Our purpose

Why we exist

Enabling you to explore, create and build

We invest in understanding the complexity of the risks our clients face, and deploying our expertise where we can create value – in order to create environments in which our people and clients can flourish

What we do

As a leading global specialist insurer, we are passionate about bringing an innovative and progressive approach to solving the challenges of the insurance market

We operate in the following specialist sectors

Cyber Risks	MAP Risks	Property Risks	Specialty Risks	Digital

How we do it

Considered opinions, diversity of thought and an ease of doing business delivering great outcomes for all our stakeholders

Our key pillars

Client	Protection	People	Tools	Responsible business
We respect and listen to our clients	We empower expert underwriting and claims service	We attract and nurture talented colleagues who champion diversity of thought	Our structure and systems enable our people to deliver the right outcomes	Create a sustainable business for our people, partners and planet

We define our culture through our brand and values which inspire the way we work and which is embodied by our people. Together our people and culture make it easy to do business with Beazley.

Insurance. Just different.

Our vision is to be the highest performing sustainable specialty insurer.

To deliver this we have built a business that operates around the globe and across multiple platforms. We are a diversified insurer, underwriting multiple lines of specialty insurance products from aviation to cyber and directors & officers liability to property risks.

Ambitious for our business, we are focused on long-term sustainable growth that delivers real value to all our stakeholders, fulfilling our purpose of helping them to explore, create and build.

Bringing different to life

Our people, values and culture underpin our success. They shape the way we show up, how we approach our business and – how we treat each other. It's by working with us that you'll experience the Beazley difference, bringing to life what sets us apart.

Being bold

across all our activities

We enjoy the freedom and encouragement to confidently question the status quo and push the edges. We dare to be different and explore bold possibilities to create more innovative, fair and satisfying outcomes for our people, our clients, partners and investors.

Striving for better

by always going above and beyond

Good is a start, but we go all out for better. We actively champion and support each other to be the best we can – a community of driven individuals relentlessly pushing the needle and creating value.

Doing the right thing

for our people, partners and planet

Acting with integrity in a straightforward, decent way is instinctive. Open and honest with each other, we show respect and empathy however challenging the situation. Doing the right thing makes for a fair-minded, rewarding environment and makes work and life better for all.

How different drives competitive advantage

Platform diversification
Our strategy is to achieve a successful intersection of platforms and products that offers our brokers and clients access to our expertise and specialist underwriting capacity where and when they do business. We believe that a mix of international, wholesale and domestic business is the most effective way to deliver this.

Product specialisation
We complement our platform strength with a product set focused on markets where issues can be complex, changing or emerging and terms and conditions and pricing are sustainable. We commit to these markets for the long term as we see demand grow for specialist insurance capacity.

Financial strength
Enabling us to support both long-term strategies for navigating change whilst positioning us to take advantage of market opportunities and focus on innovating.

Brand positioning
Our distinctive brand, and the perceptions it generates, help us to grow our business, sustain relationships and attract and retain talented people.

Deep stakeholder partnerships
We build strong, long-term relationships with like-minded stakeholders – of which clients and brokers are key – whose principles align with ours and through which each partner benefits.

Responsible business
We lead by example on the creation of responsible business practices and a framework for measuring our progress. It is a complex journey of delivering progressive solutions with tangible results over time, with the goal of building better resilience for our clients, our communities and shareholders.

How different delivers value

Investors

Long-term record of consistent underwriting performance and dividend payment.

Colleagues

Enabling our people to learn, develop and progress. We employ talented people and invest in expanding their skills and helping them build rewarding careers.

Brokers and clients

To ensure the best possible experiences and outcomes, we continue to monitor broker and client perceptions of our service in a variety of ways, including through detailed surveys.

Average for last 10 years

94%
Combined ratio

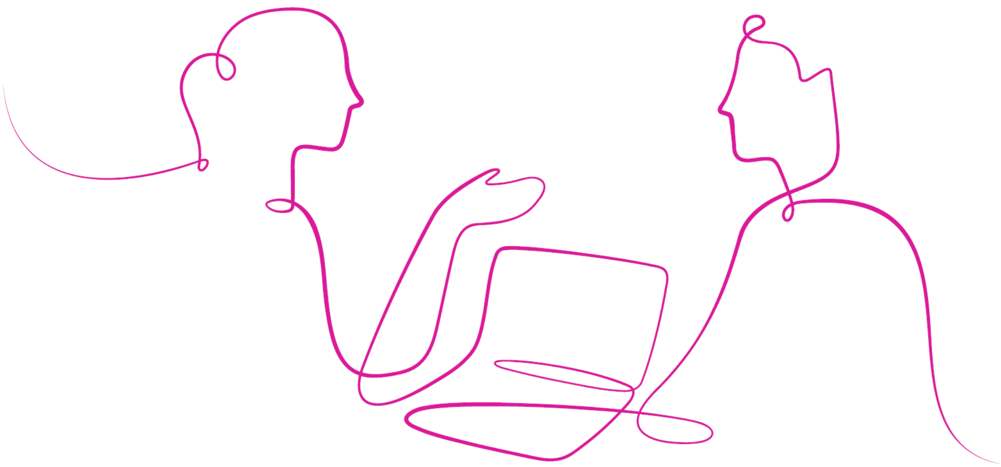
34.2c
Earnings per share

19.6%
Total shareholder return per annum

85%
Strong employee engagement

Outstanding Service Quality Marque

For the sixth year running, we have been awarded the Outstanding Service Quality Marque 2022 for claims service by Gracechurch Consulting, the independent insurance research consultancy.



Statement of the Chair

"Our vision of being a leading sustainable, specialty insurer, is both lived every day and drives our aspirations, as our products, people, platforms and culture all come together."

Christine LaSala
Interim Chair

Beazley posted a pre-tax profit in 2022 of $191.0m (2021: $369.2m), and an impressive 89% (2021: 93%) combined ratio, a result that demonstrates the impact of our disciplined underwriting. I am also pleased to confirm that The Board has declared a dividend of 13.5p. Our business is grateful for the support of our shareholders, partners and customers during a challenging year of geopolitical uncertainty. I am particularly proud of the confidence our investors placed in us during our equity raise in November 2022, which will help us further invest in the sustainable growth of our business.

A specialty insurer that delivers sustainable growth

Our deepest sympathy is with all the people suffering from the devastation in Turkey and Syria, and those impacted by the human tragedy of the war in Ukraine. These events have made us acutely aware of this kind of geopolitical uncertainty. This uncertainty is compounded by the pervasive economic stress of high inflation and the cost of living challenges it creates for so many. In this environment our role, as a sustainable, specialty insurer, is to support clients and broker partners to manage the additional risks as we all adapt and deliver value for our shareholders. Beazley adds tangible value when things are complex, volatile and changing in areas such as Cyber, Specialty, Marine and Political Risk, where we have consistently demonstrated our ability to help our clients grow, while allowing our insureds to explore, create and build.

We believe growth is driven by our ability to assess external realities and use our platforms, people and geographical strengths to lean into emerging opportunities as conditions change, rather than just be dictated by hard or soft market conditions. I like to think of this as anticipatory competence. During 2022 the rating environment in Property insurance and reinsurance reached a transition point, as the market understood that it was unsustainable to continue to underwrite this business in a commoditised way, in the face of overwhelming evidence about the impact of climate change.

This is a moment where our market expertise and underwriting competence becomes a differentiating factor and where we are able to add real value to our brokers and clients. We are excited about the opportunity these changes offer to grow and develop our Property portfolio as we move through 2023.

This enthusiasm is based on the long-term approach we have taken to Property, which saw our exposure, on both our Property and Reinsurance books within our Property Risks division, reduce as rates were depressed and the impact of climate change began to be felt. During this time, we invested in expertise and modelling tools to explore how the changing climate is impacting Property Risks. The knowledge gained is now allowing us to grow our share of the Property market as the underwriting environment significantly improves.

Our successful equity raise in November 2022, puts us in an excellent position to take up the opportunity in Property and also deliver against our Cyber ambitions, while extending our market share across our classes of business, delivering sustainable, diversified growth for shareholders across a balanced portfolio. Focusing on sustainable growth has resulted in our gross premiums written doubling between 2018 and 2022 - and saw our US platform reach a significant milestone as it passed gross premiums written of $2bn.

Strong culture guides us through change

In autumn 2022, I assumed the role of Interim Chair of Beazley, I was previously the Senior Independent Director and Chair of the Remuneration Committee. The role of Chair has offered a fresh perspective on our business and I have been energised by the exciting future our fast changing and growing business has ahead of it.

On 25 April, at the conclusion of the 2023 Annual General Meeting, I will relinquish this role to our outstanding new Chair, Clive Bannister and I will return to my previous role. Clive is currently the Chair of the Rathbones Group plc and the Museum of London. He was previously the CEO of the Phoenix Group plc. He will bring deep strategic, commercial and transformational experience to The Board.

In the selection process we drew on our corporate values and founding principles, which have propelled Beazley to be the business it is today. We are a value driven, growth minded and disciplined company which has created a respectful and inclusive workplace and I believe that in Clive, we have a leader who embodies these values and who will be an outstanding advocate for Beazley.

On behalf of The Board, I would like to thank David Roberts for his leadership as we faced the challenges of COVID-19, for the transformation of our executive management team and for his genuine conviction that by creating a diverse environment that is respectful and open, you achieve better outcomes. He has left us a stronger business and we wish him well as he takes up the challenge as Chair of the Court of the Bank of England.

I would also like to thank Robert Stuchbery for assuming the role of the Senior Independent Director and Nicola Hodson for chairing the Remuneration Committee, while I undertook the Interim Chair role. Nicola will remain Interim Chair of the Remuneration Committee following the 2023 AGM.

On behalf of The Board, I would also like to recognise Catherine Woods for her excellent service as a Non-Executive Director, having stepped down following the conclusion of two three-year terms in March 2022. On 31 May 2022, The Board appointed two new Non-Executive Directors, Fiona Muldoon and Cecilia Reyes Leuzinger. Fiona is a member of the Audit and Risk Committees and Cecilia the Audit, Risk and Remuneration Committees. They both bring insight and offer experience-led advice to The Board.

A talented team that champions diverse thinking

Our company has thrived because our people can thrive. People are the bedrock on which we continue to build and grow our business. They are a vital asset and one that becomes more valuable over time. Understanding this leads us to commit to creating a market leading workplace.

Building a highly differentiated, talented, cross functional team means recruiting and retaining the best people. In 2022 we recruited 410 new joiners and our turnover rate was 10%.

We give our people the tools, support and create a learning environment where they are able to grow in their roles, make decisions and execute with autonomy. By remaining a mostly flat organisation, our team knows that they are making individual contributions to the collective success of the company. This approach results in positive behaviours and outcomes and a willingness to seize opportunities - which I believe is not just what makes Beazley a market leading workplace, but is also the key to our ongoing success as a business.

We are able to attract and keep top talent because of this compelling culture and the inviting workplace we have created, which resonates with both new and long-standing staff, as is reflected in our annual employee survey. Our engagement score, which measures whether colleagues are willing to go above and beyond for the organisation, was 85% and we remain above the global benchmark for both favourability and engagement. We continue to see parity in the demographics of respondents such as gender, ethnicity, age and length of service to the employee survey.

Only with a team that embraces the purpose of our business to explore, create and build will we deliver the innovation that our clients and broker partners expect. It is no surprise, therefore that during 2022 innovation remained at our core. We collaborated with the market to explore and create new insurance solutions to the emerging or changing risk landscape and in 2022 these included the build out of Carbon Offset Invalidation and specialist parametric property products, and building on our long-standing expertise in space underwriting by offering the first commercial insurance for vehicles on the moon. We are constantly looking to the risk horizon to identify where our specialist underwriting can add value.

Statement of the Chair continued

Being a responsible business

Beazley is committed to being a responsible business and in 2022 we launched our ESG Consortium and Syndicate 4321. We also made significant strides towards embedding ESG criteria through the underwriting process with the addition of tools and talent to truly get our arms around this challenge.

We continue to make progress at pace against our 2023 targets of 45% senior leadership roles held by women, and 25% of our people being people of colour. The same is true of our target of a 50% reduction in greenhouse gas emissions by 2023, where we have in fact achieved a reduction of 55% so far to date. The Board will closely monitor our achievements against these targets and looks forward to reconfirming our Responsible Business commitments and presenting new targets for beyond 2023.

Dividend

The Board is pleased to continue with its progressive dividend policy, which will be paid annually, and as such has declared an interim dividend of 13.5p for the full year of 2022.

New Era, consistent vision

In December 2022, Beazley joined the FTSE 100 for the first time. We welcome the additional responsibility, visibility and scrutiny that comes with this and expect to be better for it. It is worth reflecting that we have reached this point not through acquisition or merger but by focusing on growing and developing our business organically through our talented people, expertise and skill.

It has been a pleasure to lead such a committed and talented team of Directors as Chair of The Board for the past several months. Together we are steering your company as it continues to grow successfully and offer meaningful solutions to the challenges that risk presents to our clients and broker partners.

As a business we operate within a framework of underwriting, responsibility and financial probity that we can all be proud of, driven by an extremely skilled team. Our vision of being a leading sustainable, Specialty insurer, is both lived every day and drives our aspirations, as our products, people, platforms and culture all come together. As Clive succeeds me as Chair, I can reflect that our new brand descriptor perfectly encompasses what it is about Beazley that makes us stand out from the crowd.

Christine LaSala
Interim Chair

Chief Executive Officer's statement

"We see a multi-dimensional opportunity to show our agility and grow in response to changes in market conditions whilst continuing to pursue our sustainable long-term growth strategy."

Adrian Cox
Chief Executive Officer

Beazley's combined ratio of 89% (2021: 93%) and gross premiums written of $5,268.7m (2021: $4,618.9m) are testament to our hard work over the last few years, and are particularly pleasing given that 2022 witnessed geopolitical uncertainty unseen since the Cold War. The overall result, a profit before tax of $191.0m (2021: $369.2m), consisted of a strong underwriting performance, offset by a reduced investment performance, driven by mark to market losses as a result of the volatile interest rate environment.

I am proud of Beazley's progress throughout 2022. We delivered a strong underwriting result, raised capital that will enable us to make the most of a structural change in the Property insurance and reinsurance markets, realigned our underwriting teams to better deliver for clients and launched Lloyd's first ESG syndicate. All against a backdrop of high inflation, an energy price crunch and the overhang of war in Europe.

Specialty insurance in a time of geopolitical turmoil

The war in Ukraine has shaken us all, causing real human suffering; and, as we all take stock, it is right to reflect on the impact it has had on our business. Firstly, the conflict resulted in us provisioning for claims directly from the war itself, for which our estimate of loss remains unchanged since our 2022 interim report. Secondly, the energy price spike and rising inflation caused central banks to increase interest rates, leading to mark to market losses in our fixed income portfolio resulting in an $179.7m investment loss. Finally, the war has reinforced the value a specialty insurer like Beazley brings in complex situations. From our claims team's support for mariners injured by missiles in the conflict zone, or enabling shipments of grain needed by some of the world's poorest people, to offering clients reassurance as they navigate a complex sanctions regime - the innovation and responsiveness of the Beazley team has shone through and I'd like to thank everyone for their hard work and focus on supporting clients.

Sustainable growth

Our business received a strong endorsement from the capital markets in November 2022 as we raised $404m in new equity capital to support our exciting growth agenda. We see a multi-dimensional opportunity to show our agility and grow in response to changes in market conditions whilst continuing to pursue our sustainable long-term growth strategy, which this additional capital will further support.

The market dislocation in Property is a signal of structural change as it adjusts to the increased exposure climate change brings. This gives us a strategic opportunity to accelerate rather than simply re-grow our Property franchise (which used to be a significantly larger proportion of the business than it is now) but also to retain more of our Cyber and Specialty Risks business.

Chief Executive Officer's statement continued

Firm foundations

Our ability to pivot our business to take up new opportunities as they emerge is part of our DNA. Platform strength, product and geographical diversity are cornerstones of this. Our strategy is to achieve the successful intersection of platforms and products to offer our brokers and clients access to our expertise and specialist underwriting capacity where and when they do business. We believe that a mix of international, wholesale and domestic platforms delivers straightforward access to us and adds real value.

People are, of course, Beazley's most important asset and in October 2022 we had to say goodbye to one of the best, David Roberts, our Chair of five years, who left to become Chair of the Court of the Bank of England. We are grateful for David's leadership and I would like to thank him personally for his counsel and wisdom over his time with us, but particularly when I transitioned to CEO last year. David's calm presence during COVID-19 and his personal drive and commitment to diversity and inclusion have had a profound impact on Beazley. Christine LaSala has ably assumed the role of Interim Chair and returns to her role as Senior Independent Director and Chair of the Remuneration Committee with our sincere thanks. I look forward to working with our incoming Chair, Clive Bannister, who brings a wealth of experience with him which will aid us as we enter the next phase of Beazley's journey.

Developing and supporting our employees is crucial to our success and in June 2022 we reflected the cost-of-living challenges we are all facing by making a one-off payment of up to £3,000 (or equivalent currency) to the people in the company most impacted. As we approached the end of year salary and bonus cycle this was also upper most in our minds and we awarded eligible staff an additional 2% cost of living pay rise in addition to an average company wide annual uplift of 5%.

What we say is what we do

Beazley believes that fundamentally we must deliver what we promise; and in 2022, we did just that with the launch of the ESG consortium and Syndicate 4321, Lloyd's first ESG syndicate. Since its launch on 1 January 2022 the new syndicate has offered additional capacity to clients who achieve high scores on ESG metrics, the syndicate is also helping Beazley to understand more about how high scoring businesses operate and test our hypothesis that companies which do well on ESG criteria are also likely to be less risky. We are using the lessons learnt as part of a wider effort, which got fully underway in 2022, to embed ESG thinking into all our underwriting.

We also know that what gets measured, gets done and that is why in 2019 we set robust and challenging targets for our own ESG efforts. Specific highlights include targets of 45% of senior leadership roles being held by women, 25% of our team being people of colour and a 50% drop in carbon emissions, from 2019 levels; all to be achieved by the end of 2023. I believe we are firmly on track to deliver our target on senior leadership roles held by women, having reached 43% by the end of 2022, and I am delighted to have already hit our 25% people of colour target and reached a 55% reduction in carbon emissions (for more information please see pages 21 to 28) and I look forward to reporting our progress in next year's annual report, when we will recommit ourselves to additional and equally challenging targets for the next three year cycle.

Insurance. Just different

Beazley's Cyber team took a leading role in the market this year on the issue of systemic Cyber risk. If the Cyber insurance industry is to achieve its potential and play its role in managing and mitigating Cyber risk, it needs to define and build parameters that will allow insurers to manage their balance sheet prudently, whilst encouraging more capital to come into the sector. We are fully committed to supporting this adjustment to happen. Innovation has come right across our business, from insuring the first commercial moon rover vehicle to providing an insurance solution for e-sports events. In early 2023 we launched the market's first cyber catastrophe bond, an innovation that will see new capital come into a cyber market that needs to grow at pace in the next decade to meet business demand. All have the same characteristics in common - they require a specialist approach to insurance as the issues raised are complex; but with the right investment they offer significant long-term potential.

As you can see from our digital version of this annual report; beazley.com/2022-annual-report, in 2022 we refreshed our brand identity to better reflect the age in which we live. Our fresh look and feel retains the essential qualities for which Beazley is well known, reflects our three corporate values of being bold, striving for better and doing the right thing, but introduces a more engaging and forward-looking approach to communication which better represents how our business is growing and changing.

The support of all our stakeholders is key. Brokers are our first, vital link in the chain, but the purpose of our business is to help our clients explore, create and build their businesses. To better achieve this in 2022 we established our client engagement team which will actively ensure clients have access to our full product range and our research and expertise. We see this a two-way process that will allow us to develop more relevant products and insurance solutions that better meet the needs of our clients going forward.

As we start 2023, and we see positive market conditions, Beazley is able to look at that opportunity from a strong capital position, with a talented and committed team and the platform strength and product range to deliver for our clients, brokers and shareholders. For 2023 our growth expectations are for higher net premium growth than gross premium growth, with net growing in the mid 20s while gross is at mid teens. The difference is caused by us no longer writing portfolio underwriting through the Group in 2023 (as syndicate 5623 became a standalone syndicate and no longer requires the Group to cede the majority of the business written to it), alongside our reduction in purchased reinsurance on both Cyber Risks and Specialty Risks. These changes have the impact of increasing the net premium growth compared to the gross premium growth. Taking the above into account, we expect to deliver a high-80s combined ratio for 2023 assuming average claims experience. Although significant geopolitical headwinds remain, I believe we are in an excellent position to sustainably grow our company and I am looking forward to all we will achieve together in 2023.

Adrian Cox
Chief Executive Officer

Chief Underwriting Officer's report

"Our approach to underwriting remains consistent – our focus is on underlying pricing and risk dynamics, market knowledge and experience and standing by our clients."

Bob Quane
Chief Underwriting Officer

Beazley achieved gross premiums written growth of 14% and a very strong combined ratio of 89% (2021: 93%). We delivered this impressive underwriting result by executing against our underwriting strategy of deploying specialist products in markets that value expertise and are demand driven, combined with an agility to pivot in new directions as opportunities from changing market conditions emerge.

Balanced underwriting combined with agility

2022 was a year of global dislocation and complexity, but throughout we remained true to our core values, executing our ambitious strategy to deliver profitable growth across all lines. We achieved this by underwriting a balanced book of business across multiple platforms, with the agility to respond to changing market conditions. Innovation also remained at our core with the development of new insurance solutions such as CryptoGuard and Carbon Offset Invalidation. We also continue to evaluate and support various parametric Property products to provide the market with solutions beyond traditional insurance.

Market conditions moved markedly during 2022. The Directors and Officers insurance (D&O) market saw competition emerge and a slow down in IPOs and SPACs, resulting in an over supply of capacity and lack of demand driving rates down. Cyber rates continued an upward path, albeit at a more conservative pace following the much needed price correction of the previous two years. In Property Risks we have reached a market turning point, and we anticipate significant rate increases in Treaty reinsurance and the direct Property market in 2023. However as the market changes, our approach to underwriting remains consistent – our focus is on underlying pricing and risk dynamics, market knowledge and experience, and standing by our clients.

New structure – more specialism

In March 2022 we restructured our underwriting teams to improve interconnectivity and achieve synergies. We now have an underwriting structure of four more equally sized divisions, which ensures a balanced book of business and is better able to manage short and long tail drivers of risk and reward.

Bringing together the Property insurance and Reinsurance teams to form Property Risks, and the Executive Risk and Speciality Lines teams to create Specialty Risks, has given us access to deep and broad insights into market dynamics, allowing us to better anticipate trends, identify opportunities or raise the alarm if risks are rising.

MAP Risks underwriters are experts in their specialist products and segments and while the specifics of risk differ between classes, their clients are sometimes the same and often face similar challenges, making for an ideal environment for cross fertilisation of ideas and growth of our underwriting via our international platforms.

Cyber Risks has exciting growth opportunities ahead as digitalisation sees demand for Cyber insurance protection grow exponentially. As a Cyber market leader, we have the experts in-house who continue to build our comprehensive Cyber ecosystem and in 2022 led the market wide debate on catastrophic Cyber, to protect our clients, the market and shareholders from the growing threat of a Cyber catastrophe.

Chief Underwriting Officer's report continued

Small business underwriting

Alongside these four divisions, Beazley Digital offers cross class specialist digital underwriting capabilities to the SME market. Our SME brokers and clients can now access our expert underwriting team via multiple channels, ensuring ease of doing business. In its first full year of trading the new division has experienced significant increased demand.

Data driven specialists

To ensure we continue to add greater insight and build knowledge and expertise in exposure management and the use of data, we are actively investing further and adding specialists to our team. Beazley hired its first Chief Data Officer in 2022, appointed a Senior Financial Climate Risk Specialist, and we are focused on building our pricing and exposure management team. As we make a concurrent investment into modelling tools, we will continue to need highly skilled specialists who can turn data into useful tools and benchmarks for underwriting action.

Agility in action

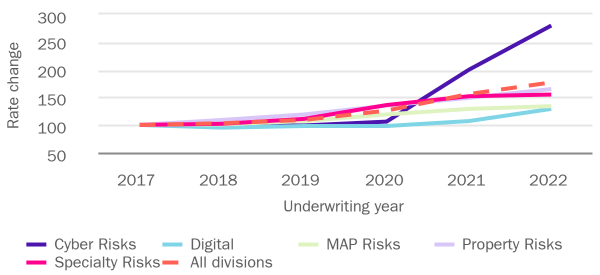
New structures, platform strength and a high-quality team are the firm foundations from which we can respond and change as market conditions move. In the second half of 2022 we saw movement in Property markets and as rates began to harden, we were able to optimise our Property portfolio as both a seller and buyer of reinsurance. Our Property Risks division will take advantage of this excellent opportunity for growth as the market is rapidly hardening into 2023. However, it will do so in the certain knowledge that the ongoing work we are doing to manage climate risk will mean we are not just here for short-term gain but to sustainably underwrite this core class of business.

D&O, long one of our key areas of specialism, has seen competition come into the market at a point where our assessment is that the risk landscape remains extremely high. As a result, when we do not believe the rate justifies the risk we have pulled back, reduced our appetite as we continue our disciplined approach to underwriting D&O. This is a caution we will maintain in 2023, although we believe the market will likely stabilise with supply and demand coming more in line.

Our US business continues to grow, and we hit our goal of $2bn gross premiums written through the platform in December 2022. Beazley's 'Insurance. Just different.' message resonates strongly in the thoughtful way we underwrite and the client centric approach we take to claims in the world's largest insurance market. Growth also continues at pace in Europe, where we see significant opportunities and where we are investing in underwriting expertise. Our Lloyd's wholesale platform sees our underwriters leading global thinking on the challenges our client and brokers face. In particular, we can be proud of innovations that come from our specialist teams in this market, such as underwriting the first commercial insurance policy for projects on the moon.

We underpin our strategy by flexing our reinsurance purchasing and choosing to retain risk or share it based on the pricing dynamic. This thinking came to the fore in the second half of 2022 as we anticipated dramatic changes to Property Treaty reinsurance rates, and with our November equity raise, we are well placed to retain more risk and profits on our own balance sheet rather than extend our use of outwards reinsurance.

Rate change graph 2017-2022 (%)



Successful strategy

I joined Beazley just over a year ago because I was impressed by the quality of the underwriting team and the effective and considered way in which they execute our underwriting strategy. In 2022, it was testament to this approach that we have delivered a 89% combined ratio and seen growth of 14% despite perhaps the most challenging geopolitical situation in a generation.

