



Our approach to climate change

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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.

In January 2022, we launched our new vision and purpose. Our vision is to be the most consistent and innovative risk partner and our purpose is to enable a more resilient future.

QBE is listed on the Australian Securities Exchange (ASX) and headquartered in Sydney. We employ over 11,000 people in 27 countries.

 For more information see:
[About QBE on our website](#)



Foreword

As an international insurer and reinsurer, we see first-hand the impacts of climate change on our customers and communities. Climate change presents a material risk for our customers, our economies and our business, but it's also driving innovation and new opportunities.

As a company that helps people and businesses protect themselves from risk, QBE has a strong focus on sustainability. We know that it is an integral part of achieving our purpose, understanding the needs of our customers, and ensuring the future sustainability of our own business.

At QBE, we believe we must take action to make change and transition to a net-zero economy. We report on our progress in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations as part of our [Annual Report](#).

We have committed to be a net-zero emissions organisation by 2050 across our underwriting and investments, and net-zero by 2030 across our global operations.

This is demonstrated through the commitments as members of the UN-convened Net-Zero Asset Owner Alliance and the UN-convened Net-Zero Insurance Alliance (NZIA)¹. We continue to maintain carbon neutrality and have set a new commitment to achieve net-zero emissions (Scope 1 and 2) across our operations globally by 2030. We have also met our RE100 target and sourced 100% of our global electricity from renewable sources for our operations globally, ahead of our target year of 2025².

We are proud of our innovative investment program, Premiums4Good, which supports our drive towards investments with additional social or environmental benefits, such as social impact bonds, green bonds, and infrastructure. Our ambition is to grow our impact investments to US\$2 billion by 2025, a goal that we are well on our way to meeting.

As experts in risk management, we aim to work more closely with customers around the world, supporting their transition to a net-zero economy and improving their resilience to a changing climate for their benefit and that of our business, environment, economy and society.

We also remain focused on the opportunities created through climate change and the decarbonisation of our economy.

¹ These commitments set out a general framework, with the detailed implementation yet to be determined. This will be developed in accordance with competition laws and other applicable laws and regulations.

² In 2021, we aligned our reporting to the RE100. RE100's calculations (as per RE100 Materiality Threshold guidance) exclude electricity use from countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity. The exclusion equated to 0.5% of our global electricity use in 2021.

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.

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 urgent environmental and social challenges and form part of the wider 2030 Agenda for Sustainable Development.

One of our five priority SDGs is SDG 13 - Climate Action: Take urgent action to combat climate change and its impacts. In 2021, it was identified as the most material topic for our stakeholders as outlined in our [Sustainability Report](#).

Our Sustainability Framework helps us drive performance, 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, particularly climate change. By building these considerations into our decision making, we can also help our customers manage their risks through our products and services.

i For more information visit our [website](#)



Sustainability Framework



Climate change

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

We recognise the scientific evidence from the Intergovernmental Panel on Climate Change 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 presents material risks and opportunities 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 Paris Agreement and its objective to limit global temperature rises to well below 2°C to mitigate against the impacts of climate change.

As a signatory to the Net Zero Insurance Alliance¹ we seek to measure insured emissions and set science based targets every 5 years that are consistent with a 1.5°C net-zero transition pathway by 2050 and the IPCC Special Report which highlights the need for a 50% reduction in greenhouse gas emissions by 2030.

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 viable substitutes are yet to be developed.

Our new Environmental and Social Risk Framework became effective from 1 January 2022 and our focus has been on integrating this into our business over the last year. The framework further supports the integration of ESG considerations into our core business and helps improve transparency for our customers. Through our positions in the framework, we have committed to reduce our exposure to higher transition risks in the energy sector including no new coal and oil sands projects, and only supporting oil sands and Arctic drilling where the company is on a pathway consistent with achieving the Paris Agreement objectives.

QBE has a diverse and international portfolio of customers in the energy sector, and we are committed to working with them to support a shift to more sustainable business models and reducing the emissions intensity across the economy.

An exclusionary approach to all fossil fuel-related activity on a categorical basis does not represent an orderly path to a net-zero economy. Gas continues to be an important transition fuel and oil has a role in many transport sectors, in addition to its inclusion in many industrial processes, until viable alternatives are available. We need energy that is reliable, safely produced and affordable as well as clean. We continue to support a smooth transition pathway and new business models that are being implemented at pace, particularly where this is towards renewable energy.

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 net-zero emissions economy. We engage in climate-related partnerships for impact, working with government, industry, customers and community groups.

In January 2022, we launched a sustainable energies unit in our International business to support customers as they transition to lower carbon energy. The unit will align QBE underwriting to the growing range of companies and energy systems that form part of a rapidly changing energy mix throughout the world. Projects include hydrogen, ammonia, hydro, solar, fixed and floating wind-power and carbon capture and sequestration.



