Task Force on Climate-Related Financial Disclosures (TCFD) 2021

Beazley is a member of Climatewise, and has disclosed against the Climatewise principles for a number of years. These principles are in line with the recommended disclosures of TCFD. Climate change is a significant challenge, and we believe that by encouraging disclosure and knowledge sharing we can support both the transition to net zero and encourage a collaborative effort to combating climate change.

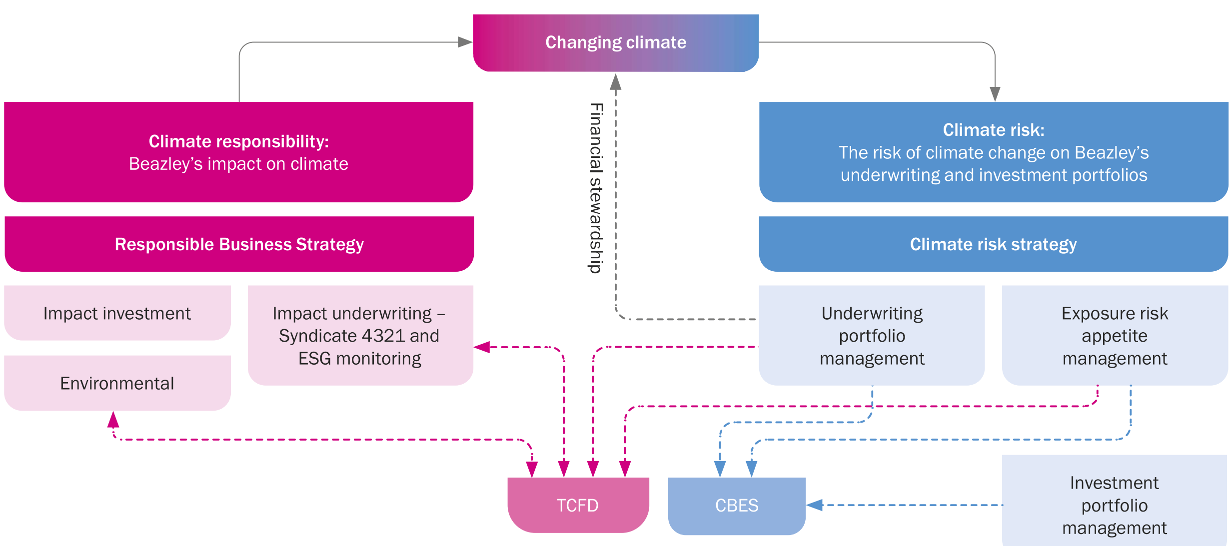
Governance

Governance is key to providing a firm base from which analysis of climate related risk can be developed. Led by Beazley's plc Board and supported by the Boards of Beazley Furlonge Ltd, Beazley Insurance Dac, and Beazley Insurance Company Inc, climate related risk has become a regular agenda item throughout 2021.

In March 2021, we launched our first Responsible Business Strategy. This document, and the subsequent update which is being published alongside the annual report and accounts, sets out the goals and targets across a wider range of ESG issues, including climate change. The strategy was approved by the Board and Executive Committee, with plans contained within feeding into our business strategy and objectives. To scrutinise the delivery of the Responsible Business Strategy, in 2021 we also created the Responsible Business Steering Group (RBSG), which is chaired by the Chief Executive Officer and attended by the CRO and CUO, as well as key representatives from across the business. On a quarterly basis, Directors from across the Beazley Boards including Non-Executive Directors of Beazley plc are also in attendance.

The RBSG meets on a monthly basis to recieve updates from the technical leads on progress against the objectives within the strategy. The RBSG, has therefore, complete oversight over all responsible business matters, and acts as a forum for discussion and debate on ESG issues. The RBSG provides recommendations for courses of action to the Underwriting Committee or Executive Committee.

Beazley climate change framework



TCFD 2021 *continued*

Through these channels, the Board receive updates on at least a quarterly basis on progress on the goals and targets set within our Responsible Business Strategy and are aware of the climate related risks and opportunities which are emerging. Updates to the Board from the RBSG are provided within the CEO's Board report.

To aid the delivery of the climate related issues for Beazley, we have delineated them into two parts – climate related risk, and climate responsibility.

