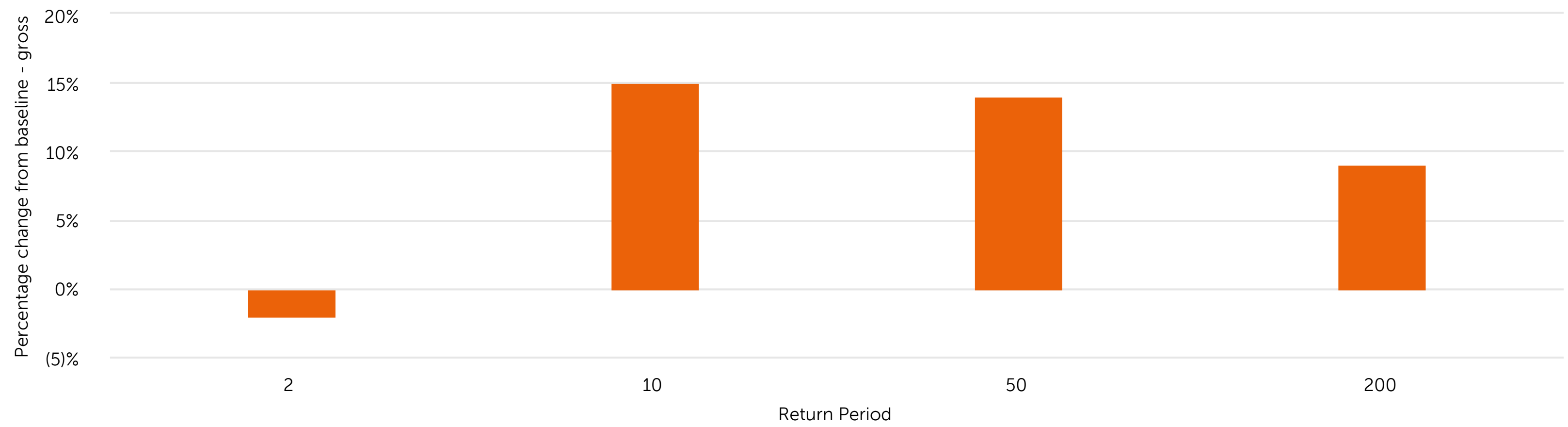
Measure & Monitor

Measuring and Disclosing

Within its ARA, Lancashire publishes a TCFD report which includes disclosure on the effects and financial effects of climate-related risks and opportunities. The most recent TCFD report can be found on our website and on pages 46-57 of the 2024 ARA. We routinely measure the potential impact on our business of material physical risks, e.g. hurricanes and related storm surge, through the use of modelled PMLs and monitor these against Board approved risk appetite tolerances which are set at a defined percentage of capital we are willing to lose in a specific event.

We also periodically run scenario tests using a licensed third-party model. Our latest testing for US hurricane risk focused on the impact of 2°C of global warming, resulting in a 4% increase in severity of tropical cyclones, along with a 15% reduction in frequency according to the 2020 Knutson study[2]. In addition, we assumed a 30cm sea level rise giving increased storm surge. The results show the change from our baseline (on a gross basis) against various return periods. In 2024, we undertook additional research to confirm our central assumptions for our scenarios were still relevant by reviewing recent research findings.

Climate change stress test - Occurrence PML change as at 31 December 2024



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

[2] Knutson, T., Camargo, S.J., Chan, J.C.L., Emanuel, K., Ho, C.-H., Kossin, J., Mohapatra, M., Satoh, M., Sugi, M., Walsh, K. & Wu, L. 'Tropical Cyclones and Climate Change Assessment. Part II: Projected Response to Anthropogenic Warming.' Bulletin of the American Meteorological Society 101, no. 3 (March 1, 2020): E303–322. https://doi.org/10.1175/BAMS-D-18-0194.1

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

Measure & Monitor

Offsetting and Reducing our Energy Use

The table on the right presents a comprehensive view of our environmental impact, with three years' worth of GHG data collected. Each year, we purchase carbon credits to offset our total calculated emissions for our own operations, a practice that underscores our commitment to sustainability. Year over year, as the geographic footprint of the Group has increased, so too has our overall energy consumption. As the headcount continues to grow, we will continue to examine and look for ways of creating energy efficient office environments. We will continue to monitor and report on our emissions and energy consumption going forward.

