

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 2021. The relevant activities of both the Lancashire Board and business are set out in the 2021 Annual Report and Accounts [link] and can be seen via the page references.

<p>Principle 1</p> <p>We will embed in our decision making environmental, social and governance issues relevant to our insurance business.</p>	<p>For more information please see:</p>
<p>Company strategy</p> <p>We embed ESG issues within our Board and management’s strategic and business planning processes to foster a robust, purposeful and profitable culture of sustainable governance. The business is led by a strong management team who are accountable to an independent, diverse and effective Board and Committee structure. During 2021, in order to better align our consideration of sustainability and governance matters, the Lancashire ESG Coordination Committee (the ESG Committee) and the Climate Change Working Group were established, both of which include senior representatives from across the business. They analyse a range of topics and make recommendations to both senior management and ultimately the Board.</p>	<p>Purpose statement (inside cover)</p> <p>Lancashire values (facing page inside cover)</p> <p>Underwriting review (pages 18 to 20)</p> <p>ESG Strategy (page 44)</p> <p>TCFD report (pages 56 to 63)</p> <p>ESG Governance Structure (page 57)</p> <p>Stakeholder engagement and Section 172 responsibilities (page 64)</p> <p>Corporate governance report (pages 72 to 74)</p>

<p>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 2021, the Group has taken further steps to implement the recommendations of the TCFD in developing targets to reduce both the emissions arising from its own operations per FTE by 15% by 2030, and to be net-zero by 2050. We are committed to monitoring and offsetting 100% of the Group's own carbon emissions 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.</p>	<p>Purpose statement (inside cover)</p> <p>Chairman's Statement (pages 6 to 7)</p> <p>Underwriting review (pages 18 20)</p> <p>Enterprise Risk Management (pages 26 to 30)</p> <p>Chairman's introduction to sustainability section (page 40 to 41)</p> <p>Operating responsibly (page 53)</p> <p>TCFD report (pages 56 to 63)</p> <p>Investment Committee report – (pages 84 and 85)</p>
<p>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. 2021 marked the 15th year of charitable donations from the Lancashire Foundation. These donations, totalling \$21.8 million during this time, have been given to long-standing charitable partners such as Médecins Sans Frontiers, in recognition of their phenomenal work assisting those effected by natural disasters, as well as to other charities nominated and supported by our employees.</p>	<p>Chairman's statement (page 6 and 7)</p> <p>Chairman's introduction to sustainability section (page 40 to 41)</p> <p>The Lancashire Foundation (pages 42 and 43)</p>
<p>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.</p> <p>We offer attractive remuneration and employee benefits packages and have a planned approach to</p>	<p>Chairman's statement (pages 6 and 7)</p> <p>CEO review (pages 10 and 11)</p>

<p>succession, staff retention and employee satisfaction.</p>	<p>Financial review (pages 14 and 15) Underwriting review (pages 18 and 19) People and Culture (pages 45 to 49)</p>
<p>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.</p>	<p>Purpose statement (inside cover) Chairman's statement (page 6 and 7) Strategy (page 9) Chairman's introduction to sustainability section (page 40 to 41) People and culture (page 45 to 49) Sustainable insurance (page 50) Stakeholder engagement and Section 172 responsibilities (page 64) Corporate governance report (pages 72 to 74) Investment Committee report (pages 84 and 85)</p>
<p>We embed in our decision making the appropriate environmental, social and governance issues, which are relevant to our insurance business.</p>	<p>For more information please see:</p>
<p>Risk management and underwriting</p>	<p>Chairman's statement (page 6)</p>