Underwriting focused on rigorous attention to detail and delivered by a team of experts who question decision making and actively value challenge and follow up have been key to this result.

This is combined with an agile approach to seizing opportunities as they emerge, whilst always keeping the interests of our shareholders and clients at the forefront of our minds. These will remain our defining principles throughout 2023.

Cyber Risks

Cyber Risks continued to see strong rate increases of 40% (2021: 88%) leading to an increase in gross premiums written to $1,156.1m (2021: $814.3m).

A successful year

New business was strong across all geographies with our business outside of our core US client base growing exponentially. In the US, we are seeing strong demand from the mid-market segment which is driving ongoing growth. Outside of the US, demand came from Europe, Asia, Australia and beyond and we expect this trend to continue as business becomes increasingly aware of and keen to protect itself from the Cyber threat. The substantial rate increases we have seen over the last two years, did begin to moderate during 2022, but they remained at very significant levels, reflecting the scale of the challenge that Cyber poses.

Our positive result reflects the good work we have done since October 2020, to build our Cyber ecosystem, which focuses on pre-underwriting and post-loss mitigation efforts. In 2022 we also added our threat intelligence and Beazley Cyber Council to this offering.

To reflect the demand we are experiencing and to respond to that opportunity, the team has continued to grow during the year, we've invested in people, expertise and resources across the globe. We also made specific investments into threat and intelligence pilots during 2022, of which, the successful ones, will become operational during 2023.

Adapting now, to grow tomorrow

We are a market leader in Cyber and we believe we need to use that position to address the challenges the market faces. In 2022 this saw us tackle the issue of Cyber catastrophes. To date no Cyber attack has been big enough to create a widespread breakdown in essential services; however, we have modelled the possible scenarios and believe now is the time to actively build market awareness and the capital needed to address the threat as the market grows.

Looking ahead, we believe that the flattening of rate increases will continue through 2023, but we expect that to be a moderation in what have been substantial, but required, rate increases over the last two to three years. We expect to see continued strong new business demand, particularly outside of the US, where we see the mid-market as the largest area of growth for our Cyber products and services. In Europe and across the globe, we are seeing large corporations seek greater Cyber protection and expect the level of demand to continue. Our continued focus is on maintaining and advancing our knowledge and understanding of the Cyber threat, and maintaining vigilance about the threat actors and their changing methods of operation as we move forward.

In January 2023 we launched the market's first cyber catastrophe bond and with strong demand from investors we expect to be able to launch additional tranches through 2023 and beyond.

Through the equity raise in 2022, we are also looking to retain more of the business which we write, and capitalise on future profitability in this division.

Digital

Our profit before tax of $14.4m (2021: $40.6m), reflects the successful build out of our small business proposition across our key territories. Demand for our digital underwriting and distribution capabilities continues to grow and our delivery of $204.9m (2021: $190.8m) in gross premiums written for our first year of full operation and combined ratio of 87% (2021: 76%), demonstrate our success.

It is testament to the outstanding work of our team, that in our first year of operating as a separate division we have delivered a strong performance. Throughout the year we have made considerable progress in technology innovation and are seeing the benefits of a multi-skilled team working across all lines of business.

Digital started underwriting as a separate division in January 2022. It was created to build on the success of our myBeazley portal and to respond to demand from clients and brokers for accessible Digital insurance placement for small to medium sized risks. Digital gives brokers one Beazley point of contact, supported by a cross functional team, to access multiple product lines and digital services via their preferred platform or channel.

By committing to our strategy of meeting the client where they want to be met, we are seeing success across all access points: the myBeazley portal, APIs, on digital market hubs and our artificial intelligence enhanced email submission capabilities.

Take up of each channel differs depending on location. In the US, the prevalent method of placement remains via email, but through 2022 we have seen a shift to engagement via APIs and market hubs. In Europe and the UK, myBeazley has established itself as a key link in the insurance chain, while for our German business, market hubs or 'broker pools' are increasing in use.

Specialist insurance for small business

We recognise that not all small businesses are the same and neither are the risks they face. A small manufacturing business has very different exposures to business interruption risk than a small financial consultancy. By leveraging the deep-seated specialist knowledge that we are known for and that is prevalent across our organisation, we are able to effectively design and price relevant cover for a myriad of organisation types and sizes, which can be accessed at the touch of a button and delivered digitally.

At our core, we have a broad Specialist Lines portfolio, focused on lines such as Professional Indemnity, Management Liability, Tech Professions Errors and Omissions, Medical Malpractice for small scale health and care services providers, Event Cancellation and Pleasure Craft. During 2022, we have also matured the way we underwrite flagship products like Cyber for small business, where we are seeing significant demand and there is an opportunity to grow at pace.

Growth going forward

We remain confident about our growth trajectory going into 2023 and expect to see moderate rate increases across the portfolio.

Service is key, and we continue to invest in the people and technology of our customer success team who support our brokers with client queries, providing product information, and transacting business. Similarly, our dedicated territory manager sales team continues to grow and expand our distribution by region and by digital channel.

In the year ahead, we are targeting growth in all regions. We see plenty of opportunity to expand our digital distribution in the US, and Europe. In 2023, we will also launch the myBeazley portal in Canada, with the support of our well establish specialist teams in Toronto, Montreal and Vancouver.

Although Digital is tailored for the small to medium business segment, looking ahead, we see opportunities to direct more digitally placed larger risk business to our complex risk underwriting teams via channels such as APIs.

Chief Underwriting Officer's report continued

MAP Risks

MAP Risks reported gross premiums written of $1,107.8m (2021: $897.5m), and a combined ratio of 84% (2021: 85%). The division is exposed to the war in Ukraine in its Marine, Aviation, Political Risk and Terrorism lines of business - yet, despite the claims arising from the conflict, delivered a profit of $91.6m (2021: $167.5m).

Positive results from specialist team

The 2022 result was impacted by the war in Ukraine, and this has represented a potentially material loss to our book which remains unchanged since our 2022 interim report. Despite this, MAP Risks delivered a profit for 2022, which is a credit to the expertise and hard work of our team, who have been focusing on helping clients as they have faced extraordinary difficulties.

Bringing together Beazley's Marine division with the Political, Accident and Contingency division and Portfolio Underwriting has brought synergies and opportunities for cross selling. Our specialist underwriting teams are leading members of the Lloyd's market and we see positive opportunities to expand access to their technical skill and sector knowledge by leveraging our domestic underwriting platforms: in the US and Europe alongside Asia via our Singapore operation, where business comes into our Lloyd's syndicates.

Value of expert underwriting reflected in rates

The rating environment remains buoyant, with an overall rate increase of 4%, although we are now seeing pressure in some lines, including Aviation where capacity has returned after COVID-19. The war in Ukraine has impacted a range of classes and as a result we have seen significant uplifts in the rating environment in some of these areas. As a responsible business we are mindful of the importance of Ukraine as an exporter of grain, and the negative impact the conflict is having on world food supplies, and are supportive of market efforts to assist in facilitating the flow of these vital global commodities.

2022 saw our Contingency underwriting recover from the impact of COVID-19 with positive premium growth and, despite recessionary fears, we expect that trend to continue into 2023.

The value of our Political Risk cover has been fully demonstrated by the geopolitical turmoil of the past 12 months and we are seeing heightened interest from businesses looking to protect overseas assets, and the rating environment remains robust for this class.

Our Portfolio Underwriting business, which is primarily reinsured to an external special purpose Syndicate 5623, has delivered three consecutive years of profit. In January 2023, Syndicate 5623 became a full stand alone syndicate, writing all Portfolio Underwriting business directly. Beazley will be providing circa 18% of the capacity for the 2023 year of account for this syndicate.

ESG Syndicate 4321 launched in the year and wrote $10.5m of premium which the Group has a 10% share of. The syndicate provides additional follow capacity across several different classes of business to over 250 Beazley clients with a strong ESG rating since January 2022, building momentum through the year. A unique offering, the ESG consortium has been particularly successful for clients actively seeking to include ESG within their insurance programme and we have registered strong take up for both Financial Lines and Cyber clients in particular, and we are exploring growth opportunities in Europe.

Our specialist underwriters continue to innovate in established lines, be it on Marine, Cyber, embedding ESG principles and helping clients transition to net zero, or in underwriting the first commercial insurance on the moon and acting as the leader in the development of insurance for commercial space ports.

While there are rating pressures beginning to be felt in some classes, the geopolitical turbulence of the last 12 months only serves to demonstrate the importance of the specialist insurance and sector expertise that our underwriters consistently deliver.

Property Risks

2022 saw the combining of our Property insurance and Reinsurance business. Non-catastrophe exposed business performed well contributing to an increase in gross premiums written to $859.8m (2021: $812.6m). Hurricane Ian has, in line with expectations for such a large event, dampened our overall result, which nevertheless saw the combined ratio improve to 98% (2021: 106%).

The success of work painstakingly done in recent years to address the impact of climate events and refine our risk selection, has seen the book progressively improve. With market conditions reaching a pivot point during 2022, we are now in a great position to reap the rewards. While Hurricane Ian will see a claims burden in the range of a $120m net loss and has undoubtedly had an impact on the 2022 result, we comprehensively plan for events of this size, and it falls within our expectations for such an event.

Ready for the future

The combined expertise of our Property insurance and Reinsurance teams is allowing us to look across our portfolio strategically and benefit from both detailed site level insights and high-level trends, giving us a bird's eye view of market dynamics. Over time we believe this bottom up and top down approach will deliver competitive advantages as we address the sector's challenges of which climate change is perhaps the most urgent.

Throughout 2022 we continued to further our understanding of and implement enhancements to our underwriting approach and analysis around climate risk. We believe we are ahead of the curve, having actively invested in modelling tools and taking steps to embed the learnings into our underwriting processes. We are also making strides in regards to the impact of climate change on non-modelled perils such as wildfire, flood, and severe convective storm.

Our non-catastrophe business continues to benefit from the work we've done in the last few years to improve risk selection. A key driver of that has been the use of better, more insightful, modelling and tools. In particular, we released a new dynamic Property underwriting tool that provides the teams with the ability to analyse, model and rate all aspects of a risk at a location level with an informed view.

A significant opportunity

These focused efforts have put us firmly on the front foot to strongly build our Property premium base through 2023 - not just as we respond to an immediate and much needed improvement in the rating environment, but for the long term. As the rating environment remains favourable we will lean into the market opportunity; the equity raise of November 2022, has given further charge to this effort as we anticipate Property Treaty rate increases of up to 50% and over 15% in the direct Property book during 2023.

In contrast, as a buyer of reinsurance we are seeing an increase in costs; but balanced against the overall benefit of more effective market pricing and our dual role as a Property reinsurer, we believe this environment creates excellent opportunities for Beazley as a leading specialist Property insurer.

Specialty Risks

Specialty Risks achieved gross premiums written of $1,940.1m (2021: $1,903.7m) with rate increases of 2%. The combined ratio improved to 93% (2021: 95%). Through 2022 we achieved synergies and gained insights as we brought together our Executive Risk and Specialty Lines teams.

Specialty Risks offers scale and diversification over 27 different product lines, across global geographies, serving insureds from SME's to the world's largest companies. Our distribution methods are equally diverse and include; broker partners along the insurance value chain, coverholders, delegated authority arrangements and reinsurance. This not only creates a truly diversified book of casualty business but actively offers diversification benefits to Beazley as whole.

The newly combined division leverages its expertise and interconnected broker relationships to deliver strong and effective cycle management across our diverse book, by pushing and pulling the relevant levers of geographies, platforms and products and moving our focus as market conditions evolve and change.

Active cycle management

Our focus on active cycle management lets us see where risks are growing, or the rating environment is becoming unattractive and move swiftly to protect that business area.

A good example of how this works is in the current D&O market cycle. We avoided growing in the depth of the soft D&O market by methodical underwriting, and when the market changed direction in 2020/21 we stepped up and seized the opportunity. As conditions have moderated since the second quarter of 2022, we've become more selective on rate and in some instances, reduced our appetite. We are hopeful that conditions will stabilise during this year and we will adjust our underwriting as opportunity emerges.

This year we've seen growth across areas where innovation plays a key role, such as our Safeguard Product and Beazley Product Solutions embedded reinsurance segment. Here we take a market leading position in these smaller or niche lines and invest significantly, giving them airtime to grow at pace. This approach sees us able to move swiftly into new or emerging areas where growth potential and client demand is high for Beazley's unique solutions. Another new area for 2022 was our geographic expansion of Product Recall to Singapore alongside our overall Specialty Risks growth in the Asia Pacific region.

Outperformance is our focus

Discipline is the watch word of our approach to underwriting; while growth makes the headlines, profit is the real mark of success. The current economic environment is challenging but the hard de-risking work we undertook during the last recession gives us confidence that we are well placed at the start of 2023.

Our underwriting capabilities are fully demonstrated by how we behave at these moments and this includes leveraging our net growth and varying our reinsurance purchasing, to ensure we deliver market share and a positive result in any given year, regardless of market conditions. Our November equity raise will see us keep more of our carefully selected risk within our own business rather than purchase additional, more expensive, reinsurance thus maintaining our outperformance.

It takes discipline to leave our egos at the door, invest in future business areas and to pull back on some of our most respected classes of business if the rating environment is wrong.

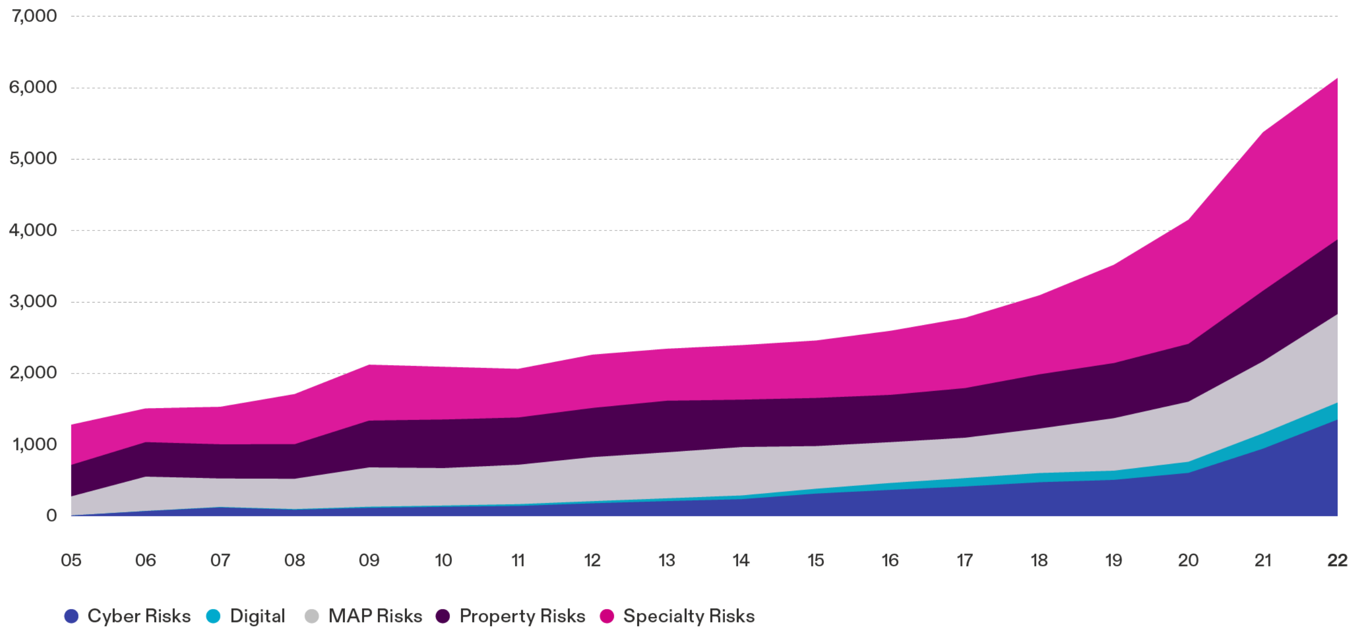
However, this mantra is key to our strategy of growing in a smart, sustainable way.

Bob Quane
Chief Underwriting Officer

Performance by division

Growth across all of our divisions, with two divisions growing in double digits.

Growth of managed gross premiums written by division $m



Cyber Risks

Paul Bantick
Head of Cyber Risks

Our market leading Cyber insurance offering protects businesses against cyber threats by building resilience and minimising risk. Beazley is a pioneer in cyber insurance and has led the way in the development of an effective cyber ecosystem which protects clients, before, during and after a cyber incident and in the creation of the market's first cyber catastrophe bond.

Portfolio mix

Cyber	81%
Technology Errors & Omissions	19%

	2022 $m	2021 $m
Gross premiums written	1,156.1	814.3
Net premiums written	832.3	624.8
Results from operating activities	129.8	61.0
Claims ratio	55%	65%
Expense ratio	24%	26%
Combined ratio	79%	91%
Rate change	40%	88%

Digital

Ian Fantozzi
Head of Digital
Executive Sponsor of the Beazley Proud Network

Working closely alongside our four divisions, Digital offers cross class specialist digital underwriting capabilities to the small business market. It gives brokers one Beazley point of contact, supported by a cross functional team, to access multiple product lines and digital services via their preferred platform or channel.

Portfolio mix

First Party	6%
International Third Party	21%
US Third Party	73%

	2022 $m	2021 $m
Gross premiums written	204.9	190.8
Net premiums written	168.8	166.2
Results from operating activities	14.4	40.6
Claims ratio	46%	37%
Expense ratio	41%	39%
Combined ratio	87%	76%
Rate change	21%	9%

MAP Risks

Tim Turner
Head of MAP Risks

Beazley's Marine, Aviation, Political, Accident, Contingency and Portfolio underwriting came together in 2022. These highly specialist classes are mainly underwritten on a wholesale basis via our Lloyd's platform and our expert underwriters are often the market leader.

Portfolio mix

Marine	40%
Portfolio Underwriting	26%
Political, Accident & Contingency	34%

	2022 $m	2021 $m
Gross premiums written	1,107.8	897.5
Net premiums written	777.0	671.5
Results from operating activities	91.6	167.5
Claims ratio	43%	41%
Expense ratio	41%	44%
Combined ratio	84%	85%
Rate change	4%	9%

Performance by division continued

Property Risks

Richard Montminy
Head of Property Risks
Executive Sponsor of the Responsible Business Committee

Bringing together our direct and reinsurance Property underwriting, the division gives strategic insight of both site level insights and high-level trends, delivering a bird's eye view of property market dynamics. Business is underwritten around the globe with an emphasis on North American based property risks.

Portfolio mix

Commercial Property	52%
Jewellers & Homeowners	10%
Small Property Business	14%
Treaty	24%

	2022 $m	2021 $m
Gross premiums written	859.8	812.6
Net premiums written	687.9	573.1
Results from operating activities	(9.2)	(1.2)
Claims ratio	61%	64%
Expense ratio	37%	42%
Combined ratio	98%	106%
Rate change	11%	11%

Specialty Risks

Bethany Greenwood
Head of Specialty Risks
Executive Sponsor of the Race at Work Charter

Specialty Risks offers scale and diversification over 27 different product lines, including Directors and Officers (D&O), Mergers and Acquisitions (M&A), Environmental Liability and specialist insurance for the life sciences industries. The division was formed in 2022 combining the previous Executive Risk and Specialty Lines divisions.

Portfolio mix

Small Business	20%
Healthcare	14%
Executive Risks	28%
Global Treaty	8%
International Specialties	30%

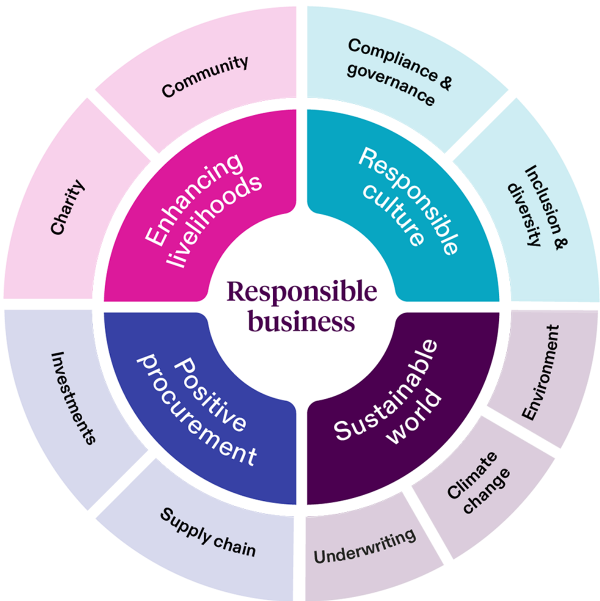
	2022 $m	2021 $m
Gross premiums written	1,940.1	1,903.7
Net premiums written	1,410.2	1,476.8
Results from operating activities	3.8	140.2
Claims ratio	57%	63%
Expense ratio	36%	32%
Combined ratio	93%	95%
Rate change	2%	12%

Responsible Business

Our vision is to be the highest performing sustainable specialist insurer.

We will not achieve our goal without setting ourselves a series of measurable and bold targets that incorporate ESG thinking into every aspect of our business. We know that we are on a journey and that it will take time to deliver but we are committed to building better resilience for our clients, staff, our local and global communities, the environment and all our stakeholders.

Our Responsible Business strategy is based around four central pillars. These pillars are supported by nine key areas across the organisation which are detailed within the outer ring of our responsible business wheel, which is designed to demonstrate the interconnected nature of our approach to responsible business.



We not only set metrics against which we can measure our performance, these are regularly reviewed by our Executive Committee and Board. Beazley's Responsible Business Steering Group is responsible for challenging the progress and development of the strategy and providing support to the business as it addresses ESG issues and climate related risk.

On pages 29 to 49 you can read our disclosures made as part of Task Force on Climate-Related Financial Disclosures (TCFD), which will give you an in depth overview of how Beazley is addressing the challenges of climate change. On our Responsible Business and culture and values pages of our website you will find detailed information and our key policies and disclosures. In the following pages we have set out our key responsible business metrics for 2022.

Building a responsible culture

We define our culture, through our brand and values which inspire the way we work, from how we engage with our stakeholders and colleagues, to how we design our workspaces, treat our customers and behave as a responsible business.

We are proud of our culture, which is embodied by our people. We attract and nurture curious people, that value constructive challenge and a collaborative approach to problem solving. We provide an environment where this approach can thrive by creating an inclusive culture, true to our values, to ensure our success now and for the future.

Together our people and culture make it easy to do business with Beazley.

Inclusion and Diversity

Our culture and people strategy is underpinned by our approach to inclusion and diversity, which is powered by our 5 employee networks. These play an important role in embedding our inclusion and diversity strategy, ensuring that colleagues right across our company have clear channels through which their voices can be heard.

- **Beazley Families** – Our newest network supports parents-to-be and experienced parents on the parental journey in the company
- **Beazley Proud** – Our LGBTQ+ employee network
- **Beazley RACE** – Focused on raising awareness and celebrating People of Colour
- **Beazley SHE** – Our women's network
- **Beazley Wellbeing** – creates supportive content to help break the stigma around talking about mental health.

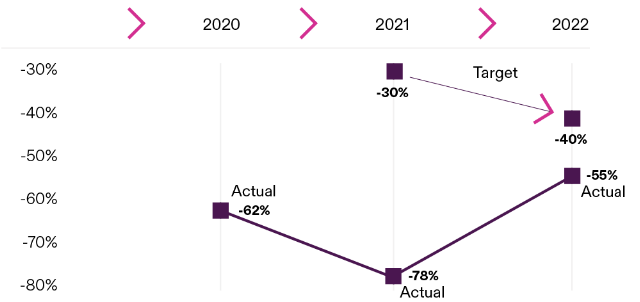
Responsible Business
Key Metrics 2022

Responsible Culture

	2021	2022
People of Colour representation in workforce	23%	25%
Female representation in senior leadership roles	38%	43%
Employee engagement	86% (9% above global average)	85% (8% above global average)

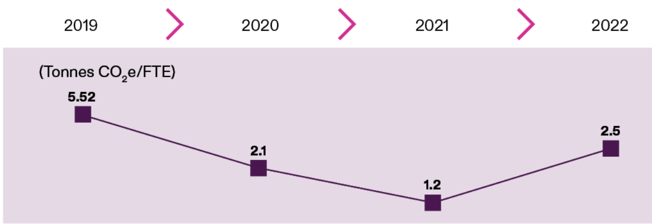
Sustainable World

Reduction of Greenhouse Gas emissions



The reductions of in scope GHG emissions are shown based on data normalised by FTE. Reduced emissions in 2020 and 2021 were impacted by COVID-19.

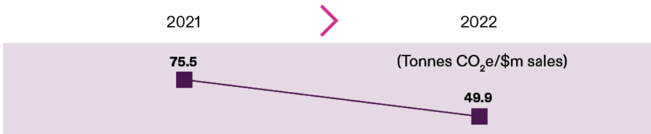
Greenhouse Gas Emissions per FTE



In scope GHG emissions as set out within Beazley's 2022 GHG methodology. GHG are nomalised based on Full Time Equivalents (FTE). Reduced emissions in 2020 and 2021 were impacted by COVID-19.

Positive Procurement

Weighted Average Carbon Intensity (WACI) of our corporate bond and equity portfolios



WACI based on reporting of GHG emissions on a Enterprise Value including Cash (EVIC) basis. Reporting is based on data coverage, for 2022 this was 89% of our publicly listed corporate bond and equity portfolios.

