



# **Task Force on Climate-related Financial Disclosures (TCFD) Report**

**FOR THE YEAR ENDED 31 DECEMBER 2023**



**Realising Value**

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# INTRODUCTION

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**Enstar Group Limited (“Enstar” or “EGL”) is a leading global insurance group that offers innovative legacy solutions through our network of group companies. Spanning a 30+ year operating history, we acquire and manage run-off insurance and reinsurance liabilities, primarily from other re/insurance companies. We create value by better managing these run-off portfolios and strive to generate attractive risk-adjusted returns from our investment portfolio.**

Enstar supports the objectives of the Paris Agreement and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This is our third Enstar TCFD report, which details Enstar’s approach to managing climate-related risks and outlines our recent progress.

During 2023, we continued to evolve the climate-related metrics in our risk appetite framework; increased the scope of our climate scenario analysis to consider operational risk arising from physical locations; expanded the coverage of our environmental, social and governance (ESG) investment risk metrics to include our subsidiaries; delivered group-wide overview ESG training for all staff; and extended our Greenhouse Gas (GHG) emissions reporting to include some of our Scope 3 emissions for the first time.

We recognise that the TCFD itself has now disbanded, as it is considered to have fulfilled its remit. We acknowledge the transfer of TCFD monitoring responsibilities to the International Sustainability Standards Board from 2024 and, as such, we expect our Enstar climate change reporting to similarly evolve.

# GOVERNANCE

Enstar Group has a strong governance framework, with the Enstar Group Limited (EGL) Board of Directors (EGL Board) overseeing the interests of all stakeholders. The EGL Board is comprised of Executive, non-Executive and Independent Directors, and is primarily responsible for the Group's strategic plan, risk appetite, systems of internal control and corporate governance policies, to ensure the long-term success of the Group. It retains control of key decisions and ensures there is a clear division of responsibilities. The EGL Board also has responsibility for Enstar Group's ESG programme, which includes a climate change commitment focusing on managing and mitigating the three types of climate risk (physical, transition and liability risk) to which we might be exposed within the insurance contracts we assume, in line with our board-approved Enterprise Risk Management (ERM) Framework and Risk Appetite Framework.

The EGL Board and its supporting committees receive quarterly ERM reports that provide information regarding aspects of climate change risk (e.g. insurance litigation, market and operational risks). During 2023, the business delivered an introductory in-house ESG training module to employees and Directors. The training provides an overview of ESG issues, explains their importance to Enstar and outlines the actions the business has taken to date, including a summary of Enstar's work to manage climate change risk.

One of the six committees that supports the EGL Board is the EGL Risk Committee, which has delegated responsibility for oversight of our ESG programme, in coordination with other committees of the EGL Board as appropriate. The EGL Risk Committee promotes a risk-aware culture throughout the Group; its oversight responsibilities include reviewing and evaluating the risks to which Enstar Group is exposed. This includes the monitoring and oversight of the guidelines and policies that govern the processes by which we identify, assess, manage, monitor and report our exposure to risk (both emerged and emerging), including ESG and climate-related risks. Where required, the EGL Risk Committee recommends specific actions to the EGL Board to ensure that risks continue to be managed to appetite. These actions are formally tracked through to resolution. The EGL Risk Committee is chaired by an Independent Non-Executive Director and meets at least quarterly. The EGL Risk Committee is comprised entirely of Independent Directors.

Our Audit Committee periodically reviews the preparation and review processes applied to Enstar Group's ESG disclosures and confirms that they are appropriate. Ownership and governance for sustainability-related risks and sustainability commitments are embedded within our business. At the management level, responsibility for climate-related risks and opportunities sits with our Group Chief Risk Officer and our Group Head of ESG.