¹ These commitments set out a general framework, with the detailed implementation yet to be determined. This will be developed in accordance with competition laws and other applicable laws and regulations.

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.

The affordability and access of insurance products across the globe is closely linked to how climate change risks are managed. A more resilient built environment and reductions in GHG emissions are critical to the sustainability of the global insurance sector over the longer term.

QBE is supporting an orderly transition to net-zero emissions through our own operations, investment, underwriting and advocacy through our climate partnerships for impact.



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.

Underwriting in renewable energy and other technologies to assist in the transition to a net-zero economy.

Investors

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

Advocacy

We actively participate in and enable climate partnerships for impact. The resilience of our customers, community and our business requires collaborative efforts.

Integrating climate risks and opportunities across our business

We continue to embed climate change into governance, strategy and risk management across our underwriting, our investments, our people and operations, and through our climate partnerships for impact. The following pages outline some of the key activities we have taken across these key areas.



Governance

> [Read more](#)



Risk management and underwriting

> [Read more](#)



Investments

> [Read more](#)



Our people and operations

> [Read more](#)



Climate partnerships for impact

> [Read more](#)

i For more information see our:
[Annual Report and Sustainability Report](#)





Governance

Taking the time to set up a robust governance structure is an important part of the TCFD recommendations.

Our climate governance framework clearly defines the roles and responsibilities for effective oversight and management of climate-related risks and opportunities at the Board and senior management levels.

We have 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.

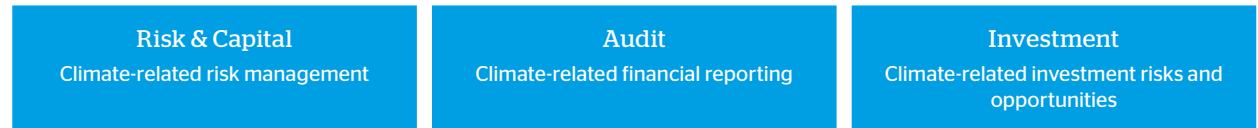
Oversight of climate-related issues starts with our Group Board. The diagram opposite summarises how oversight and management is then cascaded through the business.

i For more information see our: [Annual Report](#)

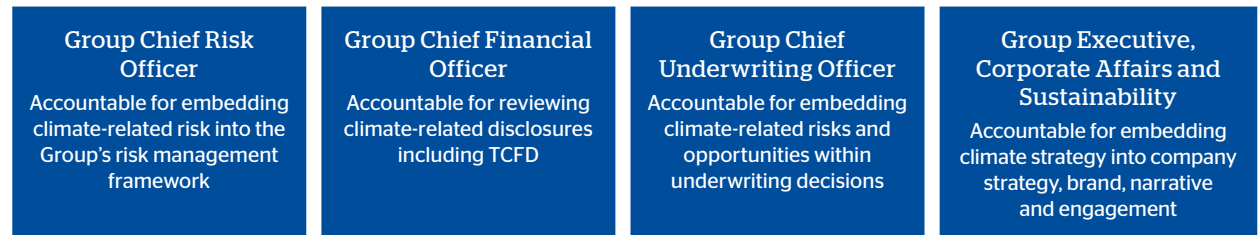


Climate governance framework

Board



Group Executive Committee



Executive Risk Committee

Accountable for overseeing the integration of ESG risk into business processes

GEC Environmental and Social sub-committee



ESG Risk Committee

Reviews ESG business policies and strategies, including climate-related policy positions, and provides recommendations to the Executive Risk Committee for approval

Climate Change Working Group

Oversees the identification and management of climate-related risks and opportunities, reporting and working group activities



Risk management and underwriting

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

i Further information and detailed disclosures around our risk management and underwriting can be found in our [Annual Report](#) and [Sustainability Report](#).



What we've achieved

- ✓ Joined the UN-convened Net-Zero Insurance Alliance¹, committing to transitioning to a net-zero economy. We have pledged to achieve net-zero emissions in our underwriting portfolio by 2050.
- ✓ A member of the collaborative NZIA and Partnership for Carbon Accounting Financials insured emissions working group, focused on developing an industry methodology to assess the carbon intensity of underwriting portfolios.
- ✓ Conducted detailed analysis of our exposure to climate-related transition, physical and liability risks across the business.
- ✓ Developed an ESG Risk Standard, as part of our Strategic Risk Policy, which outlines the process of identifying and managing ESG risks, including climate change, across the business.
- ✓ Updated our Group Underwriting Standards, to align with our new Environmental and Social Risk Framework which include identifying and integrating ESG issues into risk management and underwriting decision-making processes.
- ✓ Contributed to the UNEP FI PSI Initiative to pilot the TCFD recommendations for the insurance industry.
- ✓ Offered a range of solutions to support our customers' transition to a low-carbon economy and manage the risks associated with climate change. We continue to work closely with our customers to understand their evolving needs.
- ✓ Continued to grow our renewable energy portfolio across solar, wind, hydro, biomass and biofuels.
- ✓ Member of the CRO Forum, a high-level discussion group for chief risk officers.

