

STRATEGIC REPORT (CONTINUED)**PRINCIPAL RISKS AND UNCERTAINTIES** *(continued)***Credit Risk**

The major sources of credit risk, arises from the risk of default by one or more of the Syndicate's reinsurers or from one or more of the Syndicate's investment counterparties. The Syndicate operates a rigorous policy for the rating and selection of reinsurers and managing the quantum of exposure ceded to any one reinsurer. The Syndicate only uses reinsurers approved by the Travelers Group's Reinsurance Security Committee. There is also the risk of failure of an investment counterparty. The Syndicate has a conservative appetite to credit risk from investment counterparties and maintains a high quality investment portfolio with an average credit quality of AA+. The TSM Finance Committee monitors and manages TSM's exposure to credit risk.

Market Risk

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the TSM Finance Committee.

Operational Risk

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. The TSM Executive Risk Committee oversees this risk type.

The pandemic has forced a change in the way we operate. The vast majority of staff and the market have worked remotely for the majority of the year. The business continuity plans and procedures we have in place worked well and there was no material impact on the way we carried out business or on our internal processes and controls. The Lloyd's market electronic placing capabilities also played a major role in being able to continue transacting business.

Regulatory Risk

Regulatory risk comprises of the failure to comply with relevant regulations and laws. This risk is overseen by the TSM Executive Risk Committee.

Conduct Risk

Conduct risk is the risk that the Syndicate will fail to pay due regard to the interest of its customers or will fail to treat them fairly at all times. Conduct risk exposures are monitored through the TSM Executive Risk Committee.

POST BALANCE SHEET EVENTS

Subsequent to the year end, in June 2021 the Company issued 23.2m ordinary £1 shares to its shareholder in return for a capital injection of £23.2m. The Company also returned £16.0m fixed income securities which had been deposited by an affiliate group undertaking.

ENERGY AND CONSUMPTION

For the year ended 31 December 2020 the Company used the following quantity of emissions of carbon dioxide equivalent and consumed the following amount of energy in the United Kingdom:

	Carbon Dioxide emissions (Tonnes)	Energy Consumed (KWHs)
Combustion of gas	6.5	35,132
Consumption of fuel	4.2	16,901
Purchase of electricity	55.9	239,652
Total	66.6	291,685

The Company is reporting no energy efficiency actions this year. It is the Company's intention to compile and report on actions in future years. During the year energy efficiency has benefitted hugely from the closure of the offices and the lack of business travel for over nine months of the year.

The carbon dioxide emissions and energy consumption from the activities of the Company were calculated based on the Greenhouse Gas ("GHG") Protocol. The conversion factors used are those from the UK government for 2020.

The intensity ratio is calculated based on gross written premiums and is 5.4 tonnes carbon dioxide equivalent for every £10.0m of gross written premiums.

SECTION 172 STATEMENT

The Directors, individually and collectively, have considered the requirements of Section 172 of the Companies Act to perform their duties in good faith and in a way most likely to promote the success of the Company for the benefit of its shareholder having regard to the stakeholders and matters set out in S172 (a) (a-f) of Companies Act 2006. The paragraphs below set out how the Directors fulfil their duties under the Section 172 requirements:

Consequences of any decision in the long term

The Company has a business plan with a five-year horizon setting out the financial and capital implications of strategic and other business decisions. The Board considers this plan annually. This plan ensures that over the plan horizon the regulatory capital coverage will be above the minimum regulatory capital target and this is an important factor in the Board approving this plan.

The Board of Travelers Syndicate Management Limited has established an Enterprise Risk Management framework through which major risks to which the wholly aligned Travelers Syndicate, and thus this Company, is exposed are identified and to ensure the means are in place for to monitor and manage these risks. Further, the Board of Travelers Syndicate Management, and thus indirectly the Board of this Company, consider and approve annually an Own Risk and Solvency Assessment for the Syndicate, one purpose of which is to assess, in a continuous and prospective way, the overall solvency needs related to the specific risk profile of the Syndicate, and again indirectly this Company.