<p>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.</p>	<p>Chief Executive’s review (pages 10 and 11)</p> <p>Underwriting review (pages 18 to 20)</p> <p>Enterprise risk management and principal risks (pages 30 to 41)</p> <p>Chairman’s introduction to sustainability (pages 40 and 41)</p> <p>Sustainable insurance (page 50)</p> <p>TCFD report (pages 56 to 63)</p> <p>Risk disclosures (pages 136 to 155)</p>
<p>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.</p>	<p>Enterprise risk management (page 26)</p> <p>TCFD report (pages 59 to 63)</p> <p>Risk disclosures – peak zone elemental loss exposures (page 138)</p>
<p>Product and service development</p> <p>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.</p>	<p>Purpose statement (inside cover)</p> <p>Chairman’s statement (pages 6 and 7)</p> <p>CEO review (page 10 and 11)</p> <p>Underwriting review (pages 18 to 20)</p>
<p>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</p>	<p>Inside cover facing page – Lancashire values</p>

<p>established portfolio of renewable energy products and clients. In 2021, the Group also developed ESG and climate-related underwriting guidelines, which have been articulated by reference to Lloyd’s market guidance and are being rolled out across all underwriting platforms.</p>	<p>Chairman’s Statement (pages 6 and 7)</p> <p>CEO review (pages 10 and 11)</p> <p>Underwriting review (pages 18 to 20)</p> <p>Underwriting Committee report – pages 86 to 87</p>
<p>Claims management</p> <p>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.</p>	<p>Business model (Our policyholders page 8)</p> <p>Business review – losses (pages 21 to 25)</p> <p>Sustainable insurance (page 50)</p>
<p>Sales and marketing</p> <p>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.</p>	<p>Purpose statement (inside cover)</p> <p>Sustainable insurance (page 50)</p>
<p>Investment management</p> <p>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 has begun to use a benchmark tool from MSCI, a provider of tools and services for the global investment community. The Group has also started to formally monitor the sensitivity of it’s investment portfolio to the impacts of different carbon pricing regimes, in order to develop a better understanding of the resilience of the portfolio to carbon transition risk.</p>	<p>Principal risks – investment risk management (page 33)</p> <p>Responsible investment (page 51)</p> <p>Investment Committee report (pages 84 and 85)</p> <p>TCFD report (pages 56 to 63)</p>

<p>Principle 2</p> <p>We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.</p>	<p>For more information please see:</p>
<p>Clients and suppliers</p> <p>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.</p>	<p>Purpose statement (inside cover)</p> <p>Sustainable insurance (page 50)</p> <p>Operating Responsibly (Pages 52 to 55)</p> <p>Stakeholder engagement and Section 172 responsibilities (page 64 and 65)</p>
<p>Insurers, reinsurers and intermediaries</p> <p>We engage with industry bodies to develop and promote awareness of market issues (including environmental factors).</p>	<p>Chairman's introduction to sustainability (pages 40 and 41)</p> <p>Sustainable insurance (page 50)</p>

<p>Principle 3</p> <p>We will work together with governments, regulators and other key stakeholders to promote widespread</p>	<p>For more information please see:</p>
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<p>action across society on environmental, social and governance issues.</p>	
<p>Governments, regulators and other policymakers</p> <p>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.</p>	<p>Chairman's introduction to sustainability (pages 40 and 41)</p> <p>Sustainable insurance (page 50)</p> <p>Stakeholder engagement and Section 172 responsibilities (page 64 and 65)</p>
<p>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.</p>	<p>Operating Responsibly (Pages 52 to 55)</p> <p>Stakeholder engagement and Section 172 responsibilities (page 64 and 65)</p> <p>Nomination Corporate Governance and Sustainability Committee report (pages 81 to 83)</p>
<p>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.</p>	<p>Operating Responsibly (Pages 52 to 55)</p> <p>TCFD report (pages 56 to 63)</p>

<p>Principle 4</p> <p>We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.</p>	<p>For more information please see:</p>
<p>We offer clear and transparent ESG reporting through multiple channels, including our Annual Report and Accounts; our website, and our work with the CDP.</p>	<p>Lancashire Group website</p> <p>LHL's 2021 Annual Report and Accounts</p>

	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.	This section of our website will be updated as we further progress our work in this area.