Environmental and Social Risk Framework

Our Environmental and Social (E&S) Risk Framework helps us identify and mitigate risks across our underwriting and investment portfolios. The following issues and sectors are included in the E&S Risk Framework:

- ▶ biodiversity and protected areas
- ▶ forestry
- ▶ fishing
- ▶ defence
 - controversial weapons
 - firearms
- ▶ energy
 - coal
 - oil sands and Arctic drilling
 - oil and gas
- ▶ mining; and
- ▶ large-scale hydropower dams.

The E&S Risk Framework came into effect on 1 January 2022. In line with our commitments to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI), the E&S Risk Framework further supports the integration of ESG considerations into our underwriting and investment and increases transparency with our customers.

i The E&S Risk Framework is available here: www.qbe.com/investor-relations/corporate-governance/global-policies

¹ These commitments set out a general framework, with the detailed implementation yet to be determined. This will be developed in accordance with competition laws and other applicable laws and regulations.



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.

Net Zero 2050 intermediate targets

Carbon intensity reduction

↓ 25% by 2025 of our Scope 1 and 2 emissions in our equity portfolio

Engagement

All external managers across our investment portfolio **20 highest emitters** in our investment grade corporate credit portfolio

Financing the transition

↑ 5% by 2025 of AUM in climate solutions investments



What we've achieved

- ✓ Increased our environmental impact investments in line with our ambition to grow our overall impact investments to US\$2 billion by 2025.
- ✓ Investing in Australia's first climate, equity-linked green bond, in collaboration with BNP Paribas, the Clean Energy Finance Corporation and Aware Super. The eight-year BNP Equity-Linked Green Bond has a fixed coupon component and a variable component to the return.
- ✓ The variable portion is linked to a forward-looking climate index called the Australian Climate Transition Index.
- ✓ Applied the 2° Investing Initiative (2°i) Paris Agreement Capital Transition Assessment (PACTA) tool to confirm our investment grade corporate credit portfolio is aligned to the Paris Agreement.
- ✓ Completed carbon footprinting of our investment grade corporate credit portfolio based on weighted average carbon intensity. The portfolio's exposure to carbon risk is low and is well positioned for the transition to a low carbon economy relative to the broader corporate bond market.
- ✓ Leveraged our catastrophe models to analyse the exposure of our investments in unlisted property funds to physical climate risks.
- ✓ Ongoing engagement with our external fund managers and industry on material sustainability issues, including climate-related risks and opportunities.

Investment portfolio committed to net-zero emissions by 2050

We have committed to achieving net-zero emissions by 2050 in our investment portfolio and became the first Australian-headquartered insurance business to join the UN-convened Net-Zero Asset Owner Alliance.

Over the coming years, we will explore strategies and approaches to align our investment portfolio with the objective of the Paris Agreement to be net-zero emissions by 2050.

Mitigating climate and disaster risks requires strong collaboration between governments, industries and communities. We will seek to play an active role in advocating for our customers, encouraging the development of environmentally-friendly technologies and investing for the future.

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).

For more information about investments that help finance the transition to a net-zero economy see our [Premiums4Good Investment Impact Report](#).

i For more information see: the **Impact and Responsible Investments** section of our [Sustainability Report](#).



Our people and operations

We continue to drive improvements in our environmental performance by integrating resource efficiency considerations into our strategic and operational business decision making, transitioning to renewable energy sources and inspiring our employees to take action.

i For more information see: [the QBE Sustainability Report](#)



What we've achieved

Our people

- ✓ As working remotely for part of the week becomes our 'new normal', raising our employees' awareness on how to reduce their environmental impact at home has become more important than ever. We have found novel ways to engage our employees through competitions and conversations with external experts on best practice.
- ✓ Across our divisions, we provided resources to promote more sustainable lifestyles for our employees.
 - We celebrated World Environment Day and World Oceans Day. Across our operations we organised webinars addressing a range of topics including energy reduction around the home, climate change and our unsustainable reliance on single-use plastic consumer products.
 - Our GSSC formed Team Verde, a multi-functional working group aimed at promoting a more sustainable lifestyle for the employees in Philippines.