In September 2021, Enstar established an ESG Oversight Group, comprising senior executives from key functional areas, to oversee the implementation of our ESG (including climate-related) strategy. The Oversight Group is chaired by our Group Chief Risk Officer, who has the Executive-level responsibility for ESG and who is ultimately responsible for integrating climate-related risks into the EGL ERM Framework. The ESG Oversight Group is responsible for implementing and reporting on the Group's ESG programme to the EGL Board and its committees via the ERM reports that are presented to the EGL Risk Committee quarterly. The ESG Oversight Group is supported by the ESG Working Group, a cross-functional forum comprising management-level representation from across the organisation (Finance, Treasury, Investments, Risk, Compliance, HR, Legal, Operations, Communications), who are responsible for the implementation of our ESG strategy. The ESG Working Group is chaired by our Group Head of ESG and considers emerging ESG issues, which may become material to the business and affairs of our Group. Day-to-day, the ESG programme is managed by Enstar's dedicated ESG team, led by the Group Head of ESG.



Enstar is a leading global insurance group that offers capital release solutions through our network of group companies. We seek to create value by managing re/insurance companies and portfolios of re/insurance and other liability business in run-off, which limits our in-force exposures. Enstar is not a live underwriter of new policies and our current exposure, as at 31 December 2023, to climate-related underwriting risks is therefore limited to:

- A limited number of in-force policies that may form part of a wider acquired portfolio, predominately comprised of expired risks from prior underwriting years;
- A small number of multi-year contracts covering 29 separate onshore construction projects (a decrease from 90 such projects at 31 December 2022) previously written by one of our active underwriting subsidiaries that was subsequently put into run-off in 2020; and
- Some legacy policies that have (or could have) potential exposure to climate-related litigation if written on a 'claims occurring' basis.

Any in-force policies acquired within the overall portfolio are also run off and are only renewed upon their expiry if there is a contractual obligation to do so (please refer to our Sustainability Accounting Standards Board (SASB) Report for more information on the nature of our portfolios' exposure to weather-related perils).

These exposures in aggregate are de minimis and considered immaterial in relation to the Group's total liabilities, as confirmed by the stress testing detailed in the Risk Management section below.

In assuming future insurance run-off liabilities, as part of our disciplined due diligence approach, we insist upon informed excellence in risk selection. Given the potential impacts of climate change, our risk selection includes:

- Consideration of climate-related risk exposures and the impact of potential concentrations on our existing liabilities; and
- ESG investment risk exposures in our asset portfolios.

Climate change presents a range of risks and opportunities to the sustainability of our business. Enstar's business strategy is exposed to the following risks over 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 stems from our operations, including such risks to which we are exposed to through our suppliers and investment portfolios (i.e. the physical risks of the underlying companies we are invested in). Other physical risk exposures can stem from either the administration of very limited in-force catastrophe exposures acquired through transactions, or through the running-off of the multi-year construction policies previously written by StarStone Insurance SE, a wholly-owned subsidiary of Enstar, with no new policies underwritten after 2020. Since we no longer underwrite live insurance contracts, this physical risk from catastrophe exposures or run-off construction policies is of minimal consequence.

Our operations may be impacted by physical risks affecting our offices, key supporting infrastructure and/or our outsourced service providers. The impact and likelihood of these risks is currently considered to be low, given our global presence and the Business Continuity Framework and procedures we have in place. This was confirmed in our most recent climate risk scenario analysis assessment conducted by a third party during 2023 (see Risk Management section for more detail).

## 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 to the underlying assets/companies caused by transitioning to a lower carbon-emitting economy. The impact could increase over time if part of the transition to a greener economy is associated with increased production costs. Certain sectors could be subject to significant impairments due to changing consumer demand, the repricing of assets and/or changing regulatory requirements.

Recent geo-political tensions in the Middle East, Ukraine and Southeast Asia have the potential to accelerate these risks through the need to diversify existing energy sources, including increased investment in energy derived from more sustainable sources.

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# STRATEGY

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## **Liability risks**

(Short to Medium-Term) include third-party exposures, such as claimants who have suffered climate change-related losses/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 can be 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 significantly from those assumed when the transaction was priced.

