

Brit Limited
section 172(1) statement
2021

Brit Limited Annual
Report 2021



BRIT

writing the future

Section 172(1) Statement

This Statement is reproduced from Brit Limited's 2021 Annual Report, which was approved by its Board on 22 February 2022.

Introduction

The Brit Limited Directors' key responsibility is to promote the success of the Company. This principle is embodied in the Board's terms of reference and is the cornerstone of their discussions and decision making. Each Director is cognisant that in discharging this key responsibility, they must have regard to:

- The likely consequences of any decisions in the long-term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company.

The Directors of Brit Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act).

The Board's approach to section 172(1) and decision making

The Board's terms of reference, which are reviewed annually, clearly articulate the Board's responsibilities, the role of the Chair and matters reserved for the Board. They also set out which of the Board's powers and responsibilities may be delegated to other committees and the governance mechanisms by which the Board monitors those committees' activities and performance. The Chair ensures that these terms of reference are adhered to and, by doing so, ensures that Directors have due regard for all appropriate factors during the decision-making process.

Our strategy

The Board is responsible for a number of key strategic decisions, including approving the business plans, objectives and strategy of the Company. It is also responsible for conduct risk strategy and appetite, for recommending dividends and for setting dividend policy.

The Company's strategy and business plans are approved annually by the Board. The Board also assesses how the strategy underpins long-term value creation by discussing and approving a three-year plan. Such matters are also discussed at the Group's annual strategy review and planning day, in which the Directors of the Company and its principal subsidiaries participate. On-going performance is discussed and monitored at Board meetings.

The Directors' assessment of long-term value creation also considers the Company's resilience. The Directors determine and monitor underwriting, reserving, business, operational, credit, market and liquidity risk appetites and tolerances. They ensure the Company has an effective risk management framework in place, approve its conduct risk strategy and appetite.

Board information

The Board receives regular information on a range of relevant topics, and receives information on other areas as requested by the Directors from time to time.

During 2021, the Board has received and discussed regular comprehensive updates on the impact of COVID-19. These updates have included a general update on the pandemic, its impact on financial and capital markets, and the impact on Lloyd's and the wider insurance market. It also included an overview of key developments at Brit, an update from each key functional area, scenario analysis and an assessment of key risks.

The Board receives regular formal reports on the operations and performance of the Company from the Group Chief Executive Officer and the Group Chief Financial Officer. The Board also receives regular reports from the chairs of the committees of the Board such as the Audit Committee, Remuneration Committee and Nomination Committee, and from the chairs of its principal subsidiaries' boards including those of Brit Syndicates Limited and Brit Reinsurance (Bermuda) Limited. It also receives the minutes of meetings of these bodies. Each of these reports provides an update on areas necessary to help the Directors promote the success of Brit Limited.

In addition, the Board receives and considers a number of annual reports, such as the 'Whistleblowing Annual Report'.

From time to time the Board receives detailed reports on specific areas for it to consider. During 2021, such reports included a 'Group Capital Update' and a 'Group Investment Update'.

Our policies and practices

All relevant factors are appropriately addressed by the Board when considering matters reserved for it, as set out in its terms of reference.

The Board also ensures that appropriate consideration is given to relevant factors by the committees to which it delegates responsibilities. The Board reviews the terms of reference of such committees on an annual basis, and receives regular updates and reports from those committees' chairs.

The Board also reviews the Company's key policies on an annual basis, ensuring that all relevant considerations to assist it discharge its responsibilities are embedded in the key operations of the business. These policies help to promote the long-term success of the Company by focusing on areas such as the key operations of the Company.

The Board reviews its key stakeholder map on an annual basis. New key stakeholder relationships are identified through information received and considered by the Board on a regular basis, or through the Board's consideration and approval of substantial contracts and commitments.

Training

To assist the Directors discharge their responsibilities, they are provided with on-going training and development opportunities. They have received a number of in-depth briefings on specific relevant issues.

For the wider workforce, there is a comprehensive staff development programme tailored to meet individual needs. Elements of this training are mandatory, with all staff required to successfully complete e-learning modules on key areas such as money laundering, bribery and corruption, data protection, fraud and cyber risk.

Our culture

Building and maintaining the Company's reputation and its high standards of business conduct are essential to the future success of the Company. This is embedded in our culture.

Our brand purpose informs everything we do, from how we communicate, to how we develop and deliver our services, to how we work together. Our purpose informs our core philosophies

- We provide a risk service, not sell insurance products;
- We treat people fairly - conducting ourselves with honesty and integrity at all times;
- We think proactively to help us and our clients live life on the front foot;
- We always speak with openness, consistency and clarity;
- We take time to make thoughtful and disciplined decisions; and
- We put innovation at the heart of our business.

The Company also maintains a 'Code of Conduct' setting out the standard we expect from all of our staff. This is regularly reviewed and updated, and compliance is attested to by each employee on an annual basis.

Our people

Our people are key to our success. Our people are our greatest asset and managing our talent appropriately contributes significantly to our success.

During 2021 we continued to strengthen our highly committed team. Through the attraction and recruitment of new talent and the ongoing development of existing expertise, we continued to embed our culture and increase performance. Significant hires included Gavin Wilkinson (Group Chief Financial Officer) and Bilge Mert (Chief Technology Officer).

