
AXIS Capital Holdings Limited

Task Force on Climate-Related Financial Disclosures Report

For the year-ended December 31, 2021



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About AXIS

AXIS, through its operating subsidiaries, is a global specialty underwriter and provider of insurance and reinsurance solutions. AXIS has locations in Bermuda, the United States, Europe, Singapore and Canada. Our underwriting operations are organized around our global underwriting platforms, AXIS Insurance and AXIS Re. We provide our customers and distribution partners with a broad range of risk transfer products and services, and meaningful capacity, backed by excellent financial strength.

About This Report

This is AXIS' first report aligned with the Task Force on Climate-Related Financial Disclosures ("TCFD") and discusses (i) governance, (ii) strategy, (iii) risk management and (iv) metrics and targets. For additional information about our environmental, social and governance ("ESG") practices, please refer to our 2021 report aligned with the standards of the Sustainability Accounting Standards Board ("SASB Disclosure Report") and our other disclosures on our corporate citizenship website found at www.axiscapital.com.

This report contains information about AXIS as of or for the year ended December 31, 2021. The inclusion of information contained in this report should not be construed as a characterization regarding the materiality or financial impact of that information. For a discussion of information that may be material to AXIS Capital, please see our 2021 Annual Report on Form 10-K for the fiscal year ended December 31, 2021 ("2021 Form 10-K") filed with the U.S. Securities and Exchange Commission ("SEC") on February 25, 2022 and our periodic and other filings with the SEC, which are accessible on the SEC's website at www.sec.gov and our website at www.axiscapital.com. These sources may contain information which is more current than that contained in this report. This report should be read in conjunction with our filings with the SEC and the other information we publish.

In this report, references to "AXIS Capital" refer to AXIS Capital Holdings Limited and references to "AXIS" "we", "us", "our", the "Group" or the "Company" refer to AXIS Capital Holdings Limited and its direct and indirect subsidiaries and branches.



Introduction

Introduction

At AXIS, we strive to help people and organizations navigate and manage risk in an increasingly complex and uncertain world. Climate is a core focus of our Corporate Citizenship program. We believe that climate-related risks are among the most serious issues facing the world today and that the (re)insurance industry has an important role to play in enabling the transition to a low-carbon economy. We continually monitor, assess and respond to the opportunities and risks posed by changing climate conditions to manage our long-term business objectives and to offer our customers relevant products. In addition, we assess our own operations, including our greenhouse gas (GHG) emissions, to mitigate our environmental footprint and to minimize our operational impact. This report discusses our approach to managing risk related to climate change consistent with the recommendations of the TCFD.

Our initiatives to address climate-related risks and opportunities include the following:

- Member of the Principles for Sustainable Insurance Initiative and United Nations Global Compact participant
- Member of the Geneva Association, the Insurance Development Forum and the Sustainable Markets Initiative
- Publication of SASB Disclosure Report
- Leading provider of Renewable Energy insurance; initiated review of our global underwriting portfolio's climate transition opportunities and risks
- Partnerships with climate-focused organizations, such as Ocean Conservancy and the World Wildlife Fund ("WWF"), the University of Illinois' Office of Risk Management and Insurance Research, Verisk and scholars from The Brookings Institution

As described in this report, key accomplishments in fiscal year 2021 include:

- Completed a review of AXIS Insurance International's climate transition risks and opportunities
- Evaluated climate-related data through our Exposure Management Centre of Excellence ("EMCE") (formerly known as the NatCat Centre of Excellence) to advance our understanding of risk and conducted climate stress tests
- Committed to phasing out thermal coal from our insurance, facultative reinsurance, and investment portfolios, and significantly limit business related to oil sands and the Arctic National Wildlife Refuge
- Announced a \$20 million investment in BlackRock's Climate Finance Partnership, a fund focused on renewable energy projects in emerging markets
- Completed our first assessment of our Scope 1, 2 and partial Scope 3 GHG emissions for fiscal year 2019 and started assessments of 2020 and 2021. Disclosed results and used the results to inform our strategy to mitigate our environmental footprint and minimize our operational impact
- Published climate change research that has informed our climate scenario testing by partnering with Verisk and scholars from The Brookings Institution and the University of Illinois
- Joined Sustainable Markets Initiative Insurance Task Force
- Evolved our climate-related internal and Board governance to help guide AXIS on the next step of our climate journey
- Agreed to allocate a percentage of local philanthropic funding to AXIS ESG priority areas of climate and DEI
- Included financially-relevant ESG considerations, including climate, in our investment manager scorecard for use in 2022

AXIS' Statement and Policy on Climate Risk and the Environment is publicly available on our corporate citizenship website found at www.axiscapital.com/who-we-are/corporate-citizenship.