Climate related risk

This is considered to the financial risk arising from climate change, with a focus on how we understand the impact of both the physical and transitional aspects of climate change within our underwriting and investment portfolios.

Climate responsibility

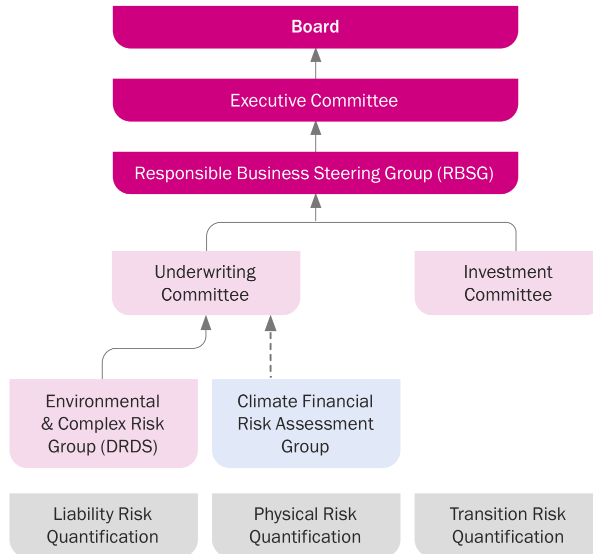
These are the actions we take as a business to reduce our impact on the environment, and can be broken down along the delineations of ESG, with collaborative efforts across the business working to reduce our carbon emissions, environmental impact as well as supporting through charity and community efforts, causes which help to protect and reduce the impact of climate change.

To ensure the Board and sub committees have the knowledge to challenge the progress of our climate related work, across the last year we have delivered several detailed Board training sessions, led by respected third parties on climate related risks and forthcoming regulatory requirements, as well as providing insight into comparison of Beazley to its peers. These sessions allowed opportunities for the Board to explore deeper elements of climate risk work and provided them with the opportunity for the Board to understand how climate related risk feeds into our business operations and strategy going forward.

At a management level, the work undertaken in 2021 to assess and manage climate related risks and opportunities, has been driven by the PRA's Climate Biannual Exploratory Scenario (CBES) stress test. This has been led by the Risk team, with input from relevant disciplines across the business.

At key stages through this process, the findings of scenario analysis have been presented to the Executive Committee and Underwriting Committee to clearly set out the impact of climate related risk on our business. The role of these committees has been to challenge the results and ensure an appropriate plan is put in place to ensure the outputs both in terms of risk mitigation, as well as the realisation of opportunities are developed over the coming years.

The interaction between the committees and the governance of our approach is as follows:



Strategy and scenario analysis

As a specialist insurer, naturally, a number of the classes of business we underwrite are vulnerable to the impact climate change brings to the risk environment. The implications of climate change for Beazley's business performance can be divided into three categories: physical risks, transition risks, or liability risks.

To help quantify, the impact of of climate change, we must consider the time horizons, over which climate-related issues may occur. We consider short term to be a timespan of up to a year, medium term to be a timespan of between 1-5 years, and long term to be a timespan of 5 years and beyond. These timeframes have been set out as part of our risk management approach.

We are already seeing the financial impacts of climate change. From a physical perspective, whether this be increased wildfires or the increasing severity of secondary perils such as increased rainfall. In the medium to longer term we expect these trends to continue, as the chronic effects of climate change began to be felt.

The rate of the transition will also play a significant role in the financial impact of climate change, and will be predominately felt in the investments we make, through a shift in asset values. These can be derisked, to a degree, through the decarbonisation of our investment portfolio. This element of climate related financial risk is considered to be within the short and medium term.

Recent high profile legal cases highlight the very immediate time horizon for the financial impact of climate related liability risks to be felt in the short and medium term, especially when it comes to claims for issues such as greenwashing. In the long term, the financial impact of litigation will be closely linked to the rate of the transition.

Determining risks and opportunities

We have used a combination of qualitative and quantitative methods to help determine the risk and opportunities arising from climate-related impacts. Key to our latest quantitative work, was the undertaking of our CBES return. Although, the results of cannot yet be disclosed, the outputs are already being used to guide our strategy going forward. To support the findings of CBES, we are also undertaking further complimentary quantiative work which is helping to drive our understanding of the climate-realted impacts, particularly at individual asset and policy level.

