

# Principles for Sustainable Insurance

Launched at the 2012 UN Conference on Sustainable Development, the UNEP FI Principles for Sustainable Insurance ('the Principles') serve as a global framework for the insurance industry to address ESG risks and opportunities.

The purpose of the Principles for Sustainable Insurance Initiative is to better understand, prevent and reduce environmental, social and governance risks, and better manage opportunities to provide quality and reliable risk protection.

The Board has opted to report against the Principles and this table directs readers to where the relevant activities of the Board and business are discussed in more detail within this report. This is Lancashire's first report with reference to the Principles. The business will continue to monitor and embed the Principles in the delivery of its strategy.

## Principle 1

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

**For more information please see:**

### Company strategy

We embed ESG issues within our Board and management's strategic and business planning processes to foster a strong, purposeful and profitable culture of sustainable governance. The business is led by a strong management team accountable to an independent, diverse and effective Board and Committee structure.

Purpose statement (inside cover)  
Engagement and sustainability – section 172 (page 40)  
Governance report (pages 48 to 100)

Our principal strategic purpose is to deliver bespoke risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events, including those influenced by the effects of climate change. We are committed to monitoring and offsetting the Group's own carbon emissions.

Purpose statement (inside cover)  
Chief Executive's review (page 13)  
Underwriting review (pages 20 to 23)  
Environmental impacts and offsetting (pages 44 to 45)

Management and the Board actively support the work of the Lancashire Foundation, which promotes engagement of our staff with a range of charitable and social projects, including a record of assistance to disadvantaged communities blighted by catastrophic events.

Communities, including the Lancashire Foundation (pages 45 to 47)

We value our people and the strategic benefits of a healthy business culture. Our management team and Board promote an active programme of engagement and we operate a robust, yet flexible, programme of staff training and opportunities for career development.

We offer attractive remuneration and employee benefits packages and have a planned approach to succession, staff retention and employee satisfaction.

Succession planning (pages 13, 49 and 65)  
Engagement and People (pages 41 to 42)  
Workforce engagement and culture (page 49)  
Employees/Health and Safety (page 98)

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

Purpose statement (inside cover)  
Strategic report (pages 1 to 47)  
Chairman's introduction – ESG implementation (page 48)  
Governance report (pages 48 to 100)

## Principle 1 continued

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

**For more information please see:**

### Risk management and underwriting

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

Chief Executive's review (page 13)  
Enterprise risk management and principal risks (pages 30 to 39)  
Risk disclosures (pages 118 to 142)

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

Risk disclosures – peak zone elemental loss exposures (page 120)

### Product and service development

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

Purpose statement (inside cover)  
Underwriting review (pages 20 to 23)

The Board and management foster a nimble underwriting and business culture to respond to the risk requirements of clients in a changing world. Included within the Group's energy underwriting business is an established portfolio of renewable energy products and clients.

Chief Executive's review (page 13)

### Claims management

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

Business review – losses (pages 25 to 26)  
Engagement and sustainability – our policyholders (page 43)

### Sales and marketing

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

Purpose statement (inside cover)  
Engagement and sustainability – brokers (page 43)

### Investment management

We actively manage our climate change transitional risk, with sensitivity to, and promotion of, ESG responsible investment. Our principal investment managers are signatories to the world's leading proponent of responsible investment, the UN-supported 'Principles for Responsible Investment'.

Principal risks – investment risk management (pages 36 to 37)  
Investment Committee report (pages 68 to 69)

## Principle 2

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

**For more information please see:**

### Clients and suppliers

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

Purpose statement (inside cover)  
Chief Executive's review (page 13)  
Underwriting review (pages 20 to 23)  
Chairman's introduction (page 48)

### Insurers, reinsurers and intermediaries

We engage with industry bodies to develop and promote awareness of market issues (including environmental factors).

Chief Executive's review / comments on climate change impacts and actions (page 13)  
Engagement and sustainability – (page 43)  
Chairman's introduction (page 48)

## Principle 3

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

**For more information please see:**

### Governments, regulators and other policymakers

Our Board and business operate constructively within a highly regulated insurance and financial services environment in the UK, Bermuda and internationally. As a listed company, LHL systematically monitors, records and reports its compliance with the FRC's UK Corporate Governance Code.

Chairman's introduction – covering governance and regulation (pages 48 to 49)

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

Nomination and Corporate Governance Committee report (pages 64 to 67)

The Board oversees the Company's annual submission to the Carbon Disclosure Project. The information which is requested as part of this reporting process is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures.

Enterprise risk management – emerging risk (page 32)  
See also: LHL's responses on the Carbon Disclosure Project website

## Principle 4

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

**For more information please see:**

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

[www.lancashiregroup.com](http://www.lancashiregroup.com)  
See also: LHL's responses on the Carbon Disclosure Project website.

Our decision to report against the Principles in itself demonstrates our commitment to being both transparent and accountable, by publicly disclosing the business's implementation of them.

Chairman's introduction (pages 48 to 49)  
Chief Executive's review (page 13)