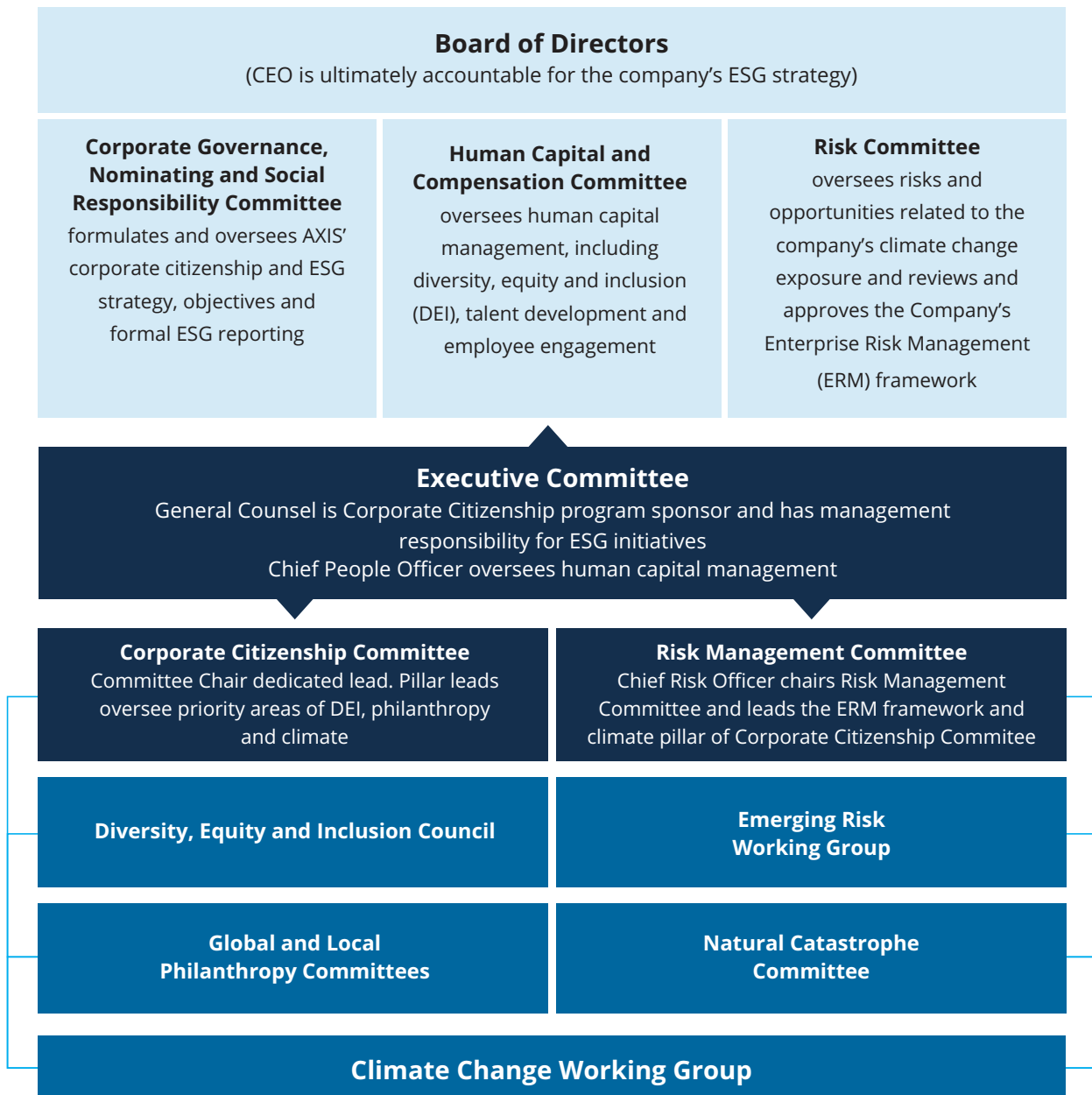


Governance

Governance

We consider climate in our strategic planning and risk oversight process. Our governance includes Board of Director oversight, Executive Committee oversight, and staff-driven committees. A summary of our governance structure is below and more detailed information follows.

Board Committees
 Management Committees
 Sub-Committees and Working Groups



Board Oversight

At AXIS, the Board of Directors oversees sustainability matters, including climate change strategy and climate-related risks and opportunities, and receives an annual update on climate risks as part of its standing agenda. Two of the Board's committees (the Corporate Governance, Nominating and Social Responsibility Committee and the Risk Committee) assist the Board in overseeing AXIS' response to climate change.

Our Corporate Governance, Nominating and Social Responsibility Committee reviews AXIS' sustainability strategy and objectives, including those relating to the impact of climate change. In particular, the Committee oversees:

- Overall ESG strategy;
- Company programs;
- Formal reporting on ESG and sustainability matters; and
- Policies in specific areas such as environmental management.

The Committee receives quarterly updates from the Company's management responsible for ESG and sustainability matters and provides recommendations on ESG and sustainability strategy to the Board. In 2021, the Corporate Governance, Nominating and Social Responsibility Committee, formerly known as the Corporate Governance and Nominating Committee, was renamed to emphasize the Committee's oversight of our ESG and sustainability initiatives. In addition, the Committee delegated oversight of human capital management, a component of the Company's ESG program, to the Company's Human Capital and Compensation Committee.

Our Risk Committee oversees the risks and opportunities related to the Company's climate change exposure and initiatives and receives biannual reports relating to climate change as part of its standing agenda. The Risk Committee also reviews and approves the Company's Enterprise Risk Management ("ERM") framework, including policies and limits to address risks – such as climate risk – facing the Company.

Executive Committee and Staff Oversight

The Executive Committee, which is comprised of our CEO and other senior executives, is responsible for ensuring that our climate and other ESG and sustainability activities – including management of climate-related risks and opportunities – are consistent with our culture, values and business objectives.

- Our General Counsel serves as the Executive Committee sponsor of our Corporate Citizenship program and is responsible for implementation of the program and ESG activities. Our General Counsel is responsible for monitoring progress with respect to ESG priorities and targets and reporting to the Company's Corporate Governance, Nominating and Social Responsibility Committee, the CEO and the Executive Committee.
- Our Chief People Officer oversees our human capital management efforts. The Executive Committee discusses and reviews our corporate citizenship initiative, which includes our environmental and sustainability efforts. A strategic enterprise goal for 2021 was to elevate the Company's people and culture, including driving positive results with the Company's corporate citizenship and ESG initiatives, and the Committee received quarterly updates on progress.

The Executive Committee is supported by the following management working groups and committees that are actively involved in identifying and assessing climate-related risks relating to our insurance and reinsurance portfolios:

Corporate Citizenship Committee:

Day-to-day management of our Corporate Citizenship program is handled by our Corporate Citizenship Committee, a cross-functional and global committee tasked with overall strategy, policies and governance. Dedicated committee pillar leads for climate, DEI and philanthropy oversee staff working groups, including those climate-relevant groups listed below.

Risk Management Committee:

The Executive Committee has delegated some authority to the executive level Risk Management Committee ("RMC"), which consists of the Chief Executive Officer, Chief Financial Officer, Chief Underwriting Officer (formerly Group Head of Underwriting), Chief Executive Officer of our (re)insurance business, Chief Risk Officer, Group Chief Actuary and General Counsel. The RMC convenes quarterly and oversees the integrity and effectiveness of the firm's ERM framework and ensures that the firm's risk assumption and risk mitigation activities are consistent with that framework.

Emerging Risk Working Group:

The Emerging Risk Working Group is responsible for the oversight of the ERM framework and acts as a focal point for tracking emerging risks according to potential impact and time horizon and coordinating the Company's response to emerging risks and opportunities, including those related to climate change. The Emerging Risk Working Group is comprised of senior representatives across the business, including our Chief Risk Officer, Chief Investment Officer, Head of Digital, Chief Underwriting Officer, Chief Claims Officer, Group Chief Actuary and General Counsel.

Natural Catastrophe Committee:

The Natural Catastrophe Committee is a subcommittee of the RMC that oversees the firm's natural catastrophe risk management framework, including the validation of modeling and accumulation practices. The Natural Catastrophe Committee consists of the Head of Natural Catastrophe Exposure Management, Head of EMCE, Chief Underwriting Officer and Group Chief Actuary.

Climate Change Working Group:

The Climate Change Working Group, chaired by our Chief Risk Officer, oversees and coordinates implementation of our framework for managing climate-related risks and opportunities.

The group is comprised of senior representatives from across the business, including our Chief Risk Officer, Head of EMCE, and representatives from Underwriting and Investments.

Among other things, this group:

- Assesses climate-related risks and opportunities, including consideration of emerging risks associated with climate change;
- Promotes knowledge-sharing across the business on the topic of climate change;
- Leads research on climate change and provides information to senior decision makers involved with catastrophe risk management and underwriting decisions; and
- Informs the Emerging Risk Working Group of climate-related risks and considerations.

