

The United Nations Environment Programme Finance Initiative (UNEP FI)

Principles for Sustainable Insurance

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

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




Principle 1

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






COMPANY STRATEGY

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


For more information please see:

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





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

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






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

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

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

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






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

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



RISK MANAGEMENT AND UNDERWRITING

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

For more information please see:

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





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

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






PRODUCT AND SERVICE DEVELOPMENT

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

For more information please see:

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



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

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

CLAIMS MANAGEMENT

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


For more information please see:

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

SALES AND MARKETING

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



For more information please see:

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

INVESTMENT MANAGEMENT

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

For more information please see:

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


Principle 2

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

CLIENTS AND SUPPLIERS

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

For more information please see:

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

INSURERS, REINSURERS AND INTERMEDIARIES

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

For more information please see:

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

Principle 3

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


GOVERNMENTS, REGULATORS AND OTHER POLICYMAKERS

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

For more information please see:

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

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

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

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

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

Principle 4

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

PRINCIPLE 4

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

For more information please see:

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

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