Enhancing Livelihoods

	2021	2022
Number of hours volunteered	735	1003
Charitable donations	$379,733	$474,426

(Includes monetary and gifts in kind, donations)

Responsible Culture

2022 Objective	Summary of progress
Responsible Business – Governance and Compliance	
Ensure our reporting measures and metrics align with recognised reporting indices such as SASB.	Achieved
Deliver an environmental management system and prepare for external certification.	In progress
Become a signatory to UN Global Compact.	Achieved
Inclusion & Diversity	
Achieve a workforce of at least 25% People of Colour	Achieved
Achieve a target of 45% female representation in senior leadership roles by end of 2023.	Achieved
Support departments in their objectives on race and gender. Embed data collection methods for sexuality, religion, and disability.	Achieved
Continue to ensure regular internal and external reporting of progress against our race and gender targets.	Achieved

Sustainable World

2022 Objective	Summary of progress
Underwriting	
Use innovative underwriting solutions to help our clients to transition to a low carbon future.	In progress
Develop and support research and thought leadership in ESG and climate-related risks to help broaden our approach and inform decision-making.	Achieved
Harness opportunities to add value to social initiatives as part of underwriting process, either through the provision of additional services, or creating of awareness of key ESG issues.	Not commenced
Continue to embed climate change decision making into the underwriting process.	In progress
Expand understanding of the financial impacts of environmental issues such as biodiversity, land use and pollution.	In progress
Climate Change	
Further develop the pricing of climate change within our underwriting process.	In progress
Further develop our climate scenarios, specifically focusing on liability risk.	In progress
Utilise the development of different climate scenarios to further our understanding of our exposure to non modelled climate related risks.	In progress
Continue participation in industry initiatives investigating the best approach to measure the transition to net zero.	Achieved
Become a member of the Net Zero Insurance Alliance.	Achieved
Ensure continued progression against the TCFD guidelines.	Achieved
Environment – GHG emissions	
Introduce an internal carbon budget to encourage reduction of our scope 3 emissions.	Achieved
Focus on expanding our scope 3 GHG inventory, working with our major suppliers to improve data accuracy.	In progress
Work to increase the percentage of electricity in offices which comes from renewable sources.	In progress
Set out the process to follow science based targets for the emissions associated with Beazley.	In progress
Commit to an ambition to be net zero by 2050 across our operations, underwriting and investments.	Achieved
Environment – wider environmental initiatives	
Set out a programme of events to make informed sustainability decisions within a business and individual setting.	Achieved
Review opportunities to provide incentives to encourage behavioural change.	Achieved
Where data is available to monitor environmental KPIs, set targets and monitor impacts to reduce, and report progress.	In progress
Review further opportunities to help reduce our environmental footprint, implementing initiatives where appropriate.	In progress

Positive Procurement

2022 Objective	Summary of progress
Investments	
Produce our first UN PRI report, demonstrating the progress we have made against the principles.	UN PRI delayed reporting until 2023
Set a target for carbon intensity reduction and increased coverage of ESG compliant investments.	In progress
Re-base our carbon intensity calculation to include Scope 3 emissions and set a target for reduction in 2023.	In progress
Work to align our investment portfolio with a 1.5 degree Celsius pathway.	In progress
Supply Chain	
Continue to embed environmental management system (EMS) to appraise environmental issues in procurement.	In progress
Embed ESG decision-making into supply chain, create a framework to review supplier performance.	In progress
Become a signatory to the UN Global Compact.	Achieved
Further understand how we influence our supply chains in our claims process.	In progress

Enhancing Livelihoods

2022 Objective	Summary of progress
Community	
Volunteer and support our communities near and far, year-round to help drive a positive impact in our communities.	Achieved
Engage with organisations to deliver support in the areas of socio-economically challenged youth and the broader community, with particular focus on inclusion and diversity and environmental challenges.	Achieved
Continue to have a representative(s) in each office who actively engages their office, drives activity and deepens our presence.	Achieved
Host quarterly global activities that are supported by our representatives, with a view that there is substantial participation in Make a Difference and another event of choice.	Achieved
Provide support, promotion and engagement with other responsible business workstreams and groups.	Achieved
Bring brokers and clients along by creating inclusive community events.	Achieved
Charity	
Understand the opportunities and relationships created by supporting a more diverse range of charity initiatives.	In progress
Increase our charitable giving.	Achieved
Select a new global charity partner for 2023-2025.	Achieved

Employee diversity

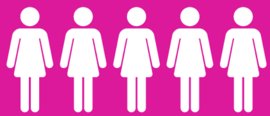
As at 31 December 2022

Directors

Male

5  50%

Female

5  50%

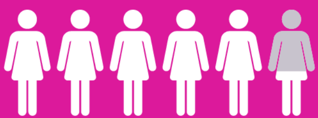
Total 10 (As at 1 March 2023, 11 directors, 6 male and 5 female)

Senior Managers

Male

73  57%

Female

56  43%

Total 129

All Employees

Male

934  48%

Female

1029  52%

Undeclared

2  0.1%

Total 1965

Responsible business continued

Inclusion & diversity

Inclusion and diversity are a key element of being a responsible business. To support our ambitions we have not only set robust targets for inclusion and diversity but actively encourage our staff to play their part via our five employee networks. These networks ensure that colleagues right across the company have clear channels through which their voices can be heard and they can help the business tackle some of the complex issues that will lead to a more equitable and inclusive culture.

Network Activity

The five networks are:
Beazley Families – Our newest network supports parents-to-be and experienced parents focusing on enhancing the support and resources available for those on the parental journey.
Beazley Proud – Our LGBTQ+ employee network.
Beazley RACE – Focused on raising awareness and celebrating People of Colour.
Beazley SHE – Our women’s network.
Beazley Wellbeing – Seeks to create supportive content to help break the stigma around talking about mental health.

Climate change

For more information please see page 29.

Supply chain

Ensuring that our supply chains are responsible is vital for us to deliver a seamless service to clients. With much of our supply chain focused mainly on services, products are only a significant part of the mix when associated with an office fit out, the procurement of office supplies, or the delivery of events. During 2022 we continued to use our environmental management system and leveraged ESG data to appraise and inform our procurement decisions.

Building a responsible culture

Our business is underpinned by our shared values and culture. Attracting diverse talent, building multidisciplinary teams and creating an inclusive culture true to our values is how we create success now and for the future. Put simply, our values inspire the way we work, how we engage with stakeholders and colleagues, the design of our workspaces, and form the basis of our service to customers, ensuring our behaviour is that of a responsible business.

We are proud of our culture, and a mark of our success in building it from the inside out is the high score very high in our employee engagement surveys. By attracting and nurturing curious people. We have built a company that values constructive challenge and has a collaborative approach to problem solving.

Non-financial information statement

Beazley presents its non-financial information statement in compliance with sections 414CA and 414CB of the Companies Act 2006.

Certain aspects of the non-financial information required pursuant to the Companies Act 2006 is provided in this report by cross reference to the following locations:

Non-financial information	Section	Pages
Business model	Our business model	4
Principal risks	Risk management and compliance	67
Key non-financial performance indicators	Key performance indicators Responsible business metrics	2 22

Policy embedding, due diligence and outcomes

We have a range of policies in relation to environmental matters, employees, human rights, social matters and anti-corruption and anti-bribery, that support our strategy and business model and ensure good outcomes for our stakeholders.
Our performance against our non-financial key performance indicators is an important way in which we measure the effectiveness of our strategy and associated policies. The Board ensures that the relevant policies are in place, remain appropriate and are operating effectively through setting a review cycle for the key policies. As part of this process, the key policies are reviewed by the person within Beazley who is the subject matter expert and responsible for the policy. This may include obtaining external advice, where appropriate. The Board also reviews and approves the key policies annually or bi-annually, as well as reviewing non-financial information, KPIs and other monitoring data through its regular reporting.

Our key non-financial policies, a brief description of their purpose and any important outcomes from our due diligence processes during 2022, are set out in the table below.

Reporting requirement	Policy or standard, its purpose, and outcomes	Relevant non-financial KPIs and other metrics	Further information
Environmental matters Our long-term commitment to sustainability and playing our part in addressing the issue of climate change and reducing our impact on the environment is a key competitive advantage.	**Environmental policy** Details our approach to environmental matters aligned with ISO14001:2015 and is reviewed every two years, with the next review by the Board in 2023. **Responsible business strategy** Our responsible business strategy ensures that we act responsibly across every aspect of our business and includes our approach and objectives across the areas of environment, employees, human rights, society and anti-bribery and corruption. **Responsible investment policy** This financial policy sets out how environmental, social and governance matters are incorporated into investment analysis and decision-making processes.	Weighted average carbon intensity of corporate bond and equity portfolios Overall carbon emissions Greenhouse gas emissions per full time equivalent Energy procured from certified renewable sources	Responsible business (page 21) TCFD (page 29) Section 172 statement (page 57) Directors' report (carbon emissions) (page 144)
The company's employees Our people are a key pillar within our business model and our values of being bold, striving for better and doing the right thing inspire the way we work and deliver value for our stakeholders.	**Inclusion and diversity policy and Board inclusion and diversity policy** These policies cover Beazley's commitment to creating a truly inclusive environment that operates zero tolerance to discrimination or harassment and fully supports and celebrates differences. The Board's inclusion and diversity policy was adopted in 2022, and specifically sets out how the Board can use its influence in meeting our diversity objectives. **Conflicts of interest policy** This policy ensures we have effective systems in place to prevent conflicts of interest wherever possible and that potential conflicts of interest are identified and addressed across Beazley plc, its subsidiaries, and syndicates. **Beazley Code of Conduct** Our code of conduct sets out the minimum standards required of all employees in their dealings in and on behalf of Beazley and is aligned with our values and ways of working. **Employee handbooks** Our employee handbooks set out all of the policies and procedures for employees in their local jurisdiction and includes items such as our equal opportunities policy, policy for employees with disabilities, and parental leave amongst others. The employee handbooks are owned by the Head of Culture and People and are kept up to date with changing legislation globally through regular review both internally and externally. **Health and safety policy** This policy details how health and safety matters are managed for our workforce, contractors, service providers and others impacted by the Group's activities, and ensures we adhere to all health and safety regulations in the jurisdictions in which we operate. The Board annually reviews health and safety information, associated risk assessments and accident reporting. All employees receive a health and safety induction on training and refresher training where required.	Female representation in senior leadership roles People of colour representation in the workforce Employee engagement score Employee favourability score	Responsible business (page 21) Stakeholder engagement (our people) (page 50) Nomination Committee (inclusion and diversity) (page 104)

Responsible business continued

Reporting requirement	Policy or standard, its purpose, and outcomes	Relevant non-financial KPIs and other metrics	Further information
Human rights Beazley is committed to respecting human rights and human rights are integrated across our responsible business strategy.	**Human Rights policy** In 2022, we introduced a new Human Rights policy. The policy explains how we fulfil our commitment to respecting human rights and how we aim to uphold the standards set by the United Nations and International Labour Organisation in respect of human rights. It applies to all Beazley plc entities, employees, contractors, and third-party suppliers. It covers how we respect human rights as an employer, investor, business partner and insurer and incorporates other policies operated by the group which help support our approach. The policy sets out our commitment to prevent adverse impacts on human rights and remedy any adverse impact if it occurs. We also seek to promote awareness and respect along our value and supply chains. The policy is owned by our Responsible Business Steering Group. **Supplier code of conduct and procurement policies** Our supplier code of conduct and procurement policy are referenced in our Human Rights policy. They help us ensure that our suppliers follow applicable standards, and our supplier due diligence and RFP questionnaires require confirmation of compliance with human rights legislation and the UK Modern Slavery Act 2015 (where applicable), and that suppliers have other appropriate policies in place. **Modern slavery** Beazley group complies with the UK Modern Slavery Act 2015. In accordance with the requirements of the Act, we release an annual Beazley Group Statement on Modern Slavery, which outlines the actions we have taken in seeking to identify and address the risks of modern slavery and human trafficking in our operations and supply chain. **Responsible business strategy** See above under environmental matters.	The Board does not monitor any non-financial KPIs in relation to human rights, however it receives reporting in relation to these policies and matters.	Responsible business (page 21) Stakeholder engagement – suppliers (page 54) Modern Slavery Act statement (our website)
Social matters Charity and community and making a difference in our local communities is important to Beazley and a component of our responsible business strategy.	**Charity and community donation policy** Our employees are encouraged to raise money and donate time to volunteering opportunities in our local communities. We also partner with a chosen charitable organisation on a rotating basis, to allow us to have a deeper relationship with the chosen partner and a greater impact on our communities. The policy sets out the approach taken to charity and community donations, including matched funding, and ensuring organisations receiving donations are registered charities and do not operate discriminatory policies. **Responsible business strategy** See above under environmental matters	Number of hours volunteered and charitable donations (to match responsible business metrics).	Responsible business (page 21) Stakeholder engagement (communities) (page 54)
Anti-corruption and anti-bribery matters We operate a zero-tolerance approach to bribery, corruption and fraud and protecting our stakeholders is a key pillar of our strategy. Adhering to our values helps protect Beazley, our stakeholders and our communities from financial crime.	**Financial crime policy** In 2022 our policies in relation to anti-corruption and anti-bribery were combined into one policy: Beazley Financial Crime Policy. This policy sets out that we do not tolerate criminal activity of any kind both within the business or by our business partners and third-party suppliers, and we are committed to doing the right thing and acting within the law. It covers six broad areas of anti-bribery and corruption, anti-money laundering, sanctions, fraud, market abuse and anti-tax evasion facilitation. The policy sets out how our values and culture, systems and controls, management oversight and reporting, assurance monitoring and record keeping create an ethical environment which helps ensure the effectiveness of our policy. Our controls require due diligence to be completed in accordance with the group's due diligence guidelines, which are maintained by our Compliance function. Any exceptions must be reported to and approved by Compliance. All employees have an important role to play in helping to detect, prevent and deter financial crime and our mandatory annual compliance training program ensures that our workforce is aware of our policies, how to implement them in their day-to-day roles, and how to report any breaches or suspicions. All of the policies and training modules are maintained by our Compliance function, are reviewed annually, and are available in our policy depository on the intranet. **Sanctions policy** Our sanctions policy is incorporated into our Financial Crime policy and has been vital during 2022 in keeping our business protected during a time of increased geopolitical uncertainty and sanctions in connection with the Russia-Ukraine conflict. To ensure that Beazley and any agents or third parties do not violate any sanctions requirements in the jurisdictions in which we operate, we also utilise third party screening and subject third parties to regular sanctions screening. **Whistleblowing Policy** We operate a separate Whistleblowing policy which sets out how any concerns relating to wrongdoing, malpractice, or danger in connection with Beazley, should be reported, as well as the safeguarding measures in place to protect any employees who report concerns. During 2022, following review, an independent whistleblowing hotline was introduced as an additional method for the workforce and others to report concerns. The policy was enhanced using external guidance and benchmarking. The whistleblowing policy is included in the annual compliance training program. The Audit Committee has overall responsibility for the effectiveness of the whistleblowing policy and procedures and the Chair of the Audit Committee is the whistleblowing champion.	The Board does not monitor any non-financial KPIs in relation to these policies, however the Board and relevant committees receive reporting and updates from Compliance, which includes monitoring data including information in relation to any breaches.	Risk management and compliance (page 67) Audit and Risk Committee (page 91)

Task Force on Climate-related Financial Disclosures (TCFD) 2022

1. Governance

1.1 Board oversight on climate-related risks and opportunities

1.1.1 plc Board oversight

A summary of Beazley's corporate governance structure, the general responsibilities of the plc Board and plc Board Committees, on behalf of Beazley plc, are outlined on page 80 of this report.

A description of how the plc Board, and supporting Committees, have oversight of climate-related issues, is set out in the table below. Board members are informed through a combination of Board papers, training and awareness. The corporate governance team support the Chair of the relevant Board/Committee in putting in place a yearly agenda plan and agreeing the agenda for each meeting.

Board/ Committee	Description of how climate-related matters are considered
Plc Board	The plc Board considers climate-related matters as part of the annual process to approve: • the risk framework; • the Group's corporate business plan, including capital adequacy and the own risk and solvency assessment (ORSA); • updates to the Group's Responsible Business Strategy; • the Responsible Investment Policy; • the Investment strategy; • annual report and accounts, including the TCFD report Throughout the year the plc Board monitors progress against the goals and targets set to address climate-related issues, through update papers provided primarily from the following functions: responsible business, risk and underwriting.
Beazley plc Audit and Risk Committee	The plc Board has delegated oversight of the risk management framework to the Audit and Risk Committee. Committee responsibilities include overseeing the effectiveness of the risk management framework at Beazley, of which climate-related risk is one element. In 2022, the Committee reviewed the draft TCFD report and accompanying improvement report. A paper providing an update on the development of TCFD reporting was also reviewed. One audit on TCFD reporting was undertaken during the year, for which the audit findings were sent to the Committee for review. On 9 December 2022 The Board approved the proposal to replace the Audit and Risk Committee with a separate Audit Committee and Risk Committee from 1 January 2023.
Beazley plc Nomination Committee	The Committee considers the current and anticipated future needs of the organisation to operate effectively. Given the growing importance of climate change, this is a consideration in assessing candidates for future Board and senior executive positions. The Committee also recommends, for approval by the plc Board, the annual board knowledge and training plan. Climate-related matters can form part of this plan.
Beazley plc Remuneration Committee	This Committee is responsible for ensuring climate-related risk is considered within executive remuneration. Evidence that this occurs is documented within each Executive Director's remuneration scorecard, where climate-related risk matters are considered as part of Beazley's wider approach to ESG. Remuneration is reviewed on an annual basis.

1.1.2 Training and awareness

The culture and people team are responsible for maintaining both board skill matrices and the annual board training plan. To facilitate increased knowledge on climate-related matters, and thus enable The Board to make informed decisions, Board members receive additional training and awareness throughout the year. The scope of this training and awareness is shaped by a combination of emerging trends and market developments, stakeholder expectations, progress against Beazley's Responsible Business Strategy, and regulatory demands. In 2022, The Board received an awareness raising session on Beazley's proposed expected future state scenario. Sessions on the impact the transition to net zero will have on key sectors were included as part of the 2022 Board away day.

1.1.3 Subsidiary Board oversight

Beazley has four key subsidiary entities: Beazley Furlonge Ltd (BFL), Beazley Insurance Designated Activity Company (BIDAC), Beazley Insurance Company, Inc. (BICI), and Beazley America Insurance Company, Inc. (BAIC), each with their own board and supporting committees. The responsibilities of these Boards mirror those set out at a plc Board level, and ensure the subsidiary company is operating in accordance with both legal and regulatory requirements and relevant Beazley Group policies and procedures. These entities are more insurance-risk-focused than the plc Board, and therefore the impact of climate-related risk on underwriting is considered in greater detail at these Boards.

The subsidiary Boards consider climate-related matters as part of the annual process to approve the risk framework and ORSA. Further updates on climate-related matters are also provided throughout the year, via the Responsible Business report.

TCFD 2022 continued

1.2 Summary of management's role on climate-related matters

1.2.1 Key individuals at Beazley for climate-related issues

At management level, the responsibility for ensuring climate-related issues are managed/ assessed is covered by a number of roles across the organisation. In summary these are as follows:

Responsible individual	Summary of engagement
Chief Executive Officer (CEO)	The CEO provides a quarterly update to The Board and Executive Committee summarising discussions at the responsible business steering group. This is contained within the CEO report. The CEO is an Executive Director, and a member of both the plc Board and Executive Committee.
Chief Risk Officer (CRO)	The CRO has responsibility for risk management framework, of which climate-related risk is one part. They provide updates on risk matters (including climate-related risk) to the plc Board, Executive Committee, and Audit and Risk Committee. The CRO is a member of the Executive Committee. The role of senior management function (SMF) for climate-related risk is split within Beazley between the Chief Underwriting Officer (CUO) and Chief Risk Officer (CRO).
Group Finance Director (GFD)	The GFD provides updates on the financial performance of the company (including investments and capital) to The Board, Executive Committee and Audit and Risk Committee. The GFD is an Executive Director, and a member of both the plc Board and Executive Committee.
Chief Underwriting Officer (CUO)	The CUO has responsibility for ensuring climate-related matters are embedded within the underwriting process. The Head of Financial Climate Risk and Head of Exposure Management report into the CUO. The CUO has ownership of the outputs of the Climate Risk Working Group and ESG in Underwriting project. The CUO provides updates on the underwriting performance of the company (including matters arising from climate-related exposures, progress against climate-related risk objectives, and Exposure Management) to the plc Board, Executive Committee, Audit and Risk Committee. The CUO is a member of Executive Committee. The role of senior management function (SMF) for climate-related risk is split within Beazley between the CUO and CRO.
Chief Operating Officer (COO)	The COO has responsibility for business operations, which includes office energy consumption; managing data demands for the business (including the use of data centres); and procurement.
Group Head of Strategy	The Group Head of Strategy has responsibility for overseeing the delivery of Beazley's business strategy. The Head of Incubation and Head of Responsible Business report into this role. The Group Head of Strategy provides updates on at least an annual basis to the plc Board and Executive Committee in respect to business strategy. The Group Head of Strategy is a member of the Executive Committee.
Chief Investments Officer (CIO)	The CIO is responsible for all investment activity within the Beazley Group, including the development of investment strategy, delivery of appropriate investment returns, and the effective management of investment risks. Managing climate risks to our investment portfolio is a key aspect of this role.
Head of Capital	The Head of Capital oversees the assessment of climate-related capital requirements. They do this using modelled and non-modelled information to help determine the impact of climate change on the business. The Head of Capital reports into the Executive Committee and plc Board on a regular basis. The Head of Capital provides updates on a quarterly basis to the plc Board, Audit and Risk Committee and Executive Committee in respect of capital. This includes the allocation of capital to address the potential impacts of climate-related events occurring and Beazley being liable for insurance claims.
Head of Responsible Business	The Head of Responsible Business leads on the development and delivery of the objectives set within the Responsible Business Strategy, including those in relation to climate-related responsibility. They also ensure all ESG and climate-related disclosures are delivered in line with regulatory and voluntary requirements. The Head of Responsible Business provides a quarterly update on responsible business matters to the Executive Committee and plc Board. These updates include progress against the objectives and targets set out within the Responsible Business Strategy, climate-related risk, climate-related responsibility, and an overview of items discussed at the responsible business steering group. An annual update is also provided to the Audit and Risk Committee.
Head of Financial Climate Risk	This role was created in 2021 to firstly deliver the CBES return and then to become part of the business as usual approach to managing climate-related financial risk. Their responsibilities include overseeing the day-to-day delivery of embedding climate-related risk into underwriting, coordinating climate risk activities and initiatives across business functions, and providing subject matter expertise to strengthen Beazley's technical capabilities of managing climate risk. This role reports to the CUO, and also reports to the Underwriting Committee and Responsible Business Steering Group on a quarterly basis.

Responsible individual	Summary of engagement
Head of Compliance and compliance department	The Head of Compliance is responsible for overseeing the compliance function at Beazley. This includes ensuring that we conduct business in accordance with all applicable laws and regulations we operate a group-wide compliance framework designed to measure risk exposure, govern decision-making and monitor performance. Our framework consists of a number of systems and controls, including: • Senior management oversight; • Risk assessments; • Staff training and awareness; • Compliance monitoring; and • Compliance reporting. Beazley is mandated to ensure compliance with the following climate-related requirements: • Annual disclosure against the TCFD reporting framework; and • Adherence with SS3/19. The Head of Compliance reports into the CRO.
Head of Internal Audit and internal audit department	The Head of Internal Audit is responsible for overseeing a robust audit function within Beazley. From the perspective of climate-related matters, this role holds the responsibility for ensuring appropriate audits are undertaken on underwriting functions, investments and TCFD disclosures.
Head of Exposure Management	The Head of Exposure Management leads the team responsible for developing approaches to monitoring the aggregation of exposure to natural catastrophes. The exposure management team reports to the CUO, who in turn provides regular updates to The Board on these matters. The exposure management team is supported by the Head of Financial Climate risk.

1.2.2 Summary of management-level reporting structure

To help the business address climate-related issues, the roles outlined in 1.2.1 report into a number of different committees, steering groups and working groups. A brief description of these committees, steering groups and working groups is as follows:

Executive Committee

The Executive Committee is responsible for: managing all operational matters of the Group; reviewing the risk management framework; and having oversight of the Group's sub-committees and business functions. The Executive Committee receives updates throughout the year on both climate-related matters and ESG issues. Throughout 2022, and prior to the plc Board for final sign off, the Executive Committee has approved the updates to Beazley's Responsible Business Strategy, its ESG disclosures, and TCFD report. It also reviewed applications to join global sustainability initiatives for the insurance industry such as the Net Zero Insurance Alliance (NZIA) and Sustainable Market Initiatives (SMI) Terra Carta. In these instances, the matters have been discussed at the Responsible Business Steering Group (RBSG) prior to being submitted to the Executive Committee.

Responsible business steering group

The RBSG is scheduled to meet 11 times during the year. The RBSG oversees the delivery of responsible business across Beazley, monitoring progress against the objectives set out in the responsible business strategy. It provides a forum for strategic matters relating to ESG and climate-related issues to be discussed, and knowledge to be shared. In 2022, agenda items have included: progress updates from the climate risk working group and ESG in underwriting project; reviewing the application to join the NZIA and SMI Terra Carta; reviewing progress against key climate-related KPIs e.g. GHG emissions; and the finalisation of the annual responsible business strategy refresh. The RBSG is chaired by the CEO, and attended by the Chief Risk Officer, Chief Underwriting Officer, Chief Operating Officer, Group Head of Strategy, Head of Responsible Business, Head of Financial Climate Risk, and investment manager responsible for ESG matters. On a quarterly basis, Non-Executive Directors from across the Beazley plc Board and key regulated subsidiaries are also in attendance. This provides a further link between management and the plc Board on climate-related matters.

The RBSG's role is to provide recommendations to the decision-making Committees within Beazley i.e. Executive Committee, Underwriting Committee, Investment Committee. There is often dialogue between the RBSG and these Committees/Boards, which demonstrates that responsible business matters are becoming embedded across the organisation.

Investment Committee

Chaired by the Group Finance Director, this Committee is responsible for overseeing the investment strategy, and ensuring there is a robust framework and appropriate resources to deliver against this strategy. It is also responsible for ensuring investment risk aligns with overall business risk appetite.

To further promote sustainability and climate-related matters, Beazley has a responsible investment policy. This policy sets out how we have incorporated ESG issues into our investment analysis and decision-making process, and our approach to the management of climate change risk within the investment portfolio. The Investment Committee, in conjunction with the RBSG, also oversees progress against the investment-related objectives within the responsible business strategy. Beazley has undertaken to invest up to $100m of its assets in investments with a measurable social and/or environmental impact and the Committee is responsible for reviewing and approving these impact investments.

TCFD 2022 continued

Underwriting Committee

The Underwriting Committee is responsible for monitoring progress and ensuring the delivery of underwriting, claims and reinsurance business plans. Chaired by the CUO, the Underwriting Committee includes representation from the underwriting teams, the Group Head of Claims, the Group Actuary, Chief Risk Officer, Group Head of Strategy, and Digital Head of Underwriting. Within its remit is a responsibility to ensure ESG, with prominence given to climate risk and opportunities, is implemented as efficiently as possible within underwriting. The Underwriting Committee has ultimate oversight and decision- making power on climate-related risk matters related to underwriting. As a minimum, a quarterly update to the Underwriting Committee is made by the Head of Responsible Business, who summarises key discussions at the RBSG, updates are also provided by the Head of Financial Climate Risk on climate-related risk matters. The Underwriting Committee reports into the Executive Committee on a monthly basis, with the outputs summarised within the Chief Underwriting Officer's report.