Our Chief Risk Officer has management oversight for our ERM framework. As part of the ERM framework, we manage environmental risks at the firm level over short-, medium- and long-term horizons and provide the Risk Management Committee and Risk Committee with a consolidated view of AXIS' key risks.

Climate Strategy

Climate Strategy

Our Approach

We formalized our Corporate Citizenship program in 2018 and identified climate, diversity, equity and inclusion (DEI), and philanthropy as strategic pillars. Our climate approach addresses a variety of factors ranging from climate risk management, to underwriting and investment, to the sustainability of our business operations, to our advocacy on climate-related matters within the industry.

AXIS Mission

Navigating and managing risk in an increasingly complex and volatile world.

AXIS Vision

To be the recognized leader in specialty with expertise, products and services that directly meet our customers' needs.

Citizenship at AXIS

Our Corporate Citizenship program aims to build resilience and fulfill our purpose by delivering long-term, sustainable value to our stakeholders, from our customers to our investors to our colleagues to society at large.

Corporate Citizenship Pillars

Protecting our planet

Reducing our climate impact, enabling the climate transition, decreasing the protection gap.

Fostering diversity, equity and inclusion

Encouraging and promoting diverse, equitable, and inclusive practices.

Supporting our communities

Empowering our people to give back at global, local and individual levels.

Comment on ESG materiality: We identified these topics following consideration of our business priorities, interviews with internal stakeholders, discussions with external stakeholders, and review of ESG reporting frameworks relevant to insurance.

Further, as a signatory to the Principles for Sustainable Insurance and the United Nations (“U.N.”) Global Compact, we are committed to advancing the U.N. Sustainable Development Goals (“SDGs”). We are proud to contribute to many of the 17 SDGs through the products and programs we offer as a (re) insurance company. We prioritize six U.N. SDGs, several which address climate: gender equality, affordable and clean energy, decent work and economic growth, reduced inequalities, responsible consumption and production, and climate action.

We are proud of the progress we have made thus far in our climate initiatives, and we are committed to taking further actions.

AXIS Climate Journey

2017 and Earlier

- Start writing renewable energy insurance in 2010
- Establish a natural catastrophe working group in 2014 to address emerging risks
- In 2016, join the U.N. Insurance Development Forum Steering Committee to help enable access to (re)insurance to vulnerable communities

2018

- Formalize Corporate Citizenship at AXIS, identifying climate and diversity, equity and inclusion as priority topics
- Establish Board oversight and Executive Committee sponsorship of the program, with a Corporate Citizenship Committee overseeing day-to-day work
- Launch AXIS Risk Management Academy at the Gies College of Business at the University of Illinois at Urbana-Champaign addressing variety of topics, including climate

2020

- Sign the U.N. Global Compact and Principles for Sustainable Insurance
- Assess Scope 1, 2 and select Scope 3 greenhouse gas (GHG) emissions and commit to annual assessments
- Publish first SASB Disclosure Report

2019

- Establish the Climate Change Working Group
- Launch policy to limit thermal coal and oil sands underwriting and investment, effective 2020
- Partner with the University of Illinois to sponsor The Future of Insurance Symposium: Climate Risk and the Insurance Implications

2021

- Complete focused review of our portfolio's climate risks and opportunities across our product lines for AXIS Insurance International
- Include ESG-focused goals, including climate, as sub-goals in AXIS non-financial strategic business goals
- Strengthen policy to limit certain fossil fuel underwriting and investment policy with commitment to phase out thermal coal
- Include ESG factors, including climate, in investment scorecard for use in 2022
- Announce \$20 million investment in BlackRock's Climate Finance Partnership
- Join the Sustainable Markets Initiative Insurance Task Force
- Agree to allocate a percentage of local philanthropic funding to priority areas of climate and DEI

Climate-Related Risks and Opportunities

We actively consider both climate-related risks and opportunities in our business across a range of areas.

Climate-Related Risks

As an insurance provider, AXIS has a long history of considering environmental risks at both the policy and firm levels. We take short-, medium- and long-term horizons into account when assessing environmental risks at both the policy (underwriting) and firm level (management of firm-level risks and capital adequacy). Our strategy for limiting risk is discussed in this report under “Risk Management.”

Risk Category	Risk Type	Definition	Time Horizon	Potential Impact
Physical	Acute	Increased frequency and severity of natural catastrophe and extreme weather events such as heatwaves, wildfires, extreme rainfall, flooding and droughts	Short-term: Material impacts already seen	High
	Chronic	Long term shifts in weather patterns, including increasing global average temperatures, reduced rainfall, shifting seasons and rising sea levels	Long-term: First material impacts expected within 5-10 years	High
Transition	Policy and Regulatory	Increased regulatory requirements, including reporting obligations, carbon pricing, and mandates on and regulation of existing products	Medium-term: First material impacts expected 1 -5 years	High
	Technology	Technological developments may disrupt the characteristics of insured assets and require new risk assessments which do not have a pre-existing record of damage and loss	Medium-term: First material impacts expected within 1-5 years	High
	Market	Shifts in supply and demand from changes in market dynamics related to climate change could affect the valuation of AXIS' assets and liabilities. Shifts in customer preferences due to climate change	Medium-term: First material impacts expected within 1-5 years	High
	Reputational	Company reputation may be influenced by our climate change response and service and investment in carbon intensive sectors	Medium-term: First material impacts expected within 1-5 years	High
Liability	Claims	Increased insurance claims liability due to the effects of climate change	Medium-term: First material impacts expected within 1-5 years	Medium
	Litigation	Increased litigation relating to GHG emissions or climate-related disclosure	Medium-term: First material impacts expected within 1-5 years	Medium

Physical

Physical risks describe extreme weather-related events (acute) and longer-term shifts in climate patterns (chronic) and emanate primarily from underwriting of property insurance and reinsurance. Climate change may expose us to an increased frequency and/or severity of the weather-related losses which we might not have sufficiently captured in our catastrophe models, resulting in inadequate pricing, excess risk aggregation and capital destruction. Over the longer term, climate change may have an impact on the economic viability of certain lines of business if suitable adjustments in price and coverage cannot be achieved.

Physical risks may affect our investment portfolio as a result of direct damage to assets or due to valuation changes from shifts in supply and demand for certain products and services. Physical risks are most likely to affect equity investments.

Transition

Transition risks to a lower-carbon economy include changes in technology, governments and regulators putting in place measures to encourage and support efforts to prevent climate change, and society as a whole adapting to a lower-carbon economy, and losses in our investment profile as a result of the impacts of climate change. Our principal transition risks are discussed below.