From the qualitative perspective, we have worked with underwriters to obtain narrative on how climate related risks would impact on their book of business. The benefits of this approach are twofold. Firstly, it has enabled us to further raise awareness of the climate related risks, arising particularly from the transition. Secondly, it has also allowed us to begin to consider how we can begin to approach the opportunities arising from climate-related risk.

Underwriting

The risk and opportunities identified to date from an underwriting perspective differ by sector and product type. For example, many of our property insurance products are at risk of the change in physical impacts of climate change, whereas our Directors and Officers (D & O) liability cover is facing exposure from transitionary risks such as litigation or reputational risk. Across many of our products e.g. energy, aviation, and marine, our insureds are also at risk from stranded assets as technology and the use of low carbon alternatives start become more common. To date, many of the opportunities have been around the need for our insureds to understand the climate change data and thus the impact of in more detail. We have set outside objectives to explore how some of these opportunities could translate into additional products and services for our clients.

Investments

From an investment perspective, the agile nature of our portfolio means we are at a low risk from climate change, however, that doesn't stop us having the ability to use our influence to support businesses we invest in, in their response to climate change, as well as the wider variety of ESG issues.

Early in 2021, Beazley publicised its Responsible Business Investment Policy, with the purpose of being more transparent with respect to companies we invest in, or may wish to invest in in the future. The policy outlines our intention to help incorporate ESG issues into our investment analysis and decision-making process. A key part of this policy is using carbon intensity data to help prioritise investments which will help accelerate the transition to decarbonisation. At the beginning of 2021, we measured the carbon intensity of our insureds and will use the data to determine the impact of their activities on climate change through their carbon emissions, and help us set targets. We have reported this figure within this report as well as the complementary Responsible Business Report.

Our business strategy

The delivery of matters to address climate change, is therefore, reflected within our overall business strategy, through several elements. These are:

- Responsible Business Strategy;
- Annual Risk Review; and
- Individual underwriting focus Group business plans, which combine to create both Beazley's short term and long term strategic plan.

The combination of these plans form the long term strategic vision for Beazley, with the annual risk review and individual underwriting focus Group business plans setting out our approach across the short term, which we classify as one year. Our strategic approach is informed by good financial planning through the consideration of climate-related risk as part of our pricing and planning as well as exposure and capital management processes. For example the impact of climate related issues on the expected cost of natural catastrophes over the next year is considered as part of the catastrophe modelled that feed these processes. The processes consider the risk and opportunities for each business. Due to the short nature of business plans, we expect these to adapt over time as we continue to work to understand the risks and opportunities which climate-related risks present.

The Responsible Business Strategy sets out more of our medium term vision for three years, providing clear direction of travel on all ESG matters including climate change. Within our strategy we want to ensure our business is resilient against any impact climate change brings to our lines of business, employees and communities, however, we're also actively searching and creating opportunities too. A core ambition of the Responsible Business strategy is contributing to a more sustainable world. With this, we aim to support our clients and partners as they transition to a decarbonised future and continue supporting communities impacted by climate change related to natural catastrophes. We believe we have a responsibility to our shareholders to ensure that we make informed and progressive underwriting and investment decisions, that contribute to a more sustainable world for all.

As set out in the Responsible Business Report, we have committed to significantly reducing our normalised scope 1,2 and 3 greenhouse gas emissions by 50% by 2023, when compared to our 2019 baseline. This reduction is to be achieved predominetly through behaviour change and the reduction of greenhouse gases arising from our business travel. This reduction target will support our objective to set science based targets by the end of 2022. Alongside this, we have also committed to aligning our investment portfolio with a well below 1.5 degree celcius pathway, helping us to support the transition towards net zero. We are also involved in a number of industry projects focusing on developing an appropriate tool by which we can begin to measure the transition from an underwriting perspective. This work will continue in 2022.

TCFD 2021 *continued*

Risk management

Beazley's risk management framework, embedded across the business, includes climate change risk.

