ASPEN SPECIALTY INSURANCE COMPANY

2024 - GOVERNANCE

Aspen Specialty Insurance Company, a North Dakota domiciled Insurer, ("ASIC") is an insurance operating subsidiary within the larger group holding company system Aspen Insurance Holdings Limited, a Bermuda exempted company ("AIHL," "Aspen or "Aspen Group"). The Board of Directors ("Board") of AIHL is ultimately responsible for overseeing the companies in the Aspen Group. As described below, Aspen's governance of climate-related risks and opportunities (and other sustainability matters) occurs at the group level and is implemented in a consistent manner by individual entitles across the Aspen Group, including ASIC, supplemented as required in local jurisdictions to satisfy applicable laws and regulations.

ASIC is one of the principal operating subsidiaries in Aspen's U.S. sub-group, which Is comprised of Aspen U.S. Holdings, Inc. ("AUSH"), ASIC and Aspen American Insurance Company, a Texas domiciled Insurer ("AAIC") (collectively referred to as "AIUS"). ASIC is a wholly owned subsidiary of AAIC, which is a wholly owned subsidiary of AUSH. AUSH is a wholly owned subsidiary of Aspen (UK) Holdings Limited, a U.K. corporation ("AUKH"), which is a wholly owned subsidiary of AIHL.

In 2019, AIHL's publicly traded common shares were acquired by Highlands Bermuda Holdco, Ltd. (formerly known as Highlands Holdings, Ltd.), a Bermuda exempted company ("Highlands"). Although AIHL's common shares are no longer traded on the New York Stock Exchange ("NYSE"), its preference and depositary shares continue to be listed (NYSE: AHL PRC, AHL PRD and AHL PRE), and as of June 28, 2019, AIHL became a foreign private issuer under U.S. securities laws.

All of the ordinary shares of Highlands are, directly or indirectly, owned by certain investment funds managed by affiliates of Apollo Global Management, Inc., a Delaware corporation ("AGM"). Although AGM and its founders are considered to be the ultimate controlling persons of ASIC, organized under the laws of North Dakota, the process of risk identification, assessment, monitoring, prioritization and reporting all occur at the Aspen Group and legal entity level. Aspen governs and manages climate-related risks and opportunities in accordance with the principles set out in its group-wide corporate governance and risk-management frameworks, which are implemented in a consistent manner by individual entitles across the Aspen Group, including ASIC.

The AIHL Board is the supervisory body of AIHL and the Aspen Group and is responsible for oversight of Aspen's integrated enterprise-wide "Group Risk Appetite Framework." The Board approved Aspen Group Risk Appetite Framework defines the corporate risk appetite ("Group Risk Appetite"), risk strategy and policies in place to monitor, manage and mitigate the numerous risks inherent in Aspen's business, including a category of Emerging Risks. Emerging Risks include climate change and other newly identified, developing, or changing risks that have the potential to adversely impact Aspen. The AIHL Board maintains a Risk Committee to, among other things, assist the Board with its oversight responsibilities, including with respect to climate risk. AIHL's Risk Committee operates primarily at the AIHL level, alongside other standing committees of the AIHL Board. Decisions made by the AIHL Board, and its committees, are at the AIHL level, but such decisions and other guidance issued at the AIHL Board level may influence ASIC's operations by the establishment of Aspen Group-required policies, standards, processes or best practices, which are generally required to be followed by all entitles within the Aspen Group, subject to any local legal or regulatory requirements.

The Aspen Group applies a defined set of governance standards to each operating entity in the group, including ASIC. Consistent with these standards, ASIC's Board of Directors is responsible for setting its own annual business plan and business strategy, risk appetite and related limits, within the context of the Group Risk Appetite Framework and the overall Aspen Group current business plan and strategy. Annually, the AIHL Board approves a Group Risk Appetite Statement and monitors adherence to it each quarter through its Risk Committee. The AIHL Board also articulates the Group's Risk Appetite through its approval of an Aspen Group annual business plan. To manage risk consistent with the Group Risk Appetite Statement and annual business plan, ASIC'S Board also annually adopts a Risk Appetite Statement, which becomes the central component of US's approach to managing risk within ASIC. The Risk Appetite Statement is comprised of numerous components, including risk preferences {i.e., risks to assume/avoid) and key risk limits (i.e., measurable criteria, providing the primary control for managing accumulated risk exposure).