AXIS could be exposed to transition risks if it fails to manage increased demand for low-carbon products and services. Over the short- and medium-term, a change in customer needs may result from repricing of carbon-intensive assets, increased interest in the low-carbon industry due to reputational concerns or new regulatory constraints. A failure to appropriately respond to increased demand may adversely affect our business. AXIS must also manage risk that certain products may cease to be viable as a result of society's transition to a lower-carbon economy.

New laws and regulations may limit our ability to engage in capital or liability management, require us to raise additional capital, and impose extensive requirements and additional costs. Changes in regulatory requirements could include net-zero policies, carbon taxes, or laws prohibiting insurers from reducing exposures or withdrawing from catastrophe-prone areas.

The primary objectives of our investment strategy are income, preservation of capital, liquidity management and growth of surplus. We may be exposed to losses in the value of our investments arising from the impacts of climate change on the companies and securities in which we invest, including impacts resulting from transition risks. Transition risks are most likely to affect equity values.

Liability

Liability risks relate to losses or damages suffered by our insureds from physical or transition risks, such as losses stemming from climate-related litigation in liability lines. These risks could arise from companies not fully considering or responding to the impacts of climate change, or not appropriately disclosing current and future risks. In addition, new regulatory developments, increased litigation activity and subsequent liability issues associated with climate change or greenhouse gas emissions may lead to losses under environmental liability, product liability and directors and officers or professional liability, particularly where the emitter is deemed to have misled investors. In addition, there is a link between liability risk and transition risk (described above) as the failure of companies to shift towards a low-carbon future and mitigate the impacts of climate change may lead to losses incurred by insureds.

In recent years, our industry has experienced an overall increase in various climate-related litigation claims. These include a perceived contribution to climate change, or for insufficient disclosure around material financial risks. As the value of loss and damage arising from climate change grows, it is plausible that litigation risk of this kind may increase. For example, there have been shareholder securities suits brought against companies and their directors and officers, as well as derivative actions brought against directors, for various allegations of failing to disclose and/or manage climate change risks. Although to our knowledge litigation to date has not resulted in any material amounts of loss, this may change in the future, and an increase in such litigation could lead to higher defense costs. Litigation seeking to compel companies to remedy their perceived impact on climate change may, if successful, also lead to an increase in claims. Based on our monitoring, while the overall volume of litigation activity has increased, past litigation seems to have largely been unsuccessful on numerous grounds.

Climate-Related Opportunities

We consider climate in how we underwrite, what we underwrite, and incentives we provide. Throughout, we strive to engage with brokers and customers on climate issues and actively seek to identify and act on climate-related opportunities. To inform next steps in our climate underwriting strategy, in 2021 we completed a focused review of our portfolio's climate risks and opportunities across our product lines for AXIS Insurance International and commenced a global portfolio assessment which was completed in 2022. Other key initiatives are set forth below.

Products

We offer a range of climate-focused products. AXIS is committed to providing insurance products and ancillary risk control services that support the market transition to a low-carbon economy. Climate-related regulations and changing consumer interests may lead to increased demand for our renewable energy products, environmental insurance, design professional liability insurance and credit insurance. Descriptions of these potential areas for growth are below.

Renewable Energy Business

As a leading carrier in renewable energy insurance with extensive experience and an in-depth understanding of the risks faced by the industry, we believe AXIS is well positioned to provide value and service to this growing market. We provide specialized property and casualty coverage for every stage of wind, solar and energy storage projects, from development through operation, on risks ranging from stand-alone projects to utility-scale portfolios. Our gross written premiums for renewable energy have grown each year for the last four years, putting us near the top of the industry in the renewable energy space. As U.S. domestic and international renewable energy industries continue to expand, our renewable energy practice analyzes industry trends, market data and loss trends to design and develop insurance products tailored to the specific needs of renewable energy businesses. In connection with its renewable energy products, AXIS may provide its customers with a risk mitigation assessment based on a survey of the insured risk. These risk assessments are intended to educate customers on their renewable energy projects' risk landscape and how to reduce their projects' technical, environmental and operational risk exposure. Recommendations may include improvements to the customer's maintenance practices or investments in additional safety features.

Environmental Insurance

Our environmental insurance helps property owners, industrial and commercial facility operators and specialty and general contractors address the uncertainties that come with environmental projects. Our environmental insurance offers innovative coverage against environmental risk exposures and provide versatile solutions to safeguard against pollution-related risks. Insurance solutions include contractor pollution liability, pollution legal liability, a specialty package policy and environmental remediation management.

Spotlight:

Renewable Energy Insurance Expertise

We are proud to be an established global player in renewable energy insurance. As one way of sharing our expertise and engaging with the market, AXIS launched the AXIS View content series in 2021 addressing areas such as renewable energy risk engineering, underwriting and claims.

Published articles included the **future of renewables**, growth potential for **onshore and offshore** wind, and common **renewables claims**.

[Click here for the full series](#)

Design Professional Liability Insurance

Our design professional liability insurance protects architectural and engineering professionals from potential liability relating to contractual requirements, including contractual requirements relating to sustainability. In addition, we offer risk management services to reduce the likelihood of claims.

Credit Risk Insurance

We provide credit risk insurance on project finance loans used to build renewable projects which are critical to the global renewable buildout. These cover wind, solar and geothermal renewable projects.

Incentivizing Sustainable Behavior through Customer Initiatives

In addition, AXIS has identified opportunities to incentivize customers to engage in environmentally friendly behaviors and to make smarter decisions regarding environmental responsibility. Some of these incentives are discussed below.

Property Insurance Climate-Related Discounts

On the property side, we use models that are sensitive to building characteristics. These models result in discounted pricing for building codes that are more resilient to climate-related risks.

Chemical, Petrochemical, Oil and Gas and Energy Customers

Through our U.S. Excess Casualty business units, we insure specialty businesses in the chemical, petrochemical, oil and gas and energy industries. These types of insureds will typically experience significant exposures to environmental hazards and accidental chemical and petrochemical spills and releases. We provide cover for third party bodily injury and property damage arising from pollution events caused by risks and operators within these industries. We also typically provide a limited pollution coverage on an excess basis that supplements excess coverage provided for general liability, automobile liability and employers liability. Our underwriting and pricing practices are designed to benefit and reward those insureds who are best able to manage their environmental and pollution exposures through sound risk management, safety practices, loss prevention and ultimately the prevention of spills and releases of pollutants.

