Our approach to climate change
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As an international insurer with insurance products covering a diverse portfolio including property, crop, energy, marine and aviation, QBE is acutely aware of the risks and opportunities that climate change presents for our customers and our business.

Increasingly unpredictable and potentially more severe weather-related events have the potential to cause significant economic and social consequences, as documented by the Intergovernmental Panel on Climate Change (IPCC) and other authorities.

Across our operations, and in the decisions we make about where to invest or which risks we choose to underwrite, we have developed a detailed approach for how we manage climate-related risks. We have summarised these in the following pages, and we have provided links to our Annual and Sustainability Reports where you will find further information.

Much of our work in this area is guided by our Climate Change Action Plan which aligns with our support for the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). We first published this plan in August 2018. It commits QBE to a range of actions over three years from 2018-2020, across governance, strategy and risk management. It also commits us to produce metrics and targets for how we manage climate risk and opportunities across our business.

We are already well advanced on this plan, with a range of measures already taken, including in our investments and underwriting portfolios. For example, due to the high emissions intensity of thermal coal, we will target zero direct investment in the thermal coal industry by 1 July 2019.

We are also reducing our exposure to thermal coal projects in our underwriting portfolio. From 1 July 2019, QBE will exclude any new direct insurance services for new construction projects for thermal coal mines, coal power stations or coal transport infrastructure. At the latest, by 1 January 2030, QBE will have phased out all direct insurance services for thermal coal customers, except for statutory or compulsory insurance.

These are important steps that align with our support for the objectives of the international climate agreement developed at the 2015 Paris Conference, which aims to limit global warming to well below 2°C.

We are working closely with our customers in a variety of sectors, and around the world, to support their transition to a lower carbon economy. This is consistent with our role to financially protect assets and people, to enable recovery from extreme weather events and other risks, and to support economic activity for the communities in which we operate. Our renewable energy portfolio continues to expand and includes a range of innovative projects such as floating solar farms across Vietnam and Korea.

As an investor, we actively support renewable energy projects and other technologies, both directly and through green finance vehicles in our wider portfolio and our innovative investment program, Premiums4Good. You can read more about this work on page 12.

We are also actively managing our own operational footprint. In 2018, we achieved carbon neutrality for our business operations through the Qantas Future Planet program. One of the projects we support through this program is the Babinda Reef Project, which revegetates and protects native forests and catchments of the Great Barrier Reef.

QBE is committed to playing its part in addressing the global challenge of climate change. We will continue to deliver our Climate Change Action Plan as we work closely with our customers, partners and the wider finance industry to develop innovative solutions.

I look forward to providing further updates as we progress.

Pat Regan
Group Chief Executive Officer
About QBE

QBE is a general insurance and reinsurance company. Across our operations, we offer commercial, personal and specialty products and risk management solutions to our customers. Our purpose is to give people the confidence to achieve their ambitions.

QBE is listed on the Australian Securities Exchange (ASX) and headquartered in Sydney. We employ more than 12,000 people in over 31 countries.

2019 priorities

In 2019, we have a clear set of strategic priorities that build upon the progress we made in 2018, to further drive performance and position QBE for long term growth.

- **Deliver the 2019 plan**
  Continue to drive a rigorous performance management focus through cell reviews and deliver our 2019 target combined operating ratio. Reduce operational costs by $130 million (net) over a three-year period.

- **Brilliant Basics**
  Drive the next phase of the Brilliant Basics agenda, building on our early successes in upgrading our capabilities in the core areas of underwriting, pricing and claims. Further enhance our underwriting governance and pricing capability through the newly established Group Chief Underwriting Office.

- **Future focus**
  Build a successful QBE for the future and a strong platform for sustainable and targeted growth. Leverage our enhanced data and analytics capabilities, technology roadmap and leading Insurtech partnerships. Continue our focus on reducing complexity, increasing automation and simplifying processes.

- **Talent and culture**
  Bring our QBE DNA to life, which is essential to our ability to deliver for our people, customers, communities and our shareholders. Reward and celebrate our people and create an environment that supports diversity, inclusiveness and flexibility.

- **Customer focus**
  Bring our new customer commitment program to life, delivering a consistent level of outstanding service to our customers and partners. Through technical expertise and know-how, we will provide solutions for our customers’ current and emerging needs.

- **Managing risk**
  Build a stronger and more resilient QBE by continuing to invest in managing our risks in an increasingly dynamic environment.

- **Operating sustainably**
  Continue our focus on sustainability and making positive contributions where we operate by working with our customers, partners and communities to address key economic, social and environmental issues.

For more information see:
- QBE Insurance Group
- Our approach to climate change

- About QBE on our website
- 2018 Annual Report

QBE Insurance Group
Our approach to sustainability

A focus on sustainability is essential to our ability to deliver on our purpose and make a positive contribution to the economies and communities in which we operate.