The Aspen Group's Chief Executive Officer ("CEO") is responsible to ensure that business operations are conducted in a manner consistent with the Group Risk Appetite Statement and maintains an executive committee (the "Group Executive Committee" or "ExCo"), comprised of the global heads of key functions and other key business leads to advise and assist the CEO in the execution of his responsibilities. The role of the Group ExCo and its standing committees is to (i) make proposals, through the CEO and other senior management presenters, to the AIHL Board and its standing committees relating to the strategy and conduct of the business of the Aspen Group and, (ii) within the strategy and business plans approved by the AIHL Board, determine how the operations of the Aspen Group should be conducted and provide oversight of their effectiveness. The Group ExCo maintains a number of standing committees, which provide more granular oversight of different areas of the business and whose responsibilities are set forth in terms of reference.

- One such committee is the *Sustainability Committee which supports the Group Executive Committee and its standing sub-committees and oversees the design, strategy, coordination and management of the sustainability* *practices of Aspen, including, but not limited to, environmental, social and governance ("ESG") matters,* such as climate risk considerations*, and the integration thereof within the Group's business functions. In 2023 Aspen appointed a Vice President of Environmental, Social and Corporate Governance, responsible for coordinating Aspen's ESG activities.*

Alongside the Group Executive Committee, the CEO maintains a Disclosure Committee, which assists the CEO and the AIHL Board in meeting the Aspen Group's SEC compliance obligations, which would include oversight of any Aspen Group-related disclosures, regulatory returns or other information required to be made available by AIHL to the public under the listing regime to which it is subject. Such considerations are addressed through documented disclosure procedures and controls. In turn, the business, led by the ExCo and the ExCo's standing committees, implements the Group Risk Appetite Framework via its business plans, risk governance documentation (i.e., policies), and the implementation of appropriate risk controls. In AIUS, ASIC's executive management team is responsible for conducting business in accordance with ASIC's own Board-approved risk appetite statement and annual business plan, and that risk is aggregated, monitored and managed in accordance with the Aspen Group's Risk Appetite Framework. While Aspen does not have a formal climate change policy, Aspen management at the Aspen Group level and within AIUS identify, assess and monitor climate-related risks through an Emerging Risk framework. There is ongoing dialogue internally and with key business stakeholders, including through Aspen's Emerging Risk process in order to understand and assess the potential impacts of climate-related risks on Aspen's business.

Aspen Group employs Risk Management Solutions' (RMS') climate change impact modeling in its catastrophe and capital modeling for U.S. wind exposures. In addition, Aspen Group continues to embed awareness and quantification of climate-related risks in our underwriting, pricing and actuarial practices. ASIC's Risk Appetite Statement does not currently include specific preferences and limits for climate change. However, AIUS's strategy does include risk limits set by region and peril for exposure to losses arising from natural catastrophes, which limits are continually assessed and potentially modified based in part on a deeper understanding of the impacts of climate change. As Aspen continues to enhance its capacity to identify, assess and quantify the effects of climate-related risks, it expects to further enhance its existing framework, including developing appropriate risk response plans for those climate issues that have a greater probability of materializing and/or having a significant impact.

On a quarterly basis, the U.S. Chief Risk Officer ("CRO") provides to ASIC's Board, and the Group CRO provides to the AIHL Board and Risk Committee, comprehensive risk reports that cover all aspects of the risk landscape, including climate-related emerging risks if relevant and material during the quarter to which the reports relate. The CROs with their risk management teams prepare the CRO

Reports, with input from internal stakeholders, as relevant. The quarterly CRO Reports are important mechanisms through which the AIUS and Group Boards monitor and set goals for managing ASIC's climate-related risks as they arise.

Additionally on a quarterly basis, the Group CBDO provides to the AIHL Board an update on sustainability matters impacting the Aspen Group, as coordinated by the Vice President of ESG and managed through members of Aspen's Sustainability Committee and their teams.