Many of our underlying portfolios contain lines of business that could potentially, 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 these industries to continue, and we may, in time, help to facilitate the orderly running down of these industries and their involvement within the financial services industry.

To assess the financial impact of climate-related risks and opportunities, we undertake periodic analysis to quantify the potential impact on both our assets and liabilities. Stress and scenario testing conducted in 2023 has indicated that the anticipated impact of physical, transition and liability risks on Enstar's portfolios is low. Details on the outcomes of this work are covered in the Risk Management section.

Enstar has a low appetite for physical risks and a medium appetite for liability and transition risks, as detailed within the Group's Risk Appetite Framework. Supporting ESG metrics covering investments, acquisition of liabilities, impact on reserves/concentrations and successful execution of climate-related projects are also tracked.

# RISK MANAGEMENT

Enstar has comprehensive risk management processes in place for identifying, assessing, managing and reporting on all material risk exposures, including climate-related risks. The Risk Appetite Framework, which forms an integral part of the overall ERM Framework, plays a key role in ensuring that climate-related risk exposures remain within the limits set by the EGL Board at a Group and subsidiary level. Quarterly reports, which include climate-related risk metrics and commentary, are compiled by the Risk function, and shared with Senior Management and the EGL Board, further embedding the effective management of these risks throughout the organisation.

The Risk function works closely with the business to identify sources of material risk and regularly provides challenge to ensure the robustness of ongoing climate risk management activities. For more information on Enstar's ERM Framework and key risk management processes, please refer to our ESG Report.

## 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 of insurance liabilities and the management of 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; and
- 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.**

## Assessing Climate Change Risks

Enstar assesses climate change risks primarily through risk assessments and comprehensive climate change scenario analysis conducted by a third party. As part of this analysis, existing and emerging regulatory requirements, as well as political, co-ordinated action plans related to climate change, form key inputs into the overall process.

The latest scenario analysis was conducted during 2023 and was used to evaluate the exposure to investment risks (from physical and transition risks), liability risks and, as part of an expanded scope for 2023, climate-related operational risk (from physical risks). These exposures, and the potential impacts to Enstar, are set out below.

## Climate-Related Investment Risk

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, four key scenarios were undertaken:

	LOWEST COMMON DENOMINATOR (CURRENT POLICIES)		GLOBAL COORDINATED ACTION (PARIS AGREEMENT)	INEVITABLE POLICY RESPONSE	CLIMATE EMERGENCY (NET ZERO BY 2050)
Variant	A	B			
<b>Description</b>	A "business as usual" outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socio-economic and technological trends do not shift markedly from historical patterns.		Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy.	A more ambitious version of the global coordinated action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of Negative Emissions Technologies at scale.
<b>Scenario Type</b>	Orderly/not met		Orderly/met	Disorderly/met	Orderly/met
<b>Temperature Rise</b>	RCP 7.0: ~4.0°C	RCP 8.5: ~4.5°C	~2.0°C	~2.0°C	~1.5°C
<b>Renewable Energy by 2050</b>	30-40%		65-70%	80-85%	80-85%
<b>Negative Emission Technologies Used?</b>	No		No	No	Yes
<b>Physical Risk Level</b>	High		Low – medium	Low – medium	Low
<b>Transition Risk Level</b>	Low		Low – medium	High	Medium

# RISK MANAGEMENT

The analysis was conducted at the asset class level, using the Group's portfolio asset allocations. Net Present Value (NPV) impacts were calculated and converted into percentage per annum impacts, based on the assumption that the impact each year will be equal and compound annually. For each of these scenarios, the portfolio impact has been estimated at less than 0.5% per annum over a 20-year time horizon.

The analysis concluded that the impact of transition and physical risks on Enstar's investment portfolio in any of the four climate scenario outcomes is reasonably low, with no immediate actions recommended to be taken as a result of the analysis. Enstar will continue to monitor its exposure to climate-related investment risks.

