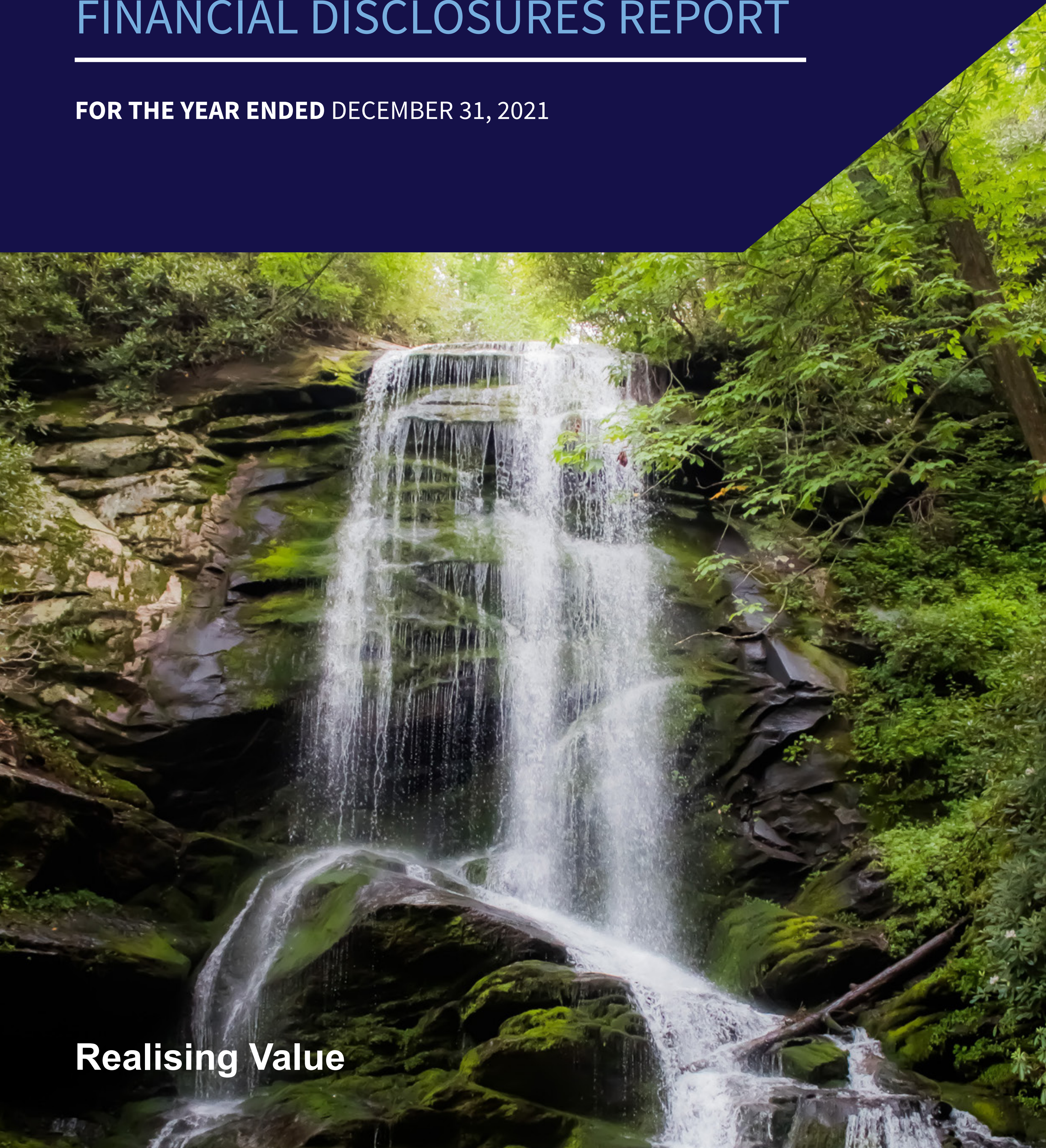
ENSTAR

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021



Realising Value

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INTRODUCTION

Enstar supports the objectives of the Paris Agreement and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This report details Enstar's approach to managing climate-related risks and opportunities, including our recent progress. We will continue to enhance our disclosures in line with the TCFD recommendations over time.

During 2021, we embedded into our standard processes consideration of climate-related physical, transition and liability risks across the business. We undertook analysis to understand where we have material exposures which require further action, and to highlight the drivers of the key risks we face as a business.

