

Disclosure Report: Principles for Sustainable Insurance

July 2023

In May 2021, Beazley Group became a signatory to the Principles for Sustainable Insurance (PSI). Beazley is strongly committed to being a Responsible Business as a leading specialist insurer. We intend to use our UNEP-FI membership to share our expertise, learning and developing our strategy, and continue on our journey to be a sustainable business.

As a signatory to the PSI, Beazley will be making annual disclosures of our progress against the Principles. The report below shows our efforts in fulfilling our ESG strategy and goals by adhering to each of the four principles.

Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

In 2021, Beazley released its first Responsible Business Strategy, setting out a number of objectives and targets for us to achieve before the end of 2023. The strategy, approved by the Board and Executive Management, aims to support our clients and partners on the journey to decarbonisation, enhance our approach to charity and community initiatives and further our approach to being a more sustainable business. Key objectives we wish to achieve by the end of 2023 include:

- Achieving a 50% reduction in carbon emissions in 2023, when compared to a 2019 baseline;
- Aligning our investment portfolio with science based targets;
- Enhancing our approach to ESG matters within our supply chain;
- Continuing to improve diversity of our workforce, ensuring 25% of the workforce are people of colour; and (we reached 25% by the end of 2022)
- Working to ensure 45% of our senior management team are women.(43% at the end of 2022)

To ensure the Responsible Business Strategy has the necessary support focus on relevant ESG issues, we formed the Responsible Business Steering Group (RBSG). The RBSG is chaired by the CEO, with the Chief Risk Officer, Chief Underwriting Officer and Chief Operating Officer in attendance. The RBSG receives updates from the employees responsible for the delivery of the different elements of Responsible Business strategy such as the Head of Responsible Business, and the Head of Social Impact. On a quarterly basis, a number of non executive Board members are also in attendance. This approach ensures appropriate oversight at both an Executive Committee and Board level, and helps to drive progress against the strategy forward. Regular reports to the Board and Executive Committee are also provided, to compliment the decision making at the RBSG.

A key aim of our Responsible Business strategy is to support our clients on their journey to decarbonisation and being more sustainable. A significant part of this is to enhance our approach to climate related risk, as well as further embedding ESG matters into the Underwriting process.

Our approach to our investments is also crucial to raising awareness of ESG issues. In 2021, Beazley published 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 how we use ESG issues to help inform our investment analysis and decision-making process.

Externally, we report on our progress against our ESG strategy through our annual report and our supplementary Responsible Business Report. We provide easy access to our reports for all external audiences, and actively response to requests on dialogue about ESG from our shareholders.

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

In 2020, Beazley created an incubation team to develop new products/ services on behalf of the business. This team is supported by the wider corporate insight team, which undertakes market research on behalf of Beazley. Through a combination of climate risk analysis, underwriting input and market intelligence, climate related product opportunities continue to be identified.

When these product opportunities arise, it is important for the incubation team to determine if there is a requirement for a completely new product, or whether there is the potential for one of Beazley’s existing products to be adjusted to account for the new risk. A recent example of this analysis has been the mapping of potential green/ clean tech opportunities against our current product lines. This analysis enables the incubation team to both; better understand the resource and time required to bring the product to market; and secondly identify subject matter experts within the business who can be used to help bring a new/ adjusted product to market, where possible.

In addition to the incubation team, individual underwriting teams also identify and put forward product opportunities as part of their annual business planning process. Where there is business appetite to create the new product, then the underwriting teams are requested to further research and develop this proposition. Internal and external resources are used as part of this process to build a detailed business case. A recent example of this approach is the development of a business plan by the energy underwriting team for renewables.

Example of recent product development

These approaches to product development, allow Beazley to remain agile and deliver products which add value to the business. Beazley is in the process of launching/ researching products for the following, with the incubation of these products continuing throughout the remainder of 2023 and beyond:

Product	Brief Description
Carbon offset and invalidation	This product provides coverage for fraud/crime on the part of an offset project owner rendering the offset credits invalid.
Sola	This product provides parametric tornado crisis insurance for US homeowners.
Arbol	This product provides parametric weather strike & cap products for agri-value chain, renewable energy and other weather-disrupted industries.
Carbon Capture and Storage	Beazley is currently researching potential products solutions in this space. Further developments are expected in the later part of the year.