Risk Control Service

Alongside our underwriting operations, AXIS utilizes risk control services that carefully identify exposures in our property and casualty business through loss-control inspections and reviews. Identifying the hazards and providing solutions to mitigate or eliminate such hazards ultimately makes the policyholder's business safer. AXIS periodically meets with policyholders and provides detailed guidance to help policyholders identify potential areas of loss before an event or circumstance giving rise to a loss can materialize. Examples include the following:

- **Property Business.** In our property line of business, losses result from the release of contaminants from fire (smoke and heat), water damage, destruction of property and other environmental exposures. Our risk control service works with policyholders in this area to make recommendations that, if implemented, may greatly limit the likelihood of devastating damage to property and the surrounding environment.
- **Green Endorsements.** AXIS offers green endorsements or add-on components to commercial property policies. These green endorsements may include coverage for "green" construction, materials and equipment and may potentially cover the higher cost of environmentally-certified materials, equipment, design and engineering.
- **Casualty Business.** On the casualty side of the business, inspections identify injury hazards or exposures in the commercial space, and we recommend solutions and improvements aimed at eliminating the potential for injury. These efforts provide employees with safer workplaces and in some cases may improve the public environment.
- **Premium Credits.** AXIS may offer premium credits for behaviors such as management cooperation in matters of safeguarding and proper handling of covered property and particular care being given to insured premises, to insureds with "green" buildings, or to those conducting energy efficiency upgrades on their current buildings. We offer premium credits for properties for which state-approved fortification improvements have been made and for qualifying structures built, rebuilt or retrofitted to better resist hurricanes and other catastrophic windstorm events. Premium credits are also given to customers that maintain smart devices that monitor temperature, fire and water leakage. Additionally, AXIS offers premium credits to landscape industry customers in almost all states who have obtained nationally recognized safety designations.

Advancing the Energy Transition

We are committed to supporting the energy transition through our underwriting policies and guidelines. In recognition that the thermal coal and oil sands industries are particularly carbon intense and contribute to climate change, AXIS developed and implemented a Fossil Fuel Policy limiting our exposure to these industries. In particular, the policy limits our provision of (re)insurance to new thermal coal plants or oil sands infrastructure and, subject to limited exceptions, including an exception for companies with credible transition plans in place, our provision of (re)insurance to, and investment in, the companies that build, own or operate such enterprises. Through the policy, we also aim to encourage environmentally responsible business practices among our current and prospective insureds by, among other things, encouraging them to commit to mid- to long-term transition plans away from thermal coal or oil sands business. This is part of AXIS' broader strategy to invest in growth areas such as renewable energy insurance.

Effective January 1, 2021, AXIS strengthened the Fossil Fuel Policy to prohibit any insurance coverage or investment in support of the exploration, production or transportation of oil and gas in the Arctic National Wildlife Refuge ("ANWR"). In October 2021, AXIS announced updates to the Fossil Fuel Policy to prohibit any insurance or facultative reinsurance coverage for existing thermal coal and oil sands projects and to prohibit any insurance or facultative reinsurance coverage and investment support for companies that generate 20% or more of their revenues or power from thermal coal, oil sands or ANWR oil and gas, as applicable. AXIS has also committed to fully phasing out thermal coal from its insurance and facultative reinsurance portfolios no later than 2030 in OECD countries and 2040 globally. Additionally, by the end of 2025, AXIS has committed to phase out any existing investments in companies in the thermal coal or oil sands industries that exceed its policy thresholds.

Climate and Investment

In addition to AXIS' Fossil Fuel Policy discussed above, which restricts AXIS' investments in certain industries, AXIS has integrated financially-relevant ESG considerations into its due diligence process to evaluate investment managers. Prior to investing AXIS conducts due diligence of the applicable investment manager, its integration of financially-relevant ESG factors, including its compliance with AXIS' Fossil Fuel Policy. Once an investment manager has been mandated for a separately managed account, AXIS annually evaluates the firm's ESG performance as part of AXIS' manager scorecard process. Each year, AXIS asks its relevant investment managers to complete a due diligence questionnaire which covers, among other things, ESG policy updates, ESG resources, ESG investment practices, ESG affiliations and ESG reporting. Based on their responses to the due diligence questionnaire, managers receive a summary ESG score which is factored into the broader manager assessment score. AXIS monitors the annual scores of its investment managers and takes the ESG scores into account when considering whether to redeem or sell all or a portion of the investments managed by a particular investment manager. AXIS is also focused on sustainable investments, having recently committed \$20 million to the BlackRock Climate Finance Partnership, a fund focused on climate-infrastructure investments in emerging markets.

Sustainable Operations

In addition to the above climate risk management, underwriting and investment initiatives, AXIS acknowledges that doing our part means being environmentally friendly at the office and within our teams.

To reduce emissions and lower operating costs, AXIS encourages recycling, video conference for internal meetings in lieu of interoffice travel and encourages flexible work arrangements that reduce commuting emissions. We have also reduced electricity usage through the introduction of light timers and light sensors in new facilities and reduced global square footage by transitioning to open office configurations.

In 2021, we completed our first assessment of our Scope 1, Scope 2 and select Scope 3 GHG emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and are using the results to identify opportunities to mitigate our carbon footprint. See the results in the "Metrics and Targets" section of this report.

Partnership and Engagement

AXIS is a signatory or member, as applicable, of the following frameworks and organizations. We leverage the work of these organizations and initiatives to support our climate risk governance:

- The Principles for Sustainable Insurance, a global sustainability framework and initiative of the U.N. Environment Programme Finance Initiative.
- The U.N. Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support U.N. goals.

Read more:

Principles for Sustainable Insurance 2021 disclosure
[Link](#)

UN Global Compact 2021 Communication on Progress
[Link](#)

We are also committed to using our voice to advocate on climate issues and are proud and active participants in industry-wide initiatives.

Examples include:



Member of the IDF, a partnership among the United Nations, the World Bank and members of the insurance industry



Member of the Sustainable Products and Services Workstream of the Sustainable Markets Initiative Insurance Task Force, convened by HRH Prince of Wales and chaired by Lloyd's



Member of the Geneva Association, the international think tank of the insurance industry

Existing partnerships, such as those with the University of Illinois' Office of Risk Management and Insurance Research, Verisk and scholars from The Brookings Institution, are part of AXIS' longstanding commitment to promote research and education in areas relevant to the insurance industry and provide a platform to address areas like climate risk. AXIS first established a presence at the University of Illinois in 2013 through an on-campus research center. In 2018, AXIS established the AXIS Risk Management Academy in collaboration with the Gies College of Business at the University. Through the Academy, students from a variety of disciplines across the university can investigate professional development resources and opportunities in the risk management and (re)insurance fields.

Spotlight:

Climate research

AXIS partnered with Verisk and scholars from The Brookings Institution to publish research papers focused on the impact of climate change on U.S. hurricane risk and on U.S. corn yields.