Our culture is communicated and lived through an established framework that identifies and rewards strong performance. In 2021 we changed the framework to give clarity to everyone in the business that inclusion and diversity was at the heart of what we do and that everybody should be able to thrive and bring their whole self to work (see the inclusion and diversity section for further information).

We are committed to developing the technical, behavioural, management and leadership skills required for our teams to outperform, both individually and collectively. We continue to invest in the future of Brit through our leadership, graduate and intern programmes and succession and talent mapping exercises, all of which aim to grow expertise from within and ensure robust succession plans. In 2021 we invested in an executive education programme, in partnership with Chicago Booth, which saw 36 of our top leaders attending three education modules.

In 2021 we redesigned our training programmes so that they could be delivered in a virtual format. Feedback has been consistently good and we will continue to deliver some of our programmes this way.

We launched the Brit Underwriting Academy which aims to provide our underwriting teams with the skills and knowledge required to be competitive in an evolving and increasingly digital marketplace. It provides training for each

underwriting level and role in the business and establishes a promotion system which identifies and develops our underwriting talent in a fair, consistent and repeatable way.

For much of 2021 we were able to keep our offices open for those that felt working from home was damaging to their mental health and we opened up further in September encouraging everyone to work from the office 50% of the time, until new government guidelines came into effect as a result of the Omicron strain of COVID-19. We continued with our 'Keeping Brit Brit' development programme which aims to keep our culture alive and help people focus on their and their teams' performance and development through the pandemic and hybrid working.

Health and wellbeing has continued to be a focus through 2021. We are committed to embedding a long-term positive culture across the organisation, where employees recognise their mental and physical health are supported equally. This focus reduces stigma, builds confidence and encourages open conversations about mental health. It also raises awareness of mental health matters, including the ability for employees and managers to recognise the signs of common mental health issues, while empowering people with long term mental health issues to thrive in the workplace

Brit Syndicates Limited has Chartered Insurer status through the Chartered Insurance Institute. This prestigious designation signifies to our customers – and the market – that we are committed to the pursuit of the highest standards and demonstrates our adherence to ethical good practice.

Brit's cross-functional Social Committee has continued to organise a range of social, community and charitable events for employees during the year.

The 2021 staff turnover rate excluding retirements and redundancies was 14.3% (2020: 10.5%).

At 31 December 2021, 33.7% (2020: 38.7%) of staff had completed at least five years of service and 12.3% (2020: 14.1%) had served at least ten years.

Our stakeholders

The Board recognises the importance of engaging with its broader stakeholder base. The Company's key stakeholders, as identified by the Board, are set out below, together with why and how we engage with them and the outcomes of that engagement.

Clients and Intermediaries		
Why we engage	Form of engagement	Impact of engagement
<p>We care deeply about our clients' needs and work with brokers and partners to share expertise and deliver a seamless service for the end insured.</p> <p>As a specialty insurer, almost 100% of Brit's business is distributed via intermediaries. In London, the majority of this is via Lloyd's brokers and in BGSU via both wholesale and retail intermediaries.</p> <p>Engagement and building strong relationships with our intermediaries is crucial for us to source business and to deliver the best service and products for our insureds.</p> <p>Intermediaries also provide a range of services to Brit, for which we remunerate them via brokerage and commissions.</p>	<p>Intermediary engagement commences before any formal relationship is entered into, with a robust on-boarding governance process.</p> <p>Post on-boarding, Brit underwriters engage with intermediaries in a number of ways. During 2021 this has been via electronic means and in person.</p> <p>To maximise our intermediary relationships, Brit has entered into strategic partnership agreements with seven of our largest brokers, covering over 50% of our gross premium. Under these agreements Brit pays an annual fee, which gives access to a range of services including regular engagement and introductions, data provision and consultancy. All new and renewal agreements require full Board approval.</p> <p>In 2021, Ki has continued to work with its trading partners, a leading group of Lloyd's brokers.</p>	<p>Broker surveys consistently highlight Brit's efficient client engagement, proactive communications and case-by-case approach. In 2021, Brit's Claims team was named 'Claims Team of the Year' at the 2021 National Insurance Awards.</p> <p>By engaging with clients and intermediaries we provide a risk service that helps clients not only prepare for but manage and mitigate the risks they face.</p> <p>By building stronger and deeper relationships with our intermediaries, we believe we put ourselves in a stronger position to quickly take advantage of new opportunities and understand and satisfy changing customer needs. The data provided to us by brokers allows us to have more informed discussions and make more informed decisions.</p> <p>One of our key areas of focus is the management of acquisition costs. We continue to work with a number of our major broking partners to explore ways we can improve efficiency for our mutual business models.</p>
<p>When a client has a claim, their life or business has been disrupted, or even put in peril, they expect their insurance to deliver. It is our responsibility to fulfil that commitment. At Brit, we do not treat claims as a process; we see every claim as an opportunity to help our clients move forward.</p>	<p>When a client has a claim we adopt a proactive approach. We engage directly with them or their intermediary to ensure their needs are met. Following a major loss event, we instigate additional measures including establishing 24/7 contact with claims administrators, extending deployment of Brit claims adjusters from London and swiftly establishing dedicated loss funds.</p>	<p>Engagement with our clients, intermediaries and other service providers after an event reinforces our provision of a risk service that helps people not only move on from an event but helps them to move forward rapidly with confidence.</p>