The framework delivers the following:

- enables Beazley to determine the risk management strategy, objectives, risk culture and risk language;
- identifies risk categories and risk events and sets risk appetite to help achieve its vision and ambition;
- allocates responsibilities for each risk event to a risk owner who is a senior member of staff, usually a member of the Board;
- establishes the relevant overseeing committee for the reporting of risk and escalation of risk related issues;
- establishes the process of identifying areas of heightened risk, new and emerging risk and removing risk events that are no longer relevant; and
- introduces a common risk language across the Group.

As detailed on page 65, central to the risk framework is the risk register, providing details of the risk, and summarising the appraisal and appetite for the risk. The categories of risk we have defined have either a direct or indirect climate related risk associated with them, whether that be from an physical, transitional or liability perspective.

Climate change risk

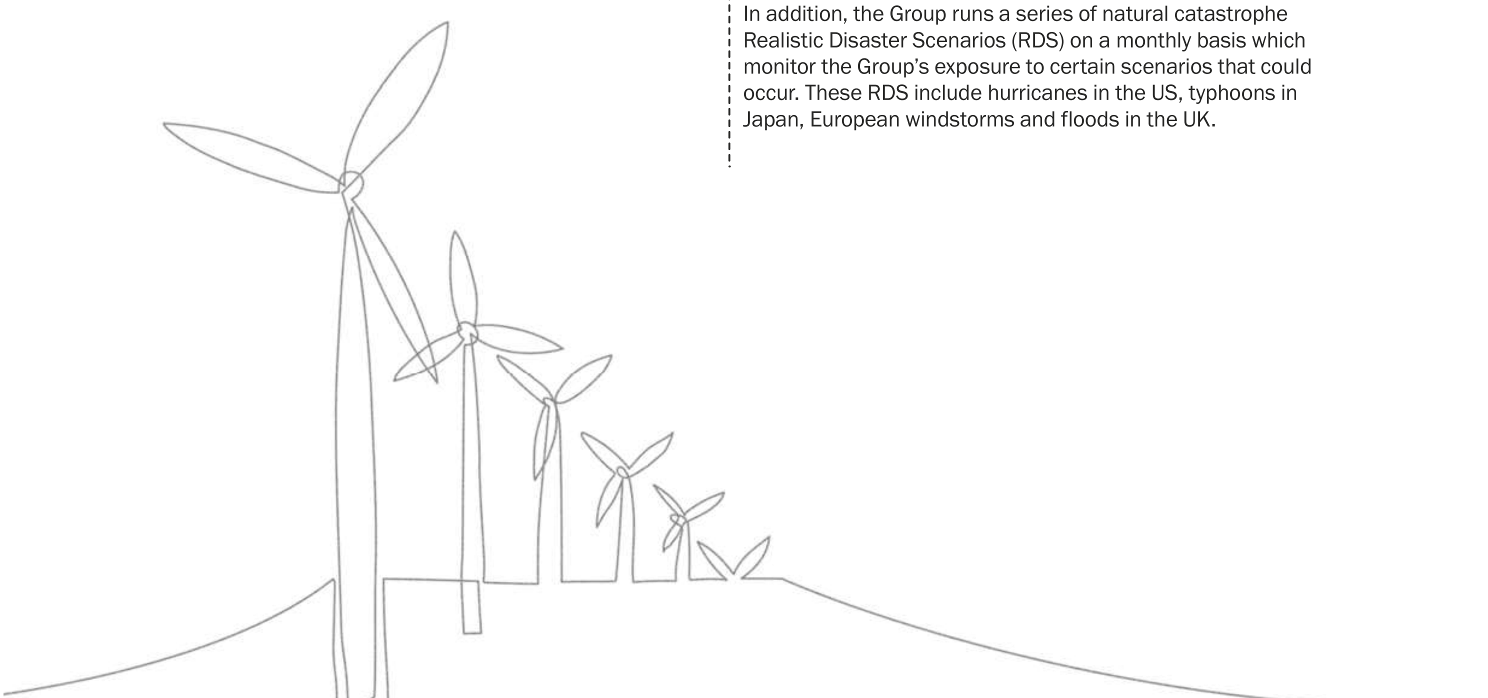
The changing global climate is recognised as an important emerging risk due to its widespread potential impact on the global population, environment and economy. A key aspect of Beazley's business model is to support our clients who have been affected by natural catastrophes, helping them return to pre-catastrophe conditions as soon as possible. As a specialist insurer, various classes of business we underwrite are subject to the effect climate change presents to the risk environment.