Our corporate governance disclosures are In AIHL's NAIC 2024 Corporate Governance Annual Disclosure on behalf of ASIC and AAIC ("2024 CGAD") and in ASIC's 2023 U.S. Own Risk and Solvency Assessment Summary Report ('2023 ORSA"). In addition, Aspen's Environmental Social and Governance Report for 2024 ("ESG Report") provides comprehensive disclosure of Aspen's climate-related governance, achievements and goals. Aspen also includes disclosure of climate-related risk in AIHL's Annual Report on Form 20-f for the year ended December 31, 2023, filed with the U.S. SEC, AIHL's 2023 Financial Condition Report filed with the BMA.

2024 – STRATEGY

Climate-Related Risks:
As a property and casualty (re)insurer, climate-related risks are of particular relevance to Aspen's business, and therefore, a risk management priority. We note that Aspen does not formally define the timeframes associated with "short," "medium" or "long-term" outlooks, however, in general, Aspen considers "short-term" to refer to the timeframe addressed in the current business plan (generally 1-year), "medium-term" to refer to the next 2-10 years out and "long-term" to refer to 10 years or more in the future.

Financial risks from climate change arise through two primary channels, or "risk factors": physical and transition, which may give rise to, for example, increased underwriting, reserving, credit, or market risk. Physical risks relate to specific weather events (e.g., floods, wildfires, hurricanes) and longer-term shifts in the climate (e.g., changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures) impacting frequency, severity or volatility of property and casualty insurance loss experience. There is widespread consensus in the scientific community that there is a long-term upward trend in global air and sea temperatures which is likely to increase the severity and frequency of severe weather events over the coming decades. Rising sea levels are also expected to add to the risks associated with coastal flooding in many geographical areas.

Large scale climate change could also increase both the frequency and severity of natural catastrophes. Global climate change could impair Aspen's ability to predict the costs associated with future weather events. For example, a single catastrophic event could affect multiple geographic zones in unprecedented ways, or the frequency or severity of such events could exceed our estimates, driving loss costs higher than we could have predicted.

In addition to physical risks, Aspen is also exposed to transition risks associated with its lines of business and investment portfolio. Transition risks arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations. Relevant examples are rapid technological change, such as the development of electric vehicles or renewable energy technology, affecting the value of financial assets in these sectors; and companies in the wider economy that fail to mitigate, adapt, or disclose the financial risks from climate change being exposed to climate-related litigation, potentially leading to higher liability claims. In addition, the transition to a less polluting, greener economy could impact the value of our investments in impacted sectors, or demand for insurance in our casualty classes or energy exposed lines.

We continually monitor developments in risk management, underwriting, litigation trends, and relevant legislation to understand and assess any potential impacts on our business; and as needed, revise relevant governance policies and frameworks, as well as underwriting and investment guidelines.

In addition to the direct impacts described above, Aspen is exposed to indirect impacts of climate change. Most notable is the potential reputational risks of engaging in business that may be associated with contributing to climate change or environmental damage.

Climate Related Opportunities:
Aspen has devoted considerable resources to developing a preliminary understanding and response to the climate-related risks that are presently known and adequately understood, while also staying apprised of future risks so that it can take action when needed. As described more fully in Aspen's Sustainability Report, while this work is ongoing, Aspen has already achieved a number of important accomplishments that will serve to advance its short, medium and long-term goals to address climate-related issues.

- Designing practical, hybrid working practices, thereby reducing commuting impacts, office waste and energy use and spurring the adoption of efficient and cleaner technology improvements in offices.
- Shrinking the square footage of office space globally.
- Adopting updated waste reduction and recycling programs, resulting in a reduction in spend on office consumption.
- Reducing use and purchase of high-energy consuming office hardware (e.g., printers, copiers) and adopting a formal process to recycle and donate used and redundant equipment, which ensures that Aspen has the structure in place to continue to minimize its corporate operational carbon footprint over

the long-term.

In addition, Aspen is a co-founder of Blue Marble Microinsurance, an Insurtech joint venture with a mission to provide socially impactful, and commercially viable, microinsurance protection for underserved communities, with a focus on, amongst other issues, climate protection. During 2023, Aspen helped bridge the protection gap to reach 300K beneficiaries (up 200% from prior year), and expand its programs to operate across 8 countries (up 60% from prior year).