Reinsurers		
Why we engage	Form of engagement	Impact of engagement
<p>Brit purchases reinsurance to help manage risk, reduce volatility, enhance earnings, control aggregations and create capital efficiency.</p> <p>Brit's risk appetite is defined by its outwards reinsurance strategy and plan, which is approved as part of the annual business planning process.</p> <p>We also engage when we make recoveries under the cover we have purchased.</p>	<p>Brit uses its appointed brokers for the majority of reinsurer interactions, allowing us to benefit from their expertise.</p> <p>Brit also engages directly with reinsurers, such as when there is a need to achieve broader strategic aims which would involve more than one broker. These tend to be with our largest reinsurance counterparties.</p>	<p>This engagement allows Brit to access up to date market information and to access a broad range of reinsurance counterparties and reinsurance products, thereby managing its risk appetite in the most effective way. It also aids the administration of reinsurance products and may give Brit access to a range of advisory functions on contract wordings, financial modelling and ancillary functions.</p> <p>When we make recoveries, such engagement helps to expedite the recovery process.</p>

Investment managers		
Why we engage	Form of engagement	Impact of engagement
<p>We are responsible for managing the assets which support our underwriting and ensure that clients' claims can be paid. We manage those assets with a long-term view and aim to maximise return while controlling the level of market risk.</p> <p>We implement our investment strategy using the expertise of investment managers, whose mandates are set out in investment management agreements (IMAs).</p> <p>We engage with our investment managers to monitor their performance and to ensure assets are managed within the restrictions set out in the IMAs.</p> <p>We also gain additional insights and expertise by engaging with investment managers.</p> <p>We also engage with managers to assess skills in managing ESG considerations within portfolios.</p>	<p>We have regular discussions with our managers to monitor performance and assess the outlook for investment markets. We also receive regular written investment reports covering positioning, investment performance and outlook.</p> <p>We have regular and ad-hoc discussions with managers to review new investment opportunities and to assess their suitability for our portfolio.</p> <p>Investment managers regularly present to the Board and Investment Committee Board.</p> <p>We also perform annual due diligence meetings to review the operational aspects of the investment managers' processes.</p>	<p>Engaging with our investment managers allows us to ensure that the assets are managed within our risk tolerances and guidelines and that any changes are implemented in a timely fashion. We receive insights from our investment managers which enhances our investment strategy and performance.</p> <p>Engagement allows us to discuss potential new opportunities with our investment managers, adding diversification and resilience to our portfolio. Discussions also help us to understand their approach to environmental, social and governance issues, including climate risk and stranded assets, validating the sustainability of the portfolio.</p> <p>Our operational reviews confirm assets are managed robustly and controls the risk of fraud within the investment managers and other third parties.</p> <p>Assessing investment managers' ESG related skill helps implement our ESG investment strategy.</p>

Capital providers		
Why we engage	Form of engagement	Impact of engagement
<p>Working with third-party capital providers on Ki, Syndicate 2988 and Sussex creates the opportunity to increase Brit's leadership footprint and proposition to clients. It also leverages our operational infrastructure resulting in a more expense efficient model for both us and our capital providers.</p> <p>Engagement with third-party capital providers also supports our growth strategy for those vehicles.</p>	<p>Brit regularly engages with the third-party capital providers on Ki. It also engages with current and prospective third-party capital providers ahead of an underwriting year, to market the Syndicate 2988 and Sussex propositions and to understand investor appetite and capacity.</p> <p>After an underwriting year incept, Brit formally meets each provider regularly to discuss performance, outlook and any other relevant matter. Ad-hoc queries and requests for information are also welcomed. Most interaction is via face-to-face discussion or by conference call.</p>	<p>The successful implementation of the Ki, Syndicate 2988 and Sussex strategies is dependent on developing strong relationships with third-party investors and institutions. Such engagement helps facilitate this.</p> <p>The insight we gain from our regular interactions and feedback helps Brit to ensure that our propositions can continuously evolve in line with investor appetite.</p>

Regulators		
Why we engage	Form of engagement	Impact of engagement
<p>Regulators are key stakeholders for any regulated business and Brit's Board is pro-active in ensuring that Brit meets regulators' expectations around compliance, transparency and aligning the business with regulators' objectives.</p> <p>Brit engages with regulators to ensure that:</p> <ul style="list-style-type: none"> • We understand their regulatory objectives and how they apply to Brit; • Regulators have a proper understanding of Brit's business model, strategy and risk appetite; • Regulators understand how Brit's business model, risk appetite and operational processes and controls are aligned to regulatory objectives. 	<p>Brit engages with its principal regulators through:</p> <ul style="list-style-type: none"> • Regular meetings between supervisory teams, key decision-makers and authorised persons at Brit, including executive and non-executive Directors; • Sharing of key business updates and internal documents including board and committee papers to ensure regulators have a thorough understanding of Brit's business and the opportunity to ask questions about it; • Responding to thematic reviews and information requests as required; • Engaging with Lloyd's across the business including around business planning and compliance with Minimum Standards; • Ensuring the Board is kept up-to-date on regulatory matters as communicated by regulators. 	<p>Engagement with regulators impacts Brit through:</p> <ul style="list-style-type: none"> • The Periodic Summary and Close and Continuous supervision approach by the PRA enables Brit to respond promptly to the PRA's regulatory concerns and areas of regulatory focus; • Engagement with regulators on thematic reviews and information requests enables Brit to contribute to regulators' understanding of how the market operates and best practice; • Brit's regular engagement with regulators enables it to pro-actively plan its response to areas of regulatory focus, e.g. operational resilience; • Engagement with regulators assists Brit to meet the prudential and conduct standards required by regulators; • Directors and employees understand their regulatory responsibilities.