Our Sustainability Framework helps us identify opportunities and manage risks across the areas of sustainability that are most important to our business and stakeholders. This includes current and emerging environmental, social and governance (ESG) considerations, including climate change. By building these considerations into our decision making, we can also help our customers manage their risks through our products and services.

We support the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which arose through collaboration between governments, civil society, the private sector and academia. The SDGs seek to address the world’s most pressing environmental and social challenges and form part of the wider 2030 Agenda for Sustainable Development.

All of the 17 SDGs are relevant to our business. However, we contribute to the achievement of some SDGs more directly than others. We have therefore chosen to focus our actions on five goals which align most closely to our purpose and strategic business priorities. This is where we can have the greatest impact. One of our five priorities is SDG 13 - Climate Action.

For more information see: 2018 Sustainability Report

QBE Insurance Group Our approach to climate change
Climate change

From increasingly extreme weather events, to sea level rise and the risk of catastrophic flooding, climate change is a global challenge that has the potential for significant economic and social consequences.

We believe in the scientific evidence from the Intergovernmental Panel on Climate Change (IPCC), which also outlines the risks to people’s health, livelihoods, availability of food and water, and safety if ambitious action is not taken.

Climate change is a material risk for our business and we are committed to playing our part in global efforts to address climate-related risks and decarbonise the economy.

The Paris Agreement on Climate Change

We support the international climate agreement developed at the 2015 Paris Conference. This agreement united 195 countries in a single agreement to each restrict temperature rises in this century to well below 2°C to mitigate against the impacts of climate change.

Each country has submitted a pledge or Nationally Determined Contribution (NDC). Plans have been developed to reduce greenhouse gas (GHG) emissions and each country will report on implementation.

To achieve the Paris Agreement, emission reductions will be required in multiple sectors of the economy. Some sectors, such as energy and utilities, are able to reduce emissions faster than other sectors because of the availability of alternative technology such as renewable energy. Electric vehicles powered by renewable energy can also reduce emissions from transportation. Other sectors face more difficult challenges, where they are yet to find viable substitutes.
Climate risk and the insurance sector

As an international insurance company our role is to financially protect assets and people, to assist recovery from extreme weather events and other risks, and to support economic activity for the communities in which we operate.

Climate change is likely to increase the risk of extreme weather events and we can respond through our role as risk managers, underwriters and investors.¹

Risk managers

Advising our clients on how to reduce their exposure to extreme weather events and helping them recover when they happen.

Underwriters

Providing financial protection for homes, businesses and communities from increased extreme weather events.

Investors

Investing in renewable energy and other technologies to assist in the transition to a lower carbon economy, and in adaptation measures to improve the resilience of our communities.

¹ Sustainable Insurance: Turning environmental, social and governance challenges into sustainable opportunities.

QBE Insurance Group Our approach to climate change
Climate-related risks

The Task Force on Climate-related Financial Disclosures (TCFD) made 11 recommendations for how companies can report useful information on climate-related financial risks and opportunities.

These recommendations were designed to provide consistency in how companies report to investors, lenders, insurers, and other stakeholders, and are structured around four core elements – governance, strategy, risk management, and metrics and targets. Climate-related risks are identified across three main categories: physical, transition and liability.

Our Climate Change Action Plan sets out how we will implement the recommendations and describes our progress in meeting our commitments.

The recommendations also outline the opportunities presented by climate change to build a sustainable global economy. By working with our customers and other stakeholders, we are building on our products and advice services to support the transition to a lower carbon economy.

Physical risk

Physical risks arise from increased damage and losses resulting from the physical world. They can be associated with long term climatic trends such as sea-level rise, and extreme heat waves, or be event-driven, such as bushfires, hail, storms, floods, tropical cyclones and hurricanes. By offering insurance products such as property, crop, marine, aviation and lenders’ mortgage insurance (LMI), our business is exposed to these climate-related physical risks.

Transition risk

Transition risks arise from the transition to a lower carbon economy, with the costs of business or the value of assets being affected. They are most likely to result from changes in policy (e.g. carbon pricing), technological innovations (e.g. new lower emissions products), or market shifts (e.g. increases in the costs of raw materials). As a result of these changes, the insurance needs of our customers are changing, and we are seeking to increase our range of products to support them.

Liability risk

As climate change impacts become more apparent, parties who have suffered loss and damage from climate change could seek recovery from parties they believe responsible. Organisations who do not reasonably manage the risks connected to climate change, or who report inaccurate or misleading information on climate-related risks could be exposed to liability. Any successful actions could potentially lead to responsible parties seeking to recover these costs under insurance polices. We do not currently regard liability risk to be significant but continue to closely monitor developments in this area.
What we are doing

Consistent with our Climate Change Action Plan, we have already made a number of important changes to how we work across governance, risk management and underwriting, our investments, our people and operations, and through our climate partnerships for impact. The following pages outline the actions we have already taken and the work we have planned across these key areas.