Consistent with Aspen's stated vision to create a sustainable underwriting framework by, in part, leading the conversation in the insurance industry on how underwriting can enhance the global transition to a sustainable future, Aspen has and will continue to engage with key constituencies on climate Issues. Aspen continues to evolve its underwriting strategies by engaging with underwriting teams to assess and plan for known climate-related exposures and with clients to collaborate and assist with solutions that encourage transition to a new energy landscape, while considering the implications to all stakeholders. Aspen also engages with its clients and suppliers to give consideration to their values and governance on climate-related issues, which will serve to further reduce Aspen's embedded climate-related exposure.

Aspen is invested in research initiatives on natural hazards and climate change, including in-house research and development efforts and support for third-party research projects. In-house research is typically conducted by Aspen's Risk and Catastrophe Management teams and includes consideration of climate change and variability in catastrophe modeling.

As well as funding projects Aspen considers beneficial for the environment, it has actively reduced investment exposure to Arctic oil and gas, shale energy and oil sands with Group exposure below our benchmark, while investment in heavy carbon emitters is minimal.

Additionally during 2023, Aspen became a signatory of the United Nations Principles for Responsible Investment (UNPRI) and made a $55m investment to energy transition funding, demonstrating its commitment to creating a more sustainable world though responsible business practices.

Aspen continues to review its investment policies and practices to find ways to address climate-related risks and opportunities. In 2024 Aspen has made meaningful progress on formally integrating environmental considerations into its investment decisions and to expand the tools it uses to assess climate-related risk in the investment portfolio, including for example, climate scenario analyses. By conducting scenario analyses on the group investment portfolio, Aspen expects to enhance its understanding of the impact of financial risks from climate change and to be able to assess the resilience of its investment portfolio to a range of outcomes.

Reflecting the fast pace of change in Aspen's understanding of climate-related risks, Aspen's approach to identifying risk and opportunities is dynamic and ever-evolving as such risks crystallize in the future and the effects from such risks are more clearly understood and defined and capable of being quantified or better estimated. Aspen's deeper understanding of climate-related risks will continue to shape its ability to identify additional short, medium and long-term opportunities in line with its values and sustainability principles.

2024 – RISK MANAGEMENT

As discussed in response to Question 1, AIUS' approach to identifying, assessing and managing climate-related risks at ASIC is correlated to Aspen's broader enterprise-wide risk management and governance frameworks. In addition, as outlined in response to Question 2, Aspen has made significant progress in identifying and, acting upon when appropriate, a number of climate-related risks and opportunities.

As discussed below in response to this question, Aspen's management of underwriting and investment decisions is already informed by available information and developments on the impacts of climate change. Looking forward, with a strong governance system in place, Aspen's vision as stated in the ESG Report is to further "align" sustainable underwriting principles with its corporate ethos of protecting and positively impacting the environment and global communities. Building on its efforts to date, Aspen will continue to manage climate-related risks by (i) using and developing technology to evaluate itself and its brokers and distribution partners; (ii) aligning with industry standards and recognized sustainability initiatives; and (iii) engaging in transition planning and collaboration with internal and external stakeholders on future strategies to address climate-related risks. Developments in underwriting, litigation trends, and relevant legislation are continually monitored by internal stakeholders and processes and reported up to the AIHL Board, in order to ensure a holistic understanding and assessment of any potential impacts on our business.

Aspen's Group Risk Universe and Taxonomy has been expanded to include Climate Risk (the risk that the financial impacts of climate change negatively affect the business) and ESG Risk (the risk that environmental, social or governance characteristics negatively impact the business) to provide a focal point for the identification and assessment of these risks, and to reflect the Group's growing focus in these areas. By incorporating these risks, Aspen is better positioned to anticipate future challenges and underscores the Group's growing commitment to addressing these critical areas.

In 2023, we engaged KPMG to perform an assessment of Aspen's readiness for compliance with applicable global climate and ESG regulations. KPMG analyzed eighteen in-scope ESG specific regulations and provided a deep-dive against three core climate related regulations.

KPMG noted that Aspen has broadly established a market-consistent approach to governance and risk management by incorporating climate considerations at a Board and senior management level and defined the roles and responsibilities of senior management and identified gaps to be prioritized in the short-term to meet the requirements, and longer-term opportunities that can align Aspen to the strategic intent of the regulations.