Underwriting sub working groups

Feeding into the Underwriting Committee are the following working groups:

Physical damage exposure management group (PDEMG)

This group is responsible for monitoring: the natural catastrophe risk appetite set by the plc Board; the risk appetites assigned to Beazley Group companies, including Beazley plc, BIDAC, BFL and BICI; and the physical damage RDS plan agreed by Lloyd's. The PDEMG reviews, on a monthly basis, the modelled loss output by team and the overall Group total showing utilisation of the plan, and provides challenge where there is a variance to plan. Its remit includes responsibility for the Group view of physical damage catastrophe risk written within the underwriting teams, and climate change analysis. The PDEMG reports to the Underwriting Committee on a monthly basis.

Casualty and Cyber Management Group (CCMG)

The CCMG has responsibility for the Group view of Cyber and Casualty risk written within the underwriting teams. This includes how climate change can impact the underwriting. The CCMG provides governance for climate litigation scenario development and monitoring. The CCMG reports to the Underwriting Committee on a monthly basis.

Climate risk working group (CRWG)

This group was set up following the delivery of the CBES return in 2021, to further embed climate-related risk into the underwriting process. The CRWG's work forms part of the climate risk strategy, as approved by the plc Board. In 2022 it has been chaired by the CUO and its membership includes the Head of Exposure Management, the Head of Financial Climate Risk, the Head of Responsible Business, the Lead Pricing Actuary - Property Risks, and underwriting representatives from each of the four divisions. The CRWG meets monthly and oversees and tracks climate risk projects and activities in relation to underwriting risk. The CRWG reports into the Underwriting Committee and RBSG on a quarterly basis.

ESG in underwriting project group

This group was established to oversee the further embedding of ESG matters within underwriting. Its work includes:

- Enhancing data collection within the underwriting process to facilitate the collection of carbon emissions and transition-related information;
- improving data gathering within the underwriting process on ESG matters; and
- enhancing colleagues' knowledge on both ESG and climate-related issues through the delivery of training modules.

This project group reports to the Chief Underwriting Officer, with regular progress updates also provided to the Underwriting Committee and RBSG. its membership includes the Head of Financial Climate Risk, the Head of Responsible Business, and underwriting representatives from each of the four divisions.

Risk and regulatory Committee

The plc Board has delegated executive oversight of the risk management department to the Executive Committee, which in turn has delegated immediate oversight to the Risk and Regulatory Committee, which meets monthly. The roles, responsibilities and oversight of this Committee are further discussed in the risk section.

2. Strategy

2.1 Climate-related risks and opportunities

2.1.1 Definitions of time horizons

Beazley considers risk across three broad time horizons for climate-related risks. These time horizons are reflective of Beazley's approach to business planning, the type of products Beazley provides, and the investment decisions the company makes. These time horizons are outlined in the table below, along with a summary of climate-related issues which could potentially have a material financial impact on the company within each timeframe. The summary of climate-related issues is based on a general review of external research and information. A more detailed review of how climate-related risks specifically apply to Beazley over the three time horizons will be developed in 2023.

Time horizon	Description
Short term (1 year)	Beazley's performance is evaluated on the results of each financial year and the business plan is developed on this basis. Most of Beazley's underwriting business is in short-tail classes. The impact of physical climate-related events occurring through the year are reflected in Beazley's approach to underwriting and pricing. Specific climate-related issues arising within this time horizon could include: • liability-related claims relating to greenwashing; • reputational incidents arising from the underwriting of, or investment in, companies which have a significant impact on climate change; • impact of green technology; • failure of Beazley to act as a responsible business on these matters; and
Medium term (1 to 5 years)	Some of Beazley's underwriting business is in medium-tail classes, whilst investment in larger projects and platform developments may run over multiple years. Some emerging risks may crystallise over several years. Through the medium term, the issues identified within the short term are likely to persist. The frequency and severity with which acute impacts of natural catastrophes are felt is expected to begin to increase. Liability related claims associated with a failure to prepare or adapt to climate change are expected to increase in severity and likelihood. Transitional issues are also expected to arise over the medium term, whether from policy intervention, market forces, or technology advances. Some of Beazley's strategic objectives are typically set over the medium term to deliver the strategy.
Long term (5+ years)	Beazley's strategy and strategic objectives are generally set over multiple years. Mega trends and slow-moving emerging risks may crystallise over many years. From a climate risk perspective there will be an increased trend in the acute physical climate-related risks, whilst longer term and more chronic impacts may also begin to be realised. From a material financial impact perspective, the issues identified within the short term are likely to persist. The frequency and severity with which acute impacts of natural catastrophes are felt is expected to begin to increase. The chronic impacts of climate change are also expected to begin to feature. Liability claims associated with a failure to prepare or adapt to climate change are expected to increase in severity and likelihood.

2.1.2 Process to identify climate-related risks with a material financial impact

It is acknowledged that climate-related issues are likely to manifest more over the medium and long term. As set out in the table below, Beazley uses a variety of qualitative and quantitative tools to help manage and prioritise our approach to climate-related risks and opportunities. This ensures we can prioritise those with the most material financial impact.

Processes used to identify risks and opportunities	Description
Materiality assessment process (hereafter referred to as the materiality assessment)	Using 2020 written premium and modelled losses, in 2021 Beazley undertook a materiality assessment by country and physical risk peril. The outputs of the materiality assessment determined that the US is the most material geographical location, and the material perils are US tropical cyclone, US inland flood, US wildfire, US severe convective storm, US winter storm, European windstorm, and Japan tropical cyclone.
Scenario analysis	Beazley participated in the CBES Stress Test in 2021, the results of which have been used to inform Beazley's identification of climate-related risks. The outputs of this exercise are discussed later in this disclosure. Beyond the physical peril analysis, climate litigation risk was identified as a material risk to Beazley, given our exposure on specialty risks. Climate litigation risk will continue to be reviewed by a cross-functional team at Beazley. We are engaging with a third-party expert that could assist us with reviewing and challenging our scenario development and analysis, and wider thinking on climate litigation risk
Focus group deep dives	In 2022, Beazley commenced a strategic project to further embed ESG considerations within the underwriting process. To facilitate this, the project engaged with each underwriting focus group, through a series of deep dive workshops, to help identify both the risks and opportunities associated with ESG issues. A number of these opportunities are linked to climate-related issues. The output of this work has informed the project objectives for 2023.
Wider peer and investor engagement	As part of our wider approach to responsible business, Beazley is involved in a number of market initiatives. This engagement enables us to identify emerging workforces and disclosure requirements. This work is also supported by feedback from our investors on ESG matters. The outputs of this correspondence can be found within our responsible business strategy and ESG disclosures.

TCFD 2022 continued

2.1.3 Process to identify climate-related opportunities with a material financial impact

Beazley has a number of processes to identifying climate-related opportunities with a material financial impact. These processes complement one other, and which ones we use depends on their alignment with existing products and services, the knowledge required to ascertain the size of the opportunity, and the resources required to deliver the opportunity. In summary, therefore, this means that climate-related opportunities can be identified through the mechanisms described in the following table:

Method of identification	Description
Identified as a result of determining a risk	The methods used to determine a risk also enable identification of an opportunity. The development of an opportunity, where underwriting-related, will be delivered using one of the three processes described below.
Incubation process	The Incubation Underwriting team develops new products that sit outside of existing underwriting team business plan and appetite. New product opportunities are sourced from brokers, InsurTechs, Beazley underwriting teams and internally from within the incubation team itself. When reviewing a new product opportunity, and thus its potential materiality, the Incubation team will consider: the addressable market; buyer urgency; market saturation; product economics; and customer interests. Should the opportunity meet the threshold to pursue further, the incubation team will engage with experts within Beazley before presenting the opportunity to the head of strategy and the underwriting strategy manager. Following feedback from these internal stakeholders, a decision paper is prepared. This is then presented by the Incubation team to the CUO and/or the underwriting committee. Opportunities are launched in pilot periods, typically to maximum aggregate limits, to test the opportunity. If suitably 'proven' in the underwriting pilot, and following approval, the opportunity will be handed over to an existing Beazley team, where suitable. Currently the Incubation team is investigating solutions for the carbon transition. Their work is monitored by the underwriting committee.
Business planning process	Underwriting focus group leads are responsible for developing the annual business plan, in which they may identify an area of business in which to either enter or expand their portfolio. They will document their strategy within their business plan. This could include the type of products/services they will insure, and the size of the market and the opportunity for Beazley. This work is supported by input from specialists. One such example of this approach is the work being undertaken to develop a business plan for renewable energy, with a view to the energy team decarbonising its energy portfolio over the long term. This will align with the metric currently disclosed for the premium generated from low and zero carbon technologies.
Extension to an existing product or service	Due to the specialist nature of Beazley's products and services, there may be several existing products and services which can be used to cover similar risks in new settings. Where this occurs, the relevant underwriting team use their knowledge and expertise to ensure any adjustments to the policy wording are implemented. This work is supported by the product development team.

2.1.4 Summary of risks and opportunities identified

Physical climate-related risks and opportunities

Based on the materiality assessment, the US was determined the most material geographical location in which the Group operates and underwrites. The material perils are US tropical cyclone, US inland flood, US wildfire, US severe convective storm, and US winter storm. Perils not related to the US are European windstorm, and Japan tropical cyclone, which are material to our Property and Treaty underwriting business.

The opportunities related to these areas for Beazley lie, in the first instance, in further developing our understanding of these perils and the impact they may have on the business. By enhancing our understanding of the risk and being able to improve the quantification of this this risk then we will be able to better mitigate the risk. Such mitigation measures may include; better risk selection and pricing; diversification of our underwriting portfolio to avoid any material risk concentration thus optimizing our portfolio to increase underwriting performance; better transfer of the risk through reinsurance; supporting our clients to mitigate climate risk and improve their risk management.

Liability-related climate risks and opportunities

Climate liability risk could be a material risk given Beazley's exposure on speciality risks. We continue evolving our understanding of climate liability risk, and understanding how our policy wording could respond to climate liability scenarios, and engaging with clients to understand the risks better. This risk could also bring products and services opportunities that we will keep exploring.

Transition-related climate risks and opportunities

For Beazley, it is important to support a just transition to a net zero world. Whilst there are risks associated with the transition, opportunities are also available in this area for Beazley. These opportunities include Beazley developing its own transition plan, incubating products which provide coverage for clean/green technology, and supporting our clients as they begin their transition. From an investment perspective, seeking to align our investment portfolio with a 1.5 degree Celsius pathway is important, and work has been undertaken to help establish the current alignment of our investment portfolio.

2.2 Impact of climate-related risks and opportunities on business strategy and financial planning

Our insureds are the most important part of our value chain, in respect of developing long-term value for Beazley. We do not see this value just in being their insurer, but in the partnerships we can create to support our clients as they themselves address climate-related risk. Both Beazley's climate risk strategy, and wider responsible business strategy. help set out how we manage our material climate-related risks and opportunities. A summary of our approach to climate-related matters across our underwriting, investments and operations and how they are helping to inform our strategy is provided in the following section.

2.2.1 Developing Beazley's plan for the transition to net zero

The transition to net zero is an important topic for Beazley, and cuts across our approach to our operations, investments and underwriting. The development of the first iteration of our transition to net zero plan will be completed in 2023, and will form a key part of our strategic approach to ESG and climate-related matters going forward. This plan can be broken down into three key areas:

Underwriting

In 2022, Beazley became a member of the NZIA, which is an industry initiative led by the United Nations Environment Program Finance Initiative (UN EPFI) to develop an appropriate methodology for measuring the apportioned GHG emissions arising from the underwriting portfolio. The methodology - the NZIA target setting protocol 1.0 was published in January 2023, and will enable all NZIA members to develop their first round of targets relating to the decarbonisation of the underwriting portfolio by 2050. As a condition of continued membership of the NZIA, Beazley is mandated to publish its first target by the end of July 2023, for which work has already commenced.

Operations & Investments

Beazley has also committed to adopting a Science Based Targets initiative (SBTi) target. The SBTi methodology is a well established framework by which Beazley can set a credible pathway for the decarbonisation of our operations and investments to near to net zero emissions by 2050. In accordance with the SBTi requirements, the plan will set a number of clear qualitative and quantitative targets, at a maximum of five year intervals, for both the operations and investments.

In brief, for the operations element, this will include the continued decarbonisation of the material GHG emissions generated by Beazley across our Scopes 1, 2 and 3. This plan will build on the GHG reductions the Group has already achieved, as reported within the Metrics section. For our investments, our initial transition plan will cover our approach for the decarbonisation of the relevant asset classes set out within the latest version of the SBTi finance sector guidance. This work will build on the metrics reported in the Metrics section of this report. We will of course, look to expand the reporting of the emissions arising from our investments as and when new guidance is published for asset classes not currently covered within existing methodologies, i.e. sovereign bonds.

For the elements of our transition plan which can be verified by the SBTi, Beazley has set the objective to achieve this verification by the end of 2023.

2.2.2 Climate risk strategy for underwriting

Our climate risk strategy forms the basis for the planning the actions the business will take, in the short term, to further embed climate change into our, business as usual, approaches. The strategy covers four key areas:

- embedding climate risk into underwriting;
- underwriting product opportunities;
- risk mitigation; and
- financial stewardship

Approach to embedding climate risk into underwriting

The CBES stress test conducted in 2021 has moved us forward in the work required to fully embed climate-related matters into underwriting and has triggered a series of key projects and activities, all of which are overseen by the CRWG. A summary of progress is as follows:

Initiative	Summary of progress and plan for 2023
1. Strengthen catastrophe modelling capabilities and develop forward looking view of risk	In 2022, we validated and implemented a US hurricane climate-change-conditioned model for use as our view of risk for 2023. This takes account of the fact that hurricane risk is elevated due to climate change and allows us to develop a forward-looking view of risk. This view of risk for US hurricane is implemented in portfolio management, pricing, and capital setting. We also validated the US wildfire model during 2022 and the model is planned to be implemented in 2023. In 2023, we also plan to further review US hurricane climate change impacts including storm surge and tropical cyclone induced flooding to update our view of risk. For US wildfire and inland flood, we will continue evaluating the models and develop a forward-looking view of risk. We will also continue strengthening our modelling approach for other key perils.
2. Develop climate adjusted pricing for key perils	In 2022, we introduced key peril model calibration pricing. We introduced climate loss trends in pricing for US wildfire, US inland flood at the end 2022, and US hurricane in January 2023. In 2023, we plan to review and incorporate other key peril climate loss trends (US hail, US tornado, and US winter storm). We plan to investigate and evaluate whether catastrophe model outputs for US wildfire and inland flood could be used in pricing. If they are proven to be better than the current climate risk models used in pricing, we will incorporate the catastrophe model outputs for US wildfire and inland flood into the pricing tool and provide underwriters with training to help them understand any changes in pricing methodology and outputs.
3. Develop underwriting climate change metrics	We developed a climate change metric on US hurricane risk during 2022 to be implemented in January 2023 into our key property pricing tool. This metric has been developed by using a third-party tool that provides climate change projections for a list of physical risk perils. The US hurricane climate change metric was validated and is to be implemented first, given that it is the most material peril. This metric will help underwriters understand future climate change impact in the assessment of their portfolio, which will support underwriting decision-making. At this stage it will not impact the modelled premium as this is already captured in the hurricane adjusted climate loss trends. This metric could also be shared with clients to support client engagement. During 2023, we plan to embed this metric into the underwriting process and provide training to underwriting teams to understand uses of this metric and how it can be used in underwriting. Additionally during 2023, we also plan to review and evaluate the third-party climate-change-conditioned data and scores, and develop and incorporate into the pricing tool climate change metrics for other key perils.

TCFD 2022 continued

Initiative	Summary of progress and plan for 2023
4. Portfolio management: develop and implement catastrophe optimisation framework and tools	In 2022, we developed a catastrophe 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. In 2023, we will implement this framework and tool and proactively manage the US property risks portfolio using the optimisation tool. We will consider how climate risk can be further incorporated into the framework and tool.
5. Climate litigation: scenario development	In 2022, we have developed an internal realistic disaster scenario on greenwashing to assess and quantify the potential impact of greenwashing and consider actions needed to mitigate this risk. In 2023, we plan to work with a third party partner that could assist us with reviewing and challenging our scenario development and analysis, underwriting questions development, wording impact assessment, and our wider thinking on climate litigation risk.
6. Wording analysis	An analysis of wording was carried out in 2022 to investigate if there were any potential ambiguities of peril coverage in underwriting policies.
7. Development of climate change risk assessment framework	To enhance our approach to defining material issues, Beazley is working to further incorporate scientific research into our materiality assessment. This process is going to be part of the climate change risk assessment framework which will be developed in 2023. This framework will enable Beazley to further communicate not just the material issues, but also the actions being undertaken to manage the risks (e.g. model validation, model adjustment, actions to pricing and underwriting). This work, will be supported by the establishment of a natural hazards research team, which will further strengthen our model evaluation and research capabilities.

Underwriting product opportunities

It is important to consider climate risk impact on end-to-end insurance operations that will drive opportunities for new and changes to existing products and propositions. The processes we have in place, as discussed in section 2.1.3, will help facilitate the development of product opportunities.

In 2022, we undertook a review on how Beazley's current and planned product suite applies for industries and sub-industries that are key to carbon transition (i.e. green/clean tech). As part of the review, we gathered information from our underwriting teams on both their appetite and demand for coverage for these industries. There is clearly a demand for products and services for renewable energies (wind, solar, hydro-electric, wave & tidal, geo-thermal, and hydrogen), as well as being demand for green technology (carbon capture & storage, battery technology, recycling) and green services, (green consulting, technical services, green finance).

The exercise also enabled Beazley to identify the challenges to underwriting green/clean tech, which include:

- a lack of available historical data, such as claims performance, creating significant challenges for underwriting and pricing new products; and
- having difficultly in predicting which green technologies will prove most successful, or how quickly they will be adopted.

Risk mitigation services opportunities

We feel it is important to be able to support our clients in better understanding, mitigating and managing their climate risks. This work is to commence in 2023.

Financial stewardship

In 2023, work will commence to investigate further how we can best support our clients during their transition to net zero. We wish to support as many of our clients as we can during their transition to net zero. We believe that this can be delivered through a combination of: education on the need for a smooth and just transition; knowledge sharing from the learnings we gain during our own transition journey; and the provision of products and services in this space.

For Beazley, a key part of the transition to net zero is to ensure it occurs in a just manner, and the short term social needs of energy security are balanced against the longer term needs to reach net zero by 2050. At the beginning of 2022, we adopted a policy of not underwriting any new thermal coal, oil tar sands, or arctic energy exploration projects, or businesses which generated more than 5% revenues from these areas. However, in November, due to the ongoing war in Ukraine, it was decided that the exclusion for thermal coal, would be revised. This revision applies only to our Marine and Political Risk underwriting classes, where Beazley is prepared, until June 2024, to insure new clients who are transporting thermal coal from existing coal mines. This approach was adopted in order to support the need for energy security, and the fact that a number of global countries are having to increase their use of thermal coal plants to provide electricity.

Working with brokers

Brokers are a key link between Beazley and our clients and therefore our relationship with our brokers will be central to our response on climate-related matters. We have recently begun working with external analytics teams to enhance our knowledge of the latest research of climate change impacts to physical risk perils, catastrophe models and tools, and climate scenario analysis. This will enhance our ability to model and manage climate risks, and allow us to keep abreast of latest market developments on catastrophe and climate risk analytics.

2.2.3 Investments

In 2021 Beazley published, for the first time, its Responsible Investment Policy, which sets out how ESG factors and climate risk are considered as part of the investment decision-making process. In 2022, we took a number of steps to further enhance this approach, which include:

- Moving the calculation of climate risk metrics for our corporate bond and listed equity exposures to a specialist platform to improve consistency and quality of data. This has enabled Beazley to determine the apportioned carbon emissions and weighted average carbon intensity (WACI), which we now report as part of our climate-related metrics;
- Using the same platform to access information on the Paris alignment of our assets and physical and transition risks, this knowledge will help us to monitor and manage our climate risk on an ongoing basis; and
- Commencing work to develop and incorporate climate data and emission factors for sovereign exposures. It is anticipated these numbers will be incorporated into our annual reporting at the end of 2023.

Alongside this work, Beazley also made its first impact investment. This was based on a Beazley commitment in 2021 to invest, over time, up to $100m of the investment portfolio in impact investments (these are defined as investments that have a measurable positive social and environmental impact as well as a financial return). In 2022, following detailed analysis, we made our first such investment, in a fund focused on the creation of renewable energy capacity. This fund is managed by a member of the Natural Capital Investment Alliance (NCIA) which was established through the Sustainable Markets Initiative (SMI) to increase the scale of natural capital investment. In 2023, we will maintain our focus and momentum in searching for impact investments. Progress will be overseen by the Investment Committee.

For 2023, in addition to supporting the development of Beazley's plan for the transition to net zero, will also focus on developing our analysis on the impact of different climate scenarios on the EBITDA of the companies we invest in, over various time horizons out to 2050, to enable us to reduce exposure to climate risk across our investments.

For our internally managed investment-grade fixed income portfolios, we will look to reduce our exposure by disinvesting from companies not making sufficient progress to decarbonise. We feel this approach is appropriate given the size and nature of investments are not sufficient scale to allow us to effectively engage directly with companies we invest in. Equity investment is a small proportion of our portfolio and the management of these assets is outsourced to external investment managers; we do require that they exercise our voting rights and engage with our investee companies on climate issues. We continually monitor available investments to ensure we are invested in the most sustainable comparable option and/or engage with the manager to apply pressure to make changes to the mandate where possible.

2.2.4 Operations

Greenhouse Gas reduction strategy

Beazley operates from a number of offices across the globe. Whilst these locations could be impacted by physical climate-related events, in the short term the focus of business strategy is on how Beazley can best work to reduce our contribution to climate change, particularly in respect to the greenhouse gases (GHGs) we generate. As laid out within our Responsible Business Strategy, a 40% reduction in GHG emissions was targeted for 2022, and a 50% reduction sought in 2023; both targets are set against a 2019 baseline. Progress against these figures is reported in the metrics section. Beazley's GHG emissions predominantly arise from our Scopes 2 and 3 emissions, as set out in within our GHG emissions disclosures. We aim to deliver our targets through the following actions:

Office space selection

We are selecting our office spaces based on our changing needs as a business. The move to an activity-based working approach means that our office space is smaller than in previous years. Furthermore, by selecting offices which achieve a BREEAM or LEED certificate, we can guarantee that the energy performance of the fabric and technology within the building is energy efficiency.

Carbon travel budget

Business travel is a significant part of our scope 3 emissions. To help address the impact of business travel, a carbon budget was introduced at the beginning of 2022. As with a financial budget, each division has a total amount of carbon they can 'spend' on GHG emissions arising from business travel. Updates on performance were provided throughout the year, so teams could track budget spends.

For 2023, we have developed this further to improve the alignment between the carbon travel budget and the financial budget for business travel. We will monitor both the financial and carbon budgets in 2023 in order to identify where improvements to this revised approach can be made.

Supply chain

Currently we do not disclose emissions arising from our supply chain, beyond those produced by two of the data centres we lease. However, Beazley has committed to embedding ESG matters into our procurement, including a focus on GHG emissions arising from our suppliers' operations. We will begin to develop this procurement strategy in 2023. Progress against targets, and the emissions arising from our supply chain, will be reported in subsequent years in the metrics section.

3. Scenario analysis

3.1 Climate Biennial Exploratory Scenario

In 2021, Beazley took part in the PRA's Climate Biennial Exploratory Scenario (CBES) stress test. The exercise covered modelling of physical, transition and liability (litigation) risk over a 30-year time horizon within three different scenarios – Early Action (EA), Late Action (LA), and No Additional Action (NAA). The scenarios were based on those established by the Network for Greening the Financial System (NGFS), with their key characteristics summarised in the table below:

	Early Action	Late Action	No Additional Action
Physical Risks	Limited	Limited	High
Mean global warming rise by end of scenario (since pre-industrial times)	1.8	1.8	3.3
Mean sea level rise in UK (m)	0.16	0.16	0.39
Transition risks	Medium	High	Limited
Transition begins	2021	2031	n/a
Nature of transition	Early and orderly	Late and disorderly	Only policies that were in place before 2021
Impact on output	Temporarily lower growth	Sudden contraction (recession)	Permanently lower growth and higher uncertainty.

The exercise focussed on both assets and liabilities, taking a view, based on end-of-year 2020 balance sheets, of what might happen depending on future climate-related policies, technological advancements and consumer behaviour to limit greenhouse gas emissions. A quantitative questionnaire also accompanied the qualitative exercise, asking for the disclosure of potential management actions to improve the management and mitigation of climate-related risks.

It was determined that the overall balance sheet impact is material over the long term, particularly in the NAA scenario which sees greater physical and transitional risk. However, in no scenario is Beazley rendered unviable as an organisation.

On physical risk, the biggest impact on loss occurs in the NAA scenario, specifically the US perils (i.e. US windstorm, US inland flood, US wildfire, US severe convective storm, and US winter storm). There is however, a range of reliability of climate data and this leads to significant uncertainty as to the impacts of climate change on individual perils and regions. As a result, the modelling of physical risk triggered a series of further actions on improving catastrophe modelling by developing climate change conditioned view of risk, incorporating climate risk trends for most material perils.

On transition risk, the largest asset portfolio loss occurs in the NAA scenario and the smallest in the EA scenario. The 'balance sheet shock' approach has its limitation, however we continue to decarbonise our investment portfolio.

The climate litigation risk scenarios have been useful to stimulate discussion, raise awareness, and consider timing of impact on industry sectors. The impact on the underwriting portfolio was estimated to be the highest for the greenwashing scenario. This led to development of an internal deterministic greenwashing scenario.

3.2 Post CBES actions

CBES has significantly moved us forward in embedding climate risk into our business and has triggered a number of actions, as discussed previously in section 3.1. From a scenario analysis perspective, our focus in 2022 was to develop a Beazley most likely future state climate scenario, a deterministic greenwashing scenario, and a plan for further scenario development in 2023. Progress on these matters is summarised in the section below.