## Climate-Related Operational Risk

Our 2023 scenario analysis assessment included a focus on the exposure to, and potential impacts of, climate-related operational risk arising from our physical locations, including the cities where key Enstar offices are located and the cities that host data centres belonging to some of our largest third-party administrators (TPAs). The risk assessment was undertaken on a present-day basis and a 2050 climate scenario of SSP585/RCP 8.5<sup>1</sup>, which equates to warming of approximately 4.3 °C by the end of the century, relative to pre-industrial temperatures.

Details of the types of acute and chronic hazards assessed at each of the locations are outlined below:

Hazard-specific thresholds were used at each location to identify those hazards most likely to result in material risk, both in current and future (SSP585, 2050) climate conditions. The analysis concluded that under the high emissions scenario, climate-related operational risk is expected to increase across the Enstar office locations that were assessed. The largest average increase in risk scores, and therefore the hazards most likely to result in material risk, relate to drought, lightning and flooding. Whilst there is no requirement for immediate action to be taken within the locations assessed, Enstar will continue to periodically review its exposure to climate-related operational risk and consider appropriate and practical measures that could be undertaken.

	HAZARD	POTENTIAL IMPACT
CHRONIC HAZARDS	<b>Heat stress</b> High air temperature conditions that affect human comfort and energy demand.	Can lead to increased cooling requirements and a decrease in labour productivity.
	<b>Drought</b> Drier than normal conditions caused by a decline in total precipitation and increased evaporation.	Risk of increased energy costs or business interruption as a result of the challenges in generating electricity, or the requirement to increase cooling in the property.
ACUTE HAZARDS	<b>Heavy precipitation</b> Atmospheric conditions that influence riverine and flash floods.	As well as impacting employees, supply chains and critical infrastructure, all these acute hazards may compromise the structural integrity of buildings and lead to business interruption, e.g. damage to foundations, drainage systems and/or building contents.
	<b>Windstorm</b> Tropical storm and tropical cyclone, hailstorm, lightning, tornado.	
	<b>Wildfire &amp; fire weather index</b> Atmospheric conditions that increase the likelihood of wildfires.	
	<b>Flood</b> Coastal storm surges, riverine and flash floods.	

<sup>1</sup> SSP – Shared Socioeconomic Pathways; RCP – Representative Concentration Pathways (superseded by SSPs). These scenarios have been developed by the Intergovernmental Panel on climate change (IPCC).



# RISK MANAGEMENT

## Liability Risks

The liability risk assessments focus on the potential for societal, political and regulatory responses to lead to claims against our already-acquired liabilities. To determine our potential exposure in the lines of business that are considered to be most at risk of such impacts, two key scenarios were developed, based on the seven hypothetical legal cases used for the Climate Biennial Exploratory Scenarios guidance issued by the Prudential Regulation Authority in June 2021. The scenarios undertaken were:

1. Power plant claims<sup>2</sup>; and
2. Fossil fuels claims<sup>3</sup>.

The analysis concluded that Enstar's overall exposure to climate-related litigation risk under the two climate scenarios in these lines of business is low, and whilst there is no requirement for immediate action to be taken across these lines of business, Enstar will continue to periodically review its liability exposure to climate-related litigation.

## 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:

- Completing annual qualitative analysis to ensure the risk appetite statements align with the overall ESG strategy;
- Keeping abreast of regulations, to monitor any changes in climate risk initiatives and update our metrics/frameworks as appropriate;
- Continuing to develop risk analysis frameworks, to better capture and comprehend the risk universe relating to climate change and relevant metrics (for example our ESG Investment Framework and supporting risk metrics);
- Completing annual scenario analysis and stress testing (both regulatory and internal), reviewing the appropriateness of our risk metrics based on the outputs of these exercises and updating as appropriate;
- Monitoring external developments and repeating scenario analyses where necessary, based on changes in pathways and initiatives triggered by future global co-ordinated actions coupled with regulatory reaction/initiatives to these changes;
- Monitoring our internal loss experience and portfolio valuation volatility, with the objective of adapting risk tolerances to emerging trends;
- Continuing to enhance our M&A due diligence framework, to incorporate the likely impact of climate risk on new portfolios being acquired;
- Providing quarterly monitoring and updates to the EGL and subsidiary Boards, including any climate-related metric breaches and associated remediation plans; and
- Engaging with ESG data and ratings providers and evaluating our practices against their scoring methodologies, to identify potential opportunities to improve our material practices and disclosures.