Our operations

We have committed to reaching net-zero emissions for our operations by 2030, through:

- ✓ Continuing to use 100% renewable energy for our global operations.
- ✓ Maintaining carbon neutrality.
- ✓ Reducing our Scope 1 and 2 GHG emissions¹ by 30% by 2025 (from 2018 levels). This is a 1.5°C trajectory aligned science-based target.
- ✓ Reducing our energy use by 25% by 2025.

Getting to net-zero will require ongoing work to optimise the energy efficiency of our buildings, transitioning our fleet to hybrid and, when feasible, fully electric vehicles.

Meeting RE100

We joined the RE100 initiative in 2019 and became the first Australian-headquartered insurer to do so. By joining we committed to sourcing 100 per cent renewable electricity across our global operations by the end of 2025, and in 2021, met this target² four years ahead of our target date.

We continue to maintain carbon neutrality and have set a new commitment to achieve net-zero emissions (Scope 1 and 2) across our operations globally by 2030. Led by The Climate Group in partnership with the CDP, RE100 brings together more than 300 of the world's most influential businesses committed to 100 per cent renewable electricity and accelerating change towards zero carbon grids, at a global scale.

i Further detail on our targets and our progress towards them can be found in our [Sustainability Report](#).

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.
² In 2021, we aligned our reporting to the RE100. RE100's calculations (as per RE100 Materiality Threshold guidance) exclude electricity use from countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity. The exclusion equated to 0.5% of our global electricity use in 2021.



Climate partnerships for impact

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 net-zero economy. We engage in climate-related partnerships for impact, working with government, industry, customers and community groups.

These partnerships enable advocacy for emissions reduction and adaptation of our built environment, both important to managing climate change risks and keeping insurance accessible and affordable.

Climate-related memberships and initiatives

- Actuaries Institute Climate Change Working Group
- Australian Sustainable Finance Institute
- CDP
- ClimateWise
- CRO Forum
- Investor Group on Climate Change
- Insurance Council of Australia - Climate Change Action Committee
- RE100
- UN Global Compact
- UN-convened Net-Zero Asset Owners Alliance
- UN-convened Net-Zero Insurance Alliance¹
- United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance
- UNEP FI Principles for Responsible Investment

UN-convened Net-Zero Insurance Alliance¹

As a global insurer, we recognise that the insurance industry has a key role in supporting the transition to a net-zero economy. This is why we have joined the Net-Zero Insurance Alliance (NZIA) and committed to transition our underwriting portfolio to net-zero greenhouse gas emissions by 2050.

We are a member of the NZIA insured emissions working group in collaboration with the Partnership for Carbon Accounting Financials, to develop a methodology to assess carbon intensity of underwriting portfolios.

UN-convened Net-Zero Asset Owner Alliance

In 2020, we committed to achieving net-zero emissions by 2050 in our investment portfolio and became the first Australian-headquartered insurance business to join the UN-convened Net-Zero Asset Owner Alliance. Joining the Alliance means QBE will take into account the best available scientific knowledge and collaborate with other global institutional investors on developing standard industry frameworks. We have set intermediate targets as outlined in our annual reporting suite.

Insurance Council of Australia - Climate Change Action Committee

QBE is a member of the Insurance Council of Australia's Climate Change Action Committee (CCAC) and its sub committees.

The CCAC collaborates with stakeholders and partners on initiatives designed to support community resilience in a changing climate and the transition to a low carbon economy.

In 2021, the work of the Committee resulted in the release of the ICA's Climate Change Impact Series of reports and industry engagement forums including a Principles for Sustainable Insurance webinar co-hosted with QBE.

Australian Sustainable Finance Institute

In Australia, QBE has funded and been an active participant at all levels of the Australian Sustainable Finance Institute (ASFI). ASFI has developed a roadmap that recommends pathways, policies and frameworks to enable the financial services sector to contribute more systematically to transition to a more resilient and sustainable economy, consistent with global goals such as the SDGs, the Paris Agreement on climate change and the Sendai Framework on Disaster Risk Reduction 2015-2030.

The QBE Foundation and climate resilience

The QBE Foundation has developed a new strategic framework with the overarching theme of creating strong, resilient and inclusive communities. Climate resilience is one of two pillars of focus, alongside inclusion. The objective is to provide support and mitigation options for communities to become more resilient and prepared for climate impact.

Our global disaster relief and resilience partnerships with Red Cross and Save the Children enable the rapid mobilisation of support for disaster relief activities in response to catastrophic events, and support disaster preparedness and climate resilience initiatives for vulnerable communities around the world.



¹ These commitments set out a general framework, with the detailed implementation yet to be determined. This will be developed in accordance with competition laws and other applicable laws and regulations.



More information

For more information see:
[About QBE and
Financial Reports and Presentations](#)
on our website.

www.qbe.com