Likely future state scenario

In 2022, we developed a 'likely future state' scenario which ensures that all areas of the business are aligned in terms of views on likely future scenarios and what 'degree world' we are operating in and planning for. This scenario has been developed to support internal business activities (e.g. view of risk selection, underwriting and pricing decisions, capital investment choices). The scenario is based on NGFS scenarios and the Intergovernmental Panel on Climate Change (IPCC) scenarios. The proposed 'Beazley most likely' scenario parameters are:

- a 3 degree celcius warmer world at 2050;
- a 0.6m sea level rise at 2050; and
- a very late and more aggressive policy transition. Assumes annual emissions do not decrease to 2030.

This corresponds to the NGFS 'Delayed transition' scenario and the IPCC RCP4.5 scenario. We also proposed stressed versions of the scenario, for both physical risk and transition and liability risk. The likely future state scenario will be reviewed on a regularly basis to ensure the continued appropriateness of the parameters.

The 'likely future state' scenario parameters have already been used to decide which view of risk we should take in our US hurricane climate-change-conditioned model, and also when developing climate change metrics for US hurricane for underwriters.

Deterministic climate litigation scenario

Post CBES, we found that one of the climate litigation scenarios merited further investigation internally, and this has resulted in the development of a deterministic greenwashing scenario to assess and quantify the potential impact of greenwashing and consider actions needed to mitigate this risk.

Scenario analysis plan for 2023

On physical risk, we have already assessed the impacts on key perils in our CBES exercise. Recognising the need to continue carrying out such scenario analysis, however, we plan to keep developing short-term, medium-term, and long-term scenarios. We will link these to our business planning and decision making. We plan to link the future likely state scenarios to individual perils when developing physical risk scenarios. This will enable Beazley to understand what the physical risk impacts would be under future likely state scenario, and the stressed version of the scenario.

On litigation risk, we are investigating the merit of working with a third-party partner to review and challenge the way we undertook the CBES litigation scenario, and also our internal climate litigation scenario. This would potentially not only allow us to better understand and assess our climate litigation risk, but also refine/update the scenario and design more scenario(s) if necessary. The internal climate litigation scenario will be monitored on a quarterly basis. We will review the quarterly movement in scenario results linked to climate ligation claims and the risk landscape, enabling us to review the scenario and its use for decision making.

3.3 Climate-related issues and the financial planning process

The outputs from scenario analysis and risk modelling help to determine Beazley's capital allocation for risks. The risk modelling continues to be updated to reflect the latest consensus of scientific opinion. For example, the US hurricane model includes assumptions that are based on climate-conditioned output. The process also informs the amount of reinsurance which needs to be purchased to cover claims arising from climate-related issues. This work is conducted on an annual basis, as part of the business planning process, and ensures Beazley has sufficient capital to cover ongoing claims.

TCFD 2022 continued

4. Risk management

4.1 Risk management framework

4.1.1 Overview of Beazley's risk management framework

Beazley's risk management framework establishes our approach to identifying, measuring, mitigating and monitoring the Group's key risks, including climate risk. See additional detail on the risk management framework in the strategic report which starts on page 1.

4.2 Identification and assessment of climate-related risks

We use the key mechanisms set out below to identify and assess a range of climate-related risks relevant to Beazley, whether that be by geographical location, sector or product line.

Scenario analysis

Scenario analysis includes stressing the scenarios of the first line or developing additional scenarios to consider climate related risks.

Natural catastrophe modelling

Beazley utilises physical damage catastrophe models, such as those created by Moody's proprietary modelling system RMS, to help understand the implications of physical events. The modelling of physical events with a climate-adjusted view, i.e. models that enable us to review potential changes in physical risk as a result of a changing climate, is a discipline in its infancy. The Group has licensed, and validated, the RMS climate-adjusted model for our most material peril and expects to review and validate more climate-adjusted models released in 2023.

The primary purpose of the tool is to gather data from the underwriting portfolio and provide loss-related information about pre-defined events, such as Lloyd's Realistic Disaster Scenarios (RDSs). However, it is also used to assist with determining rate adequacy and as a key input in portfolio management decisions; for example, in terms of diversification and geographical spread.

The modelling enables the impact of climate-related risk to be reviewed from the following perspectives:

- regional variation;
- different climate risk scenarios; and
- different loss perspectives

Beyond this modelling, we also engage with other data and tool providers to review potential changes in physical perils at an individual location level.

Deterministic scenarios

Beazley runs RDSs in order to determine the impact of different risks. The natural catastrophe RDS and climate litigation RDS are run on a regular basis. 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 potential,complex, and / or emerging risks relating to underwriting. There are approximately 60 Deterministic Realistic Disaster Scenarios (D-RDS) used to monitor the most significant.

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 wildfires, an increasingly common event due to the impacts of climate change. The modelling approach, meanwhile takes into account the impact of sector, geography and business segment, in order to determine Beazley's exposure. This helps to determine the relative significance of the climate-related risk in relation to other risks. In turn this informs decision-making across the business.

Climate-related strategic risks

The Board identifies and analyses emerging and strategic risk on an annual basis for discussion at The Board level. In the context of climate-related matters, strategic risks relate to Beazley's approach overall to climate risk and behaving as a responsible business by seeking to minimise our environmental impact. This includes our approach to the transition to net zero, key disclosure requirements, and embedding climate risk and responsibility actions into business as usual approaches.

Strategic risks are also reviewed, twice a year, by the risk team as part of Beazley's risk assessment process. These reviews 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 also where Beazley's own response to climate change is noted, and the appropriate action to deliver improvements is documented.

Identification of emerging trends and regulatory requirements

Regular scanning of the horizon for emerging trends, regulatory requirements and stakeholder perspectives is undertaken. Key elements which are looked for include:

- Understanding the perspectives of stakeholders, whether they be investors, activists or our employees, through regular dialogue;
- Determining current and emerging legal requirements, whether they be mandated or voluntary. This includes compliance with regulatory demands and legislation. It also extends to voluntary initiatives Beazley is a member of, such as the UN Principles for Sustainable Insurance, or the Net Zero Insurance Alliance; and
- Understanding the evolving reputational risks associated with our activities.

Regular communication on these matters occurs across the teams identified in section 1.2 in order to ensure Beazley's approach to responsible business meets stakeholder expectations. Where necessary, proposals are put to the responsible business steering group for further discussion or clarification and recommendations for any appropriate action. Last year the Group committed to setting a net zero target for 2050.

4.3 Management of climate-related risks

4.3.1 Consideration of climate-related risk within the Risk Management Framework

The classification of climate-related risk has evolved at Beazley. The Board identified it as an emerging risk in 2019 before being reflected under enterprise risk which is a principal risk within the risk framework in 2021. However, enterprise risks including climate-related risks are pervasive and span multiple risk categories and risk owners.

A brief outline of how climate-related matters are reflected in the risk categories wider than enterprise risk, is outlined in the tables below.

Insurance risks

Risk type	Relevance to climate-related matters
Market cycle risks	This is the risk of systematic mispricing of the medium-tailed speciality risks business, which could arise due to a change in the US tort environment, changes to the supply and demand of capital, companies using incomplete data to make decisions. In the context of climate-related matters, liability risks could manifest themselves, especially in relation to accusations of greenwashing. Transitional risk may also play a part in claims arising from market cycle risks. The Group uses a range of techniques to mitigate this risk including sophisticated pricing tools, analysis of macro trends, analysis of claim frequency and the expertise of our experienced underwriters and claims managers.
Natural catastrophe risks events	This is the risk of one or more large events caused by nature affecting several policies and therefore giving rise to multiple losses. Given Beazley's risk profile, such an event could be a hurricane, major windstorm, earthquake or wildfire. This risk is monitored using exposure management techniques to ensure that the risk and reward are appropriate, and that the exposure is not overly concentrated in one area.
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, credit and liquidity risks

Risk type	Relevance to climate-related matters
Risk to earnings	This is a risk of investment loss, in any period, sufficient to impact capital and/or cause reputational damage. Beazley's investment portfolio could suffer detrimental returns following drops in the share prices of investments following a climate-risk-related incident. To mitigate this risk, an approved investment strategy is in place that provides guidance on appetite. In addition, adherence to the investment strategy is monitored through ongoing review, oversight and audit work.
Reinsurance credit risk	In the event material natural catastrophe events, there would be 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 exercise which considers financial strength ratings, capital metrics, performance metrics and other considerations.
Liquidity risk	There is a risk that losses resulting from unprecedented natural disasters or extreme weather could erode our ability to pay claims in a timely manner, due to unavailability (or not having access to) the neccesary financial resources to meet obligations.

TCFD 2022 continued

Strategic risk

Risk type	Relevance to climate-related matters
Strategic decisions	The Group's performance would be affected in the event of making strategic decisions that do not add value. The Group mitigates this risk through the combination of recommendation and challenge from Non-Executive directors, debate at the Executive Committee and input from the Strategy and Performance Group (a group of 30+ senior individuals from across different disciplines at Beazley). In the context of climate-related matters, this relates to decision making around the transition to net zero across underwriting, investments and our operations.
Communication	Having the right strategy and environment is of little value if the strategy is not communicated internally so that the whole Group is heading in the same direction, or if key external stakeholders are not aware of Beazley's progress against its strategy. Beazley regularly communicates internally and externally on responsible business matters. This is underpinned by the responsible business strategy.
Senior management performance	There is a risk that senior management could be overstretched or could fail to perform, which would have a detrimental impact on the Group's performance. The performance of the senior management team is monitored by the CEO and Culture and People team, and overseen by the Nomination Committee. Climate-related objectives are built into senior management remuneration packages. This ensures progress can be measured and reported against.

Enterprise risk

Risk type	Relevance to climate-related matters
Climate financial risk	This relates to potential financial risks that may result from the physical impact and transition requirements of a changing climate on Beazley's underwriting and investment portfolios. This could be due to systemic mispricing of climate-related exposures, mismanagement of our aggregate exposures, or greater claims costs than expected resulting in financial loss and/or reputational damage. The Group mitigates this in a number of ways, including having a clearly defined and documented underwriting and investment strategy. There is training and guidance on related risks as part of the business planning process. Pricing models are regularly reviewed and updated to include/reflect climate-risk-related information. Exposure management processes are in place, including stress and scenario analysis.
Environmental, social, and governance (ESG)	ESG is the umbrella term for environmental, social and governance factors that are used to measure the sustainability and ethical impact of a business. The risk is that we fall short of the expected standard of ESG in relation to our stakeholders. For example, this could stem from failing to understand and keep pace with ESG related thinking (that continues to gain momentum) and consequently not taking appropriate actions to address Beazley's stance and exposure in those areas. This could result in actual, or a potential, material negative impact and/or reputation of Beazley, arising from an adverse sustainability impact. We mitigate this risk by ensuring there is a clearly defined and documented ESG strategy driven by the executive team, that includes targets and milestones which are communicated to all staff. This is primarily governed via the Responsible Business Steering Group to ensure we take a consistent approach across the Group. Sustainability initiatives are incorporated into the business planning process.
Reputation	Although reputational risk is a consequential risk, i.e. it emerges upon the occurrence of another risk manifesting, it has the potential to have a significant impact on an organisation. Beazley expects its staff to always act honourably by doing the right thing. From a climate-related risk perspective, reputational risk manifests itself in the decisions we make on climate matters. This includes our approach to the transition to net zero, our approach to underwriting and investments, particularly in carbon-intensive sectors, and performance against the objectives we have set within our Responsible Business Strategy.

Operational risk

Risk type	Relevance to climate-related matters
External event	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 interrupted client service in the event of a disaster.
Commercial management	The Group aims to minimise where possible the environmental impact of its business activities and those that arise from the occupation of its office spaces. As we operate in leased office spaces, our ability to directly influence the building's 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.
Regulatory and legal	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 could result in the risk of reputational damage or increased scrutiny. The Group regularly monitors the regulatory landscape to ensure that we adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk.

4.3.2 Processes for managing climate-related risks

Beazley's risk management philosophy is to balance the risks the business takes on with the associated cost of controlling these risks, whilst also operating within the risk appetite agreed by The Board. In addition, our risk management processes are designed to continuously monitor our risk profile against risk appetite and to exploit opportunities as they arise. As a specialist insurer, a number of classes of business that we underwrite are susceptible to the impact (or potential impact) of climate change. There are broadly four options that we have as an insurance company in relation to these risks: we can accept the risk, avoid the risk, mitigate the risk, or transfer the risk.

Tools to help manage climate-related risks

Beazley employs a variety of tools to help manage climate-related risks. These are as follows:

Tools used	Description of use
Stress and scenario framework	The stress and scenario framework is a key element of the risk management framework, enabling senior management to form an understanding of the vulnerabilities of the business model. There are two levels of stress and scenario tests conducted at Beazley, which ensures there is coverage of the key risks facing us and ownership at the appropriate management level. Single-pillar stress and scenario tests such as RDSs are performed as part of normal business processes, with RDSs for natural catastrophes run on a regular basis in order to determine the impact of different risks. In addition, multi-pillar testing is conducted as part of the Own Risk and Solvency Assessment (ORSA) process, to ensure that tests continue to develop and reflect the evolving risk environment.
Monitoring of aggregation of exposure	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 any changes could have to the insurance portfolios. The Exposure Management team reports to the Chief Underwriting Officer, who in turn provides regular updates to The Board on these matters. The Exposure Management team is supported by the Head of Financial Climate Risk.
Capital modelling	The Head of Capital provides an update to The Board, using modelled and non-modelled information, to help determine the impact of climate change on the business. 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. They also set out a view on the more material hurricane risk as part of this process.
Risk appetite	On an annual basis, Beazley's risk appetite is reviewed and is informed by outputs from the RDS, capital model, and credit risk assessment, as well as 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 any areas where we are close to the limits the business has set. Capacity is obviously impacted by the number of physical weather events which occur throughout any given year, and therefore the impact of climate change is considered when deciding on risk appetite. During 2022, risk appetite statements and specific Board-level key risk indicators (KRIs) have been developed for climate-related financial risk, which includes investment and underwriting. These are being monitored from 2023 onwards.

Quantitative and qualitative assessment of climate-related risks within the Risk Management Framework

Specific Board-level key risk indicators (KRIs), as set out in the risk appetite statements, are being monitored, as part of the risk management framework from 2023 onwards. They are designed to provide triggers that through monitoring can be addressed through Beazley's governance structure. They set out tolerance levels using red, amber and green ('RAG') ratings to help indicate the extent to which a risk is inside or outside appetite and whether any escalation is required. The climate change-related KRIs will be as follows:

Area of the business	Key Risk Indicator
Underwriting	Phase 1 Climate change in underwriting and pricing objectives met Regulatory disclosure requirements met
Investments	Compliance with responsible investment policy and transition risk
Operations	Reduction in carbon emissions for our operations compared to the 2019 baseline of 40% in 2022, and 50% in 2023.

Where possible, these KRI's have been reported in the metrics section of the TCFD disclosure, with full incorporation expected from 2023.

TCFD 2022 continued

5. Metrics

5.1 Enhancing our approach to climate-related matters

The creation of the CRWG in 2022 has enabled the Group to work to begin to enhance our approach to climate-related matters within underwriting. For 2022, there are two quantitative metrics which we can report against as a measure of initial progress, with the expectation that we will develop more metrics to measure our progress against our climate risk strategy in 2023.

Number of perils with climate- change- conditioned view of risk

Beazley is investigating the climate change conditioned models in the market and updating our understanding of climate change impact on physical risk perils from dedicated research, in order to develop a forward-looking climate-change-conditioned view of risk. We developed and introduced a climate change conditioned view of risk for US hurricane, our most material peril, in 2022, and plan to develop climate change conditioned view of risk for other key perils in 2023.

2021	2022
0	1 (US hurricane)

Number of perils with climate loss trends introduced into pricing model calibration

Beazley is in the process of incorporating climate trends for key perils into the model calibration for pricing. This is the first step in the process to fully embed climate loss trends for key perils into pricing. In 2022, we reviewed climate loss trends for US hurricane, US wildfire, and US inland flood. These were introduced into the key property pricing tool in December 2022 for US Flood and US Wildfire and January 2023 for US Hurricane. We plan to further embed these perils within pricing, whilst also reviewing and incorporating other key peril climate trends.

2021	2022
0	2 (US wildfire, US inland flood)

5.2 Underwriting

Net Estimate Premium Income arising from low and zero carbon technologies

The sum of net estimated premium income (net EPI) arising from low and zero carbon technologies underwritten in 2021 and 2022 is as outlined in the table below. The scope of inclusion is for estimated insurance premiums written for policies related to energy efficiency and low and net zero carbon technology, including renewable energy insurance, energy savings warranties, and carbon capture and storage insurance).

2021	2022
$4.5m	$8.0m

5.3 Investments

Beazley uses data from Standard & Poor's Market Intelligence Capital IQ pro (S&P CAP IQ pro) to help determine a number of metrics across our investment portfolio.

Total apportioned GHG emissions arising from our investments

This is the total Carbon Emissions apportioned to Beazley's portfolio of publicly listed equities, which are 1.8% of our overall holdings. The value of holdings is $159m. This metric is the starting point for carbon footprinting of our listed equity portfolios. It adopts the equity ownership approach, consistent with the GHG Protocol accounting standard, allocating emissions based on levels on equity ownership (market capitalisation) on an enterprise value including cash (EVIC) basis.

The GHG emissions data is based on Scope 1 and 2 emissions only. Data to complete the calculation has been sourced from S&P CAP IQ pro. The data was reported as at 1st January 2023, and is the first year we have reported this figure. This metric will form part of the suite of metrics Beazley will report on going forward.

	2022
Apportioned GHG emissions (tCO2e) arising from our investments (Publicly listed equities only)	2,359.29

Weighted average carbon intensity (WACI)

The weighted average carbon intensity (WACI) of our corporate bonds and equity portfolios is set out in the table below. The WACI is calculated by taking the sum of the GHG emissions (Scope 1 and Scope 2) for the holding and dividing by the total revenue of each holding. This figure is then multiplied by its investment weight (the current value of the holding to the current value of the total holdings as at 1 January 2023). The scope of the reporting is limited to the GHG emissions arising from our publicly listed corporate bonds (investment grade and high yield) and publicly listed equities. The GHG emissions data is sourced from S&P CAP IQ. Emissions have been reported for 90.23% of the portfolio of publicly listed equities and corporate bonds. Work continues to source data required to report on the remainder of the portfolio.

	2021	2022
WACI (tCO2e/$m sales) arising from our investments (Publicly listed corporate bonds (investment grade and high yield) and publicly listed equities)	75.50	49.92

Temperature alignment of our investment portfolio

The reporting of the temperature alignment of Beazley's portfolio is based on the methodology set out by the S&P Cap IQ. The methodology apportions the value of holdings with regards to the 'under/over 2°C budget' metric which is produced by S&P each year for every company. This is calculated by multiplying the 'under/over 2°C budget' figure by the investor's value of holdings and then dividing this value by the total market capitalisation of that particular company. The individual values are then summed across the entire portfolio in order to either give a negative figure (aligned) or positive figure (misaligned). The scope of the reporting is limited to the GHG emissions arising from our publicly listed corporate bonds (investment grade and high yield) and publicly listed equities. The data was reported as at 1 January 2023. Emissions have been reported for 90.23% of the portfolio. Work continues to source the missing data required to report on the remainder of the portfolio.

The reporting of Beazley's current pathway alignment is the starting point from which future comparisons will be made. Beazley has set an objective to align its investment portfolio with a 1.5 degree Celsius pathway and will continue to work towards this in 2023.

	2022
Current Temperature Pathway Alignment	2-3 degree Celsius

5.4 Beazley's operations

5.4.1 GHG emissions

The Greenhouse gas (GHG) emissions are calculated and in accordance with the Greenhouse Gas Protocol, Corporate Reporting and Accounting Standard including the amended GHG Protocol Scope 2 Guidance, and HM Government, Environmental Reporting Guidelines, using the applicable UK Government's (BEIS) GHG Conversion Factors for Company Reporting unless otherwise indicated. Beazley Group's (hereafter Beazley) GHG emissions are, where possible, calculated using emission factors for '$kgCO_2e$' (i.e. the sum of emission factors for carbon dioxide, methane and nitrous oxide). The full methodology for calculating the GHG emissions is available on Beazley's website. The exceptions to this are:

1. Emissions associated with refrigerants, which are reported as GHG dioxide equivalent (tCO_2e) emissions;
2. GHG emissions for company cars are calculated using information provided on: the yearly mileage agreement, make, model, registration and fuel type. Consumption has been based on the maximum agreed mileage for the car in 2022, as set out in the lease agreement.
3. GHG emissions associated with the Dublin office electricity use are calculated using information reported by the Sustainable Energy Authority of Ireland (SEAI) and reported as gCO_2/kWh (NCV). The $kgCO_2e$ emission figure was calculated by adding BEIS NO_2 and CH_4 emission factors to SEAI's $kgCO_2$ figure.
4. Due to data coverage, US office electricity use and heating energy (Scope 2) are estimated using the office floor area and the 2021 CIBSE Guide F for Energy Benchmarking.
5. US office electricity use (Scope 2) and US grid electricity transmission and distribution (Scope 3) where the Environment Protection Agency (EPA, 2020) EPA US State emission factors are used
6. US office business travel by rental car, personal car, air and rail (Scope 3) where the US Environment Protection Agency (EPA, 2020) emission factors are used.
7. Where emissions factors are not listed by BEIS for the country of hotel stay, then data from the Cornell Hotel Sustainability Benchmarking (CHSB) index is applied
8. Emission figures for electricity used in 'ROW' offices (Barcelona, Dublin, Munich, Montreal and Paris) are country emission factors sourced from Carbonfootprint's GHG Footprint emissions document
9. Car hire for business use has been estimated, as data is unavailable to assess the mileage travelled as part of the rental period. Calculations have been based on an assumption that the user would travel 100 miles per day as part of the rental.

The parameter of Scope 1 and Scope 2 reporting in 2022 includes 16 sites covering London (UK), Birmingham (UK), Dublin (Ireland), Munich (Germany), Paris (France), Barcelona (Spain) and Atlanta, Boston, Chicago, Dallas, Farmington, New York, San Francisco, Philadelphia, Miami (USA) and Montreal (Canada) and two third party data centres. Additional offices are located across the globe, many of which are considered shared space or serviced office suites. Beazley pays a service charge for their use, however, has no control over the operation or use of utility provisions. Responsibility for energy consumption and carbon emissions, therefore, falls to the landlord, and is considered out of scope for the purpose of these calculations. The global emissions reported do not include data for the following office locations: Houston, Los Angeles, Denver, Singapore, Rio de Janerio, Shanghai, and Vancouver. These offices make up 8% of Global FTE in 2022. This equates to 94% of Beazley employees including contractors. The 2022 reporting scope is comparable with the GHG emissions reported for 2019 to 2021. Beazley's two subsidiaries, Lodestone & BHI, are excluded due to data quality and will aim to be incorporated in future reporting.

Reporting is based on operational control. Beazley Group does not have operational control over the building infrastructure and plant at its offices due to the presence of facility management companies and shared tenancy; as a result, emissions primarily fall within Scope 2 and 3 of the Greenhouse Gas Protocol.

TCFD 2022 continued

5.4.2 Location- based GHG emissions

Our Green House Gas (GHG) emissions normalised for Beazley's full-time equivalent (FTE) were 2.49 tonnes carbon dioxide equivalent (tCO_2e/ FTE) in 2022. This equates to an 55% reduction when compared to our 2019 baseline. This sizeable reduction is a reflection of the actions taken over the last three years, which have included the relocation of our office in London to more energy efficient premises at 22 Bishopsgate, the outsourcing of our data centres, and a reduction in business travel.

Location- based GHG Emissions (tCO2e)	2019	2020	2021	2022
Scope 1	21.08	16.50	8.23	65.20
Scope 2	2,010.84	1,773.92	1,412.87	1,144.79
Scope 3	6,735.91	1,647.04	807.37	4,073.96
Total tCO2e	8,767.83	3,437.46	2,228.46	5,283.00
Total tCO2e/FTE	5.52	2.09	1.22	2.49

5.4.3 Market- based GHG emissions

Beazley Group's market-based GHG reporting for 2022, taking into account the procurement of 538,589.43 kWh of electricity from certified renewable sources, is summarised in the table below. Renewable energy was procured for our Dublin, Barcelona, Paris and London offices, and equates to renewable energy being 53.46% of Beazley's overall in scope energy use. The procurement of renewable energy resulted in a saving of 116.63 tonnes of CO_2 equivalent. The contribution of renewable energy to our overall energy consumption is lower than the 65.55% saving achieved in 2021. This is because we were reporting energy arising from both our new and old London offices whilst in the process of relocating. Both offices used renewable energy, and therefore both our overall energy consumption and the contribution from renewable energy was temporarily higher than in a normal operating year.

The market-based emissions, which take into account the carbon emission reductions achieved through the use of renewable energy in four of Beazley's offices, are set out in the table below.

Market-based GHG Emissions (tCO2e)	2021	2022
Scope 1	8.23	65.20
Scope 2	1,038.22	1,027.79
Scope 3	776.12	4,066.63
Total tCO2e	1,822.57	5,158.65
Total tCO2e/FTE	1.00	2.43

5.4.4 Detailed Breakdown of Emissions

SCOPE 1

Our Scope 1 emissions arise from company car use, refrigerant top ups of air conditioning systems and back-up generator use for our Dublin office. Emissions are as follows for 2022:

UK	USA	Europe
5.71	0.00	59.49

SCOPE 2

Beazley Group does not have operational control over the building infrastructure and plant at its offices due to a combination of shared tenancy and the presence of facility management companies. Beazley offices are heated/ cooled by the building's central HVAC systems, which are managed by the landlord or landlord's agent. This does influence the options we have for procuring energy. Our Scope 2 emissions can be broken down by region:

UK

	2019	2020	2021	2022
Total location-based GHG Emissions (tCO2e)	856.10	615.26	319.02	135.28
Total market-based GHG Emissions (tCO2e)		173.94	19.97	72.73

USA

	2019	2020	2021	2022
Total location-based GHG Emissions (tCO2e)	1,013.76	1,013.76	964.18	909.32

EUROPE

	2019	2020	2021	2022
Total location-based GHG Emissions (tCO2e)	140.98	144.90	129.67	100.19
Total market-based GHG Emissions (tCO2e)		50.62	54.08	45.73

SCOPE 3

A breakdown of our Scope 3 is detailed below, with travel being a predominant part of our overall reported emissions. The UK/ Rest of World (ROW) data includes travel booked through our UK/ROW travel partner, which is predominantly for staff located within all offices except those in the USA. The data cited for the USA includes travel booked through our US travel partner, which is predominantly for staff located within all US offices.