<sup>2</sup> Example: A series of wildfires caused extensive damage to residential properties in a US state. Lawsuits were brought against plant operators and owners and municipal governments by consumers, and industries who sustained various damages arising from natural disasters. They allege, amongst other things, that GHG emissions from facilities owned, operated or controlled by the defendants had made 'causal contribution' to climate change, which resulted in the increased frequency and severity of natural disasters.

<sup>3</sup> Example: Thousands of climate change litigations have been brought in the US against large/medium-sized oil & gas and mining companies. Lawsuits were brought against oil and gas companies and municipal by consumers, and industries who sustained various damages arising from natural disasters. They allege, amongst other things, GHG emissions from the consumption of fossil fuel products manufactured, distributed and/or marketed by the defendants had made causal contributions to climate change, which resulted in the increased frequency and severity of natural disasters.

# METRICS & TARGETS

## Climate Change Risks

To enable the business to adhere to these appetite goals, calibrated metrics have also been approved for us to monitor against.

### INVESTMENTS

Our 2023 climate risk scenario analysis identified comparatively higher transition risk sectors on Enstar's investment portfolio. In 2022, Enstar's Investment Department established Enstar Group's ESG Investment Risk Framework, which helps us assess the ESG risks associated with different investment holdings. During 2023, efforts focused on cascading this framework across all key subsidiaries.

The framework relies on issuer-level factors such as ESG rating and Weighted Average Carbon Intensity (WACI) of an issuer. These metrics are monitored on a quarterly basis and are applicable at both Group and subsidiary level. The metrics use MSCI's ESG rating and GHG WACI metrics, and issuer-level data across Enstar's aggregate corporate bond and public equity portfolios. The metrics comprise 35% of our actively managed portfolio. The approach allows for a more accurate and particular assessment of ESG risk. The limits set up for these metrics have been provided to our asset managers, to enable ongoing monitoring and ensure alignment of our portfolios' ESG risk levels with the framework's limits. Exposures to identified higher risk sectors continue to be tracked. In making investment decisions, the Enstar Investments team considers ESG factors, the impact of which may vary across strategies, companies, sectors, geographies and asset classes, while focusing on maximising risk-adjusted investment returns.

Performance against the climate-relevant sector limits for our investment portfolio as at 31 December 2023 are outlined opposite:

METRICS	EGL	
<b>ESG Rating (Corporate Bonds only)</b>	Limit	BBB-
	Actual Rating	A

### GHG SCOPES 1-2 EMISSIONS INTENSITY

<b>Corporate Bonds</b>	Benchmark	Bloomberg Global Aggregate Corporate Index
	Limit	202 tonnes CO <sub>2</sub> e/ \$M sales
	Actual	188 tonnes CO <sub>2</sub> e/ \$M sales
<b>Public Equity</b>	Benchmark	MSCI ACWI Index
	Limit	125 tonnes CO <sub>2</sub> e/ \$M sales
	Actual	64 tonnes CO <sub>2</sub> e/ \$M sales
<b>Combined</b>	Limit	198 tonnes CO <sub>2</sub> e/ \$M sales
	Actual	181 tonnes CO <sub>2</sub> e/ \$M sales

### 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. This enables Enstar to ensure the price of the transaction reflects such exposures and concentrations. As part of the due diligence and independent risk reviews performed on potential new M&A transactions, we assess:

- 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.); and
- 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. General Casualty, Professional Indemnity/ Directors & Officers).