In 2024, Aspen is addressing existing gaps related to climate and ESG regulations that were identified during the KPMG's assessment. To assist in this activity, we will engage external consultants to facilitate a risks and opportunities workshop for a diverse group of participants from across Aspen's three lines of defense. The objective of this workshop is to develop a high-level plan based on identified risks and opportunities, mitigate exposure to the most significant risks, and outline necessary measures for managing current risks while monitoring the transition.

Managing Climate-Risk in the Underwriting Portfolio

ASIC has historically managed its exposure to climate-related risks through a number of industry-standard approaches, including geographic diversification and limits, individual policy limits, exclusions or limitations from coverage, and expansion of supportive collateralized capacity. Since most property (re)insurance contracts have a duration of one year, ASIC has the ability to respond to evolving loss trends by adjusting the pricing of natural catastrophe risks. Aspen will give due consideration to clients who undertake loss mitigation efforts to react to possible climate change events, such as increased flood limits and/or pricing reductions for insureds with flood walls, levee protection or other loss mitigation measures. Aspen also evaluates policyholder exposures and will provide recommendations when warranted to attempt to reduce losses that may result from natural catastrophe events.

In addition, Aspen purchases reinsurance protection through a variety of products, including proportional reinsurance (via collateralized worldwide ACM catastrophe reinsurance arrangements), excess of loss reinsurance, facultative reinsurance, and aggregate covers (including cat bond), from traditional rated, collateralized, and capital markets partners. Catastrophe protection can be purchased on an indemnity, or an Index linked basis and can cover both natural and man-made catastrophes. We expect the type and level of coverage that we purchase will vary over time, reflecting our view of the changing dynamics of the underlying exposure and the reinsurance markets.
In the past, Aspen typically has not conducted scenario analysis beyond a one-year time horizon and such analysis has not been focused specifically on climate-related risk. In 2023, Aspen expanded its current suite of stress and scenario testing to include climate change scenario analysis. Scenario analysis represents a further development of Aspen's approach to climate risk management, allowing Aspen to enhance its understanding of the impact of financial risks from climate change and assess the resilience of the business model to a range of outcomes. The results of this exercise are used to inform future management actions related to climate change, including underwriting strategy and asset allocation for example.

Aspen is also undertaking two quantitative studies of how climate change can affect underwriting outcomes, especially for North Atlantic WS (NA WS). These are done using RMS's climate-conditioned models. The first study looks at the long-term impact of climate change on NA WS, based on the PRA CBES Scenarios over 10 and 30 years, and the possible impacts on capital. The second study is focused on possible climate impacts on NA WS losses over the next three years based on the RCP 6.0 scenario, versus our standard modelling view, as an input to planning, pricing and exposure management. This short-to-medium-term view will be updated on an annual basis and will facilitate management's ability to adjust exposures to match changes in capital and risk appetites due to climate change.

To manage indirect risks from climate change, most notably reputational risk, Aspen is proactively undertaking a wide-ranging review of its underwriting and investment portfolios and business operations, with a view to setting strategies and policies around environmentally and socially responsible business practices that align with Aspen's principles and values. In addition, Aspen assesses on an ongoing basis its reliance on tools and systems to augment its assessment of climate risks, such as the use of scoring tools and rating cards.

Managing Climate-Risk in the Investment Portfolio

With respect to investments, Aspen's group investment strategy is focused on delivering stable investment income and total return through all market cycles while maintaining appropriate portfolio liquidity and credit quality to meet the requirements of customers, rating agencies and regulators. This includes thoughtfully and tactically adjusting the portfolio duration and asset allocation based on Aspen's views of interest rates, credit spreads and markets for different assets as well as taking appropriate decisions to enhance investment returns where possible.

While Aspen's investment policies do not specifically address climate change, to date, Aspen has actively reduced its investment exposure to Arctic oil and gas, shale energy and oil sands, with Group exposure below benchmark, and its investment in heavy carbon emitters is minimal. Aspen also reviews investment exposure to risks across environmental, social and governance parameters. In addition, Aspen monitors the impact from regulatory mandates to cut carbon emissions within the energy sector and the effects, if any, on current and future valuations of certain energy assets.