UK/Rest of World GHG emissions

	2019 (tCO_2e)	2020 (tCO_2e)	2021 (tCO_2e)	2022 (tCO_2e)
Air travel	4,318.84	825.05	165.79	2,139.48
Rail travel	18.32	3.68	3.54	9.16
Hotel stays	126.22	24.31	8.88	50.79
Car hire use	9.19	1.39	0.07	–
Electricity transmission & distribution losses (location-based)	67.99	46.71	34.18	9.19
Taxi use	89.40	30.20	9.91	56.11
Personal car use	19.51	6.07	4.81	7.79
Electric vehicle charging transmission & distribution losses	–	0.28	0.26	0.27
Imported heat transmissions & distribution losses	0.46	0.45	0.45	0.45
Data centres	–	–	128.24	134.25
Total	4,649.94	938.14	356.13	2,407.49

USA GHG Emissions

	2019 (tCO_2e)	2020 (tCO_2e)	2021 (tCO_2e)	2022 (tCO_2e)
Air travel	1,755.20	612.65	361.60	1,527.01
Rail travel	89.33	2.01	0.66	2.78
Hotel stays	57.00	10.42	21.93	45.34
Car hire use	14.33	1.86	2.67	9.56
Electricity transmission & distribution losses (location-based)	39.99	39.99	37.25	37.92
Taxi use	75.71	28.93	12.78	43.86
Personal car use	54.41	13.04	14.34	0.00
Electric vehicle charging transmission & distribution losses	0.00	0.00	0.00	0.00
Imported heat transmissions & distribution losses	0.00	0.00	0.00	0.00
Data centres	0.00	0.00	0.00	0.00
Total	2,085.98	708.90	451.24	1,666.48

TCFD 2022 continued

Our overall Scope 3 emissions are as detailed below. We have provided further details of how the market based emissions factors also impact our overall emissions.

	2019 (tCO_2e)	2020 (tCO_2e)	2021 (tCO_2e)	2022 (tCO_2e)
Air travel	6,074.04	1,437.70	527.39	3,666.49
Rail travel	107.65	5.69	4.20	11.93
Hotel stays	183.22	34.74	30.81	96.13
Car hire use	23.52	3.24	2.74	9.56
Electricity transmission & distribution losses (location-based)	107.98	86.70	71.43	47.11
Taxi use	165.11	59.13	22.68	99.97
Personal car use	73.92	19.11	19.15	7.79
Electric vehicle charging transmission & distribution losses	0.00	0.28	0.26	0.27
Imported heat transmissions & distribution losses	0.46	0.45	0.45	0.45
Data centres	0.00	0.00	128.24	134.25
Total	6,735.92	1,647.04	807.37	4,073.96

	2019 (tCO_2e)	2020 (tCO_2e)	2021 (tCO_2e)	2022 (tCO_2e)
Electricity transmission & distribution losses (market-based)	107.98	42.92	40.18	39.77
Total revised for market-based emissions	6,735.92	1,603.27	776.12	3,932.38

5.4.4 Carbon offsets

Whilst Beazley does purchase carbon offsets, it does not use these as a mechanism to enable more emissions to be generated during the year. The targets we have set for carbon reductions do not include any allowance of the use of carbon offsets.

5.4.5 Water Consumption

As part of the Building Management System, Beazley has sub meters on the incoming water feed to the two floors we occupy within 22 Bishopsgate. This sub metering covers the water consumption arising from the use of our kitchenette facilities, and in 2022 resulted in 1,013m^3 of water being used. This is an increase on the 305m^3 used in 2021, however, office occupancy rates were lower due to the impact of social distancing for COVID-19. The consumption figures cited do not include for the water being used for the toilets being used on our floors, nor water consumption arising from central functions across the remainder of the building. These elements are controlled and measured by the building's landlord. Water consumption is cited only for our 22 Bishopsgate office, as this is the only office for which we currently have accurate water data for. This office is occupied by 42.51% of FTEs.

5.4.6 Waste Consumption and Recycling Rate

Beazley is also able to measure the amount and type of waste being generated from our London office, Data is provided by our landlord, who is responsible for coordinating the collection and disposal of the waste generated by all building occupants. This information confirms the amount and type of waste stream being generated, by weight. This data is recorded and collated by the landlord's appointed waste contractor, before being provided to Beazley. Based on the information provided, for 2022, Beazley generated a total of 10.98 tonnes of waste, with 6.58 tonnes of this waste being recycled across multiple waste streams. We were able to achieve a recycling rate of 59%. This is an increase on the 1.12 tonnes of waste recycled in our London office in 2021, however, office occupancy rates were lower due to the impact of social distancing for COVID-19. This office is occupied by 42.51% of FTEs.

5.5 External Benchmarks

Beazley uses a number of external ESG ratings to help benchmark our progress on ESG matters. Of the ESG ratings we participate in, two are relevant to benchmarking climate-related matters: – Climatewise and Carbon Disclosure Project (CDP). The 2022 scores are detailed in the table below, with historic data provided for comparison.

Rating Scheme	2020	2021	2022	Improvement in 2022?
Climatewise	46	72	72	No Change
CDP	C	C	B	Yes

5.6 Remuneration

As set out within the remuneration dashboard on page 124, a section of executive compensation is linked to the achievement of ESG objectives. The score-card, and the degree to which it has been achieved, is determined by the Remuneration Committee. A quantitative key element of the scorecard is the ESG ratings we achieve, based on third-party ESG rating agencies' assessment of Beazley's ESG performance. The CDP rating cited in this report forms part of the scorecard.

Compliance with TCFD Requirements

Beazley has included on pages 29 to 49 in the Strategic Report and various notes within our Financial Statements on page 157 to 232, 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 has partially disclosed against this requirement. In 2023, as part of the development of the Beazley's transition plan we will work to further understand the sectoral impact of climate-related risk. 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. Beazley has also committed to publish the first iteration of the Group's transition to net zero plan by the end of 2023. This document will include detail on future GHG targets for Beazley. 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: Organisations should describe the impact of climate-related risks and opportunities on the organisations business, strategy and financial planning.

Beazley's responses to this requirement 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. 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.

Beazley has partially disclosed against the supplementary requirements for insurance companies and asset owners. Beazley is working to further develop our approach to climate-related matters. 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 2c: The organization 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.

Beazley's responses to this requirement 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. 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 partially complies with this requirement and is currently working to develop an appropriate tranche of data metrics by which to further monitor climate-related risks in underwriting. Once developed these metrics will compliment the metrics already reported. Beazley is a member of the NZIA, and has also committed to publish the first iteration of the Group's transition to net zero plan by the end of 2023. 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.

Supplementary requirements for insurers and asset owners

For the supplementary requirements, our status is as follows:

Strategy 2c: Beazley has partially disclosed against the supplementary requirements for insurance companies and asset owners.

Risk 3a: Beazley does not comply with the supplementary requirements for asset owners and insurance companies.

Risk 3b: Beazley is partially compliant with the supplementary requirements for insurers, but is not compliant with the supplementary requirements for asset owners.

Metrics and Targets 4a: Beazley partially complies with the supplementary requirements for asset owners, but does not comply with the supplementary requirements for insurers.

Metrics and Targets 4b: GHG emissions and related risks Beazley does not comply with the supplementary requirements for insurers, but partially complies with the supplementary requirements for asset owners.

For these areas of the supplementary requirements, Beazley is working to further develop our approach to climate-related matters. 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. 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.

Stakeholder engagement

Our key stakeholders

The following pages describe how Beazley engages with its stakeholders to enable us to fulfil our purpose, deliver our strategy and deliver great outcomes for all our stakeholders.

Beazley is focussed on achieving long-term sustainable growth that delivers real value to all our stakeholders. The Board is committed to engaging with each of our stakeholder groups to help inform our strategy, annual plans and specific decision making.

The Board reviews who it determines to be its key stakeholders. The key stakeholder groups continue to be: our people, our clients and broker partners, our shareholders and our regulators. The Board also continues to recognise suppliers and communities as important groups.

This section of the report provides further information on how Beazley and The Board engage with each of these key stakeholder groups, what have been the outcomes of this engagement in 2022, and how the views of stakeholders have been considered in the key decisions taken by The Board during the year.

Our people

Why we engage?

Our people are fundamental to Beazley's long-term success and as such have been identified as one of the five key pillars supporting our strategy. We believe that by listening, sharing ideas, and learning we help each other strive for better. We seek to be open and honest in our dealings with our employees and contractors and support Beazley's values and culture of 'doing the right thing'.

How does Beazley engage?

Employee engagement takes place informally and formally at all levels of the organisation. Our managers are encouraged to communicate actively with their teams, seeking engagement at team meetings and in their day-to-day work.

We have five employee networks consisting of individuals from across the business in different roles and locations. Each network is focussed on raising awareness of different elements of our inclusion and diversity strategy and are able to give an employee view on matters within their remit. You can read more about these networks in the responsible business report.

Members of our Executive Committee support the overall approach to engagement, including through hosting 'executive coffees' with groups of employees and 'executive Q&A panel events' held virtually with the entire workforce. These sessions provide an opportunity for two-way engagement and for the executive to keep our people updated on what is happening across Beazley. Members of the Executive Committee are also regular contributors to our 'weekly news' emails, and other employees are also encouraged to contribute on relevant work developments and with interesting personal stories.

Our Chief Executive Officer regularly engages with the workforce through his email and spoken updates and encourages questions on all topics through the 'Ask Adrian' forum.

More formal workforce engagement takes place at our 'how are we doing? Live' strategy event. This event is held annually in person in multiple locations globally and gives an opportunity for the Executive Committee members and other employees to present on key developments. There are also annual all-employee surveys on engagement and leadership, the findings of which are presented to the Executive Committee and Board in order that plans can be developed to address any findings. There is regular reporting to the Executive Committee and Board by the Head of Culture & People on employee matters.

An important element to support our employee engagement is our whistleblowing hotline. This enables employees and other members of the workforce to raise in confidence any specific concerns, and we undertake to investigate fully any matters raised.

How does The Board engage?

As previously mentioned, The Board receive regular updates from the Head of Culture & People on employee matters in general and on the findings from the annual surveys on employee engagement and leadership.

In addition, and in line with the Corporate Governance Code, we have appointed a Non-Executive Director with responsibility for bringing the 'employee voice' into Board level decision making. For the majority of 2022 this role was held by Bob Stuchbery, with Fiona Muldoon taking on the role from November.

Fiona will continue Bob's work on providing updates to The Board on her formal and informal engagement with the workforce. This engagement includes attendance at meetings of the NexCo (an alternative Executive Committee of high potential employees from across the business which runs in parallel to the usual Executive Committee meetings), and attendance at informal meetings held virtually between members of the Executive Leadership team and a small number of employees. There is also ongoing engagement with employees through matters raised via the dedicated 'employee voice' pages on our intranet site. In 2022, some of the Non-Executive Directors hosted a live virtual panel for all employees, discussing their role and experience and answering employee questions. During the event Bob Stuchbery talked about his role as the 'employee voice' in the boardroom.

What is important to our people?

Our annual employee survey continues to highlight the importance of engagement to our employees, and our 2022 survey showed continued high levels of employee engagement. Particular themes from the 2022 survey were the importance of working collaboratively, of feeling trusted and listened to, and being able to share their thoughts, opinions and ideas. Further information on the findings from the 2022 employee survey are contained in the Statement of the Chair on page 8.

Outcomes from engagement with our people in 2022

Various steps have been taken during 2022 in response to our engagement with the workforce including:

- Steps to support individual growth and career development
  - much of our business requires individuals with specialist knowledge built up over a number of years. However, we have addressed feedback around helping individuals further in their own career development. This has included hosting careers fairs and workshops, helping people get to know other areas of Beazley, communicating internal opportunities and sharing examples of how others have developed their careers at Beazley. We have also developed specific career pathways for our underwriters, distinguishing between the technical and managerial elements of the role, and sought to provide further clarity to individuals wishing to sit on our various leadership forums.
- Providing greater transparency on remuneration and bonus setting
  - remuneration is a key matter for our employees. We have encouraged open and honest conversations between managers and employees on remuneration topics and continued our 'your compensation explained' sessions where the Chief Executive Office and Group Finance Director provided information and answered questions. In response to specific feedback on challenges faced due to the cost of living crisis, the Executive Committee and Board gave their support to making a one-off cost of living payment to those individuals where the impacts were believed to be hardest felt. These impacts were also considered in agreeing salary increases for 2023.
- Support around mental health – the pandemic brought into sharp focus the importance of mental health, and we have continued to receive feedback from employees seeking support in this area. Our Beazley Wellbeing network has led on promoting a number of campaigns encouraging colleagues to strike the right balance between work pressures and their mental health, including encouraging people to take a break when needed. Our Culture & People business partners also work with their teams locally to identify key issues and resolve them.
- Supporting those with, or intending to start, a family – we launched the new Beazley Families network in 2022, with a focus on supporting those colleagues already with a family, those seeking to start a family and those with caring responsibilities. Further resources have been developed for employees and managers on our policies around families, including the ability for employees to take up to six months' parental leave. A buddy system has been set up for parents returning to the office who may need informal support.
- Promoting Juneteenth – the Beazley RACE network received feedback from our US workforce on the importance of recognising Juneteenth as an official holiday. As a result, the executive leadership team gave its support to granting Juneteenth as a holiday for all of our US workforce from 2023.

Clients and broker partners

Why do we engage

Respecting and listening to the needs of our clients is a stated key pillar of our strategy to enable Beazley to deliver its purpose of helping our clients explore, create and build. We talk about this further in the Chief Underwriting Officer's report.

We strive for two-way dialogue with our clients to help us develop products and insurance solutions to best meet their needs. As Beazley has primarily an intermediated business model, our broker partners play a vital role in helping us engage and connect with our ultimate clients as well as being a vital stakeholder in their own right.

How does Beazley engage

Direct engagement with our insureds and broker partners is fundamental to how we do business. There is constant engagement by underwriters with brokers and clients to fully understand specific risks and requirements and by claims teams to ensure responsiveness, fair claims outcomes and excellent service. We are extremely proud that in 2023, for the seventh year running, we were awarded the Outstanding Service Quality Marque for claims service by Gracechurch Consulting.

More coordinated engagement with our broker partners takes place via our dedicated Broker Relations team. Our Broker Relations team ensure we are maintaining and fostering the best possible relationships with brokers to complement our business teams.

During 2022, and building on the work of our 'Closer to the Client' strategic initiative, we created the role of Client Engagement Manager (CEM). The CEM has responsibility for coordinating activities across the business to focus on our ultimate clients. Their work has included appointing a number of strategic relationship officers, who are specifically focussed on the needs of their portfolio of clients, establishing workstreams to engage with medium-sized and SME clients, reviewing customer survey findings and liaising with product development teams to address client feedback on new products. The continued adoption of a customer relationship management (CRM) tool will be key in gathering information on clients from across teams and be able to respond to their needs.

How does The Board engage?

The Chief Executive Officer is actively engaged with key clients and broker partners and brings the insight he receives to Board discussions. Maintaining good relationships with our broker partners is a key priority of the Chief Executive Officer, and his engagement takes the form of discussions on specific and general topics in conferences and at other formal and informal settings.

A number of our Non-Executive Directors also maintain contact with broker networks from their previous executive roles and are able to bring relevant insights to the boardroom.

The Board receives reports on key areas of client and broker engagement via reporting from the Chief Executive Officer, Chief Underwriting Officer, and other teams.

Stakeholder engagement continued

What is important to our clients and broker partners?

Our ultimate clients want us to have clear and fair policies and help them find efficient risk solutions, and this is also a priority of our broker partners. We partner with our clients and broker partners to offer risk solutions, expertise and knowledge, to allow our clients to focus on running their businesses.

Outcomes from our engagement with clients and broker partners during 2022

Examples of direct engagement with clients and broker partners during 2022 included:

- holding a summit with Beazley and key client representatives on the healthcare claims environment – this summit was very well received by attendees and provided a great opportunity to share insight into the healthcare claims environment on a non-specific basis.
- engagement on developments in our cyber policies – we have engaged with brokers to explain the evolving nature of cyber risk, particularly in the context of war, and how Beazley intends to respond to this risk. This engagement has helped support brokers in their discussions with insureds.
- development of the ESG product suite – we have engaged with our clients and broker partners on how we can bring more innovative ESG products to the market that provide value to them. The Chief Executive Officer has also provided input on ESG matters through the feedback he receives as a participant in the Sustainable Markets Initiative.

Our shareholders

Why we engage?

At Beazley, we recognise the needs of our different types of shareholder, which range from individuals to large institutions. We place great importance on communicating with our current shareholders and with potential future investors.

The ongoing support of our shareholders, and our ability to attract new investment, is essential as we continue to grow the business. It is vital that shareholders understand and have confidence in not only our strategy and ability to deliver it, but also in the responsible and sustainable way in which we run our business – helping us to become the highest performing sustainable specialty insurer.

How does Beazley engage?

We communicate formally with our entire shareholder base through regulatory news, results announcements and the annual report and in conjunction with shareholder meetings. All of our shareholders are also able to access useful information on the company through our website. The annual general meeting provides a formal opportunity for engagement by shareholders with The Board.

Regular engagement with investors is co-ordinated by our Head of Investor Relations. The Chief Executive Officer and Group Finance Director regularly meet with our investors. Any feedback or themes are shared with the wider Board through the Chief Executive Officer's report and the report from the Head of Investor Relations.

We invite investors and analysts to meet with management twice a year following the announcement of the annual and interim results. We have also increased our level of formal investor engagement and, in 2022, management attended four European investor conferences in 2022 and conducted a number of ad hoc investor meetings. Additionally, Beazley hosted a capital markets day in May, where the Chief Executive Officer, Group Finance Director and the Chair met with our investors. The opportunity was used to remind the market about Beazley's products and the platform and distribution strategy which underpins our planned growth. The Chief Executive Officer and Group Finance Director also met with investors as part of the equity raise. More information is included in the Directors' report (page 140).

How does The Board engage?

The Board receives regular reports from the Head of Investor Relations on activity during each quarter, which includes feedback from engagement with analysts and institutional shareholders. Key shareholder matters are also reported to The Board via the reports from the Chief Executive Officer and Group Finance Director.

The Chair of the Remuneration Committee also engages with shareholders on matters relating to remuneration. In 2022, there has been specific shareholder engagement by the chair of the Remuneration Committee and the Interim Chair on changes to the remuneration policy which are being proposed for approval by shareholders at the 2023 AGM.

What is important to our shareholders?

All of our shareholders are interested in seeing Beazley grow profitably. However, they are also keen that growth is carried out in a responsible and sustainable way to help ensure the long-term success of the company. The Board is very much aligned with shareholders in these priorities.

Outcomes from our engagement with shareholders and investors in 2022.

Examples of actions taken in response to dialogue with shareholders during 2022 included:

- Giving shareholders greater visibility of our longer-term outlook - during the year, a number of our larger shareholders have expressed a change in their focus to Beazley's long-term strategy, including the strategy for the Cyber business and other future opportunities. This follows shareholders being more focussed on the shorter term during Covid-19.
- Helping shareholders to understand our platform strategy – an agenda topic at the capital markets day in May was to provide specific information on how Beazley carries out its business globally across multiple platforms. This followed feedback that the global reach of the business and the platform strategy were not well understood by some shareholders.
- Seeking shareholder support in our equity raising – our shareholders gave us strong support in the raising of new equity capital in November. The additional capital serves to not only support our business plans, but also address feedback from some shareholders on the level of debt to equity that was maintained in the business. The Board's decision to raise equity is further discussed in the Section 172 statement on page 55.
- Providing information to shareholders to support the proposed changes to our remuneration policy – we actively engaged with the top 100 shareholders and with proxy agencies on the proposed changes to our remuneration policy. As part of this, we provided some worked examples on how the changes to the remuneration policy could work in practice. Further information on the engagement with shareholders on the remuneration policy are included on page 90.

Our regulators

Why do we engage?

At Beazley, we recognise the key role played by our regulators in protecting our customers. The Group seeks to maintain a positive and transparent relationship with each of its regulators, as a key element in carrying out its business effectively, and living to its value of 'doing the right thing'.

We have a number of regulators globally including the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA), Central Bank of Ireland (CBI), Lloyd's, the Connecticut Insurance Department (CIT) and other US state regulators, and regulators in other jurisdictions where Beazley operates.

How does Beazley engage?

Our Compliance function coordinates the Group's regulatory relationships, engaging with each of its regulators on a frequent basis and help the Group meet their expectations.

There are regular scheduled meetings with the supervisors of the Group's key regulators, including an annual meeting with supervisors from the PRA, CBI and CIT and the Group's Chief Executive Officer, Group Finance Director, Chief Risk Officer and Head of Compliance. Regulators may also request meetings with other members of senior management and The Board as part of the Group's supervision.

Beazley also engages with regulators through discussions on certain topics and business activities, participates in industry-wide thematic reviews, core risk assessments, thought leadership and providing industry feedback. The engagement is two-way, and may be initiated by the regulator or by Beazley.

How does The Board engage?

The Board and its Committees receive reports on regulatory priorities and regulatory engagement, including any reviews, requests and responses. This information is considered in discussions and decision-making. The regulated subsidiary Boards and their Committees also receive regular reports which focus on the activities and views of their respective regulators.

As mentioned, our regulators request meetings with our Board Directors as required to support their overall supervision. Following such meetings, Directors share the outcomes and feedback with the wider Board.

What is important to our regulators?

Our regulators are primarily concerned with the safety and soundness of the firms which they regulate, the protection of customers and ensuring the stability of the wider economy. This is managed through regulation and oversight of a firm's activities.

Outcomes from engagement with regulators during 2022

During 2022, we specifically engaged with our regulators on various matters including business plans and strategy, the war in Ukraine, climate change, cyber insurance, the modernisation programme and governance.

Outcomes from regulatory engagement activities during 2022 included valuable feedback on the PRA climate biennial exploratory scenario (CBES), cyber underwriting and delegated authority thematic reviews. The Group has also participated in the general insurance stress test (GIST) during 2022 and is looking forward to receiving feedback in early 2023.

Stakeholder engagement continued

Other stakeholder groups

The Board also recognises suppliers and the communities in which Beazley operates as important stakeholders.

Suppliers

We actively engage with our suppliers and outsource providers and recognise the important role they play in helping us run our business. This engagement takes a number of forms and is underpinned by a desire to maintain equitable relationships.

Prior to any new engagement, we carry out thorough due diligence, including face-to-face communication on service expectations, contractual terms and business practices. We expect our suppliers to adopt the same standards of ethical business practice that we expect from ourselves, which includes respecting human rights and preventing modern slavery and human trafficking. Further information on the steps taken by Beazley to eradicate modern slavery in its supply chain are contained in Beazley's Modern Slavery Act statement which is available on our website.

We undertake annual monitoring of material suppliers and outsource providers to ensure both performance and practices continue at a high standard. This annual monitoring is a good opportunity for open engagement with suppliers outside of day-to-day activities, and two-way feedback on areas for improvement is encouraged. We also encourage suppliers to raise any concerns independently through Beazley's independent whistleblowing hotline.

In further promoting equitable supplier relationships, Beazley is a willing follower of the Prompt Payment Code and publishes its average supplier payment times twice a year.

The Board is kept informed of material supplier matters through updates from the Chief Operations Officer and other reports. The Board also reviews and approves changes to the key policies governing Beazley's ethical relationships with its suppliers and other third parties.

Communities

Beazley is committed to actively engaging with and supporting the communities in which it operates. Community engagement is a core part of our responsible business strategy, which is overseen by the Responsible Business Steering Group ('RBSG') and supported through the work of the global charity, community and environmental committees. We invite a number of our Non-Executive Directors to attend meetings of the RBSG on a quarterly basis to give their own perspectives and they in turn, help update The Board on key initiatives.

Our approach to being a responsible business is described in the responsible business section of this report on page 21 and the separate responsible business report, which is available on our website.

Beazley operates in a significant number of local communities, and employees are encouraged to engage in their communities through our 'Make a Difference' programme. This programme encourages all employees to devote one working day a year to volunteering, and Beazley also matches charitable funds raised by our employees. Beazley's charitable efforts are overseen by the Global Charity Committee and take the form of supporting charitable work both in our local communities and globally.

In 2021 and 2022, our global charitable efforts have been focussed on our partnership with Renewable World and supporting the provision of affordable renewable energy programmes in third world countries. For the next two years, our employees have voted that our global charitable efforts should be focussed on providing support to World Central Kitchen, an organisation which provides meals to communities impacted by natural disasters and during prolonged humanitarian crises. Please see the responsible business report for more information.

The Board receives regular updates on the work of the RBSG and reviews and approves changes to Beazley's charity and community donation policy.

Section 172 statement

The Board of Directors confirm that during the year ended 31 December 2022 they have discharged their duties to act in a way that they believe promotes the long-term success of the company for the benefit of its members as a whole, whilst having regard to the matters set out in Section 172 of the Companies Act 2006. Further information is provided in this statement on how these duties have been discharged.

The Board is responsible for ensuring that the principal decisions it takes promote Beazley's long-term success for its members as a whole and have regard to the matters set out in Section 172 of the Companies Act 2006. Section 172 states that:

> A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
>
> (a) the likely consequences of any decision in the long term,
>
> (b) the interests of the company's employees,
>
> (c) the need to foster the company's business relationships with suppliers, customers and others,
>
> (d) the impact of the company's operations on the community and the environment,
>
> (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
>
> (f) the need to act fairly as between members of the company.

The Board has determined the company's key stakeholder groups to be its employees, clients and broker partners,shareholders and regulators. The approaches to engagement with these stakeholder groups and the impact of such engagement on the outcomes of certain key board decisions are set out in the stakeholder engagement report. The views of these stakeholders are considered by The Board when principal decisions are taken.

Information is provided below on the principal decisions taken by The Board during the year and how key stakeholders and other matters set out in Section 172 were considered by The Board in making these decisions.