Key suppliers		
Why we engage	Form of engagement	Impact of engagement
<p>Supply chain integrity is a critical part of our business, as we rely on a number of key suppliers of goods and services to help us meet the needs of our customers and those of other stakeholders.</p> <p>On-going engagement with such suppliers helps us ensure that those needs are met and ensures that the standards set by those suppliers meet Brit's criteria.</p> <p>Such suppliers include providers of IT systems, claims management, professional services, facilities and travel providers.</p>	<p>Brit determines the risk of the potential engagement by investigating the potential spend value, criticality of the services to be provided and personal information to be shared between parties.</p> <p>Brit has strong partnerships with a number of critical suppliers. These partnerships are fostered by a range of activities including ongoing dialogue and meetings at both executive and function owner level. We also engage with key suppliers in areas such as technical and product roadmaps, integration planning and disaster recovery.</p> <p>Brit also has a rigorous on-boarding process for new suppliers.</p>	<p>Such supplier engagement enables us to:</p> <ul style="list-style-type: none"> • Provide a better service to, and satisfy the needs of, our customers and other stakeholders; • Enhance current operational processes, leading to better efficiencies and increased competitive advantage in the marketplace; • Comply with appropriate laws and regulations, by implementing suitable controls and measures; • Improve the Company's technological resilience; and • Ensure the robustness and integrity of our suppliers, such as their compliance with the Modern Slavery Act 2015.

Members		
Why we engage	Form of engagement	Impact of engagement
<p>At 31 December 2021, Brit Limited was 86.2% owned by Fairfax Financial Holdings Limited (FFHL) and 13.8% by OMERS Administration Corporation.</p> <p>Our aim is to provide long term sustainable value for our shareholders. Engagement ensures that our objectives are aligned and that our strategy, operating environment and performance are clearly understood.</p>	<p>Both of Brit's ultimate shareholders are represented on the Brit Limited Board and there is regular contact between Brit executives and senior management and those of our majority shareholder.</p>	<p>This engagement helps ensure that Brit's strategy is aligned to and supported by our shareholders.</p> <p>Such engagement also presents us with underwriting and investment opportunities, and can result in favourable collaboration with other members of the Fairfax group.</p>

Community and environment

The Board recognises the importance of not only generating value for shareholders but also to contribute to wider society. We do this through a number of initiatives, as set out below. We also monitor and manage our environmental impact, as set out below.

Social and community

We are committed to supporting the communities in which we operate and charities that are meaningful to employees. Our objective is to select charitable giving and community projects based on three criteria: projects should be for a good cause and operate in an area relevant to us, financial involvement should be for the benefit of the good cause, and projects should offer alignment with our strategic priorities.

During 2021 we again supported ten charities chosen by employees. The charities selected for 2021 were Haven House, Coppafeel, Anthony Nolan, Cry in the Dark, Huntingdon's Disease Association, Rukhsana Khan Foundation, MIND, Best Buddies International, the Leukaemia and Lymphoma Society and Grief Encounter. We donated a sum of money to each charity at the start of the year and continued with fundraising activities through the year. A further ten staff-nominated charities have been selected to receive our support in 2022.

We further promote staff involvement in the community by granting every employee two additional days of paid leave a year to volunteer their time to a registered local charity. Whilst take up was lower than usual in 2021 a number of people have used their days to volunteer at Covid vaccine and testing centres.

In 2021 we continued our support for a school that educates boys and girls from the age of five to 18 in Kibera, the largest slum in Africa. The school does not discriminate between religion or tribal allegiance but instead believes in its motto that 'knowledge is power'. Unfortunately, due to COVID-19 we were unable to send a group of volunteers to Kibera in 2021, but we have been kept informed about the work the school has been doing and the progress they have made.

We have supported Team BRIT, a team of disabled motor racing drivers, since 2017. In 2021, we continued our contract with Team BRIT, as title sponsor, to support their racing academy and success on the race course. They are making progress towards entering a team in the famous Le Mans 24 Hours endurance race.

We also run a payroll giving scheme and match any money raised by employees participating in charitable events.

During 2021, Brit donated \$1.1m (2020: \$1.1m) under its charitable initiatives. In addition to this, Brit employees completed 19.5 volunteering days (2020: 69 days).