As part of the underwriting process, we work with our insureds to understand the risks facing their organisations, including applicable climate-related risks and to tailor insurance coverages to mitigate the associated financial risks.

We acknowledge and accept that over time climate change could impact the risks facing our insureds and we aim to manage the resulting risk to Beazley as described below:

Pricing risk: This is the risk that current pricing levels do not adequately consider the prospective impact of climate change, resulting in systemic underpricing of climate-exposed risks. The Group's business planning process establishes how much exposure in certain classes of business or geographic area we wish to accept. We benefit from a feedback loop between our claims and underwriting teams to ensure that emerging claims trends and themes can be contemplated in the business planning process, the rating tools and the underwriter's risk-by-risk transactional level considerations. Our underwriters are empowered to think about climate risk during their underwriting process in order to determine the implication on each risk.

Catastrophe risk: This is the risk that current models do not adequately capture the impact of climate change on the frequency, severity or nature of natural catastrophes or other extreme weather events (e.g. wildfires) that could drive higher-than-expected insured losses. The Group utilises commercial catastrophe models to facilitate the estimation of aggregate exposures based on the Group's underwriting portfolio. These catastrophe models are updated to reflect the latest scientific perspectives. Catastrophe models are evolving to include new or secondary perils which may be related to climate change. In addition, the Group runs a series of natural catastrophe Realistic Disaster Scenarios (RDS) on a monthly basis which monitor the Group's exposure to certain scenarios that could occur. These RDS include hurricanes in the US, typhoons in Japan, European windstorms and floods in the UK.



Reserve risk: This is the risk that established reserves are not sufficient to reflect the ultimate impact climate change may have on paid losses. This includes unanticipated liability risk losses arising from our clients facing litigation if they are held to be responsible for contributing to climate change, or for failing to act properly to respond to the various impacts of climate change. With support from our Group actuarial team, claims teams and other members of management the Group establishes financial provisions for our ultimate claims liabilities. The Group maintains a consistent approach to reserving to help mitigate the uncertainty within the reserves estimation process.

Asset risk: This is the risk that climate change has a significant impact across a number of industries which may negatively impact the value of investments in those companies. The Group considers the impact of climate change on its asset portfolio by seeking to incorporate an assessment of environmental risks in the investment process. We subscribe to the research services of a specialist company in the field of environmental, social and governance research and have integrated their proprietary ratings into the internal credit process applied to investments in corporate debt securities. A minimum standard for environmental, social and governance performance is defined and companies not meeting the required standard will be excluded from the approved list of issuers. The analysis also includes consideration of the sustainability of each company with regard to the potential decline in demand in specific sectors.

External event risk: This is the risk that the physical impact of climate-related events has a material impact on our own people, processes and systems, leading to increased operating costs or the inability to deliver uninterrupted client service. The Group has business continuity plans in place to minimise the risk of an interrupted client service in the event of a disaster.

Commercial management risk: The Group aims to minimise where possible the environmental impact of our business activities and those that arise from the occupation of our office spaces. As we operate in leased office spaces our ability to direct environmental impacts is limited. However, we do choose office space with climate change mitigation in mind, and engage with our employees, vendors and customers in an effort to reduce overall waste and our environmental footprint.

Credit risk: As a result of material natural catastrophe events, there is a risk that our reinsurance counterparties are unable to pay reinsurance balances due to Beazley. If the frequency or severity of these events is increased due to climate change this could cause a corresponding increase in credit risk. An important consideration when placing our reinsurance programme is evaluation of our counterparty risk. Every potential reinsurer is evaluated through a detailed benchmarking, which considers financial strength ratings, capital metrics, performance metrics and other considerations.

Regulatory and legal risk: Regulators, investors and other stakeholders are becoming increasingly interested in companies' responses to climate change. Failure to appropriately engage with these stakeholders and provide transparent information may result in the risk of reputational damage or increased scrutiny. The Group regularly monitors the regulatory landscape to ensure that we can adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk.

