

Directors' Report

Corporate governance

During 2023, our corporate governance structure and system of governance remained stable. There were no material changes to the framework which remains fit for purpose in delivering the strategic aims of the Company while providing a mechanism for the Board, and the independent non-executive directors to oversee and challenge the executive management team.

Effective for the year ended 31 December 2023 the Company has continued to follow the Wates Corporate Governance Principles for Large private Companies ('the Principles'), and the Board applied the following principles to demonstrate effective governance:

Principle 1: Purpose and Leadership

Our complex risk and distribution solutions make us indispensable to clients. They value our fair customer-focused culture in underwriting and claims.

We are a global primary marine, energy and specialty insurer. An integral strategic part of the Global Marine Partnership community within the Munich Re Group.

We are recognised as a business and innovation leading entity with a strong voice within the MR Group. Our role is to contribute to the Global Specialty Insurance offering of Munich Re by delivering further growth with a strong underlying combined ratio. We are guided by the goals of Munich Re's Ambition 2025, while keeping in mind for targets beyond this timeframe.

Our strategy emphasizes a product led focus supported by a talented workforce. However, sustained success requires a strong foundation in enduring principles. Our organizational culture, focused on empowerment and collaboration, serves as this foundation. We aim to unite our global team under a culture of authenticity and collective celebration, driving our pursuit of excellence.

The Culture Cornerstones (#BePresent, #BeBold, #BeCurious) will serve as the foundation for future culture activities:

#BePresent:

- Encourage to give your full self in interactions with others.
- Create an environment where everybody can comfortably express themselves.
- Collaborate and celebrate as one.

#BeBold:

- Embrace courage and stand resilient in the face of adversity.
- Leave a footprint you are proud of.
- Cherish empowerment and take ownership of your work.

#BeCurious:

- Encouraged to adopt a learning mindset and have an open mind.
- Embrace diversity.
- Be Inquisitive.
- Step outside your comfort zone and collaborate.

Principle 2: Board composition

The MRS� board ('Board of Management') and its board committees comprise both independent non-executive directors and executive directors. There are documented Terms of Reference for the MRS� board, each board and Management Committee, which sets out the specific areas of responsibilities, authority and parameters of operations, e.g., frequency of meetings, composition of committee and quorum. An annual assessment of the effectiveness of each of the governance bodies is carried out with recommendations for improvement documented.

MRS� places great emphasis on ensuring that its board reflects diversity and inclusion in the broadest sense and recognises the benefits of this. A combination of culture, race, demographics, skills, experience, age, gender, sexual orientation, personality, educational and professional background and other relevant attributes can result in:

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- Access to a broader range of markets
- Innovative solutions to problems
- Effective challenge to debilitating pressures such as “Group Think”
- Improved business performance MRSL is committed to avoiding “tokenism” in this approach.

Board appointments are only made following the selection process approved by the Nomination Committee, upon merit, taking into account the specific knowledge, skills, independence and experience required to ensure that the MRSL board is well-rounded and each member can bring a range of diverse benefits to the board composition. Any recommendations made for appointments must be explicitly justified with the concept of healthy board diversity and inclusion being encouraged and actively managed by the Nomination Committee. The Nomination Committee, with support from Human Resources, will co-ordinate the monitoring of board diversity, effectiveness and inclusion on an annual basis to ensure that the intent of this policy is adhered to. The Chair of the MRSL board will explicitly justify any decision made not to approve of the Nomination Committee's recommendations.

Only one MRCL board meeting was held during the year on 28 March 2023. Attendees at the board meeting were the directors, T E Artmann, D J R Hoare, J C Wilkinson (Chair and CEO) and attending as guests were G K Hill (CFO of MRSL) and A Howard (MRSF Finance Controller). The Board usually only meet once a year to consider the annual report and accounts unless an ad-hoc board meeting is required. All relevant information is provided to the Board at this meeting. The integrity of information provided to the Board ensured as the papers are prepared by the experts in the business and reviewed both internally and by our external auditors.

MRCL complies with Munich Re Code of Conduct as this applies to all Munich Re Group entities.

On an annual basis, all employees are required to confirm they had read the conflict of interest policy and attest. Employees must disclose any potential or actual conflicts of interest including any directorships or shareholdings they have. Compliance then review all disclosures and we hold a register that Compliance only have access to. Any changes following the attestation, employees are required to advise us throughout the year not just on the annual attestation. In addition to this, for new starters pre employment, HR send a copy of the policy and attestation form. All forms are sent to Compliance to log on the register and any that have potential or actual conflicts we review and provide our comments back to HR.