Quantifying the impacts of Climate Change on U.S. Corn Yields

Quantifying the impact from Climate Change on U.S. Hurricane Risk

Impact of Climate-Related Risks and Opportunities On Business, Strategy and Financial Planning

Since its inception, AXIS has been offering protection against weather-related risks such as hurricanes, storms, wildfires and floods, helping businesses and individuals proactively manage their exposure to such risks, and, when the need arises, recover from their aftermath. We therefore have a long history of considering physical environmental risks.

AXIS has taken measures to incorporate climate-related factors across our business. Our climate strategy is designed to address a variety of factors. Our approach includes underwriting and pricing to manage climate-related risks, along with product offerings to respond to climate-related opportunities. Climate considerations are also incorporated into our investment process. Our climate strategy also includes advocacy on climate-related matters within the industry and understanding the environmental impact of our own business operations.

For information on climate-related risks and opportunities, refer to “Strategy – Climate-Related Risks and Opportunities.” For information on how we use scenario testing to mitigate climate-related risk, refer to “Risk Management – Identifying and Assessing Climate-Related Risks – Physical Risks – Scenario Analysis” and “Risk Management – Approach to Managing Climate-Related Risks – How We Manage Climate-Related Risk – Stress Testing” in this report.

Risk Management

Risk Management

Identifying and Assessing Climate-Related Risks

As part of our consideration of environmental risks, we specifically seek to identify and assess climate-related risks relating to our portfolios by geography and line of business. These risks include physical, transition, and liability risks. Aspects of our process for identifying and assessing these risks are discussed below. We are continuously working to enhance our climate risk assessment framework.

In addition, in 2021 we engaged a third party consultant to perform a transition risk analysis of our insurance and reinsurance portfolio, including exposures to certain carbon-intensive sectors. We intend to use the results to develop new products, identify increased coverage demand or extend coverage within existing products. In addition, we are using the results to potentially reduce exposures in carbon-intensive areas.

Physical Risks

CAT Models

We use catastrophe models to help assess our exposure to physical risks. These models assist us in monitoring our portfolio's exposure to specific catastrophic events in peril regions. In particular, we use our catastrophe model results, together with judgment and our estimate of non-modeled perils, to calculate our net Probable Maximum Loss ("PML") for defined regional zones, such as the U.S. Southeast, Gulf of Mexico and California.

Our PML estimates are based on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from PML estimates. We aim to reduce the potential for model error in a number of ways, the most important of which is by ensuring that management's judgment supplements the model outputs. We also perform ongoing model validation at the line of business level and at the firm level, including through the EMCE. These validation procedures include sensitivity testing to understand the models' key variables and, where possible, back-testing the model outputs to actual results. For examples of our PML calculations, please refer to our SASB Disclosure Report and "Metrics and Targets." Our validation procedures also take climate change into account and in some cases we adjust the model to represent current climate conditions.

Scenario Analysis

We perform scenario analysis to understand how climate-related risks and opportunities may evolve over time.

Through our EMCE, AXIS has devised a set of 2°C global warming climate change scenarios to inform our business strategy. Scenarios have been devised for U.S. Hurricane, European Windstorm, U.S Wildfire and Japan Typhoon. These climate change scenarios are based on relevant reports by the Intergovernmental Panel on Climate Change (“IPCC”), which sets out potential future climate scenarios and other scientific literature, and are compared against scenarios developed in collaboration with a third-party firm to facilitate a deeper understanding of risk exposure. The scenarios have been reflected in our cat modeling by modifying the event sets. The results illustrate that, across all return periods, climate change is modelled to increase losses at varying degrees, depending on the return period and peril region.

In addition, in 2021 we conducted climate change stress testing to assess the impact of long-term climate trends on the Company’s current portfolio.

The EMCE team also reviews our modeling approach and identifies and conducts reviews of peril regions most likely to be affected by climate change (such as regions subject to wildfires). If a peril region is affected by climate trends, we check if the model has been calibrated to a shorter period and if the model losses are in line with our recent loss experience. If this is not the case, we may adjust our view of risk by applying additional loadings or by adjusting return periods of benchmarking events to reflect an increased frequency of catastrophe events. The EMCE summarized the scientific findings in an interactive Climate Change Atlas that serves to inform other stakeholders within the company (e.g., underwriters, risk managers, actuaries) about the potential impact of climate change on a certain peril region.

In addition to our work at our EMCE, we partnered with Verisk and scholars from The Brookings Institution to publish climate change research that has informed our climate scenario testing. This partnership resulted in the 2021 publication of two research studies that respectively address how climate change may affect U.S. corn yields and hurricane risk in the United States by 2050, specifically related to residential and commercial properties. The research papers also included information from University of Illinois research fellows funded by AXIS. Our partnership with leading researchers and students at the University of Illinois’ Office of Risk Management and Insurance Research has created new natural catastrophe risk conceptualization models that leverage data analytics and computer programming.

Transition Risks

We monitor and assess the potential future impacts that political and regulatory developments may have on our business. In particular, our Compliance team performs ongoing monitoring and assessment of any planned or actual changes in legislation pertaining to the insurance sector, including those related to climate change, and engages with impacted business areas to ensure compliance. The regulatory focus on how businesses in the financial services industry, including insurance companies, manage climate risk in both their business operations and investment portfolios is increasing.

We monitor changes in technology and societal adaptation to a lower-carbon economy that may change demand for particular products and present new product opportunities.

AXIS also closely monitors scientific literature on climate change, including reports by the IPCC, to identify transition risks to our business.

Liability Risks

Liability risks relate to losses or damages suffered by our insureds from physical or transition risks, such as losses stemming from climate-related litigation in liability lines.