Environmental responsibility

Introduction

Climate change will have a major impact on our business and on all our stakeholders. Brit is committed to responsible business practices and recognises that we are most effective when acting alongside others in our industry. We are active members of ClimateWise and IcebreakerOne, and take part in ESG initiatives within the Lloyd's market and the wider Fairfax group. Brit is committed to disclosure in line with the Taskforce of Climate Change-Related Financial Disclosures (TCFD) guidance, and we have further developed our disclosures for 2021. We have made progress in 2021 and in 2022 will continue to implement our ESG strategy, continue to develop reliable and accurate ESG data to inform our decision making, improve our metrics and set targets.

Governance

Board oversight

Climate change has been on our Board's agenda since it was identified as an emerging risk in 2014. Since then, the Board has focused on developing its understanding of the uncertainty associated with climate change and climate-related risks and opportunities.

In 2021 a key priority of the Board was to agree an ESG strategy that could be embedded across the business. During 2021 the Board:

- Considered the Group's climate and wider ESG-related immediate, medium-term and longer-term priorities;
- Ratified the Group's ESG statement;
- Reviewed the Group's net zero work and discussed the roadmap to achieve full net zero by 2025; and
- Received ongoing training on sustainability and climate related risks.

While retaining direct oversight of climate change and ESG related matters, the Board has delegated responsibility to the following Committees:

- **Audit Committee:** The Audit Committee is responsible for overseeing internal controls, adherence to reporting requirements, and approval of climate-related disclosures.
- **Risk Oversight Committee (ROC):** The ROC has oversight of the identification and management of risks relating to climate change. The Committee also oversees climate-related stress and scenario testing, such as the PRA Climate Biennial Exploratory Scenario (CBES) testing, and reporting of climate-related risk disclosures.
- **Investment Committee:** Since 2020, the Investment Committee has considered ESG and climate related risks in its investment decision making process. This has included assessing the related ESG risk through a review of external investment manager ESG reports and an internal review of Brit's equity positions.

Management oversight

- **ESG Committee:** Brit's ESG Committee includes senior representation from Underwriting, Investments, Finance, Risk, Operations, Facilities and Communications. The Committee is chaired by Brit's Director of Operations and is focused on five themes: investments, underwriting, financial risk, Brit as a business, and strategy and external engagement. The Committee reports formally to the Executive Committee (EC), which is responsible for ensuring that climate-related issues are embedded into the relevant operating committees.
- **Climate Change Risk Working Party (CCRWP):** The multi-discipline CCRWP is focused on collaboratively managing the financial risks arising from climate change through our risk management framework. It reports to the ROC and is chaired by Brit's Chief Risk Officer and Chief Actuary.
- **ESG External Engagement Working Group:** The group was established in 2021 in response to a growing number of ESG queries from external parties. The group meets monthly if there are items for consideration.

Strategy

Overview

We have an important role in fighting climate change, and we believe firmly that insurance is a social good. In 2021 we published our five-part ESG strategy:

1. Working with our clients and business partners to understand and mitigate the impact of climate change

We have a considered approach to underwriting that supports our clients as they move to low-carbon, environmentally conscious business models.

- We always think long-term to make sure our clients have stability in their businesses
- We offer products which empower our clients when navigating the energy transition, helping them face the future, even in uncertainty
- We are committed to simplifying the claims process with faster payments

2. Putting the environment at the centre of our investments and underwriting strategy

Our approach to investments and underwriting is evolving. We have integrated ESG into our decision-making in both areas and are working towards a more complete use of ESG data where available. Our underwriting and investment strategy will ensure we deliver to and go beyond Lloyd's stated sustainability commitments.

3. Transitioning to be a net-zero business

We are on our own journey to net-zero, through a detailed understanding of our emissions. We are reviewing our operations to actively reduce our greenhouse gas emissions and reduce waste and water consumption. We currently offset Scope 1 and 2 emissions and a portion of Scope 3 emissions by investing in socially responsible offset projects. We are targeting net-zero by 2025 and are developing a roadmap to achieve this.

4. Ensuring we manage the risks to Brit

Our cross-departmental Climate Change Risk Working Party is focused on collaboratively managing the financial risks arising from climate change through our risk management framework. This covers all three aspects of the

PRA/Bank of England's framework– physical risks, transition risks and liability risks. Climate Change risks are captured in our ORSA and are discussed at Executive and Board level.

5. Placing inclusion and diversity at the heart of everything we do

Our employees and local communities are a big part of this effort. In line with our commitment to inclusion and diversity we value the unique perspective everyone brings to our business, no matter their age, race, religion, gender, identity or background. We have several active and committed employee resource groups who work together with our dedicated Head of Inclusion and Diversity to make sure all voices are heard.

Underwriting strategy

We continue to review and evolve our products to ensure they promote improvements in ESG standards across our clients. In 2021, for example, our Energy division launched a product providing coverage for both the construction and operational exposures of renewable energy producers. In 2021, we also announced that we will not actively provide insurance to any new coal mining operations.

Our underwriters are actively encouraged to consider and assess the ESG aspects of risks within their portfolios, and we are developing protocols to ensure a suitable level of due diligence is undertaken during the underwriting process, to reduce our exposure to businesses with poor ESG practices. These now form part of our underwriting philosophy and will be used to influence our ongoing strategy.