Governance

Our Enterprise Risk Management (ERM) framework defines the roles and responsibilities for effective oversight and management of environmental, social and governance (ESG) and climate-related risks and opportunities at the Board and senior management levels. The EGL Board and EGL Risk Committee receive quarterly reports on ESG issues, including climate change.

We established an ESG Oversight Group which includes members of the EGL Executive team. Five Working Groups were also established under the ESG Oversight Group to focus on:

1. Climate Change;
2. Investments;
3. Human Capital;
4. Disclosures; and
5. Communications.

Each Working Group has an associated Oversight Group to ensure there is sufficient senior review of the key disclosures and activities being performed. These cross functional groups comprise representatives from our HR, Finance, Investments, Risk, Legal, Compliance, Underwriting, Actuarial, Operations and Communications teams.

EGL Board

The Board is comprised of Executive, non-Executive and Independent Directors and is responsible for setting both the strategic direction and the risk appetite for Enstar. The Board approved ERM Framework includes a climate change risk appetite framework, supporting risk appetite statements and associated climate related metrics. In line with the ERM framework, the Board and its supporting committees receive quarterly ERM reports providing information regarding aspects of climate change risk (e.g., insurance litigation and market risks). Where metrics breach Board approved levels, remediation plans are developed by management, in conjunction with the Risk function and are tracked through to remediation.

Comprehensive Climate Change training was provided to the members of the Board and senior management to support climate-related discussions and the identification of both the risks and opportunities presented by climate change.

EGL Risk Committee

The EGL Risk Committee's oversight includes reviewing and evaluating the risks to which Enstar is exposed. This includes the monitoring and oversight of the guidelines and policies that govern the processes by which the Company identifies, assesses, manages, monitors, and reports its exposure to risk (both emerged and emerging), including ESG and climate-related risks. Where required, the Risk Committee recommends specific actions to the Board to ensure the risks continue to be managed to appetite. These actions are formally tracked through to resolution.

The Risk Committee is chaired by a Non-Executive Director and meets at least quarterly. The Risk Committee is comprised of Executive, non-Executive and Independent Directors. The Risk Committee also promotes a risk- aware culture throughout Enstar.

Chief Risk Officer ('CRO')

The Group CRO is ultimately responsible for identifying and integrating climate-related risks into the EGL ERM Framework.

ESG Oversight Group

A dedicated ESG Oversight Group, chaired by the Group CRO and comprising members of the EGL Executive team, was established to oversee the implementation of the ESG (including climate-related) strategy. This Group reports directly to the Board via the EGL Risk Committee.

Climate Change Oversight Group

A dedicated Climate Change Oversight Group was established to oversee the management of climate-related financial risks and ensure consistency of approach across the Group. To achieve this, a project was initiated.

The Climate Change Oversight Group is a cross-functional group consisting of senior members within the Risk, Compliance, Finance, and Investment functions. The project encapsulated various aspects including scenario analyses impacting our assets and liabilities across the Group. This enabled us to calibrate the risk appetite and supporting risk metrics in respect of climate-related financial risks. Further, as part of the project, all risk policies and procedural documents that operate under the ERM Framework were expanded to reflect climate change aspects. Quarterly updates were provided to EGL Risk Committee.

Strategy

Enstar is a leading global insurance group which acquires run-off insurance portfolios. Given Enstar specialises in run-off, and is not a live underwriter of new policies, **our exposure to climate-related risks emanates from the acquired insurance liabilities and the assets that back those liabilities**. In assuming future insurance run-off liabilities, as part of our disciplined due diligence approach, we insist upon informed excellence in risk selection, including considering climate related risk concentration.

We recognise that climate change could potentially have disastrous effects on society and the global economy if proactive actions are not taken. We believe we have an important role to play in helping our stakeholders identify and adapt to the impact of climate-related risks.

Climate change presents risks and opportunities to the sustainability of our business. Enstar's business strategy is exposed to the following risks over the short (<2030), medium (<2040) and longer (≥2040) term time horizons, across three major types of climate risk:

Physical risks

(Short to Longer term) are the first order risks arising from weather-related events, such as floods and storms. Their impact may be felt directly through property damage, or indirectly through subsequent events such as disruption of global supply chains or resource scarcity. Our exposure to physical risks stem from our operations and investments portfolios (e.g. through our holdings in Real Estate Investment Trusts). Other physical risk exposures can stem from underwriting catastrophe (re)insurance contracts, giving rise to claims due to natural weather-related events. Since we no longer underwrite live insurance contracts this is of minimal consequence.