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

# METRICS & TARGETS

## Climate-Related Metrics – GHG Emissions

### METRICS COVERAGE

Calculating our carbon emissions and climate-related metrics is key for understanding and communicating our impact on the environment to stakeholders.

### METRICS

GHG emissions are broken down into three scopes. We have included Scopes 1, 2 and 3 emissions data in this reporting period as follows:

**Scope 1** covers direct GHG emissions from sources that are owned or controlled by Enstar Group, such as leased company vehicles.

**Scope 2** includes our indirect GHG emissions from purchased energy for electricity, heating, and cooling. We have stated our Scope 2 emissions using both the location and market-based methods, in line with the GHG Protocol Scope 2 Guidance.

**Scope 3** includes all the emissions that we are indirectly responsible for, both up and down our value chain. Scope 3 is broken down into fifteen categories by the GHG protocol, not all of which are applicable to Enstar. All categories that are relevant, bar our investment portfolio (Category 15), are included in this report.

This is our second year of reporting our Scope 1 and 2 emissions, and this year we are also reporting our Scope 3 emissions in all categories relevant for Enstar, bar Category 15 (investments). As the quality and quantity of emissions data relating to our investment portfolio improves, we expect to incorporate investment emissions into our Scope 3 reporting, extending the depth and breadth of our reporting in response to expanding regulation and in line with others in the market.

### METHODOLOGY

The methodology used to calculate our GHG emissions metrics is the GHG Protocol – A Corporate Accounting and Reporting Standard (Revised Edition)<sup>4</sup>, defined by the World Resources Institute/World Business Council for Sustainable Development.

Our carbon emissions have been calculated in conjunction with a third party, Ecometrica, using their Sustainability Reporting software solution. These calculations use the energy content and emission factors considered most relevant to each of our regions, based on information sourced from:

- CIBSE (2012). Energy Efficiency in Buildings, Guide F. The Chartered Institution of Building Services Engineers;
- CO2 emissiefactoren (2023). List of emission factors;
- Commonwealth of Australia (2022). National Greenhouse Account Factors (NGA) - Australian National Greenhouse Accounts;
- Department for Business, Energy and Industrial Strategy (2021). 2021 Government GHG Conversion Factors for Company Reporting;
- Department for Business, Energy and Industrial Strategy (2022). 2022 Government GHG Conversion Factors for Company Reporting;
- Department for Business, Energy and Industrial Strategy (2023). 2023 Government GHG Conversion Factors for Company Reporting;
- Deutsche Bahn (2023). 2022 Integrated Report;
- EC (2023). National Inventory Report. Greenhouse Gas Sources and Sinks in Canada: 1990 - 2021. Environment Canada;
- Ecometrica (2023). Ecometrica homeworking model 2023;
- EIA (2018). 2015 Commercial Buildings Energy Consumption Survey (CBECS);
- Energi Företagen (2023) Lokala miljävärden 2022. Sweden;
- EPA (2022). Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2020. United States Environmental Protection Agency;
- EPA (2023). GHG Emission Factors Hub. Center for Corporate Climate Leadership;
- EPA (2023). Emissions & Generation Resource Integrated Database (eGRID);
- EPA (2023). Supply Chain Greenhouse Gas Emission Factors v1.2 by NAICS-6;
- IPCC (2019). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on climate change. Cambridge University Press, Cambridge. (No refinement from 2006);

<sup>4</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

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## METRICS & TARGETS

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- SJ (2023). Train ticket prices;
- Swiss Confederation (2023). Switzerland's Greenhouse Gas Inventory 1990-2021 National Inventory Report. Federal Office for the Environment FOEN;
- United Nations (2023). UN Statistics Division - 2020 Energy Balance Visualizations; and
- United Nations (2023). UN Statistics Division - 2030 Energy Balance Visualizations.

Data collection, preparation and reporting is managed by Enstar Group's Central Operations Department. The prepared data is uploaded to Ecometrica's Sustainability Reporting software solution, where it is converted into tCO<sub>2</sub>e using Ecometrica's database of emission factors and assumptions.