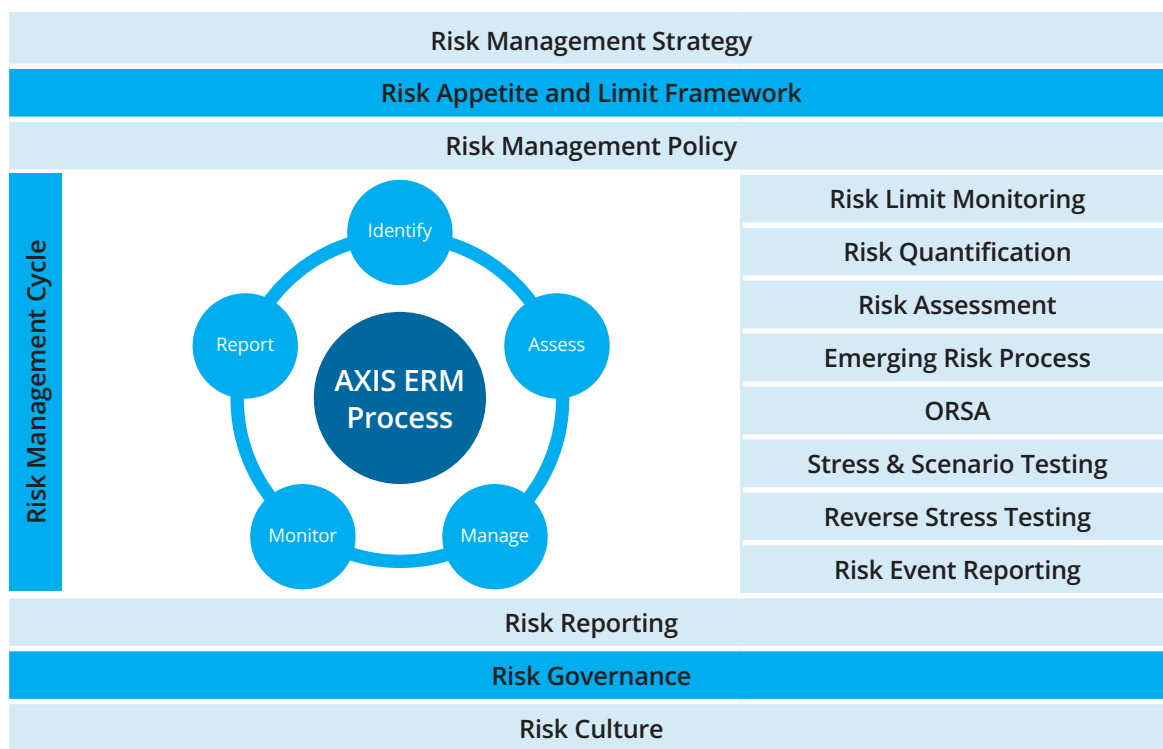
Although our liability exposure is considered limited at present, as the outlook for climate change litigation is highly uncertain, we monitor litigation trends to assess the potential impact of any developments on our businesses and overall risk mitigation strategies. In particular, we track ongoing litigation in the United States that seeks to compel companies to remedy their perceived contribution to climate change (i.e., mitigation costs, third-party property damage, etc.).

Approach to Managing Climate-Related Risks Within Overall Risk Management Framework

Processes for Risk Management

Our ERM framework is evolving and responds to changes in the Company’s internal and external environment to enhance value creation and remain relevant to the business. The implementation and oversight of the framework is the responsibility of the Risk team, which is led by our Chief Risk Officer.

The below diagram shows all the components of the Company’s ERM framework.



Climate-related risks and opportunities are overseen and managed as part of our ERM framework. For example, specific climate risk appetites are devised as part of our risk appetite framework, climate risks feature in our risk policies, we perform risk assessments and deep dives of climate risks and use stress and scenario testing to assess the impact of certain events on our portfolio.

How We Manage Climate-Related Risk

Firm Level

Our ERM framework manages environmental risks at the firm level over short-, medium- and long-term horizons and provides the Chief Risk Officer and Executive Committee with a consolidated view of AXIS' key risks.

Our ERM approach includes a distinct climate change risk management framework and a framework to create a holistic approach for managing climate-related risks. Environmental risks identified by the ERM framework are used to determine business lines and products, capital needs and reinsurance decisions.

Catastrophe models, as described above, also assist in managing our aggregate exposure to natural catastrophes and climate risk. These models assist us in monitoring our portfolio's exposure to risks for specific catastrophic events in peril regions.

Our catastrophe models also are taken into account in setting our long-term financial strategies and business objectives, including new product development. For example, AXIS is investing in growth areas such as renewable energy insurance, an area in which we have maintained our position as a top global insurer, particularly for wind, solar and battery storage facilities.

Policy- and Portfolio-Level

At the policy level, environmental risks, along with other relevant perils, are taken into account in pricing, coverage limitations and policy duration. Our catastrophe models inform our underwriting decisions, pricing and policy terms and reinsurance decisions.

The underwriting process, along with the environmental risk assessment, is specific to the risks to be insured. Our underwriting process factors in natural catastrophe exposure, along with any relevant risks. If the drivers of a risk change, we may update pricing, add contract endorsements or include exclusions to reflect the updated risk. Return on capital is a key metric incorporated into our underwriting decisions. Policies with more risk require a higher return on capital, along with higher premium levels.

Reinsurance

AXIS buys reinsurance and retrocessional cover (insurance against losses experienced within our insurance or reinsurance portfolio) to mitigate the financial impact of any covered catastrophe events. We cede catastrophe risk generally on a treaty basis (i.e., covering a portfolio of risks), buying both proportional and non-proportional coverages.

Under proportional treaties, AXIS cedes an agreed percentage of related premiums and losses and loss expenses on the policies underwritten. This includes both traditional quota shares with rated carriers and third-party capital quota shares that are capped at an upfront collateral amount. Under non-proportional excess of loss treaties, AXIS is covered for losses that exceed a specified threshold. In addition, AXIS uses catastrophe bonds to protect against certain weather-related losses in Europe and North America and enters into swap deals with third parties to diversify AXIS' catastrophe risk profile.

AXIS has a centralized risk funding department, which coordinates external treaty reinsurance purchasing (including retrocession) across the firm, and a separate AXIS Insurance-Linked Securities ("ILS") team, which coordinates the sourcing and structuring of third-party capital and ILS vehicles to support AXIS underwriting. Risk funding and AXIS ILS are overseen by our Reinsurance Purchasing Group ("RPG"). The RPG, which includes, among others, our Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Underwriting Officer and representatives from the business leadership team, approves each large catastrophe treaty placement, and aims to ensure that our risk tolerance and appetite and counterparty credit metrics are met, and that appropriate diversification exists within our approved counterparty panels. From time to time we make changes to our catastrophe reinsurance coverage as appropriate and in line with our risk appetite and reinsurance purchasing strategy.

Investment Process

AXIS ensures that our investment portfolio, which provides us with sufficient liquidity to meet our claims, is diversified by end-market, issuer, asset class, and type and duration of security. Our Investments team oversees asset allocation decisions and provides a consistent approach to building our investment portfolio and selecting our external asset managers. While our portfolio is generally short-dated (our fixed income securities had an average duration of three years as of December 31, 2021), we expect that the impact of climate change will be an increased factor in our investment decision-making over time, particularly with respect to longer-term asset classes. For additional information on how we consider ESG in our investment decisions, please refer to "Climate Strategy – Climate-Related Risks and Opportunities – Climate and Investment."

In addition, as noted above, AXIS has integrated ESG considerations into its due diligence process to evaluate investment managers. For information on our investment process and the integration of ESG considerations, please refer to “Climate Strategy – Climate-Related Risks and Opportunities – Climate and Investment.”

Stress Testing

An important component of our ERM framework is our Own Risk and Solvency Assessment (“ORSA”) process, which assesses our ability to meet solvency and liquidity requirements in stressed conditions, including climate change scenarios. The purpose of this process is to support short-term decision-making and longer-term strategic management and ensure AXIS has sufficient capital at all times in line with the Company’s risk appetite and solvency targets. A stress test aims to assess the impact of single events by evaluating a number of statistically defined possibilities. Stress and scenario tests are complemented by reverse stress testing, which is designed to help us understand what could cause the business model to become unviable in the short to mid-term.