Our operations may be impacted by physical risks affecting key supporting infrastructure and/or our outsourced service providers. The impact and likelihood of this risk is considered low.

Transition risks

(Short to Medium Term) include financial risks deriving from the transition to a carbon net zero economy, and for Enstar include potential swift, adverse repricing of carbon-intensive financial assets.

In the near term our investment portfolio could be exposed to the loss of value in specific investments due to disruption caused by transitioning to a lower carbon emitting economy to the underlying assets/companies. The impact could increase over time if part of the transition to a greener economy is associated with increased production costs. Certain sectors are subject to significant impairments due to changing consumer demand, the repricing of assets or regulatory requirements.

Liability risks

(Short to Medium Term) include third-party exposures such as claimants who have suffered climate-change related losses and damage, and seek compensation. Liability risks also include the unknown and potentially high costs of dealing with losses or damage from physical or transition risk factors. Liability risks are particularly high for those directors and officers who do not properly manage and report climate-related risks and commit errors and omissions.

As we acquire liabilities, there is a risk that our current practices and processes do not successfully identify and/or price the risks arising from Climate Change resulting in actual returns deviating adversely from those assumed when the transaction was priced.

Many of our underlying portfolios contain lines of business that could, at the industry wide level, be exposed to significant Climate Change risk (e.g., Environmental claims, Professional Lines etc.). Given Enstar's business model of acquiring and efficiently settling legacy claims, we do not underwrite new exposures. Therefore, we do not extend the ability of 'brown' industries (i.e., those which contribute to adverse climate change effects) to continue. Instead, we facilitate the orderly running down of those industries and their involvement within the financial services industry.

Enstar has a low appetite for physical risks and a medium appetite for liability and transition risks.

Enstar has comprehensive processes in place for identifying and assessing climate-related risks, setting risk appetite and monitoring such risks. This process forms part of the overall ERM Framework and is embedded within the overarching Risk Appetite Framework. A high-level overview of these processes is provided below.

Assessing Climate Change Risks

Enstar assesses climate change risks primarily through comprehensive scenario analysis and risk assessments. As part of this analysis, existing and emerging regulatory requirements as well as political coordinated actions plans related to climate change (as well as other relevant factors) form key inputs into the overall process.

The scenario analyses is used to evaluate the exposure to investment risks (from physical and transition risks) and liability risks and the potential impacts to Enstar.

Transition and Physical Risks

The assessments focus on the loss in market value of companies that fail to mitigate, adapt or disclose climate related risks. To determine the exposure to and potential impacts of transition and physical risk to our investment portfolio, three key scenarios are undertaken:

1. Lowest common denominator (current policies);
2. Global co-ordinated action (Paris Agreement); and
3. Climate emergency (net zero by 2050).

The analysis concluded a relatively modest impact to Enstar's investment portfolio of transition and physical risks, with the transition risks being the higher impact risks of the two.

Liability Risks

The liability risk assessments focus on societal, political and regulatory responses leading to claims on the already acquired liabilities. To determine the exposure to and potential impacts of liability risk to its lines of business, two key scenarios were undertaken for:

1. Power plant claims[1]; and
2. Fossil fuels claims[2].

The analysis concluded that Enstar's overall exposure to litigation risk across its existing lines of business is low.

Setting Risk Appetite

Enstar has developed detailed Risk Appetite Statements for risks associated with climate change in order to facilitate achievement of its business plan and strategic priorities, relating to the acquisition insurance liabilities and managing the assets that back those liabilities. As such, the Risk Appetite Statements have been articulated using the following key information:

- Definition of the Climate Change risk for which the appetite is being set.
- Articulation of Enstar's risk appetite for the Climate Change risk under consideration using broad risk classifications (high, medium, low, etc.).
- Rationale behind the setting of the risk appetite and the allocated risk classification, including consideration of the results of the scenario analysis.
- A high-level assessment of the risk and business impact.

Enstar has a low appetite for physical risks and a medium appetite for liability and transition risks.