For more information see: Our Climate Change Action Plan in our 2018 Annual Report.
Taking the time to set up a robust governance structure is an important part of the TCFD recommendations.

At QBE we have taken steps to strengthen how we govern climate-related risks and opportunities.

Following a detailed review of our existing governance frameworks, we developed a matrix that outlines all the activities required to implement the TCFD recommendations and assigned the people needed to be either responsible, accountable, consulted or informed for activity and decisions.

Oversight of climate-related issues and the implementation of our Climate Change Action Plan starts with our Group Board. The diagram opposite summarises how oversight and management is then cascaded through the business. Further detail is outlined in our 2018 Annual Report.

For more information see:
2018 Annual Report

QBE Insurance Group  Our approach to climate change
Risk management and underwriting

In fulfilling our role to financially protect people and assets, we are committed to embedding sustainability into our decision-making and actively managing climate-related risks and opportunities.

Our Group Energy Policy
In line with our Climate Change Action Plan, we have completed a review of our energy portfolio and published a QBE Group Energy Policy. This Policy aims to provide shareholders, customers and the wider community with a clear explanation of QBE’s approach to investing and underwriting energy projects, now and into the future. It also details our commitment to support our customers in the transition to a lower carbon global economy.

What we’ve achieved

- Created a Climate Change Working Group (CCWG) which brings together senior experts from across our business to manage climate-related risks and opportunities
- Conducted a high level review of our exposure to climate-related physical, transition and liability risks across the business – this work informed the development of our Climate Change Action Plan
- Recruited a new ESG Risk team to support our CCWG and drive ongoing identification, analysis, management and reporting on climate-related issues
- Updated our risk management strategy and relevant policies to ensure inclusion of climate-related risks and how we manage them
- Initiated a detailed review of priority underwriting portfolios, starting with energy, and published a new Group Energy Policy (See left)
- Provided a range of solutions that supported our customers to manage climate-related risks and their transition to a lower carbon economy

How we will continue to take action

- Further detailed analysis of priority underwriting portfolios, building on the energy review we commenced in late 2018
- Ongoing participation in the insurance industry TCFD pilot group alongside 17 other leading global insurers and reinsurers aiming to develop the tools and standards for scenario analysis
- Review our underwriting strategy in line with outcomes of work outlined above
- Develop metrics and targets to measure and monitor our exposure to climate-related risks and enhance our strategy to manage these risks
- Work with our customers to help them transition to a lower carbon economy
- Continue our partnership with GCube in Europe, a specialist provider of renewable energy insurance services helping asset owners to identify, quantify, mitigate and insure risk efficiently and cost-effectively
- Continue to report on our progress through our external reporting

For more information see:
Climate change on our website
Group Energy Policy

QBE Insurance Group Our approach to climate change
Investments

As a global investor we believe that integrating responsible investing into investment decisions is good for long-term, risk-adjusted financial returns, and aligns to our stakeholders expectations.

What we’ve achieved

- Applied the 2°C Investing Initiative (2°ii) Paris Agreement Capital Transition Assessment Tool (PACTA) to confirm our credit portfolio is aligned to the Paris Agreement, both now and in five years’ time
- Analysed our investment portfolio to assess coal-specific transition risks which confirmed that we have 0.5% of our total investment portfolio in the thermal coal industry
- Strengthened our external fund manager reviews and extended the annual ESG review for all existing managers - 85% of our external managers are signatories to the Principles for Responsible Investment (PRI)
- Joined the Global Real Estate Sustainability Benchmark (GRESB) as an investor member in 2018. Analysis indicated that the weighted average for our property portfolio is GRESB 4 Star, which is in the top quartile
- As at 31 December 2018, we had over US$350 million in green finance, including sustainable energy, in both our wider portfolio and through our impact investment program

How we will continue to take action

- Increase our environmental impact investments in line with our ambition to grow our overall impact investments to US$1 billion by 2021
- Target zero direct investment in the thermal coal industry by 1 July 2019 as per our Group Energy Policy
- Ongoing engagement with our external fund managers and industry on material sustainability issues, including climate-related risks and opportunities
- Participate in the Principles for Responsible Investment (PRI) 2°C Scenario Analysis Pilot alongside peers to review and compare risk in portfolios
- Continue to identify opportunities to support SDG 13 - Climate Action through our thematic investment activities

What is Premiums4Good?

Premiums4Good™ is a pioneering initiative which enables our customers to make a difference by directing a proportion of their insurance premiums to investments with an additional social or environmental benefit. We have invested in a number of green bonds and climate finance projects, including a forest bond delivered by the IFC (International Finance Corporation).