In line with its sustainability goals, Aspen continues to review its investment policies and practices to find ways to address climate-related risks and opportunities. In 2023, Aspen has taken steps to formally integrate environmental considerations into its investment policies and decisions and to expand the tools it will use to assess climate-related risk in the investment portfolio, including for example, climate scenario analyses. By conducting scenario analyses on the group investment portfolio, Aspen expects to enhance its understanding of the impact of financial risks from climate change.

2024 – METRICS & TARGETS

In terms of Aspen's corporate operational footprint, we have measured our 2023 Scopes 1, 2, and 3 GHG emissions aligned to the GHG Protocol Corporate Accounting and Reporting Standard as follows:

Aspen's Recorded GHG Emissions 2022 vs 2023 (Location-based)	Unit	2022	2023	Variation 2023/2022
Scope 1 Direct Emissions: Natural gas & refrigerants	tCO2e	207	379	83%
Scope 2 Indirect Emissions: Electricity & steam	tCO2e	1,024	409	-60%
Scope 3 Indirect Emissions* (Please see Scope 3 Emissions Breakdown by Category)	tCO2e	2,785	26,878	865%
Total (Location-based)	tCO2e	4,016	27,666	589%

Aspen's Recorded GHG Emissions 2022 vs 2023 (Market-based)	Unit	2022	2023	Variation 2023/2022
Scope 1	tCO2e	207	379	83%
Scope 2	tCO2e	1,273	301	-76%
Scope 3*	tCO2e	3,007	26,878	794%
Total (Market-based)	tCO2e	4,487	27,558	514%

During 2023, we improved our measurement of greenhouse gas (GHG) emissions by:

- Strengthening our data integrity by performing facility manager surveys across Aspen's office locations to obtain direct energy consumption disclosures for Aspen's Scopes 1 & 2 emissions reporting. This has enabled us to more accurately measure benefits from offices which have successfully transitioned away from natural gas towards renewable energy sources.
- Expanding the breadth of measurement, disclosure, and accountability to include indirect emissions from Aspen's Scope 3 Category 1: Purchased Goods & Services, presenting an opportunity to reduce through supplier engagement and more stringent data collection.

Our approach to managing our environmental impact centers on four key focus points:

- Reducing our GHG emissions through the development of a carbon reduction plan which implements initiatives including the efficient energy management of our global facilities
- Compensating for a significant portion of our unavoidable emissions annually, as we reduce these emissions year-on-year
- Funding only rigorously-audited and verified carbon offset programs to compensate for these emissions
- Using this funding to also mobilize tracked improvements in global nature and biodiversity

For more details on Aspen's GHG emissions, carbon reduction, offsetting and biodiversity efforts, refer to Aspen's 2023 Sustainability Report.

Aspen does not currently identify specific targets to manage climate risk in its business and is at the early stages of considering models that explicitly include climate risk. Aspen has made substantial investments to develop proprietary analytic and modeling capabilities to facilitate its underwriting, risk management, capital modeling and allocation, and risk assessments relating to the risks it assumes. Aspen also uses vendor models where available and, where appropriate, Aspen uses its proprietary model in combination with vendor models. Aspen has primarily used catastrophe modeling to evaluate its short-term, annual risk to inform its pricing decisions and accumulation of (re)insurance exposures In line with its business plans. Catastrophe models rely on historical event data to inform expected patterns of events, in terms of frequency and severity. While climate change is generally not explicitly captured in Aspen's modeling, it is implicitly captured where a climate signal (i.e.: observed or forecast signal associated with climate change) is present within the historical event data; however, natural variability, limited historical data or other factors make it difficult to assess how much climate change contributes to the model output.

Aspen, along with the (re)insurance industry, has been engaged in the process of assessing how best to incorporate climate change in its view and modeling of risk. To support the industry's ability to evaluate climate-risk, catastrophe model vendors have begun to release "climate-conditioned" modeling with a range of approaches. As Aspen continues to evaluate these models and their alignment with Aspen's view of risk, it has taken a number of other actions to account for climate-related perils in modeling output and underwriting strategy. Aspen's Catastrophe Risk Management team developed a climate-change physical risk framework, which provides a structure through which to consider climate risk in its current modeling and underwriting actions. Aspen also adjusts its default model for certain wildfire risk to take into account the recent rise of severity and frequency of such events, and Aspen's catastrophe models already explicitly account for rising sea levels.