Principal decisions of The Board

Decision	Section 172 and stakeholders
Approval of an updated dividend strategy	✓ consequences of decisions in the long term ✓ interests of stakeholders: shareholders and regulators ✓ the need to act fairly as between members of the company ✓ reputation for high standards of business conduct
Approval of a medium-term plan to support the long term strategy	✓ consequences of decisions in the long term ✓ interest of stakeholders: employees, clients and broker partners, shareholders, regulators and suppliers
Steps to diversify and strengthen Beazley's overall business, supported by the raising of additional equity	✓ consequences of decisions in the long term ✓ interests of stakeholders: shareholders, policyholders and regulators ✓ the need to act fairly as between members of the company ✓ reputation for high standards of business conduct
Commitment to specific targets and market initiatives around net zero	✓ consequences of decisions in the long term ✓ impact on the environment ✓ reputation for high standards of business conduct ✓ interests of all stakeholder groups
Creation of separate Audit and Risk Committees	✓ consequences of decisions in the long term ✓ reputation for high standards of business conduct

Section 172 statement continued

Board decision making in action

Approval of an updated dividend strategy

In February 2022, The Board approved that Beazley resumes the payment of dividends and adopted a new dividend strategy. The new policy is for a single annual dividend payment to be considered based on the year-end results, with the intention being to grow the level of dividend annually but recognising that some earnings fluctuations are to be expected.

The Board paused the payment of dividends following the payment in March 2020. The decision to resume dividend payments in March 2022 was taken in consideration of the views of Beazley's established shareholder base, which includes a large number of employee shareholders. The decision to move to an annual cycle of dividend payments was also taken to give better alignment to business and capital planning cycles, including to the annual capital planning cycle with Lloyd's (and other regulators) and give Beazley greater flexibility to be able to respond to the needs of its customers.

Approval of the medium-term plan to support the long-term strategy

In April 2022, The Board reviewed a plan for a number of key medium-term projects to support Beazley's longer-term ambitions. The plan was formulated in consideration of our purpose of helping our customers explore, create and build, with key areas of focus around de-risking, simplification, efficiency and product suite.

The medium-term plan has been developed in consideration of the interests of all of Beazley's key stakeholder groups. This has included the views of clients and broker partners on the role they would like Beazley to play over the medium term, and the views of shareholders and regulators to ensure plans are profitable and sustainable.

A key element in the delivery of the medium-term plan is the execution of steps under Beazley's modernisation programme. The modernisation programme impacts all of our people, and there has been a particular focus on communicating to the entire workforce and obtaining feedback to ensure that there is a culture of engagement and openness around this important programme. The Board has received updates on the modernisation programme during the year, including reviewing and approving the overall governance framework for ensuring the modernisation programme is implemented successfully.

The establishment of the Risk Committee is discussed below and a key role of this Committee will be to provide assurance to The Board around the mitigation of risk on delivery of the modernisation programme.

Steps to strengthen and diversify Beazley's overall business, supported by the raising of additional equity

2022 has been a year of particular turbulence, with the impacts of war, energy prices and rising inflation impacting all of our stakeholders. The Board has monitored closely the developing economic situation to ensure that steps are taken to support Beazley in remaining resilient through this time.

In the Chief Executive Officer's report, we talk about the support we have provided to our employees most likely impacted by the cost of living crisis, through a one-off payment in June 2022. In the remuneration report, we have provided details of the steps we took for year-end salary adjustments for the workforce.

During the year The Board has also closely monitored the impact across Beazley's markets of the macroeconomic situation. In particular, The Board have noted a strong opportunity to grow the Property book in response to rising rates in Property Treaty. Engagement with senior employees was key to determining that Beazley had the capacity to support growth to its Property book, which would have the further benefit of creating greater diversification across Beazley's overall book.

In November, The Board approved that steps be taken to seek to raise additional equity to support the planned growth. This followed an assessment of market opportunities, including obtaining the views of brokers, and the need to raise additional capital versus other alternatives to support these opportunities. The capital raising is an enabler for the further diversification of Beazley's overall book of business to support long-term and sustainable business growth for the interests of all of its stakeholders.

Prior to launching the equity raise, the views of most significant shareholders were assessed via Beazley's stockbrokers, to the extent possible under a pre-emptive equity raising. The recently published recommendations of the Pre-emption Group were also considered, as Beazley was the first FTSE 350 company to seek to raise capital under the new regime.

Via the company's subsidiary, Beazley Furlonge Limited, The Board also proactively engaged with Lloyd's to obtain views on the impacts to plans for business written in the Lloyd's market.

Overall, the equity raise concluded with £340.8m ($404.4m) of equity capital being raised through an institutional placing and small retail offering. Some further detailed information on the equity raise is contained in the Directors' report on page 140 and in note 21 to the financial statements.

Commitment to specific targets and market initiatives around net zero

During 2022, The Board made a number of decisions to further support Beazley's commitments to making a positive contribution to society and the environment. These decisions were taken not only in consideration to Beazley's impact to its communities and the environment, but also in consideration of the views of shareholders, customers and other stakeholders, given their fundamental impacts.

The specific decisions taken were as follows:

- Committing to a target date for net zero - The Board approved that Beazley commit to a target date of 2050 for transition to net zero across all of its operations.
- Becoming a signatory to the United Nations backed Net Zero Insurance Alliance (NZIA) - The Board approved that Beazley become a signatory to the NZIA. The NZIA is focussed on supporting insurers through the specific challenges they face in their transition to net zero, and Beazley is now a key participant in its work.
- Obtaining membership of the UN Global Compact - The Board also approved that the company seek membership of the UN Global Compact. The UN Global Compact is a voluntary ESG initiative with a membership of over 15,000 international companies. In order to satisfy the membership requirements, Beazley has committed to taking a number of steps to further strengthen its approach to ESG matters.
- Approving of a revised responsible investment policy - The Board approved revisions to the responsible investment policy to include an allocation for impact investments. Impact investments are investments which provide a measurable social and environmental impact, as well as a financial return. The Board also considered the work done to measure the carbon transition pathway of the investment portfolio, with an aim of setting targets for carbon reduction by the end of 2022 and further supporting its commitments as a signatory to the UN Principles for Responsible Investment.
- Supporting the Terra Carta - The Board approved a proposal to give formal support to Terra Carta. This is an initiative led by HM King Charles III to drive engagement and commitment from corporations to ensure nature, people and planet are at the core of business value creation. This support builds on Beazley's existing commitments as a member of the Sustainable Markets Initiative taskforce.

Creation of separate Audit and Risk Committees

In December 2022 The Board approved the proposal to establish a separate Audit Committee and Risk Committee from 1 January 2023. This step was taken to strengthen the Group's overall approach to corporate governance and enable each committee to give greater focus to their areas of responsibility.

The key function of the Audit Committee is to support The Board in relation to the oversight of the financial reporting process, the system of internal financial controls and the audit process. The key function of the Risk Committee is to provide oversight of the Beazley group's risk management framework and processes for monitoring compliance with laws and regulations. Specific duties of the Risk Committee include oversight of the Group's whistleblowing arrangements and providing assurance to The Board in relation to key group-wide transformational projects, including the modernisation programme.

The Board approved the establishment of the separate Audit and Risk Committees as an important step to strengthen Beazley's overall approach to corporate governance in light of the interests of all of its stakeholders. The decision also supports Beazley's culture of risk management and the long-term and sustainable development of the business.

Financial review
Group performance

"Beazley continues to show its ability to deliver strong underwriting results, with profitability continuing despite the investment environment leading to unrealised losses during the year."

Sally Lake
Group Finance Director
Executive Sponsor of the Women in Finance Charter

Beazley delivered a profit before tax in 2022 of $191.0m, which consisted of a strong underwriting performance offset by a reduced investment performance, and a return on equity of 7%.

Result

Profit before tax in 2022 was $191.0m (2021: $369.2m). This was achieved through a substantial underwriting profit of $402.0m or a combined ratio of 89% (2021: 93%) offset by an investment loss of $179.7m (2021: gain of $116.4m) or an investment return of (2.1)% (2021: 1.6%).

Premiums

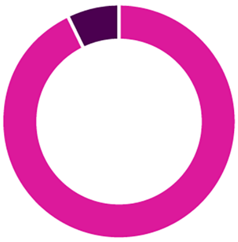
Gross premiums written increased by 14% in 2022 to $5,268.7m (2021: $4,618.9m). Rates on renewal business on average increased by 14% across the portfolio (2021: increased by 24%). All of our five divisions saw growth in 2022, with Cyber Risks and MAP Risks achieving double-digit growth of 42% and 23% respectively.

Our net premiums written increased by 10% in 2022 to $3,876.2m (2021: $3,512.4m). The slower growth in net premium compared to gross is due to an increase in reinsurance purchased during the period. The main drivers of our additional reinsurance purchasing were areas of significant growth, particularly Cyber Risks, so as to manage our net exposure.

Statement of profit or loss

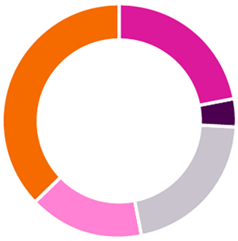
	2022 $m	2021 $m	Movement %
Gross premiums written	5,268.7	4,618.9	14
Net premiums written	3,876.2	3,512.4	10
Net earned premiums	3,614.2	3,147.3	15
Net investment (loss)/income	(179.7)	116.4	(254)
Other income	32.1	28.2	14
Gain from sale of business	–	54.4	(100)
Revenue	**3,466.6**	**3,346.3**	4
Net insurance claims	1,956.4	1,826.2	7
Acquisition and administrative expenses	1,255.8	1,104.8	14
Foreign exchange loss	24.0	7.2	233
Expenses	**3,236.2**	**2,938.2**	10%
Finance costs	(39.4)	(38.9)	1%
Profit before tax	**191.0**	**369.2**	(48)%
Income tax expense	(30.2)	(60.5)	(50)%
Profit after tax	**160.8**	**308.7**	(48)%
Claims ratio	54 %	58 %	
Expense ratio	35 %	35 %	
Combined ratio	89 %	93 %	
Rate increase	14 %	24 %	
Investment return	(2)%	2 %	

Insurance type



Insurance	93%
Reinsurance	7%

Business by division



Cyber RIsks	22%
Digital	4%
MAP Risks	21%
Property Risks	16%
Specialty Risks	37%

Premium written by claim settlement term

Short tail	52%
Long tail	48%

Geographical distribution of premiums [1]

Europe	21%
Worldwide	24%
USA	55%

1 The graph shows the location in which the insured resides

Financial review
Group performance continued

The Group is of the view that some of the above metrics constitute alternative performance measures (APMs). Further information on our APMs can be found in the key performance indicators on page 2 and the APM tables on page 232.

Reinsurance purchased

Reinsurance is purchased for a number of reasons:
- to mitigate the impact of natural catastrophes such as hurricanes, and non-natural catastrophes such as cyber attacks;
- to enable the Group to put down large lead lines on the risks we underwrite; and
- to manage capital to lower levels.

The amount the Group spent on reinsurance in 2022 was $1,392.5m (2021: $1,106.5m). As a percentage of gross premiums written it increased to 26% from 24% in 2021.

Combined ratio

The combined ratio of an insurance company is a measure of its operating performance and represents the ratio of its total costs (including claims and expenses) to total net earned premium.

A combined ratio under 100% indicates an underwriting profit. Consistent delivery of operating performance across the market cycle is clearly a key objective for an insurer. Beazley's combined ratio improved in 2022 to 89% (2021: 93%).

Claims

2022 proved to be a year of several market events, including Hurricane Ian and the war in Ukraine. Despite this our claims ratio for 2022 reduced to 54% (2021: 58%), with our estimate for the war in Ukraine remaining unchanged since our 2022 interim report. Our expectation of losses for Hurricane Ian remains at $120m net of reinsurance.

Reserve margin

Beazley has a consistent reserving philosophy, with initial reserves being set to include risk margins that may be released over time as and when any uncertainty reduces. Historically these margins have given rise to held reserves within the range of 5-10% above our actuarial estimates, which themselves include some margin for uncertainty. The margin held above the actuarial estimate was 5.3% at the end of 2022 (2021: 6.4%). Reserve monitoring is performed at a quarterly 'peer review', which involves a challenge process contrasting the claims reserves of underwriters and claim managers, who make detailed claim-by-claim assessments, and the actuarial team, who provide statistical analysis. This process allows early identification of areas where claims reserves may need adjustment. During years where we experience large losses we tend to see the margin we monitor being lowered as often we hold the same estimates within both the actuarial and held reserve estimates.

With the move to IFRS 17 from IFRS 4, we have taken the opportunity to revisit our reserving strategy. What is currently held under IFRS 4 will change under IFRS 17. The main changes will be how we will set and disclose the level of reserve margin (known as risk adjustment for non-financial risk under IFRS 17) and that the insurance liabilities will be discounted. Currently, Beazley has an approach of setting reserves within a preferred range of 5-10% above the actuarial estimate. The actuarial estimate itself has a level of prudence already embedded, and is higher than the corresponding best estimate reserve.

Under IFRS 17, we will move to a preferred confidence level range of between the 80th and 90th percentile, which will be disclosed. This will show a percentile giving an indication about where the reserves sits compared to the best estimate and the capital requirement. IFRS 17 requires that the level of this additional amount above a best estimate reserve, known as the risk adjustment for non-financial risk, needs to be considered against a number of principles of which there are two dominant ones. First, the level needs to be consistent with how risk is managed, contracts are priced and the portfolios are managed. The second principle states that the risk adjustment level should make the firm neutral to running off the obligations or selling them.

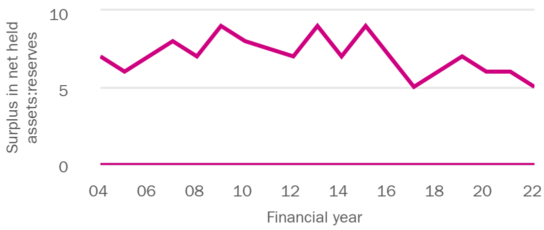
At the end of 2022, our margin above actuarial estimates of 5.3% equated to a confidence level at the upper end of the 80th to 90th percentile range. At the date of transition to IFRS 17, 1 January 2022, our reserve confidence level was also at the upper end of this range, with an equivalent margin of 6.4% above actuarial estimates. Under IFRS 17, we expect the confidence level on transition to be nearer the middle of this range. Accordingly, the Group expects the provision for claims recognised on adoption of IFRS 17 to be lower than IFRS 4 technical provisions, which have historically been near the upper-end or above the preferred reserve range we will be using under IFRS 17. This is because under IFRS 17, the level of reserve margin has been calculated on a ground up basis with consideration of the compensation we target for each line of business, in line with IFRS 17 principles.

Reserve releases

Prior year reserve releases in 2022 totalled $132.6m (2021: $209.8m) which represented 3.7% of earned premium. The reduction in reserve releases was driven primarily by a reduction in releases from Cyber Risks and Property Risks.

Once again each of the divisions released reserves off of prior years in total. MAP Risks saw strong releases across all year of account totalling $66.2m, while the other four divisions released off two of the prior years.

Whole account reserve strength within our 5-10% target range (%)



Prior year reserve adjustments

	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	5 year average $m
Cyber Risks	17.5	51.1	54.5	26.3	8.0	31.5
Digital	22.5	23.4	31.9	39.7	15.5	26.6
MAP Risks	27.3	10.4	14.4	63.0	66.2	36.3
Property Risks	(23.5)	(47.2)	25.1	59.1	14.7	5.6
Specialty Risks	71.2	(28.2)	(32.8)	21.7	28.2	12.0
Total	**115.0**	**9.5**	**93.1**	**209.8**	**132.6**	**112.0**
Releases as a percentage of net earned premium	5.5%	0.4%	3.5%	6.7%	3.7 %	4.0 %

Acquisition costs and administrative expenses

Business acquisition costs and administrative expenses increased during 2022 to $1,255.8m from $1,104.8m in 2021. The breakdown of these costs is shown below.

Brokerage costs are the premium commissions paid to insurance intermediaries for providing business. As a percentage of net earned premiums they have increased to 23% in the current year (2021: 22%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with the Group's accounting policy. Other acquisition costs comprise costs that have been identified as being directly related to underwriting activity (e.g. underwriters' salaries and Lloyd's box rental). These costs are also deferred in line with premium earning patterns.

	2022 $m	2021 $m
Brokerage costs	825.0	707.5
Other acquisition costs	127.1	114.3
Total acquisition costs	952.1	821.8
Administrative expenses	303.7	283.0
Total acquisition costs and administrative expenses	1,255.8	1,104.8

Beazley focuses on improving our expense ratio during times of strong growth. Given our increased spend in 2022 on our infrastructure, plus the world fully opening again after COVID-19 restrictions, it is pleasing that we maintained a flat expense ratio of 35% compared to 2021.

Foreign exchange

The majority of Beazley's business is transacted in US dollars, which is the currency we have reported in since 2010 and the currency in which we aim to hold the company's net assets. Changes in the US dollar exchange rate with sterling, the Canadian dollar and the euro do have an impact as we receive premiums in those currencies and a material number of our staff receive their salary in sterling. Beazley's foreign exchange loss taken through the statement of profit or loss in 2022 was $24.0m (2021: $7.2m loss). The higher than average loss was driven primarily by the revaluation of our non-monetary items, such as deferred acquisition costs and unearned premium reserve, back to historic rates. From 2023, this revaluation of our non-monetary items will no longer take place as IFRS 17 mandates that all insurance items are now treated as monetary.

Investment performance

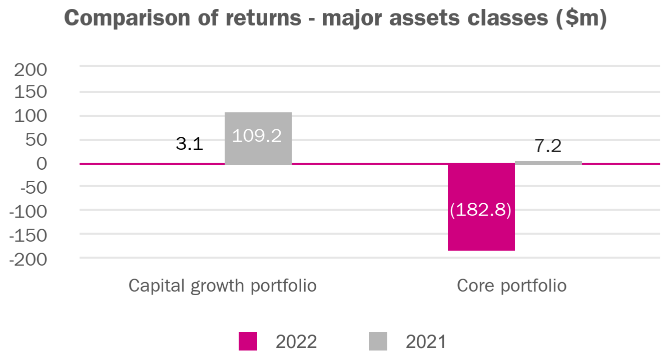
Recent rapid growth in our financial assets continued in 2022 as the business grew significantly and the value of our investments, cash and cash equivalents increased to $8,998.1m at year end (2021: $7,875.3m). We generated an investment return of $(179.7)m, or (2.1)% (2021: $116.4m, 1.6%) on these assets during the year.

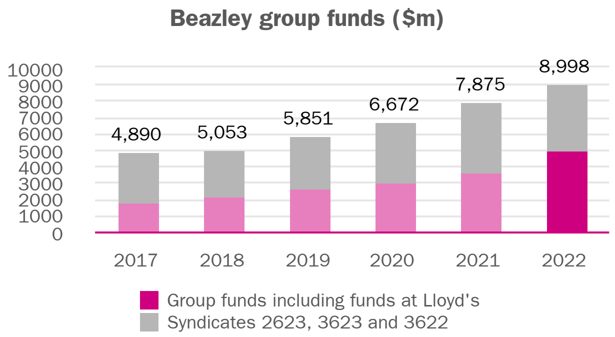
Inflation became the key consideration for financial markets in 2022, as remaining supply-chain pressures arising from the COVID-19 pandemic were exacerbated by the war in Ukraine, affecting energy and food costs. Earlier expectations that higher inflation would be temporary were revised and central banks became increasingly aggressive in raising interest rates as inflation accelerated. Unusually, both Sovereign bonds and risk assets saw significant losses, as yields rose and economic growth forecasts declined.

US Treasury yields at shorter maturities increased by more than four percentage points during 2022; the biggest increase in more than half a century. We acted to reduce portfolio duration for much of the period, which helped to reduce the adverse impact of rising yields, but our fixed income investments still generated a loss of 3.0%. Global equities lost more than 18% in 2022 and our equity portfolio, which reflects our responsible investment objectives, saw modestly greater losses. However, equities make up less than 3% of our portfolio and all of our other capital growth investments achieved positive returns. Our hedge funds, in particular, proved resilient in the difficult market conditions, returning more than 7% in a year when the hedge fund universe recorded losses. Overall, our capital growth investments returned a small gain, of 0.3%. As part of our responsible investment initiative we have committed to build an 'impact' portfolio, of up to $100m, targeting investment opportunities which have measurable social or environmental benefits. We made our first such investment in the fourth quarter of 2022, in a private equity fund supporting the creation of renewable energy capacity in Europe. We expect to make further investments throughout 2023.

Financial review
Group performance continued

The unrealised investment loss in 2022 is significant, notwithstanding some recovery in the fourth quarter, as yields stabilised. However, losses were mostly the result of rising yields, which have also acted to reduce the present value of our Solvency II liabilities, such that our capital position has not been materially affected. Bond yields are now much higher than they were a year ago (our fixed income portfolio yield at 31 December 2022 was 4.7%), suggesting that future investment returns may be better than we have seen for some years. However, many of the factors that drove financial market volatility in 2022, including rampant inflation and rising interest rates, remain unresolved, such that investment returns are likely to remain volatile.





The table below details the breakdown of our portfolio by asset class:

	31 Dec 2022		31 Dec 2021	
	$m	%	$m	%
Cash and cash equivalents	652.5	7.3	591.8	7.5
Fixed and floating rate debt securities				
– Government issued	5,006.3	55.6	4,008.1	50.9
– Corporate bonds				
– Investment grade	2,050.5	22.8	1,861.9	23.6
– High yield	308.7	3.4	402.3	5.1
Syndicate loans	32.5	0.4	37.9	0.5
Derivative financial instruments	34.7	0.4	7.6	0.1
Core portfolio	8,085.2	89.9	6,909.6	87.7
Equity funds	159.4	1.8	209.6	2.7
Hedge funds	530.6	5.9	478.2	6.1
Illiquid credit assets	222.9	2.4	277.9	3.5
Total capital growth assets	912.9	10.1	965.7	12.3
Total	**8,998.1**	**100.0**	**7,875.3**	**100.0**

Comparison of return by major asset class:

	31 Dec 2022		31 Dec 2021	
	$m	%	$m	%
Core portfolio	(182.8)	(2.4)	7.2	0.1
Capital growth assets	3.1	0.3	109.2	11.9
Overall return	**(179.7)**	**(2.1)**	**116.4**	**1.6**

Tax

Beazley is liable to corporation tax in a number of jurisdictions, notably the UK, the US and Ireland. Beazley's effective tax rate is thus a composite tax rate mainly driven by the Irish, UK and US tax rates. The weighted average of the statutory tax rates for the year was 21.2% (2021: 17.2%). The tax rate of 21.2% is higher than last year due to this year's composition of profits and losses across the Group.

The effective tax rate has decreased in 2022 to 15.8% (2021: 16.4%). The decrease has been a result of favourable prior year tax adjustments in 2022.

Financial review
Balance sheet management

Summary statement of financial position

	2022 $m	2021 $m	Movement %
Intangible assets	128.8	123.5	4
Reinsurance assets	3,286.6	2,386.4	38
Insurance receivables	1,811.7	1,696.1	7
Other assets	873.8	726.1	20
Financial assets at fair value and cash and cash equivalents	8,998.1	7,875.3	14
Total assets	**15,099.0**	**12,807.4**	**18**
Insurance liabilities	10,354.2	8,871.8	17
Financial liabilities	562.5	554.7	1
Other liabilities	1,608.8	1,250.1	29
Total liabilities	**12,525.5**	**10,676.6**	**17**
Net assets	**2,573.5**	**2,130.8**	**21**
Net assets per share (cents)	**386.7c**	**351.6c**	**10**
Net tangible assets per share (cents)	**367.4c**	**331.2c**	**11**
Net assets per share (pence)	**315.6p**	**265.8p**	**19**
Net tangible assets per share (pence)	**299.8p**	**250.4p**	**20**
Number of shares[1]	**665.4m**	**606.1m**	**10**

1 Excludes shares held in the employee share trust and treasury shares.

Intangible assets
Intangible assets consist of goodwill on acquisitions of $62.0m (2021: $62.0m), purchased syndicate capacity of $13.7m (2021: $10.7m), US admitted licences of $9.3m (2021: $9.3m) and capitalised expenditure on IT projects of $43.8m (2021: $41.1m).

Reinsurance assets
Reinsurance assets represent recoveries from reinsurers in respect of incurred claims of $2,487.4m (2021: $1,829.4m), and the unearned reinsurance premiums reserve of $799.2m (2021: $557.0m). The reinsurance receivables from reinsurers are split between recoveries on claims paid or notified of $420.6m (2021: $371.4m), and an actuarial estimate of recoveries on claims that have not yet been reported of $2,066.8m (2021: $1,458.0m).

The Group's exposure to reinsurers is managed through:
- minimising risk through selection of reinsurers who meet strict financial criteria (e.g. minimum net assets, minimum 'A' rating by S&P). These criteria vary by type of business (short vs medium tail);
- timely calculation and issuance of reinsurance collection notes from our ceded reinsurance team; and
- regular monitoring of the outstanding debtor position by our Reinsurance Security Committee and Credit Control Committee. We continue to provide against impairment of reinsurance recoveries and at the end of 2022 our provision in respect of reinsurance recoveries totalled $29.3m (2021: $11.5m). The increase is driven by a provision made against reinsurance on our Cyber book.

Insurance receivables
Insurance receivables are amounts receivable from brokers in respect of premiums written. The balance at 31 December 2022 was $1,811.7m (2021: $1,696.1m). The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2022 is $29.8m (2021: $15.4m).

Insurance liabilities
Insurance liabilities of $10,354.2m (2021: $8,871.8m) consist of two main elements, being the unearned premium reserve (UPR) and gross insurance claims liabilities. Our UPR has increased by 20% to $2,971.7m (2021:$2,472.7m). The majority of the UPR balance relates to current year premiums that have been deferred and will be earned in future periods. Current indicators are that the business is profitable.

Gross insurance claims reserves are made up of claims which have been notified to us but not yet paid of $1,758.4m (2021: $1,627.5m), and an estimate of claims incurred but not yet reported (IBNR) of $5,624.1m (2021: $4,771.7m). These are estimated as part of the quarterly reserving process involving the underwriters and Group Actuary. Gross insurance claims reserves have increased 15% from 2021 to $7,382.5m (2021: $6,399.1m).

Financial review
Balance sheet management continued

Financial liabilities

Financial liabilities comprise borrowings and derivative financial liabilities. The Group utilises two long-term debt facilities:

- in November 2016, Beazley Insurance dac issued $250m of 5.875% subordinated tier 2 notes due in 2026; and
- in September 2019, Beazley Insurance dac issued $300m of 5.5% subordinated tier 2 notes due in 2029.

A syndicated short-term banking facility led by Lloyds Banking Group plc provides potential borrowings up to $450m. Under the facility $450m may be drawn as letters of credit to support underwriting at Lloyd's, and up to $225m may be advanced as cash under a revolving facility. The cost of the facility is based on a commitment fee of 0.4725% per annum, and any amounts drawn are charged at a margin of 1.35% per annum.