Enhancing data

Access to the right data is also a critical part of Beazley's approach to inform both research and our business strategy. Our work on climate-related matters is furthest advanced, with two main areas of data enhancement. The first is data for the modelling of risk to help support the underwriting process, and the second is data to facilitate enhanced disclosures.

Data for underwriting -climate risk

The work to enhance modelling being led by the Climate Risk Working Group, for which there are a number of different workstreams, as follows:

Project	Overview of work
RAPTOR	The property pricing tool RAPTOR allows assessment of several climate related risks as part of the underwriting process. RAPTOR allows hazard scoring for any location globally for key climate perils including hurricane, wildfire, flood, hail and tornado using third party software. Hazard scores feed directly into modelled premiums, providing granular insight to underwriting teams. Hazard scoring visualisation software is also in place through RAPTOR, allowing underwriters to understand regional variations in hazard for covered perils.
Climate change metrics	Beazley has also engaged with a third party global assurance and risk management company – to produce climate risk modelling through their proprietary tool . Risks considered include those classified as acute (expected to cause imminent disruption) and chronic (involving disruptions that play out over several years). Work is currently on-going to assess how this software can be implemented into RAPTOR to further supplement the underwriting process and assessment of climate risk.
Property risk portfolio optimisation tool	In 2022, we developed a property risk portfolio optimisation framework and tool. This framework and tool enables underwriters to optimise the US property risks portfolio using risk appetite metrics and performance metrics. This allows underwriters to manage their portfolios dynamically and make decisions on where we would like to expand or retract our exposure to optimise the overall portfolio. We have implemented this framework and tool in January 2023 and will continue to embed this tool into underwriting process throughout the year.

Data for underwriting -ESG performance

The ESG in Underwriting project also supports this work. This project has been set up to lead the embedding of ESG in underwriting, and builds on the launch of Beazley's ESG consortium – Syndicate 4321, at the beginning of 2022. The first phase of the project was to engage with underwriting teams, through a series of 'deep dives' to understand how they apply the different material ESG issues relevant to their product line. The deep dives were concluded at the end of 2022, with their outputs helping to inform what additional information (and data) required, as part of the underwriting process, to truly demonstrate that ESG matters are being considered. As part of the continuation of this work, a number of high risk underwriting teams have developed ESG questionnaires. These questionnaires help to prompt underwriters to think about the key pieces of ESG information which may be relevant to help support the underwriting process, or enhancing our ESG/ climate related disclosures.

Procurement

Our Procurement Policy supports our environmental policy and requires potential service providers to supply information on programs or policies to improve their environmental performance when responding to RFPs. As with many financial companies, our supply chain is

primarily focused on the goods and services to operate our offices, deliver services to insureds and facilitate our travel. This means the majority of our suppliers are, therefore, serviced based, with minimal opportunities for intervention or improvement of their sustainability performance.

In 2022 Beazley appointed a Head of Procurement to further enhance our approach to procurement. A key part of this work has been to further embed ESG thinking into the procurement decision making process. A project is currently underway to deliver this, with key actions including:

- Determining the key ESG questions we want to ask as part of RFP process;
- Identifying the metrics to measure the ESG performance of suppliers;
- Understand how our suppliers are aligned with key ESG elements such as the transition to net zero; and
- The ESG profiling of current key suppliers.

Engagement

Beazley uses a number of different communication approaches to ensure our stakeholders are updated on our beliefs and strategy on ESG issues. Our stakeholders are not just our clients, but also our brokers, investors and colleagues. To ensure full transparency on the matter, the publication of the annual report and accounts, and the supporting Responsible Business Report on our website, clearly indicates our progress on these matters. We have a prominent Responsible Business section on our website, which contains a number of policies and reports detailing our beliefs, minimum expectations of the business and progress on climate related issues. This is also supported by the use of social media to highlight key Responsible Business takeaways.