Ecometrica advised on the most appropriate methodologies to use, based on the available activity data and best fit emission factors. The team also checked input data, emission factors and calculations to ensure data integrity.

Our emissions data covers global operations for which we have operational control and is reported on a calendar year basis, from 1 January to 31 December.

Enstar's total reported Scope 1, Scope 2 and Scope 3 (non-investment) emissions were 14,308 tCO<sub>2</sub>e during 2023. Operationally our emissions were down on the prior year, with a 0.7% decrease in our Scope 1 and 2 emissions and a decrease of 2.3% in our operational emissions intensity. However, some of our Scope 3 emissions rose compared to the previous year, notably Business Travel, as our business returns to pre-Covid levels of travel and more of the firm's management meetings take place in person. This means that our overall reported emissions have risen year on year.

# METRICS & TARGETS

A summary of our GHG emissions across Scopes 1, 2 and 3 is provided in the table below\*.

	UNIT	2023	2022
<b>GHG EMISSIONS SOURCES</b>			
Scope 1 Direct Emissions <sup>5,6</sup>	CO <sub>2</sub> e tonnes	6.36	8.85
Scope 2 Indirect Emissions – Market-Based <sup>7</sup>	CO <sub>2</sub> e tonnes	561.90	558.05
Scope 2 Indirect Emissions – Location-Based <sup>8</sup>	CO <sub>2</sub> e tonnes	495.73	496.91
<b>Total GHG Emissions (Scope 1 &amp; 2)<sup>9</sup></b>	<b>CO<sub>2</sub>e tonnes</b>	<b>502.09</b>	<b>505.77</b>
Scope 3 Other Indirect Emissions <sup>10</sup>	CO <sub>2</sub> e tonnes	13,806.15	11,407.41
Scope 3: Category 1 – Purchased Goods and Services	CO <sub>2</sub> e tonnes	11,285.83	9,656.76
Scope 3: Category 3 – Fuel and Energy-Related Activities (not in Scope 1 & 2)	CO <sub>2</sub> e tonnes	77.76	84.84
Scope 3: Category 5 – Waste Generated in Operations	CO <sub>2</sub> e tonnes	0.45	0.49
Scope 3: Category 6 – Business Travel	CO <sub>2</sub> e tonnes	1,649.23	823.20
Scope 3: Category 7 – Employee Commuting	CO <sub>2</sub> e tonnes	659.30	644.28
Scope 3: Category 13 – Downstream Leased Assets	CO <sub>2</sub> e tonnes	133.58	197.84
<b>Total GHG Emissions (Scopes 1, 2 &amp; 3)<sup>11</sup></b>	<b>CO<sub>2</sub>e tonnes</b>	<b>14,308.24</b>	<b>11,913.18</b>
<b>ENERGY</b>			
Total Energy Consumption (Scopes 1 & 2) <sup>12</sup>	MwH Total	1,369.15	1,438.85
<b>BUSINESS TRAVEL</b>			
Distance Travelled <sup>13</sup>	Millions km	6.49	3.89
<b>INTENSITY METRICS<sup>14,15</sup></b>			
Operational GHG Emissions per FTE <sup>16</sup>	CO <sub>2</sub> e tonnes / FTE	0.62	0.64
Business Travel Emissions per FTE	CO <sub>2</sub> e tonnes / FTE	2.05	1.04

\*Totals may not sum due to rounding.

**Our carbon footprint data is reported for the annual period to 31 December of each year.**

<sup>5</sup> Scope 1 Direct Emissions include those from leased company vehicles and natural gas consumption.

<sup>6</sup> Scope 1 does not include fugitive emissions relating to leaks of greenhouse gases, from air-conditioning units for example. This is due to the unavailability of actual data for the provision of top-up gases and maintenance engineer reports for the reporting years. In the majority of our office locations, space is leased in a shared building, or we rent a serviced office space, so maintenance of central systems is managed by the building owner or manager.