The cash element of the facility will expire on 23 July 2024, whilst letters of credit issued under the facility can be used to provide support for the 2021, 2022 and 2023 underwriting years. In 2022 $225m has been placed as a letter of credit as Funds at Lloyd's (FAL).

Other assets

Other assets are analysed separately in the notes to the financial statements. The items included comprise:

- deferred acquisition costs of $550.1m (2021: $477.8m); and
- deferred tax assets available for use against future taxes payable of $35.2m (2021: $16.3m).

Judgement is required in determining the policy for deferring acquisition costs. Beazley's policy assumes that variable reward paid to underwriters relates to prior years' business and is not an acquisition cost. As a result, the quantum of costs classified as acquisition is towards the lower end of the possible range seen across the insurance market. Costs identified as related to acquisition are then deferred in line with premium earnings.

Capital structure

Capital structure

Beazley aims to hold capital in excess of regulatory requirements in order to be best placed to swiftly take advantage of growth opportunities arising outside of our business plan, as well as to provide additional protection against downside events.

The Group actively seeks to manage its capital structure. Our preferred use of capital is to deploy it on opportunities to underwrite profitably.

Beazley has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting at Lloyd's, in the US and through our European branches and is subject to prudential regulation by local regulators (the Prudential Regulation Authority, Lloyd's, the Central Bank of Ireland, and the US state level supervisors). Beazley is subject to the capital adequacy requirements of the European Union (EU) Solvency II regime (SII). We comply with all relevant SII requirements.

Further capital requirements come from rating agencies which provide ratings for Beazley Insurance Company, Inc and Beazley Insurance dac. We aim to manage our capital levels to obtain the ratings necessary to trade with our preferred client base.

Beazley holds a level of capital over and above its regulatory requirements. The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework, opportunities for organic or acquisitive growth and a desire to maximise returns for investors.

In November 2022 we raised $404m of new capital through a non-pre-emptive share issuance. The decision to raise this additional equity was taken following the market dislocation across the Property market. We see this as an opportunity to expand our Property and Reinsurance books, whilst also enabling further growth within our Cyber Risks and Specialty Risks books, net of reinsurance.

	2022 $m	2021 $m
Shareholders' funds	2,573.5	2,130.8
Tier 2 subordinated debt (2026)	249.4	249.1
Tier 2 subordinated debt (2029)	298.6	298.3
Drawdown of letter of credit	225.0	225.0
	3,346.5	**2,903.2**

During 2022 the equity raise further strengthened our capital base which will enable us to deliver our underwriting plan. Our funding comes from a mixture of our own equity alongside $548.0m ($550.0m gross of capitalised borrowing costs) of tier 2 subordinated debt. We also have a banking facility of $450m (31 December 2021: $450m) of which, $225m has been utilised and placed as a letter of credit at Lloyd's to support our Funds at Lloyd's (FAL).

The following table sets out the Group's capital requirement selected for our internal measure of the Group's capital surplus position:

	2022 $m	2021 $m
Lloyd's economic capital requirement (ECR)	2,577.1	2,225.3
Capital for US insurance companies	180.9	247.8
	2,758.0	**2,473.1**

The final Lloyd's economic capital requirement (ECR) at year end 2022, as confirmed by Lloyd's, reflects the business we expect to write through to the end of 2023 as per our business plan which is targeting net growth of upwards of 20%. Furthermore, rather than taking a one year view of this business, it assumes that all risks run to ultimate. Finally, Lloyd's apply a 35% uplift to this number. These three factors make the ECR requirement considerably more onerous than the standard Solvency II measure which considers a one year time horizon and contains no uplift.

In general we expect our capital requirement to grow broadly in line with the net written premiums in our business plan, which in the short term should be double digit growth; however, premium growth due to rate change has a more limited impact on the capital requirement, as the amount of risk stays broadly the same.

At Beazley we aim to hold excess capital over the Lloyd's ECR and US capital requirement, expressed as a percentage of Lloyd's ECR, and have a preferred range of 15-25%. Given the stringent nature of the Lloyd's ECR as noted above, our Group surplus capital ratio is not directly comparable to the standard Solvency II capital ratio which is based on a one year time horizon.

At 31 December 2022, we have surplus capital (on a Solvency II basis) of 44%, above our current preferred range of 15% to 25% of ECR. Following payment of the proposed interim dividend of 13.5p, this surplus reduces to 40%.

In addition to the surplus above, we have two further capital levers which may be called upon. Firstly, the remaining undrawn banking facility of $225m may be utilised and is not included within the capital stack used in the capital surplus calculation. Secondly, we continue to use reinsurance as a tool to manage our capital position.

To ensure capital efficiency is maintained for our operations in the US, we continue to use a captive arrangement through Beazley NewCo Captive Company, Inc. that we set up in 2020.

Both tier 2 subordinated debt issuances issued by Beazley Insurance dac in 2016 and 2019 were assigned and maintain an Insurer Financial Strength (IFS) rating of 'A+' by Fitch.

Solvency II

The Solvency II regime came into force on 1 January 2016. Beazley continue to provide quarterly Solvency II pillar 3 reporting to both Lloyd's for the Beazley managed syndicates and the Central Bank of Ireland and the Prudential Regulation Authority for Beazley Insurance dac and Beazley plc.

Under Solvency II requirements, the Group is required to produce a Solvency Capital Requirement (SCR) which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews the syndicates' SCRs to ensure that SCRs are consistent across the market.

The current SCR has been established using our Solvency II approved internal model approved by Central Bank of Ireland (CBI) which has been run within the regime as prescribed by Lloyd's. In order to perform the capital assessment:

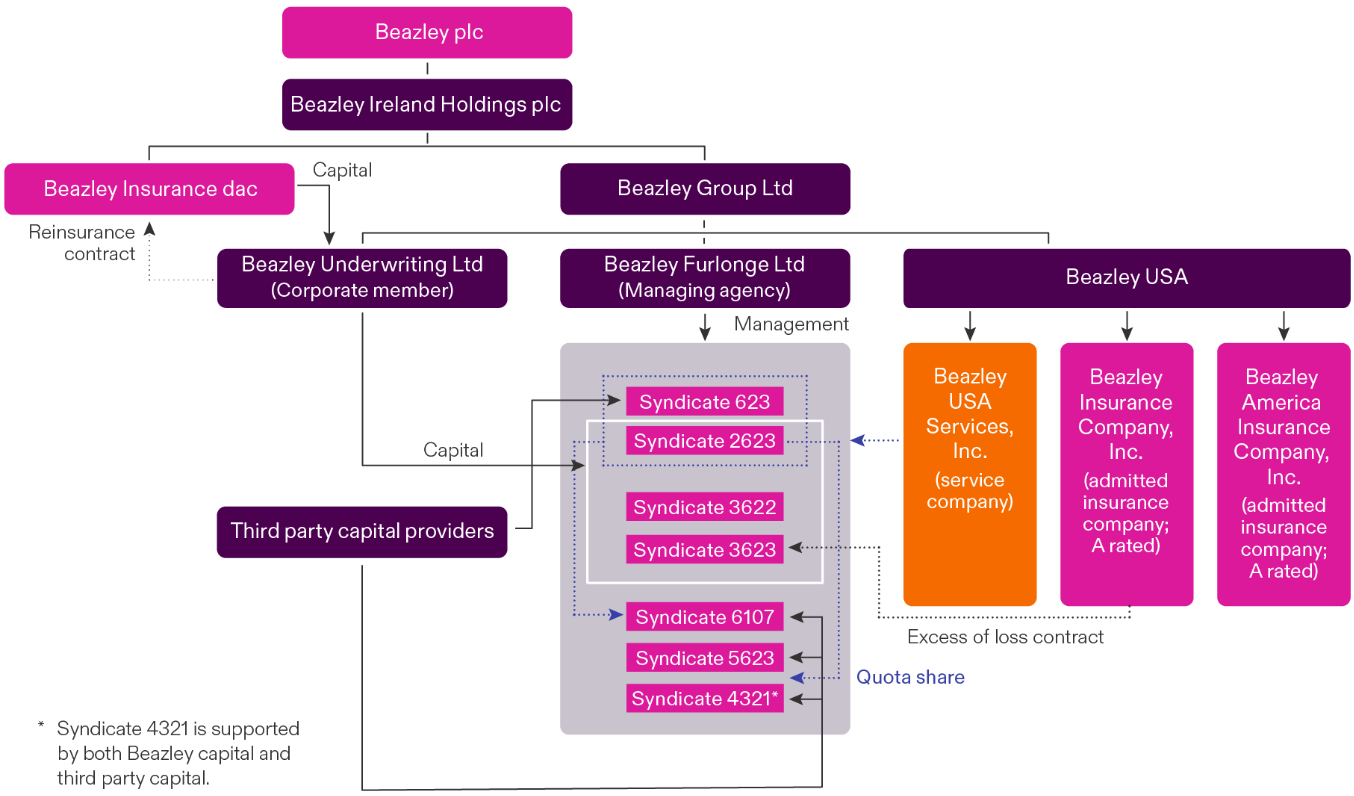
- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact if they do occur, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of a possible deterioration in the underwriting cycle; and
- the internal model process is embedded so that teams can see the direct and objective link between underwriting decisions and the capital allocated to each team. This gives a consistent and comprehensive picture of the risk/ reward profile of the business and allows teams to focus on strategies that improve return on capital.

IFRS 17

The implementation of the IFRS 17: Insurance Contracts standard came into force for accounting periods commencing on 1 January 2023. Applying this standard has been a major undertaking and involved a multi-functional project over the past six years.

Since the start of 2023, we have been accounting under IFRS 17 for insurance contracts at a Group level. The expected impact on equity at the date of transition, 1 January 2022, is an increase of at least 2% of equity. This increase is primarily driven by discounting, alongside a reduction in reserves held on the balance sheet. As discussed on page 60, these reserve reductions are driven by the different approach to calculating the reserve margin between IFRS 4 and IFRS 17, moving to a confidence level led approach. It is important to note that interest rates have increased since the date of transition, so the discounting effect on more recent balance sheet dates is expected to be more significant at other dates.

Financial review
Capital structure continued



* Syndicate 4321 is supported by both Beazley capital and third party capital.

Group structure

The Group operates across Europe, Asia, Canada and the US through a variety of legal entities and structures. As at 31 December 2022, the main entities within the legal entity structure are as follows:

- Beazley plc – Group holding company, listed on the London Stock Exchange;
- Beazley Ireland Holdings plc – intermediate holding company;
- Beazley Underwriting Limited – corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- Beazley Furlonge Limited – managing agency for the seven syndicates managed by the Group 623, 2623, 3622, 3623, 6107, 5623 and 4321;
- Beazley Insurance dac – insurance company based in Ireland that accepts non-life reinsurance premiums ceded by the corporate member Beazley Underwriting Limited, and also writes business directly from Europe;
- Syndicate 2623 – corporate body regulated by Lloyd's through which the Group underwrites its general insurance business excluding accident, life and facilities. Business is written in parallel with syndicate 623;
- Syndicate 623 – corporate body regulated by Lloyd's which has its capital supplied by third party names;
- Syndicate 6107 – special purpose syndicate writing reinsurance business, and from 2017 cyber, on behalf of third party names;
- Syndicate 3622 – corporate body regulated by Lloyd's through which the Group underwrites its life insurance and reinsurance business;
- Syndicate 3623 – corporate body regulated by Lloyd's through which the Group underwrites its personal accident, BICI reinsurance business and, from 2018, Market Facilities business;
- Syndicate 5623 – corporate body regulated by Lloyd's through which the Group underwrites across a diverse mix of classes;
- Syndicate 4321 - a Lloyd's syndicate in a box focussing on writing business on a consortium basis led by syndicate 2623/623 based on ESG scores of insureds;
- Beazley America Insurance Company, Inc. (BAIC) – insurance company regulated in the US. In the process of obtaining licenses to write insurance business in all 50 states;
- Beazley Insurance Company, Inc. (BICI) – insurance company regulated in the US. Licensed to write insurance business in all 50 states;
- Beazley USA Services, Inc. (BUSA) – service company based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates, 2623 and 623, BICI and BAIC; and
- Beazley NewCo Captive Company, Inc. – provides internal reinsurance to BICI on older accident years.

Risk management and compliance

In a year of geopolitical instability, our risk management and compliance functions supported our business, and ultimately our clients, successfully through challenging times.

Rob Anarfi
Chief Risk Officer
Executive Sponsor of Beazley RACE

Risk management oversight and framework

The Beazley plc Board delegates direct oversight of the risk management function and framework to its Audit and Risk Committee, and the primary regulated subsidiary Boards and their Audit and Risk Committees. The Board delegates executive oversight of the risk management function and framework to the Executive Committee, which fulfils this responsibility primarily through its Risk and Regulatory Committee.

Beazley takes an enterprise-wide approach to managing risk. The risk management framework establishes the approach to identifying, measuring, mitigating, monitoring, and reporting on key risks. The risk management framework supports the Group strategy and objectives.

Beazley leverages the 'three lines of defence' model, in which the risk management function is part of the second line of defence. Ongoing communication and collaboration across the three lines of defence ensures that the Group identifies and manages risks effectively.

A suite of risk management reports support senior management and The Board in discharging their oversight and decision-making responsibilities. The risk reports include updates on risk appetite, risk profiles, stress and scenario testing, reverse stress testing, emerging and heightened risks, a report to the Remuneration Committee, and the Own Risk and Solvency Assessment (ORSA) report.

The Board approved the Group risk appetite statements during 2022 and received updates on monitoring against risk appetite throughout the year.

Risk management

We pride ourselves on understanding the drivers of risk; supporting and challenging management on managing those risks for the Group and its clients. Whilst we managed the challenges that growth can bring, we remain mindful of emerging risks as well as regulatory and legal changes. The risk function continues to engage in key strategic projects to provide second line challenge and ensure the risk management framework adapts accordingly.

During the year, we made refinements to the risk management framework including our approach to articulating and monitoring risk appetite. This work will continue during 2023 to ensure the framework adapts to the Group risk profile and continues to embed a strong risk culture. We have continued working with our colleagues across the first and second lines of defence to ensure effective risk management practices remain embedded in business processes. Ultimately, this will help ensure achievement of the Group's strategic objectives.

Our approach to managing the risks arising from climate change are set out within the TCFD section of this report.

The latest report to The Board confirmed that the control environment identified no significant failings or weaknesses in key processes and that Beazley plc was operating within risk appetite as at 31 December 2022, with the systems having been in place for the entirety of 2022.

The business operated a control environment which supported mitigating risks to stay within risk appetite. The risk management function reviewed and challenged the control environment through various risk management activities throughout the year. In addition, the risk management function worked with the capital model and exposure management teams, particularly in relation to validation of the internal model, preparing the ORSA, monitoring risk appetite and through the business planning process. These teams provided regular reports to the Underwriting Governance Committee which the Chief Risk Officer chairs.

The risk management plan considers, among other inputs, the inherent and residual risk scores for each risk event. The risk management function also includes results from internal audits into its risk assessment process. The internal audit function considers the risk management framework in its audit universe to derive a risk-based audit plan.

In 2022, the Group's approach to identifying, managing and mitigating emerging risks was enhanced to include inputs from the business, post-risk incident lessons learned and industry thought leaders. The approach considers the potential materiality and likelihood of impacts which helps prioritise emerging risks which the Group monitors or undertakes focused work on. Key emerging risks in 2022 included geopolitical risks, the macroeconomic environment (e.g. inflation, global insurance market trends) and ESG. The Board carried out a robust assessment of the Group's emerging and principal risks.

Risk management and compliance continued

Principal risks the Group faces

Below summarises the principal risks the Group faces, the control environment, governance and oversight that mitigate these risks.

Key to below table:
- ▲ Within risk appetite
- ► Trending outside of risk appetite
- ▼ Outside of risk appetite

Principal risks and summary descriptions	Mitigation and monitoring
Insurance ▲ The risk arising from inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves. • Market cycle: potential systematic mispricing of medium- or long-tailed business that does not support revenue to invest and cover future claims; • Catastrophe: one or more large events caused by nature (e.g. hurricane, windstorm, earthquake and/or wildfire) or mankind (e.g. coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and/or a political event) impacting a number of policies, and therefore giving rise to multiple losses; • Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e.-mismatch); and • Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses.	Beazley used a range of techniques to mitigate insurance risks including pricing tools, analysis of macro trends and claim frequency- including alignment with pricing and ensured exposure was not overly concentrated in any one area, especially those with higher risk. The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helped to reduce volatility of profits in addition to managing net exposure by the transfer of risk. The prudent and comprehensive approach to reserving helped ensure that claims covered by the policy wording were paid, delivering the right outcome to clients. High calibre claims and underwriting professionals deliver expert service to insureds and claims handling. The Underwriting Committee oversaw these risks.
Market (asset)▲ The value of investments may be adversely impacted by financial market movements of values of investments, interest rates, exchange rates, or external market forces. Expected asset returns may not align to risk and capital requirements.	Beazley operated a conservative investment strategy with a view to limiting investment losses that would impact the company's financial result. Beazley mitigated this risk by carrying out asset liability matching as per the investment constraints specified in the investment strategy. More detail on climate related risks and mitigations impacting the investment strategy can be found in the TCFD report. The Investment Committee oversaw the investment strategy and its implementation.
Credit ▲ This risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from reinsurers, brokers, and coverholders, of which the reinsurance asset was the largest exposure for the Group.	Beazley traded with strategic reinsurance partners over the long term that support Beazley through the cycle despite catastrophic claim events. The Group did not have significant concentration to reinsurers, ensuring these partners meet internal approval criteria overseen by the Reinsurance Security Committee. Credit risk arising from brokers (non-payment of premiums or claims) and coverholders being low, has relied on robust due diligence processes and ongoing monitoring of aged debt and financial status.
Group ▲ The risk of an occurrence in one area of the Group, which adversely affects another area in the Group, resulting in financial loss and/or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and/or decisions including dilution of culture or negative impact on the Group brand.	Group risk culture was centred on principles of transparency, accountability, and awareness. This expected outcome continued to help maintain a strong risk culture that supported the embedding of risk management within Beazley, such that it makes a difference and was overseen by The Board. An effective risk culture supported strong risk management, encouraged sound risk taking, created an awareness of risks and emerging risks. The Executive Committee and The Board oversaw this risk.
Liquidity ▲ Investments and/or other assets are not available or adequate in order to settle financial obligations when they fall due.	By managing liquidity Beazley maximised flexibility in the management of financial assets, including investment strategy, without incurring unacceptable liquidity risks over any time horizon; and in doing so helped to ensure that clients and creditors were financially protected. The Group periodically assessed the liquidity position of Beazley and each entity, and this was overseen by the Audit and Risk Committee. This included a benchmarking view from a third-party assessment.
Regulatory and legal ▲ Non-compliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where the Group operates leading to being unable to underwrite, manage claims, fines, etc.	The control environment supports the nature, exposure scale and complexity of the business with oversight from the Risk and Regulatory Committee. The Group maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and the following of robust processes, policies and procedures in the business. In addition, key staff, particularly those who held defined roles with regulatory requirements, were experienced and maintained regular dialogue with regulators. Beazley horizon scans for regulatory and legal matters and considers their potential impacts on the business.

Principal risks and summary descriptions	Mitigation and monitoring
Operational ▲ Failures of people, processes and systems or the impact of an external event on operations (e.g. a cyber-attack having a detrimental impact on operations), including transformation and change related risks.	We attract and nurture talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee wellbeing. The Group employs high calibre, motivated, loyal, and productive people with sufficient competence to perform their required duties. The Group invests in technology and re-engineering processes to support the operation of these activities which are overseen by the Operations Committee. Beazley has policies and procedures across the organisation which ensure effective and efficient operations and drive productivity and quality across people, processes and systems to continue to enable scalable growth. The business continuity, and disaster recovery and incident response plans, help ensure that processes and systems enable our people to deliver the right outcomes for clients and overall productivity. There were effective controls in the day-to-day operations around information security, including cyber resilience, to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate.
Strategic ▲ Events or decisions that potentially stop the Group from achieving its goals or danger of the Group strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage.	Beazley continuously addresses key strategic opportunities and challenges itself to be the highest performing sustainable specialist insurer. Beazley commits to ensuring it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation. Beazley creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise where the Group can create value. The Executive Committee and The Board oversee these risks. Beazley maintains coverage above regulatory capital to a target level, ensuring sufficient capital to facilitate meeting the business plan and strategic objectives in the short, medium and long term.
Enterprise ▲ Pervasive risks impacting multiple areas of the Group (e.g. conduct, reputation, ESG, concentration and/or viability) occurring through real or perceived action, or lack of action taken, by a regulatory body, market and/or third-party used by the business. A negative change to Beazley's reputation would have a detrimental impact to Group profitability and public perception.	Beazley aims to strategically create a sustainable business for our people, partners and planet through its responsible business goals. Beazley embeds ESG principles and ambitions- it focusses on reducing its carbon footprint (refer to more detail on climate related risks and mitigations in the TCFD report), contributing appropriately to its social environment, and enhancements to governance. Note that while Beazley considers market practice, it does not necessarily move with every prevailing market trend. Being Beazley includes considering the needs of our clients in everything we do. We deliver the right outcomes to our clients through the product lifecycle. The conduct review group oversees this risk. We aim to do the right thing to minimise reputational risk via stakeholder management and oversight through governance. We carry out periodic analysis to identify significant areas of concentration risk across our business and monitor solvency regularly to ensure we are adequately capitalised.

Risk management and compliance continued

Viability statement

The Board assesses the viability of the Group within the long-term plan over a five-year period. A period of five years is considered short enough to be reasonably assessable, given the dynamic nature of the business that we underwrite as a specialist insurer, with the need to adapt capital and solvency in response to changing markets and emerging opportunities. However, it is also long enough to reflect the Group risk profile of a portfolio of diversified short-tailed and medium-tailed insurance liabilities.

The business planning process tests and demonstrates the ongoing viability of the business. This includes a base view of profit and growth so that the reinsurance requirements and capital surplus can be projected. As a specialist insurer, we manage several risks as listed above; however the principal risk that could undermine the business model is insurance risk. The business plan sets out a view of the emerging risks that impact this area (e.g. social and economic inflation) and how the business will respond to these trends. The business planning process also considers key risks: for example, natural catastrophe risk was compared to the capital surplus and the cyber exposure as a share of the total is monitored. Scenarios were also tested that allow for a range of gross rates, volume, and reinsurance rates and availability. The impacts of climate related trends were allowed for in the plan and The Board has also assessed the impact of climate change and concluded that it does not lead to unviability.

A range of stresses, scenarios and modelled exposures were reported by the business throughout the year. These help to monitor aggregations across our key insurance risk exposures, such as casualty, cyber and natural catastrophe, as well as potential reserve deteriorations and investment risk stresses. The five most material realistic disaster scenarios relating to our casualty and cyber exposures were reviewed and approved by The Board. We also considered several reverse stress tests, which identified extreme scenarios which could trigger unviability (either through insolvency or a loss of stakeholder confidence) and the possible mitigations and actions. Based on our related risk profile, this considered events such as a natural catastrophe, cyber catastrophe, and major operational incident (e.g., internal fraud). Much of the above stress and scenario testing was incorporated into the annual ORSA that was presented to The Board and summarised the short-term and longer-term risks to the Group and the capital implications.

In the unlikely event that capital surplus falls below the internal 15% threshold, additional capital may be available from a number of sources. The Group maintains a list of mitigation options available to improve its position in the event of liquidity or capital distress. The financial and corporate actions available to Beazley are monitored on an ongoing basis. The available mitigation options following an extreme event include:

- Underwriting action/manage plan growth;
- Stop/delay infrastructure investment;
- Sell off business units;
- Suspension of dividends;
- Additional reinsurance purchases;
- Posting of available unutilised letter of credit as funds at Lloyd's; and
- Accessing additional external capital via debt or equity markets.

The Board has concluded, based on the business plan, scenario and ORSA reporting, that there is a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the five year period of assessment.

Regulatory compliance

To ensure that we conduct business in accordance with all applicable laws and regulations we operate a Group-wide compliance framework designed to consider the risk, govern decision-making, ensure the best for our clients and monitor performance. Our compliance framework consists of processes, policies and controls, including senior management oversight, training, risk assessments, monitoring and reporting.

The recent challenging geopolitical environment has heightened the importance of ensuring compliance with rapidly changing regulations and laws, such as sanctions, and ensuring there is a robust anti-financial crime control environment. We have supported the business, and our clients, to navigate through this evolving landscape.

There continues to be top-down commitment of senior management to ensure a good culture of regulatory compliance across the Group. This is embedded within our compliance framework and supported by training, controls, policies, periodic risk assessments and monitoring. Key areas of focus within the compliance framework include:

Culture, controls, training and oversight

A mandatory annual staff training programme covers topics such as financial crime, underwriting due diligence, conduct, and information security. We provide training to staff upon joining Beazley and annually thereafter to ensure that we continue to operate in a responsible manner and in line with Group expectations.

Monitoring of regulatory risks provides assurance on the performance of regulatory controls and enables us to identify areas for improvement. Through regular reporting of our monitoring activities, we ensure that senior management maintain oversight of regulatory risk, including conflicts of interest across the Group.

Conduct has been a core aspect of our business. We pride ourselves on knowing our clients well, meeting their needs, managing our business responsibly and ensuring we transact only with reputable intermediaries, agents and suppliers.

There is a robust approach to information security and privacy controls designed to safeguard data and the rights of data subjects. There were no cases of a data breach that were material to our clients or the Group during 2022.

Anti-financial crime controls

A key risk for the Group, operating a global organisation is financial crime. There is no appetite for Beazley being used as a vehicle for financial crime. As a responsible business, we adhere to ethical practices and believe in doing the right thing. We monitor sanctions developments closely and are primed to respond when changes occur, such as the events in 2022. To ensure compliance with applicable regimes, the Group embeds anti-financial crime controls and procedures into its underwriting, claims, payments, gifts and hospitality processes, and more widely throughout the business.

Whistleblowing

In line with our values, we promote a culture that encourages staff to speak up and escalate concerns. In support of this, we operate a whistleblowing policy and an independent hotline, managed by Safecall, that allows for anonymous reporting of concerns without fear of reprisal, harassment, retaliation or victimisation. We received training from Safecall to ensure we appropriately handle any concerns raised. All concerns have been treated with the utmost confidentiality and in accordance with all applicable legal and regulatory requirements. Annual reports were presented to The Board on the effectiveness and operation of our whistleblowing procedures.