Beazley is regularly asked for comment on ESG and climate or social impact specific commentary from the media and where possible we make our internal experts available to answer questions. Our Head of Social Impact, Chelsey Sprong, was named by CIO Views magazine as one of the 5 Most Influential Women in D&I to Follow in 2023.

As part of Beazley's underwriting approach, annual client meetings are often held. This provides both the underwriter and insured the chance to ask questions, discuss renewal information, and highlight key trends. These sessions can include subject matter experts from across the business, providing information on market trends, progress on matters such as climate-related risk and ESG, and claims history for the sector. Beazley can provide examples where clients have been informed of the recent claims trends arising as a result of liability claims for Greenwashing. Again these sessions act as an informative opportunity for the client to hear about best practice.

Strategic Clients

Beazley has a number of strategic clients, who are businesses Beazley want to establish long term partnerships. The strategic clients have their own dedicated Strategic Relationship Officer (SRO) from Beazley. The SRO generally meet with their Strategic Client in-person at least once per year, as well as having meaningful outreach to the client when required. A range of topics are covered when the SRO meet with their client. From a climate-related perspective, knowledge sharing over the last year has included:

- Beazley's latest Risk & Resilience Report;
- Relevant webinars or 'Beazley Exchanges'; and
- Eligibility for Beazley's ESG syndicate .

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues

Overview of Industry Initiatives

As defined within our Responsible Business Strategy, our key material issues from sustainability matters are encouraging the transition to a decarbonised future, reducing carbon emissions and enhancing ESG performance of our clients. We also want the whole market to move with us, as opposed to being an outlier on these issues. To achieve this, our strategy has been to work, at all levels, with peers both within the Lloyd's market and Climatewise. Beazley actively participates within the Lloyd's Market Association groups for ESG matters and Climate Risk. These are attended by key personnel across the business, including the Head of Responsible Business and Head of Financial Climate Risk. This ensures our views are represented. These views are then shared with Lloyds to help shape policy and decision making. Alongside this our underwriters also sit on a number of industry working groups which work to create consensus across the sector. An example of this Beazley has an underwriter from the energy team, sitting on the ESG sub committee of the Joint Rig Committee. This sub committee has been created to determine how ESG metrics can be applied to the underwriting of the energy sector, acknowledging the impact the sector has on contributing to climate change. To date, the sub committee are working on proposals to create a common framework to help appraise ESG metrics and to encourage a transition to decarbonisation.

At a senior level, our CEO also is a member of the Sustainable Markets Initiative, The SMI Insurance Task Force, convened by HRH and chaired by Lloyd's, is comprised of executives from many of the world's largest insurance and reinsurance companies, providing an influential platform for the sector to collectively advance the world's progress towards a resilient, net-zero economy. To support the rapid growth of green projects and innovation, the SMI Insurance Task Force aims to create a framework to help unlock the more than \$30 trillion in assets under management, increasingly directing capital towards investments that drive climate-positive outcomes in both developed and developing nations. The SMI help drive the conversation on sustainability matters, and feature at the UN COP events, for which Beazley send at least one attendee.

Beazley has a seat on the Managing Committee of ClimateWise, and plays an active role in the initiatives which Climatewise deliver on behalf of the market to help inform public debate and influence policy.

In terms of social impact, in May 2023, Beazley and other industry members joined network partner GAIN, the Group for Autism, Insurance, Investment and Neurodiversity to present to MP Sir Robert Buckland as part of the Buckland review focused on encouraging more autistic people into employment. Our Head of Social Impact presented our overarching neurodiversity strategy and discussed the current barriers for neurodiverse employees and what help the industry might need as we look to improve employment outcomes.