[1] Example: A series of wildfires caused an extensive damage to residential properties in a US state (the Event). Lawsuits were filed against power plant operators in the state by the victims who sustained property damages and/or bodily injuries arising from the Event. They allege, amongst other things, greenhouse gas emissions from coal-fired power plants had made 'direct causal contribution' to global warming, resulting in the increased frequency and severity of wildfires in the state. The lawsuits also named utility companies and banks which financed the construction of the plant, alleging their 'indirect causal contribution' to the Event.

[2] Example: Thousands of climate change litigations have been brought in the US against large/medium-sized oil & gas and mining companies. Plaintiffs (e.g. state governments, industry groups) allege greenhouse gas emissions from fossil fuel products manufactured, distributed or marketed by the defendants had made direct casualty contributions to climate change, resulting in the increased frequency and severity of adverse weather events.

Monitoring Metrics - Climate Change Risks

In order to enable the business to adhere to these appetite goals, consideration has been given to the ongoing monitoring of the key risks. This is underpinned by calibrating metrics to monitor against.

The scenario analysis identified higher risk sectors emanating from transition risks on Enstar's investment portfolio. We have adopted a top-down approach of monitoring investment asset allocation to such sectors. To that end, we have set up Key Risk Indicators which track exposures to such sectors and will continue to actively manage to keep this within the Investment Mandates provided to our fund managers. Over the course of 2022 we expect to enhance these sector mandates further following additional scenario and sensitivity analysis, as well as including further ESG rating criteria for specific investment risks.

In assuming future insurance run-off liabilities, as part of our disciplined due diligence approach, we insist upon informed excellence in risk selection, including considering climate related risk concentration. This enables Enstar to ensure the price of the transaction reflects such exposures and concentrations. As part of the independent risk reviews and due diligence performed on potential new M&A transactions, the following information will be assessed:

- Exposure of contracts to high litigation risk economic sectors.
- Exposure of contracts to high litigation incidence by geographical and legal jurisdictions.
- Exposure to classes of business with a higher likelihood of climate change litigation activity.
- Analysis of contract characteristics specific to climate change litigation triggers (e.g., claims occurring, claims made, buy out clauses, etc.).
- Analysis of mitigation profile (e.g., Reinsurance, contract clauses, underwriting years, etc.) of the business being acquired.

For already acquired liabilities, Enstar monitors reserve development on reported and new claims related to climate change liability risk across all impacted lines of business (e.g., GL, D&O, PI and E&O).

Global litigation trends across jurisdictions are actively monitored to assess likelihood and impact on Enstar's climate risk exposed business.

Ongoing cyclical process

Monitoring and managing climate change risks on an ongoing business as usual basis is an integral part of Enstar's ERM Framework. Key activities include:

- Complete qualitative analysis annually to ensure the risk appetite statements aligns with the overall ESG strategy.
- Complete scenario analysis and stress test (both regulatory and internal) annually and review appropriateness of the risk metrics based on the output of the scenario analysis and update as appropriate.
- Monitor external developments and repeat scenario analysis based on changes in pathways and initiatives triggered by future global co-ordinated actions coupled with regulatory reaction/initiatives to these changes.
- Monitor internal loss experience and portfolio valuation volatility with the objective of adapting risk tolerances to emerging trends.
- Keep abreast of regulations to monitor any changes in climate risk initiatives and update metrics/framework as appropriate.
- Continue to enhance M&A due diligence framework to incorporate the likely impact of climate risk on new portfolios being acquired.
- Continue to develop risk analysis framework to better capture and comprehend the risk universe relating to climate change and relevant metrics.
- Providing quarterly monitoring and updates to the Boards, with any breaches reported to agreed timescales.
- Developing a transition / physical risk framework for investments which covers, but is not limited to, asset class, specific firm, sector and geographical exposure considerations.

Important Information Regarding Forward-Looking Statements

This report may include certain forward-looking statements regarding our current views with respect to future events, risks and uncertainties. These statements are intended as “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Actual events and results may differ materially from those set forth in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. For a complete description of the risks and factors that could cause actual results to differ from our current expectations, please see our annual report on Form 10-K and quarterly reports on Form 10-Q filed with the SEC. Any forward-looking statement you see in this report reflects Enstar Group Limited’s current views with respect to future events and is subject to these and other risks, uncertainties and assumptions.