The selected tests are reviewed and approved annually by the Risk Committee. The Risk function coordinates the stress and scenario testing exercise in conjunction with other key functions.

We also stress test our investment portfolios to account for various scenarios related to climate change. We use historical and hypothetical scenarios to analyze the impact of unusual market conditions and to ensure potential investment losses remain within our risk appetite.

Metrics and Targets

Metrics and Targets

AXIS is committed to accountability and transparency on ESG and climate-related matters. Since 2020, we have been proud signatories of the U.N. Global Compact and Principles for Sustainable Insurance and we report annually on our ESG achievements to those organizations. We also publish an annual SASB Disclosure Report.

Metrics Assessing Climate-Related Risks and Opportunities

We use a variety of metrics to assess climate-related risks and opportunities in line with our overall business strategy.

Probable Maximum Loss

As earlier described, we use our catastrophe models, combined with our judgment and experience, to calculate our net Probable Maximum Loss (“PML”) for a single natural peril catastrophe event for certain defined regional zones. We have developed PML estimates for various natural peril catastrophe events to assess our catastrophe exposure and inform our underwriting strategies.

The table below shows our net PML to a single natural peril catastrophe event within defined single zones that correspond to peak industry catastrophe exposures as of January 1, 2022 and 2021. The return period refers to the frequency with which losses of a given amount or greater are expected to occur. A zone is a geographic area in which the insurance risks are considered to be correlated to a single catastrophic event. Estimated losses from a modeled event are grouped into a single zone, as shown below, based on where the majority of the total estimated industry loss is expected to occur.

Net Probable Maximum Loss (PML) from certain peak industry catastrophe exposures

Territory		Estimated Net Exposures (millions of U.S. dollars)					
		January 1, 2022			January 1, 2021		
		50 Year Return Period	100 Year Return Period	250 Year Return Period	50 Year Return Period	100 Year Return Period	250 Year Return Period
<i>Single zone, single event</i>		\$	\$	\$	\$	\$	\$
Southeast	U.S. Hurricane	131	186	262	286	408	625
Northeast	U.S. Hurricane	39	115	238	42	115	262
Mid-Atlantic	U.S. Hurricane	71	193	362	90	263	520
Gulf of Mexico	U.S. Hurricane	119	164	234	175	263	431
Europe	Windstorm	90	124	165	136	182	240
Japan	Windstorm	75	144	166	113	186	220

As indicated in the table above, our modeled single occurrence 1-in-100 year return period PML for a Southeast hurricane, net of reinsurance, is approximately \$0.2 billion. According to our modeling, there is a one percent chance that, on an annual basis, our losses incurred from a Southeast hurricane event will exceed \$0.2 billion. Conversely, there is a 99% chance that, on an annual basis, the loss from a Southeast hurricane will fall below \$0.2 billion.

PMLs are based on results of stochastic models that consider a wide range of possible events, their losses and probabilities. It is important to consider that an actual event does not necessarily resemble one of the stochastic events and the specific characteristics of an actual event can lead to substantial differences between actual and modeled loss.

Our PML estimates are based on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from those set forth above. In addition, estimated net losses from peak zone catastrophes may change from period to period as a result of several factors, which include, but are not limited to, updates to vendor catastrophe models, changes in our internal modeling, changes in our underwriting portfolios, changes to our reinsurance purchasing strategy and changes in foreign exchange rates.

Catastrophe Losses

AXIS monitors and evaluates natural, man-made and other catastrophe losses to identify changes in frequency and severity. Estimated pre-tax catastrophe and weather-related losses, net of reinsurance and restatement premiums, for our insurance and reinsurance segments for the last three years are set forth in the table below. These are loss estimates as of December 31 of each year for catastrophe events occurring in that year, including the COVID-19 pandemic, as reported in our Investor Financial Supplement which is available on our investor relations website at www.investor.axiscapital.com.

(In millions)	Accident Year		
	2021	2020	2019
Segment			
Insurance	175	443	84
Reinsurance	268	330	252
Total	443	774	336

Climate Scenarios

As discussed above, AXIS analyzes climate scenario tests covering various natural catastrophe perils (U.S. Hurricane, E.U. Windstorm, U.S. Wildfire and Japan Typhoon). The outputs from climate scenario testing are used by AXIS to understand and assess our climate risk exposure and the potential financial impact covered events would have on AXIS' results of operations. These climate scenarios are implemented using third-party models by modifying the event sets.

Greenhouse Gas Assessments

We track our GHG emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and are using the results to identify opportunities to mitigate our footprint. The results of our 2021 GHG emissions assessment will be available at www.axiscapital.com.

Targets Addressing Climate-Related Risks and Opportunities

Goal-Setting

We are committed to the transition to a low-carbon economy. Our targets include:

- **Overall goal-setting:** AXIS is dedicated to reducing the environmental impact of our business, including our global carbon footprint. We actively track our Scope 1, Scope 2 and select Scope 3 GHG emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We are working diligently to set measurable goals for reducing our carbon emissions.
- **Thermal coal exit goal:** In response to the identification of the thermal coal and oil sands industries as particularly carbon intensive and susceptible to transition risk, AXIS created its Fossil Fuel Policy. As previously noted in this report, pursuant to this policy, AXIS committed to fully phase out thermal coal from its insurance and facultative reinsurance portfolios no later than 2030 in OECD countries and 2040 globally. Additionally, by the end of 2025, AXIS has committed to phase out any existing investments in companies in the thermal coal or oil sands industries that exceed its policy thresholds.

Important Legal Information

The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact of that information. Please refer to our periodic and other filings with the SEC, which are accessible on the SEC's website at www.sec.gov and our website at www.axiscapital.com, for additional information concerning AXIS Capital, including information which is more current than that contained in this report. This report should be read in conjunction with our filings with the SEC and the other information we publish.

In addition, this report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts included in this report, including statements regarding our estimates, beliefs, expectations, intentions, strategies or projections are forward-looking statements. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the United States federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as "may", "should", "could", "anticipate", "estimate", "expect", "plan", "believe", "predict", "potential", "intend" or similar expressions. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond management's control. These statements include, among other things, statements about our product offerings, catastrophe losses and modeling. Results may differ materially from those expressed or implied by forward-looking statements. Factors that can cause results to differ materially include those described under "Forward Looking Statements" in AXIS Capital's most recent Form 10-K and Form 10-Qs filed with the SEC and available on our website. AXIS Capital undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further, AXIS Capital has not and does not intend to independently verify third-party data contained in this report.