The extent of the impact of climate change on the frequency and severity of natural catastrophes, and the level of claims arising from such events, is an area of uncertainty. Working in conjunction with the Underwriting teams, our Exposure Management department continually strives to identify and quantify the potential impact of increasingly frequent weather-related catastrophe events. This is monitored by Brit's CCRWP.

We constantly review opportunities, and continue the development of new products and services to support our clients on their ESG journey, and to address their changing needs.

During 2021 we trialled various processes by which we could identify a suitable ESG score for all our insureds. The availability of quality data has proved challenging. However, we continue to identify new external data sources, and will continue to focus on this during 2022.

As part of our 2022 business planning process, Brit affirmed its commitment to Lloyd's ESG statement and responsible business practices. Additionally, the business planning process has examined class specific ESG initiatives that have been implemented, and those that will be implemented during 2022.

Investment strategy

ESG considerations are integrated into our investment decisions. Our approach is to engage with our investment managers to ensure that appropriate consideration is given to ESG and climate risk in investment decisions. This allows us to understand both risks and opportunities, and allows us to invest in businesses which are actively improving from an ESG perspective, thereby supporting their transition. We also prohibit new investments in the more environmentally damaging sectors (such as thermal coal and oil sands) in all our portfolios.

We discuss ESG matter with all our investment managers, both on an ongoing basis and as part of our formal annual due diligence reviews. For our primary investment manager, climate risk is a category of business risk applied to all investments. We continue to engage with our managers to enhance our ESG investment strategy as best practice in this area continues to evolve.

In 2021 we performed analysis of our equity positions which showed the overall ESG risk rating to be low-medium. Our overall portfolio is relatively low risk, reflecting its large allocation to US government bonds and cash holdings.

In November, Ki entered into a \$130m sustainability linked 'Funds at Lloyd's' letter of credit agreement with its banking partners. The facility, which is structured to support Syndicate 1618 as Ki grows, is linked to the ESG rating of Ki's 'Funds at Lloyd's' investment portfolios and Syndicate 1618's assets, with its pricing depending on the compliance of Ki's investment portfolios with ESG targets. This builds on the investment guidelines Ki has established for its third-party managers, which incorporate ESG principles and targets, and will help Ki build a sustainable footprint.

We have finalised our initial climate risk investment metrics. ESG data availability remains challenging, with external ratings often backward looking and lack consistency. These metrics will therefore initially focus on sector allocations, though we expect them to evolve over time.

Climate scenario analysis

Climate scenario analysis is key to understanding the potential impact of climate-related risks on Brit.

In 2021 Brit participated in the PRA's Climate Change Biennial Exploratory Stress Test (CBES) exercise. CBES requirements include engaging with climate science and giving consideration to how we can adjust catastrophe modelling to reflect climate change over varying time horizons. The learnings from this exercise will be used to enhance the metrics used to measure the risks associated with climate change. We are analysing 12 perils including wildfire, flood, hurricane, and severe storm, and are investigating how our modelled claims might change by 2030 and 2050, on both 'no action' and 'action' bases, with the 'action' basis involving large scale intervention to reduce greenhouse gas emissions.

In addition, Brit continues to engage with our outsourced service providers to enhance their climate disclosures and research. This includes working with our natural catastrophe modelling software providers to ensure their models appropriately allow for the impact of climate change. Brit has also engaged with our investment managers to develop climate change related reporting and metrics.

Risk management

We manage the risks associated with climate change in line with our Risk Management Framework (RMF). The Group's approach to managing climate change related financial risks is set out on page [●].

Metrics and targets

A key part of risk management at Brit is the setting of risk tolerances and risk appetite. We are committed to developing a metrics and targets framework to manage climate-related risks and opportunities. As noted in the 'strategy' section above, we are in the process of identifying a suitable 'ESG scorecard' for our underwriting portfolio and have set climate risk metrics for our investment portfolio. We will continue to develop these metrics in 2022.

Greenhouse Gas reduction, carbon management and staff engagement

At Brit we take our environmental responsibilities very seriously and continually seek to improve the sustainability of our business. In 2021 we have continued to focus on greenhouse gas (GHG) reduction, carbon management and staff engagement.

Our key activities are below:

- **Carbon management**

We have continued with our initiative to offset all our carbon emissions through ClimateCare (www.climatecare.org). For every tonne of carbon generated we fund the equivalent reduction through ClimateCare's carbon reduction projects - neutralising our impact and helping to address climate change. For 2021, we have purchased further tonnage to offset additional emissions generated by our employees while working from home. At 31 December 2021 we remained fully Energy Saving Opportunities Scheme (ESOS) compliant.