<sup>7</sup> Scope 2 emissions have been calculated using both location and market-based methods. For market-based electricity reporting, no market-based instruments have been applied to Enstar Group's electricity consumption. Country-level residual mix factors have been applied to locations that have a valid residual mix factor available. For those locations without valid residual mix factors, we have applied location-based grid electricity factors to derive a result in line with the Scope 2 market-based methodology.

<sup>8</sup> The location-based method reflects the average emissions intensity of the electricity grid on which energy consumption occurs (using mostly grid-average emissions factor data).

<sup>9</sup> Total GHG Emissions (Scopes 1 and 2) includes location-based emissions for Scope 2.

<sup>10</sup> Scope 3 emissions include the GHG emissions associated with our value chain. Categories 1, 3, 5, 6, 7, 13 and 15 were identified as relevant to Enstar. Data for Category 15 (investments) will be included as data quality and methodologies in this area continue to evolve.

<sup>11</sup> Total GHG Emissions (Scopes 1, 2 and 3) includes location-based emissions for Scope 2.

<sup>12</sup> Where electricity consumption data has not been available, this has been estimated based on the amount spent and the average price per kWh of electricity during the reporting period. Where the amount spent was not available either, the electricity consumption has been estimated based on the floor area and the typical electricity consumption per square metre per year according to the BBP 2021.

<sup>13</sup> This excludes employee commuting and leased vehicles.

<sup>14</sup> To give context to our operational GHG emissions and enable comparison of Enstar's carbon efficiency with firms in our industry, our absolute emissions have been normalised using FTE as the denominator.

<sup>15</sup> FTE is the total number of employees, including permanent and temporary personnel, measured as at 31 December of each year.

<sup>16</sup> Includes Scope 1 and Scope 2 location-based emissions.



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# METRICS & TARGETS

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This is the first year we have been able to measure and report our non-investment Scope 3 CO<sub>2</sub> emissions. This has enabled us to gain a better understanding of the environmental impact of our broader activities, particularly across our supply chain.

We are committed to continue improving data collection processes, calculation methodologies and data quality for our current reporting boundary, and in doing so we will seek to reduce our reliance on estimates over time. As we address challenges relating to data quality and availability, we will look to incorporate the emissions associated with our investment portfolio into our Scope 3 calculations. We will also move towards the independent assurance of our carbon footprint data, as our reporting continues to evolve.

## INITIATIVES TO REDUCE GHG EMISSIONS

We have continued to rationalise our global office portfolio in 2023. This included a small number of office closures and/or lease terminations, along with some downsizing of office spaces.

We have also continued to undertake a range of practical measures to reduce energy consumption and recycle and/or reduce waste:

- Implementation of measures to reduce standby power consumption for power banks and office audio-visual equipment, including turning off all lights and HVAC (heating, ventilation and air conditioning) equipment in our offices whenever feasible, such as over weekends, Bank Holidays, and for an extended period during the Christmas holiday season;
- Our continued participation in a scheme to measure the impact of optimising the use of lighting, heating and cooling during office hours in our London office;
- Adoption of motion-sensitive lighting where practicable in our offices;
- Removal of all individual bins from UK office floors, with designated rubbish and recycling areas created;
- Replacing plastic cartons with glass bottles for office refreshments;
- Undertaking a baseline review of our supply chain, enabling us to identify and engage with key suppliers on sustainability issues; and
- We will seek to support the sustainability of future office decommissioning by partnering with a third party where possible to resell, recycle and/or convert surplus assets for charitable donation.

## CLIMATE-RELATED TARGETS

As a result of the work we have undertaken in recent years to baseline and expand our GHG emissions reporting, and our ongoing work to gain a better understanding of the emissions relating to our investment portfolio, we expect that we will be in a position to set GHG emissions reduction targets during 2024.

We will aim to set shorter and longer-term emissions reduction targets as required, in line with regulatory and market expectations. We will also ensure that our reduction targets are aligned with a credible plan for their delivery.



## **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.