I’m really proud to strengthen our intent towards impact investments. Not only have we set ourselves a grand ambition to invest US$1 billion, but we’ve committed to taking an impact-preferred approach to our extensive investment portfolio every day - in addition to Premiums4Good.”

Gary Brader, Group Chief Investments Officer

For more information see:
The Responsible Investments section of our 2018 Sustainability Report further outlines our aim to contribute to sustainable development and social wellbeing as a global investor.

Group Energy Policy

QBE Insurance Group Our approach to climate change
Our people and operations

We are focused on raising awareness amongst our people on climate change, and managing our operations to reduce our impact on the environment.

What we’ve achieved

Our people

- Regularly engaged with the Board and executive management on climate-related risks and opportunities
- Provided learning and development opportunities such as:
  - Directors, executives and practitioners attended specific leadership programs e.g. University of Cambridge Institute for Sustainability Leadership
  - Involved in a wide range of external conferences and events as speakers, sponsors and/or participants
  - Ran a series of internal information sessions with guests from organisations such as the Bureau of Meteorology and the Investor Group on Climate Change

Our operations

- Disclosed our operational greenhouse gas (GHG) emissions since 2015
- Decreased our Scope 1 and 2 GHG emissions by 37% between 2014 to 2018
- Achieved carbon neutrality for our business operations through reducing our air travel, and purchasing offsets through the Qantas Future Planet program
- Outlined minimum sustainability requirements through our Supplier Sustainability Principles

How we will continue to take action

Our people

- Regular ongoing discussions with our board and executive management on evolving climate risks and progress in delivering our Climate Change Action Plan
- Provide our leaders and employees with ongoing learning and development opportunities related to climate change
- Deliver experiential learning opportunities e.g. we are providing employees opportunities to attend climate research expeditions with the Earthwatch Institute

Our operations

- Investigate opportunities to increase the amount of renewable energy we use across our global operations, starting with sourcing 50% GreenPower for five key Australian office buildings
- Commitment to reduce air travel by 20% by 2021 (from a 2017 baseline)
- Review our operational footprint to identify further environmental performance improvement opportunities
- Continue to disclose our operational performance in our annual Sustainability Report
- Work with our supply chain partners to achieve our objectives and ensure alignment with our Supplier Sustainability Principles

Carbon neutrality

47,273 tonnes CO₂-e offset through the Qantas Future Planet program

For more information see:
The People and Culture and Operational Excellence sections of our 2018 Sustainability Report.

QBE Insurance Group Our approach to climate change

1 Scope 1 are direct emissions related to company car fuel consumption and natural gas heating. Scope 2 are indirect emissions related to electricity consumption.
Climate change is a global challenge requiring the collaborative efforts of a range of stakeholders to minimise economic disruption and deliver an orderly transition to a lower carbon economy. We engage in climate-related partnerships for impact, working with government, industry, customers and community groups. We outline some of these partnerships to the right.

**Sustainability memberships**
- Member of the United Nations Environment Programme Finance Initiative (UNEP FI) and a signatory to both the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI)
- Member of the Business Council for Sustainable Development Australia
- Member of the Global Real Estate Sustainability Benchmark (GRESB)
- Member of the Responsible Investment Association Australasia (RIAA)
- Member of the Investor Group on Climate Change (IGCC)

**Industry collaboration**
- Participate in PSI-led initiatives including the:
  - TCFD insurer pilot group for scenario analysis
  - ESG Underwriting Standards working group
- Participate in the PRI 2°C Scenario Analysis Pilot
- Member of the Australian Sustainable Finance Initiative, a collaboration between the finance community, regulators, civil society and academia to develop a sustainable finance roadmap

**Innovation partners**
- Invest in innovative start-ups such as Jupiter, an emerging leader in providing data analytics to better predict climate-related risks
- Work in partnership with GCube, a specialist provider of renewable energy insurance services
- Partner with The Climate Corporation to enhance digital reporting capabilities for farmers in the United States

**Industry associations**
- Chair the Actuaries Institute’s Climate Change Working Group
- Member of the Climate Change Action Committee of the Insurance Council of Australia
- Present at conferences such as the 2018 Insurance ERM, Insurance and Climate Risk EMEA conference

**Government**
- Regularly engage with regulators and with governments, including through participation in consultation processes
- Ongoing participation in the Australian Government’s National Resilience Taskforce to develop a framework for financing adaptation and resilience

**Society**
- Engage directly with charities, interest groups and other community representative groups
- Support scientists in their research into the effects of climate change in partnership with Earthwatch Institute
- Support carbon offset projects that provide both environmental and social benefits through the Qantas Future Planet program
More information

Our website
Climate change on our website
2018 Annual Report
2018 Sustainability Report
Group Energy Policy