Liquidity and capital risk: Linked to the underwriting and credit risks noted above, there is a risk that losses resulting from unprecedented natural disasters or extreme weather could erode our ability to pay claims and remain solvent. The Group establishes capital at a 1:200 level based on the prevailing business plan.

Beazley runs Realistic Disaster Scenarios (RDS), with natural catastrophe and cyber being run on a monthly basis, in order to determine the impact of different risks. This modelling process is overseen by the Exposure Management Team, who have developed a Complex and Emerging Underwriting Risks Protocol. This sets out the activity in place to review the potential/complex/or emerging risks relating to underwriting and there are circa 60 deterministic realistic disaster scenarios (D-RDS) used to monitor the most significant. A recent focus has been on testing and stressing assumptions. Following this a series of activities has been initiated to embed good practices, ensuring that the risk landscape is frequently reviewed using claims trends, early flag, and external expert input.

These include:

- challenging and stretching of risk assumptions that are documented and articulated to the relevant oversight committee;
- regular review of all D-RDS;
- external expert intelligence and challenge;
- consideration of Reserving Peer review trend analysis and observations; and
- test potential application of different policy wordings.

These scenarios are either modelled, using data drawn from third party modelling partners, or non-modelled, where experts across Beazley collaborate to determine the impact. An example of our approach to non-modelled risks is our approach to wildfires, an increasing event due to the impacts of climate change. The modelling takes into account the impact of sector, geography and business segment, in order to determine Beazley's exposure. In turn this helps to drive decision making across the business.

Beazley is currently enhancing the number of scenarios its runs to ensure we further understand the financial impact of climate related risk on the business.

On a bi-annual basis, the risk team reviews Beazley's risk assessment. These assessments are a collaborative effort with all the business functions, and are an opportunity to identify emerging risk, review existing risks, and provide appropriate mitigation measures to reduce/manage the risk. This assessment is inward looking and primarily concentrates on operational processes, whilst helping to encourage open dialogue with risk owners. This assessment is where Beazley's own response to climate change is noted, with the appropriate action to deliver improvements detailed.

TCFD 2021 *continued*

On an annual basis, Beazley's risk appetite is reviewed and is informed by outputs from the RDS, capital model, and credit risk, as well as having input from the trading teams. This helps guide the trading teams for the following year, before being reviewed against the capacity available. This appetite is agreed and set by the Board, before being tracked by the exposure management team on a monthly basis, who flag up to the business where we are close to the limits the business has set. The capacity is obviously impacted by the number of physical weather events which occur throughout the year, therefore, the impact of climate change is considered and felt within this risk appetite.

Beazley uses risk profiles to take a deeper look at particular areas of the business. These are undertaken on a quarterly basis and subject matters include reviewing trading areas, or the impact of any emerging trends. These profiles are undertaken to provide additional assurance across the business.

The exposure management team has the responsibility for developing approaches to monitor the aggregation of exposure to natural catastrophes. Part of this work involves assessing the latest views on climate change and reporting to the business on the impacts this could have to the insurance portfolios. The exposure management team reports into the Chief Risk Officer, who in turn provides regular updates to the Board on these matters. The Head of Capital also provides an update, using modelled and non-modelled information to help determine the impact of climate change on the business.

This has been included in annual Board sessions for the last two years. An example of this is the internal modelling the capital team undertook to determine the impact of wildfires, which are becoming increasingly prevalent as a result of climate change. We also set out a view on the more material hurricane risk as part of this process.

Metrics and targets: Defining and embedding

The objectives set out within our Responsible Business Report, are used to drive forward progress in both climate responsibility and climate related risk. Beyond the quantitative data reported as part of our CBES return, we have set out a number of qualitative actions by which to drive forward the climate related risk aspect of our work.

These include:

- creating a Beazley Climate Risk Centre for Excellence to share knowledge on climate related risk across the organisation;
- through collaboration across the business further develop our understanding of risk and identify the opportunities which may present themselves to deliver improvement;
- develop additional climate scenarios to enable us to further understand different aspect of the climate transition, particularly in respect to liability risk;
- deliver external education on the needs and benefits of smooth managed transition, working with insureds to determine the impact of climate change on their business;
- participate in industry initiatives which are investigating the best approach by which to measure the transition to net zero; and
- ensure continued progression against the TCFD guidelines.