	1 July 2023 to 30 June 2024 (market-based) UK & Offshore	1 July 2022 to 30 June 2023 (market-based) UK & Offshore	1 July 2021 to 30 June 2022 (market-based) UK & Offshore
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO_2e	148.3	101.6	154.1
Emissions resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use/tCO_2e	223.7	280.6	265.1
Gross emissions (Scope 1, 2) / tCO_2e	372.0	382.2	419.2
Energy consumption used to calculate above emissions /kWh	2,036,764	1,320,545	2,004,830
Total gross emissions (Scope 1, 2, 3) / tCO_2e	3,363.3	2,783.0*	2,407.7
Carbon credits	3,700.0	2,907.0	2,648.5
tCO_2e per FTE	8.3	7.7*	7.8

* The emissions attributed to employee commuting and home office for the 2022-2023 reporting period were previously misstated due to a calculation error by our external consultant. The restated 2022-2023 employee commuting data has also resulted in a change to our total gross emissions and gross emissions per FTE.

Notes:

- 'The market-based approach is a method to quantify the indirect emissions from energy of a reporting organization based on GHG emissions emitted by the generators from which the reporting organization contractually purchases electricity bundled with contractual instruments, or contractual instruments on their own.' (ISO 2018)[3]

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

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

Report Robustly

Documented Controls

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

***4.4** Annual submission against the ClimateWise Principles.*

Disclose Transparently

Report Submitted

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

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

Disclose Transparently

Reporting Period

The reporting period for this report is 1 August 2024 to 31 July 2025, all financials reported are for the financial year ended 31 December 2024 unless otherwise stated. Information on our reporting period for GHG calculations can be found in Principle 2.3.

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

Disclose Transparently

Clear Disclosures

The objective of this document is to convey a clear understanding of the measures and actions we have in place to manage the risks and prepare for opportunities of climate change. A clear year-on-year comparison of GHG data can be found in Principles 2.3 and 4.2.

Glossary

ABIR
Association of Bermuda Insurers and Reinsurers

ARA
Annual Report and Accounts

AUW
Active Underwriter

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

BREEAM
Building Research Establishment Environmental Association Method

BSCR
Bermuda Solvency Capital Requirements

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CIO
Chief Investment Officer

COO
Chief Operating Officer

CRO
Chief Risk Officer

CUO
Chief Underwriting Officer

CCF
Corporate Carbon Footprint

Defra
Department for Environment, Food & Rural Affairs

ERF
Emerging Risk Forum

ERM
Enterprise Risk Management

ESG
Environmental, Social, and Governance

ESG Co-ordination Committee
ESG Committee

FCA
Financial Conduct Authority

FRC
Financial Reporting Council

FTE
Full-time Employee

GHG
Greenhouse Gas

The Group or the Lancashire Group
LHL and its subsidiaries

GWP
Gross Written Premium

IFRS
International Financial Reporting Standards

IRRC
Investment Risk Return Committee

IUA
International Underwriting Association

KPIs
Key Performance Indicators

KRIs
Key Risk Indicators

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

LEED
Leadership in Energy and Environmental Design

LHL (The Company)
Lancashire Holdings Limited

Lloyd's
The Society of Lloyd's

LMA
Lloyd's Market Association

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

LSL
Lancashire Syndicates Limited (managing agent of the syndicates)

LUK
Lancashire Insurance Company (UK) Limited

MSCI
A provider of tools and services for the global investment community

NGO
Non-governmental Organisation

ORSA
Own Risk and Solvency Assessment

PML
Probable Maximum Loss

PRA
Prudential Regulation Authority

RACI
Responsible, Accountable, Consulted, Informed

RDS
Realistic Disaster Scenario

REGO
Renewable Energy Guarantees of Origin

RFP
Request for Proposal

RPI
Renewal Price Index

RRC
Risk and Return Committee

SMCR
Senior Managers and Certification Regime

SMF
Senior Management Function

TCFD
Task Force on Climate-related Financial Disclosures

UN PRI
United Nations Principles for Responsible Investment

UN PSI
United Nations Principles for Sustainable Insurance

UN SDG
United Nations Sustainable Development Goals

UURC
Underwriting and Underwriting Risk Committee

UK
United Kingdom

US
United States of America

VaR
Value-at-Risk

WELL
WELL Building Standard

Further information

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

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