Principle 3: Director responsibilities

The Board of Management is responsible for managing the Company, in particular for setting the Company's objectives and determining strategy. It is bound to act in the Company's best interests. It should take account of the interests of shareholders, employees, and other stakeholders of Munich Re, with the objective of sustainable value creation. The Board of Management is responsible for effecting adequate risk management and risk control. It must ensure that statutory requirements and internal Company rules are observed and works to ensure compliance by MRSL and their staff members.

The work of the Board of Management, in particular the allocation of responsibilities among the individual Board members, matters reserved for the full Board of Management, and the majority required to pass resolutions, is regulated by rules of procedure issued by the Supervisory Board. The full Board of Management decides on all matters that, either by law, or according to the Articles of Association or rules of procedure, require a resolution of the Board of Management. In particular, it is responsible for matters requiring the approval of the Supervisory Board, for items which have to be submitted to the Annual General Meeting, for tasks which constitute management functions or are of exceptional importance, and for significant personnel measures. Meetings of the Board of Management take place as required, but generally at least once a month, and are presided over by the Chair of the Board of Management. The adoption of a resolution requires the majority of votes cast; in the event of a tie, the Chair has the casting vote. The members of the Board of Management cooperate closely for the benefit of the Company. On an ongoing basis, they inform each other about all important business transactions.

Three Board of Management committees ensure efficient work by the Board of Management: the Group Committee, the Reinsurance Committee, and the Strategy Committee. The MRCL directors' update their skills and knowledge through attendance at relevant internal and market seminars, committees, fora and training activities.

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Principle 4: Opportunity and risk

On behalf of the Board, the director of Risk & Compliance, with support from the Risk Management function, has ownership of the Risk Management Framework (RMF) including ORSA, and is responsible for the oversight and coordination of risk activities across MRSG. The Risk Management Policy sets out the purpose, mission, scope, roles and responsibilities of the Risk Management function.

A strong risk management framework and process is in place that benefits from the full involvement of senior management and the Board, to monitor, assess and challenge or approve risk and capital impacts.

The MRCL board and ExCo receive regular updates on portfolio performance and trends against plan and risk appetite from the CUO and the Underwriting and Claims Committee.

The Group constantly reviews business opportunities across the world and the Group's management has positioned the organisation so that it is well placed to take advantage of these opportunities within the maritime and specialist insurance markets.

Principle 5: Remuneration

It is important for the structure of the remuneration system to be straightforward and clear so that the shareholders, other stakeholders and the general public can understand the principles on which remuneration of Board of Management members is based.

Munich Re's business strategy is geared to profitable growth and successful positioning among our competitors. With its strategically relevant performance indicators that can be influenced by the Board in its annual and multi-year bonuses, the Board remuneration system promotes achievement of the business strategy and the sustained, long-term appreciation in the Company's value. At the same time, in accordance with sound and effective risk management, members of the Board of Management are discouraged from taking excessive risks in an endeavour to achieve higher bonuses. The overall aim is to ensure that the remuneration system better aligns the interests of the shareholders with those of the Board members.

Another important aspect is the consistency of the Board of Management's remuneration system with that of other management to guarantee that all decision-makers pursue the same objectives.

MRS L's remuneration committee ('RemCo') members are: M C Hewett (Chair of RemCo), R I White, K A Morris, T E Artmann and J Turner (Head of HR) who manage the meetings. The committee operates with clearly defined terms of reference. There are plan rules to determine the IFRS Bonus and Delayed Bonus Incentive Scheme ('DBIP') bonus payments. Other policies include, MRS L Remuneration Policy which was last updated and approved in July 2023, and is reviewed annually. Relevant data and market conditions are regularly reported to the RemCo to facilitate informed decision-making and approval.

Principle 6: Stakeholder relationships and engagement

MRSG is committed to driving a strong customer-focused culture, where we aim to achieve positive customer outcomes. This commitment is enshrined in our 'Customer Promise' in which we undertake to (in summary):

- develop and provide appropriate products for our customers, with features, pricing and services that are fair and easy to understand;
- deal with our customers in a principled and dependable way, communicating openly, honestly and clearly;
- prioritise delivering reliable post-sale services and expect our products to respond to customers' reasonable expectations at the point of claim; and
- in the event of a complaint, we seek to resolve complaints fairly and to learn from them.

We recognise that the culture of our business influences our behaviours and contributes to the experience of our customers. Therefore, delivering our Customer Promise is central to the culture of our business and is a strategic imperative.

We also recognise that our business has an impact on society and the environment. Two of the eleven ESG framework areas are dedicated to community impact and environmental impact. We seek to invest in the communities in which we serve and belong to, and minimise the impact of our direct operations on the environment.