We measure and monitor our carbon footprint. In 2021 our carbon emissions per employee before offset were 0.7 tonnes (2020: 2.4 tonnes), which reduced significantly after offset to a negative 0.7 tonnes per employee (2020: negative 2.1 tonnes). In 2020 and 2021, the negative figures reflect our purchase of further tonnage to offset additional emissions generated by our employees while working from home. The sources of these emissions were as follows:

Emission source	2021 CO2 (tonnes)	2020 CO2 (tonnes)
Gas (note 1)	111	339
Electricity (note 1)	222	511
Business travel - air (note 2)	218	959
Business travel - hotels (note 2)	10	20
Business travel - other (note 2)	-	-
Total carbon footprint before offset	561	1,829
Offset	(1,122)	(3,373)
Total carbon footprint after offset	(561)	(1,544)
Number of employees at 31 December, excluding NEDs (note 3)	804	748
Carbon footprint per employee before offset	0.7	2.4
Carbon footprint per employee after offset	(0.7)	(2.1)

Note 1: Where Brit operates from offices which form part of a larger commercial development, usage and emission data has been supplied by the building manager. Where data was unavailable, estimates have been used. Where Brit operates out of serviced office suites, it has no control over the management of utilities, with that responsibility falling to the landlord. Such serviced accommodation is considered out of scope for this purpose.

Note 2: For all travel including air, hotels and rail, data has been provided from our travel agent partner, through whom all travel is arranged.

Note 3: Excludes emissions and employees of Camargue, which was acquired on 4 October 2021.

In 2021 there was a significant drop in gas and electricity consumption and related carbon emissions due to longer periods of working from home as we followed government guidelines. We also took active measures to reduce energy consumption. For example, in our head office, where the majority of our staff are based, heating ran for only one hour a day during office closure periods, there was a significant reduction in on-site IT equipment as we successfully moved to a cloud environment, and we transitioned to more energy efficient lighting.

The reductions in travel related emissions reflect very limited international travel in 2021, reflecting in-house and international restrictions.

Brit's Streamlined Energy and Carbon Reporting (SECR) disclosures are as follows:

	2021		2020	
	kWh	GHG (CO2 tonnes)	kWh	GHG (CO2 tonnes)
Scope 1 (note 3)	601,996	111	1,047,392	271
Scope 2 (note 4)	690,711	177	881,308	409
Scope 3 (note 5)	-	-	-	-
Total before offset	1,292,707	288	1,928,700	680
Per UK employee before offset	2,001	0.45	3,242	1.1

Note 1: The scope of table differs from the carbon emissions reported above, in that it only covers UK based operations, in accordance with SECR requirements for unlisted companies.

Note 2: In the UK Brit operates out of an office which forms part of a larger commercial development. Usage and emission data has been supplied by the building manager.

Note 3: Includes gas purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.

Note 4: Includes electricity purchased for consumption in Brit's UK office, for which data has been supplied by the building manager.

Note 5: In 2020 and 2021, Brit had de-minimis emissions from business travel in rental or employee-owned vehicles.

Note 6: Details of efficiency actions are given above.

- **Net-zero:** We are on our own journey to net-zero. We are reviewing our operations to actively reduce our emissions, waste and water consumption. We currently offset our emissions by investing in socially responsible offset projects. We are targeting full net-zero by 2025 and developing a roadmap to achieve this.
- **Supply chain:** Work commenced in 2021 to streamline our supply chain, as we seek to minimise our carbon footprint, through analysis of our business activities, waste management and energy consumption.

- **Travel:** Brit's travel policy encourages the booking of lower carbon-intensive flights. Brit has also heavily invested in transforming the way it works by introducing flexible working and by installing digital and video conferencing systems throughout Brit's offices.
- **Recycling:** We continue to strive to reduce the levels of recyclable and non-recyclable waste we generate. During 2021 we recycled 5.1 tonnes of paper waste (2020: 4.5 tonnes) and we sent 4.2 tonnes of general waste to energy recycling (2020: 3.6 tonnes). In 2021, we also recycled 0.4 tonnes of glass (2020: 0.3 tonnes), 1.7 tonnes of cardboard (2020: 1.6 tonnes) and 0.5 tonnes food waste (2020: nil). During 2021, in conjunction with our building managers, we continued to work hard to reduce waste sent to landfill. We continue to use a business dining and internal hospitality provider that is committed to the principles of sustainable food procurement. It recognises that it is important to the future wellbeing of the UK that farming communities are supported and able to contribute to their supply chains. We continue to encourage our employees to be more environmentally aware and climate conscious.
- **Staff engagement:** In 2021 Brit provided ESG e-learning to all employees. We are also committed to reintroducing environmental volunteering days as COVID-19 restrictions eased.

Key decisions made by the Directors during the year

Dividends and share issues

During 2021, the Board agreed to a number of new share issues. FFHL Group Limited (Fairfax) subscribed for 8,299,909 new Brit Limited class B shares for a contribution of \$31.1m and OMERS Administration Corporation (OMERS) subscribed for 92,364,532 new Brit Limited class A shares for a contribution of \$375.0m.

The Board also considered and approved a \$375.0m dividend in respect of its class B shares.

In considering these decisions, the Directors assessed Brit's ongoing underwriting strategy and capital requirements, and its obligation to act fairly between members. It was mindful of its agreed obligations to both its minority shareholder and to its majority shareholder. Brit also liaised closely with its principal shareholder with regard to this transaction, and took account of its views when determining the structure of the OMERS investment and the subsequent dividend payment.

Loss Portfolio Reinsurance

The Board considered and approved a loss portfolio reinsurance with RiverStone Managing Agency Limited, protecting Brit against adverse development on predominantly legacy years of account underwritten by Brit Syndicate 2987.