From a climate responsibility, the main metrics by which we measure our progress is through the assessment of our greenhouse gas emissions, as well as our energy use. In summary these are as follows:

	2019	2020	2021
Scope 1	21.08	16.50	8.14
Scope 2	1,420.08	1,173.26	905.87
Scope 3	6,927.39	1,663.14	791.69
Total tCO_2e	8,368.55	2,852.90	1,705.70
Total tCO_2e/Fte	5.98	2.01	0.93

As set out within our strategy, we have set challenging targets, with a 30% reduction in carbon emission set for 2021, against a 2019 baseline. For subsequent years this goes to a 40% reduction in 2022, and a 50% reduction in 2023.

From an energy perspective, we monitor energy consumption within our office locations, where possible. Consumption is as below, with the contribution from renewables also ascertained.

	2019	2020	2021
Electricity consumption from offices	3,876,695.6	3,072,481.6	2,615,520.0
% from renewable sources	–	50.2%	64.1%

Our Greenhouse gas emissions (GHG) are calculated in accordance with the GHG Protocol. Full details of our approach can be found on our website, with emissions being verified by an independent third party in line with ISO14064.

Compliance with TCFD requirements

Beazley has included on pages 35 to 41 in the Strategic Report and various notes within our Financial Statements on page 130 to 136, climate-related financial disclosures consistent with the TCFD's Recommendations and Recommended Disclosures, with the exception of the following:

Strategy 2a: Organisations should describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Beazley is currently working to complete a mapping exercise to demonstrate how specific climate related issues impact on the business, across each time horizon, for each line of business. This work is being informed by a combination of qualitative research and quantitative modelling at an asset level. This work will be completed in 2022, and Beazley expect it will add real value to the business to be able to disclose not just the risks, but also the opportunities arising on a sector by sector basis. At the point of disclosure, it was considered that the work currently in progress is not sufficiently completed to meet the requirement of the disclosure recommendation.

Strategy 2b: The organisations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time.

Organisations should describe the impact of climate-related issues on their financial performance (e.g. revenues, costs) and financial position (e.g. assets, liabilities). If climate-related scenarios were used to inform the organisation's strategy and financial planning, such scenarios should be described.

Beazley's responses to it are still developing, it is not possible to consider all possible future outcomes when determining asset and liability valuations, and timing of future cash flows, as these are not yet known. Nevertheless, the current management view is that reasonably possible changes arising from climate risks would not have a material impact on asset and liability valuations at the year-end date.

The scenario analysis Beazley undertook in 2021, and thus the calculating of financial performance was part of our CBES submission to the PRA. We are unable to publish the results of the modelling undertaken, until the PRA communicate their findings. Our TCFD disclosures are to be updated on an annual basis, therefore, we will be able to set out our progress as part of our 2023 TCFD disclosure.

Strategy 2c: Organisations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks.

The scenario analysis Beazley undertook in 2021, and thus the calculating of financial performance was part of our CBES submission to the PRA. We are unable to publish the results of the modelling undertaken, until the PRA communicate their findings. Our TCFD disclosures are to be updated on an annual basis, therefore, we will be able to set out our progress as part of our 2023 TCFD disclosure.

Metrics and Targets 4a: Organisations should disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Beazley is currently working to develop an appropriate tranche of data metrics by which to monitor climate-related risks. As part of this development, Beazley are participating in a number of industry groups which are working to develop an appropriate methodology to appraise the transition from an underwriting perspective.

These metrics will compliment the reporting of our GHG emissions. Our Scope 1 and Scope 2 emissions have been defined in accordance with the GHG protocol, and data quality is sufficient to enable accurate GHG emissions to be calculated. Our Scope 3 emissions are currently limited to the elements of our supply chain where there is sufficient data to enable GHG emissions to be accurately reported. Significant resources are being deployed to further improve the quality of the data Beazley uses, in order to better track performance over time.

"Beazley uses risk profiles to take a deeper look at particular areas of the business. These are undertaken on a quarterly basis and subject matters include reviewing trading areas, or the impact of an emerging trends."