In July of 2023, we were also the first insurance company to be awarded 'Trailblazer' status by the Race Equality Matters non-profit organisation which is a testament to the work Beazley has done to bring about racial equity in the workplace and in the wider industry. Beazley have active partnerships with the Black Young Professionals network and the Black Insurance Industry Collective which contribute to ongoing racial equity.

From a gender perspective, Beazley supports the Insurance Supper Club which champions equal representation for women in insurance. As well as hosting events, our senior female

leaders, Rachel Turk, Sally Lake and Jo McCann have acted as mentors and panel speakers for the ISC helping women develop their careers in the industry.

Resilient Cities

In Partnership with Howden, and as part of the SMI Taskforce, a Beazley employee is part of the first cohort of insurance professionals under the Global Risk and Resilience Fellowship. The fellowship unique partnership between the public and private sectors that places insurance professionals – Fellows – within city leadership teams within member cities of the Resilient Cities Network. By integrating insurance professionals into cities' resilience planning, the Fellowship is helping to transform insurance into a comprehensive tool that accelerates de-risking and resilience-building efforts – ultimately contributing to sustainable growth.

As part of the scheme, city officials receive practical risk consulting advice from the Fellows that will amplify existing efforts to build long-term resilience and minimize vulnerabilities. In some instances, the cities will also benefit from insurance and risk transfer expertise to manage volatility. The program also enables insurance professionals to develop expertise in climate risk and city resilience and to better understand how risk mitigation and risk transfer expertise can effectively address long-term climate change risks in the public sector. Both the city officials and the Fellows will join a cohort of thought leaders equipped to facilitate innovative solutions that incorporate risk consulting and risk transfer into cities' resilience agendas.

Our colleague has been seconded to The Hague (The Netherlands), with a role to help support policy makers. The objective of the Risk and Resilience Fellowship for the city of The Hague is to receive guidance on establishing a framework for monitoring and predicting potential crises. The purpose of the framework is to empower the city of The Hague to make data-driven and well-informed decisions. By utilizing this framework, the municipality will be able to proactively implement preventative and adaptive measures that mitigate risks and associated shocks and stresses. The aim is to build the cities' internal capacity to enhance resilience and minimize the impact of potential crises.

Risk and Resilience Research

Risk & Resilience is the annual survey Beazley undertakes with over 2,000 insurance buyers and business leaders based in the UK, US, Canada and Singapore, from a wide range of different industries from businesses of varying sizes. Via the research, we ask their views on four categories of risk and their perceived resilience to these risks both now, in six months' time and in 12 months' time. We specifically ask them for their views on 'Environmental' risks which include: climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk. We track how their views on environmental risk has changed and is predicted to change over time. Our first report in autumn 2021 found that environmental risks were the category of risk that businesses worried least about, and that business needed greater awareness of environmental issues, particularly of climate-related risk.

In early 2023, we published a follow up report to spotlight any changes in perceptions, and to further highlight that climate-related matters should be taken seriously.

The study found that;

- Business leaders view the current climate change risk as considerably lower today than they expect to in 12 months' time;
- The gulf between expected and actual risk is widening significantly year-on-year with a quarter of global business leaders saying they are unprepared for the impact of climate change; and

- The energy transition has become the key area of concern globally, however, the focus is on mitigating the short-term impacts rather than focusing on the steps they need to take to adapt for the long-term.

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Beazley discloses progress on ESG matters within its annual report and provides update via its website. As part of our annual reporting, Beazley discloses against the recommendations of TCFD, as well as responding to a number of ESG rating agencies such as CDP, S&P, Sustainalytics, UN Global Compact and UN Principles for Responsible Investment. The driver behind these disclosures is a combination of Beazley wanting to measure its own progress on ESG matters, as well as regulator, client and investor expectations. Our UN PSI disclosures will also be published on our website.

Beazley is also a signatory of HMRC's Women In Finance Charter which we joined in 2017 as part of our commitment to improving the number of women in senior leadership. Under the requirements, we disclose our workforce gender composition annually and publicly disclose our progress on our website.