The Board considered the implications of this contract on Brit's stakeholders. It examined the terms of the contract and its intention to provide Brit with certainty of exit on discontinued lines and to reduce its exposure to US Casualty claims inflation. It concluded that it was in the interests of key stakeholders including its policyholders, members and employees.

Ki Financial Limited

In 2021, the Board approved further investment in Ki Financial Limited.

The Board considered Brit's immediate and longer-term strategic priorities, as well as the interests of its shareholders, and other stakeholders, including Lloyd's and the wider market. It concluded that opportunities presented by this ongoing initiative would position the Group and other stakeholders well for the longer term. Brit also liaised closely with its principal shareholder and with Ki management over this further investment. This two-way dialogue helped determine the quantum and form of the investment.

2020 financial statements and reserving position

The Directors approved the financial statements for the year ended 31 December 2020, on 16 February 2021. As part of this process, the Directors considered and approved the claims reserves held by the Group's underwriting entities.

In considering these key factors and in approving the final reserving position, the Directors were mindful of the importance of maintaining the Group's policy of reserving on a conservative best estimate basis. This policy provides robust security to our policyholders, while ensuring the long-term financial strength of the Group, thereby protecting the interests of our key stakeholders including our clients, members and employees.

2022 business plan and capital requirements

The Directors reviewed and approved the 2022 business plan. The plan included the Group's underwriting and investment strategy, together with the capital needed to support the plan.

The Directors considered the Company's immediate and longer-term strategic priorities, together with the risks facing the business. They also considered the needs and expectations of the Company's shareholders, the interest of its clients and employees, and those of the wider stakeholder group. After due discussion, the Directors concluded that the plans and attaching capital positioned the Company well for 2022 and the longer term.

Revolving credit facility

During 2021, the Board considered and approved amendments to the Group's revolving credit facility. The facility was extended by two years to 31 December 2025, with the letter of credit component availability extended to cover the 2022 and 2023 underwriting years. The wording of the facility was also amended to address the transition away from LIBOR.

The Board discussed the terms of the revised facility. They concluded that it the facility appropriately supported the Group's future plans and was in the interests of its members, employees and wider stakeholder base.

Ki letter of credit facility

The Board considered and approved amendments to the Ki letter of credit facility, extending it by two years to cover the 2022 and 2023 underwriting years, with pricing linked to the ESG rating of the Ki's investment portfolios.

The Board discussed the terms of the revised facility. They concluded that it the facility appropriately supported the Ki's future plans and was in the interests of its members, employees and wider stakeholder base. It also concluded that the structure of the facility was aligned to its ESG objectives, those of Ki and its capital providers, and Lloyd's. Brit liaised closely with Ki management and other Ki investors.

Transfer of the RiverStone Management Pension and Life Assurance Plan (the Plan)

The Board discussed and agreed a proposal for the Group to assume the liabilities of the Plan from Riverstone Holdings Limited and RiverStone Management Limited, through a Flexible Apportionment Agreement (FAA).

In arriving at this decision, the Board considered the financial health of the Plan, and the interests and the potential impact on of all its key stakeholders in the shorter and longer terms. After due discussion, the Board concluded that it was in the interests of the wider Fairfax group to approve the transfer and that appropriate safeguards were in place to protect other stakeholders. Throughout the transfer process, Brit liaised with its principal shareholder, the Trustees of the Plan and the Plan's current employers (Riverstone Holdings Limited and RiverStone Management Limited). This ensured that the Plan was adequately funded before the date of transfer and ensured certain protections were agreed and put in place for both the Plan's members and for Brit. This transfer enabled our principal shareholder to complete a corporate transaction.

Acquisition of Camargue Underwriting Managers (Proprietary) Limited (Camargue)

In October, the Board proceeded with the completion of the acquisition of the remaining 50% of Camargue. Brit made an initial 50% strategic investment in Camargue in 2016 and Camargue has been a key trading partner of Brit for over 20 years. Camargue retains its independence, continuing to underwrite as a managing general underwriter on behalf of Brit and its other capacity providers.

This acquisition continues Brit's strategy of selective international expansion into niche specialty businesses with a strong track record in distribution and underwriting. It will provide added long-term value for our members, increasing revenue channels for the Group while cementing access to profitable underwriting risks. It also provides an integrated solution for our clients and helps foster the Group's business relationships with those clients. Through the acquisition process, Brit liaised closely with its principal shareholder and the management of Camargue throughout the transaction process to facilitate regulatory approval and a smooth transition to new ownership.

Approval of policies

During 2021, the Directors reviewed and approved the Company's key policies, including the Whistleblowing Policy, Financial Crime Policy and the Fit and Proper Policy.

In approving these policies, the Directors considered whether they support the strategic aims of the Company, and whether all relevant considerations were satisfactorily embedded in the key operations of the business. Such integration helps ensure the Group's approved operational practices are clearly articulated and understood by all relevant employees, ensuring our reputation for high standards of business conduct is maintained. Such practices in turn will help ensure our longer-term strategic aims are delivered, in the interests of all our stakeholders.

Brit Limited

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